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17 **UNITED STATES DISTRICT COURT**
 18 **CENTRAL DISTRICT OF CALIFORNIA**

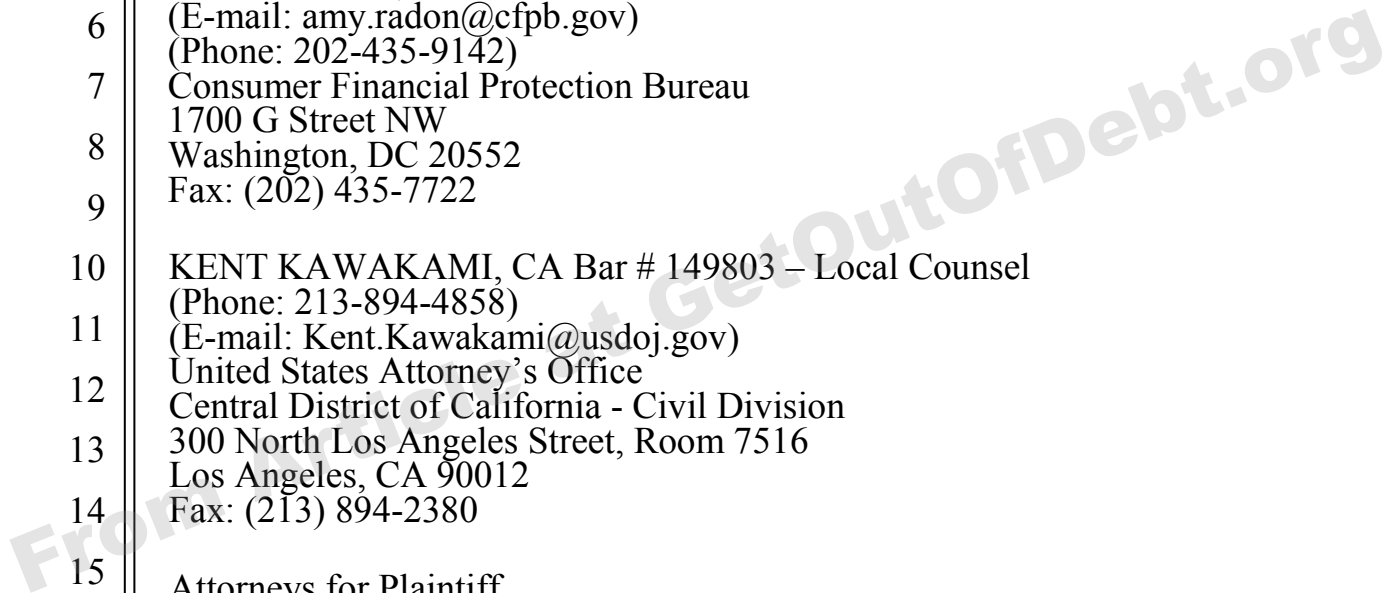
19 Consumer Financial Protection Bureau,
 20 Plaintiff,
 21 v.
 22 Morgan Drexen, Inc.,
 23 and
 24 Walter Ledda, individually, and as
 25 owner, officer, or manager of Morgan
 Drexen, Inc.,
 26 Defendants.

Case No. SACV13-01267 JLS (JEMx)

**REPLY MEMORANDUM IN SUPPORT
 OF PLAINTIFF'S *EX PARTE*
 APPLICATION FOR AN ORDER
 HOLDING VINCENT HOWARD,
 HOWARD LAW, PC, WILLIAMSON &
 HOWARD, LLP, AISSAC SEILA AIONO,
 AND SEILA LAW, LLC IN CONTEMPT
 AND IMPOSING MONETARY
 SANCTIONS**

HON. JOSEPHINE L. STATON

Courtroom 10-A (Santa Ana)



I. INTRODUCTION

In their Opposition and Supplemental Opposition (collectively, “Oppositions”) to the Bureau’s *Ex Parte* Application for an Order Holding Vincent Howard, Howard Law, PC, Williamson & Howard LLP (collectively, “the Howard Attorneys”), Assiac Aiono, and Seila Law, LLC in Contempt and Imposing Monetary Sanctions, the Howard Attorneys do not dispute that they continued to collect fees from some Affected Consumers¹ in violation of Section V of the Court’s June 18, 2015 Injunction Order,² even after the Court’s October 9, 2015 Contempt Order (collectively, “Orders”).³ Nor do they dispute that they have “[d]isclos[ed], use[ed], or benefit[ed] from”⁴ information relating to Affected Consumers since the Contempt Order. Instead, they attempt to divert the Court’s attention from the Orders and the evidence by focusing narrowly on whether they have received fees *directly* from Affected Consumers since October 9, 2015, and by claiming that they had a legal duty to disclose consumer information to a third party that continued to collect fees from Affected Consumers. The Court should reject these red-herring arguments and order the relief the Bureau requested.

II. ARGUMENT

A. The Howard Attorneys Continued To Collect Fees From Affected Consumers After October 9, 2015

In their Oppositions, the Howard Attorneys deny collecting fees from Affected Consumers for whom they acted as engagement counsel after October 9, 2016, but they do not – and cannot – deny that they continued to collect payments from Affected Consumers on behalf of other engagement counsel. Nor can they deny that these consumers were charged fees after October 9, 2015. This conduct

¹ “Affected Consumer” is a defined term in the Court’s June 18, 2015 *Order re: Permanent Injunction* (Doc. 306), and has the same meaning here.

² Doc. 306.

³ Doc. 386.

⁴ Doc. 306 § IV.

1 directly violates the Court’s Injunction Order, which expressly forbade the
2 collection of “any further fees from Affected Consumers.”⁵

3 As this Court has already recognized, once Morgan Drexen went out of
4 business after the Injunction Order, the Howard Attorneys stepped into the shoes of
5 Morgan Drexen and used scores of former Morgan Drexen employees to perform
6 the administrative and substantive debt settlement services that Morgan Drexen
7 had previously performed. This work included: housing information relating to
8 Affected Consumers on a computer portal built by the architect of the Morgan
9 Drexen-run portal; executing Automated Clearing House (“ACH”) debits from the
10 bank accounts of Affected Consumers; and then depositing that money into bank
11 accounts that were in the name of other engagement counsel but over which the
12 Howard Attorneys exercised control. The Howard Attorneys performed this work
13 in connection with Affected Consumers for whom they were engagement counsel
14 as well as for Affected Consumers for whom they were not engagement counsel.

15 The Howard Attorneys’ actions in connection with Affected Consumers for
16 whom Hugh Williams was engagement counsel (“Williams Affected Consumers”)
17 is an example of how they continued to harm Affected Consumers after
18 October 9, 2016, in violation of the Injunction Order. Based on evidence that the
19 Howard Attorneys supplied in their Supplemental Opposition, it is now undisputed
20 that, since at least July 27, 2015, Vincent Howard and employees from Williamson
21 & Howard and Howard Law were authorized to deduct fee payments from the
22 bank accounts of Williams Affected Consumers and deposit them into an account
23 in the name of Hugh Williams.⁶ Further, it is undisputed that the Howard
24
25

26 ⁵ Doc. 386 § V.

27 ⁶ Doc. 419-1, Ex. 3 to the Declaration of Vincent Howard; *see also* Declaration of
28 Hugh Williams, dated March 9, 2016 (“March 9 Williams Decl.”), ¶¶ 4-11,
attached as Ex. A to the Declaration of R. Gabriel D. O’Malley.

1 Attorneys continued to deduct fee payments from the bank accounts of these
2 consumers through at least January 7, 2016.⁷

3 The Howard Attorneys make much of the fact that the ACH debits from the
4 accounts of the Williams Affected Consumers were authorized by Williams and
5 that the funds went into Williams' bank account, but this misses the mark. Whether
6 the ACH debits went directly to the Howard Attorneys or directly to an account in
7 Williams' name, from which the Howard Attorneys paid themselves, is immaterial.
8 In either event, the Howard Attorneys violated the Court's Orders by *collecting* fee
9 payments from Affected Consumers. In doing so, they ensured that, despite the
10 Court's Orders, nothing changed for the Williams (and other engagement
11 counsels') Affected Consumers after October 9, 2016: the Howard Attorneys
12 continued to execute monthly ACH debits from their bank accounts, and a portion
13 of this money was applied to fees, just as it had always been.

14 Exhibit 1 to the Declaration of Frederick Weber makes clear just how
15 pernicious the Howard Attorneys' conduct was. The portal screenshot shows that,
16 as late as January 2016, the Affected Consumer was being charged a \$50 "Monthly
17 Servicing Fee" and was still paying off a \$1,500 "Engagement Fee."⁸ The Howard
18 Attorneys do not deny this. Instead, they state that the Affected Consumer was not
19 *their* client and that the money the Affected Consumer paid after October 9, 2015
20 was deposited into Williams' account, not theirs. Thus, they argue, they should not
21 be found in contempt because they have not been *receiving* fees directly from
22 Affected Consumers. The Court should see this for what it is: a disingenuous
23 attempt to divert the Court's attention from its clear prohibition against the
24

25 ⁷ Doc. 411-2, Declaration of Hugh Williams, dated February 9, 2016, Ex. 2,
26 attached as Exhibit A to the Declaration of R. Gabriel D. O'Malley; *see also*
27 March 9 Williams Decl., ¶¶ 4-11.

28 ⁸ Doc. 411-2, Declaration of Frederick Weber, dated February 12, 2016 ("Weber
Decl."), Ex. 1, attached as Exhibit B to the Declaration of R. Gabriel D. O'Malley.

1 continued *collection* of fees from Affected Consumers. The Howard Attorneys
2 continued to debit money from the accounts of Williams Affected Consumers after
3 October 9, 2016 and this money was applied to fees. For this reason, a finding of
4 contempt is appropriate.

5 Moreover, the Howard Attorneys *did* continue to receive fees from Affected
6 Consumers after October 9, 2016, albeit indirectly. As the March 9, 2016
7 Declaration of Hugh Williams makes clear, the Howard Attorneys exercised
8 control over the bank account into which they deposited the monthly ACH debits
9 from the bank accounts of Affected Consumers – *and they paid themselves more*
10 *than \$5,000 per month in fees from that account.*⁹ It is inconsequential that
11 Affected Consumers did not pay fees directly to the Howard Attorneys after
12 October 9, 2015 because, as a practical matter, nothing changed after October 9:
13 the Howard Attorneys still collected money from Affected Consumers on behalf of
14 other engagement counsel and then paid themselves fees from those payments. If
15 anything, the Howard Attorneys’ preposterous argument that they can somehow
16 avoid complying with the crucial consumer protections the Court demanded in its
17 Injunction Order by merely routing Affected Consumer payments through a
18 middle-man demonstrates beyond question that another finding of contempt is not
19 only appropriate, but absolutely critical to stopping the Howard Attorneys from
20 continuing to profit from the funds they debit from the bank accounts of Affected
21 Consumers.

22 **B. The Howard Attorneys Do Not Deny Any of the Core Facts**
23 **Showing that Seila Law is a Front to Allow the Howard Attorneys**
24 **to Continue Collecting Fees From Affected Consumers**

25 The Howard Attorneys’ argument that they should not be found in contempt
26 because Affected Consumers are not paying fees directly to the Howard Attorneys
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28 ⁹ March 9 Williams Decl., ¶¶ 4-11.

1 confirms that the sole purpose of Seila Law is to enable them to circumvent the
2 Court's Injunction Order.

3 In their Oppositions, the Howard Attorneys do not dispute the evidence
4 showing that Seila Law is a front for their illegal debt relief scheme. They do not
5 dispute:

- 6 • That Seila Law was founded just weeks after the Contempt Order;
- 7 • That Aissac Aiono was working as an attorney at for Williamson Law
8 at the time;
- 9 • That Aiono was directly involved in the Attorneys' interactions with
10 the Morgan Drexen bankruptcy trustee;
- 11 • That several employees of Morgan Drexen and/or the Howard
12 Attorneys work for Seila Law;
- 13 • The overlap between the Seila Law and Williamson & Howard
14 websites;
- 15 • The direct connections between the Seila Law employment
16 advertisements and Howard Law;
- 17 • The December 10, 2015 facsimile correspondence to Zwicker &
18 Associates, which is a knockoff of Howard Law correspondence and
19 which actually references Morgan Drexen Integrated Associates; or
- 20 • Their recommendation that engagement counsel transfer thousands of
21 Affected Consumers to a recently formed law firm staffed by a newly
22 minted attorney with three years of legal experience.

23 The Howard Attorneys' silence—in multiple Opposition filings—is telling.
24 They do not deny that they are providing the same support to Seila Law (the firm is
25 already listed as engagement counsel in Howard Law's online portal¹⁰) that they
26 provided to Williams and other engagement attorneys, that they are continuing to
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28 ¹⁰ Weber Decl., ¶ 10.

1 execute ACH debits from the accounts of Affected Consumers who were
2 transferred to Seila Law, or that they are depositing this money into an account
3 from which they are paying themselves. Instead, they offer a carefully worded
4 statement about their compensation – that they did not and will not receive
5 compensation *for their recommendation* to engagement attorneys that they transfer
6 Affected Consumers to Seila Law. The Court should dismiss this attempt to divert
7 its attention from the obvious: the Howard Attorneys are using Seila Law as a
8 vehicle to continue collecting fees from Affected Consumers.

9 **C. The Howard Attorneys Transferred Information of Affected**
10 **Consumers to Seila Law**

11 The Howard Attorneys do not deny that they transferred information relating
12 to Affected Consumers to Seila Law. Instead, they argue that California Rule of
13 Professional Conduct 3-700, which states that terminating counsel shall “promptly
14 release to the client, at the request of the client, all the client papers and property,”
15 exempts them from the Court’s Orders. The Howard Attorneys did not, however,
16 release all client papers and property directly to the Affected Consumers. Had they
17 done so, their defense might have some merit. Instead, they pressured already
18 stressed Affected Consumers to transfer their information to a newly-formed law
19 firm that is little more than a front for the Howard Attorneys, and then transferred
20 the information to the firm. In doing so, the Howard Attorneys were clearly
21 “disclosing, using, or benefitting from” information related to Affected Consumers
22 in violation of the Orders.

23 **III. CONCLUSION**

24 For all the foregoing reasons, the Bureau respectfully requests that the Court
25 grant its *Ex Parte* application and enter an Order holding the Howard Attorneys,
26 Assiac Aiono, and Seila Law, LLC in contempt and imposing monetary sanctions.
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Dated: March 9, 2016

Respectfully submitted,

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