

---

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

**CIVIL MINUTES – GENERAL**

Case No. SACV 13-1267-JLS (DEMX)

Date: June 27, 2016

Title: Consumer Financial Protection Bureau v. Morgan Drexen, Inc. et al.

---

Present: **Honorable JOSEPHINE L. STATON, UNITED STATES DISTRICT JUDGE**

Terry Guerrero

Deputy Clerk

N/A

Court Reporter

ATTORNEYS PRESENT FOR PLAINTIFF:      ATTORNEYS PRESENT FOR DEFENDANT:

Not Present

Not Present

**PROCEEDINGS:      (IN CHAMBERS) ORDER (1) RULING ON THE PARTIES’ JOINT STIPULATION (Doc. 454), AND (2) GRANTING IN PART, DENYING IN PART SUPPLEMENTAL EX PARTE APPLICATION TO MODIFY THE COURT’S PRIOR ORDER (Doc. 461)**

Before the Court are two requests (Docs. 454, 461) that relate to two of this Court’s prior orders. These prior orders froze the assets of certain Non-Parties (Asset Freeze Order, Doc. 442) and considered the Non-Parties’ request for approval of their proposed personal and business expenses (Budget Order, Doc. 449). In the latter order, the Court approved the proposed budget submitted by Lawrence Williamson. (Budget Order at 4.) The Court then ordered Williamson and the Consumer Financial Protection Bureau (“CFPB”) to file a joint stipulation setting forth an agreed upon approach for “effectuating the payments detailed in the proposed budget.” (*Id.*) Additionally, although the Court denied the proposed budgets for the four remaining Non-Parties, the Court afforded these Non-Parties – namely, Vincent Howard, Howard Law P.C., the Williamson Law Firm, and Williamson & Howard, LLP – to “file a supplemental proposed budget, along with supporting documentation[.]” (*Id.* at 6.)

**1. CFPB and Williamson’s Joint Stipulation (Doc. 454)**

The first request comes in the form of a Joint Stipulation. (Joint Stipulation, Doc. 454.) Notwithstanding the Court’s directive to jointly resolve these issues, Williamson and CFPB now represent that “[a]fter meeting and conferring, Mr. Williamson and the Bureau have not been able to agree on a plan for effectuating the June 3 Order.” (*Id.* ¶ 5.) The parties disagree on two issues. First, because Williamson is, apparently, “working

---

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

**CIVIL MINUTES – GENERAL**

Case No. SACV 13-1267-JLS (DEMx)

Date: June 27, 2016

Title: Consumer Financial Protection Bureau v. Morgan Drexen, Inc. et al.

---

and trying to increase his income,” the parties disagree as to whether, and, to what extent, Williamson may use this additional income towards his approved budget expenses. (*Id.* ¶¶ 7, 12, 14.) Second, the parties disagree on whether Williamson is obligated to periodically report his financial position to the CFPB. (*Id.* ¶¶ 9-10, 13, 16.)

On both issues, the Court agrees with CFPB. As to the first dispute, in the event Williamson is able to increase his earnings, the Court finds that this additional income must be preserved for the benefit of Affected Consumers. To hold otherwise would effectively ensure that none of Williamson’s future earnings would ever benefit these injured parties.<sup>1</sup> Likewise, the Court cannot accept Williamson’s proposal for reporting, which, if accepted, would require Williamson to report to the CFPB only in the event he seeks to exceed his approved budget. (*Id.* ¶ 9.) In contrast, CFPB’s proposal – which would require Williamson to report “by the 15th day of each month . . . via electronic mail, with documentation substantiating how much income he earned in the previous month, how much of that income he used to pay expenses listed in the budget . . . and which expenses he paid” (*Id.* ¶ 16) – is reasonable and will not impose an undue burden on Williamson.

For the reasons stated above, the Court adopts the CFPB’s position in its entirety. As a result, Williamson “may use up to \$2,100 per month of income he earns toward payment of expenses set forth in the budget” previously approved by the Court. (*Id.* ¶ 14.) Additionally, by the 15th of every month, or the first Monday following the 15th if the 15th falls on a weekend, Williamson shall report to CFPB on (1) his monthly income, (2) the amount of his income that was spent on approved expenses, (3) an itemized list of those expenses, and (4) the status of any leftover income. These reports shall be made via electronic mail and must be supported with reasonably detailed documentation. Finally, the Court adopts the parties’ joint proposal for considering any future amendments to Williamson’s budget. (*Id.* ¶ 17.) Thus, in the event Williamson wishes to amend his budget, he must confer with CFPB prior to filing a request with the Court. The parties must make good-faith efforts to reach an agreement on the request. Thereafter, the parties should submit a joint stipulation with the Court which either

---

<sup>1</sup> To understand why this is the case, consider that, under Williamson’s proposal, even if he tripled his earnings (from \$2,100 to \$6,300 per month), the entirety of his salary would still go towards expenses (which the Court approved at \$7,730 per month). Meanwhile, his spouse’s income, estimated to be “approximately \$7,100” per month (Williamson Decl. ¶ 6, Doc. 446-4), which the Court previously held to be effectively exempt from the asset freeze order (Budget Order at 4), could be freely accessed and used without Court oversight and at the complete discretion of Williamson and his spouse. Such an outcome would be inequitable.

---

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

**CIVIL MINUTES – GENERAL**

Case No. SACV 13-1267-JLS (DEMx)

Date: June 27, 2016

Title: Consumer Financial Protection Bureau v. Morgan Drexen, Inc. et al.

---

details the parties' agreement, or, in the alternative, set forth each party's position as to any outstanding issues.

**2. The Non-Parties Supplemental Proposed Budgets (Doc. 461)**

Separately, the four remaining Non-Parties have renewed their request for the Court to approve their proposed budgets. (Suppl. Ex Parte App., Doc. 461.) Although the requested budgets remain the same, Howard, Howard Law, and Williamson & Howard supplement their requests with additional supporting documentation. (*See generally* Howard Decl., Exs. 1-24, Doc. 461-1.) CFPB continues to oppose the proposed budgets. (Opp., Doc. 468.) The Attorneys replied. (Reply, Doc. 469.)

As set forth in the Court's previous order, the proposed budgets are as follows:

- Howard: \$6,270 / month
- Howard Law: \$216,913 / month
- Williamson Law Firm: \$1,597 in a one-time bank fee
- Williamson & Howard: \$8,125 in a one-time bank fee

(Budget Order at 2.) As an initial matter, the Court notes that, to the extent the supplemental briefing addresses the issue of bank fees, it does so only with respect to Williamson & Howard and Howard Law. (*See, e.g.*, Howard Decl. ¶¶ 61-64.) The Non-Parties provide no additional argument or evidence in support of the Williamson Law Firm's request. As a result, the Court DENIES Williamson Law Firm's request to pay a one-time bank fee. In contrast, the supplemental briefing provides additional support for Williamson & Howard's bank fee request. First, the firm provides recent bank statements showing the fees owed in each of the past three months. (Howard Decl., Ex. 23, Doc. 461-1.) Additionally, Howard explains that "[t]hese fees are necessary in order to maintain trust accounts, of which each firm has more than 25[.]" (Howard Decl. ¶ 64.) Based on this information, the Court approves payment of Williamson & Howard's bank fees, so long as these fees do not exceed the requested \$8,125.

Because Howard's proposed budget is contingent on the Court allowing Howard Law to continue paying Howard's salary, the Court next considers Howard Law's proposed budget. Howard Law seeks approval of monthly expenses totaling \$208,685. (Howard Decl., Ex. 2, "Howard Law Budget," Doc. 461-1.) Included in this amount are a number of high value line items, including: (1) \$52,061 per month for payroll and related expenses, (2) \$32,000 per month for "professional fees," (3) \$24,353 per month in

---

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

**CIVIL MINUTES – GENERAL**

Case No. SACV 13-1267-JLS (DEMx)

Date: June 27, 2016

Title: Consumer Financial Protection Bureau v. Morgan Drexen, Inc. et al.

---

rent, (4) \$21,422 per month in “marketing” expenses, (5) \$19,168 per month for employee benefits, (6) \$15,000 per month in bank fees, (7) \$13,065 per month in telephone fees, and (8) an additional \$10,000 per month associated with a “call center.” (*Id.*) In its Opposition, CFPB takes issue with nearly all of these expenses. (*See generally* Opp. at 1-6.) At a more general level, however, CFPB contends that while the Non-Parties have now submitted “some invoices,” they have nevertheless failed to “explain why many of their proposed expenses are necessary and reasonable.” (*Id.* at 1.)

After a careful review of the parties’ briefing, the Court GRANTS IN PART and DENIES IN PART Howard Law’s proposed budget. Because the Court finds that Howard Law has failed to adequately substantiate, or otherwise demonstrate the need for, its purported expenses relating to marketing, the call center, and the company car, the Court DENIES these expenses.

Additionally, the Court does not accept at face value Howard Law’s purported monthly expense of \$32,000 for “professional fees.” Once broken down, this request amounts to (1) \$25,000 per month to the Vanderpool Law Firm, (2) \$4,000 per month to David Walker for “accounting and tax services,” and (3) \$3,000 per month to the Keshner Law Group. (Howard Law Budget at 1.) The Court finds that the fees relating to Walker are inadequately supported because there is nothing to substantiate what Walker actually *does* for the firm. Moreover, the Court will not permit Howard Law to continue to make payments to Keshner Law Group, a firm associated with Jeffrey Katz, an attorney previously found to have deliberately misled this Court in the course of this very litigation. (*See generally* Order on Terminating Sanctions at 19-21, Doc. 284.) Therefore, the Court DENIES the Walker and Keshner Law Group budget items. Finally, the Court finds that Howard Law has failed to adequately support the requested \$25,000 monthly payment to the Vanderpool Law Firm. However, because the Court is aware of the Vanderpool Law Firm’s work in this matter, it will reduce – rather than deny – this request.<sup>2</sup> The Court bases this reduction on the evidence submitted by Howard Law.

---

<sup>2</sup> The Court acknowledges CFPB’s argument that the “wrongdoers have no right to defend their wrongdoing with other people’s money.” (Suppl. Opp. at 3 (citing *United States v. Monsanto*, 491 U.S. 600, 607 (1989)).) In *Monsanto*, the Supreme Court held that “neither the Fifth nor the Sixth Amendment to the Constitution requires Congress to permit a defendant to use assets adjudged to be forfeitable to pay that defendant’s legal fees.” *Monsanto*, 491 U.S. at 614. More recently, however, the Supreme Court clarified that a criminal defendant has the right to use his or her own “‘innocent’ property to pay a reasonable fee for the assistance of counsel.” *Luis v. U.S.*, 136 S.Ct. 1083, 1096 (2016). Although these are criminal cases, as other courts have held, “[i]t would be anomalous to hold that a civil litigant has any superior right to counsel

---

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

**CIVIL MINUTES – GENERAL**

Case No. SACV 13-1267-JLS (DEMx)

Date: June 27, 2016

Title: Consumer Financial Protection Bureau v. Morgan Drexen, Inc. et al.

---

Specifically, Exhibit 18 to the Howard Declaration – the only evidence submitted in support of the \$25,000 per month request relating to the Vanderpool Law Firm – is an invoice from the Firm for the month of April. (Howard Decl., Ex. 18, Doc. 461-1.) The invoice reflects time entries from April 18, 2016 through April 29, 2016, or approximately two weeks. (*Id.* at 2.) The fees resulting from this period equal \$5,200. (*Id.* at 3.) Using this half-month fee as a guide, the Court finds that \$10,000 per month – or approximately double the amount of the April invoice – is reasonable. Accordingly, the Court reduces this request from \$25,000 to \$10,000.

The Court now turns to Howard’s proposed personal budget. (Howard Decl., Ex. 1, “Howard Personal Budget,” Doc. 464.) Howard’s request includes expenses totaling \$6,270 per month. (Howard Decl. ¶ 4.) He represents his salary, after taxes, as equaling \$6,356.64 per month. (*Id.*) After a review of Howard’s proposed expenses (Howard Personal Budget at 14), with one limitation, the Court finds these requests reasonable.<sup>3</sup> Additionally, although the Court does not preclude Howard from making monthly tuition payments for his fiancée’s children, the Court **ORDERS** Howard to submit proof that such payments are made directly to the education service provider. A proof of payment should be filed with the Court no later than seven (7) days following the next payment. Accordingly, the Court **APPROVES** Howard’s proposed budget subject to these exceptions.

In sum, the Court (1) **DENIES** Williamson Law Firm’s request to pay its purportedly outstanding bank fee, and (2) **APPROVES** Williamson & Howard’s payment of the same. Additionally, the Court **APPROVES IN PART AND DENIES IN PART** Howard Law’s proposed budget. The budget is **APPROVED**, less the requests for marketing (\$21,422), the call center (\$10,000), costs associated with the car lease (\$1,864), and the professional fees for Walker (\$4,000) and Keshner Law Group (\$3,000). The Court also reduces the permissible monthly expense for the Vanderpool Law Firm from \$25,000 to \$10,000. Finally, the Court **APPROVES** Howard’s personal budget subject to the two aforementioned exceptions.

---

than one who stands accused of a crime.” *SEC v. Cherif*, 933 F.2d 403, 416 (7th Cir. 1991). Here, the Court has already found – and the parties do not dispute – that the Attorneys owe at least two million dollars. Nevertheless, no judgment has yet been entered, and there remain questions as to which assets are directly traceable to the affected consumers. Accordingly, the Court will not adopt CFPB’s position.

<sup>3</sup> Howard’s monthly transportation expense of \$600 would have been excessive had the Court not denied Howard Law’s request to continue making car lease payments on Howard’s behalf – a cost that will likely now shift to Howard.