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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

21ST CENTURY FINANCIAL
SERVICES, LLC,

Judgment Creditor,

v.

MANCHESTER FINANCIAL
BANK,

Judgment Debtor.

Case No.: 15cv1848 BTM (BGS)

**ORDER DENYING MOTION TO
ADD JUDGMENT DEBTORS**

Currently before the Court is 21st Century Financial Services, LLC’s (“21st Century”) motion to add Manchester Financial Group, L.P. (“MFG Partnership”), and Manchester Financial Group, Inc. (“MFG Corporation”), as judgment debtors. (ECF No. 40.) Because adding the proposed judgment debtors requires an independent basis for federal jurisdiction, 21st Century’s motion is **DENIED**.

I. BACKGROUND

The dispute in this case arises from an arbitration award for a breach of contract claim in favor of 21st Century and against Manchester Financial Bank. The arbitration award was confirmed by the District Court for the Western District

1 of Texas in March 2013, which decision was affirmed by the Fifth Circuit Court of
2 Appeals in March 2014. 21st Century initiated proceedings in this district, seeking
3 to enforce the judgment against Manchester Financial Bank.

4 Following the judgment debtor examinations, 21st Century filed a motion to
5 amend the judgment to add Manchester Financial Group, Inc. (“MFG Corp”), and
6 Manchester Financial Group, L.P. (“MFG Partnership”), as additional judgment
7 debtors. 21st Century alleges that recovery from MFG Corp and MFG
8 Partnership is proper under an alter-ego theory of liability.

9 The Court held a hearing on this matter on November 23, 2015, at which
10 the Court sua sponte raised the issue of whether or not the Court has subject
11 matter jurisdiction to add the proposed parties as judgment debtors.

12 13 **II. DISCUSSION**

14 District courts have subject matter jurisdiction “over a broad range of
15 supplementary proceedings involving third parties to assist in the protection and
16 enforcement of federal judgments.” Peacock v. Thomas, 516 U.S. 349, 356
17 (1996). However, this power does not extend to suits where “the relief sought is
18 of a different kind or on a different principle than that of the prior decree.” Id. at
19 358 (quoting Dugas v. Am. Surety Co., 300 U.S. 414, 428 (1937)). When a
20 subsequent action is founded upon different facts and entirely new theories of
21 liability, an independent basis for federal jurisdiction is required. See Peacock,
22 516 U.S. at 355; Ellis v. All Steel Constr., Inc., 389 F.3d 1031, 1033 (10th Cir.
23 2004) (“[I]t is only when an alter-ego claim is asserted in a separate judgment-
24 enforcement proceeding that Peacock requires an independent basis for federal
25 jurisdiction.”).

26 Here, 21st Century seeks to hold MFG Corp and MFG Partnership liable for
27 the judgment entered against Manchester Financial Bank pursuant to an alter-
28 ego theory of liability. However, MFG Corp and MFG Partnership were not

1 defendants in the Texas proceedings. Moreover, the issues in the Texas
2 proceedings concerned an arbitration award resulting from a breach of contract
3 claim between 21st Century and Manchester Financial Bank.

4 In Peacock, the plaintiff attempted in a second suit to pierce the corporate
5 veil of a defendant-corporation when the defendant could not satisfy the
6 judgment in the initial case. 516 U.S. at 352. The district court ultimately agreed
7 to pierce the corporate veil, and entered judgment against Peacock—the
8 corporation’s executive officer—in the amount originally entered against the
9 corporation. Id. at 351-52. The Fourth Circuit affirmed, holding that the district
10 court properly exercised its ancillary jurisdiction over the suit. Id. at 352. The
11 Supreme Court, however, held that the district court’s ancillary jurisdiction did not
12 extend to the plaintiff’s veil-piercing claims because “ancillary jurisdiction is not
13 justified over a new lawsuit to impose liability for a judgment on a third party.” Id.
14 at 359. Rather, plaintiff’s veil-piercing claims required an independent basis for
15 federal jurisdiction. Id.

16 Like the plaintiff in Peacock, 21st Century also seeks to enforce a judgment
17 against third-parties who were not defendants in the original action. Although
18 21st Century alleges liability under an alter-ego theory rather than veil-piercing
19 theory, the Supreme Court’s holding in Peacock has been interpreted to apply to
20 both cases. See, e.g., Ellis, 389 F.3d at 1033; U.S.I. Props. Corp. v. M.D. Constr.
21 Co., 230 F.3d 489, 498 (1st Cir. 2000). Therefore, 21st Century must establish
22 an independent basis of federal jurisdiction.

23 To establish jurisdiction, 21st Century argues that adding additional
24 judgment debtors to a valid federal judgment is not a new lawsuit, but merely a
25 motion. The Court disagrees. Peacock clearly holds that an independent basis of
26 federal jurisdiction is required when a party attempting to enforce a judgment
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1 brings suit against third parties under an alter-ego theory of liability.¹ 21st
2 Century has initiated post-judgment proceedings in a different district, against
3 different parties, alleging liability under new legal theories, and must therefore
4 establish an independent basis for jurisdiction. See Ellis, 389 F.3d at 1034
5 (“Peacock also is not implicated in actions to reach and collect assets of the
6 judgment debtor held by a third party; it is only when the plaintiff seeks to hold
7 the third party personally liable on the judgment that an independent jurisdictional
8 basis is required.”).

9 According to the supplemental briefing, 21st Century is a limited liability
10 company with members in ten different states, including Texas. Thus, 21st
11 Century is a citizen of Texas for jurisdictional purposes. See Johnson v.
12 Columbia Props. Anchorage, LP, 437 F.3d 894, 899 (9th Cir. 2006) (holding that
13 limited liability companies, like partnerships, are citizens of every state of which
14 its members are citizens). MFG Partnership is a limited partnership with five
15 limited partners and one general partner. Two of the limited partners are citizens
16 of Texas, and MFG Corp, the general partner, is a California corporation with its
17 principle place of business in California. Therefore, MFG Partnership is also a
18 citizen of Texas for jurisdictional purposes.

19 Because 21st Century and MFG Partnership are each citizens of Texas,
20 complete diversity does not exist. Accordingly, the Court lacks subject matter
21 jurisdiction to entertain 21st Century’s motion to alter judgment and add
22 additional non-diverse judgment debtors.

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25 ¹ 21st Century cites Blackburn Truck Lines, Inc. v. Francis, 723 F.2d 730 (9th Cir. 1984) in
26 support of their jurisdictional argument. However, the Supreme Court in Peacock listed
27 Blackburn as an example of the circuit split they were resolving. See Peacock, 516 U.S. at 352
28 n.2. The Supreme Court disagreed with the Ninth Circuit’s reasoning, adopting instead the
reasoning from the Tenth and Fifth Circuits that declined to extend the scope of jurisdiction for
enforcing judgments past that of the courts’ ancillary jurisdiction.

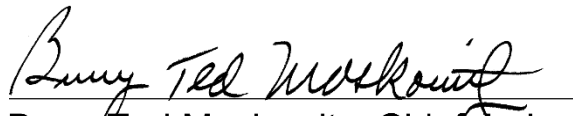
1 **III. CONCLUSION**

2 The Court lacks subject matter jurisdiction to enforce a judgment against
3 non-diverse parties pursuant to an alter-ego theory of liability. The Court is aware
4 that 21st Century's supplemental briefing requests in the alternative that the
5 Court add only Manchester Financial Group, Inc., as a non-diverse judgment
6 debtor. This argument has not been fully briefed, nor has the Defendant
7 responded to 21st Century's alternative argument.

8 For these reasons, 21st Century's motion to add Manchester Financial
9 Group, L.P., and Manchester Financial Group, Inc., as judgment debtors is
10 **DENIED WITHOUT PREJUDICE**. Any request to add only Manchester Financial
11 Group, Inc., as a judgment debtor must be raised as a separate motion.

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13 **IT IS SO ORDERED.**

14 Dated: May 19, 2016

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16 Barry Ted Moskowitz, Chief Judge
17 United States District Court
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