

North Carolina

Wake County

IN THE GENERAL COURTS OF JUSTICE
SUPERIOR COURT DIVISION
03 CVS 9813

The North Carolina State Bar,)
Plaintiff)
)
v.)
)
Leapfrog Enterprises, Inc., Charles L.)
Anderson, We the People of North)
Carolina, Incorporated, Steve De Jesus,)
George Hunt, Mary Hunt, We the People of)
Mecklenburg County, LLC, We the People)
of Raleigh, NC, Inc., Dollar Financial)
Corp., WTP Acquisition Corp., and We the)
People USA, Inc.)
Defendants)

FILED
2006 JUL 18 PM 2:54
WAKE COUNTY, CSC

Consent Order and Injunction

THIS MATTER coming before the Court on the consent of Plaintiff, the North Carolina State Bar, and Defendants Leapfrog Enterprises, Inc.; Charles L. Anderson; We the People of North Carolina, Incorporated; Steve De Jesus; We the People of Raleigh, NC, Inc.; Dollar Financial Corp.; WTP Acquisition Corp.; and We the People USA, Inc. before the undersigned Judge of Superior Court of Wake County. David R. Johnson and Jennifer Porter represented the Plaintiff, the North Carolina State Bar. Charles M. Putterman and John Case of the Colorado State Bar represented the Defendants Leapfrog Enterprises, Inc.; Charles L. Anderson; We the People of North Carolina, Incorporated; Steve De Jesus; We the People of Raleigh, NC, Inc.; Dollar Financial Corp.; WTP Acquisition Corp.; and We the People USA, Inc. Plaintiff and Defendants Leapfrog Enterprises, Inc.; Charles L. Anderson; We the People of North Carolina, Incorporated; Steve De Jesus; We the People of Raleigh, NC, Inc.; Dollar Financial Corp.; WTP Acquisition Corp.; and We the People USA, Inc. stipulate and agree to entry of this Consent Order in this lawsuit without trial and, thereby, settle and resolve all matters in dispute between them. By entering this Consent Order, Plaintiff and Defendants Leapfrog Enterprises, Inc.; Charles L. Anderson; We the People of North Carolina, Incorporated; Steve De Jesus; We the

People of Raleigh, NC, Inc.; Dollar Financial Corp.; WTP Acquisition Corp.; and We the People USA, Inc. acknowledge that they have received the advice of counsel, understand the provisions of the Order, and are prepared to abide by them. Based upon the verified Complaint and amended Complaint, the Answer, and the stipulations of the parties, the Court makes the following:

FINDINGS OF FACT

1. Plaintiff, the North Carolina State Bar (hereinafter "State Bar"), is a body duly organized under the laws of the state of North Carolina and is a proper body to bring this proceeding under the authority granted to it in Chapter 84 of the General Statutes of North Carolina and the Rules and Regulations of the State Bar promulgated pursuant thereto.

2. The Authorized Practice Committee is a standing committee of the State Bar appointed and authorized, pursuant to N.C. Gen. Stat. § 84-37(a) and 27 N.C.A.C. Chapter 1, subchapter D, §§ .0201 et. seq., to investigate any charges or complaints of the unauthorized practice of law and bring actions against any person or entity that engages in rendering any legal services unauthorized or prohibited by law.

3. At all relevant times, Defendant Charles L. Anderson (hereinafter "Anderson") was a citizen and resident of Wake County, North Carolina.

4. At all relevant times, Defendant Steve De Jesus (hereinafter "De Jesus") was a citizen and resident of Pitt County, North Carolina.

5. At all relevant times, Defendant Leapfrog Enterprises, Inc. was a North Carolina business corporation conducting business and trade under the name of "We the People Document Services" at 4940-C Capital Boulevard, Raleigh, North Carolina (hereafter "WTP-Raleigh"). Charles L. Anderson was its president and registered agent.

6. At all relevant times, Defendant We the People of North Carolina, Incorporated was a North Carolina business corporation conducting business and trade under the name of “We the People” at 302-B SE Greenville Road, Greenville, North Carolina (hereafter “WTP-Greenville”). Defendant Steve De Jesus was its president and registered agent.

7. At all relevant times, Defendant We the People of Raleigh, NC, Inc. was a California corporation with its registered office located at 1501 State Street, Santa Barbara, California 93101 and Ira T. Distenfield was the registered agent for the corporation. Defendant We the People of Raleigh, NC, Inc. is not registered with the North Carolina Secretary of State as a foreign corporation authorized to conduct business in North Carolina.

8. At all relevant times, Defendant Dollar Financial Corp. was a New York corporation with its principal place of business in Pennsylvania; Defendant WTP Acquisition Corp. was a Delaware corporation and a wholly owned subsidiary of Dollar Financial Corp.; and Defendant We the People USA, Inc. was a Delaware corporation and a wholly owned subsidiary of Dollar Financial Corp. None of these corporations - Dollar Financial Corp., WTP Acquisition Corp., or We the People USA, Inc. - are registered with the North Carolina Secretary of State as a foreign corporation authorized to conduct business in North Carolina.

9. Before March 8, 2005, WTP-Raleigh and WTP-Greenville (hereafter collectively referenced as “WTP”) were franchisees of a California corporation named We the People Forms and Service Centers USA, Inc. and operated and conducted business in North Carolina under a franchise agreement with We the People Forms and Service Centers USA, Inc.

10. On or about August 4, 2004, We the People Forms and Service Centers USA, Inc. incorporated a subsidiary corporation in California named “We the People of Raleigh, NC, Inc.” and shortly thereafter assumed control over all operations of WTP-Raleigh from Leapfrog Enterprises, Inc. and Charles Anderson by acquisition or assignment of the rights to the franchise from Leapfrog Enterprises, Inc. Leapfrog Enterprises, Inc. is still an existing North Carolina corporation and Charles Anderson is still its registered agent with the North Carolina Secretary of State.

11. On March 7, 2005, Dollar Financial Corp. acquired all or substantially all of the assets of Defendant We the People Forms and Service Centers USA, Inc., including the business of selling franchises to third parties to operate "We the People" franchises and of providing documentation preparation service to those franchises, through an asset purchase agreement between We the People Forms and Service Centers USA, Inc. and WTP Acquisition Corp. Since the acquisition of the assets of We the People Forms and Service Centers USA, Inc. by WTP Acquisition Corp., WTP Acquisition Corp. has changed its name to We the People USA, Inc. and all of the assets of We the People Forms and Service Centers USA, Inc. are now owned by We the People USA, Inc., which is a wholly owned subsidiary of Dollar Financial Corp. (hereafter "WTP-National").

12. On or about March 8, 2005, the executory terms and conditions of the franchise agreements with Leapfrog Enterprises and/or We the People of Raleigh, NC, Inc. (hereafter referred to as "WTP-Raleigh"), and We the People of North Carolina, Inc. (WTP-Greenville) were assumed by WTP-National.

13. Defendants Anderson and De Jesus were the owners and operators of their respective franchises and routinely and regularly met and communicated with customers or potential customers who were citizens of the State of North Carolina, explained the services provided, and provided the services on behalf of their franchise.

14. Anderson is not now and never has been an attorney at law licensed to practice law in North Carolina.

15. De Jesus is not now and never has been an attorney at law licensed to practice law in North Carolina.

16. None of the corporate or entity defendants are corporations authorized to practice law under the provisions of Chapter 55B of the General Statutes of North Carolina.

17. Each WTP North Carolina office regularly held out to the public, by advertisement, by signage at their respective offices, and by catalogs and other documents provided to potential customers in its office, that it could and would prepare legal documents for other persons, firms or corporations, including bankruptcy petitions, wills, trusts, separation agreements, and divorce complaints.

18. WTP-Raleigh has run an advertisement in the Raleigh News & Observer newspaper that stated “We *help* you do it yourself and *represent* yourself with low cost, fast accurate *document preparation services* without the cost of an attorney.” (Emphasis added.) The advertisement expressly offered “Bankruptcy \$80/\$150” and other services, including wills, divorce[s], incorporation[s], and living trust[s]. The advertisement also stated that “filing fees [were] not included.”

19. WTP-Greenville has run a similar print advertisement in the Greenville Daily Reflector newspaper that expressly stated “we *help* you *represent* yourself with low cost, fast, accurate *document preparation service*.” (Emphasis added.) This advertisement also lists a number of types of legal proceedings or documents, including divorce, wills, bankruptcy, and incorporation, with prices for each. It further goes on to describe what is included with its living trust service, including a “single or joint trust, pour-over wills(s), living will(s), all notary fees, health care power(s) of attorney, [and] financial power(s) of attorney.”

20. Both WTP-Raleigh and WTP-Greenville were listed in the “yellow pages” of the respective local telephone directories published by BellSouth under the category “Paralegal.” Neither WTP-Raleigh nor WTP-Greenville listed their businesses in the “yellow pages” of the respective local telephone directories published by BellSouth under the category of “Typing Services.”

21. WTP-Raleigh also advertised the availability of its services on television using commercials produced by or in association with WTP-National. At least one television advertisement expressly stated that WTP-Raleigh would prepare the legal documents necessary

for a customer to file for bankruptcy. WTP-Greenville has run the same or a similar television ad in its local television markets. Other television advertisements stated that WTP will prepare or help prepare legal documents for members of the public, including bankruptcy petitions, wills, and divorce complaints. WTP-Raleigh has run another television advertisement that directly compares its services with those of attorneys.

22. Customers of WTP are provided a catalog of legal documents available from that office. This catalog describes each document, its legal purpose, and indicates circumstances when the customer might want or need the document.

23. Customers of WTP are not provided with a form legal document for the customer to complete. Customers are not shown the legal document they are purchasing until after it has been processed for them. Instead, after the customer pays in advance for the selected legal document, the customer is provided a workbook/questionnaire in which he/she provides the information, such as names, addresses, creditors, opposing parties, beneficiaries, amounts owed, bequests, etc., that WTP-National has determined as necessary to prepare each legal document. For many, but not all, legal documents offered by Defendant, the customer is also given a set of instructions for the workbook/questionnaire describing what information is required for each part of the workbook/questionnaire, interpretations of legal terms or requirements for the document, and descriptions of options and alternatives to use depending on the customer's circumstances. The customer completes the workbook/questionnaire, using the instructions provided by the Defendants when applicable.

24. After completion of the workbook/questionnaire by the customer and its return to the local WTP office, the completed workbook/questionnaire is sent by the franchisee to WTP-National. A person with WTP-National then prepares the designated legal document by using the information from the workbook/questionnaire, determining where that information goes in the various passages and clauses of the computer software document template designed by WTP for that legal document, and determining which variable clauses to use in the document based upon the customer's answers to the questions in the workbook/questionnaire. WTP-National then

produces the requested legal document with no further input from the customer and returns the document to its WTP office of origin. The final document is then delivered by the local WTP office to the customer.

25. For those documents that are filed with a court, such as bankruptcy petitions and divorce complaints, or recorded at the Register of Deeds, such as deeds and power of attorney, WTP offers to file or record the documents for the customers.

26. Additionally, both WTP-Raleigh and WTP-Greenville have informed customers that they could “chat” with a “supervising” attorney about their legal questions related to the legal documents. They also have represented to the customer that the legal document templates used by WTP have been reviewed and approved by a “supervising” attorney as meeting the requirements of North Carolina law.

27. Through the use of a workbook/questionnaire with information about the law and instructions on completion that are represented to have been “approved” by a “supervising” attorney, each of the WTP offices in Raleigh and Greenville imply to the customer that completion of the workbook/questionnaire in accordance with the instructions is all that is required to produce a legally sufficient document for the customer.

28. The Defendants waive all rights to seek appellate review or otherwise challenge or contest the validity of this Order, and further waive and release any claim they may have against the North Carolina State Bar, its officers, councilors, employees, members, and agents. Further, Defendants agree that their Counterclaim asserting that the North Carolina General Statutes are unconstitutional should be dismissed with prejudice.

29. The entry of this Order shall not be construed as an admission of violation of the law or of liability by any of the Defendants for any purpose or proceeding. This Order shall be construed as solely remedial in nature, and shall not be construed as the payment of any fine, penalty, punitive assessment, or forfeiture.

30. By consenting to this Consent Order by the signature of duly authorized representatives, Dollar Financial Corp. and its subsidiary, We the People USA, Inc., acknowledge and agree that the terms and conditions of this Consent Order will be binding on all operations of any persons, corporations, or other entities providing business services in North Carolina, presently or in the future, in association with We the People USA, Inc., whether by franchise, contract, direct ownership by WTP-National, or any other affiliation with WTP-National and that WTP-National will provide a copy of this Consent Order to any persons, corporations, or entities before entering into any franchise or other arrangement with such persons, corporations, or entities.

Based upon the foregoing findings of fact stipulated by the parties, the Court makes the following:

CONCLUSIONS OF LAW

1. This Court has jurisdiction of the subject matter and over the parties.
2. The North Carolina State Bar has the authority to bring this action pursuant to N.C. Gen. Stat. § 84-37.
3. Pursuant to N.C. Gen. Stat. § 84-4, no persons, other than licensed attorneys who are members of the North Carolina State Bar, may engage in the practice of law, which is defined under N.C. Gen. Stat. §§ 84-2.1 and 84-4 to include the provision of any legal services to any other person, firm, or corporation; the holding out to the public as competent or qualified to prepare legal documents; the preparation of any legal documents, including but not limited to wills, trusts, articles of incorporation, or pleadings before any court, administrative tribunals, or other judicial or quasi-judicial body; or assisting by advice, counsel, or otherwise in any legal work.
4. Pursuant to N.C. Gen. Stat. § 84-5, business corporations are prohibited from

engaging in the practice of law as defined by N.C. Gen. Stat. §§ 84-2.1 and 84-5, which includes the preparation of legal documents; the giving of legal advice; or the holding out by the corporation in any manner “by or through any person orally or by advertisement, letter or circular” as entitled to practice law, prepare legal documents, or provide the services of a lawyer.

5. The advertisements of WTP-Raleigh and WTP-Greenville in the various media state or clearly imply that these Defendants provide services to prepare or help prepare legal documents for persons, firms or corporations, which documents are represented by the Defendants to the customer as legally sufficient for its intended purpose, and offer to file those legal documents with the appropriate court or government agency. The advertisements violate N.C. Gen. Stat. §§ 84-2.1, 4, and 5.

6. By providing a legal document for the customer as the end product of their services, either in conjunction with or separately from offering to file the document on behalf of the customer in courts or with the register of deeds, WTP-Raleigh and WTP-Greenville represent to the customer that the final product produced by their services is a legal document that WTP has prepared or helped prepare. The manner and method by which WTP prepares or helps to prepare the legal document for the customer violates N.C. Gen. Stat. §§ 84-2.1, 4, and 5.

7. The services provided by WTP-Raleigh and WTP-Greenville were not and are not strictly typing or scrivener services of legal documents prepared or submitted by the customer to them.

8. Since Anderson and De Jesus are not members of the North Carolina State Bar, they are prohibited from engaging in the practice of law or in any of the activities defined in N.C. Gen. Stat. §§ 84-2.1 and 84-4. As business corporations, Defendants Leapfrog Enterprises, Inc., We the People of North Carolina, Inc., We the People of Raleigh, NC, Inc., Dollar Financial Corp., WTP Acquisition Corp., and We the People USA, Inc. are prohibited from engaging in the practice of law or in any of the activities defined in N.C. Gen. Stat. §§ 84-2.1 and 84-5.

Accordingly, none of the Defendants may engage in the practice of law or in any of the activities defined in these statutes.

9. If Defendants are not enjoined from engaging in acts that violate the statutes prohibiting the unauthorized practice of law, there is a risk that members of the public will suffer injury, loss and damages as a result of such acts.

Based on the foregoing **FINDINGS OF FACT, CONCLUSIONS OF LAW** and with the consent of the parties, it is hereby **ORDERED** that:

1. Defendants, Charles L. Anderson; Leapfrog Enterprises, Inc.; Steve De Jesus; We the People of North Carolina, Incorporated; We the People of Raleigh, NC, Inc.; Dollar Financial Corp.; WTP Acquisition Corp.; and We the People USA, Inc.; and their heirs and successors in interest, corporate affiliates, including franchisors, franchisees, parents, subsidiaries, and divisions and any persons, association of persons, or corporations associated with or employed, operated, or controlled by them (collectively "Defendants" or "WTP"), are hereby permanently enjoined from engaging in, or aiding or abetting others in engaging in any acts and activities constituting the practice of law in North Carolina, as defined in N.C. Gen. Stat. §§ 84-2.1, 84-4, and 84-5, including prohibitions of the following specific acts:

- a. expressly or implicitly holding out or representing to the public by advertising in any media, circular, or otherwise, that the individual or corporate Defendants, individually or collectively, may prepare or help or assist in the preparation of legal documents for any person, firm, or corporation, specifically including bankruptcy petitions, wills, trusts, divorce complaints, separation agreements, deeds, incorporations, and contracts, for any person, firm, or corporation without indicating that such preparation or help or assistance in preparation of said legal documents is limited to typing documents with information provided by the customer as dictated by the customer;
- b. expressly or implicitly holding out or representing to the public by advertising,

- circular, or otherwise, that the individual or corporate Defendants, individually or collectively, offer or provide any legal service, legal advice, or personal legal assistance to customers or potential customers;
- c. expressly or implicitly holding out or representing to the public by advertising, circular, or otherwise, that either the individual or corporate Defendants, individually or collectively, may provide any legal form or document preparation services beyond the services of selling generic legal forms and general printed information or typing legal forms based on information furnished by the customer solely as dictated by the customer;
 - d. expressly or implicitly holding out or representing to the public by advertising, circular, or otherwise, that either the individual or corporate Defendants, individually or collectively, are “lawyers,” “paralegals,” or “legal assistants” or that they provide any services directly to the public in the nature of those provided by a lawyer, paralegal or legal assistant, including but not limited to any advertising that compares Defendants’ services or prices to those of an attorney;
 - e. expressly or implicitly holding out or representing to the public by advertising, circular, or otherwise, that either the individual or corporate Defendants, individually or collectively, provide legal services or the services of attorney, including but not limited to the representation to the public that there is a “supervising” attorney with whom potential or actual customers may consult in any manner;
 - f. completing legal forms for customers or assisting customers in the completion of legal forms in any manner or form, other than as a typing or scrivener service, including the use of any workbooks or questionnaires to collect information that inform, describe, or define for the customer the legal nature or effect of the information requested; correcting, changing, or altering any information provided by a customer or calling attention to customer errors on any information provided by a customer; or explaining or advising on the nature of any legal forms, including their nature and effect, except as provided in Paragraph 2.c below; and