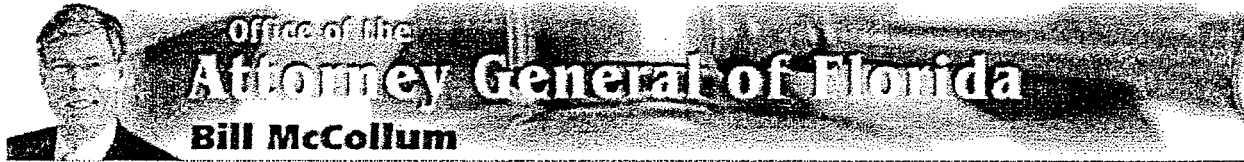


# **EXHIBIT C**

February 25, 2008



Attorney General Bill McCollum News Release

February 21, 2008  
Media Contact: Sandi Copes  
Phone: (850) 245-0150

[en Español](#)

**Attorney General McCollum Warns About Credit Repair Scams, Sues Debt Negotiation Companies**

TALLAHASSEE, FL - Attorney General Bill McCollum today issued a consumer advisory warning Floridians about the increasing number of credit repair scams and simultaneously announced that his office's Economic Crimes Division filed two lawsuits today, one against a Broward County attorney and one against a Clay County couple. The lawsuits allege the Broward attorney deceptively marketed misleading debt management services and the Clay County couple charged egregious fees for debt negotiation services that were never provided.

"Consumers who are trying to reduce or eliminate debt are working toward an admirable goal and it is unconscionable to take advantage of these efforts," said Attorney General McCollum. "Florida citizens should always be wary of companies or individuals who are making unreasonable promises or demands, either to restore credit or reduce debt."

Laura L. Hess of Coral Springs, her Broward County law firm and two other Florida-based companies she controls are named in the first lawsuit, which states Hess allegedly signed thousands of credit card debtors up for debt management services, claiming the law firm would provide legal services to cancel debts for pennies on the dollar. Representatives of Hess allegedly told consumers that the companies had audited the consumers' accounts and found numerous violations under the Fair Credit Billing Act, then sent notices to creditors disputing all charges. Consumers were falsely told that once these notices were issued, the consumers did not have to pay creditors and creditors could not sue or otherwise take action against them. The Attorney General's lawsuit alleges Hess's deception led to lawsuits and other actions against several debtors.

The second lawsuit, filed today in Clay County Circuit Court, alleges John J. Hacker and Christa L. Caparella, operating as United Debt Solutions, promised consumers that they could reduce their debts by 50 percent or more and demanded fees that greatly exceeded legal limits for debt negotiators. According to the lawsuit, Hacker and Caparella instructed customers to stop paying creditors and instead divert what they would have paid to the couple. Instead of contacting creditors to negotiate debt reductions, the lawsuit alleges the two simply pocketed the money. Requests for refunds were ignored and when their business ran short on funds, Hacker and Caparella debited their customers' accounts without permission. The Attorney General's Office has received nearly 100 complaints about the pair from all over the United States.

The Attorney General reminded consumers that they are entitled to one free credit report every 12 months, available at <https://www.annualcreditreport.com/cra/index.jsp>, and should beware of companies that offer quick solutions for clearing bad credit. Credit repair companies claiming they can remove negative information from a credit report are not being honest. Accurate information within seven years of the reporting period, or 10 years if the information relates to a bankruptcy, cannot be erased from a credit report. The only information that can be changed are items that are actually wrong or are after the reporting date.

Some credit repair schemes offer to "hide" bad credit by helping consumers establish a new credit identity. The company may direct the consumer to apply for an Employer Identification

Number (EIN) from the Internal Revenue Service, and to use the EIN in place of his or her Social Security number when applying for credit. This practice, known as file segregation, is a federal crime.

To avoid these and other credit repair scams, Attorney General McCollum offered the following tips for consumers who may be considering credit repair services:

- Contact creditors if scheduled payments will be missed and ask local credit counseling services to develop payment plans. These nonprofit groups offer credit guidance to consumers and their services are available at little or no cost. Your employer, credit union, or housing authority may also offer other no-cost credit counseling programs.

- Request a copy of your credit report and review it for mistakes. You are entitled to a free copy of your credit report if you've been denied credit, insurance or employment and request the report within 60 days of notice, or if you can prove that (1) you're unemployed and plan to look for a job within 60 days, (2) you're on welfare, or (3) your report is inaccurate because of fraud. Otherwise, the credit bureaus may charge you a small fee for a copy of your credit report.

- If there are mistakes on your credit report, contact the credit bureau and request a dispute form. Submit the form with as much information as possible about the inaccurate information. The bureau must reinvestigate the matter and delete or correct any information which they are unable to verify. If the dispute still exists, consumers can file a written explanation which must be included in the credit report.

- Contact the Attorney General's Office at 1-866-966-7226 or online at <http://www.myfloridalegal.com> to determine if there are complaints or legal actions pending against the company you are considering.

A copy of the lawsuit filed against Laura Hess is available online at:  
[http://myfloridalegal.com/webfiles.nsf/WF/MRAY-7C2GSH/\\$file/HessComplaint.pdf](http://myfloridalegal.com/webfiles.nsf/WF/MRAY-7C2GSH/$file/HessComplaint.pdf)

A copy of the lawsuit filed against Hacker and Caparella is available online at:  
[http://myfloridalegal.com/webfiles.nsf/WF/MRAY-7C2GRC/\\$file/HackerandCaparellaComplaint.pdf](http://myfloridalegal.com/webfiles.nsf/WF/MRAY-7C2GRC/$file/HackerandCaparellaComplaint.pdf)

IN THE CIRCUIT COURT OF THE SEVENTEENTH JUDICIAL  
CIRCUIT, IN AND FOR BROWARD COUNTY, FLORIDA

OFFICE OF THE ATTORNEY GENERAL,  
DEPARTMENT OF LEGAL AFFAIRS,  
STATE OF FLORIDA,  
Plaintiff,

Case No.:

vs.

LAURA L. HESS, ESQ.,  
LAURA HESS & ASSOCIATES, P.A.,  
HESS KENNEDY CHARTERED LLC, and  
THE CONSUMER LAW CENTER, LLC,  
Defendants.

COMPLAINT

Plaintiff, OFFICE OF THE ATTORNEY GENERAL, DEPARTMENT OF LEGAL AFFAIRS, STATE OF FLORIDA (hereinafter referred to as "Plaintiff"), sues Defendant LAURA L. HESS, Esq., individually and Defendants LAURA HESS & ASSOCIATES, P.A., a Florida corporation, HESS KENNEDY CHARTERED LLC, a Florida limited liability company, and THE CONSUMER LAW

CENTER, LLC, a Florida limited liability company (hereinafter collectively referred to as Defendants or Hess Kennedy).

#### JURISDICTION

1. This is an action for damages and injunctive relief, brought pursuant to Florida's Deceptive and Unfair Trade Practices Act, Chapter 501, Part II, Florida Statutes (2001).

2. This Court has jurisdiction pursuant to the provisions of said statute.

3. Plaintiff is an enforcing authority of Florida's Deceptive and Unfair Trade Practices Act as defined in Chapter 501, Part II, Florida Statutes, and is authorized to seek damages, injunctive and other statutory relief pursuant to this part.

4. The statutory violations alleged herein occurred in or affected more than one judicial circuit in the State of Florida. Venue is proper in the Seventeenth Judicial Circuit as the principal place of business of the Defendant entities is Broward County, Florida.

5. Plaintiff has conducted an investigation, and the head of the enforcing authority, Attorney General Bill McCollum has determined that an enforcement action serves the public interest. A copy of said determination was attached and incorporated herein as Plaintiff's Exhibit A to the original Complaint and is incorporated herein by reference.

6. Defendants, at all times material hereto, provided goods or services as defined within Section 501.203(8), Florida Statutes (2001).

7. Defendants, at all times material hereto, solicited consumers within the definitions of Section 501.203(7), Florida Statutes (2001).

8. Defendants, at all times material hereto, were engaged in a trade or commerce within the definition of Section 501.203(8), Florida Statutes (2001).

#### DEFENDANTS

9. Defendant LAURA L. HESS, an adult over the age of twenty one, resides in and/or has a principal place of business at 210 North University Drive, Coral Springs, Florida, was at all times material an attorney licensed to practice law in the State of Florida and an owner, officer, manager, member and/or director of Defendants LAURA HESS & ASSOCIATES, P.A., HESS KENNEDY CHARTERED LLC, and THE CONSUMER LAW CENTER LLC.

10. Defendant LAURA HESS & ASSOCIATES, P.A is a Florida for-profit corporation for the practice of law in the State of Florida, with a principal address of 210 North University Drive, Coral Springs, Florida.

11. Defendant HESS KENNEDY CHARTERED LLC is a Florida limited liability company, with a principal address of 210 North University Drive, Coral Springs, Florida.

12. Defendant THE CONSUMER LAW CENTER, LLC is a Florida limited liability company, with a principal address of 210 North University Drive, Coral Springs, Florida.

13. At all times material, Defendant LAURA L. HESS knew of and controlled the activities of LAURA HESS & ASSOCIATES, P.A., HESS KENNEDY CHARTERED LLC, and THE

CONSUMER LAW CENTER, LLC. Defendant LAURA L. HESS had actual knowledge or constructive knowledge fairly implied on the basis of objective circumstances, that the her acts and/or omissions and the acts/or omissions of the employees, agents, members, managers and representatives of Defendants LAURA HESS & ASSOCIATES, P.A., HESS KENNEDY CHARTERED LLC, and THE CONSUMER LAW CENTER, LLC as described below, were unfair or deceptive and/or prohibited by law.

**DECEPTIVE AND UNFAIR TRADE PRACTICES**

**CHAPTER 501, PART II FLORIDA STATUTES**

14. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 13 as if fully set forth hereinafter.

15. Chapter 501.204(1), Florida Statutes, declares that unfair or deceptive acts or practices in the conduct of any trade or commerce are unlawful.

16. Commencing on a date unknown, but at least subsequent to May 23, 2005, the Defendants engaged in various willful deceptive and unfair trade practices, as set out further herein, in violation of Chapter 501, Part II, Florida Statutes (2001).

17. Commencing on a date unknown, but at least subsequent to May 23, 2005, the Defendants engaged in a systematic pattern of conduct designed and intended to induce consumers to purchase their services via a series of false and fraudulent representations.

COUNT I

*Defendants LAURA L. HESS and LAURA HESS & ASSOCIATES, P.A.*

18. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 17 as if fully set forth hereinafter.

19. On or about May 23, 2005, Laura L. Hess incorporated a for-profit Florida corporation under the name of Laura Hess, Inc.

20. The Articles of Incorporation provided that the purpose of Laura Hess, Inc. was "any and all lawful business" but not the rendering of professional legal services as required by F.S. §621.08.

21. Laura Hess, Inc. was organized under the provisions of Chapter 607 of the Florida Statutes.

22. On or about May 25, 2007, Articles of Amendment were filed changing the name of Laura Hess, Inc. to Laura Hess & Associates, P.A. but not changing the purpose to conform to the requirements of Chapter 621 of the Florida Statutes, contrary to F.S. §621.13(4).

23. On or about January 3, 2008, Laura Hess & Associates, P.A. filed an Annual Report listing Edward Cherry as an officer and director.

24. Edward Cherry is not an attorney licensed to practice law in the State of Florida. Section 621.09 of the Florida Statutes requires a shareholder or member of a professional legal

services corporation or limited liability company, respectively, to be an attorney licensed in the State of Florida to practice law.

25. Laura Hess & Associates, P.A. is the owner of the fictitious names Consumer Law Center and The Consumer Law Center (Coral Springs) filed with the Division of Corporations on or about September 6, 2007 and September 10, 2007, respectively. Said fictitious names violate the provisions of F.S. §621.12(4) as they are not "identical to [the professional service corporation's] name", i.e. Laura Hess & Associates.

26. Laura Hess & Associates, P.A. is the owner of the fictitious name Hess|Kennedy Chartered filed with the Division of Corporations on or about September 6, 2007. Said fictitious name violates the provisions of F.S. §621.12(4) as it is not "identical to [the professional service corporation's] name", i.e. Laura Hess & Associates.

27. Laura Hess & Associates, P.A. is also the part owner of Hess Kennedy Chartered LLC, in conjunction with a Cayman Islands business company. Defendants represent Hess Kennedy Chartered LLC to be a corporation responsible for processing consumer payments on behalf of the law firm. Laura L. Hess has testified that the predecessor in name to Hess Kennedy Chartered LLC was an international law firm. This ownership by Laura Hess & Associates, P.A. violates Chapter 621 of the Florida Statutes.

28. As a result of the foregoing acts and omissions, Laura Hess & Associates, P.A. has not conformed to the requirements of Chapter 621 of the Florida Statutes in order to be

qualified as a professional service corporation to render legal services in the practice of law in the State of Florida.

29. Defendants Laura L. Hess and Laura Hess & Associates, P.A. have misled and/or misrepresented to the public that Laura Hess & Associates, P.A. is a duly organized professional service corporation and qualified to render legal services in the practice of law in the State of Florida, in violation of the provisions of Chapters 501 and 621 of the Florida Statutes.

30. Defendants Laura L. Hess and Laura Hess & Associates, P.A. have misled and/or misrepresented to the public, including through internet advertisements, that Hess|Kennedy Chartered is a duly organized professional service corporation and qualified to render legal services in the practice of law in the State of Florida, in violation of the provisions of Chapters 501 and 621 of the Florida Statutes as said fictitious name is not "identical to [the professional service corporation's] name", i.e. Laura Hess & Associates.

## COUNT II

*Defendants LAURA L. HESS, LAURA HESS & ASSOCIATES, P.A.*

*and HESS KENNEDY CHARTERED LLC*

31. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 30 as if fully set forth hereinafter.

32. On or about December 8, 2005, Laura L. Hess incorporated a for-profit Florida corporation under the name of Hess Kennedy Company.

33. The Articles of Incorporation stated that the purpose of Hess Kennedy Company was “any and all lawful business” but not the rendering of professional legal services as required by F.S. §621.08.

34. Hess Kennedy Company was organized under the provisions of Chapter 607 of the Florida Statutes.

35. On or about March 13, 2007, Articles of Amendment were filed changing the name of Hess Kennedy Company to Hess Kennedy Company Chartered and changing the purpose to read that the corporation may engage in or transact any or all lawful business; debt adjustment services incidental to the practice of law; and the practice of law. The amended purpose does not conform to the requirements of Chapter 621 of the Florida Statutes. Said Articles of Amendment were signed by the aforesaid Edward Cherry as Director. Defendant Laura L. Hess has admitted that Edward Cherry is a shareholder.

36. On or about August 31, 2007, Articles of Amendment were again filed changing the name of Hess Kennedy Company Chartered to Hess Kennedy Chartered LLC but not changing the purpose. The Articles of Amendment also set forth that the managing member of Hess Kennedy Chartered LLC was the aforesaid Cayman Islands business company. Said Articles of Amendment were signed by the aforesaid Edward Cherry. Defendant Laura L. Hess has admitted that Edward Cherry is a shareholder.

37. For the effective period of January 1, 2007 through December 31, 2007, Hess Kennedy Company, and thus its successors in name, Hess Kennedy Company Chartered and

Hess Kennedy Chartered LLC, were licensed by the Florida Office of Financial Regulation as a "Consumer Collection Agency".

38. Defendants Laura L. Hess, Laura Hess & Associates, P.A. and Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, have misled and/or misrepresented to the public that Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, were attorneys at law licensed to render legal services in the practice of law in Florida, in violation of the provisions of Chapters 501 and 621 of the Florida Statutes.

39. Hess Kennedy Chartered LLC is owned by Laura Hess & Associates, P.A. in conjunction with a Cayman Islands business company. Defendants represent Hess Kennedy Chartered LLC to be a corporation responsible for processing consumer payments on behalf of the law firm. Laura L. Hess has testified that the predecessor in name to Hess Kennedy Chartered LLC was an international law firm.

40. Defendants have repeatedly and systematically entered into agreements for the rendering of legal services in the practice of law with residents of Florida and of other states representing the law firm signatory to the agreements as follows: a) Hess Kennedy Company; b) Hess Kennedy Company, Chartered Law Firm; c) Hess Kennedy Company Chartered; d) Hess Kennedy & Company; e) Hess Kennedy & Associates; f) Hess | Kennedy, Attorneys; g) Hess | Kennedy, PLLC; and h) Consumer Law Center.

41. On or about September 6, 2007, Laura Hess & Associates, P.A. registered the fictitious name Hess | Kennedy Chartered with the Division of Corporations. Said fictitious name

violates the provisions of F.S. §621.12(4) as it is not “identical to [the professional service corporation’s] name”, i.e. Laura Hess & Associates.

42. Commencing on a date unknown, but at least subsequent to September 6, 2007, Defendants have repeatedly used the name Hess|Kennedy, A Professional Association in its representations to the public.

43. None of the names set forth in the preceding paragraphs 40, 41 or 42 is or represents professional services corporations or limited liability companies conforming to the requirements of Chapter 621 of the Florida Statutes in order to be professional service corporations or limited liability companies qualified to render legal services in the practice of law in the State of Florida.

44. Defendants Laura L. Hess, Laura Hess & Associates, P.A. and Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, have misled and/or misrepresented to the public that: a) Hess Kennedy Company; b) Hess Kennedy Company, Chartered Law Firm; c) Hess Kennedy Company Chartered; d) Hess Kennedy & Company; e) Hess Kennedy & Associates; f) Hess|Kennedy, Attorneys; g) Hess|Kennedy, PLLC; h) Hess|Kennedy, A Professional Association; i) Hess|Kennedy Chartered; j) Consumer Law Center; and k) Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, were attorneys at law licensed to render legal services in the practice of law in Florida, in violation of the provisions of Chapters 501 and 621 of the Florida Statutes.

**COUNT III**

*Defendants LAURA L. HESS, LAURA HESS & ASSOCIATES, P.A.*

*and THE CONSUMER LAW CENTER, LLC*

45. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 44 as if fully set forth hereinafter.

46. On or about December 4, 2006, Laura Hess, Inc., Jeff Campos, P.A. and David Kleiman, P.A. organized a for-profit Florida limited liability company under the name of The Consumer Law Center LC.

47. The Articles of Organization stated that the purpose of The Consumer Law Center LC was "any and all lawful business" but not the rendering of professional legal services as required by F.S. §621.08.

48. The Consumer Law Center LC was organized under the provisions of Chapter 608 of the Florida Statutes.

49. On or about October 4, 2007, Articles of Amendment were filed changing the name of The Consumer Law Center LC to The Consumer Law Center, LLC but not changing the purpose. The Articles of Amendment also set forth that the manager of The Consumer Law Center, LLC was changed to The Consumer Law Center Partners. Said Articles of Amendment were signed by the aforesaid Edward Cherry.

50. Laura Hess & Associates, P.A. is the owner of the fictitious names Consumer Law Center and The Consumer Law Center (Coral Springs) filed with the Division of Corporations on

or about September 6, 2007 and September 10, 2007, respectively. Said fictitious names violate the provisions of F.S. §621.12(4) as they are not “identical to [the professional service corporation’s] name”, i.e. Laura Hess & Associates.

51. For the effective period of July 23, 2007 through December 31, 2007, The Consumer Law Center LC, and thus its successor in name, The Consumer Law Center, LLC, was licensed by the Florida Office of Financial Regulation as a “Consumer Collection Agency”.

52. None of the names set forth in the preceding paragraphs 49, 50 or 51 is or represents professional services corporations or limited liability companies conforming to the requirements of Chapter 621 of the Florida Statutes in order to be professional service corporations or limited liability companies qualified to render legal services in the practice of law in the State of Florida.

53. Defendants Laura L. Hess, Laura Hess & Associates, P.A. and The Consumer Law Center, LLC have misled and/or misrepresented to the public that The Consumer Law Center, LLC, including its aforesaid predecessor in name, plus Consumer Law Center and The Consumer Law Center (Coral Springs) were attorneys at law licensed to render legal services in the practice of law in Florida, in violation of the provisions of Chapters 501 and 621 of the Florida Statutes.

#### **COUNT IV**

*Defendants LAURA HESS & ASSOCIATES, P.A.,*

*HESS KENNEDY CHARTERED LLC and THE CONSUMER LAW CENTER, LLC*

54. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 53 as if fully set forth hereinafter.

55. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC represent that their clients have entered into client agreements for the law firm (sic) to render debt settlement services. Said agreements also provide that the legal fees are nonrefundable and are to be paid first before any funds are aggregated in trust accounts for payment to creditors.

56. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC represent that they are professional services corporations or limited liability companies conforming to the requirements of Chapter 621 of the Florida Statutes qualified to render legal services in the practice of law in the State of Florida.

57. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC mislead and/or misrepresent to the public that they are professional services corporations or limited liability companies conforming to the requirements of Chapter 621 of the Florida Statutes and qualified to render legal services in the practice of law in the State of Florida, in violation of the provisions of Chapters 501 and 621 of the Florida Statutes

58. As a result of the foregoing, the individuals who executed client agreements with Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid

predecessors in name, and The Consumer Law Center, LLC have been misled and deceived into paying for putative legal services when said Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC were not duly organized professional services corporations or limited liability companies conforming to the requirements of Chapter 621 of the Florida Statutes and qualified to render legal services in the practice of law in the State of Florida.

**COUNT V**

*Defendants LAURA HESS & ASSOCIATES, P.A.,*

*HESS KENNEDY CHARTERED LLC and THE CONSUMER LAW CENTER, LLC*

59. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 58 as if fully set forth hereinafter.

60. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have entered into client agreements with individuals for putative legal services referred to as debt settlement services.

61. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have also had individuals enter into client agreements with an entity called Debt Settlement of America for payment processing services and for Debt Settlement of America to negotiate with the individual's creditors.

62. Debt Settlement of America is not a professional legal services corporation or otherwise qualified to render legal services in the practice of law in Florida.

63. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have misled and/or deceived the public that debt settlement or debt adjustment is a service that they provide as attorneys or professional services corporations or limited liability companies conforming to the requirements of Chapter 621 of the Florida Statutes and qualified to render legal services in the practice of law in the State of Florida.

**COUNT VI**

*Defendants LAURA HESS & ASSOCIATES, P.A.,  
HESS KENNEDY CHARTERED LLC and THE CONSUMER LAW CENTER, LLC*

64. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 63 as if fully set forth hereinafter.

65. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have represented in the Articles of Amendment of Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, that debt settlement services or debt adjustment services are incidental to the practice of law.

66. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have engaged Debt Settlement of America to use its best efforts to settle debts for individuals.

67. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have deceptively foisted client agreements upon the public that provide that said Defendants will provide legal services for contract disputes/debt settlement but, at the same time, said client agreements exclude legal services for defense of creditor claims or litigation.

68. As a result of the foregoing, Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have engaged in deceptive acts or practices as aforesaid in violation of the provisions of Chapter 501 of the Florida Statutes by inducing consumers to pay for putative legal services in the practice of law when said services are not legal services that are to be performed by professional services corporations or limited liability companies conforming to the requirements of Chapter 621 of the Florida Statutes and qualified to render legal services in the practice of law in the State of Florida.

#### **COUNT VII**

*Defendants LAURA HESS & ASSOCIATES, P.A.,  
HESS KENNEDY CHARTERED LLC and THE CONSUMER LAW CENTER, LLC*

69. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 68 as if fully set forth hereinafter.

70. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC represent to the public

that part of the money that consumers paid to said Defendants was nonrefundable as fees for putative legal services for debt settlement but that a portion of said money would be aggregated in a trust account for payment to the consumers' creditors.

71. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have misled and/or deceived the public by failing to establish a trust account for money to be aggregated for payment to creditors of consumers as expressly and impliedly represented to consumers and by failing to deposit any money of consumers into said trust account for payment to creditors.

#### COUNT VIII

*Defendants LAURA HESS & ASSOCIATES, P.A.,*

*HESS KENNEDY CHARTERED LLC and THE CONSUMER LAW CENTER, LLC*

72. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 71 as if fully set forth hereinafter.

73. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC represent to the public that part of the money that consumers paid to said Defendants was nonrefundable as fees for putative legal services for debt settlement but that a portion of said money would be aggregated in a trust account for payment to the consumers' creditors.

74. Notwithstanding the foregoing representation, Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and

The Consumer Law Center, LLC have misled and/or deceived the public by establishing that until and unless a consumer paid his or her entire nonrefundable legal fee, no money would be aggregated for or paid to the consumer's creditors and by failing to conspicuously disclose this policy.

**COUNT IX**

*Defendants LAURA HESS & ASSOCIATES, P.A.,*

*HESS KENNEDY CHARTERED LLC and THE CONSUMER LAW CENTER, LLC*

75. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 74 as if fully set forth hereinafter.

76. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have misled and/or deceived the public by representing to consumers in correspondence, client contracts and/or other materials and advertisements, including on the internet, that Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and/or The Consumer Law Center, LLC is an international law firm with offices in jurisdictions throughout the United States and foreign countries.

77. It is unethical and improper for Florida licensed attorneys or professional services corporations or limited liability companies to represent the existence of offices in other jurisdictions if there are no bona fide offices in such other jurisdictions.

78. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have misled and/or deceived the public by representing on letterheads, client contracts and other materials furnished to the public that said Defendants comprise an international law firm with offices in New York, Illinois, New Jersey, Singapore, London, California, Grand Cayman, Washington, DC, South Carolina and Massachusetts.

79. Defendants Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC admit that, for cases outside Florida, said Defendants “request assistance from ... affiliate attorneys throughout the country”. An affiliate attorney by definition is not part of the Defendants’ law firm despite the Defendants’ misrepresentation to consumers as to locations of offices outside Florida.

**COUNT X**

*Defendants LAURA L. HESS, LAURA HESS & ASSOCIATES, P.A.,  
HESS KENNEDY CHARTERED LLC and THE CONSUMER LAW CENTER, LLC*

80. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 79 as if fully set forth hereinafter.

81. Defendants Laura L. Hess, Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have misled and/or deceived the public by engaging in a deceptive and misleading pattern of conduct as hereinafter set forth that subjects consumers to adverse legal consequences arising

from consumers' failure to make payment to creditors while the consumers make payments to said Defendants, Debt Settlement of America or other agents of said Defendants.

82. Said Defendants contact consumers and furnish to consumers, i.e. prospective clients, various materials, consisting principally of client contracts, welcome or introductory correspondence and internet based advertising.

83. The written contracts that Defendants furnish to prospective clients for signing and engagement of the Defendants are in various formats but are generically similar, except for one factor: the name by which the Defendants are described in the contracts.

84. Said Defendants are described in the client contracts by various names including, but not limited to, Hess Kennedy Company Chartered; Hess Kennedy & Company; Hess|Kennedy, A Professional Association; Consumer Law Center; Hess Kennedy Company; Hess|Kennedy, Attorneys; and even Debt Settlement of America. The Defendants' client contracts represent to clients that the law firm (sic) will render legal services referred to as debt settlement services.

85. The Defendants' client contracts also set forth, but not clearly and conspicuously, that a) the legal fees are nonrefundable and are to be paid first before any funds are aggregated in trust accounts for payment to creditors, b) the legal services are for contract disputes/debt settlement but, that legal services for defense of creditor claims or litigation are excluded, c) part of the money consumers pay to said Defendants is nonrefundable as fees for putative legal services for debt settlement but that a portion of said money would be

aggregated in a trust account for payment to the consumers' creditors, and d) until and unless a client paid his or her entire nonrefundable legal fee, no money would be aggregated for or paid to the client's creditors, notwithstanding the representation to the contrary.

86. Said Defendants also furnish to clients introductory correspondence and materials which represent that the Defendants will issue Fair Credit Billing Act (FCBA) dispute letters to the consumer's creditors, and then the consumer may stop paying the creditor but the creditor cannot take any legal action or other action to collect the credit card balance.

87. Said Defendants also post on the internet similar representations to consumers that once the Defendants issue Fair Credit Billing Act (FCBA) dispute letters to the consumers' creditors, consumers may stop paying creditors but the creditors cannot take any legal action or other action to collect the credit card balance.

88. Said Defendants have not clearly and conspicuously disclosed to consumers in any of the foregoing materials that said Defendants will not make payment to creditors of consumers *ab initio*, that is, from the beginning of the Defendants' engagement by consumers.

89. Said Defendants have not clearly and conspicuously disclosed to consumers in any of the foregoing materials that, as payment to creditors of consumers would not be made *ab initio*, that is, from the beginning of the Defendants' engagement by consumers, consumers would face risks from non-payment, such as litigation or other action to collect the indebtedness.

90. In instances when said Defendants sent, or caused to be sent, form FCBA dispute letters to creditors, said letters disputed the validity of all charges on the consumer's account, irrespective of the time when said charges were incurred, and requested that creditors not place the consumer's account into default.

91. Said Defendants have deceptively and misleadingly represented to consumers that the form FCBA dispute letters to creditors, disputing the validity of all charges on the consumers' accounts, were legally valid and effective to toll payment on consumers' accounts without placing the consumers into default and to settle outstanding indebtedness at minimal amounts.

92. Said Defendants have summarized their work as follows in response to a complaint filed by a consumer with the New Mexico Attorney General: "Bernadette retained this firm for ... auditing creditor compliance with the Truth-In-Lending Act, the Fair Credit Billing Act ... it was determined that the consumer's creditors were unlawfully calculating the annual percentage rate, daily periodic rate, and finance charges ... The firm sent notice in accordance with 15 U.S.C. § 1666 ... "

93. Said Defendants publicly represent that the foregoing audit and FCBA dispute notice work is not done by attorneys licensed to practice in the State of Florida and that a consumer's account is turned over to an attorney when the creditor's violations total \$50,000 to \$100,000.

93. Said Defendants' foregoing representations that the form FCBA dispute letters to creditors, disputing the validity of all charges on the consumer's account, are legally valid and effective to toll payment on consumers' accounts without placing the consumers into default are deceptive and misleading.

94. Federal Court decisions have issued which have decided that FCBA dispute letters to creditors, disputing the validity of all charges on the consumer's account, are not valid notices under 15 U.S.C. § 1666 and do not provide the consumer with rights to withhold payment or protection against creditor litigation under 12 C.F.R. 226.13(d).

95. As a result of said Defendants' deceptive and misleading pattern of conduct, various consumers have suffered financial losses. Examples of said consumers are as follows:

a. Bernadette Delgado of New Mexico paid said Defendants for three months but was terminated by her employer, Kirtland Federal Credit Union, who was also her credit card issuer, after said Defendants did not contact or make any payment to Kirtland Federal Credit Union during the three months that the consumer made payments to said Defendants.

b. F.R. of New York paid said Defendants for eleven months but whose credit card issuer, Chase Bank, was not contacted by or received any payment from said Defendants during the eleven months that the consumer made payments to said Defendants.

c. Jim Wideman of Wisconsin paid said Defendants for fifteen months but his credit card issuers did not receive any payment from said Defendants during the fifteen months that the consumer made payments to said Defendants, although said Defendants expressly represented

to the consumer in an email on April 11, 2006 that “[a]ll your accounts will be settled before money builds up in your escrow account.”

d. Sandra Boulon of Florida paid said Defendants for five months in the total amount of \$3533.78. Her credit card issuers had minimal or no contact with and received no payments from said Defendants, according to said Defendants’ activity log, during the five months that the consumer made payments to said Defendants. After Ms. Boulon complained to the Better Business Bureau, said Defendants refunded \$542.10 to her and also offered to refund her one-half of the total “non-refundable retainer and fees” of \$2354.34 paid by the consumer. Said Defendants’ client agreement with Ms. Boulon represented that 10% of the estimated settlement amount of \$19,025.08, that is \$1902.50, together with a portion of the fees would be paid upon execution of the agreement and the consumer paid \$2354.35 toward the settlement amount and fees as such down payment. Notwithstanding the contractual terms, said Defendants misrepresented that initial payments from consumers are all nonrefundable legal fees. In subsequent correspondence dated August 21 and August 29, 2007, said Defendants deceptively and misleadingly responded that Ms. Boulon’s client agreement “indicated that within 24 months, [said Defendants] would negotiate settlements with her creditors” and that “[s]ettlements on her accounts were not being processed because she did not have enough money in the trust account ...”

96. As a result of the foregoing, Defendants Laura L. Hess, Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The

Consumer Law Center, LLC have engaged in deceptive acts or practices as aforesaid in violation of the provisions of Chapter 501 of the Florida Statutes

**COUNT XI**

*Defendants LAURA L. HESS, LAURA HESS & ASSOCIATES, P.A.,  
HESS KENNEDY CHARTERED LLC and THE CONSUMER LAW CENTER, LLC*

97. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 96 as if fully set forth hereinafter.

98. As a result of the foregoing and as more specifically set forth in the foregoing Counts I through X, inclusive, Defendants Laura L. Hess, Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have engaged in deceptive acts or practices as aforesaid in violation of the provisions of Chapter 501 of the Florida Statutes.

**COUNT XII**

*Defendants LAURA L. HESS, LAURA HESS & ASSOCIATES, P.A.,  
HESS KENNEDY CHARTERED LLC and THE CONSUMER LAW CENTER, LLC*

99. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 98 as if fully set forth hereinafter.

100. Commencing on a date unknown, but at least subsequent to May 23, 2005, the Defendants engaged in various willful deceptive and unfair trade practices, as heretofore set forth, providing “debt management services” to consumers to “[e]ffect the adjustment,

compromise, or discharge of any unsecured account, note, or other indebtedness” in violation of the provisions of Chapter 817 of the Florida Statutes (2007).

101. As a result of the foregoing and as more specifically set forth in the foregoing Counts I through X, inclusive, Defendants Laura L. Hess, Laura Hess & Associates, P.A., Hess Kennedy Chartered LLC, including its aforesaid predecessors in name, and The Consumer Law Center, LLC have engaged in deceptive acts or practices as aforesaid in violation of the provisions of Chapters 501 and 817 of the Florida Statutes.

WHEREFORE, Plaintiff requests this court to enter the following Orders:

1. Grant permanent injunctions against Defendants, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with Defendants who receive actual notice of this injunction, prohibiting such persons from doing the following acts:
  - a. Violating the provisions of Chapter 501, Part II, Florida Statutes (2001); and/or
  - b. Engaging in any business activity or operations offering, providing or otherwise dealing in or related to debt counseling, debt adjustment, debt settlement, debt consolidation or debt management services for consumers.
2. Award actual damages to all consumers who are shown to have been injured in this action, pursuant to Section 501.206 (1) (c), Florida Statutes (2001).

3. Assess against Defendants herein civil penalties in the amount of Ten Thousand Dollars (\$10,000.00) for each act or practice found to be in violation of Chapter 501, Part II, Florida Statutes (2001).

4. Order the dissolution of **LAURA HESS & ASSOCIATES, P.A., HESS KENNEDY CHARTERED LLC, THE CONSUMER LAW CENTER, LLC**, and all affiliated entities and/or trade names under which the Defendants do business, including but not limited to a) **Hess Kennedy Company**; b) **Hess Kennedy Company, Chartered Law Firm**; c) **Hess Kennedy Company Chartered**; d) **Hess Kennedy & Company**; e) **Hess Kennedy & Associates**; f) **Hess|Kennedy, Attorneys**; g) **Hess|Kennedy, PLLC**; h) **Hess|Kennedy, A Professional Association**; i) **Hess|Kennedy Chartered**; j) **Consumer Law Center**; k) **The Consumer Law Center (Coral Springs)**; and l) **Debt Settlement of America** .

5. Award reasonable attorneys fees pursuant to F.S. 501.2075.

6. Grant temporary relief pursuant to F.S. 501.207.

7. Waive the posting of any bond by Plaintiff in this action.

8. Grant such other relief as this Honorable Court deems just and proper.

Respectfully Submitted

**BILL McCOLLUM**

**Attorney General**

By: Fulvio Joseph Gentili

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Assistant Attorney General  
Fla. Bar No. 0037493  
Office of the Attorney General  
Department of Legal Affairs  
110 S.E. 6th Street, Tenth Floor  
Ft. Lauderdale, FL 33301  
(954) 712-4600

Dated: February , 2008



**Roy Cooper  
North Carolina Attorney General**

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For immediate release  
Date: February 15, 2008

Contact: Noelle Talley  
Phone: 919/716-6413

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## **Debt relief firms ordered to stop taking money in NC, says AG**

### *Cooper wins order to halt Florida firms' illegal debt adjusting business*

**Raleigh:** Two Florida firms that charged upfront fees but did little to help people get out of debt have been ordered to stop breaking the law and cease taking money from North Carolinians, announced Attorney General Roy Cooper.

"Instead of helping people, these outfits usually drive people deeper into debt," said Cooper. "Now we've stopped them from taking money from North Carolina consumers, and we'll work to stop them for good."

Cooper filed suit this week against Hess Kennedy, The Consumer Law Center, and their owners, Laura L. Hess and Edward Cherry of Coral Springs, Florida seeking to stop their illegal debt relief scheme in North Carolina. At least 220 North Carolina consumers have paid more than \$500,000 to the scheme so far, with more victims suspected in the state.

Wake County Superior Court Judge Donald W. Stephens today signed an order at Cooper's request to temporarily halt the defendants from offering debt adjusting or negotiation services in the state and ordered the defendants to stop taking payments or entering into contracts with North Carolina consumers. The Attorney General is seeking to shut down the firms' activities in North Carolina permanently and to win refunds for consumers.

Hess Kennedy and The Consumer Law Center claim to help people reduce their debts by as much as 60 percent. Cooper alleges that the defendants' program actually operates as an advance fee scam designed to take money from financially-strapped consumers. According to the complaint, the defendants rarely negotiate any kind of debt settlement in exchange for the large upfront fees they collect, which are often as much as 15 to 25 percent of a consumer's total debt. Instead of paying off consumers' creditors, the defendants keep most of the money even after consumers cancel the program.

Cooper contends that the defendants claim to be "expert" debt negotiators that can provide legal protection to their clients even though none of their employees are licensed to practice law in North Carolina. Consumers who stopped paying their bills at the defendants' recommendation got little help from the defendants when their creditors sued them for failing to pay.

As outlined in the complaint, the defendants market their services online and through referral agents who get a cut of consumers' fees. One agent, Consumer Credit Counseling of America, used misleading listings in Raleigh and Winston-Salem telephone books to lure people who thought they were calling a non-profit credit counselor. Instead, they got connected to out-of-state telemarketers who pitched the defendants' expensive services.

"During this time of economic uncertainty, people are feeling pinched and looking for ways to save money and get out of debt," said Cooper. "But steer clear of anyone who tells you to stop paying your bills and give them your money instead. For help getting a handle on your debts, turn to a reputable non-profit credit counselor."

To find an accredited counselor, contact the National Foundation for Credit Counseling at 1-800-388-2227 or [www.nfcc.org](http://www.nfcc.org). ###

STATE OF NORTH CAROLINA

IN THE GENERAL COURT OF JUSTICE  
SUPERIOR COURT DIVISION

COUNTY OF WAKE

FILE NO: 08CV \_\_\_\_\_

STATE OF NORTH CAROLINA, ex rel.  
ROY COOPER, Attorney General,

Plaintiff,

v.

HESS KENNEDY CHARTERED, LLC;  
THE CONSUMER LAW CENTER, LLC;  
LAURA L. HESS; and EDWARD CHERRY;

Defendants.

**COMPLAINT**

**I. INTRODUCTION**

1. This is an action for injunctive relief to restrain the defendants from engaging in the illegal business of debt adjusting in violation of North Carolina state law, G.S. § 14-423, et seq., from engaging in unfair and deceptive practices, G.S. § 75-1.1, and to obtain restitution and further relief.
2. The defendants are offering a deceptive and illegal debt settlement scheme to consumers in North Carolina. This scheme, which is prohibited by North Carolina law, purports to relieve consumers of their debt burdens by negotiating down their outstanding debt obligations. In fact, the defendants' debt settlement program operates as a classic advance fee scam, designed to extract up-front fees from financially-strapped consumers whether or not any useful services are performed. As shown below, consumers rarely obtain debt settlements

through the defendants and end up in a far worse financial position.

## **II. PARTIES**

3. Plaintiff State of North Carolina is acting through its Attorney General, Roy Cooper, pursuant to authority granted by Chapters 14, 75, and 114 of the North Carolina General Statutes.

4. Defendant Hess Kennedy Chartered, LLC (hereafter "Hess Kennedy") is a Florida corporation with a principal address at 210 N. University Drive, Coral Springs, Florida 33071. Hess Kennedy Chartered, LLC was formerly incorporated in the State of Florida under the names Hess Kennedy Company and Hess Kennedy Company Chartered.

5. Defendant The Consumer Law Center, LLC (hereafter "TCLC") is a Florida corporation with a principal address at 210 N. University Drive, Coral Springs, Florida 33071. The Consumer Law Center, LLC was formerly incorporated in the State of Florida under the name The Consumer Law Center, LC.

6. Defendants Hess Kennedy and TCLC share common ownership.

7. Defendant Laura L. Hess is an attorney and a resident of the State of Florida. Through various corporate entities, defendant Hess has a significant ownership interest in corporate defendants Hess Kennedy and TCLC, and defendant Hess has profited substantially from the defendants' illegal activities. At all times material to this Complaint, defendant Hess has directed, controlled, participated in, and had knowledge of the illegal acts and practices of the corporate defendants and of the corporate defendants' co-conspirators, as alleged in this Complaint. Defendant Hess is not licensed as an attorney in the State of North Carolina. The State Bar of Florida, where defendant Hess is licensed, has initiated disciplinary proceedings

against defendant Hess in connection with defendants' debt settlement business, which proceedings are ongoing.

8. Defendant Edward Cherry is a resident of the State of Florida. Through various corporate entities, defendant Cherry has a significant ownership interest in defendants Hess Kennedy and in TCLC, and defendant Cherry has profited substantially from defendants' illegal activities. At all times material to this Complaint, defendant Cherry has directed, controlled, participated in, and had knowledge of the illegal acts and practices of the corporate defendants and of the corporate defendants' co-conspirators, as alleged in this Complaint.

9. The defendants are engaged in substantial activities in North Carolina. Among other activities, the defendants have entered into contracts with hundreds of North Carolina consumers – and are continuing to enter into contracts with North Carolina consumers – for the purported performance of illegal debt adjusting services on behalf of such consumers. Toward that end, defendants have collected, and are currently collecting, substantial amounts of money from North Carolina consumers monthly for the performance of illegal debt adjusting services.

### **III. FACTUAL ALLEGATIONS**

10. Since the beginning of 2006, and continuing thereafter, the defendants have purported to offer “debt settlement” or “debt negotiation” services to financially distressed consumers in North Carolina and in other states. As explained more fully below, the defendants and their agents purposefully prey upon unsophisticated North Carolina consumers who are struggling with high amounts of unsecured debt, but who want to pay their creditors in good faith and avoid bankruptcy.

11. The defendants directly market their services over the Internet at several websites

including [www.hesskennedycompany.com](http://www.hesskennedycompany.com) (website for Hess Kennedy) and [www.freelawspace.com](http://www.freelawspace.com) (website for TCLC). Examples of the defendants' advertisements on their websites are attached hereto as Exhibit 1.

12. In addition, the defendants knowingly and purposefully market their services indirectly through numerous third-party "referral agents" that refer consumers to the defendants for purported debt settlement services. In exchange for referring consumers to the defendants, the defendants' agents are compensated either by the defendants or by collecting a fee directly from consumers.

13. Upon information and belief, the defendants' employees and the defendants' "referral agents" have no training, experience or expertise in the areas of credit counseling, debt management, consumer finance or bankruptcy law. Despite their representations to consumers that they are acting in consumers' best interests, the defendants and the defendants' "referral agents" do not provide any meaningful analyses of consumers' financial circumstances; and they do not engage in any considered screening of consumers' financial circumstances to determine the optimal solution for consumers' financial difficulties.

14. Specific referral agents used by the defendants include, but are not limited to, the following agents: (a) Consumer Credit Counseling of America, Inc. and (b) Debt Settlement of America, both of which are owned by an individual named Eric Nabydoski, and are based in Massachusetts; (c) "The Credit Exchange," with an Internet website at [www.thecreditexchange.com](http://www.thecreditexchange.com) (the website does not reveal the physical location of "The Credit Exchange"); (d) Consumer Debt Solutions, Inc., d/b/a "Consumer Debt Solutions" with an Internet website at [www.consumerdebtsolutions.net](http://www.consumerdebtsolutions.net), located in Florida; (e) Rescue Debt, Inc.,

d/b/a "Rescue Debt," based in California; (f) "The Attorney Network," with an Internet website at [www.theattorneynetwork.com](http://www.theattorneynetwork.com); and (g) "Coastal Credit Solutions," with an Internet website at [www.coastalcreditsolutions.com](http://www.coastalcreditsolutions.com), located in California.

15. The defendants' and their agents' Internet websites invite consumers to contact them by telephone, or to e-mail the defendants with their telephone number so that the defendants can contact the consumers by telephone. In addition, at least one of the defendants' agents (Consumer Credit Counseling of America) placed misleading telephone listings in North Carolina telephone books (including in Raleigh and Winston-Salem Yellow Pages) under the name "Consumer Credit Counseling." The defendants' agent, which had no offices in North Carolina, listed a local telephone number, which, when dialed, actually rang the agent's telemarketing "boiler room" in Massachusetts or Florida. The defendants' and their agents' misleading telephone listings caused many North Carolina consumers to contact the defendants' agent, believing that the agent was a locally-based non-profit agency providing credit counseling, which it was not.

16. When consumers telephone the defendants or the defendants' agents, the defendants and their agents represent that the defendants are expert "debt negotiators," and that the defendants can drastically reduce consumers' unsecured credit card debts in a very short time period through the defendants' "debt settlement" program. Specifically, the defendants and their agents represent that, through the defendants' program: (a) consumers will be able to reduce their unsecured debts by up to 60 percent; (b) consumers will become completely debt free in as little as 1 to 3 years; and (c) consumers will be able to pay off their creditors and avoid bankruptcy.

17. The defendants and their agents represent that the defendants are able to

accomplish such dramatic results through the defendants' purported "expert" debt negotiation skills. The defendants and their agents tell consumers that the defendants will contact consumers' creditors and negotiate substantially reduced settlements of the amounts owed to each creditor. The defendants and their agents project to consumers that the defendants can settle consumers' unsecured debts for, on average, 40 cents on the dollar, reducing a consumer's debts by up to 60 percent.

18. In many instances, the defendants and their agents further lure consumers into the defendants' debt settlement program by representing to consumers that defendants Hess Kennedy and TCLC are law firms, and that they can supposedly provide a higher level of service to debt-strapped consumers by protecting consumers from creditor harassment, and by providing "legal protection" against creditors.

19. If a consumer signs up for the defendants' program, the defendants require the consumer to provide the defendants with authorization to debit the consumer's bank account on a monthly basis by automatic bank draft. The defendants and their agents instruct consumers that their monthly payments to the defendants will be accumulated and placed into an escrow or trust account on behalf of the consumer for payment to the consumer's creditors.

20. When consumers sign up for the defendants' program, the defendants and their agents expressly instruct the consumer to stop making any payments to his or her creditors, even if the consumer has been making timely payments to his creditors.

21. Upon information and belief, in many instances, the defendants and their agents mislead consumers into believing that the defendants will begin making disbursements to consumers' creditors shortly after consumers enroll in the defendants' program. In a "Client

Briefing” booklet distributed to consumers who enroll, defendant Laura Hess as “Managing Partner” of defendant Hess Kennedy, promises to “free you[] of the yolk [sic] of crippling debt.” In the “briefing,” the defendants state that “for the average client enrolled in the Hess-Kennedy Debt Settlement program it can be expected to take from three to six months to accumulate enough funds in escrow to make your first settlement.

22. In some instances, at the time of enrollment, the defendants’ agents and the defendants initially led some consumers to believe that the defendants’ program was a credit counseling and debt management program instead of a debt settlement program. In these instances, the defendants’ agents and the defendants represented that the defendants would administer a debt management plan for consumers by negotiating reduced interest rates on consumers’ credit cards; by seeking waivers of late payment fees; by obtaining lower monthly payments to creditors; and by making monthly payments to consumers’ creditors. Further, some of the defendants’ contracts expressly provided that “Credit counseling payments are distributed to creditors on a monthly basis....”

23. Upon information and belief, the defendants have never provided any credit counseling or debt management services on behalf of any North Carolina consumers. The defendants have never administered debt management plans, nor negotiated reduced interest rates or monthly payments; nor have the defendants made scheduled monthly payments to consumers’ creditors.

24. For those consumers who were initially led to believe that the defendants’ program was a debt management plan, after the consumers enrolled and had paid money to the defendants, the consumers were then advised by the defendants that the defendants’ program was

a debt settlement program, and not a debt management plan.

25. Once consumers enroll in the defendants' debt settlement program, the defendants and their agents instruct consumers to cease all communications with their creditors. In addition, the defendants and their agents instruct consumers to change their billing address to the defendants' mailing address in Florida, so that consumers' credit card bills will be mailed to the defendants.

26. The defendants charge extraordinary fees for their so-called "debt settlement services," and the defendants collect their fees up-front prior to performing any services. Specifically, as their "debt settlement" fee, the defendants typically charge between 15 to 25 percent of the consumer's total unsecured debt in the program. Thus, for a consumer with \$25,000 in unsecured debt, the defendants' fee could easily be as much as \$6250.

27. Unknown to most consumers, before the defendants will commence any so-called "debt negotiation" with a consumer's creditors, the defendants require that consumers pay a substantial portion of the defendants' fee first. Upon information and belief, in soliciting consumers to enter the program, the defendants and their agents purposefully do not explain to consumers that, at least for the first several months, almost all, if not all of the consumer's monthly payment is devoted solely to the defendants' (and their agents') fees. As a result, because the defendants collect their fees up-front, a consumer must remain in the defendants' program for often a year or more before any debt negotiation services are performed, if any are performed at all.

28. In many instances, the defendants fail to contact consumers' creditors as promised. Upon information and belief, in those instances where the defendants have contacted

consumers' creditors, the defendants' communications have consisted primarily of poorly-drafted form letters stating that the consumers are represented by the defendants and instructing creditors to contact the defendants with any questions. (See Letter from defendant TCLC to "UWC" [sic] Hospitals, attached hereto as Exhibit 2.)

29. After consumers enroll in the defendants' program, the defendants have very little further contact with consumers, other than drafting the consumer's bank account monthly. The defendants do not provide consumers with periodic accounting statements nor do they send consumers documentation or other information about communications with consumers' creditors.

30. Upon information and belief, after consumers enroll in the defendants' program, consumers typically find it very difficult to reach the defendants by telephone or otherwise. When consumers call the defendants for information, or to complain, consumers are often put on hold, disconnected, or given the runaround. When the defendants actually speak with consumers, consumers are told by the defendants not to worry, that the defendants are handling everything, and to keep making the monthly payments.

31. After consumers enroll in the defendants' program, consumers are at greater risk of being sued by their creditors because – at the direction of the defendants – consumers stop sending payments to their creditors. However, despite leading consumers to believe that they are attorneys and that they can "protect" consumers from creditors and debt collectors, the defendants do not provide legal representation to North Carolina consumers when they are sued. At most, the defendants have sent inapplicable and poorly-prepared advice and pleadings to North Carolina consumers with instructions to the consumers to file the pleadings. (See letter to

Mary Margaret Haddock and draft "Motion to Dismiss" attached hereto as Exhibit 3.)

32. None of the defendants are licensed to practice law in North Carolina, and defendants Hess Kennedy and TCLC do not employ or associate any attorneys licensed to practice law in this State. Defendant Hess is licensed as an attorney in the State of Florida, but defendant Hess is currently a subject of disciplinary proceedings before the Florida State Bar in connection with her "debt settlement" practices. Defendant Cherry is not a licensed attorney.

33. Upon information and belief, no attorney employed or associated with the defendants has ever spoken with, advised, consulted with, prepared legal documents on behalf of, or otherwise had any direct contact or communications with any North Carolina consumer.

34. Because the defendants fail to render any beneficial services to consumers, many consumers drop out of the defendants' program after a few months.

35. In most instances, when consumers terminate the defendants' program, the defendants refuse to provide consumers with refunds, and instead retain most, if not all, of consumers' funds.

36. Despite their claims of being "expert debt negotiators," the defendants have obtained very few settlements on behalf of North Carolina consumers with consumers' creditors. Further, upon information and belief, the defendants have disbursed virtually none of the money collected from North Carolina consumers to consumers' creditors, and have instead retained most consumers' monies for the defendants' benefit.

37. In addition to illegally collecting large amounts of money from North Carolina consumers for "debt settlement" services and performing no beneficial services, the defendants' misrepresentations and actions have caused North Carolina consumers further substantial harm.

Because the defendants instruct consumers to stop sending monthly payments to their creditors, the consumers' debts continue to increase due to assessed late charges, over-the-limit fees, and additional interest charges.

38. The State has submitted six (6) consumer affidavits in support of its motion for preliminary injunctive relief. As demonstrated by these affidavits, which are incorporated herein by reference:

(A) Consumers are routinely misled about the nature of defendants' services. Some consumers believe that they are enrolling in a traditional debt counseling and debt management program.

(B) Consumers are not given timely or accurate information about the disposition of their monthly payments. Consumers believe their payments will be promptly applied to their debt obligation.

(C) Consumers do not understand that all or most of their initial payments are retained by the defendants as their fees, even if the defendants have performed no debt settlement services.

(D) Consumers are misled that the defendants, as purported "law firms" will keep their funds in escrow or in a trust account.

(E) None of the consumers received the benefit of any debt settlement services by the defendants.

(F) Several of these consumers were sued by creditors after the consumers entered into defendants' program. The defendants offered no assistance other than the preparation of inappropriate boilerplate pleadings that were not relevant or helpful to the

consumers' situations.

(G) All the consumers experienced difficulty contacting or communicating with the defendants.

(H) All the consumers were substantially worse off after enrolling in the defendants' program, and some have now filed, or are considering filing, for bankruptcy.

(I) The defendants routinely refuse to provide refunds even if they have performed no useful services for the consumers. Only in those instances where the Attorney General's office has interceded have the defendants sometimes paid refunds to consumers.

39. The State has compelling reason to believe that the defendants have collected large amounts of money from hundreds of North Carolina consumers. On October 18, 2007, the State served a Civil Investigative Demand ("CID") upon the defendants, requesting, among other information, identification of the names of North Carolina consumers from whom the defendants have collected money for "debt settlement" services, and an accounting of monies the defendants had collected from North Carolina consumers. To date, the defendants have failed to produce this information to the State.

40. Based upon records the State obtained in December 2007 from one particular payment processor that processed some, but not all, electronic payments on behalf of the defendants, the State has identified at least 220 North Carolina consumers that have paid \$516,856.78 to the defendants from January 1, 2006 through December 12, 2007. (See Affidavit of David C. Evers, Exhibit A, which contains a listing of these consumers and the amounts illegally collected by the defendants from such consumers.) Upon information and belief, the defendants have retained virtually all of these funds for their own benefit. Based on its

investigation, the State has reason to believe that the defendants have collected substantial additional funds from many more North Carolina consumers in addition to those consumers identified.

#### **IV. CLAIMS FOR RELIEF**

##### **COUNT I:** **VIOLATIONS OF THE NORTH CAROLINA DEBT ADJUSTING LAW:** **N.C. GENERAL STATUTE § 14-423, et seq.**

41. The State realleges and incorporates herein the allegations of paragraphs 1 through 40 above.

42. The defendants are engaged in illegal "debt adjusting" services as that term is defined in Article 56 of Chapter 14 of the North Carolina General Statutes.

Specifically, G.S. § 14-423(2) defines "debt adjusting" in pertinent part:

"Debt adjusting" means entering into or making a contract, express or implied, with a particular debtor whereby the debtor agrees to pay a certain amount of money periodically to the person engaged in the debt adjusting business and that person, for consideration, agrees to distribute, or distributes the same among certain specified creditors in accordance with a plan agreed upon. Debt adjusting includes the business or practice of any person who holds himself out as acting or offering or attempting to act for consideration as an intermediary between a debtor and his creditors for the purpose of settling, compounding, or in any way altering the terms of payment of any debt of a debtor, and to that end receives money or other property from the debtor, or on behalf of the debtor, for the payment to, or distribution among, the creditors of the debtor.

Debt adjusting also includes the business or practice of debt settlement ... whereby any person holds himself or herself out as acting for consideration as an intermediary between a debtor and the debtor's creditors for the purpose of reducing, settling, or altering the terms of the payment of any debt of the debtor, whether or not the person distributes

the debtor's funds or property among the creditors, and receives a fee or other consideration for reducing, settling, or altering the terms of the payment of the debt in advance of the debt settlement having been completed or in advance of all the services agreed to having been rendered in full."

43. The activity of "debt adjusting" is prohibited by G.S. § 14-424, which provides that "[i]f any person shall engage in, or offer to or attempt to, engage in the business or practice of debt adjusting, or if any person shall hereafter act, offer to act, or attempt to act as a debt adjuster, he shall be guilty of a Class 2 misdemeanor."

44. The defendants' offering and purported rendering of "debt settlement" or "debt negotiation" services to North Carolina consumers is in violation of North Carolina's debt adjusting statute. Specifically, the defendants have engaged, and are engaging in a business or practice in which the defendants hold themselves out as acting or offering or attempting to act, for consideration, as an intermediary between North Carolina consumer debtors and their creditors for the purpose of negotiating, settling, or altering the terms of payment of North Carolina debtors' debts; and the defendants receive money from consumers for the eventual payment to, or distribution among, consumers' creditors.

45. The defendants have also violated in the Debt Adjusting statute by collecting advance fees for debt settlement or debt negotiation services.

46. Section 14-426 of the Debt Adjusting law provides for certain, limited exemptions to the statute, including an exemption for attorneys that are "licensed to practice in this State who [are] not employed by a debt adjuster." The defendants do not qualify for this exemption or any other statutory exemption, as the defendants are not licensed to practice law in this State.

47. Pursuant to G.S. § 14-425, the State is entitled to injunctive relief to restrain the defendants from further violations of the law and to the recovery of all sums unlawfully collected by the defendants from North Carolina debtors.

COUNT II:  
VIOLATIONS OF THE NORTH CAROLINA UNFAIR AND DECEPTIVE TRADE  
PRACTICES ACT:  
N.C. GENERAL STATUTE § 75-1.1

48. The State incorporates herein by reference paragraphs 1 through 47 above.

49. In the course of soliciting and promoting their "debt settlement" or "debt negotiation" services to North Carolina consumers, in entering into agreements with North Carolina consumers to provide such purported services, and in purporting to render such services, the defendants have engaged in unfair and deceptive acts and practices in trade or commerce in violation of G.S. § 75-1.1.

50. The defendants are not exempt as attorneys from the coverage of G.S. 75-1.1 because the defendants are not licensed to practice law in North Carolina; the defendants are engaging in an activity expressly prohibited by law in this State; and the defendants do not render legal or professional services to North Carolina consumers.

51. The defendants' unfair or deceptive acts and practices include, but are not limited to, the following:

(A) Engaging in illegal debt adjusting activities prohibited by North Carolina law;

(B) Making deceptive and misleading representations to consumers, including but not limited to the following:

- (i.) Falsely representing that the defendants' debt settlement program is highly successful, that the defendants will reduce consumers' unsecured debts by as much as 60 percent, and that consumers will be able to avoid bankruptcy through the defendants' program – when, in actuality, the defendants do not settle most consumers' debts, most consumers' debts are not reduced, very few consumers successfully complete the defendants' program, and the defendants' program almost always fails, causing many consumers to file for bankruptcy;
- (ii.) Representing that the defendants' unlawful debt settlement program is consumers' best option for debt relief; when, in reality, other options, such as credit counseling, debt management, bankruptcy filing, or other options, are far more suitable for consumers and afford greater debt relief;
- (iii.) Representing that the defendants have special expertise in “debt settlement” or “debt negotiation,” when the defendants have no such special expertise, and consumers are more likely to obtain reduced settlements with their creditors through their own efforts than through the defendants' efforts, if any;
- (iv.) Representing to consumers that they can expect the defendants to reach settlements with consumers' creditors within 3 to 6 months after consumers' enrollment; when, in fact, the defendants reach

very few settlements in this time period due to the defendants' practice of "front-loading" the collection of defendants' fees, which prevents consumers from accumulating sufficient funds with which to pay their creditors;

- (v.) Representing to consumers that the defendants are attorneys and that they will provide "legal protection" to consumers from creditors and debt collectors; when the defendants are not licensed to practice law in North Carolina, the defendants do not provide "legal protection" to consumers from their creditors, and the defendants do not render any legal services on behalf of consumers;
- (vi.) Representing to some consumers that the defendants will make monthly disbursements to consumers' creditors pursuant to a debt management plan, when the defendants do not provide debt management services and do not make monthly disbursements to consumers' creditors;
- (vii.) Representing that the defendants will promptly begin contacting and negotiating with consumers' creditors shortly after consumers enroll; when, in fact, the defendants typically do not negotiate with consumers' creditors until consumers have been in the defendants' program for many months, if at all;
- (viii.) Representing that consumers will have access to their funds that

are in the defendants' trust or escrow account, when consumers do not have access to such funds;

- (ix.) Failing to adequately inform consumers of the amount of the defendants' fee, and failing to inform consumers that the defendants collect their fees up-front before beginning any "debt settlement" services on behalf of consumers;
- (x.) Representing to consumers that the defendants will keep consumers informed of defendants' actions on consumers' behalf, and representing that the defendants are available to respond to consumers' inquiries; when the defendants typically do not provide consumers with information about consumers' accounts or with information about the defendants' actions on consumers' behalf, if any;
- (xi.) Failing to inform consumers that some creditors refuse to negotiate with the defendants;
- (xii.) Failing to adequately inform consumers that they face a higher degree of risk of being sued by their creditors as a direct result of their participation in the defendants' program due to the defendants' instructions to consumers to cease making payments to their creditors;
- (xiii.) Failing to adequately inform consumers that their debts may significantly increase as a direct result of their participation in the

defendants' program because of creditors' assessment of finance charges, late fees, over-the-limit fees, and other fees due to the defendants' instructions to consumers to cease making payments to their creditors;

(xiv.) Representing to consumers that they will be able to obtain a refund if consumers terminate the program; when, in fact, very few consumers have obtained refunds when they terminated; and

(xv.) Representing to consumers that they may obtain a refund of monies placed in the defendants' escrow or trust account which has been set aside to pay consumers' creditors; when, in fact, the defendants often fail to disburse such funds to consumers when consumers terminate the program.

(C) Offering and engaging in a "debt settlement" or "debt negotiation" program, that, in substance, is grossly unfair and injurious to consumers, in that, among other things:

(i.) The defendants charge an extraordinarily high fee for their purported "services," which fees the defendants collect up-front and retain for their own benefit, without providing any services for consumers;

(ii.) The defendants purport to be attorneys and to offer legal services in order to gain consumers' confidence and trust in order to sell a program that is extremely harmful to consumers, when the

defendants are not licensed attorneys in this State, and do not provide any legal services in this State;

- (iii.) The defendants advise consumers to cease paying legal obligations to their creditors; and
- (iv.) The defendants perpetrate a program that is substantially deleterious to the credit standing and the economic and legal standing of consumers.

**PRAYER FOR RELIEF**

WHEREFORE, the State of North Carolina prays the Court for the following relief:

A. That the defendants, their members, officers, employees, and agents be temporarily restrained and preliminarily and permanently enjoined from:

- (1) Advertising, offering, soliciting, or entering into contracts with North Carolina consumers for unlawful debt adjusting, including debt settlement or debt negotiation services, in violation of North Carolina's Debt Adjusting law, N.C. Gen. Stat. " 14-423, 14-424;
- (2) Soliciting or collecting any monies from North Carolina consumers for debt adjusting services, in violation of the Debt Adjusting law, N.C. Gen. Stat. § 14-423, 14-424;
- (3) Engaging in unfair or deceptive trade practices in the offering or conduct of their debt settlement or debt negotiation services, in violation of N.C. Gen. Stat. § 75-1.1;

B. That a receiver be appointed pursuant to G.S. § 14-425 to gain control of assets received and retained by defendants as a result of their unlawful debt adjusting activities in this State;

C. That the defendants be ordered to refund all sums collected from North Carolina consumers resulting from the defendants' violations of the Debt Adjusting law and N.C. Gen. Stat. ' 75-1.1, pursuant to N.C. Gen. Stat. " 14-425 and 75-15.1;

D. That the defendants' existing agreements or contracts with North Carolina consumers be cancelled pursuant to N.C. Gen. Stat. " 75-1.1 and 75-15.1;

E. That the defendants be ordered to pay appropriate civil penalties pursuant to N.C. Gen. Stat. ' 75-15.2;

F. That the State be awarded costs of this action and reasonable attorneys fees; and

G. That the Court award such other and further relief as may be just and proper.

This the \_\_\_\_\_ day of February 2008.

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M. Lynne Weaver  
N.C. Bar No. 19397

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Philip A. Lehman  
N.C. Bar No. 6721

Assistant Attorneys General

North Carolina Department of Justice  
P.O. Box 629  
Raleigh, NC 27602  
Tel: 919-716-6000  
Fax: 919-716-6050  
E-mail: [weaver@ncdoj.gov](mailto:weaver@ncdoj.gov)  
[plehman@ncdoj.gov](mailto:plehman@ncdoj.gov)

Attorneys for STATE OF NORTH CAROLINA  
ex rel. ROY COOPER, Attorney General

STATE OF NORTH CAROLINA

COUNTY OF WAKE

VERIFICATION

David C. Evers, being first duly sworn, deposes and says:

That he is a Consumer Protection Specialist employed by the North Carolina Department of Justice and that he is authorized to make this Verification; that he assisted in the Department of Justice's investigation of the named defendant; that he has read the foregoing Complaint, and that upon his information and belief, the matters and things alleged therein are true.

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David C. Evers                      Date  
Consumer Protection Specialist

Sworn and subscribed before me

this \_\_\_\_\_ day of February, 2008.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_



Hess and Edward Cherry.

3. The Court, Hon. Donald W. Stephens presiding, conducted a hearing on the defendants' motion to dismiss and the State's motion for a temporary restraining order. In written orders dated 15 February 2008, Judge Stephens denied the defendants' motion to dismiss and entered a temporary restraining order against the defendants. Judge Stephens found that the State had established that there was good cause to believe: (a) that the defendants were advertising, offering and engaging in illegal debt adjusting, in violation of North Carolina's Debt Adjusting law, G.S. § 14-423, *et seq.*; (b) that the defendants had collected, and were continuing to collect, money from North Carolina consumers for the defendants' purported performance of debt settlement services, and that such moneys are being collected in violation of G.S. § 14-423(2); and (c) that the defendants were continuing to violate the laws of North Carolina and that the State had established its right to temporary relief pursuant to G.S. §§ 14-425 and 75-14.

4. The Temporary Restraining Order, *inter alia*, restrained the defendants from offering or contracting for debt settlement or debt adjusting services in North Carolina, in violation of G.S. § 14-423, *et seq.*, and from collecting fees for such services. The Order also required the defendants to produce, prior to the preliminary injunction hearing, account statements identifying their North Carolina customers and the amounts such customers had paid to the defendants. The defendants have not yet produced the required records as mandated by the Order but their counsel indicated that the defendants are endeavoring to do so.

5. By its terms, the Temporary Restraining Order expired after 10 days, on 25 February 2008, and the matter was calendared for hearing on 25 February.

6. On 21 February 2008, four days before the scheduled hearing of this matter, the defendants filed a notice of appeal from the entry of the Temporary Restraining Order and the Order denying the defendants' motion to dismiss for lack of personal and subject matter jurisdiction and for insufficiency of service of process. The appeal has not yet been perfected and filed with the North Carolina Court of Appeals.

7. The defendants contend that the filing of their notice of appeal divests this Court of jurisdiction to further hear this matter. The State contends that this Court retains jurisdiction because the defendants' appeal is interlocutory, does not implicate any substantial rights, and that the order regarding personal jurisdiction was entered for the purpose of establishing the Court's authority to issue a temporary restraining order and to overcome the defendants' objections to the Court hearing the State's motion for a temporary restraining order.

8. This Court finds that, notwithstanding the defendants' notice of appeal, it retains jurisdiction over this matter, including hearing the motion for preliminary injunction, and that the defendants have failed to demonstrate that their unperfected interlocutory appeal bars this Court from continuing to exercise jurisdiction.

9. This Court further finds that the State has made a sufficient showing that good and sufficient cause exists for the entry of a preliminary injunction to prevent further violations of the law and to prevent further harm to the consuming public in this State.

IT IS THEREFORE ORDERED that the State's motion for a preliminary injunction is granted, and the terms of this Court's Temporary Restraining Order dated 15 February 2008 are continued in effect. The defendants, their agents, employees, and all persons acting in concert with them are hereby preliminarily enjoined from:

- (1) Advertising, soliciting, offering, or providing any debt settlement, debt negotiation, or debt adjusting services to North Carolina consumers, in violation of G.S. § 14-423, *et seq.*;
- (2) Entering into contracts with any North Carolina consumers for the performance of debt settlement, debt negotiation, or debt adjusting services, in violation of G.S. § 14-423, *et seq.*;
- (3) Charging, collecting, or receiving any further fees directly or indirectly, from any North Carolina consumers for the performance of debt settlement, debt negotiation, or debt adjusting services, in violation of G.S. § 14-423, *et seq.*; provided that if the defendants receive any future payments from North Carolina consumers, such payments shall be segregated in a trust or escrow account and shall be accounted for separate and apart from other funds received by the defendants, and shall not be disbursed except in accordance with subparagraph (4) below;
- (4) Transferring, concealing, or disposing of any money or funds received, directly or indirectly, from any North Carolina consumers in connection with the defendants' debt settlement program, except to pay money to consumers' creditors or to return funds to consumers; and
- (5) Destroying, removing, transferring, erasing, or otherwise disposing of any business or financial records relating to the defendants' debt settlement or debt negotiation services, including but not limited to any business or financial records relating to moneys obtained from any North Carolina consumer in connection with the defendants' debt settlement or debt

negotiation program.

Notwithstanding the foregoing, to the extent that any of the defendants are representing any North Carolina residents in pending litigation filed in the courts of another state, such defendant shall be permitted to continue such representation without being subject to the prohibitions of this Order.

IT IS FURTHER ORDERED that the defendants shall, within seven (7) days of the date of this Order, produce the following business records to the State:

- (I.) The name and address of every North Carolina consumer from whom the defendants (or the corporate predecessors of defendants Hess Kennedy and The Consumer Law Center) have collected or received, directly or indirectly, any money for the performance of debt settlement or debt negotiation services since January 1, 2006; and
- (II.) An individual accounting for each North Carolina consumer from whom the defendants have collected, directly or indirectly, money for debt settlement or debt negotiation services, including:
  - (A.) The date and amount of each consumer payment,
  - (B.) The date and amount of any disbursements by the defendants on the consumer's behalf, including any disbursements made to the consumer's creditors, and identification of the name(s) of such creditor(s);
  - (C.) Identification of any and all amounts collected or retained by the defendants as fees or compensation for the defendants' purported services; and

(D.) Identification of any and all amounts currently held in the defendants' trust or escrow account for the purpose of payment to the consumer's creditors.

THIS ORDER shall remain in effect until final resolution of this cause or until further order of this Court.

This the \_\_\_\_\_ day of February, 2008.

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Robert H. Hobgood  
Superior Court Judge

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STATE OF WEST VIRGINIA  
OFFICE OF THE ATTORNEY GENERAL  
DARRELL V. MCGRAW, JR.  
CONSUMER PROTECTION DIVISION  
1-800-368-8808 or 304-558-8986

## Press Release

FOR IMMEDIATE RELEASE

Contact: Douglas L. Davis  
Phone: (304) 558-8986

### Florida Attorneys Prevented From Continuing Debt Settlement Business in WV Until They Comply With Attorney General's Investigation

Florida attorneys employed by Hess Kennedy Company Chartered have been temporarily forbidden from settling West Virginia consumers' debts until they comply with an investigation under way by Attorney General Darrell McGraw as the result of an order signed by the Circuit Court of Kanawha County, December 14, 2007.

Hess Kennedy, of Coral Springs, Florida, claims to assist consumers who are struggling financially to make payments to their creditors. This increasingly common, and sometimes controversial business of debt settlement has arisen as consumer credit card debt has ballooned in the past few years. Debt settlers such as Hess Kennedy make repayment plans to help consumers repay outstanding debts, at a deep discount, to avoid being sued or filing for bankruptcy. Monthly payments are then made by consumers to the debt settlers in turn for which the debt settlers claim to negotiate with creditors to reduce the amount of debt owed.

Although debt settlement services are unrestricted in some states, West Virginia's law regarding debt settlement only permits for-profit companies to charge a monthly service fee of two percent of the payments made by consumers. Although Attorney General McGraw's investigation is incomplete, it appears that Hess Kennedy was charging more than the two percent fee allowed by state law.

Attorney General McGraw said, "Although the debt settlement approach to debt relief may work for some persons, the service has legal consequences and should only be offered by persons licensed to practice law in West Virginia. My office will continue to scrutinize the debt relief industry in an effort to protect consumers who are already facing dire financial circumstances from paying excessive fees for services that may leave them in worse shape than before."

Anyone wishing to file a complaint about a consumer matter or to let the Attorney General know about unfair or deceptive practices may do so by calling the Consumer Protection Hotline at 1-800-368-8808 or by obtaining a complaint form from the Consumer web page at [www.wvago.gov](http://www.wvago.gov).