

NORTH CAROLINA
GUILFORD COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
09 CVS 8247

ALEXANDER L. LEE, JOE S. BROWN,)
AND MARK THOMPSON,)
)
Plaintiffs,)
)
vs.)
)
LEGAL BUCKS, LLC, LBFUND I, LLC,)
LOGAN FINANCIAL NETWORK, INC., J.)
KEITH TART, LYNN D. TART, PHILIP L.)
SMITH, and VIRGINIA SMITH,)
)
Defendants.)

ANSWER

Now come defendants LBFund I, LLC, Logan Financial Networks, Inc., Philip L. Smith, and Virginia Smith and respond to the allegations of the Complaint as follows:

Introduction

Denied, except it is admitted that the alleged judicial opinion in the *Odell v. Legal Bucks, LLC* case speaks for itself. It is further alleged that as used in this answer in response to the Plaintiffs' allegations, the term "advance" means the investment purchase of a portion of proceeds from personal injury actions or claims.

1. Denied for lack of information and belief in the truth of the allegation, except it is admitted that \$21,000 was advanced pursuant to one or more contracts that speaks for themselves to Lee as follows:

12/22/07 \$8,000
01/24/08 \$2,000
02/29/08 \$5,000
08/28/08 \$6,000

2. Denied for lack of information and belief in the truth of the allegation, except it is admitted that \$20,000 was advanced pursuant to one or more contracts that speaks for themselves to Brown as follows:

05/09/05 \$10,000
05/25/05 \$5,000
01/30/07 \$5,000

It is also admitted that \$42,885 was recovered on the investment on 03/03/07.

3. Denied for lack of information and belief in the truth of the allegation, except it is admitted that \$20,000 was advanced pursuant to one or more contracts that speaks for themselves to Thompson as follows:

09/01/06 \$15,000
01/22/07 \$5,000

It is also admitted that \$30,760 was recovered on the investment on 03/22/07.

4. Denied for lack of information and belief in the truth of the allegation, except it is admitted on information and belief that Legal Bucks is a North Carolina limited liability company.

5. It is admitted that LBFund is a North Carolina limited liability company and that it raised equity capital that was used by Legal Bucks to purchase portions of proceeds from clients' personal injury claims and actions. Otherwise, denied.

6. Denied for lack of information and belief in the truth of the allegation, except it is admitted that Tart has been the Chief Investment Officer of LBFund. It is believed that he is a vice-president of Legal Bucks and a member manager of Legal Bucks.

7. Denied for lack of information and belief in the truth of the allegation, except it is believed that Lynn Tart may hold or have held the title of "president" of Legal Bucks.

8. Denied, except it is admitted that Logan is a C corporation that owns shares in LBFund.

9. It is admitted that Smith is a citizen and resident of Forsyth County, that he owns no shares in LBFund, and that he is the manager of LBFund. Otherwise, denied.

10. It is admitted that Virginia Smith is a citizen and resident of Forsyth County, that she is president of Logan, that she owns no shares in LBFund, and that she is the bookkeeper of LBFund.

Factual Allegations

1. Denied.
2. Denied.
3. Denied for lack of information and belief in the truth of the allegation.
4. It is admitted that each purchase contract speaks for itself. Otherwise, denied.

5. Denied in that the allegation presumes interest charges and illegality.
6. Admitted on information and belief as to each advance.
7. Denied.
8. Denied.
9. Denied, except it is admitted on information and belief that anyone who received an advance would take that payment as well as other assets and financial circumstances into consideration in considering when and whether to settle their claims and actions.
10. Denied, except it is admitted that defendants Legal Bucks and LBFund had a pecuniary interest in plaintiffs being successful in their claims and that defendants wanted the plaintiffs and all who received advances to do as well as they could in their claims and actions.
11. It is admitted that the purchase contracts speak for themselves. Otherwise, denied. It is specifically denied that clients were required to pay the full amount of proceeds that had been purchased.
12. Denied for lack of information and belief in the truth of the allegation.
13. It is admitted that several hundred persons entered into purchase contracts with Legal Bucks. Otherwise, denied.
14. Denied, except it is admitted that the alleged agreements would speak for themselves.
15. Admitted as to these defendants, but as to other defendants denied for lack of information and belief in the truth of the allegation.
16. Denied.
17. Denied.
18. Denied.
19. Denied.

Class Allegations

20. It is admitted that the plaintiffs purport to bring this action as a class action under North Carolina law. Otherwise, denied.
21. It is admitted that the alleged definition is the description of the class that the plaintiffs seek to have certified. Otherwise, denied.

22. It is admitted on information and belief that the class as defined in the complaint would number in the hundreds, but it is denied that the proposed class would be proper under Rule 23, N.C.R.Civ.P.

23 to 26. Denied.

First Cause of Action - Usury

27. The preceding responses are incorporated herein.

28. to 30. Denied.

Second Cause of Action - Consumer Finance Act

31. The preceding responses are incorporated herein.

32. It is admitted that neither Legal Bucks nor LBFund were licensed by the State Banking Commission. Otherwise, denied.

33 to 34. Denied.

Third Cause of Action - Unfair and Deceptive Trade Practices

35. The preceding responses are incorporated herein.

36. Denied to the extent that it is being implied that the actions of any defendant were unlawful. It is admitted that the business of making advances was in and affecting commerce.

37. Denied.

Fourth Cause of Action - Constructive Trust

38. The preceding responses are incorporated herein.

39. Denied.

Fifth Cause of Action - Declaratory Judgment

40. The preceding responses are incorporated herein.

41. Denied.

Sixth Cause of Action - Rescission/Restitution

42. The preceding responses are incorporated herein.

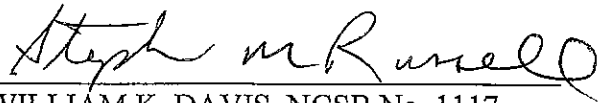
43. to 44. Denied.

Affirmative Defenses

1. In bar to this action, these defendants allege all statutes of limitations applicable to the causes of action set forth in the Complaint.
2. In bar to this action, these defendants plead the defenses of waiver and release.
3. In bar to the action, these defendants plead the defense of accord and satisfaction.
4. In bar to the action, these defendants plead the defense of election of remedies.
5. In bar to this action, in the event that it was determined that the advances made were usurious, then these defendants plead in setoff the obligation of putative class member and plaintiffs to pay principal and interest at the legal rate.
6. In bar to this action, these defendants plead that the advances were not loans subject to the Consumer Finance Act.
7. In bar to this action, these defendants plead that plaintiffs and putative class members entered into purchase contracts upon the advice of personal counsel and with the assistance of personal counsel.
8. In bar to this action, these defendants plead that the advances made were not “loans” or “advances” subject to usury laws; but each advance was a purchase of a portion of proceeds from a claim for personal injury or other injury whereby an equitable assignment of proceeds was obtained at arm’s length.
9. The complaint fails to state a claim for relief upon which relief may be granted.
10. In bar to this action, these defendants plead that the advance transactions did not impose upon any client an absolute obligation to repay the principal, which was at risk.

WHEREFORE, these defendants pray that this action be dismissed and that plaintiffs have and recover nothing of these defendants; that the costs of this action be taxed against plaintiffs; and for such other and further relief as the Court deems just and proper.

This the 1st day of September, 2009.



WILLIAM K. DAVIS, NCSB No. 1117
STEPHEN M. RUSSELL, NCSB No. 9447
Attorneys for Defendants
PHILIP L. SMITH, VIRGINIA SMITH,
LOGAN FINANCIAL NETWORK, INC., and
LBFUND I, LLC.

OF COUNSEL:

BELL, DAVIS & PITT, P.A.
Post Office Box 21029
Winston-Salem, NC 27120-1029
Telephone: 336/722-3700
Facsimile: 336/714-4101

CERTIFICATE OF SERVICE

This is to certify that the undersigned has this date served this pleading in the above-entitled action upon all other parties to this cause by:

() Hand-delivering a copy thereof to the attorney(s); and/or by

() Facsimile; and/or by

() Depositing a copy hereof in a postpaid wrapper in a post office or official depository by first class mail under the exclusive care and custody of the United States Post Office Department properly addressed to the attorney(s).

This the 10 day of September, 2009.


WILLIAM K. DAVIS
STEPHEN M. RUSSELL, SR.

Addressees:

Mr. Frederick L. Berry
Barron & Berry, L.L.P.
Post Office Box 2370
Greensboro, NC 27402
Attorney for Plaintiffs

Mr. John F. Bloss
Robertson Medlin & Blocker
127 N Greene Street, Third Floor
Greensboro, NC 27401
Attorney for Plaintiffs

Ms. Hada Haulsee
Womble Carlyle Sandridge & Rice
One West Fourth Street
Winston-Salem, NC 27101
Attorney for Defendants
Keith Tart, Lynn D. Tart, and
Legal Bucks, LLC