

STATE OF NORTH CAROLINA
COUNTY OF WAKE

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
19 CVS 4518

FILED

2019 APR 11 P 3:17

STATE OF NORTH CAROLINA *ex rel.*)
JOSHUA H. STEIN, Attorney General,)
WAKE COUNTY)

Plaintiff,)

v.)

JAMES MORRIS STALLINGS, III, and)
J.S. ENTERPRISES OF SWANSBORO,)
LLC.,)

Defendants.)

TEMPORARY RESTRAINING
ORDER

THIS CAUSE came on before the undersigned Superior Court Judge on the Attorney General's motion for a temporary restraining order and preliminary injunction. It appears to the Court from the Complaint and exhibits and affidavits attached thereto that there is good and sufficient cause to believe that Defendants are engaged in unfair and deceptive practices in violation of N.C. Gen. Stat. § 75-1.1. Specifically, Defendants have demonstrated a continuing pattern of unfair and deceptive acts including engaging in false and deceptive advertising regarding real property purchase and lease-to-own transactions, leasing residential property to consumers in violation of Chapter 42 of the North Carolina General Statutes, engaging in retaliatory eviction practices against consumers who have filed complaints against Defendants with the Attorney General, using fraudulent land trusts to effectuate deceptive and illegal purchases of real property, and engaging in the unlicensed practice of law.

It further appears to the Court from the State's Complaint, exhibits, and affidavits filed in substantiation thereof that there is a reasonable likelihood that the State will prevail in this

action. It also appears to the Court that the State's request for a Temporary Restraining Order under Rule 65 of the North Carolina Rules of Civil Procedure and N.C. Gen. Stat. § 75-14 should be granted so that further harm to the public and further violations of North Carolina law might be prevented.

IT IS THEREFORE ORDERED that Defendants, their officers, agents, members, employees, successors, assigns and persons acting in concert with them are temporarily restrained from:

- a. Taking any action to evict any consumer currently leasing real property from Defendants or any action that would otherwise lead to the removal of any tenant from the premises being leased, for any reason other than those set forth in N.C. Gen. Stat., Chapter 42, (provided that any such eviction is pursued in accordance with Chapter 42, Article 3, of the North Carolina General Statutes, is based on a violation occurring after the entry of this Order, is subject to the defenses specified in Chapter 42, Article 4A, of the North Carolina General Statutes, and notice of such action is provided to the Attorney General no less than five (5) business days prior to the formal initiation of such action), including but not limited to terminating an existing lease and/or refusing to renew any lease which would otherwise expire during the pendency of this action, regardless of whether such tenant has entered a lease with option to purchase agreement with Defendants.
- b. Taking any action to enforce any lease provision violating Chapter 42 of the North Carolina General Statutes, or failing to perform any of the duties of a landlord required by § N.C. Gen. Stat. 42-42.

- c. Taking any action to enforce any contractual provision preventing or penalizing a consumer's decision to terminate their lease, lease to own, or independent contractor services agreement early.
- d. Taking any action that misrepresents to a mortgage lender whether the due-on-sale clause in a deed of trust has been triggered.
- e. Taking any action that constitutes the practice of law under N.C. Gen. Stat. § 84-2.1, including but not limited to preparing deeds, contracts and other legal documents on behalf of others by which legal rights are secured.
- f. Transferring, converting, encumbering, disbursing, assigning, spending, withdrawing or otherwise disposing of any funds received, directly or indirectly, from consumers in connection with Defendants' business operations, other than and except for the timely payment of real estate taxes and insurance on properties that Defendants are currently leasing to consumers, timely payments on promissory notes for debts owed to consumers, timely mortgage payments (including sums for taxes and insurance) on all properties that Defendants have purchased from consumers "subject to" any existing mortgage loans, and expenses for repairs required under N.C. Gen. Stat. § 42-42 (provided that Defendants retain all receipts associated with such expenses). All other funds to be disbursed by Defendants, including wages paid to Defendants' employees and monthly utility bills for all office locations, must be submitted to the office of the Attorney General for non-objection no less than five (5) business days prior to any such disbursement.

- g. Failing to use any funds collected from consumers due under any and all leases to timely make outstanding mortgage payments (including sums for taxes and insurance) on all properties that Defendants have purchased from consumers “subject to” any existing mortgage loans, timely payments on promissory notes for debts owed to consumers, timely payment of real estate taxes and insurance on properties that Defendants are currently leasing to consumers, and for repairs required under N.C. Gen. Stat. § 42-42, as set forth in paragraph f, above.
- h. Destroying, removing, transferring, erasing, or otherwise disposing of any business or financial records relating to Defendants’ business operations, including, but not limited to, any business or financial records relating to monies obtained from consumers in connection with Defendants’ real estate and lease transactions.
- i. Destroying, erasing, altering or otherwise disposing of any and all documents created on or after January 1, 2013, including but not limited to purchase contracts, sale contracts, rental contracts, rent to own/lease with option contracts, independent contractor service contracts, contractor lien waiver agreements, deeds, deeds of trust, promissory notes, trust affidavits, contracts for deed, consumer housing applications, advertising materials (including internet websites), marketing materials, and “Street Smart” program materials.
- j. Transferring or converting any of Defendants’ properties (regardless of whether such properties are titled in Defendants’ names or in the name of a trust), or to otherwise transfer or dissipate Defendants’ assets, except to transfer properties pursuant to an existing purchase option with notice to the Attorney General for

non-objection within ten (10) business days prior to any such transfer. For the avoidance of doubt, payment of personal expenses of Defendant Stallings which are unrelated to the operations of Defendant J.S. Enterprises of Swansboro, LLC, such as monthly utilities and payment on any existing installment or revolving debt, is excepted from the activity enjoined in this paragraph, j, provided that Defendant Stallings produce monthly bank statements for all bank accounts, whether owned jointly or solely in his own name, to the Attorney General for review within five (5) business days of the monthly statement date.

- k. Advertising, offering, soliciting to purchase, rent, lease and/or “lease with option to purchase” real property from and to consumers, including internet web sites and other on-line advertising (e.g., Facebook[®] and other social media websites); and entering into contracts with consumers for the purpose of purchasing, renting, leasing and/or “leasing with option to purchase” real property from and to consumers.

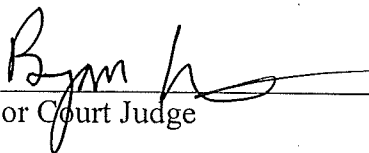
IT IS FURTHER ORDERED that Defendants be required to produce the following records no later than seven (7) days after the entry of this Temporary Restraining Order:

1. The name and address of every bank at which Defendants maintain deposit, checking or other bank accounts, and the account number for each such account;
2. A statement of the current monetary balance in each such account held by Defendants, together with a copy of the most recent bank statements for each such account;
3. A current financial statement, showing the current assets and liabilities for each Defendant;

4. A list of all tenants currently leasing property from Defendants, including contact information; and,
5. A list of all properties currently owned by Defendants, whether in their own name(s) or in the name of a land trust.

IT IS FURTHER ORDERED that Defendants appear before the Superior Court Judge presiding at the Wake County Courthouse, Courtroom number 10C on the 22nd day of April, 2019 at 10:00 o'clock a. m. if they wish to be heard on the State's motion for a preliminary injunction.

SO ORDERED this the 11th day of April, 2019 at 3:15 o'clock p. m.



Superior Court Judge