

## State of North Carolina

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ATTORNEY GENERAL

Department of Justice  
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27602

June 17, 2011

North Carolina Senate President *Pro Tempore* Phil Berger  
North Carolina House of Representatives Speaker Thom Tillis  
Chairs, Joint Legislative Commission on Governmental Operations

Senator Harry Brown  
Senator Thom Goolsby  
Representative N. Leo Daughtry  
Representative W. David Guice  
Representative Shirley B. Randleman  
Chairs, Appropriations Subcommittees on Justice and Public Safety

North Carolina General Assembly  
Raleigh, North Carolina 27601-1096

RE: N.C.G.S. § 114-2.5; Report of Settlement – Consent Judgment entered as to  
T and L Engine Development, Inc., and Lloyd McCleary, Sr., and Lloyd  
McCleary, Jr. ("TLED")

Dear Members:

N.C.G.S. § 114-2.5 requires the Attorney General to report to the Joint Legislative Commission on Governmental Operations and the Chairs of the Appropriations Subcommittees on Justice and Public Safety regarding settlement agreements, final orders, or judgments which result in more than \$75,000 being paid to the State not less than thirty (30) days prior to the disbursement of the funds. Pursuant to that requirement, I am writing to report the consent judgment as to T and L Engine Development, Inc., and Lloyd McCleary, Sr., and Lloyd McCleary, Jr. ("TLED").

By a consent judgment dated December 20, 2010, North Carolina, by and through its Department of Justice, agreed to resolve its dispute regarding TLED's failure to provide custom engines after soliciting and accepting orders and advance payment for the engines; TLED's failure to provide promised refunds to consumers; and TLED's repeated violations of the Federal Trade Commission's Mail and Telephone Order Merchandise Rule ("Mail Order Rule") all in violation of N.C.G.S. § 75-1.1.

Defendants were enjoined from collecting money from consumers for selling or building goods or products, including but not limited to automobile engines, prior to the time of delivery of the completed goods or products to consumers unless: (i) defendants secure a bond in the

amount of \$500,000.00 in favor of the North Carolina Attorney General's Office to be used to provide refunds to consumers who engage in future transactions with defendants and who do not receive the goods or products for which they have paid or a prompt refund for the undelivered goods or products; or (ii) defendants establish an escrow account with an independent escrow agent, acceptable to the Attorney General's Office. The independent escrow agent shall hold all money collected by defendants until such time as the good or product is completed and placed with a third party shipper for delivery to the consumer and a tracking number is given to the independent escrow agent as evidence that the good or product has been shipped.

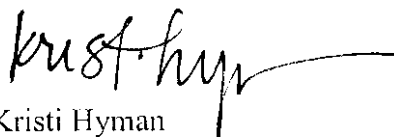
Defendants are permanently enjoined from engaging in sales of goods and products without complying with all provisions of the Mail Order Rule, 16 C.F.R. §§ 435.1 and 435.2 and responding in a timely manner to consumers' inquiries about their order or refund status.

Under the judgment, the defendants' business assets and equipment used in the operation of TLED are to be auctioned and the proceeds paid directly to the North Carolina Department of Justice for the Consumer Protection Division to use as restitution to consumers who have previously filed complaints with the Attorney General's Office or who file complaints within sixty days of the entry of this Consent Judgment and for consumer protection purposes at the discretion of the Attorney General. The judgment further stipulates that defendant McCleary, Sr. list for sale with a licensed real estate broker his primary residence at 8537 Bartlett Road, including all real property on which his primary residence is located as well as all other improvements to the real property, owned in his name or as tenants by the entireties with his wife and the proceeds from any sale shall be paid directly to the North Carolina Department of Justice for the Consumer Protection Division to use as restitution to consumers who have previously filed complaints with the Attorney General's Office or who file complaints within sixty days of the entry of this Consent Judgment and for consumer protection purposes at the discretion of the Attorney General.

We are in receipt of \$135,093.21, which constitutes the proceeds from the sale of defendants' business assets and equipment used in the operation of TLED and the balance of defendants' Pay Pal account to be used for restitution to consumers who have previously filed complaints with the Attorney General's Office or who file complaints within sixty days of the entry of this Consent Judgment.

We will be happy to respond to any questions you may have regarding this report. Please feel free to contact me at (919) 716-6400.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kristi Hyman", with a long horizontal flourish extending to the right.

Kristi Hyman  
Chief of Staff

KH/jyc

cc: Kristine Leggett, Fiscal Research, NCGA  
Nels Roseland, Chief Fiscal Officer, NC DOJ