



JOSH STEIN
ATTORNEY GENERAL

STATE OF NORTH CAROLINA
DEPARTMENT OF JUSTICE

SETH DEARMIN
CHIEF OF STAFF

May 15, 2017

North Carolina Senate President Pro Tempore Phil Berger
North Carolina House of Representatives Speaker Tim Moore
Co-Chairs, Joint Legislative Commission on Government Operations

Senator Warren Daniel
Senator Shirley Randleman
Senator Norman W. Sanderson
Representative James Boles, Jr.
Representative Ted Davis, Jr.
Representative Allen McNeill
Representative Rena W. Turner
Co-Chairs, Appropriations Subcommittee on Justice and Public Safety

North Carolina General Assembly
Raleigh, North Carolina 27601-1096

Re: N.C.G.S. § 114-2.4A and §114-2.5; Report on Settlement Agreements

Dear Members:

Pursuant to N.C.G.S. § 114-2.4A and § 114-2.5, I am pleased to report the following settlements.

IPC

The settlement resolves allegations that from January 1, 2003 through June 16, 2014, IPC billed the Medicaid program for higher and more expensive levels of medical service than were actually performed.

Under the terms of North Carolina's settlement, the State of North Carolina will recover \$131,508.80. Of that amount the federal government will receive \$81,694.43 for North Carolina's federal portion of Medicaid recoveries. The North Carolina Medicaid Program will receive \$25,928.10 as restitution and interest. In addition, pursuant to Article IX, Section 7 of the North Carolina Constitution and G.S. § 115C-457.1, the penalty portion of the settlement in

the amount of \$20,094.01 will be paid to the Civil Penalty Forfeiture Fund for the support of North Carolina public schools. Pursuant to G.S. § 115C-457.2 and G.S. § 108A-70.12(b)(3), the North Carolina Department of Justice will receive \$2,557.14 for investigative costs and \$2,045.71 for costs of collection.

Legal Helpers

This case involved allegations that defendants illegally collected up-front fees for loan modification or foreclosure services. To settle the matter, defendants agreed to change their practices. Defendants also agreed to pay North Carolina \$ 120,000.00, which will be used to provide refunds to consumers.

FCS

This matter involved allegations that defendants engaging in unlawful debt collection practices while collecting debt from certain health club members. To settle the matter, defendants agreed to abide by North Carolina's debt collection laws. Defendants also agreed to pay North Carolina \$115,512.12, which will be used to provide refunds to consumers.

Student Loan Group

This case involved allegations that defendants illegally collected up-front fees for student loan debt adjusting services. To settle the matter, defendants agreed to change their practices. Defendants also agreed to pay North Carolina \$377,048.99, which will be used to provide refunds to consumers.

Walgreen Co.

The settlement resolves allegations that from January 1, 2011 through December 31, 2015, knowingly solicited and allowed individuals receiving benefits from the state Medicaid program to enroll in its Prescription Savings Club program in order to induce such individuals to self-refer prescriptions to Walgreens' pharmacies.

Under the terms of North Carolina's settlement, the State of North Carolina will recover \$260,605.31. Of that amount the federal government will receive \$176,836.41 for North Carolina's federal portion of Medicaid recoveries. Pursuant to G.S. § 1-610, the qui tam plaintiffs whose whistleblower actions brought this matter to the government's attention will receive \$17,565.87 of North Carolina's recovery. The North Carolina Medicaid Program will receive \$30,109.51 as restitution and interest. In addition, pursuant to Article IX, Section 7 of the North Carolina Constitution and G.S. § 115C-457.1, the penalty portion of the settlement in the amount of \$29,987.62 will be paid to the Civil Penalty Forfeiture Fund for the support of North Carolina public schools. Pursuant to G.S. § 115C-457.2 and G.S. § 108A-70.12(b)(3), the North Carolina Department of Justice will receive \$3,052.95 for investigative costs and \$3,052.95 for costs of collection.

We will be happy to respond to any questions you may have regarding this report.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Seth Dearmin', followed by a horizontal line.

Seth Dearmin
Chief of Staff

STATE OF NORTH CAROLINA

COUNTY OF WAKE

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
14 CVS 006409

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

Plaintiff,

v.

LEGAL HELPERS DEBT RESOLUTION
LLC, a Nevada limited liability company
transacting business in North Carolina
as LEGAL HELPER DEBT
RESOLUTION PLLC d/b/a
Macey, Aleman, Hyslip & Searns

JEFFREY S. HYSLIP
2610 N. Talman Avenue, #4
Chicago, IL 60647-6977,

JASON SEARNS
6377 W. Prentice Avenue
Littleton, CO 80123-5195,

JEFFREY ALEMAN
19 Red Oak Drive
Highland, IL 52249-2361,

and

THOMAS MACEY
1962 North Burling Street
Chicago, IL 60614

Defendants.

CONSENT JUDGMENT

THIS CAUSE came on before the undersigned Judge for entry of a Consent Judgment between Plaintiff, the State of North Carolina, by and through its Attorney General (hereinafter

the "State"), and Legal Helpers Debt Resolution, LLC, transacting business in North Carolina as Legal Helpers Debt Resolution PLLC, d/b/a Macey, Aleman, Hyslip & Searns (hereinafter "LHDR"), and Jeffrey Hyslip, Jason Searns, Jeffrey Aleman, and Thomas Macey ("the individual defendants").

The State filed a Complaint and Motion for Preliminary Injunction, alleging numerous violations of North Carolina state law and seeking injunctive relief, restitution, recovery of excess charges, civil penalties, and other relief against LHDR and the individual defendants (collectively "Defendants"). The State and Defendants both acknowledge that there is considerable uncertainty associated with collectability in this matter, and the State is confident that it would recover on the merits of the case but for the collectability issue. The parties recognize that LHDR is no longer in business, and Defendants have disclosed to the State that LHDR has virtually no assets. Further, LHDR and the individual defendants are defendants in numerous lawsuits. Defendants represent that there is a very high probability that LHDR may seek the protection of a Chapter 7 bankruptcy filing. The State's agreement to enter into this Consent Judgment is contingent on the accuracy and truthfulness of financial records which Defendants have disclosed to the State, and in the event Defendants' financial disclosures prove to be materially inaccurate or untruthful, this Consent Judgment, at the State's discretion, shall be deemed null and void. The State's agreement to enter into this Consent Judgment is contingent upon the individual defendants' representations that they are financially able to pay the judgment amount and that they have not taken or received any monies and/or assets from LHDR to satisfy the individual defendants' judgment or which might otherwise subject the State to a preference action.

To avoid the uncertainties and expense associated with further litigation, the State and Defendants desire to resolve any and all disputes arising from the allegations in the Complaint. The parties have entered into an agreement which is embodied and set forth in this Consent Judgment. The entry of the Consent Judgment does not constitute an admission of liability by any of the Defendants.

In full and final settlement of the claims set forth in the Complaint, the individual defendants have agreed to a collective judgment of \$122,000, and LHDR is agreeing to a judgment of \$1,533,000. The parties acknowledge that this amount was disclosed by Global Client Solutions in documents produced to the State as the approximate amount of total deposits which North Carolina consumers made with LHDR during the time period addressed in the State's Complaint. LHDR is not representing the accuracy of that number. All Defendants have agreed to the injunctive relief set forth herein. Defendants have also agreed to entry of this Consent Judgment.

Plaintiff and Defendants, by their counsel, have agreed to entry of this Consent Judgment by the Court without trial or adjudication of any issue of fact or law, and without admission of any of the violations alleged in the Complaint.

THEREFORE, on the joint motion of Plaintiff and Defendants, it is hereby **ORDERED, ADJUDGED, and DECREED** as follows:

I. FINDINGS

1. The Plaintiff in this case is the State of North Carolina. The State filed its Complaint and Motion for Preliminary Injunction, with supporting affidavits, on May 15, 2014.
2. The Defendants in this case are the above-named defendants. Each defendant was properly served with a copy of the State's Complaint and Motion.

3. This Court has jurisdiction over the subject matter and the parties.
4. In its Complaint, the State alleged that Defendants were offering debt adjusting services and collecting advance fees for such services in violation of North Carolina's Debt Adjusting Act, N.C. Gen. Stat. § 14-423 *et seq.*, and that Defendants were otherwise engaged in unfair and deceptive practices in the marketing, solicitation, and performance of their debt relief services, in violation of the Unfair and Deceptive Trade Practices Act, N.C. Gen. Stat. § 75-1.1. The State sought injunctive relief, refunds for customers, statutory civil penalties, costs, and other appropriate relief.
5. The Complaint states a claim upon which relief may be granted. The conduct alleged in the Complaint is in or affecting commerce.
6. Defendants have agreed to the terms of this Consent Judgment solely for the purpose of voluntarily resolving disputed claims and to avoid the expense and uncertainty of continued litigation. In entering into this Consent Judgment, Defendants do not admit or acknowledge that they have violated the law in the conduct of their business in North Carolina or elsewhere.
7. Good cause exists for the Court to enter judgment as to Defendants, as set forth herein.
8. Defendants have, by signature of their counsel hereto, waived any right to appeal, petition for certiorari, or move to reargue or rehear this judgment and order. Entry of this Consent Judgment is in the public interest.
9. The State is entitled to the relief set forth herein pursuant to N.C. Gen. Stat. § 14-425 and N.C. Gen. Stat. §§ 75-14, 75-15, and 75-15.1.
10. The parties have agreed to resolve their differences and the agreement of the parties is just and reasonable with respect to all parties. The Court approves the terms of the

parties' agreement and adopts them as its own determination of the parties' respective rights and obligations.

THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED as follows:

II. DEFINITIONS

The following definitions shall apply to this Consent Judgment:

1. "Defendants" means Legal Helpers Debt Resolution LLC, Legal Helpers Debt Resolution PLLC, Macey, Aleman, Hyslip & Searns, Jeffrey Hyslip, Jason Searns, Jeffrey Aleman, and Thomas Macey.
2. "Consumer" means former and current, if any, North Carolina clients of LHDR.
3. "Attorney General" means the Attorney General of North Carolina or his representatives or designees.
4. "Business Day(s)" means Monday through Friday of any given week.
5. "Contract" means the contract or other written agreement entered into between one or more of Defendants and the consumer prior to the entry of this Consent Judgment.
6. "Debt Settlement" means the undertaking by Defendants to negotiate, resolve, settle, or compromise unsecured claims held by creditors against consumers, and further includes "debt adjusting" as that term is defined in N.C. Gen. Stat. § 14-423.

III. INJUNCTION

IT IS HEREBY STIPULATED, AGREED AND ORDERED as follows:

A. Defendants shall not, directly or indirectly, conduct any debt settlement, modification, assistance, or counseling services on behalf of North Carolina residents. Defendants also shall not, directly or indirectly, conduct any mortgage modification, assistance, counseling, or foreclosure relief services on behalf of North Carolina residents (or involving property located in North Carolina). However, to the extent Defendants have existing North Carolina consumer customers who enrolled for services prior to the State's filing of its Complaint on May 15, 2014, the defendants shall only be allowed to transmit monies from existing consumer settlement accounts directly to a consumer's creditor, and only with the approval of the consumer. The defendants are specifically prohibited from taking any monies from any existing consumer settlement account and using/retaining such monies for any fees and costs, including the fees and costs of any third-party "back end" debt settlement entity. Nothing in this Paragraph shall bar any of the aforementioned persons from negotiating and compromising consumer debts on behalf of clients as part of a *bona fide* consumer bankruptcy law practice or fair credit reporting act practice, or fair debt collection practices act practice, provided they comply with Paragraph B below.

B. Notwithstanding the foregoing, the individual defendants may engage in the practice of law in North Carolina provided they become licensed to practice law in the State of North Carolina, or are admitted to practice before a North Carolina court, *pro hac vice*. Individual Defendants may associate with lawyers licensed in North Carolina for a particular matter, but, individual Defendants must be admitted to practice *pro hac vice* for each matter. Where the matter is not in litigation in a court of law, the individual Defendants must become

admitted to practice pursuant to the procedures set forth in the North Carolina Rules of Professional Conduct.

C. Defendants are prohibited from soliciting, directly or indirectly, North Carolina residents for the purpose of offering debt settlement, debt negotiation, debt management, mortgage modification, foreclosure relief services, or any related debt adjusting services, and are likewise prohibited from such solicitation on behalf of any third party offering these services.

D. Defendants are ordered to, and agree to cooperate with the Attorney General in good faith in connection with the Attorney General's administration and issuance of restitution, including providing timely responses to reasonable requests by the Attorney General for customer information reasonably necessary to effectuate the restitution process. Defendants agree to deliver to the Attorney General, in a format acceptable to the Attorney General, the name, contact information, and account/payment history for each of their North Carolina consumer customers. The State acknowledges that, in the event of a bankruptcy filing, the State may have to obtain the records at issue from a bankruptcy trustee.

IT IS FURTHER ORDERED that, if any defendant violates any injunctive provision of this Consent Judgment, or if the individual defendants' judgment is not paid, the Attorney General may seek the imposition of appropriate civil penalties against any one or more Defendants for their own violations pursuant to N.C. Gen. Stat. § 14-425 and N.C. Gen. Stat. §75-15.2.

IV. PAYMENT TO THE STATE

Upon entry of this Consent Judgment, judgment is entered in favor of the State of North Carolina and against the individual defendants Thomas Macey, Jason Searns, Jeffrey Aleman and Jeffrey Hyslip collectively in the total amount of \$122,000 for attorneys' fees, investigative

costs and for consumer restitution, consumer education, enforcement or other consumer protection purposes at the discretion of the Attorney General. Within two business days of the entry of this judgment, those defendants are ordered to pay this sum to the State of North Carolina (and if such payment is not timely made, the Court shall, upon notice and motion, vacate this Consent Judgment, and Defendants shall be responsible for Plaintiff's reasonable attorneys' fees associated with such nonpayment). The individual Defendants represent that the \$122,000 necessary to satisfy the judgment is in the possession of their counsel, and the individual Defendants consent to the transmission of that amount to the State via cashier's check sent via Federal Express next day delivery immediately upon execution of the Consent Judgment. Upon entry of this Consent Judgment, judgment is entered in favor of the State of North Carolina and against Defendant LHDR in the amount of \$1,533,000 for restitution to North Carolina consumers. Within 90 business days of the entry of this judgment, that Defendant is ordered to pay this sum to the State of North Carolina.

Defendants represent the very high probability that LHDR may file a bankruptcy petition in the near future. The parties have advised the Court that they have conferred with respective counsel in this subject.

The parties further acknowledge that the individual defendants' agreement to pay the State \$122,000 and accept a judgment in that amount was a material inducement to the State, in its willingness to accept a judgment of \$1,533,000 as against LHDR. But for the payment of \$122,000, the State would not have been willing to accept a judgment in that amount.

C. Payment shall be made by cashier's check made payable to the "North Carolina Department of Justice," and delivered to Stuart M. Saunders, Assistant Attorney General, North Carolina Department of Justice, 114 West Edenton St., Raleigh, North Carolina 27602.

V. RELEASE AND GENERAL PROVISIONS

A. Nothing contained in this Consent Judgment shall be construed to deprive any consumer or other person or entity of any private right under the law.

B. Nothing contained in this Consent Judgment shall be construed as approval, sanction or authorization of any act, practice, or conduct of Defendants.

C. This Consent Judgment fully resolves all claims asserted in the State's complaint, and all matters of dispute between the State and Defendants (and Defendants' current and former members, managers, officers, directors, shareholders, partners, employees, and attorneys, and their successors and assigns) with respect to the course of conduct alleged in the State's complaint occurring up to the date of entry of this Consent Judgment. This Consent Judgment is in full satisfaction of all such matters, and this Consent Judgment shall have preclusive effect for any such matters. Nothing in this Consent Judgment shall be construed to limit the authority of Plaintiff to prospectively enforce laws, regulations or rules against Defendants, their successors and assigns with respect to conduct occurring after the date of entry of this Consent Judgment.

D. The Court shall retain jurisdiction of this matter for the purposes of enabling any of the parties to this Consent Judgment to apply to the Court at any time for such further orders or directives as may be necessary or appropriate for the interpretation or modification of this Consent Judgment, for the enforcement of compliance therewith, or for the punishment of violations thereof. The provisions of this Consent Judgment shall be enforceable by contempt proceedings and as provided in N.C. Gen. Stat. § 75-15.2.

E. The parties are in agreement with the foregoing and affix their signatures below and consent to entry of this Final Judgment and Consent Decree.

VI. COMPLIANCE

For purposes of determining and securing compliance with this Consent Decree, the Attorney General shall be permitted upon fifteen (15) days prior written notice:

A. Reasonable access during normal office hours to any and all relevant and non-privileged records and documents in the possession, custody, or control of Defendants which relate to any of the matters contained herein.


B. Subject to the reasonable convenience of Defendants, to conduct interviews of any of the members, directors, officers, employees, agents, and any other persons acting on their behalf, each of whom may have counsel present, relating to any non-privileged matter contained herein.

C. Defendants retain the right to object to any request under paragraphs (A) or (B) above within ten (10) days after its receipt on the grounds that the request is not reasonable, or not relevant to the matters contained herein, or otherwise is not in accordance with law. Any such objection shall be directed to this Court for a ruling, with service by mail of the objection upon the Attorney General.

D. In the event that any of the individual defendants (*i.e.*, the parties paying the \$122,000 amount) file a petition in bankruptcy within 90 days of the entry of this Consent Judgment, and if some or all of the \$122,000 settlement payment is disgorged as a preferential payment, then the non-filing Defendants agree to pay to the State any money the State is ordered or required to pay to the bankruptcy estate and shall reimburse the State for any costs, expenses, and attorneys fees incurred by the State in defending a preference action; the individual defendants shall be jointly and severally liable for the full amount of \$122,000. Provided,

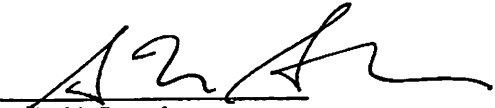
however, that the State must provide notice of any preference claim to the Defendants and permit the Defendants to defend the preference claim.

SO ORDERED this 25th day of September, 2014.

The Honorable 
Judge, Wake County ~~Circuit Court~~
Superior

The parties, by their respective counsel, hereby consent to the terms and conditions of the Consent Judgment as set forth above, and consent to the entry thereof.

Plaintiff, STATE OF NORTH CAROLINA ex rel. ROY COOPER, ATTORNEY GENERAL

By: 
Stuart M. (Jeb) Saunders
Assistant Attorney General
NC Bar No. 19614
N.C. Department of Justice
Consumer Protection Division
P.O. Box 629
Raleigh, NC 27602
Tel. 919-716-6000
Fax 919-716-6050
ssaunders@ncdoj.gov

09/25/14
Date

Legal Helpers Debt Resolution, LLC

By: _____

Jeffrey J. Aleman
Its Managing Member

Thomas G. Macey

Jeffrey J. Aleman

Jeffrey S. Hyslip

Jason E. Seams

Samantha Kilpatrick for TCK
Thomas C. Kilpatrick, NCSB # 23219 NCSB #23005
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Telephone: (919) 871-0274
Facsimile: (919) 890-0497

9/25/14

Date

Timothy D. Elliott, Illinois State Bar # 6237023
Rathje & Woodward, LLC
300 E. Roosevelt Road, Suite 300
Wheaton, IL 60187
Telephone: (630) 668-8500
Facsimile: (630) 668-9218

Counsel for Defendants


T. Elliott

9/25/14

Date

however, that the State must provide notice of any preference claim to the Defendants and permit the Defendants to defend the preference claim.

SO ORDERED this 25th day of September, 2014.

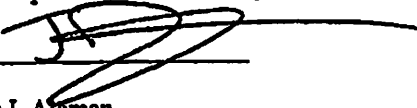
The Honorable 
Judge, Wake County ~~Circuit~~ Court
Superior

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Plaintiff, STATE OF NORTH CAROLINA ex rel. ROY COOPER, ATTORNEY GENERAL

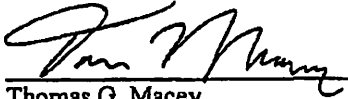
By: _____
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Legal Helpers Debt Resolution, LLC

By: 
Jeffrey J. Aleman
Its Managing Member

9/25/14

Date


Thomas G. Macey

09/25/14
Date


Jeffrey J. Aleman

09/25/14
Date

Jeffrey S. Hyslip

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Counsel for Defendants

**ATTORNEY GENERAL OF THE STATE OF NORTH CAROLINA
CONSUMER PROTECTION DIVISION**

**IN THE MATTER OF
FIRST CREDIT SERVICES, INC.**

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into between the State of North Carolina on relation of its Attorney General, Roy Cooper, pursuant to his powers under Chapter 75 of the North Carolina General Statutes, and First Credit Services, a New Jersey corporation.

STATEMENT OF PURPOSE

WHEREAS, First Credit Services, Inc. (hereinafter "First Credit"), is an accounts receivable management and debt collection agency that represents clients in the health and fitness industry. First Credit has its principal offices in Piscataway, New Jersey, and conducts business in numerous states, including North Carolina;

WHEREAS, during the period from January 29, 2010, through March 2, 2010, First Credit collected or attempted to collect debt from members and former members of Fitness Management Group Inc.'s (d/b/a "Peak Fitness") and/or Fuzion Investment Capital, LLC's (d/b/a "ZX Fitness") (collectively hereinafter "ZX Fitness") health clubs in North Carolina;

WHEREAS, the Attorney General has been investigating consumer complaints concerning aspects of the above-referenced debt collection, and First Credit has cooperated with the Attorney General in providing information and documentation responsive to the Attorney General's requests in an effort to reach a resolution regarding the outstanding complaints;

BACKGROUND

The Attorney General's concerns about First Credit's debt collection practices focused primarily, but not exclusively, upon allegations put forth in twenty-two (22) consumer

complaints from members and former members of Peak Fitness's and/or ZX Fitness's health clubs, which included allegations that First Credit was in violation of N.C. Gen. Stat. §§ 75-55(2), 58-70-115(2), and 58-70-115(5) as well as 15 U.S.C. 1692c § 805(b), U.S.C. 1692c § 805(3), 15 U.S.C. 1692d § 806(5), 15 U.S.C. 1692e § 807(2)(A), and/or 15 U.S.C. 1692f § 808(1).

First Credit's position is that all of its collection practices were lawful. First Credit, during the applicable and relevant timeframe, contends that it understood from ZX Fitness that the impacted consumers were contractually obligated to pay all or a portion of First Credit's fee for its collection efforts on behalf of ZX Fitness. Nevertheless, First Credit is willing to enter into the following terms and agreements in order to resolve the Attorney General's investigation.

GENERAL TERMS OF THE AGREEMENT

NOW THEREFORE, in consideration of the mutual promises contained herein, the parties have agreed to resolve the issues and concerns described in the paragraphs above by entering this Settlement Agreement and hereby agree as follows:

1. **No Admission of Liability.** The parties acknowledge that First Credit is entering into this Settlement Agreement solely for the purposes of settlement and that nothing contained herein may be taken as or construed to be an admission or concession of any violation of law, or of any other matters of fact or law, or of any liability or wrongdoing.
2. **No Validation of Current Business Practices.** Acceptance of this Settlement Agreement by the Attorney General shall not be construed as or deemed to be an approval of any of First Credit's business practices.
3. **Release from Liability.** The Attorney General shall not institute any suit or proceeding against First Credit, its principals, directors, members, officers, representatives,

agents, successors, or assigns, with respect to conduct occurring prior to the date of this Settlement Agreement for First Credit's collection of debt collection fees from consumers on behalf of ZX Fitness during the relevant period. This Settlement Agreement does not affect the rights, if any, or the obligations, if any, that any individual or entity may have with respect to First Credit.

4. No Release from Federal and State Law. Nothing in this Settlement Agreement shall be construed as relieving First Credit of the obligation to comply with all state and federal laws, regulations or rules, or relieving First Credit from any existing or future liability under the laws, or from legal claims not set forth in this Agreement or as limiting the ability of the Attorney General or any other government entity from enforcing such provisions with respect to First Credit within the State of North Carolina.

5. Survival of Agreement. This Settlement Agreement shall be binding upon the Attorney General and upon First Credit, its principals, directors, members, officers, parent corporations, subsidiaries, employees, representatives, agents, successors, and assigns. Causes of action based upon the breach of this Agreement shall survive the execution of this Agreement.

6. Further Assurances. First Credit agrees, without waiving any applicable legal defenses that First Credit might have, to take such further action as the Attorney General shall reasonably request from time to time in connection herewith to evidence or give effect to the transactions contemplated hereby.

7. Accounting of Money Collected. First Credit attests that it has submitted, to the best of its knowledge and based upon its records, an accurate accounting of all money that it collected from consumers on behalf of ZX Fitness during the relevant period.

8. Future Consumer Complaints. If at any time following the execution of this

Agreement the Attorney General receives a complaint from a North Carolina consumer evidencing First Credit's collection of money from the consumer during the relevant period, and said collection of money is not accurately reflected in information submitted by First Credit, First Credit will submit payment of all money collected from the consumer to the Attorney General, who will adequately refund the consumer.

9. Modification. This Settlement Agreement may be modified only by a written instrument signed by or on behalf of the Attorney General and First Credit. The parties further acknowledge that this Settlement Agreement constitutes a single or entire agreement that is not severable or divisible, except that if any provision herein is found to be legally insufficient or unenforceable by a court of law, the remaining provisions shall continue in full force and effect.

10. Governing Law. This Agreement shall be governed by the laws of the State of North Carolina.

11. Consent to Jurisdiction. The parties agree and stipulate that the Courts of the State of North Carolina have personal jurisdiction over First Credit in any dispute involving this Settlement Agreement as well as subject matter jurisdiction to enforce this Settlement Agreement and to issue any orders or directions as may be necessary and appropriate for the enforcement of this Settlement Agreement.

12. Authority to Execute Documents and Enforceability. Each of the parties represents that it has the power, authority and legal right to make, deliver, and perform the terms of this Agreement and all documents related to this Agreement.

SPECIFIC TERMS OF THE AGREEMENT

In order to resolve these issues, the parties have agreed and bound themselves as follows:

13. Compliance with State and Federal Laws. First Credit shall comply with N.C.

Gen. Stat. §§ 75-1.1 and 58-70-115(2), related federal regulations, and all other state and federal laws, as they currently exist or may be amended in the future.

14. Future Operations. First Credit shall establish, implement, and maintain systems and procedures reasonably calculated to ensure compliance with N.C. Gen. Stat. §§ 75-1.1 and 58-70-115(2), including but not limited to the following:

- a) Omit terms from all of First Credit's contracts for services provided in North Carolina which direct it to collect all or any portion of debt collection fees from consumers;
- b) Direct that all of its officers, agents, representatives, and employees ensure that all methods of drafting and collecting, including the specific fees drafted or collected, are permitted by the respective state law; and
- c) Conduct reasonable random monitoring of its officers, agents, representatives, and employees to ensure compliance with N.C. Gen. Stat. §§ 75-1.1 and 58-70-115(2), all federal and state law, and all requirements set out and agreed to in this document, as they currently exist or may be amended in the future.

15. Future Monitoring. The Attorney General is authorized to monitor First Credit's compliance with this Settlement Agreement by all lawful means and nothing in this Settlement Agreement shall limit the right of the Attorney General to obtain documents, information, or testimony pursuant to any federal or state law, regulation, or rule.

16. Consumer Education & Law Enforcement Payment. First Credit shall pay the total sum of **\$4,000** to the Attorney General to be used for attorney fees, investigative costs, consumer education, enforcement, or other consumer protection purposes at the discretion of the Attorney General. First Credit shall pay the amount set forth above via check(s) payable to the

North Carolina Department of Justice on or before August 15, 2014.

17. Consumer Restitution. First Credit shall pay the total sum of \$9,961.53 to the Attorney General to be refunded to consumers as compensation for the amount each consumer paid to First Credit in excess of the amount that the consumer owed to ZX Fitness. Any unclaimed amount will be used for the purposes specified in paragraph 16 above. First Credit shall pay the amount set forth above via check(s) payable to the North Carolina Department of Justice on or before August 15, 2014.

18. Transfer of Funds Collected on Behalf of ZX Fitness. First Credit shall pay the total sum of \$101,850.59 to the Attorney General to be used for consumer restitution related to the business practices of ZX Fitness, at the conclusion of the Attorney General's investigation of such business practices. Any unclaimed amount will be used for the purposes specified in paragraph 16 above. First Credit shall pay \$69,215.63 of this amount via check(s) payable to the North Carolina Department of Justice on or before August 15, 2014. First Credit shall pay the remaining \$32,634.96 via check(s) payable to the North Carolina Department of Justice as follows: \$16,317.48 on or before August 25, 2014 and \$16,317.48 on or before September 25, 2014.

19. No Compensation for Unlawful Services Retained. First Credit will not retain any amount as compensation for the performance of the alleged unlawful collection activity, or any other cost (including but not limited to the costs of sending letters, telecom charges, manpower wages, etc.) involved in the alleged unlawful collection activity.

THE UNDERSIGNED, WHO HAVE THE AUTHORITY TO CONSENT AND SIGN ON BEHALF OF THE PARTIES IN THIS ACTION, HEREBY CONSENT TO THE FORM AND CONTENT OF THE FOREGOING SETTLEMENT AGREEMENT.

SIGNATURE PAGE ATTACHED

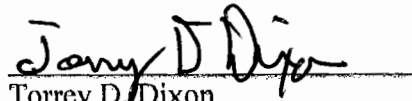
This 15th day of August, 2014.

First Credit Services, Inc.
(A New Jersey Corporation)



Rajesh Chhabria
Chief Executive Officer for First Credit

ROY COOPER
Attorney General of North Carolina



Torrey D. Dixon
Assistant Attorney General

STATE OF NORTH CAROLINA

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION

COUNTY OF WAKE

FILE NO: 16 CV 12135

STATE OF NORTH CAROLINA, *ex rel.*

Josh Stein, Attorney General,

Plaintiff,

v.

MAZEN A. RADWAN; RIMA A.

RADWAN; DEAN P. ROBBINS;

HERITAGE ASSET MANAGEMENT, INC.,

d/b/a NATIONAL SECURE PROCESSING;

TRIBUNE MANAGEMENT, INC., d/b/a

STUDENT LOAN GROUP; D.O.R.M.

GROUP, INC., d/b/a STUDENT LOAN

SERVICE MANAGERS and SLS

MANAGERS; MAXIMUM TECH

CORPORATION, d/b/a RUBIK PAYMENT

SOLUTIONS; and STUDENT LOAN

SERVICE MANAGERS, a California

partnership, a/k/a SLS MANAGERS;

individually and collectively; and other

unnamed individuals and entities,

Defendants.

**CONSENT JUDGMENT AND
PERMANENT INJUNCTION**

THIS CAUSE came on to be heard before the undersigned judge for entry of a consent judgment and permanent injunction. It appears to the Court that the State of North Carolina, *ex rel.* Josh Stein, Attorney General (the "State") and defendants Mazen A. Radwan, Rima A. Radwan, and Dean P. Robbins (the "Individual Defendants") as well as defendants Heritage Asset Management, Inc., d/b/a National Secure Processing; Tribune Management, Inc., d/b/a Student Loan Group; D.O.R.M. Group, Inc., d/b/a Student Loan Service Managers and SLS Managers; and Maximum Tech Corporation, d/b/a Rubik Payment Solutions (the "Corporate Defendants"); and defendant Student Loan Service Managers, a California Partnership, a/k/a SLS Managers (the "Partnership Defendant") (collectively, all defendants may be referred to as "defendants"), have resolved the matters in controversy between them and have consented to the terms of this *Consent Judgment and Permanent Injunction*.

FINDINGS OF FACT

1. The State filed its *Complaint* along with its *Plaintiff's Motion for Temporary Restraining Order and Preliminary Injunction*, which included supporting affidavits and documents, on September 29, 2016.

2. In its *Complaint*, the State alleged that defendants were conspiring in the offer of debt adjusting services and collecting advance fees for such services in violation of the Debt Adjusting Act, N.C. Gen. Stat. § 14-423, *et seq.*; in unfair and deceptive practices in the marketing, solicitation, and performance of their debt relief services, in violation of the Unfair Practices Act, N.C. Gen. Stat. § 75-1.1; and in violation of the of the Telephonic Seller Registration Act, N.C. Gen. Stat. § 66-260, *et seq.*

3. This Court entered a *Temporary Restraining Order* on October 3, 2016, and a *Consent Preliminary Injunction Order* on October 5, 2016.

4. The *Consent Preliminary Injunction Order*, incorporated by reference herein, speaks for itself. In general, among other things, defendants agreed in the *Consent Preliminary Injunction Order* that, from the date of that order going forward, defendants would cease soliciting or offering their debt relief services in the State of North Carolina, or collecting any further fees from consumers in the State of North Carolina for such services. The *Consent Preliminary Injunction Order* also froze certain assets held by defendant Maximum Tech Corporation at Bank of America ("Max Tech BOA Acct. 9869").

5. Since October 5, 2016, defendants aver that they have complied with the terms of the *Consent Preliminary Injunction Order*.

6. Defendants have provided to the State (a) a verified list of all North Carolina consumers to whom defendants provided student loan debt consolidation services since January 1, 2013, together with an accounting of all payments received from each such consumer (the "Consumer List"); (b) the identity of each consumer's stated references as provided during the consumer's enrollment; and (c) a listing identifying the current loan servicer(s), if known, for each consumer identified on the Consumer List

7. Defendants have warranted and attested that the Consumer List is accurate. Among other things, the Consumer List demonstrates that defendants have provided student loan debt consolidation services to 378 North Carolina consumers since January 1, 2013, and collected \$352,048.99 from those consumers.

8. Defendants have agreed to the terms of this *Consent Judgment and Permanent Injunction* solely for the purpose of voluntarily resolving disputed claims and to avoid the expense and uncertainty of continued litigation. In entering into this *Consent Judgment and Permanent Injunction*, defendants do not admit or acknowledge that they have violated the law in the conduct of their business in North Carolina or elsewhere.

9. The Individual Defendants consent to this *Consent Judgment and Permanent Injunction* as owners, officers, and/or control persons of the Corporate Defendants and the

Partnership Defendant, and the Individual Defendants and the Partnership Defendant agree they are bound by all terms of this *Consent Judgment and Permanent Injunction*.

10. The State has agreed to dismiss the Individual Defendants and the Partnership Defendant solely for the purpose of voluntarily resolving disputed claims and to avoid the expense and uncertainty of continued litigation, and does not admit or acknowledge that either the Individual Defendants or the Partnership Defendant have not violated the law in the conduct of business in North Carolina or elsewhere. Moreover, the agreement of the Individual Defendants and the Partnership Defendant to be bound by all terms of this *Consent Judgment and Permanent Injunction* is fundamental and material to the consideration upon which the State has agreed to dismiss the Individual Defendants and the Partnership Defendant.

CONCLUSIONS OF LAW

11. The Court has jurisdiction over the parties and the subject matter of this action.

12. Each defendant was properly served process under N.C.R. Civ. P. 4.

13. Good cause exists for the entry of this *Consent Judgment and Permanent Injunction*, and the State is entitled to the relief set forth herein pursuant to N.C. Gen. Stat. §§ 14-425, 66-266, 75-14, 75-15, and 75-15.1.

BASED ON THE FOREGOING and the record herein, the Court concludes that good and sufficient cause exists for the entry of this judgment and permanent injunction pursuant to Chapters 14, 66, and 75 the North Carolina General Statutes, and the Court adopts the agreement of the parties and these findings as its determination of their respective rights and obligations.

INJUNCTIVE PROVISIONS

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED that the Individual Defendants, the Partnership Defendant, and Corporate Defendants, as well as their owners, officers, directors, agents, servants, employees, attorneys, subsidiaries, affiliates, assigns, successors, and all other persons in active or future concert or participation with them, are hereby permanently enjoined from:

A. Advertising, offering, soliciting, providing, entering into contracts for, or being compensated for providing, debt adjusting services to North Carolina consumers, including student loan debt consolidation, in violation of the Debt Adjusting Act, N.C. Gen. Stat. § 14-423, *et seq.*

B. Advertising, offering, soliciting, entering into contracts for, or collecting any monies for providing, services to the debt adjustment or student loan debt consolidation industry, including but not limited to payment processing services or providing customer relation management software, to the extent defendants are aware such services will be employed in North Carolina by persons or entities offering debt adjusting services to North Carolina consumers in violation of the Debt Adjusting Act, N.C. Gen. Stat. § 14-423, *et seq.*

C. Engaging in unfair or deceptive practices in the offering or conduct of debt adjusting services in North Carolina, in violation of N.C. Gen. Stat. § 75-1.1.

D. Engaging in or attempting telephone solicitation in the offering or conduct of debt adjusting or debt relief services, including student loan debt consolidation, in violation of the Telephonic Seller Registration Act, N.C. Gen. Stat. § 66-266, *et seq.*

IT IS FURTHER ORDERED that, within 60 days of the latter of the entry of this *Consent Judgment and Permanent Injunction* or the receipt of the Corporate Defendants' Monetary Obligation (as defined below), the State shall send a letter through United States Mail to each and every of the 378 North Carolina consumers identified on the Consumer List stating, in substance, that: (a) the consumer had previously contracted with defendants for student loan debt consolidation services; (b) defendants are no longer doing business in North Carolina; (c) defendants' contract with the consumer is cancelled; (d) the consumer may be eligible for a refund and enclosing a claim form to that effect; (e) the identity and contact information for the consumer's student loan servicer(s), if known; and (f) the consumer should contact his or her student loan servicer(s) and regain control over his or her student loan accounts.

IT IS FURTHER ORDERED that, if any Corporate Defendant, or its owners, officers, directors, agents, servants, employees, attorneys, subsidiaries, affiliates, assigns, successors, or any other persons in active or future concert or participation with such defendant, including but not limited to the Individual Defendants or the Partnership Defendant, violates any injunctive provision of this *Consent Judgment and Permanent Injunction*, the Attorney General may seek the imposition of appropriate civil penalties against any one or more defendants for their own violations pursuant to N.C. Gen. Stat. §§ 14-425 and 75-15.2.

AGREED FINANCIAL TERMS AND PAYMENT PROVISIONS

IT IS ORDERED, ADJUDGED AND DECREED that the State, pursuant to N.C. Gen. Stat. §§ 14-425, 75-1.1, and 75-15.1, shall have and recover of the Corporate Defendants the principal sum of **\$377,048.99**, which sum represents the Corporate Defendants' total and complete obligation, jointly and severally, to the State for monetary relief, including claims for restitution as well as reimbursement of the State's costs and fees, as further provided below (the "Corporate Defendants' Monetary Obligation").

The Corporate Defendants' Monetary Obligation shall be paid initially from the funds frozen by the *Consent Preliminary Injunction Order* held in Max Tech BOA Acct. 9869, and, thereafter, from any account held by any defendant until the Corporate Defendants' Monetary Obligation is satisfied in full. Accordingly, within 10 days of the receipt of a copy of this *Consent Judgment and Permanent Injunction* by any means, including but not limited to via facsimile or email, Bank of America shall transfer to the Attorney General or his designated agent the full amount (\$377,048.99) of the Corporate Defendants' Monetary Obligation from Max Tech BOA Acct. 9869. In the event Max Tech BOA Acct. 9869 contains less than the full amount (\$377,048.99) of the Corporate Defendants' Monetary Obligation, Bank of America shall (a) transfer to the Attorney General or his designated agent the full balance of Max Tech BOA Acct. 9869, (b) freeze all accounts held by any Corporate Defendant, and (c) provide to the Attorney General a listing of all accounts and all balances so frozen. Defendants hereby grant to

the Attorney General all rights and claims they have to any funds comprising the Corporate Defendants' Monetary Obligation.

Following the total and complete satisfaction of the Corporate Defendants' Monetary Obligation, Max Tech BOA Acct. 9869 is expressly released from any encumbrance imposed by any order in this action.

The monies paid pursuant to this *Consent Judgment and Permanent Injunction* shall be paid in restitution to North Carolina consumers who were formerly, or are currently, enrolled in defendants' student loan debt consolidation program, except that the Attorney General may allocate an amount of up to \$25,000.00 for the State's attorneys' fees, investigative costs, or for consumer protection or restitution purposes and other purposes allowed by law, in the discretion of the Attorney General.

Defendants shall fully cooperate with the Attorney General in good faith in the Attorney General's administration and issuance of such refunds, including responding to reasonable requests by the Attorney General for customer information or any other information reasonably necessary to effectuate the refund process.

DISMISSAL OF THE INDIVIDUAL DEFENDANTS AND THE PARTNERSHIP DEFENDANT

The State consents, and the Court so orders, that the claims asserted against the Individual Defendants and the Partnership Defendant be and are hereby dismissed with prejudice, subject to the continuing obligations imposed by this *Consent Judgment and Permanent Injunction*.

GENERAL PROVISIONS

Cooperation with the State. In addition to cooperating in good faith with the State in the administration and issuance of refunds pursuant to this *Consent Judgment and Permanent Injunction*, defendants shall cooperate in good faith to resolve any consumer complaints filed with the Attorney General's Consumer Protection Division.

Scope of Resolution. This *Consent Judgment and Permanent Injunction* shall fully resolve all legal claims and issues raised in the *Complaint* for all activities of defendants up to the date of this *Consent Judgment and Permanent Injunction*. Provided, however, that this *Consent Judgment and Permanent Injunction* shall not be construed to deprive any consumer or other person or entity of any private right under the law.

Binding Effect. This *Consent Judgment and Permanent Injunction* shall be binding upon the defendants, their owners, officers, directors, agents, servants, employees, attorneys, subsidiaries, affiliates, assigns, and successors, as well as upon the Attorney General; provided, however, that this *Consent Judgment and Permanent Injunction* shall not bind any other offices, boards, commissions, or agencies of the State of North Carolina.

Future Conduct & Enforcement. This *Consent Judgment and Permanent Injunction* shall not be construed as approval, sanction, or authorization of any act, practice, or conduct of any

defendant. Further, this *Consent Judgment and Permanent Injunction* shall not be construed to limit the authority of the State to enforce prospectively laws, regulations, or rules against any defendant, and shall not be construed as relieving any defendant of the obligation to comply with all state or federal laws, regulations, or rules. The facts alleged in the *Complaint* will be taken as true and be given collateral estoppel effect, without further proof, in any proceeding based on the entry of this *Consent Judgment and Permanent Injunction*, or in any subsequent civil litigation by the State to enforce this *Consent Judgment and Permanent Injunction* or the State's rights to any payment or monetary judgment under this *Consent Judgment and Permanent Injunction*.

Construction. This *Consent Judgment and Permanent Injunction* shall be construed broadly to include any subterfuge, device, or practice engaged in by the Corporate Defendants, the Individual Defendants, and the Partnership Defendant, and any person or entity participating or acting in concert with them, in an effort to evade the dictates of this *Consent Judgment and Permanent Injunction*. The Parties acknowledge that the statutes giving rise to the claims asserted in this action are remedial in nature. This *Consent Judgment and Permanent Injunction*, therefore, shall be construed broadly by the Court to give full effect to the legislative policies and purposes underlying such statutes.

CONSENTED TO:

JOSH STEIN NORTH CAROLINA
ATTORNEY GENERAL

BLANCHARD, MILLER, LEWIS
& ISLEY, P.A.

By: 

Michael T. Henry
N.C. Bar No. 35338
Assistant Attorney General
North Carolina Department of Justice
P.O. Box 629
Raleigh, NC 27602
E-mail: mhenry@ncdoj.gov
*For the State of North Carolina, ex rel.
Josh Stein, Attorney General.*

By: 

E. Hardy Lewis
117 Hillsborough Street
Raleigh, NC 27603
hlewis@bmlilaw.com
For all Defendants

INDIVIDUAL DEFENDANTS

By: 

Mazen A. Radwan

By: 

Rima A. Radwan

By: 

Dean P. Robbins

PARTNERSHIP DEFENDANT

By: 

Student Loan Service Managers, a
California Partnership, a/k/a SLS
Managers

CORPORATE DEFENDANTS

By: 

Heritage Asset Management, Inc.,
d/b/a National Secure Processing

By: 

Tribune Management, Inc.,
d/b/a Student Loan Group

By: 

D.O.R.M. Group, Inc.,
d/b/a Student Loan Service Managers
and SLS Managers

By: 

Maximum Tech Corporation,
d/b/a Rubik Payment Solutions

IT IS SO ORDERED:

This the 6 day of MARCH, 2017.

By: 

Superior Court Judge Presiding