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ATTORNEY GENERAL

STATE OF NORTH CAROLINA
DEPARTMENT OF JUSTICE

SETH DEARMIN
CHIEF OF STAFF

December 9, 2019

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 Danny Earl Britt, Jr.
Senator Warren Daniel
Senator Norman W. Sanderson
Representative James Boles, Jr.
Representative Ted Davis, Jr.
Representative Allen McNeill
Co-Chairs, Appropriations Subcommittee on Justice and Public Safety

North Carolina General Assembly
Raleigh, North Carolina 27601-1096

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

Dear Members:

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

Cisco Systems, Inc.

This settlement agreement settles the multi-state investigation into Cisco after a whistleblower (relator) came forward to allege that Cisco was aware of security flaws in software sold to government agencies that was designed to control security camera systems. Cisco failed to report or remedy this until after the investigation began. To settle this matter, Defendant agreed to pay \$6,000,000.00 to the States and the relator, of which the NC Dept. of Justice received \$470,031.62 to be paid as specific restitution to NC state and local agencies that purchased the Cisco software at issue, and \$52,225.74 for attorneys' fees and the cost of the investigation.

DuPuy Orthopedics and Johnson & Johnson

This consent judgment settles the multi-state investigation that determined DePuy violated the North Carolina Unfair and Deceptive Trade Practices Act in promoting their metal hip replacement

devices, including the ASR XL and Pinnacle Ultamet, with misleading success statistics despite being aware of issues. To settle this matter, Defendants agreed certain injunctive provisions, and they agreed to pay the multi-state group of plaintiffs a total of \$120,000,000.00, of which the NC Dept. of Justice received \$4,179,837.53 to be used for attorneys' fees and costs, or other consumer protection purposes.

Encore Capital Group, Inc., Midland Funding, LLC, and Midland Credit Management, Inc.

This settlement agreement resolved claims that Midland used deceptive practices in both attempting to collect debts and litigating debt collection lawsuits. This settlement provides injunctive relief that requires compliance with all applicable laws and addressed collections, litigation, validation of debt, credit reporting, and robo-signing affidavits, as well as providing remediation of \$1,850.00 per identified consumer. Defendants also agreed to pay \$6,000,000.00 to all participating states, of which the NC Dept. of Justice received \$175,992.00 to be used for the reimbursement of attorneys' fees and/or investigative costs, used for future public protection purposes, placed in or applied to the consumer protection enforcement fund, consumer education, litigation, or local consumer aid fund or revolving fund, or similar fund by whatever name, or used for other consumer protection purposes permitted by NC state or local statutes, rules or regulations.

Equifax, Inc. (2017 Data Breach)

This consent judgment resolves the multi-state investigation into the 2017 data breach at Equifax that affected more than 147 million consumers. The settlement included a Consumer Restitution Fund of up to \$425 million to assist consumers who are either facing identity theft issues or who have had their identities stolen, as well as a \$175 million payment to the coalition of states, of which the NC Dept. of Justice received \$4,563,223.03 to be used for attorneys' fees and costs, or other consumer protection purposes.

FCA US LLC, Fiat Chrysler Automobiles N.V., V.M. Motori S.P.A., and V.M. North America, Inc.

This consent judgment resolves the State's complaint alleging the Defendants sold vehicles that used Auxiliary Emission Control Devices ('defeat devices') to cheat federal emissions tests, and that they concealed the devices from consumers and regulators, as well as marketing the vehicles as environmentally friendly and regulatorily compliant. To settle this matter, Defendants agreed to injunctive relief requiring compliance with the Approved Emissions Modification Program. Additionally, Defendants agreed to pay the NC Dept. of Justice \$1,673,750.00 to be used for attorneys' fees and costs, or other consumer protection purposes.

General Motors Company

This consent judgment settles the multi-state investigation against General Motors Company (GM) into the auto manufacturer's failure to timely disclose known safety defects associated with unintended key-rotation-related and/or ignition-switch-related issues in several models and model years of GM vehicles. The company continued to market the safety and reliability of its motor vehicles that were equipped with this switch in violation of North Carolina's consumer protection laws. To settle this matter, GM agreed to change its advertising practices, and to ensure that new, or certified pre-owned, vehicles sold in the US have repairs completed prior to delivery. In

addition, Defendant agreed to pay \$120,000,000.00 to the states, of which the NC Dept. of Justice received \$2,692,395.49 to be used for attorneys' fees and costs, or other consumer protection purposes.

Georgia Tree Company LLC

This consent judgment settles the price gouging case against Georgia Tree Company LLC for charging for tree removal services at a price that was unreasonably excessive under the circumstances during a state of emergency declared by the Governor of North Carolina. This was in violation of the North Carolina's price gouging law; engaging in unfair and deceptive trade practices; and engaging in prohibited collection practices. To settle this matter, Defendants agreed to permanent injunctive relief barring them from doing tree or debris removal in the state, from collecting payment for any services done after Sept. 7, 2018, and engaging in any prohibited sales or collections practices. Additionally, they agreed pay the NC Dept. of Justice \$234,006.16 in restitution for specific consumers and \$40,000.00 to be used for attorneys' fees and costs, or other consumer protection purposes.

Orion Processing d/b/a World Law; Swift Rock Financial

This judgment and permanent injunction was obtained in a case brought jointly with the North Carolina State Bar, against defendants Orion Processing, LLC, Swift Rock Financial, Inc., World Law South, Inc., Bradley Haskins, and Derin Scott—which did business under the name “World Law.” World Law promised to help consumers resolve credit card debts through reduced settlements with creditors; in addition, World Law charged illegal advance fees for its services. World Law also falsely represented that it was a law firm—when in reality, it was not a law firm and did not have member attorneys to represent consumers. The Court's ruling permanently bars World Law, Orion, or its owners from advertising or performing any debt relief services, legal services, or any related services in North Carolina. The NC Dept. of Justice received \$128,224.17 for investigative costs and \$21,775.83 as a civil penalty.

PHH Mortgage

This consent judgment settles the multi-state case against PHH, the nation's ninth largest non-bank residential mortgage originator and servicer, for improperly serviced mortgage loans between 2009 and 2012. To settle this matter, Defendant agreed to follow comprehensive mortgage servicing standards, conduct audits, and provide audit results to a committee of states. Defendant also agreed to pay \$45,279,725.00 to the States, of which the NC Dept. of Justice received \$390,000.00 for attorneys' fees, investigative costs and fees, future expenditures relating to the investigation and prosecution of cases involving fraud, unfair and deceptive acts and practices, and other illegal conduct related to financial services or state consumer protection laws to the extent practicable or as otherwise agreed to by law.

Premiera Blue Cross

This consent judgment settles the multi-state allegations that Premiera failed to secure sensitive consumer data, which exposed the personal and protected health information of more than 10.4 million consumers to a hacker for almost a year. To settle this matter, Defendant agreed to certain injunctive provisions and to pay \$10,000,000.00 to the Attorneys General, of which the NC Dept. of Justice received \$85,315.96 to be used for attorneys' fees and costs, or other consumer protection purposes.

Robert Bosch GmbH and Robert Bosch LLC

This consent judgment resolves the complaint against Bosch for their role in consumer fraud perpetrated by Volkswagen and Fiat Chrysler through the use of defeat devices. The multi-state investigation established that Bosch teams working on both VW and Fiat Chrysler diesel vehicles knew that the companies were likely cheating. To settle this matter Defendants agreed to change policies regarding advertising and compliance, will comply with NC state and federal laws, and will not assist any auto manufacturers in the use or development of defeat devices. They additionally agreed to pay the NC Dept. of Justice \$3,677,040.00 to be used for attorneys' fees and costs, or other consumer protection purposes.

Samsung, Toshiba, et al Multi-State Litigation

Settlement agreements were obtained in a number of lawsuits brought nationwide by Attorneys General against certain DRAM computer chip and module manufacturers for alleged price fixing in the sale of their DRAM Chips to computer manufacturers. Under the court order approving the settlements, defendants were required to pay NC \$1,143,164.29, to be distributed by the NC Dept. of Justice in the following increments: \$283,504.74 to State agencies; \$325,801.82 to State colleges and universities; and \$533,857.72 to political subdivisions (e.g. municipalities, counties, and school districts)

Uber Technologies, Inc.

This consent judgment resolved in the multi-state investigation into the 2016 data breach at Uber Technologies, Inc. To settle this matter Defendant agreed to certain injunctive provisions and to pay \$148,000,000 to the Attorneys General, of which the NC Dept. of Justice received \$3,661,800.27 to be used for attorneys' fees and costs, a payment to the impacted Uber drivers, or other consumer protection purposes. A portion of the funds North Carolina receives will be used to pay each impacted Uber driver \$100.00 and the fee of the third party claims administrator (to be shared among participating states)

Wells Fargo

This settlement agreement resolved claims that Wells Fargo opened accounts without knowledge or consent; improperly referred customers for third party insurance products; improperly charged

loan customers for force-placed insurance products; failed to ensure customers received refunds of unearned premiums on certain optional auto finance products; and incorrectly charged customers for mortgage rate lock extension fees. To settle this matter Wells Fargo will create a program for consumer redress review that will enable a review by a bank escalation team for possible relief. Defendant also paid \$14,174,791.40 in civil penalties and \$1,000,000.00 to the NC Dept. of Justice for attorneys' fees and investigative costs.

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

Sincerely,



Seth Dearmin
Chief of Staff