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ATTORNEY GENERAL

STATE OF NORTH CAROLINA
DEPARTMENT OF JUSTICE

SETH DEARMIN
CHIEF OF STAFF

January 28, 2021

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
Representative James Boles, Jr.
Representative Allen McNeill
Representative Carson Smith
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. §§ 114-2.4A and 114-2.5, I am pleased to report the following settlements.

Anthem, Inc.

This assurance of voluntary compliance (AVC) with Anthem, Inc. settled the multistate investigation of the criminal cyberattack and allegations that Anthem violated HIPPA regulations as well as state and federal laws relating to the February 2015 announcement of a data breach of its systems. When hackers gained access to Anthem's data warehouse, they harvested names, dates of birth, Social Security numbers, health care identification numbers, addresses, email addresses, phone numbers, and employment information for 78.8 million Americans, more than 700,000 being North Carolinians. Under the AVC Anthem agreed to a series of provisions designed to strengthen their security practices going forward. This includes not misrepresenting the extent Anthem protects the privacy and security of personal information; implementing a

comprehensive security program; putting in place specific security requirements and employee training; and conducting third-party assessments for three years. Additionally, Anthem agreed to pay the Attorneys General \$39,500,000.00, of which NC is to receive \$401,172.38 to be used for attorney's fees, investigative costs, consumer education, enforcement, and/or other consumer protection purposes as permitted by State law.

Apple Inc.

This consent judgment with Apple Inc. settled the multistate investigation that alleged that Apple concealed from consumers battery issues that were causing unexpected shutdowns in iPhones. Apple's concealment ultimately led to a 2016 software update throttled the performance of consumers' iPhones, which led to Apple profiting from selling additional iPhones to those consumers whose performance they had slowed. Apple agreed to provide truthful information to consumers about battery health, performance, and power management in various forms on its website, update installation notes, and in the iPhone user interface itself. Additionally, Apple agreed to pay \$113,000,000.00 to the Attorneys General, of which NC is to receive \$2,708,168.71 to be used for attorneys' fees and other costs, consumer protection purposes, and other purposes allowed by law, in the discretion of the Attorney General. This payment is separate from the proposed settlement of a class action litigation that will provide restitution to consumers.

Approved Financial

This consent judgment with Florida-based payday lender Approved Financial Inc. settled allegations of illegal, unlicensed lending practices, usury, unlawful debt collection, as well as unfair and deceptive practices. Approved made loans to financially distressed NC consumers at interest rates far exceeding the limit of 30 percent allowed under NC law. The settlement gave North Carolina consumers who had loans with Approved: full refunds for cars repossessed and sold at auction totaling \$158,044.67; refunded all fees and interest paid by consumers totaling \$323,358.31; cancelled consumers' outstanding loans totaling \$301,765, returned cars to four consumers that had cars repossessed but not sold; and \$30,000 to be used for penalties, attorney's fees, investigative costs, consumer education, enforcement, and/or other consumer protection purposes as permitted by State law, and the company is permanently enjoined from doing business in NC.

Auto House

This consent judgment against Nathaniel Thomas Brown and Samuel Ross Ketner and their car dealerships Auto House of Mooresville and Auto House of Salisbury over deceptive sales and business practices that violated NC's Unfair and Deceptive Trade Practices Act. The lawsuit alleged that defendants altered car bodies, emblems, interiors and accessories to make them appear as if they were a higher trim level, and therefore a higher value. It further alleged that they altered

for falsely reported information to lenders, that they collected payments for third party service contracts but never paid or submitted those contracts, and that they sold vehicles without accurately disclosing the damage history. As part of the settlement, defendants agreed to permanently discontinue all motor vehicle dealership business in the state of North Carolina and to pay the amount of \$160,000 to be used for attorney's fees, investigative costs, consumer education, enforcement and/or other consumer protection or restitution purposes, as allowed by State law.

Career Education Corporation, American InterContinental University, Inc., and Colorado Technical University, Inc.

This assurance of voluntary compliance (AVC) settles multi-state allegations that Career Education Corporation (CEC) engaged in unreasonable recruitment methods, including: misleading students about the total costs of enrollment at CEC; misleading students about the transferability of credits both into CEC and from CEC to other schools; misrepresenting CEC's program offerings and CEC graduates' employment options; and advertising misleading job placement rates. To settle this matter, Defendants agreed to change their business practices, including those related to disclosure, the use of clear and accurate statistics, and recruitment of new students, as well as allowing oversight of their business practices by an independent administrator. Defendants further agreed to forgive Institutional Debt for qualifying students and paid the sum of \$5,000,000.00 to the Attorneys General, of which the NC Dept. of Justice received \$75,000.00 for attorneys' fees and other costs, and/or for any other consumer protection purpose as allowed by State law.

Carolina Structures Inc.

This consent judgment settled allegations that George Edward Hall, the owner and/or operator of Carolina Structures, Inc., Titan Concrete, Inc., Carolina Buildings, LLC, Titan Outdoor Impressions, Inc., Kahuna Concrete, and Affordable Contractors engaged in unfair and deceptive contracting practices against consumers in the Triangle area. As part of this agreement, Mr. Hall is prohibited from doing business in the state for 180 days, to pay the Attorney General \$122,270.25 plus interest over a period of four years to be used for specific consumer restitution.

Community Health Systems Inc.

The consent judgement with Delaware-based CHS/Community Health Systems Inc., and CHSPC, LLC, f/k/a Community Health Systems Professional Services Corporation settled allegations of deceptive business practices when it failed to implement and maintain reasonable security practices to protect consumers' personal information and permitted the disclosure of Protected Health Information in a manner inconsistent with HIPPA. On two occasions in 2014 intruders accessed the CHS/CHSI and CHSPSC computer networks. The intruders successfully copied and transferred data of approximately 6.1 million people, including 59,361 North Carolinians. The

judgement requires the CHS to implement and maintain a comprehensive information security program, develop an incident response plan, and implement a series of specific policies and procedures. Additionally, they agreed to pay \$5,000,000.00 to the 28-state multistate, of which NC is to receive \$200,373.17 to be paid to the Attorney General for attorneys' fees and other costs of investigation and litigation, or be placed in, or applied to, the consumer protection enforcement fund, including future consumer protection enforcement, consumer education, litigation, or local consumer aid fund or revolving fund, used to defray the costs of the inquiry, or for other uses permitted by State law.

C.R. Bard

This consent judgment settles the multi-state investigation that determined C.R. Bard, Inc. and their parent company Becton, Dickinson, and Company misrepresented or failed to adequately disclose the serious and life-altering risks of their surgical mesh devices, causing serious medical harm to thousands of patients. The companies agreed if they re-enter the transvaginal mesh market they would disclose and explain complications to patients; disclose sponsorship in clinical studies, data, and presentations; register all clinical trials; and ensure the reporting of patient complaints meets FDA requirements. Additionally, Bard agreed to pay a total of \$60,000,000 to the Attorneys General, of which NC is to receive \$1,417,407 to be paid in three installments by October 2021. These funds are to be used for attorneys' fees and other costs of investigation and litigation, or be placed in, or applied to, the consumer protection enforcement fund, including future consumer protection enforcement, consumer education, litigation, or local consumer aid fund or revolving fund, used to defray the costs of the inquiry, or for other uses permitted by State Law.

Johnson & Johnson

This consent judgement settles the multi-state investigation that determined Johnson & Johnson and its subsidiary Ethicon violated the North Carolina Unfair and Deceptive Trade Practices Act in promoting their transvaginal mesh devices with misleading safety and effectiveness data and failing to sufficiently disclose associated risks. To settle this matter, Defendants agreed change their business practices, to change product training, and disclose risks to consumers and medical staff in order to comply with NC consumer laws. Additionally, they agreed to pay \$116,860,000 to the States, of which NC received \$3,348,052.63 for attorneys' fees and other costs of investigation and litigation, or be placed in, or applied to, the consumer protection enforcement fund, including future consumer protection enforcement, consumer education, litigation, or local consumer aid fund or revolving fund, used to defray the costs of the inquiry, or for other uses permitted by State law.

Home Depot, Inc., and The Home Depot U.S.A.

This assurance of voluntary compliance settled the multistate investigation into the 2014 data breach of the Home Depot stores network that infected their self-checkout point of sale system with malware. Home Depot agreed to implement a series of data security practices to maintain information security including security awareness training, hiring a Chief Information Security Officer, and employing specific safeguards, and undergoing a security assessment of the implementation of these measures. Additionally, Home Depot agreed to pay the Attorneys General \$17,500,000.00, of which NC is to receive \$623,440.65 for attorneys' fees, investigative costs, consumer education, consumer restitution, enforcement, and/or other consumer protection purposes allowed by State law.

Honda Motor Co., Inc. and Honda of America MFG., Inc.

This consent judgment settles the multi-state investigation that determined that American Honda Motor Co., Inc. and Honda of America MFG., Inc. (Honda) filed to disclose the dangers of Takata airbags in vehicles manufactured between 2001 and 2009. Takata revealed the dangers to Honda as early as the fall of 1999. Throughout the next decade, Honda and Takata collectively recalled vehicles and made attempts to correct the dangers but never fully disclosed those dangers. Under this settlement, Honda will be bound by injunctive terms, which ensure the safety of airbags in future vehicles and prohibit Honda from falsely advertising any safety deficiencies. Additionally, they agreed to pay \$85,151,210.15 to the States, of which NC received \$2,210,213.77 for attorneys' fees, investigative costs, consumer education, consumer restitution, enforcement, and/or other consumer protection purposes allowed by State law.

J.S. Enterprises of Swansboro, LLC

This settlement agreement settled allegations that James M. Stallings III and J.S. Enterprises of Swansboro, LLC engaged in unlawful acts associated with the purchase, sale, and leasing of real property in Eastern North Carolina in violation of landlord-tenant laws, and other various errors and abuses. Defendants agreed to sell existing properties that remain subject to a consumers' prior mortgage, and to sell all properties with existing seller-financing agreements in order to pay off those encumbrances in full as expeditiously as possible, as well as injunctive relief against the use of unfair and deceptive practices in the future sales and leases of real property which requires Defendants to convey all property held in land trusts by Defendants from the trusts to the Defendant(s) in their own name(s). They agreed to pay a cumulative sum of \$120,000 to the Attorney General, \$110,000.00 to be used for consumer restitution, and \$10,000.00 to be used for costs and attorney's fees incurred by the State.

Nationstar Mortgage LLC d/b/a Mr. Cooper

This consent judgment settles the multistate investigation that determined that Nationstar, which does business as “Mr. Cooper” and is the nation’s largest non-bank mortgage servicer, violated consumer protection laws during its servicing of mortgage loans from January 1, 2011 to December 31, 2017. Allegations included that Nationstar failed to properly oversee and implement mortgage loan transfers and modifications; failed to accurately apply payments or process applications; did not properly review and respond to borrower complaints; and threatened foreclosure while giving borrowers conflicting messages about their loans. Nationstar agreed to a collective settlement with the State Mortgage Regulators and the CFPB, also providing consumer remediation. They are required to follow a detailed set of rules or “servicing standards” when handling certain mortgage loans that are more comprehensive than existing law and will be in effect until January 1, 2024 and agreed to future audits to ensure compliance with this settlement. Additionally, a payment of \$250,000.00 was made to NC to be used for attorneys’ fees and other costs, consumer protection purposes, and other purposes allowed by State Law.

SABRE Corporation

This assurance of voluntary compliance settles the multistate investigation of SABRE Corporation following a data breach of their hotel booking system that connects business travel coordinators, travel agencies, and online travel booking companies with customer. This breach occurred between August 2016 and March 2017 and was not disclosed until June 2017. SABRE agreed to implement specific security requirements, and undergo a third party security assessment. Additionally, SABRE agreed to pay \$2,400,00.00 to the Attorneys General, of which NC is to receive \$76,019.85 to be used for attorney fees, investigative costs, consumer education, consumer restitution, enforcement and/or other consumer protection purposes allowed by State law.

Santander Consumer USA, Inc.

This consent judgment settles the multi-state investigation that determined Santander Consumer USA, Inc. violated consumer protection laws by exposing subprime consumers to unnecessarily high levels of risk and knowingly placing these consumers into auto loans with a high probability of default. Based on an investigation that began in 2015 it was alleged that Santander knew that certain segments of its population were likely to default, exposing borrowers to significant backend fees, high payment-to-income ratios, as well as misleading consumers about their rights and risks. Under this judgement, Santander agreed to several injunctive provisions including changing future business practices, a moratorium on collecting certain loans, not repossessing certain vehicles, buying back previously sold loans, deleting certain loan data with the credit reporting agencies, and approximately \$433 million in loan forgiveness. Additionally, Santander agreed to pay \$65,000,000 for consumer restitution and \$5,000,000 to the Attorneys General, of which NC

received \$30,000, to be used for attorney fees, investigative costs, consumer education, consumer restitution, enforcement and/or other consumer protection purposes allowed by State law.

Stephen Gould Corporation

This consent judgment settled the price gouging allegations against Stephen Gould Corporation during North Carolina's coronavirus state of emergency for unfair and deceptive practices for selling or offering to sell personal protective equipment (PPE) at unreasonably excessive prices in excess of 100 percent markup while falsely telling potential consumers that the markup was only three percent. Gould is permanently barred from engaging in unfair and deceptive practices or selling PPE at unreasonably excessive prices. Additionally Gould agreed to pay \$140,000 in civil penalties, and \$10,000 to be used for attorney's fees, investigative costs, consumer protection enforcement, other consumer protection or restitution purposes, and other purposes allowed by State law.

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

Very truly yours,



Seth Dearmin
Chief of Staff