



March 2012

Eastern Livestock Executives Ordered to Pay \$850,000 in Restitution to Kentucky Farmers

Four former Eastern Livestock executives have been ordered to pay \$850,000 in restitution to Kentucky farmers who were victims of a check kiting scheme by the now-defunct auction site. Attorney General Jack Conway and his Office of Special Prosecutions announced the court-ordered restitution after obtaining guilty pleas in Barren-Metcalf Circuit Court against former Eastern Chief Executive Officer and founder, Thomas “Tommy” Gibson, former Chief Financial Officer, Steve McDonald, accountant Darren Brangers and former affiliate Grant Gibson.



71-year-old Tommy Gibson and McDonald, 58, each pled guilty to all counts against them, including one count of criminal syndication, engaging in organized crime, 17 counts of theft over \$10,000, 144 counts of theft under \$10,000/over \$500 and 11 counts of theft under \$500. Criminal syndication is a Class B felony carrying 10 to 20 years in prison.

43-year-old Brangers of Louisville and 48-year-old Grant Gibson of Lanesville, Ind., who is the son of Eastern Livestock founder Tommy Gibson, each pled guilty to facilitating the operations of the criminal syndicate run by Tommy Gibson and McDonald, and to facilitating the several instances of theft committed by the co-defendants.

The Kentucky Attorney General recommends a 10-year sentence for McDonald and Tommy Gibson, concurrent with any federal sentence received. Each still faces charges in the U.S. District Court for the Western District of Kentucky. The Commonwealth recommends a five-year sentence for Brangers and Grant Gibson, probated upon payment of restitution.



Investigators and prosecutors with the Kentucky Attorney General’s Office, with the assistance of the Federal Bureau of Investigation, began to piece together the details of the ongoing criminal fraud that had sustained Eastern’s operations since at least 2009.

Final sentencing for McDonald, Brangers and Grant Gibson is June 12, 2012 before Barren-Metcalf Circuit Judge Phil Patton. Tommy Gibson will be sentenced on June 26, 2012.

More information — <http://goo.gl/Q8Tk7>

Attorney General Conway Testifies in Front of U.S. Senate Subcommittee

For the second time in a month, Attorney General Conway has testified on Capitol Hill about an issue that directly affects Kentucky families. On March 20, General Conway appeared before a Senate Subcommittee to discuss his investigation into proprietary colleges and student loan debt.

“The great tragedy is that students at some of these career schools obtain loans to further their educations and change their lives, to get higher-paying jobs and to improve their standards of living,” General Conway said. “Unfortunately, for many of these borrowers, they are unable to complete their educations or the school closes and they are left with no job and a mountain of debt that bankruptcy experts tell us is almost impossible to discharge.”

General Conway advised Senators that students with private student loans do not have the same consumer protections as students with federal or federally backed loans, and the private loans are almost impossible to discharge in personal bankruptcy.



Attorney General Conway first became aware of the tremendous debt burden carried by students at some proprietary colleges through the investigations of possible consumer protection violations by Decker College and the American Justice School of Law in Paducah. The Attorney General's Office was able to obtain more than \$8 million in debt reductions and loan relief for students at both schools.

Sen. Dick Durbin (D-IL), who chairs the Judiciary's Subcommittee on Administrative Oversight and the Courts, invited General Conway to testify at the hearing entitled, "The Looming Student Debt Crisis: Providing Fairness for Struggling Students." The videotaped testimony can be viewed on the Attorney General's YouTube page at <http://www.youtube.com/kyoag>.

Earlier in the month, General Conway testified before a Congressional subcommittee about Kentucky's efforts to fight prescription drug abuse. More information: <http://goo.gl/662qO>

Keep Kentucky Kids Safe Partners Visit Union County

Attorney General Conway took his Keep Kentucky Kids Safe program to Union County High School on March 26 to alert nearly 800 students to the dangers of taking prescription pills that are not prescribed to them.

"Taken in the wrong combination or mixed with other substances, prescription pills can kill you," General Conway warned. "These are some of the most addictive substances on the planet and they are responsible for more deaths in Kentucky than traffic accidents."



According to an analysis by Forbes Magazine, Kentucky is the fourth most-medicated state in the country. Treatment for opioid, or prescription pain-killer, abuse soared 900 percent from 1999 to 2008 and data from the National Survey on Drug Use and Health (NSDUH) shows that nearly one-third of people aged 12 and over who used drugs for the first time in 2009 began by using a prescription drug non-medically.

"We appreciate Attorney General Conway bringing this powerful message about the dangers of prescription drug abuse to our students," said Malinda Beauchamp, Director of Public Relations for Union County Schools. "This is a serious issue that affects the lives and futures of students in Union County and across the Commonwealth."

The Keep Kentucky Kids Safe partners have visited middle and high schools across Kentucky, reaching nearly 10,000 students. For more information on General Conway's efforts to combat prescription drug abuse, visit <http://ag.ky.gov/rxabuse>.

Attorney General Conway Announces \$2.75 Million Settlement with Novartis Pharmaceuticals Corp.

Attorney General Conway has obtained a \$2.75 million settlement with Novartis Pharmaceuticals Corp. to resolve allegations that the company published false and inflated average wholesale prices (AWPs) for its drugs.

This settlement is the latest in a number of settlements in AWP lawsuits filed by the Office of the Attorney General against 47 pharmaceutical manufacturers. The Kentucky Medicaid program relied on published AWPs to calculate Medicaid drug reimbursement rates. The lawsuits allege that Novartis and the other defendants published false, inflated and deceptive AWPs for their drugs that bore no relationship to the real prices that Novartis was actually charging its customers.

"This type of deception causes the Kentucky Medicaid program to pay millions of dollars more in drug reimbursements," General Conway said. "Taxpayers should not have to foot the bill for these inflated drug prices."

Novartis Pharmaceuticals is a U.S. subsidiary of global pharmaceutical giant Novartis International AG headquartered in Basel, Switzerland. Novartis AG is the second largest pharmaceutical company in the world.

Since Attorney General Conway took office in January 2008, his Office of Medicaid Fraud and Abuse Control has recovered or been awarded more than \$215 million for the state and federal Medicaid programs. These cases range from lawsuits and settlements against pharmaceutical companies to cases against individual providers.

A settlement is not an admission of liability in a civil case. The Attorney General's Medicaid Fraud Tip Line is 1-877-228-7384.



CYBERCRIMES

Retired Florida Teacher Admits to Traveling to Kentucky for Sexual Relations with Two Juveniles

A retired second grade teacher from Florida pled guilty on March 14 to charges he traveled to Lexington, Ky. to have sexual relations with two juveniles he met online. The case against 60-year-old Dale Chisena stems from an undercover investigation by General Conway's Cybercrimes Unit.

Chisena pled guilty to one count of interstate travel to engage in sex with a person under 12 years of age. He faces a possible 30-year prison sentence when U.S. District Judge Karen Caldwell formally sentences him on June 14, 2012.

Investigators from Attorney General Conway's Cybercrimes Unit arrested Chisena on February 4, 2011 at Lexington's Blue Grass Airport as he prepared to meet two juveniles for sexual relations. Chisena engaged in numerous online chats with a person he thought was the mother of nine and 11-year-old daughters. In reality, he was talking to one of General Conway's Cybercrimes investigators.

"I appreciate all that my Cybercrimes Unit is doing to track down Cyber predators and to make the Internet a safer place for Kentucky children," General Conway said. "The assistance we received from the Florida Department of Law Enforcement, the FBI and the U.S. Attorney's office was instrumental in bringing this case to a successful close."



Since its creation in June of 2008, General Conway's Cybercrimes Unit has launched nearly 270 child pornography investigations and seized more than 300,000 child pornographic images and videos from the Internet. The unit is also a member of the Internet Crimes Against Children (ICAC) Task Force.

Other Cybercrimes News

Bowling Green Man Indicted on Child Pornography Charges

A Warren County grand jury indicted Kyle Ray Miller on March 21 on two counts of distribution of matter portraying a sexual performance by a minor and 20 counts of possession of matter portraying a sexual performance by a minor.

The charges against Miller follow an undercover investigation by General Conway's Cybercrimes Unit that began on January 18, 2012. A search warrant was executed on March 8, 2012 with the assistance of the Warren County Sheriff's Office.

The Office of Warren County Commonwealth's Attorney Chris Cohron is handling the prosecution of this case.



Paducah Man Arrested on Child Pornography Charges

An investigation by General Conway's Cybercrimes Unit has resulted in the arrest of a Paducah man on multiple charges involving child pornography. Twenty-six-year-old Mathew Ferreira is charged with nine counts of use of a minor in a sexual performance, 13 counts of possession of matter portraying a sexual performance by a minor and seven counts of distribution of matter portraying a sexual performance by a minor.

The charges against Ferreira stem from an undercover investigation that began in October of 2011. A search warrant was executed at Ferreira's Paducah residence on March 9, 2012 with assistance from Paducah Police.

McCracken County Attorney Mike Murphy is handling the prosecution of this case, in coordination with the Office of Commonwealth's Attorney Daniel Boaz. The Attorney General's office is also working with the National Center for Missing and Exploited Children as part of its investigation.



Attorney General Issues Price-Gouging Warning, Aids Consumers and Communities

In the wake of the deadly tornados that swept across Kentucky on March 2, Attorney General Conway warned businesses that price-gouging is not tolerated. At General Conway's request, Gov. Steve Beshear signed a consumer protection executive order to implement Kentucky's price-gouging laws statewide as of Friday, March 2, 2012. The executive order empowered the Attorney General to investigate and prosecute, where appropriate, those who sell gasoline, generators, building supplies, chain saws, hotel rooms and other necessary goods and services at a price that is "grossly in excess" of the pre-declaration price.

The Attorney General's quick action appeared to pay off. The office received fewer than two-dozen complaints and no evidence of price-gouging.

AG's Disaster Fraud Task Force Aids Storm-Damaged Communities

Kentucky Communities struggling to recover from the devastating storms were able to utilize the Attorney General's Disaster Fraud Task Force and Contractor Registration program to deter fly-by-night contractors from preying on storm victims.

"Our Disaster Fraud Task Force alerts potential victims to the possibility of fraud and lets storm chasers and fly-by-night contractors know that crimes against disaster victims will not be tolerated in Kentucky," General Conway said.

Kentucky Emergency Management distributed information about the availability of the task force and contractor registration program to local officials in the wake of the deadly storms.

"I commend the Attorney General's swift action to help prevent fraud. Our citizens have suffered so much and are vulnerable, as it is," Kentucky Emergency Management Director, John Heltzel said. Consumers and officials are encouraged to report suspicious contractors or price gouging by calling the Attorney General's Disaster Fraud Hotline at 1-855-450-5645 or emailing their complaints to disasterscams@ag.ky.gov.

OAG Staffers Visit Storm-Ravaged Communities

Members of the Attorney General's Office of Consumer Protection volunteered their time to assist consumers in storm-ravaged communities. The staffers distributed disaster fraud brochures and assisted victims in Laurel, Lawrence, Kenton, Morgan, Magoffin, Johnson and Menifee counties.



March Against Hunger Food Drive



Attorney General Conway teamed up with Indiana Attorney General Greg Zoeller and the Dare to Care Food Bank to support the fourth annual March Against Hunger food drive competition. The annual competition calls on members of the legal community in both Louisville and Southern Indiana to donate goods and raise money for area food banks.

"During these difficult times, it is vital that we do all that we can to help re-stock the shelves of regional food banks that are lifelines for Kentuckiana families in need," General Conway said.

In 2011, 50 law firms in Indiana, Kentucky and Ohio participated in the March Against Hunger and donated more than 6,000 pounds of food and raised \$27,574 - which combined is the equivalent of 143,986 pounds or 72 tons of assistance.

Breathitt County Schools Superintendent Indicted in Vote Buying Probe

An investigation by the Attorney General's Office and FBI resulted in the indictment and arrest of Breathitt County Schools Superintendent Arch Turner on charges of obstruction of justice, conspiracy to buy votes and making false statements to a federal agent.

The three-count indictment, unsealed on March 2, 2012, alleged that Turner, of Booneville, Ky., conspired with others to buy votes in the November 2010 general election in Breathitt County.

Additionally, when the FBI interviewed Turner in October of 2010, he allegedly made false statements saying that he had not given any candidate money for election purposes in the May 2010 primary election and that the cash he withdrew from his bank account was for personal use and not for the purpose of buying votes.



Turner is also accused of trying to persuade a person, during an FBI investigation, not to report Turner's vote buying activity to law enforcement.

A charge is merely an accusation and a defendant is presumed innocent until and unless proven guilty.

Mason County HS wins LifeSmarts

Mason County High School once again took top honors in the LifeSmarts state competition. This marks the third year in a row that Mason County has won the annual consumer education game-show style competition. A team from Grant County High placed second, followed by Bracken County High.

"Whether you are in high school or retired, it is important to be a wise consumer," General Conway said. "I'd like to congratulate the students from Mason County who continue to excel in this competition and thank all of the students who participated in this year's LifeSmarts competition."



Mighty Mason County



Mason County's winning team was coached by teacher Maggie Prater. The team members included Amrita Srinivasan, Gita Srinivasan, Daniel Appelman, Garret Appelman and Taylor Douglas. The team will represent Kentucky at the national LifeSmarts competition in Philadelphia, PA in April.

Participating teams qualified online for a chance to meet face to face at the LifeSmarts competition. Students tested their knowledge and skills by answering questions in the areas of health and safety, personal finance, environment and technology, and consumer rights and responsibilities.

High schools interested in learning more about LifeSmarts for the 2012-2013 program year may visit the LifeSmarts website at www.lifesmarts.org.

Nicholasville Auto Dealer to Pay \$15,000 Penalty

MAC Auto, operating as Chrysler on Nicholasville, must pay a \$15,000 penalty for violating the Kentucky Consumer Protection Act. The penalty was imposed after the Attorney General's office obtained a Consent Judgment in Franklin Circuit Court finding the auto dealer guilty of misrepresenting financing terms and disposing of trade-in vehicles before the consumer's financing was finalized, among other consumer protection violations. In addition to Chrysler on Nicholasville, MAC Auto also operated Nissan on Nicholasville until November of 2011.

The Attorney General's Office had previously secured an Assurance of Voluntary Compliance for both dealerships, but recently received complaints indicating that certain terms of this agreement had been violated. Specifically, the dealerships were found to have violated the Consumer Protection Act by misrepresenting financing terms, disposing of trade-in vehicles before the consumer's financing was finalized, failing to timely pay off trade-in balances and failing to timely transfer title of purchased vehicles to consumers.

"Buying a vehicle can be an expensive and sometimes overwhelming experience," General Conway said. "Consumers are legally entitled to receive truthful information about the terms of such a purchase. My office is committed to protecting consumers and ensuring that businesses operating in Kentucky abide by the law."

The Consent Judgment requires MAC Auto to pay \$15,000 in civil penalties and costs to the Office of the Attorney General and imposes an additional \$10,000 in suspended penalties so long as the dealership complies with all terms of the Consent Judgment. Consumers who have faced similar issues may file a written complaint with the Office of the Attorney General by downloading an automobile complaint form at ag.ky.gov or by calling the Consumer Protection Office at 1-888-432-9257 to have a complaint form mailed.

