



KENTUCKY

# General News



July 2014

## Attorney General Conway Announces Settlement Benefiting Servicemembers Harmed by Predatory Lending Scheme

Attorney General Jack Conway, along with the Consumer Financial Protection Bureau (CFPB) and 12 other state attorneys general, announced a settlement on July 28 resolving allegations that consumer lender Rome Finance, which specialized in providing consumer financing to military servicemembers, engaged in predatory lending practices that cost servicemembers tens of millions of dollars. As a result of the settlement, 228 Kentucky servicemembers will receive \$1.2 million in debt relief. In total, the nationwide settlement impacts more than 17,800 servicemembers who will receive \$92 million in debt relief.

“Rome Finance targeted our servicemen and women by luring them into deceptive lending schemes with the promise of no money down and instant financing,” Attorney General Conway said. “These brave men and women work each day to protect our freedom, and the predatory actions taken by Rome Finance are unconscionable. I’m pleased that this resolution will provide military members here in Kentucky and across the country with the financial relief they are owed.”



Rome Finance, which also operated as Colfax Capital Corporation and Culver Capital, LLC, financed consumer debts primarily to servicemembers, typically for computers, gaming systems, and other goods and services from retailers online or at malls near military bases. The states and federal government allege that servicemembers were urged to purchase goods in financing agreements that hid or insufficiently disclosed extremely high rates of interest and that as a result of these financing agreements, servicemembers ultimately paid Rome Finance multiple times the retail price for the products they purchased. Payments were deducted from the servicemembers’ paychecks and were secured by access to a bank account.

The multistate lawsuit alleges multiple illegalities by the company, including failing to accurately disclose finance charges and interest rates; knowingly or recklessly assisting in the practice of financing contracts with inflated prices of goods sold; violation of the Military Lending Act; violations of state and CFPB’s unfair, deceptive, or abusive acts and practices prohibitions; and failing to provide required periodic disclosures.

Under the terms of the settlement, approved by the U.S. Bankruptcy Court for the Northern District of California, servicemembers will keep all merchandise financed through Rome Finance, and all outstanding debts owed to the company have been erased and marked “paid in full” with consumer finance reporting agencies. In addition, the resolution bans new business by the company, which is no longer in operation, and its principals. Rome Finance has been the subject of previous state and federal enforcement actions and Colfax is currently in Chapter 7 bankruptcy.

## Attorney General Conway Recognizes Military Consumer Protection Day



Attorney General Conway and his Office of Consumer Protection joined government agencies, advocacy organizations and private sector groups across the country in recognizing July 16 as the second annual Military Consumer Protection Day (MCPD).

This broad coalition shares tips and information about managing money, dealing with credit and debt, building savings, protecting personal information, recognizing identity theft and avoiding fraud.

“We are committed to protecting our servicemembers from unscrupulous business practices and assisting them in making wise financial decisions,” General Conway said. “Our website, [ag.ky.gov](http://ag.ky.gov), also contains a variety of useful information targeted toward issues impacting servicemembers and their families. As always, I encourage anyone with consumer-related questions or concerns to contact my Office of Consumer Protection.”

MCPD is part of Military Consumer, a year-round campaign hosted by the Federal Trade Commission, the Department of Defense, the Consumer Financial Protection Bureau, Military Saves, and other consumer advocacy and military support organizations to empower and engage service members, veterans and their families with information related to pocketbook issues.

For free resources and tip sheets, visit [military.ncpw.gov](http://military.ncpw.gov). Additional information is also available under the “Protecting Our Military Personnel” section of [ag.ky.gov/consumer](http://ag.ky.gov/consumer) or by calling the Attorney General’s Consumer Protection Hotline at 1-888-432-9257.

## Protecting Our Military Personnel

In June 2012, Attorney General Conway led a group of 20 attorneys general in securing a settlement with QuinStreet, Inc. over its operation of a website called GIBill.com. GIBill.com appeared to be a government website with information about GI Bill benefits, but it was actually a non-government related lead generator for the for-profit college industry. The settlement secured \$2.5 million and transferred GIBill.com to the Department of Veterans Affairs. For more information about the settlement, read our press release: <http://migration.kentucky.gov/newsroom/ag/quinstreetavc.htm>

## Track Jack



*Attorney General Conway updates the Kentucky Magistrates and Commissioners Association & Kentucky County Judge Executives Association joint summer conference attendees on the latest news from the Office of the Attorney General.*



*Attorney General Conway tapes a PSA thanking drug court judges and staff for their commitment and dedication to fighting substance abuse in Kentucky communities.*



*In the latest Kentucky Farm Bureau video report, Attorney General Conway speaks about the recent settlement that restores certainty to Kentucky’s annual payments from the tobacco Master Settlement Agreement. Watch here: [https://www.youtube.com/watch?v=yXa-z\\_FH7q4](https://www.youtube.com/watch?v=yXa-z_FH7q4)*

## Attorney General Conway Announces Indictment of State Representative

Attorney General Conway announced on July 29 the indictment of Kentucky State Representative Forrest “Ben” Waide, 51, of Madisonville, for alleged violations of Kentucky campaign finance laws. A Franklin County grand jury returned a two-count felony indictment charging Waide with knowingly accepting contributions from a corporation, in violation of KRS 121.150(20), and causing funds in his campaign account to be expended for purposes that were not allowable campaign expenditures, in violation of KRS 121.175.

The charges relate to Waide’s 2010 campaign for state representative and are the result of an investigation conducted by Attorney General Conway’s Department of Criminal Investigations. The investigation was conducted in response to a January 2014 complaint filed with the Kentucky Registry of Election Finance by shareholders of Liberty Rehabilitation, PSC. Waide is alleged to have illegally accepted approximately \$10,000 in campaign contributions from Liberty Rehabilitation, a company in Madisonville where he was a partner. He is also alleged to have submitted approximately \$6,000 in receipts to his campaign fund for reimbursement of expenses he did not incur.

Attorney General Conway’s Office of Special Prosecutions is handling the prosecution of this case.

The charges against Waide are class D felonies, and each carries a penalty of one to five years in prison and up to a \$10,000 fine.



## McCracken County Woman Charged with Practicing Law without a License



A McCracken County woman has been charged with practicing law without a license. Patrina King, 47, was charged by criminal summons on July 14.

In June, the McCracken County Attorney’s Office notified Attorney General Conway’s Department of Criminal Investigations that it had received information King was practicing law in the county without a license. The Attorney General’s Public Integrity/Special Investigations Branch investigated the allegation, and as a result, King was charged in this case.

Practicing law without a license is a class B misdemeanor, punishable by up to 90 days in jail and a \$250 fine.

## Boone County Man Pleads Guilty to Sex Abuse Charges

A former Boone County youth coach has pleaded guilty to sexually abusing six boys from August 2011 through June 2013. Forty-seven-year-old Michael Schweitzer entered the plea on July 22 in Boone Circuit Court. He was sentenced to 35 years in prison.

In June 2013, Schweitzer was charged with drugging and sexually abusing a 13-year-old boy. An additional five boys subsequently contacted the Boone County Sheriff’s Department with similar allegations of abuse. On Aug. 6, 2013, a Boone County grand jury charged Schweitzer, who served as a volunteer coach for various Boone County area youth baseball, basketball, football and wrestling teams, with three counts of sodomy in the first degree, class B felonies; three counts of unlawful transaction with a minor in the first degree, class B felonies; and eight counts of sexual abuse in the first degree, class D felonies. Schweitzer pleaded guilty to all charges.

“I am committed to holding accountable anyone who preys upon Kentucky kids,” General Conway said. “I commend the hard work of my prosecutors for bringing this case to a successful close. Because of their efforts, we have put another child predator behind bars.”



This case was investigated by the Boone County Sheriff’s Department. The prosecution of this case was handled by General Conway’s Office of Special Prosecutions at the request of Commonwealth’s Attorney Linda Talley Smith.

In early July, Schweitzer was sentenced in U.S. District Court to 35 years in prison after previously admitting that he created multiple videos of minors engaged in sexually explicit conduct. The Office of the Attorney General worked with the U.S. Attorney’s Office for the Eastern District of Kentucky to coordinate the prosecution of the case.

## **Marshall County Man Indicted on Sexual Misconduct Charges**

A Marshall County man has been indicted on charges involving alleged sexual misconduct with a minor. On July 24, a Marshall County grand jury indicted 46-year-old Ronald E. Barnard on solicitation of the use of a minor in a sexual activity, a class C felony; unlawful use of electronic means to induce a minor to engage in a sexual performance, a class D felony; sexual abuse in the first degree, a class D felony; and distribution of obscene matter to a minor, a class A misdemeanor.

Barnard is a former Marshall County High School head football coach. On June 4, 2014, Barnard was arrested following a six-month investigation by the Marshall County Sheriff's Office and is currently out of custody on a \$10,000 cash bond. If convicted, he could face up to 20 years in prison.

Attorney General Conway's Office of Special Prosecutions is handling the prosecution of this case.



*Photo: Marshall County Tribune-Courier*



## **CYBERCRIMES**

### **Whitley County Man Pleads Guilty to Possession, Distribution of Child Pornography**

A Whitley County man has pleaded guilty to possessing and distributing child pornography. William Parrish, 39, pleaded guilty on July 1 in Whitley Circuit Court to one count of possession of matter portraying a sexual performance by a minor and three counts of distribution of matter portraying a sexual performance by a minor.

Parrish was charged in this case following an undercover investigation by Attorney General Conway's Cybercrimes Unit. A search warrant was executed in September 2012 at Parrish's Williamsburg home, where investigators seized computers containing images and videos depicting children engaged in sexually explicit conduct.

"I appreciate the hard work of my cybercrimes investigators who helped bring this case to a successful close," General Conway said. "Because of their dedication, the Internet is a safer place for Kentucky children."

Commonwealth's Attorney Allen Trimble handled the prosecution of this case. Commonwealth's Attorney Trimble has recommended Parrish serve a six-year prison sentence.

### **Jefferson County Man Arrested on Child Porn Charge**

A Jefferson County man has been arrested for allegedly possessing child pornography. Robert Belton, 45, was arrested at his Louisville home by General Conway's Cybercrimes Unit on July 21. He was charged with four counts of possession of matter portraying a sexual performance by a minor.

An investigation by the Cybercrimes Unit began in May 2014 following an undercover lead. A search warrant was executed at Morris' home, where investigators seized computers believed to contain files depicting children engaged in sexually explicit conduct.

Morris was lodged in the Jefferson County Detention Center.

### **Warren County Man Pleads Guilty to Possession of Child Pornography**

A Warren County man has pleaded guilty to possessing child pornography. Sergio Medina, 56, pleaded guilty in Warren Circuit Court on July 3 to 11 counts of possession of matter portraying a sexual performance by a minor.

Medina was charged in this case following an undercover investigation by Attorney General Conway's Cybercrimes Unit. A search warrant was executed in August 2013 at Medina's Bowling Green home, where investigators seized computers containing images depicting children engaged in sexually explicit conduct.

"I am pleased that my cybercrimes investigators have helped take another child pornographer off of the Internet," General Conway said. "Our work is making the Internet a safer place for Kentucky kids."

Commonwealth's Attorney Chris Cohron handled the prosecution of this case. Commonwealth's Attorney Cohron has recommended Medina serve a six-year prison sentence. Medina will also be required to register as a sex offender for a period of 20 years.

### **General Conway's Cybercrimes Unit**

Since its creation in June of 2008, General Conway's Cybercrimes Unit has launched 375 child pornography investigations and seized more than 422,600 child pornographic images and videos from the Internet. The unit is also a member of the U.S. Dept. of Justice Internet Crimes Against Child Task Force.

For additional information on General Conway's efforts to protect Kentuckians from Internet predators, visit the Office of the Attorney General's "Cybersafety in Kentucky" page at <http://ag.ky.gov/cybersafety/>. To report cyber abuse, call 800-843-5678.

## Two Fraudulent Contractors Plead Guilty

A contractor accused of failing to perform repair services for a Louisville resident, despite being paid to do so, has pleaded guilty to one count of theft by deception over \$500, a class D felony. Sean Riggs, 28, entered the plea on July 8 in Jefferson Circuit Court. Prosecutors recommended a five-year probated prison sentence on the condition that Smith pays \$5,800 in restitution to the victim.

Riggs was the owner of Above the Rest Roofing, a roofing company located in Louisville. Riggs entered into a contract with the victim to replace the roof on the victim's home. Riggs advised the victim that he needed money upfront to buy materials to complete the work. However, after the victim paid, Riggs never returned to complete the work.

In a separate case, Robert Watkins, 52, of Leitchfield, pleaded guilty to two counts of theft by deception over \$500 on July 28 in Jefferson Circuit Court. Watkins was the owner of H & R Restorations, a company located in Leitchfield. Watkins entered into contracts to perform repair services on the homes of two Louisville victims. However, after the victims paid, Watkins never returned to complete the work. Prosecutors recommended a three-year probated prison sentence on the condition that Watkins pays \$6,450 in restitution to the victims.



Attorney General Conway encourages consumers needing storm repair work or cleanup services to follow these important tips:

- ▶ Consumers should never pay the full amount to a contractor before the work is completed.
- ▶ Use local, reputable contractors for repairs, if possible. If local contractors bring in out-of-town workers, ask who will be responsible for their work if it is not satisfactory.
- ▶ Ask if the contractor is licensed, bonded (if required by the city or county), and insured.
- ▶ Check unknown companies out with the Better Business Bureau or call the Attorney General's Office of Consumer Protection to see if information is available about the company.
- ▶ Demand a written contract. If possible, get estimates from several contractors.
- ▶ Be suspicious of unfamiliar, out-of-state vehicles and those who offer repair work at unreasonably low prices. Contact local law enforcement about your suspicions.

For additional information or to file a consumer protection complaint, call the Consumer Protection Hotline at 1-888- 432-9257 or visit [ag.ky.gov/consumer](http://ag.ky.gov/consumer).

## AG Conway Announces Sentencing of Former Consumer Directed Options Employee



A former Consumer Directed Options (CDO) employee has been sentenced on charges involving theft and fraud.

On May 20, William Qualls, 22, pleaded guilty in Jefferson Circuit Court to theft by unlawful taking under \$10,000 and devising or engaging in a scheme to defraud the Kentucky Medicaid program. Qualls was sentenced on July 8 and received a three-year sentence, which will be probated for a period of five years. He was also ordered to repay \$3,076.50 to the Kentucky Department of Medicaid Services.

Qualls worked as a CDO employee and provided care for a family member in exchange for payment from the state Medicaid program. The CDO program, which is overseen by the Kentucky Department for Aging and Independent Living, serves the non-medical home health needs of members of Kentucky's home and community-based waiver programs and allows members to choose who provides their non-medical services. Qualls submitted false time sheets while working as a CDO employee and received payments from Medicaid for services he did not perform, resulting in a financial loss of more than \$3,000 to the Medicaid program.

This case was investigated by Attorney General Conway's Medicaid Fraud and Abuse Control Unit and the Cabinet for Health and Family Services' Office of the Inspector General. It was prosecuted by the Office of the Attorney General in Jefferson Circuit Court.

## **Astellas Pays \$7.3 Million to Resolve False Claims Act Allegations Relating to Marketing of Mycamine**

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Kentucky has joined with other states and the federal government to settle allegations that Astellas Pharma US, Inc. caused false claims to be submitted to federal and state health care programs in connection with its marketing and promotion of the drug Mycamine for pediatric use. Mycamine is a sterile, lyophilized antifungal agent. Astellas, located in Northbrook, Ill., manufactures and sells pharmaceutical drugs, including Mycamine.

The settlement resolves allegations that, between 2005 and 2010, Astellas knowingly marketed and promoted the sale of Mycamine for pediatric use, which was not a medically accepted indication and, therefore, not covered by federal health care programs. During this time, the FDA approved Mycamine to treat adult patients suffering from serious and invasive infections caused by the fungus *Candida*, including infections in the esophagus, the blood and the abdomen, and to prevent *Candida* infections in adults undergoing stem cell transplants. From 2005 through June 2013, however, Mycamine was not approved to treat pediatric patients for any use.

The Kentucky Medicaid program will receive \$6,956.70 from the settlement and the federal government will receive \$29,648.51 for its share of Kentucky-related damages.