



KENTUCKY

General News



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Attorney General Conway Announces \$16.65 Billion Settlement with Bank of America



Attorney General Conway, along with five other state attorneys general and the U.S. Department of Justice, announced on Aug. 21 a \$16.65 billion settlement with Bank of America to resolve federal and state claims against the bank and its Countrywide Financial Corporation and Merrill Lynch subsidiaries. This resolution marks the largest civil settlement with a single entity in American history. As a result of the settlement, \$23 million will be returned to the Kentucky Retirement Systems (KRS).

In the settlement, Bank of America and its subsidiaries admit to selling billions of dollars of residential mortgage-backed securities (RMBS) without disclosing to investors key facts about the quality of the securitized loans. When the RMBS collapsed, investors (including KRS and other public pension funds) suffered billions of dollars in losses.

“Bank of America defrauded our pension system when it sold these high-risk products, and we are holding them accountable,” Attorney General Conway said. “The conduct of Bank of America was deplorable and driven by greed, at the expense of homeowners who were targeted for risky loans and pension systems that bought the loans that the banks marketed and sold as sound investments.”

“Thanks to General Conway’s efforts, KRS will recover millions of dollars resulting from the practices of bad actors in the financial industry that crippled the economy and tanked investments across the country,” Gov. Steve Beshear said. “These recovered funds will strengthen the pension system for the thousands of state and local retirees and employees who depend on it.”

In addition to the \$23 million recovered for KRS, the agreement also requires Bank of America to provide \$7 billion to assist consumers across the country hurt by the housing collapse and the recession. Kentucky will share a significant portion of this money, which will be used to create affordable rental housing, provide loans to credit-worthy borrowers, and help communities still recovering from the financial crisis.

Bank of America



Bank of America has established a hotline – (877) 488-7814 – to provide information to consumers.

Read more: <http://migration.kentucky.gov/Newsroom/ag/BOAsettlement.htm>

Substance Abuse Treatment Advisory Committee Announces KY Kids Recovery Grant Recipients



Nineteen substance abuse treatment grant proposals from across the Commonwealth have been selected for funding through the KY Kids Recovery program. The grants will fund comprehensive adolescent substance abuse treatment programs, both expanding treatment beds at existing facilities and creating new adolescent treatment programs with the full continuum of care, including intensive outpatient and follow-up care centers.

“These grants will fund public-private partnerships that will result in expanded treatment for teens in every region of Kentucky,” said Attorney General Conway, who chairs the Substance Abuse Treatment Advisory Committee (SATAC). “The KY Kids Recovery program is a critical investment in our ongoing effort to stop the cycle of addiction in our Commonwealth. The recipients of these grants will utilize evidence-based substance abuse treatment services to help families riddled with addiction and save lives in Kentucky.”

Kentucky only has about one-tenth of the treatment beds it needs, and according to the most recent report from the Substance Abuse Health and Mental Services Administration, one in eight Kentucky high school students meet the criteria for a substance abuse disorder.

“Substance abuse among young people is devastating not only to the individual afflicted by the disease, but to their families, schools and communities,” First Lady Jane Beshear said. “These statewide KY Kids Recovery investments will help break young Kentuckians’ cycle of substance abuse through comprehensive treatment and follow-up care, setting them on the right path toward living addiction-free.”



Gov. Steve Beshear created SATAC by executive order to oversee the KY Kids Recovery grant program and distribution of the settlement funds. Existing providers, new providers, community partnerships and nonprofits were eligible to apply for the KY Kids Recovery grants.

The Substance Abuse Treatment Advisory Committee submitted the 19 recommended proposals to Gov. Beshear, who approved the funding for the recipients. The programs recommended for funding are located in every region of the state and encompass all aspects of evidence-based, substance abuse services for adolescents, including prevention, outpatient counseling, intensive outpatient services and residential treatment.

\$17,976,992 has been recommended in funding from an available total of \$19,200,000. The remaining balance will be reserved for future statewide projects and administrative oversight of recipients’ expenditures. Awards will be paid through Kentucky Housing Corporation, in compliance with state accounting procedures.

For a list of the 19 grant recipients, visit KyKidsRecovery.ky.gov.

AG Conway & Holly Petraeus Discuss Consumer Protection Issues with Fort Knox Community



Attorney General Jack Conway and Holly Petraeus, director of the Consumer Financial Protection Bureau’s (CFPB) Office of Servicemember Affairs, joined forces on Aug. 12 to hear firsthand the financial challenges that Fort Knox soldiers and their families face as a result of unscrupulous business practices. Attorney General Conway also unveiled a new online toolkit for servicemembers and their families.

“Our military servicemen and women, who risk their lives to protect our country, should not have to defend themselves and their families against scams or misleading and predatory business practices,” Attorney General Conway said. “I am committed to improving consumer protection measures for Kentucky’s military families, and I’m pleased to be partnering once again with Mrs. Petraeus to help provide our soldiers with the tools and assistance they need if they feel they have been scammed.”

During a roundtable discussion and town hall-style meeting, Attorney General Conway, staff members from his Office of Consumer Protection, Mrs. Petraeus, and members of Fort Knox's Community Service Financial Readiness Program were able to talk with soldiers and their families about making sound financial decisions and consumer purchases. Additionally, the officials encouraged servicemembers who feel they may have been taken advantage of to file complaints with the appropriate authorities.

In 2011, Attorney General Conway and Holly Petraeus also visited Fort Campbell to discuss consumer protection-related issues with soldiers based at that post. Mrs. Petraeus knows all too well the strains facing America's troops and their families. Formerly with the Better Business Bureau's Military Line program, Mrs. Petraeus now serves as director of the Office of Servicemember Affairs.

"I am pleased to join Attorney General Conway to hear firsthand from servicemembers, veterans, and community leaders about their consumer financial issues," Mrs. Petraeus said. "I appreciate their input and suggestions, and will be mindful of what I heard in Kentucky as I pursue my efforts at the Consumer Financial Protection Bureau."

So far this year, Fort Knox's Army Community Service Financial Readiness Program has assisted 500 soldiers and their family members with a variety of issues, including identity theft, credit reports, vehicle purchases, foreclosure avoidance, investment products and work-at-home scams.

Attorney General Conway and his Office of Consumer Protection also unveiled an online consumer protection toolkit for servicemembers. The Consumer Protection Guide for Military Servicemembers provides useful tips and resources on nearly a dozen consumer-related issues tailored to servicemen and women and their families, including identity theft prevention, mortgage scams, debt collection, payday lending and for-profit schools.

The Office of the Attorney General's Consumer Protection Guide for Military Servicemembers is available at ag.ky.gov/consumer.



Kentucky Tobacco Company Fined for False Statements in Cigarette Records



U.S. District Judge Joseph McKinley approved a sentence of fines and restitution on Aug. 11 against a Kentucky tobacco manufacturer charged with federal contraband cigarette act violations. Tantus Tobacco in Russell Springs was ordered to pay restitution in the amount of \$260,000 to the Commonwealth for state taxes and investigative costs. The Office of Attorney General will receive \$60,000 of that amount for assisting in the case. The federal government will keep \$490,000, which it previously forfeited from Tantus Tobacco.

The charges against Tantus stem from incidents occurring in 2007 and 2008 and involve falsification of invoices and tax reports related to cigarette sales and purchases. Other cigarette companies involved were located in Mississippi and Kentucky. The illegal activity resulted in substantially reduced tax payments for these companies. Charles Wells, formerly a Kentucky cigarette wholesaler, previously pleaded guilty to other related federal charges.

Tantus Tobacco manufactures Berley and 24/7 brands of cigarettes, along with other products. It is not a party to the Master Settlement Agreement.

Attorney General Jack Conway Announces \$35 Million Consumer Settlement with Pfizer

Kentucky is receiving \$606,391 as its share of a \$35 million settlement with Pfizer, Inc.

The settlement resolves allegations that Pfizer's parent company, Wyeth Pharmaceuticals, unlawfully promoted Rapamune, an immunosuppressive drug currently approved by the FDA to counteract organ rejection after kidney transplant surgery. The judgment alleges that Wyeth violated state consumer protection laws by misrepresenting the uses and benefits of the drug.

"I will continue to protect Kentuckians from drug companies that put profits over patients," Attorney General Conway said. "Marketing of pharmaceuticals that have not been approved based on sound evidence for a particular use can be a dangerous and even deadly practice."



The consent judgment requires Pfizer to ensure that its marketing and promotional practices do not unlawfully promote Rapamune or any Pfizer product.

Read more here: <http://migration.kentucky.gov/Newsroom/ag/phizersettlement.htm>

Track Jack



Attorney General Conway helped kick off the Kentucky State Fair on Aug. 14 at the annual Kentucky Commodity Group Appreciation Breakfast.



Attorney General Conway welcomed Commonwealth's Attorneys and County Attorneys from across the state to the 2014 Kentucky Prosecutors Conference.



AG Conway sat down with KET's Bill Goodman on Aug. 22 for a taping of One to One.



During a "Bagels with the Boss" event on Aug. 5, AG Conway visited with participants in the Office of the Attorney General's 2014 Summer Internship Program.



AG Conway joined the Kentucky Office of Highway Safety, Kentucky State Police, and other area law enforcement agencies on Aug. 7 to kick-off the "Drive Sober or Get Pulled Over" campaign.

AG Conway and the HOPE Campaign Unveil Human Trafficking Awareness Video Series



An online video series is increasing awareness about human trafficking in Kentucky.

The seven-part video series provides a closer look at human trafficking from the various perspectives of trafficking survivors, Kentucky legislators, and law enforcement officials. Each video focuses on a specific trafficking-related issue, such as Kentucky laws on human trafficking, tips for identifying and assisting victims of human trafficking, and resources and services available to survivors.

“Human trafficking is a form of modern-day slavery, and it’s happening right here in Kentucky,” Attorney General Conway said. “I am proud of these survivors for having the courage to share their heart-filled stories in an effort to increase awareness about this growing crime. This online video series will serve as an invaluable educational tool that will help our health care providers, law enforcement officials, social workers, and all Kentuckians better recognize and prevent human trafficking in our communities.”

The human trafficking online video series was produced by the HOPE Campaign and funded through a grant from the Child Victims’ Trust Fund (CVTF), which has provided funding to regional and statewide child advocacy programs since 1984. The CVTF is administered by the Child Sexual Abuse and Exploitation Prevention (CSAEP) Board, which Attorney General Conway chairs.

“Research suggests that the average age of entry into prostitution in the U.S. is 12 to 14 years old,” said Marissa Castellanos, manager of Catholic Charities’ human trafficking services. “In Kentucky, 59 percent of all human trafficking victims were children when they were initially trafficked. Through funding provided by the Child Sexual Abuse and Exploitation Prevention Board and the Child Victims’ Trust Fund, the HOPE Campaign was created to change these dynamics, inform young people of these realities and how to get help, and prevent children in Kentucky from being exploited.”

In addition to the human trafficking online video series, funding from the CVTF has allowed the HOPE Campaign to provide critical training to law enforcement and community-based agencies in Kentucky. In the last year, representatives with the HOPE Campaign and the Kentucky Association of Sexual Assault Programs have trained approximately 370 health care providers, law enforcement officials, and social workers in every region of the Commonwealth on issues related to human trafficking.

Additionally, the CVTF funds the HOPE Campaign’s Chapstick outreach initiative, in which Chapstick containers are labeled with the National Human Trafficking Resource Center hotline and distributed to businesses across the state.

The human trafficking online video series is available for viewing at ICareAboutKids.ky.gov.

The National Human Trafficking Resource Center hotline is 1-888-373-7888.

Mississippi Man Convicted of Extortion

Attorney General Jack Conway and David J. Hale, U.S. Attorney for the Western District of Kentucky, announced on Aug. 13 that 36-year-old Thomas Ray, of Jackson, Miss., has been convicted in U.S. District Court on one count of extortion.

On Oct. 16, 2013, Ray was indicted by a federal grand jury. According to evidence presented at trial, Ray used the alias "Melinda White" when he knowingly sent an email from his home on April 23, 2013, to two University of Louisville employees with a threat to injure the reputation of the University of Louisville Athletic Association and a demand for \$3.5 million.

Ray faces no more than two years in prison, a maximum fine of \$250,000 and a one-year period of supervised release. Ray is scheduled for sentencing on Nov. 3.

This case was prosecuted by the U.S. Attorney's Office and investigated by the Office of the Attorney General, FBI, and Louisville Metro Police Department.



Morgan County Judge-Executive Pleads Guilty to Accepting Kickbacks



Morgan County Judge-Executive Timothy Conley has admitted in federal court that he solicited and accepted more than \$100,000 in illegal kickbacks from a bridge contractor.

Conley pleaded guilty on Aug. 26 in U.S. District Court to a charge of honest services mail fraud.

Conley admitted that, between early 2009 through August 2013, he rigged the county's competitive bidding process to ensure that contracts for certain Morgan County bridges were awarded to PBTHNOJJ Construction, a Salyersville, Ky., bridge contractor owned by Kenneth and Ruth Gambill.

As part of that scheme, Conley admitted to directing Kenneth Gambill to deliver kickbacks to him from the proceeds of PBTHNOJJ Construction's bridge contracts. For example, in 2013, Conley secretly altered bid documents for three bridges to ensure that PBTHNOJJ Construction would receive the contract to build each bridge. Conley solicited \$15,000 per bridge and accepted \$45,000 in cash from Kenneth Gambill for the three bridges.

According to the plea agreement, these kickbacks were part of a scheme to defraud the citizens of Morgan County of their right to Conley's honest services. Conley and the Gambills were indicted in December 2013.

Last month, Kenneth and Ruth Gambill each pleaded guilty to conspiring to launder the proceeds of Conley's kickback scheme.

The investigation was conducted by the Office of the Attorney General and the FBI. The case was prosecuted by the U.S. Attorney's Office and the Public Integrity Section of the U.S. Department of Justice.

Conley will be sentenced on Dec. 2, 2014. He faces a maximum prison sentence of 20 years and a \$250,000 fine.

The Gambills will be sentenced on Nov. 18, 2014, and they each face a maximum of 20 years in prison and up to a \$500,000 fine.

AG Conway Announces Sentencing and Guilty Plea in Two Related Cases Involving Former Caregivers

A former owner and operator of an in-home caregiving service has been sentenced to 18 months in prison on a charge of defrauding the Medicaid program. Sheryl Bruner, 52, was also ordered to pay \$550,000 in restitution to the Kentucky Department for Medicaid Services.

Bruner was recently sentenced to seven years in prison in federal court after being convicted of bankruptcy fraud, Social Security fraud, money laundering and other related charges. Bruner's sentence will run concurrently with her federal sentence.

Bruner was the owner and operator of Support Source, Inc., which had an office in Lexington and was also managed by Bruner from her Nicholasville home. Support Source provided in-home care to disabled patients via Medicaid-funded waiver services. After the Cabinet for Health and Family Services suspended Support Source's Medicaid funding in 2011 following an investigation by the Office of the Inspector General, Bruner continued her scheme by retaining many of her patients and transferring them to Rock Arch Refuge, a company based in Lee County.

Bruner admitted that, between June 2009 and Dec. 5, 2013, she submitted forged documents to qualify her patients for Medicaid programs. Bruner then billed Medicaid for services to patients who had not been properly qualified as being Medicaid-eligible.

In a related case, Attorney General Conway announced that Bruner's associate, 47-year-old Heriberto Ortiz, pleaded guilty to a charge of defrauding the Medicaid program.

Ortiz worked as a caregiver for Rock Arch Refuge. In pleading guilty, Ortiz admitted that he submitted false timesheets for services he did not perform between February and December of 2013, resulting in a loss to the Kentucky Medicaid program of \$42,115.

Ortiz agreed to a three-year prison sentence and will be eligible to ask the judge for probation. He also agreed to pay full restitution to the Kentucky Department for Medicaid Services.

Attorney General Conway's Medicaid Fraud and Abuse Control Unit and the Cabinet for Health and Family Services' Office of the Inspector General investigated both cases.

AG Conway Names 2014 Outstanding Commonwealth's and County Attorneys

On Aug. 21, Attorney General Conway announced the recipients of the 2014 Outstanding Commonwealth's and County Attorney Awards as part of the Kentucky Prosecutors Conference at the Lexington Convention Center. Nearly 700 prosecutors, staff members, and law enforcement officials from across Kentucky attended the three-day conference sponsored by the Office of the Attorney General and the Prosecutors Advisory Council.



Edison Banks



Chris Cohron



Jennifer Hutchison-Corbin



Mike Foster

The recipients of the 2014 Outstanding Commonwealth's Attorney Awards are Edison Banks, Commonwealth's Attorney for the 47th Judicial Circuit representing Letcher County, and Chris Cohron, who serves as Commonwealth's Attorney for the 8th Judicial Circuit representing Warren County.

"Edison is a tough prosecutor who is a tremendous help to my Office of Special Prosecutions, having accepted 12 appointments as a special prosecutor this past year alone," General Conway said. "Additionally, Edison was the first prosecutor in eastern Kentucky to successfully prosecute an illegal doctor-shopping case using KASPER, and he remains committed to helping combat the scourge of prescription drug abuse in the Commonwealth. I appreciate his tireless efforts to fight illegal drug use in his community and help keep Kentucky families safe."

Of Cohron, General Conway stated, "Chris always goes above and beyond the call of duty as a Commonwealth's Attorney and he exemplifies the true meaning of a public servant. Chris is active in his community and his work as a Commonwealth's Attorney has made him one of the most recognized and distinguished prosecutors in Kentucky, having first received the Outstanding Commonwealth's Attorney Award in 2007. Since that time, he has received numerous awards, including the Carroll M. Redford Award, which is the highest honor bestowed upon a Commonwealth's Attorney by the Kentucky Commonwealth's Attorney's Association. Additionally, his work as Legislative Director of the Commonwealth's Attorney's Association is to be applauded, as his efforts in Frankfort have helped save critical funding for Kentucky prosecutors."

The recipients of the 2014 Outstanding County Attorney Awards are Jennifer Hutchison-Corbin, Adair County Attorney since September of 2000, and Mike Foster, who has served as the Christian County Attorney for the past 33 years.

"Jennifer is committed to cracking down on drunken drivers in her community, and her office maintains a strong record of aggressively prosecuting DUI cases," General Conway said. "Jennifer is active in the Kentucky County Attorney's Association and she always answers the call from my office to serve as a special prosecutor. One of Jennifer's top priorities is serving the families of her community. She has been recognized for her efforts in obtaining child support collections, ensuring that the children of Adair County receive the financial support they deserve."

Of Foster, General Conway stated, "Mike is now a four-time recipient of the Outstanding County Attorney award, having previously received the award in 1987, 2001, and 2005. In addition to his involvement in local civic affairs in Christian County, Mike is a member of the Prosecutors Advisory Council and also serves on the board of directors for the Kentucky County Attorney's Association, where he has been instrumental in developing legislation benefiting the county attorneys and county governments of Kentucky. I appreciate Mike's long-time and distinguished service to his county and to our Commonwealth."

AG Conway Takes Medicaid Fraud & Elder Abuse Prevention Message to State Fair

Attorney General Conway and his staff raised awareness about Medicaid fraud and elder abuse prevention at this year's Kentucky State Fair.

The Office of the Attorney General's booth provided information and giveaway items to promote Attorney General Conway's efforts to combat Medicaid fraud and elder abuse and encourage Kentuckians to join his efforts.

Elder abuse may occur in many forms – physical, financial, emotional, neglect, or abandonment – and several types of abuse are often inflicted at the same time. As Kentucky's population ages and the number of nursing home residents grows, it is important to be familiar with the signs of elder abuse, which can include unexplained injuries, malnutrition, lost or stolen property, or a fear of being alone with a caregiver.

Additionally, the abuse, neglect, or exploitation of any patient or resident of a health care facility or personal care home is a crime. Kentucky law requires anyone who suspects that a person has suffered abuse to report it to authorities. Citizens are urged to do so by calling the Attorney General's tip line at 1-877-ABUSE TIP.

"I encourage you to spread the word about our tip line," General Conway said. "This important hotline allows friends, relatives, and concerned citizens to report suspected abuse directly to my investigators. If you or someone you know believes a vulnerable adult has been abused, neglected, or exploited, please don't hesitate to pick up the phone and report it immediately."

For more information about recognizing and preventing patient abuse, as well as how to report suspected Medicaid fraud, visit ag.ky.gov or call 1-877-ABUSE TIP.

Since being elected Attorney General, Conway has quadrupled elder abuse and neglect investigations, prosecuting more cases than any previous Attorney General.

877 ABUSE TIP

REPORT MEDICAID FRAUD AND PATIENT ABUSE

OFFICE OF THE ATTORNEY GENERAL

A message from Attorney General Jack Conway and the Medicaid Fraud and Abuse Control Unit