



NEW YORK STATE SENATOR

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Office of Attorney General Unveils Year-End Review

STEPHEN M. SALAND December 29, 2011

| ISSUE: **BANKS, CRIME, ENERGY, ETHICS, HEALTH**

Review Cites Progress For New York On Taxpayer Protection, Public Safety, Economic Justice, Public Integrity, Civil Rights & Environmental Protection

The Office of Attorney General Eric T. Schneiderman today issued an end-of-the-year review detailing many of its accomplishments in areas including public safety, economic justice, taxpayer protection, public integrity, civil rights and environmental protection.

“We’ve worked diligently this year to restore New Yorkers’ faith in the public and private sectors, and I am proud of the progress we’ve made for the people of this state,” said Attorney General Schneiderman. “From cracking down on corruption in government, to rooting out fraud against taxpayers, to protecting consumers from financial crimes, and keeping our streets safe, each day we’ve moved closer to fulfilling the goal of building the best public law firm in the country to serve and protect all New Yorkers.”

The following are some of the actions Attorney General Schneiderman has taken since January:

Public Integrity and Taxpayer Protection

- **Launched a unique and much-needed Taxpayer Protection Bureau** – designed to go after corruption in state contracts, pension fund rip-offs, and large-scale tax cheats – as part of an aggressive plan to root out fraud and return money illegal stolen from New York taxpayers at no additional cost to the state.
- **Secured many major Medicaid fraud recoveries**, including a record-setting settlement that required Young Adult Institute, the state's largest residential service provider, to pay \$18 million in damages.
- **Secured over 75 convictions** of individuals who defrauded the Medicaid system in New York State, as well as in patient abuse and neglect cases.
- **Appointed public integrity officers to serve in each of the Attorney General's regional offices** across the state to give taxpayers a place to go to report complaints of government corruption without fear of local politics influencing the outcome.
- **Initiated a groundbreaking effort to crackdown on waste and corruption in earmarks, contracts, and other government spending** through cooperation with Comptroller Thomas P. DiNapoli.
- **Brought charges against a former employee of the New York State Department of Taxation and Finance** who was preying on Spanish-speaking New Yorkers to pocket thousands in taxpayer dollars.
- **Exposed a nonprofit set up by a state Senator that funneled member item funds to those associated with it.** Four individuals allegedly participating in the scheme have been indicted, including the senator's aide and an individual who shares a residence with the senator. The investigation was part of a groundbreaking public integrity initiative between the Offices of the Attorney General and State Comptroller.

- **In the administration's first False Claims Act case, secured a \$16 million settlement** with a food service provider for illegally overcharging school districts and other education providers.
- **Closed the “Helmsley Loophole” that let tax evaders off the hook.** The Attorney General's program bill, which was signed into law by Governor Cuomo, amends a law that prohibited the state from prosecuting income tax cheats who have been previously prosecuted in federal court for the “same criminal transactions” even if the crimes are distinct.
- **Announced the indictment and arrest of the former Town Clerk of Cape Vincent, for stealing up to \$50,000 from the town.** Jeri Mason was charged with Grand Larceny in the Third Degree, Defrauding the Government, and Official Misconduct.
- **Pressed the President and CEO of the New York Power Authority regarding questionable charitable contributions made by NYPA** that did not directly relate to the authority's powers, duties, or purposes in violation of a formal legal opinion previously issued by the Attorney General's office. The Attorney General advised Richard Kessel to stop making such contributions or explain why he believed such contributions were proper.

Keeping Streets Safe and Communities Strong

In 2011, Attorney General Schneiderman's Organized Crime Task Force (OCTF) brought a number of prosecutions against gang members, major drug traffickers, and other members of organized crime. These prosecutions included:

- **Operation Pipeline:** 37 individuals were charged with participating in a major drug distribution network that was funneling cocaine from New York City, Georgia, New Jersey and Pennsylvania throughout the Capital Region and elsewhere in New York.
- **Operation Bloodtrail:** 41 members and associates of the violent “Bloods” street gang were charged in three separate indictments for operating a narcotics distribution ring that sold

cocaine, heroin, marijuana and guns throughout the Capital Region and elsewhere in New York. During the investigation, law enforcement seized substantial quantities of controlled substances. In 2011, 11 defendants pled guilty and two were convicted after trial. Trial defendants were sentenced to lengthy prison sentences, well exceeding life terms: one received a total of 170 years; the other was sentenced to a total of 141 years. Additionally, 27 defendants were sentenced, six are awaiting trial and two are awaiting sentencing.

- **Operation Horse Trail:** In the largest heroin bust in Buffalo history, 15 individuals were charged with running a heroin distribution network in which the traffickers moved their product from the Bronx and funneled it to Buffalo.

- **Operation Shamrock:** The Attorney General obtained an indictment against 10 individuals for operating a prescription drug and cocaine distribution ring on Buffalo city streets. The investigation focused on the sale and resale of prescription painkillers.

- **Operation Snowbird:** Announced the arrests of 28 individuals charged with conspiring in a massive drug distribution network that transported cocaine from Florida and New York City to be sold throughout Western New York. The Attorney General office's seized more than \$2.7 million worth of cocaine and \$700,000 in cash, and arrested the defendants in a series of raids.

- **Operation Beemer:** The Attorney General obtained an indictment against 23 individuals accused of operating a drug distribution network that sent cocaine through the United States Postal Service (USPS) from Puerto Rico to various locations in Erie and Niagara Counties for distribution in communities throughout Western New York.

- **Operation Rockwell and Operation Re-Do:** Announced charges against 38 individuals for their connection to two drug networks responsible for distributing cocaine throughout Central

New York. The arrests and seizure of more than \$200,000 in cocaine has helped to shut down a drug pipeline running from Georgia to New York City to Syracuse and Auburn for sale throughout the region.

- **Collectively, OCTF investigated numerous narcotics networks operated in Cayuga, Monroe and other counties in the Syracuse area**, and over the course of the year brought indictments against more than 60 traffickers, seized numerous kilograms of controlled substances and seized more than \$700,000 in cash.

- **Operation Flatrate:** The Attorney General obtained five separate indictments against 37 individuals on charges stemming from the operation of lucrative loan sharking and gambling activities closely controlled by the Gambino crime family.

- **Operation Car Wars:** The Attorney General obtained an indictment against 21 individuals in a takedown of an extensive automobile theft and resale ring that stole hundreds of cars worth more than \$10 million.

In addition, in other actions to keep New York's communities safer and stronger, Attorney General Schneiderman:

- **Unveiled the "Internet System for Tracking Over-Prescribing Act"** that would provide health care practitioners and pharmacists with centralized information to avoid over-prescribing, help shut down prescription drug trafficking, as well as identify and treat patients who seek to abuse prescription drugs

- **Conducted an undercover investigation and busted 10 gun sellers from across New York State who jeopardized the public's safety** by violating the state's background check requirement for the sale of firearms at gun shows.

- **Following the announcement of the undercover investigation, the Attorney General joined Senator Kirsten Gillibrand in introducing the Gun Trafficking Prevention Act of 2011**, a federal measure that will crack down on corrupt gun dealers and eliminate the steady flow of illegal guns into New York.

- **Fought against the National Right-to-Carry Reciprocity Act**, which would force states like New York to abandon their own gun laws by allowing out-of-state visitors to carry concealed firearms based on their home state's less safe laws, rather than those of the state they are entering.

- **Won the conviction of a Bronx resident who forged more than 250 prescriptions for narcotics**, including addictive painkillers like OxyContin and Roxicodone. The counterfeit prescriptions – created on paper stolen from New York City-area hospitals – were filled in 20 counties throughout New York State and resulted in the illegal distribution of \$200,000 in controlled, addictive substances. At the time of her arrest in March, the offender possessed enough prescription paper to create an additional 1,500 prescriptions.

- **Won a major court victory in defense of New York's gun safety laws** and upheld the constitutionality of the state's handgun licensing statute.

- **Announced the arrest of four New York City motor vehicle inspectors who issued more than 7,000 fraudulent inspection certificates to untested vehicles**. Each defendant was charged with numerous felony counts for violations of New York State Vehicle and Traffic Law, Penal Law and Environmental Law, which could carry millions of dollars in fines and years in prison.

Economic Justice and Consumer Protection

- **Protected homeowners as a national leader by fighting for a fair 50-state mortgage settlement** that holds banks accountable, brings meaningful relief to New Yorkers and gets the economy

moving again.

- Secured a \$3.5 million settlement with a financing company that defrauded soldiers from Fort Drum with inflated prices, high hidden fees and exorbitant interest rates for consumer electronics. The settlement will result in hundreds of soldiers being relieved of their financial debt.

-Filed a lawsuit against the Bank of New York Mellon (BNY Mellon) for defrauding clients in foreign currency exchange transactions, seeking recovery of nearly \$2 Billion.

- Secured a \$553 million multi-state settlement with seven major technology corporations alleged to have illegally conspired to artificially inflate prices for liquid crystal display (LCD) screens used in televisions, computer monitors, and laptops. New York State taxpayers may receive upwards of \$11 million, in addition to restitution to compensate consumers affected by the scheme.

- Issued a resource guide for veterans and active duty military personnel with information related to educational and housing benefits, as well as consumer protections and other legal issues.

- Secured a \$1.3 million settlement with Bank of New York Mellon, in conjunction with the states of Texas and Florida, for manipulative trading of auction rate securities. A subsidiary of BNYM used an intermediary to submit bids that should have been barred as self-dealing transactions, artificially lowering the clearing prices of auctions and harming investors.

- Launched a comprehensive review on the rising cost of gasoline across New York State to compile data on prices being charged in these areas, and seek to determine the causes behind the recent increases where prices have soared to more than \$4 per gallon. Attorney General Schneiderman took enforcement action against two downstate stations that gouged customers amidst Tropical Storm Irene.

- **Secured a \$90.8 million settlement with UBS for fraudulent and anticompetitive conduct in its municipal bond derivative transactions.** Of that amount, \$63.3 million will go to a multistate restitution fund for governments and nonprofits that entered into municipal derivatives contracts with UBS between 2001 and 2004
- **Protected constituents who would be economically harmed by the loss of the Buffalo Bills home games and the canceling of Jets and Giants training camps** by investigating whether the National Football League lockout violated state antitrust laws.
- **Announced a joint initiative with the State Comptroller** to ensure that New Yorkers receive unpaid life insurance benefits.
- **Launched a thorough review of AT&T's proposed acquisition of T-Mobile** for potential anti-competitive impacts on consumers and businesses across New York State. The proposed merger would create the nation's largest wireless company with a total of 130 million subscribers nationwide, opening the door to a near duopoly shared by the merged firm and Verizon. The Attorney General later joined the U.S. Department of Justice's antitrust lawsuit that led to the dissolution of the acquisition.
- **Held statewide "office hours" in communities impacted by Hurricane Irene**, assisting consumers with storm-related questions and concerns related to issues such as price gouging, insurance policies and delayed debt payments so that affected New Yorkers can get back on their feet.
- **Reached a multi-million dollar agreement with Banco Espírito Santo S.A. (BES)** to settle an investigation into the solicitation and sale by BES and its affiliates of securities to BES's U.S. customers without registering itself or any of its affiliates as a securities broker-dealers or investment advisers, or any of their employees as salesmen, as required under New York's Martin Act.

- **Secured \$58.75 million in restitution from Wachovia Bank and Wells Fargo Bank** as part of an ongoing national investigation of alleged anticompetitive and fraudulent conduct in the municipal bond derivatives industry.
- **Secured sentences ranging from 1 year in jail, to 3 ½ to 10 years in prison, and millions of dollars in fines and restitution for five individuals involved in a mortgage scam** that preyed on homeowners in financial distress.
- **Secured a \$1.8 million settlement with the retail chain Michaels Stores, Inc. for engaging in deceptive advertising practices** by misleading consumers into thinking they were receiving steep discounts over a two-year period. The company will change its advertising practices and contribute \$1 million in art and craft supplies to public schools throughout New York State, in addition to \$800,000 in civil penalties.
- **Sued a company known as both C.P. International Security, Inc. (C.P.I.) and Gateway Production Security, Inc., that tricked out-of-work consumers into paying for expensive security guard training courses** with false promises of employment. The Attorney General's office has already secured a temporary restraining order freezing any assets the company or owners may have, and temporarily barring them from advertising job openings or selling security guard training courses.
- **Announced the takedown of an elaborate criminal network that set up bogus nursing schools** throughout New York City and Long Island defrauded hundreds of students of more than \$6 million. Eight individuals were arrested for their participation in the scam, and a total of eleven were charged in the indictment.
- **Won a decision against Rector Street, LLC and Yair Levy, the developer of the Rector Square Condominium in Battery Park City, finding that they defrauded purchasers of approximately \$7.4 million** by failing to finance and maintain a legally-required reserve fund to ensure the health

and safety of residents. The decision paves the way to recover \$7.4 million in restitution for the residents a permanent bar Levy from offering securities for sale in New York State.

- **Obtained a \$2.2 million settlement with two energy companies**, Columbia Utilities LLC and Columbia Utilities Power LLC, that used deceptive marketing tactics to mislead thousands of New Yorkers. In addition, Columbia will observe new restrictions on its marketing practices to prevent future fraud.

- **Joined the U.S. Justice Department in filing an antitrust lawsuit challenging the planned acquisition by medical waste services giant, Stericycle, Inc. of its smaller rival, Healthcare Waste Solutions, Inc. (HWS).** The acquisition would result in Stericycle controlling 90 percent of the medical waste business in the New York City metropolitan area and price increases for customers.

- **Secured a \$3.1 million settlement with the major pharmaceutical company AstraZeneca**, following allegations that it improperly marketed and promoted the antipsychotic drug Seroquel. The agreement is part of a record 37-state settlement totaling \$68.5 million – the largest ever multi-state consumer protection-based pharmaceutical agreement.

- **Secured a settlement that will refund \$1.1 million to more than 5,000 New Yorkers across the state who were defrauded by a deceptive and harmful debt settlement company.** Freedom Debt Relief misled debt-saddled consumers about the amount of money they would save and the services it would provide, while reaping large profits in up-front fees. The company will also pay \$100,000 in penalties to the state.

- **Called on the Federal Communications Commission (FCC) to enact rules that would prevent unauthorized third-party charges on telephone bills or ‘cramming’** – a fraud that a recent U.S. Senate report found costs consumers upwards of \$2 billion per year.

- **Secured a \$2.5 million dollar settlement with the pharmaceutical company Pharmacia Corporation** for inflating the cost of drugs sold to state health programs.

- **Announced the arrest in Puerto Rico of a fugitive who was wanted for scamming insurance companies out of millions of dollars.** The Attorney General's investigation revealed that Arthur Bogoraz defrauded no-fault insurance providers by using stolen identification information to set up medical practices, sent false bills to no-fault insurance companies, and then laundered more than \$4.5 million in fraudulently filed claims.

- **Secured \$2.5 million for New York State in an agreement with the pharmaceutical manufacturer EMD Serono, Inc.,** to settle allegations the company caused false or fraudulent claims to be submitted to the Medicaid program. The multi-state settlement agreement totaled \$44.3 million, and stems from an investigation into whether the company paid doctors, in part, so that they would prescribe the multiple sclerosis drug Rebif to patients.

Social Justice

Environmental Protection, Civil Rights, Health Care, Labor, Charities

- **Led the fight for safety at Indian Point** and other nuclear power facilities by challenging a decision by the federal Nuclear Regulatory Commission (NRC) that allowed the storage of high-level radioactive waste for at least 60 years after their closure without assessing the public and environmental impacts; calling on the NRC to include seismicity in the scope of review for the relicensing of Indian Point, and filing a petition to force Indian Point to comply with fire safety regulations.

- **Sued the federal government for failing to commit to a full environmental review of the proposed regulations that would allow natural gas drilling** – including the potentially harmful "hydrofracking" technique – in the Delaware River Basin which includes the New York City

watershed.

- **Cracked down on six website operators that illegally sold cigarettes to New York State residents**, part of a disturbing trend that provides teens easy access to tobacco, and encourages a loss of hundreds of millions of dollars in state revenues.

- **Secured an agreement with the former General Motors Corporation that will dedicate \$154 million to the environmental cleanup and redevelopment of contaminated sites in New York.**

- **Took action to protect the air New Yorkers breathe** by filing a lawsuit against Pennsylvania power plant Homer City Station that is emitting dangerous sulfur dioxide in violation of the federal Clean Air Act. The Office of Attorney General led a coalition of attorneys general from Connecticut, Delaware, Maryland, and Massachusetts, against efforts in the U.S. House of Representatives to remove critical environmental regulations that protect New York communities from toxic pollution; and called on the EPA to protect New York's air by implementing a proposed rule that would slash the amount of air pollution currently allowed to cross state lines.

- **Created the Leadership Committee for Nonprofit Revitalization**, a task force charged with presenting a series of recommendations to the Attorney General to reduce the regulatory burdens and costs on nonprofits while strengthening nonprofit accountability.

- **Launched the Religious Rights Initiative**, a project of the Civil Rights Bureau that will address religious rights issues and enforce anti-discrimination laws. The Initiative targets faith-based discrimination and violations of religious rights through public education, outreach and law enforcement, including litigation.

- **Released a fundraising report documenting how for-profit “telemarketers” pocket the bulk of contributions New Yorkers give to charities.** According to Pennies for Charity, Where Your

Money Goes: Telemarketing by Professional Fundraisers, in 2010, an average of just 36.9 cents of every charitable dollar raised by these professional telemarketing companies actually went to charity. The Attorney General also issued a guide for consumers planning on making charitable contributions with important information to ensure that donations go where intended.

- Filed papers defending core provisions of the Voting Rights Act against a constitutional challenge.

The brief, filed jointly with Mississippi and California in the D.C. Circuit Court, argues that the court should reject efforts to strike down key parts of the law given the important role that the Voting Rights Act plays in protecting minority voters and preventing discrimination and disenfranchisement.

- Won an important legal victory upholding the state's law that counts inmates in their home

communities, rather than the districts where they are incarcerated, for the purpose of drawing legislative district lines. As a lawmaker, the Attorney General was the leading proponent of the 2010 legislation ending the practice of prison-based gerrymandering.

- Filed a lawsuit against "Coalition Against Breast Cancer," a sham charity that fraudulently

solicited \$9.1 million from the public under the guise of fighting breast cancer, only to funnel the money to organization insiders and fundraisers. The Attorney General later secured two guilty pleas in connection with the bogus scheme.

- Challenged the constitutionality of the Defense of Marriage Act (DOMA), arguing that the Act

violates same-sex couples' right to equal protection under the law as required by the U.S. Constitution. This legal action, which follows Attorney General Schneiderman's pledge to join the court battle over DOMA, follows the historic enactment of the Marriage Equality Act of 2011.

- **Filed a brief defending the federal health insurance reform law** in court to protect Americans' right to quality, affordable health care.
- **Launched a joint initiative with the NYS Bar Association to match volunteer attorneys with nonprofit organizations** in need of legal counsel. The innovative partnership called "Charity Corps" will help improve governance and legal compliance by assisting nonprofits that cannot afford legal counsel.
- **Stopped the owner, management company, and rental agent of Shady Lane Apartments, a 444-unit residential apartment complex in Glenville from discriminating against families** with children and African-Americans in the renting of apartments. The company is required to implement non-discriminatory rental procedures and policies, notify the public of its non-discrimination policy, require fair housing training for all rental agents, provide periodic reports to the Attorney General's Office, and pay a \$22,500 penalty.
- **Secured an agreement with one of the nation's largest housing developers, Trammell Crow Residential, ensuring equal access to housing for people with disabilities.**
- **Shut down two fraudulent immigration service companies** for targeting and defrauding Haitian nationals who were affected by the devastating January 2010 earthquake.

For additional announcements made in 2011 by the Office of Attorney General, please visit:
www.ag.ny.gov/media_center/media_center.html