

IN THE CIRCUIT COURT OF PULASKI COUNTY, ARKANSAS
_____ DIVISION

STATE OF ARKANSAS, *ex rel.*
LESLIE RUTLEDGE, ATTORNEY GENERAL

PLAINTIFF

v. CASE NO. _____

MED-CARE HEALTHLINK, LLC;
CARLA TURNER-HAHN; AJILI
HODARI; LINDA MONTY; and
STEVENS STRATEGIC SOLUTIONS

DEFENDANTS

COMPLAINT

COMES NOW the Plaintiff, the State of Arkansas, *ex rel.* Leslie Rutledge, Attorney General, for its Complaint against Defendants Med-Care Healthlink, LLC, Carla Turner-Hahn, Ajili Hodari, Linday Monty, and Stevens Strategic Solutions, states as follows:

I. INTRODUCTION

1. This is a consumer protection action brought to redress and restrain violations of Arkansas law, including the Arkansas Deceptive Trade Practices Act (“ADTPA”), Ark. Code Ann. § 4-88-101 *et seq.*

2. This matter arose as a result of agreements entered into at the onset of the coronavirus pandemic between the University of Arkansas for Medical Sciences (“UAMS”) and Med-Care Link, LLC (“Med-Care”), and between the Department of

Finance and Administration (“DFA”), on behalf of the State of Arkansas, and Med-Care, respectively.

3. During a two-week period beginning on March 29, 2020, the State paid to Med-Care, or placed into escrow, a total of \$10,940,000 for the purchase of gowns, face shields, and ventilators. To date, Med-Care has failed to deliver these goods or return to the State the money paid to Med-Care or placed into escrow.

4. The State seeks a refund of the \$10,940,000 paid to Defendants, a declaratory judgment that Defendants’ actions violated the ADTPA, civil penalties for violations of the ADTPA, punitive damages, pre-judgment interest, attorney’s fees, and costs.

II. PARTIES

5. Plaintiff is the State of Arkansas, *ex rel.* Leslie Rutledge, Attorney General. Attorney General Rutledge is the chief legal officer of the State. Pursuant to Ark. Code Ann. § 25-16-702, Attorney General Rutledge has the authority to bring this action on behalf of the State of Arkansas, its state officials, departments, institutions, and agencies, and may initiate civil lawsuits under all state protection statutes. Pursuant to Ark. Code Ann. § 4-88-104 and § 4-88-113, the State may seek civil enforcement of the ADTPA.

6. Defendant Med-Care Health Link, LLC (“Med-Care”) is a for-profit limited liability company with its principal place of business at 3575 Bridge Road, Suite 8 #263, Suffolk, Virginia. Med-Care’s principal office address with the Virginia Secretary of State is 1436 NW 24th Way, Fort Lauderdale, Florida, 33311. Med-Care’s

registered agent of service with the Virginia Secretary of State is LegalInc Corporate Services, Inc. at 440 Monticello Avenue, Suite 1800, Norfolk, Virginia 23510.

7. According to Med-Care's website, it is a "medical supply distributor that is committed to helping you maintain a healthy business, especially amidst our current state." Med-Care states that it "deliver[s] the right products and the right solutions" to businesses to "address today's challenges while preparing for tomorrow's," and it delivers needed supplies at "a managed cost, to help you drive efficiency and enhance patient care." It touts its ability to give "fast delivery" of "quality products."

8. Defendant Carla Turner-Hahn is a licensed attorney in good standing in the State of Florida. She served as an escrow agent and facilitated transactions between the State and Med-Care. Turner-Hahn's address with the Florida Bar is 515 Whisper Woods Drive, Lakeland, Florida 33813-5646.

9. Defendant Ajili Hodari is a licensed attorney in good standing in the State of Washington. He served as an escrow agent and facilitated transactions between UAMS and Med-Care, and between the State and Med-Care. Hodari's address with the Washington Bar is 1700 7th Avenue, Suite 2100, Seattle, Washington 98101-1360.

10. Defendant Linda Monty is a realtor who served as a broker and facilitated transactions between the State and Med-Care. Monty's business address is 1910 N. Clybourn Avenue, Chicago, Illinois 60614.

11. Defendant Stevens Strategic Solutions, also known as “S3,” brokered and held in escrow money from UAMS and DFA for transactions with Med-Care. S3’s business address on its website is listed as One Research Court, Suite 450-79, Rockville, Maryland 20850. Larry Stevens, Jr. is Founder and CEO of S3.

12. Upon information and belief, each of the Defendants knows that the State, through UAMS and DFA, paid considerable consideration in exchange for goods and that the State has not received the goods or a return of the consideration.

III. JURISDICTION

13. This Court has subject matter jurisdiction over this action pursuant Ark. Code Ann. § 16-13-201.

14. Venue is proper pursuant to Ark. Code Ann. § 16-60-104.

IV. FACTUAL ALLEGATIONS

***The UAMS Agreements*¹**

15. On March 29, 2020, Defendant Monty, a broker with S3, sold UAMS 1,500,000 gowns for a total of \$1,800,000.

16. Defendant Monty indicated that the gowns would be purchased from Med-Care.

¹ UAMS had a separate transaction with Med-Care on April 16, 2020, for the purchase of 1,000,000 surgical masks. UAMS paid Med-Care \$680,000 for the masks, which were delivered to UAMS in Little Rock, Arkansas. The money for this transaction was wired from the First Security Bank, an Arkansas bank based in Searcy, Arkansas. This transaction is not at issue in this action but demonstrates that Med-Care has purposefully and repeatedly directed its business activities to Arkansas customers.

17. UAMS, through its representatives, confirmed the transaction with Defendant Monty via e-mails exchanged on March 29-30, 2020.²

18. Upon information and belief, Defendant Hodari is currently holding UAMS's \$1,800,000 in an escrow account over which he exercises control. Defendant Hodari knows that the goods have not been delivered, yet the money has not been returned to UAMS.

19. On April 13, 2020, UAMS purchased 60 ventilators from Med-Care for a total of \$540,000. This purchase is documented on a purchase order from Med-Care to a UAMS representative.³

20. UAMS wired money for the purchase to Defendant Turner-Hahn, to be held in escrow until the completion of the transaction.

21. Upon information and belief, Defendant Turner-Hahn is currently holding UAMS's \$540,000 in an escrow account over which she exercises control. Defendant Turner-Hahn knows that the goods have not been delivered, yet the money has not been returned to UAMS.

22. UAMS wired the money held in escrow for the March 29 and April 13 transactions from First Security Bank, an Arkansas bank based in Searcy, Arkansas.

23. From April 2020 until September 2020, UAMS representatives had numerous telephone calls, e-mail exchanges, and text message exchanges with Med-

² A copy of the March 29-30, 2020, e-mails are collectively attached as Exhibit A and incorporated herein by reference.

³ A copy of the purchase order is attached as Exhibit B and incorporated herein by reference.

Care representatives and the Defendant escrow agents regarding the March 29 and April 13 transactions. UAMS made several attempts via telephone, e-mail, and text to track down the gowns and ventilators and arrange delivery to UAMS.⁴

24. During this same time, Med-Care partner Gerald Gill had telephone meetings with UAMS personnel where he made false statements that the products purchased by UAMS were in California or Virginia, or even sold by the Chinese manufacturer to someone else. Gill and Med-Care refused to produce documentation to support the claims upon request by UAMS.

25. Ultimately, Med-Care failed to deliver the contracted-for gowns or ventilators to UAMS.

26. After failure of Med-Care to deliver the goods, UAMS attempted to negotiate the purchase of different items from Med-Care with the funds already held in escrow. Med-Care refused to negotiate an alternate purchase arrangement.

27. UAMS sought assistance from Defendant Monty and the other escrow agents for the return of UAMS's funds for undelivered products; however, all have refused to assist in any way.

28. UAMS has demanded the immediate return of the payments it made, but Med-Care refuses to authorize the return of funds and the escrow agents refuse to release the funds.⁵

⁴ A copy of the aforementioned exchanges are collectively attached as Exhibit C and incorporated herein by reference.

⁵ A copy of correspondence attempting to obtain the return of the payments made is collectively attached as Exhibit D and incorporated herein by reference.

The DFA Agreements

29. At the onset of the coronavirus pandemic, DFA also sought to obtain medical supplies and personal protective equipment in anticipation of an onslaught of COVID-19 cases. These items were intended for use by the State's own agencies and departments and to be distributed to medical care facilities around the state as needed.

30. Because of the scarcity of certain medical supplies in the commercial marketplace during earlier stages of the pandemic, DFA availed itself of the expertise of UAMS's procurement personnel in obtaining these types of items, and UAMS's procurement personnel acted as an intermediary between DFA and Defendants in forming contracts for the purchase of medical face shields, gowns, and ventilators.

31. Documents reflecting the agreements between DFA sometimes refer to the names of specific UAMS employees because UAMS employees facilitated the transactions between DFA and Defendants; however, these agreements were entered into by and on behalf of the State.

32. DFA paid a total of \$8,600,000 as consideration for three separate agreements between the various Defendants and DFA. The funds were provided to DFA pursuant to the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, Pub. L. No. 116-136, 134 Stat 281 (2020).

33. On or about March 29, 2020, Defendant Monty, on behalf of S3, brokered a transaction for DFA to purchase 2,500,000 gowns from Med-Care for a total of \$3,000,000. This deal is documented on a purchase order from S3 to Amber Gutierrez,

with delivery of the goods to be made to the Arkansas Department of Emergency Management.⁶

34. Upon information and belief, Defendant Hodari is currently holding DFA's \$3,000,000 in an escrow account over which he exercises control. Defendant Hodari knows that the goods have not been delivered, yet the money has not been returned to DFA.

35. On April 13, 2020, DFA ordered 500 ventilators from Med-Care for a total of \$4,500,000. This order is documented on a purchase order from Med-Care to DFA representatives, with delivery of the goods to be to the Arkansas Department of Public Safety Division of Emergency Management.⁷ The money for the transaction was wired by DFA to Defendant Turner-Hahn, to be held in escrow until the completion of the transaction.

36. Upon information and belief, Defendant Turner-Hahn is currently holding DFA's \$4,500,000 in an escrow account over which she exercises control. Defendant Turner-Hahn knows that the goods have not been delivered, yet the money has not been returned to DFA.

37. On April 15, 2020, the State ordered 1,000,000 medical face shields from Med-Care for a total of \$1,100,000. This order is documented on a purchase order

⁶ A copy of the purchase order is attached as Exhibit E and incorporated herein by reference.

⁷ A copy of the purchase order is attached as Exhibit F and incorporated herein by reference.

from Med-Care to State representatives.⁸ DFA wired the money for the transaction to an account owned by Med-Care.

38. DFA later attempted to modify the agreement for the purchase of ventilators and reduce the number of ventilators it ordered. At one point, DFA understood that an agreement had been reached, with Med-Care to provide a reduced number of ventilators to the State and to return a portion of the funds paid by DFA.⁹

39. Ultimately, Med-Care failed to provide any ventilators to the State or return any part of the \$4,500,000 for this agreement.

40. Upon information and belief, Med-Care sold the 500 ventilators ordered by the State to another customer at a profit.

41. Med-Care failed to deliver any of the goods ordered in the three subject agreements or return any of the amounts paid by DFA as consideration for the subject agreements in violation of the agreements reached by the parties.

The State's Demand for Performance of the Contract

42. Demand has been made upon Defendants to either perform their obligations under the contracts or to return the funds transmitted to them by UAMS and DFA.

43. On August 5, 2020, UAMS's attorney e-mailed Med-Care partner Gerald Gill instructing him to "[p]lease update the status of the 1M face shields purchased

⁸A copy of the purchase order is attached as Exhibit G and incorporated herein by reference.

⁹ A copy of the e-mail exchange between UAMS and Defendant Turner-Hahn is attached as Exhibit H and incorporated herein by reference.

for \$1.1M. If you do not intend to ship them, please let me know when I can expect return of the State's \$1.1M.”¹⁰

44. On September 25, 2020, UAMS's attorney e-mailed Defendant Hodari and Larry Stevens, Jr. of S3, stating, “Please consider this my formal request to return \$1.8M to UAMS and \$3M to the State of Arkansas from the escrow funds related to the purchase of gowns from Med Care Health Link. The gowns we purchased were to come from Florida . . . in March 2020.”¹¹

45. On September 25, 2020, UAMS's attorney e-mailed Defendant Turner-Hahn, stating, “There has been no proactive movement to send UAMS the ventilators that have allegedly been in Virginia for 3 weeks, and there has been no response to my questions below. Please consider this my formal and good faith request to return \$4.5M to the State of Arkansas and \$540K to UAMS from the associated escrow funds.”¹²

46. To date, Defendants have failed to deliver any of the goods purchased by the State in the respective agreements, and Defendants have refused to return any of the consideration paid by UAMS or DFA on behalf of the State.

V. VIOLATIONS OF LAW

47. Defendants' failure to produce the goods or return the State's money, by and through UAMS and DFA, constitutes a breach of contract, a conversion of

¹⁰ A copy of the e-mail is attached as Exhibit I and incorporated herein by reference.

¹¹ *Supra*, Note 5.

¹² *Id.*

personal property, a violation of the Arkansas Deceptive Trade Practices Act, a breach of fiduciary duty, actual or constructive fraud, promissory estoppel, and unjust enrichment.

Count I – Breach of Contract

48. Plaintiff incorporates by reference the preceding paragraphs of this Complaint as if restated herein word for word.

49. UAMS entered into agreements with Med-Care to purchase gowns and ventilators.

50. Similarly, DFA entered into agreements with Med-Care to purchase gowns, ventilators, and medical face shields.

51. UAMS remitted funds for these transactions through escrow agreements with Defendants Turner-Hahn, Hodari, and S3, with the aforementioned Defendants to hold the funds until Med-Care delivered the goods purchased. UAMS performed its part of the agreement by making payment.

52. DFA remitted the funds required under certain agreements through escrow agreements with Defendants Turner-Hahn, Hodari, and S3. Under the escrow agreements, Defendants Turner-Hahn, Hodari, and S3 were required to hold the funds transmitted by DFA until Med-Care delivered the purchased goods. DFA performed its part of the agreement by making payment.

53. Med-Care refused to perform under the aforementioned agreements and deliver goods, and the escrow agents refused to return UAMS's and DFA's funds, respectively.

54. As a result, all Defendants have breached their respective agreements. Defendants have caused the State to suffer harm by refusing to produce the contracted-for goods and refusing to return the consideration paid to Defendants, and the State is entitled to damages.

Count II – Conversion

55. Plaintiff incorporates by reference the preceding paragraphs of this Complaint as if restated herein word for word.

56. The State is entitled to possession of the respective contracted-for goods. Alternatively, the State is entitled to possession of the funds paid to Defendants for the goods.

57. Defendants have intentionally continued to exercise dominion and control over the contracted-for goods and the funds paid by the State by refusing to give possession of either the goods or funds to the State. Defendants have done so with the purpose of causing damage to the State.

Count III – Arkansas Deceptive Trade Practices Act

58. Plaintiff incorporates by reference the preceding paragraphs of this Complaint as if restated herein word for word.

59. The ADTPA sets forth the State’s statutory program prohibiting deceptive and unconscionable trade practices. Ark. Code Ann. §§ 4-88-101, *et seq.*

60. Gowns, face shields, and ventilators are “goods” as defined in Ark. Code Ann. § 4-88-102(4). Brokering sales is a “service” pursuant to Ark. Code Ann. § 4-88-108.

61. The business practices of Defendants constitute the sale of “goods” and “services.” Ark. Code Ann. §§ 4-88-102(4) and 108.

62. The same business practices constitute business, commerce, or trade. Ark. Code Ann. § 4-88-107.

63. It is unlawful to “knowingly make a false representation as to the characteristics, ingredients, uses, benefits, alterations, source, approval, or certification of goods or services....” Ark. Code Ann. § 4-88-107(a)(1). Defendants have engaged in prohibited conduct by misrepresenting the sale of goods, taking payment for the sale of goods, and not remitting the goods or returning payment.

64. The ADTPA prohibits the “act, use, or employment by a person of any deception, fraud, or false pretense,” and the use of “concealment, suppression, or omission of any material fact with the intent that others rely upon the concealment, suppression, or omission” while selling any goods or services. Ark. Code Ann. §§ 4-88-108(1)-(2).

65. Defendants have engaged in prohibited conduct by:

- a. Undertaking to sell goods to the State in consideration for money paid, with no intent to produce the goods or refund the consideration to the State; and
- b. Concealing, suppressing, and omitting the fact that they did not intend to produce the goods or refund any consideration, with the intent that the State rely upon their concealment, suppression, and omission.

66. It is a violation to engage in unconscionable, false, or deceptive acts or practices in business, commerce, or trade. Ark. Code Ann. § 4-88-107(a)(10).

Defendants have engaged in prohibited conduct by:

- a. Misrepresenting that they would produce goods to the State in order to collect a large sum of money from the State;
- b. Failing to produce goods to the State, for which the State paid consideration; and
- c. Failing to refund any consideration paid by the State.

Count IV – Breach of Fiduciary Duty

67. Plaintiff incorporates by reference the preceding paragraphs of this Complaint as if restated herein word for word.

68. Defendants Turner-Hahn and Hodari are fiduciaries who are required to exercise reasonable skill and ordinary diligence in carrying out their responsibilities. They must conduct the affairs with which they are entrusted with scrupulous honesty, skill, and diligence.

69. Defendants Turner-Hahn and Hodari owed a fiduciary duty to the State.

70. Defendants Turner-Hahn and Hodari breached their fiduciary duties by wrongfully refusing to return amounts held in escrow, which were paid by UAMS and by DFA on behalf of the State, even though Med-Care failed to deliver the goods purchased by the State.

71. The State of Arkansas has been damaged by Defendants Turner-Hahn's and Hodari's breaches, because consideration paid by the State is believed to remain

in their accounts, even though Med-Care has failed to deliver any of the goods purchased by the State.

72. Defendants Turner-Hahn's and Hodari's aforementioned breaches are a proximate cause of damages to the State, because Turner-Hahn and Hodari know the State complied with the respective agreements with Med-Care by transmitting funds to the escrow accounts, that Med-Care failed to deliver any of the goods ordered in the agreements, and the State is entitled to the return of the consideration paid.

73. The conduct of Defendants Turner-Hahn and Hodari, in knowingly breaching their fiduciary duties, was fraudulent, malicious, and oppressive.

Count V – Actual or Constructive Fraud

74. Plaintiff incorporates by reference the preceding paragraphs of this Complaint as if restated herein word for word.

75. Upon information and belief, Defendants made false representations of a material fact in order to induce the State to enter into the respective agreements.

76. Defendants represented that Med-Care would deliver gowns, medical face shields, and ventilators in good conditions and in a timely manner.

77. Defendants knew of the exigencies of the circumstances faced by the State because of the coronavirus pandemic and the desperate need on the part of the State to secure sufficient medical supplies and equipment to adequately treat a surge of coronavirus patients.

78. Defendants made false representations as to Med-Care's ability or willingness to deliver the goods in a timely manner in order to induce the State to enter into contracts and transmit significant amounts of funds to Defendants.

79. The State relied on Defendants' representations that Med-Care was able to deliver the supplies and equipment in a timely manner.

80. After the contracts were entered into by the State, Defendants continued to make false statements about the status of the delivery of the goods, which have not been delivered to this day.

81. The false statements made by Defendants were made knowingly as to constitute actual fraud, or without sufficient basis upon which to make such a representation as to constitute constructive fraud.

82. Defendants' fraudulent statements are a proximate cause of the significant financial injury sustained by the State, because Defendants' actions in this matter deprived the State of desperately needed goods and access to funds used to purchase those goods. Due to the Defendants' actions, the State has had to procure needed goods from alternate sources with reduced financial resources.

Count VI – Promissory Estoppel

83. Plaintiff incorporates by reference the preceding paragraphs of this Complaint as if restated herein word for word.

84. Defendants promised the State that, in exchange for payment, Defendants would deliver goods to the State.

85. Defendants should have known and expected that the State would act in reliance upon that promise.

86. The State remitted funds to Defendants in reasonable reliance on the promise by Defendants that they would deliver goods.

87. Injustice can be avoided only by enforcement of the promise, and requiring Defendants to deliver goods or return the funds to the State.

Count VII – Unjust Enrichment

88. Plaintiff incorporates by reference the preceding paragraphs of this Complaint as if restated herein word for word.

89. Defendants have been unjustly enriched by their wrongful conduct in failing to deliver the promised goods and refusing to return the State's funds.

90. Defendants' actions are inequitable and not performed in good conscience. Defendants received significant amounts of funds from both UAMS and DFA on behalf of the State of Arkansas.

91. Defendants are not entitled to the funds because they have not provided any of the gowns, medical face shields, or ventilators order by UAMS or the State of Arkansas.

92. Defendants have been unjustly enriched in wrongfully retaining possession of the funds paid by UAMS and by DFA on behalf of the State of Arkansas, while delivering none of the goods which were the subjects of the contracts.

VI. JURY DEMAND

93. The State demands a jury trial in this matter.

VII. PRAYER FOR RELIEF

94. The State demand a jury trial in this matter.

WHEREFORE, the State respectfully prays for judgment against Defendants for:

- a. return or refund of the \$2,340,000 paid by UAMS for gowns and ventilators;
- b. return or refund of the \$7,500,000 paid by DFA for gowns and ventilators;
- c. return or refund of the \$1,100,000 paid by DFA to Med-Care for medical face shields;
- d. pre-judgment interest beginning with the date that funds were placed in escrow and post-judgment interest until the return of all funds to UAMS;
- e. pre-judgment interest beginning with the date that funds were placed in escrow or paid to Med-Care and post-judgment interest until the return of all funds to DFA;
- f. punitive damages for Defendants' willful, malicious, and oppressive conduct;
- g. a declaratory judgment that Defendants' actions violated the ADTPA;
- h. civil penalties for violations of the ADTPA;
- i. attorney's fees;
- j. costs associated with filing and prosecuting this action; and
- k. all other just and proper relief to which the State may be entitled.

Respectfully submitted,

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