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Kentucky Today

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Former Gov. Steve Beshear's nephew at center of inspector general's investigation

Posted Wednesday, January 31, 2018 9:01 am

By TOM LATEK, Kentucky Today

FRANKFORT, Ky. (KT) – The Office of Inspector General concluded in a report that former Gov. Steve Beshear's administration improperly awarded former first lady Jane Beshear's nephew a state contract worth more than \$1 million in violation of state policies.

The inspector general looked into allegations that Tim Hale, co-founder of Florida-based Coastal Cloud LLC, received preferential treatment when the Kentucky Cabinet for Economic Development awarded the contract.

"This investigation confirmed that Tim Hale is Jane Beshear's nephew, and he used his family connection to gain access to employees at the Cabinet for Economic Development," the inspector general wrote in the Jan. 22 report obtained by Kentucky Today. "Tim contacted Mrs. Beshear asking her and former Governor Steve Beshear to 'direct me to the right people to speak with about expansion and opportunities in KY.'"

The inspector general's report alleged "multiple violations of the Kentucky Model Procurement Code and the Finance and Administration Cabinet Manual of Policies and Procedures."

In a written statement, Steve Beshear, a Democrat, said the inspector general's report was politically motivated by current Republican Gov. Matt Bevin.

"How unfortunate it is for the families of Kentucky that we have a governor who – more than halfway through his term – is still obsessively engaged in a political vendetta against our administration," Beshear said.

Beshear said, during his eight years in office, when any company inquired about moving to Kentucky and creating jobs they were referred to the Cabinet for Economic Development.

"To our knowledge, the cabinet followed the proper contracting procedures with every company they dealt with, including Mr. Hale's company," he said.

Beshear said it was noteworthy that an inspector general hired by Bevin made these "politically motivated allegations."

"If the allegations had any merit, they would have been referred to independent agencies outside of the Bevin administration for further action. Will this governor ever stop wasting time, energy and taxpayer money on political attacks and start taking responsibility for improving the lives of all Kentuckians?"

The inspector general's report also said a Coastal Cloud subsidiary, River Cloud, was awarded a \$75,000 grant for rent subsidy through a Kentucky Innovation Center initiative known as Nucleus, which receives funding from the Kentucky Economic Development Finance Authority and is operated by the University of Louisville Foundation.

The inspector general's report said Nucleus grants are only for new companies and that it was improper for River Cloud to receive one, since Coastal Cloud was an established firm.

Hale, who responded by email for comment about the report, said "the OIG report is a shock to us. We were never contacted from anyone from OIG. We have been working very hard to grow a new business in Kentucky to bring high paying, technology jobs to Kentucky. Our focus is private sector, not public sector."

Hale said the public-sector work in Kentucky is similar to the Economic Development and Workforce Development work in many states across the country. "We are well known experts in the industry despite OIG's claims. The OIG report is totally inaccurate and this feels like a witch hunt based on some agenda unrelated to our work."

He said it was surprising and disappointing that Kentucky's administration is being hostile toward a company trying to bring new, high-paying technology jobs to the commonwealth.

"It makes Kentucky look like a hostile environment to technology entrepreneurs and start-ups," Hale said. "That is disappointing. We have had a very different experience in other states."

The report also concluded that Erik Dunnigan, the Economic Development Cabinet's deputy secretary at the time, violated the Code of Ethics post-employment rules by being directly involved in contracting with Coastal Cloud.

He then resigned the cabinet to work for Coastal Cloud. The Executive Branch Ethics Commission later fined Dunnigan for continuing to contact the state on the company's behalf before the required one-year waiting period ended.

Dunnigan agreed not to contest the violation on Jan. 16 and to pay the \$3,000 civil penalty, accept a public reprimand and waived his right to appeal.



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