

ARTICLES FOR 12-29-16 ROUNDUP

Attorney General Kamala D. Harris Announces New Criminal Charges Against Backpage.com Executives for Money Laundering and Pimping

SACRAMENTO -- Attorney General Kamala D. Harris today announced that her office has filed new criminal charges against Carl Ferrer, Chief Executive Officer of online advertising website Backpage.com, and Michael Lacey and James Larkin, controlling shareholders of Backpage.

Following the uncovering of new evidence, charges include 26 counts of money laundering and the complaint alleges that the defendants created multiple corporate entities to launder money and circumvent the refusal of financial institutions to process Backpage transactions because of overtly sexual material. Defendants are also charged with 13 counts of pimping and conspiracy to commit pimping. In seven of the pimping counts, the victims are children. Additionally, the complaint alleges that the defendants created other sites to increase the company's prostitution-related revenue and developed content for those sites by using victim's photographs or information without their knowledge.

"By creating an online brothel-- a hotbed of illicit and exploitative activity-- Carl Ferrer, Michael Lacey, and James Larkin preyed on vulnerable victims, including children, and profited from their exploitation," said Attorney General Harris. "My office will not turn a blind eye to this criminal behavior simply because the defendants are exploiting and pimping victims on the Internet rather than on a street corner."

Defendants are scheduled to be arraigned on the new felony charges on January 11, 2017 in Sacramento County Superior Court.

Anyone who was a victim of trafficking via Backpage is encouraged to file a report with the California Department of Justice by emailing backpage@doj.ca.gov.

Attorney General Harris has made fighting human trafficking a priority for the California Department of Justice, and has advocated for increased collaboration among federal, state and local law enforcement agencies during the investigation and prosecution of human trafficking crimes.

The Office of the Attorney General is actively investigating and prosecuting human trafficking cases across California. Most recently, the office secured felony convictions against Andrew Jordan, 37, in Long Beach, on charges of human trafficking, pimping, pandering, domestic violence, and assault. Jordan was recently sentenced to 21 years and four months state prison.

Last year, the Office of the Attorney General released a resource guide to help companies comply with the California Transparency in Supply Chains Act. The law requires large retailers and manufacturers doing business in California to disclose on their websites their "efforts to eradicate slavery and human trafficking from [their] direct supply chain for tangible goods offered for sale."

In 2012, Attorney General Harris created a Human Trafficking Work Group and released a report, The State of Human Trafficking in California, which discussed the growth of human trafficking crimes statewide and the challenges with combatting them effectively. She also partnered with the Polaris Project and Yahoo! to help get human trafficking victims access to resources via sponsored search results displayed to potential victims of the crime.

Additionally, in 2012, Attorney General Harris sponsored two anti-trafficking laws, Assembly Bill 2466, by Bob Blumenfield (D-San Fernando Valley), which ensures that criminal defendants involved in human trafficking will not dispose of assets that would otherwise be provided as restitution to victims; and Senate Bill 1133, by Mark Leno (D-San Francisco), which expands the list of assets that a human trafficker must forfeit and provides a formula for using those resources to help victims of human trafficking. Both laws took effect on January 1, 2013.

As District Attorney of San Francisco, Attorney General Harris also sponsored Assembly Bill 22 in 2006, which made human trafficking a crime in the state and provided restitution to trafficking victims.

Please note that as with all defendants, Carl Ferrer, Michael Lacey, and James Larkin must be presumed innocent unless and until proven guilty.

A copy of the complaint is attached to the online version of this news release at www.oag.ca.gov/news.

Attorney general to seek harsher penalties for sex buyers

TOPEKA, Kan. (AP) — Kansas Attorney General Derek Schmidt wants to fight human trafficking with stronger penalties.

The Topeka Capital-Journal (<http://bit.ly/2iwEjcG>) reports that Schmidt is planning to pursue legislation in the coming session. He said last week at a proclamation signing ceremony that it's not possible to destroy the "market for illicit trafficking" without dealing with "the demand piece."

Schmidt also says there are some gaps where Kansas law is materially softer than federal law, usually when the victim is between age 14 and 18.

Schmidt's coming push to crack down on demand echoes the goals of the Topeka Shawnee County Human Trafficking Coalition. Topeka Rescue Mission director Barry Feaker has said the coalition is examining ways to put more teeth into penalties. One idea is to strip convicted buyers of their driver's licenses.

New Mexico Nuclear-Waste Plant Cleared for Reopening

By DAN FROSCH

Albuquerque, N.M.—Federal officials on Friday authorized the reopening of a major underground nuclear waste repository, which had been closed for nearly three years following a radiation accident.

After months of delays, the Waste Isolation Pilot Plant near Carlsbad, N.M., will resume at least some operations as early as next month, officials with the U.S. Energy Department said.

The federal plant, which serves as a burial site for nuclear waste from facilities around the country, has been closed since February 2014 when a waste drum ruptured and sent radiation into the underground complex. No workers were underground at the time of the accident but about 20 on the surface received small doses of radiation, which the Energy Department has said weren't expected to cause health problems.

Known as WIPP, the complex is carved out of salt formations more than 2,000 feet underground about 26 miles east of Carlsbad in southeastern New Mexico. The plant, which is overseen by the Energy Department, began operating more than 17 years ago and was created to dispose of a specific type of nuclear waste from the atomic-weapons program.

More than 171,000 waste containers are buried there and WIPP has been touted by the federal government as a safe means to get rid of the material. But the accident has sharpened environmental concerns over the plant, and waste that was destined for WIPP has accumulated at other facilities around the country.

Beginning in January, the plant will resume burying nuclear waste already at the facility, and expects to once again take shipments from other facilities later in 2017, Energy Department officials said.

Efforts to bring the plant back online have been hampered by delays, particularly in addressing residual contamination from the accident and ensuring that the ventilation system was safe.

Earlier this year, New Mexico completed a settlement with the Energy Department for about \$74 million after levying fines against the department over dozens of violations of state and federal law related to the radiation leak. Drums of the waste were inadequately treated and stored at Los Alamos National Laboratory before being shipped to WIPP, the state said.

On Nov. 3, employees were evacuated from the plant after a rock fall in an underground area that was being worked on. There were no injuries or any radiological release, plant officials said. But nuclear watchdog groups expressed concerns that officials were scrambling to start up the plant again before the year's end.

Don Hancock, director of the nuclear waste safety program at the Southwest Research and Information Center, an Albuquerque watchdog group, has long argued that the plant is vulnerable to accidents and still believes it is unsafe.

Over the past week, however, state environmental inspectors deemed the plant fit to resume operations and said the Energy Department had sufficiently addressed safety issues at the plant.

“There were no major issues or red flags,” said Butch Tongate, who heads the New Mexico Environment Department.

Federal agencies also conducted their own safety reviews before signing off on the plant’s reopening. And WIPP officials have maintained that they wouldn’t rush to start up operations until it was safe.

The Energy Department has said it would cost about \$240 million to bring WIPP back into operation and tens of millions of dollars more in additional costs to help revamp the ventilation system.

Write to Dan Frosch at dan.frosch@wsj.com

Heroin Overdoses Killed More People in US Than HIV, Melanoma or Firearms in 2015

By GILLIAN MOHNEY

The opioid epidemic continues to worsen in the U.S., with more people dying from heroin overdoses than firearm homicides, melanoma or HIV-related causes, according to data from the U.S. Centers for Disease Control and Prevention.

In 2015 at least 13,150 people died of heroin overdose, according to the CDC Wonder database, which houses public health data.

That number was higher than the number of people killed in firearm homicides in the same year, which was 12,974, or the number of deaths attributed to HIV, which was 6,465, according to the CDC database. It was also higher than the number of people killed by the most deadly form of skin cancer, melanoma, which the American Cancer Society estimated caused 9,940 deaths in 2015.

The staggering number of deaths related to heroin use is just a part of the toll of the opioid epidemic. In 2014, 28,000 people died from opioid overdoses -- which includes heroin overdoses -- and half were due to prescription drugs.

Drug Overdose Deaths Drive Increase in Number of Organ Donations

Canada Approves Prescription Heroin to Combat Opioid Crisis

Dr. Caleb Alexander, co-director for the Johns Hopkins Center for Drug Safety and Effectiveness, said the heroin overdose numbers first highlighted by The Washington Post on Thursday, were "alarming" and showed the growing impact of opioid abuse in the U.S.

"Both heroin and illicit fentanyl are really complicating efforts to try and reduce opioid-related injuries and deaths," Alexander told ABC News today. Fentanyl is an opioid often made and sold illicitly that can be as much as 100 times more potent than heroin.

Alexander pointed out that what makes the problem more difficult is that addicts have multiple avenues to find and take opioids from prescription drugs to illicit substances like heroin or fentanyl or even veterinary opioids like carfentanil, which was designed to sedate elephants.

"There are a lot of different sources of this products," Alexander said. "The underlying things that fuel this is the vast number of Americans that is physically dependent or addicted to the product."

Attorney General Brnovich Announces \$800,000 Settlement with Diamond Resorts

Contact: Ryan.Anderson@azag.gov

Attorney General Mark Brnovich announced today that the State of Arizona has entered into a settlement agreement with Diamond Resorts Corporation, a timeshare sales company with resorts located in the United States and internationally. The assurance of discontinuance requires Diamond to pay the State a total of \$800,000, of which \$650,000 will be used for consumer restitution and \$150,000 for the State's attorneys' fees and costs. The assurance also includes a relinquishment program, which requires Diamond to allow qualifying consumers, who no longer want their timeshares, to return them to Diamond with no further obligations.

The State has received hundreds of consumer complaints against Diamond Resorts. Consumers complained that Diamond used deceptive sales practices and made numerous oral misrepresentations and false statements during timeshare sales presentations. Some of the alleged misrepresentations are related to:

- Annual increases in maintenance fees;
- Membership resale and buy-back programs;
- Timeshare membership resale market;
- Ability to rent timeshare vacations; and
- Discounts on other travel needs.

The Arizona Attorney General's Office alleged that Diamond employees' actions and statements violated the Arizona Consumer Fraud Act.

Under the settlement, which is subject to court approval, Diamond agreed to make a number of changes to its business practices that will benefit consumers, including requirements to make specific disclosures during timeshare sales presentations.

The relinquishment program will be available to qualifying consumers who no longer want their Diamond Resorts timeshares. To be considered for the relinquishment program, consumers must: (1) no longer want their Diamond timeshare; (2) have purchased their timeshare after 2011 and prior to January 22, 2017, and (3) file a complaint with the Attorney General's Office within 120 days after the court signs the order (deadline expected to occur near the end of April / beginning of May) .

To file a complaint against Diamond, or if you believe you have been the victim of consumer fraud, you can file a consumer complaint by contacting the Attorney General's Office in Phoenix at (602)

542-5763, in Tucson at (520) 628-6504, or outside the Phoenix and Tucson metro areas at 1(800) 352-8431. Bilingual consumer protection staff members are available to assist. Consumers can also file complaints online by visiting the Attorney General's website at <https://www.azag.gov/complaints/consumer>.

This case was handled by Assistant Attorney General Alyse Meislik.

For additional information, members of the media may contact Ryan Anderson at (602) 542-8302 or Ryan.Anderson@azag.gov.

Rutledge Files Suit Against Capital Credit Solutions

LITTLE ROCK – Arkansas Attorney General Leslie Rutledge filed a consumer-protection lawsuit today against Florida-based Capital Credit Solutions Inc. and Willie J. McKenzie for multiple false and misleading representations made to Arkansans in order to urge them to purchase credit repair services.

Capital Credit Solutions is in violation of the Federal Credit Repair Organizations Act, Arkansas Deceptive Trade Practices Act and the Arkansas Credit Services Organizations Act.

“When Arkansans are seeking to improve their credit, they are seeking real solutions, not bogus and disingenuous tactics,” said Attorney General Rutledge. “The only real path to improve bad credit is time and diligent attention to eliminating credit balances. Arkansans should not be subjected to the illegal business practices of the defendants.”

The primary business practice of Capital Credit Solutions is the furnishing of credit repair services to improve the credit history, credit score and credit ratings of consumers. However, in offering these services, the defendants misrepresent that they can improve consumers' credit ratings by disputing or eliminating negative, but accurate, items that are impacting the credit history. This falsehood leaves Arkansans with the impression that the best way to fix their credit is to hire Capital Credit Solutions and that the longer they stay in the program the better the results will be. Defendants cannot legally remove accurate, but negative, items from a credit report.

Capital Credit Solutions also promotes their services by illegally placing signs with unapproved language in locations where permission has not been granted. Common locations include gas stations, convenience stores, strip malls and intersections adjacent to busy roadways.

Rutledge is asking the U.S. District Court, Eastern District of Arkansas to impose civil penalties, restitution for the affected consumers, attorneys' fees, costs and other relief against the defendants.

Arkansans can file consumer complaints with the Attorney General's office on ArkansasAG.gov or by calling (800) 482-8982.

Attorney General Bondi Takes Action Against Alleged Price Gougers Following Hurricane Matthew

TALLAHASSEE, Fla.—Attorney General Pam Bondi today announced three actions filed against lodging businesses in the Tampa Bay area alleging price gouging during the State of Emergency declared for Hurricane Matthew.

“As Hurricane Matthew strengthened into a dangerous category four storm, more than a million Floridians and visitors were urged to evacuate,” said Attorney General Bondi. “Many of these people turned to these businesses for safe shelter but could not afford a room. During any emergency, it is extremely important that we come together as Floridians to ensure our citizens and visitors are safe. I personally visited one of these locations during the State of Emergency and was disgusted by the way people seeking shelter were treated.”

In the first action filed in Hillsborough County, the Attorney General’s Office alleges Mitch & Murray Hotels, Inc., d/b/a Days Inn/MPR LLC, a business located in Tampa and owner Jamil Kassam, engaged in unconscionable pricing practices during the State of Emergency. According to the complaint, as many Floridians sought refuge in the Tampa Bay area, this Days Inn raised room rates for at least 23 guests by a minimum of 70 percent and up to 300 percent, charging some guests \$150 more than the average nightly rate paid prior to the State of Emergency. Additionally, the hotel allegedly forced a number of existing guests who reserved rooms and checked in prior to the evacuation days, to vacate because they could not afford the grossly increased nightly rate.

Attorney General Bondi’s Office also filed a complaint in Pinellas County against Shanti CC Clearwater, LLC, d/b/a Red Roof Inn Clearwater, Shanti CC Holding, Packard Hospitality Management, LLC, and Michael Goldstein for allegedly charging unconscionable and excessive prices during the State of Emergency. According to the complaint, Red Roof, located in Clearwater, raised room rates for at least 27 guests by 80 percent and up to 200 percent, with some guests being charged \$140 more than the average nightly rate paid prior to the State of Emergency.

In the third action, Attorney General Bondi’s Office filed a complaint in Polk County against, SKAN, LLC, a Florida Corporation d/b/a Sleep Inn & Suites, and Nilayam S. Patel, Suresh B. Patel and Kusum S. Patel for allegedly charging unconscionable and excessive prices during the State of Emergency. According to the complaint, Sleep Inn & Suites, located in Lakeland, raised room rates for at least 25 guests by 140 percent to more than 400 percent, charging some guests \$200 more than the average nightly rate paid prior to the State of Emergency.

At the time of the alleged price gouging, Hillsborough, Pinellas and Polk Counties were under a State of Emergency for two storm events, Hermine and Matthew.

All three of these complaints seek civil penalties, disgorgement, injunctive relief, restitution and other statutory relief against the defendants for violation of the Florida Deceptive and Unfair Trade Practices Act and Section 501.160, Florida Statutes.

Alabama Supreme Court Reaffirms Electronic Bingo is Illegal in Alabama

By STEPHEN CREWS | screws@wdhn.com

(MONTGOMERY) – For the second time this year, the Alabama Supreme Court has ruled that electronic bingo is illegal within the state of Alabama, Attorney General Luther Strange announced today.

In the case State of Alabama v. 825 Electronic Gambling Devices et al (Greenetrack), the Alabama Supreme Court ruled in favor of the State, reversing a lower court judgment siding with the casino. As a result, the State of Alabama is allowed to destroy the electronic bingo machines it seized from Greenetrack.

In its 29-page ruling released Friday, the Supreme Court reaffirmed its March 31, 2016 ruling in a similar case involving the legality of electronic bingo machines.

“There is no longer any room for uncertainty, nor justification for continuing dispute, as to the meaning of [the term ‘bingo’]. And certainly the need for any further expenditure of judicial resources, including the resources of this Court, to examine this issue is at an end. All that is left is for the law of this State to be enforced,” the Supreme Court said.

In a separate case (Macon County Greyhound Park, Inc., d/b/a Victoryland v Marie Hoffman), the Supreme Court ruled that individuals have a right to sue illegal gambling institutions.

“Because the ‘contracts’ containing the arbitration provisions in these cases were based on gambling consideration, they were based solely on criminal conduct, and are therefore void. Consequently, the provisions of those ‘contracts,’ including arbitration provisions are void and unenforceable,” the Supreme Court ruled.

Attorney General Strange emphasized that these rulings, combined with the Supreme Court’s March 31, 2016 ruling against Victoryland, remove any doubt that electronic bingo in all its forms is illegal in Alabama and that local law enforcement should do their duty to enforce the law.

“Local sheriffs and police officers in most parts of the State are enforcing our gambling laws. The sheriffs in Greene and Macon counties must uphold their sworn duty to enforce the law as interpreted by the Supreme Court and not continue to sanction this illegal activity. As I have previously stated, my office stands ready to render any required assistance to enable them to carry out their legal duties.”

Attorney General Strange commended Assistant Attorney General John Kachelman of the Criminal Trials Division, as well as agents in his Investigations Division and all law enforcement officers who assisted with the Greenetrack case, including former agents Mike Reese and William Carson for their dedicated work.

AG Schimel Announces Charges in Megabucks Lottery Fraud

MADISON, Wis. – Attorney General Brad Schimel announced today the filing of a criminal complaint charging Eddie Tipton and Robert Rhodes, both of Texas, with multiple felonies for their alleged roles in defrauding the Wisconsin Lottery. Tipton and Rhodes are both charged with

Engaging in Racketeering Activities and Theft by Fraud. Tipton is also charged with four additional counts of Computer Crime.

The complaint alleges that the two defendants conspired to win the December 29, 2007, Wisconsin Megabucks lottery game. Tipton, who was an employee of the Multi-State Lottery Association and responsible for programming the software used in the random number generator (RNG) machines used to pick the winning numbers, allegedly planted a modified code in the RNG software that produced a predictable set of winning numbers when certain conditions were met. Tipton allegedly supplied those numbers to Rhodes, who then purchased a ticket with the winning numbers. Rhodes later submitted the winning ticket for payment, and Rhodes and Tipton allegedly split the proceeds totaling \$783,257.72. The complaint further alleges that three other Wisconsin Megabucks lottery drawings were manipulated by Tipton's modified code.

Tipton is summoned to make his initial appearance on February 13, 2017, in Dane County Circuit Court. Rhodes is summoned for his initial appearance on February 16, 2017.

Engaging in Racketeering Activity is a Class E felony, punishable by a fine of not more than \$50,000 and/or imprisonment for not more than 15 years. Theft by Fraud is a Class G felony, punishable by a fine of not more than \$25,000 and/or imprisonment for not more than 10 years. Computer Crime is a Class I felony, punishable by a fine of not more than \$10,000 and/or imprisonment for not more than 3 years and 6 months, as to each count.

Tipton and Rhodes also are both currently charged in Iowa with Ongoing Criminal Conduct for their part in attempting to defraud the Iowa lottery in December 2010. Tipton's Iowa charges include his alleged involvement in similar schemes in Colorado, Kansas, and Oklahoma. Those charges have not been resolved, and the defendants are presumed innocent. Rhodes is scheduled to enter a guilty plea in Iowa on his case on January 9, 2017.

This case was investigated by the Wisconsin Department of Justice-Division of Criminal Investigation, in conjunction with the Wisconsin Department of Revenue, Iowa Attorney General, Iowa Division of Criminal Investigation, and law enforcement agencies in Colorado, Kansas, Oklahoma, and Texas.

RUSSIAN HACKERS SHUT DOWN UKRAINE'S POWER GRID

BY RILEY WALTERS

As many as 80,000 residents in western Ukraine lost power for six hours on December 23. Cybersecurity firms SANS ICS and iSight Partners have attributed the blackout to Russian hacking group Sandworm and its malicious software, BlackEnergy 3.

Cyberattacks on power grids and other critical infrastructure are not new, but this most recent attack seems to be the first use of cyber as a weapon with kinetic effects during an ongoing conflict, highlighting the growing importance of cybersecurity.

While an analysis of the cyberattack is ongoing, BlackEnergy 3 has a history of targeting information control systems.

For the Prikarpattiaoblenergo electric company in Ukraine, the malware and its subcomponent KillDisk shut down computer operating systems, which in turn ended up shutting down the local electrical grid. Hackers also sought to make it impossible for customers to report electrical issues to the electric company by blocking out the company's phone system.

There may be other businesses that have been affected by BlackEnergy 3, as certain malware can have cascading effects. Luckily, the reported effects of the cyberattack have so far been relatively short-term.

Cyberattacks against Ukrainian, EU and NATO officials in 2014 have been attributed to the same hacking team. Hackers in Russia have a tendency to set their sights on areas most relevant to Russian foreign policy—in Ukraine's case, the illegal annexation of Crimea by Russia and ongoing Russian-backed rebellion in eastern Ukraine.

BlackEnergy 3 wouldn't be the first successful cyberattack that's had kinetic damage (outside an ongoing regional conflict)—and it may not be the last.

Recent news reports highlight the continued efforts of hackers, such as those from Iran, to gain information on critical infrastructure in order to cause damage—for example, the cybertheft of passwords and blueprints from a number of power plants or illicit access to dam control systems.

Critical infrastructure may be targeted by those such as hacktivists, nation states or state sympathizers, or domestic and international businesses.

Disrupting critical infrastructure control systems to the point of causing kinetic damage is no easy task. It takes knowledge of both the operating systems used and the spokes and cogs that run the machine. But as cyberattackers and malware grow and evolve at a very rapid pace, and malicious actors gain access to blueprints, operating manuals and resources from those interested in causing damage, the risk of a successful attack increases.

While the power outage in Ukraine was short-lived, there will be serious implications of similar successful attacks. The hackers, while said to be within Russia, also have international ties.

It's important for the U.S. and the international cybercommunity to work together to prevent cyberattacks of this type.

Riley Walters is a research assistant in The Davis Institute for National Security and Foreign Policy at The Heritage Foundation.