

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

BACKPAGE.COM, LLC,)	
)	
Plaintiff,)	Case No. 15-cv-06340
)	
v.)	Judge John J. Tharp, Jr.
)	
THOMAS J. DART, Sheriff of Cook)	Magistrate Judge Young B. Kim
County, Illinois,)	
)	
Defendant.)	

**SHERIFF’S MOTION FOR SANCTIONS
AGAINST BACKPAGE AND ITS ATTORNEYS**

Thomas J. Dart, Sheriff of Cook County, Illinois, by his undersigned Special Assistant State’s Attorneys, requests that this Court enter an order based on its inherent authority and pursuant to Federal Rule of Civil Procedure 26(g)(3) and 28 U.S.C. § 1927 requiring Backpage and its attorneys, jointly and severally, to pay Cook County, Illinois all of its attorneys’ fees and costs incurred in this litigation, including on appeal and in petitioning for *certiorari*, on the grounds that Backpage admitted on April 5, 2018 that its entire first amendment civil rights case was based on untrue facts from the beginning, and thus a hoax, a fraud on this Court, a fraud on the Seventh Circuit Court of Appeals and a fraud on the United States Supreme Court. Backpage and its attorneys also have squandered resources of the Cook County State’s Attorney Office, the Office of the Sheriff of Cook County and the taxpayers of Cook County under the guise of a civil rights plaintiff in its phony lawsuit, simultaneously fighting off the advances of law enforcement so that it could continue to make hundreds of millions of dollars from its enterprise that admittedly facilitated and promoted prostitution and child trafficking. In support of his motion, the Sheriff states:

I. THE SIGNED PLEA AGREEMENT OF CARL FERRER, CEO AND OWNER OF BACKPAGE, PROVES FALSITY

On April 5, 2018 Carl Ferrer, CEO and owner of Backpage, entered into a plea agreement with the United States on behalf of himself and Backpage. *See* Exhibits A and B. In those plea agreements, Ferrer attested to facts demonstrating that the entirety of Backpage’s complaint against the Sheriff was a fraud from the beginning—something the Sheriff has been arguing since the inception of this case.

In the signed plea agreements, Ferrer admits the following facts regarding Backpage being a content provider for illegal prostitution advertisements on its website:

I have long been aware that the great majority of these advertisements [on Backpage] are, in fact, advertisements for prostitution services (which are not protected by the First Amendment and which are illegal in 49 states and much of Nevada). (Ex. B, ¶ 10(a).)

Acting with this knowledge, I conspired with other Backpage principals (including but not limited to M.L., J.L., S.S., D.H., A.P., and J.V.) to find ways to knowingly facilitate the state-law prostitution crimes being committed by Backpage’s customers. *Id.*

For example, I worked with my co-conspirators to create “moderation” processes through which Backpage would remove terms and pictures that were particularly indicative of prostitution and publish a revised version of the ad. *Id.*

These editing practices were only one component of an overall, company-wide culture and policy of concealing and refusing to officially acknowledge the true nature of the services being offered in Backpage’s “escort” and “adult” ads.” *Id.*

In addition to acknowledging that Backpage was a content provider for illegal advertisements for prostitution, Ferrer admitted that the reason credit cards companies stopped doing business with Backpage was due to the illegal nature of Backpage’s business, and not the Sheriff’s letters to the credit card companies:

Since 2004, Backpage has earned hundreds of millions of dollars in revenue from publishing “escort” and “adult” ads. Over time, many banks, credit card companies, and other financial institutions refused to do business with Backpage due to the illegal nature of its business. *Id.*

And on top of Backpage wrongfully accusing the Sheriff of first amendment violations, Backpage and its attorneys lied to this Court when stating that due to the Sheriff’s actions, Backpage had not been able to accept credit card payments for advertisements and was being crippled by the loss of income. (ECF No. 5 at p. 17.) On the contrary, Ferrer now admits:

In response [to the credit card companies refusing to do business with Backpage], I worked with my co-conspirators to find ways to fool credit card companies into believing that Backpage-associated charges were being incurred on different websites, to route Backpage-related payments and proceeds through bank accounts held in the name of seemingly unconnected entities (including, but not limited to Posting Solutions, Website Technologies, Website Technologies, and Cereus Properties) . . . (Ex. B, ¶ 10(a).)

II. THE ENDLESS LIES OF BACKPAGE AND ITS ATTORNEYS ARE WIDESPREAD, BEGINNING WITH THE COMPLAINT AND TAINING THE ENTIRETY OF ITS CONDUCT THROUGHOUT THIS LITIGATION

A. Backpage’s complaint was a fraud when filed

On August 21, 2015, two weeks after the United States Senate Permanent Subcommittee on Investigations had issued a subpoena to Backpage requesting information regarding its business practices, Backpage filed suit against the Sheriff. From day one, Backpage’s complaint against the Sheriff was a fraud, neither grounded in fact nor law. From the opening salvo through the prayer for relief, Backpage painted a false picture of a first amendment-crusading Backpage versus a Sheriff that was trying take away the constitutional rights of an information platform and its posters:

Sheriff Dart’s actions to cripple Backpage.com and all speech through the site are an especially pernicious form of prior restraint. He has achieved his purpose through false accusations, innuendo, and coercion . . .

Moreover, Sheriff Dart's actions have not only infringed Backpage.com's right to publish and distribute speech, but the rights of millions of the website's users to post and receive protected speech. (ECF No. 1, ¶ 6.)

As shown in the Ferrer and Backpage plea agreements, the above factual assertions have always been lies; the speech at issue was never protected by the first amendment, and Backpage was a content provider and distributor of illegal, non-protected speech.

The lies in Backpage's complaint range from Backpage stating it prohibited and prevented illegal content on its platform:

Backpage.com prohibits illegal content and activity on its website and takes extensive steps to prevent such misuse, especially to guard against any form of human trafficking or child exploitation (ECF No. 1, ¶ 23)

to Backpage stating it was only a third-party content provider, not an author of the illegal advertisements for prostitution:

Sheriff Dart's actions also violate Section 230 of the CDA, 47 U.S.C. § 230, as he has no right or authority to preclude or seek to prosecute Backpage.com under state law for publishing third-party content (ECF No. 1, ¶ 56)

to Backpage stating that it was the Sheriff's actions that caused the credit card companies to stop doing business with Backpage:

Thus, because of Sheriff Dart's actions, Backpage.com is barred from credit card services of any of the three largest card companies [American Express, Visa, Master Card] or any acquiring banks or credit processing companies. (ECF No. 1, ¶ 43.)

B. Backpage follows up its fraudulent complaint with a request for a TRO and a Preliminary Injunction

Not satisfied with its fraudulent request for money damages and declaratory relief in its Complaint, Backpage also filed an Emergency Motion for Temporary Restraining Order and Preliminary Injunction. (ECF No. 5.) In support of the same, Backpage attached the sworn declaration of Carl Ferrer (ECF No. 6), which was replete with lies:

- Backpage.com does not dictate or require users to post any content. Instead, users provide all the content for ads they post using an automated interface. Ferrer Declaration, ¶ 4.
- Backpage.com also employs extensive, voluntary monitoring measures to prevent and remove improper user postings. Ferrer Declaration, ¶ 14.
- The practical effect of Sheriff Dart's and the credit card companies' actions has been to cut off nearly all revenue to Backpage.com. This affects not only adult ads but also other ads for dating, housing, services, trades, and sales of goods, among others. Although Backpage.com allows payment by bitcoin, this has accounted for a very small percentage of purchase on Backpage.com. Ferrer Declaration, ¶ 27.
- Sheriff Dart's actions and the termination of credit card services have also harmed Backpage.com's efforts to police and preclude improper ads. Ferrer Declaration, ¶ 29.

And those lies created the basis for this Court to enter a Temporary Restraining Order against the Sheriff on July 24, 2015. (ECF No. 29.)

After the TRO was entered by this Court, based on the misrepresentations of Backpage, the parties began to engage in limited discovery to determine whether a preliminary injunction was appropriate. In this limited discovery period, during which Backpage was withholding valuable information from the Sheriff, Backpage was completely stonewalling the United States Senate. On August 6, 2015 Backpage informed the Senate that it was refusing to provide any information regarding its business practices. *See Backpage Answer to Subpoena*, August 6, 2015; ECF No. 197-1 at 14. And Backpage's attorneys in this case were aware of Backpage's obstructionist conduct before the Senate as they served as Backpage's attorneys in the Senate proceedings. U.S. District Court for the District of Columbia, Case No. 16-mc-00621 at ECF No. 6 (Appearance of Robert Corn-Revere).

During this limited discovery period, Backpage's lies continued. In answers to interrogatories, Backpage referenced the above-cited affidavit from Carl Ferrer, thereby perpetuating those falsehoods. Additionally, in its written response to the Sheriff's interrogatory

number four, Backpage stated that after July 6, 2015 Backpage.com could no longer charge for ads because of the Sheriff's actions to pressure Visa and MasterCard. We now know for certain that this is false as Backpage and Ferrer have admitted to setting up straw companies to circumvent the credit card companies' ban. (Ex. A, ¶ 10(a) and Ex. B, ¶ 10(a).)

In preparation for the subsequent preliminary injunction hearing, Backpage's lies continued. In the deposition of Carl Ferrer, he perpetuated the lie that Backpage did not know that many ads on its site were for child prostitution, for example:

Q. You are aware that each month hundreds of postings in Backpage's adult services site likely involve minors?

A. No.

August 18, 2015 deposition of Carl Ferrer. But despite the lies and deceit of Backpage, this Court correctly denied its request for a preliminary injunction. Backpage moved to stay the case pending an appeal of the denial of its request for a preliminary injunction, and therein lied again. Backpage told the Court that VISA and Mastercard had "cut off nearly all revenue to Backpage.com." As set forth above, we now know this to not be true, and to this day, neither Backpage nor its attorneys have corrected the record.

C. Backpage continued its lies on appeal

In its opening and reply briefs on appeal, the parade of lies continued. Here are two of the most egregious:

- Backpage.com had a multi-tiered system to screen, block and remove posts that may be improper. (October 2, 2015 Opening Brief at 5, n.1.)
- [Sheriff] Dart cannot pursue legal claims against Backpage.com under state criminal or nuisance laws for allegedly aiding and abetting individuals who misuse the site, because the website does not cause this in any sense. (November 5, 2015 Reply Brief at 5.)

The assertion Backpage made to the Seventh Circuit that it was doing everything it could to block prostitution ads when in fact it was helping to write them is as material of a lie as Backpage could have made. And that its lawyers then used this lie to make an argument that Backpage could never be liable under state criminal laws for aiding and abetting prostitution—an argument that was clearly wrong—is exactly the type of argument that Backpage’s lawyers should have refused to make. Their participation makes them complicit in their client’s lies.

D. Backpage’s lies continued throughout the litigation

At points that Backpage and its attorneys could and should have come clean about Backpage’s lies to this Court, they instead prolonged them. In its Motion for Partial Summary Judgment, Backpage made the following false statements:

- Backpage.com also employs extensive voluntary monitoring measures to prevent and remove improper user postings. (ECF No. 124-1, ¶ 14.)
- Through its review process, Backpage.com . . . immediately reports any that may concern child exploitation to NCMEC (approximately 300 per month.) (ECF No. 124-1, ¶ 15.)

Backpage went to great lengths to fight the Sheriff’s Motion for Leave to Amend Affirmative Defenses and spent a great deal of effort trying to undercut the importance of the Red Beauty ad placed by a member of Sheriff’s Office. As this Court recalls, the Sheriff sought to plead the affirmative defense of illegality, and in support provided evidence regarding Backpage sanitizing the Red Beauty ad of references indicating the subject was a child. Backpage filed briefs and affidavits trying to show that the Sheriff’s claims about the Red Beauty ad were false. *See, e.g.*, Backpage’s May 17, 2016 Opposition to Dart’s Motion for Leave to Amend Affirmative Defenses. (ECF No. 160.) In fact, the “evidence” provided by Backpage in support of that argument was false, but focusing on that misrepresentation misses the larger point. The larger point is that Backpage knew that it routinely did exactly what the Red Beauty evidence showed:

sanitize ads of references to the subject of the ads being children, and its tremendous efforts to attack the Red Beauty evidence was designed to divert the Court's attention. What Backpage and its lawyers should have done, in fact were required to do, was come clean to the Court and admit that it engaged in sanitization of ads, for example, by amending their false complaint.

III. SANCTIONS AGAINST BACKPAGE AND ITS COUNSEL SHOULD BE AWARDED PURSUANT TO THIS COURT'S INHERENT AUTHORITY

As this Court is aware, it has power to sanction parties and their attorneys under several rules and statutes. *See, e.g.*, Federal Rule of Civil Procedure 11, 26, 37 & 56 and 28 U.S.C. § 1927. In addition to these specific rule and statutory bases, the Court has inherent authority to enter sanctions. “[I]f a court finds that fraud has been practiced upon it, or that the very temple of justice has been defiled, it may assess attorney's fees against the responsible party, as it may when a party shows bad faith by delaying or disrupting the litigation.” *Chambers v. NASCO, Inc.*, 501 U.S. 32, 46 (1991). “A court has inherent power, which is to say a common law power, to punish by an award of reasonable attorneys’ fees or other monetary sanction . . . misconduct by lawyers appearing before it.” *Carr v. Tillery*, 591 F.3d 909, 919 (7th Cir. 2010) (*citing Chambers*, 501 U.S. at 43-46). The Supreme Court has made clear that “the inherent power of a court can be invoked even if procedural rules exist which sanction the same conduct.” *Chambers*, 501 U.S. at 49. This Court should use its inherent power to sanction both Backpage and its counsel for the lies which Backpage told and which its counsel must have known were lies when stated.

In *Chambers*, the Court explained that “the District Court could have employed Rule 11 to sanction [the plaintiff] for filing ‘false and frivolous pleadings,’ and that some of the other conduct might have been reached through other Rules. Much of the bad-faith conduct by [plaintiff], however, was beyond the reach of the Rules; his entire course of conduct throughout

the lawsuit evidenced bad faith and an attempt to perpetrate a fraud on the court, and the conduct sanctionable under the Rules was intertwined within conduct that only the inherent power could address. In circumstances such as these in which all of a litigant's conduct is deemed sanctionable, requiring a court first to apply Rules and statutes containing sanctioning provisions to discrete occurrences before invoking inherent power to address remaining instances of sanctionable conduct would serve only to foster extensive and needless satellite litigation, which is contrary to the aim of the Rules themselves.” *Id.* at 50–51 (citations omitted).

In *Reichmann v. Neumann*, 553 F. Supp. 2d 307, 327–28 (S.D.N.Y. 2008), the court entered a sanction pursuant to the court’s inherent authority requiring plaintiff and his attorneys to pay the defendant’s costs and attorneys’ fees where plaintiff’s attorneys “did not reasonably question [plaintiff] or investigate the support for his claims, even as the facts he alleged grew more and more implausible.”

In *In re Narragansett Clothing Co.*, 143 B.R. 582 (Bankr. D.R.I. 1992), the court granted a motion for sanctions against the bankruptcy trustee and his attorney. The court reasoned that “at no time during the pleading and pre-trial stage, nor at the hearing on the merits, has there been any discernable or justifiable reason for the Trustee to litigate this matter. While [the court did] not, with the benefit of hindsight, like to second guess the litigants in such matters, here, with or without hindsight, there was never any reasonable basis upon which the Trustee should have incurred legal expense to the estate in litigating this matter. Because of the total absence of any merit in the Trustee's position, [the] motion for sanctions is granted, and the full amount of its necessary and reasonable attorneys' fees herein are awarded against the Trustee and his attorneys, and payment of said sanctions, of course, should not come from estate funds.” *Id.* at 583–84.

In *In re Evergreen Sec., Ltd.*, 384 B.R. 882, 937 (Bankr. M.D. Fla.), *aff'd*, 391 B.R. 184 (M.D. Fla. 2008), *aff'd*, 570 F.3d 1257 (11th Cir. 2009), the court awarded as sanctions “the amount of \$371,517.69, representing approximately fifty-five percent of Evergreen's fees and costs incurred in the recusal litigation” to be paid by the party who filed the motion to recuse and his law firm, jointly and severally. The court explained that in filing motion for recusal of judge, disqualification of Chapter 11 debtor's counsel and his law firm, and revocation of all orders entered in main case and proceedings involving their clients, attorneys and law firms engaged in “bad faith,” as warranted imposition of sanctions pursuant to court’s inherent powers, section of Bankruptcy Code authorizing court to issue any order necessary or appropriate to carry out provisions of title 11, and Bankruptcy Rule 9011. *Id.* Attorneys and firm “conducted no reasonably thorough and objective investigation of the actual facts” instead constructing their motion from “gossip, hearsay, untruths, and assumptions,” so that every allegation in the motion was objectively frivolous, they relied on inapposite and inflammatory case law to support the motion, namely, case law involving criminal investigations of judges, and they filed the motion for improper purposes of delaying matters in debtor's case, harassing the court, debtor and debtor's attorneys and punishing the court for unfavorable rulings. *Id.* at 932.

As seen in the above-cited cases, when a party and its counsel perpetuate a meritless case based upon bald-faced lies, the Court should impose sanctions against the party and its lawyers for engaging in such egregious conduct. As seen in the fact section above and in the sections immediately below, Backpage lied to this Court and its attorneys perpetuated those lies when they should have instead brought those lies to the Court’s attention so that it could properly and timely address them.

A. The Court should use its inherent authority to sanction Backpage

Here, Backpage repeatedly lied to this Court about numerous issues, the most mendacious of which are Backpage's statements that: (1) it did not "sanitize" or "moderate" the ads on its website that were, prior to sanitization or moderation, clearly for adult prostitution or child prostitution; (2) that VISA and Mastercard ceased doing business with it because of the letters sent by the Sheriff; and (3) that it was unable to process credit card transaction or otherwise be paid for ads placed on its website. These lies caused the Seventh Circuit to order that this Court enter a preliminary injunction, the Supreme Court to deny a *certiorari* petition, and caused this Court to rule against the Sheriff on several motions and allow this case to go on for more than another year. This Court should find that Backpage perpetrated a fraud on the Court, and that under its inherent authority, sanctions should be awarded to the Sheriff in the amount of the reasonable attorneys' fees for his entire representation in this matter. *See Reichman*, 553 F. Supp. 2d at 319 (plaintiff in breach of contract case sanctioned where he brought claim knowing that the dispute had been settled and only dismissed case when documents showed up that completely foreclosed his claim).

B. The Court should sanction Backpage's counsel

Backpage's counsel may well have known all along about their client's lies, but even if not, they were presented with an abundance of opportunities from very early on in this case to know that their client was lying to the Court about the critical issues. They then either learned of these lies but did nothing or stuck their heads in the sand. "Sticking one's head in the sand is more than undignified. It is sanctionable. In this case appellees' attorneys' fees are an appropriate sanction; these are costs that would not have been incurred but for a doomed appeal, and the expense should be borne by the side that created them." *Khalil v.*

Town of Cicero, 916 F.2d 715 (7th Cir. 1990) (imposing sanctions under Rule 37). *See also City of Livonia Employees' Retirement System v. Boeing Co.*, 306 F.R.D. 175, 181 (N.D. Ill. 2014) (Rule 11); *Paniagua v. Max 18, Inc.*, No. 11 C 03320, 2013 WL 5907893, *8 (N.D. Ill. Nov. 4, 2013) (Rule 11). The following chronology paints the picture of why and when Backpage's counsel knew or should have known that their client was lying to the Court:

In April 2015, the United States Senate, through the Permanent Subcommittee on Investigations (the "Subcommittee"), requested an interview to discuss Backpage's business practices. ECF No. 197-1 at 14. On June 19, 2015, after two months of negotiations with Backpage's counsel over specific topics the Subcommittee wished to discuss, the Subcommittee interviewed Elizabeth McDougall, Backpage's general counsel. *Id.* During that interview, McDougall would not answer critical questions regarding Backpage's procedures for screening for illegal content. *Id.* This was the first red flag that gave an indication that Backpage's procedures may be less than legal.

On July 7, 2015, two weeks before Backpage filed its complaint against the Sheriff, the Subcommittee issued a subpoena to Backpage, seeking, among other things, documentation regarding its screening process and data retention policies. *Id.* On August 6, 2015, a few weeks prior to the preliminary injunction hearing in this case, Backpage sent the Subcommittee a letter stating it was refusing to answer its subpoena. *Id.* Red Flag Number Two.

On August 13, 2015 the Subcommittee subpoenaed two Backpage employees, Andrew Padilla—the head of Backpage's moderation department—and Joye Vaught—the supervisor in charge of training Backpage's moderators (not coincidentally, on information and belief, two of the people that Carl Ferrer alleges he conspired with, *see* Plea Agreement at Ex. B at ¶ 10(a))—to discuss their job duties. ECF No. 192-1 at 14—15. Instead of answering the

Subcommittee's questions, both individuals hired an attorney and refused to answer, invoking their fifth amendment privilege, stating their answers might tend to incriminate them. *Id.* at 15. Red Flag Number Three.

On October 1, 2015 the Subcommittee issued a new, more targeted subpoena, focusing on Backpage's moderation efforts, including information related to editing or modifying of ads prior to publication—the very information that would have destroyed Backpage's argument of immunity under the Communications Decency Act. *Id.* Backpage answered by providing twenty-one pages of publicly available documents and writing a letter stating it refused to provide any relevant documents, citing first amendment objections. *Id.* Red Flag Number Four.

The Subcommittee informed Backpage that its objection was without merit and ordered Backpage to comply by November 12, 2015. *Id.* at 16. Additionally, the Subcommittee subpoenaed Carl Ferrer to testify before the Subcommittee on November 19, 2015. *Id.* Not surprisingly, Backpage refused to answer the subpoena and Carl Ferrer did not show up at the Subcommittee's hearing as he had fled the country. *Id.*; ECF No. 126. Red Flag Number Five.

On November 30, 2015 the Seventh Circuit reversed this Court's decision regarding the preliminary injunction, finding that "it is *unclear* that Backpage is engaged in illegal activity." *Backpage.com, LLC v. Dart*, 807 F.3d 229, 233 (7th Cir. 2015) (emphasis added). Given that Backpage was refusing to answer subpoenas regarding its moderation processes, and its employees were invoking their fifth amendment privileges against self-incrimination with regard to those processes, it was becoming clear that "illegal activity" may be at the heart of Backpage's functions.

On March 11, 2016 Backpage filed a Motion for Partial Summary Judgment, stating that there was no need for the parties to engage in further discovery. ECF No. 124. Again, Backpage was pushing to cover up its “illegal activity,” as it did not want the Court to allow the Sheriff to see discovery which would demonstrate that the entire case against the Sheriff was a farce.

On March 29, 2016 the Subcommittee filed its Application to Enforce Subpoena Duces Tecum with the U.S. District Court for the District of Columbia, and Backpage through its counsel (*the same counsel that is representing Backpage in this case*) filed its opposition to the same. ECF No. 197-1 at 16—17; U.S. District Court for the District of Colombia, Case No. 16-mc-00621 at ECF No. 6 (Appearance of Robert Corn-Revere). Red Flag Number Six.

On March 30, 2016, the Court denied Backpage’s Motion for Summary Judgment without prejudice and ordered the parties to brief any disputed discovery issues. ECF No. 137. On April 6, 2016 the Sheriff filed a Bench Memorandum, arguing he was entitled to discovery on, among other things: (1) Backpage’s purported damages, specifically requesting information on lost profits and any illegal contracts for prostitution, as Backpage should not be compensated for the same; and (2) Backpage’s moderation practices to show the illegality of Backpage’s business. ECF No. 143.

On April 20, 2016 Backpage filed a response to the Sheriff’s Bench Memorandum, arguing Backpage should not have to turn over moderation discovery as the Communication Decency Act provides immunity for Backpage as a platform provider. ECF No. 153. This argument by Backpage’s attorneys was disingenuous at best, as by now they had to know that Backpage was a part author in a great majority of the prostitution ads on the website, thereby losing any possible immunity under the CDA. As of this date, at the very latest,

Backpage's attorneys were at best practicing willful indifference to Backpage's actions, because if its attorneys did not know that Backpage was authoring ads for prostitution, that is due to their intentionally turning a blind eye to all of the evidence in front of them.

On April 21, 2016, as part of the Sheriff's Motion for Leave to Amend Affirmative Defenses, the Sheriff informed the Court about the Red Beauty Investigation, during which the Sheriff gained first-hand knowledge of Backpage's sanitization process, proving that Backpage was not just an information platform provider but an author of ads purporting to prostitute children. ECF No. 155. Rather than acknowledging Backpage's conduct, Backpage's attorneys accused the Sheriff of creating fake ads that failed to demonstrate any sanitization. ECF No. 160. This was obviously false and provides further evidence that Backpage's attorneys were either covering up their clients' illegal actions or purposefully sticking their heads in the sand.

On May 17, 2016 Backpage's attorneys filed an opposition brief with the Court, arguing that the Sheriff should not be allowed to amend his affirmative defenses as the Sheriff's defense on illegality was "futile" because the Sheriff's "proposed illegal conduct defense directly violates [the CDA]." *Id.* Again, by now, Backpage's attorneys should have known that this was untrue.

On August 2, 2016 Backpage sought leave to file a first amended complaint, abandoning its request for monetary damages. ECF No. 167. Backpage and its attorneys knew that it needed to drop the claim for money damages, otherwise the Court would allow discovery into Backpage's purported lost profits, and its moderation practices for purposes of determining which "contracts" were illegal (*i.e.*, payments for ads for prostitution). ECF No. 141 (Transcript from March 30, 2016). Backpage knew that if it allowed the Sheriff to dig into its lost profits

claim, the Sheriff would learn (1) that Backpage never stopped making money through Visa and MasterCard, and therefore the entire basis for its requested injunctive relief—that Backpage was stopped from doing business with Visa and Master Card—was a sham; (2) that Backpage was a content provider and could never have any protections under the CDA; and (3) that Backpage was laundering money through straw entities.

On August 5, 2016 the district court in the Senate Action granted enforcement of the Subcommittee’s subpoena, rejecting Backpage’s first amendment argument. *Senate Permanent Subcomm. v. Ferrer*, 199 F. Supp. 3d 125 (D.D.C. 2016), *vacated as moot sub nom. Senate Permanent Subcomm. on Investigations v. Ferrer*, 856 F.3d 1080 (D.C. Cir. 2017). Over the course of the next three months, Backpage engaged in legal theatrics, requesting appeals and stays from the district court’s enforcement order. ECF No. 197-1 at 17—18. Finally, after all appeals and stays were exhausted, Backpage started turning over documents. *Id.* at 18. By the end of 2016, Backpage had turned over more than five hundred thousand pages of documents in response to the Subcommittee’s subpoena. *Id.* at 20.

On August 9, 2016 Backpage again requested that this Court proceed with summary judgment proceedings, stating the “Court should reject the Sheriff’s arguments [regarding needing additional discovery] again and move this case forward to consideration and briefing of summary judgment on liability and declaratory relief.”

On September 26, 2016 and December 23, 2016, Carl Ferrer was indicted in the State of California for taking part in a pimping conspiracy and money-laundering conspiracy. Ex. C. The December indictment detailed efforts that Backpage had undertaken to set up sham companies to bypass detection by American Express. *Id.* According to the indictment, in May of 2015, in only the State of California, Backpage was able to conduct \$48,288.25 worth of

transactions, even though American Express had ceased processing Backpage transactions on May 1, 2015. *Id.* Attorneys for Backpage in this case also represented Carl Ferrer in the indictment proceedings. Ex. D.

At this point there is direct evidence, known to Backpage's attorneys, that Backpage and its CEO, Carl Ferrer, had lied to this Court. Specifically, in paragraph 4 of both the complaint and the amended complaint, which was filed just prior to the indictments, Backpage stated that due to the Sheriff's letters, American Express, Visa and Master Card all blocked use of their cards for any and all purchases on the website. ECF No. 1; ECF No. 173. If Backpage was circumventing the blocks being administered by the credit card companies, and still using American Express, Visa and Master Card to accept payment, this directly affects Backpage's theory of causation and its requests for relief. Specifically, if Backpage was still running transactions through the credit card companies, albeit illegally, Backpage was never suffering the harm it alleged in its complaint.

Instead of bringing the above to this Court's attention, as they were obligated to do, Backpage's attorneys chose to do nothing, except press forward with Backpage's request for summary judgment. In fact, since learning that Backpage had lied in the amended complaint pending before this Court, Backpage sought summary judgment or a summary judgment hearing on four separate occasions. *See* Opposition to Defendant's Motion for Leave to File Sur-Response Opposing Backpage's Motion to Renew Summary Judgment Proceedings (November 23, 2016) (ECF No. 191) (stating "the Court should set a hearing on the Plaintiff's motion for summary judgment at the earliest possible date"); Opposition to Suggestion of Mootness (February 21, 2017) (ECF No. 196) (stating the Court should "hold this case is moot and expeditiously proceed to Plaintiff's motion for summary judgment"); Plaintiff's Motion for

Sanctions Based on Sheriff Dart's Fraud on the Court (December 15, 2017) (ECF No. 205) (stating that Backpage seeks an order requiring that "[a] schedule be set for briefing and argument on Plaintiff's motion for summary judgment," even though it was completely unrelated to the motion it filed); Plaintiff's Reply to Sheriff Dart's Opposition to Motion for Sanctions Based on Sheriff Dart's Fraud on the Court (February 2, 2018) (ECF No. 214) ("Backpage filed its Motion for Sanctions and asked this Court to order ... a briefing schedule for resolution of the case on summary judgment"). Once Backpage's attorneys learned that the factual basis for the entire amended complaint was false, namely that Backpage was still actively using credit cards to pay for services on its website, they had a duty and an obligation to inform the Court and the Sheriff's attorneys of the same, at a minimum, by amending their errant pleading. Instead, they ran from that obligation, and pushed this Court for an entry of summary judgment in their client's favor, even though such a judgment would have been based on a fraud.

On January 19, 2017 after reviewing documentation provided and testimony regarding Backpage's business practices, the Subcommittee issued a report from its investigation titled Backpage.com's Knowing Facilitation of Online Sex Trafficking. ECF No. 197-1. In the report the Subcommittee found that Backpage had knowingly concealed evidence of criminality by systematically editing its adult ads, and that it knowingly facilitated prostitution and child trafficking. *Id.*

On September 15, 2017, the Sheriff sought leave to issue subpoenas to discover evidence proving that Backpage has been and is engaged in criminal activities, including the solicitation of prostitutes and creation of advertisements for prostitution. ECF No. 201. The evidence was discovered in the Philippines in a non-related case. *Id.* The Sheriff explained in his motion that based on the date range of a few of the incriminating documents that were

available from the docket in Backpage's case against Missouri Attorney General Hawley, it appeared that Backpage was sanitizing ads of their criminal content in 2015 and 2016, the same time it was telling this Court that it was not. *Id.*

In response to the Sheriff's request, Backpage's attorneys did not tell this Court about any of the evidence that they had discovered over the course of the last eighteen months, but rather, pushed forward and continued to argue that the Court should reject the issue raised in the Sheriff's motion as those issues already had been considered by the Court. ECF No. 204.

Counsel for Backpage, throughout the course of this litigation, their representation of Backpage in the Subcommittee proceedings, and their representation of Carl Ferrer in his California criminal proceedings, learned of information disproving the facts alleged by Backpage in its amended complaint. At the very least, counsel for Backpage, in this case, learned that (1) Backpage, even after the attempted ban by the credit card companies, was still able to use credit cards to process payments for services provided through Backpage.com; and (2) Backpage was sanitizing its ads such that it was an information content provider, and not afforded protections by the Communications Decency Act. Even with such knowledge, they performed no investigation into the same, and failed to inform the Court of evidence discovered. Such "ostrichism" is shocking and sanctionable.

IV. BACKPAGE'S COUNSEL SHOULD BE SANCTIONED UNDER 28 U.S.C. § 1927

Sanctions under § 1927 should be awarded when counsel acts in an objectively unreasonable and vexatious manner. *Grochocinski v. Mayer Brown Rowe & Maw LLP*, 452 B.R. 676, 685 (N.D. Ill. 2011), *aff'd*, 719 F.3d 785 (7th Cir. 2013). "Objective bad faith does not require a finding of malice or ill will; reckless indifference to the law will qualify. If a lawyer pursues a path that a reasonably careful attorney would have known, after appropriate inquiry, to

be unsound, the conduct is objectively unreasonable and vexatious.” *Id.* When determining whether an attorney's actions were objectively reasonable, the court “may infer intent from a total lack of factual or legal basis for a suit.” *Id.* See also *Kotsilieris v. Chalmers*, 966 F.2d 1181, 1184–85 (7th Cir.1992) (counsel sanctioned under § 1927 when “counsel acted recklessly, counsel raised baseless claims despite notice of the frivolous nature of these claims, or counsel otherwise showed indifference to statutes, rules, or court orders”).

Now that the criminal indictment and guilty pleas from Backpage and Carl Ferrer have come to light, it is clear that almost every paper filed and proceeding conducted was tainted by false representations, omissions and outright lies. It is obvious that counsel knew or should have known that Backpage was engaged in a criminal conspiracy, and yet its attorneys continued to make false assertions and fight all attempts by the Sheriff to uncover the truth. By repeatedly filing false declarations and motions intended to thwart attempts to reveal the illegitimacy of their client’s business, Backpage’s counsel have shown utter disrespect for the judicial process and the rule of law. Similar actions have resulted in the imposition of harsh sanctions against the attorneys. See *Kapco Mfg. Co., Inc. v. C & O Enterprises, Inc.*, 886 F.2d 1485, 1490 (7th Cir. 1989) (imposing sanctions against attorney for the cost incurred by the defendants in defending the litigation where the actions of the plaintiff’s attorney “evidenced a disregard for an orderly and truthful resolution of the dispute”). Here, the Court needs to simply look at the indictment and plea filed in the criminal case and the misrepresentations and deceit on the Court that Backpage’s attorneys have engaged in throughout the proceedings becomes clear.

Considering Backpage’s admission in the plea agreement that it fraudulently implemented methods of continuing to receive payment after credit card companies ceased doing business with them, it appears the damages initially claimed in this case were non-existent. “An

award of sanctions is proper if the attorney ‘has acted in an objectively unreasonable manner by engaging in a serious and studied disregard for the orderly process of justice or where a claim is without a plausible legal or factual basis and lacking in justification.’ *Lightspeed Media Corp. v. Smith*, 761 F.3d 699, 708 (7th Cir.2014) (quoting *Walter v. Fiorenzo*, 840 F.2d 427, 433 (7th Cir. 1988)). Similarly, Backpage’s claim that it did not sanitize or moderate ads to remove the appearance of adult and child prostitution is equally sanctionable as there has been ample evidence in other courts to prove otherwise, and Backpage’s attorneys were part of these proceedings too.

Even if counsel for Backpage try to claim ignorance as to the false nature of the claims when they were initially filed, the Seventh Circuit has interpreted 28 U.S.C. § 1927 as the appropriate source of authority “to impose a continuing duty upon attorneys to dismiss claims that are no longer viable.” *Intellect Wireless, Inc. v. Sharp Corp.*, 87 F. Supp. 3d 817, 848–49 (N.D. Ill. 2015). Its attorneys also cannot claim that they could not act because of their duty to Backpage to keep confidential Backpage’s illegal conduct. *Cleveland Hair Clinic, Inc. v. Puig*, 200 F.3d 1063 (7th Cir. 2000) (concluding that the district court did not abuse its discretion in sanctioning an attorney for providing false information and failing to disclose relevant information when awarding attorneys’ fees and costs incurred as a result of bad conduct, in which the Court cited to a comment to Rule of Professional Conduct 3.3 which states the “duty to protect client confidentiality does not come before the duty to be honest with the court”).

There is too much evidence of illegality for counsel not to have been cognizant of the false pleadings and deceit. The Sheriff requests, if not already sufficient by this written motion and attached evidence, limited discovery to prove that Backpage’s counsel knew the

pleadings, discovery responses, filings and statements in open Court were false when made, followed by an evidentiary hearing, supplemental briefing and an award to promote justice.

WHEREFORE, for the foregoing reasons, the Sheriff requests that this Court enter an order:

1. permitting limited discovery;
2. holding an evidentiary hearing on sanctions;
3. permitting supplemental briefing on the appropriateness and amount of sanctions; and
4. for any other relief the Court deems appropriate.

Respectfully submitted,

THOMAS J. DART,
SHERIFF OF COOK COUNTY, ILLINOIS

By: Paul J. Kozacky
One of his attorneys

Paul J. Kozacky
Alastar S. McGrath
Jerome R. Weitzel
KOZACKY WEITZEL MCGRATH, P.C.
55 West Monroe Street, 24th Floor
Chicago, Illinois 60603
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EXHIBIT A

UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA - Phoenix

MAGISTRATE JUDGE'S MINUTES

SEALED

DATE: 4/05/2018 CASE NUMBER: CR-18-465-PHX-DJH

USA vs. 1-Backpage.com, LLC, 2-Website Technologies, LLC, 3-Posting Solutions, LLC, 4-Amstel River Holdings, LLC, 5-Ad Tech BV, and 6-UGC Tech Group CV

U.S. MAGISTRATE JUDGE: JOHN Z. BOYLE

A.U.S. Attorney Dominic Lanza, Kevin Rapp, and Margaret Perlmeter

Attorney for Defendant David Botsford (retained)

DEFENDANTS: PRESENT NOT PRESENT

Initial Appearance held

<p>ARRAIGNMENT & PLEA HEARINGS: <input checked="" type="checkbox"/> Held <input type="checkbox"/> Cont'd <input type="checkbox"/> Reset</p> <p><input type="checkbox"/> Consent to be tried by a Magistrate Judge signed. Misd: <input type="checkbox"/> Class A <input type="checkbox"/> Class B <input type="checkbox"/> Class C</p> <p><input checked="" type="checkbox"/> Consent of Defendant filed</p> <p><input checked="" type="checkbox"/> Waiver of Indictments filed <u>4/05/2018</u> <input checked="" type="checkbox"/> Information filed <u>4/05/2018</u></p> <p>Dft states true name to be _____.</p> <p><input checked="" type="checkbox"/> Defendant sworn and examined by the Court</p> <p>Dft Enters: <input checked="" type="checkbox"/> GUILTY PLEA to the <input checked="" type="checkbox"/> Information <input type="checkbox"/> Indictment <input type="checkbox"/> Complaint</p> <p><input checked="" type="checkbox"/> Court <input type="checkbox"/> accepts <input checked="" type="checkbox"/> recommends dft's plea and finds plea to be freely and voluntarily given</p> <p>Plea agreement: <input type="checkbox"/> FILED <input checked="" type="checkbox"/> LODGED <input checked="" type="checkbox"/> SEALED <u>4/05/2018</u></p> <p><input type="checkbox"/> Court does not accept defendant's plea of guilty because _____</p> <p><input checked="" type="checkbox"/> Sentencing set for <u>7/9/2018 at 9:30 AM</u> before <u>JUDGE HUMETEWA</u> in Courtroom 605</p> <p><input type="checkbox"/> All remaining Counts to be dismissed upon entry of judgment</p> <p><input type="checkbox"/> ORDER vacate trial date/motion hearing/motions moot</p> <p><input type="checkbox"/> ORDER defendant remain released pending sentence <input type="checkbox"/> remanded to USM</p> <p><input checked="" type="checkbox"/> PSI ORDERED <input type="checkbox"/> EXPEDITED <input type="checkbox"/> PSI waived <input type="checkbox"/> Time waived for passage of sentence</p>

Other: Oral Motion by the Government to seal this case for the reasons stated on the record. No objection. Motion GRANTED.

IA: 1 min
ARR: 1 min
Plea: 22 min

Recorded on CourtSmart
BY: Sherise M. Hargrove
Deputy Clerk

Time: 4:11 PM - 4:35 PM
cc: AUSA, Defense Counsel, PTS, USPO

1 **2. MAXIMUM PENALTIES**

2 a. A violation of 18 U.S.C. § 1956(h) is punishable by a maximum fine of
3 \$500,000 (or, if any person derived pecuniary gain from the offense, or if the offense
4 resulted in pecuniary loss to a person other than the defendant, not more than the greater
5 of twice the gross gain or twice the gross loss), a maximum term of imprisonment of 20
6 years, or both, and a term of supervised release of 3 years. A maximum term of
7 probation is five years.

8 b. According to the Sentencing Guidelines issued pursuant to the Sentencing
9 Reform Act of 1984, the Court shall order the defendant to:

10 (1) make restitution to any victim of the offense pursuant to 18 U.S.C.
11 § 3663 and/or 3663A, unless the Court determines that restitution would not be
12 appropriate;

13 (2) pay a fine pursuant to 18 U.S.C. § 3572, unless the Court finds that a
14 fine is not appropriate;

15 (3) serve a term of supervised release when required by statute or when
16 a sentence of imprisonment of more than one year is imposed (with the understanding
17 that the Court may impose a term of supervised release in all other cases); and

18 (4) pay upon conviction a \$400 special assessment for each count to
19 which the defendant pleads guilty pursuant to 18 U.S.C. § 3013.

20 c. The Court is required to consider the Sentencing Guidelines in determining
21 the defendant's sentence. However, the Sentencing Guidelines are advisory, and the
22 Court is free to exercise its discretion to impose any reasonable sentence up to the
23 maximum set by statute for the crime(s) of conviction, unless there are stipulations to the
24 contrary that the Court accepts.

25 **3. AGREEMENTS REGARDING SENTENCING**

26 a. California And Texas Proceedings: It is the parties' expectation that,
27 around the time the defendant enters a guilty plea in this case, co-defendant Carl Ferrer
28 will enter guilty pleas to Backpage-related charges in California and Texas state court.

1 defendant shall not (and shall not aid or abet any other party to) sell, hide, waste, spend,
2 or transfer any such assets or property before sentencing, without the prior approval of
3 the United States (provided, however, that no prior approval will be required for routine,
4 day-to-day expenditures). The defendant also expressly authorizes the United States
5 Attorney's Office to immediately obtain a credit report as to the defendant in order to
6 evaluate the defendant's ability to satisfy any financial obligation imposed by the Court.
7 The defendant also shall make full disclosure of all current and projected assets to the
8 U.S. Probation Office immediately and prior to the termination of the defendant's
9 supervised release or probation, such disclosures to be shared with the U.S. Attorney's
10 Office, including the Financial Litigation Unit, for any purpose. Finally, the defendant
11 shall participate in the Inmate Financial Responsibility Program to fulfill all financial
12 obligations due and owing under this agreement and the law.

13 g. Acceptance of Responsibility. If the defendant makes full and complete
14 disclosure to the U.S. Probation Office of the circumstances surrounding the defendant's
15 commission of the offense, and if the defendant demonstrates an acceptance of
16 responsibility for this offense up to and including the time of sentencing, the United
17 States will recommend a two-level reduction in the applicable Sentencing Guidelines
18 offense level pursuant to U.S.S.G. § 3E1.1(a). If the defendant has an offense level of 16
19 or more, the United States will move the Court for an additional one-level reduction in
20 the applicable Sentencing Guidelines offense level pursuant to U.S.S.G. § 3E1.1(b).

21 **4. AGREEMENT TO DISMISS OR NOT TO PROSECUTE**

22 a. This office shall not prosecute the defendant for any offenses committed by
23 the defendant, and known by the United States, in connection with the subject matter
24 described in the factual basis of this agreement.

25 b. This agreement does not, in any manner, restrict the actions of the United
26 States in any other district or bind any other United States Attorney's Office.

27 **5. COURT APPROVAL REQUIRED; REINSTITUTION OF PROSECUTION**

28

1 a. If the Court, after reviewing this plea agreement, concludes that any
2 provision contained herein is inappropriate, it may reject the plea agreement and give the
3 defendant the opportunity to withdraw the guilty plea in accordance with Fed. R. Crim. P.
4 11(c)(5).

5 b. If the defendant's guilty plea or plea agreement is rejected, withdrawn,
6 vacated, or reversed at any time, this agreement shall be null and void, the United States
7 shall be free to prosecute the defendant for all crimes of which it then has knowledge and
8 any charges that have been dismissed because of this plea agreement shall automatically
9 be reinstated. In such event, the defendant waives any and all objections, motions, and
10 defenses based upon the Statute of Limitations, the Speedy Trial Act, or constitutional
11 restrictions in bringing later charges or proceedings. The defendant understands that any
12 statements made at the time of the defendant's change of plea or sentencing may be used
13 against the defendant in any subsequent hearing, trial, or proceeding subject to the
14 limitations of Fed. R. Evid. 410.

15 **6. WAIVER OF DEFENSES AND APPEAL RIGHTS**

16 The defendant waives (1) any and all motions, defenses, probable cause
17 determinations, and objections that the defendant could assert to the indictment or
18 information; and (2) any right to file an appeal, any collateral attack, and any other writ
19 or motion that challenges the conviction, an order of restitution or forfeiture, the entry of
20 judgment against the defendant, or any aspect of the defendant's sentence, including the
21 manner in which the sentence is determined, including but not limited to any appeals
22 under 18 U.S.C. § 3742 (sentencing appeals) and motions under 28 U.S.C. §§ 2241 and
23 2255 (habeas petitions), and any right to file a motion for modification of sentence,
24 including under 18 U.S.C. § 3582(c). This waiver shall result in the dismissal of any
25 appeal, collateral attack, or other motion the defendant might file challenging the
26 conviction, order of restitution or forfeiture, or sentence in this case. This waiver shall
27 not be construed to bar an otherwise-preserved claim of ineffective assistance of counsel
28 or of "prosecutorial misconduct" (as that term is defined by Section II.B of Ariz. Ethics

1 Op. 15-01 (2015)).

2 **7. DISCLOSURE OF INFORMATION**

3 a. The United States retains the unrestricted right to provide information and
4 make any and all statements it deems appropriate to the U.S. Probation Office and to the
5 Court in connection with the case.

6 b. Any information, statements, documents, and evidence that the defendant
7 provides to the United States pursuant to this agreement may be used against the
8 defendant at any time.

9 c. The defendant shall cooperate fully with the U.S. Probation Office. Such
10 cooperation shall include providing complete and truthful responses to questions posed
11 by the U.S. Probation Office including, but not limited to, questions relating to:

- 12 (1) criminal convictions, history of drug abuse, and mental illness; and
- 13 (2) financial information, including present financial assets or liabilities
14 that relate to the ability of the defendant to pay a fine or restitution.

15 **8. FORFEITURE, CIVIL, AND ADMINISTRATIVE PROCEEDINGS**

16 a. Nothing in this agreement shall be construed to protect the defendant from
17 administrative or civil forfeiture proceedings or prohibit the United States from
18 proceeding with and/or initiating an action for civil forfeiture. Pursuant to 18 U.S.C. §
19 3613, all monetary penalties, including restitution imposed by the Court, shall be due
20 immediately upon judgment, shall be subject to immediate enforcement by the United
21 States, and shall be submitted to the Treasury Offset Program so that any federal payment
22 or transfer of returned property the defendant receives may be offset and applied to
23 federal debts (which offset will not affect the periodic payment schedule). If the Court
24 imposes a schedule of payments, the schedule of payments shall be merely a schedule of
25 minimum payments and shall not be a limitation on the methods available to the United
26 States to enforce the judgment.

27 b. The defendant agrees to forfeit, and hereby forfeits, all interest in any asset
28 that the defendant owns or over which the defendant exercises control, directly or

1 indirectly, as well as any property that is traceable to, derived from, fungible with, or a
2 substitute for property that constitutes the proceeds of the offense(s), or which was used
3 to facilitate the commission of the offense(s). Such property includes, but is not limited
4 to, all right, title, and interest in funds held in the following bank accounts:

- 5 (1) Prosperity Bank account number x7188
- 6 (2) Compass Bank account number x3873

7 Such property further includes, but is not limited to, all right, title, and interest in the
8 following domain names:

- 9 (1) atlantabackpage.com
- 10 (2) backpage.be
- 11 (3) backpage.com
- 12 (4) backpage.com.br
- 13 (5) backpage.cz
- 14 (6) backpage.dk
- 15 (7) backpage.ee
- 16 (8) backpage.es
- 17 (9) backpage.fi
- 18 (10) backpage.fr
- 19 (11) backpage.gr
- 20 (12) backpage.hu
- 21 (13) backpage.ie
- 22 (14) backpage.it
- 23 (15) backpage.lt
- 24 (16) backpage.mx
- 25 (17) backpage.net
- 26 (18) backpage.no
- 27 (19) backpage.pl
- 28 (20) backpage.pt

- 1 (21) backpage.ro
- 2 (22) backpage.si
- 3 (23) backpage.sk
- 4 (24) backpage.us
- 5 (25) backpage-insider.com
- 6 (26) bestofbackpage.com
- 7 (27) bestofbigcity.com
- 8 (28) bigcity.com
- 9 (29) chicagobackpage.com
- 10 (30) denverbackpage.com
- 11 (31) newyorkbackpage.com
- 12 (32) phoenixbackpage.com
- 13 (33) sandiegobackpage.com
- 14 (34) seattlebackpage.com
- 15 (35) tampabackpage.com

16 Such property further includes, but is not limited to, all right, title, and interest in any
17 funds remaining in the following IOLTA bank accounts at the conclusion of litigation
18 (with the understanding that the funds currently deposited in those IOLTA bank accounts
19 may only be withdrawn by counsel based on the provision of legal services):

- 20 (1) First Republic Bank IOLTA Account x6180
- 21 (2) First Republic Bank IOLTA Account x6255
- 22 (3) First Republic Bank IOLTA Account x5978
- 23 (4) All funds previously deposited in Wells Fargo IOLTA account
24 number x7091 to fund the criminal defense of Backpage.com, LLC,
25 Website Technologies, LLC, Posting Solutions LLC, Amstel River
26 Holdings LLC, Ad Tech BV, and/or UGC Tech Group BV

27 Such property further includes, but is not limited to, all right, title, and interest in any
28 funds previously advanced to a bail bond service (with the understanding that, should co-

1 defendant Carl Ferrer not be required to post a bond in this matter, the defendant will take
2 immediate steps to recover any funds previously advanced to a bail bond service and
3 surrender those funds to the United States for forfeiture).

4 c. The defendant further agrees to waive all interest in any such asset in any
5 administrative or judicial forfeiture proceeding, whether criminal or civil, state or federal.
6 The defendant agrees to consent to the entry of orders of forfeiture for such property and
7 waives the requirements of Federal Rules of Criminal Procedure 32.2 and 43(a) regarding
8 notice of the forfeiture in the charging instrument, announcement of the forfeiture at
9 sentencing, and incorporation of the forfeiture in the judgment. The defendant further
10 understands and agrees that forfeiture of the assets is appropriate and in accordance with
11 the applicable forfeiture statutes, which may include Title 8 U.S.C. § 1324(b), Title 18
12 U.S.C. §§ 924(d), 981, 982 and 2253, Title 21 U.S.C. §§ 853 and 881, and Title 28
13 U.S.C. § 2461(c).

14 d. Forfeiture of the defendant's assets shall not be treated as satisfaction of
15 any fine, restitution, cost of imprisonment, or any other penalty this court may impose
16 upon the defendant in addition to forfeiture. This agreement does not preclude the United
17 States from instituting any civil or administrative forfeiture proceedings as may be
18 appropriate now or in the future.

19 e. The defendant agrees to waive all constitutional and statutory challenges in
20 any manner (including direct appeal, habeas corpus, double jeopardy or any other means)
21 to any forfeiture imposed as a result of this guilty plea or any pending or completed
22 administrative or civil forfeiture actions, including that the forfeiture constitutes an
23 excessive fine or punishment. The defendant agrees to take all steps as requested by the
24 United States to pass clear title to forfeitable assets to the United States, and to testify
25 truthfully in any judicial forfeiture proceeding. The defendant acknowledges that all
26 property covered by this agreement is subject to forfeiture as proceeds of illegal conduct,
27 property facilitating illegal conduct, and substitute assets for property otherwise subject
28 to forfeiture, and that no other person or entity has a legitimate claim to these items listed.

1 f. The defendant agrees not to file a claim to any of the listed property in any
2 civil proceeding, administrative or judicial, which may be initiated. The defendant
3 further agrees that he/she will not contest civil, administrative or judicial forfeiture of the
4 listed property. The defendant agrees to waive his/her right to notice of any forfeiture
5 proceeding involving this property, and agrees not to file a claim or assist others in filing
6 a claim in that forfeiture proceeding.

7 g. The government reserves its right to proceed against any remaining assets
8 not identified either in this agreement or in any civil actions which are being resolved
9 along with this plea of guilty, including any property in which the defendant has any
10 interest or control, if said assets, real or personal, tangible or intangible were involved in
11 the offense(s).

12 h. The defendant hereby waives, and agrees to hold the government and its
13 agents and employees harmless from any and all claims whatsoever in connection with
14 the seizure, forfeiture, and disposal of the property described above. Without limitation,
15 the defendant understands and agrees that by virtue of this plea of guilty, the defendant
16 will waive any rights or cause of action that the defendant might otherwise have had to
17 claim that he/she is a “substantially prevailing party” for the purpose of recovery of
18 attorney fees and other litigation costs in any related civil forfeiture proceeding pursuant
19 to 28 U.S.C. § 2465(b)(1).

20 **9. ELEMENTS**

21 **Money Laundering Conspiracy**

22 Beginning no later than 2004, and continuing through in or around March 2018, in
23 the District of Arizona and elsewhere:

24 1. There was an agreement between two or more persons to commit one or
25 more of the crimes of Concealment Money Laundering (18 U.S.C. §
26 1956(a)(1)(B)(i)), International Promotional Money Laundering (18 U.S.C.
27 § 1956(a)(2)(A)), Transactional Money Laundering (18 U.S.C. § 1957(a)), and/or
28 International Concealment Money Laundering (18 U.S.C. § 1956(a)(2)(B)(i)); and

1 2. The defendant became a member of the conspiracy knowing of at least one
2 of its objects and intending to help accomplish it.

3 **10. FACTUAL BASIS**

4 a. The defendant admits that the following facts are true and that if this matter
5 were to proceed to trial the United States could prove the following facts beyond a
6 reasonable doubt:

7
8 The website www.Backpage.com (“Backpage”) was created in 2004. It eventually
9 became the second-largest classified advertising website in the world and, during
10 its 14 years of existence, has derived the great majority of its revenue from fees
11 charged in return for publishing advertisements for “adult” and “escort” services.

12
13 The great majority of these advertisements are, in fact, advertisements for
14 prostitution services (which are not protected by the First Amendment and which
15 are illegal in 49 states and in much of Nevada). Acting with this knowledge,
16 certain employees and representatives of Backpage.com, LLC (who were
17 authorized to bind the company with their actions) conspired to find ways to
18 knowingly facilitate the state-law prostitution crimes being committed by
19 Backpage’s customers. For example, the company utilized “moderation”
20 processes through which Backpage would remove terms and pictures that were
21 particularly indicative of prostitution and then publish a revised version of the ad.
22 Such editing did not, of course, change the essential nature of the illegal service
23 being offered in the ad—it was merely intended to create a veneer of deniability
24 for Backpage. These editing practices were only one component of an overall,
25 company-wide culture and policy of concealing and refusing to officially
26 acknowledge the true nature of the services being offered in Backpage’s “escort”
27 and “adult” ads.
28

1 In addition to conspiring to knowingly facilitate the state-law prostitution offenses
2 being committed by Backpage’s customers, certain employees and representatives
3 of Backpage.com, LLC (who were authorized to bind the company with their
4 actions) also conspired to engage in various money laundering offenses. Since
5 2004, Backpage has earned hundreds of millions of dollars in revenue from
6 publishing “escort” and “adult” ads. Over time, many banks, credit card
7 companies, and other financial institutions refused to do business with Backpage
8 due to the illegal nature of its business. In response, the aforementioned
9 employees and representatives found ways to fool credit card companies into
10 believing that Backpage-associated charges were being incurred on different
11 websites, to route Backpage-related payments and proceeds through bank accounts
12 held in the name of seemingly unconnected entities (including but not limited to
13 Posting Solutions, Website Technologies, and Cereus Properties), and to use
14 cryptocurrency-processing companies (including but not limited to Coinbase,
15 GoCoin, Paxful, Kraken, and Crypto Capital) for similar purposes.

16
17 b. The defendant shall swear under oath to the accuracy of this statement and,
18 if the defendant should be called upon to testify about this matter in the future, any
19 intentional material inconsistencies in the defendant’s testimony may subject the
20 defendant to additional penalties for perjury or false swearing, which may be enforced by
21 the United States under this agreement.

22 **APPROVAL AND ACCEPTANCE OF THE DEFENDANT’S AUTHORIZED**
23 **REPRESENTATIVE**

24 I am authorized to enter into a written plea bargain agreement and enter a plea of
25 guilty on behalf of the defendant.

26 I have read the entire plea agreement with the assistance of my attorney. I
27 understand each of its provisions and I voluntarily agree to it on behalf of the defendant.
28

1 I understand that by entering my plea of guilty, the defendant shall waive its rights
2 to plead not guilty, to trial by jury, to confront, cross-examine, and compel the attendance
3 of witnesses, to present evidence in its defense, to remain silent and refuse to be a witness
4 against itself by asserting its privilege against self-incrimination (if applicable), all with
5 the assistance of counsel, and to be presumed innocent until proven guilty beyond a
6 reasonable doubt.

7 I agree to enter this guilty plea as indicated above on the terms and conditions set
8 forth in this agreement.

9 I understand the nature of the charges to which the defendant is entering its guilty
10 plea. I further understand the nature and range of the possible sentence and that the
11 defendant's ultimate sentence shall be determined by the Court after consideration of the
12 advisory Sentencing Guidelines.

13 The defendant's guilty plea is not the result of force, threats, assurances, or
14 promises, other than the promises contained in this agreement. The defendant voluntarily
15 agrees to the provisions of this agreement and agrees to be bound according to its
16 provisions.

17 I understand that if the defendant is granted probation or placed on supervised
18 release by the Court, the terms and conditions of such probation/supervised release are
19 subject to modification at any time. I further understand that if the defendant violates any
20 of the conditions of its probation/supervised release, its probation/supervised release may
21 be revoked and upon such revocation, notwithstanding any other provision of this
22 agreement, its sentence otherwise may be altered.

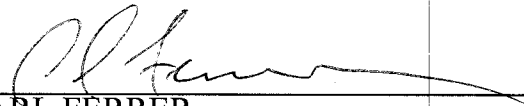
23 This written plea agreement, and any written addenda filed as attachments to this
24 plea agreement, contain all the terms and conditions of the plea. Any additional
25 agreements, if any such agreements exist, shall be recorded in a separate document and
26 may be filed with the Court under seal; accordingly, additional agreements, if any, may
27 not be in the public record.
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I further agree on behalf of the defendant that promises, including any predictions as to the Sentencing Guideline range or to any Sentencing Guideline factors that will apply, made by anyone (including the defendant's attorney) that are not contained within this written plea agreement, are null and void and have no force and effect.

I fully understand the terms and conditions of this plea agreement. I am not now using or under the influence of any drug, medication, liquor, or other intoxicant or depressant that would impair my ability to fully understand the terms and conditions of this plea agreement.


4-5-18
Date


CARL FERRER
Defendant's Authorized Representative

APPROVAL OF DEFENSE COUNSEL

I have discussed this case and the plea agreement with my client in detail and have advised the defendant of all matters within the scope of Fed. R. Crim. P. 11, the constitutional and other rights of an accused, the factual basis for and the nature of the offense to which the guilty plea will be entered, possible defenses, and the consequences of the guilty plea including the maximum statutory sentence possible. I have further discussed the concept of the advisory Sentencing Guidelines with the defendant. No assurances, promises, or representations have been given to me or to the defendant by the United States or any of its representatives that are not contained in this written agreement. I concur in the entry of the plea as indicated above and that the terms and conditions set forth in this agreement are in the best interests of my client. I agree to make a bona fide effort to ensure that the guilty plea is entered in accordance with all the requirements of Fed. R. Crim. P. 11.

4/5/2018
Date


David Botsford
Attorney for Defendant

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APPROVAL OF THE UNITED STATES

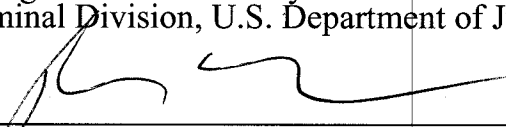
I have reviewed this matter and the plea agreement. I agree on behalf of the United States that the terms and conditions set forth herein are appropriate and are in the best interests of justice.

ELIZABETH A. STRANGE
First Assistant United States Attorney
District of Arizona

JOHN P. CRONAN
Acting Assistant Attorney General
Criminal Division, U.S. Department of Justice

4-5-18

Date



KEVIN RAPP
DOMINIC LANZA
MARGARET PERLMETER
JOHN J. KUCERA
Assistant U.S. Attorneys

REGINALD JONES
Senior Trial Attorney

ACCEPTANCE BY THE COURT

Date

United States District Judge

EXHIBIT B

UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA - Phoenix

MAGISTRATE JUDGE'S MINUTES

SEALED

DATE: 4/05/2018 CASE NUMBER: CR-18-464-PHX-DJH

USA vs. Carl Ferrer

U.S. MAGISTRATE JUDGE: JOHN Z. BOYLE

A.U.S. Attorney Dominic Lanza, Kevin Rapp, and Margaret Perlmeter

Attorneys for Defendant Nanci Clarence and Jonathan Baum (retained)

DEFENDANT: PRESENT NOT PRESENT RELEASED

Initial Appearance Dft Released O/R with conditions

ARRAIGNMENT, DETENTION, AND PLEA HEARINGS: Held Cont'd Reset

Consent to be tried by a Magistrate Judge signed. Misd: Class A Class B Class C

Consent of Defendant filed

Waiver of Indictment filed 4/05/2018 Information filed 4/05/2018

Dft states true name to be CARL ALLEN FERRER.

Defendant sworn and examined by the Court

Dft Enters: GUILTY PLEA to the Information Indictment Complaint

Court accepts recommends dft's plea and finds plea to be freely and voluntarily given

Plea agreement: FILED LODGED SEALED 4/05/2018

Court does not accept defendant's plea of guilty because _____

Sentencing set for 7/9/2018 at 9:30 AM before JUDGE HUMETEWA in Courtroom 605

All remaining Counts to be dismissed upon entry of judgment

ORDER vacate trial date/motion hearing/motions moot

ORDER defendant remain released pending sentencing remanded to USM

PSI ORDERED EXPEDITED PSI waived Time waived for passage of sentence

Other: Oral Motion by the Government to seal this case for the reasons stated on the record. No objection. Motion GRANTED.

IA: 4 min
ARR: 3 min
DH: 15 min
Plea: 41 min

Recorded on CourtSmart
BY: Sherise M. Hargrove
Deputy Clerk

Time: 3:11 PM - 4:11 PM, 4:35 PM - 4:38 PM

cc: AUSA, Defense Counsel, PTS, USPO

FILED LODGED
RECEIVED COPY
APR 05 2018
CLERK U.S. DISTRICT COURT
DISTRICT OF ARIZONA
BY SMK DEPUTY

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3 District of Arizona

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19 Washington, D.C. 20530
20 Telephone (202) 616-2807
21 Attorneys for Plaintiff

22 IN THE UNITED STATES DISTRICT COURT
23 FOR THE DISTRICT OF ARIZONA

24 United States of America,
25
26 Plaintiff,

27 vs.

28 TN: Carl Allen Ferrer
Carl Ferrer,

Defendant.

CR-18-464-PHX-DJH

PLEA AGREEMENT

SEALED

Plaintiff, United States of America, and the defendant, Carl Ferrer, hereby agree to dispose of this matter on the following terms and conditions:

1. PLEA

The defendant will plead guilty to an Information charging the defendant with a violation of 18 United States Code (U.S.C.) § 371, Conspiracy, a Class D felony offense.

1 **2. MAXIMUM PENALTIES**

2 a. A violation of 18 U.S.C. § 371 is punishable by a maximum fine of
3 \$250,000 (or, if any person derived pecuniary gain from the offense, or if the offense
4 resulted in pecuniary loss to a person other than the defendant, not more than the greater
5 of twice the gross gain or twice the gross loss), a maximum term of imprisonment of 5
6 years, or both, and a term of supervised release of 3 years. A maximum term of
7 probation is five years.

8 b. According to the Sentencing Guidelines issued pursuant to the Sentencing
9 Reform Act of 1984, the Court shall order the defendant to:

10 (1) make restitution to any victim of the offense pursuant to 18 U.S.C.
11 § 3663 and/or 3663A, unless the Court determines that restitution would not be
12 appropriate;

13 (2) pay a fine pursuant to 18 U.S.C. § 3572, unless the Court finds that a
14 fine is not appropriate;

15 (3) serve a term of supervised release when required by statute or when
16 a sentence of imprisonment of more than one year is imposed (with the understanding
17 that the Court may impose a term of supervised release in all other cases); and

18 (4) pay upon conviction a \$100 special assessment for each count to
19 which the defendant pleads guilty pursuant to 18 U.S.C. § 3013.

20 c. The Court is required to consider the Sentencing Guidelines in determining
21 the defendant's sentence. However, the Sentencing Guidelines are advisory, and the
22 Court is free to exercise its discretion to impose any reasonable sentence up to the
23 maximum set by statute for the crime(s) of conviction, unless there are stipulations to the
24 contrary that the Court accepts.

25 **3. AGREEMENTS REGARDING SENTENCING**

26 a. Immediate Shutdown of Backpage Website: The defendant stipulates and
27 agrees that, upon entry of his guilty plea, he will take all steps within his power to
28 immediately shut down the website www.backpage.com ("Backpage") in the United

1 States and all other countries in which the website operates. Such steps shall include, but
2 not be limited to, surrendering to the United States the registration account, including
3 login and password information, for the www.backpage.com domain name necessary to
4 operate the various Backpage websites and providing technical assistance to the United
5 States to effectuate the shutdown. If the defendant fails to take all steps within his power
6 to immediately shut down the website, this plea agreement shall be null and void and the
7 United States shall be free to prosecute the defendant for all crimes of which it then has
8 knowledge. In such event, the defendant waives any and all objections, motions, and
9 defenses based upon the Statute of Limitations, the Speedy Trial Act, or constitutional
10 restrictions in bringing later charges or proceedings.

11 b. Forfeiture Assistance: The defendant stipulates and agrees that, upon entry
12 of his guilty plea, he will take all steps within his power to forfeit to the United States all
13 corporate assets and other property owned or controlled by Website Technologies, LLC
14 (“Website Technologies”), which owns and operates the Backpage website, as well as all
15 corporate assets and other property owned or controlled by Backpage.com, LLC, Posting
16 Solutions LLC, Amstel River Holdings, LLC, Ad Tech BV, and UGC Tech Group CV.
17 Such steps shall include, but not be limited to, agreeing to the forfeiture of the domain
18 names, servers, intellectual property, trademarks, trade secrets, bank accounts,
19 cryptocurrency, and other financial instruments owned or controlled by such entities. If
20 the defendant fails to comply with this agreement, this plea agreement shall be null and
21 void and the United States shall be free to prosecute the defendant for all crimes of which
22 it then has knowledge. In such event, the defendant waives any and all objections,
23 motions, and defenses based upon the Statute of Limitations, the Speedy Trial Act, or
24 constitutional restrictions in bringing later charges or proceedings.

25 c. California And Texas Proceedings: It is the parties’ expectation that,
26 concurrently, or as close in time as is practicable to the time the defendant enters his
27 guilty plea in this case, the defendant also will enter guilty pleas to Backpage-related
28 charges in California and Texas state court. Pursuant to Fed. R. Crim. P. 11(c)(1)(C), the

1 United States and the defendant stipulate that the defendant's guilty plea in this case is
2 contingent upon the state courts' acceptance of his plea agreements in the California and
3 Nueces County, Texas matters. If either of those plea agreements is rejected, the
4 defendant will be afforded an opportunity to withdraw his guilty plea in this case.

5 d. Concurrency With State Sentences: Pursuant to Fed. R. Crim. P.
6 11(c)(1)(C), the United States and the defendant stipulate that the anticipated terms of
7 imprisonment in the aforementioned California and Texas proceedings will arise from
8 "relevant conduct to the instant offense of conviction." Accordingly, under U.S.S.G.
9 § 5G1.3(c), the United States and the defendant stipulate that any term of imprisonment
10 imposed in this case shall run concurrently with any terms of imprisonment subsequently
11 imposed in the aforementioned California and Texas proceedings.

12 e. Federal Custody. Pursuant to Fed. R. Crim. P. 11(c)(1)(C), the United
13 States and the defendant stipulate that, to the extent the defendant is sentenced to
14 concurrent terms of federal and state imprisonment, the defendant will serve all
15 concurrent time in federal custody.

16 f. Ability To Request Downward Departure/Variance: The defendant
17 reserves the right to request a downward departure or a downward variance based on the
18 factors set forth in 18 U.S.C. § 3553(a). The defendant understands that the government
19 is free to oppose any such request.

20 g. Restitution. Pursuant to 18 U.S.C. § 3663 and/or 3663A, the defendant
21 specifically agrees to pay full restitution, regardless of the resulting loss amount but in no
22 event more than \$500 million, to all victims directly or proximately harmed by the
23 defendant's "relevant conduct," including conduct pertaining to any dismissed counts or
24 uncharged conduct, as defined by U.S.S.G. § 1B1.3, regardless of whether such conduct
25 constitutes an "offense" under 18 U.S.C. §§ 2259, 3663 or 3663A. The defendant
26 understands that such restitution will be included in the Court's Order of Judgment and
27 that an unanticipated restitution amount will not serve as grounds to withdraw the
28 defendant's guilty plea or to withdraw from this plea agreement.

1 h. Assets and Financial Responsibility. The defendant shall make a full
2 accounting of all assets in which the defendant has any legal or equitable interest. The
3 defendant shall not (and shall not aid or abet any other party to) sell, hide, waste, spend,
4 or transfer more than \$500 of any such assets or property before sentencing, without the
5 prior approval of the United States (provided, however, that no prior approval will be
6 required for routine, day-to-day expenditures). The defendant also expressly authorizes
7 the United States Attorney's Office to immediately obtain a credit report as to the
8 defendant in order to evaluate the defendant's ability to satisfy any financial obligation
9 imposed by the Court. The defendant also shall make full disclosure of all current and
10 projected assets to the U.S. Probation Office immediately and prior to the termination of
11 the defendant's supervised release or probation, such disclosures to be shared with the
12 U.S. Attorney's Office, including the Financial Litigation Unit, for any purpose. Finally,
13 the defendant shall participate in the Inmate Financial Responsibility Program to fulfill
14 all financial obligations due and owing under this agreement and the law.

15 i. Acceptance of Responsibility. If the defendant makes full and complete
16 disclosure to the U.S. Probation Office of the circumstances surrounding the defendant's
17 commission of the offense, and if the defendant demonstrates an acceptance of
18 responsibility for this offense up to and including the time of sentencing, the United
19 States will recommend a two-level reduction in the applicable Sentencing Guidelines
20 offense level pursuant to U.S.S.G. § 3E1.1(a). If the defendant has an offense level of 16
21 or more, the United States will move the Court for an additional one-level reduction in
22 the applicable Sentencing Guidelines offense level pursuant to U.S.S.G. § 3E1.1(b).

23 **4. AGREEMENT TO DISMISS OR NOT TO PROSECUTE**

24 a. This office shall not prosecute the defendant for any offenses committed by
25 the defendant, and known by the United States, in connection with the subject matter
26 described in the factual basis of this agreement.

27 b. This agreement does not, in any manner, restrict the actions of the United
28 States in any other district or bind any other United States Attorney's Office.

1 **5. COURT APPROVAL REQUIRED; REINSTITUTION OF PROSECUTION**

2 a. If the Court, after reviewing this plea agreement, concludes that any
3 provision contained herein is inappropriate, it may reject the plea agreement and give the
4 defendant the opportunity to withdraw the guilty plea in accordance with Fed. R. Crim. P.
5 11(c)(5).

6 b. If the defendant's guilty plea or plea agreement is rejected, withdrawn,
7 vacated, or reversed at any time, or if the state courts considering related claims in
8 California and Texas reject the defendant's plea agreements in those states, this
9 agreement shall be null and void, the United States shall be free to prosecute the
10 defendant for all crimes of which it then has knowledge and any charges that have been
11 dismissed because of this plea agreement shall automatically be reinstated. In such event,
12 the defendant waives any and all objections, motions, and defenses based upon the
13 Statute of Limitations, the Speedy Trial Act, or constitutional restrictions in bringing later
14 charges or proceedings, and any statements made by the defendant at the time of his
15 change of plea or sentencing in this case may not be used against him in any subsequent
16 hearing, trial, or proceeding.

17 **6. WAIVER OF DEFENSES AND APPEAL RIGHTS**

18 The defendant waives (1) any and all motions, defenses, probable cause
19 determinations, and objections that the defendant could assert to the indictment or
20 information; and (2) any right to file an appeal, any collateral attack, and any other writ
21 or motion that challenges the conviction, an order of restitution or forfeiture, the entry of
22 judgment against the defendant, or any aspect of the defendant's sentence, including the
23 manner in which the sentence is determined, including but not limited to any appeals
24 under 18 U.S.C. § 3742 (sentencing appeals) and motions under 28 U.S.C. §§ 2241 and
25 2255 (habeas petitions), and any right to file a motion for modification of sentence,
26 including under 18 U.S.C. § 3582(c). This waiver shall result in the dismissal of any
27 appeal, collateral attack, or other motion the defendant might file challenging the
28 conviction, order of restitution or forfeiture, or sentence in this case. This waiver shall

1 not be construed to bar an otherwise-preserved claim of ineffective assistance of counsel
2 or of “prosecutorial misconduct” (as that term is defined by Section II.B of Ariz. Ethics
3 Op. 15-01 (2015)).

4 **7. DISCLOSURE OF INFORMATION**

5 a. The United States retains the unrestricted right to provide information and
6 make any and all statements it deems appropriate to the U.S. Probation Office and to the
7 Court in connection with the case.

8 b. Any information, statements, documents, and evidence that the defendant
9 provides to the United States pursuant to this agreement may be used against the
10 defendant at any time.

11 c. The defendant shall cooperate fully with the U.S. Probation Office. Such
12 cooperation shall include providing complete and truthful responses to questions posed
13 by the U.S. Probation Office including, but not limited to, questions relating to:

- 14 (1) criminal convictions, history of drug abuse, and mental illness; and
15 (2) financial information, including present financial assets or liabilities
16 that relate to the ability of the defendant to pay a fine or restitution.

17 **8. FORFEITURE, CIVIL, AND ADMINISTRATIVE PROCEEDINGS**

18 a. Pursuant to 18 U.S.C. § 981(a)(1)(C), the defendant agrees to forfeit, and
19 hereby forfeits, all interest in any property, real or personal, which constitutes or is
20 derived from proceeds traceable to the offense. Such property includes, but is not limited
21 to, all right, title, and interest in funds held in the following bank accounts:

- 22 (1) Republic Bank of Arizona account number x2912
23 (2) Republic Bank of Arizona account number x2500
24 (3) Green Bank account number x4832
25 (4) Plains Capital Bank account number x1098

26 Such property further includes, but is not limited to, all right, title, and interest in the
27 following domain names:

- 28 (1) atlantabackpage.com

- 1 (2) backpage.be
- 2 (3) backpage.com
- 3 (4) backpage.com.br
- 4 (5) backpage.cz
- 5 (6) backpage.dk
- 6 (7) backpage.ee
- 7 (8) backpage.es
- 8 (9) backpage.fi
- 9 (10) backpage.fr
- 10 (11) backpage.gr
- 11 (12) backpage.hu
- 12 (13) backpage.ie
- 13 (14) backpage.it
- 14 (15) backpage.lt
- 15 (16) backpage.mx
- 16 (17) backpage.net
- 17 (18) backpage.no
- 18 (19) backpage.pl
- 19 (20) backpage.pt
- 20 (21) backpage.ro
- 21 (22) backpage.si
- 22 (23) backpage.sk
- 23 (24) backpage.us
- 24 (25) backpage-insider.com
- 25 (26) bestofbackpage.com
- 26 (27) bestofbigcity.com
- 27 (28) bigcity.com
- 28 (29) chicagobackpage.com

- 1 (30) denverbackpage.com
- 2 (31) newyorkbackpage.com
- 3 (32) phoenixbackpage.com
- 4 (33) sandiegobackpage.com
- 5 (34) seattlebackpage.com
- 6 (35) tampabackpage.com

7 Such property further includes, but is not limited to, all right, title, and interest in any
8 funds remaining in the following IOLTA bank accounts at the conclusion of litigation
9 (with the understanding that the funds currently deposited in those IOLTA bank accounts
10 may only be withdrawn by counsel based on the provision of legal services):

- 11 (1) First Republic Bank IOLTA Account x6180
- 12 (2) First Republic Bank IOLTA Account x6255
- 13 (3) First Republic Bank IOLTA Account x5978
- 14 (4) All funds previously deposited in Wells Fargo IOLTA Account
15 x7091 to fund the criminal defense of Backpage.com, LLC, Website
16 Technologies, LLC, Posting Solutions LLC, Amstel River Holdings
17 LLC, Ad Tech BV, and/or UGC Tech Group BV

18 Such property further includes, but is not limited to, all right, title, and interest in any
19 funds previously advanced to a bail bond service (with the understanding that, should the
20 defendant not be required to post a bond in this matter, he will take immediate steps to
21 recover any funds previously advanced to a bail bond service and surrender those funds
22 to the United States for forfeiture).

23 b. The United States and the defendant further agree that the following assets
24 are not subject to forfeiture, either in this criminal proceeding or in a future
25 administrative or civil forfeiture proceeding, because the assets were obtained solely with
26 non-Backpage related funds (and, therefore, cannot lawfully be forfeited under the
27 relevant statutes):

- 28 (1) The real property located at 2531 Tumbleweed Way, Frisco, Texas.

1 (2) The defendant's pre-2004 contributions to Millennium Trust IRA
2 account number x2890.

3 c. The defendant further agrees that, other than paragraph 8(b) above, nothing
4 in this agreement shall be construed to protect him from administrative or civil forfeiture
5 proceedings or to prohibit the United States from proceeding with and/or initiating an
6 action for civil forfeiture (either with respect to the property identified above or with
7 respect to additional property that is not subject to forfeiture under 18 U.S.C. §
8 981(a)(1)(C) but may be subject to forfeiture under other provisions).

9 d. The defendant further agrees to waive all interest in all property subject to
10 forfeiture under this agreement in any administrative or judicial forfeiture proceeding,
11 whether criminal or civil, state or federal. The defendant agrees to consent to the entry of
12 orders of forfeiture for such property and waives the requirements of Federal Rules of
13 Criminal Procedure 32.2 and 43(a) regarding notice of the forfeiture in the charging
14 instrument, announcement of the forfeiture at sentencing, and incorporation of the
15 forfeiture in the judgment. The defendant further understands and agrees that forfeiture
16 of the property is appropriate and in accordance with the applicable forfeiture statutes,
17 which may include Title 8 U.S.C. § 1324(b), Title 18 U.S.C. §§ 924(d), 981, 982 and
18 2253, Title 21 U.S.C. §§ 853 and 881, and Title 28 U.S.C. § 2461(c).

19 e. Pursuant to 18 U.S.C. § 3613, all monetary penalties, including restitution
20 imposed by the Court, shall be due immediately upon judgment, shall be subject to
21 immediate enforcement by the United States, and shall be submitted to the Treasury
22 Offset Program so that any federal payment or transfer of returned property the defendant
23 receives may be offset and applied to federal debts (which offset will not affect the
24 periodic payment schedule). If the Court imposes a schedule of payments, the schedule
25 of payments shall be merely a schedule of minimum payments and shall not be a
26 limitation on the methods available to the United States to enforce the judgment.

27 f. Forfeiture of the defendant's assets shall not be treated as satisfaction of
28 any fine, restitution, cost of imprisonment, or any other penalty this court may impose

1 upon the defendant in addition to forfeiture. This agreement does not preclude the United
2 States from instituting any civil or administrative forfeiture proceedings as may be
3 appropriate now or in the future.

4 g. The defendant agrees to waive all constitutional and statutory challenges in
5 any manner (including direct appeal, habeas corpus, double jeopardy or any other means)
6 to any forfeiture imposed as a result of this guilty plea or any pending or completed
7 administrative or civil forfeiture actions, including that the forfeiture constitutes an
8 excessive fine or punishment. The defendant agrees to take all steps as requested by the
9 United States to pass clear title to forfeitable assets to the United States, and to testify
10 truthfully in any judicial forfeiture proceeding (including any proceeding to adjudicate
11 the claim of any third party to the forfeited assets). The defendant acknowledges that all
12 property covered by this agreement is subject to forfeiture and that no other person or
13 entity has a legitimate claim to these items listed, other than any community property
14 interest that his wife may have in the forfeited assets under state law.

15 h. The defendant agrees not to file a claim to any of the listed property subject
16 to forfeiture under paragraph 8(a) of this agreement in any civil proceeding,
17 administrative or judicial, which may be initiated. The defendant further agrees that
18 he/she will not contest civil, administrative, or judicial forfeiture of that property. The
19 defendant agrees to waive his/her right to notice of any forfeiture proceeding involving
20 this property, and agrees not to file a claim or assist others in filing a claim in that
21 forfeiture proceeding.

22 i. The government reserves its right to proceed against any remaining assets
23 not identified either in this agreement, other than the assets identified in paragraph 8(b)
24 above, or in any civil actions which are being resolved along with this plea of guilty,
25 including any property in which the defendant has any interest or control, if said assets,
26 real or personal, tangible or intangible were involved in the offense(s).

27 j. The defendant hereby waives, and agrees to hold the government and its
28 agents and employees harmless from any and all claims whatsoever in connection with

1 the seizure, forfeiture, and disposal of the property described above. Without limitation,
2 the defendant understands and agrees that by virtue of this plea of guilty, the defendant
3 will waive any rights or cause of action that the defendant might otherwise have had to
4 claim that he/she is a “substantially prevailing party” for the purpose of recovery of
5 attorney fees and other litigation costs in any related civil forfeiture proceeding pursuant
6 to 28 U.S.C. § 2465(b)(1).

7 **9. ELEMENTS**

8 **Conspiracy**

9 Beginning no later than 2004, and continuing through in or around March 2018, in
10 the District of Arizona and elsewhere:

11 1. There was an agreement between two or more persons to commit one or
12 more of the crimes of Travel Act—Facilitate Prostitution (18 U.S.C. §
13 1952(a)(3)(A)), Concealment Money Laundering (18 U.S.C. § 1956(a)(1)(B)(i)),
14 International Promotional Money Laundering (18 U.S.C.
15 § 1956(a)(2)(A)), Transactional Money Laundering (18 U.S.C. § 1957(a)), and
16 International Concealment Money Laundering (18 U.S.C. § 1956(a)(2)(B)(i)).

17 2. The defendant became a member of the conspiracy knowing of at least one
18 of its objects and intending to help accomplish it; and

19 3. One of the members of the conspiracy performed at least one overt act for
20 the purpose of carrying out the conspiracy.

21 **10. FACTUAL BASIS**

22 a. The defendant admits that the following facts are true and that if this matter
23 were to proceed to trial the United States could prove the following facts beyond a
24 reasonable doubt:

25
26 In 2004, I co-founded the website www.Backpage.com (“Backpage”), along with
27 M.L. and J.L. Backpage eventually became the second-largest classified
28 advertising website in the world and, during its 14 years of existence, has derived

1 the great majority of its revenue from fees charged in return for publishing
2 advertisements for “adult” and “escort” services.

3
4 I have long been aware that the great majority of these advertisements are, in fact,
5 advertisements for prostitution services (which are not protected by the First
6 Amendment and which are illegal in 49 states and in much of Nevada). Acting
7 with this knowledge, I conspired with other Backpage principals (including but not
8 limited to M.L, J.L, S.S., D.H., A.P, and J.V.) to find ways to knowingly facilitate
9 the state-law prostitution crimes being committed by Backpage’s customers. For
10 example, I worked with my co-conspirators to create “moderation” processes
11 through which Backpage would remove terms and pictures that were particularly
12 indicative of prostitution and then publish a revised version of the ad. Such
13 editing did not, of course, change the essential nature of the illegal service being
14 offered in the ad—it was merely intended to create a veneer of deniability for
15 Backpage. These editing practices were only one component of an overall,
16 company-wide culture and policy of concealing and refusing to officially
17 acknowledge the true nature of the services being offered in Backpage’s “escort”
18 and “adult” ads.

19
20 In addition to conspiring to knowingly facilitate the state-law prostitution offenses
21 being committed by Backpage’s customers, I also conspired with other Backpage
22 principals (including but not limited to M.L, J.L, S.S., J.B., and D.H.) to engage in
23 various money laundering offenses. Since 2004, Backpage has earned hundreds of
24 millions of dollars in revenue from publishing “escort” and “adult” ads. Over
25 time, many banks, credit card companies, and other financial institutions refused
26 to do business with Backpage due to the illegal nature of its business. In response,
27 I worked with my co-conspirators to find ways to fool credit card companies into
28 believing that Backpage-associated charges were being incurred on different

1 websites, to route Backpage-related payments and proceeds through bank accounts
2 held in the name of seemingly unconnected entities (including but not limited to
3 Posting Solutions, Website Technologies, and Cereus Properties), and to use
4 cryptocurrency-processing companies (including but not limited to Coinbase,
5 GoCoin, Paxful, Kraken, and Crypto Capital) for similar purposes.

6
7 b. The defendant shall swear under oath to the accuracy of this statement and,
8 if the defendant should be called upon to testify about this matter in the future, any
9 intentional material inconsistencies in the defendant's testimony may subject the
10 defendant to additional penalties for perjury or false swearing, which may be enforced by
11 the United States under this agreement.

12 **APPROVAL AND ACCEPTANCE OF THE DEFENDANT**

13 I have read the entire plea agreement with the assistance of my attorney. I
14 understand each of its provisions and I voluntarily agree to it.

15 I have discussed the case and my constitutional and other rights with my attorney.
16 I understand that by entering my plea of guilty I shall waive my rights to plead not guilty,
17 to trial by jury, to confront, cross-examine, and compel the attendance of witnesses, to
18 present evidence in my defense, to remain silent and refuse to be a witness against myself
19 by asserting my privilege against self-incrimination, all with the assistance of counsel,
20 and to be presumed innocent until proven guilty beyond a reasonable doubt.

21 I agree to enter my guilty plea as indicated above on the terms and conditions set
22 forth in this agreement.

23 I have been advised by my attorney of the nature of the charges to which I am
24 entering my guilty plea. I have further been advised by my attorney of the nature and
25 range of the possible sentence and that my ultimate sentence shall be determined by the
26 Court after consideration of the advisory Sentencing Guidelines.

27
28

1 My guilty plea is not the result of force, threats, assurances, or promises, other
2 than the promises contained in this agreement. I voluntarily agree to the provisions of
3 this agreement and I agree to be bound according to its provisions.

4 I understand that if I am granted probation or placed on supervised release by the
5 Court, the terms and conditions of such probation/supervised release are subject to
6 modification at any time. I further understand that if I violate any of the conditions of my
7 probation/supervised release, my probation/supervised release may be revoked and upon
8 such revocation, notwithstanding any other provision of this agreement, I may be
9 required to serve a term of imprisonment or my sentence otherwise may be altered.


10 This written plea agreement, and any written addenda filed as attachments to this
11 plea agreement, contain all the terms and conditions of the plea. Any additional
12 agreements, if any such agreements exist, shall be recorded in a separate document and
13 may be filed with the Court under seal; accordingly, additional agreements, if any, may
14 not be in the public record.

15 I further agree that promises, including any predictions as to the Sentencing
16 Guideline range or to any Sentencing Guideline factors that will apply, made by anyone
17 (including my attorney) that are not contained within this written plea agreement, are null
18 and void and have no force and effect.

19 I am satisfied that my defense attorney has represented me in a competent manner.

20 I fully understand the terms and conditions of this plea agreement. I am not now
21 using or under the influence of any drug, medication, liquor, or other intoxicant or
22 depressant that would impair my ability to fully understand the terms and conditions of
23 this plea agreement.

24
25 4-5-18
Date

26 
27 _____
28 CARL FERRER
Defendant

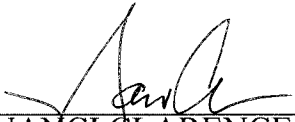
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APPROVAL OF DEFENSE COUNSEL

I have discussed this case and the plea agreement with my client in detail and have advised the defendant of all matters within the scope of Fed. R. Crim. P. 11, the constitutional and other rights of an accused, the factual basis for and the nature of the offense to which the guilty plea will be entered, possible defenses, and the consequences of the guilty plea including the maximum statutory sentence possible. I have further discussed the concept of the advisory Sentencing Guidelines with the defendant. No assurances, promises, or representations have been given to me or to the defendant by the United States or any of its representatives that are not contained in this written agreement. I concur in the entry of the plea as indicated above and that the terms and conditions set forth in this agreement are in the best interests of my client. I agree to make a bona fide effort to ensure that the guilty plea is entered in accordance with all the requirements of Fed. R. Crim. P. 11.

4-5-18

Date



NANCI CLARENCE
JONATHAN BAUM
Attorneys for Defendant

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APPROVAL OF THE UNITED STATES

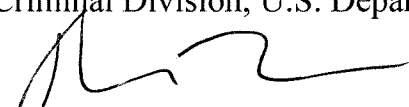
I have reviewed this matter and the plea agreement. I agree on behalf of the United States that the terms and conditions set forth herein are appropriate and are in the best interests of justice.

ELIZABETH A. STRANGE
First Assistant United States Attorney
District of Arizona

JOHN P. CRONAN
Acting Assistant Attorney General
Criminal Division, U.S. Department of Justice

9-5-18

Date _____



KEVIN RAPP
DOMINIC LANZA
MARGARET PERLMETER
JOHN J. KUCERA
Assistant U.S. Attorneys

REGINALD JONES
Senior Trial Attorney

ACCEPTANCE BY THE COURT

Date _____

United States District Judge

EXHIBIT C

1 KAMALA D. HARRIS
 Attorney General of California
 2 ROBERT MORGESTER
 Senior Assistant Attorney General
 3 RANDY MAILMAN
 Deputy Attorney General
 4 MAGGY KRELL
 Supervising Deputy Attorney General
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 6 P.O. Box 944255
 7 Sacramento, CA 94244-2550
 Telephone: [REDACTED]
 8 Fax: [REDACTED]
 Attorneys for People of the State of California

FILED/ENDORSED
 SEP 26 2016
 By ~~M. Yeary~~, Deputy Clerk

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
 11 IN AND FOR THE COUNTY OF SACRAMENTO

13 **PEOPLE OF THE STATE OF**
 14 **CALIFORNIA,**
 Plaintiff,
 15
 16 v.
 17 **1. CARL FERRER**
 (DOB: [REDACTED]) (Xref # *5094010*)
 18 **2. MICHAEL LACEY**
 (DOB: [REDACTED]) (Xref # *5094013*)
 19 **3. JAMES LARKIN**
 (DOB: [REDACTED]) (Xref # *5094012*)
 20
 21
 22 Defendants.

Case No.

CRIMINAL COMPLAINT

23 I, the undersigned, say on information and belief, that in the County of Sacramento, State of
 24 California:

25 **COUNT ONE**
 26 **(Penal Code sections 182/266h, PIMPING CONSPIRACY)**

27 On or between January 1, 2010 and September 26, 2016, in the County of Sacramento and
 28 throughout the state of California, Defendants FERRER, LACEY, and LARKIN did unlawfully

1 commit the crime of CONSPIRACY in violation of section 182(a)(1) of the Penal Code in that
2 said Defendants did unlawfully conspire together with each other and with others whose identities
3 are known and unknown, to commit the crime of pimping, in violation of section 266h of the
4 Penal Code, a felony; and that pursuant to and for the purposes of carrying out the objectives of
5 the aforesaid conspiracy, the said Defendants committed the following overt acts, throughout the
6 alleged time period:

7 **Overt Act 1**

8 On or between January 1, 2010 and September 26, 2016, Defendants LARKIN and
9 LACEY owned a website at www.Backpage.com, which provided online classified ad services.

10 **Overt Act 2**

11 On or between January 1, 2010 and September 26, 2016 Defendants LARKIN, LACEY,
12 and FERRER operated Backpage.com.

13 **Overt Act 3**

14 On or between January 1, 2010 and May 2015, Defendants LARKIN, LACEY, and
15 FERRER required users of Backpage.com to pay to post escort advertisements in the adult
16 services section, unlike any other section of the website.

17 **Overt Act 4**

18 Defendant FERRER developed and oversaw a process to screen escort ads on
19 Backpage.com.

20 **Overt Act 5**

21 Defendant FERRER directed the creation of two additional websites, EvilEmpire.com and
22 BigCity.com.

23 **Overt Act 6**

24 Defendant FERRER used content from escort advertisements on Backpage.com to create
25 advertisements on EvilEmpire.com and BigCity.com.

26 **Overt Act 7**

27 On or about late 2013, Defendant FERRER arranged for credit card transactions to be
28 processed by Jetpay because financial institutions were blocking transactions with Backpage.com.

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Overt Act 8

Between October 2014 and May 2015, Backpage accepted at least \$2,000,000.00 per month in payments from people posting adult section advertisements in California.

Overt Act 9

On or about September 10, 2014, Backpage.com received a credit card payment in the amount of \$20.60 for posting an escort advertisement in Sacramento County featuring minor A.C.

Overt Act 10

On or about August 19, 2014, Backpage.com received a credit card payment in the amount of \$12.00 for posting an escort advertisement in Los Angeles County featuring minor E.V.

Overt Act 11

On or about February 8, 2015, Backpage.com received a credit card payment in the amount of \$10.00 for posting an escort advertisement in Santa Clara County featuring minor L.F.

Overt Act 12

On or about July 25, 2015, Backpage.com posted an escort advertisement in Sacramento County featuring minor E.S.

Overt Act 13

On or about February 1, 2015, Backpage.com received a payment in the amount of \$10.00 for posting an escort advertisement in Los Angeles County featuring minor Z.G.

Overt Act 14

On or about October 7, 2012, Backpage.com received a credit card payment in the amount of \$7.00 for posting an escort advertisement in Sacramento County featuring A.H.

Overt Act 15

On or about July 30, 2014, Backpage.com received a payment in the amount of \$5.00 for posting an escort advertisement in Sacramento County featuring S.C.

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Overt Act 16

On or about August 19, 2014, Backpage.com received a credit card payment in the amount of \$12.00 for posting an escort advertisement in Los Angeles County featuring L.B.

Overt Act 17

On or about April 4, 2015, Backpage.com received a credit card payment in the amount of \$3.00 for posting an escort advertisement in Sacramento County featuring K.A.

COUNT TWO

(Penal Code section 266h(b)(2), PIMPING A MINOR UNDER 16 YEARS OF AGE)

For a further and separate cause of action, being a different offense from, but connected in its commission with, the charge set forth above, on or about and between September 1, 2014 through December 31, 2014, in the County of Sacramento, Defendant FERRER did unlawfully commit the crime of pimping of a minor, in violation of Penal Code section 266h(b), in that said Defendant, knowing A.C. a minor under 16 years of age, to engage in prostitution, did live and derive support and maintenance in whole or in part from the earnings and proceeds of said prostitution or from money loaned to or advanced to and charged against said prostitute by a keeper manager and inmate of a house and other place where prostitution was practiced or allowed or did unlawfully, knowing A.C., a minor under 16 years of age, to engage in prostitution, solicit and receive compensation for soliciting for said prostitute.

NOTICE: Conviction of this offense will require you to register pursuant to Penal Code section 290. Willful failure to register is a crime.

NOTICE: Pursuant to Penal Code sections 11166 and 11168, a Suspected Child Abuse Report (SCAR) may have been generated in this case. Penal Code sections 11167 and 11167.5 limit access to a SCAR. A court-issued protective order is necessary to obtain a copy of the report.

COUNT THREE

(Penal Code section 266h(b)(2), PIMPING A MINOR UNDER 16 YEARS OF AGE)

For a further and separate cause of action, being a different offense from, but connected in its commission with, the charge set forth above, on or about and between August 1, 2014 through

1 January 1, 2015, in the County of Los Angeles, Defendant FERRER did unlawfully commit the
2 crime of pimping, in violation of Penal Code section 266h(a), in that said Defendant, knowing
3 E.V., to be a prostitute, did live and derive support and maintenance in whole or in part from the
4 earnings and proceeds of said prostitution or from money loaned to or advanced to and charged
5 against said prostitute by a keeper manager and inmate of a house and other place where
6 prostitution was practiced or allowed, or did unlawfully, knowing E.V., to be a prostitute, solicit
7 and receive compensation for soliciting for said prostitute.

8 NOTICE: Conviction of this offense will require you to register pursuant to Penal Code
9 section 290. Willful failure to register is a crime.

10 NOTICE: Pursuant to Penal Code sections 11166 and 11168, a Suspected Child Abuse
11 Report (SCAR) may have been generated in this case. Penal Code sections 11167 and 11167.5
12 limit access to a SCAR. A court-issued protective order is necessary to obtain a copy of the
13 report.

14 **COUNT FOUR**

15 **(Penal Code section 266h(b)(2), PIMPING A MINOR UNDER 16 YEARS OF AGE)**

16 For a further and separate cause of action, being a different offense from, but connected in
17 its commission with, the charge set forth above, on or about and between January 1, 2015 through
18 February 28, 2015, in the County of Santa Clara, Defendant FERRER did unlawfully commit the
19 crime of pimping of a minor, in violation of Penal Code section 266h(b), in that said Defendant,
20 knowing L.F., a minor under 16 years, to engage in prostitution, did live and derive support and
21 maintenance in whole or in part from the earnings and proceeds of said prostitution or from
22 money loaned to or advanced to and charged against said prostitute by a keeper manager and
23 inmate of a house and other place where prostitution was practiced or allowed, or did unlawfully,
24 knowing L.F., a minor under 16 years of age, to engage in prostitution, solicit and receive
25 compensation for soliciting for said prostitute.

26 NOTICE: Conviction of this offense will require you to register pursuant to Penal Code
27 section 290. Willful failure to register is a crime.
28

1 NOTICE: Pursuant to Penal Code sections 11166 and 11168, a Suspected Child Abuse
2 Report (SCAR) may have been generated in this case. Penal Code sections 11167 and 11167.5
3 limit access to a SCAR. A court-issued protective order is necessary to obtain a copy of the
4 report.

5 **COUNT FIVE**
6 **(Penal Code sections 266h(b)(2)/664), ATTEMPTED PIMPING OF A MINOR UNDER 16)**

7 For a further and separate cause of action, being a different offense from, but connected in
8 its commission with, the charge set forth above, on or about and between July 1, 2015 through
9 August 31, 2015, in the County of Sacramento, Defendant FERRER did unlawfully commit the
10 crime of attempted pimping of a minor, in violation of Penal Code sections 266h(a)/664, in that
11 said Defendant, knowing E.S., a minor under 16 years of age, to engage in prostitution, did live
12 and derive support and maintenance in whole or in part from the earnings and proceeds of said
13 prostitution or from money loaned to or advanced to and charged against said prostitute by a
14 keeper manager and inmate of a house and other place where prostitution was practiced or
15 allowed, or did unlawfully, knowing E.S., a minor under 16 years of age, to engage in
16 prostitution, solicit and receive compensation for soliciting for said prostitute.

17 NOTICE: Conviction of this offense will require you to register pursuant to Penal Code
18 section 290. Willful failure to register is a crime.

19 NOTICE: Pursuant to Penal Code sections 11166 and 11168, a Suspected Child Abuse
20 Report (SCAR) may have been generated in this case. Penal Code sections 11167 and 11167.5
21 limit access to a SCAR. A court-issued protective order is necessary to obtain a copy of the
22 report.

23 **COUNT SIX**
24 **(Penal Code section 266h(b)(2), PIMPING A MINOR)**

25 For a further and separate cause of action, being a different offense from, but connected in
26 its commission with, the charge set forth above, on or about and between June 1, 2015 through
27 September 30, 2015, in the County of Los Angeles, Defendant FERRER did unlawfully commit
28 the crime of pimping of a minor, in violation of Penal Code section 266h(b), in that said

1 Defendant, knowing Z.G., a minor, to engage in prostitution, did live and derive support and
2 maintenance in whole or in part from the earnings and proceeds of said prostitution or from
3 money loaned to or advanced to and charged against said prostitute by a keeper manager and
4 inmate of a house and other place where prostitution was practiced or allowed, or did unlawfully,
5 knowing Z.G., a minor, to engage in prostitution, solicit and receive compensation for soliciting
6 for said prostitute.

7 NOTICE: Conviction of this offense will require you to register pursuant to Penal Code
8 section 290. Willful failure to register is a crime.

9 NOTICE: Pursuant to Penal Code sections 11166 and 11168, a Suspected Child Abuse
10 Report (SCAR) may have been generated in this case. Penal Code sections 11167 and 11167.5
11 limit access to a SCAR. A court-issued protective order is necessary to obtain a copy of the
12 report.

13 **COUNT SEVEN**
14 **(Penal Code section 266h(a), PIMPING)**

15 For a further and separate cause of action, being a different offense from, but connected in
16 its commission with, the charge set forth above, on or about and between April 28, 2014 through
17 March 6, 2015, in the County of Sacramento, Defendant FERRER did unlawfully commit the
18 crime of pimping, in violation of Penal Code section 266h(a), in that said Defendant, knowing
19 A.H., to be a prostitute, did live and derive support and maintenance in whole or in part from the
20 earnings and proceeds of said prostitution or from money loaned to or advanced to and charged
21 against said prostitute by a keeper manager and inmate of a house and other place where
22 prostitution was practiced or allowed, or did unlawfully, knowing A.H., to be a prostitute, solicit
23 and receive compensation for soliciting for said prostitute.

24 **COUNT EIGHT**
25 **(Penal Code section 266h(a), PIMPING)**

26 For a further and separate cause of action, being a different offense from, but connected in
27 its commission with, the charge set forth above, on or about and between July 1, 2014 through
28 August 31, 2015, in the County of Sacramento, Defendant FERRER did unlawfully commit the

1 crime of pimping, in violation of Penal Code section 266h(a), in that said Defendant, knowing
2 S.C., to be a prostitute, did live and derive support and maintenance in whole or in part from the
3 earnings and proceeds of said prostitution or from money loaned to or advanced to and charged
4 against said prostitute by a keeper manager and inmate of a house and other place where
5 prostitution was practiced or allowed, or did unlawfully, knowing S.C., to be a prostitute, solicit
6 and receive compensation for soliciting for said prostitute.

7
8 **COUNT NINE**
(Penal Code section 266h(a))

9 For a further and separate cause of action, being a different offense from, but connected in
10 its commission with, the charge set forth above, on or about and between August 1, 2014 and
11 August 31, 2014, in the County of Los Angeles, Defendant FERRER did unlawfully commit the
12 crime of pimping, in violation of Penal Code section 266h(a), in that said Defendant, knowing
13 L.B. to be a prostitute, did live and derive support and maintenance in whole or in part from the
14 earnings and proceeds of said prostitution or from money loaned to or advanced to and charged
15 against said prostitute by a keeper manager and inmate of a house and other place where
16 prostitution was practiced or allowed, or did unlawfully, knowing L.B. to be a prostitute, solicit
17 and receive compensation for soliciting for said prostitute.

18
19 **COUNT TEN**
(Penal Code section 266h(a))

20 For a further and separate cause of action, being a different offense from, but connected in
21 its commission with, the charge set forth above, on or about and between January 1, 2016 to June
22 1, 2016 in the County of Sacramento, Defendant FERRER did unlawfully commit the crime of
23 pimping, in violation of Penal Code section 266h(a), in that said Defendant, knowing K.A. to be a
24 prostitute, did live and derive support and maintenance in whole or in part from the earnings and
25 proceeds of said prostitution or from money loaned to or advanced to and charged against said
26 prostitute by a keeper manager and inmate of a house and other place where prostitution was
27 practiced or allowed, or did unlawfully, knowing K.A. to be a prostitute, solicit and receive
28 compensation for soliciting for said prostitute.

1 NOTICE: Penal Code section 1203.065(a) prohibits a grant of probation for offenses
2 charged in counts 2-10).

3 Pursuant to Penal Code section 1054.5(b), the People hereby informally request that
4 defense counsel provide the People with discovery as required by Penal Code section 1054.3.

5 DECLARATION

6 Filed herewith and incorporated by reference is a declaration in support of arrest warrant. I
7 declare under penalty of perjury, pursuant to Penal Code section 806, that the forgoing is true and
8 correct.

9
10 Dated: September 26, 2016

Respectfully Submitted,

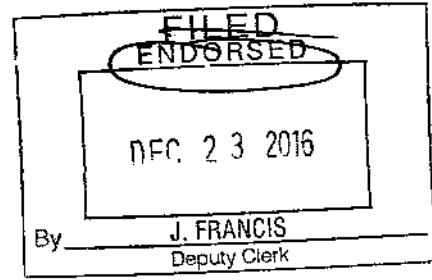
11 KAMALA D. HARRIS
12 Attorney General of California

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14
15 MAGGY KRELL
16 Supervising Deputy Attorney General
Attorneys for People

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 8 *Attorneys for the People of the State of California*



10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
 11 IN AND FOR THE COUNTY OF SACRAMENTO

13 **PEOPLE OF THE STATE OF CALIFORNIA,**
 14

15 Plaintiff,

16 v.

- 17 **1. CARL FERRER**
 (DOB: [REDACTED]) (Xref # [REDACTED])
 18 **2. MICHAEL LACEY**
 (DOB: [REDACTED]) (Xref # [REDACTED])
 19 **3. JAMES LARKIN**
 (DOB: [REDACTED]) (Xref # [REDACTED])
 20

21
 22 Defendants.

Case No. 16 FE024013

FELONY CRIMINAL COMPLAINT

Date: January 11, 2017
 Time: 10:30 a.m.
 Department: 8

23 I, the undersigned, say on information and belief, that in the County of Sacramento, State of
 24 California:

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COUNT ONE

(Penal Code sections 182/186.10, MONEY LAUNDERING CONSPIRACY)

On or between January 1, 2013 and September 1, 2016, in the County of Sacramento and throughout the State of California, **DEFENDANTS FERRER, LACEY, and LARKIN** did unlawfully commit the crime of CONSPIRACY in violation of section 182(a)(1) of the Penal Code in that said Defendants did unlawfully conspire together with each other and with others whose identities are known and unknown, to commit the crime of money laundering, in violation of section 186.10 of the Penal Code, a felony; and that pursuant to and for the purposes of carrying out the objectives of the aforesaid conspiracy, the said Defendants committed the following overt acts, throughout the alleged time period:

Overt Act 1

Defendants owned and operated multiple websites, including Backpage.com.

Overt Act 2

On August 27, 2013, Defendant Ferrer notified Backpage personnel that customers' payment attempts were being denied and credit processors were refusing to process Backpage transactions because of overtly sexual content and questionable practices.

Overt Act 3

Defendants created the company, Classified Solutions, LTD.

Overt Act 4

Defendants created the company, Website Technologies, LLC.

Overt Act 5

Defendants created the company Postfaster LLC and made Nathan Kopecky, Backpage's Chief Financial Officer, the President.

Overt Act 6

Defendants applied for merchant accounts for said companies.

Overt Act 7

Defendants created multiple classified sites including Ymas, Postfastr, and Truckrjobs.

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Overt Act 8

Defendant Ferrer applied for a merchant account with the payment processor Stripe for the classified site Postfastr.com. He omitted any reference to Backpage.com, but planned to use the account to process Backpage transactions.

Overt Act 9

After Stripe notified Defendant Ferrer that it was closing the account, Defendant Ferrer directed Kopecky to tell Stripe that Postfaster LLC had no connection to Backpage and was a site that hosted ads for truck drivers and other jobs.

Overt Act 10

In early 2015, Defendant Ferrer received notice from American Express that the company would not process Backpage transactions after **May 1, 2015**. Defendant Ferrer directed Backpage personnel to “bury” a message notifying users that American Express would not be accepted, but to process any American Express payments that Backpage users attempted.

Overt Act 11

Defendant Ferrer also directed Backpage personnel to contact American Express users and guide them through a process to use American Express to purchase “credits” on Postfastr.com which could then be used on Backpage.com.

Overt Act 12

In May of 2015, Defendants conducted \$48,288.85 in American Express transactions from Backpage’s female Escort section throughout California, including Sacramento County.

Overt Act 13

In May of 2015, Defendants conducted \$7,904.00 in credits purchased via American Express on Postfastr.com.

Overt Act 14

In June of 2015, Defendants conducted \$31,786.25 in American Express transactions from Backpage’s female Escort section throughout California, including Sacramento County.

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COUNT THREE

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between August 1, 2014 and August 31, 2014, throughout California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit: \$2,063,128.70; knowing that such monetary instrument or instruments represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

COUNT FOUR

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between September 1, 2014 and September 30, 2014, throughout California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit: \$2,086,152.04; knowing that such monetary instrument or instruments represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

COUNT FIVE

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between October 1, 2014 and October 31, 2014, throughout California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit: \$2,212,972.21; knowing that such monetary instrument or instruments represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

COUNT SIX

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between November 1, 2014 and November 30, 2014, throughout California, including Sacramento County, the crime of money MONEY LAUNDERING, in

1 violation of Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did
2 willfully and unlawfully conduct transactions involving monetary instruments of a total value
3 exceeding \$25,000, to wit: \$2,148,391.52; knowing that such monetary instrument or instruments
4 represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal
5 activity.

6 **COUNT SEVEN**

7 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

8 On or about and between December 1, 2014 and December 31, 2014, throughout
9 California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of
10 Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and
11 unlawfully conduct transactions involving monetary instruments of a total value exceeding
12 \$25,000, to wit: \$2,252,053.16; knowing that such monetary instrument or instruments represent
13 the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

14 **COUNT EIGHT**

15 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

16 On or about and between January 1, 2015 and January 31, 2015, throughout California,
17 including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code
18 section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully
19 conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
20 \$2,338,789.97; knowing that such monetary instrument or instruments represent the proceeds of,
21 or is derived directly or indirectly from the proceeds of criminal activity.

22 **COUNT NINE**

23 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

24 On or about and between February 1, 2015 and February 28, 2015, throughout California,
25 including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code
26 section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully
27 conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
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1 \$2,185,513.27; knowing that such monetary instrument or instruments represent the proceeds of,
2 or is derived directly or indirectly from the proceeds of criminal activity.

3 **COUNT TEN**

4 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

5 On or about and between March 1, 2015 and March 31, 2015, throughout California,
6 including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code
7 section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully
8 conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
9 \$2,556,274.11; knowing that such monetary instrument or instruments represent the proceeds of,
10 or is derived directly or indirectly from the proceeds of criminal activity.

11 **COUNT ELEVEN**

12 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

13 On or about and between April 1, 2015 and April 30, 2015, throughout California,
14 including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code
15 section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully
16 conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
17 \$2,620,805.68; knowing that such monetary instrument or instruments represent the proceeds of,
18 or is derived directly or indirectly from the proceeds of criminal activity.

19 **COUNT TWELVE**

20 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

21 On or about and between May 1, 2015 and May 31, 2015, throughout California, including
22 Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section
23 186.10(a)(2), a felony, was committed by **Defendants LARKIN AND FERRER**, who did
24 willfully and unlawfully conduct transactions involving monetary instruments of a total value
25 exceeding \$25,000, to wit: \$48,288.85; knowing that such monetary instrument or instruments
26 represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal
27 activity.

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COUNT THIRTEEN

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between June 1, 2015 and June 30, 2015, throughout California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section 186.10(a)(2), a felony, was committed by **Defendants LARKIN AND FERRER**, who did willfully and unlawfully conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit: \$31,786.25; knowing that such monetary instrument or instruments represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

COUNT FOURTEEN

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between July 1, 2015 and July 30, 2015, throughout California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit: \$598,695.98; knowing that such monetary instrument or instruments represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

COUNT FIFTEEN

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between August 1, 2015 and August 31, 2015, throughout California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit: \$383,801.33; knowing that such monetary instrument or instruments represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

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COUNT SIXTEEN

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between September 1, 2015 and September 30 2015, throughout California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit: \$347,802.26; knowing that such monetary instrument or instruments represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

COUNT SEVENTEEN

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between October 1, 2015 and October 31, 2015, throughout California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit: \$711,060.93; knowing that such monetary instrument or instruments represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

COUNT EIGHTEEN

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between November 1, 2015 and November 30, 2015, throughout California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit: \$790,762.69; knowing that such monetary instrument or instruments represent the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

COUNT NINETEEN

(Penal Code section 186.10(a)(2), MONEY LAUNDERING)

On or about and between December 1, 2015 and December 31, 2015, throughout California, including Sacramento County, the crime of MONEY LAUNDERING, in violation of

1 Penal Code section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and
2 unlawfully conduct transactions involving monetary instruments of a total value exceeding
3 \$25,000, to wit: \$1,169,547.13; knowing that such monetary instrument or instruments represent
4 the proceeds of, or is derived directly or indirectly from the proceeds of criminal activity.

5 **COUNT TWENTY**

6 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

7 On or about and between January 1, 2016 and January 31, 2016, throughout California,
8 including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code
9 section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully
10 conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
11 \$1,273,683.55; knowing that such monetary instrument or instruments represent the proceeds of,
12 or is derived directly or indirectly from the proceeds of criminal activity.

13 **COUNT TWENTY ONE**

14 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

15 On or about and between February 1, 2016 and February 28, 2016, throughout California,
16 including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code
17 section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully
18 conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
19 \$1,203,777.10; knowing that such monetary instrument or instruments represent the proceeds of,
20 or is derived directly or indirectly from the proceeds of criminal activity.

21 **COUNT TWENTY TWO**

22 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

23 On or about and between March 1, 2016 and March 31, 2016, throughout California,
24 including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code
25 section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully
26 conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
27 \$1,283,050.72; knowing that such monetary instrument or instruments represent the proceeds of,
28 or is derived directly or indirectly from the proceeds of criminal activity.

1 **COUNT TWENTY THREE**

2 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

3 On or about and between April 1, 2016 and April 30, 2016, throughout California,
4 including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code
5 section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully
6 conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
7 \$1,387,266.85; knowing that such monetary instrument or instruments represent the proceeds of,
8 or is derived directly or indirectly from the proceeds of criminal activity.

9 **COUNT TWENTY FOUR**

10 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

11 On or about and between May 1, 2016 and May 31, 2016, throughout California, including
12 Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section
13 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct
14 transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
15 \$1,477,020.43; knowing that such monetary instrument or instruments represent the proceeds of,
16 or is derived directly or indirectly from the proceeds of criminal activity.

17 **COUNT TWENTY FIVE**

18 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

19 On or about and between June 1, 2016 and June 30, 2016, throughout California, including
20 Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section
21 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct
22 transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
23 \$1,469,458.14; knowing that such monetary instrument or instruments represent the proceeds of,
24 or is derived directly or indirectly from the proceeds of criminal activity.

25 **COUNT TWENTY SIX**

26 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

27 On or about and between July 1, 2016 and July 31, 2016, throughout California, including
28 Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code section

1 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully conduct
2 transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
3 \$1,534,210.45; knowing that such monetary instrument or instruments represent the proceeds of,
4 or is derived directly or indirectly from the proceeds of criminal activity.

5 **COUNT TWENTY SEVEN**

6 **(Penal Code section 186.10(a)(2), MONEY LAUNDERING)**

7 On or about and between August 1, 2016 and August 31, 2016, throughout California,
8 including Sacramento County, the crime of MONEY LAUNDERING, in violation of Penal Code
9 section 186.10(a)(2), a felony, was committed by **Defendants**, who did willfully and unlawfully
10 conduct transactions involving monetary instruments of a total value exceeding \$25,000, to wit:
11 \$1,564,182.72; knowing that such monetary instrument or instruments represent the proceeds of,
12 or is derived directly or indirectly from the proceeds of criminal activity.

13 **COUNT TWENTY EIGHT**

14 **(Penal Code sections 182/266h, PIMPING CONSPIRACY)**

15 On or between January 1, 2010 and September 28, 2016, in the County of Sacramento and
16 throughout the State of California, **Defendants** did unlawfully commit the crime of
17 CONSPIRACY in violation of section 182(a)(1) of the Penal Code in that said Defendants did
18 unlawfully conspire together with each other and with others whose identities are known and
19 unknown, to commit the crime of pimping, in violation of section 266h of the Penal Code, a
20 felony; and that pursuant to and for the purposes of carrying out the objectives of the aforesaid
21 conspiracy, the said Defendants committed the following overt acts, throughout the alleged time
22 period:

23 **Overt Act 1**

24 On or about September 10, 2014, Defendants received prostitution earnings from A.C., a
25 minor, in Sacramento County.

26 **Overt Act 2**

27 On or about August 19, 2014, Defendants received prostitution earnings from E.V., a
28 minor, in Los Angeles County.

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Overt Act 3

On or about February 8, 2015, Defendants received prostitution earnings from L.F., a minor, in Santa Clara County.

Overt Act 4

On or about February 1, 2015, Defendants received prostitution earnings from Z.G., a minor, in Los Angeles County.

Overt Act 5

On or about October 7, 2012, Defendants received prostitution earnings from A.H. in Sacramento County.

Overt Act 6

On or about July 30, 2014, Defendants received prostitution earnings from S.C. in Sacramento County.

Overt Act 7

On or about August 19, 2014, Defendants received prostitution earnings from L.B. in Los Angeles County.

Overt Act 8

On or about April 4, 2015, Defendants received prostitution earnings from K.A. in Sacramento County.

Overt Act 9

On or about November 6, 2015, Defendants received prostitution earnings from C.U., a minor, in Sacramento County.

Overt Act 10

On or about August 12, 2016, Defendants received prostitution earnings from A.B., a minor, in Fresno County.

Overt Act 11

On or about November 22, 2015, Defendants received prostitution earnings from A.F. in Sacramento County.

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1 **Overt Act 12**

2 Between December 6, 2015 to December 28, 2015, Defendants received prostitution
3 earnings from S.D., a minor, in Santa Clara County.

4 **Overt Act 13**

5 Defendants owned and operated multiple websites, including Backpage.com.

6 **Overt Act 14**

7 Defendants used Backpage.com to collect the earnings of prostitutes and their pimps.

8 **Overt Act 15**

9 Defendants designed and used other websites to increase web traffic to Backpage.com and
10 thereby increase its own revenue from the illegal sex trade.

11 **Overt Act 16**

12 Defendants designed two of their websites, BigCity and EvilEmpire, using content
13 developed by Defendants and their employees with the purpose of promoting Backpage's
14 prostitution business and monopolizing the market.

15 **Overt Act 17**

16 Defendants created profiles for thousands of victims, including minors, on BigCity and
17 EvilEmpire.

18 **Overt Act 18**

19 Defendants created profiles for the victims named in counts 29, 30, 31, 32, 35, 36, 37-40
20 without their knowledge.

21 **Overt Act 19**

22 Victims could not remove or edit the pictures or information the defendant's placed on
23 EvilEmpire and when one victim contacted Backpage, staff replied that Backpage was not
24 affiliated with EvilEmpire and could not remove her picture.

25 **Overt Act 20**

26 Defendants created other websites that were unrelated to prostitution. Defendants used
27 these websites to process prostitution-related transactions when financial institutions were
28 unwilling to conduct business with Defendants.

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COUNT TWENTY NINE

(Penal Code section 266h(b)(2), PIMPING A MINOR UNDER 16 YEARS OF AGE)

For a further and separate cause of action, being a different offense from, but connected in its commission with, the charge set forth above, on or about and between September 1, 2014 through December 31, 2014, in the County of Sacramento, **Defendant FERRER** did unlawfully commit the crime of PIMPING OF A MINOR, in violation of Penal Code section 266h(b)(2), in that said Defendant, knowing A.C., a minor under 16 years of age, to engage in prostitution, did live and derive support and maintenance in whole or in part from the earnings and proceeds of said prostitution.

COUNT THIRTY

(Penal Code section 266h(b)(2), PIMPING A MINOR UNDER 16 YEARS OF AGE)

For a further and separate cause of action, being a different offense from, but connected in its commission with, the charge set forth above, on or about and between August 1, 2014 through January 1, 2015, in the County of Los Angeles, **Defendant FERRER** did unlawfully commit the crime of PIMPING OF A MINOR in violation of Penal Code section 266h(b)(2), in that said Defendant, knowing E.V., a minor under 16, to be a prostitute, did live and derive support and maintenance in whole or in part from the earnings and proceeds of said prostitution.

COUNT THIRTY ONE

(Penal Code section 266h(b)(2), PIMPING A MINOR UNDER 16 YEARS OF AGE)

For a further and separate cause of action, being a different offense from, but connected in its commission with, the charge set forth above, on or about and between January 1, 2015 through February 28, 2015, in the County of Santa Clara, **Defendant FERRER** did unlawfully commit the crime of PIMPING OF A MINOR in violation of Penal Code section 266h(b)(2), in that said Defendant, knowing L.F., a minor under 16 years, to engage in prostitution, did live and derive support and maintenance in whole or in part from the earnings and proceeds of said prostitution.

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1 **COUNT THIRTY TWO**

2 **(Penal Code section 266h(b)(1), PIMPING A MINOR)**

3 For a further and separate cause of action, being a different offense from, but connected in
4 its commission with, the charge set forth above, on or about and between June 1, 2015 through
5 September 30, 2015, in the County of Los Angeles, **Defendant FERRER** did unlawfully commit
6 the crime of PIMPING OF A MINOR in violation of Penal Code section 266h(b)(1), in that said
7 Defendant, knowing Z.G., a minor, to engage in prostitution, did live and derive support and
8 maintenance in whole or in part from the earnings and proceeds of said prostitution.

9 **COUNT THIRTY THREE**

10 **(Penal Code section 266h(a), PIMPING)**

11 For a further and separate cause of action, being a different offense from, but connected in
12 its commission with, the charge set forth above, on or about and between April 28, 2014 through
13 March 6, 2015, in the County of Sacramento, **Defendant FERRER** did unlawfully commit the
14 crime of PIMPING in violation of Penal Code section 266h(a), in that said Defendant, knowing
15 A.H. to be a prostitute, did live and derive support and maintenance in whole or in part from the
16 earnings and proceeds of said prostitution.

17 **COUNT THIRTY FOUR**

18 **(Penal Code section 266h(a), PIMPING)**

19 For a further and separate cause of action, being a different offense from, but connected in
20 its commission with, the charge set forth above, on or about and between July 1, 2014 through
21 August 31, 2015, in the County of Sacramento, **Defendant FERRER** did unlawfully commit the
22 crime of PIMPING in violation of Penal Code section 266h(a), in that said Defendant, knowing
23 S.C. to be a prostitute, did live and derive support and maintenance in whole or in part from the
24 earnings and proceeds of said prostitution.

25 **COUNT THIRTY FIVE**

26 **(Penal Code section 266h(a), PIMPING)**

27 For a further and separate cause of action, being a different offense from, but connected in
28 its commission with, the charge set forth above, on or about and between August 1, 2014 and

1 August 31, 2014, in the County of Los Angeles, **Defendant FERRER** did unlawfully commit the
2 crime of PIMPING in violation of Penal Code section 266h(a), in that said Defendant, knowing
3 L.B. to be a prostitute, did live and derive support and maintenance in whole or in part from the
4 earnings and proceeds of said prostitution.

5 **COUNT THIRTY SIX**

6 **(Penal Code section 266h(a), PIMPING)**

7 For a further and separate cause of action, being a different offense from, but connected in
8 its commission with, the charge set forth above, on or about and between January 1, 2016 to June
9 1, 2016 in the County of Sacramento, **Defendant FERRER** did unlawfully commit the crime of
10 PIMPING in violation of Penal Code section 266h(a), in that said Defendant, knowing K.A. to be
11 a prostitute, did live and derive support and maintenance in whole or in part from the earnings
12 and proceeds of said prostitution.

13 **COUNT THIRTY SEVEN**

14 **(Penal Code section 266h(b)(1), PIMPING A MINOR 16 YEARS OF AGE)**

15 For a further and separate cause of action, being a different offense from, but connected in
16 its commission with, the charge set forth above, on or about and between November 1, 2014
17 through November 6, 2015, in the County of Sacramento, **Defendant FERRER** did unlawfully
18 commit the crime of PIMPING OF A MINOR in violation of Penal Code section 266h(b)(1), in
19 that said Defendant, knowing C.U., a minor over 16 years, to engage in prostitution, did live and
20 derive support and maintenance in whole or in part from the earnings and proceeds of said
21 prostitution.

22 **COUNT THIRTY EIGHT**

23 **(Penal Code section 266h(b)(1), PIMPING A MINOR 16 YEARS OF AGE)**

24 For a further and separate cause of action, being a different offense from, but connected in
25 its commission with, the charge set forth above, on or about August 12, 2016 in the County of
26 Fresno, **Defendant FERRER** did unlawfully commit the crime of PIMPING OF A MINOR in
27 violation of Penal Code section 266h(b)(1), in that said Defendant, knowing A.B., a minor over
28

1 16 years, to engage in prostitution, did live and derive support and maintenance in whole or in
2 part from the earnings and proceeds of said prostitution.

3 **COUNT THIRTY NINE**

4 **(Penal Code section 266h(a), PIMPING)**

5 For a further and separate cause of action, being a different offense from, but connected in
6 its commission with, the charge set forth above, on or about and between November 22, 2015 and
7 December 5, 2015, in the County of Sacramento, **Defendant FERRER** did unlawfully commit
8 the crime of PIMPING in violation of Penal Code section 266h(a), in that said Defendant,
9 knowing A.F. to be a prostitute, did live and derive support and maintenance in whole or in part
10 from the earnings and proceeds of said prostitution.

11 **COUNT FORTY**

12 **(Penal Code section 266h(b)(2), PIMPING A MINOR UNDER 16 YEARS OF AGE)**

13 For a further and separate cause of action, being a different offense from, but connected in
14 its commission with, the charge set forth above, on or about and between December 6, 2015 to
15 December 28, 2015 in the County of Santa Clara, **Defendant FERRER** did unlawfully commit
16 the crime of PIMPING OF A MINOR in violation of Penal Code section 266h(b)(2), in that said
17 Defendant, knowing S.D., a minor under 16 years, to engage in prostitution, did live and derive
18 support and maintenance in whole or in part from the earnings and proceeds of said prostitution.

19 **PENAL CODE SECTION 186.10 ENHANCEMENT ALLEGATION**

20 Pursuant to Penal Code section 186.10(c)(1)(B), it is further alleged as to counts 14-18 that
21 the value of the individually alleged transactions exceeds one hundred fifty thousand dollars
22 (\$150,000) but is less than one million dollars (\$1,000,000), so that the court, in addition to and
23 consecutive to the felony punishment otherwise imposed pursuant to this section, shall impose an
24 additional term of imprisonment of two years.

25 **PENAL CODE SECTION 186.10 ENHANCEMENT ALLEGATION**

26 Pursuant to Penal Code section 186.10(c)(1)(C), it is further alleged as to counts 2-9, 19-26,
27 that the value of the individually alleged transactions exceeds one million dollars (\$1,000,000),
28 but is less than two million five hundred thousand dollars (\$2,500,000), so that the court, in

1 addition to and consecutive to the felony punishment otherwise imposed pursuant to this section,
2 shall impose an additional term of imprisonment of three years.

3 **PENAL CODE SECTION 186.10 ENHANCEMENT ALLEGATION**

4 Pursuant to Penal Code section 186.10(c)(1)(D), it is further alleged as to counts 10-11, that
5 the value of the individually alleged transactions exceeds two million five hundred thousand
6 dollars (\$2,500,000), so that the court, in addition to and consecutive to the felony punishment
7 otherwise prescribed by this section, shall impose an additional term of imprisonment of four
8 years.

9 **NOTICE:** Conviction of the offenses charged in counts 28-32, 37-38, 40 will require you
10 to register pursuant to Penal Code section 290. Willful failure to register is a crime.

11 **NOTICE:** Per Penal Code sections 11166 and 11168, a Suspected Child Abuse Report
12 (SCAR) may have been generated in counts 28-32, 37-38, 40. Penal Code sections 11167 and
13 11167.5 limit access to a SCAR. A court-issued protective order is needed to obtain a copy of the
14 report.

15 **NOTICE:** Penal Code section 1203.065(a) prohibits a grant of probation for the offenses
16 charged in counts 28-40.

17 **NOTICE:** Per Penal Code section 1054.5(b), the People hereby informally request that
18 defense counsel provide the People with discovery as required by Penal Code section 1054.3.


19 **DECLARATION**

20 I declare under penalty of perjury, under Penal Code section 806, that the foregoing is true
21 and correct.

22 Dated: December 23, 2016

Respectfully Submitted,

23 KAMALA D. HARRIS
Attorney General of California

24 

25 MAGGY KRELL
26 Supervising Deputy Attorney General
Attorneys for the People

27 SA2013311583
28 32562042

EXHIBIT D

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18
 19 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
 20 IN AND FOR THE COUNTY OF SACRAMENTO

21 **PEOPLE OF THE STATE OF CALIFORNIA,**

22 Plaintiff,

23 v.

24 **CARL FERRER, MICHAEL LACEY, and**
 25 **JAMES LARKIN,**

26 Defendants.

Case No. 16FE019224, Dept. No. 61

NOTICE OF DEMURRER AND DEMURRER OF DEFENDANTS; SUPPORTING MEMORANDUM OF POINTS AND AUTHORITIES
 [California Penal Code § 1004]

Opposition Due: November 4, 2016
 Reply Due: November 10, 2016
 Hearing Date: November 16, 2016
 Time: 1:30 p.m.

Complaint Filed: September 26, 2016
 Trial Date: N/A

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