

**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 |) | |
| County, Illinois, |) | Magistrate Judge Young B. Kim |
| |) | |
| Defendant. |) | |

**SHERIFF’S COMBINED MEMORANDUM IN SUPPORT OF HIS
MOTION TO DISMISS THIS ACTION AND TO DISSOLVE THE INJUNCTION**

Despite what Backpage told this Court on numerous occasions, it is not merely an online intermediary publishing the information content of others. In fact, quite the opposite is true. As the Sheriff consistently has maintained, Backpage knowingly facilitated prostitution and human trafficking for years, including by sanitizing proposed ads of their facially-apparent criminal content to elude law enforcement, and profited handsomely. To continue this multimillion-dollar criminal empire, Backpage lied to this Court, lied to the Seventh Circuit Court of Appeals, lied to the United States Supreme Court, lied to every other state and federal court in which it has appeared, lied to every public official and law enforcement officer investigating it, and lied to victims of sex trafficking or their grieving families. Now, however, the truth is out, and it is time to dismiss this case with prejudice, dissolve the preliminary injunction and award appropriate sanctions against Backpage.

Since entry of the preliminary injunction in this matter, facts have come to light which conclusively establish that this lawsuit never had any merit, and that the case is moot and should be dismissed. The preliminary injunction should be dissolved immediately because it

serves no legitimate purpose. Most astoundingly, Backpage and its CEO now admit—technically, confess—that the entire basis for its civil lawsuit, including the preliminary injunction, is an orchestrated hoax:

- Backpage confesses that it facilitated the placement of prostitution advertisements on its website, *contra* Complaint (ECF No. 1), ¶¶ 19, 23, 25, 56 & Amended Complaint (ECF No. 173), ¶¶ 19, 23, 25, 56;
- Backpage admits that Visa and MasterCard severed their relationships with Backpage because of its illegal activities, *contra* Complaint, ¶¶ 40, 41, 44—45, 62 & Amended Complaint, ¶¶ 40, 41, 44—45, 62; and
- Backpage admits that through dummy corporations, Backpage was able to continue the processing of credit card transactions after Visa and MasterCard stopped dealing with Backpage directly, *contra* Complaint, ¶¶ 42—45 & Amended Complaint, ¶¶ 42—44.

Background

This all started when the Cook County Sheriff's Office tried to work with Backpage to rid it of the criminal prostitution that ran rampant throughout its website. Backpage paid lip service to helping law enforcement clean up its site, protesting that it was not responsible for the content posted thereon, yet all the while knowing that it was abetting prostitution through its so-called “moderation” efforts. Soon, the Sheriff's Office uncovered evidence that Backpage was sanitizing prostitution ads to conceal criminal conduct, including the minority age of children being prostituted. That was the Red Beauty Sting Operation. (*See* ECF No. 155 at 5—6). Later, mountains of evidence surfaced showing that Backpage engaged in a systematic cover-up of known criminal conduct, proving its civil rights case was phony from the get-go. (*See* ECF No. 201) (motion for leave to issue subpoenas concerning cache of Philippine revelations).

Backpage perpetuated its lies at the preliminary injunction hearing held August 20, 2015, maintaining it was not responsible for any of the content placed on its website and

denying any criminal complicity. (ECF No. 65 at 194). At the hearing, the Sheriff showed that MasterCard already was considering severing its relationship with Backpage due to pressures received from stockholders and others (ECF No. 88-55), and presented testimony from Visa, Inc. that “at no point did Visa perceive Sheriff Dart to be threatening Visa with prosecution or any other official state action, nor did Visa base its decision on any such threat.” (ECF No. 52-19, ¶ 4). On August 21, 2015 this Court denied Backpage’s motion for a preliminary injunction. (ECF No. 59). In hindsight, the guilty pleas confirmed that this Court was correct in its fact-finding.

On September 17, 2015, Backpage filed its notice of appeal to the Seventh Circuit. (ECF No. 73). It continued to maintain falsely that it was not facilitating prostitution and not providing any of the content on its website. (Appellant’s Opening Brief at 3). The Seventh Circuit reversed this Court’s decision, ruling that Backpage was entitled to a preliminary injunction, based on Backpage’s knowingly false denials of facilitating prostitution and knowingly false claims that it was not providing content for any of the advertisements posted on its website. *Backpage.com, LLC v. Dart*, 807 F.3d 229 (7th Cir. 2015). On December 23, 2015 this Court granted Backpage’s preliminary injunction as ordered by the Court of Appeals. (ECF No. 109). The Sheriff’s Office has complied with the injunction.

For almost three years, Backpage fiercely fought discovery motions—prosecuting and defending them—aggressively and repeatedly sought summary judgment, opposed leave to plead affirmative defenses of illegality, promoted its immunity under the Communications Decency Act and even sought sanctions against the Sheriff’s Office, continuing to maintain falsely that it was not facilitating prostitution and not providing any of the content on its website. (ECF Nos. 124, 160, 205, 214—16). Then, as the Sheriff continued to press for discovery into

how much money Backpage earned in its illegal enterprise, Backpage filed its first amended complaint on August 9, 2016 abandoning its claims for monetary damages. (ECF No. 173).

Then Backpage's house of cards began to collapse. On January 9, 2017 the U.S. Senate Permanent Subcommittee on Investigations issued a report following its twenty-plus month investigation into human trafficking titled "BACKPAGE.COM's KNOWING FACILITATION OF ONLINE SEX TRAFFICKING." (ECF No. 197-1). The Subcommittee concluded not only that Backpage profited handsomely from illegal advertisements, but that Backpage, contrary to its assertions, edited ads posted on its website to conceal criminal activity and advised customers how to edit their ads for prostitutes to give Backpage plausible deniability about the illegal nature of the ads. *Id.* The report concluded that Backpage was aware that it facilitated prostitution and that "Backpage's public defense is a fiction." (*Id. at 3 & 36*).

On January 9, 2017 Backpage removed the adult sections from its websites. (ECF No. 196 at 1). Later, the Sheriff would learn that Backpage merely migrated the criminal ads to its personals section. (ECF No. 200).

In July 2017, THE WASHINGTON POST and NBC NEWS each published explosive articles reporting that Backpage actively recruited prostitutes and even created ads for them to post on its website. (ECF Nos. 201-1, 201-2). The articles explained that the discovery of incriminating documents showing Backpage's solicitation and ad creation resulted accidentally following the seizure of computers from one of Backpage's Philippine agents. The seized documents contradict the premise of the original and amended complaints that Backpage does not provide any content of the ads soliciting prostitution.

On March 28, 2018, in a ninety-three-count indictment, the DOJ indicted seven individuals associated with Backpage for crimes such as conspiracy to facilitate prostitution,

facilitating prostitution and money laundering. On April 5, 2018 the illegal activity outlined by the Senate became undeniable when Backpage and its CEO Carl Ferrer entered guilty pleas pursuant to plea agreements for charges of felony money laundering and conspiracy to commit violations of the Travel Act – Facilitate Prostitution (18 U.S.C. § 1952(a)(3)(A)), Concealment Money Laundering (18 U.S.C. § 1956(a)(1)(B)(i)), International Promotional Money Laundering (18 U.S.C. § 1956(a)(2)(A)), Transactional Money Laundering (18 U.S.C. § 1957(a)), and International Concealment Money Laundering (18 U.S.C. § 1956(a)(2)(B)(i)), true and correct copies of which are attached hereto as Exhibits A & B. As part of the Backpage Plea Agreement, Backpage agreed that “[i]t is the parties’ intention that the defendant [Backpage] will cease to exist or operate following its entry of a guilty plea in this matter.” (Ex. A, ¶ 3(d)). As a part of the Ferrer Plea Agreement, Ferrer agreed that “upon entry of his guilty plea, he will take all steps within his power to immediately shut down the website www.backpage.com (“Backpage”) in the United States and all other countries in which the website operates. Such steps shall include, but not be limited to, surrendering to the United States the registration account, including login and password information, for the www.backpage.com domain name necessary to operate the various Backpage websites and providing technical assistance to the United States to effectuate the shutdown.” (Ex. B, ¶ 3(a)). In addition, Backpage, through Ferrer, admitted that ads on Backpage were for prostitution not protected by the first amendment, and that Backpage was aware of this and “conspired to find ways to knowingly facilitate the state-law prostitution crimes being committed by Backpage's customers.” (Ex. A, ¶ 10(a)). Ferrer agreed to these same facts in the Ferrer Plea Agreement and admitted his personal involvement in the same. (Ex. B, ¶ 10(a)). On April 6, 2018 the U.S. Justice Department seized

Backpage.com and its affiliated websites, shutting down Backpage's website and business. (Ex. C).

ARGUMENT

Backpage's remaining claims for injunctive and declaratory relief should be dismissed with prejudice because they are moot. Backpage no longer exists or operates. Further, the preliminary injunction should be dissolved because Backpage's parade of lies has been exposed, obliterating the bases on which it was granted, and like the action is moot. Finally, if this action is dismissed, the injunction must be dissolved as a matter of law.

I. BACKPAGE'S CLAIMS ARE MOOT BECAUSE ITS WEBSITES ARE SHUT DOWN AND IT AGREED TO CEASE EXISTENCE

"Article III, § 2 of the Constitution grants jurisdiction to federal courts to adjudicate only actual, ongoing controversies. For a case to be justiciable, a live controversy must continue to exist at all stages of review, not simply on the date the action was initiated. A case becomes moot when a court's decision can no longer affect the rights of litigants in the case before them and simply would be an opinion advising what the law would be upon a hypothetical state of facts." *Brown v. Bartholomew Consol. Sch. Corp.*, 442 F.3d 588, 596 (7th Cir. 2006). When only injunctive and declaratory relief and no money damages are sought, a case is moot when "a judicial decision" in favor of the moving party can "no longer benefit" the moving party. *Id.* at 596-597. In addition, the Supreme Court has "often stressed" that courts "ought not to pass on questions of constitutionality unless such adjudication is unavoidable." *Matal v. Tam*, 137 S. Ct. 1744, 1755 (2017).

"A court's power to grant injunctive relief only survives if such relief is actually needed." *Nelson v. Miller*, 570 F.3d 868, 882 (7th Cir. 2009). A claim for declaratory judgment is moot where "relief ... would have no impact on the parties to [the] suit." *Tobin for Governor*

v. Ill. State Bd. of Elections, 268 F.3d 517, 528 (7th Cir.2001). “The issue of whether a claim for specific injunctive relief is moot is a fact-specific one, that requires the court to assess not only the adjudicative facts of the case but also the probable impact of the requested relief on that factual situation.” *Square D Co. v. Fastrak Softworks, Inc.*, 107 F.3d 448, 451 (7th Cir. 1997) (citation omitted). Specifically, when the facts show that a party seeking only injunctive or declaratory relief no longer exists or operates, its claims are moot. *See, e.g., Bd. of License Comm'rs of Town of Tiverton v. Pastore*, 469 U.S. 238, 239–40 (1985); *Mad Malcolm's, Inc. v. Vill. of Niles*, No. 85 C 7060, 1989 WL 135250, at *1 (N.D. Ill. Oct. 26, 1989) (court dismissed claims for injunctive relief as moot in case where plaintiff had gone out of business). The Supreme Court held a case was moot where the petitioner had “gone out of business.” *Bd. of License Comm'rs of Town of Tiverton*, 469 U.S. at 239–40. The Supreme Court explained that although at “oral argument counsel discussed some circumstances under which a decision on the merits by [the] Court might conceivably affect substantive rights of interested parties ... such speculative contingencies afford no basis for [the Court’s] passing on the substantive issues [the petitioner] would have [it] decide, in the absence of evidence that this is a prospect of immediacy and reality.” *Id.* (citations and quotations omitted).

When Backpage and its CEO pleaded guilty to felony charges, Backpage agreed that it would “cease to exist or operate” and Ferrer agreed to “take all steps within his power to immediately shut down” Backpage. (Ex. A, ¶ 3(d) and Ex. B, ¶ 3(a)). Backpage no longer “exists” or “operates” and Ferrer now must take all steps to ensure Backpage is “immediately shut down.” *Id.* Because Backpage no longer exists, its claims for injunctive and declaratory relief are moot. The Supreme Court made clear in *Tiverton* that a case is moot where a complaining party has “gone out of business” and that “speculative contingencies” about how a

decision “might conceivably affect substantive rights of interested parties” are not enough to avoid dismissal based on mootness. 469 U.S. at 239–40. As such, this case is moot and should be dismissed with prejudice.

II. A PRELIMINARY INJUNCTION BASED ON REPUDIATED ALLEGATIONS SHOULD BE DISSOLVED

Since this Court entered an injunction on December 23, 2015, the lies upon which Backpage relied to obtain the preliminary injunction have been exposed:

- On January 9, 2017, the Senate Permanent Subcommittee on Investigations concluded that Backpage edited ads for prostitution and was fully aware that its website was used to facilitate prostitution and child trafficking.
- In January 2017, Backpage shut down the adult section of its websites.
- In July 2017, a large cache of Backpage documents possessed by a Backpage contractor was discovered in the Philippines, demonstrating Backpage was actively recruiting prostitutes and creating ads for them to post on its web site.
- On April 6, 2018, the DOJ seized Backpage’s web sites and shut down Backpage’s business because Backpage is “the Internet’s leading forum for prostitution ads, including ads depicting the prostitution of children.”
- On April 6, 2018, the DOJ filed a ninety-three-count indictment against Backpage and seven individuals for crimes such as conspiracy to facilitate prostitution, using a facility in interstate or foreign commerce to commit prostitution, and money laundering.
- On April 12, 2018, Backpage’s and its related entities’ guilty pleas to conspiracy to launder money were unsealed.
- On April 12, 2018, Backpage CEO Carl Ferrer’s guilty pleas to conspiracy to prostitute and conspiracy to engage in money laundering were unsealed.
- In the April 12, 2018 plea agreements of Backpage and Ferrer, both admit that most advertisements from which Backpage derived revenue were for prostitution services; Backpage and its employees conspired to facilitate

prostitution by, among other things, editing ads that it knew were for prostitution to create a veneer of deniability for Backpage; and Backpage and its officers conspired to engage in money laundering.

- In the April 12, 2018 plea agreements of Backpage and Ferrer, both admit that “banks, credit card companies and other financial institutions refused to do business with Backpage due to the illegal nature of its business.”

A federal court has an inherent right to modify or dissolve a preliminary injunction in light of changed circumstances, or in this case, exposed lies. *United States v. Swift & Co.*, 286 U.S. 106, 113 (1932); *U.S. v. City of Chicago*, 663 F.2d 1354, 1359 (7th Cir. 1981). The burden for dissolving a preliminary injunction is not as high as the burden for dissolving a permanent injunction. *See Dore & Assocs. Contracting, Inc. v. Am. Druggists' Ins. Co.*, 54 B.R. 353, 361 (Bankr. W.D. Wis. 1985) (suggesting that the burden should be placed on the party seeking to maintain the preliminary injunction). *See also Movie Systems, Inc. v. MAD Minneapolis Audio Distributors*, 717 F.2d 427, 430 (8th Cir. 1983); *Basic Research, L.L.C. v. Cytodyne Technologies, Inc.*, No. 2:99-CV—343K, 2000 WL 33363261, * 11 (D. Utah 2000).

When the purpose of the preliminary injunction is no longer served by maintaining it, it should be dissolved. *Burlington Northern & Santa Fe Ry. Co. v. Brotherhood of Locomotive Engineers*, 367 F.3d 675, 679 (7th Cir. 2004) (preliminary injunction issued to prevent labor union striking while dispute with employer was heard by arbitral board was dissolved after board decided most issues in favor of employer); *Stewart v. General Motors Corp.* 756 F.2d 1285, 1291-93 (7th Cir. 1985) (preliminary injunction issued to eliminate discriminatory promotional practices was dissolved when employer became party to a collective bargaining agreement that contained a uniform and objective evaluation process for promotions); *Moore v. Miller*, 612 F. Supp. 952 (N.D. Ill. 1985) (preliminary injunction requiring Illinois Department of Public Aid to calculate income levels in a certain manner was dissolved after

federal government passed law dictating that income levels be calculated in a manner similar to that set forth in preliminary injunction); *McMillen v. Las Vegas Tp. Constable's Office*, No. 2:14-CV-00780-APG-NJK, 2015 WL 403563 (D. Nev. Jan. 29, 2015) (preliminary injunction prohibiting Township Constable from enforcing a fee for failure to register vehicle was dissolved after Township Constable waived fee); *Univ. of Hawaii Professional Assembly v. Cayetano*, 125 F. Supp. 2d 1237 (D. Haw. 2000) (preliminary injunction prohibiting state from implementing statute to pay employees on a delayed payroll basis in violation of collective bargaining agreement was dissolved because it served no purpose after CBA expired).

Due to Backpage's lies being exposed, it is clear that no purpose exists for maintaining the preliminary injunction against the Sheriff. When Backpage sought the preliminary injunction, it alleged falsely that the Sheriff's letters to the credit card companies caused them to sever ties with Backpage (ECF No. 1, ¶¶ 4, 6, 39—45; ECF No. 173, ¶¶ 4, 6, 39—45). Now, Backpage admits that credit card companies severed ties *because of Backpage's illegal conduct*. (Ex. A and B). Thus, there never was any valid reason to enjoin the Sheriff from contacting financial institutions, and the preliminary injunction should be dissolved.

Often, courts looking at the dissolution issue consider if the changed circumstances result in the inability of the plaintiff to demonstrate the essential elements needed to grant a preliminary injunction in the first place. *Centurion Reinsurance Co., Ltd. v. Singer*, 810 F.2d 140, 143 (7th Cir. 1987); *U.S. Commodity Futures Trading Commission v. Gorofalo*, No. 10 C 2417, 2010 WL 11245430, * 3 (N.D. Ill. Dec. 21, 2010). A preliminary injunction will only be granted when the moving party demonstrates that it has no adequate remedy at law, it will suffer irreparable harm if relief is denied, and it has some likelihood of success on the merits. *See Ezell v. City of Chicago*, 651 F.3d 684, 694 (7th Cir. 2011).

Backpage cannot show a likelihood of success on the merits. A prior restraint is an order by a government body forbidding certain communications when issued in advance of the time that the communications occur. *Alexander v. U.S.*, 509 U.S. 544, 550 (1993). Prior restraints occur when, for example, the government seizes or otherwise restrains materials suspected of being obscene without a prior judicial determination that they were in fact obscene. *See, e.g., Marcus v. Search Warrant of Kansas City, Mo., Property*, 367 U.S. 717 (1961); *Bantam Books, Inc. v. Sullivan*, 372 U.S. 58 (1963). Subsequent punishment, on the other hand, does not seek to regulate speech or conduct before it takes place, but is a penalty for past criminal conduct. *Alexander*, 509 U.S. at 553.

The action that the Sheriff is enjoined from doing can no longer be considered a prior restraint because Backpage has admitted to criminal wrongdoing. Any action the Sheriff now takes is not to stop future communications by Backpage, but in response to Backpage's admitted past criminal conduct. *See Arcara v. Cloud Books, Inc.*, 478 U.S. 697 (1987) (county sheriff could close adult book store based on past illegal conduct). Because a prior restraint can no longer occur, the injunction serves no purpose and must be dissolved. Also, because Backpage is out of business, it is not engaging in any speech that could be restrained.

Backpage cannot show irreparable harm. If a company is out of business, it cannot show future irreparable harm and a preliminary injunction cannot issue. *Bd. of License Comm'rs of Town of Tiverton v. Pastore*, 469 U.S. 238, 239–40 (1985); *T & L Redemption Center Corp. Phoenix Beverages, Inc.*, 752 F. Supp. 64, 67 (E.D. N.Y. 1989); *Mad Malcolm's, Inc. v. Village of Niles*, No. 85 C 7060, 1989 WL 135250, at *1 (N.D. Ill. Oct. 26, 1989) (court dismissed claims for injunctive relief as moot in case where plaintiff had gone out of business). Backpage is out of business, and the reality is that it will never do business. Federal authorities

seized its assets and shut down its websites. It admitted serious wrongdoing in its plea agreement and the CEO and owner agreed that Backpage will stop doing business.

Preliminary injunctive relief is not appropriate where, as in this case, the threat of irreparable harm already occurred. *City of Los Angeles v. Lyons*, 461 U.S. 95, 107 n.8; *American Bd. of Psychiatry and Neurology, Inc. v. Johnson-Powell*, 129 F.3d 1 (1st Cir. 1997); *Confederated Tribes of Coleville Indian Nation v. State of Wash.*, 591 F.2d 89, 90 n.1 (9th Cir. 1979); *Alpha Founders Holding, LLC v. Magellan Health, Inc.*, 2018 WL 1247405, * 5 (E.D. N.Y. Mar. 9, 2018). The threat of irreparable harm to Backpage was that its first amendment rights would be violated by the Sheriff's communications with Visa and MasterCard. Protection of Backpage's first amendment rights is now moot because Backpage no longer engages in speech. The only harm for which Backpage seeks preliminary injunction has already occurred and will never occur again. The preliminary injunction is senseless and should be dissolved.

Backpage defrauded the courts to obtain its injunction. When a party obtains an injunction through fraudulent means, continuation of the injunction is inequitable, and a court will dissolve it. *Star v. Hawaii*, No. CV 05-00665 DAE LEK, 2007 WL 542060, (D. Haw. Mar. 19, 2007) (preliminary injunction in employment discrimination case dictating steps that employer must take to accommodate employee and prohibiting disciplinary action was dissolved because employee continuously arrived late to work, failed to account for work time and took excessive lunch breaks). Backpage, of course, has been a little more than tardy to work. It has confessed to facilitating prostitution and made admissions on its true role sanitizing ads of unlawful activities to conceal crimes from law enforcement officials. It has pretended to be a civil rights plaintiff, all the while knowing its factual assertions were untrue.

It is inequitable to allow a preliminary injunction based on falsehoods to stand. *Qad. inc. v. ALN Associates, Inc.*, 974 F.2d 834, 839 (7th Cir. 1992) (court dissolved injunction due to the misrepresentations made to the court, and Seventh Circuit affirmed, stating “[t]he district court did not abuse its discretion . . . in dissolving the injunction based on qad’s less-than-candid posture at the injunction hearing”); *Coastal Corp. v. Texas Eastern Corp.*, 869 F.2d 817, 818 (5th Cir.1989) (injunction procured by material misrepresentations may not be sustained).

III. THE PRELIMINARY INJUNCTION SHOULD BE DISSOLVED IF THE CASE IS DISMISSED

Logically, if a case is dismissed, a preliminary injunction previously granted in the case must be dissolved. *Venezia v. Robinson*, 16 F.3d 209, 211 (7th Cir. 1994) (a “preliminary injunction cannot survive dismissal of a complaint”). *See also Rodriguez v. 32nd Legislature of Virgin Islands*, 859 F.3d 199, 207 (3d Cir. 2017) (injunction dissolved automatically when district court dismissed case); *Wyandotte Nation v. Sebelius*, 443 F.3d 1247, 1253 n.10 (10th Cir. 2006) (preliminary injunction dissolved upon dismissal of complaint); *Fundicao Tupy S.A. v. U.S.*, 841 F.2d 1101, 1103 (Fed. Cir. 1988) (preliminary injunction “is *ipso facto* dissolved by a dismissal of the complaint or the entry of a final decree in the cause”) (citations omitted). As the Sheriff has demonstrated, this action must be dismissed, so too then should the preliminary injunction be dissolved.

CONCLUSION

WHEREFORE, for the foregoing reasons, Thomas J. Dart, Sheriff of Cook County, Illinois, requests that the preliminary injunction be dissolved, that the action be dismissed with prejudice and that this Court grant whatever other relief this Court deems appropriate.

Respectfully submitted,

THOMAS J. DART,
SHERIFF OF COOK COUNTY

By: Paul J. Kozacky
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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> |
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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

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

SEALED

22 United States of America,
23
24 Plaintiff,

CR-18-465-PHX-DJH
PLEA AGREEMENT

25 vs.

26 Backpage.com, LLC,
27
28 Defendant.

Plaintiff, United States of America, and the defendant, Backpage.com, LLC,
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.) § 1956(h), Money Laundering Conspiracy, a Class C felony offense.

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 Pursuant to Fed. R. Crim. P. 11(c)(1)(C), the United States and the defendant stipulate
2 that the defendant's guilty plea in this case is contingent upon the acceptance of Ferrer's
3 plea agreements in the California and Texas matters. If either of those plea agreements is
4 rejected, the defendant will be afforded an opportunity to withdraw the guilty plea in this
5 case.

6 b. Timing Of Sentencing: The defendant agrees that sentencing in this case
7 may be delayed until the federal sentencing of co-defendant Carl Ferrer.

8 c. Offset for Fine Payments By Organizational Co-Defendants. The parties
9 stipulate and agree that, to the extent the Court imposes a criminal fine against any of the
10 other organizational co-defendants in this matter, the defendant will receive credit toward
11 its criminal fine obligation (under 18 U.S.C. § 3612(i)) for any fine-related payments
12 made by such organizational co-defendants.

13 d. Length Of Probationary Term: It is the parties' intention that the defendant
14 will cease to exist or operate following its entry of a guilty plea in this matter.
15 Nevertheless, pursuant to Fed. R. Crim. P. 11(c)(1)(B), the United States will recommend
16 that, if it appears the defendant will remain in existence and operation following
17 sentencing in this case, the defendant be sentenced to a 60-month term of probation.

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

27 f. Assets and Financial Responsibility. The defendant shall make a full
28 accounting of all assets in which the defendant has any legal or equitable interest. The

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.

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.

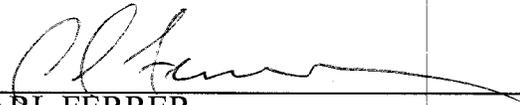
17 I understand that if the defendant is granted probation or placed on supervised
18 release by the Court, the terms and conditions of such probation/supervised release are
19 subject to modification at any time. I further understand that if the defendant violates any
20 of the conditions of its probation/supervised 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.
28

1 I further agree on behalf of the defendant that promises, including any predictions
2 as to the Sentencing Guideline range or to any Sentencing Guideline factors that will
3 apply, made by anyone (including the defendant's attorney) that are not contained within
4 this written plea agreement, are null and void and have no force and effect.

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

9
10 4-5-18
Date



CARL FERRER
Defendant's Authorized Representative

11
12 **APPROVAL OF DEFENSE COUNSEL**

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

25
26 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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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 4-5-18
25 Date


26 CARL FERRER
27 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

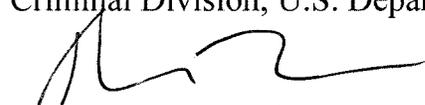
I have reviewed this matter and the plea agreement. I agree on behalf of the United States that the terms and conditions set forth herein are appropriate and are in the best interests of justice.

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

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backpage.com and affiliated websites have been seized

as part of an enforcement action by the Federal Bureau of Investigation, the U.S. Postal Inspection Service, and the Internal Revenue Service Criminal Investigation Division, with analytical assistance from the Joint Regional Intelligence Center.

Other agencies participating in and supporting the enforcement action include the U.S. Attorney's Office for the District of Arizona, the U.S. Department of Justice's Child Exploitation and Obscenity Section, the U.S. Attorney's Office for the Central District of California, the office of the California Attorney General, and the office of the Texas Attorney General.

Additional information will be provided at around 6:00 pm EST on Friday, April 6, by the U.S. Department of Justice, and all media inquiries should be directed to the U.S. Department of Justice's Office of Public Affairs at 202-514-2007 and press@usdoj.gov.

April 6, 2018

Worcester

Harrisburg

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