

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF SACRAMENTO

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THE PEOPLE OF THE STATE OF CALIFORNIA,  
Plaintiff,

DECLARATION IN  
SUPPORT OF ARREST  
WARRANT AND  
WARRANT

vs.

CARL FERRER, MICHAEL LACEY, and JAMES LARKIN,  
Defendants.

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I, BRIAN FICHTNER, declare:

I am a Special Agent employed by the California Department of Justice (DOJ),  
and that I allege and state the following:

This Affidavit in support of arrest pertains to an ongoing investigation into CARL  
FERRER ("FERRER"), MICHAEL LACEY ("LACEY"), and JAMES LARKIN  
("LARKIN"), collectively referred to as "Defendants," and the online advertising site  
known as [www.backpage.com](http://www.backpage.com) ("BACKPAGE").

Your affiant, a California Peace Officer per California Penal Code Section 830.1, asserts that there is probable cause to believe that between January 1, 2010 and September 28, 2016, FERRER, LACEY, and LARKIN received earnings from prostitution through the website they created and operated at www.backpage.com. For at least the last five years, Defendants have known that their website is the United States hub for the illegal sex trade and that many of the people who advertised for commercial sex on BACKPAGE are victims of sex trafficking, including children. This affidavit and accompanying complaint seek to arrest and charge Defendants FERRER, LACEY, and LARKIN with conspiracy to commit pimping (Penal Code §§ 182/266h) for their respective roles and stakes in operating BACKPAGE, and FERRER for pimping (Penal Code § 266h) minor victims A.C., E.V., L.F., E.S., Z.G., and adult victims A.H., S.C., L.B., and K.A. These victims represent a small fraction of the thousands of California-based victims exploited in ads reviewed in this investigation.

The relevant identifying information for the victims is contained in "Confidential Attachment" and is herein incorporated. Declarant requests that "Confidential Attachment" be ordered sealed pursuant to California Rule of Court Rule 243.1(d) in order to protect the confidential personal information of the above subject. (See Pen. Code, §§ 293.5 and 964.)

### **BACKPAGE'S Operation**

In 2004, BACKPAGE was founded by LARKIN and LACEY, and FERRER managed the site's operation. In 2012, BACKPAGE separated from its parent company and LACEY and LARKIN remained controlling shareholders of BACKPAGE while FERRER became Chief Executive Officer (CEO).

BACKPAGE is similar to Craigslist.org in that it is an on-line general classified advertising site. The adult services section on BACKPAGE contains ads for prostitution, body rubs, massages, escort, and other sexual services for sale. Nearly naked persons in provocative positions are pictured in nearly every adult services advertisement on BACKPAGE, and the site charged a fee to the user to post advertisements for "escorts"

and other similar “services.” This “fee to post” or payment system was restructured in July 2015 once credit card companies ceased doing business with BACKPAGE.

When the largest classified service, Craigslist.org, shut down its “Adult Services” category in 2012, “Adult” ads migrated to BACKPAGE, and BACKPAGE capitalized on this increased traffic by raising its fees. BACKPAGE also expanded operations, creating sites in hundreds of cities throughout the world, including over 30 cities in California.

In late 2014, FERRER bought BACKPAGE through two of his Delaware companies – CF Holdings and CF Acquisitions – and created BACKPAGE’s new parent company, the Netherlands-based UGC Tech Group C.V. (“UGC”). FERRER is the only named partner of UGC and remained the CEO of BACKPAGE. FERRER publicly described the sale as part of BACKPAGE’s international expansion.

Additionally, FERRER devised a way to promote BACKPAGE by creating other prostitution-related sites. BACKPAGE owns and operates EvilEmpire.com and Bigcity.com using content it developed from BACKPAGE users. According to internally records obtained via search warrant, this practice increased BACKPAGE’s share of the online sex advertising market.

As an example, Evilempire.com’s homepage purports to be an “escort phone number directory.” The site presents a series of photos, mostly featuring provocatively dressed females, with phone numbers listed. These photos are hyperlinked to posts containing common indicators of prostitution, such as donations associated with time periods, and each post includes a link to the associated BACKPAGE ad. The linked BACKPAGE ads include essentially identical information to the Evilempire.com posts, from the photos to the contact information. Evilempire.com offers no apparent way for users to submit content, indicating that all of the content was derived from BACKPAGE (in other words, a BACKPAGE escort directory). Evilempire.com functions as an additional platform for BACKPAGE Escort ads.

BACKPAGE acknowledges that pimps routinely pay BACKPAGE for ads trafficking children for sex. I have reviewed numerous communications wherein the National Center for Missing and Exploited Children (NCMEC), among others, inform

LACEY, LARKIN, and FERRER of the high number of children exploited on BACKPAGE. In reviewing BACKPAGE's email I have also observed numerous law enforcement subpoenas and search warrants served on BACKPAGE for sex trafficking investigations and BACKPAGE's responses. These email responses include the requested copies of BACKPAGE's prostitution advertisement. FERRER was copied on these responses.

FERRER and other BACKPAGE representatives have also publicly acknowledged that ongoing prostitution occurs on BACKPAGE but claim to have mitigated criminal activity through a screening process. However, the obvious nature of the "Escort" ads on BACKPAGE makes it plain to any individual doing any form of screening that BACKPAGE's "Escort" ads are for prostitution. DOJ conducted undercover operations both posting "Escort" ads and arranging meetings with people advertised in the "Escort" section. Commercial sex was the only purpose of both buyers and sellers.

While FERRER currently runs the day-to-day operations for BACKPAGE, he and other high level personnel in BACKPAGE's structure report regularly to LARKIN and LACEY.

I reviewed emails and BACKPAGE financial records obtained via search warrant showing that LACEY and LARKIN regularly receive "bonuses" from BACKPAGE's bank accounts. For instance, in September 2014, LACEY and LARKIN each received a \$10 million bonus. Emails also show regular updates, correspondence, and meeting notices between all three Defendants.

### **CAL DOJ Investigation**

In 2013, the California Department of Justice (DOJ) began investigating BACKPAGE. This investigation was sparked by reports from law enforcement agencies, the National Center for Missing and Exploited Children (NCMEC), and news stories about children who were repeatedly exploited for commercial sex on BACKPAGE. BACKPAGE has described itself as the second largest online classified advertising service in the country. I have learned that the majority of BACKPAGE's customers use

the site's fee-based "Adult" section to post "Escort" ads that openly offer sexual, lewd acts for money and have involved individuals under 18 years of age.

Since 2012, the NCMEC has worked on more than 400 cases involving children sold for commercial sex on BACKPAGE. During this same time period, NCMEC has reported 2,900 instances to California law enforcement where suspected child sex trafficking occurred via BACKPAGE.

In May 2014, DOJ agents conducted an undercover sting operation targeting individuals being advertised in the Adult Escort section of BACKPAGE. The operation involved an undercover agent responding to Escort advertisements listed on BACKPAGE by calling the phone number listed in the ad. Throughout the duration of the operation, undercover agents arranged several "dates" with female "Escorts." Each "date" resulted with the "Escort" agreeing to meet the undercover agent in a hotel room. Once in the hotel room, and within a few minutes of arriving, each "Escort" began negotiating sex acts for money with the undercover agent. Based on this behavior, there was no mistaking that the sole purpose of the "Escort" ad posted on BACKPAGE was to offer sex for money. Each "Escort" was interviewed, but not arrested.

In March 2015, I created two undercover advertisements on the website BACKPAGE. One of the ads was posted in the "Escort" section and offered the service of adult companionship for money, the other ad was for the sale of a sofa and was posted in the "buy, sell, trade" section of BACKPAGE. The minimum fee to post the "Escort" ad was \$10.00. Posting the sofa was free of charge. BACKPAGE also offers the ability to upgrade an ad for an additional fee. I upgraded both ads, allowing the ad to be automatically reposted to the top of the page several times during the day. The total cost of the "Escort" ad with the upgrade was \$111.20. The total cost of the sofa ad with the same upgrade was \$1.22. Both of the ads were posted using the same undercover cell phone number. DOJ Special Agent (SA) Tera Mackey monitored the undercover cell phone. Within minutes of the "Escort" ad going live, SA Mackey began receiving calls and texts. SA Mackey told me she received hundreds of inquiries for the "Escort" ad, but received only one inquiry for the sofa. SA Mackey said all the calls and texts related to the "Escort" ad were requests for sexual acts in exchange for money.

I paid for the undercover ads using a Union Bank credit card. Union Bank provided me with documents showing that the money from my credit card account went to Borgun H.F., an online payment service in Iceland. IA Robert Smith has reviewed internal BACKPAGE emails showing the transfer of monies from Borgun H.F. to BACKPAGE bank accounts in the United States. Revenue from BACKPAGE was used to pay salaries and bonuses to LACEY, LARKIN, and FERRER.

After letting the undercover ads run for approximately (ten )10 days, I decided to call BACKPAGE and ask them to remove it. My goal was to learn the process of removing an "Escort" ad from BACKPAGE that law enforcement identifies as an ad for prostitution. My first call was to Liz McDougal, BACKPAGE legal counsel, but I received her voicemail. My next call was to FERRER. When FERRER answered the phone. I identified myself as law enforcement. I told him that I had identified a prostitution ad in the "Escort" section of BACKPAGE (I did not tell FERRER that I posted the ad) and that I was seeking a way to remove the ad. FERRER initially directed me to report the ad by email to [abuse@BACKPAGE](mailto:abuse@BACKPAGE), but then he asked for the name of the ad. I provided him with the Post ID number for the ad. It was apparent that FERRER was looking up the "Escort" ad on his computer because I could hear him typing as I provided him with the Post ID number. He explained that if I report the ad to [abuse@BACKPAGE](mailto:abuse@BACKPAGE), I should include my phone number in order to confirm that I was law enforcement. He mentioned that they have been "spoofed" by individuals claiming to be law enforcement when they were not.

FERRER told me he located a second ad from the same "user," but it was for a "sofa" and did not appear to be illegal. FERRER said he would personally report the ad and "lock it out." He said it would be removed by the end of the day. A short time later, I searched the website to try and locate the "Escort" ad and the sofa ad, but both ads had been removed. I tried to repost the "Escort" ad, but Backapge.com did not allow it to go through.

In May 2015, I created another BACKPAGE "Escort" ad with the goal of trying to post an ad containing sexual verbiage indicative of a prostitution ad. I used the words "cum" and "quickie" in the ad, but when I tried to post it, I received a message that told

me those words were “forbidden in this category.” I had to change the words to “come” and “quick session” in order for the ad to be accepted.

BACKPAGE may have restricted the use of the sexual verbiage in my undercover ad, but when I conducted a random search of the BACKPAGE escort section, I viewed numerous “Escort” ads that contained photos and videos that depicted full nudity. Many of these nude ads were simulating and/or performing sexual acts. BACKPAGE states they moderate their ads and implement a policy against posting obscene or lewd and lascivious graphics and photographs, however, my personal observations have indicated otherwise.

### **BACKPAGE Victims**

In October 2015, I interviewed A.H., 27-year-old woman, who was identified as posting advertisements for commercial sex in the escort section of BACKPAGE. A.H. was one of the individuals contacted and detained during the DOJ sting operation. A.H. admitted to posting the advertisements in the escort section of BACKPAGE for the purpose of offering sex for money. A.H. told me that she began posting escort advertisements on BACKPAGE after Craigslist.org shut down their escort section and MyRedbook.com, a prostitution website, was shut down by the federal government. A.H. told me she received numerous calls from her ads and each time she met the person it ended with her providing sex for money. A.H. told me she used the money she made directly from prostitution to pay for the posting fee of her BACKPAGE advertisements. A search for A.H.’s ads revealed continuous postings for a roughly two-year period, including after the DOJ operation. These ads were posted in California cities, including Sacramento, Los Angeles, Monterey, and Modesto.

On October 13, 2015, I interviewed E.S., a 15-year-old female, who has been identified as a victim of sex trafficking. She told me she was forced into prostitution at the age of 13 years old by her pimp. She eventually testified against her pimp, but once she was introduced to “The Life” of prostitution, she began finding her own way of making money. She started with the website MyRedbook.com until it was shut down, and then she immediately began using BACKPAGE. She described BACKPAGE as a

website that “profits off of women and men.... whether you are wanting to get out there and make some money, or you are being forced to do it.” She stated, “I mean really, coming from someone my age, there is too much access, like it’s too easy for people to get on it and post an ad.” A search for her ads found postings in California, including Sacramento, the East Bay, and Fresno.

On October 22, 2015, I interviewed A.C., a 16 year old female who has been identified as a victim of sex trafficking. A.C. told me she was forced into prostitution when she was 12 or 13 years old. A.C. said the first website she used to post prostitution ads was Craigslist.org. She then used MyRedbook.com until it was shutdown by law enforcement. A.C. said she began using BACKPAGE in late 2013 or early 2014. A.C. said she posted her own ads on BACKPAGE and used a prepaid “Green Dot” credit card to pay the fees. As soon as she posted her ad, she would begin getting calls. A.C. said the purpose of her ads was to make money by finding “dates” and providing sex for money. She said she averaged 10-12 “dates” a day. A.C. said the majority of her “dates” resulted in having sex for money, but not all. Sometimes she said she would arrange a date just to rob them. A.C. told me she used the money she made from her “dates” to repost her prostitution ad on BACKPAGE. I asked A.C. if she knew of any policy restrictions for advertising on BACKPAGE. A.C. said she knew there was a restriction about posting adult ads on their website. I asked if she ever encountered a problem posting in the adult section on BACKPAGE as a minor. She said, “Well no, because how are they supposed to know I’m underage?” A search for her ads found Sacramento postings.

On January 8, 2016, SA Mackey interviewed S.C., a 29-year-old female, who has been identified as a victim of sex trafficking. She was posted on BACKPAGE for the purpose of engaging in sex for money. She described BACKPAGE as a known prostitution site. She said BACKPAGE is an escort service to solicit sexual encounters and the majority of the victims using BACKPAGE have a pimp because there is not enough time to continually update the advertisement and work at the same time. She said all the calls she got from her BACKPAGE ad were for sexual services. She said she paid for her advertisements using pre-paid credit cards. She stated she had two children



during the time she was being trafficked and never learned how to change a diaper or take care of a child because she was continually forced to engage in commercial sex.

On April 18, 2016, DOJ SA Reye Diaz interviewed Z.G., a 17 year old female who has been identified as a victim of sex trafficking. She was advertised multiple times on BACKPAGE. Z.G. told SA Diaz that the website did not restrict her from posting the prostitution ads even though she was a minor. She said all her ads resulted in her exchanging sex for money. She said she would use the profits from having sex to pay for more advertisement on BACKPAGE. She said she would purchase a "Green Dot Visa" from a CVS store and use this card to pay the fee to BACKPAGE that is required to post the ad. A search for her ads found postings for California cities, including San Gabriel, San Diego, San Jose, and Los Angeles.

On August 18, 2016, I interviewed L.B., a 23-year-old female, who has been identified as a victim of sex trafficking. L.B. told me she began using BACKPAGE in 2012 after being introduced to the prostitution lifestyle by her sister who was also prostituting. I asked her to describe BACKPAGE and she described it as a "prostitution thing.... all prostitutes go on there to sell their bodies." She told me she posted advertisements in the "Escort" section of BACKPAGE for the sole purpose to solicit calls from individuals to have sex for money. I asked her if she ever used BACKPAGE for anything other than posting ads in the "Escort" section and she said "no." She said all of the individuals she met from her ad ended with her having sex for money. L.B. talked about having to pay BACKPAGE to post her advertisements. She said she used the money from having sex to pay for posting or reposting her advertisements. L.B. said she did not have any other income except for the money she made from prostitution. Postings of her ads were found in California cities, including Los Angeles, Long Beach, and the Inland Empire.

L.B. told me she advertised on BACKPAGE with E.V., a 13-year-old female, who had been previously reported as a runaway to the NCMEC multiple times. In 2014, E.V. was identified as a sex trafficking victim during a prostitution sting operation where she encountered an undercover officer who was negotiating sex acts for money. The

undercover officer met E.V. through their BACKPAGE "Escort" ad. L.B.'s and E.V.'s "Escort" ad was posted in Long Beach and Los Angeles, CA.

On August 11, 2016, SA Tera Mackey and I interviewed K.A., a 21 year old female that is believed to be a victim of sex trafficking. K.A. said she was 18 years old when she started posting "Escort" ads on BACKPAGE. K.A. said that 80-90% of the people she met through her ad ended up paying to have sex with her. K.A. said she made up to \$1,000.00 a day and would use a portion of that money to repost her ads. K.A. said she had a boyfriend who knew she was posting ads on BACKPAGE, but denied that he was involved. K.A. told me she has paid for most of her escort ads using Bitcoin. K.A. explained that she would buy Amazon gift cards and then sell them on the website Paxful.com for Bitcoin. K.A. said she learned about BACKPAGE from friends who also posted "Escort" ads. K.A. has only used BACKPAGE to post "Escort" ads. K.A. said she knows people can use BACKPAGE to sell other things, but she has never known anyone to use BACKPAGE for anything other than the "Escort" section. I asked K.A. if BACKPAGE ever prevented or interfered with her posting "Escort" ads on its website and she said no. K.A. said she knew that BACKPAGE did not allow certain words, language, or nudity in the ads so she avoided those things. Her ads were found posted in Sacramento, CA.

On March 11, 2015, L.F., a 15-year-old female, testified in a California Superior Court as a victim of sex trafficking. I reviewed the transcripts of her testimony. L.F. testified that she went on-line and met a 32-year-old male adult, identified as Patrick SIMMONS, in November 2014 and began "sexting" with him. She said they met in person for the first time in January 2015 and began having a sexual relationship. L.F. said their relationship evolved to the point where she began prostituting for SIMMONS to make him money. L.F. testified she created an escort advertisement for SIMMONS to post on BACKPAGE. L.F. testified that the escort ad was set up for her to meet individuals for "dates" that resulted in her having sex for money. L.F. said the money she made from these dates went directly to SIMMONS. L.F. testified that SIMMONS became physically violent and controlling. She described how SIMMONS would hit her and force her to have sex with him. In February 2015, L.F. and SIMMONS were caught

during a prostitution sting by the San Jose Police Department after an undercover officer called the phone number in L.F.'s escort ad and arranged a "date." SIMMONS was subsequently charged with pimping, pandering, and human trafficking. I have been able to identify four (4) BACKPAGE escort ads for L.F. that were posted in February 2015 in which BACKPAGE charged a total of \$35.00 for the posting fees. The ad locations include the California city, Fresno and the East Bay area.

I was able to obtain transaction records through BACKPAGE verifying that each of the above victims, with the exception of E.S., made payments to BACKPAGE for their advertisements.

### **BACKPAGE Finances**

DOJ Investigative Auditors Darrel Early and Robert Smith examined BACKPAGE's internal financial records and revenue spreadsheets, which we obtained via search warrant. Their examination focused on BACKPAGE revenue that was attributable to California-based sales.

The BACKPAGE revenue report obtained includes California-based revenue covering the time period of January 2013 through May 2015, broken down into six regions. BACKPAGE internal records break out the percentage of revenue attributable to Adult Services. From January 2013 through March 2015, 99% of BACKPAGE's gross revenue (worldwide income) was directly attributable to Adult ads. In April 2015, this percentage dropped to 97% and in May 2015, it further dropped to 90%. The timing of this decrease coincides with the decision of credit card companies like American Express to stop processing BACKPAGE payments.

During this 29-month period, BACKPAGE's gross monthly income from California rose \$1.5 million/month to \$2.5 million/month. During this reporting period (Jan 2013 – May 2015), BACKPAGE self-reported \$51,723,615.23 in revenue derived from California. Approximately \$50,920,739.36 of this derived from adult entertainment advertising (98.43%). Further examination of BACKPAGE records demonstrated that California, during this reporting period (Jan 2013 – May 2015), was responsible for 14.95% of BACKPAGE's worldwide income.

BACKPAGE internal records further break down the revenue that is attributable to adult entertainment. Adult ads include the subcategories of: Adult Jobs; Body Rubs; Datelines; Domination; Female Escorts; Fetish; Male Escorts; Strippers; and Transsexual Escorts. BACKPAGE records state that the worldwide revenue for these subcategories for June 22-28, 2015 was \$3,137,646.28. Revenue attributable to California for this week was 17% of the total revenue or \$545,952.54. Female Escorts generated 72.8% of this revenue; Body Rubs 18.8%; and Transsexual Escorts 5.5%. All other subcategories were less the 1%.

Until July 2015, BACKPAGE required payment for ads featuring content related to commercial sex acts, particularly in the Escort category. These payments could be made by credit card. During the same time, BACKPAGE allowed users to post ads for free in non-Adult sections of the site, such as furniture sales.

To avoid scrutiny by banks or other credit card processors BACKPAGE controlled the nature of the customer information provided to the payment processor. In a May 2015 email I reviewed, FERRER asked this question of one of his payment processing partners:

*“Do you think we should not send email addresses to processors/banks when we do transactions?”*

*Example of customer email addresses:*

*sexygirl69[REDACTED].com*

*porn\_star\_[REDACTED].com*

*Naked\_goddess[REDACTED].com*

*We could send an account number instead? Do the banks see these email addresses when we send the transaction to the processor? We think for example Chase might block transactions for their card holders based on overtly sexy email address names...*

In July 2015, major credit cards stopped processing BACKPAGE transactions and BACKPAGE began to allow users to post Adult ads for free. Nonetheless, BACKPAGE has continued to collect fees for promoted or sponsored ads and created complex payment processing procedures to avoid detection from financial institutions.

## Conclusion

Under California law, it is a felony to either solicit on behalf of a prostitute, or derive any income, from the earnings of a prostitute.<sup>1</sup> (Penal Code section 266h, Pimping.) Section 266h also has a special provision detailing added penalties for the pimping of a minor, depending on whether the victim is under 16 or between 16 and 18 years old.<sup>2</sup>

BACKPAGE's escort services section essentially operates as an online brothel. Transactions consist of a user paying a fee to BACKPAGE. In exchange for the fee, BACKPAGE advertises on behalf of and solicits clients for prostitution services. The ads unequivocally sell sexual services, featuring extremely provocative pictures and lightly veiled or coded sexual terminology. BACKPAGE receives a fee for each ad.

FERRER derived support from the earnings of victims A.C., E.V., L.F., Z.G., A.H., S.C., L.B., and K.A., who were sold for sex through BACKPAGE while FERRER served as CEO overseeing every aspect of the company, including law enforcement correspondence related to sex trafficking, moderation of ad content, and expansion and development.

Based on the aforementioned information, I believe there is probable cause to believe that FERRER, LACEY, and LARKIN, committed the following crimes: conspiracy in violation of Penal Code section 182, (a)(1), a felony; pimping in violation

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<sup>1</sup> “[D]eriving support with knowledge that the other person is a prostitute is all that is required for violating the section in this manner. No specific intent is required.” (*People v. McNutty* (1988) 202 Cal.App.3d 624, 630.)

<sup>2</sup> Mistake of age is not a defense to this offense; the age only affects the severity of the sentence not the criminality of the conduct. (*People v. Branch* (2010) 184 Cal.App.4th 516.)

of Penal Code section 266h, subdivision (a), a felony; pimping a minor in violation of Penal Code section 266h, subdivision (b)(2), a felony; and attempted pimping of a minor in violation of Penal Code sections 266h, subdivision (b)(2) and 664, a felony; and that an arrest warrant be issued for Defendants for the relevant felony violations charged in the accompanying Felony Complaint.

- Carl FERRER: [REDACTED]; Texas Driver's License: [REDACTED]; SSN: [REDACTED]; Residence on file with Texas [REDACTED].
- James Anthony LARKIN: [REDACTED]; Arizona Driver's License [REDACTED]; SSN: [REDACTED]; Residence on file with Arizona [REDACTED].
- Michael Gerard LACEY: [REDACTED]; Arizona Driver's License [REDACTED]; Residence on file with Arizona [REDACTED].

I declare under penalty of perjury, under the laws of the State of California, that all facts contained in this affidavit is true and correct to the best of my knowledge and belief.

  
Special Agent Brian Fichtner