Attorney General Kamala D. Harris and 7 States Sign Letter to Secretary of Veterans Affairs Urging Greater Protections for Veterans Affected by Predatory School Practices

LOS ANGELES – Attorney General Kamala D. Harris today, along with seven states, sent a letter to the U.S. Department of Veterans Affairs ("VA"), urging the Secretary to use his authority to restore educational and vocational rehabilitation benefits to thousands of veterans victimized by predatory practices carried out by for-profit schools such as Corinthian Colleges, Inc. ("Corinthian"). The letter also asks VA Secretary Robert McDonald to take steps to ensure that veterans are given full and accurate information about the risks associated with using their benefits at certain schools.

"We honor the service and sacrifice of our veterans by ensuring that when they return home, they have access to benefits that will help them transition to civilian employment and build lives for themselves and their families," stated Attorney General Harris in the letter.

"Rather than being honored, the veterans who enrolled in Corinthian schools were cheated out of these benefits. ED has acted to remedy the harms suffered by student borrowers who were defrauded by Corinthian and other unscrupulous institutions—we respectfully urge you to act in harmony with your sister agencies and offer similar relief to student veterans who were harmed by precisely the same misconduct," the Attorney General added.

The letter specifically calls on the Department of Veterans Affairs to do three things:

1. Restore Benefits to Veterans Who Attended Institutions that Utilized Erroneous, Deceptive, or Misleading Advertising, Sales, or Enrollment Practices
The letter urges the VA to implement processes to restore G.I. Bill and Vocational Rehabilitation and Employment ("VR&E") benefits to student veterans who used those benefits at schools found to have engaged in misleading and deceptive behavior. This relief should be provided when a regulatory or enforcement action is taken by the U.S. Department of Education, a State Approving Agency, or a State Attorney General after a showing of misconduct, or when a court enters a judgment against a school, or upon application by a veteran or group of veterans alleging that an educational program or college has been deceptive or misleading.

2. Ensure that Veterans Have Full and Accurate Information
The letter urges the VA to fully educate veterans about their options and risks when choosing a school. The VA should inform student veterans about the potential consequences of utilizing educational benefits at schools that have been subject to investigations or lawsuits. Early warnings and information will help veterans make informed choices.

3. Support the Efforts of State Approving Agencies and Attorneys General
Lastly, the signatories urge the VA to support states' efforts to protect veterans from misconduct by for-profit institutions. Ensuring that the VA works collaboratively with and supports the efforts of the State Approving Agencies and Attorneys General in this context will help protect student veterans from future misconduct.

This letter is a continuation of Attorney General Harris' efforts to protect and provide relief to students of for-profit schools. In 2013, Attorney General Harris filed a lawsuit against Corinthian for false advertising and deceptive marketing targeting vulnerable, low-income students and misrepresenting job placement rates to potential and current students, investors and accrediting agencies. Corinthian closed all of its California campuses on April 26, 2015. Attorney General

Harris has since called for the U.S. Department of Education to relieve the student loan debt of thousands of students who attended Corinthian.

Attorney General Harris is committed to protecting veterans and the benefits they earned through their dedicated service to our country. Last year, an alarming number of "pension poaching" scams targeting senior veterans and their survivors were reported to the California Department of Justice's Public Inquiry Unit. Attorney General Harris consequently issued a consumer alert urging veterans to be wary of such schemes.

In November 2015, Attorney General Harris announced a stipulated judgment which resolved allegations that JPMorgan Chase (Chase) committed credit card debt-collection abuses against tens of thousands of Californians. The Attorney General's investigation and litigation further revealed that Chase violated the Servicemembers Civil Relief Act and the California Military and Veterans Code when it filed false declarations regarding military service and improperly obtained default judgments against servicemembers on active duty.

Attorney General calls on VA secretary to restore GI Bill benefits to victims of predatory colleges

Attorney General Bob Ferguson joined seven attorneys general today in calling on U.S. Department of Veterans Affairs Secretary Robert McDonald to restore education benefits to veterans who were victims of predatory institutions, such as Corinthian Colleges, Inc.

"Our veterans earned these benefits by serving our country," Ferguson said. "These institutions specifically preyed upon them, using false promises and dishonest statistics about their programs and job placement. These deceptive schools took veterans' education benefits and left them without the right training and qualifications to reach their goals."

The attorneys general sent a letter to McDonald, asking him to use his authority to restore affected veterans' benefits and eligibility, as well as to take steps to ensure veterans have full and accurate information about their educational options.

Veterans are eligible for benefits including the G.I. Bill, which gives student-veterans benefits totaling up to $21,084.89 per year, and the Vocational Rehabilitation and Employment Program, which helps veterans with service-connected disabilities receive job training and education.

"We honor the service and sacrifice of our veterans by ensuring that when they return home, they have access to benefits that will help them transition to civilian employment and build lives for themselves and their families," the attorneys general wrote in the letter. "Rather than being honored, the veterans who enrolled in Corinthian schools were cheated out of these benefits."

In Washington state, Corinthian owned and operated six Everest College campuses, enrolling some 3,000 students, until February 2015, when their sale to Zenith Education Group was finalized. Zenith transitioned the schools from for-profit to nonprofit status.

Multiple actions and investigations are underway to hold Corinthian and similar institutions accountable for their deceptive practices.

Ferguson is committed to ending predatory practices by for-profit colleges in Washington. In November 2015, the office obtained loan forgiveness for qualifying former students at The Art

Institute of Seattle and Argosy University's Seattle campus, and a mandate to reform the for-profit college company's deceptive business practices.

Ferguson joined eight other state attorneys general in April 2015, calling on the U.S. Department of Education to relieve the debt burden on thousands of students victimized by Corinthian and provide a clear process to help student borrowers get debt relief. An August 2015 letter with 11 other attorneys general called for the cancellation of federal loans where schools have broken state law.

The other states to sign on to today's letter are: California, Connecticut, Illinois, Kentucky, Massachusetts, New Mexico and Oregon.

The Massachusetts attorney general's office has sued a for-profit nursing school alleging that it charged high fees for an inadequate education and held classes in the state even though it was not licensed

THE ASSOCIATED PRESS

BOSTON — The Massachusetts attorney general's office has sued a for-profit nursing school alleging that it charged high fees for an inadequate education and held classes in the state even though it was not licensed.

Attorney General Maura Healey on Wednesday sued Hosanna College of Health and its founding executives.

The complaint says the Florida-based school targeted Boston's Haitian community and charged as much as $10,000, promising to prepare students to pass the state nursing exam.

Healey says only about 3 percent of the school's students passed the exam, and many were saddled with debt. She alleges the school told prosepctive students it was licensed in Massachusetts and held classes here.

Massachusetts is asking the court to order tuition and fee refunds and impose civil penalties.
A school official denied the allegations.

Search begins for prosecutor in pay-raise investigation

Shawn Raymundo, sraymundo@guampdn.com

The attorney general's office on Friday officially launched its search for a special prosecutor to further investigate retroactive raises given to Adelup staffers in 2014.

The office on Friday issued a request for proposal. The document details the work the prosecutor chosen for the job will perform.

Attorney General Elizabeth Barrett-Anderson announced last week that an independent prosecutor was needed to continue the investigation. She assigned Chief Prosecutor Philip Tydingco to head up the request for proposal while she and her staff set up an "ethical wall" during the solicitation, meaning she will have no say in the search for the prosecutor.

The independent attorney would "review and collect evidence of allegations of unauthorized or illegal retroactive payments" given to 107 unclassified Adelup employees in December 2014, according to the RFP document.

The prosecutor would have the authority to determine if criminal charges and further prosecution are necessary.

PACIFIC DAILY NEWS
AG's office to procure special prosecutor to investigate Adelup raises

Violating Guam's anti-retroactive payment law is a misdemeanor crime, which is punishable up to one year in jail and could also mean a $1,000 fine.

Attorneys or firms interested must have a license to practice law in Guam, 10 years of criminal prosecution experience as well as five years of experience in prosecuting or defending property, financial, white collar or government corruption offenses.

The ideal attorney or firm should also have experience presenting evidence to a grand jury and working with law enforcement officers.

Any questions regarding the RFP must be submitted by March 10, and responses from the attorney general's office are due March 22. The deadline to submit proposals is March 31.

An evaluation committee comprising one senior prosecutor and two members from the Guam Bar Association will be tasked with reviewing the proposals.

Tydingco said after the attorney general's office has selected the special prosecutor, the submission will have to go before the governor for final approval of the contract.

Barrett-Anderson's announcement of a search for an independent prosecutor came two months after she issued a legal opinion telling Gov. Eddie Calvo the raises violated the government's anti-retroactive payment law.

PACIFIC DAILY NEWS
OUR VIEW: AG right to hire special prosecutor to look into illegal raises

The attorney general said she made her decision to find a special prosecutor in mid-January.

"No announcement was publicly made as the process for procuring had to be reviewed," she said.

In her opinion to the governor, Barrett-Anderson advised Calvo to have the staffers repay the money or introduce legislation to make the raises legal.

Tydingco explained that because Barrett-Anderson issued a legal opinion on the pay-raise controversy, she had a legal and ethical obligation to recuse herself and her office from the raises controversy.

"That opinion could constitute as evidence and she could be a witness in this case," he said.

Hence, the attorney general has set up an "ethical wall" in the request for proposal process.

Adelup officials have said the intent was never to pay the raises retroactively, noting a computer glitch in the Department of Administration's payroll system made the raises appear retroactive.

To fix the process, the administration conducted another one-time adjustment for all the current staffers who received raises by inflating their salaries and crediting them for 72 hours of work during one 24-hour day.

Colorado Attorney General Cynthia H. Coffman Accepts "Partner Award" from Federal Trade Commission

DENVER – Colorado Attorney General Cynthia H. Coffman today receives the Federal Trade Commission's Partner Award in recognition of her office's outstanding work to combat illegal debt collection and fight deception in the marketplace.

"Protecting Coloradans from deceptive advertisers and illegal collection practices continues to be a high priority for me and the Department's Consumer Protection Section. I am honored that the Colorado Department of Law is being singled out for our important work to educate and protect all Colorado consumers," said Attorney General Coffman during her acceptance. "I thank the FTC for this recognition and for continuing to be a good partner."

The Colorado Attorney General's Office has a long history of successful partnership with the Federal Trade Commission – Bureau of Consumer Protection. During 2015, the two collaborated on several noteworthy cases and initiatives:

- Operation Collection Protection – The FTC "sweep" highlighting enforcement actions against debt collection companies across the country. Colorado had 17 actions -- the highest in the country.

- Cancer Fund of America case – Colorado participated in the largest multistate bust brought against a sham charity.

- Pacific Telecom/Caribbean Cruise Lines – Colorado, the FTC and eight other states brought an action for no-call violations.

- Russ Dalbey/Dalbey Education Institute – The Attorney General's Office and the FTC partnered to hold Mr. Dalbey accountable for his deceptive "get rich quick" scheme.

- Common Ground Conference – Last April, the Colorado Attorney General co-hosted a Common Ground conference with the FTC bringing together law enforcement and consumer advocates to discuss important consumer protection issues that impact Coloradans.

"Advancing consumer literacy continues to be an important mission of the Attorney General's Office. Through financial education, Coloradans will understand not only their rights and obligations under the law but how to prevent becoming a victim and falling prey to fraud," said Attorney General Coffman. "This award is an acknowledgement of the commitment and dedication of each member of the Department's Consumer Protection Section. I thank them for their continued efforts on behalf of the citizens of Colorado."

AG Rosenblum Settles with Portland Company Alsco over Environmental Crimes

Attorney General Ellen Rosenblum today announced a $819,059 civil settlement with Alsco, a commercial linen laundry facility in Portland, Oregon, over allegations that the company manipulated water testing samples by diluting its waste water discharge before releasing it into the City of

Portland's sewer system. To avoid extra costs, Alsco would submit reports to the City of Portland's Bureau of Environmental Services that showed Alsco's discharges were cleaner than they actually were. The General Manager of the Alsco plant and the Chief Engineer previously pled guilty to misdemeanor criminal charges relating to the same conduct.

"The environment, and especially our public water system, is something we all have to protect," said Attorney General Rosenblum. "Fortunately, DOJ's Environmental Crimes Unit was able to move on this case—and we will make sure that this bad behavior does not continue."

Between April 1, 2004 and September 25, 2014, Alsco manipulated water quality procedures and data on days when regulators tested their waste water discharge. On non-testing days, Alsco would discharge dirtier water and use less water than what was reflected in their tests. By manipulating procedures and data on testing days, Alsco was able to significantly reduce their water usage and cost.

As part of a stipulated plea deal, Alsco will pay $819,059 in restitution and fines. Specifically, Alsco will pay $319,056.98 in extra-strength sewer charges to the City of Portland's Bureau of Environmental Services (BES) and $140,000.00 in additional fines imposed by Portland's BES. Alsco will also pay $200,000 to the Oregon Department of Justice's consumer education account, $100,000 to the Western States Project Training Fund and $60,000 to the Oregon Department of Environmental Quality. Alsco also will implement stronger internal environmental compliance measures, including changes to processes at the plant, and better employee training and monitoring.

The case was led by DOJ's Environmental Crimes and Cultural Resources Unit, a unit that focuses on the enforcement of Oregon environmental laws. Assistant Attorney General Patrick Flanagan led the case.

AG CALLS FOR SUMMARY JUDGMENT IN SECOND FOOD LABELING CASE

OLYMPIA — Attorney General Bob Ferguson today announced that his office has asked a court to rule that an out-of-state organization and its late-registered political committee illegally evaded the state's campaign finance disclosure laws.

The case concerns Food Democracy Action!'s (FDA) financial support of a 2013 campaign supporting Initiative 522, which sought to require labeling of genetically engineered products. FDA, an Iowa-based organization, raised almost $300,000 to support the "Yes on I-522" political committee. Rather than registering as a political action committee, FDA made the contributions under its own name without disclosing the identities of its donors.

This is one of two campaign finance disclosure cases related to I-522. The Grocery Manufacturer's Association is accused of a systematic effort to conceal the sources of $11 million in contributions to oppose I-522. That case, also brought by Ferguson's office, awaits the judge's decision on summary judgment.

"The crux of this case is transparency," Ferguson said. "FDA concealed the identities of thousands of individuals who donated hundreds of thousands of dollars. I will continue to protect the public's right to know who is funding Washington elections."

FDA began collecting money to support I-522 in July 2013, sending several electronic newsletters to supporters encouraging them to donate to this effort. FDA made its first contribution, disclosing only

its own name, to “The Yes on I-522 Committee” in August 2013. FDA ultimately sent $200,000 to the committee, representing about 2.5 percent of the committee’s total monetary contributions.

After the Attorney General’s Office received a Citizen Action Complaint in October 2013 regarding FDA’s practices, FDA registered the “Food Democracy Action! Yes on I-522 Committee to Label GMOs in Washington” political committee with the state’s Public Disclosure Commission on Nov. 13, 2013. FDA then provided the names of almost 3,100 contributors. In 2012, FDA spent $115,000 to support a similar initiative in California.

Ferguson filed a lawsuit against FDA in December 2014. The state alleged FDA violated Washington’s campaign finance disclosure laws when it solicited and collected almost $300,000 from its supporters and then contributed $200,000 of those funds to support I-522. FDA failed to disclose the true source of the contributions.

Late Friday afternoon, the state filed a Motion for Summary Judgment asking the court to rule that FDA violated the law. A court may impose penalties for campaign finance disclosure violations, including a penalty equal to the amount not reported as required. If the court finds that the violation was intentional, that penalty can be tripled.

The motion was filed in Thurston County Superior Court. A hearing on the state’s summary judgment motion is set for Friday, March 25, 2016. Superior Court Judge Gary Tabor will preside.

- See more at: http://www.atg.wa.gov/news/news-releases/ag-calls-summary-judgment-second-food-labeling-case#sthash.4548NJGi.dpuf

Big Food Accused of 'Elaborate Scheme' to Kill GMO Labeling Effort

by Tamar Haspel FEBRUARY 21, 2016

State of Washington waging $14 million lawsuit

The nation’s largest food companies are under criticism for using too much sugar, too few healthy ingredients and failing to be transparent about what’s in their products. At least some of those concerns now seem to be playing out in a fight over how America’s largest food industry group financed a campaign against a food labeling initiative.

The state of Washington’s attorney general is seeking $14 million from the Grocery Manufacturers Association (GMA), alleging the GMA created an “elaborate scheme” to secretly fund a multimillion dollar campaign to kill a food labeling initiative.

Since 2013, Washington’s attorney general Bob Ferguson has alleged that the GMA illegally tried to hide the names of its donors to a campaign to kill state Initiative 522, which would have required food labels for genetically modified ingredients. It was narrowly defeated. The GMA says it broke no laws. “Washington law treats trade associations contributing their own funds as single entities for disclosure purposes,” it says.

Late last week, documents were unsealed from the ongoing litigation, which reveal the planning behind, and the contributors to, the Grocery Manufacturers Association’s (GMA) “No on 522” campaign. Under intense pressure, the GMA did reveal the donors and contribution amounts just weeks before the 2013 vote, but the move — which got little publicity at the time — did not satisfy attorney general Bob Ferguson.

According to the newly released documents, the top ten donors and their contributions are:

PepsiCo PEP 0.95% : $1.7 million,

Nestlé USA nestle-s-a : $1.1 million

General Mills GIS 0.54% : $646,000

Coca-Cola KO 0.83% : $565,000

ConAgra CAG 0.76% : $308,000

Campbell Soup CPB -0.42% : $286,000

The Hershey Company HSYFB 2.43% : $268,000

J.M. Smucker SJM 1.07% : $260,000

Kellogg K 0.23% : $239,000

and Mondelez MDLZ 1.38% : $156,000

An attempt to shield identities

At issue is an $11 million fund that the GMA established in 2013. Called the “Defense of Brands” fund, it was earmarked for specific lobbying and education efforts surrounding genetically modified organisms (GMOs), including the fight to defeat the Washington initiative. Member companies made contributions proportional to their sales.

GMA said the purpose of the fund was two-fold, according to the released internal GMA documents. It was designed to “provide greater budgeting certainty to the companies while also shield[ing] individual companies from public disclosure and possible criticism.” The GMA said in these documents that the contributors would be shielded because only the GMA would be disclosed as a donor to the Washington effort.

The attorney general sees this differently, describing this plan as “an elaborate scheme to unlawfully shield its members’ contributions from public scrutiny.”

The GMA says its actions were legal. The group has filed a motion for summary judgment, asking that the lawsuit be dismissed.

Late last year, the GMA announced a national labeling initiative to provide consumers with “instantaneous access” to detailed information on thousands of products through their smart phones. The so-called SmartLabel will include ingredients, allergens, animal welfare, environmental policies, and whether the food contains genetically modified organisms (GMOs).

Attorney General: 49M Records of Californians Compromised Since 2012

A new report this week from Attorney General Kamala Harris presents some alarming figures about data breaches in California since 2012.

"In the last four years, nearly 50 million records of Californians have been breached and the majority of these breaches resulted from security failures. Furthermore, nearly all of the exploited vulnerabilities, which enabled these breaches, were compromised more than a year after the solution to patch the vulnerability was publicly available. It is clear that many organizations need to sharpen their security skills, trainings, practices, and procedures to properly protect consumers," Harris writes in the California Data Breach Report, available online here.

Since 2012, businesses and government agencies have been required to report data breaches affecting more than 500 Californians to the Attorney General's Office. More than 650 breach incidents have been sent in during the past four years.

The annual comprehensive report notes that the total number of breaches did not increase between 2014 and 2015, but the number of Californians affected increased from 4.3 million in 2014 to over 24 million in 2015.

"In 2015, there were four incidents that each breached the information of over two million Californians: Anthem at 10.4 million was the largest, followed by UCLA Health at 4.5 million, next was PNI Digital Media with 2.7 million Californian customers of online photo centers (Costco, RiteAid, and CVS) that it services, and finally, T-Mobile/Experian at 2.1 million," the report says.

The breaches come from malware and hacking, physical breaches and breaches caused by errors, according to the attorney general. About 90 percent of the breached records in California came from malware and hacking, which the report called the "greatest threat."

Social Security numbers were the type of data most often breached, occurring in nearly half of all breaches reported since 2012.

Supreme Court Rules Against Vermont Health-Care Data Law

Court’s 6-2 ruling could affect initiatives in up to 18 states

WASHINGTON—The Supreme Court on Tuesday quashed state efforts to gather health-care data from insurance plans, ruling that such reporting requirements run afoul of federal laws regulating employee benefits.

The case came from Vermont, where a 2005 law mandates that larger health insurance plans report “information relating to heath care costs, prices, quality, utilization or resources required” to a state database.

Boston-based Liberty Mutual Insurance Co. objected, contending the law conflicts with the federal Employee Retirement Income Security Act of 1974, which pre-empts state laws that “relate to any employee benefit plan.”

Liberty Mutual sued in its capacity as a self-insured employer with workers based in Vermont. Blue Cross Blue Shield of Massachusetts Inc. administers the plan for Liberty Mutual, which has about

140 employees in Vermont and tens of thousands nationwide. Companies sometimes object to state rules, which can vary across the country, when federal laws also apply.

The Supreme Court by a 6-2 vote agreed with Liberty Mutual. Another 17 states have similar database initiatives, according to a brief filed by the National Governors Association.

“Differing, or even parallel, regulations from multiple jurisdictions could create wasteful administrative costs and threaten to subject plans to wide-ranging liability,” Justice Anthony Kennedy wrote for the majority.

Chief Justice John Roberts and Justices Clarence Thomas, Stephen Breyer, Samuel Alito and Elena Kagan joined the opinion.

Justice Kennedy acknowledged the federal and Vermont laws serve different purposes, but he concluded Vermont’s record-keeping requirements overlap with the federal law’s regulatory scheme.

Justice Breyer wrote a separate opinion observing the federal law gives the Labor Department secretary authority to set insurance reporting requirements. He suggested that states work with the federal government to come up with an approach that met their health-care planning needs

Vermont intends to do just that, said Al Gobeille, chairman of the Green Mountain Care Board, an independent agency that administers the database.

“When you’re regulating insurance companies or regulating hospital budgets, it’s a tremendous tool to see what’s really happening in the marketplace,” Mr. Gobeille said.

The database has helped pinpoint specific areas where providers are falling short, he said. For example, “How’s a practice doing with its diabetic patients?” If a doctor sees that “I’m not doing as well as other practices in Vermont, I better focus on that. It’s both a quality and a cost profile” of health care, he said.

While disappointed in Tuesday’s ruling, Mr. Gobeille said it wasn’t a significant setback, since most insurers have been providing the requested data voluntarily.

An attorney for Liberty Mutual said he was pleased with the decision, and declined to comment further.

Justice Ruth Bader Ginsburg, joined by Justice Sonia Sotomayor, dissented. She wrote that states should be given leeway to pursue different approaches to health-care administration.

“State-law diversity is a hallmark of our political system,” she wrote, going on to quote Justice Louis Brandeis’s 1932 opinion recognizing “the role of states as laboratories for devising solutions to difficult legal problems.”

Write to Jess Bravin at jess.bravin@wsj.com

As Marijuana Sales Grow, Start-Ups Step In for Wary Banks

By NATHANIEL POPPER

As a federal employee, he could not partake of the pot.

He was there, instead, to pitch the shops on a start-up he has been working on in his free time and is making official this week after quitting his job as a bank examiner at the Office of the Comptroller of the Currency, a division of the Treasury Department.

Mr. Zarrad's start-up, Tokken (pronounced token), is one of several recently created companies looking to solve one of the most vexing problems facing marijuana businesses in Colorado and several other states: the endless flow of dirty, dangerous, hard-to-track cash.

The State of Colorado legalized marijuana for recreational use in 2014, joining several other states where the drug has been decriminalized in some form, but Visa and MasterCard will not process transactions for pot dispensaries and most banks will not open accounts for the businesses — leaving dispensaries dealing with a constant influx of cash, and nowhere good to put it.

Tokken and others start-ups, with names like Hypur and Kind Financial, have been putting together software that helps banks and dispensaries monitor and record transactions, with the long-term goal of moving transactions away from cash.

Stephanie Hopper, the owner of Ballpark Holistic Dispensary in Denver, said the tech solutions could not come soon enough.

"We are all kind of chomping at the bit, trying to figure out what to do," Ms. Hopper said. "We're fighting so hard on so many fronts that taking one thing off of us would be such a relief."

The array of attempted answers to Ms. Hopper's problems underscore what a gray area the marijuana industry still occupies. Despite the various state laws legalizing it, marijuana is still listed by federal authorities as a so-called Schedule 1 drug. Such drugs, which also include LSD and heroin, are deemed to have the highest potential for abuse.

The Department of Justice has said that it will generally let states enforce their own laws on marijuana. And the arm of the Treasury Department responsible for enforcing money-laundering laws has provided guidelines for banks that want to work with marijuana-related businesses. But federally regulated banks have generally refused to open accounts, and credit card companies have prohibited transactions from going across their networks.

There are already several, less savory ways of dealing with the cash problem. Some dispensaries open bank accounts under fake names. Mr. Zarrad, the founder of Tokken, said that in his regulatory work, he caught a number of these schemes when he was examining banks in Colorado.

In a slightly more legitimate maneuver, some small companies have offered prepaid cards that can be used for purchases in dispensaries, though the legality of this is still unclear.

A few credit unions and small banks in Colorado have opened accounts for dispensaries — but they generally take on only a few marijuana customers each, and even they are still generally unable to process electronic payments.

Ms. Hopper, one of the lucky dispensary owners to have a bank account, is still left doing much of her business in cash and sending it out covertly with employees who deposit it at the bank, constantly worrying about their safety.

“We make sure it’s never the same person — never the same time of day,” she said.

Most of the start-ups trying to help with this problem are focused, in one way or another, on tracking every detail of every purchase in a more sophisticated way. Careful record-keeping can answer the concerns of banks worried about violating anti-money laundering laws. The start-ups hope their software can allow banks to open up their accounts, and their payment networks, to cannabis businesses.

Hypur, a two-year-old company based in Arizona, has built software for banks that uses GPS to geo-locate each purchase and prove it was done in an authorized dispensary.

That has been enough to allow Hypur to raise more than $5 million from investors.

The California-based start-up Kind Financial is offering software as well as hardware, in the form of kiosks that can go inside dispensaries. Customers can deposit cash in the Kind kiosk to pay for their purchase, removing one headache for the dispensary.

Mr. Zarrad’s start-up, Tokken, is younger than the others, but he is aiming to offer something new — an electronic payment system that will not rely on the credit card companies or debit networks. Somewhat like PayPal or Venmo, Tokken will use the electronic money transfer system in the United States known as the Automated Clearinghouse, or ACH, to move money from the bank account of a dispensary customer to Tokken’s bank account. Tokken will then keep subaccounts for each dispensary — making it unnecessary for the banks to deal directly with dispensaries.

Mr. Zarrad is confident he can stay on the good side of the banks because of his experience as a regulator, and before that, in the financial industry.

Mr. Zarrad, 36, briefly worked as a financial adviser for Merrill Lynch after serving in the Marine Corp for six years. He took the job with the O.C.C., which regulates all national banks, in part because he spotted the opportunity in marijuana compliance and wanted to understand the financial system better.

In his nearly two years with the O.C.C., Mr. Zarrad was often on the road, combing through the books of regulated banks. He said that his teams would not crack down on banks if they were openly working with marijuana businesses, as long as they were tracking the transactions carefully.

The problems cropped up when the banks did not take enough steps to prevent money laundering, the process of making illegally gained proceeds appear legal.

Mr. Zarrad began working on Tokken in his free time, and found a programming partner, Tom Rau, who lives in North Carolina. The system they have built will allow customers to make purchases with a Tokken app on their smartphone, taking cash out of the equation.

The special sauce that sets apart Tokken is that every transaction will be recorded on the ledger underlying the Bitcoin system — known as the blockchain. Because transactions on the blockchain are irrevocable, pot dispensaries and banks will have a reliable and complete record of all Tokken transactions, including the specifics of each transaction — without requiring any Bitcoins to change

hands (a tiny portion of a Bitcoin will be sent between Tokken accounts in order to record the transaction on the blockchain).

Mr. Zarrad hopes that the transparency offered by Tokken's blockchain backbone will make banks feel comfortable opening up accounts for the start-up. He is planning to approach some of the banks he previously regulated and is hoping that his background will convince them that he understands the compliance issues they are facing.

Mr. Zarrad's presentations have been enough to pique the interest of the Fourth Corner Credit Union, which has been trying to set up a dedicated financial institution for the marijuana industry. Mr. Zarrad's background and expertise have also been enough to persuade Ms. Hopper, of Ballpark Holistic Dispensary, to commit to running the Tokken software as soon as it is set up.

"This is not someone who was just sitting around and had an idea," she said.

Mr. Zarrad is hoping to have the software operational later this year and will soon begin raising funds from investors. Now that he is off the federal payroll, he will also be able to enjoy the products peddled by the dispensaries, especially the edible marijuana products.

"I lean toward edibles — I just don't like smoking," he said. "When I am no longer employed, that will be my occasional indulgence."

Study: Marijuana sends more Colorado tourists to emergency rooms than locals

By Tom McGhee and Natalie Munio
The Denver Post

Visitors to Colorado are turning up at the emergency room with marijuana-related issues in higher rates than people who live here, according to a study by the University of Colorado School of Medicine.

The study, which appears in the New England Journal of Medicine on Feb. 25, found that the number of marijuana-related emergency room visits to the University of Colorado Hospital doubled among those from out-of-state from 2013 to 2014, while remaining steady for residents.
The study can't positively peg marijuana use as the cause of the visit, said Andrew Monte, assistant professor of emergency medicine and toxicology at the CU School of Medicine.

"Realistically, these visits could have marijuana mentioned at one point if they came and had a heart attack and said they did smoke a week ago, that would be reflected," Monte said.

Visitors to University of Colorado Hospital from outside the state with marijuana complaints climbed from 85 per 10,000 visits in 2013, to 168 per 10,000 in 2014, the first year of retail marijuana sales in the state, the study found.

During the same period, visits by state residents didn't change significantly, going from 106 per 10,000 visits in 2013, to 112 the following year.

The most common complaints bringing users to the emergency department were gastrointestinal, followed by psychiatric, and then cardio pulmonary problems. Monte said marijuana use can exacerbate an existing medical condition, and that explains many of the cases.

Mason Tvert, communications director for the Marijuana Policy Project, said there are questions that remain unanswered, one of which speaks to a trait unique to in-state users — altitude acclimation.

"The number one difference between someone visiting and using marijuana and someone who lives here and using marijuana is that the person visiting has just gone to a much higher altitude and we know that's attributed to a bunch of symptoms like passing out and nausea."

While some of those who needed emergency care after taking edibles or smoking weed came to Colorado specifically to get high legally, others came for business or other reasons.

"A lot of people do different things when they're home versus when they're on vacation," said Mike Van Dyke with the Colorado Department of Public Health and Environment. . "Some people tend to do it overboard more when they're on vacation, and that could also be playing a part."

The study also analyzed numbers from the Colorado Hospital Association for visits to emergency rooms statewide. Those numbers showed a similar growth rate among people not from Colorado. Out-of-staters with marijuana complaints went from 78 per 10,000 visits in 2012 to 112 per 10,000 visits in 2013 to 163 per 10,000 visits in 2014.

Colorado residents had numbers of 70 to 86 to 101, respectively.

"We are pleased that these data have proven useful in identifying the need for further education around the effects of marijuana use," Steven Summer, president and CEO of the hospital association, said in a statement.

Van Dyke also said from a statewide perspective, it's important to look at the size of the out-of-state pool compared to the in-state.

"When you're looking at these numbers you see a rate — an increased rate in out-of-state people compared to an increased rate in in-state people," Van Dyke said. "The out-of-state denominator is fairly small, so a small increase in the numerator is going to impact that rate a lot more, and that's part of what we're seeing."

The study underscores the importance of providing good information to those buying pot at dispensaries, Monte said.

Users should be told that marijuana in the state has higher concentrations of THC "than many people are used to," Monte said.

The warning is particularly critical with edibles, which can take two to three hours to produce noticeable effects, and can stay in the system longer than marijuana that is smoked.
People have to "understand, respect and acknowledge that this drug can exacerbate medical conditions," Monte said.

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State recalls Back to the Garden, High Street Growers pot over pesticides

In Colorado's fifth pesticide recall, regulators warn consumers of pot grown by Back to the Garden and High Street Growers

By Ricardo Baca and David Migoya, The Denver Post

For the fifth time in less than a week state cannabis regulators have issued a health advisory and recall of marijuana over concerns it is contaminated with potentially dangerous pesticides not approved for use on the crop.

Thursday's order by the Marijuana Enforcement Division involves 446 batches of recreational and medical marijuana grown at a Denver cannabis cultivation facility servicing two pot shops owned by Michelle Tucker — High Street Growers at 330 N. Federal Blvd. and Back to the Garden at 1755 S. Broadway.

Pesticides resources
Check Your Stash: Are you consuming pesticide-peppered pot? Full recall list

5 common pesticides: What exactly are these chemicals, and why are they banned?

The animal kingdom: EPA says this pesticide is killing bees. (Pssst, it's also in some of your weed)

Regulation delays, frustrations: Faced with lack of guidance from EPA, Colorado regulators yielded to pot industry pressure over pesticide use

Investigation: Denver Post tests find pesticides in pot products

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The MED did not say how many plants or products are impacted by the recall, but the agency recommended that customers with the contaminated pot return it to the place of purchase.

State officials said the plants had tested positive for two pesticide chemicals, myclobutanil and avermectin bla, neither of which is allowed to be used on commercially grown marijuana in Colorado. But the owner of Back to the Garden and High Street Growers told The Post that while her team had previously used the banned pesticides, their residues are no longer present in the finished, smokable products she sells to customers.

"It's an incorrect action," Tucker said late-Thursday. "By the admission of the Department of Agriculture, the people who tested the product, there was nothing found in any of my finished, smokable products sold to the public."

Tucker said her growers stopped using pesticides containing myclobutanil and other banned chemicals "a year ago" after the city of Denver first stepped up its pesticide enforcement actions, which ultimately pushed the state to publish a list of allowable pest-control chemicals for use on cannabis.

Any residues of the banned chemicals in her current inventory were only found in the fan leaves and stalks, Tucker told The Post. "They're not in any of the products or flower I've sold," she said.

Denver health officials have independently issued 20 recalls of pot products tainted with unapproved pesticides, but state regulators have only recently stepped up their efforts after Gov. John Hickenlooper in November issued an executive order declaring pesticide-laden marijuana a "public safety risk" and mandating its destruction.

State regulators on Friday issued their first two recalls under Hickenlooper's order, on a pair of cultivation facilities in Colorado Springs — Dr. Releaf Inc. and High Mountain Medz. A third order, issued Tuesday, recalled plants grown by XG Corp.'s facility in Garden City, just outside of Greeley. The state's fourth order landed Wednesday, recalling product from Golden pot shop Rocky Mountain Organic Medicine.