Protecting Our Digital Lives: New Challenges for Attorneys General

NAAG Mission Statement
To help attorneys general fulfill the responsibilities of their office and to assist in the delivery of high-quality legal services to the states and territorial jurisdictions.

*Fiscal Year July 1, 2014 – June 30, 2015
NAAG PRESIDENT’S MESSAGE

I am honored to have served as president of the National Association of Attorneys General (NAAG) during fiscal year 2015. NAAG and its 56 state and territorial members had another tremendous year of action, collaboration and accomplishments. Through NAAG, we addressed issues that threaten our citizens such as combating online criminals and urging the use of call-blocking technology to protect consumers from unwanted calls and scams. We also worked to eliminate access to synthetic drugs.

As 2014-2015 NAAG president, it was a privilege to lead the association and to focus on the year-long NAAG presidential initiative, “Protecting Our Digital Lives: New Challenges for Attorneys General.” A summary of that effort is found on page 4 of this report, and I want to thank my fellow attorneys general for their time and contributions to it. We attorneys general are on the frontline of the war against digital crime. Together we strengthened our nation’s fight with the knowledge gained through this initiative.

It is clear NAAG provides outstanding support to the attorney general community. I witnessed it as I chaired our three NAAG Annual Meetings, hosted the Presidential Initiative Summit, observed the work of NAAG committees, and heard from attorney general office staff about the benefits of attending National Attorneys General Training and Research Institute (NAGTRI) legal trainings.

We can take pride in the NAAG achievements listed in this report. Each accomplishment is an extension of our own public service. The enthusiasm and dedicated involvement of the attorneys general, attorney general staff and NAAG staff enables the association to succeed and grow. For your efforts, I thank you.

Sincerely,

Jim Hood
2014-2015 NAAG President & Mississippi Attorney General
All too often, the annual report from any organization instantly becomes an archive reference document. It’s only read at some point when specific funding information is needed. However, I encourage you to read it. You will discover a snapshot of a vibrant, service-oriented association made up of extremely talented and dedicated professionals who have embraced a lifestyle of service and who are motivated by the single desire to make a difference.

I ask you to focus on this statement in the President’s Message which captures the essence of NAAG in 2015:

“We can take pride in the NAAG achievements listed in this report. Each accomplishment is an extension of our own public service. The enthusiasm and dedicated involvement of the attorneys general, attorney general staff and NAAG staff enables the association to succeed and grow.”

The attorney general community consists of a wide range of duties, authorities, and responsibilities which are executed and administered in a wide variety of ways. It is often said that no two offices are alike. The abiding similarity is that each attorney general is the chief law enforcement officer of their state, territory, or district and their dedication to serving the people of their jurisdiction. This similarity is the space occupied by NAAG and its dedicated staff. It is the space where NAAG supports the attorneys general providing that public service.

With those words, “an extension of our own public service” in mind, read through this report and experience the wide ranging support NAAG staff provides: training for attorney general staff; Association policy work; vital assistance to NAAG committees; and substantive legal support in the areas of U.S. Supreme Court cases, bankruptcy, cyberspace law, and tobacco. Finally, the engine behind all this effort is the Association’s Financial, and Association & Administrative Services. You will begin to obtain an appreciation of the depth and breadth of support Attorney General Hood noted.

Thank you for reading our annual report. I know you will come away with a renewed appreciation for all the Association does to extend the attorney general community’s public service goals.

Very Respectfully,

Jim McPherson
NAAG Executive Director
Each president of the National Association of Attorneys General (NAAG) has a year-long presidential initiative concentrating on one pressing law enforcement issue and holding a two-day summit related to it. This year's initiative focused on protecting our consumers and businesses from online criminals using new technologies. It was called Protecting Our Digital Lives: New Challenges for Attorneys General.

Crime is moving to the Internet and law enforcement must be ready. Almost every crime investigated today involves a cell phone or other digital evidence. The cyber challenges to attorneys general include cyber bullying, child porn, human trafficking, hackers and data miners stealing private consumer information, the impact of intellectual property theft by the advent of 3D printers and hackers of our defense systems.

Over the last year, our nation has had multiple, huge data breaches in retail stores where personal information was taken. Through the NAAG presidential initiative, we attorneys general used these recent cases to explore what practical safeguards can be put in place to help better protect our nation's consumers.

Hackers compromise systems and threaten to delete all data therein if people refuse to pay a ransom. Unfortunately, victims of this extortion crime are individuals, small businesses and municipalities who can't afford not to pay. Counterfeiting and piracy of U.S. products occurring on rogue websites is a serious issue. Of particular concern is the sale of counterfeit pharmaceuticals and other such dangerous goods.

Counterfeit drugs may be loaded with dangerous or ineffective substances, either of which can be deadly. These types of crimes hurt our people and they hurt our nation. We attorneys general will continue to protect our states from the piracy of our intellectual property.

Over the course of this year, we ensured the initiative issues mentioned above were addressed and potential solutions offered during the three NAAG Annual Meetings and the Southern Region meeting, “Big Data—Challenges & Opportunities.” Sessions described the challenges of the Dark Net-online crime with Silk Road, a ‘hidden’ drug website used as an example. We also covered cyber-hacking of corporate databases as well as securing payment technologies.
Most important was the NAAG Presidential Initiative Summit in Biloxi, Miss., April 12-14, 2015, with an agenda dedicated to intellectual property theft, digital currency, law enforcement collaboration in the cloud, patent trolls, counterfeit medicine and Internet pharmacies, and emerging issues in a digital world. The final agenda and video of all the meeting sessions has been posted to the NAAG website, http://www.naag.org/meetings-trainings/video-and-other-av-archive/ag-hoods-presidential-initiative-summit.php

We attorneys general are on the frontline of the war against digital crime. NAAG added strength to our nation’s fight through the knowledge gained with this initiative and the resulting steps taken.

The NAAG Mission Foundation, Inc., a 501 (c) 3 organization, was formed with proceeds from the 1998 Tobacco Master Settlement Agreement (MSA). Its board consists of seven attorneys general, including the four current NAAG executive officers. The purpose of the Mission Foundation is to help NAAG’s mission by engaging in education, research, and training programs, supporting the enforcement of the MSA, and funding other NAAG programs and initiatives.

The Mission Foundation has been active in advancing NAAG programs and meetings this fiscal year by providing approximately $2.8 million for the three NAAG Annual Meetings, Presidential Initiative Summit, NAAG regional meetings, and a majority of the NAGTRI training courses.

The November 2014 elections as well as governor appointments brought 18 new state and territorial attorneys general into office, with most starting their terms in January 2015. The NAAG Mission Foundation provided support for NAAG to conduct a new AG Orientation in December 2014 as well as a new Chief Deputies/Chiefs of Staff Orientation in February 2015.
**Trainings and Programs**

NAGTRI was excited to launch several new and innovative programs this fiscal year. These trainings were in response to a direct need by attorneys general offices, expressed by the NAGTRI Advisory Board.

- The traditional negotiations skills training agenda was restructured to provide a more practical experience that highlighted fundamental negotiation theory and explored the appropriateness of negotiations within the context of an attorney general’s office.

- NAGTRI’s voir dire training provided civil and criminal attorneys with an opportunity to enhance their ability to effectively and ethically select a jury. Attendees participated in a number of interactive breakout groups and had the opportunity to conduct a mock voir dire, with feedback from experienced faculty members. The training, in a NAGTRI first, incorporated paid professional actors acting as jurors, which increased the training realism.
• Several new trainings were conducted that focused on improving investigative skills including cold case homicide investigations, the use of undercover investigators, wiretaps and confidential informants and a dual track advanced trial techniques course for both attorneys and investigators.

• The Consumer Protection-Information Technology Litigation seminar explored the challenges and solutions facing offices engaged in large or complex consumer protection litigation when dealing with electronic discovery and the handling of big data through presentations and discussions.

• An advanced habeas corpus training was offered to supplement the basic course.

Health Fellowship Program

Selected fellows from a NAGTRI program funded by the Robert Wood Johnson Foundation participated in a panel at the 2015 NAAG Winter Meeting that focused on public health law issues and the importance they have to the attorney general community. The panel, entitled, “Practical and Legal Challenges Impacting States by the Institutionalized Mentally Ill and Illicit Substance Users” focused on challenges and recent trends to address treating mentally ill immigrants who are returned to the community following hospitalizations and evaluating the effectiveness in controlling substance abuse.
NAGTRI organized and hosted 23 attorneys during its annual International Fellows program, May 30 – June 7, 2015, focusing on innovative prosecutorial and crime fighting strategies. The fellows explored common issues together, as they analyzed how prosecutors may serve as leaders to help reduce crime in creative ways. The fellows were from Australia, Bermuda, Brazil, Canada, Cook Islands, Denmark, El Salvador, Ireland, Mali, Mexico, Nepal, South Africa, Taiwan, Timor-Leste, Uganda, Ukraine, United Kingdom, and the United States. The participants split their time between Washington, D.C. and New York City, N.Y. While in Washington, D.C., the fellows had the distinct honor of meeting with U.S. Deputy Attorney General Sally Quillian Yates.

While in New York, they presented the findings for their research projects at the New York University School of Law before a distinguished panel.

NAGTRI also published its annual International Fellows newsletter. It included updates from past fellows about what they have been doing, dating back to the 2011 class. One example includes a professional friendship that developed between two fellows from Mongolia and Thailand who participated in the 2012 class. The two returned home and worked cooperatively to encourage their respective attorneys general to enter into a memorandum of understanding (MOU) to offer joint training, conference, and research opportunities. The attorneys general ultimately agreed to the MOU that furthers cooperation between the two countries.
NATIONAL ATTORNEYS GENERAL TRAINING & RESEARCH INSTITUTE

NAGTRI Publications

NAGTRI is also updating and expanding its publications. A second edition of “Preparing for the Unexpected,” a disaster preparedness manual and resource guide was released in June 2015. Also published in January 2015 was the NAGTRI Veterans Legal Manual. It was created to assist service members and veterans with their unique legal issues. This manual was created directly from the success of the NAGTRI veterans issues trainings held in recent years.

Bridge to Practice: Visiting Legal Fellows

NAGTRI continued to capitalize on the availability of recent law graduates paid by their law school to work at NAAG as visiting fellows. During this fiscal year, NAGTRI hosted four visiting fellows from Emory University School of Law, Vanderbilt University Law School, University of Pennsylvania Law School, and George Mason University School of Law. They provided quality comprehensive research and analysis to a wide variety of legal topics with legal memorandums, law comparison charts, case opinion analysis, legislative reporting, and more.

NAGTRI remains fully focused on serving the critical training, research, and staff development needs of the nation’s state and territorial attorneys general, and expanding to meet the growing demand for such services.
The Association’s core budget is funded principally from member dues, federal government grants, meeting registrations and other sources. The NAAG dues structure is modeled after the National Governors Association, with categories and amounts assessed based on the most recent census.

Funding Sources

- NAAG Dues—funds NAAG core programs and general administrative expenses
- Registration Income—contributes to fund meeting expenses
- Federal and other grants
- Settlement funds—usually restricted to fund certain prescribed programs, trainings or expenses. During this fiscal year, NAAG received $4.5 million from the S&P settlement.
- Interest and investment income on Tobacco portfolio—funds a portion of the Tobacco Center’s program expenses and Tobacco grants
- Interest and investment income on Mission Foundation portfolio—funds NAAG annual meetings, NAGTRI legal trainings, and other meetings
- Rental Income on Mission Foundation—funds general and administrative expenses related to the owned office space

Notes

NAAG is the official organization of the chief legal officers of the states, commonwealth, and territories of the United States which is reflected in NAAG’s status, for federal tax purposes, as an “instrumentality of the states.” As such, NAAG is exempt from federal income tax in the same way a state government body is tax-exempt. NAAG’s Mission Foundation is a 501 (c) 3 organization.

The National Association of Medicaid Fraud Control Units’ (NAMFCU) financials are separate from NAAG and are not reflected in this report.

FY 2015 Program Expenses
CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION
As of June 30, 2014 and June 30, 2015

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<td>167,340</td>
<td>89,765</td>
<td>77,820</td>
<td>167,585</td>
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## CONSOLIDATED STATEMENTS OF FINANCIAL ACTIVITIES

**As of June 30, 2014 and June 30, 2015**

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<thead>
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<th>(In Thousands)</th>
<th>For the Year Ended in 6/30/2014</th>
<th>For the Year Ended in 6/30/2015</th>
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<tr>
<td>Ending</td>
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<td>$165,042</td>
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2014-2015 ASSOCIATION POLICY ACTION

NAAG Sign on Letters and Comments

- Sign on letters or comments are policy-oriented documents sent to members of Congress, congressional committees, federal agencies or private companies, expressing the viewpoint of the signatories. If a document reaches 36 attorneys general signatures, it becomes NAAG policy. Below are the NAAG letters or comments for 2014-2015 fiscal year.

- Attorneys general submit NAAG comments to the Federal Trade Commission about updating the agency’s telemarketing sales rule.

- Attorneys general send a NAAG letter to the U.S. Senate Judiciary Committee leadership, urging them to pass a bill, the Stop Advertising Victims of Exploitation Act (SAVE Act, S. 2536) that would help prevent children from being sold for sex via the Internet.

- NAAG supported the Amy and Vicky Child Pornography Victim Restitution Improvement Act and urged the respective U.S. Senate and House committees to bring the bill to a vote.

- NAAG sent a letter to the Federal Communications Commission about allowing phone companies to utilize call-blocking technologies that would protect consumers from unwanted calls and scams.

- NAAG sent a letter to nine oil companies asking them to help eliminate any synthetic drug sales from retail locations operating under their brand names.

- The NAAG Sign on letter archive can be found here: http://www.naag.org/naag/policy/sign-on_archive.php

Mississippi AG Jim Hood, FTC Chair Edith Ramirez & Florida AG Pam Bondi at NAAG Fall Meeting
NAAG Office – A Sale, A Move and A Return

During this fiscal year, NAAG accomplished the successful negotiation and sale of the office floor space it owned at 2030 M Street, N.W. in Washington, D.C. After more than a year of negotiations conducted by NAAG’s executive director, deputy executive director, chief of staff and chief financial officer, the NAAG executive committee and NAAG Mission Foundation board approved the final proposal in spring 2015. NAAG will move to a temporary office in 2017, but will return several years later to 2030 M Street when a new class A building has been built, with NAAG owning the 2nd floor.

Attorney General’s Office Management Review

The NAAG Mission Foundation underwrites a management review program offered as a benefit to NAAG members. This review program is an opportunity for attorneys general offices to receive an objective, expert assessment of various office operations.

NAAG’s chief of staff, joined by management staff from various attorneys general offices, completed four management reviews within this fiscal year. Efforts are currently underway to integrate best practice principles of management and leadership into the review process and to provide hands on and practical solutions. Such principles and solutions are also part of a new core curriculum developed for the NAGTRI Center for Leadership Development.
2014-2015 ASSOCIATION ACCOMPLISHMENTS

NAAG Committee Action

Antitrust
After a gap of several years, the NAAG Antitrust Committee restarted its practice of meeting with top officials from the U.S. Department of Justice Antitrust Division and the Federal Trade Commission at the NAAG Winter Meeting in Washington, D.C., to discuss mutual enforcement matters. The committee also held a successful antitrust seminar on Oct. 8-10, 2014 in Madison, Wis., attended by more than 50 state antitrust enforcers, featuring panels on health care consolidation and enforcement actions involving foreign entities. NAAG antitrust counsel assisted states with amicus briefs in cases in the U.S. Court of Appeals for the First, Ninth and Eleventh Circuits, including a brief supporting the Idaho attorney general in his challenge to an anticompetitive health care acquisition.

NAAG continues to maintain the Multistate Antitrust Litigation Database, with 675 antitrust cases brought by state attorneys general, including complaints, settlements and judicial decisions.

Civil Rights Committee
NAGTRI organized a successful Civil Rights training in Austin, Texas, May 18-19, 2015 with 34 assistant attorneys general attending from throughout the country. It also featured six faculty members who serve in senior level positions in their respective attorneys general offices in addition to a national expert who trained the participants on various immunity protections. The training was geared towards instructing assistant attorneys general with less than six years of experience litigating 42 U.S.C. Section 1983 cases. The survey training was interactive, where participants worked in small groups on a complex hypothetical scenario involving modern prisoner litigation issues.

Civil Rights Publication Debut
NAGTRI began distributing a monthly publication in January that focuses exclusively on civil rights related matters. The Civil Rights Bulletin provides a substantive and detailed account of federal and state civil rights cases and related issues that are of importance to NAAG members who handle and advise clients on civil rights issues. The publication is also available for NAAG members to contribute materials for publication that may be of assistance to the attorney general community.

Energy & Environment Committee
NAGTRI organized an Energy and Environment training on April 13-14, 2015 in Nashville, Tenn., with 30 assistant attorneys general. Tennessee Attorney General Herbert Slatery offered opening remarks. The participants worked in small groups from a hypothetical fact pattern that involved a complicated and modern environmental catastrophe. The training specifically focused on handling multistate issues, federal and state coordination, discovery and experts, managing and engaging with stakeholders, preparing for negotiations and settlement, and receiving an update on environmental cases nationally.

Consumer Protection
Attorneys general are a leading consumer
protection force in the country. Most have primary responsibility within their states for enforcing consumer protection statutes.

NAAG assists its members in this issue area by staffing the NAAG Consumer Protection Committee and organizing its two annual educational seminars.

The Fall Consumer Protection Seminar was held in October 2014 in Providence, R.I. It had 116 attendees and covered such topics as identity theft and tax returns, prepaid cards, student loan debt relief and issues with E-Discovery.

The Spring Consumer Protection Seminar was held in May 2015 in Washington, D.C. It had 189 participants with a majority of the meeting focused on privacy and data breaches. Other topics addressed included payday lenders, federal agencies dealing with fraud and building an effective no call unit.

**Criminal Law Committee**

NAGTRI organized a number of national trainings related to the investigation and prosecution of crime over the past year. For example, in April 2015, at NAGTRI’s Cold Case Homicide Investigations training, experts in the fields of prosecution, DNA, policing, and forensic pathology met to provide prosecutors and investigators with the opportunity to enhance their ability to investigate homicides that have been deemed to be cold cases. The training focused on how to prioritize cases, and successful methods for reexamining old evidence and developing new investigatory leads. In June 2015, at NAGTRI’s “Be, Bug, or Turn” training, prosecutors and investigators learned best practices for the use of undercover investigators, wiretaps, confidential informants, and cooperating witnesses in corruption investigations.
Additionally, upon request of the NAAG Criminal Law Committee, staff counsel compiled a comprehensive examination of the issues relating to body-worn cameras. A legal note was also drafted which examined college campus sexual assault, including corresponding federal and state law, and steps taken by the attorneys general to combat these crimes.

Staff counsel also began compiling and distributing a monthly newsletter which focuses on the criminal law matters of most importance to the attorney general community.

**Human Trafficking Committee**

Under the auspices of the NAAG Human Trafficking Committee and partially supported by a grant from the Bureau of Justice Assistance with the U.S. Department of Justice, NAGTRI held five human trafficking trainings, training nearly 200 state and local prosecutors and police. The trainings in Bismark, N.D.; Pago, Pago, American Samoa; Manchester, N.H.; Nashville, Tenn.; and Reno, Nev., were conducted by prosecutors from the Colorado Attorney General’s Office and from the Cook County State’s Attorney Office.

The committee also initiated a sign-on letter supporting the Stop Advertising Victims of Exploitation (SAVE Act), with 53 state and territorial attorneys general urging Congress to pass the legislation. A version of that bill passed in June 2015.
2014-2015 ASSOCIATION ACCOMPLISHMENTS

Over the last fiscal year, 12 monthly newsletters were sent to committee members and made public on the NAAG website to update information on the activity of attorneys general offices on countering human trafficking, federal and state legislation, court cases, and state investigations, arrests, and prosecutions.

**Intellectual Property Committee**
Under the auspices of the NAAG Intellectual Property Committee and supported by a grant from BJA, NAGTRI partnered with the National White Collar Crime Center in conducting seven IP trainings around the country. Intellectual property theft was an integral part of the Presidential Initiative Summit with panels focusing on counterfeit drugs and a keynote speech by the White House Intellectual Property Coordinator Daniel Marti. Quarterly newsletters were sent to committee members and posted on the NAAG website covering attorney general office activity in the area of patent trolls and intellectual property theft, state and federal legislation, recent court cases, and a compendium of state arrests and prosecutions on both piracy, trademark infringement, and theft of trade secrets.

Vice President Joe Biden spoke at the 2015 NAAG Winter Meeting
2014-2015 ASSOCIATION ACCOMPLISHMENTS

Law Enforcement and Prosecutorial Relations Working Group
Over the past year, the Law Enforcement and Prosecutorial Relations Working Group has endeavored to identify issues of mutual concern and ways in which to improve the relationship among law enforcement agencies at the federal, state, and local level.

Substance Abuse Committee
NAAG's Substance Abuse Committee works with law enforcement, prosecutors, community leaders and other stakeholders to detect developing trends and to identify and promote best practices for jurisdictions to combat substance abuse through coordinated efforts involving education, prevention programs, treatment, and interdiction. Committee members have accomplished these goals in a number of ways. For example, many Committee members participated in a NAAG sign-on letter which was sent to the CEOs of nine oil companies asking the companies to help to eliminate all synthetic drug sales taking place at retail locations that operate under the companies’ brand names. The letter asked the companies to prohibit franchisees from selling these drugs and to revoke the franchise of any station or convenience store that sells the drugs.

The Committee also commissioned a report, prepared by NAAG staff counsel, which examined the various causes of the increase in heroin usage nationally and detailed how the attorneys general of a number of jurisdictions are working to combat the problem and reduce overdoses. Upon Committee request, counsel also drafted a report which examined the emergence of and dangers associated with a substance known as “kratom.”

A monthly Substance Abuse e-newsletter was issued during the year which focused on timely issues related to substance abuse and the work done by the attorneys general to combat drug abuse.

Marijuana Working Group
Under the auspices of the NAAG Substance Abuse Committee, NAAG’s recently-formed Marijuana Working Group is comprised of representatives from Alaska, Colorado, District of Columbia, Hawaii, Oregon and Washington. The group does not engage in advocacy relating to marijuana legalization or decriminalization. Rather, information sharing is the priority. NAAG counsel worked with NAAG legal research fellows to develop a comprehensive compendium of recreational and medicinal marijuana laws throughout the 56 jurisdictions.

Veterans Committee
The Veterans Committee provided the inspiration for the development of the NAGTRI Veterans Legal Manual which was published in January 2015. It is a resource manual for attorneys general offices to assist servicemembers and veterans with their unique legal issues.
2014-2015 ASSOCIATION ACCOMPLISHMENTS

Issues

Supreme Court
The NAAG work conducted on U.S. Supreme Court issues is now housed within the NAAG Center for Supreme Court Advocacy, which launched in early 2015. Dan Schweitzer is the Center’s director and chief counsel.

The Center staff conducted 21 moot courts for state attorneys arguing in the U.S. Supreme Court this term. The cases involved a wide range of issues, from the death penalty to the First Amendment to environmental law to taxation.

Center counsel edited 45 briefs filed by state attorney general offices in the U.S. Supreme Court, including merits briefs, cert petitions and oppositions, and amicus briefs.

The following state attorneys served three months at NAAG as Supreme Court Fellows: Dana Ali of California, Natasha Cortina of California, Kirk Hanson of Massachusetts, Todd Hesel of Maryland, Christyne Martens of Wyoming, and Brian Reitz of Indiana.

Bankruptcy
NAAG bankruptcy chief counsel organized a 3½ day advanced bankruptcy seminar in Providence, R.I., for 135 total attendees in September 2014. The program focused on a complex hypothetical addressing numerous regulatory and consumer issues arising out of a low-income housing project, including topics specifically relating to the National Mortgage Settlement. The topics covered the entire range of bankruptcy law and featured a number of interactive skills sessions.

Comments were drafted by NAAG counsel in January 2015 for the States Association of Bankruptcy Attorneys (SABA) on pending Bankruptcy Rule changes and proposed uniform Chapter 13 plan. NAAG staff also provided comments directly to the Bankruptcy Rules Advisory Committee (BRAC), testified before the Committee at a Jan. 23, 2015 hearing, and participated in subsequent discussions to arrive at a compromise position on the Rules to salvage the reform effort. As of August 2015, BRAC had largely adopted the proposed compromise and it appears, at press time, that it will become part of the final promulgation of the new rules.

NAAG counsel has started to update the first edition of the Bankruptcy Law and the Governmental Regulatory Process manual for government counsel which was published in 1995. The goal is to have a new version ready in 2016.
2014-2015 ASSOCIATION ACCOMPLISHMENTS

Cyberspace Law
NAAG cyberspace law counsel organized a Disaster Preparedness seminar Sept. 16-17, 2014, in Washington, D.C. to discuss states’ experiences in recent natural and man-made disasters, such as Hurricane Sandy, the Boston Marathon bombing and the Gulf oil spill. Participants discussed lessons learned from these disasters and potential changes to the NAGTRI Disaster Preparedness Manual and Resource Guide to reflect those lessons learned. NAAG counsel worked with state attorneys on the second edition of that publication, which was published and distributed to attorneys general offices in summer 2015.

On the training front, NAAG counsel developed a new NAGTRI course, Cloud Computing for Attorneys, which was held on May 18, 2015 in Philadelphia, Pa. The agenda included discussions of the risks associated with cloud computing, advice on selecting a cloud provider and an analysis of jurisdictional issues, as well as a discussion of whether an attorney can ethically store client information in the cloud. NAAG counsel also conducted Advanced E-Discovery training for the attorneys general offices in Florida, Georgia, Arizona, New Jersey and Puerto Rico. In addition, counsel participated in the trial training for the attorneys general offices in American Samoa and Hawaii, presenting on the trial notebook in civil practice, discovery of social media and electronic discovery ethics.

Additionally, NAAG counsel provided staff support for the NAAG Southern Region and the NAAG Internet Safety/Cyber Privacy & Security Committee. Counsel also wrote and published the monthly NAGTRI E-Discovery Bulletin and the bi-monthly NAGTRI Cybercrime E-Newsletter.

NAAG President Jim Hood with students demonstrating 3-D printers
**2014-2015 ASSOCIATION ACCOMPLISHMENTS**

**Tobacco**

The NAAG work conducted on tobacco issues is now housed within the NAAG Center for Tobacco and Public Health, which launched in early 2015. Michael Hering is the Center’s director and chief counsel.

Tobacco Center counsel continued to provide significant support to the Settling States in connection with an arbitration brought under the Master Settlement Agreement (MSA) to address certain payment disputes between the Settling States and a tobacco manufacturing company signatory to the MSA (Participating Manufacturer). The Participating Manufacturer involved in the arbitration disputed the method used to calculate market share pursuant to the MSA. Although the arbitration panel issued a Final Award in early 2013, there was an outstanding motion to correct the Award. A hearing was held on that motion in September 2014. Subsequent to the hearing, the panel issued an Amended Corrected Final Award, which provided the Settling States with a partial victory. Tobacco Center staff provided significant litigation and logistical support throughout the arbitration, and counsel for the Tobacco Center argued on behalf of the Settling States at the September 2014 hearing.

Tobacco Center counsel assisted the states in preparing comments, submitted by 29 attorneys general in August 2014, on the U.S. Food and Drug Administration’s (FDA) proposed rule deeming certain tobacco products—including electronic cigarettes, cigars and pipe tobacco—to be subject to the Federal Food, Drug, and Cosmetic Act, as amended by the Family Smoking Prevention and Tobacco Control Act. Tobacco Center counsel also assisted the NAAG Tobacco Committee co-chairs in submitting a follow-up letter in June 2015 urging FDA to
2014-2015 ASSOCIATION ACCOMPLISHMENTS

finalize the proposed deeming rule as soon as possible.

In addition, Tobacco Center counsel supported the Tobacco Committee co-chairs and the NAAG delegate to the Office of the U.S. Trade Representative by monitoring developments on the Trans-Pacific Partnership agreement. This followed a NAAG letter signed by 48 attorneys general that was sent to the U.S. Trade Representative in early 2014 urging that any international trade and investment treaties or agreements explicitly provide that they will not apply to trade or investment in tobacco or tobacco products. Tobacco Center counsel accompanied one of the NAAG Tobacco Committee co-chairs to a May meeting with the U.S. Trade Representative to impress upon him the importance of preserving the ability of state and local governments to continue to regulate tobacco.

Tobacco Center counsel coordinated the states’ liaison with a variety of federal agencies, including the Bureau of Alcohol, Tobacco, Firearms and Explosives, Alcohol and Tobacco Tax Trade Bureau, U.S. Postal Service, and U.S. Customs and Border Protection.

Bankruptcy and Tobacco

NAAG bankruptcy chief counsel and Tobacco Center counsel continued to represent the states in tobacco manufacturer bankruptcy cases and in a criminal forfeiture suit involving a tobacco manufacturer. In July 2014, the Bankruptcy Court for the Western District of New York confirmed a plan under which Native Wholesale Supply (a tobacco distributor) was required to prepay $10 million into escrow and then to pay an additional $6 million into escrow each year thereafter until on-going litigation with the State of New York is resolved and all debts owed to the states and the United States (which are already near $100 million and may grow substantially larger if New York's litigation is successful) are paid in full.

In September 2014, the Bankruptcy Court for the Middle District of North Carolina confirmed a plan of liquidation filed by Alternative Brands, Inc., (a tobacco manufacturer) in which the states, through a trust, received the company’s qualified escrow fund in the amount of $50 million, which funds will be used to pay the states’ claims ($22 million).

In December 2014, Tobacco Center counsel negotiated a settlement of the states’ claims in a forfeiture case involving Belcorp of America, Inc., (a tobacco manufacturer) under which the litigating states will receive $11 million in cash previously forfeited by Belcorp to the United States and $9 million from Belcorp’s qualified escrow funds, which will be used to pay the claims owed by Belcorp and its affiliates to the states.

Lastly, in an on-going settlement negotiated by bankruptcy chief counsel during the 2015
2014-2015 ASSOCIATION ACCOMPLISHMENTS

fiscal year, Carolina Tobacco Company (a tobacco manufacturer now out-of-business) deposited some $1.4 million into its qualified escrow fund held for the benefit of numerous states for past-due escrow obligations and will be required to continue to make similar annual payments until all of its past-due escrow obligations are funded ($3.2 million) and all penalties ($9.75 million) and taxes ($1.5 million) owed to the states are paid in full.

**National Association of Medicaid Fraud Control Units**

The most noteworthy accomplishments for the National Association of Medicaid Fraud Control Units (NAMFCU) continue to be resolving global cases and providing professional training to Medicaid Fraud Control Unit (MFCU) staff. This fiscal year 11 global cases were resolved. Of the 11, the Shire settlement for $56.5 million represents the most noteworthy case. Shire represents one of the first national settlements in which Medicaid managed care damages, as well as fee-for-service damages, have been calculated and included as part of the recovery.

NAMFCU held four Medicaid Fraud 101 Training Programs this fiscal year: one in Santa Fe, N.M. in July 2014; one in Pittsburgh, Pa. in October 2014; one in San Antonio, Texas in January 2015; and one in Atlanta, Ga. in May 2015. Three Medicaid Fraud 102 training programs were held this fiscal year: one in Ft. Lauderdale, Fla. in October 2014; one in Richmond, Va. in February 2015; and one in Denver, Colo. in April 2015.

For the first time, NAMFCU held a Medicaid Fraud 103 Training Program in August 2014. This program was designed for experienced MFCU employees who have been employed in their Unit for at least four years. It requires attendees to analyze a complex fraud scheme involving a laboratory that provides urine screens for drug treatment purposes. NAMFCU held its annual training program in Salt Lake City, Utah in September 2014. With approximately 250 MFCU staff in attendance, the program was the largest in the Association’s history.

In October 2014, NAMFCU held a training for data analysts in Hilton Head, S.C. Analysis of Medicaid data is critical to the successful resolution of global cases and NAMFCU is in the forefront of providing specialized training for this discipline.
2014-2015 NAAG AWARD RECIPIENTS

The annual NAAG awards for outstanding achievement and service were presented during the 2015 Summer Meeting in San Diego, Calif. Recipients were:

KELLEY-WYMAN AWARD
Indiana Attorney General Greg Zoeller

AG SENIOR STAFF MEMBER OF THE YEAR AWARD
Staci Schneider, Indiana Attorney General’s Office

AG CAREER STAFF OF THE YEAR AWARD
Matthew Budzik and George O’Connell, Connecticut Attorney General’s Office

NAGTRI FACULTY OF THE YEAR AWARD
Margaret “Peggy” Q. Chapple, Connecticut Attorney General’s Office, Cynthia Hirsch, Wisconsin Department of Justice Stacey Veroni, Rhode Island Attorney General’s Office

FRANCIS X. BELLOTTI AWARD
Former Florida Attorney General Richard Doran

BEST BRIEF AWARDS

These awards are given annually for excellence in brief writing for the U.S. Supreme Court. This year’s recipients of the NAAG Supreme Court Best Brief Awards were:

**Alabama**
Solicitor General Andrew L. Brasher and Assistant Solicitor General Megan A. Kirkpatrick

**California**

**Colorado**
Solicitor General Daniel D. Domenico, Assistant Solicitors General Frederick R. Yarger, Michael Francisco, and Assistant Attorney General Megan Paris Rundlet

**Michigan**
Solicitor General Aaron D. Lindstrom and Assistant Attorney General Neil D. Gordon

**New York**
Solicitor General Barbara D. Underwood, Deputy Solicitor General Steven C. Wu, and Assistant Solicitor General Cecelia C. Chang

**Ohio**
Solicitor General Eric Murphy and Assistant Attorney General Samuel Peterson

**Pennsylvania**
Senior Deputy Attorney General Claudia M. Tesoro and Chief Deputy Attorney General John Knorr, III

**Virginia**
Solicitor General Stuart A. Raphael, Deputy Solicitor General Trevor S. Cox, Chief Deputy Cynthia Hudson, Deputy Attorney General Cynthia V. Bailey, Senior Assistant Attorney General Allyson K. Tysinger, and Assistant Attorney General Carly L. Rush
NAAG ANNUAL MEETINGS

Fall Meeting
Attorneys General and AG Staff Only
Dec. 2-3, 2014
Fort Lauderdale, Fla.

Winter Meeting
Feb. 23-25, 2015
Washington, D.C.

Presidential Initiative Summit
“Protecting Our Digital Lives: New Challenges for Attorneys General”
April 12-14, 2015
Biloxi, Miss.

Chief Deputies/Chiefs of Staff Meeting
May 6-8, 2015
Austin, Texas

Summer Meeting
June 16-18, 2015
San Diego, Calif.

Orientations

New Attorneys General Orientation
Dec. 1-2, 2014
Fort Lauderdale, Fla.

New Chief Deputies/
Chiefs of Staff Orientation
Feb. 4-6, 2015
New Orleans, La.

Regional Meetings

Conference of Western Attorneys General (CWAG)
July 20-23, 2014
Park City, Utah

Eastern Region
“Sexual Assault on College Campuses”
Sept. 30 – Oct. 1, 2014
Providence, R.I.

Southern Region
“Big Data – Challenges & Opportunities”
March 12-13, 2015
Point Clear, Ala.

Midwestern Region
“Federalism in the 21st Century”
March 31 – April 1, 2015
Indianapolis, Ind.
2014-2015 NAAG EXECUTIVE COMMITTEE

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