STAFF REPORT

Forest Lake
AS GOOD AS IT SOUNDS

MEETING DATE: **March 17, 2025**

STAFF ORIGINATOR: **City Attorney Amanda Johnson and Detective Nathan Olstad**

AGENDA ITEM: **Cryptocurrency Kiosks**

INTRODUCTION: Within the past few years, the Forest Lake Police Department ("FLPD") has received a significant number of reports of scams and fraud arising from multiple cryptocurrency kiosks located throughout the City and approached with City Attorney to find out what options the City may have to regulate these kiosks to better protect the community.

DISCUSSION:

1. **What are cryptocurrency kiosks?**

Cryptocurrency (or virtual currency) kiosks ("Kiosks") are machines that allow consumers to sell and purchase cryptocurrency. A Kiosk is defined in Minnesota statute as "an electronic terminal acting as a mechanical agent of the virtual currency kiosk operator to enable the virtual currency kiosk operator to facilitate the exchange of virtual currency for money, bank credit, or other virtual currency, including but not limited to by (1) connecting directly to a separate virtual currency exchanger that performs the actual virtual currency transmission, or (2) drawing upon the virtual currency in the possession of the electronic terminal's operator." Minn. Stat. §53B.69 subd. 10.

See photo below for an example of a Kiosk.

There are multiple brands of Kiosks that sell different types of cryptocurrency. Most Kiosks do not allow a consumer to withdraw cash (sell cryptocurrency) instead only allowing a consumer to insert cash to purchase cryptocurrency. These Kiosks look similar to an ATM and are found in convenience stores, pharmacies, and grocery stores. While some legitimate transactions may take place via these Kiosks, the machines have quickly become a preferred payment method for scammers.

2. Are these Kiosks regulated?

Kiosk operators are regulated federally by the U.S. Treasury Department Financial Crimes Enforcement Network ("FinCEN"). Kiosk operators must register with FinCEN as a "money service business" and meet the recordkeeping requirements promulgated from the Bank Secrecy Act and anti-money laundering statutes, but the Kiosks themselves are not regulated.

A virtual currency kiosk operator ("Kiosk Operator") is defined in Minnesota statute as "a licensee that operates a virtual currency kiosk within Minnesota." Minn. Stat. §53B.69 subd. 11. The license requirements, exemptions, and penalties are set forth in Minn. Stat. §53B generally. The applicable license for a kiosk operator is a money transmitter license.

In 2024, the Minnesota legislature passed new requirements which apply to any licensee under Chapter 53B who operates virtual currency kiosks. The new law added definitions, disclosure requirements, and daily transaction limits and refunds for frauded new customers. The Statute defines a new customer as someone who has been a customer with a virtual currency kiosk operator for less than 72 hours. Unfortunately, criminals have already found their way around this new law. Scammers will send the victim a QR code to the scammer's wallet, so even if the victim has never been to a Kiosk before, they are not considered a new customer because they are using the scammers account.

Transactions conducted by Kiosk are accompanied by high percentage-based fees. The kiosk operator often marks up the cryptocurrency by 20-30%. Frequently the hosting business (often a convenience store) also receives a cut of the markup. In a recent class action lawsuit, the complaint stated that the kiosk operator, Bitcoin Depot, sold cryptocurrency at a markup between 31%-38%. The complaint alleged that Bitcoin Depot and the hosting business, Circle K stores, known locally as Holiday also received a cut of each transaction. In short, both the kiosk operator and the hosting business profit from fraud running through the machines. Based on an ongoing investigation by the Iowan Attorney General, they have found that 98% of the transactions through Bitcoin Depot kiosks were scam related transactions.

It is important to remember that consumers who wish to purchase cryptocurrency are not prevented from doing so via a computer, where the fees are lower (often a flat rate of $.10 to $1.00 per transaction) and cash is not required.

3. How are these Kiosks used in fraud schemes?

The decentralized nature of cryptocurrency, the speed of these irreversible transactions and the ability to move money all over the world makes cryptocurrency attractive for criminals in general. When you add the ability to access a victim's cash via the Kiosk and the ability to target victims who do not have an online presence, there is significant criminal opportunity.

Criminals manipulate, intimidate, and/or threaten their victims into using the kiosks to send funds. Typically, the schemes are either a threat that the victim has committed a crime and needs to pay money to avoid jail or some sort of investment scheme. Criminals often start with a phone call and are highly skilled at creating a sense of urgency, panic, and isolation in their victims. The criminals will remain on the phone with the victim throughout the transaction(s) to ensure that the victims lie to bank employees, local law enforcement, and other bystanders if necessary. In some scams, criminals falsely represent themselves as government officials or law enforcement officers.

In 2023, the FBI reports that there were approximately 69,468 total complaints in the U.S. with a cryptocurrency nexus for a total loss of $5.6 billion dollars, an increase of 45% since 2022. The most common factor amongst the victims was age. Most victims are over the age of 50. These victims have generated over 25,000 complaints and $2.5 billion in loss. The FBI reports over $189 billion in losses in 2023 due to fraud via Kiosks. According to the Federal Trade Commission, the amount of losses has increased nearly tenfold since 2020.

The Forest Lake Police Department reports losses totaling over $300,000 from incidents of fraud via kiosks located within the City in the last two years alone. White Bear Lake reported about $125,000 from 2023 and Woodbury has $6.6 million in reported cryptocurrency losses since 2021. These are not small numbers and are truly devastating to the victims because the nature of the fraud means it is almost impossible to recover the funds.

In addition to the significant risk of fraud the Kiosks pose, there are additional risks due to the transportation of sometimes large quantities of cash (in some cases, tens of thousands of dollars) to the kiosks. This increases the risk for the consumer to have someone waiting to simply grab their cash before they deposit it in the Kiosk.

Attached is a letter written by one victim describe these scams from the victim's perspective.

4. What are the City's options?

a. Do nothing at this time.

The State is aware that these Kiosks are a problem. In addition, the Minnesota Department of Commerce is aware that their current legislation did not stop the scammers due the definition of a new customer. The City is not required to pass an ordinance to deal with these Kiosks and the reality is that there will be a cost to regulate or ban these machines. The City could choose to do nothing for now and wait to see if the State proposes additional legislation. However, based on my conversations with the Minnesota Department of Commerce and the League of Minnesota Cities there is no current plan to create additional legislation.

b. *Register the Kiosks and try to remove the bad actors.*

Attached is a proposed ordinance that would require all Kiosks located within the City be registered. The City has strong authority to register businesses and uses within the City. Examples of this are tobacco, alcohol, cannabis, massage therapists, tattoo parlors and other businesses that have obvious public health or safety component. These Kiosks are no different, they have clear public safety concerns because of the amount of fraud running through the machines and the inability to recover the stolen funds.

The proposed ordinance would require the property owner ("Hosting Business") to register the Kiosk with the City. Because of the nature of the cryptocurrency industry in general, it will be easier to enforce a registration against the property owner because they are physically located in the City. A Kiosk can only be registered if they conform to the following:

- Complete an application providing the name, business address and valid registered agent of the Kiosk Operator;
- Provide a copy of valid state license;
- Copy of the lease/rental agreement between the Hosting Business and the Kiosk Operator;
- Any information required by the State for the State license;
- Written confirmation from the FLPD that the Kiosk Operator has had no more than three instances of substantiated fraud, as determined by the FLPD involving any Kiosk owned or operated by that Kiosk Operator within the City in the past twelve months;
- Post a sign as provided by the City on the Kiosk warning of the danger for fraud and scams;
- Have a dedicated, closed-circuit camera for the Kiosk, positioned as required by FLPD and shall provide video footage to FLPD within 48 hours of request;
- Pass compliance checks by FLPD.

The goal of the ordinance is balance the protection of the community without instituting a ban on the Kiosks.

c. *Ban the Kiosks.*

The cities of Stillwater, Cottage Grove, and South St. Paul are considering a total ban on the Kiosks. Based on conversations with the League of MN Cities and the Minnesota Department of Commerce, we were advised not to ban the Kiosks, although no one could provide a law that prohibited such action. Further, it is not clear if existing Kiosks would be considered a grandfathered use and allowed to continue to operate even if Kiosks were banned.

REQUEST FOR FEEDBACK:

City Staff and FLPD request Council feedback on the options above and direction from the Council. Detective Olstad and the City Attorney will be at the work session to answer questions from Council.

ATTACHMENTS:

- Letter from victim

-Proposed Kiosk Ordinance

Case #: FL24010909

On Saturday, 10/19/2024, around 11am I got a call from a man registering as a "restricted" number asking for XXXXXX -a name I haven't gone by for 10 years- said he was calling about j ury duty. I told him I've been called to jury many times and everything is done through the mail and hung up on him. He called back from the "ISANTI CNTY OFC" and told me his name was Sergeant Tom Leatham from sheriff's department. He encouraged me to look up the number on my caller ID and also shared with me the address of the Isanti County Sheriff's Office (2440 Main St S, Cambridge) to verify that my caller ID matched the number look-up on google.

He then proceeded to ask me why I failed to show up to jury duty on a federal murder case. I told him that I was never summoned. He continued by saying the papers were delivered to my address and signed by me upon delivery. I told him that did not happen and he asked for my email so he could send me the documentation. I gave him my email:
He said that I would then need to come into the office to verify signature. I asked about the office being open and his response was that in these types of cases people are on the clock all the time -"crime never stops." He told me that I have 2 warrants. Failure to Appear FTA-CV-2237 and Contempt of Court COC-CV-7628. The trial has now been put on hold due to the fact that I did not show up. I told him that was impossible, how would someone be assigned to a jury without having been through the sorting process?

He asked if I received the documents he sent (text1/doc1/doc2 that I previously sent to the evidence link) - I did ...he asked if that was my signature. I replied, no - he asked have you ever been arrested, I again said no. He said it was crucial that I come into the office to clear this up right away and deal with the 2 warrants under my name. He said I would need two forms of ID and that Judge Laura T. Beyer has me on a "gag order" as to not talk about the murder case or any of my legal issues at present until I'm able to clear myself of said warrants. I vaguely remember him saying it shouldn't take long, maybe 30 minutes or so - I told I would be on my way after I talked to my husband. He told me that I was now on a mobile escort and had to stay on the phone with him until I arrived. That I may not make calls or text because of the recording system. He reminded me of the gag order as I asked my son to call my husband. I talked to my husband on my son's phone to let him know I was going to the sheriff's office (which I kept calling the courthouse for some reason) to fix a mistake and that I'm under a gag order so I can't share much with him other than it isn't about him or the family and it is nothing that is a personal about me. I kissed my kids goodbye and let them know I was going to run to the Cambridge courthouse and left.

He asked me to let him know when I got into my car and when I did he said to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so …as I was heading towards Cambridge a sheriff's squad car passed me going the opposite direction. I notified Sergeant Tom and he claimed that it was no big deal just part of the mobile escort. He then told me he was sending more documents and that he wanted me to pull over to go over documents with me safely. I pulled into the Wayside Prairie Park where I received more documents (text2 & text2details that I previously sent to the evidence link). This is when he asked if I've ever been a part of a federal jury proceeding before - I told him no only state. He then informed me that these warrants had fees attached to them ($4500ea) and if I show up at the office without payment receipts that I would be put into custody. My other option would be to turn myself in and sit in a holding cell until my signature went through the verification process which could be 2 to 3 weeks - emotions took over at this point and everything seemed like madness. During this time the sheriff's squad car that passed me earlier came back around and parked by where I was parked. I glanced over my shoulder crying with fear, frustration, and bewilderment …I couldn't see through the dark tint on the sheriff's windows but I just waved my phone at whoever was in there and told Sergeant Tom that the sheriff was parked next to me. He attempted to calm me and told me it was part of the mobile escort. The squad car eventually left but I'm unaware of when since I was in hysterics.

At some point he made a comment about this being really sh*tty and that he sees I'm a law abiding person. He said he believed me that it's a terrible mistake and hopes it can be cleared up quickly.

I divulged to Sergeant Tom that I don't have $9000, that all I have is $100 cash in my bag. I asked if I could call my parents about the money and he said that could potentially put me in a situation to break the gag order and as a law abiding citizen I wouldn't want to get into more trouble than I already am. I believe this is when I asked about a payment by check and he proceeded to tell me that I can't just walk in and slap money down on his desk. I told him that I can't be in jail for 3 weeks. My husband is disabled and doesn't work so my family depends on my income. I'm not at work - I don't get paid. He communicated in such a way that he was taking notes about this information and asking about me being the primary income earner for the family that the judge might take that into consideration.

He went back and forth with me about what the government would be willing to take (like he kept putting me on hold to verify with court money people or bail bond people). He was telling me if I'm lying about how much money I have, the government will be granted access to my accounts in order to pay the excess amount that I was claiming I couldn't pay. I informed him that I was not lying, that my checking account has $200 and my savings has $300 …that I simply do not have access to $9000. I said something about not even having access to that kind of money on my credit card. He then went into a spiel about how he is not allowed to take any credit card information over the phone and that no payments can ever be made over the phone. Eventually, he came to the amount of $2000 to defer the warrants into pending while the signatures went through the verification process and I could stay at home while that was being done.

Throughout the above conversation and several more to come he would often say things like "I see you're a law abiding citizen" "I see here you have a clean record" "you don't want to add anymore trouble to what you already have" " just because you're on the phone with sheriff's office does not mean you don't need to follow traffic laws" He would often ask if I had any question, if I understood what he was saying, and that I should listen carefully - I often said I don't really understand what is happening and that I was truly confused by all of this.

It was decided I would try to get $2000 from the bank off my bank credit card. He said it was best not to tell him where I banked. He asked me to let him know when I was ready to proceed and that I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so

Sergeant Tom said he had to go to a meeting and that he would be transferring me to another officer....the other officer - Deputy Erik Collins

Deputy Erik Collins definitely had an American accent. It could have been the same guy for all I know but it did seem like they had slightly different timbres. I'm just not sure.

Deputy Erik said something similar to the conversation Sergeant Tom and I just had but wanted me to fill him in on the next step I was taking. I filled him in and he told me to proceed (while obeying the law) and often did check-ins asking where I was and what the new ETA was - I was to tell him when I arrived at places and before I exited my car he would remind me of the gag order and to take my phone with me as part of the mobile escort - and then tell him when I was back in the car.

Even though I brought my phone with me everywhere with him still on the line I was told to check in with him before I leave the car and when I get back into the car.

I arrived at the bank around 1pm (Cambridge Wells Fargo) ...after checking in with Deputy Erik I was told to proceed into the bank keeping my phone with me - my credit card didn't work at the ATM (bank closed) I attempted to pull the cash from my credit card two times.

Deputy Erik asked me several questions ...I don't really remember any of them except he brought up me saying something about writing a check and how I would have done that. I told him I didn't know I was thinking out loud about maybe transferring money or something ...which is what led me to the idea of transferring the $2000 from my credit card to my checking account. Then attempting to pull it out of my checking account from the ATM - everytime I left my car I was reminded of the gag order and that I didn't want to get into any more trouble than I already was. I was only able to get $1000 from the ATM.

I would go in and out of hysterics throughout this mobile escorted drive - felt nauseous and had a pounding headache. At one point I told him that if I had been selected to be on this jury panel the judge would know who I am then. All I have to do is come in and the judge would say that I'm not the Mellissa that has been appointed to this jury panel. Deputy Erik just explained it away about how even if that is true it doesn't erase the warrants on my name and that they have to be dealt with, financially or time served.

He suggested I get a money order from Walmart or Krogers. I asked if I could pay with the money order and he said no that I would have to cash it out - which I would be able to also do at Walmart. He asked me to let him know when I was ready to proceed and that I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so

I arrived at Walmart and after checking in with Deputy Erik I was told to proceed into the establishment keeping my phone with me. I was also reminded of the gag order and that I didn't want to get into any more trouble than I already was.... I purchased the money order but Walmart could not cash it. They suggested Walgreens. I checked back in once in the car and He asked me to let him know when I was ready to proceed and that I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so

Went through the whole routine again at Walgreens - they would not cash my money order either. They suggested Coborns.... Upon my check in, back in the car Deputy Erik said we should proceed with what I had. He would look into places that would be able to cash my money order. He sent more documents and explained where and how to make payments before making my way to the sheriff's office (QR & doc3 that I previously sent to the evidence link). He then proceeded to explain how and where to make payment at a kiosk. I asked about why they are at gas stations and that I'd rather deal with an actual person but he said that they do it this way to keep the privacy of citizens as warrants can be embarrassing and because people can become scared of being arrested if they have to deal with an actual person. On doc3 there are three options - I was to pick which was closest and proceed to that kiosk. None were close. I told him that and said the Oak Grove was the closest yet still a half an hour away. I told him I pass Coborns on the way to the kiosk so I would stop and try to cash my money order. He asked me to let him know when I was ready to proceed and that I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so

He checked in often and when I arrived at Coborns I checked in with Deputy Erik. He told me to proceed into the establishment reminding me of the gag order and to keep my phone with me. Coborns would not cash my money order. I checked back in once in the car and told him I didn't know where else to look to cash my money order. He said just to deposit what I had at the kiosk and make sure to get a receipt. He asked me to let him know when I was ready to proceed and that I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so

At some point the phone disconnected and I didn't know what to do so I called the ISANTI CNTY OFC and the same time a call came into my phone I was going to conference them together but Deputy Erik said not too. He asked if I hung up and I told him no, that it just beeped and disconnected. He chalked it up to poor reception.

Around 3pm I made it to the CoinFlip kiosk where he told me that there are cameras at this establishment (speedway gas station) for my safety, reminded me of my gag order, and that the people that work there are to report any suspicious activity. To keep my privacy, I need to take him off speaker phone when I enter. Once at the kiosk he will walk me through each transaction and give me all the number codes I need to match up with the FDIC accounts. He said to make sure to get a receipt or take a picture of the receipt from the screen if it has run out of paper to print one. I did exactly what he told me -no receipt so I took a picture of the screen. He told me that he saw the transaction and I told him no receipt. He reminded me that I will need that at the Sheriff's office to defer the warrants and that I should take a picture. I told him I already did. Once back in the car Deputy Erik said they found a place I can cash my money order in Blaine. He asked me to let him know when I was ready to proceed and that I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so

At some point Sergeant Tom came back on the line and checked in, often asking where I was and what the new ETA was - I was to tell him when I arrived at the Money Exchange. I arrived at the Money Exchange around 4pm. I checked in with Sergeant Tom and he told me to proceed into the establishment reminding me of the gag order and to keep my phone with me. I remember barely being able to hold it together while the woman at the counter assisted me - she even commented about how my tears were breaking her heart. She wished for my day to get better as I left the building. I checked in and informed Sergeant Tom that I was charged to cash the money order so I no longer had the full $1000. He said it was ok for now and that there was a kiosk in the money exchange where I could send the money and to make sure I get that receipt. I was reminded of my gag order and that I needed to take him off speaker phone for my privacy. I discovered the kiosk would not take any bills smaller than $20 so all I could send was $940. Sergeant Tom told me he could see the payment and to take the receipt because I will need that at the office. Again, there was no receipt so I took a picture of the kiosk screen.

I returned to the car checked in with Sergeant Tom and he said that the payments are being flagged. That I was supposed to make the deposit all at once to defer both warrants. I lost my mind - I told him I did everything exactly as they asked me too. He tried to throw Deputy Erik under the bus but I wasn't having it. I told him how f*cked up this is. He told me that I needed to use respectful language and that sent me another document (doc4 that I previously sent to the evidence link). He tried to tell me that I lied about how much money I had because I originally said I only had $100 and I let loose - I told him I did not lie. He needs to go back and listen to the recording. I never had this $2000 to begin with. It came from a credit card that I have now maxed out. He brought up the jail time and the lack of receipts for the bonds collector to defer the warrants. He explained how the document he sent explains how to get the money I just sent in, returned. How it just covers partial of one the warrant fines and I now have to pay $4500 because the red flags say I lied and deposited separately.

I was so exhausted at this point I asked straight up what my options were. He said turn myself in and stay in jail or pay the $4500. I told him the only way I can get that kind of money is by calling my dad. He asked if I was sure about bringing in a 3rd party, that it could bring more trouble because family often put you in a position to break the gag order. I told him it was my only option right now. He agreed to conference call my dad but I was too emotional and he wanted me to calm down. I told him that it now 4:30pm I've been on the phone with him since 11, driving all over kingdom come. I needed to get gas, go to the bathroom, and get a snack. He asked me to let him know when I was ready to proceed and that I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so

He reminded me when going into the gas station of the gag order - when I returned to the car I checked in with Sergeant Tom. I told him that it was getting late and asked how I was going to get into the sheriff's office. He assured me that even though the front office is closed, crime never quits and that there are side doors to make way to the warrant offices. He wanted to go over my plan when calling my dad. He made it very clear that if I break the gag order and say something out of line the judge would not be lenient and police would be dispatched. He said once conferenced he will not be saying a word but will be hearing everything that is said.

I called my dad around 5pm and conferenced him into the phone line with Sergeant Tom. I asked my dad if he was able to bring me $4500. I told him it was a legal matter that I was physically ok (I was bawling) and that I was under a gag order so I can't share anything until it is all cleared up. I assured him I was safe and he said he needed to call me back in 5min because it was a lot of money. He hung up and Sergeant Tom said I could text him and let him know that the money would be returned after the legal matter was cleared. I text my dad.

I asked Sergeant Tom if he could locate a kiosk in Forest Lake because that is close to where my parents live and that way I can just deposit the money there. He said he would look and wanted to clarify the plan of where I was going to meet my dad. I told him probably in town someplace that my dad will be calling back. Sergeant Tom suggested I drive to the sheriff's office and turn myself in but I said I should drive towards my parents so I can meet him quicker for the money. He asked if I was sure they would - I told him I hope so. He asked me to let him know when I was ready to proceed and that I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so

As I drove on 109th towards Forest Lake my dad called back. Sergeant Tom advised me to pull over as to obey traffic laws and reminded me of the gag order before I was allowed to conference my dad in. My dad said he could get me the money, we decided to meet at Loves off 35w …he asked me some questions -I answered as best I could not to violate the gag order. He basically wanted to know if I was by myself and physically safe. He did make some sideways statements knowing he was conferenced about things being on the upside and threatened lawyers. I told my dad ok. After my dad hung up. Sergeant Tom wanted to verify the plan and asked me to let him know when I was ready to proceed and that I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so

My dad called back and Sergeant Tom reminded me of the gag order before I was allowed to conference my dad in. My dad informed me that was going to be late because he had to go get more cash from my uncle and asked if I could just come to his house. I told him I wasn't sure I wanted to drive that far because I still needed to get to the sheriff's office. My dad said he may be up to a half an hour later than expected. I said I would check back with him once I got to Loves.

Once he hung up Sergeant Tom said that if I went to my parents house I would be breaking the gag order. Family has a way of assisting in poor decisions, like running away and leaving the country. I told him I didn't want to get into more trouble. I will just tell my dad I can't meet him there. I will wait at Loves until he can get there. He told me I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination and obey all traffic laws.

I notified Sergeant Tom when I got to Loves. I told him I needed to call my dad about not going to his house. The phone disconnected again and I just waited for Sergeant Tom to call me back. He asked if I hung up and I told him no, that it just beeped and disconnected.

Sergeant Tom had me conference the call. I told my dad that going to his house violates the gag order so I will just wait for him at Loves. He said that he had someone go down to my uncle's and is on his way back already. That they will meet me at the Kwik trip 3min down the road. I told him ok. He again asked if I was safe and I assured him I was by myself. When I hung up Sergeant Tom asked for a check in on what was happening next. I told him that my dad is bringing the money and I am meeting him at Kwik Trip just down the road after I use the bathroom. I asked him if there was a kiosk near me and he said I will have to go back to the one in Oak Grove. I told him ok. He reminded me when going into the gas station to take my phone and that the gag order is still in effect - when I return to the car I need to check in.

When I returned I checked in with Sergeant Tom. He asked me to let him know when I was ready to proceed and that I needed to state my name, where I was going, and the ETA of my arrival time for the mobile escort recording. He told me to proceed to the destination, buckle up and obey all traffic laws and that he would be checking in every 3 minutes or so

When I got to Kwik Trip I tried to find a place out of the way of all the traffic to wait for my dad. I checked in with Sergeant Tom and he wanted to go over the plan for meeting my dad one more time. As we were talking an officer parked across the gas station parking lot. I told Sergeant Tom he was there and that it looked like he was walking over. He said not to worry he was part of the mobile escort. The officer knows who I am because he flagged me in the system. I waved my phone at the officer as he approached. He asked if I was Mellissa. I said yes and started crying - I was feeling so embarrassed with the idea of these ridiculous warrants. He asked who I was talking to - I said Sergeant Tom Leatham. He told me to give him my phone. I complied. As soon as the officer started talking Sergeant Tom hung up.

Around 6pm Officer Tim VanGrinsven told me I was being scammed and that my dad was on the other side of the gas station and I can call him to come over. He took down some information and gave me his card to turn everything I had in.

Thank you Officer Tim!

CITY OF FOREST LAKE
WASHINGTON COUNTY, MINNESOTA

ORDINANCE NO. XXXX

AN ORDINANCE ENACTING FOREST LAKE CITY CODE TITLE XX, CHAPTER XX, SECTION XX, VIRTUAL CURRENCY KIOSKS

The City Council of the City of Forest Lake does ordain:

SECTION 1. ENACTMENT. Forest Lake City Code Section XX is hereby enacted as follows:

§XXX.01 Purpose, Intent, and Authority

(A) Purpose.

The City recognizes that:

(1) Virtual currency kiosks ("Kiosks") are a significant instrument in fraud and scams. In 2023, the Federal Bureau of Investigation ("FBI") reported over $189 billion in losses due to fraud via Kiosks. While some legitimate transactions may take place via the Kiosks, the machines have quickly become a preferred payment method for scammers.

(2) Criminals manipulate, intimidate and/or threaten their victims into using the Kiosks to send funds. According to the FBI's Internet Crime Complaint Center, criminals give detailed instructions to individuals, including how to withdraw cash from their bank, how to locate a kiosk, and how to deposit and send funds using the kiosk. Criminals instill a sense of urgency and isolation in their victims. In some of the scams, criminals falsely represent themselves as government officials or law enforcement officers.

(3) The elderly are particularly susceptible to the frauds perpetrated via the Kiosks. Per FBI statistics, these scams overwhelmingly affect adults over age 60, with the losses reported for those over age 60 representing $124 million of the $189 million losses reported in 2023.

(4) In the City of Forest Lake alone, the Forest Lake Police Department ("FLPD") reports losses totaling approximately $300,000 from Kiosk related fraud within the City in 2023 - 2024.

(5) The scams sometimes require that the victim deposit large sums of cash into the Kiosk, meaning that in addition to the Kiosk scam, there is a greater general risk to public safety due to individuals carrying large amounts of cash to the Kiosks.

(6) The State passed legislation attempting some regulations on Kiosks in 2024, found in Minn. Stat. Ch. 53B. However, the State has acknowledged that criminals have already found work-arounds to the statute. The burden of Kiosk fraud exists on all levels of government – federal, state, and local - and the City's purpose in passing this ordinance is to address our share of that burden.

(B) Intent.

This chapter is intended to regulate Kiosks located within the City to protect the general welfare of the public, especially elderly and vulnerable adults.

(C) Authority.

Pursuant to Minn. Stat. §412.221 subd. 32, the City has the authority to provide for the prevention of crime, the protection of property, and the promotion of general welfare by ordinances consistent with state and federal law.

§XXX.02 Definitions

The definitions provided in Minn. Stat. §53B.69 are incorporated here by reference. For the purposes of this chapter the following definitions shall apply, unless the context clearly indicates or requires a different meaning:

Hosting Business: The real property owner that is providing or leasing space or utilities to a virtual currency kiosk operator for the purpose of operating a virtual currency kiosk.

Virtual Currency: See Minn. Stat. §53B.69 subd. 6.

Virtual Currency Kiosk ("Kiosk"): See Minn. Stat. §53B.69 subd. 10.

Virtual Currency Kiosk Operator ("Kiosk Operator"): See Minn. Stat. §53B.69 subd. 11.

§XXX.03 Registration Required.

No Hosting Business shall host a Kiosk without first having registered that Kiosk with the City.

(A) *Applications.* An application for registration of a Kiosk shall be made on a form provided by the City. The application shall include:

(1) The full name of the Hosting Business;

(2) The Hosting Business's address, telephone number and email;

(3) The name, business address, and valid registered agent of the Virtual Currency Kiosk Operator;

(4) The proposed location of the Kiosk;

(5) A copy of Kiosk Operator's valid state license;

(6) A copy of the lease/rental agreement between the Hosting Business and the Kiosk Operator;

(7) All information provided to the State pursuant to Minn. Stat. § 53B.74.

(8) Written confirmation from the FLPD that the Kiosk Operator has had no more than three (3) instances of substantiated fraud, as determined by the FLPD, involving any Kiosk owned or operated by that Kiosk Operator within the City in the last twelve (12) months;

(9) Written confirmation that the Kiosk Operator and the Hosting Business have been found to be in compliance with the requirements of this ordinance at a preliminary compliance check performed by the FLPD or its designee; and

(10) Any additional information the City deems necessary.

(B) *Action.* Upon receipt of a completed application and the applicable registration fee as designated by the City's fee schedule, the City Clerk shall approve or deny the registration as necessary.

(1) Registrations shall be good for one (1) calendar year, provided they are not revoked or suspended pursuant to §XXX.07.

(C) *Moveable Place of Business*

No registration shall be issued to a moveable place of business. Only fixed location businesses shall be eligible to be registered under this section.

(D) *Renewals*

At least 60 days before registration expires, an application for renewal shall be filed with the City Clerk, containing all the information required in §XXX.03(A). No person or business has a right to have their registration renewed.

(E) *Changes in Ownership*

Registration is non-transferable. If there is a change in ownership of the retail establishment, a new registration is required, and the new owner shall be required to submit a new application. Registration shall only be valid for the premises for which it is issued, and any change in location of the premises shall require reapplication by the applicant for registration of the new premises.

§XXX.04 Registration Restrictions

Registration shall be issued subject to the following restrictions:

(A) Hosting Business and Kiosk Operator shall comply with all applicable regulations of the State of Minnesota relating to Kiosks. If there is a conflict between the regulations of the state and the regulations of the city, the more restrictive regulations shall control.

(B) Hosting Business shall prominently display a sign with language, size and font provided by the City which shall be located within two (2) feet of the Kiosk and shall be clearly visible to individuals using the Kiosk.

(C) Hosting Business shall have a dedicated closed-circuit camera for the Kiosk and shall position said camera as requested by FLPD. Applicant agrees to provide camera footage to the FLPD within 48 hours of a request and shall maintain the video footage for a minimum of 30 days.

§XXX.05 Compliance Checks and Inspections

Prior to issuing the registration, all Hosting Business shall be subject to an initial compliance check to ensure compliance with the provisions of this chapter. Pre-registration compliance checks shall be conducted by the FLPD or other delegated law enforcement officers or agencies during regular business hours.

All retail establishments shall be open to inspection by the FLPD or other delegated law enforcement officers or agencies during regular business hours. From time to time, a law enforcement officer shall conduct inspections to ensure compliance with the provisions of this chapter. Nothing in this chapter shall prohibit other compliance checks or inspections authorized by state or federal laws for educational, research, or training purposes, or required for the enforcement of a particular state or federal law.

§XXX.06 Basis for Denial, Suspension, or Revocation of a Registration

(A) The following shall be grounds for denying the issuance or renewal of a registration or suspending or revoking a registration issued under this chapter:

(1) The application is incomplete or the applicant has not paid the registration fee.

(2) The proposed use does not comply with the zoning ordinance.

(3) The proposed use does not comply with health, building, maintenance, or other provisions of the City Code or state law.

(4) The Hosting Business or Kiosk Operator has made fraudulent statements, misrepresentations, or false statements in the application.

(5) The hosting of the Kiosk is conducted in such a manner as to constitute a breach of the peace, a menace to the health, safety, and welfare of the public, or a disturbance of the

peace or comfort of the residents of the City, upon recommendation of the Police Chief or appropriate City official.

(6) The Hosting Business or Kiosk Operator has acted in an unauthorized manner or beyond the scope of the registration granted.

(7) The Hosting Business or Kiosk Operator has had a previous Kiosk registration issued by the City revoked within the preceding 12 months of the date of application.

(8) Failure to allow inspections of the registered premises, for the purpose of ensuring compliance with the law, at any time it is occupied or open for business.

(9) Failure to continuously comply with all conditions required as precedent to the approval of the registration, all requirements of this chapter, and all state or federal regulations related to Kiosks.

(10) Real estate taxes, personal property taxes, or special assessments on the business premises or the real property where the business is located have become delinquent or are unpaid.

(11) The activity has been conducted without registration.

(12) The Kiosk Operator has had their state license revoke, denied or suspended.

(13) Other good cause shown as determined by the City Council.

§XXX.07 Hearings

(A) Revocation, suspension, or denial of a registration shall be preceded by a hearing before the City Council. Notice of the hearing shall be sent to the Hosting Business listed on the application via certified mail at least 10 days prior to the hearing. The notice shall include the time and place of the hearing and shall state the nature of the charge. A hearing for consideration of issuing, suspending, or revoking a registration will be conducted before the City Council. At the hearing, the Hosting Business has the right to be represented by counsel, the right to respond to the charges or information provided to the Council, and the right to present evidence through witnesses under oath. It is not necessary that criminal charges be brought in order to support a determination of a registration violation, nor does the dismissal or acquittal of such a criminal charge operate as a bar to adverse registration actions under this section.

(B) Following the hearing, the Council may deny, revoke, suspend, or not renew the registration or may grant or continue the registration upon such terms and conditions as it deems reasonable and necessary to accomplish the purpose of this chapter. The decision by the City Council following a hearing is final.

(C) Enforcement actions provided in this section are not exclusive and the Council may take any action with respect to a registration, employee, or retail establishment as is authorized by City Code, state, or federal law.

§XXX.08 Violations

Any person or business found to be in violation of this chapter shall be guilty of a misdemeanor and, upon conviction thereof, shall be punished according to law. The City may choose to issue an administrative citation in addition to other legal or equitable remedies, pursuant to City Code Chapter 36. Violations of this chapter shall be exceptions to the issuance of a compliance letter under Chapter 36. Each day of failure to comply with the requirements of this chapter shall be an additional violation subject to fine, charges and other penalties.

SECTION 2. EFFECTIVE DATE. This ordinance shall become effective upon publication.

Passed by the City Council on the XX day of [MONTH], 2025.

CITY OF FOREST LAKE

By: ______________________________
Blake Roberts
Its Mayor

Attest: ______________________________
Jolleen Chaika
Its City Clerk

(Published in the *Forest Lake Times* on [DATE], 2025)