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United States v. Thomas Mario Costanzo

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Exhibit SDOJ Targets Darknet Vendors, June 26, 2018

EXHIBIT

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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, June 26, 2018

First Nationwide Undercover Operation Targeting Darknet Vendors Results in Arrests of More Than 35 Individuals Selling Illicit Goods and the Seizure of Weapons, Drugs and More Than \$23.6 Million

Darknet Narcotics Vendors Selling to Thousands of U.S. Residents Charged

Today, the Department of Justice, U.S. Immigration and Customs Enforcement's Homeland Security Investigations (HSI), the U.S. Secret Service (USSS), the U.S. Postal Inspection Service (USPIS) and the U.S. Drug Enforcement Administration (DEA), announced the results of a year-long, coordinated national operation that used the first nationwide undercover action to target vendors of illicit goods on the Darknet. Special Agents of the HSI New York Field Division, in coordination with the U.S. Attorney's Office for the Southern District of New York, posed as a money launderer on Darknet market sites, exchanging U.S. currency for virtual currency. Through this operation, HSI New York was able to identify numerous vendors of illicit goods, leading to the opening of more than 90 active cases around the country. The Money Laundering and Asset Recovery Section (MLARS) of the Department of Justice's Criminal Division, working with more than 40 U.S. Attorney's Offices throughout the country, coordinated the nationwide investigation of over 65 targets, that lead to the arrest and impending prosecution of more than 35 Darknet vendors.

These results were announced by Deputy Attorney General Rod J. Rosenstein, Acting Assistant Attorney General John P. Cronan of the Justice Department's Criminal Division, Acting Executive Associate Director Derek Benner of U.S. Immigration and Customs Enforcement's Homeland Security Investigations (HSI), Special Agent-in-Charge Angel M. Melendez of HSI New York Field Office, Inspector in Charge Peter R. Rendina of the U.S. Postal Inspection Service (USPIS) New York Division, Assistant Director Kenneth Jenkins of the U.S. Secret Service (USSS) Office of Investigations, and Special Agent in Charge James J. Hunt of the U.S. Drug Enforcement Administration (DEA) New York Division.

"Criminals who think that they are safe on the Darknet are wrong," said Deputy Attorney General Rosenstein. "We can expose their networks, and we are determined to bring them to justice. Today, we arrested more than 35 alleged Darknet vendors. We seized their weapons, their drugs, and \$23.6 million of their ill-gotten gains. This nationwide enforcement effort will reduce the supply of deadly drugs like fentanyl that are killing an unprecedented number of Americans. I want to thank our federal prosecutors, and the dedicated federal agents with DEA, Homeland Security Investigations, the Postal Inspection Service, and the Secret Service for their outstanding work."

"The Darknet is ever-changing and increasingly more intricate, making locating and targeting those selling illicit items on this platform more complicated. But in this case, HSI special agents were able to walk amongst those in the cyber underworld to find those vendors who sell highly addictive drugs for a profit,"

said HSI Acting Executive Associate Director Benner. "The veil has been lifted. HSI has infiltrated the Darknet, and together with its law enforcement partners nationwide, it has proven, once again, that every criminal is within arm's reach of the law."

"Postal Inspectors and their law enforcement partners will spare no resource or expense to shine a light on the sale and distribution of illicit and dangerous items on the Darknet, that serve to destroy the lives of many through addiction and despair," said Inspector in Charge Rendina. "Today's announcement of our law enforcement partnership and operation sends a strong message to those who choose this illegal path, we are watching and will bring you to justice for your crimes against the American public."

"The Secret Service is proud to work with our law enforcement partners to help combat one of the largest threats to the U.S. financial infrastructure, money laundering with virtual currency," said U.S. Secret Service Assistant Director Jenkins. "The Secret Service continues to adapt along with these cyber criminals to maintain our level of success in stopping them."

"At this crucial time of unprecedented drug related deaths, one of the greatest threats we face is cyber drug trafficking," said DEA Special Agent in Charge Hunt. "Because the Darknet invites criminals into our homes, and provides unlimited access to illegal commerce, law enforcement is taking steps to identify and arrest those involved. I applaud all the agencies who participated in this groundbreaking investigation."

The extensive operation, which culminated in four weeks of more than 100 enforcement actions around the country, resulted in the following:

- Federal arrests of more than 35 Darknet vendors who engaged in tens of thousands of sales of illicit goods;
- Execution of 70 search warrants, resulting in the seizure of massive amounts of illegal narcotics, including 333 bottles of liquid synthetic opioids, over 100,000 tramadol pills, 100 grams of fentanyl, more than 24 kilograms of Xanax, and additional seizures of Oxycodone, MDMA, cocaine, LSD, marijuana, and a psychedelic mushroom grow found in a residence;
- Seizure of more than 100 firearms, including handguns, assault rifles, and a grenade launcher;
- Seizure of five vehicles that were purchased with illicit proceeds and/or used to facilitate criminal activity;
- Seizure of more than \$3.6 million in U.S. currency and gold bars;
- Seizure of nearly 2,000 Bitcoins and other cryptocurrencies, with an approximate value of more than \$20 million;
- Confiscation of 15 pill presses, which are used to create illegal synthetic opioids; and
- Seizure of Bitcoin mining devices, computer equipment, and vacuum sealers.

Amongst those charged federally, include:

- Antonio Tirado, 26, and Jeffrey Morales, 32, of the Bronx, New York, were arrested on June 18, and separately charged by the U.S. Attorney's Office for the Southern District of New York with distribution and possession with intent to distribute narcotics, including cocaine, LSD (also known as "acid"), marijuana, and hashish oil. Additionally, Tirado was charged with possession of a firearm in furtherance of his drug trafficking offenses. Following an investigation into a Darknet marketplace vendor using the moniker "Trapgod," investigators executed search warrants at homes in two residential neighborhoods in the Bronx leading to Tirado and Morales. As alleged in the complaints, during the execution of the search warrants at the Tirado and Morales residences, agents seized controlled substances including powder cocaine, marijuana, and LSD, as well as various precursor

powders, liquids, and reagents, and other narcotics-related paraphernalia including marijuana growing equipment, a home chemistry lab, scales, and heat sealing packaging materials. In Tirado's home, agents recovered a fully loaded shotgun alongside a narcotics stash. Investigators in Tirado's apartment recovered additional evidence of Darknet narcotics distribution, such as numerous U.S. Postal Service shipping boxes, already addressed to customers around the United States, which boxes contained hairbrushes some of which had already been packed with powder cocaine for distribution.

- Jian Qu, 30; Raymond Weng, 24; and Kai Wu, 22, all of Queens, New York, along with Dimitri Tseperkas, 22, and Cihad Akkaya, 22, of Middle Island and Port Jefferson, New York, respectively, were each arrested on June 18, and charged by the U.S. Attorney's Office for the Southern District of New York with participation in a conspiracy to distribute more than 1,000 kilograms of marijuana. Tseperkas and Akkaya were also charged with firearms offenses relating to the drug conspiracy. Investigators monitoring Darknet marketplaces found accounts used by some of the conspirators, leading agents to execute search warrants at three addresses in residential communities in Flushing and Mt. Sinai, New York. From the residences, agents recovered approximately \$400,000 in U.S. currency, 140 kilograms of suspected marijuana and an additional 10 kilograms of suspected marijuana vape cartridges, 12 kilograms of suspected Xanax pills, over half a kilogram of suspected ecstasy, four pill presses, mixers, and pill press parts, over a dozen kilograms of various powders, packaging materials, and paraphernalia. While searching the residence where Akkaya and Tseperkas were found, investigators recovered three loaded shotguns, including a tactical double-barreled shotgun loaded with 14 shells, and over 50 shotgun shells, as well as significant quantities of narcotics, packaging materials, and paraphernalia including a money-counting machine. Review of electronic evidence recovered from the residences proved the conspirators' connections to Darknet marketplaces, use of cryptocurrency, and narcotics distribution schemes.
- Ryan Farace, 34, of Reisterstown, Maryland, and Robert Swain, 34, of Freeland, Maryland, were charged by the U.S. Attorney's Office for the District of Maryland related to a scheme to manufacture and distribute alprazolam tablets, which are typically sold under the brand name "Xanax." The indictment alleges that Farace distributed the drugs through sales on the dark web in exchange for Bitcoin, and that Farace and Swain laundered the drug proceeds through financial transactions designed to conceal the source and ownership of the illegal funds. To date, law enforcement has seized various crypto currency, to include bitcoin, valued at over \$22 million at the time of the seizures, and over \$1.5 million in cash, which was seized from Farace's residence upon the execution of a search warrant on Jan. 18. As part of the indictment, the government seeks the forfeiture of no less than \$5.665 million, plus the value of 4,000 Bitcoin believed to be the proceeds of the illegal drug sales, two residences, and a vehicle used to facilitate the drug distribution.
- Nicholas J. Powell, 32, and Michael Gonzalez, 27, former and current residents of Parma, Ohio, respectively, were charged by the U.S. Attorney's Office for the Northern District of Ohio with conspiracy to distribute controlled substances and laundering money using the dark web. The complaint alleges that Powell used various monikers on Darknet marketplaces as part of his criminal scheme, including "TheSource," "BonnieClyde," "BnC," "BCPHARMA," and "Money TS." The conspiracy operated on multiple Darknet marketplaces, including Silk Road 2, AlphaBay, and HANSA. The conspiracy involved distributing Xanax, steroids, marijuana and other drugs across the country using these and other Darknet monikers. Powell and Gonzalez would then launder the funds as cryptocurrencies such as Bitcoin, Ethereum, and Komodo through individuals specializing in money laundering on Darknet marketplaces. At the time of arrest, law enforcement had already seized approximately \$437,000 in cryptocurrencies from Powell.

- Jose Robert Porras III, 21, and Pasia Vue, 23, both of Sacramento, were charged with drug distribution, money laundering, and illegally possessing firearms, in a 16-count indictment returned by a grand jury in the Eastern District of California. According to the indictment, Porras and Vue were using the online monikers "Cannabars" and "TheFastPlug," to distribute marijuana, Xanax, and methamphetamine on various dark web marketplaces, including Trade Route, Wall Street Market, and Dream Marketplace. Porras and Vue then laundered the Bitcoin proceeds of their drug distribution through the HSI undercover agent located in New York. After receiving the Bitcoin from Porras and Vue, the undercover agent mailed parcels of cash to them in Sacramento. HSI and USPIA agents seized nine weapons including an AK-47 magazine and ammunition, 30 pounds of marijuana, \$10,000 in U.S. currency, a vehicle, and over 100 bars of Xanax.
- Sam Bent, 32, of St. Johnsbury, Vermont (and formerly of East Burke, Vermont), and his cousin, Djeneba Bent, 26, also of St. Johnsbury (and formerly East Burke) were charged with conspiracy to distribute LSD, MDMA (also known as "ecstasy"), cocaine, and marijuana in an indictment returned by a federal grand jury in the District of Vermont. The indictment alleges that the conspiracy involved setting up accounts on dark web marketplaces, establishing online identities, accepting Bitcoin in exchange for sales over the dark web, and mailing controlled substances from several different post offices in Northeastern Vermont and Northwestern New Hampshire in an effort to avoid detection. The indictment also charges Sam Bent with four counts of money laundering involving three different exchanges of bitcoin drug distribution proceeds for U.S. currency.
- In Fresno, California, a federal grand jury returned an 11-count indictment on May 17, against Daniel Boyd McMonegal, 35, of San Luis Obispo and Mariposa, California, charging him with drug distribution and money laundering in the Eastern District of California. According to the indictment, McMonegal, using the online monikers "Sawgrass," "Ross4Less," and "ChristmasTree," distributed marijuana on various dark web marketplaces, including Dream Market. McMonegal was also the owner of a marijuana delivery service in San Luis Obispo called West Coast Organix, which claimed to be a non-profit medical marijuana cooperative. McMonegal then laundered the Bitcoin proceeds of his drug distribution through an undercover agent located in New York. After receiving the Bitcoin from McMonegal, the undercover agent mailed parcels of cash to McMonegal in San Luis Obispo and Mariposa.

More than 50 Darknet vendor accounts were identified and attributed to the real individuals selling illicit goods on Darknet market sites such as Silk Road, AlphaBay, Hansa, Dream, and others. HSI-New York Field Division and MLARS coordinated with law enforcement and federal prosecutors to investigate 65 targets identified by the undercover operation in more than 50 Federal districts, including: the District of Arizona, the Eastern District of Arkansas, the Western District of Arkansas, the Central District of California, the Eastern District of California, the Northern District of California, the Southern District of California, the District of Colorado, the District of Connecticut, the Middle District of Florida, the Northern District of Florida, the Southern District of Florida, the Northern District of Iowa, the District of Kansas, the District of Maryland, the Eastern District of Michigan, the District of Minnesota, the Eastern District of North Carolina, the Western District of North Carolina, the District of New Hampshire, the Northern District of New York, the Southern District of New York, the Western District of New York, the District of North Dakota, the Northern District of Ohio, the Southern District of Ohio, the District of Oregon, the Eastern District of Pennsylvania, the Middle District of Pennsylvania, the District of South Carolina, the District of South Dakota, the Eastern District of Texas, the Northern District of Texas, the Southern District of Texas, the Western District of Texas, the Eastern District of Virginia, the District of Vermont, the Eastern District of Washington, and the Western District of Washington. FBI was part of the investigative team in the Northern District of California.

The investigation is ongoing.

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