

1 DAVID L. ANDERSON (CABN 149604)
2 United States Attorney

3 HALLIE HOFFMAN (CABN 210020)
4 Chief, Criminal Division

5 DAVID COUNTRYMAN (CABN 226995)
6 CHRIS KALTSAS (NYBN 5460902)
7 CLAUDIA QUIROZ (CABN 254419)
8 WILLIAM FRENTZEN (LABN 24421)
9 Assistant United States Attorneys

450 Golden Gate Avenue, Box 36055
San Francisco, California 94102-3495
Telephone: (415) 436-7303
FAX: (415) 436-7234
david.countryman@usdoj.gov

10 Attorneys for United States of America

11
12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14 SAN FRANCISCO DIVISION

15 UNITED STATES OF AMERICA,) CASE NO.
16 Plaintiff,)
17 v.) COMPLAINT FOR FORFEITURE
18)
19 Approximately 69,370 Bitcoin (BTC), Bitcoin)
20 Gold (BTG), Bitcoin SV (BSV), and Bitcoin)
21 Cash (BCH) seized from)
22 1HQ3Go3ggs8pFnXuHVHRytPCq5fGG8Hbh;
Defendant.)

23 NATURE OF THE ACTION

24 1. This is a judicial forfeiture action, as authorized by 18 U.S.C. §§ 981(a)(1)(A),
25 981(a)(1)(C), 981(b), and 21 U.S.C. § 881(a)(6), involving the seizure of the following property:

- 26 • Approximately 69,370.22491543 Bitcoin (BTC), Bitcoin Gold (BTG), Bitcoin SV (BSV),
27 Bitcoin Cash (BCH), obtained from 1HQ3Go3ggs8pFnXuHVHRytPCq5fGG8Hbh;
28

1 (hereinafter, collectively, the “Defendant Property”), as property constituting, or derived from, any
2 proceeds of 18 U.S.C. § 371 (Conspiracy), 18 U.S.C. § 1030(a)(2) and (a)(4) (Computer Hacking),
3 property furnished or intended to be furnished by a person in exchange for a controlled substance, or
4 money traceable to such an exchange, or money used or intended to be used to facilitate such a violation
5 (Narcotics Sales), and property involved in violations of 18 U.S.C. § 1956 and 1956(h) (Money
6 Laundering and Conspiracy), and thereby forfeitable pursuant to 18 U.S.C. §§ 981(a)(l)(A), 981(a)(1)(C),
7 981(b), and 21 U.S.C. § 881.

8 JURISDICTION AND VENUE

9 2. This Court has jurisdiction under 28 U.S.C. §§ 1345 and 1355(a), and 18 U.S.C. §§
10 981(a)(l)(A), 981(a)(1)(C), 981(b), and 21 U.S.C. § 881.

11 3. Venue is proper because the defendant currency was seized in the Northern District of
12 California. 28 U.S.C. §§ 1355(b) and 1395.

13 4. Intra-district venue is proper in the San Francisco Division within the Northern District of
14 California.

15 PARTIES

16 5. Plaintiff is the United States of America.

17 6. The Defendant Property is approximately 69,370.22491543 Bitcoin (BTC),
18 69,370.10730857 Bitcoin Gold (BTG), 69,370.10710518 Bitcoin SV (BSV), and 69,370.12818037
19 Bitcoin Cash (BCH), obtained from 1HQ3Go3ggs8pFnXuHVHRytPCq5fGG8Hbh on or about
20 November 3, 2020.

21 FACTS

22 7. From 2011 until October 2013, when it was seized by law enforcement, Silk Road was the
23 most sophisticated and extensive criminal marketplace on the Internet, serving as a sprawling black
24 market bazaar where unlawful goods and services, including illegal drugs of virtually all varieties, were
25 bought and sold regularly by the site’s users. While in operation, Silk Road was used by thousands of
26 drug dealers and other unlawful vendors to distribute hundreds of kilograms of illegal drugs and other
27 unlawful goods and services to well over 100,000 buyers, and to launder hundreds of millions of dollars
28 derived from these unlawful transactions.

1 8. For example, contemporaneous with its seizure, there were nearly 13,000 listings for
2 controlled substances on the website, listed under the categories “Cannabis,” “Dissociatives,” “Ecstasy,”
3 “Intoxicants,” “Opioids,” “Precursors,” “Prescription,” “Psychedelics,” and “Stimulants,” among others.
4 Clicking on the link for a particular listing brings up a picture and description of the drugs being offered
5 for sale, such as “HIGH QUALITY #4 HEROIN ALL ROCK” or “5gr UNCUT Crystal Cocaine!!”.

6 9. During its operation, law enforcement agents made over 100 individual undercover
7 purchases of controlled substances from Silk Road vendors. The substances purchased in these
8 undercover transactions have been various Schedule I and II drugs, including ecstasy, cocaine, heroin,
9 LSD, and others. Samples of these purchases were laboratory-tested and have typically shown high purity
10 levels of the items that were advertised by Silk Road. Based on the postal markings of the packages in
11 which the drugs arrived, these purchases appear to have been filled by vendors located in over ten
12 different countries, including the United States. Law enforcement agents also made undercover
13 purchases of hacking services on Silk Road, including purchases of malicious software such as password
14 stealers and remote access tools.

15 10. Contemporaneous with the seizure of Silk Road, there were 159 listings on the site under
16 the category “Services.” Most concerned computer services: for example, one listing was by a vendor to
17 hack into Facebook, Twitter, and other social networking accounts of the customer's choosing, offering
18 that “You can Read, Write, Upload, Delete, View All Personal Info”; another offered tutorials teaching
19 “22 different methods” for hacking ATM machines. Other listings offered services that were likewise
20 criminal in nature. For example, one listing was for “HUGE Blackmarket Contact List,” which described
21 lists of “connects” for “Services” such as “Anonymous Bank Accounts,” “Counterfeit Bills
22 (CAD/GBP/EUR/USD),” “Firearms + Ammunition,” “Stolen Info (CC [credit card], Paypal),” and
23 “Hitmen (10+ countries).”

24 11. The only form of payment accepted on Silk Road was Bitcoin.

25 12. All told, Silk Road generated sales revenue totaling over 9.5 million Bitcoin, and collected
26 commissions from these sales totaling over 600,000 Bitcoin.

27 13. Silk Road used a so-called “tumbler” to process Bitcoin transactions in a manner designed
28 to frustrate the tracking of individual transactions through the Blockchain. According to the Silk Road

1 wiki web page, Silk Road’s tumbler “sends all payments through a complex, semi-random series of
2 dummy transactions, . . . making it nearly impossible to link your payment with any coins leaving the
3 site.” In other words, if a buyer makes a payment on Silk Road, the tumbler obscures any link between
4 the buyer’s Bitcoin address and the vendor’s Bitcoin address where the Bitcoins end up—making it
5 fruitless to use the Blockchain to follow the money trail involved in the transaction, even if the buyer’s
6 and vendor’s Bitcoin addresses are both known. The only function served by Silk Road’s implementation
7 of such “tumblers” is to assist with the laundering of criminal proceeds.

8 14. In February 2015, a federal jury convicted Silk Road creator Ross Ulbricht on seven
9 counts including conspiracy to distribute narcotics and money laundering. Ulbricht had moved to San
10 Francisco, within the Northern District of California, prior to his arrest and was operating Silk Road from
11 the Northern District of California. He was arrested in San Francisco and processed through the United
12 States District Court for the Northern District of California before being removed to the Southern District
13 of New York for prosecution.

14 15. In 2020, law enforcement officers used a third party bitcoin attribution company to
15 analyze Bitcoin transactions executed by Silk Road. From this review they observed 54 transactions that
16 were sent from Bitcoin addresses controlled by Silk Road, to two Bitcoin addresses:
17 1BADznNF3W1gi47R65MQs754KB7zTaGuYZ and 1BBqjKsYuLEUE9Y5WzdbzCtYzCiQgHqtPN
18 totaling 70,411.46 BTC (valued at approximately \$354,000 at the time of transfer).

19 16. The individual amounts that were transferred were mainly round Bitcoin amounts and
20 close together in time. For example, 10 of the transfers occurred at approximately 3:59 a.m. and each
21 transfer was for exactly 2,500 Bitcoin. This pattern of withdrawals and the amount that was withdrawn
22 was not typical for a Silk Road user. Specifically, a review of other withdrawals from Silk Road revealed
23 Bitcoin amounts that were mostly less than 100 Bitcoin. These 54 transactions were not noted in the Silk
24 Road database as a vendor withdrawal or a Silk Road employee withdrawal and therefore appear to
25 represent Bitcoin that was stolen from Silk Road.

26 17. On approximately April 9, 2013, the Bitcoin addresses that received the 70,411.46 Bitcoin
27 from Silk Road sent 69,471.082201 (approximately \$14 million at the time of transfer) to
28 1HQ3Go3ggs8pFnXuHVHRytPCq5fGG8Hbhx (hereafter “1HQ3”).

1 18. On approximately April 23, 2015, 1HQ3 sent 101 Bitcoin (approximately \$23,700) to
2 BTC-e, a company that provided Bitcoin related services and operated as an unlicensed cryptocurrency
3 exchange. In January 2017, BTC-e and a Russian operator of BTC-e were indicted in the Northern
4 District of California for operating an unlicensed money transmitting business and for money laundering
5 through the exchange.

6 19. Between April 2015 and November 2020, the remainder of the funds, 69,370.082201
7 BTC, remained in 1HQ3.¹ As of November 3, 2020, 1HQ3 had a balance of 69,370.22491543 Bitcoin
8 (valued at approximately \$1 Billion as of November 4, 2020).

9 20. In August 2017, Bitcoin split into two cryptocurrencies, commonly known as a hard fork.
10 Hard fork coin splits are created via changes of the blockchain rules and share a transaction history with
11 Bitcoin up to the time of the split. The first hard fork split occurred on August 1, 2017, resulting in the
12 creation of Bitcoin Cash (BCH). When this split occurred, any Bitcoin address that had a Bitcoin balance
13 now had the same balance on the Bitcoin blockchain and on the Bitcoin Cash blockchain. A search for
14 1HQ3 on the Bitcoin Cash blockchain revealed a balance of approximately 69,370.12818037 BCH prior
15 to the Government's seizure. Much like the aforementioned hard fork of Bitcoin and BCH, there were
16 subsequent hard forks of Bitcoin that resulted in the creation of Bitcoin Gold (BTG) and Bitcoin SV
17 (BSV). Review of the BTG and BSV blockchains revealed that 1HQ3 held a balance of
18 69,370.10730857 BTG and 69,370.10710518 BSV prior to the Government's seizure.

19 21. Individual X, whose identity is known to the government, was determined to have been
20 involved in a transaction that related to 1HQ3.

21 22. According to an investigation conducted by the Criminal Investigation Division of the
22 Internal Revenue Service and the U.S. Attorney's Office for the Northern District of California,
23 Individual X was the individual who moved the cryptocurrency from Silk Road. According to the
24 investigation, Individual X was able to hack into Silk Road and gain unauthorized and illegal access to
25 Silk Road and thereby steal the illicit cryptocurrency from Silk Road and move it into wallets that
26

27 ¹ Because Bitcoin addresses are public, individuals are able to identify Bitcoin addresses with
28 large balances. Individuals will often send minimal amounts of Bitcoin to these addresses for unknown
reasons. For example, on November 3, 2020, 1HQ3 received 0.00010999 bitcoin (approximately \$1.51)
from an unknown individual.

1 Individual X controlled. According to the investigation, Ulbricht became aware of Individual X's online
2 identity and threatened Individual X for return of the cryptocurrency to Ulbricht. Individual X did not
3 return the cryptocurrency but kept it and did not spend it.

4 23. On November 3, 2020, Individual X signed a Consent and Agreement to Forfeiture with
5 the U.S. Attorney's Office, Northern District of California. In that agreement, Individual X, consented to
6 the forfeiture of the Defendant Property to the United States government.

7 24. On November 3, 2020, the United States took custody of the Defendant Property from
8 1HQ3.

9 VIOLATION

10 The United States incorporates by reference the allegations in paragraphs one through 24 as
11 though fully set forth.

12 Title 18, United States Code, Section 981(a)(1)(A) provides for civil and criminal forfeiture of
13 any property, real or personal, involved in a transaction or attempted transaction in violation of Title 18,
14 United States Code, Sections 1956, 1957, or 1960, and any property traceable to such property.

15 Title 18, United States Code, Section 981(a)(1)(C) provides for the civil forfeiture of any property,
16 real or personal, which constitutes or is derived from proceeds traceable to any offense constituting a
17 "specified unlawful activity" or a conspiracy to commit such offense. Title 18, United States Code, Sections
18 1956(c)(7) and 1961(1) define specified unlawful activity to include Computer Hacking, in violation of Title
19 18, United States Code, Section 1030, and conspiracy to commit Computer Hacking.

20 Title 21, United States Code, Section 881(a)(6) provides for the forfeiture of all moneys,
21 negotiable instruments, securities, or other things of value furnished or intended to be furnished by any
22 person in exchange for a controlled substance or listed chemical, all proceeds traceable to such an
23 exchange and all money used or intended to be used to facilitate any violation of Subchapter I, Chapter
24 13, Subchapter I of Title 21 United States Code.

25 In light of the foregoing, and considering the totality of the circumstances, there is probable cause
26 to believe that the Defendant Property represents proceeds traceable to computer hacking in violation 18
27 U.S.C. § 1030(a) and conspiracy in violation of 18 U.S.C. § 371. As such, the Defendant Property is
28 forfeitable pursuant to 18 U.S.C. § 981(a)(1)(C). Additionally, there is probable cause to believe that the

1 Defendant Property represents property traceable to narcotics trafficking. As such, the Defendant
2 Property is forfeitable pursuant to 21 U.S.C. § 881(a)(6). To the extent the Defendant Property includes
3 funds that did not originate as proceeds from the illegal activities discussed herein, those funds were
4 “involved in” money laundering in violation of 18 U.S.C. § 1956 because they were comingled with and
5 used to conceal and disguise the nature, location, source, ownership or control of the criminal proceeds,
6 or were involved in a conspiracy to launder such proceeds. Accordingly, the Defendant Property is
7 forfeitable pursuant to 18 U.S.C. §§ 981(a)(1)(A) and 981(b).

8 WHEREFORE, plaintiff United States of America requests that due process issue to enforce the
9 forfeiture of the Defendant Property; that notice be given to all interested parties to appear and show
10 cause why forfeiture should not be decreed; that judgment of forfeiture be entered; that the Court enter
11 judgment forfeiting the Defendant Property; and that the United States be awarded such other relief as
12 may be proper and just.

13
14 DATED: 11/5/2020

15 Respectfully submitted,
16 DAVID L. ANDERSON
17 United States Attorney

18 /s/ David Countryman
19 DAVID COUNTRYMAN
20 CHRIS KALTSAS
21 CLAUDIA QUIROZ
22 WILLIAM FRENTZEN
23 Assistant United States Attorneys
24
25
26
27
28

1 VERIFICATION

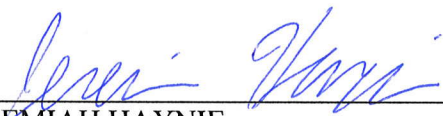
2
3 I, Jeremiah Haynie, state as follows:

4 1. I am a Special Agent with the Criminal Investigation Division of the Internal Revenue
5 Service ("IRS-CI"). I am a case agent assigned to this case. As such, I am familiar with the facts, and
6 the investigation leading to the filing of this Complaint for Forfeiture.

7 2. I have read the Complaint and believe the allegations contained in it to be true.
8

9 * * * * *

10
11 I declare under penalty of perjury that the foregoing is true and correct. Executed this
12 4th day of November, 2020 in East Lansing, Michigan.

13
14
15 
16 _____
17 JEREMIAH HAYNIE
18 Special Agent
19 Internal Revenue Service - Criminal Investigation
20
21
22
23
24
25
26
27
28

CIVIL COVER SHEET

The JS-CAND 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved in its original form by the Judicial Conference of the United States in September 1974, is required for the Clerk of Court to initiate the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

(b) County of Residence of First Listed Plaintiff (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number)

DEFENDANTS

County of Residence of First Listed Defendant (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- 1 U.S. Government Plaintiff 3 Federal Question (U.S. Government Not a Party)
2 U.S. Government Defendant 4 Diversity (Indicate Citizenship of Parties in Item III)

Table with columns for PTF and DEF for Citizen of This State, Citizen of Another State, and Citizen or Subject of a Foreign Country.

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Large table with columns: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, HABEAS CORPUS, OTHER, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding 2 Removed from State Court 3 Remanded from Appellate Court 4 Reinstated or Reopened 5 Transferred from Another District (specify) 6 Multidistrict Litigation-Transfer 8 Multidistrict Litigation-Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

Brief description of cause:

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, Fed. R. Civ. P. DEMAND \$

CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S), IF ANY (See instructions):

JUDGE

DOCKET NUMBER

IX. DIVISIONAL ASSIGNMENT (Civil Local Rule 3-2)

(Place an "X" in One Box Only) SAN FRANCISCO/OAKLAND SAN JOSE EUREKA-MCKINLEYVILLE

DATE

SIGNATURE OF ATTORNEY OF RECORD

INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS-CAND 44

Authority For Civil Cover Sheet. The JS-CAND 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved in its original form by the Judicial Conference of the United States in September 1974, is required for the Clerk of Court to initiate the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

- I. a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.
- b) County of Residence.** For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the “defendant” is the location of the tract of land involved.)
- c) Attorneys.** Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section “(see attachment).”
- II. Jurisdiction.** The basis of jurisdiction is set forth under Federal Rule of Civil Procedure 8(a), which requires that jurisdictions be shown in pleadings. Place an “X” in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.
- (1) United States plaintiff. Jurisdiction based on 28 USC §§ 1345 and 1348. Suits by agencies and officers of the United States are included here.
 - (2) United States defendant. When the plaintiff is suing the United States, its officers or agencies, place an “X” in this box.
 - (3) Federal question. This refers to suits under 28 USC § 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.
 - (4) Diversity of citizenship. This refers to suits under 28 USC § 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; **NOTE: federal question actions take precedence over diversity cases.**)
- III. Residence (citizenship) of Principal Parties.** This section of the JS-CAND 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.
- IV. Nature of Suit.** Place an “X” in the appropriate box. If the nature of suit cannot be determined, be sure the cause of action, in Section VI below, is sufficient to enable the deputy clerk or the statistical clerk(s) in the Administrative Office to determine the nature of suit. If the cause fits more than one nature of suit, select the most definitive.
- V. Origin.** Place an “X” in one of the six boxes.
- (1) Original Proceedings. Cases originating in the United States district courts.
 - (2) Removed from State Court. Proceedings initiated in state courts may be removed to the district courts under Title 28 USC § 1441. When the petition for removal is granted, check this box.
 - (3) Remanded from Appellate Court. Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.
 - (4) Reinstated or Reopened. Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.
 - (5) Transferred from Another District. For cases transferred under Title 28 USC § 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.
 - (6) Multidistrict Litigation Transfer. Check this box when a multidistrict case is transferred into the district under authority of Title 28 USC § 1407. When this box is checked, do not check (5) above.
 - (8) Multidistrict Litigation Direct File. Check this box when a multidistrict litigation case is filed in the same district as the Master MDL docket. Please note that there is no Origin Code 7. Origin Code 7 was used for historical records and is no longer relevant due to changes in statute.
- VI. Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC § 553. Brief Description: Unauthorized reception of cable service.
- VII. Requested in Complaint.** Class Action. Place an “X” in this box if you are filing a class action under Federal Rule of Civil Procedure 23. Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction. Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.
- VIII. Related Cases.** This section of the JS-CAND 44 is used to identify related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.
- IX. Divisional Assignment.** If the Nature of Suit is under Property Rights or Prisoner Petitions or the matter is a Securities Class Action, leave this section blank. For all other cases, identify the divisional venue according to Civil Local Rule 3-2: “the county in which a substantial part of the events or omissions which give rise to the claim occurred or in which a substantial part of the property that is the subject of the action is situated.”
- Date and Attorney Signature.** Date and sign the civil cover sheet.