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**UNITED STATES DISTRICT COURT**

**DISTRICT OF ARIZONA**

**SEALED**

United States Of America

v.

Dale Lawrence Hipes

Case No.: 20-9393 MJ

**CRIMINAL COMPLAINT**

I, the undersigned complainant, being duly sworn, state that the following is true and correct to the best of my knowledge and belief:

On or about the date of May 26, 2020, in the County of Maricopa in the District of Arizona, the defendant violated, 18 U.S.C. § 1343, and on or about June 29, 2020, the defendant violated, 18 U.S.C. § 1957, offenses described as follows:

**See Attachment A Incorporated By Reference Herein**

I further state that I am a Special Agent from the Federal Bureau of Investigation and that this complaint is based on the following facts:

**See Attached Statement of Probable Cause Incorporated By Reference Herein.**

Continued on the attached sheet and made a part hereof: ☒ Yes ☐ No

AUTHORIZED BY: AUSA Andrew C. Stone ANDREW STONE

Digitally signed by ANDREW STONE  
Date: 2020.12.11 13:24:49 -07'

Special Agent, Troy Cofer

Name of Complainant

telephonically

Sworn to before me and subscribed in my presence

12/11/2020 @ 3:11 pm

Date

at Phoenix, Arizona

City and State

HONORABLE EILEEN S. WILLET

United States Magistrate Judge

Name & Title of Judicial Officer

Signature of Judicial Officer



Signature of Complainant



## **ATTACHMENT A**

### **Count 1**

Beginning in or around April 2020, and continuing until in or around August 2020, in the District of Arizona and elsewhere, DALE LAWRENCE HIPES, knowingly and willfully devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, and by intentional concealment and omission of material facts.

On or about May 26, 2020, for the purpose of executing the scheme and artifice, DALE LAWRENCE HIPES did knowingly cause to be transmitted by means of wire communication in interstate commerce to the District of Arizona the following signals and sounds: a FED Wire sent from Hanmi Bank Hanscom K, Inc. account #0488 to BRI Supply, Inc. Bank of America account #6623, in the amount of \$15,670,000.00, in violation of Title 18, United States Code, Section 1343.

### **Count 2**

On or about June 29, 2020, in the District of Arizona and elsewhere, DALE LAWRENCE HIPES, knowingly engaged and attempted to engage in the following monetary transaction by, through, or to a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000 as described below, such property having been derived from a specified unlawful activity, that is, wire fraud in violation of 18 U.S.C. § 1343: wire transfer from BRI Supply, Inc. Bank of America account #6623 to Western Alliance Bank Pioneer Title Agency, Inc. Escrow Trust account #2772, for approximately \$1,986,338.04, in violation of Title 18, United States Code, Section 1957.

**STATEMENT OF PROBABLE CAUSE**

I, Troy Cofer, being duly sworn, hereby depose and state as follows:

1. I am a Special Agent with the Federal Bureau of Investigation (FBI) and have been employed with the FBI since September 2019. I am authorized to investigate violations of laws of the United States. I am a law enforcement officer with authority to execute arrest, search, and seizure warrants under the authority of 18 U.S.C. § 3052. I have a bachelor's degree in Operations Management and a master's degree in Finance. I was trained at the FBI Academy in Quantico, Virginia, and I am currently assigned to the Phoenix Division's Complex Financial Crimes Squad, specializing in a variety of financial investigations.

2. The Statement of Probable Cause is intended to show only that there is sufficient probable cause for the requested Arrest Warrant and does not set forth all of my knowledge about this matter. The facts in this Statement of Probable Cause come from my personal observations, my training and experience, and information obtained from other agents and witnesses.

3. In August 2020, the Phoenix Division of the FBI initiated an investigation into DALE LAWRENCE HIPES (HIPES), Chief Executive Officer (CEO) of BRI Supply, Inc. (BRI). The investigation concerned whether HIPES knowingly and intentionally engaged in a scheme to defraud individuals through a third-party Personal Protective Equipment (PPE) broker in or around June 2020, in which HIPES, as CEO of BRI represented that he could procure 3M masks for the State of Texas. HIPES claimed to be a 3M authorized distributor and could deliver nine million masks in three days. HIPES required upfront payment for an agreed order of nine million masks. After agreeing to a price of approximately \$1.85 per mask, the victim wired approximately \$16.65 million to HIPES' bank account. After five weeks of non-delivery, HIPES agreed to return the funds, but only returned approximately \$12 million of the total \$16.65 million. HIPES continued to promise to return the remaining funds of approximately \$4.65 million, then at the beginning of August 2020, ceased all communication with the individuals with whom he agreed to supply 3M masks and has yet to return the balance.

HIPES never provided 3M masks for funds solicited from a third-party broker, but instead spent the remaining funds for personal use.

**The COVID-19 Pandemic**

4. Around December 2019, a novel coronavirus, SARS-CoV-2 (the “coronavirus”), was first detected in Wuhan, Hubei Province of the People’s Republic of China (“PRC”), causing outbreaks of the coronavirus disease COVID-19 that have since spread globally. In January 2020, the Secretary of Health and Human Services (“HHS”) declared a national public health emergency under 42 U.S.C. § 247d as a result of the spread of COVID-19 to and within the United States. Around March 2020, the Director-General of the World Health Organization (“WHO”) characterized COVID-19 as a pandemic. Around March 2020, the President of the United States issued Proclamation 9994 declaring a national emergency beginning in March 2020, as a result of the rapid spread of COVID-19 within the United States.

5. Guidance from the Centers for Disease Control and Prevention (“CDC”) suggests person-to-person transmission most commonly happens during close exposure to a person infected with COVID-19, primarily via respiratory droplets produced when the infected person coughs or sneezes. Droplets can land in the mouths, noses, or eyes of people who are nearby or inhaled into the lungs of those within close proximity. Accordingly, the CDC has issued guidance to health care providers recommending that they wear PPE, such as masks, to prevent the coronavirus from being transmitted by infected patients to healthcare providers.

6. At the start of the COVID-19 pandemic, JD, a known philanthropist, offered to help the State of Texas acquire PPE by providing the equivalent of a \$20 million line of credit for the state’s use. Essentially, JD made private money available for the immediate purchase of PPE with the understanding that Texas would reimburse JD at some point in the future.

7. KS, a private citizen, enjoys a business relationship with JD, and acted as a point person for the purchase of the PPE. KS routinely worked with the Texas task force to oversee those purchases for the state. CF, a Texas state employee, often took the lead in these transactions for Texas.

8. With JD's offer to provide personal funds to purchase PPE for the State of Texas, KS acted as the point person to ensure the purchase of PPE for Texas. KS worked with a broker, JK, who owns and operates a PPE brokerage business in Illinois, Hanscom K, Inc., and has been working with KS and JD in efforts to acquire PPE for the State of Texas. According to the Illinois Secretary of State Corporations/LLC, Hanscom K., Inc., File Number: 56761942, is a domestic corporation, incorporated March 18, 1992, with the State of Illinois. The Agent is TO, 1250 S. Grove Ave., STE 300, Barrington, IL 60010. The officers are President, JK, 1250 S. Grove Ave., STE 200, Barrington, IL 60010, and Secretary JK, same address previously listed.

9. In or around April 2020, JK met HIPES, the CEO of BRI, through two local contacts of JK's in Arizona, TJ, and CB. HIPES told JK and others that, as a 3M authorized distributor, he could acquire 3M masks. CB vouched for HIPES as HIPES rents warehouse space from CB in Scottsdale, Arizona.

**BRI Supply, Inc.**

10. Per Arizona Corporation Commission (ACC) records, HIPES incorporated BRI, Entity ID: 23075463, as a domestic for-profit (Business) corporation, Entity Status: Active, Business Type: Wholesale Trade, with a Formation Date of April 4, 2020. The Statutory Agent is Wendy Anderson, 8686 E. San Alberto Drive, Suite 300, Scottsdale, AA 85258, as of August 10, 2020, formerly JD, 3832 N. 34<sup>th</sup> Pl., Phoenix, AZ 85018. The Principal Information is listed as follows: Director: DALE HIPES, 9332 N. 95<sup>th</sup> Way, Ste B109, Scottsdale, AZ 85258; Officer: Nancy A. Countryman, 9332 N. 95<sup>th</sup> Way, Ste B109, Scottsdale, AZ 85258; and Chief Financial Officer (CFO): DD, 6081 W. Linda Ln., Chandler, AZ 85226. The Place of Business is listed at 9332 N. 95<sup>th</sup> Way, Ste B109, Scottsdale, AZ 85258. Per articles of amendment, on or about October 1, 2020, the board of directors of BRI accepted the resignation of DD as CFO from BRI.

11. In April 2020, HIPES opened a business checking account #6623, at Bank of America, held in the name of BRI. HIPES, DD, and Nancy Anne Countryman are listed signers on the account.

12. In April 2020, HIPES opened a business checking account #6678, at Bank of America, held in the name of BRI. HIPES, DD, and Nancy Anne Countryman are listed signers on the account.

13. In April 2020, HIPES opened a business checking account #6917, at Bank of America, held in the name of BRI. HIPES, DD, and Nancy Anne Countryman are listed signers on the account.

**Wire Fraud**

14. Based on the representations by HIPES that he could acquire masks, KS ordered nine million masks for a total purchase price of \$16.65 million. HIPES claimed status as a 3M authorized distributor and promised KS delivery of nine million masks in three days. The deal required payment up front, per HIPES.

15. KS informed JK to proceed forward with the transactions for nine million masks, for a purchase price of \$16.65 million. JK, as Hanscom K, Inc., acted as the broker, issuing a purchase order and wired money to an account designated by HIPES. HIPES told JK that the account in question was an escrow account for the holding of the funds. Once Texas received delivery of the masks, then the funds would be transferred to 3M directly. Based on those facts, JK felt secure in wiring the funds.

16. As such, \$16.65 million was transferred from the JD Trust to HIPES' purported escrow account in two separate wire transfers, through broker Hanscom K, Inc.

17. On or about May 6, 2020, a FED Wire was sent from Hanmi Bank Hanscom K, Inc. account #0488, to BRI Bank of America account #6623, in the amount of \$980,000.00, beneficiary information: Invoice #050520A for 3M Mask N95 1860.

18. On or about May 26, 2020, a FED Wire was sent from Hanmi Bank Hanscom K, Inc. account #0488, to BRI Bank of America account #6623, in the amount of \$15,670,000.00, beneficiary information: Invoice #052120 for 3M mask N95 1860 Purchase.

19. On or about May 26, 2020, there were three online transfers from BRI Bank of America account #6623 to BRI Bank of America account #6917, as follows:

- a. \$550,000.00
- b. \$2,500,000.00, and
- c. \$9,999,000.00, totaling \$13,049,000.00.

20. On or about May 26, 2020, there was an online transfer from BRI Bank of America account #6623 to BRI Bank of America account #6678, in the amount of approximately \$693,958.00.

21. HIPES did not deliver any masks, and it became clear to JK that he could not fulfill the mask order. JK learned that HIPES did not hold a distributor agreement with 3M, although HIPES changed his status to “qualified buyer” at that time. Given the non-delivery, KS demanded that HIPES return the full \$16.65 million to JK.

22. On or about June 18, 2020, HIPES returned part of the \$16.65 million with a wire transfer from BRI Bank of America account #6917 to Hanscom K, Inc. Hanmi Bank account #0488, in the amount of \$12,000,000.00.

23. JK pressed HIPES about the remaining funds. HIPES made multiple excuses why he couldn’t return the funds, including that the nonexistent escrow account refused to release the funds, and that JK needed to talk to the BRI CFO, DD. When JK asked for a copy of the escrow agreement, HIPES refused to provide it. JK learned that HIPES incorporated BRI in or around April 2020, and that he previously operated a Cannabidiol (CBD) business. JK last spoke with HIPES on or about July 22, 2020. To date, HIPES has not returned any of the remaining \$4.65 million.

24. Despite receiving full payment, via wire transfer, HIPES failed to deliver any masks as promised. After approximately five weeks, KS continued to demand full repayment of the funds. At or around this time, KS also learned that HIPES did not have any relationship with 3M and did not act as a distributor for that company as he claimed. KS continued to attempt to collect the remaining funds, and HIPES promised to repay the balance on or prior to August 1, 2020. However, HIPES did not return the funds on that date, and no longer responds to any texts, phone calls or emails from KS.

25. On or about September 11, 2020, MF, 3M COVID-19 Fraud, Price Gouging and Counterfeit Product Response Team, informed the FBI that HIPES, doing business as BRI, is not an authorized 3M Distributor.



26. Based upon the aforementioned facts, I believed that probable cause exists that, starting around April 1, 2020, through August 1, 2020, DALE LAWERENCE HIPES, doing business as BRI Supply, Inc. committed Wire Fraud (18 U.S.C. § 1343) by obtaining money from KS and JK through Hanscom K, by false pretenses, representations, and promises to deliver nine million masks, and causing funds to be transmitted by wire.

**Laundering of Monetary Instruments**

27. JK learned that HIPES may have spent some of the missing funds on a new residence and vehicles. A review of HIPES' bank records by the FBI confirmed the purchase of a new residence and vehicle.

28. HIPES purchased the residential parcel real property address: 12006 N. Oakhurst Way, Scottsdale, Arizona 85254, on or about June 29, 2020, from PL and KL, Trustees of the PL and KL Revocable Trust dated on or about August 12, 2003, for approximately \$2,050,000.00. The history of the purchase of property is as follows:

a. On or about June 4, 2020, a wire transfer was conducted from BRI Bank of America account #6678, to Western Alliance Bank Pioneer Title Agency, Inc. Escrow Trust account #2772 for approximately \$50,000.00, noted to credit the HIPES Escrow 77002217.

b. On or about June 29, 2020, a wire transfer was conducted from BRI Bank of America account #6623, to Western Alliance Bank Pioneer Title Agency, Inc. Escrow Trust account #2772 for approximately \$1,986,338.04, noted to credit the HIPES Escrow.

29. Per the Maricopa County Recorder's Office regarding the purchase of property listed as 12006 N. Oakhurst Way, Scottsdale, Arizona 85254, reflected the following information:

a. Name and Address of Buyer: HIPES and Kathryn L. Hipes, 12006 N. Oakhurst Way, Scottsdale, AZ 85254.

b. Name of Seller: PL and KL Revocable Trust dated August 12, 2003.

c. Address of Property: 12006 N. Oakhurst Way, Scottsdale, Arizona 85254.

d. Settlement Agent: Pioneer Title Agency, Inc.

e. Place of Settlement: Pioneer Title Agency, Inc.



f. Settlement Date: 06/29/2020

g. Sale Price: \$2,050,000.00

h. Down Payment: \$2,050,000.00

30. On or about August 12, 2020, HIPES made a withdrawal from BRI Bank of America account #6678, in the amount of approximately \$62,015.00, used to purchase a cashier's check, payable to La Mesa RV for the purchase of the Winnebago Spyder Trailer, on or about August 12, 2020.

31. Based upon the aforementioned facts, I believed that probable cause exists that, starting around April 1, 2020, through August 12, 2020, DALE LAWRENCE HIPES, doing business as BRI Supply, Inc. committed federal money laundering crimes (18 U.S.C. § 1957) by receiving proceeds based on unlawful activity, purchasing real property for approximately \$2,050,000.00, on or about June 29, 2020 and purchasing a Winnebago trailer for approximately \$62,015.00, on or about August 12, 2020.

32. Accordingly, the FBI seeks an Arrest Warrant for DALE LAWRENCE HIPES.

Respectfully, submitted,



Troy Cofey, Special Agent  
Federal Bureau of Investigation  
Phoenix, Arizona

SUBSCRIBED AND SWORN by telephone to me this 11 day of December 2020.



HONORABLE EILEEN S. WILLETT  
United States Magistrate Judge