IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF FLORIDA
GAINESVILLE DIVISION

UNITED STATES OF AMERICA

CASE NO. : 1:16cr15-MW

v.

EDWARD LEONFORTE
_______________________________/

STATEMENT OF FACTS

The Defendant admits that were this case to proceed to trial, the government could prove the following facts beyond a reasonable doubt:

I. Background

At all times relevant to the investigation, medsindia.net and freeworldpharmacy.com were internet pharmacy websites that brokered the sale of controlled substances to individuals that did not have valid prescriptions.

Larry Burstein ("Burstein"), who had a Turkey Creek address in Alachua, Florida, created medsindia.net in 2007 and maintained control over the website and related business until 2014. Burstein used the company India Ayurveda Inc., which is a company he owned, to receive payments for orders placed on medsindia.net. Until the website was substantially modified in 2014, medsindia.net stated, "Prescription medications featured on this site are now

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COURT, NORTH. DIST. FLA.

available for personal use in up to 90-day supply without a prescription." The site listed generic versions of Darvocet, Xanax, Soma, codeine and Valium, among others, for sale, among other controlled substances. The website shipped medications to customers located in the United States.

Edward Leonforte ("Lenforte") assisted Burstein by providing customer support and facilitating online orders for medsindia.net. Leonforte used his company, Loud Lion Enterprises ("Loud Lion"), a Florida corporation, to operate his customer support business. Between 2008 and 2015, Loud Lion hired numerous employees to assist in the business of supporting medsindia.net, and later to assist in the business of supporting freeworldpharmcy.com. Loud Lion's principal place of business was in Alachua, Florida in Progress Park.

Leonforte maintained control over the freeworldpharmacy.com and its related business between 2012 and 2015. Through Freeworldpharmacy.com, Leonforte sold codeine, a Schedule II controlled substance, among other substances. As of July 6, 2015, freeworldpharmacy.com was selling 120 codeine tablets (15 mg) for $166.00. Freeworldpharmacy.com had a disclaimer that read, "Before placing your order you must agree that you are responsible for understanding your country's laws regarding the drugs you order. You must also confirm that you have a valid prescription for any prescription drugs you order. You don't have to show it to us. We will not require you to prove to us that you have it or submit it to us because we are not in the US and don't have the ability to validate or verify it." There is a statement that the website is operated as a "sales referral/broker agent for various pharmacies" and that the company operating the website is "not a pharmacy."

II. Execution of Search Warrant and Subsequent Investigation

On September 17, 2015, agents with the Internal Revenue Service and the Drug Enforcement Administration executed a search warrant at Loud Lion's business premises in Progress Park in Alachua, Florida. After arriving on the premises, one of the employees, J.K., volunteered to download data to a local computer from Loud Lion's Canadian server. J.K. explained that he was the operations manager and that he had password access to the data. J.K. initiated a download of the data to the computer in his office, which was encompassed by the search warrant. While the download was in progress, Loud Lion servers in Canada were shut down. Thus, IRS agents only obtained a portion of Loud Lion's sales data. Agents were able to determine that sales from freeworldpharmacy.com increased from approximately $257,421 in 2012 to approximately $2,589,769 in 2013. Total sales in 2014 were approximately $3,000,313. Total sales in the first nine months of 2015 were approximately $2,084,151. Agents obtained itemized sales data for the period January 5, 2015, through September 3, 2015. During this 2015 timeframe, the majority of the drugs being sold unlawfully by Loud Lion were controlled substances. One of the more common substances was codeine. Customers in the United States placed 1,598 orders for a total of 219,197 codeine pills. The orders for codeine generated sales of approximately $385,589. These figures do not include Loud Lion revenue from supporting other illegal online pharmacy sites.

Law enforcement officers later interviewed J.K. J.K. has known Leonforte since 1994 when J.K. was working for Govindas, a restaurant in Gainesville, Florida. Govindas had hired Leonforte as a consultant. Leonforte and J.K. became friends, and in 2000 Leonforte asked J.K. to assist him with web marketing and search engine optimization (SEO).[1]

J.K. began working for Edward Leonforte at Loud Lion in 2008 as a part-time contractor and was promoted to a full-time position in 2009. Leonforte was the sole owner of Loud Lion. J.K. was responsible for providing customer support and technical support to the constituent internet pharmacy websites operated by Loud Lion. This support included website creation/maintenance, placing/processing pharmaceutical orders, answering emails, resolving shipping

[1] By understanding a search engine's algorithm and the concept of web indexing, it is possible to optimize a website's presence on the web to manipulate the results of a given search engine. With a bit of work, it is possible to cause a specific website to be among the first search results when related search queries were conducted on search engines such as yahoo.com and the new, but quickly emerging google.com. Leonforte was a pioneer in the field of SEO and made decent money as a consultant for businesses wanting to increase their web profile and visibility.

problems, etc. At first, J.K. was Leonforte's only employee. As time progressed, Leonforte gave him more responsibility. As of September 2015, J.K. managed the premises in Alachua, Florida, and managed the other employees. He had little to no authority to conduct financial transactions on behalf of the company. Leonforte always maintained exclusive control over Loud Lion finances. Medsinidia.net and freeworldpharmacy.com are two of the websites J.K. maintained during the course of his employment.

In 2008, Leonforte was providing support for a single website, medsindia.net. J.K. learned during his employment that the pharmaceutical supplier utilized by medsindia.net was based in India. Leonforte falsely told J.K. this supplier was licensed to export pharmaceuticals to the United States. J.K. stated Larry Burstein was the owner of the medsindia.net website and the only person in direct contact with the supplier. The shipping was handled by the supplier, who utilized EMS Speedpost in India that would then transfer packages to the United States Postal Service in America. Payments accepted by medsindia.net included cashier's check, wire transfer, eCheck (electronic transfer), and credit card. Cashier's check transactions were processed through a bank in London until Burstein discontinued this form of payment. J.K. stated that medsindia.net utilized Willow Systems, a credit card and eCheck processing company, to process orders paid by electronic means.

J.K. stated that the products offered for sale on medsindia.net came from a list that Burstein received from the supplier. Burstein would then provide the list to Loud Lion. One of the products offered for sale was codeine. To determine which substances were sold, J.K. stated that Leonforte conducted basic research to determine the extent to which the pharmaceutical was controlled, addictive, or otherwise risky to sell. J.K. stated that the vetting was a conscious effort to evade law enforcement detection because websites with similar business models were being shut down if they sold certain substances.

J.K. stated that Burstein owned the servers that were utilized for medsindia.net, but they were located in Canada. The servers were in Canada because it was competitively priced, and Leonforte said it was safer since Loud Lion was operating in a legal "gray area." J.K. stated Leonforte and Burstein had access to the servers.

In or around July 2012, Leoforte and Burstein began to have disagreements regarding their business arrangement. Leoforte wanted a bigger cut of the proceeds than Burstein was giving him. Leonforte was receiving 10% of Burstein's profit. Leonforte thought he deserved more. During this dispute, Leonforte hired A.K. to help develop a new website, www.freeworldpharmacy.com/, based on the the Medsindia business model. Leonforte had his employees divert Medsindia customers to his own pharmacy websites. Leonforte created a new company, Real Customer Support, to separate the customer support function and the pharmacy marketing aspect of the business. Real Customer Support served as a call center and email response service. In July 2013, Loud Lion moved into its leased premises in Progress Park in Alachua, Florida. The lease was approximately $10,000.00 per month.

J.K. stated that around November 2013, he received a call from Leonforte with instructions to stop Loud Lion support of medsindia.net. Shortly after that, medsindia.net shut down. (Loud Lion would later resume customer support for medsindia.net for a time) Loud Lion, operating as Free World Pharmacy, continued to sell pharmaceuticals, including codeine, without requiring a prescription. Loud Lion's servers remained in Canada, but Real Customer Support servers were hosted in Amsterdam via EuroVPS.

J.K. stated the pharmaceutical suppliers utilized by Free World Pharmacy were recruited by Leonforte. They were different than the suppliers utilized by Burstein and medsindia.net. One of the suppliers for Free World Pharmacy was in Romania, and one was in India. When these suppliers received Free World Pharmacy's orders, they shipped directly to the customer. J.K. stated Loud Lion did not physically receive or handle any pharmaceuticals. J.K. estimated approximately sixty percent of the pharmaceuticals sold on freeworldpharmacy.com went to the United States.

Loud Lion used "Magneto" to set up pharmacy websites. J.K. stated "Magneto" is a software owned and licensed by Paypal, Inc., that integrates website design, marketing, and order processing.

J.K. stated that Loud Lion accepted different forms of payment and used different credit card processing companies, and bank accounts. J.K. recalled that Leonforte utilized a bank account in the name of Loud Lion at Wells Fargo, and that he also utilized off-shore bank accounts. Leonforte had signatory authority over all the accounts used by Loud Lion.

J.K. estimated Loud Lion made five million dollars in 2014 by marking up the price of pharmaceuticals three to four times their price.

In early 2015, Burstein threatened to sue Leonforte for issues arising from their business agreement, namely that Leonforte stole Burstein's business. Leonforte settled with Burstein and began making payments of $2,000.00 per week. In August 2015, Leonforte held a meeting with all of the employees and informed them that Burstein was threatening to call law enforcement regarding Loud Lion's business. Leonforte explained that there was nothing to worry about and that they were not doing anything illegal. However, J.K. stated that Leonforte confided in him that he really was concerned, and as a result, he considered shutting down the business. J.K. stated that Leonforte did not have any businesses other than the online pharmacy business generating revenue.

III. Controlled Purchases

A. Medsindia.net

On September 11, 2012, a Drug Enforcement Administration Task Force Officer (herein, after "UC-1") used a laptop computer to place an order for 120 codeine pills (15 milligram) for $253.80, which included shipping and handling, at www.medsindia.net (Meds India). UC-1 used an undercover name and address[2] when he placed the order and provided the shipping information. UC-1 subsequently received an email to his UC account from Meds India customer support providing payment instructions that included sending a money order, payable to India Ayurveda Inc., to an address in London. UC-1 obtained a money order, made payable to India Ayurveda Inc., and sent it to the address in London. On October 29, 2012, UC-1 received 120 codeine pills at the UC address that he provided to Meds India. The package in which the pills were received had an India Post label with "New Delhi" on it. UC-1 did not provide a prescription any time during this transaction.

On November 20, 2012, an email sent to UC-1's email account that was utilized during controlled purchases from medsindia.net advised that medsindia.net had moved to medsindia.net. On November 29, 2012, UC-1 utilized a laptop

[2] All addresses used for the shipment of controlled purchases were in Gainesville, Florida.

computer to place an order for 120 codeine pills (15 milligram) for $229.92, which included shipping and handling, at www.medsindia.net (Meds India). However, the order was not finalized because the payment options did not include money order. UC-1 utilized the same UC name and address as the previous transaction. After subsequent communication via email, the order was finalized for a total of $253.80. The order would be shipped once payment was received. The payment instructions included sending a money order payable to India Ayurveda Inc., to an address in London. UC-1 obtained a money order, made payable to India Ayurveda Inc., and sent it to the address in London. On February 26, 2013, UC-1 received 120 codeine pills at the UC address that he provided to Meds India. The package in which the pills were received had an India Post label with "New Delhi" on it.

The money orders sent to London as payment for the foregoing transaction were deposited into Larry Burstein's bank account at T.D. Bank in Gainesville, Florida.

On April 18, 2013, UC-1 utilized a laptop computer to place an order for 120 codeine pills (15 milligram) for $253.80, which included shipping and handling, at www.medsindia.net (Meds India). Google Chrome was utilized as the web browser. UC-1 paid for the order utilizing EFT payable to a third party credit card processor operated by Willow Systems Corp. UC-1 utilized the same UC name and address as the previous transaction. On May 15, 2013, UC-1 received 120 codeine pills at the UC address that he provided to Meds India. The package in which the pills were received had an India Post label with "New Delhi" on it.

On May 30, 2013, UC-1 utilized a laptop computer to place an order for 120 codeine pills (15 milligram) for $253.80, which included shipping and handling, at www.medsindia.net (Meds India). UC-1 paid for the order utilizing EFT payable to a credit card processor company operated by Willow Systems Corp. UC-1 utilized the same UC name and address as the previous transaction. On June 20, 2013, UC-1 received 120 codeine pills at the UC address that he provided to Meds India. The package in which the pills were received had an India Post label with "New Delhi" on it. The DEA Southeast Laboratory examined these pills and determined they tested positive for codeine.

As of May 13, 2014, medsindia.net was still operational but UC-1 had not been able to complete any more undercover purchases due to error messages received when attempting to place an order. Meds India was no longer advertising codeine for sale. The only pain medications that were advertised were Darvocet, Imitrex, and Ultram. On August 13, 2014, UC-1 attempted to access www.medsindia.net but received a message stating, "Forbidden, You don't have permission to access / on this server. Additionally, a 403 Forbidden error was encountered while trying to use an Error Document to handle the request."

Willow Systems records show that the money sent for the medsindia.net transactions was processed on behalf of India Ayurveda, Inc., and ultimately sent to Burstein's account at TD Bank (the same account into which the money orders were previously deposited). In fact, Willow Systems produced an Electronic Funds Transfer Authorization Form" signed by Larry Burstein on October 16, 2012, that authorized Willow Systems to transfer proceeds into Burstein's TD Bank account.

All emails pertaining to transactions on medsindia.net came from customersupport@medsindia.net. However, UC-1 received an email on November 20, 2012, titled "News from Medsindia/Freeworld pharmacy" from news@realcustomersupport.com. The email stated Meds India had changed their domain to realcustomersupport.com. This email said they had bank transfer options "far more convenient than the Money Order option at Medsindia." The email listed the new sites as freeworldpharmacy.com, freemarketpharmacy.com and funpharm.com with support managed by realcustomersupport.com.

B. Free World Pharmacy

On April 19, 2013, UC-1 utilized a computer to connect to www.freeworldpharmacy.com via the internet. The website displayed pictures, descriptions, and prices of some of the prescription medication for sale from Free World Pharmacy. UC-1 utilized this website to create a new account. After confirming his undercover email address utilizing a confirmation link sent to his undercover email account from email address customersupport@realcustomersupport.com, UC-1 logged back into www.freeworldpharmacy.com. Utilizing this website, and the account he had set up, UC-1 ordered 120 codeine pills (15 mg) for $237.11. On the same day, UC-1 received two additional emails from customersupport@realcustomersupport.com to his undercover email account welcoming him to Free World Pharmacy and thanking him for signing up for the Free World Pharmacy newsletter. This purchase was made by EFT, or e-check, from an undercover bank account.

The payment for this undercover purchase was processed by Willow Systems on April 19, 2013, and allocated to Willow Systems' account number ending in 2140. Willow Systems' records show that this account belongs to Loud Lion.

On May 17, 2013, 120 codeine pills were received at an undercover post office box in Gainesville, Florida. UC-1 purchased this Schedule II codeine without providing a prescription to Free World Pharmacy; however, included with the shipment was a prescription issued by "MUDr. L. Smrcek, MD." Dr. Smrcek, if he exists, is not authorized to write prescriptions in the United States. The prescription included the "patient's" name, address, and dosage information. It also contained the following disclaimer:

> "The prescription was issued taking into consideration all actual local laws. The patient confirms that all contents of the medical questionnaire are true and provided by himself (sic). The physician who issued this prescription shall not be liable for any claims incurred by, or for any loss, damage, expense or contractual obligations or penalties or other consequences which may be alleged or may arise directly or indirectly to any person consuming products ordered through the website. The website is acting as a broker on behalf of and on account of several pharmacies and that by placing orders trough [sic] contractual obligations will solely be created between the requestor on the one side and the respective pharmacy on the other side. Any disputes arising out of or in relation with the access to the website or this prescription or its issue shall be governed by and construed in accordance with the substantive laws of the courts at the registered office of have [sic] the exclusive jurisdiction. This is to confirm that the prescribed remedies as well as dosage of are subject to special therapy regimes. The patient's prescription is under my responsibility."

On May 30, 2013, UC-1 connected to www.freeworldpharmacy.com via the internet. The website displayed a picture of "Generic Codeine 15 mg" for sale from Free World Pharmacy. UC-1 utilized this website to order 240 codeine pills (15 mg) for $239.00. On the same day, UC-1 received an email sent to his undercover account from customersupport@realcustomersupport.com confirming his order. This email provided the same confirmation number that was provided by the www.freeworldpharmacy.com website at the time of checkout. This purchase was made by EFT, or e-check, from an undercover bank account.

The payment for this undercover purchase was processed by Willow Systems on May 30, 2013, and allocated to Willow Systems' account ending in

2140. Willow Systems subsequently deposited these funds into the Loud Lion Business Account as part of a batch deposit.

On June 10, 2013, UC-1 received emails to his undercover account from Free World Pharmacy stating that his order was being processed and was expected to ship the next business day.

On June 18, 2013, UC-1 received an email to his undercover account from Free World Pharmacy stating, in part, "One recent change is that our European supplier can now only ship a total of 120 pills to any single customer on one day. That means that if you place an order for more than 120 pills - say 240 pills - you will be shipped 120 pills on one day and another 120 pills the next day."

On July 1, 2013, UC-1 received 240 codeine pills (15 mg) in two separate shipments of 120 pills each at an undercover post office box in Gainesville, Florida. Both packages were shipped from Romania. The DEA laboratory determined the pills from both shipments tested positive for codeine. UC-1 purchased this Schedule II codeine without providing a prescription to Free World Pharmacy. As with the previous order, prescriptions issued by "MUDr. L. Smrcek, MD," were included with each shipment of 120 pills.

On July 15, 2013, UC-1 utilized a computer to connect to www.freeworldpharmacy.com via the internet. The website displayed a picture of

"Generic Codeine 15 mg" for sale from Free World Pharmacy. UC-1 utilized this website to order 120 15 mg codeine pills for $239.00. On the same day, the undercover agent received three (3) confirmation emails sent to his undercover account from customersupport@realcustomersupport.com. This email provided the same confirmation number that was provided by the www.freeworldpharmacy.com website at the time of checkout. This purchase was made by a debit card associated with the undercover bank account. The total amount spent during this purchase was $251.68, which appears to include some sort of currency conversion and/or service fees. On August 5, 2013, the 120 codeine pills were received at an undercover post office box in Gainesville, Florida. The package was shipped from Romania.

Samples from all of the controlled purchases were sent to a DEA laboratory, which determined the pills contained codeine, a Schedule II controlled substance. UC-1 made the purchases without providing a prescription to Free World Pharmacy or Meds India.

IV Money Laundering Activities

Agents obtained records from the Loud Lion Wells Fargo Bank Account ending in 3844 (hereinafter, the "Loud Lion Business Account"). For the period January 29, 2015, through July 30, 2015, an account with London-based HSBC account was the primary source of funds deposited into the Loud Lion Business Account, but there were also some smaller deposits from other sources, including Willow Systems. J.K. stated Leonforte utilized the London-based HSBC account to receive proceeds of pharmaceutical orders and to pay expenses such his suppliers, among other things. Leonforte also instructed Willow Systems to deposit proceeds of pharmaceutical sales directly into the Loud Lion Business Account in 2015. Based on sales data that J.K. downloaded from Loud Lion's Canadian server, agents determined that the majority of the pharmaceutical orders in 2015 were for controlled substances. The 2015 deposits into the Loud Lion Business Account are summarized by month as follows:

Month	Monthly Deposits	From HSBC	From Willow	Other Deposits
January	$ 151,698.81	$ 61,950.00	$ 34,673.84	$ 55,074.97
February	$ 137,310.54	$ 70,925.00	$ -	$ 66,385.54
March	$ 367,700.99	$ 264,825.00	$ -	$ 102,875.99
April	$ 344,250.00	$ 179,925.00	$ -	$ 164,325.00
May	$ 289,825.00	$ 260,850.00	$ -	$ 28,975.00
June	$ 195,645.69	$ 194,875.00	$ -	$ 770.69
July	$ 287,743.54	$ 282,875.00	$ -	$ 4,868.54
Total Deposits	**$ 1,774,174.57**			
HSBC Deposits	$ 1,316,225.00			
Willow Deposits	$ 34,673.84			
Other Deposits	$ 423,275.73			

Records from Wells Fargo indicate that Leonforte made the following payments from the Loud Lion Business Account by electronic transfer (ACH):

DATE	PAYEE	AMOUNT
January 29, 2015	MICHAEL PRESCOTT	$9647.77
March 2, 2015	MICHAEL PRESCOTT	$9647.77
March 31, 2015	MICHAEL PRESCOTT	$9647.77
April 30, 2015	MICHAEL PRESCOTT	$9647.77
May 29, 2015	MICHAEL PRESCOTT	$9647.77
June 30, 2015	MICHAEL PRESCOTT	$9647.77
July 30, 2015	MICHAEL PRESCOTT	$9647.77

These payments are lease payments for the lease of Loud Lion's business premises in Alachua, Florida. Prescott received the deposits at Gateway Bank. ACH transfers are cleared through the Federal Reserve outside of Florida via wire communications transmitted in interstate commerce.

ELEMENTS

The elements of a violation of 21 U.S.C. §§ 846, 841(a)(1)(A), 841(b)(1)(C) (conspiracy to distribute a controlled substance), as charged in Counts I and II of the Superseding Indictment, are as follows:

(1) two or more people in some way agreed to try to accomplish a shared and unlawful plan to possess or import codeine as charged in the Superseding Indictment; and

(2) the Defendant, knew the unlawful purpose of the plan and willfully joined in it.

The elements of a violation of 21 U.S.C. §§ 841(a)(1)(A) and 841(b)(1)(C) (distribution of a controlled substance), as charged in Counts VI, VIII, and IX of the Superseding Indictment, are as follows:

(1) the Defendant knowingly distributed a substance; and

(2) the substance contained codeine, a Schedule II controlled substance.

The elements of a violation of 18 U.S.C. § 1956(a)(1)(A)(i) (money laundering), as charged in Counts X through XVI of the Superseding Indictment, are as follows:

(1) The Defendant knowingly conducted, or tried to conduct, a financial transaction;

(2) The Defendant knew that the money or property involved in the transaction was the proceeds of some kind of unlawful activity;

(3) The money or property did come from an unlawful activity; specifically conspiracy to distribute a controlled substance and distribution of a controlled substance; and

(4) The Defendant was involved in the financial transaction with the intent to promote the carrying on of that specified unlawful activity.

Gilbert Schaffnit
Attorney for Defendant

September 13 2016
Date

Edward Leonforte
Defendant

9/13/16
Date

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