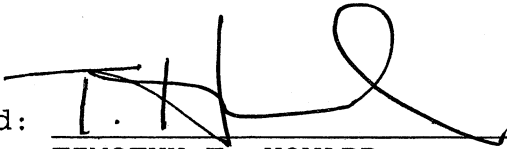


15 MAG 1335

Approved:


TIMOTHY T. HOWARD
Assistant United States Attorney

Before: HONORABLE RONALD L. ELLIS
United States Magistrate Judge
Southern District of New York

UNITED STATES OF AMERICA

- v. -

ROGER THOMAS CLARK,
a/k/a "Variety Jones,"
a/k/a "VJ,"
a/k/a "Cimon,"
a/k/a "Plural of Mongoose,"

Defendant.

SEALED COMPLAINT

Violations of
21 U.S.C. § 846;
18 U.S.C. § 1956

COUNTY OF OFFENSE:
NEW YORK

SOUTHERN DISTRICT OF NEW YORK, ss.:

GARY L. ALFORD, being duly sworn, deposes and says that he is a Special Agent with the Internal Revenue Service ("IRS") and charges as follows:

COUNT ONE
(Narcotics Trafficking Conspiracy)

1. From in or about January 2011, up to and including on or about October 2, 2013, in the Southern District of New York and elsewhere, ROGER THOMAS CLARK, a/k/a "Variety Jones," a/k/a "VJ," a/k/a "Cimon," a/k/a "Plural of Mongoose," the defendant, and others known and unknown, intentionally and knowingly did combine, conspire, confederate, and agree together and with each other to violate the narcotics laws of the United States.

2. It was a part and an object of the conspiracy that ROGER THOMAS CLARK, a/k/a "Variety Jones," a/k/a "VJ," a/k/a "Cimon," a/k/a "Plural of Mongoose," the defendant, and others known and unknown, would and did distribute and possess with the intent to distribute controlled substances, in violation of Title 21, United States Code, Section 841(a)(1).

3. It was further a part and an object of the conspiracy that ROGER THOMAS CLARK, a/k/a "Variety Jones," a/k/a "VJ," a/k/a "Cimon," a/k/a "Plural of Mongoose," the defendant, and others known and unknown, would and did deliver, distribute, and dispense controlled substances by means of the Internet, in a manner not authorized by law, and aid and abet such activity, in violation of Title 21, United States Code, Section 841(h).

4. The controlled substances that ROGER THOMAS CLARK, a/k/a "Variety Jones," a/k/a "VJ," a/k/a "Cimon," a/k/a "Plural of Mongoose," the defendant, conspired to distribute and possess with intent to distribute, and deliver, distribute, and dispense by means of the Internet, in a manner not authorized by law, were (a) one kilogram and more of mixtures and substances containing a detectable amount of heroin; (b) five kilograms and more of mixtures and substances containing a detectable amount of cocaine; (c) ten grams and more of mixtures and substances containing a detectable amount of lysergic acid diethylamide (LSD), and (d) 500 grams and more of mixtures and substances containing a detectable amount of methamphetamine, its salts, isomers, and salts of its isomers, all in violation of Title 21, United States Code, Section 841(b)(1)(A).

(Title 21, United States Code, Section 846.)

COUNT TWO

(Money Laundering Conspiracy)

5. From in or about January 2011, up to and including on or about October 2, 2013, in the Southern District of New York and elsewhere, ROGER THOMAS CLARK, a/k/a "Variety Jones," a/k/a "VJ," a/k/a "Cimon," a/k/a "Plural of Mongoose," the defendant, and others known and unknown, intentionally and knowingly did combine, conspire, confederate, and agree together and with each other to commit money laundering, in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and 1956(a)(1)(B)(i).

6. It was a part and an object of the conspiracy that ROGER THOMAS CLARK, a/k/a "Variety Jones," a/k/a "VJ," a/k/a "Cimon," a/k/a "Plural of Mongoose," the defendant, and others known and unknown, in offenses involving and affecting interstate and foreign commerce, knowing that the property involved in certain financial transactions represented proceeds of some form of unlawful activity, would and did conduct and attempt to conduct such financial transactions, which in fact involved the proceeds of specified unlawful activity, to wit,

narcotics trafficking, in violation of Title 21, United States Code, Section 841, with the intent to promote the carrying on of such specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i).

7. It was further a part and an object of the conspiracy that ROGER THOMAS CLARK, a/k/a "Variety Jones," a/k/a "VJ," a/k/a "Cimon," a/k/a "Plural of Mongoose," the defendant, and others known and unknown, in offenses involving and affecting interstate and foreign commerce, knowing that the property involved in certain financial transactions represented proceeds of some form of unlawful activity, would and did conduct and attempt to conduct such financial transactions, which in fact involved the proceeds of specified unlawful activity, to wit, narcotics trafficking, in violation of Title 21, United States Code, Section 841, knowing that the transactions were designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

(Title 18, United States Code, Section 1956(h).)

The bases for my knowledge and for the foregoing charges are, in part, as follows:

8. I have been a Special Agent with IRS for approximately seven years. I am currently assigned to the New York Organized Crime Drug Enforcement Strike Force. I have been personally involved in the investigation of this matter, along with agents of the Federal Bureau of Investigation, the Drug Enforcement Administration, and Homeland Security Investigations. This affidavit is based upon my investigation, my conversations with other law enforcement agents, and my examination of reports, records, and other evidence. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

OVERVIEW

9. From in or about January 2011, up to and including on or about October 2, 2013, an underground website known as "Silk Road" hosted a sprawling black-market bazaar on the Internet,

where illegal drugs and other illicit goods and services were regularly bought and sold by the site's users.

10. During its more than two-and-a-half years in operation, Silk Road was used by several thousand drug dealers and other unlawful vendors to distribute illegal drugs and other illicit goods and services to well over a hundred thousand buyers, and to launder hundreds of millions of dollars derived from these unlawful transactions.

11. The owner and operator of Silk Road was Ross Ulbricht, a/k/a "Dread Pirate Roberts," a/k/a "DPR," a/k/a "Silk Road," who was convicted on charges, S1 14 Cr. 68 (KBF), relating to his operation of Silk Road following a jury trial in the Southern District of New York on February 4, 2015. Ulbricht ran the website with the assistance of various co-conspirators, including ROGER THOMAS CLARK, a/k/a "Variety Jones," a/k/a "VJ," a/k/a "Cimon," a/k/a "Plural of Mongoose," the defendant, who served as a trusted advisor of Ulbricht, and a small staff, including customer support staff representatives and several computer programmers. CLARK and the rest of the staff were paid by Ulbricht for their services.

12. From at least in or about January 2012, up to and including on or about October 2, 2013, ROGER THOMAS CLARK, a/k/a "Variety Jones," a/k/a "VJ," a/k/a "Cimon," a/k/a "Plural of Mongoose," the defendant, engaged in the following activities among others for Silk Road:

a. Hiring and managing a computer programmer who assisted in developing computer code and maintaining Silk Road's technical infrastructure;

b. Providing advice to Ulbricht regarding managing and operating Silk Road, including security advice, and advice regarding the rules and policies on Silk Road;

c. Assisting in promoting sales on the Silk Road website, including providing help with coordinating a large-scale promotion for the sale of narcotics and other contraband on Silk Road; and

d. Conducting research and collecting intelligence on the efforts of law enforcement to investigate Silk Road.

BACKGROUND ON SILK ROAD¹

13. In the course of investigating Silk Road, I have been involved in undercover purchases of narcotics from the website through an undercover account, which were ordered to and received in the Southern District of New York. In addition, I have also spoken with, among other law enforcement agents, an agent with Homeland Security Investigations ("HSI Agent-1"), who controlled multiple undercover accounts on the site, through which he conducted extensive undercover activity, including, from July to October 2013, and worked in an undercover capacity as a member of the site's paid customer support staff. In addition, I have reviewed the contents of computers used to operate Silk Road. Through these methods and sources, I am familiar with the Silk Road website and how it operated. In particular, I know that:

a. Silk Road was operated on what is known as "The Onion Router" or "Tor" network ("Tor"), a special network on the Internet designed to make it practically impossible to physically locate the computers hosting or accessing websites on the network.

b. All transactions on Silk Road were required to be paid with "Bitcoins," an electronic currency designed to be as anonymous as cash.

c. During its operation, Silk Road generated sales revenue totaling over 9.9 million Bitcoins and collected commissions from these sales totaling over 640,000 Bitcoins, worth more than \$213 million and \$13 million, respectively, based on the prevailing Bitcoin exchange rates when the underlying sales occurred.

d. The illegal nature of the items sold on Silk Road was readily apparent to any user visiting the site. The goods sold on Silk Road consisted overwhelmingly of illegal drugs of nearly every variety, which were openly advertised on the site as such and were immediately and prominently visible on the site's home page.

¹ A more complete description of Silk Road and its operations can be found in the criminal complaint filed against Ross Ulbricht, the founder of Silk Road, see United States v. Ross Ulbricht, 14 Mag. 068 (S.D.N.Y. 2013).

e. As of October 2, 2013, when the website was shut down by law enforcement, there were approximately 13,000 listings for controlled substances on the website, listed under the categories "Cannabis," "Dissociatives," "Ecstasy," "Intoxicants," "Opioids," "Precursors," "Prescription," "Psychedelics," and "Stimulants," among others. The narcotics sold on the site tend to be sold in individual-use quantities, although some vendors sold in bulk. The offerings for sale on the site at any single time amounted to multi-kilogram quantities of heroin, cocaine, and methamphetamine, as well as distribution quantities of other controlled substances, such as LSD.

f. From in or about November 2011, up to and including in or about May 2013, HSI Agent-1 participated in dozens of undercover purchases of controlled substances from Silk Road vendors. The substances purchased in these undercover transactions included various Schedule I and II drugs, such as ecstasy, cocaine, heroin, LSD, and others. Samples of these purchases were laboratory-tested and almost all tested positive for the drugs the items were advertised to be on Silk Road.

g. The only form of payment accepted on Silk Road was Bitcoins. Bitcoins are an anonymous, decentralized form of electronic currency. All Bitcoin transactions are recorded on a public ledger known as the "Blockchain," stored on the peer-to-peer network on which the Bitcoin system operates. The Blockchain serves to prevent a user from spending the same Bitcoins more than once. However, the Blockchain only reflects the movement of funds between anonymous addresses and therefore cannot by itself be used to determine the identities of the persons involved in the transactions. Only if one knows the identities associated with each Bitcoin address involved in a set of transactions is it possible to meaningfully trace funds through the system.

h. Bitcoins are not illegal in and of themselves and have known legitimate uses. However, Bitcoins are also known to be used by cybercriminals for money-laundering purposes, given the ease with which they can be used to move money anonymously. Further, Silk Road used a so-called "tumbler" to process Bitcoin transactions in a manner designed to frustrate the tracking of individual transactions through the Blockchain. According to the Silk Road wiki, Silk Road's tumbler sent all payments "through a complex, semi-random series of dummy transactions, . . . making it nearly impossible to link your payment with any coins leaving the site." In other words, if a buyer made a payment on Silk Road, the tumbler obscured any link between the

buyer's Bitcoin address and the vendor's Bitcoin address where the Bitcoins would end up - making it fruitless to use the Blockchain to follow the money trail involved in the transaction, even if the buyer's and vendor's Bitcoin addresses were both known. Based on my training and experience, the only function served by such "tumblers" is to assist with the laundering of criminal proceeds.

ARREST OF ULBRICHT AND RECOVERY OF EVIDENCE
FROM HIS LAPTOP COMPUTER

14. On or about October 1, 2013, Ross Ulbricht was arrested at a public library in San Francisco, California. At the time of his arrest, Ulbricht was using a laptop computer, which was secured by law enforcement agents (the "Ulbricht Computer").

15. Pursuant to a search warrant, agents searched the Ulbricht Computer and recovered, among other things, extensive evidence reflecting Ulbricht's operation of Silk Road, including journal entries and logs of chat communications between Ulbricht (referenced in the chats as "myself") and various co-conspirators.

16. Through the journal entries, Ulbricht described in detail how he created, designed, built, and operated Silk Road. In a journal entry dated 2011, Ulbricht wrote about the Silk Road's successful first year in operation, and in the following excerpt, described how "Variety Jones" provided him with significant advice and assistance with operating and managing Silk Road:²

Around this time, Variety Jones showed up. This was the biggest and strongest willed character I had met through the site thus far. He quickly proved to me that he had value by pointing out a major security hole in the site I was unaware of. It was an attack on bitcoind. We quickly began discussing every aspect of the site as well as future ideas. He convinced me of a server configuration paradigm that gave me the confidence to be the sole server

² All quoted journal entries and chat logs are repeated verbatim herein, including any errors in spelling, grammar and punctuation.

administrator and not work with someone else at all. He has advised me on many technical aspect of what we are doing, helped me speed up the site and squeeze more out of my current servers. He also has helped me better interact with the community around Silk Road, delivering proclamations, handling troublesome characters, running a sale, changing my name, devising rules, and on and on. He also helped me get my head straight regarding legal protection, cover stories, devising a will, finding a successor, and so on. He's been a real mentor.

17. Among these chat logs were over a thousand pages of chats between Ulbricht and "VJ" and "Cimon," which ranged from in or about December 2011 through in or about April 2013. On or about June 1, 2012, in the course of the chat logs, "VJ" indicated, in sum and substance that he was no longer using the online pseudonym "Variety Jones," and agreed to use the pseudonym "cimon" going forward. Overall, the chats reflected that "VJ"/"Cimon" acted as an advisor and confidant to Ulbricht, and advised Ulbricht on a regular basis regarding various aspects of operating Silk Road. From reviewing the contents of these chats, I have also learned, in sum and substance and in part, the following:

a. VJ provided advice to Ulbricht in developing a "cover story" to make it appear as if he had sold Silk Road, consistent with the reference in the journal entry, quoted above in paragraph 16. For example:

- i. During a chat dated December 9, 2011, VJ advised Ulbricht to be discreet and limit the number of people who know about his connection to owning and operating the Silk Road website, stating, "remember - someday it would be very valuable information who started SR, and the person who knows the guy who sold it on could sell that info - if senators are bitching and DEA is itching, they'd pay 7 figures for info leading to the site - and you will be interviewed someday - from my lips to your ears - be ready for it. . . one of them will someday realize there is lottery winning amounts of