

AO 91 (Rev. 11/11) Criminal Complaint

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UNITED STATES DISTRICT COURT

for the
District of Maryland

JAN 31 2014

United States of America
v.

AT BALTIMORE
CLERK U.S. DISTRICT COURT
DISTRICT OF MARYLAND
DEPUTY

Case No.

BY

14-0226 TJS

SHeldon KENNEDY

Defendant(s)

CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief.

On or about the date(s) of _____ in the county of _____ in the
_____ District of _____ Maryland _____, the defendant(s) violated:

Code Section	Offense Description
21 U.S.C. 846 18 U.S.C. 924(c), 922(a)(5) 18 U.S.C. 371, 472	Conspiracy to traffic controlled substances; possession of a firearm in furtherance of a drug trafficking offense; willful transfer, sale or transport of firearm by unlicensed person to another unlicensed, out-of-state person; and conspiracy to pass counterfeit United States currency

This criminal complaint is based on these facts:

See Attached Affidavit.

Continued on the attached sheet.


Complainant's signature

Kenneth Abrams, Supervisory Special Agent
Printed name and title

Sworn to before me and signed in my presence.

Date: January 31, 2014


Judge's signature

City and state: Baltimore, Maryland

Timothy J. Sullivan, U.S. Magistrate Judge
Printed name and title

AFFIDAVIT IN SUPPORT OF AN APPLICATION FOR A CRIMINAL COMPLAINT

I, Kenneth Abrams, being duly sworn, depose and state the following:

INTRODUCTION

1. Your Affiant is a Supervisory Special Agent with the Department of Justice, Drug Enforcement Administration, hereinafter referred to as (DEA). I am assigned to the DEA Baltimore District Office, Baltimore, Maryland, and I have been employed by DEA for fifteen years. I am currently assigned to the Heroin Task Force since September 2013. In my previous assignment, I served as DEA Country Attache at the United States Embassy in Bucharest, Romania.
2. I have conducted and participated in numerous investigations of criminal activity, including, but not limited to, narcotic smuggling, intelligence gathering, and counter-narcotics investigations. Your affiant has also completed the seventeen-week Basic Agent Training Course at the DEA Academy in Quantico, Virginia. Furthermore, your affiant has received training from the National Collaboration Course in Willow Grove, PA sponsored by the U.S. State Department, and has served in the United States Air Force at assigned to Lackland Air Force Base, San Antonio, Texas.
3. This affidavit is submitted in support of a criminal complaint and arrest warrant for Sheldon Kennedy. I believe there is probable cause that Kennedy has violated 21 U.S.C. § 846 (conspiracy to traffic controlled substances), 18 U.S.C. § 924(c) (possession of a firearm in furtherance of a drug trafficking offense), 18 U.S.C. § 922(a)(5) (willful transfer, sale, or transport of firearm by unlicensed person to another unlicensed, out-of-state person), and 18 U.S.C. §§ 371 & 472 (Conspiracy to pass counterfeit United States currency).
4. The information contained in this affidavit came from my own participation in the investigation described herein as well as other agents and officers involved in this investigation. I have

not included each and every fact known to me or collectively known by agents and officers involved in this investigation, rather only the facts I believe sufficient to establish probable cause.

BACKGROUND

5. This application arises from an investigation into the online marketplace for contraband, including illegal drugs, known as Silk Road. From in or about January 2011 through September 2013, Silk Road operated as an online, international marketplace for users to buy and sell controlled substances, false identifications, and other contraband over the Internet. Silk Road was created and operated by Ross William Ulbricht, a/k/a "Dread Pirate Roberts," a/k/a "DPR," who profited from the operation of Silk Road by collecting a fee for each transaction. Ulbricht also employed others to assist with the operation of Silk Road.

6. Silk Road provided an infrastructure for sellers and buyers to conduct transactions in an online environment. In addition to illegal drugs, Silk Road offered fraudulent documents, counterfeit currency, and was also used to traffic firearms.

7. The illegal nature of the items sold on Silk Road is readily apparent to anyone browsing the site and items for sale. The vast majority of the goods for sale consist of illegal drugs of all varieties, which are openly advertised on the site as such, and are immediately and prominently visible on the site's home page.

8. Silk Road protected the anonymity of its users in several ways, including the following:

a) Silk Road is only accessible through the Tor network ("Tor"). A Tor user's Internet traffic is routed through a worldwide network of volunteer computers to conceal the user's location and Internet usage. Communications via Tor are also encrypted to conceal the contents of communications to all parties except for the intended recipient.

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b) Silk Road required that all transactions were paid in Bitcoin. Bitcoin is a digital currency that has no association with a national government. Bitcoin was used because it is difficult to track and easy to move online.

c) Silk Road users were also required to create an account and a username. Silk Road users were instructed to use aliases as their username and never to disclose their true name.

d) Silk Road users were also directed to take other steps to avoid law enforcement. For instance, shipments were made through the United States Postal Service because postal packages could only be searched with a warrant.

9. Starting in November 2011, agents with Homeland Security Investigations conducted several interviews with a source in Maryland (CS-1). CS-1 had been selling illegal drugs on Silk Road. CS-1 explained how Silk Road worked to the agents, and voluntarily provided access to CS-1's Silk Road accounts, email accounts, and Bitcoin accounts that documented CS-1's own involvement in Silk Road. CS-1's computer was also found to contain CS-1's "customer records," including names and addresses of hundreds of individuals (in the United States and other countries) that received drug shipments from CS-1.¹ Agents assumed the online identity of CS-1, including CS-1's Silk Road user account.

10. An Organized Crime and Drug Trafficking Task Force, named "Marco Polo," was formed to focus on crimes committed through Silk Road. That Task Force included agents from Homeland Security Investigations, Drug Enforcement Administration, Alcohol Tobacco Firearms and Explosives, United States Secret Service, Internal Revenue Service, and the Postal Inspection Service. During the course of this investigation, agents assigned to the task force have made many undercover buys of

¹ CS-1 was initially not truthful about being a drug dealer on Silk Road. CS-1 was also arrested because he continued to use illegal drugs after his first interview with agents. However, the information provided by CS-1 relied upon in this affidavit has been corroborated by agents' review of the CS-1's Silk Road and email accounts, and files contained on CS-1's computer.

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drugs and other contraband on Silk Road, which were shipped to the District of Maryland. Agents have also interviewed several Silk Road users, including both buyers and sellers of contraband. As a result of this investigation, myself and other agents have become familiar with the operation of Silk Road, the Tor network, Bitcoin, and the practices of individuals using Silk Road to traffic narcotics and other contraband.

11. There are several related cases. The owner and operator of Silk Road, Ross Ulbricht, is charged with Murder for Hire, Attempted Witness Murder, and Conspiracy to Traffic Controlled Substances (CCB-13-0222). Ulbricht also faces related charges in the United States District Court for the Southern District of New York stemming from his operation of Silk Road (Criminal Complaint No. 13-MAG-2328). Other individuals charged in the District of Maryland connection with the Marco Polo task force include Jacob Theodore George IV (CCB-13-0593), Curtis Clark Green (CCB-13-0592), and David Lawrence Handel (CCB-13-0313). Other individuals have been charged with crimes involving from Silk Road in jurisdictions around the United States and in foreign countries. The Silk Road website was seized by law enforcement on October 5, 2013, pursuant to a seizure order issued by the United States District Court for the Southern District of New York.

PROBABLE CAUSE

12. Among the information provided by CS-1, were records of drug sold to Sheldon Kennedy, using the alias "edgarnumbers," and shipped to 2222 N. Cotner Blvd, Lincoln, Nebraska, 68505 (the "Residence"). Background and records checks on Kennedy revealed the following:

a) On January 6, 2012, the Customs and Border Protection (CBP) field operations unit, located in San Francisco identified a USPS Express Mail parcel arriving from China. This mail parcel was opened pursuant to a border search, and examined by CBP officers. The mail parcel was found to contain an unknown white powder in one plastic bag concealed with a white powder inside of a FedEx

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Express envelope. An examination of the envelope revealed the envelope was being sent to Sheldon Kennedy, at 2222 N Cotner Blvd #6, Lincoln, Nebraska 68505, USA. A CBP laboratory analyst tested the powder, and confirmed that it was 4-Fluoroamphetamine, an analogue of Schedule I controlled substance. 4-Fluoroamphetamine is a psychoactive drug and research chemical of the phenethylamine and amphetamine chemical classes, which are similar to the effects of MDMA (also known as ecstasy). The powder weighed approximately 55 grams.

b) In March 2012, agents conducted various checks on Kennedy. A wage and earnings check conducted on Kennedy did not provide any wages in Nebraska since 2005. A utility check from Black Hills Energy and Lincoln Electric Services confirmed Kennedy as the individual responsible for payment for the Residence. A Nebraska state property search listed the Residence as being controlled by Century Management LLC and upon further research appears to be an apartment complex. On March 26, 2012, HSI agents verified with the property manager of the apartment complex at 2222 N. Cotner Blvd in Lincoln, Nebraska, that Kennedy resided in that apartment complex.

13. Undercover agents also communicated with Kennedy and made purchases from Kennedy on Silk Road using aliases (including the online identity of CS-1). Kennedy sold these products via Silk Road under the alias "edgarnumbers." These purchases were made from product Kennedy listed as available for sale on Silk Road, and were paid for in Bitcoin. In each case, Kennedy shipped the contraband from Nebraska to an undercover agent in Maryland.

a) On or about April 5, 2012, and undercover HSI agent purchased a gram of cocaine from Kennedy for 21.28 Bitcoin (worth, at the time, approximately \$100). The cocaine was being sold by Kennedy via a listing on Silk Road for "1g Cocaine", and advertised as "This is for 1g of pretty damn good coke. Very white and I've gotten some awesome reports from people. No idea on purity, but it's definitely high. No sample due to the small I have. I'm told this is 85%+" The agent provided

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Kennedy with a post office box in Maryland to ship the cocaine. On or about April 10, 2012, a package containing cocaine was received at the specified post office box in Maryland. After the agent received the shipment from Kennedy, a lab test subsequently confirmed that it was cocaine, a controlled substance.

b) On or about May 24, 2012, an undercover ATF agent purchased a Glock 26 pistol from Kennedy. Kennedy was selling a Sig Sauer and Para Ordnance using the moniker edgarnumbers on the website "The Armory,"² however when Kennedy was approached regarding the sale of firearms by the ATF undercover agent, Kennedy responded using a private message on The Armory stating he had a Glock 26 pistol for sale. Kennedy's message read, "The G26 is like brand new, I'm the only owner.. I have the original box and papers with it, speedloader too. I've shot less than 1000rds through it so far. . . I can also get a G19C and 20C, if you are interested in those." The Glock 26 was not listed for sale on The Armory. The agent paid Kennedy 151.08 Bitcoin for the firearm (worth, at the time, approximately \$770). Kennedy broke the Glock 26 down into parts, and sent the firearm in two shipments. Kennedy listed both transactions as custom (private) listings on the Silk Road website, identified only by the headings "drugs." The first shipment arrived at the specified post office box in Maryland on May 26, 2012; the second shipment arrived on May 31, 2012.

c) In June 2012, an investigator conducted a computerized query of the name "Sheldon Kennedy" in an ATF database containing information on registered Federal Firearms Licensees (FFLs). The name did not produce any positive results indicating that Kennedy has ever applied for or received permission from ATF to conduct firearms-related business as an FFL.

² The Armory was accessible through a link from the Silk Road website and was also set up by Ulbricht. The Armory operated in the same manner as Silk Road, but was dedicated solely to the sale of firearms and other weapons. The Armory was closed down in late 2012, because, according to Ulbricht, a/k/a "Dread Pirate Roberts," the volume of sales did not justify maintaining a separate website.

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d) CS-1 informed agents that Kennedy has previously supplied him with counterfeit United States currency, which CS-1 successfully passed at store and restaurants in the Baltimore area. In CS-1's accounts, agents found emails between CS-1 and Kennedy confirming the sale of counterfeit currency. Using CS-1's online identity, an undercover attempted to purchase additional counterfeit currency from Kennedy. However, Kennedy told the agent that he was out of counterfeit currency but should have more available for sale in the future. (No sale of counterfeit to an agent was ever completed.)

14. On May 7, 2012, HSI agents surveilled Kennedy taking packages to the Post Office at University Plaza Station, 2427, 48th Street, Lincoln, NE. Agents later went into the U.S. Post Office and showed a postal employee a picture of Kennedy. The postal employee stated that s/he recognized Kennedy and added that he came in all of the time. Kennedy's paid with a debit card, and records showed that Kennedy's debit card was used 23 times between February and May 2012 at that Post Office. The employee said Kennedy usually mailed U.S. Postal flat rate envelopes or small boxes. The employee stated Kennedy had just mailed two priority international packages. The packages were destined for Russia and England. Based on my training and experience, this pattern of sending many domestic and foreign packages is consistent with an individual trafficking contraband on Silk Road.

15. HSI agents and U.S. Postal Inspection Service (USPIS) Inspectors intercepted one of the two international packages at a mail facility located near Chicago, Illinois. The package was addressed to a location in England. The return address indicated: "SK, P.O. Box 539 Lincoln, NE 68521, U.S." ("SK" is Sheldon Kennedy's initials.) The outbound international package was opened pursuant to a border search, and revealed a red powder located within a plastic bag. A sample of the red powder was delivered to the Department of Homeland Security laboratory, which conducted an analysis of the

powder and determined that it weighed 110 grams and contained N-Dimethyltryptamine (DMT).

DMT is a Schedule I controlled substance.

16. In May 2012, HSI agents received subpoena information from Google providing subscriber information for Sheldon Kenney. Subscriber information identified Sheldon Kennedy as the owner of a Gmail account (a free email account offered by Google). Google reported numerous addresses linked to Kennedy's account, include 2222 N. Cotner Boulevard, Apartment 6, Lincoln, Nebraska 68505. Kennedy maintained a Bank of America Visa credit card on file with Google. The address associated with this card is the Residence. Google reports numerous phone numbers for Kennedy, including "912-547-9110."

17. Agents conducted open-source online searches under Kennedy's Google username, and identified several web pages associated with Kennedy. This included his account on the Google+ social networking website. Kennedy's Google + page contained publicly accessible information and photographs. The top of the Google + page displayed a color photograph of Kennedy beside the name "Sheldon Kennedy," and a link to publicly accessible photographs stored in another Google service, Picasa. Kennedy had five photo albums in Picasa, including "Profile photos," "Servers," "Guns," "Drop Box," and "Presidential Inauguration 2009."

a) The "Profile photos" album contains Kennedy's Google + page picture. The "Servers" album contains ten (10) images of computer hardware. The "Guns" album contained one hundred fifty-nine (159) photos, including pistols, rifles, flare launchers, a ballistic vest, ammunition, and firearms-related accessories.

b) "Drop Box" contained one-hundred two (102) photos, including large amounts of US Currency arranged by denomination next to a personal computer (at least \$3875 legible, with significantly more stacked so that the total amount cannot be determined); United States Postal Service

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Priority Mail and other shrink-wrapped stacks of boxes next to unused packing material, a flare launcher, firearms accessories; and a beer in front of a computer monitor with a Glock pistol in the background.

18. A review of publicly accessible information with the online retailer Amazon.com revealed Kennedy's "wish list." An Amazon "wish list" is a list that allows users to select and keep track of products in which a user has interest. Kennedy's wish list included items related to weapons and drugs. A sample of these items included: a ZW 3.5X20 riflescope and 2-7X32E red illuminated pistol and long eye lens. A sampling the books on Kennedy's wish list included: "Israeli Security Concepts," "Executive Protection," "Licensed to Kill," "Drugs, Society, and Human Behavior," "Pharmako/Gnosis Plant Teachers and Poison Path," "Pharmako/Poeia Plant, Powers, and Herbcraft," "The Harvard Psychedelic Club," "Speed-Speed-Speedfreak: A Fast History of Amphetamine," and "Generation Rx."

19. Agents queried Kennedy on www.facebook.com and discovered a publicly available profile identified as "Sheldon Kennedy." The "Photos" link on this profile contained some pictures which were identical to those appearing on Kennedy's Google+ page. Kennedy had made posts on his Facebook page stating that he had firearms for sale, including:

a) On June 17, 2012, he posted "I have an XD-9 for sale. It comes with the box, mag holder, speed holster, speed loader, and 4 mags (two of which are brand new). The gun has been kept in excellent shape and shows very little wear."

b) On February 19, 2012, Kennedy posted a link on his Facebook page indicating that he had an AK-47 rifle, over 2400 rounds of 7.62 x 39mm ammunition, and related accessories for sale for \$1080.

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c) On January 15, 2012, Kennedy posted a message on his Facebook page asking, "Anyone looking for a gun? Hit me up!"

d) On December 20, 2011, Kennedy posted a message on his Facebook page asking, "Anyone know any Lincoln, NE area gunsmiths?" He followed up comments from other users by stating, "If you guys want guns come to me, I need a gunsmith because I don't have tools here :("

e) On December 16, 2011, Kennedy posted a comment on his Facebook page stating, "cleaning guns on a friday night. with beer of course."

20. On June 28, 2013, a federal search warrant was executed at Kennedy's residence at 2222 N Cotner Blvd #6, Lincoln, Nebraska. Kennedy was present, and he was detained after he responded to a knock at the door . In the residence, agents found:

a) In Kennedy's bedroom, a loaded Springfield model XD-9 pistol was on the nightstand next to Kennedy's bed.

b) In a second room, which appeared to be set up as an office and workspace, agents found nine more firearms, including a Colt model M4 .556 caliber rifle, a Sig Sauer 9mm pistol, a Remington .22 caliber rifle, a Savage Coast to Coast .410 caliber and four Mosin-Nagant Russian Sniper rifles, 7.62 caliber. Ammunition was also found in several places in the apartment.

c) Agents also found a variety of illegal drugs, suspected to be Barbitol powder, Phenazepam, Ethylphenidate, Ketamine, Etaqualone, Xanax, Valium, Heroin, 4ACO-DMT, MXE as well as several unknown powders which were located throughout Kennedy's apartment.

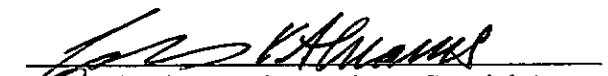
21. After signing a written *Miranda* form, Kennedy also made a voluntary statement to investigators. He admitted he started selling drugs and guns on Silk Road in Summer 2011. He admitted to selling a variety of drugs via Silk Road, including cocaine, methylene, and prescription medication. Kennedy advised the he buys narcotics from China, India, and Serbia. Kennedy admitted

to obtaining 24 grams of cocaine from an online vendor which was "fronted." He said he split up the 24 grams and sold them on Silk Road and made approximately \$2,500 to \$3,000. Kennedy advised the chemicals and lab equipment found in his bedroom, were to manufacture a "Water-downed" solution of phenazepam. Kennedy advised that the phenazepam is for recreational use and he sells some of it to his friends. Kennedy admitted to selling drugs on the Silk Road. He also admitted to selling firearms through Silk Road.

22. Kennedy also voluntarily provided agents with control of his Silk Road account, email accounts, and electronic records showing shipping information (including name and address) for Kennedy's sales of drugs and/or firearms. Kennedy also provided control of his financial accounts used to facilitate his criminal activity, including an account the online Bitcoin exchange mtgox.com. A review of these accounts corroborated Kennedy's statement.

CONCLUSION

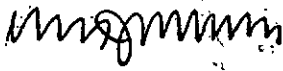
23. Based upon the information outlined above, I believe there is probable cause that Kennedy has violated 21 U.S.C. § 846 (conspiracy to traffic controlled substances), 18 U.S.C. § 924(c) (possession of a firearm in furtherance of a drug trafficking offense), 18 U.S.C. § 922(a)(5) (willful transfer, sale, or transport of firearm by unlicensed person to another unlicensed, out-of-state person), and 18 U.S.C. §§ 371 & 472 (Conspiracy to pass counterfeit United States currency).


Kenneth Abrams, Supervisory Special Agent
Drug Enforcement Administration (DEA)

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JS/H

Subscribed to and sworn before me on this 31st day of January 2014.



TIMOTHY J. SULLIVAN
UNITED STATES MAGISTRATE JUDGE