

# EXHIBIT 1

**To:** Krickbaum, Marc (USAILN) (Marc.Krickbaum2@usdoj.gov)[Marc.Krickbaum2@usdoj.gov]  
**From:** DerYeghiayan, Jared  
**Sent:** Wed 5/29/2013 3:57:51 PM  
**Importance:** Normal  
**Sensitivity:** None  
**Subject:** Affidavit draft May 29, 2013  
**Categories:** II=01CE5CAF2DA9930B1C889DB344A0B14C5FE45E53EF8B;Version=Version 14.2 (Build 328.0), Stage=H4

[Affidavit draft SR may 29 2013.doc](#)

Marc,

I added two paragraphs to the affidavit at the bottom referencing the MSB charges and relations to the emails we're wanting to search.

Take a look and let me know if you need anything else.

Thanks,

Jared

**AFFIDAVIT**

I, Jared D. Der-Yeghiayan, first being duly sworn, state the following under oath:

1. I am a Special Agent for United States Immigration and Customs Enforcement (“ICE”) Homeland Security Investigations (“HSI”), and have been employed as such for approximately 2 years and 8 months. During my time as a Special Agent I have been assigned to the HSI Chicago O’Hare International Airport office, in Des Plaines, Illinois, and to the Electronic Crimes Task Force located at Oakbrook Tower office, in Chicago, Illinois. My responsibilities include investigating crimes relating to the United States border, including offenses involving the illegal importation of narcotics, and investigations associated to cybercrimes. Prior to serving as a HSI Special Agent, I served for approximately seven years as a Customs and Border Protection Officer at Chicago O’Hare International Airport in Chicago, Illinois. Since July of 2011, I have been the lead Special Agent for an HSI investigation associated to the illicit and anonymous illegal drug market website referred to as the “Silk Road.”

2. The information contained in this affidavit is based on my personal knowledge, as well as information provided to me by other law enforcement officers. Because this affidavit is submitted for the limited purpose of establishing probable cause in support of the attached complaint, this affidavit does not set forth each and every fact that I have learned during this investigation.

3. In March of 2011, an anonymous black-market website named the Silk Road was established for the purpose of offering illegal items. The illegal items include such merchandise as illegal controlled substances, weapons and false identification documents, and weapons. The Silk Road currently consists of two individual websites, its marketplace where all the black-

market items can be purchased, and an online chat forum associated to topics related to marketplace. Both the marketplace and online forum are operated by the same administrator.

4. The Silk Road protects the physical location of the marketplace and online forum as well as its user's identities using sophisticated publicly available software referred to as The Onion Router ("TOR"). Using a complex network comprised of computers located all over the world, TOR can make it appear as if a user is located in completely different country than their current location. The software accomplishes anonymity by using this worldwide network that will encrypt and decrypt all its internet traffic to protect its user's location. The Silk Road marketplace and online forum can only be accessed using the TOR software.

5. All payments on the Silk Road are handled using a decentralized form of electronic based currency called bitcoins. The concept of a bitcoin was first proposed by anonymous hacker sometime in 2008. According to a confidential source, in approximately 2009, bitcoins came into existence when the first bitcoin was generated using publically accessible software. A bitcoin can be created or also referred to as "mined" by using a computer's computing power to solve an algorithm. Anyone can openly buy, sell or trade bitcoins on a variety of open online markets. The value of a bitcoin fluctuates constantly, and has remained unstable since its creation. For the first time since its creation, in April of 2013, the bitcoin market volume topped over 1 billion dollars. Bitcoins popularity has been mostly due to its exclusive usage on the Silk Road.

6. Once a user is able to access the Silk Road marketplace they can set up a free buyers account. Once logged into the website they can navigate through a variety of categories such as Drugs, Apparel, Erotica, Forgeries, Money and Services for example. In the Drugs

category items are further broken down by sections for Cannabis, Dissociates, Ecstasy, Opioids, Other, Precursors, Prescription, Psychedelics and Stimulants. The administrators of the Silk Road openly advertise that the only things that are not allowed on the marketplace are counterfeit currencies, child pornography, and most weapons including weapons of mass destruction.

7. For a small fee any user can become a vendor on the Silk Road. HSI has identified vendors who advertise their shipping location in over 40 countries. Most of the products being listed on the Silk Road are controlled substances. Most of the quantities being offered for sale are small and are considered personal use in size. As the marketplace has expanded the number of vendors offering larger quantities have increased substantially, and multiple vendors offer bulk quantities of controlled substances.

8. The Silk Road administrators provide the infrastructure and base that supports all the illegal transactions. The administrators also provide guidance and direction to the vendors on how they should handle their transactions, from the method and means of shipping their products, to the steps they should take to avoid detection by law enforcement. In general, a computer administrator can control all aspects of a website to include all of its content, functionality, usage, imagery and accessibility.

9. The Silk Road administrators have publically advertised on their marketplace and on their online forum that they take a percentage from every transaction that occurs on the marketplace. The commission schedule includes percentages of 8-15% based upon the total value of the transaction. The higher the transaction is, the lower the commission rate. In September of 2012, HSI was able to verify that a commission rate exists on the Silk Road by using a Silk Road vendor account and setting a price on a product for sale on the Silk Road

marketplace. HSI then logged in to the Silk Road using a different account and observed the same product offered for sale at a higher price than what was set by the vendor. The difference in price matched the advertised commission rates from the Silk Road administrator.

10. Since November of 2011, HSI has made over 70 individual purchases of controlled substances that came from various vendors on the Silk Road. The orders have varied from various Schedule I and II drugs, such as Ecstasy, cocaine, heroin, LSD and others. As of April of 2013, 54 of the 56 samples that have been tested and returned by a laboratory have resulted in high purity levels of drug being advertised on the Silk Road. Two of the samples showed no controlled substance. These purchases were made from vendors located in over 10 different countries including the United States.

11. The Silk Road first became known through an online user by the name of “Silkroad” who created an account on February 28, 2011, on an online bitcoin talk forum. On June 11, 2011, there was an article written on trefor.net (<http://www.trefor.net/2011/06/13/psst-wanna-buy-a-racehorse-silkroad-bitcoin-torproject/>) that user posted a message on those forums introducing the website and looking for feedback from other users on how the website should be handled. That user identified themselves at the end of the message as “Silk Road staff” and provided [www.silkroadmarket.org](http://www.silkroadmarket.org) as their website in their profile.

12. On June 01, 2011, on the Silk Road forums, the administrator under the username “Silkroad” posted a message stating the following,

*“Hey gang,*

*Really sorry for the dead time there. Hopefully most of you got the message on the bitcoin forum*

*or at silkroadmarket.org. The only major change is this forum. We have it running on a separate server with it's own url so if the main site ever goes down again, first check here for updates. Unfortunately this means we have separate logins for the main site and the forum.*

*As we mentioned before, everything was backed up and totally restored, but if for some reason a deposit didn't make it in to your account or something like that, just let us know and we'll track it down and credit you. Also, we're giving everyone a 4 day grace period on taking orders to the resolution center before they are auto-resolved, so sellers, you may see some orders past due for a few days.*

*Thanks everyone for hanging in there with us. This work is scary and exciting all at the same time, and I'm really very happy to be on this journey with all of you.*

*Cheers,*

*Silk Road staff"*

13. In order to redirect users who might be searching for the Silk Road marketplace without knowing about TOR, the Silk Road administrators created [www.silkroadmarket.org](http://www.silkroadmarket.org) on the open internet that provided specific instructions on how to access the marketplace. From the website [archive.org](http://archive.org) that crawls/ captures websites March 04, 2011, the following message was posted on the [silkroadmarket.org](http://silkroadmarket.org),

*"This is not the Silk Road, but you are close...*

*The Silk Road is an anonymous online market. Current offerings include Marijuana, Hash, Shrooms, LSD, Ecstasy, DMT, Mescaline, and more. The site uses the Tor anonymity network, which anonymizes all traffic to and from the site, so no one can find out who you are or who runs*

*Silk Road. For money, we use Bitcoin, an anonymous digital currency.*

*Accessing the site is easy:*

*Download and install the Tor browser bundle (Click here for instructions and non-windows users)*

*Open your new Tor browser*

*Go to: <http://ianxz6zefk72ulzz.onion>*

*Once inside, you will find a homepage that looks something like this:*

*\* it takes about a minute for you to make the initial anonymous connection to the site, but afterward you should be able to browse more quickly.*

*So what are you waiting for? Get Tor and get to Silk Road! We'll see you inside :)*

*-Silk Road staff “*

The website was visually identical to the TOR based Silk Road marketplace except no products were advertised for sale there. The website was mainly used to redirect users to the actual marketplace and to provide updates to users when the marketplace went down for service. Eventually the Silk Road administrators created another website on TOR that was set up as an online forum to provide a more secure venue for their users to view updates and discussions associated to the marketplace.

14. According to the website [domaintools.com](http://domaintools.com) the [www.silkroadmarket.org](http://www.silkroadmarket.org) was created on March 01, 2011, and all of its public WHOIS information registered with non-existent user information. The name, address, telephone number, and email address on the public registered information did not exist in open source or law enforcement databases. WHOIS is an internet directory service that records public records for owners of servers as well as owners of domain names, and Internet Protocol (“IP”) addresses.

15. An IP address is a unique series of numbers that identifies the network location of



a computer. These addresses allow computers to locate and connect to one another.

According to domaintools.com historical hosting history the domain www.silkroadmarket.org was maintained at the domain name server XTA.net from March 01, 2011 through April 13, 2012. Domaintools.com's historical server records also showed that the IP address for the silkroadmarket.org as 174.120.185.75. The IP was registered at that address from March 01, 2011 through March 30, 2011.

16. A domain name server is what translates the domain name and redirects the user to the IP address. When using the internet a computer can only find a website using a specific numerical location that is identified by the IP address. Without a domain name server, the domain name in and of itself would not direct a user to the desired website.

17. According to Domaintools.com, on January 13, 2010, the domain name and server XTA.net was registered to the company Mutum Sigillum LLC, and the administrative and technical contact for the domain was Mark Karpeles (hereafter known as KARPELES). The email address associated to the account and KARPELES at the time of acquisition was magicaltux@gmail.com. According to records from Google the owner of the email address is KARPELES. According to Domaintools.com's Historical WHOIS records for XTA.net, KARPELES has maintained administrative control over the website since he acquired it in 2010.

18. Subpoena records returned from the Internet Service Provider ("ISP") for the IP address 174.120.185.75 shows it was owned by KARPELES from December 18, 2009 through April 01, 2011. KARPELES provided the email address of mark@tibanne.com in his profile for the account. According to records from Google, KARPELES is the registered owner of mark@tibanne.com since September 10, 2011. As of April 05, 2013, Google records show the

email account is active and over 234 logins on April 04, 2013. Google records also showed that KARPELES is the registered owner of magicaltux@gmail.com since September 09, 2004. As of April 05, 2013, Google records show the email account is active and over 211 logins on April 04, 2013.

19. Additional research into KARPELES shows that in February of 2011, he purchased the bitcoin marketplace Mt. Gox. As of April of 2013, the Mt. Gox bitcoin market is largest bitcoin marketplace on the internet, and advertises that they handle over 80% of all bitcoin trade. KARPELES also owns and operates and administers hundreds of online websites and is a self-proclaimed computer hacker.

20. In May of 2013, the Department of Homeland Security seized over 5 million US dollars from a Wells Fargo bank account and an online Dwolla account belonging to KARPELES. The funds were seized as a violation of operating as an unlicensed money service business, a violation of Title 18, USC section 1960. According to FinCen database records, KARPELES has never registered any of the companies he owns as a money service business.

21. In an email dated May 29, 2012, sent and signed by KARPELES to Dwolla from his email address mark@tibanne.com he states, "Whilst Mt. Gox K.K. is not currently licensed as a Money Service Business, it is regulated in several jurisdictions internationally as a corporation providing Bitcoin exchange services and the possibility of needing to be regulated under FinCEN and various state-level authorities is being investigated jointly by our legal team and financial regulation authorities."

22. Based on the above information, I believe there is probable cause that the email address magicaltux@gmail.com and the email address mark@tibanne.com will contain

information and evidence related to the distribution can of controlled substances and conspiracy to distribute a controlled substance as well as additional evidence of KARPELES operating as an unlicensed money service business. Based on my training and experience I am aware that people use their email address when registering with other companies. Also based on my training and experience internet provider companies that register websites will usually send email receipts to their customers notifying them of purchases they made. Based on my training and experience I am also aware that when someone uses one email to register with an internet company they will more than likely use the same address to register with other internet companies. I believe since KARPELES has used his magicaltux@gmail.com and mark@tibanne.com email address to register with a few internet companies that he may have received record of registering, paying for or owning certain aspects of the www.silkroadmarket.org website. I also believe there may be correspondence of communications related to registering, owning and operating the website www.silkroadmarket.org.

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Jared D. Der-Yeghiayan, Special Agent  
United States Immigration and Customs Enforcement