

UNITED STATES DISTRICT COURT

for the
Western District of Texas

In the Matter of the Seizure of
(Briefly describe the property to be seized)
Wallet address
1LMwVh5mXTkUfpJmqrLc4zfga9y2iYChgi
containing 164.5711721 bitcoins

Case No. A: 14-m-206

WARRANT TO SEIZE PROPERTY SUBJECT TO FORFEITURE

To: Any authorized law enforcement officer

An application by a federal law enforcement officer or an attorney for the government requests that certain property located in the Western District of Texas be seized as being subject to forfeiture to the United States of America. The property is described as follows:

Wallet address 1LMwVh5mXTkUfpJmqrLc4zfga9y2iYChgi containing 164.5711721 bitcoins valued at approximately \$74,000.

I find that the affidavit(s) and any recorded testimony establish probable cause to seize the property.

YOU ARE COMMANDED to execute this warrant and seize the property on or before May 26, 2014
(not to exceed 14 days)

in the daytime 6:00 a.m. to 10:00 p.m. at any time in the day or night because good cause has been established.

Unless delayed notice is authorized below, you must also give a copy of the warrant and a receipt for the property taken to the person from whom, or from whose premises, the property was taken, or leave the copy and receipt at the place where the property was taken.

An officer present during the execution of the warrant must prepare, as required by law, an inventory of any property seized and the officer executing the warrant must promptly return this warrant and a copy of the inventory to

Andrew W. Austin

(United States Magistrate Judge)

Pursuant to 18 U.S.C. § 3103a(b), I find that immediate notification may have an adverse result listed in 18 U.S.C. § 2705 (except for delay of trial), and authorize the officer executing this warrant to delay notice to the person who, or whose property, will be searched or seized (check the appropriate box)

for _____ days (not to exceed 30) until, the facts justifying, the later specific date of _____.

Date and time issued: 5/12/14 at 2:30 pm


Judge's signature

City and state: Austin, Texas

Andrew W. Austin
United States Magistrate Judge
Printed name and title

Return

Case No.:

Date and time warrant executed:

Copy of warrant and inventory left with:

Inventory made in the presence of:

Inventory of the property taken:

Certification

I declare under penalty of perjury that this inventory is correct and was returned along with the original warrant to the designated judge.

Date: _____

Executing officer's signature

Printed name and title

States Code. I have been assigned to the FBI Joint Terrorism Task Force (JTTF) since 2004.

d. This affidavit conveys information provided by various state law enforcement agencies, surveillance, confidential informants, search warrant evidence, and documents acquired during this investigation. Based upon the facts contained in this affidavit, I submit that there is probable cause to believe that the Wallet Address of 1LMwVh5mXTkUfpJmqrLc4zfga9y2iYChgi containing 164.5711721 bitcoins (valued at approximately \$74,000) described below in Section 3 was used to facilitate the distribution of a controlled substance (i.e. Marijuana) and was purchased with the illegal proceeds from the distribution of marijuana by Joshua GATEWOOD and others known and unknown.

2. OFFENSES ALLEGED IN THIS AFFIDAVIT

This affidavit provides probable cause to believe that Joshua GATEWOOD and others known and unknown to your affiant at this time, orchestrated/operated an illegal operation to distribute marijuana and laundered the illegal proceeds since at least January 2010, continuing through the present.

There is probable cause to believe that Joshua GATEWOOD and others known and unknown have conspired and committed overt acts in furtherance of a conspiracy to distribute narcotics and money laundering conspiracy in violation of Title 21, United States Code, Sections 841(a)(1) and 846 and Title 18, United States Code, Section 1956(h) and 981, respectively.

3. ASSET TO BE SEIZED

Your affiant believes that probable cause exists to believe that illegal proceeds from the sale of marijuana were used to purchase property also known as "Bitcoins" by Joshua GATEWOOD. Therefore, the asset to be seized is:

- a) **Wallet address 1LMwVh5mXTkUfpJmqrLc4zfga9y2iYChgi containing 164.5711721 bitcoins valued at approximately \$74,000.**

4. DEFINITIONS

Based on our combined training and experience, as well as our research on the websites for the systems further described below, your affiant has become knowledgeable of the following definitions:

Bitcoins (BTC) represent a decentralized peer-to-peer payment system and digital currency introduced as open source software in 2009. It is a

"cryptocurrency," so-called because it uses cryptography to control the creation and transfer of money. Bitcoins are created by a process called mining, in which computer network participants, i.e. users who provide their computing power, verify and record payments into a public ledger in exchange for transaction fees and newly minted bitcoins. Users send and receive bitcoins using wallet software on a personal computer, mobile device, or web application. Bitcoins can be obtained by mining, or in exchange for products, services, or other currencies. The value of BTC constantly fluctuates per the exchange rate in effect at the time of any given transaction; the volatility of the exchange rate and potential to achieve extremely large profits in a short period of time, as well as the decentralized nature of the BTC system, makes BTC very appealing to criminals.

Bitcoin network is a peer-to-peer payment network that operates on a cryptographic protocol. Users send bitcoins¹, the unit of currency, by broadcasting digitally signed messages to the network using Bitcoin wallet software. Transactions are recorded into a distributed public database known as the block chain, with consensus achieved by a proof-of-work system called "mining". The block chain is distributed internationally using peer-to-peer file sharing technology. The network timestamps transactions by including them in blocks that form an ongoing chain called the block chain. Such blocks cannot be changed without redoing the work that was required to create each block since the modified block. The longest chain serves not only as proof of the sequence of events but also as a record that this sequence of events was verified by a majority of the Bitcoin network's computing power. The network itself requires minimal structure to share transactions. Messages are broadcast on a best effort basis, and nodes can leave and rejoin the network at will. Upon reconnection, a node will download and verify new blocks from other nodes to complete its local copy of the block chain.

Bitcoin Wallet – A Bitcoin wallet is what allows you to transact with other users. It gives you ownership of a Bitcoin balance so that you can send and receive bitcoins. Just like email, all wallets can interoperate with each other.

LocalBitcoins – According to its website, www.localbitcoins.com, "At LocalBitcoins.com, people from different countries can exchange their local currency to bitcoins. The site users post advertisements where they state exchange rate and payment methods for buying or selling bitcoins. You reply to these advertisements and agree to meet the person to buy bitcoins with cash, or trade directly with online banking. Bitcoins are placed in LocalBitcoins.com web wallet from where you can pay your bitcoin purchases directly."

¹ Conventionally, the capitalized word "Bitcoin" refers to the technology and network, whereas lowercase "bitcoin" (BTC) refers to the currency itself.

5. PROBABLE CAUSE

This affidavit demonstrates that Joshua GATEWOOD conspired with others, known and unknown, for the purpose of distributing narcotics and money laundering within the Western District of Texas.

In or about January 2010 and continuing through the present, Joshua GATEWOOD orchestrated a marijuana distribution and money laundering operation/organization in Texas. GATEWOOD purchased marijuana from California which he distributed in the Austin area. GATEWOOD purchased various assets with the illegal proceeds from the distribution of the marijuana including Bitcoins all in violation of Title 21, United States Code, Sections 841(a)(1) and 846 and Title 18, United States Code, Sections 1956(h) and 981.

Your affiant states that the facts which establish probable cause necessary for the issuance of a seizure warrant for the above mentioned bitcoin as follows:

- A. Your affiant has received information from CI-1 from February 2014 to the present. CI-1's information is considered to be credible and reliable and has been corroborated through surveillance, search warrant evidence, the independent statements of CI-2, and documents inspected during this investigation. On or about February 26, 2014, CI-1 pled guilty to an information for violations of Title 31, USC Sections 5324(a)(1), 5324(d)(2), and Title 18, USC Section 2 before Judge Mark Lane. CI-1 is currently awaiting sentencing and is cooperating with law enforcement in an attempt to obtain a favorable disposition of any crimes CI-1 has committed in relation to the structuring of money during this investigation. No promises have been made to CI-1 by me in return for CI-1's cooperation. CI-1 made the following statements in sum and substance concerning Joshua GATEWOOD's marijuana distribution and money laundering operation/organization:

CI-1 has known Joshua GATEWOOD, aka: "Josh", since at least 2009. CI-1 provided Josh's cellular telephone number as being 512-769-3863. GATEWOOD is very careful, and he doesn't have a lot of individuals in his distribution operation. CI-1 has purchased marijuana on various occasions from GATEWOOD. CI-1 purchased 30 to 50 pounds of marijuana from GATEWOOD in early 2013. CI-1 stated that GATEWOOD has also purchased marijuana from CI-1 on several occasions. CI-1 estimated that GATEWOOD distributes fifteen (15) to fifty (50) pounds of marijuana from California per month. GATEWOOD told CI-1 that he is holding \$500,000 cash from the sale of marijuana. CI-1 stated that CI-2 purchased approximately twenty-five (25) pounds of marijuana from GATEWOOD in or about August/September 2013. GATEWOOD has his marijuana driven to Austin, Texas from California. One of GATEWOOD's marijuana loads, being driven by an older couple, was seized in Arizona in the winter 2012. CI-1 recalls that GATEWOOD drives a black Infiniti. CI-1

stated that GATEWOOD would drive the black Infiniti when CI-1 met with GATEWOOD to discuss marijuana transactions in 2013. CI-1 identified a photograph of Joshua GATEWOOD as being the same person CI-1 described above. (Department of Public Safety records show that a 2006 black Infiniti was registered to James GATEWOOD at 3605 Villa Court, Austin, Texas. Your affiant knows that James GATEWOOD is Joshua GATEWOOD's father and that 3605 Villa Court, Austin, Texas is his father's residence. Your affiant knows that individuals who distribute controlled substances often maintain assets in relatives' and/or nominee names to conceal the true ownership of the asset.)

B. Your affiant has received information from CI-2 from March 2014 to the present. CI-2's information is considered to be credible and reliable and has been corroborated through surveillance, search warrant evidence, independent statements of CI-1, and documents inspected during this investigation. In October 2013, evidence was obtained that CI-2 was distributing large amounts of marijuana at CI-1's direction. In October 2013, a search warrant from the State of Texas was executed on CI-2's residence in Austin, Texas. CI-2 is currently facing charges involving conspiracy to distribute marijuana and money laundering but CI-2 has not been charged at this time. CI-2 is cooperating with law enforcement in an attempt to obtain a favorable disposition of any crimes CI-2 has committed in relation to the marijuana and laundering of money during this investigation. No promises have been made to CI-2 by me in return for CI-2's cooperation. CI-2 was also placed on Community Supervision for Possession of a Controlled Substance by the State of Texas on or about January 21, 2010. CI-2 was arrested for violating his Community Supervision in or about January 2014. CI-2 was released from probation (Community Supervision) on March 6, 2014. Prior to 2010, CI-2 has also been arrested on misdemeanor charges for driving while intoxicated, hazing, and evading arrest. CI-2 made the following statements in sum and substance concerning Joshua GATEWOOD's marijuana distribution and money laundering operation/organization:

1. CI-2 purchased marijuana on numerous occasions from CI-1 in 2013. CI-2 wasn't able to purchase marijuana from CI-1 for a period of time in July 2013. CI-2 received GATEWOOD's phone number from CI-1 in July 2013. CI-2 stored GATEWOOD's phone number in his/her "burner" phone under the name of "Jamie". CI-2 identified a photograph of Joshua GATEWOOD as being the same individual he/she purchased marijuana. (Your affiant reviewed CI-2's seized phones and observed the phone number 512-586-3697 listed under the name "Jamie". Your affiant has not been able to link this phone number to GATEWOOD at this time).
2. CI-2 purchased marijuana from GATEWOOD on three occasions in July 2013.

- a. On the first occasion, CI-2 purchased approximately 25 pounds of marijuana from GATEWOOD for \$2,800 per pound at another co-conspirator's residence.
 - b. On the second occasion, CI-2 purchased eight to ten pounds of marijuana at \$2,800 per pound from GATEWOOD. CI-2 met GATEWOOD at a café on South Congress located near GATEWOOD's apartment. GATEWOOD was driving an Infiniti and CI-2 followed GATEWOOD back to GATEWOOD's apartment complex on South Congress, which has been identified as being 4801 S. Congress Avenue, Unit A5, Austin, Texas. CI-2 took the cash into GATEWOOD's apartment which has three levels and a garage in which GATEWOOD parks his Infiniti. CI-2 described the residence as the living area being on the second floor and the bedroom being on the third floor. GATEWOOD had the marijuana in the apartment which was vacuum sealed in plastic bags which were placed in a duffle bag. CI-2 purchased the marijuana and a small amount of hash oil. (Your affiant believes that the Infiniti was used to facilitate the marijuana deal with CI-2).
 - c. On the third occasion, CI-2 purchased eight to ten pounds of marijuana at GATEWOOD's residence/apartment at 4801 S. Congress Avenue, Unit A5, Austin, Texas. CI-2 paid \$2,800 per pound of marijuana which was sealed in plastic bags.
- C. On April 30, 2014, your affiant along with Austin Police Narcotics Detectives conducted surveillance on GATEWOOD, 24, who was born on November 29, 1989. GATEWOOD was observed exiting his residence in a silver Volkswagen Jetta, which was later determined to be a "loaner" vehicle from Charles Maund Volkswagen. Surveillance units observed GATEWOOD drive to three different locations around Austin, Texas and on each occasion witnessed GATEWOOD or an associate of GATEWOOD enter the trunk of the vehicle and remove a bag or backpack. (Your affiant knows through training and experience that GATEWOOD appeared to be conducting narcotics transactions in the Volkswagen Jetta). GATEWOOD pulled into Charles Maund Volkswagen, 6900 Burnet Road, Austin, Texas, to return the Volkswagen Jetta and according to the Manager at Charles Maund pick up GATEWOOD's 2012 Volkswagen Passat, because the warranty work had been completed on the vehicle. Austin Police Officers detained GATEWOOD pending the execution of a search warrant on the Volkswagen Jetta.
- D. Austin Police Officer Huckaby and his Austin Police K9 partner "Boris" and Detective Hugonnett and his Austin Police K9 partner "Bo" are both certified narcotic detection teams through the National Narcotic Detector Dog Association. They are certified in odor recognition of marijuana, cocaine, heroin, ecstasy and methamphetamines. Both narcotics detection K9s "Boris" and "Bo" have given

alerts in the past that have proven true and correct leading to the seizure of narcotics and marijuana.

- E. On April 30, 2014, Austin Police K9 "Boris" gave a positive alert on the Volkswagen Jetta and the backpack that GATEWOOD was carrying. APD Detective Zachary LaHood obtained a State of Texas search warrant for the Volkswagen Jetta. Approximately \$8,000 cash was recovered from the backpack in GATEWOOD's possession.
- F. On or about May 1, 2014, APD Detective Zachary LaHood obtained a State of Texas search warrant for GATEWOOD's residence at 4801 S. Congress Avenue, Unit A5, Austin, Texas. APD Officers seized approximately thirty (30) pounds of what is believed to be marijuana and approximately \$14,019 cash. A Patriot Xporter 8GB USB thumb drive was also seized.
- G. Special Agent Andrew Ornes has been a Special Agent with the Internal Revenue Service, Criminal Investigation Division for approximately nine years with the last two as a Computer Investigative Specialist (CIS). Special Agent Ornes copied/imaged the Patriot Xporter thumb drive and told your affiant that the thumb drive contained various Bitcoin wallets. The wallets revealed the transactions completed by GATEWOOD and the current balance of GATEWOOD's Bitcoins. Special Agent Ornes believes that the thumb drive is also how GATEWOOD accesses his "wallet" on LocalBitcoins.com. Special Agent Ornes provided your affiant with the contents of the thumb drive which is summarized in sum and substance as follows:
 - 1. Wallet address **1LMwVh5mXTkUfpJmqrLc4zfga9y2iYChgi (Target Address)** received the first transaction of 175 Bitcoins valued at \$79,801.75 on November 26, 2013. Several other transactions either buying or selling Bitcoins occurred between November 27, 2013 and March 19, 2014. The wallet currently contains 164.5711721 Bitcoins valued at approximately \$74,000.
 - 2. Your affiant also reviewed text messages copied/imaged from GATEWOOD's cellular telephone provided by Special Agent Ornes. One of the messages concerning LocalBitcoins.com read "April 22, 2014, 11:28 a.m. schwarzer: Hello. I'm in Canada but i'm interested in buying from you. I'm looking at buying \$100,000 worth and can pay via wire. Let me know. Regards." LikeMyTrike: responded "This ad is for cash only. Sorry man." Your affiant believes that "LikeMyTrike" is a name used by GATEWOOD to further hide his identity. (Your affiant believes that GATEWOOD purchased the Bitcoins with the illegal proceeds from the sale of marijuana in an attempt to conceal the true source of the funds used to purchase the Bitcoins. Your affiant knows that cash and bank transfers are used to purchase the Bitcoins but

your affiant cannot determine how these Bitcoins were purchased at this time).

- H. Your affiant reviewed documents obtained from the property management company who leased the condominium at 4801 S. Congress Avenue, Unit A5, Austin, Texas to Joshua GATEWOOD. The documents revealed that GATEWOOD leased unit A5 in or about January 2013 for \$1,195 per month. In or about January 2014, GATEWOOD's lease payments were increased to \$1,250 per month. Payment history documents revealed that GATEWOOD always paid his rent with money orders for a total of \$22,624 from January 7, 2013 through April 1, 2014.
- I. On May 2, 2014, APD Detective Zachary LaHood obtained a State of Texas search warrant for Joshua GATEWOOD's parent's (James and Catherine GATEWOOD) residence at 3605 Villa Court, Austin, Texas. APD officer's seized a small amount of marijuana (personal use) that James GATEWOOD admitted was his. GATEWOOD's parents were interviewed and they provided the following information in sum and substance:

They were informed that their son, Joshua GATEWOOD, had approximately 30 pounds of marijuana in his condominium at 4801 S. Congress Avenue, unit A5, Austin, Texas which was seized by APD. They stated that they knew he was distributing marijuana a few years earlier but they thought that he had gotten out of the marijuana business. They didn't know what he was doing for a living but they thought he was involved with an online company. They have not given him any monetary assistance recently because they are in debt. In fact, the GATEWOODs feared that their house was going to be foreclosed on by the bank.

- J. On May 6, 2014, APD Detective Zachary LaHood obtained a State of Texas search warrant for a Public Storage Unit #216 at 4202 Santiago Street, Austin, Texas. Officers seized approximately \$463,000 cash and a money counter from the storage unit. The currency was in various cloth and plastic bags and banded with rubber bands. The money counter and various bags were in two plastic bins. This was the only thing in the storage unit.
- K. Your affiant obtained documents from the Public Storage facility at 4202 Santiago Street, Austin, Texas. The documents revealed that storage unit #216 was rented to Joshua GATEWOOD, 3606 Villa Court, Austin, Texas, on or about June 18, 2013. The records show that GATEWOOD paid \$2,000 cash on or about June 18, 2013 to pay for the rent through May 31, 2014. The records also show that GATEWOOD's access code was used on approximately 100 occasions to enter the building that his storage unit #216 was located from June 2013 through April 17, 2014. (Your affiant knows that individuals who distribute narcotics use storage units to store/conceal their narcotics and proceeds from the sale of such narcotics. Your affiant also knows that individuals who distribute

narcotics also use cash to pay the rent so that a "paper" trail is not left in an attempt to prevent law enforcement from locating the storage unit).

- L. Your affiant obtained records from Charles Maund Volkswagen for the 2012 Volkswagen Passat, VIN: 1VWBN7A30CC068407, which are summarized in sum and substance as follows:

Joshua GATEWOOD purchased the vehicle for \$25,178.66 on March 7, 2014. GATEWOOD traded in a 2006 black Infiniti which he was given a credit of \$9,500 and he used a Wells Fargo cashier's check in the amount of \$10,500 for a total down payment of \$20,000. GATEWOOD paid the remaining balance with \$5,180 cash on March 10, 2014. (Your affiant has not been able to obtain a copy of the Wells Fargo cashier's check at this time).

Criminal Histories

Your affiant could not locate any criminal history for Joshua GATEWOOD.

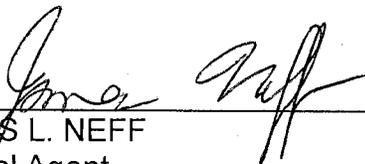
Employment History

Your affiant reviewed the Texas Workforce Commission database and could not find any wages being paid to Joshua GATEWOOD. Your affiant also reviewed law enforcement database records, which revealed that GATEWOOD may be affiliated with a company called Ascension Entertainment at 12301 Research Blvd, Building 4, Austin, Texas. APD Detectives told your affiant that they could not locate a company/business called Ascension Entertainment at 12301 Research Blvd, Building 4, Austin, Texas. Documents seized from GATEWOOD's residence indicate that GATEWOOD has promoted at least two music venues in March 2014. Your affiant noted that the net profit from these two events appeared to be very small.

- M. Your affiant believes that Joshua GATEWOOD purchased Bitcoins with illegal proceeds from the distribution marijuana. Your affiant could not find any legitimate source of legal income with the exception of the small amount of income GATEWOOD earned in March 2014. GATEWOOD is 24 years of age and did not receive any assistance from his parents. Law enforcement officers have seized in excess of \$500,000 in cash and other assets from GATEWOOD along with at least 30 pounds of marijuana. Independently corroborated CIs reveal the GATEWOOD has distributed marijuana over at least the last four (4) years. Through my experience and knowledge of conducting narcotics investigations and the facts of this case, your affiant believes that GATEWOOD distributed large quantities of marijuana and has used the illegal proceeds to purchase the 164.5711721 Bitcoins contained in his wallet **1LMwVh5mXTkUfpJmqrLc4zfga9y2iYChgi (Target Address)**.

CONCLUSION

N. Based on all the foregoing facts, your affiant believes that there exists probable cause to believe that Joshua GATEWOOD, purchased Bitcoins with illegal proceeds from the distribution of marijuana and to facilitate the distribution of marijuana. Your affiant also believes that GATEWOOD purchased the Bitcoins in an attempt to conceal the true source of the proceeds used to purchase the Bitcoins in violation of Title 21, United States Code, Sections 841(a)(1) and 846 and Title 18, United States Code, Sections 1956h and 981.



JAMES L. NEFF
Special Agent
Criminal Investigation Division
Internal Revenue Service

SWORN AND SUBSCRIBED to before me this 12th day of May 2014.



United States Magistrate/Judge