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SEALED

9 IN THE UNITED STATES DISTRICT COURT
 10 FOR THE DISTRICT OF ARIZONA

11 United States of America,
 12 Plaintiff,

13 vs.

14 Brannen S. Mehaffey,
 15 Defendant.

No. CR-20-00626-PHX-DWL (ESW)

INDICTMENT

VIO: 18 U.S.C. § 1956(a)(3)(B) & (C)
 (Money Laundering)
 Counts 1-7

31 U.S.C. § 5324(a)(1), (3) and
 (d)(2)
 18 U.S.C. § 2(b)
 (Structuring Financial Transactions)
 Count 8

18 U.S.C. §§ 981, 982
 28 U.S.C. § 2461(c)
 31 U.S.C. § 5317(c)
 Forfeiture Allegations

THE GRAND JURY CHARGES:

23 At all times relevant to this Indictment, within the District of Arizona and elsewhere:

24 1. BRANNEN S. MEHAFFEY ("MEHAFFEY") operated a money
 25 transmitting business in Austin, Texas that specialized in the exchange of virtual currency
 26 for cash. MEHAFFEY charged a transaction fee of up to 8% for this service. Between
 27 January 2018 and March 2020 MEHAFFEY moved in excess of \$4,000,000 through bank
 28 accounts controlled by him or his companies. MEHAFFEY exchanged virtual currency

1 for cash in person (through peer-to-peer sales) and also through his network of bitcoin
2 ATMs placed in brick-and-mortar businesses (such as computer repair companies, smoke
3 shops and a strip club) in and around the Austin region.

4 2. MEHAFFEY advertised his money exchange services, including on
5 craigslist.org and Localbitcoins.com.

6 a. MEHAFFEY's listing on LocalBitcoins.com instructed prospective
7 buyers as follows: "What you do with bitcoin is your business and not
8 mine. Please do not speak how you use it."

9 3. Money paid by victims of fraud schemes traces to accounts controlled by
10 MEHAFFEY. Between December 2018 and February 2019, in Arizona, D.P. paid
11 \$125,000 in four installments via cashier's check or wire to Bash Group, Inc., one of
12 MEHAFFEY's companies. In January 2020, F.F. wired \$7,370 in two installments from
13 Arizona to a New York account controlled by Bash Group Inc.

14 4. MEHAFFEY did not register his money transmitting business with the
15 United States government, as required by Title 18, United States Code, Section 1960.

16 **COUNT 1**

17 5. The factual allegations in the preceding paragraphs are incorporated by
18 reference to this Count.

19 6. On or about March 12, 2020, in the District of Arizona and elsewhere,
20 MEHAFFEY, with the intent to conceal and disguise the nature, location, source,
21 ownership and control of property believed to be the proceeds of specified unlawful
22 activity, and with the intent to avoid a transaction reporting requirement under federal law,
23 did knowingly conduct and attempt to conduct a financial transaction affecting interstate
24 or foreign commerce in any way or degree, in that he transmitted bitcoin in exchange for
25 property represented by a law enforcement officer to be proceeds of specified unlawful
26 activity, to wit: \$8,000 in U.S. currency, plus an additional \$13,000 in U.S. currency which
27 was deposited pursuant to his directions by different individuals (at multiple Arizona
28 branches) of BBVA Compass Bank.

1 All in violation of Title 18, United States Code, Section 1956(a)(3)(B)-(C) and
2 (c)(4)(A)(i) and (B).

3 **COUNT 2**

4 7. The factual allegations in the preceding paragraphs are incorporated by
5 reference to this Count.

6 8. On or about April 16-17, 2020, in the District of Arizona and elsewhere,
7 MEHAFFEY, with the intent to conceal and disguise the nature, location, source,
8 ownership and control of property believed to be the proceeds of specified unlawful
9 activity, and with the intent to avoid a transaction reporting requirement under federal law,
10 did knowingly conduct and attempt to conduct a financial transaction affecting interstate
11 or foreign commerce in any way or degree, in that he transmitted bitcoin in exchange for
12 property represented by a law enforcement officer to be proceeds of specified unlawful
13 activity, to wit: \$12,374 in U.S. currency which was deposited pursuant to his directions in
14 multiple Arizona branches of Chase Bank, Wells Fargo Bank, and Bank of America, and
15 he attempted to exchange bitcoin for an additional \$8,616 to a different account at an
16 Arizona branch of Chase Bank.

17 All in violation of Title 18, United States Code, Section 1956(a)(3)(B)-(C) and
18 (c)(4)(A)(i) and (B).

19 **COUNT 3**

20 9. The factual allegations in the preceding paragraphs are incorporated by
21 reference to this Count.

22 10. On or about May 19, 2020, in the District of Arizona and elsewhere,
23 MEHAFFEY, with the intent to conceal and disguise the nature, location, source,
24 ownership and control of property believed to be the proceeds of specified unlawful
25 activity, and with the intent to avoid a transaction reporting requirement under federal law,
26 did knowingly conduct and attempt to conduct a financial transaction affecting interstate
27 or foreign commerce in any way or degree, in that he transmitted bitcoin in exchange for
28 property represented by a law enforcement officer to be proceeds of specified unlawful

1 activity, to wit: a total of \$17,900 in U.S. currency, \$5000 of which was sent to
2 MEHAFFEY from Arizona via Federal Express and the remainder of which was deposited
3 pursuant to his directions in two deposits, one at an Arizona branch of Chase Bank, and the
4 other at an Arizona branch of Bank of America.

5 All in violation of Title 18, United States Code, Section 1956(a)(3)(B)-(C) and
6 (c)(4)(A)(i) and (B).

7 **COUNT 4**

8 11. The factual allegations in the preceding paragraphs are incorporated by
9 reference to this Count.

10 12. On or about June 24, 2020, in the District of Arizona and elsewhere,
11 MEHAFFEY, with the intent to conceal and disguise the nature, location, source,
12 ownership and control of property believed to be the proceeds of specified unlawful
13 activity, and with the intent to avoid a transaction reporting requirement under federal law,
14 did knowingly conduct and attempt to conduct a financial transaction affecting interstate
15 or foreign commerce in any way or degree, in that he transmitted bitcoin in exchange for
16 property represented by a law enforcement officer to be proceeds of specified unlawful
17 activity, to wit: a total of \$20,000 in U.S. currency, which was sent to MEHAFFEY from
18 Arizona via Federal Express Overnight.

19 All in violation of Title 18, United States Code, Section 1956(a)(3)(B)-(C) and
20 (c)(4)(A)(i).

21 **COUNT 5**

22 13. The factual allegations in the preceding paragraphs are incorporated by
23 reference to this Count.

24 14. On or about July 29, 2020, in the District of Arizona and elsewhere,
25 MEHAFFEY, with the intent to conceal and disguise the nature, location, source,
26 ownership and control of property believed to be the proceeds of specified unlawful
27 activity, and with the intent to avoid a transaction reporting requirement under federal law,
28 did knowingly conduct and attempt to conduct a financial transaction affecting interstate

1 or foreign commerce in any way or degree, in that he transmitted bitcoin in exchange for
2 property represented by a law enforcement officer to be proceeds of specified unlawful
3 activity, to wit: a total of \$30,000 in U.S. currency, which was sent to MEHAFFEY from
4 Arizona via Federal Express Overnight.

5 All in violation of Title 18, United States Code, Section 1956(a)(3)(B)-(C) and
6 (c)(4)(A)(i).

7 **COUNT 6**

8 15. The factual allegations in the preceding paragraphs are incorporated by
9 reference to this Count.

10 16. On or about August 25, 2020, in the District of Arizona and elsewhere,
11 MEHAFFEY, with the intent to conceal and disguise the nature, location, source,
12 ownership and control of property believed to be the proceeds of specified unlawful
13 activity, and with the intent to avoid a transaction reporting requirement under federal law,
14 did knowingly conduct and attempt to conduct a financial transaction affecting interstate
15 or foreign commerce in any way or degree, in that he transmitted bitcoin in exchange for
16 property represented by a law enforcement officer to be proceeds of specified unlawful
17 activity, to wit: a total of \$40,000 in U.S. currency, which was sent to MEHAFFEY from
18 Arizona via Federal Express Overnight.

19 All in violation of Title 18, United States Code, Section 1956(a)(3)(B)-(C) and
20 (c)(4)(A)(i).

21 **COUNT 7**

22 17. The factual allegations in the preceding paragraphs are incorporated by
23 reference to this Count.

24 18. On or about September 23, 2020, in the District of Arizona and elsewhere,
25 MEHAFFEY, with the intent to conceal and disguise the nature, location, source,
26 ownership and control of property believed to be the proceeds of specified unlawful
27 activity, and with the intent to avoid a transaction reporting requirement under federal law,
28 did knowingly conduct and attempt to conduct a financial transaction affecting interstate

1 or foreign commerce in any way or degree, in that he transmitted bitcoin in exchange for
 2 property represented by a law enforcement officer to be proceeds of specified unlawful
 3 activity, to wit: a total of \$40,000 in U.S. currency, which was sent to MEHAFFEY from
 4 Arizona via Federal Express Overnight.

5 All in violation of Title 18, United States Code, Section 1956(a)(3)(B)-(C) and
 6 (c)(4)(A)(i).

7 **COUNT 8**

8 19. The factual allegations in the preceding paragraphs are incorporated by
 9 reference to this Count.

10 20. On or between March 12, 2020 through May 19, 2020, in the District of
 11 Arizona and elsewhere, MEHAFFEY, for the purpose of evading the reporting
 12 requirements of section 5313(a) of Title 31, United States Code, the regulations
 13 promulgated thereunder and the reporting and recordkeeping obligations imposed
 14 thereunder, did knowingly and willfully direct and attempt to direct the structuring of cash
 15 transactions into accounts at domestic financial institutions in Arizona, and did knowingly
 16 cause and attempt to cause each domestic financial institution to fail to file a Currency
 17 Transaction Report, all while violating another law of the United States and as part of a
 18 pattern of illegal activity involving more than \$100,000 in a 12-month period, as follows:

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Date	Financial Institution/ Branch	Account #	Accountholder	Amount
3/12/2020	BBVA Compass/ N. Alma School Road, Chandler	XXXXXXX3968	ZDN IT Services dba Pivot Networks	\$8,000
3/12/2020	BBVA Compass/ W. Southern Blvd., Mesa	XXXXXXX3968	ZDN IT Services dba Pivot Networks	\$5,000

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Date	Financial Institution/ Branch	Account #	Accountholder	Amount
4/16/2020	Chase/ E. Pecos Road, Gilbert	XXXXXX3168	GM General Export LLC	\$2,000
4/16/2020	Chase/ E. Pecos Road, Gilbert	XXXXXX5631	M.C. Sole Proprietor	\$5,664
4/17/2020	Wells Fargo/ E. Ray Road, Gilbert	XXXXXXX8654	A.M. Sole Proprietor	\$2,710
4/17/2020	Bank of America/ E. Williams Field Road, Gilbert	XXXXXXXXX1612	Octal Foods LLC	\$2,000
4/17/2020	Chase/ S. Power Road, Gilbert	XXXXXX1559	DBA Prospective Transportation	\$8,616 (attempted)

Date	Financial Institution/ Branch	Account #	Accountholder	Amount
5/19/2020	Chase/ E. Pecos Road, Gilbert	XXXXXX7760	Game Center CA Group	\$9,900
5/19/2020	Bank of America/ E. Williams Field Road, Gilbert	XXXXXXXXX0875	Inversions Camvor Corp	\$3,000

All in violation of Title 31, United States Code, Section 5324(a)(1), (3) and (d)(2), Title 18, Section 2(b), and 31 C.F.R. § 103.11(gg).

FORFEITURE ALLEGATIONS

21. The factual allegations above are incorporated in the forfeiture allegations.
22. Pursuant to 18 U.S.C. §§ 981(a)(1)(C) and 982, and 28 U.S.C. § 2461(c), and upon conviction of one or more of the offenses alleged in Counts One through Seven of

