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10 UNITED STATES DISTRICT COURT
11 NORTHERN DISTRICT OF CALIFORNIA
12 OAKLAND DIVISION

13 UNITED STATES OF AMERICA,) Case No. CR 14-285 JST
14 Plaintiff,)
15 v.) MOTION TO REVOKE SUPERVISED RELEASE
16 JEREMY DONAGAL,)
17 Defendant.)
18

19 **I. Introduction**

20 The government hereby moves to revoke Jeremy DONAGAL’s term of supervised release. As
21 described below, almost immediately after being released from prison to supervised release, DONAGAL
22 began work setting up a new counterfeit drug operation. He set up a laboratory and pill press operation
23 to manufacture the counterfeit pills, and he established a dark web vendor site to sell the pills
24 nationwide. He also established vendor pages on dark web criminal marketplaces like Samsara and
25 Empire. On May 14, 2020, agents executed search warrants at DONAGAL’s residence and warehouse
26 and seized pill presses, punch-dies designed to produce counterfeit drugs, and that packaging materials
27 in the same brand name he used on the dark web marketplaces. That same day, agents arrested him. On
28 May 15, 2020, a magistrate judge signed a federal criminal complaint charging DONAGAL with

1 unlawful possession of punches and dies designed to produce counterfeit drugs, in violation of 21 U.S.C.
2 § 843(a)(5), and possession of counterfeit drugs, in violation of 21 U.S.C. § 331(i)(3). DONAGAL's
3 criminal activity constitutes a clear violation of several terms of his supervised release. For these
4 reasons, the government asks that the Court revoke his supervision.

5 **II. Background**

6 DONAGAL was the "Xanax King." He manufactured and distributed counterfeit Xanax tablets.
7 On April 10, 2015, DONAGAL pleaded guilty to the manufacture, distribution and possession with
8 intent to distribute controlled substances, in violation of 21 U.S.C. §§ 841(a)(1) and (b)(1)(C), the sale
9 of counterfeit drugs, in violation of 21 U.S.C. § 331(i)(3), and international money laundering, in
10 violation of 18 U.S.C. § 1956(a)(2)(A). On September 25, 2015, the Court sentenced DONAGAL to 70
11 months' imprisonment, followed by three years of supervised release. DONAGAL was released to
12 supervision on June 27, 2018.

13 DONAGAL's terms of supervised release include the following:

14 **Mandatory Condition**

The defendant shall not commit another federal, state or local crime.

15 **Standard Condition**

16 The defendant shall work regularly at a lawful occupation, unless excused by the
17 probation officer for schooling, training, or other acceptable reasons.

18 **III. Discussion**

19 The Court may revoke a term of supervised release if the Court finds, by a preponderance of the
20 evidence, that the defendant has violated a condition of his supervised release. 18 U.S.C. § 3583(e)(3).
21 In determining whether to revoke supervision, the Court considers the factors set forth in 18 U.S.C.
22 §§ 3553(a)(1), (a)(2)(B), (a)(2)(C), (a)(2)(D), (a)(4), (a)(5), (a)(6), and (a)(7). *Id.* § 3583(e).
23 Consideration of those factors supports revocation here.

24 First, DONAGAL began work establishing a criminal enterprise immediately after he was
25 released from prison. And it was the same type of criminal enterprise that had sent him to prison once
26 already. He was released to supervision on June 27, 2018. Less than six months later, he signed a lease
27 on a warehouse in Concord, CA. He signed as the CEO of a company that he said was for dietary
28 supplements & personal training. DONAGAL's wife set up the company in January, 2018, before he

1 was released from prison. DONAGAL signed documents declaring himself to be the company's sole
2 manager in September, 2018, just three months after he was released to supervision. The warehouse
3 DONAGAL leased became his laboratory and pill manufacturing site. At the same time, he began
4 wiring money to a recipient in China. DONAGAL also set up post office boxes at multiple UPS stores
5 using fake IDs. He used those boxes to receive shipments from China.

6 In February, 2019, he received shipments of large parcels that contained equipment used to
7 manufacture tablets, including at least one commercial pill press. Agents posing as delivery drivers
8 delivered the equipment to DONAGAL's Concord warehouse. He tipped them \$60 for their labor.

9 DONAGAL also established a dark web presence on the TOR network,¹ and established vendor
10 pages on dark web criminal marketplaces. Through these sites, DONAGAL sold white, rectangular
11 tablets stamped with the "GG249" imprint, which is the imprint that the Food & Drug Administration
12 has authorized Sandoz Inc. to manufacture and distribute its 2 mg generic alprazolam tablets.
13 DONAGAL offered these tablets for sale by the thousands.

14 An undercover agent ("UC") purchased tablets from DONAGAL's dark web persona on multiple
15 occasions, including counterfeit "GG249" tablets. The tablets were white, rectangular bars with the
16 imprint "GG" and "2 4 9" separated by "|" scores. They were identical or nearly identical to the generic
17 alprazolam tablets the FDA authorized Sandoz Inc. to manufacture and distribute. The agent paid for
18 the tablets with the cryptocurrency Bitcoin. On one occasion, agents followed DONAGAL as he left his
19 warehouse with a bin full of postal boxes and then drove around to at least two different blue U.S. Postal
20 Service collection bins and deposited the boxes. The agents subsequently viewed the boxes; one of
21 them was addressed to the UC and contained the same type and approximately the same number of
22 tablets the UC had ordered from DONAGAL's online persona.

23 On May 14, 2020, agents searched DONAGAL's warehouse and found multiple pill presses,
24 punch-dies with the "GG249" pattern, thousands of tablets with the "GG249" imprint, and packaging
25 and shipping materials in the name of DONAGAL's dark web persona. DONAGAL was also operating
26

27 ¹ The TOR network is the portion of the internet accessible only through The Onion Router
28 ("TOR") anonymizing browser. I have not disclosed the online persona DONAGAL used because the
search of those accounts is still ongoing.

1 a full-scale laboratory with chemicals, solvents, hotplates, stirrers, a condenser, a drying cabinet, and
2 other equipment.

3 DONAGAL's conduct evinces a deliberate attempt to carry on the same illegal enterprise he
4 operated previously and which led to his federal conviction and prison term. Evidently, he spent his
5 time in custody working out how best to skirt the law and evade detection. He operated through dark
6 web marketplaces and a dark web private vendor site that are only accessible through anonymizing
7 software, and he used fake IDs to set up PO boxes and send money wires, all to conceal his identity and
8 evade detection. And he transacted in cryptocurrencies to conceal his identity and make it difficult to
9 trace his assets. Moreover, it appears that he focused on benzodiazepines that are not scheduled
10 controlled substances, so as to avoid another 21 U.S.C. § 841 violation. Yet for all his caution and
11 planning, he couldn't resist thumbing his nose at the legitimate pharmaceutical industry. He produced
12 counterfeits of generic alprazolam tablets – which enable others (especially in the quantities DONAGAL
13 sold) to represent them as legitimate pharmaceuticals. And thus he finds himself charged, once again,
14 with a violation of the Controlled Substances Act.

15 DONAGAL's conduct demonstrates that he is not amenable to supervision and that he will go to
16 incredible lengths to commit crimes in ways that the Court is unable to detect. It also demonstrates that
17 his 70-month prison term neither taught him respect for the law nor deterred him from committing
18 crimes in the future. Moreover, the crimes he committed – obtaining the punch-dies to produce, and
19 producing, counterfeit drugs – have victims. The victims are the drug users who buy directly from
20 DONAGAL, or from the persons he supplies. Indeed, the drug users who buy from the persons
21 DONAGAL supplies may not even realize that they are getting counterfeits, and all the dangers that
22 come with counterfeit drugs and inconsistent dosing – overdose and death.

23 The only way to protect the public from DONAGAL is to revoke his supervision and return him
24 to custody to serve whatever sentence the Court imposes.

25 DATED: May 14, 2020

Respectfully submitted,

26 DAVID L. ANDERSON
27 United States Attorney

_____/s/_____
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