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The Honorable Paula L. McCandlis

FEB 28 2020

AT SEATTLE  
CLERK U.S. DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
BY DEPUTY

UNITED STATES DISTRICT COURT FOR THE  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

UNITED STATES,

Plaintiff,

v.

KENNETH WARREN RHULE,

Defendant.

NO. MJ20-097

COMPLAINT FOR VIOLATION

Title 18, United States Code, Sections  
1956(a)(3) and 1960(a), (b), and 2, and  
Title 21, United States Code, Sections  
841(a)(1), (b)(1)(B), and 846

BEFORE United States Magistrate Judge Paula L. McCandlis, Seattle,  
Washington. The undersigned complainant being duly sworn states:

**COUNT 1**

**(Conducting an Unlicensed Money Transmitting Business)**

1. Beginning at a time unknown, but not later than April 11, 2018, and continuing until at least December 6, 2018, in Snohomish County and King County, within the Western District of Washington, and elsewhere, the defendant, KENNETH WARREN RHULE did knowingly conduct, control, manage, supervise, direct, and own all or part of an unlicensed money transmitting business affecting interstate and foreign commerce, which: (a) was operated without an appropriate money transmitting license in a State where such operation is punishable as a as a misdemeanor and a felony under

1 State law, to wit, the State of Washington; (b) failed to comply with the money  
 2 transmitting business registration requirements set forth in Title 31, United States Code,  
 3 Section 5330, and the regulations prescribed thereunder, and; (c) otherwise involved the  
 4 transportation and transmission of funds that are known to the defendant to have been  
 5 derived from a criminal offense and are intended to promote and support unlawful  
 6 activity.

7 All in violation of Title 18, United States Code, Sections 1960(a), (b)(1)(A),  
 8 (b)(1)(B), (b)(1)(C), and 2.

9 **COUNTS 2-7**  
 10 **(Laundering of Monetary Instruments)**

11 2. On or about the dates listed below, in Snohomish County and King County,  
 12 within the Western District of Washington, and elsewhere, the defendant, KENNETH  
 13 WARREN RHULE, with the intent to conceal or disguise the nature, location, source,  
 14 ownership, and control of property believed to be the proceeds of specified unlawful  
 15 activity, and to avoid a transaction reporting requirement under State and Federal law, did  
 16 knowingly and willfully conduct and attempt to conduct a financial transaction affecting  
 17 interstate or foreign commerce involving property represented by a law enforcement  
 18 officer to be proceeds of specified unlawful activity, to wit, trafficking in persons and  
 19 recruiting and harboring a person for commercial sex acts:

COUNT	Date	Description	Transaction Amount
2	6/22/18	RHULE sold bitcoin for cash	\$15,000
3	9/25/18	RHULE sold bitcoin for cash	\$20,000
4	10/10/18	RHULE sold bitcoin for cash	\$20,000
5	10/31/18	RHULE sold bitcoin for cash	\$20,000
6	11/2/18	RHULE sold bitcoin for cash	\$15,000
7	12/6/18	RHULE sold bitcoin for cash	\$20,000

26 All in violation of Title 18, United States Code, Sections 1956(a)(3)(B), (a)(3)(C) and 2.  
 27  
 28

**COUNT 8**  
**(Conspiracy to Manufacture and Distribute Marijuana)**

3. Beginning no later than April 2015 and continuing until at least on or about December 2019, in Snohomish County, within the Western District of Washington, and elsewhere, the defendant, KENNETH WARREN RHULE, and others known and unknown, did knowingly and intentionally conspire to manufacture and distribute marijuana, a Schedule I controlled substance under Title 21, United States Code, Section 812.

4. It is further alleged that the conduct of KENNETH WARREN RHULE, as a member of the conspiracy charged in this Count, which includes the reasonably foreseeable conduct of other members of the conspiracy charged in this Count, involved 100 kilograms or more of a mixture or substance containing a detectable amount of marijuana.

All in violation of Title 21, United States Code, Section 841(a)(1), 841(b)(1)(B), and 846.

And the complainant states that this Complaint is based on the following information:

**I, Victor Morales, being first duly sworn on oath, depose and say:**

5. I am a Special Agent with the Drug Enforcement Administration (“DEA”). As a Special Agent, I investigate violations of the Controlled Substance Act, Title 21, United States Code, Section 801, et seq., and other violations of federal law. I have been in law enforcement for eleven years. I have been a Special Agent with the DEA for the past three years. I have received narcotics enforcement training over the course of seventeen weeks at the DEA Basic Agent Training academy in Quantico, Virginia.

6. Throughout my career, I have conducted numerous narcotics investigations, including those leading to arrest and prosecution. From these experiences, I have become familiar with common slang terms and codes used by drug traffickers and their associates to refer to drugs, money, guns, vehicles, compartments, and other things related to their

1 drug trafficking. I have learned how they attempt to thwart law enforcement by using  
2 code terms, multiple cell phones, concealed compartments, “stash houses,” and other  
3 means. I have become familiar with the ways in which drugs commonly are transported,  
4 stored, and sold, and also how members of a conspiracy communicate with each other. I  
5 am also familiar with common ways in which drug traffickers attempt to profit from their  
6 illegal activities, by hiding drug proceeds in various places in order to conceal the illegal  
7 source or their ownership, including hiding and transporting bulk cash, sending funds  
8 through wire transfers or bank accounts in other persons’ names, or investing in assets  
9 placed in other persons’ names. I have participated in the debriefing of defendants,  
10 witnesses, and informants, during which time I have discussed with them their methods  
11 of drug smuggling, distribution, packaging, trafficking, avoiding law enforcement, and  
12 laundering proceeds, among other concerns related to drug trafficking. I have discussed  
13 and learned from other law enforcement investigators in regard to these matters, as well.

14 7. This affidavit is made in support of a complaint for the arrest of  
15 KENNETH WARREN RHULE for violations of Title 18, United States Code, Sections  
16 1960(a), (b)(1)(A), (b)(1)(B) and (b)(1)(C) (Operating an Unlicensed Money  
17 Transmitting Business) and 1956(a)(3)(B) and (a)(3)(C) (Money Laundering), and Title  
18 21, United States Code, Sections 841(a)(1), 841(b)(1)(B), and 846 (Conspiracy to  
19 Manufacture and Distribute Marijuana or Marijuana Distillates), and 2 (Attempt).  
20 Because this affidavit is submitted for that limited purpose, I am not including every fact  
21 known to me about this defendant or the larger investigation.

22 8. The information in this affidavit is based upon the investigation I have  
23 conducted in this case, my conversations with other law enforcement officers who have  
24 engaged in various aspects of this investigation, and my review of reports written by  
25 other law enforcement officers involved in this investigation.

**PROBABLE CAUSE**

**I. Summary of Investigation**

9. The DEA and Homeland Security Investigations (“HSI”) are investigating whether KENNETH RHULE sold bitcoins to individuals in exchange for cash without registering with Financial Crimes Enforcement Network (“FinCEN”) or the Washington Department of Financial Institutions (“DFI”), in violation of 18 U.S.C. § 1960.

10. RHULE, using the moniker Gimacut93, advertised in-person cash-for-bitcoin exchanges on the website localbitcoins.com. From April 2018 until December 2018, law enforcement, or a cooperating source working with law enforcement, exchanged more than \$140,000 in cash for bitcoin with RHULE or his designee.

11. When completing these transactions, RHULE did not ask any “Know Your Customer” information. In fact, RHULE conducted these transactions even after the undercover agent explained that at least a portion of the cash involved represented proceeds of human trafficking, in violation of 18 U.S.C. § 1956(a)(3).

12. In addition to selling cryptocurrency, RHULE, along with others known and unknown, also manufactures and distributes marijuana distillates and extracts, in violation of 21 U.S.C. §§ 841 and 846. RHULE appears to operate the companies HerbinArtisans, Heady.Watr, and KlearKrew and sells his product under those monikers, including through Instagram. Neither RHULE, HerbinArtisans, KlearKrew, nor Heady.Watr are listed as applicants or licensees to produce, process, transport, or sell marijuana or marijuana products in the State of Washington.

**II. Cryptocurrency Exchanges**

13. From April 2018 until November 2018, law enforcement, or a cooperating source working with law enforcement, exchanged more than \$140,000<sup>1</sup> in cash for bitcoin with RHULE or his designee. A portion of those exchanges are described below.

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<sup>1</sup> Unless otherwise specified, all references to dollars refer to United States Currency.

1  
2 **A. First Controlled Exchange of U.S. Currency for Bitcoin**

3 14. In April 2018, HSI Special Agent (“SA”) Judson Scott responded to an  
4 advertisement posed by “Gimacut93” on the website localbitcoins.com.  
5 Localbitcoins.com is a website that allows users to post advertisements, listing exchange  
6 rates and payment methods for buying and selling bitcoins, including allowing users to  
7 connect with bitcoin sellers in their vicinities through in-person meetings where cash is  
8 exchanged for bitcoins. The advertisement by Gimacut93 offered to sell bitcoin through  
9 an in-person exchange at a “public location only.” The advertisement indicated that  
10 Gimacut93 sold bitcoin at fiat<sup>2</sup> exchange rate, and would accept various forms of  
11 payment to include unregistered prepaid Visa or MasterCard cards and “various other gift  
12 cards.” A review of the website localbitcoins.com showed that Gimacut93 was an  
13 established, and apparently well-known, bitcoin trader with history dating back two years  
14 and more than one thousand confirmed trades. Gimacut93 advertised a trade limit of  
15 \$5,000 to \$100,000.

16 15. Based upon messages exchanged via text to the telephone number that  
17 Gimacut93 listed on localbitcoins.com—813-506-7673, SA Scott arranged with  
18 Gimacut93 to exchange \$12,000 for bitcoin. The parties agreed to conduct the  
19 transaction on April 10, 2018, at a Starbucks in Seattle, Washington.

20 16. On April 10, 2018, an HSI SA acting in an undercover capacity (“UCA-1”),  
21 met with Gimacut93—determined to be KENNETH WARREN RHULE base upon a  
22 review of Washington Department of Licensing records—inside the Starbucks, located in  
23 Seattle, Washington. This meeting was audio and video recorded.

24 17. At the meeting, UCA-1 provided \$12,000 to RHULE, which RHULE  
25 counted. After RHULE confirmed the amount of U.S. currency tendered by UCA-1, SA  
26

27  
28 <sup>2</sup> Fiat currency is “sovereign currency” or “real currency, the money of a government.” *Interim  
Regulatory Guidance on Virtual Currency Activities 2* (December 8, 2014).

1 Scott texted his bitcoin wallet address to RHULE's cell phone. Using a wallet  
2 application on his phone, RHULE transmitted bitcoin to the wallet designated by a SA  
3 Scott. UCA-1 described SA Scott as his/her "partner."

4 18. While waiting for confirmation that the bitcoin was sent to the wallet  
5 address provided by SA Scott, RHULE spoke about his current line of work within the  
6 CBD<sup>3</sup> industry, explaining at one point during the meeting that he was doing "5, 10, or  
7 20,000 kilo" CBD orders.

8 19. RHULE also spoke at length about bitcoin mining and significant events  
9 related to the bitcoin industry. Specifically, he indicated that he and his fraternal twin  
10 had previously mined bitcoin. RHULE further indicated that his parents had also  
11 invested in bitcoin and bitcoin mining.

12 20. Notably, in response to UCA-1 indicating that UCA-1's partner was in a  
13 cash heavy business, RHULE stated that bitcoin was only pseudo-anonymous and was  
14 "extremely easily tracked." RHULE then explained that if he needed to "wash" bitcoin,  
15 he would convert it to Monero, which is "a 100% anonymous cryptocurrency."

16 21. RHULE did not charge a fee for the transaction, but indicated that he had  
17 charged a 2-3% fee in the past. He explained that he had a lot of bitcoin that he needed to  
18 "dump" right now, and that was the reason why he did not charge a fee. RHULE then  
19 explained that he usually had about \$100,000 in bitcoin to work with each month, and  
20 sometimes more.

21 22. During the cash-for-bitcoin transaction on April 10, 2018, RHULE did not  
22 ask UCA-1 for any "Know Your Customer" information.

23  
24  
25 <sup>3</sup> Based upon my training and experience, I know that CBD, or cannabidiol, is derived from the  
26 stalk and seed of the cannabis plant. Cannabidiol (CBD) oil or CBD hemp oil is a natural  
27 botanical concentrate that is high in the compound CBD. Of the numerous cannabinoids  
28 identified in the cannabis plant, CBD is the second most common after tetrahydrocannabinol  
(THC). As CBD oil is derived from the seeds and stalk of the cannabis plant, it does not contain  
THC and therefore is non-psychoactive.



1  
2 **B. Second Controlled Exchange of U.S. Currency for Bitcoin**

3 23. On April 22, 2018, SA Scott sent RHULE a text message—to 813-506-  
4 7673—requesting another exchange of U.S. currency for bitcoin. RHULE agreed to  
5 conduct an exchange of \$20,000 for bitcoin, and the parties decided to conduct the  
6 transaction on April 24, 2018, at a Starbucks located in Monroe, Washington.

7 24. On April 24, 2018, RHULE and UCA-1 met at the Starbucks. This meeting  
8 was audio and video recorded. During the meeting, UCA-1 provided RHULE with  
9 \$20,000 in cash. RHULE did not count the cash, as he had during the first transaction.  
10 Instead, RHULE indicated that the amount “looked about right” and then placed the  
11 \$20,000 in an anti-static bag used for packaging electronics.

12 25. As with the first transaction, UCA-1 advised RHULE that his/her partner—  
13 SA Scott—would provide RHULE with the bitcoin wallet address to which the bitcoin  
14 would be sent. RHULE and SA Scott then exchanged text messages, with SA Scott  
15 sending the wallet address to RHULE. RHULE then sent bitcoin to the wallet designated  
16 to SA Scott using his cell phone.

17 26. While UCA-1 and RHULE were waiting for two confirmations of the  
18 transaction on the blockchain, UCA-1 asked RHULE if he/she could ask RHULE some  
19 questions about Monero, the cryptocurrency that RHULE had indicated was anonymous  
20 during the first cash-for-bitcoin exchange on April 10, 2018. RHULE explained to UCA-  
21 1 that Monero operated under the same concept as any cryptocurrency and was verifiable  
22 on the blockchain with one important caveat: wallet addresses could not be tracked.  
23 RHULE explained that converting bitcoin to Monero was time consuming, advised that  
24 he could sell Monero to UCA-1, but would need advance notice before making the  
25  
26  
27  
28



1 exchange. RHULE also provided UCA-1 with advice on using a “Tor” browser and the  
2 “TAILS”<sup>4</sup> operating system to ensure complete anonymity.

3 27. During the conversation, UCA-1 advised that one of the reasons he/she  
4 wanted to maintain anonymity is because he/she would be sending money to Eastern  
5 Europe. UCA-1 did not elaborate why he/she wanted anonymity with respect to  
6 cryptocurrency exchanges in Eastern Europe, and RHULE did not ask for further details.  
7 UCA-1 also inquired if his/her girlfriend in Idaho, who was “heavy in cash,” could obtain  
8 bitcoins from RHULE by sending currency in the mail. RHULE agreed and provided  
9 UCA-1 advice on how best to mail cash so it would not be detected.

10 28. As with the first exchange, RHULE did not ask UCA-1 for any “Know  
11 Your Customer” information.

12 **C. Fourth Controlled Exchange of U.S. Currency for Bitcoin**

13 29. On June 20, 2018, SA Scott sent RHULE a text message—to 813-506-  
14 7673—requesting another exchange of U.S. currency for bitcoin. RHULE agreed to  
15 conduct an exchange of \$15,000 for bitcoin. The parties agreed to conduct the  
16 transaction on June 22, 2018, at a Starbucks located in Seattle, Washington.

17 30. On June 22, 2018, UCA-1 and RHULE met at the Starbucks. This meeting  
18 was audio and video recorded. Upon sitting down at the table with UCA-1, RHULE  
19 removed an Apple laptop computer from his bag and turned it on. RHULE explained that  
20 he brought the computer because he had to convert some Monero to Bitcoin during their  
21 meeting.

22  
23  
24  
25 <sup>4</sup> Based upon my training and experience, I know that TAILS is an acronym for “The Amnesic  
26 Incognito Live System.” I know that this is an operating system that is designed to be booted  
27 from a DVD or USB, and is designed to ensure that no digital forensic information is left on a  
28 specific machine when TAILS is employed. Among other security feature of the TAILS  
operating system, I know that when a machine is booted from TAILS, all outgoing connections  
are forced to go through Tor, and all non-anonymous connections are blocked.

1 31. RHULE explained to UCA-1 that he had told UCA-1's partner—SA  
2 Scott—that he would charge a 4% fee for this transaction, as there was an 8-10% drop in  
3 the price of Bitcoin overnight.

4 32. UCA-1 handed an envelope to RHULE with \$15,000 in cash. RHULE  
5 proceeded to hand-count the \$15,000. As with the first two transactions, SA Scott  
6 provided RHULE, via text to RHULE's cell phone, with the bitcoin wallet address to  
7 which the bitcoin would be sent. Using his phone and laptop, RHULE then transferred  
8 the bitcoin to the wallet designated by SA Scott.

9 33. While waiting for the transaction to be complete, UCA-1 explained that  
10 he/she was dealing with contacts in Ukraine to assist in bringing women to the United  
11 States for the purpose of prostitution. Excerpts of this conversation are included below:

12 UCA-1: With changing the business model that I've been operating under . . .  
13 I don't think we've talked about the business.

14 RHULE: No.

15 UCA-1: I'm starting to operate with contacts in the Ukraine to help bring  
16 women here. I don't want them to have any idea how to get a hold  
of me . . . identify me. I want it all very anonymous.

17 RHULE: This is the way to go then. Basically he can go on here and this is  
18 the wallet which you use and he can click received. He will just  
19 have this one receive address that I send it to and this wallet is  
20 anonymous, which you use on TAILS. If we're doing a trade like  
21 this and you didn't want to bring in a laptop or whatever, we can go  
22 search this address on the blockchain right after I do my transaction  
and you'll see right after when it is confirmed. But this is the way to  
do it.

23 RHULE: So from Ukraine cash to bitcoin for dollars, then the dollars can  
24 come into this country untaxed. Any foreign investment dollars  
going to a business is not taxed.

25 \*\*\*

26 UCA-1: I don't know much my partner's discussed with you.

27 RHULE: Nothing.

1 UCA-1: OK, so we talked about . . . my girlfriend who is also running girls,  
2 she moved into the oil fields of North Dakota. So she is going to  
3 send me the cash you the cash. I've got the mailbox now, so can I  
4 give you the key.

4 RHULE: Sure.

5 UCA-1: And you would pick up the cash and just send it to her bitcoin.

6 RHULE: Yes, I can do that.

7  
8 34. During this transaction, RHULE offered UCA-1 advice on how to avoid  
9 having the mailed cash seized and altered their plan to ensure greater security. After  
10 discussing the above details regarding UCA-1's "new business model" of bringing  
11 women from Ukraine, as well as making arrangements regarding UCA-1's girlfriend that  
12 was also "running girls" and would be sending RHULE cash through the mail to purchase  
13 bitcoin, RHULE proceeded to assist UCA-1 with setting up the TAILS operating system  
14 on his/her computer. As with prior transactions, RHULE did not ask UCA-1 for any  
15 "Know Your Customer" information.

16 **D. Fifth Controlled Exchange of U.S. Currency for Bitcoin**

17 35. On September 18, 2018, SA Scott sent RHULE a text message—to 813-  
18 506-7673—in order to arrange an exchange of \$20,000 for bitcoin. Initially, the parties  
19 agreed to conduct the exchange at a Starbucks in Seattle, Washington, on September 25,  
20 2018.

21 36. On September 25, 2018, RHULE contacted SA Scott via text and informed  
22 him that he could not make the meet as scheduled, as he was taking a private flight from  
23 the Renton Municipal Airport and would be gone for most of the day. SA Scott asked  
24 RHULE if he could meet when he returned. RHULE agreed and the meet location was  
25 changed to the Top Pot doughnut shop located in Renton, Washington.

26 37. Investigators observed RHULE arrive at the Renton Municipal Airport in a  
27 private plane. Also on the plane with RHULE was another male, later identified as R.D.  
28 After arriving in the private plane, RHULE and R.D. carried two white buckets and two

1 boxes off the plane and into a hanger. Moments later, RHULE was then observed  
2 carrying what appeared to be the same two buckets to his vehicle. RHULE and R.D.  
3 exited the airport in their respective vehicles.

4 38. After leaving the airport, RHULE met with UCA-1 inside the Top Pot  
5 doughnut shop and conducted the exchange of \$20,000 for bitcoin. RHULE explained  
6 that he had just arrived from Portland, Oregon, where he stopped at the “terpene store,”  
7 which he explained were “plant extracts isolated down to their molecules.” Based on my  
8 training and experience, and information gained during the course of this investigation, I  
9 know that terpenes are aromatic oils that give cannabis and CBD distinctive flavors and  
10 aromas.

11 39. RHULE did not charge UCA-1 a fee for this exchange. As with the  
12 previous transactions conducted, RHULE did not ask UCA-1 for any “Know Your  
13 Customer” information.

14 **E. Sixth Controlled Exchange of U.S. Currency for Bitcoin**

15 40. On October 7, 2018, SA Scott sent RHULE a text message—to 813-506-  
16 7673—in order to arrange the exchange of \$20,000 for bitcoin. The parties agreed to  
17 conduct the exchange at a Starbucks located in Redmond, Washington, on October 10,  
18 2018.

19 41. On October 10, 2018, RHULE and UCA-1 met at the Starbucks in  
20 Redmond, Washington. Once inside, UCA-1 provided RHULE with \$20,000 in cash and  
21 RHULE sent the equivalent value of bitcoin to a law enforcement controlled wallet.

22 42. As with each of the previous bitcoin-for-cash transactions, RHULE did not  
23 ask UCA-1 any “Know Your Customer” information. RHULE did not charge UCA-1 a  
24 fee for this exchange.

25 **F. Seventh Controlled Exchange of U.S. Currency for Bitcoin**

26 43. On October 29, 2018, SA Scott sent RHULE a text message to 813-506-  
27 7673. SA Scott asked RHULE if he would could pick up \$20,000 in cash that had been  
28 shipped to a P.O. Box in Mukilteo, Seattle and exchange it for bitcoin. During a prior

1 meeting with UCA-1, UCA-1 provided RHULE with a key to this P.O. Box. RHULE  
2 agreed that, once the cash was received, he would transfer \$20,000 worth of bitcoin to a  
3 wallet designated by SA Scott.

4 44. On October 31, 2018, HSI SA Maher placed \$20,000 into three standard  
5 letter envelopes that were then placed into two thicker manila envelopes. SA Maher then  
6 placed the manila envelopes containing the cash in a U.S. Mail Priority cardboard  
7 mailing box, with the return address listed as “Lindsay Richards” in North Dakota. SA  
8 Maher then placed the package into the P.O. Box in Mukilteo, Washington.

9 45. On or around October 31, 2018, RHULE agreed to “front” the transfer, *i.e.*,  
10 provide the bitcoin to SA Scott prior to retrieving the cash. RHULE then transferred  
11 \$20,000 worth of bitcoin to a law enforcement controlled wallet.

12 46. On November 1, 2018, the tracker installed on RHULE’s vehicle showed  
13 that the vehicle was located in the area of the U.S. Post Office in Mukilteo, Washington.  
14 Shortly thereafter, RHULE advised SA Scott via text that had retrieved the cash from the  
15 P.O. Box.

16 47. As with previous transactions, RHULE did not require any “Know Your  
17 Customer” information before conducting the above transaction with SA Scott. RHULE  
18 did not charge a fee for this transaction.

19 **G. Eighth Controlled Exchange of U.S. Currency for Bitcoin**

20 48. On November 1, 2018, HSI SA Scott sent RHULE a text message—to 813-  
21 506-7673—in order to arrange the exchange of \$15,000 for bitcoin. RHULE agreed to  
22 meet to conduct this exchange on November 2, 2018.

23 49. On November 2, 2018, RHULE met UCA-1 at a Starbucks in Bothell,  
24 Washington. Once inside, UCA-1 provided RHULE with \$15,000 in cash, and RHULE  
25 transferred the equivalent amount of bitcoin to a law enforcement controlled wallet.

26 50. As with previous transactions, RHULE did not require any “Know Your  
27 Customer” information before conducting this bitcoin-for-cash transaction. RHULE did  
28 not charge a fee for this transaction.

1       **H. Last Controlled Exchange of U.S. Currency for Bitcoin**

2           51.     On December 6, 2018, UCA-1 met with RHULE in order to exchange  
3 \$20,000 for bitcoin. RHULE agreed to meet UCA-1 at a Starbucks coffee shop in the  
4 Monroe, Washington area.

5           52.     Once inside the Starbucks, RHULE accepted \$20,000 in cash from UCA-1  
6 and, in exchange, sent the bitcoin equivalent to a law enforcement controlled  
7 cryptocurrency wallet.

8           53.     While waiting for the cryptocurrency to transfer, UCA-1 advised RHULE  
9 that he/she would be spending more time in Arizona and would have her associate take  
10 over business activities in Seattle, Washington. UCA-1 explained that he/she would be  
11 reducing the amount of Ukrainians that he/she used in his/her business, instead  
12 transitioning to women from Mexico. RHULE told UCA-1 that he was in the middle of a  
13 construction project and that he would be picking up his plane the following day, as it  
14 had recently been repaired.

15           54.     RHULE did not charge UCA-1 a fee for this exchange. As with the  
16 previous transactions conducted, RHULE did not ask UCA-1 for any “Know Your  
17 Customer” information.

18       **I. Current Status on LocalBitcoins**

19           55.     Law enforcement recently tried to contact RHULE about purchasing  
20 additional cryptocurrency in exchange for cash, but RHULE stopped responding to text  
21 messages.

22           56.     According to the website localbitcoins.com, the moniker Gimacut93  
23 remains active and was “last seen” on January 7, 2020. The most recent feedback listed  
24 for Gimacut93 was on July 1, 2019, indicating that he exchanged cryptocurrency on or  
25 around this date. As of February 3, 2020, a notation was listed on the account indicating  
26 that, at least as of November 22, 2019, the account was “banned by staff.”

27           57.     According to a search of local and federal databases conducted as recently  
28 as February 25, 2020, neither RHULE nor any of the entities he is associated with—

1 HerbinArtisans, KlearKrew, Heady.Watr, Frontline LLC, or Frontline Aviators—has  
2 registered with FINCEN or DFI as a money services business, as required by law.

3 **III. RHULE’s Manufacture and Sale of Marijuana Distillates and Extracts**

4 58. In addition to buying and selling cryptocurrency, RHULE, along with  
5 others known and unknown, manufactures and sells marijuana distillates and extracts  
6 using the business names HerbinArtisans, Heady.Watr, and KlearKrew. These marijuana  
7 distillates and extracts include those referred to as “wax,” “shatter,” “clear,” and  
8 marijuana buds, products that contain THC and are marijuana products regulated by the  
9 State of Washington. According to a search conducted as recently as February 19, 2020,  
10 neither RHULE nor his businesses are licensed in the State of Washington to produce,  
11 process, transport, or sell marijuana or marijuana products in the State of Washington.

12 **A. HerbinArtisans**

13 59. RHULE holds himself out as an operator of HerbinArtisans. For example,  
14 in email correspondence with a supplier of dry ice—a cooling agent used in  
15 manufacturing marijuana distillates and extracts—RHULE used the email address  
16 kenny@herbinartisans.com and included the signature line “Kenneth Rhule[,] Cannabis  
17 Innovator[,] HerbinArtisans – Sweet Leaf Labs.”

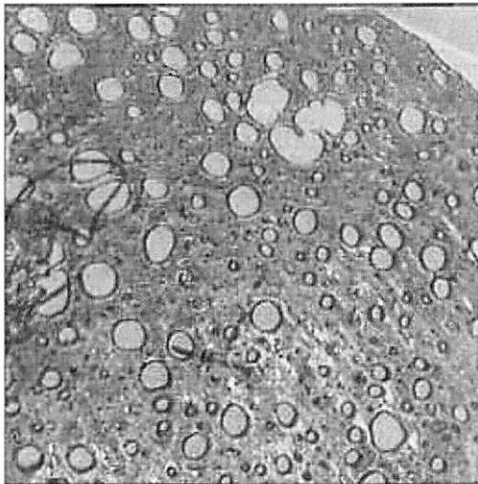
18 60. HerbinArtisans has an Instagram page dedicated to marketing and selling  
19 the HerbinArtisans product—high-grade THC distillates. The HerbinArtisans pages  
20 includes photos of highly concentrated THC/marijuana extracts, including dabs, shatter,  
21 hash oil, hash rosin, sugar wax chips, diamonds, and other forms of extracts and  
22 distillates.

23 61. As of January 29, 2020, the HerbinArtisans account had 324 posts, 1,058  
24 followers, and contained the description “PNW Extracts and Distillate[,] All our own  
25 work [.] Nothing for sale[.]” Previously, the HerbinArtisans account included the  
26 language “DM for inquiries[,] Bitcoin and Crypto Friendly.” While the account was  
27 previously public, it is currently a private Instagram account. According to information  
28

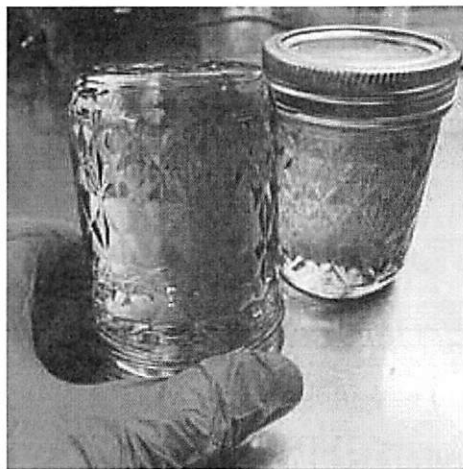


1 obtained from Instagram, the HerbinArtisans account was created on March 26, 2016 and  
2 remains active. The registered email on the account was kenny@herbinartisans.com.

3 62. The posts for this account include multiple photographs and videos, with  
4 the most recent posted on April 17, 2019. A portion of these photographs are included  
5 below:

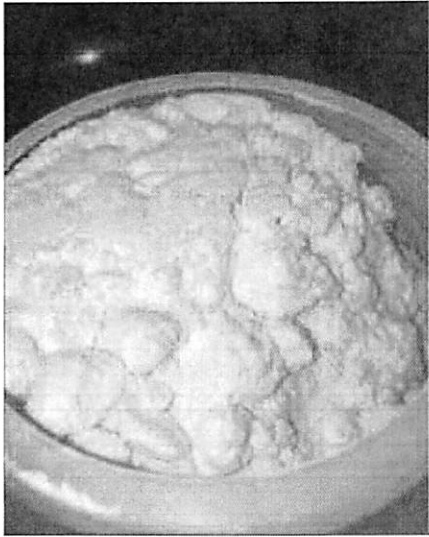


14 herbinartisans Some more  
15 #goldenticket shatter, who's wants a  
16 golden ticket? #herbinartisans



23 herbinartisans Stable D9 #distillate  
24 #cat2

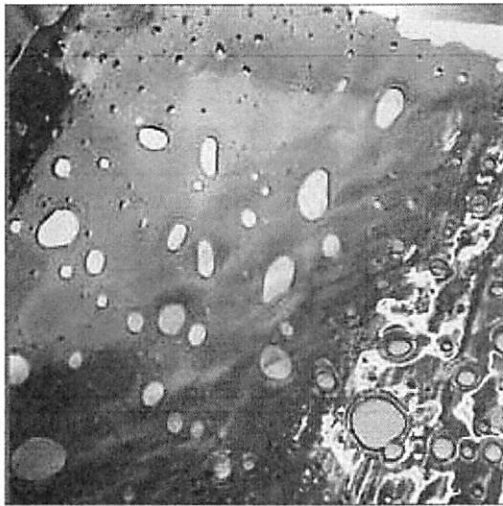
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**herbinartisans** Kilos to Ounces of CBD Isolate available. Hit the DM, COA, stock is in hand. Not a broker! #cbdisolate



**herbinartisans** BCSP ready to go #herbinartisans #klearkrew #flower #mmj #seattle



**herbinartisans** Cookies coming out  
 🔥 #GSC #seattle #420 #710  
 #herbinartisans #klearkrew  
 #heady.watr

10           63. Based on my training and experience, the products shown in photographs  
 11 above are consistent with various marijuana distillates and extracts, including those  
 12 referred to as “shatter,” “oil,” “clear,” and marijuana buds.

13           64. In addition to posting photographs of marijuana distillates and extracts,  
 14 RHULE uses the HerbinArtisans Instagram page to send and receive direct messages—  
 15 private communications—with others regarding HerbinArtisans’ products. For example,  
 16 the following communications were sent to and from the HerbinArtisans Instagram  
 17 account:

18           a. On June 18, 2019, coastisclearnj messaged HerbinArtisans “You  
 19 guys have any d9 liters in the 6-6.5 range? Crypto ready.”

20           b. On May 13, 2019, solteksolutions messaged HerbinArtisans “Can  
 21 you contact me in regards to bulk shatter and distillate orders? I need 6 lb of shatter  
 22 currently and 1L of clear distillate.”

23           c. On March 12, 2019 erikkve messaged HerbinArtisans “Warm  
 24 greetings to you and your crew! . . . I’d like to inquire about a small order of raw distillate  
 25 (for edible or dab use) . . . I’ve already sent my WA state medical card.” In response,  
 26 HerbinArtisans directed erikkve to communicate via encrypted messaging service Wickr.

27           65. Based on my review of the Instagram direct messages, HerbinArtisans will  
 28 often tell prospective clients to switch over to encrypted messaging services like Wickr

1 and Signal to continue negotiations for product sales. For example, on July 14, 2017,  
2 northwest\_dabber sent a message to HerbinArtisans, stating “I Need a ticket on distillate  
3 gram syringes bulk and best quality nug run slabs or good white plant/trim runs.” In  
4 response, HerbinArtisans asked “You have signal” and provided the telephone number  
5 813-506-7673—the number that SA Scott used to contact RHULE to arrange  
6 cryptocurrency exchanges.

7 66. In the Instagram direct messages, HerbinArtisans described selling  
8 marijuana extracts and distillates manufactured at a facility in Monroe, Washington.

9 a. For example, on January 28, 2018, mike\_b\_dabbin sent a message to  
10 HerbinArtisans stating “Hey i used to get concentrates from you guys quite often . . . I  
11 was wondering if i could get a few slabs from you guys? Always love that terpy shatter.”  
12 In response, HerbinArtisans replied “we are actually a little deeper now in Monroe but  
13 we can cruise to Woodinville or closer when we meet.”

14 b. On January 25, 2018, kylelaroche messaged HerbinArtisans, stating  
15 “Hey I used to get some product from you guys . . . Is there anyone I could get linked up  
16 with to get some more?” In response, on February 4, 2018, HerbinArtisans messaged  
17 kylelaroche, stating “It would be tomorrow, he lives up north too and the shop is in  
18 Monroe.”

19 **B. Heady.Watr**

20 67. In addition to HerbinArtisans, RHULE also helps operate the entity  
21 Heady.Watr, which sells marijuana distillates and extracts. RHULE is believed to be  
22 associated with Heady.Watr because, among other reasons:

23 a. RHULE received communications addressed to Heady.Watr in his  
24 email accounts, including the following:

25 i. On December 6, 2017, Vapor Connoisseur—a vaporizer and  
26 e-cigarette manufacturer—emailed RHULE, at kenny@herbinartisans.com, a picture of a  
27 tube with the Heady.Watr label printed on it, stating “Hey Ken, Sorry for the delay on  
28 this one. The factory has had such a hard time with the file provided.” In response,



1 RHULE stated “This was for one of my clients and they are being slow. Can I just place  
2 an order for 10k blank tubes?”

3 ii. On March 19, 2018, RHULE signed a contract, sent to  
4 kenny@herbinartisans.com, on behalf of Heady.Watr, hiring a third party to “reac[h] out  
5 and loc[k] in distribution/sales with new markets, dispensaries, recreational marijuana  
6 shops, smoke shops, and all applicable stores.”

7 iii. On November 10, 2017, RHULE received an email attaching  
8 multiple business card mock ups. The sender stated “I have attached 3 files. 2 are the  
9 same logo. The 3<sup>rd</sup> is the HeadyWatr logo, just to see what it will look like on the card.  
10 But I’m pretty sure we will go with the KlearKrew logo if it looks good.” Attached to the  
11 email were multiple business cards that listed “Kenny Rhule, Refining Extracts” along  
12 with the HerbinArtisans and KlearKrew logos. As one example, the following document  
13 was located in RHULE’s Google account:



25 b. Heady.Watr held the email address heady.watr@herbinartisan.com.  
26 Herbinartisan is a G-Suite client, with email addresses hosted by Google. According to  
27 Google, RHULE is listed as the subscriber for the HerbinArtisans G-Suite account.

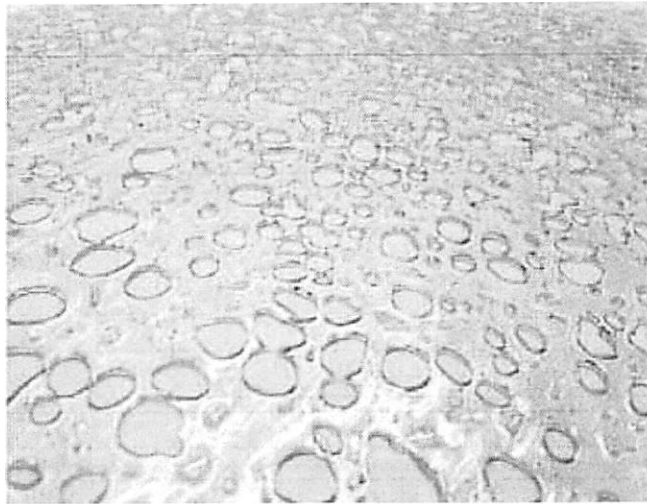
1 c. On HerbinArtisans’ Instagram page, used by RHULE, the hashtag  
2 #heady.watr was often included in the descriptions posted alongside pictures of marijuana  
3 extracts and distillates.

4 68. Like HerbinArtisans, Heady.Watr also has an Instagram page dedicated to  
5 marketing and selling Heady.Watr’s product—high-grade THC distillates. On this  
6 Instagram page, there are dozens of photos of various highly concentrated  
7 THC/marijuana extracts, including dabs, shatter, hash oil, hash rosin, sugar wax chips,  
8 diamonds and other forms of extracts and distillates.

9 69. As of August 21, 2019, the Heady.Watr account contained the description  
10 “Premium Herb & Extracts[.] Nothing for sale[.]” While the account was previously  
11 public, it is currently a private Instagram account with 6,549 followers. According to  
12 information obtained from Instagram, the Heady.Watr account was created on July 15,  
13 2017, and remains active, albeit it has deleted all of its posts. Despite deleting its posts,  
14 other users continue to use the hashtag #heady.watr to post pictures of Heady.Watr’s  
15 products, including as recently as June 2019. According to Instagram, the registered  
16 emails on the account were heady.watr@herbinartisans.com and  
17 heady.watr@protonmail.com.

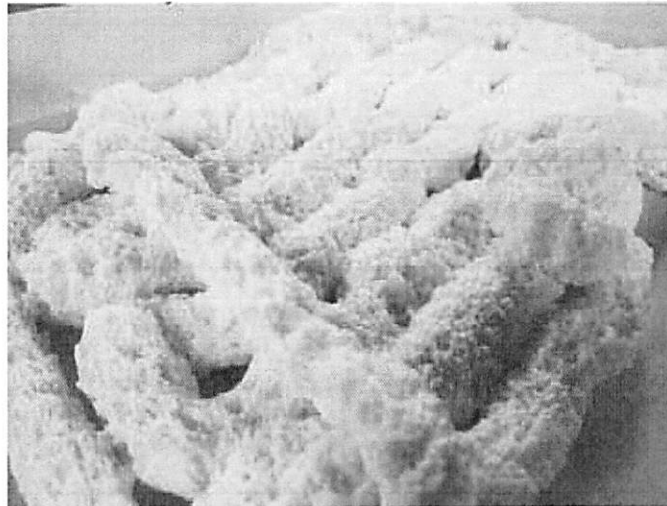
18 70. The posts for this account include multiple photographs and videos, with  
19 the most recent posted on July 14, 2019. A portion of these photographs are included  
20 below:  
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**Date Created** 2019-07-12 01:42:39 UTC

**Text** Papaya Cake [redacted] . . . . #cannabiscommunity #420 #ganja #weed #weedstagram #hightimes #thc #kush #maryjane #stoner #weedporn #highlife #highsociety #710 #dabs #mmj #weedstagram420 #shatter #stonernation #cannabisculture #cannabissociety #cannabisoil #dabstagram #pnw #pnwonderland #CannabisPhotography #headywatr

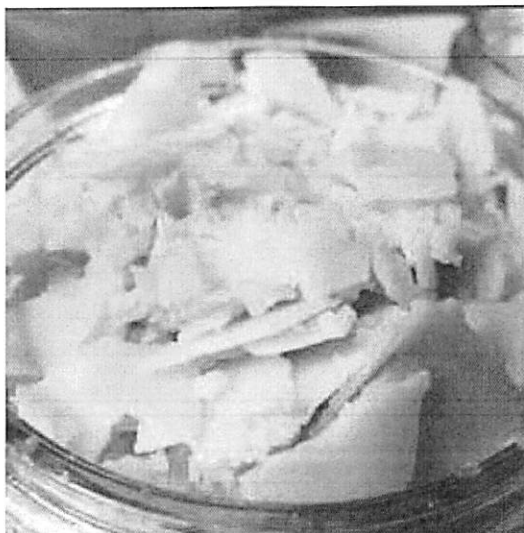


**Date Created** 2019-07-09 00:42:40 UTC

**Text** Well, hello friend [redacted] . . . . #cannabiscommunity #420 #ganja #weed #weedstagram #hightimes #thc #kush #maryjane #stoner #weedporn #highlife #highsociety #710 #dabs #mmj #weedstagram420 #shatter #stonernation #cannabisculture #cannabissociety #cannabisoil #dabstagram #pnw #pnwonderland #CannabisPhotography #headywatr



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**Date Created** 2019-04-16 21:13:59 UTC

**Text**

Ak-47 Sugar Chips [REDACTED] . . . . #cannabiscommunity #420 #ganja  
#weed #weedstagram #hightimes #thc #kush #maryjane  
#stoner #weedporn #highlife #highsociety #710 #dabs #mmj  
#weedstagram420 #shatter #stoneration #cannabisculture  
#cannabissociety #cannabisoil #dabstagram #pnw  
#pnwonderland #CannabisPhotography #headywatr



**Date Created**

2018-05-31 20:22:55 UTC

**Text** Top shelf life [REDACTED]

1 71. Based on my training and experience, the products shown in photographs  
2 above are consistent with various marijuana distillates and extracts, including those  
3 referred to as “wax,” “shatter,” “clear,” and marijuana buds.

4 72. Although “Nothing for sale” is listed in the “About me” section of  
5 Heady.Watr’s Instagram profile, numerous individuals communicate with Heady.Watr  
6 asking to purchase marijuana products using Instagram direct messages.

7 a. For example, on March 6, 2018, take\_care\_111 messaged  
8 Heady.Watr “I would still love to stock up on all your products.” In response,  
9 Heady.Watr stated “We are In The north west. We deal in crypto maily and have a really  
10 good team out here” and “Well we can send a sample no problem, we do however only  
11 accept crypto atm, are you familiar with it?” Thereafter, Heady.Watr responded “You  
12 have signal messanger? Or wickr?” and encouraged take\_care\_111 to communicate via  
13 these encrypted applications.

14 b. On March 19, 2018, jacksonmcmillen messaged Heady.Watr, stating  
15 “I’m tryna get some cartridges.” Heady.Watr responded “We can work something out  
16 for sure man, are you able to pay in crypto?” Thereafter, Heady.Watr told  
17 jacksonmcmillon “Down load signal messenger or wickr,” advising that they  
18 communicate via these encrypted applications. Heady.Watr also told jacksonmcmillen  
19 that they only accept cryptocurrency because, otherwise they “will get banned from any  
20 of these money services quickly.”

21 c. Also on March 19, 2018, mikey\_kline messaged Heady.Watr asking  
22 “So does it have thc?” and “Is it distillate?” Heady.Watr responded that they “make  
23 distillate.” Mikey\_kline asked “do you ship” to Texas, and Heady.Watr replied  
24 “Shouldn’t be a problem if you can pay in crypto” and advised that “We accept just about  
25 any of the top 3” cryptocurrencies.

26 73. In these direct messages, Heady.Watr advised potential customers that they  
27 were based in the Pacific Northwest and discussed licensing requirements to sell  
28 marijuana products in the region.

1 a. For example, on May 29, 2018, highimharry messaged Heady.Watr  
2 and asked “Where are you based out of?” and Heady.Watr responded “Seattle area.”

3 b. On May 29, 2018, smokebythepound messaged Heady.Watr and  
4 asked “What state do you operate out of?” and Heady.Watr responded “Washington.”

5 c. On May 29, 2018, pharmtechnm messaged Heady.Watr and asked  
6 “Hey bro where are you located again” and Heady.Watr responded “NW Seattle area” but  
7 said “We will actually have a representative out in California this upcoming week or so.”  
8 Pharmatechnm told Heady.Watr “I want to sell your products out here but need you to  
9 have a license first.” Heady.Watr replied that it would be “leasing out [a license] from a  
10 third party.”

11 d. On November 28, 2018, le\_roi\_du\_mouille messaged Heady.Watr,  
12 stating “I’m always looking for your stuff in the shops, but I guess you guys don’t sell as  
13 north as Whidbey lol.” Heady.Watr replied “We dont do 502 retail in washington.”

14 **C. KlearKrew**

15 74. In addition to HerbinArtisans and Heady.Watr, RHULE also helps operate  
16 the entity KlearKrew, which sells marijuana distillates and extracts. RHULE is believed  
17 to be associated with KlearKrew because, among other reasons:

18 a. On November 13, 2017, RHULE received an email to his  
19 kenny@herbinartisans.com account attaching a business card listing the HerbinArtisans  
20 and KlearKrew logos.



27  
28

**KENNY RHULE**  
REFINING EXTRACTS

☎ 813.506.7673  
© HERBINARTISANS  
KENNY@HERBINARTISANS.COM

1           b.     In his email account, RHULE had copies of chemical residue testing  
2 conducted for KlearKrew distillates.

3           c.     On November 9, 2018, RHULE received an email, sent to his  
4 kenny@herbinartisans.com account, confirming that he would be attending a conference  
5 in Las Vegas, Nevada as a representative of KlearKrew.  Additionally, on January 30,  
6 2019, RHULE received an email, sent to his kenny@herbinartisans.com account,  
7 confirming that he would be attending a conference in Seattle, Washington as a  
8 representative of KlearKrew.

9           d.     On HerbinArtisans' Instagram page, used by RHULE, the hashtag  
10 #klearkrew was often included in the descriptions posted alongside pictures of marijuana  
11 extracts and distillates.

12           e.     During a portion of the previously described UC cryptocurrency  
13 exchanges, RHULE arrived wearing a KlearKrew t-shirt and had a KlearKrew sticker on  
14 his laptop.

15           f.     Within the messages sent to the KlearKrew Instagram page, a  
16 potential customer sent "Kenny, You getting my calls or messages?"

17         75.     Like HerbinArtisans and Heady.Watr, KlearKrew also has an Instagram  
18 page dedicated to marketing and selling KlearKrew's product—high-grade THC  
19 distillates.  On this Instagram page, there are dozens of photos of various highly  
20 concentrated THC/marijuana extracts, including dabs, shatter, hash oil, hash rosin, sugar  
21 wax chips, diamonds and other forms of extracts and distillates.

22         76.     As of August 12, 2019, the KlearKrew account contained the description  
23 "#thechoiceisklear[.] 21+ only"  While the account was previously public, it is currently a  
24 private account with approximately 9,184 followers.  According to information obtained  
25 from Instagram, the KlearKrew account was created on July 6, 2016 and remains active,  
26 albeit it appears to have deleted all but one of its posts.  Despite deleting its posts, other  
27 users continue to use the hashtag #KlearKrew to post pictures of its products, including  
28

1 as recently as December 24, 2019. According to Instagram, the registered emails on the  
2 account were klearkrew@protonmail.com and terpman710@gmail.com.

3 77. The posts for this account include multiple photographs and videos, with  
4 the most recent posted on July 16, 2019. A portion of these photographs are included  
5 below:



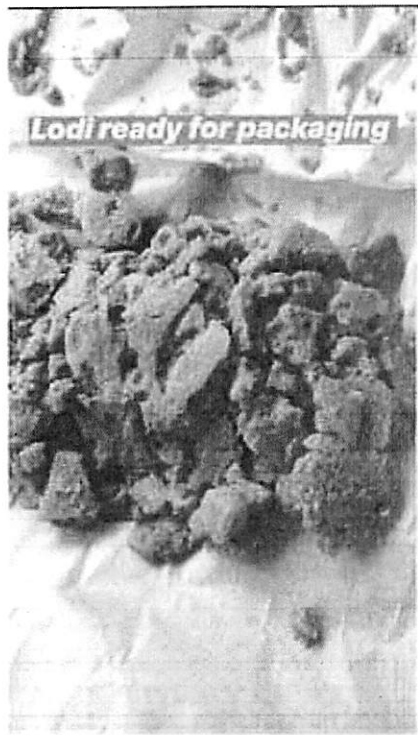
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18 **Taken** 2019-06-14 20:35:32 UTC



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28 **Taken** 2018-12-06 13:59:49 UTC



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**Taken** 2018-06-22 19:37:54 UTC

1 78. Based on my training and experience, the products shown in photographs  
2 above are consistent with various marijuana distillates and extracts, including those  
3 referred to as “wax,” “shatter,” “clear,” and marijuana buds.

4 79. Although “Nothing for sale!” is listed in the “About me” section of  
5 KlearKrew’s current Instagram profile, numerous individuals communicate with  
6 KlearKrew asking to purchase marijuana products using Instagram direct messages.

7 a. For example, on September 4, 2016, livingfl messaged KlearKrew  
8 “U ship?” In response, KlearKrew said “Hit me up on Wickr.”

9 b. On February 7, 2017, cannabis4two messaged KlearKrew “Product  
10 is looking real good!!! You guys ship anywhere or what?” KlearKrew responded “Hi,  
11 Thank you! We can get you some product for sure. Do you have a Wickr?”

12 c. On March 12, 2018, amoderatelifemessaged KlearKrew “Could I  
13 please have your wickr? If that’s what platform you’re on.” KlearKrew responded “Hey,  
14 how’s it going? We are currently only working with wholesale outside of the events.”  
15 Amoderatelifereplied “I’m into wholesale, if that’s between 50-100 pieces.” KlearKrew  
16 then stated “download signal private messenger and give me a holler.”

17 d. On January 8, 2019, KlearKrew messaged roberthaller “We’re  
18 currently filling bulk orders. Oz & over.” Roberthaller responded “Goodman, just  
19 finishing up at work, oz dabs? Or tree? Usually i get q’s of erl at a time but i can cop  
20 more if needed. Moneys no issue for me.” KlearKrew responded “700/oz” and “multiple  
21 flavors.” Roberthaller replied “Okay, can we meetup friday?”

22 80. In these direct messages, KlearKrew advised potential customers that they  
23 were based in the Pacific Northwest and discussed licensing requirements to sell  
24 marijuana products in the region.

25 a. For example, on March 26, 2018, KlearKrew messaged sarahjain420  
26 “we extract close to Seattle and most of our sales are in Miami.”

27 b. On April 5, 2018, KlearKrew messaged kushkween.lv “we are  
28 blasting in Washington state and Florida is where we handle most of our sales.”



1 KlearKrew told kushkween.lv “100% able to make a purchase. We accept bitcoin,  
2 Ethereum, and paypal. Usually have it out the same day that the order is placed.”

3 c. On August 23, 2018, KlearKrew messaged miami.mango305, stating  
4 “Our shop isn’t in Fl.” Miami.mango305 responded “Someone told me otherwise.”  
5 KlearKrew replied “Distribution is. Our manufacturing is not” and explained that  
6 manufacturing was in “Washington.”

7 d. On October 8, 2018, iheartcanna\_ messaged KlearKrew “Are you  
8 guys fully licensed?!” KlearKrew responded “Not yet.”

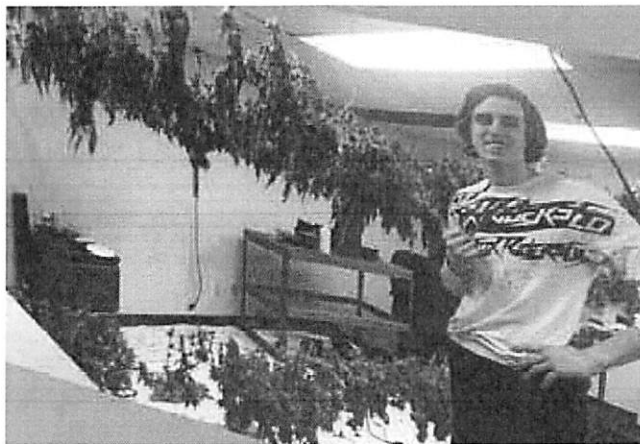
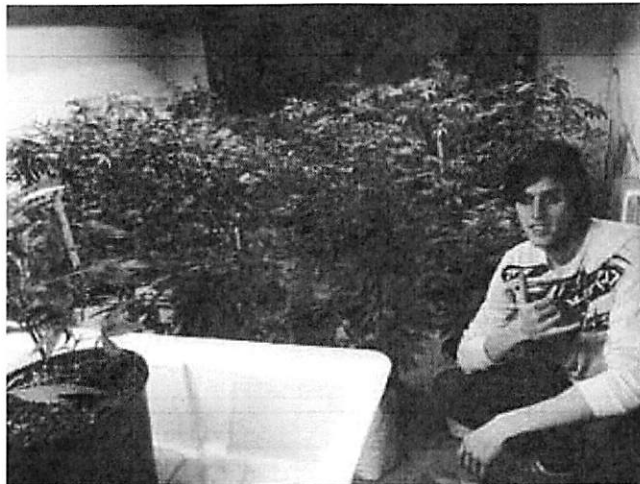
9 **D. RHULE’s Involvement in Manufacturing Marijuana Extracts and**  
10 **Distillates**

11 81. While operating under the business names HerbinArtisans, Heady.Watr,  
12 and KlearKrew, RHULE manufactures marijuana extracts and distillates. RHULE has  
13 been manufacturing marijuana extracts and distillates since at least 2015.

14 82. Initially, RHULE grew marijuana plants in order to manufacture distillates  
15 and extracts. Law enforcement obtained information from Google and Apple, pursuant to  
16 search warrants, and found a large number of photographs stored in RHULE’s Google  
17 and iCloud accounts, depicting him growing and drying marijuana.

18 a. For example, the following photographs were obtained from  
19 RHULE’s Google account, and were last modified on May 27-29, 2015. The individual  
20 in the photographs appears to be RHULE, based upon comparisons to RHULE’s  
21 Washington State driver’s license and his appearance during the UC cryptocurrency  
22 meetings.

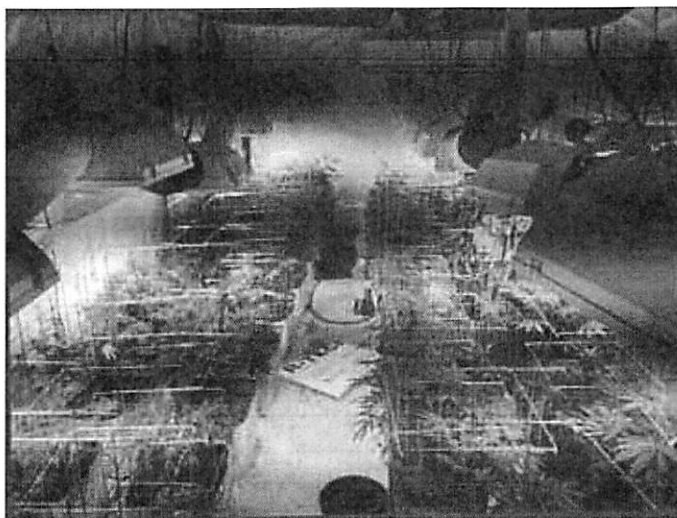
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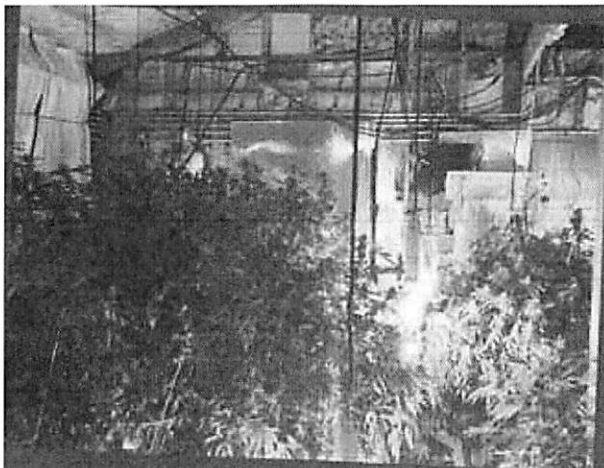
83. In addition to these photographs, RHULE's Google, iCloud, and Instagram accounts also contain photographs of indoor and outdoor marijuana grows.

a. For example, RHULE's Google account contained the following photograph, last modified on April 17, 2015:

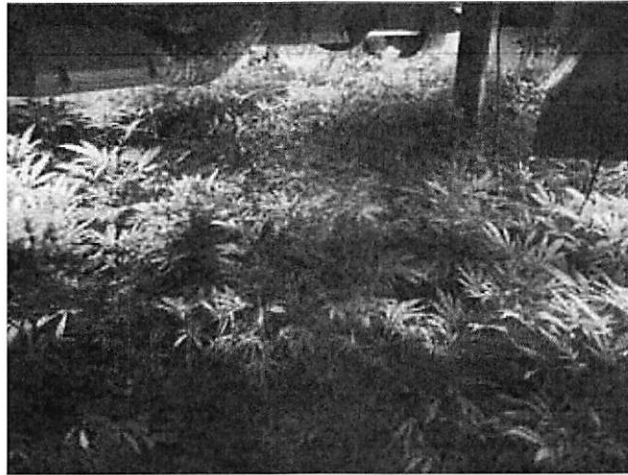
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b. RHULE's Google account also contained the following photographs,  
last edited on November 15, 2015:



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c. RHULE's Google account also contained the following photograph, last modified on March 9, 2016:



d. HerbinArtisans' Instagram account also contained the following photograph, posted on September 16, 2016:





84. According to information obtained from Instagram, RHULE stopped growing marijuana after his grow operation was robbed. On May 29, 2018, HerbinArtisans sent a message to thehealingarmchairchemist stating “my whole growing time was basically R&D best I ever did was 4.2lbs a 1000W light, then they robbed the place and broke everything, and said screw it. Too much time and energy just to be destroyed.”

85. Currently, it appears that RHULE sources marijuana trim<sup>5</sup> from legalized marijuana grows in the State of Washington and Oregon, which is then processed using chemicals such as CO<sub>2</sub>, dry ice, propane, flavored terpenes, silica gel and bentonite clay to create the products being offered for sale by RHULE. While trim is regulated under Washington and Oregon law, regulations regarding disposing marijuana trim vary based upon the quantity of THC that the trim contains, and there are lax procedures in place to account for marijuana trim and ensure it’s not diverted to unlicensed manufacturers. Based on my training and experience, and information gained during the course of this investigation, I know that marijuana trim is also less expensive to acquire than marijuana bud, allowing RHULE to maximize profit. Additionally, the income generated from the

<sup>5</sup> Trim is the waste product of the growing cannabis plants. Throughout the growing process the plants leaves are trimmed to focus on the buds produced by the plant. The buds are the most sought-after part of the plant. The trim produced is considered waste but has become a popular product to be used in the production of marijuana distillates.

1 sale of the marijuana trim, which would otherwise go unsold, is another revenue stream  
2 for the legalized grows.

3 86. A large number of photographs are stored in RHULE's Google and iCloud  
4 accounts depict marijuana trim, which law enforcement believes that RHULE uses to  
5 create marijuana extracts and distillates.

6 b. For example, RHULE's Google account contained the following  
7 photograph, last edited on January 7, 2018:



18 c. The following photograph was contained in RHULE's iCloud  
19 account, last edited on February 8, 2017:



13 d. RHULE's Google account also contained the following photograph,  
14 last edited on October 17, 2016:



24 87. RHULE also exchanges emails or other communications regarding  
25 marijuana trim using his Google account and HerbinArtisans' Instagram account.

26 a. For example, on May 1, 2019, RHULE, using the email address  
27 kennyrhule@gmail.com, saved what appears to be a draft email or note, stating "94lbs  
28 @125 trim Rick," among other items.



1           b.       Similarly, on April 19, 2019, RHULE, using the same email address,  
2 saved a draft email, stating “Log 95k to Luke[.] Trim 110[.] Old invoice 1500.”

3           c.       On January 10, 2016, RHULE also received an extraction  
4 worksheet, listing the various steps for extracting marijuana, including “Trim weight” in  
5 the initial worksheet.

6           d.       On June 1, 2016, HerbinArtisans received a bill from “Big B” for 39,  
7 believed to be pounds, of “Trim for extraction.”

8           e.       On August 10, 2016, HerbinArtisans messaged amshaww using  
9 Instagram direct messages, stating “I got the 2lb extractor online yesterday, after our  
10 pumps arrived, and I manufactured a manifold to allow recovery of two separate  
11 extractors using 3 pumps; and can easily run any sequence of pumps on either machine.  
12 We are scheduled to run that trim Thursday morning, or tomorrow evening it looks like.”

13          f.       On September 16, 2016, HerbinArtisans messaged i\_luv\_the via  
14 Instagram, stating “We process 50lbs of trim a day with our CLS, if you need some  
15 done.”

16          g.       On January 17, 2017, HerbinArtisans messaged redheadrasta “We  
17 don’t even run short on trim, and our extractor runs 18hours a day. We do run splits on a  
18 priority scale. It should get run the day after we get the material, then we will prep the  
19 distillation.”

20          h.       On or around January 22, 2017, HerbinArtisans recorded a bill for  
21 16 pounds of “Trim for extraction.”

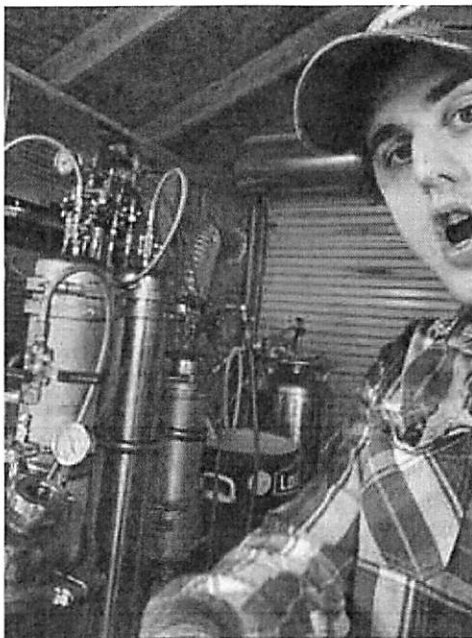
22          i.       On February 7, 2018, remixthelife messaged HerbinArtisans “You  
23 guys running nug run or trim?” In response, HerbinArtisans stated “Both.”

24          j.       On March 27, 2017, HerbinArtisans messaged redheadrasta via  
25 Instagram, stating “We run 350lbs of trim a week.”

26          k.       On July 27, 2017, HerbinArtisans messaged hashin\_wit\_passion  
27 “We process about 350lbs of trim a week.”

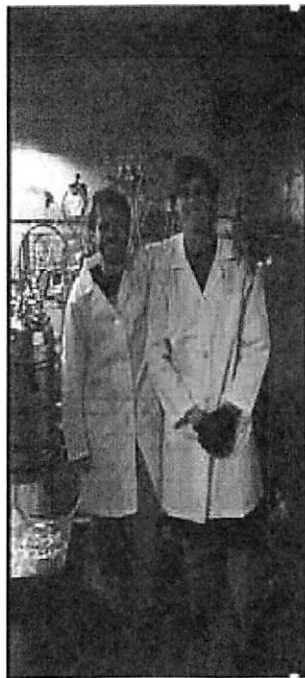
1 88. In addition to marijuana, a large number of photographs are stored in  
2 RHULE's iCloud account, and RHULE's friend's Instagram account, depicting RHULE  
3 near machinery that extracts or distills marijuana products.

4 a. For example, RHULE's iCloud account contained the following  
5 photograph, last edited on February 28, 2019:



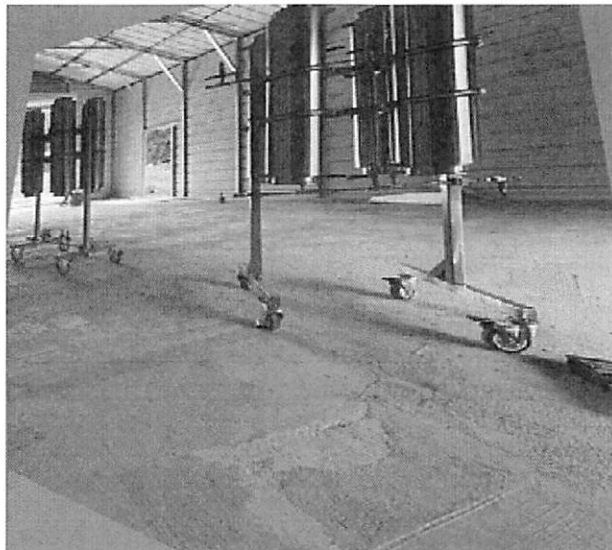
17 b. Additionally, RHULE's friend's Instagram account contained the  
18 following photograph, posted on August 2, 2016:

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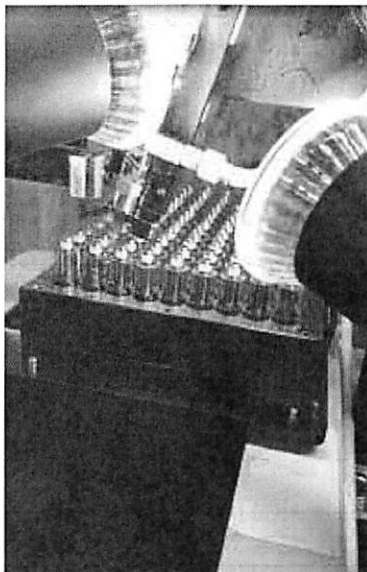


89. Additionally, based on my training and experience, along with information gained during the course of this investigation, I have identified the following photographs in RHULE's Google and iCloud accounts that depict marijuana extraction or distillation equipment.

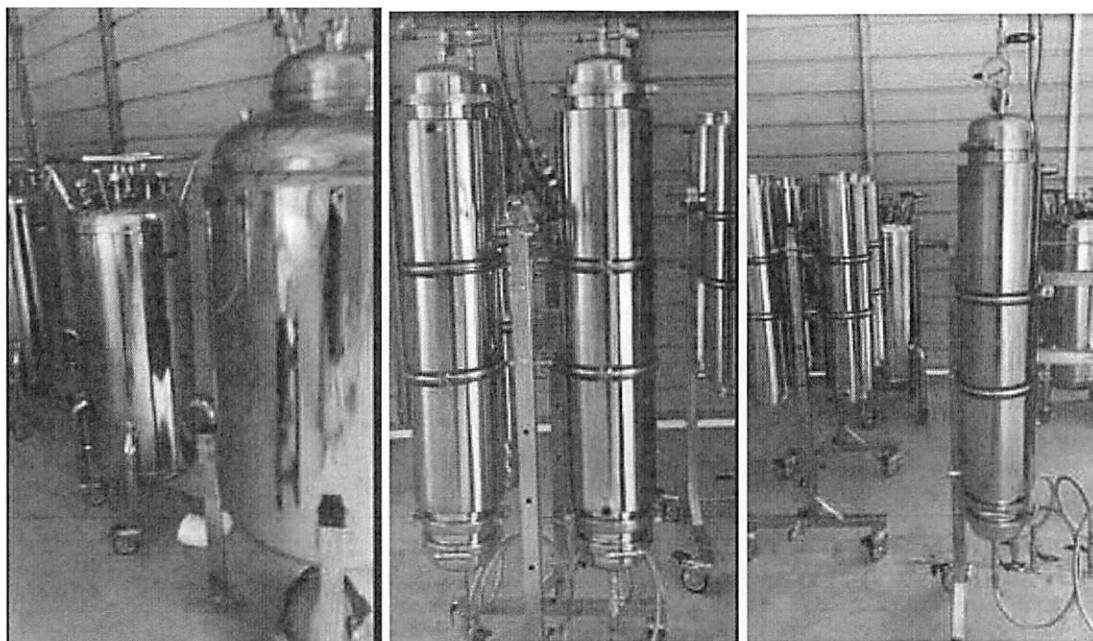
a. For example, RHULE's Google account contained the following photograph last edited on April 25, 2019:



1           b.     RHULE's Google account also contained the following photograph,  
2 last edited on January 2, 2019:



14           c.     RHULE's Google account contained the following video, excerpts  
15 of which are included below, last edited on May 8, 2019:

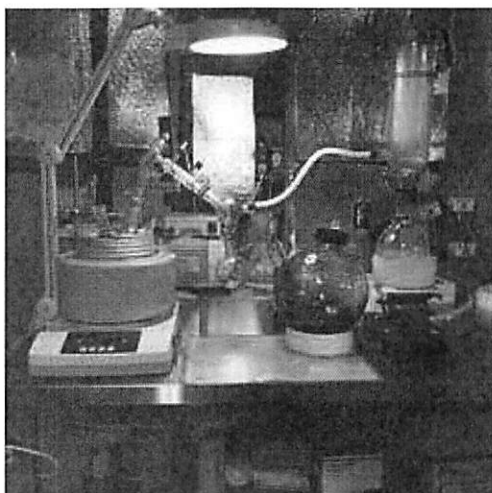




1 d. RHULE's Google account also contained the following photograph,  
2 last edited on September 9, 2016:

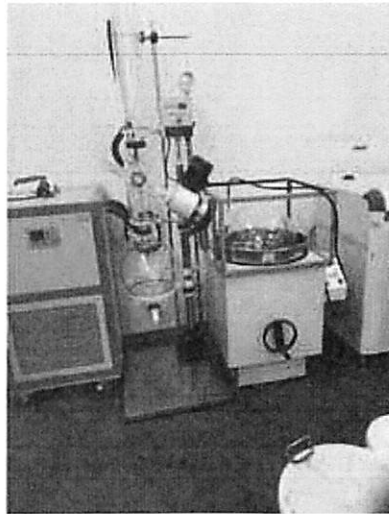


14 e. RHULE's Google account also contained the following photograph,  
15 last edited on July 11, 2016:

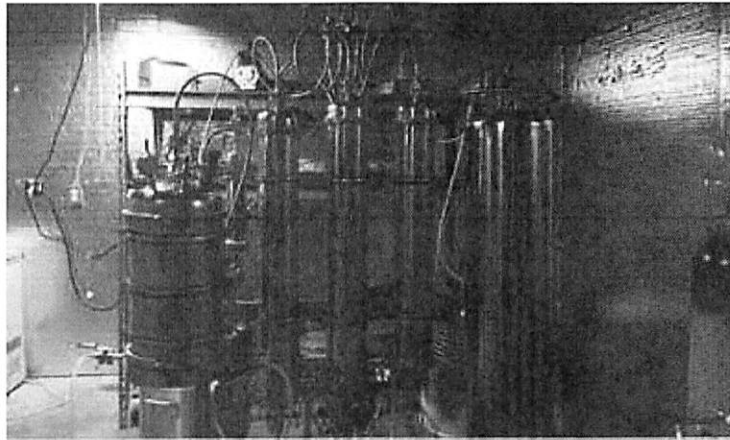


25  
26 f. RHULE's iCloud account also contained the following photograph,  
27 last modified on March 23, 2018:





10 g. RHULE's iCloud account also contained the following photograph,  
11 last modified on August 1, 2016:



21 90. RHULE has purchased large processing equipment in an effort to maximize  
22 effort, time and profit. The larger processing area and equipment allow RHULE to make  
23 "runs" in larger quantities making production more efficient. Based on the documents  
24 received, the equipment, as well as the supplies to run and maintain the processing  
25 equipment, have been delivered to a property in Monroe, Washington.

26 a. For example, on August 21, 2019, RHULE purchased an Xtractor  
27 Depot Vacuum Pump, among other items, and had it shipped to the Monroe property.

1 Xtractor Depot sells various extraction equipment, including that used by those extracting  
2 and distilling marijuana products.

3 b. On April 30, 2019, RHULE purchased a compression port  
4 connector, among other items, from Open Source Steel and had it shipped to the Monroe  
5 Property. Open Source Steel manufactures extraction supplies, including a portion of  
6 those shown in the equipment photographs above.

7 91. According to emails obtained from Google, RHULE also frequently orders  
8 products which, based on my training experience, would be used to facilitate the  
9 production of THC/marijuana extracts, including dabs, shatter, hash oil, hash rosin, sugar  
10 wax chips, diamonds and other forms of extracts and distillates. These products include  
11 large amounts of latex gloves, vacuum sealer bags, filter papers, plastic syringes, pre-  
12 printed labels and THC/CBD tanks or cartridges.

13 a. For example, on August 22, 2019, RHULE purchased 55 gallons of  
14 ethanol—a product used when distilling and extracting marijuana—and had it shipped to  
15 the Monroe property.

16 b. On August 12, 2019, RHULE purchased six milliliter glass  
17 concentrate containers and had them shipped to the Monroe property.

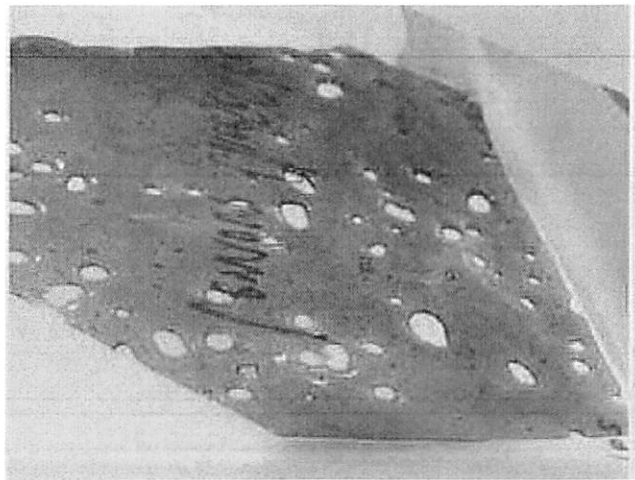
18 c. On August 6, 2019, RHULE purchased twenty kilograms of silica  
19 gel and activated alumina and had them shipped to the Monroe property.

20 d. On July 29, 2019, RHULE purchased micron filter plates and had  
21 them shipped to the Monroe property.

22 92. RHULE's iCloud and Google accounts also contain numerous photos of  
23 THC/marijuana extracts, including dabs, shatter, hash oil, hash rosin, sugar wax chips,  
24 diamonds and other forms of extracts and distillates, which are the same products  
25 advertised by the Heady.Watr, HerbinArtisans and KlearKrew Instagram pages.

26 a. For example, RHULE's Google account contained the following  
27 photograph, last edited on January 9, 2019:

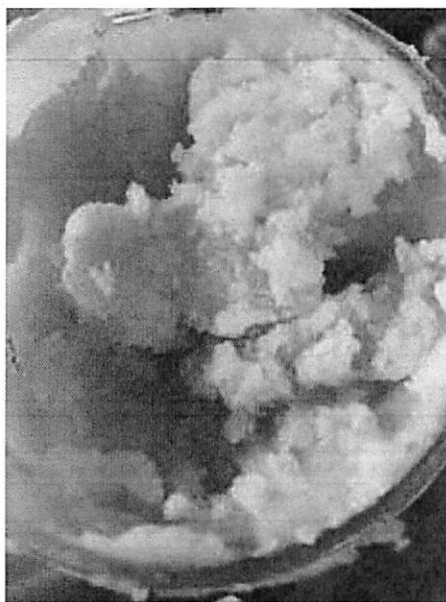
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b. RHULE's Google account also contained the following photograph, last edited on July 5, 2019:



c. RHULE's Google account also contained the following photograph, last edited on February 21, 2019:



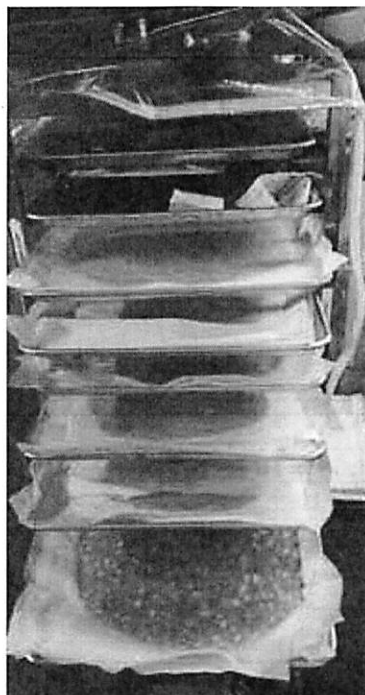
12 d. RHULE's Google account contained the following photograph, last  
13 edited on September 16, 2019:



23 e. RHULE's iCloud account contained the following photograph, last  
24 edited on February 2, 2019:



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f. RHULE's iCloud account also contained the following photograph,  
last edited on September 26, 2018:





**BACKGROUND ON UNLICENSED MONEY TRANSMISSION**

1  
2 93. Pursuant to Title 18, United States Code, Section 1960(a)(1), it is a crime to  
3 knowingly conduct, control, manage, supervise, direct, or own all or part of an unlicensed  
4 money transmitting business. The term “money transmitting,” as defined by statute,  
5 “includes transferring funds on behalf of the public by any and all means including but  
6 not limited to transfers within this country or to locations abroad by wire, check, draft,  
7 facsimile, or courier.” 18 U.S.C. § 1960(b)(2).

8 94. Section 1960 sets forth three prongs defining when a business constitutes  
9 an “unlicensed money transmitting businesses.” First, Section 1960(b)(1)(A) makes it a  
10 crime to operate a money transmitting business without an appropriate state license where  
11 one is required. Second, Section 1960(b)(1)(B) makes it a crime to operate a money  
12 transmitting business without registering with federal authorities if required by federal  
13 regulation. Finally, Section 1960(b)(1)(C) makes it a crime to operate a money  
14 transmitting business—whether licensed by, or registered with, any authority or not—that  
15 “involves the transportation or transmission of funds that are known to the defendant to  
16 have been derived from a criminal offense or are intended to be used to promote or  
17 support unlawful activity[.]”

18 95. Pursuant to the first prong, as set forth above, Section 1960(b)(1)(A) makes  
19 it a crime to operate a money transmitting business without an appropriate state license  
20 where such operation is punishable as a misdemeanor or felony under state law. The  
21 State of Washington requires such a license when a person engages in the business of  
22 accepting cash in exchange for transmitting virtual currencies (which are described  
23 further below). Specifically, Section 19.230.30(1)(a) of the Washington State Code  
24 provides that “[a] person may not engage in the business of money transmission, or  
25 advertise, solicit, or hold itself out as providing money transmission, unless the person  
26 is . . . [l]icensed as a money transmitter.” “Money transmission,” in turn, is defined as  
27 “receiving money or its equivalent value (equivalent value includes virtual currency) to  
28 transmit, deliver, or instruct to be delivered to another location, inside or outside the

1 United States, by any means including but not limited to by wire, facsimile, or electronic  
2 transfer.” R.C.W. § 19.230.10(18).

3 96. The Washington Department of Financial Institutions (“DFI”) has issued  
4 interim regulatory guidance providing that “[p]ersons engaged in the business of buying  
5 or selling virtual currency fall under the definition of money transmission in the Act.”  
6 *See Interim Regulatory Guidance on Virtual Currency Activities 2* (December 8, 2014).

7 The DFI specifically addressed the following situation:

8 [T]he buyer of virtual currency provides sovereign currency<sup>6</sup> to a business  
9 that either holds value in the form of a desired virtual currency or who upon  
10 receipt of sovereign currency executes a purchase of the virtual currency  
11 from another source. In either case the business ultimately transmits virtual  
12 currency value to the buyer. The value is transmitted to a wallet location  
13 either designated by the buyer or generated by the business.

14 *Id.* at 3. The DFI clarified that this type of transaction constitutes “money transmission  
15 and the business must hold a Washington money transmitter license when providing the  
16 service to Washington residents.” *Id.*

17 97. Pursuant to the second prong, as set forth above, Section 1960(b)(1)(B)  
18 makes it a crime to operate a money transmitting business without complying with the  
19 money transmitting business registration requirements under 31 U.S.C. § 5330 and the  
20 regulations prescribed thereunder. Section 5330 provides that a money transmitting  
21 business must be registered not later than 180 days after the establishment of the  
22 business. 31 U.S.C. § 5330(a)(1)(B); 31 C.F.R. § 1022.380(b)(4). The filing of false or  
23 materially incomplete information in connection with the registration of a money  
24 transmitting business shall be considered a failure to comply with the registration  
25 requirements. 31 U.S.C. § 5330(a)(4); 31 C.F.R. § 1022.380(e).

26 98. FinCEN has stated that an exchanger of a virtual currency is required to  
27 register with FinCEN as a money services business (“MSB”). *See Application of*

28 <sup>6</sup> “Sovereign currency” is defined as “fiat or real currency, the money of a government.” *Interim  
Regulatory Guidance on Virtual Currency Activities 2* (December 8, 2014)

1 *FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual*  
2 *Currencies*, FIN-2013-G001, Department of the Treasury, Financial Crimes Enforcement  
3 Network (March 18, 2013) (“FinCEN Guidance”). Specifically, FinCEN’s regulations  
4 provide that an MSB includes persons operating as a “money transmitter”—i.e., “a  
5 person that provides money transmission services.” 31 C.F.R. § 1010.100(ff)(5).  
6 “Money transmission services,” in turn, means “the acceptance of . . . funds or other  
7 value that substitutes for currency from one person *and* the transmission of . . . funds, or  
8 other value that substitutes for currency to another location or person by any means.” *Id.*  
9 § 1010.100(ff)(5)(i)(A). FinCEN has clarified that the “definition of a money transmitter  
10 does not differentiate between real currencies and convertible virtual currencies.” *See*  
11 *FinCEN Guidance* at 3.

12 93. Pursuant to the third prong, as set forth above, Section 1960(b)(1)(C)  
13 provides that it is unlawful to operate a money transmitting business that “otherwise  
14 involves the transportation or transmission of funds that are known to the defendant to  
15 have been derived from a criminal offense or are intended to be used to promote or  
16 support unlawful activity.”

### 17 BACKGROUND ON CRYPTOCURRENCY

18 94. Cryptocurrency, a type of virtual currency, is a decentralized, peer-to-peer,  
19 network-based medium of value or exchange that may be used as a substitute for fiat  
20 currency to buy goods or services or exchanged for fiat currency or other  
21 cryptocurrencies. Cryptocurrency can exist digitally on the Internet, in an electronic  
22 storage device, or in cloud-based servers. Although not usually stored in any physical  
23 form, public and private keys (described below) used to transfer cryptocurrency from one  
24 person or place to another can be printed or written on a piece of paper or other tangible  
25 object. Cryptocurrency can be exchanged directly person to person, through a  
26 cryptocurrency exchange, or through other intermediaries. Generally, cryptocurrency is  
27 not issued by any government, bank, or company; it is instead generated and controlled  
28 through computer software operating on a decentralized peer-to-peer network. Most

1 cryptocurrencies have a “blockchain,” which is a distributed public ledger, run by the  
2 decentralized network, containing an immutable and historical record of every  
3 transaction.<sup>7</sup> Cryptocurrency is not illegal in the United States.

4 95. Bitcoin<sup>8</sup> is a type of cryptocurrency. Payments or transfers of value made  
5 with bitcoins are recorded in the Bitcoin blockchain and thus are not maintained by any  
6 single administrator or entity. As mentioned above, individuals can acquire bitcoins  
7 through exchanges (i.e., online companies which allow individuals to purchase or sell  
8 cryptocurrencies in exchange for fiat currencies or other cryptocurrencies), Bitcoin  
9 ATMs, or directly from other people. Individuals can also acquire cryptocurrencies by  
10 “mining.” An individual can “mine” bitcoins by using his/her computing power to solve  
11 a complicated algorithm and verify and record payments on the blockchain. Individuals  
12 are rewarded for this task by receiving newly created units of a cryptocurrency.  
13 Individuals can send and receive cryptocurrencies online using many types of electronic  
14 devices, including laptop computers and smart phones.

15 96. Even though the public addresses of those engaging in cryptocurrency  
16 transactions are recorded on a blockchain, the identities of the individuals or entities  
17 behind the public addresses are not recorded on these public ledgers. If, however, an  
18 individual or entity is linked to a public address, it may be possible to determine what  
19 transactions were conducted by that individual or entity. Bitcoin transactions are  
20 therefore sometimes described as “pseudonymous,” meaning that they are partially  
21 anonymous. And while it is not completely anonymous, Bitcoin allows users to transfer  
22 funds more anonymously than would be possible through traditional banking and credit  
23 systems.

24 \_\_\_\_\_  
25 <sup>7</sup> Some cryptocurrencies operate on blockchains that are not public and operate in such a way to  
26 obfuscate transactions, making it difficult to trace or attribute transactions.

27 <sup>8</sup> Since Bitcoin is both a cryptocurrency and a protocol, capitalization differs. Accepted practice  
28 is to use “Bitcoin” (singular with an uppercase letter B) to label the protocol, software, and  
community, and “bitcoin” (with a lowercase letter b) or “BTC” to label units of the  
cryptocurrency. That practice is adopted here.

1 97. Cryptocurrency is stored in a virtual account called a wallet. Wallets are  
2 software programs that interface with blockchains and generate and/or store public and  
3 private keys used to send and receive cryptocurrency. A public key (or public address) is  
4 akin to a bank account number, and a private key (or private address) is akin to a Personal  
5 Identification Number (“PIN”) number or password that allows a user the ability to  
6 access and transfer value associated with the public address or key. To conduct  
7 transactions on a blockchain, an individual must use the public key and the private key.  
8 A public address is represented as a case-sensitive string of letters and numbers. Each  
9 public address is controlled and/or accessed through the use of a unique corresponding  
10 private key—the cryptographic equivalent of a password or PIN—needed to access the  
11 address. Only the holder of an address’s private key can authorize any transfers of  
12 cryptocurrency from that address to another cryptocurrency address.

13 98. Although cryptocurrencies such as Bitcoin have legitimate uses,  
14 cryptocurrency is also used by individuals and organizations for criminal purposes such  
15 as money laundering, and is an oft-used means of payment for illegal goods and services  
16 on hidden services websites operating on the Tor network. By maintaining multiple  
17 wallets, those who use cryptocurrency for illicit purposes can attempt to thwart law  
18 enforcement’s efforts to track purchases within the dark web marketplaces.

19 99. Exchangers and users of cryptocurrencies store and transact their  
20 cryptocurrency in a number of ways, as wallet software can be housed in a variety of  
21 forms, including: on a tangible, external device (“hardware wallet”); downloaded on a  
22 Personal Computer (“PC”) or laptop (“desktop wallet”); with an Internet-based cloud  
23 storage provider (“online wallet”); as a mobile application on a smartphone or tablet  
24 (“mobile wallet”); as printed public and private keys (“paper wallet”); and as an online  
25 account associated with a cryptocurrency exchange. Because these desktop, mobile, and  
26 online wallets are electronic in nature, they are located on mobile devices (e.g., smart  
27 phones or tablets) or at websites that users can access via a computer, smart phone, or any  
28 device that can search the Internet. Moreover, hardware wallets are located on some type



1 of external or removable media device, such as a Universal Serial Bus (“USB”) thumb  
2 drive or other commercially available device designed to store cryptocurrency (e.g.  
3 Trezor, Keepkey, or Nano Ledger). In addition, paper wallets may contain an address  
4 and a QR code<sup>9</sup> with the public and private key embedded in the code. Paper wallet keys  
5 are not stored digitally. Wallets can also be backed up into, for example, paper printouts,  
6 USB drives, or CDs, and accessed through a “recovery seed” (random words strung  
7 together in a phrase) or a complex password. Additional security safeguards for  
8 cryptocurrency wallets can include two-factor authorization (such as a password and a  
9 phrase).

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28 <sup>9</sup> A QR code is a matrix barcode that is a machine-readable optical label.

CONCLUSION

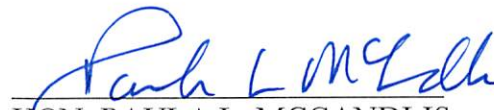
100. Based on the foregoing, I respectfully submit there is probable cause to believe that KENNETH RHULE has committed violations of Title 18, United States Code, Sections 1960(a), (b)(1)(A), (b)(1)(B) and (b)(1)(C) (Operating an Unlicensed Money Transmitting Business) and 1956(a)(3)(B) and (a)(3)(C) (Money Laundering), and Title 21, United States Code, Sections 841(a)(1), 841(b)(1)(B), and 846 (Conspiracy to Manufacture and Distribute Marijuana or Marijuana Distillates), and 2 (Attempt).



Victor Morales, Complainant  
Special Agent  
Drug Enforcement Administration

Based on the Complaint and Affidavit sworn to before me, and subscribed in my presence, the Court hereby finds that there is probable cause to believe the defendant committed the offenses set forth in the Complaint.

DATED this 28<sup>th</sup> day of February, 2020.



HON. PAULA L. MCCANDLIS  
United States Magistrate Judge