

FILED

UNITED STATES DISTRICT COURT

for the

Western District of Texas

October 25, 2024

CLERK, U.S. DISTRICT COURT
WESTERN DISTRICT OF TEXAS

BY: Pablo Chapablanco
DEPUTY

United States of America)

v.)

Xiaofei CHEN)

Case No. **EP:24-M-04440-ATB**

A true copy of the original, I certify,
Clerk, U.S. District Court

By PC
Deputy

Defendant(s)

CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief.

On or about the date(s) of March 20, 2020 to present in the county of El Paso in the Western District of Texas, the defendant(s) violated:

<i>Code Section</i>	<i>Offense Description</i>
21 USC 843(a)(5)	Prohibited Acts C- Unlawful acts it shall be unlawful for any person knowingly or intentionally make, distribute or possess any punch, die, plate, stone, or other thing designed to print, imprint, or reproduce the trademark, trade name, or other identifying mark, imprint, or device of another or any likeness of any of the foregoing upon and drug or container or labeling thereof so as to render such drug a counterfeit substance.
21 USC 843(a)(7)	To manufacture, distribute, export, or import any three-neck round bottom flask, tableting machine, encapsulating machine, or gelatin capsule, or any equipment, chemical, product, or material which may be used to manufacture a controlled substance or listed chemical, knowing, intending, or having reasonable cause to believe, that it will be used to manufacture a controlled substance or listed chemical in violation of this subchapter or subchapter II or, in the case of an exportation, in violation of this subchapter or subchapter II or of the laws of the country to which it is exported.
21 USC 846	Attempt and Conspiracy- Any person who attempts or conspires to commit any offense defined in this subchapter shall be subject to the same penalties as those prescribed for the offense, the commission of which was the object of the attempt of the conspiracy.

This criminal complaint is based on these facts:

See attached affidavit.

Continued on the attached sheet.

Complaint sworn to telephonically on October 25, 2024 at 08:55 AM and signed electronically. **FED.R.CRIM.P. 4.1(b)(2)(A)**

Kathy McGlone
Complainant's signature

HSI SA Kathy McGlone
Printed name and title

Date: 10/25/2024

Anne T. Berton
Judge's signature

City and state: El Paso, Texas

Anne T. Berton, U.S. Magistrate Judge
Printed name and title

Affidavit

In October 2021, Homeland Security Investigations (HSI) El Paso initiated an investigation targeting Chinese pill press manufacturers selling pill press equipment to individuals who mass produce counterfeit medications laced with fentanyl. A pill press machine (also called a tableting machine) is a mechanical device that compresses powder into tablets or pills by running the powder through a machine fitted with a die mold. The die mold determines the shape and markings on the tablet. Pill presses vary in size and capacity and are able to produce approximately 1,800 pills per hour to over 24,000 pills per hour depending on the model. A similar type of device is an encapsulating machine which packs the powder into a gelatin capsule instead of pressing the powder into a pill. There are also different sizes and models of encapsulating machines and the amount of capsules produced hourly depends on the specific model of the encapsulating machine. Originally, pill press machines and encapsulating machines were used for legitimate pharmaceutical purposes however, the opioid crisis has created a market for drug traffickers to profit from manufacturing counterfeit medications, some of which are laced with fentanyl. The die mold is the tool used in a pill press to shape the powder into a specific form and can be made in any shape or design. For example, a M30 pill is a round shaped oxycodone pill which is a Schedule II controlled substance. The M30 die mold has a "M" in the center on one side and a "30" on the other side. HSI Agents conducted open-source research with the United States Patent and Trademark Office's online database. According to the database records, the "M" placed in a square on the M30 pills is trademarked by Mallinckrodt Pharmaceuticals. Lastly, it is known to HSI Agents that these die molds are purchased by individuals who manufacture and distribute counterfeit pharmaceutical pills to include those laced with fentanyl.

Pill press and encapsulating machines are regulated in the U.S. and require a DEA Form 452-Import, Export, or domestic Transaction of Tableting and Encapsulating Machines. The DEA Form 452 must be filed 15 calendar days before the anticipated arrival at the port of entry or port of export. According to the U.S. Department of Justice DEA Reporting for Regulated Machines, the Import/Export Section administers and monitors DEA's Import and Export program for controlled substances, chemicals, and transactions of regulated machines. Regulated transactions include domestic distribution, importation, or exportation of a tableting machine or encapsulating machine. Regulated machines include tableting and encapsulating machines ranging from manual, semi-automatic, and fully automatic equipment. Violating the above requirements is a violation of Code of Federal Regulations Title 21 Part 1310- Records and reports of listed chemicals and certain machines; importation and exportation of certain machines.

In September 2022, HSI Special Agent (SA) Kathy McGlone (hereafter referred to as affiant) began an investigation on a Chinese based company that is affiliated with a U.S. based company located in California. Both companies' websites advertise the sale of pill press equipment and encapsulating equipment and listed Sophie CHEN as a U.S. sales representative with a China based phone number ending in 7122 (hereafter referred to as CH7122) as a contact phone number. Throughout the course of the investigation agents have visited both websites on a

regular basis. Agents observed a photo on each website introducing the sales team. Based on U.S. issued Visa photos, agents identified CHEN, "Monica," and "Alex" in the photo along with other unidentified sales representatives.

On April 14, 2023, Xiaofei "Sophie" CHEN flew from China to the Dallas/Fort Worth International Airport located in the Northern District of Texas. The affiant was on site to interview CHEN upon her arrival. During the interview, which was conducted in the English language, CHEN stated she has been employed as a sales representative for a China based pill press/encapsulating manufacturing company for eight years. CHEN outlined the company's policies on selling encapsulating and pill press equipment to U.S. based customers.

Initially CHEN stated her customers must apply for the DEA Form 452 prior to purchasing encapsulating and/or pill press equipment. CHEN further stated once the DEA Form 452 is approved, the customer receives an identification number that is then provided to CHEN prior to her sending the customer any equipment. CHEN admitted she does not verify the identification number with DEA to ensure it is a valid identification number for that specific purchase. CHEN later contradicted her statement stating she sends her customer the information needed to apply for the DEA Form 452 after she sends the shipment. CHEN explained that a shipment takes 30 days to ship from China to the U.S. and the DEA Form 452 only requires a 15 day notice. The affiant asked why CHEN would send pill press equipment before a customer obtained the required documentation. CHEN responded CBP (U.S. Customs and Border Protection) inspects the shipments and they would seize a shipment that did not have the required paperwork. The affiant informed CHEN that not all shipments are inspected by CBP. CHEN acknowledged that CBP inspections are random. CHEN further added that she does have her customers sign that the equipment will not be used for illegal purposes.

Based on the previous statements made by CHEN, the affiant informed CHEN that as the U.S. sales representative, it appears she does not comply with the DEA Form 452 requirements when selling regulated equipment such as die molds and pill press machines. CHEN claimed she is not the only U.S. sales representative employed by her company. The affiant stated it was CHEN's name and likeness that appear on both websites. CHEN agreed it was her name and likeness but it is not her phone number. The affiant asked CHEN for her phone number and CHEN provided a China based number ending in 7122. The affiant advised CHEN that was the same phone number listed on both websites. It should be noted the 7122 number is currently displayed on the Chinese based company website.

The affiant asked CHEN if the company she works for sells die molds. CHEN explained if a customer orders a pill press machine, the company provides the die molds for the machine purchased however, if a customer wants a die mold she refers them to another company located in Shanghai, China. CHEN believes her boss owns the other company. The affiant asked if CHEN has sold any M30 die molds. CHEN stated the company she works for has not made the M30 die mold since 2015 or 2017. CHEN explained when a customer asks for a die mold, she conducts a Google search for the design to verify whether the die mold is used for food or drug purposes. If the mold is not used for food or drug purposes, her company will make the die mold.

The affiant asked CHEN if she would feel responsible if one of her family members visited the U.S. and overdosed on a counterfeit pill that was produced with equipment CHEN supplied a customer. The affiant explained that by CHEN supplying regulated pill press equipment to individuals that are not in compliance with the requirements, she can be involved in a conspiracy if the equipment is used for illegal purposes. CHEN stated from now on she will change her practices and start sending the equipment after the DEA Form 452 is approved. The affiant explained to CHEN that this is something she should have been doing for the last eight years. An extraction of CHEN's cellular phone was conducted. Chen was provided her documents and cellular phone and was admitted to the U.S.

In May 2023, HSI agents conducted an examination of the data extracted from CHEN's phone. The extraction was for an iPhone with phone number identified as CH7122, which is the same number provided by CHEN during her interview. Agents discovered numerous exchange of messages between CHEN and her U.S. based customers ranging from July 2018, up to the date of the phone extraction. Upon review of the messages, agents found numerous customers telling CHEN that they would not be able to obtain the DEA Form 452. CHEN responded by informing her customers that they will dismantle the pill press machine and send it in two or three separate shipments. Through affiant's training and experience affiant believes that Chinese companies break down the pill press machines to deter detection by CBP. The affiant did not find any messages of CHEN asking her customers if the equipment would be used for illegal purposes. Based on affiant's experience, she believes CHEN is aware that some of her customers are using the equipment for illegal purposes by continuing to facilitate the distribution of M30 die molds.

Agents reviewed an exchange of messages from an instant messaging application between CHEN and "Monica" which span from March 30, 2020 to October 15, 2020. The messages are in the Chinese language and have been translated into the English language. Below is a non-verbatim synopsis of the exchange of messages between CHEN and "Monica."

CHEN asks "Monica" how she collects payment for the molds over there? "Monica" replies it's the same as now, and mentions an exception of a specific payment remittance company. CHEN responds Pay to our own account or do you have other accounts for your customers? "Monica" replies other account. CHEN asks "Monica" if the price is the same as their current price? "Monica" tells CHEN the prices are the same so let's find agents on both sides, because they are leaving the current company in order to reduce the correlation and avoid problems later. CHEN asks "Monica" if her name is still going to be Monica and continued to laugh evilly."

Agents reviewed an exchange of messages from an instant messaging application between CHEN and "Monica" which span from October 15, 2020 to September 30, 2022. The messages are in the Chinese language and have been translated into the English language. Below is a non-verbatim synopsis of the exchange of messages between CHEN and "Monica."

CHEN tells "Monica" she is now working in the mold industry right? She will become a separate company after she achieves some success. CHEN states older brother also has a project, but has not been launched yet. This is also the plan when it is launched. CHEN asks "Monica" if her mold business is doing well over there? "Monica" informs CHEN the mold business can't be

seen. "Monica" asks CHEN if they asked her to develop business? "Monica" says she developed molds and got involved in the printing. CHEN asks "Monica" if a specific mold is still being made because she didn't see it on the list. "Monica" replies it is, it's with me. CHEN responds okay, then let's send the goods together. CHEN sends "Monica" a hand drawn picture of a custom die mold and asks "Monica" if she had previously asked her to make that die mold, why is the price so high. "Monica" replies it is a high speed punch.

Agents read an exchange of messages between CHEN and a customer named "Roger." The exchange of messages with "Roger" span from July 6, 2020 to November 23, 2022. In the messages "Roger" tells CHEN that an employee of a shipping company "said if the merchandise is a 1000 dollar value is necessary pay the tax, but if you declare less than 1000 usd no need to pay anything. "Roger" informs CHEN to "please put the value is less than 1000 usd for the remaining shipments." CHEN replies "no problem." "Roger" also tells CHEN to "never send nothing under my name", "I change the phone the name and address" and CHEN replies "smart." "Roger" requests CHEN send a video and manual of how to assemble the pill press machine. "Roger" asks for specifications on the ZP-9 pill press machine he is interested in purchasing and tells CHEN "because our workplace is only 6 feet tall." CHEN provides the measurements to "Roger." In another message "Roger" is in the process of ordering more equipment from CHEN and "Roger" informs CHEN to "put replacement truck parts please in the custom paper declaration" and CHEN responds "OK." "Roger" messages CHEN "Dear I need you help about the dies and punch" "you know of any company that you can recommend me, that does them with the same quality of your company" "I don't have anyone who can make those pieces for me." CHEN responds "Hello Roger, I know someone in our local store that makes die but I Cannot make sure if they make the same quality." "Roger" responds "Well, I would have to try them, because I don't really have anyone who can do them for me" "Is possible you give me the contact?" Later the same day "Roger" messages CHEN "please don't forget to give me the contact of person who makes the dies and punch." The following day "Roger" messages CHEN "Many thanks dear the person as you recommended is contact to me about the dies and punch many many thanks." CHEN responded "I haven't recommended any one." "Roger" messages "I received the message from a person about the dies and punch" "Roger" provided "Monica" a www.com address associated to die mold sells. CHEN responded "May I know who contacted you?" "Roger" provided CHEN a China based phone number ending in 3895 (hereafter referred to as CH3895) and informed CHEN "The name is MONICA." CHEN responds "I know who she is now" "Let me check with her." "Roger" replies "Ok please." "Is a safe make a business with her?" CHEN replies "She is safe but I don't know about the website." Later CHEN informs "Roger" "I asked Monica and you are okay to do business with her." "She enters into mold business now." "Roger" responds "Ok perfect" "many thanks." It should noted upon review of CHEN's phone extraction, agents found CH3895 as a saved contact named "Monica."

A law enforcement database check revealed a shipment from a China based company with the same address as the company CHEN works for manifested as "fuel injector." The shipment was destined for the same address "Roger" provided CHEN. The date of the shipment coincides with the messages between "Roger" and CHEN. Based on affiant's experience, shipments from China

containing regulated or sensitive equipment such as pill press machines and/or pill press accessories are mis-manifested by the seller to evade detection and a possible seizure by CBP.

After reviewing the exchange of messages between CHEN and "Roger" in reference to "Monica" contacting "Roger" for the die molds, agents once again reviewed the messages between CHEN and "Monica." Agents found a message that corresponds with the time frame of "Roger's" messages where CHEN tells "Monica" now the mold is handed over to her. CHEN saw that "Monica" used her personal mobile phone number, and asks if she is responsible for any problems that arise later? "Monica" replies No, it's not from our side.

In June 2023, an HSI undercover agent (UCA) from a location within the Western District of Texas, posed as a buyer and contacted CHEN via an instant messaging application with phone number CH7122 inquiring about purchasing a M30 die mold. The UCA only inquired about the trademarked M30 die molds directly to CH7122 and shortly thereafter the UCA received a message from an individual who introduced herself as "Monica."

"Monica" responded to the UCA using an instant messaging application with China based phone number ending in 8999. The UCA inquired about purchasing two M30 die mold sets and a TDP5 tableting machine. "Monica" quoted a price of \$1,200 for the TDP5 and \$99 for each M30 die mold set. The UCA asked "Monica" if it would be safe from Customs (U.S. Customs and Border Protection) and "Monica" replied the molds are sensitive items and there is a certain risk of being confiscated by Customs but they would send them to a safe point of logistics. "Monica" asked the UCA if he/she could apply with DEA stating if so they could ship the entire machine to the logistics department. If not, it would need to be dismantled and shipped. The UCA informed "Monica" it wasn't possible to apply with DEA and asked how many shipments it would come in. "Monica" stated it would be delivered in two express packages.

The UCA paid for the purchase for the two M30 die mold sets and the TDP5 tableting machine with a bitcoin wallet provided by "Monica." A box containing two M30 die mold sets arrived at the covert address provided by the UCA which is located in the Western District of Texas. The box containing the M30 die mold sets was falsely manifested as "sofa cover" to avoid inspection by CBP. "Monica" messaged the UCA a link to a www.com address that describes the company as "a professional manufacturer of high-precision tablet press molds" and informed the UCA "Do you need any other molds? This is the website." The shipment containing the TDP5 tableting machine arrived in three boxes on one wooden pallet to the same address provided by the UCA located in the Western District of Texas. The shipment was manifested as machine accessories, machine accessories, and pieces which is falsely manifested as it is a pill press machine.

On at least two separate occasions affiant is aware of customers and or UCAs contacting CHEN inquiring about die molds and shortly thereafter both received messages from "Monica" responding to their original inquiry to CHEN regarding a die mold. The www.com address "Monica" provided to "Roger" and the UCA has an online video sharing website with five videos posted related to various types of pill press equipment. Four out of the videos shown lists the name "Monica" and a China based phone number ending in 3895.

In September 2023, the HSI UCA utilizing a different phone number, posed as a buyer and contacted CHEN via an instant messaging application with phone number CH7122 inquiring about purchasing a TDP1.5 tableting machine. CHEN responded asking what state the UCA resided in and the UCA responded "Texas." CHEN informed the UCA that her colleague "Inna" would be contacting him/her. On the same day, the UCA received an instant messaging application message from "Inna" utilizing a Chinese based phone number ending in 0188, stating "hi friend we received an inquiry from you about the tablet press machine." The UCA inquired about purchasing a TDP1.5 tableting machine and asked for a quote with shipping. "Inna" quoted a total price of \$1,657 for the TDP1.5 with shipping. "Inna" asked the UCA if he/she would be able to get permission from DEA and the UCA informed "Inna" that was not possible. "Inna" expressed concerns about the shipment being seized by Customs and asked if the UCA had a friend that would be able to get DEA permission. The UCA informed "Inna" that wasn't possible. "Inna" stated they would ship the machine if the UCA would take full responsibility since it was a high risk shipment. The UCA accepted responsibility and arranged to pay for the TDP1.5 via bank transfer.

The UCA completed the purchase for the TDP1.5 tableting machine which later arrived in three separate shipments at the covert address provided by the UCA located in the Western District of Texas. The shipments were each falsely manifested as "packing machine frame," "electric motor," and "accessories (handwheel, hopper shaft motor board)" to avoid inspection by CBP. It should noted upon review of CHEN's phone extraction, agents found CH1088 as a saved contact named "Inna."

In October 2023, the Chinese company that employs Chen and is currently being investigated by HSI, was in attendance at an expo/ trade show held at a casino in Las Vegas, Nevada. An expo/ tradeshow in an event where businesses and professionals can display their company products and innovations. HSI UCAs attended the expo and engaged in conversation with CHEN who was manning the booth. The UCA informed CHEN that he/she purchased a TDP5 and TDP1.5 with "Monica" and "Inna." The UCA informed CHEN he/she sent CHEN a message first. CHEN responded to the UCA "sometimes I don't deal with customers directly I let them (meaning "Monica" and "Inna") do the customers sales job." The affiant has reason to believe CHEN will be attending the same expo/ trade show being held at the same casino in Las Vegas starting October 28, 2024. The affiant conducted a law enforcement database query on CHEN and learned that CHEN arrived from China to the Los Angeles International Airport on October 15, 2024. CHEN provided her U.S. issued B1/B2 visa to CBP as her entry document upon her arrival.

Based on the information provided above it is believed that CHEN is in violation of 21 USC 843(a)(5) Prohibited Acts C- Unlawful acts it shall be unlawful for any person knowingly or intentionally make, distribute or possess any punch, die, plate, stone, or other thing designed to print, imprint, or reproduce the trademark, trade name, or other identifying mark, imprint, or device of another or any likeness of any of the foregoing upon and drug or container or labeling thereof so as to render such drug a counterfeit substance, 21 USC 843(a)(7) To manufacture, distribute, export, or import any three-neck round bottom flask, tableting machine, encapsulating

machine, or gelatin capsule, or any equipment, chemical, product, or material which may be used to manufacture a controlled substance or listed chemical, knowing, intending, or having reasonable cause to believe, that it will be used to manufacture a controlled substance or listed chemical in violation of this subchapter or subchapter II or, in the case of an exportation, in violation of this subchapter or subchapter II or of the laws of the country to which it is exported and 21USC846 Attempt and Conspiracy- Any person who attempts or conspires to commit any offense defined in this subchapter shall be subject to the same penalties as those prescribed for the offense, the commission of which was the object of the attempt of the conspiracy.