

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA

v.

JOSEPH T. PALERMO

CASE NUMBER:

UNDER SEAL

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 September 9, 2015, at Oak Lawn, in the Northern District of Illinois, Eastern Division, and elsewhere, the defendant, violated:

Code Section

Title 21, United States Code,
Section 841(a)(1)

Offense Description

JOSEPH T. PALERMO, defendant herein, did knowingly and intentionally possess with intent to distribute a controlled substance, namely, a quantity of anabolic steroids, a Schedule III controlled substance, in violation of Title 21, United States Code, Section 841(a)(1).

This criminal complaint is based upon these facts:

X Continued on the attached sheet.

DANIEL NUGENT
Special Agent, Homeland Security
Investigations (HSI)

Sworn to before me and signed in my presence.

Date: September 23, 2015

Judge's signature

City and state: Chicago, Illinois

MARIA VALDEZ, U.S. Magistrate Judge

Printed name and Title

substance, in violation of Title 21, United States Code, § 841(a)(1). The information in this affidavit is based on: my personal knowledge; investigative reports; physical surveillance; trash pulls; information obtained from other law enforcement personnel; information obtained using administrative subpoenas; information contained in a Google email account for PALERMO obtained pursuant to a state search warrant; the September 9, 2015, search of PALERMO's residence pursuant to a federal search warrant; a September 9, 2015, interview of PALERMO; and information contained in a second Google email account for which PALERMO gave consent to search. Because this affidavit is being submitted for the limited purpose of securing this criminal complaint, I have not included every fact known to me about this investigation.

FACTS ESTABLISHING PROBABLE CAUSE

A. Border Searches of Parcels Imported by PALERMO

4. Beginning in or about June 2014, HSI began investigating a number of individuals who are alleged to be involved in the illegal importation and distribution of anabolic steroids and human growth hormone ("HGH") into the United States from overseas, including China and Hong Kong, in violation of Title 21, United States Code, §§ 841, 843, 846, and 952. These investigations, which remain ongoing, have thus far resulted in the issuance of numerous federal and state search warrants, as well as the initiation of two ongoing federal criminal cases. As part of this investigative work, I have executed approximately four search warrants at separate residences that have resulted in the seizure of underground steroid laboratories, some of which contained pill presses and large quantities of anabolic steroids and HGH. To date, I have also executed at least three search warrants on email accounts that resulted in the seizure of emails between steroid importers and sources of supply located overseas. Through my training

and experience, I am aware that steroid importers commonly utilize email accounts to correspond with sources of supply located overseas. Through my training and experience, I am also aware that steroid importers commonly utilize wire transfer companies such as Western Union to wire payments to sources of supply overseas. Through my training and experience, I am also aware that steroid importers commonly use commercial mail box services, such as UPS Store locations, as a means to receive parcels containing controlled substances.

5. During the above-described investigation, I was notified on or about June 19, 2015, that Customs and Border Protection (“CBP”) officers located at the San Francisco, California International Mail Branch (“IMB”) had intercepted and conducted a border search of a parcel (“Subject Parcel 1”) originating from “Wuhan H&Z Trade Co. Ltd” in China. According CBP, Subject Parcel 1 was declared as “Titanium Dioxide” and contained a plastic container with an oily liquid substance concealed inside. After Subject Parcel 1 was opened, CBP officers recovered approximately 359.2 grams of the substance, and the substance tested presumptively positive for the characteristics of *boldenone undecylenate*, an anabolic steroid that is a Schedule III controlled substance. Through my training and experience, I know that 359.2 grams of liquid steroids generally represents a quantity of liquid steroids that is intended for use in manufacturing and distributing steroids.

6. According to the shipping label, Subject Parcel 1 was addressed to “Joe Palermo, 35 King Arthur Court #6, Northlake, Illinois, 60164.” After CBP’s discovery of the steroids inside Subject Parcel 1, I subsequently performed open source reporting queries through Thomson Reuters CLEAR. These checks indicated that Joseph PALERMO was associated to the Northlake address. Open source reporting also indicated that PALERMO was associated to

additional addresses located in Blue Island, Elmhurst, and Oak Lawn, Illinois. Furthermore, I also conducted a query in an Illinois secretary of state database and determined that “Joseph T. PALERMO” resides at 10100 S. Kolin, Oak Lawn, Illinois. Additionally, I determined that PALERMO has a publicly-accessible Facebook account in which he states that he is employed at Argonne National Laboratory.

7. On or about July 28, 2015, I was notified that CBP Officers located at the San Francisco, California IMB had intercepted and conducted a border search of a second parcel (“Subject Parcel 2”) originating from “Wuhan H&Z Trade Co. Ltd” located in China and declared as “Titanium Dioxide.” Subject Parcel 2 was addressed to “Joey Palermo, 205 E Butterfield Rd, Apt 150, Elmhurst, Illinois 60126.” According to CBP inspectors, Subject Parcel 2 contained a suspicious powdery substance concealed inside a tin foil baggie. After Subject Parcel 2 was opened, CBP officers recovered approximately 204.3 grams of a substance, and the substance field-tested presumptively positive for the characteristics of *testosterone enanthate*, an anabolic steroid that is a Schedule III controlled substance. Through my training and experience, I know that 204.2 grams of powder steroids generally represents a quantity of powder steroids that is intended for use in manufacturing and distributing steroids.

B. PALERMO’s Use of a PO Box to Import Controlled Substances

8. After the seizure of Subject Parcel 2, I performed open source database queries on the address to which Subject Parcel 2 was addressed -- 205 E Butterfield Rd, Apt 150, Elmhurst, Illinois 60126 -- and determined that the address is associated to a UPS Store, Store #777. Thereafter, on or about June 30, 2015, I served an administrative subpoena on UPS Store #777, seeking all documents concerning a PO Box leased by Joseph PALERMO, including photo

identification documents, phone numbers, and addresses provided to open the box, a copy of the lease agreement, and a list of parcels received by PALERMO at that store.

9. Pursuant to the subpoena, UPS Store #777 produced a rental agreement indicating that PALERMO opened the PO Box on or about January 12, 2010. According to documents produced by the UPS Store, PALERMO provided the email address jtpalermo@gmail.com and requested that the store notify him by email when a parcel had arrived for him. Also produced was a photocopy of the identification card that PALERMO used to open the PO Box, an older Illinois driver's license which contained a photograph of PALERMO and listed his address as 35 King Arthur Court #6, Northlake, Illinois, 60164 ("the Northlake Residence"). After viewing the driver's license that was produced to UPS Store #777 to open the PO Box, I determined that the person who opened the PO Box was the same Joseph PALERMO that Illinois secretary of state database records indicate resides at 10100 S. Kolin, Oak Lawn, Illinois ("the Oak Lawn Residence").

10. Furthermore, according to documents produced by UPS Store #777, since January 2010, PALERMO has received approximately 100 mail parcels arriving from Hong Kong, 61 mail parcels arriving from China, and 17 mail parcels arriving from India. Through my training and experience, I am aware that Hong Kong and China are source countries for anabolic steroids. Through my training and experience, I am also aware that India is a source country for anti-estrogen medications that are commonly used by steroid abusers and body-builders to counteract or "reverse" the effects of anabolic steroid use, such as gynecomastia.

11. After reviewing the above-identified documents obtained from UPS Store #777, I interviewed a UPS Store employee. According to the UPS store employee, on at least one

occasion since PALERMO opened the PO Box at Store #777, PALERMO received a parcel at the store which contained syringes. When discussing the parcel with the UPS store employee, PALERMO told the employee that PALERMO was receiving the shipment for his friend, who was a dentist. Through my training and experience, I am aware that steroid manufacturers and users commonly sell and utilize syringes to administer anabolic steroid intravenously.

12. On or about July 1, 2015, I received a phone call from the same UPS Store employee, who reported that PALERMO had just received two parcels from Hong Kong. According to the store employee, on the required Customs paperwork, the parcels were declared as “oral amino acid, food supplement.” Through my training and experience, I am aware that sources of supply located overseas commonly use false declarations on mail parcels as a way to evade law enforcement and conceal the true contents of a mail parcel. Through my training and experience, I am also aware that Hong Kong based steroid suppliers commonly conceal steroid powders inside of food packaging products.

C. PALERMO’s Use of Western Union to Wire Funds Overseas

13. On or about June 30, 2015, in order to determine if PALERMO used a money transfer service to wire funds abroad, I served an administrative subpoena on Western Union for all wire transfer records associated with PALERMO. According to documents produced by Western Union, between April 8, 2013, and June 30, 2015, PALERMO sent approximately 41 wire transfers totaling approximately \$37,561 to individuals located overseas. Twenty-seven of the wires, totaling approximately \$24,486, were sent to individuals located in China. The Western Union records indicate that, in connection with the wire transfers overseas to China, PALERMO listed the Northlake address and a Blue Island address.

D. PALERMO's Use of Gmail to Engage in Drug Trafficking

14. On or about July 30, 2015, a Judge of the Circuit Court of Cook County, Illinois, approved a state search warrant for the Google account jtpalermo@gmail.com. On or about August 17, 2015, after the warrant was executed on Google, Inc., I received a thumb drive containing the contents of the Google account of jtpalermo@gmail.com, including email messages to/from PALERMO and documents stored on a cloud-based storage service.

15. At this time, I continue to review the contents of the records produced by Google. Thus far, a preliminary search of emails in the account jtpalermo@gmail.com indicates that PALERMO has been in contact with overseas suppliers of bulk steroids and HGH since at least 2014, and has ordered controlled substances on a number of occasions, including anabolic steroids and HGH that he is distributing. For example, on or about July 2, 2015, PALERMO wrote this email to an overseas steroid supplier:

... I need a few more things. Here's my order.

18 kits (you do not have to ship the white boxes. I have some left from before.

500 Aromidex

2,000 vars

1,000 drols

Please begin the ordering process on your end as I need this ASAP!!!

PS. Not to be negative, but I and my customers noticed in the last shipment of hgh kits that there were a lot of vials that didn't have a lot of powder in them. Some of my people were complaining. Any chance you can ensure that the vials you send are filled up and look good?

Based on my training and experience, the email reflects that PALERMO was placing an order for a bulk amount of anabolic steroids. For example, when PALERMO referred to “2,000 vars,” he was likely referring to a quantity of “*anavar*,” also known as *oxandrolone*, an anabolic steroid that is a Schedule III controlled substance. Moreover, when PALERMO referred to “1,000 drols,” he was likely referring to “*anandrol*,” also known as *oxymethalone*, an anabolic steroid that is a Schedule III controlled substance.

16. In addition, several of the emails sent by PALERMO using this Gmail account list the names of individuals who appear to be wiring money abroad on PALERMO’s behalf. These emails also reflect that PALERMO has utilized other individuals to receive parcels at other area UPS Stores on PALERMO’s behalf in furtherance of narcotics trafficking activities.

17. A second Gmail account that PALERMO later admitted to have also used to conduct his drug trafficking was subsequently searched after PALERMO gave consent on September 9, 2015. Preliminary review of some of the emails exchanged in that account indicates that, since at least December 2009, PALERMO has communicated with suppliers in China concerning the purchase of bulk anabolic steroids. For example, on or about December 23, 2009, PALERMO, using a different Gmail screen name, wrote to a suspected Chinese supplier of bulk steroids and stated:

I am interested in purchasing the powder(s) as well as additional supplies that I may need to order to make Cypionate. Can you please assist sourcing the required powders and accessories that will be needed in order to do this?

In response, the suspected supplier wrote back on or about December 23, 2009, stating:

Yes, we have Testosterone Cypionate in stock, what quantity do you want? And waht [*sic*] other accessories do you need? Pls inform us so I can know what I can help...

We are professional supplier for steroids, hormone and peptide in China. Attached product catalogue there are our products, pls check. If your order is regular, We make sure you will get best source with very competitive price.

PALERMO then replied,

Thank you... for the quick & warm response. I more or less need any & all materials needed to “brew” my own Cypionate as well as the tools & directions on how to cook it. Any assistance that you can provide would be greatly appreciated...

The emails in this second Gmail account also reflect that, since at least 2010, PALERMO also arranged to wire money to China for similar purchases using at least 12 alias names. Accordingly, based on my training and experience, the email above reflects that PALERMO was enquiring about the purchase of a bulk amount of *testosterone cypionate* powder, an anabolic steroid that is a Schedule III controlled substance, in order to be able to manufacture it for possible distribution.

E. Trash Pulls at PALERMO’s Oak Lawn Residence

18. Between approximately July 23, 2015, and September 3, 2015, law enforcement conduct several trash pulls at the Oak Lawn Residence which yielded various items of evidentiary value. For example, on or about July 23, 2015, law enforcement conducted a trash pull at the Oak Lawn Residence, and one bag of trash was inspected. The trash bag contained a number of items listing the name “Joseph PALERMO” and the address of the Oak Lawn Residence. Among other items, the bag also contained a receipt from the Melrose Village Currency Exchange concerning a wire transfer of \$937.00 on April 3, 2015. The above-described Western Union documents reflect that, on April 3, 2015, PALERMO wired \$937.00 to an individual identified as “Dongru LIN” and located in China.

19. Additionally, on or about August 6, 2015, law enforcement conducted a trash pull at the Oak Lawn Residence, and one bag of trash was inspected. Among other items, the trash bag contained one opened registered mail parcel addressed to “Joseph PALERMO, 205 E Butterfield Rd. Ste #150, Elmhurst, IL 60126 USA.” According to the shipping label, the registered mail parcel had been sent from Hong Kong, and the contents of the parcel had been declared as “Oral amino acid food supplement.” The shipping label also indicates that the parcel arrived at the UPS Store on July 31, 2015. Through my training and experience, I am aware that suppliers of bulk steroids sent from China often attempt to conceal the true contents of their parcels by making false statements about the contents on customs declarations.

20. Additionally, on or about August 27, 2015, law enforcement conducted a trash pull at the Oak Lawn Residence, and several bags of trash were inspected. Among the items recovered from various trash bags were the following:

a. One trash bag contained an opened express mail parcel addressed to “Joey PALERMO, 205 E Butterfield Rd Apt #150, Elmhurst, Illinois 10126.” According to the shipping label, the parcel was sent from “Wuhan H&Z Trade Co. Ltd” located in China, and the contents of the parcel was declared as “Titanium Dioxide.” Inside of the parcel, I located two silver metallic bags and three clear plastic baggies, two of which contained a white powdery substance.

b. A second trash bag contained an opened express mail parcel addressed to “Joey PALERMO, 205 E Butterfield Rd Apt #150, Elmhurst, Illinois 10126.” According to the shipping label, the parcel was sent from “Wuhan H&Z Trade Co. Ltd” located in China, and the contents of the parcel was declared as “Titanium Dioxide.”

c. The second trash bag also contained a second opened express mail parcel addressed to “Joe PALERMO, 35 King Arthur Court apt #6, Northlake, Illinois 10164.” According to the shipping label, the second parcel was sent from “Wuhan H&Z Trade Co. Ltd” located in China, and the contents of the parcel was declared as “Titanium Dioxide.”

d. A third trash bag contained three empty label sheets, each sheet at one point holding 30 labels. One of the sheets contained printing on it and the words “Testosterone Cypionate 250 mg/ml-Genesis Pharmaceutical.” Through my training and experience, I am aware that steroid manufacturers commonly print labels to affix to vials containing steroids. I am also aware that steroid manufacturers commonly sell steroids through a “brand” such as “Genesis Pharmaceutical.”

e. The third trash bag also contained a piece of tin foil with approximately 12 printed labels on it, listing “*nandrolone decanoate*,” “*testosterone cypionate*,” “*test phyly*,” “*test i50*,” “*testosterone enanthate*,” and “*boldenone undecylenate*.” Through my training and experience, I am aware that *nandrolone decanoate*, *testosterone cypionate*, *testosterno phenylpropionate*, *testosterone enanthate*, and *boldenone undecylenate* are each anabolic steroids and Schedule III controlled substances.

21. On or about August 28, 2015, I submitted the two plastic baggies containing white powdery residues, which are described above in Paragraph 20(a), to the CBP Forensic Laboratory in Chicago, Illinois. On or about August 28, 2015, a CBP Chemist confirmed that one of the substances had tested presumptive positive for the characteristics of *testosterone enanthate*, an anabolic steroid and Schedule III controlled substance. The CBP Chemist also confirmed that the other substance had tested presumptive positive for the characteristics of *testosterone cypionate*, an anabolic steroid and schedule III controlled substance.

F. The Search of PALERMO’s Oak Lawn Residence

22. On or about September 9, 2015, law enforcement officers executed a search of Oak Lawn Residence pursuant to a federal search warrant that was approved by United States Magistrate Judge Jeffrey Cole on September 4, 2015. Among other things, during the search, law enforcement located a locked bedroom with a walk-in closet that contained what appeared to be a steroid laboratory that was used for the large-scale manufacturing and distribution of anabolic steroids, HGH, and other items. For example, inside the closet, numerous items were

recovered, including: approximately 600 empty glass vials; approximately 250 vials filled or partially-filled with suspected liquid steroids and labeled as different types of anabolic steroids; approximately 193.5 grams of suspected raw steroid powder; over 6,000 tablets labeled as anabolic steroids; approximately 61 vials of suspected HGH; approximately 2,000 syringes; glass beakers; a hot plate; a digital scale with powdery residue; a five gallon jug of cottonseed oil, which is commonly added to bulk powder steroids in order to make the powder injectable; printed labels commonly placed on steroid vials; over 2,000 tablets of suspected anti-estrogen medication; approximately 1,000 *Tadalafil* tablets; and approximately 700 *Sildenafil* tablets.¹ The search of the residence also resulted in the recovery of over \$9,000 in cash and several firearms, including a 9mm Glock handgun that was concealed under a pad in a sofa. Additionally, the search of the residence resulted in the recovery of three computers, two laser printers, and numerous Western Union wire receipts, some of which appear to be in the names of fictitious individuals. The Western Union wire receipts reflect the wire transfer of several thousand dollars in funds overseas to various individuals.

23. On or about September 11, 2015, I submitted for laboratory testing a sample consisting of approximately 64.1 grams of a white powdery substance that was seized from PALERMO's Oak Lawn Residence during the above-described search. The CBP laboratory subsequently confirmed that the substance had tested positive for an anabolic steroid, *nandrolone decanoate*, a Schedule III controlled substance.

¹ *Tadalafil* is the generic name for Cialis. *Sildenafil* Citrate is the generic name for Viagra. Based on my training and experience, I know that distributors of anabolic steroids often distribute Tadalafil and Cialis to anabolic steroid users to counteract certain side effects of anabolic steroid use, such as impotence.

24. On or about September 11, 2015, I submitted for laboratory testing a sample consisting of approximately 44.6 grams of a white powdery substance that was seized from PALERMO's Oak Lawn Residence during the above-described search. The CBP laboratory subsequently confirmed that the substance had tested positive for an anabolic steroid, *drostanolone enanthate*, a Schedule III controlled substance.

25. On or about September 11, 2015, I submitted for laboratory testing a sample consisting of approximately 84.8 grams of a white powdery substance that was seized from PALERMO's Oak Lawn Residence during the above-described search. The CBP laboratory subsequently confirmed that the substance had tested positive for an anabolic steroid, *testosterone 17-beta-cypionate*, a Schedule III controlled substance.

G. PALERMO's Admissions Concerning the Importation, Manufacture, and Distribution of Anabolic Steroids

26. On or about September 9, 2015, I interviewed PALERMO after he received and waived his *Miranda* rights both verbally and in writing. During the interview, PALERMO admitted to the following, among other things. PALERMO admitted that he had been importing anabolic steroids, HGH, and pharmaceuticals from outside the United States for approximately five years. PALERMO acknowledged that he would have the drugs sent to the Elmhurst P.O. Box and the Northlake Residence. Upon receiving powder steroids, PALERMO stated that, in the past, he would manufacture the powder into liquid steroids at the Northlake Residence, and then transport the finished product to the Oak Lawn Residence, where he would distribute the steroids to five or six large-scale steroid dealers located in the Chicago area. PALERMO admitted that he would print his own labels and that his brand of steroids went by the name

“Genesis Pharmaceuticals.” PALERMO admitted that he would sometimes instruct his buyers to wire money overseas on his behalf to pay for the raw steroid powder that was needed to manufacture the anabolic steroids. PALERMO admitted that he sold anabolic steroids to help pay for his new house in Oak Lawn, *i.e.*, the Oak Lawn Residence, other items, and his lifestyle. PALERMO estimated that he grossed approximately \$2,000 per month through the sale of anabolic steroids that he manufactured and distributed. PALERMO acknowledged that he had approximately \$8,000 in cash inside the home, which represented his profit from selling steroids.

27. During the interview PALERMO also admitted the following. PALERMO stated that he used to work as a bouncer at a downtown nightclub. On a number of occasions, PALERMO admitted that he would locate driver’s licenses and state ID cards that patrons had lost or misplaced while at the nightclub. PALERMO claimed that on unknown dates, he located the licenses of Individual A and Individual B on the floor of the nightclub. PALERMO said that he then used these licenses to open PO Boxes under their names at two separate UPS Stores located in Oak Park, Illinois. PALERMO further admitted that he subsequently used the two PO Boxes to import parcels containing anabolic steroids and HGH. During the above-described search of PALERMO’s Oak Lawn Residence, law enforcement recovered the respective licenses for Individual A and Individual B inside the closet where the majority of the anabolic steroids and other items were discovered.

CONCLUSION

28. Based on the foregoing, I respectfully submit that there is probable cause to believe that Joseph T. PALERMO committed the crime alleged in the criminal complaint.

FURTHER AFFIANT SAYETH NOT.

Daniel B. Nugent
Special Agent
Homeland Security Investigations

Subscribed and sworn to before me
on this ____ day of September, 2015.

The Honorable Maria Valdez
United States Magistrate Judge