

UNITED STATES DISTRICT COURT

DISTRICT OF ARIZONA

United States Of America

v.

1. John Michael Caruso,
Aka the "Kryp+0 K!ng"

2. Zachary Salter

Case No.:

CRIMINAL COMPLAINT

20-8034 MS

SEALED

I, the undersigned complainant, being duly sworn, state that the following is true and correct to the best of my knowledge and belief:

Beginning at a time unknown, but at least as early as June 2018 and continuing through January 2020, the defendants violated 18 U.S.C. § 371, a felony, an offense described as follows:

See Attachment A Incorporated By Reference Herein

I further state that I am a Special Agent from the U.S. Secret Service and that this complaint is based on the following facts:

See Attached Statement of Probable Cause Incorporated By Reference Herein.

AUTHORIZED BY: AUSA Andrew C Stone and AUSA James R Knapp *JR*

JAMES LAMERSON, SPECIAL AGENT
Name of Complainant

[Signature]
Signature of Complainant

Sworn to before me and subscribed in my presence
January 29, 2020 11:30 AM
Date

at Phoenix, Arizona
City and State

HON. JOHN Z. BOYLE
United States Magistrate Judge
Name & Title of Judicial Officer

[Signature]
Signature of Judicial Officer

ATTACHMENT A

Beginning at a time unknown, but at least as early as June 2018 and continuing through January 2020, in the District of Arizona and elsewhere, defendants JOHN MICHAEL CARUSO and ZACHARY SALTER, with others known and unknown, did unlawfully, knowingly, and intentionally agree and conspire to commit the following offenses:

- a. Title 18, United States Code, Section 1343, Wire Fraud, and
- b. Title 18, United States Code, Section 1957, Money Laundering.

To accomplish the objects of the conspiracy and the scheme to defraud, defendants CARUSO and SALTER did (1) identify potential victims with money to invest, (2) falsely tell victims that their deposits would be used solely for cryptocurrency investment, (3) seek out favorable press coverage to lend legitimacy to themselves and Zima Digital Assets, (4) disburse the victims' money to themselves, and (5) funnel a portion of new investor money to previous investors to make the investment fund appear legitimate and profitable and to conceal the fraud.

In furtherance of the conspiracy, and to achieve the objects of the conspiracy, CARUSO and SALTER committed an overt act, including the creation of www.zimadigitalassets.com on or about June 13, 2018, and the incorporation of Zima Digital Assets LLC on or about July 16, 2018.

All in violation of 18 U.S.C. § 371.

STATEMENT OF PROBABLE CAUSE

I, James Lamerson, being duly sworn, hereby depose and state as follows:

1. I am a Special Agent with the U.S. Secret Service and have been employed in this capacity since August 2018. I have been a law enforcement officer in Arizona since December 2007.

2. The facts in this affidavit come from your affiant's personal observations, training, experience, and information obtained from other agents and witnesses. This affidavit does not set forth all of my knowledge about this matter, and is intended to show merely that there is probable cause to believe that, from June 2018 and continuing through January 2020, in the District of Arizona and elsewhere, defendants JOHN MICHAEL CARUSO and ZACHARY SALTER have engaged in a conspiracy to commit wire fraud and money laundering in violation of 18 U.S.C. § 371.

INITIATION OF INVESTIGATION

3. On June 6, 2019, during a review of source information, your affiant learned a subject, identified as JOHN CARUSO using the company name "Zima Digital Assets," was reported as using approximately \$4.5 million in funds for personal use that were sent to his personal bank account as apparent investments in "cryptocurrency" between June 2018 to March 2019.

4. The term "cryptocurrency" refers to a digital currency, e.g., bitcoin, in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank, commonly called

“crypto.” In April 2019, the U.S. Securities and Exchange Commission (SEC) published an investor alert for fraudulent digital asset and cryptocurrency investments due to the SEC’s observations of the rise in crypto-related frauds.

5. Your affiant conducted an open source search of “Zima Digital Assets” and located the website “www.zimadigitalassets.com.” The site reads, “Zima Digital Assets operates various private funds focusing on investments in cutting-edge technologies, including crypto and other blockchain based assets.” Pursuant to a subpoena issued to the New York Department of State the initial filing date of Zima Digital Assets as a corporation occurred on July 16, 2018, however the website claims “the principals of Zima Digital Assets have been investing in long and short cryptocurrency and blockchain technology strategies since 2012.”

6. A review of the site shows that there is basic information about cryptocurrency, however there are no contact names, addresses, phone numbers, or email addresses listed anywhere on the site. Domains by Proxy LLC hosts the www.zimadigitalassets.com website, and later, upon responding to a subpoena, confirmed that CARUSO is listed as the sole registrant/technical/administrative/billing contact for www.zimadigitalassets.com and the creation date for the website is June 13, 2018 (prior to the actual incorporation of Zima Digital Assets LLC in New York on July 16, 2018).

7. Your affiant checked the online Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system with the SEC, which did not show any record of Zima Digital Assets (or any variation of that name) as a registered security.

SUBJECTS' BACKGROUND

8. Upon running a criminal database check with the National Crime Information Center (NCIC) your affiant determined that CARUSO has an extensive criminal history regarding fraud and financial crimes including previous arrests in the State of California for providing false identification to law enforcement officers (arrest date February 15, 2007), the State of Florida for extortion charges (arrest date December 21, 2009), and the State of Arizona for fraud schemes and theft by misrepresentation (arrest date April 12, 2010) as well as forgery charges (arrest date March 2, 2011), assisting a criminal syndicate, money laundering, use of an electronic communication device in a drug transaction, and fraud schemes (arrest date April 1, 2011). CARUSO was released from his most recent incarceration with the Florida Department of Corrections on November 13, 2017 (approximately seven months before the website www.zimadigitalassets.com was published online).

9. Following the receipt of this information, your affiant contacted the Maricopa County Adult Probation Department who provided a Maricopa County Adult "Probation Violation Report" dated November 7, 2014 for CARUSO. Below is an excerpt from that report:

"As described in this report, the defendant is a young man born into a criminally oriented family steeped in traditions of enrichment through illegal means and trained in criminality by a father who admits to past associations with organized crime in this country. He appears to have wholeheartedly embraced his background and has chartered the career trajectory of a full-time, career

criminal. He appears to believe that he is endowed with superior intelligence, and indeed, details of his activities in jail where he engaged in a complex coordination of people and resources provided glimpses of a criminal mastermind at work.”

10. While conducting further open-source searches of Zima Digital Assets, your affiant observed photographs of a subject, his identity confirmed by his Arizona driver's license photograph as ZACHARY SALTER, who listed himself on Instagram as the “co-founder of Zima Digital Assets” under the Instagram handle “zachsalter_.” Further, SALTER's Instagram main profile page displays the www.zimadigitalassets.com URL as a hyperlink. Per his Instagram page, SALTER appears to be an aspiring Rhythm and Blues singer who calls himself “Sweet Talker.” It was also determined that SALTER's father owns “the Salt Mine Studios” (a music recording studio located in Mesa, Arizona).

11. Further review of SALTER's Instagram page revealed numerous photos of SALTER and CARUSO (CARUSO positively identified from his Department of Corrections booking photo) involved in various activities that are consistent with the expenditures described in further in the following paragraphs. In several of the captions of these photographs SALTER refers to CARUSO as the “Krypto King.” It does not appear that SALTER has any criminal history.

OPEN SOURCE INFORMATION

12. The aforementioned Instagram photographs include both subjects (CARUSO and SALTER) riding together on private jets, photographs and videos of two large mansions (one valued at approximately nine million dollars, located in Paradise

Valley, and one valued at approximately eight and a half million dollars, located in Scottsdale) with the former dubbed on SALTER's Instagram account "the Krypto Castle." Numerous additional photos of SALTER and CARUSO standing on and near numerous luxury vehicles were also observed.

13. On July 19, 2019, your affiant watched a video posted on SALTER's Instagram profile with the caption "surprise gifts in the mail" of what appears to be a wooden humidor with "Zima Digital Assets \$1 Billion AUM" etched in the glass on the humidor's lid. Using open sources your affiant determined that "AUM" is a common investment abbreviation for the term "Assets Under Management." "Assets Under Management" refers to the total market value of the investments that a person or entity manages on the behalf of clients.

14. Following an online search, a "LinkedIn" account for "Zima Digital Assets" was located. LinkedIn is a popular business-oriented social networking website. The Zima Digital Assets LinkedIn account is categorized as "Financial Services" and under the "Overview" section there is a link to www.zimadigitalassets.com. Additionally, Zima Digital Assets lists the "Company Size" as being "11-50 employees." A LinkedIn account for SALTER (profile picture matching SALTER's Arizona driver's license photograph) lists his current position as, "Co-Founder at Zima Digital Assets." Under the "Experience" section of the profile, SALTER lists his most current position as, "Co-Founder - Zima Digital Assets, Jan 2017 - Present (3 yrs)." There is no evidence that any corporation related to Zima Digital Assets existed prior to July 16, 2018.

15. Some other relevant Instagram photos include a posting dated August 1, 2018, in which a woman posted a photograph with her posing next to a newer model white BMW sedan with a red gift bow on it thanking her boyfriend, SALTER, for surprising her with a new car. On May 12, 2019, SALTER posted on Instagram that he purchased a new car for his mother on Mother's Day with a photo of her standing near a newer model Mercedes. Also posted on SALTER's Instagram was a video in which SALTER is laughing with CARUSO about CARUSO damaging "another one" of his Ferraris with the video focused on the scraped rear bumper of a Ferrari.

16. Using Instagram, a subject identified as S.D., under the Instagram handle "s*****5," posted that he is employed as "Executive Security" for Zima Digital Assets and per recent posts appears to still be working in this capacity. Numerous photographs and videos on his Instagram profile show S.D. firing both handguns and assault rifles while wearing Zima Digital Assets apparel (frequently in the company of SALTER) and training an attack dog. Upon a review of LinkedIn, your affiant saw that S.D.'s job title is listed as the "Deputy Director" of Zima Digital Assets.

17. SALTER and S.D. have been observed making frequent posts about Zima Digital Assets and bitcoin investments on Instagram from June 2019 to present. On August 19, 2019, upon reviewing S.D.'s Instagram profile, your affiant observed a photograph of an automatic money counting machine in front of eight bound stacks of what appeared to be \$20 and \$100 bills with the caption on the photograph "dinner is served."

18. A.H., who has identified herself as CARUSO's spouse in her postings, with the Instagram handles "k*****n_" and "o*****a" posted a photo showing A.H. standing next to what appears to be a new white Ferrari with the comment "I got a car a month ago and her name is Harmony!!" The female subject in both of these profiles was positively identified as A.H. based on her Arizona Driver's license photograph. On August 8, 2019, while reviewing A.H.'s Instagram profiles your affiant observed an album of photographs and videos titled "John" that contained numerous photographs of A.H. and CARUSO at various locations. Her main Instagram page for the "k*****n_" profile listed the www.zimadigitalassets.com URL and listed the name "Zima Digital Assets." Upon a review of LinkedIn, your affiant saw that A.H.'s job title is listed as the "Company Secretary" of Zima Digital Assets.

19. At the time that this affidavit is being submitted, no social media profile has been located for CARUSO.

CREATION OF LIMITED LIABILITY CORPORATIONS

20. Your affiant issued the New York Department of State a subpoena for records regarding the corporation "Zima Digital Assets LLC" and saw that it filed for incorporation on July 16, 2018, with "John CARUSO" as the sole member.

21. Pursuant to a subpoena, the Nevada Corporation Commission provided records showing "Zima Ventures Nevada" incorporated on February 21, 2019, with SALTER and CARUSO as the only two members of the corporation. Certified records from the Arizona Corporation Commission also showed SALTER and CARUSO as the sole members of "Gold Intentions" which incorporated on February 27, 2019.

22. Pursuant to the subpoena from the Delaware Department of State it was discovered that CARUSO and SALTER have nine businesses incorporated out of Delaware, with SALTER being the “authorized person” listed under the businesses “Zima Digital Assets,” “Zima Global Management,” and “Zima Global Ventures,” all incorporated on January 25, 2019. CARUSO was the authorized person on the remaining six businesses, which were incorporated later that year between March and May of 2019.

FINANCIAL ANALYSIS OF RECORDS

23. Grand jury subpoenas were sent to numerous financial institutions including US Bank, JP Morgan Chase Bank, Bank of America, American Express, Barclay’s of Delaware, Discover, and Capital One. These records were provided to US Secret Service contract forensic accountants, who upon review and analysis of the records stated that at least \$7.5 million had been invested with CARUSO, with approximately \$1.9 million of those funds being returned to the investors. Forensic accountants also stated that there was no evidence of any cryptocurrency purchased with investor funds, such as any financial transactions involving known cryptocurrency exchanges. In addition, there was no evidence that any of the funds received were placed into any investment.

24. The vast majority of funds received by CARUSO are in deposits (such as checks and wire transfers) from approximately 90 different identified individuals and corporations. The deposits from these individuals are believed to be intended as investments by their respective remitters, as indicated by various check and wire memos such as “Crypto Trading,” “Crypto,” “Zima Investment,” “Zima Investment Capt

Crypto,” and “Zima Digital Assets LLC John CARUSO.” Some of the believed investors appear to be senior citizens, such as L.M., a 76-year-old, who sent CARUSO \$200,000, and G.C., an 86-year-old, who sent CARUSO \$60,000.

25. The pattern of investor payments against investor payouts with no investment of funds is consistent with what your affiant recognizes through his training and experience as a Ponzi scheme. It appears that Zima Digital Assets is still actively receiving investor funds, so the total amount of loss is unknown.

26. The analysis of these financial records also showed approximately \$830,000 in net losses at casinos, \$670,000 in assorted credit card payments, \$350,000 spent on private jets, \$350,000 in luxury car rentals, \$150,000 in the rental of a 20,000 square foot mansion in Paradise Valley, \$60,000 in jewelry, and approximately \$50,000 in designer clothing, among numerous other expenses.

27. Across all the financial institutions, analysis showed that all funds spent by CARUSO and SALTER were directly tied to investor funds. Throughout the examination period all significant credits into CARUSO and SALTER’s accounts were directly sourced from funds of various investors (approximately 75 percent of all credits to the accounts), with the remaining 25 percent of funds being attributed to the sale of assets previously purchased from investor funds, casino winnings that were far outweighed by casino losses (approximately \$745,000 in casino deposits against \$1.5 million in casino withdrawals), as well as small (approximately one percent of total credits) cash deposits.

28. A query of the Arizona Department of Economic Security showed that for all four quarters of 2018, CARUSO's reported earned income was \$22,800.00 and SALTER showed no income.

29. Per the records obtained from the aforementioned financial institutions relating to Zima Digital Assets, it was determined that the majority of the accounts were opened by CARUSO, with a smaller number of accounts opened by SALTER. CARUSO's original personal checking account that received all of the Zima Digital Assets funds was closed in March of 2019 due to suspicious activity.

30. As of November of 2019, it was observed that SALTER shared a joint JP Morgan Chase Platinum Business account with CARUSO titled "Zima Digital Assets," with SALTER's correct telephone number and personal information registered with Chase. In November of 2019, this JP Morgan Chase account was the primary account in which Zima Digital Assets received funds from investors. Luxury spending was debited from the same account where investment funds were received. Also debited from this account were payments to SALTER's personally owned corporation. Only a small percentage of these funds were transferred to another account held solely by CARUSO, with the transferred funds to CARUSO's account being drastically less than the funds deposited into the account from investors.

31. In addition, JP Morgan Chase records showed between March of 2018 and August of 2019 there were approximately \$350,000 in purchases on SALTER's personal Chase Ink Business Card. A review of these credit card purchases included luxury car rentals, luxury clothing purchases, firearms, travel, and expensive hotels. Between

October 1, 2018 to July 19, 2019 a JP Morgan Chase account with SALTER as the sole signatory received approximately \$164,000 in transfers from bank accounts under the names Zima Digital Assets and Zima Global Ventures. These accounts were previously identified as being funded primarily by investor funds.

32. On December 5, 2019, during surveillance, while sitting next to CARUSO and SALTER at a restaurant, your affiant overheard a telephone conversation on speakerphone in which it appeared that both SALTER and CARUSO were being advised that their accounts at JP Morgan Chase were being closed due to suspicious activity.

VEHICLES

33. Upon running SALTER's and CARUSO's information through the Arizona Motor Vehicle Division (MVD) your affiant observed CARUSO is listed as the registered owner of a 2019 Lamborghini Urus and SALTER is listed as the registered owner of the following vehicles: a 2018 and a 2019 Mercedes, a 2018 BMW, a 1957 Chevy, and a 2008 Audi.

34. Throughout the course of the investigation CARUSO, SALTER, S.D., and A.H. have been seen in numerous social media posts, police contact, and per surveillance driving numerous luxury vehicles that are either registered to his/her respective person for a short period of time, registered to another individual, and/or registered to a dealership. Vehicles seen in possession of the aforementioned subjects include luxury vehicles such as Lamborghinis, Rolls Royces, McLarens, Ferraris, and an Aston Martin. Per the USSS forensic accountant's analysis of their accounts, between March of 2018 and August of 2019, these subjects spent at least \$350,000 in luxury car rentals.

GAMBLING

35. Bank records indicated large expenditures in Las Vegas casinos and multiple postings on Instagram reference gambling in Las Vegas. Pursuant to a subpoena issued to MGM Grand (which owns several Las Vegas hotels and casinos, including the Aria casino), it was determined that between August 12, 2018, and September 21, 2019, CARUSO and A.H. lost a total of \$1,455,115 at the MGM properties with their average bet at table games of approximately \$5000. MGM Grand stated CARUSO and A.H. had taken approximately 30 trips to Las Vegas in the aforementioned timeframe and had played table games for 134 hours, which is the equivalent of approximately 5.5 days.

FACEBOOK SEARCH WARRANT

36. On September 20, 2019, your affiant served a search warrant to Facebook (US District of Arizona Court search warrant number 19-9389MB) for the Instagram profiles for SALTER, S.D., and A.H. Instagram is a very popular photograph and video-sharing social media service/application owned by Facebook. Upon a review of the results your affiant saw that SALTER and S.D. actively advertised and recruited potential victims to invest in Zima as shown in the following Direct Messages (DMs):

- DATE: December 11, 2018

zachsalter_: Thank you dawgy good to hear from you! I hope all is well with you as well. I mean walking out your front door is risky if you don't know how to walk! But Iv got a team of 7 analysts and 2 executive traders managing my crypto hedgefund, you wanna make some money let me

know I gotchu brother

RECIPIENT: **g*****3**

- DATE: December 31, 2018

s***z_**: Been waiting all year for a stack of money post from you

zachsalter_: Invest in my crypto fund, give it 90 days and il guarantee you're satisfied.

s***z_**: Ok what's it's called? And is there any apps I need download

zachsalter_: No apps bro this is a private fund, one of the top crypto day traders in the worl

- DATE: January 1, 2019

b***5**: What is the minimum investment

zachsalter_: I don't think you'll make the minimum investment but if you're serious about making some money il introduce you to my executive trader and you can go from there

zachsalter_: Iv known you forever so I could convince him to work with you

b***5**: Yea I don't think so either, I've heard someone say it's \$100K. Is it just buying and selling crypto?

zachsalter_: Yea we just day trade, no buy and holds. My guys are in and out of the market all day long

b***5**: Yea I'd be interested in learning more about it

- DATE: May 16, 2019

s*****5: My dude Matt bumping Zaddy!? I need to slow play him into Zima, would be the best investor as it would be big money and he wouldn't ask a question once he commits and let's it ride no annoyance like others in OT who need the bread

RECIPIENT: zachsalter_

- DATE: May 22, 2019

t*****e: Who's crib is that??

s*****5: Zach and Crypto king, owners of Zima that I run the executive security detail for and also who I personally invest with now for about 6 months snowballing the fuck out of my money bro

t*****e: That's sick, is it in cannabis/cbd space?

t*****e: Or crypto?

s*****5: Crypto currency but nothing like anyone else is doing or even capable of doing. Most people are long term macro holders like the stock market only winning on the bull market. We've got a literal genius (not exaggerating one of the highest IQ's of anyone in the space) who does all of the trading in a high frequency nature. Winning on the bull and bear market and in out throughout some days 20-30 times and some days not in the market at all. The returns are so wild we've done virtually zero marketing other than word of mouth and over delivering to all of our clients.

GOOGLE SEARCH WARRANT

37. On September 20, 2019, your affiant served a search warrant (US District Court of Arizona search warrant number 19-9390MB) to Google LLC regarding the email addresses zimadigitalassets@gmail.com, zimadigitalassets1@gmail.com, and saltmineexecutive@gmail.com that were located during the course of the investigation. Upon receipt and review by USSS personnel your affiant was provided approximately 32 emails from DocuSign to the zimadigitalassets@gmail.com (an account registered to CARUSO) and the saltmineexecutive@gmail.com (an account registered to SALTER) addresses. DocuSign is an online service that allows recipients of a document to, among other features, electronically sign a document using an internet-enabled device, such as a cellular phone or computer. These emails contained attachments of completed contracts, which included the terms of the investments, as presented to the investor. Each contract included guaranteed percentage Return on Investment (ROI) within a specific time-period. Article 2 of each contract states:

“The money provided by the investor will be used for the following aspects within the venture and nothing further: Digital Asset Investment.”

38. Of the 32 emails, opposite of the signature of the investor, approximately 13 bore the electronic signature “John Caruso, Zima Digital Assets LLC,” and the remainder bore the electronic signature “Signature on behalf of the fund.” Per the contracts, the amount of funds invested ranged by individual investors varied between \$10,000 up to \$300,000 with guaranteed ROIs up to 30%. Many of the investors listed in the various contracts have been externally corroborated as having actually invested the

funds with CARUSO per USSS contract forensic accountants using the banking records obtained during the course of this investigation.

39. Of the 32 emails, SALTER's email, saltmineexecutive@gmail.com, received 27 of the signed investment contracts.

ZIMA DIGITAL ASSETS PUBLIC AND MEDIA EXPOSURE

40. An open source online search of CARUSO revealed on February 19, 2019, CARUSO with Zima Digital Assets was a scheduled speaker for an event for athletes and their families called "Campfire Summit Athletes & Family" in Paradise Valley, with special thanks to Zima. Based on photographs seen on SALTER's Instagram it appears this event was held at the mansion occupied by CARUSO and SALTER in Paradise Valley. Further review revealed that several of the panelists who presented were associated with Major League Baseball (MLB). Numerous victims in this investigation have been identified as former MLB players and their families.

41. On June 27, 2019, Entrepreneur magazine posted an online article interviewing SALTER, under the title "co-founder of Zima Digital Assets." The article stated, in part, "My co-founder and best friend is known in cryptocurrency trading as 'Kryp+0 K!ng.' At the beginning, we just traded our own money in the cryptocurrency markets. We were getting such great results that others started asking us to trade for them. Our fund is still private and highly exclusive, but now we have a team of high-level analysts around the globe. We've started partnering with large financial institutions and encouraging mainstream adoption of digital currencies and blockchain technology."

42. On August 5, 2019, Business Insider Malaysia published an online article titled “Meet the Michael Jordan of Algorithmic Cryptocurrency Trading.” According to the article, Zima Digital Assets is “a premier cryptocurrency fund [that] has been revealed as one of the fastest growing crypto investment funds in the world. Co-Founder and CEO John CARUSO nicknamed ‘Kryp+0 K!ng’ has been revered as one of the top cryptocurrency traders amongst high profile investors on Wall Street. Some argue that he is the world’s greatest cryptocurrency trader of all time, because of his ability to time markets, spot trends and sort data/key pieces of information for trades- the Kry+0 K!ng is now drawing attention from major Wall Street Fund Managers as a prodigy.”

43. In the October 2019 edition of “Cigar Aficionado” magazine, your affiant observed a feature article titled “Betting on Bitcoin,” and “The Crypto King.” The four-page article features a full-page photograph of CARUSO’s face holding a thumb drive in front of his eye, and a photograph of CARUSO and SALTER standing in front of open garages in a pavilion of a residence that is consistent in appearance with the mansion in Paradise Valley. The article begins with the journalist reporting CARUSO was at the Aria Casino in Las Vegas playing blackjack for 13 hours at \$5,000 to \$10,000 a hand. It goes onto state that Caruso manages \$379 million in cryptocurrency (the article also states that the thumb drive held by CARUSO contains \$20 million in cryptocurrency). The article also states that CARUSO works from his home office, which was described as a “30,000-square-foot house in the affluent Paradise Valley neighborhood of Scottsdale.”

44. Most recently, on November 25, 2019, Forbes published an online article titled “Zach SALTER on How Blockchain and Crypto Will Benefit the Gig Economy.”

In this article SALTER is identified as co-founder at Zima Digital Assets and states: “We manage a high frequency and high liquidity cryptocurrency trading portfolio. Principals at ZDA have had a pulse on the digital asset markets since 2011 being early bitcoin investors.” He also stated: “We are constantly looking for arbitration throughout the decentralized pricing model and while we do utilize artificial intelligence components in our market analytics, we still execute all trades using a final judgement [sic] call to ensure each trade is made with surgical precision by our chief investment officer and cofounder, the ‘Kryp+0 K!ng.’”

PUBLIC KNOWLEDGE ABOUT THE SCHEME

45. A Federal Trade Commission (FTC) consumer complaints database was queried and found that on April 30, 2019, an anonymous complaint was filed with the Federal Trade Commission stating that Zima is taking fraudulent investments and SALTER approached the complainant for an investment. The complaint also stated that Zima has received investments from over 100 people. At the time that this affidavit, there is no further evidence that anyone is aware of the scheme.

WIRE FRAUD

46. CARUSO and SALTER have used interstate electronic communications, specifically Google (Gmail) and Facebook (Instagram) to recruit and involve numerous victims in the scheme. Specifically, evidence of 32 signed contracts between CARUSO, SALTER, and numerous victims were transmitted via Gmail both to and from CARUSO and SALTER. Both SALTER and CARUSO have appeared in the aforementioned media publications (both in print and online) making fraudulent representations about Zima

Digital Assets and investments. In addition, SALTER's Instagram direct messages have shown him recruiting potential investors.

47. Zima Digital Assets has been represented by both CARUSO and SALTER as a cryptocurrency hedge fund. Based on all financial records received to date, there is no evidence any of the investment funds that have been provided to CARUSO and SALTER have gone to any cryptocurrency/digital asset investment, or to any investment of any kind, as fraudulently misrepresented by both CARUSO and SALTER. Moreover, it has clearly been determined that the funds provided to Zima Digital Assets have been consistently spent to fund the extravagant lifestyles of CARUSO, SALTER, and their associates.

48. Throughout the scheme the vast majority of funds received by CARUSO and SALTER are in deposits (such as checks and wire transfers) from the financial institutions of approximately 90 different identified individuals and corporations. The deposits from these individuals are believed to be intended as investments by their respective remitters, as indicated by various check and wire memos such as "Crypto Trading," "Crypto," "Zima Investment," "Zima Investment Capt Crypto," and "Zima Digital Assets LLC John CARUSO."

49. Based on the suspected criminal activity occurring within his account CARUSO's US Bank account was closed by US Bank. The next bank that serviced CARUSO, SALTER, and Zima Digital Assets, JP Morgan Chase, also attempted to close their accounts based on the suspicion of criminal activity.

MONEY LAUNDERING

50. Throughout this scheme, there has been no observed legitimate source of income for CARUSO or SALTER. Per the forensic accounting completed regarding Zima Digital Assets it has been observed the investor funds have been spent in close proximity to their receipt, with certain purchases made by CARUSO and/or SALTER being impossible without the new influx of investor funds.

51. A specific example of this is CARUSO's personal US Bank accounts balance on October 9, 2018. At the end of that day, the account was negative \$7,047.10 and the balance at the end of day October 10, 2018 was \$19,704.07. The total credits into the account were \$309,536 and total debits out of the account were \$282,784.83 (included in those totals are \$300,000 investor contributions, and \$262,000 cashier's checks issued to First AZ Title). The funds for the debits on October 10, 2018, would not have been available, but for the investor contributions. Furthermore, removing the "investor" contributions during this time frame would have over drawn the account by approximately \$280,000.

52. Another example of this from CARUSO's personal US Bank accounts balance on January 1, 2019. The balance at the end of that day was \$49,790.98, and the balance at the end of January 23, 2019 was \$358,964.51. Total credits during the time frame was \$630,200 and total debits were \$321,026.47 (included in those totals were \$606,200 in investor contributions and \$60,700 in investor distributions). A \$200,000 cashier's check was issued in the name of "Aria." The funds for the following payments would not have been available, but for the investor contributions. Furthermore, removing

the “investor” contributions during this timeframe would have over drawn the account by approximately \$250,000.

53. US Bank confirmed that all of CARUSO’s accounts have been closed based on the suspicion of fraudulent activity in approximately March of 2019. All investor/fraudulent investment activity and expenditures were observed in CARUSO’s US Bank account prior to March of 2019. Funds from CARUSO’s US Bank account that were known to have been received from investors (as described above) were observed by US Bank records to have been transferred from US Bank to JP Morgan Chase following the closing of CARUSO’s account.

54. JP Morgan Chase confirmed that SALTER and CARUSO opened Chase account “386721028” titled “Zima Digital Assets, LLC” at the approximate time that CARUSO’s US Bank account was closed. The account contains numerous deposits from investors, as indicated by check and wire memos such as “for N.S. krypto” (subject’s name abbreviated for anonymity in this affidavit), “Zima account f&f,” and “opening an investment account.”

55. In addition, per the grand jury banking records provided by JP Morgan Chase, CARUSO opened checking account “390882030” and savings account “3780271970” at the same approximate time as the previous Chase account in CARUSO’s name. Funds believed to belong to additional investors, funds generated from selling assets previously purchased with investor funds, laundering the source of funds between different accounts, as well as payments to Zima employees such as S.S. and SALTER, and expenditures on private jets, jewelry, and casino gambling were observed.

Examples of this for account “390882030” include: May 16, 2019 CARUSO received a \$30,000 deposit from J.G. (a subject believed to be an investor in the scheme) and another deposit from J.G. on June 18, 2019 for \$20,000, and a \$50,000 deposit on July 5, 2019 from B.B., identified during the course of the investigation as an investor.

Examples of this for account “3780271970” include June 26, 2019, an online transfer from “390882030” for \$231,000 and the following day, June 26, 2019 \$250,000 being transferred back to “390882030.”

56. JP Morgan Chase checking account “808165232” and “695129275” opened in 2015 and 2016 and registered to SALTER, prior to Zima Digital Assets being established, however both accounts received large deposits from aforementioned Chase Zima accounts between 2018 and 2019 when the scheme was taking place, and no other legitimate income during this time period was observed for SALTER within these accounts. An example of the funds existing in these accounts being derived from the criminal enterprise is as follows: on January 14, 2019 account “695129275” received \$10,000 from CARUSO, another \$10,000 deposit on February 13, 2019 from an unknown source into account “808165232,” another \$10,000 cash deposit on March 19, 2019, another \$10,000 transfer on May 1, 2019 from Zima Digital Assets, LLC into account “808165232,” and a \$40,000 transfer from Zima Digital Assets, LLC on May 22, 2019 into account “808165232.” There are numerous additional and frequent transfers and deposits from CARUSO, Zima Digital Assets, and Zima Global Ventures for a total of approximately \$173,700.

57. In addition, JP Morgan Chase accounts “3781625315,” and “93751679” (with the contact email of zimadigitalassets1@gmail.com in the name of Zima Global Ventures, LLC with CARUSO the authorized signatory) were observed to have been opened and laundering the source of funds between different accounts and investor funds were observed to have moved into and through these accounts. Examples of this regarding account “3781625315” include April 11, 2019 and April 12, 2019 S.L. deposited \$50,000 and \$40,000 into the account with the memo “JCSL Ventures LLC invest.” “JC” are CARUSO’s initials and S.L. are the investor’s initials. In addition, between May 15, 2019 and June 25, 2019 approximately \$2.2 million dollars from account “93751679” were transferred into this account and between April 25, 2019 to July 22, 2019, \$2.2 million dollars were transferred from this account to account “93751679.” Examples of this suspicious activity regarding account “93751679” are as follows: July 15, 2019 \$10,000 deposit from C.E. with the memo “Investment,” (and again from C.E. for \$10,000 on July 19, 2019), July 15, 2019 \$10,000 deposit from S.H. with the memo “Investment,” and on April 18, 2019 a deposit from R.I. (believed to be an investor) for \$100,000.

58. On December 5, 2019 during surveillance, your affiant observed CARUSO and SALTER at a restaurant talking on speaker phone with a subject that seemed to be a representative from JP Morgan Chase Bank. The subject told CARUSO and SALTER that their Chase accounts were being closed. When CARUSO was speaking, he referred to "Bank of America" and that he was a competitive client who would switch banks if Chase did not appreciate him and SALTER. Later that day, your affiant contacted Chase

Bank and verified that all Chase accounts associated with CARUSO, SALTER and Zima Digital Assets/Ventures were in the process of being closed due to the accounts causing exceptional risk to Chase. The Chase representative later contacted your affiant and advised, based on a request by your affiant, the accounts were no longer being closed.

59. On December 27, 2019, an additional grand jury subpoena was issued to JP Morgan Chase and upon receipt of the most recent records regarding CARUSO, SALTER and Zima it was observed that on December 24, 2019, \$125,000 was wired from account "390882030" to BBVA USA "John CARUSO." Based on this information on January 17, 2020, BBVA USA was served grand jury subpoenas for records, and the BBVA USA checking account "6779708282" and money market account "6779708304" owned by CARUSO were identified by BBVA USA, however BBVA has not provided the banking records related to these accounts at the time that this affidavit is being submitted.

60. Grand jury records were also obtained relating to Bank of America for account "4570-4052-1778" in the name of "John CARUSO" dated March of 2019. Numerous deposits from investors, as indicated by memos such as "investment," and "Zima Digital Assets investment," were observed as well as large financial transactions with the Aria casino, a wire transfer to "Zima Global Ventures LLC," and numerous payments to Chase credit cards held by CARUSO and SALTER.

CONSPIRACY

61. Both CARUSO and SALTER have been shown during the course of this investigation to work cooperatively to defraud numerous investors. In media interviews,

both SALTER and CARUSO have represented that CARUSO conducted the majority of the trades involving Zima Digital Assets investments, and SALTER admitted that he has introduced many of the investors into the scheme. CARUSO and SALTER have lived together at the same mansions, frequently traveled together on private jets, spent large quantities of money on numerous luxurious goods and services, have founded numerous Zima-related corporations in various states, and have shared a bank account for Zima Digital Assets. Both CARUSO and SALTER have identified themselves as co-founders of Zima Digital Assets, and the scheme has been successful at defrauding victims based on both of their efforts.

62. In the Call Detail Record (CDR) for CARUSO's cellular phone between June 1, 2018, through September 20, 2019, (including incoming/outgoing calls and text messages) it was revealed that CARUSO had 1,598 contacts for SALTER. In a CDR for SALTER's cellular phone between April 1, 2018, through December 27, 2019, (including incoming/outgoing calls and text messages) SALTER had 2,654 contacts for CARUSO.


63. In addition, during surveillance by your affiant, CARUSO and SALTER have been seen driving together, eating together, and as previously mentioned in this affidavit, discussing their JP Morgan Chase account with a bank representative together.

CONCLUSION

64. For these reasons, this affiant submits that there is probable cause to believe that, from June 2018 and continuing through January 2020, in the District of Arizona and elsewhere, defendants JOHN MICHAEL CARUSO and ZACHARY SALTER have engaged in a conspiracy to commit wire fraud and money laundering in violation of 18

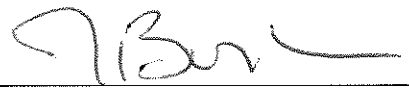
U.S.C. § 371. Your affiant requests that the Court issue arrest warrants for CARUSO and
SALTER.

Respectfully submitted,



JAMES LAMERSON
Special Agent, United States Secret Service

Sworn to and subscribed before me
this 29 day of January 2020.



HON. JOHN Z. BOYLE
U.S. Magistrate Judge