

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 19-20674-CR-GAYLES(s)(s)(s)(s)(s)(s) (s)

UNITED STATES OF AMERICA

vs.

STEPHEN MANUEL COSTA,

Defendant.

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FACTUAL PROFFER

The United States and defendant Stephen Manuel Costa hereby stipulate and agree to the following facts, which form the basis of the defendant's guilty plea to Counts 2 and ~~3~~ ^{Sixth} of the ~~Fourth~~ Superseding Indictment. The defendant agrees that the United States could prove these facts beyond a reasonable doubt if the case were to go to trial.

1. Beginning in early 2013, and continuing until sometime after mid-2016, Costa was part of a group of co-conspirators who became involved in and carried on the purchase and sale of diverted pharmaceuticals.
2. The business of diverted pharmaceuticals involves the illegal purchase and sale of prescription pharmaceuticals, primarily drugs for treatment of HIV, cancer and psychiatric illnesses. The medicines are bought from patients to whom they are prescribed but who forgo their use and instead choose to sell them, or are obtained through Medicare or Medicaid fraud. The diverted drugs are then aggregated, cleaned, packaged, and resold, with fraudulent documentation purporting them to have been supplied directly from manufacturers or from legitimate

pharmaceutical wholesalers. Part of the scheme involves the creation of false “pedigrees,” which are documents that are legally required to show the origin and all sales and transfers of prescription pharmaceuticals.

3. Costa was already familiar with this type of business. Beginning in 2013, he started setting up an operation based in the Miami area. He began by assisting two other conspirators, Mohammad Salemi and Jorge Paiz, in each purchasing a licensed pharmaceutical wholesale company based in Puerto Rico. This included Costa helping finance both purchases and making the initial contacts with the sellers to negotiate the sales price.

4. Thereafter, Costa started providing for the delivery of quantities of diverted pharmaceuticals to Salemi and Paiz. The drugs were delivered to other members of the conspiracy, who inspected and cleaned the medicine bottles, removed any remaining prescription labels, and re-packaged them. During much of 2015, this processing was done at an apartment Costa controlled in South Miami, and at other times it was done at different locations controlled by other participants. False pedigrees were created by members of the conspiracy to be consistent with shell corporations used as fronts for the sales and financial transactions.

5. Salemi and other conspirators arranged to sell large quantities of these drugs to Josh Joles, who managed LLC Wholesale Supply in Tempe, Arizona. Sales of the drugs averaged about \$1 million a month. The boxes of drugs were mostly shipped from South Florida to Arizona by FedEx.

6. In January, 2016, Costa had Paiz provide him with \$384,000 to pay for a house ~~Costa was purchasing~~. The money had been obtained through the sales of diverted drugs that Costa had arranged to be supplied to Paiz, which Paiz had sold to co-conspirator Josh Joles at LLC Wholesale Supply in Arizona. Paiz provided the money to Costa in exchange for Costa having engaged him

in the business.


7. Costa provided information to Salemi and other co-conspirators for the names to be used on the pedigrees as the companies that were supposedly supplying the drugs. Costa also provided bank account information for the routing of payments for the drugs they had bought and sold through those companies by wire transfers. This financing scheme was set up to disguise the identities of the participants in the scheme and to conceal who was profiting from it. It was also designed to allow cash withdrawals after multiple wire transfers, so that the cash could be used to buy more diverted drugs.

8. When Costa was about to report to prison to begin serving a sentence from an earlier case, he introduced defendant Frank Alvarez to his principle supplier of diverted pharmaceuticals, co-defendant Lazaro Hernandez, so that the operation could continue. Subsequent to reporting to prison Costa received some additional proceeds from the ongoing sales of diverted drugs.

9. The sales of diverted drugs that took place in the course of the conspiracy that Costa helped initiate and organize involved millions of dollars, which was laundered through various shell corporations.



Stephen Manuel Costa
Defendant



David Howard
Defense Counsel



Frank H. Tamen
Assistant United States Attorney



Date