



# **Anonymity Overdose**

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Ten cases that connect opioid trafficking and related money laundering to anonymous shell companies



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## Executive Summary

*“[W]e have become convinced that we cannot stop the drug trade without first cutting off the money that flows to drug trafficking organizations.”* – The Bipartisan United States Senate Caucus on International Narcotics Control.<sup>1</sup>

Over the last 15 years, opioid overdose deaths have quadrupled, and opioid abuse has become a full-blown crisis.<sup>2</sup> As lawmakers, law enforcement and other public officials struggle to address this problem, we can make it easier to go after the money used in drug trafficking by ending the gaps in our laws that allow companies to be incorporated anonymously.

***Drug money is laundered with astonishing effectiveness.*** The Office of National Drug Control Policy estimates that \$65 billion is spent by Americans every year on illegal drugs, but only \$1 billion, or roughly 1.5%, of that money is seized per year domestically by all federal agencies combined.<sup>3</sup> In other words, it is likely that 98.5% of the proceeds derived from drug trafficking remain in the hands of traffickers.

One of the tools that criminals use to launder their money so successfully are shell companies, especially anonymous shell companies. These companies only exist on paper and, in most cases, law enforcement does not have access to information about who owns and controls them. Indeed, in most cases such information isn't even collected when companies are formed. As such, many promising investigations are abandoned when law enforcement runs into an anonymous shell company. Authorities may have good reason to suspect someone of being involved in criminal activity. However, without the basic information necessary to show that a suspect is directly linked to a shell company used to facilitate illegal activity, they are unable to make their case, or run out of the time and resources needed to do so.

In this report we found ten case studies that connect opioid trafficking and shell companies, where law enforcement did succeed in untangling the web of secrecy and anonymity. However, these cases represent a minority.

In some of the cases that we've found, profits made by the perpetrators were spent fairly brazenly on items such as luxury real estate, diamond encrusted watches or race horses. Often little of that was recovered by investigators. For example, the biggest of Mexico's drug gangs, the Los Zetas cartel, used anonymous shell companies to launder millions, in part by purchasing race horses with drug proceeds – they even named one horse “Number One Cartel.” In one of the largest oxycodone busts in Oregon history, Kingsley Iyare Osemwengie and his associates were found to use call girls and couriers to transport oxycodone, and then move profits through an anonymous shell company aptly named High Profit Investments LLC. Similarly, even after he was officially designated under the Foreign Narcotics Kingpin Designation Act as a drug lord, Fernando Melciades Zevallos Gonzalez was able to sell his Miami properties and escape with the proceeds through anonymous companies. His empire continues to operate. You can read more about these and other examples on pages 10-15.

***Our recommendation: Require the collection of beneficial ownership information and provide that information to law enforcement.***

We need to equip our law enforcement officers with tools they can use to put an end to drug cartels. Simply requiring that all companies formed in the U.S. disclose their beneficial owners would enable law enforcement to more effectively follow the money trail and make it harder for criminals to hide their money. We should use every tool at our disposal to tackle the opioid crisis, and going after the money is just such a critical tool.

## “One of the Worst Public Health Epidemics” in U.S. History

Opioid addiction is growing across the United States, and is a public health crisis – 78 Americans die every day from an opioid overdose.<sup>4</sup> As of last year, opioid overdoses accounted for more deaths than motor vehicle crashes.<sup>5</sup>

Roughly 75% of opioid users say they started with prescription pain killers.<sup>6</sup> Then, because it is easier to abuse and significantly cheaper, heroin often becomes the next stage in their addiction.<sup>7</sup>

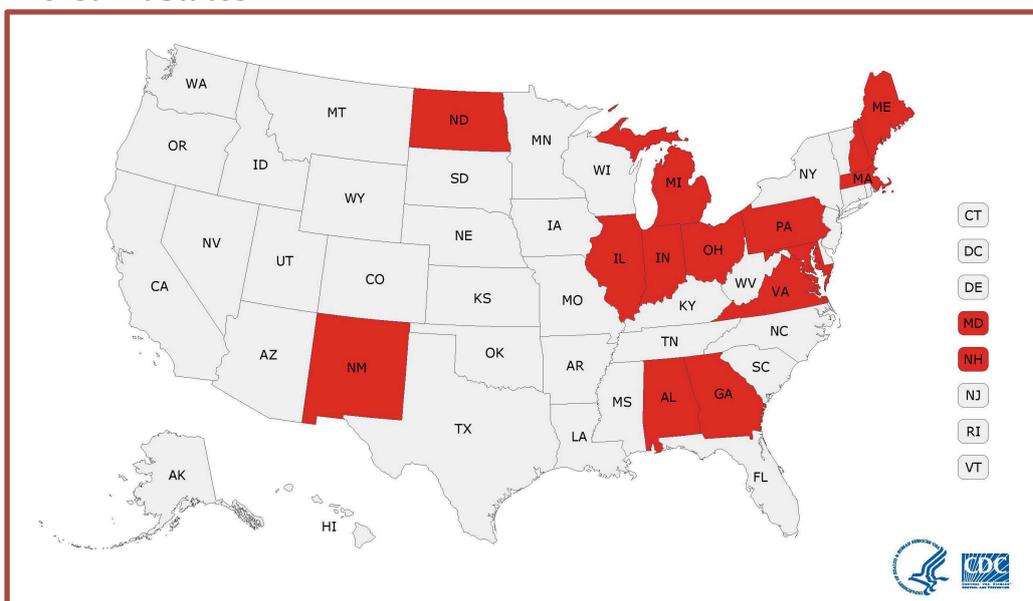
### Common Opioids

- Oxycodone
- Codeine
- Fentanyl
- Hydrocodone
- Morphine
- Opium
- Heroin

Drug cartels are competing on price with prescription opioids, and they are winning. In most states heroin costs less than a packet of cigarettes<sup>8</sup> which range from \$4.38 in Missouri to \$10.45 in New York. Meanwhile, OxyContin can sell for over \$80 a pill.<sup>9</sup>

Overdose deaths from prescription pain killers and heroin have quadrupled since 1999<sup>10</sup> while the number of heroin users nearly doubled between 2005 and 2012.<sup>11</sup> The White House and others have labeled this as one of the worst public health epidemics in U.S. history.<sup>12</sup>

### Worst Hit States



Statistically significant drug overdose death rate increase from 2013 to 2014, US states CDC Injury Center, <http://www.cdc.gov/drugoverdose/data/statedeaths.html>

## A Price Tag North of \$193 Billion

The opioid epidemic has had an immeasurable impact on families, congregations, communities, local law enforcement and medical providers. And while the largest costs have been human, there are also significant public financial costs to both local governments and others working on the front lines of the issue.

A 2007 estimate, the most recent one available, put the economic cost of opioid addiction at \$193 billion.<sup>13</sup> Given how much the crisis has grown since 2007, the price tag is likely many times this level. The \$193 billion estimate includes:

- \$120 billion in lost productivity, mainly due to labor participation costs, participation in drug abuse treatment, incarceration and premature death;
- \$11 billion in healthcare costs – for drug treatment and drug-related medical consequences; and
- \$61 billion in criminal justice costs, primarily due to criminal investigation, prosecution and incarceration, and victim costs.

*“In order to have the biggest impact on its mission as the nation’s drug enforcement agency, DEA has identified and targeted those illegal proceeds that flow back to sources of supply as the top priority of its financial enforcement program; since this is the very money that is destined to finance the next cycle of illegal drugs that will be marketed to our consumer markets.”*

### - Drug Enforcement Agency

<https://www.dea.gov/ops/money.shtml>

## Going After the Money is a Key Strategy

As communities struggle to respond to the growing opioid crisis, we must use all the tools available to help those efforts. As such, we need to consider better tools for law enforcement to go after the proceeds of drug trafficking.

Clearly, one of the largest motivations behind drug trafficking is the huge amount of profit that comes from engaging in such activity.<sup>14</sup> If authorities could seize those profits or make it more difficult for profits to move from the street-level trafficking to the bank accounts of kingpins, they could lower this incentive.

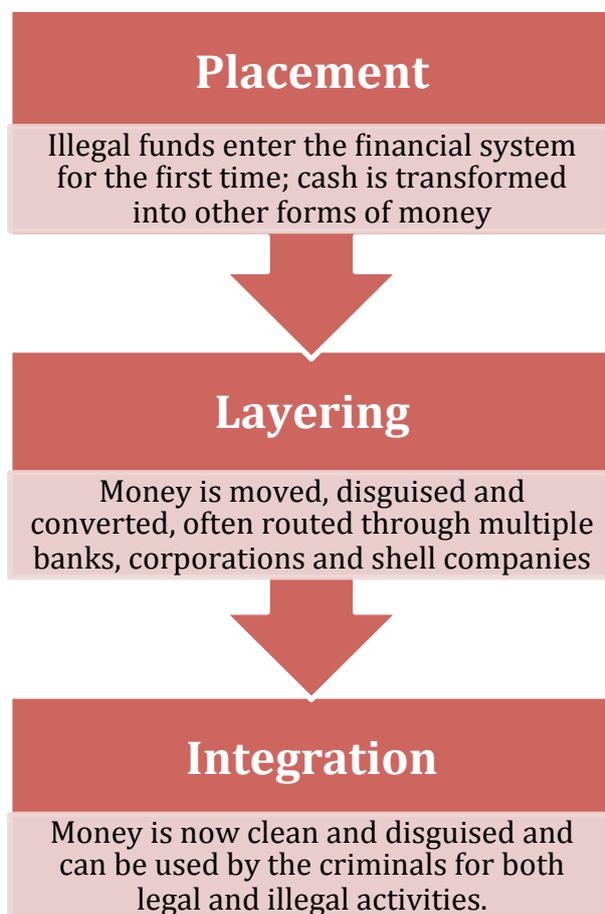
Currently law enforcement says that drug profits are most vulnerable and easiest to tie back to the traffickers when they are in cash form.<sup>15</sup> However, even in its most vulnerable state, law enforcement officials estimate we are seizing less than one percent of illicit outbound cash flows on the southwest border and even less of the money laundered through the international financial system.<sup>16</sup>

John Cassara, a former special agent for the Department of the Treasury agrees that going after the money is key, yet difficult. In an article from 2013 he wrote: “Today’s complex financial fraud cases sometimes take years to complete. From a management point of view, it is a tremendous investment. They can’t afford to waste scarce resources that lead to investigative dead-ends. What most outsiders do not realize is that a very large percentage of investigations are unsuccessful.

“Although commentators argue the point, the bottom-line metric that quantifies success for law enforcement is the number of investigations that result in successful prosecutions and convictions. Another key metric for certain crimes is criminal assets forfeited...Within law enforcement, there is a subtle and sometimes selective weeding of cases that are chosen to be pursued.”<sup>17</sup>

## The Basics of Money Laundering

Money laundering refers to activities that are undertaken specifically to hide the true source of the money. This source is usually a criminal enterprise or activity, and laundering is done to make the income seem legitimate to allow it to be used in the normal economy.<sup>18</sup>



There are three stages to money laundering: placement, layering and integration. Placement is how the illegal money enters the financial system. This usually involves turning cash into something easier to transfer, such as a bank account deposit, a wire transfer, a pre-paid stored value card, travelers check, etc.

The next step, layering, refers to how this money is disguised. Typically, this is done through multiple wire transfers through many banks and shell companies and corporations in order to make the money trail very hard to trace. These are also often done through multiple jurisdictions, for example from the U.S. to the Cayman Islands, to the Bahamas and then back to the U.S. The final stage, integration, is when the money is clean enough (or far enough removed from the criminal activity) to be useable for legal and legitimate transactions.<sup>19</sup>

### **Anonymous, LLC: How a company ends up with no owner**

In the U.S., companies are formed at the state level. However, in most states, very little information is required from the people forming companies – generally less than it takes to get a library card.<sup>20</sup> Typically, a new company must list a company name, the name of an ‘agent’ authorized to accept legal service on behalf of the company, and a contact address for that agent. A few states require a bit more information – say, the name of at least one ‘manager’ of the company being created. But not a single U.S. state requires people forming companies to disclose the real, living person or persons that

own, control and ultimately 'benefit' from the company's existence – the so-called 'beneficial' owners of a company.

## What is a Shell Company?

When you think of a company, you imagine a business with employees, operations, products and sales. But unlike a regular company, a shell company is a hollow structure, set up for the purposes of performing financial manoeuvres. Essentially, it only exists on paper.

One of the key features of companies is that they can set up bank accounts – hence shell companies, especially anonymous ones, are often used simply for monetary and other bank transactions.

<http://www.economist.com/blogs/graphicdetail/2016/04/using-and-abusing-offshore-accounts>

This state of affairs means that there are many easy ways in which someone who wants to set up a shell company and hide the fact that they own it, can do so. For example, anonymous shell companies often have nominee owners or directors, people who are unrelated to the activities of the company. Their role is to be the public face of the company on paper, while the real owners remain hidden. Sometimes, the nominee owners or directors aren't even people but companies, law firms or other entities. In egregious cases, the nominee owners or directors can sometimes simply be made-up names.

All this allows the true beneficiaries, the people who benefit from the activities of the company, to remain hidden. It is often difficult and sometimes impossible to link the nominee owners or directors back to the real beneficiary.

## Financial Getaway Cars

While a shell company might sometimes serve a purpose in law-abiding business operations, keeping information about the real owner of a business from law enforcement is harder to defend. Saying "I can't think of a reason not to do that," Patrick Fallon, Jr., head of the FBI's financial crimes section, said he believes all shell companies should be required to disclose their true owners.<sup>21</sup>

According to a 2012 academic study, out of 60 countries examined, the United States was found to be the easiest place in the world for criminals to incorporate an anonymous shell company for illegal activities.<sup>22</sup> And since there is no process in place to keep track of the beneficial owners of companies formed in the U.S.,<sup>23</sup> there is no way to trace criminals' identities let alone hold them responsible for their actions.

That makes anonymous shell companies formed in the U.S. a favorite tool for moving illicit money. As Story County Iowa Sheriff Paul Fitzgerald wrote, "Think of them as financial getaway cars — companies set up to move ill-gotten money without leaving anyone to be held accountable."<sup>24</sup>

### Anonymous shell companies are also used in:

- Terrorist financing
- Human trafficking
- Tax avoidance and evasion
- Fraud (e.g. insurance)
- Ponzi schemes
- Arms dealing

# Law Enforcement Struggles to Go After Drug Money

Most arrests for drug trafficking involve low level distributors<sup>25</sup> whose ranks can easily be replenished.<sup>26</sup> These arrests resemble a large game of whack-a-mole, where distributors substitute one another very quickly. Many law enforcement experts believe that in order to disrupt the drug trade more substantially, we need to arrest the kingpins and cartel bosses.

The DEA and other law enforcement and public policy organizations have determined that the biggest impact they can have on drug trafficking is to intercept their illegal profits and interrupt their monetary flows.<sup>27</sup> This would help dethrone those in the highest seats of authority in drug operations and stop the demand-fueled regeneration of street level operations.

As long as these easy money laundering mechanisms are in place, there will always be people willing to traffic drugs.

We need to fix the system to close the loopholes that allow any criminal with the inclination to traffic drugs to do so.

However this can often be difficult if not impossible. Law enforcement frequently runs up against a brick wall when they encounter an anonymous shell company; many investigations need to be abandoned when they run into one because law enforcement loses the money trail.<sup>28</sup> “On a near-daily basis we encounter a company or network of companies involved in suspicious activity, but we are unable to glean who is actually controlling and benefiting from those entities, and from their illicit activity. In other words, we can’t identify the criminal,” said Cyrus Vance Jr., District Attorney for New York County, NY.<sup>29</sup> Not only do they have trouble accessing paperwork about the beneficial owners of a company, if they succeed, they often see documentation that lists no owners or other anonymous companies as owners.

*“Our statement of national transparency standards should be something more than: ‘U.S. financial transparency: Better than Lichtenstein and trying to catch up to Panama.’ Simply put, we lag behind many other countries in the world in this regard, and it makes our statements concerning transparency and tax evasion ring hollow and hypocritical.”*

**- Robert M. Morgenthau,  
District Attorney**

New York County, NY, in testimony before the Committee on Homeland Security and Government Affairs, June 18, 2009.

Because of the challenges of tracing money beyond the placement stage, there is little chance of connecting cash deposited in a bank to the eventual use by those higher up in the drug-trafficking enterprise. Once drug traffickers manage to get beyond the placement stage, and layer their money into the financial system, it is effectively lost to law enforcement.

According to Adam Szubin, the acting under secretary for terrorism and financial intelligence at the U.S. Treasury, “with every threat that we track, be it foreign terrorists, narcotics cartels, sanctioned regimes or cyber hackers, our investigators encounter American shell companies used to hide and move money.”<sup>30</sup>

***Ending the use of anonymous shell companies would assist law enforcement in making it more difficult for drug traffickers to hide and launder their money.***<sup>31</sup>

## The Insider Perspective

All too often investigations are stymied when we encounter a company with hidden ownership. These nameless, faceless companies can do business just like any other, but it is difficult, if not impossible, to identify the real people behind them.

“Follow the money” is a standard investigative strategy. Law enforcement agents start at the street level — the drug dealer or low-level lackey — and try to follow the paper trail to the ringleader. When we can identify the owners of anonymous shell companies, we can track down those kingpins and bring them to justice.

An anonymous company in Nevada may be owned by another in Delaware, which is owned by a trust in the Cayman Islands, and so on. Criminals use layers of shell companies to frustrate investigators and protect themselves from prosecution. Sometimes we find alternate routes to bring evidence against the kingpins, but more regularly our investigations are thwarted at the low end of the criminal food chain. We may arrest low-level lackeys, who get easily replaced. So we go after them and fail to prosecute the top-level crooks.

This is a problem wherever anonymous companies can be incorporated. That includes virtually every U.S. state, for very few collect any information about the real owner of a company. For all the grumbling about offshore shell companies, many U.S. states are no better. Secrecy has become a big business in places like Delaware, Nevada and Wyoming, where even the people named on a company’s board of directors are often little more than a fiction. For a small fee an incorporation agent can provide your company with a set of “nominees,” or random individuals, to stand in as representatives for your board of directors and shareholders. It’s a practice perfectly legal in most states. In fact, the only two states that require information identifying corporate owners – a standard practice in most countries – are Maine and Alaska.

Once a company has the legitimacy afforded by incorporation in the United States, opening bank accounts to access the global financial system is easy. You or I have to show proof of identity to put a few hundred dollars into a checking account, but a corporation can instantly move millions of dollars to distant points on the globe without so much as a real person’s name — someone who can be held accountable if the corporation violates a law — associated with the transaction.

It is almost a certainty that, at this very moment, a terrorist cell, drug cartel or corrupt government official is using an anonymous U.S. shell corporation to finance illicit activities. We should provide law enforcement with the tools necessary to thwart these activities and set a standard for the rest of the world.

**Cyrus Vance Jr., District Attorney for  
New York County, State of New York**  
Op-Ed published by Reuters  
October 2012



“ In order to succeed, terrorists, organized crime, drug cartels and major fraudsters must have the ability to raise, move, store and spend money. Anonymous shell companies, that shield beneficial ownership, are one of the primary tools used by bad guys to openly acquire and access nefarious funds. ”

**Former Chief of the FBI's Terrorist Financing Operations Section, Dennis M. Lormel,** op-ed in the *Cleveland Plain Dealer*, August 16, 2013.

“ Years of research and law enforcement investigations have conclusively demonstrated the link between the abuse of legal entities, on the one hand, and, on the other hand, WMD proliferation, terrorist financing, sanctions evasion, tax evasion, corruption and money laundering for virtually all forms of serious criminal activity. As these reports and investigations indicate, this abuse is particularly prevalent with respect to legal entities created in the United States. ”

**Assistant Secretary for Terrorist Financing, U.S. Department of the Treasury, David S. Cohen,** Testimony before the Committee on Homeland Security and Government Affairs, June 18, 2009.

“ While [some] notorious drug trafficking famil[ies] may be beyond our reach, the proceeds from their decade's long money laundering scheme are not. ”

**Manhattan U.S. Attorney, Preet Bharara,** DEA Press release, October 10<sup>th</sup> 2012

“ The lack of corporate transparency has allowed criminal entities a gateway into the financial system and further veils their illicit activity. Investigations can be significantly hampered in cases where criminal targets utilize shell corporations. ”

**Deputy Assistant Director, Office of Investigations, U.S. Immigration and Customs Enforcement, Janice Ayala,** Testimony before the Committee on Homeland Security and Government Affairs, June 18, 2009.

“ DEA realizes that there are not enough time or law enforcement resources to adequately address all illegal drug proceeds. Therefore, in order to have the biggest impact on its mission as the nation's drug enforcement agency, DEA has identified and targeted those illegal proceeds that flow back to sources of supply as the top priority of its financial enforcement program. ”

**Drug Enforcement Administration, Programs: Money Laundering,**  
<https://www.dea.gov/ops/money.shtml>

“ TCOs [Transnational Criminal Organizations] continue to exploit the banking industry to give illicit drug proceeds the appearance of legitimate profits. Money launderers often open bank accounts with fraudulent names or businesses and structure deposits to avoid reporting requirements. ”

**2015 National Drug Threat Assessment Summary, 96-97**

## Case Studies

### Drug Traffickers Use Call Girls to Transport Oxycodone All Across the U.S.

**Kingsley Iyare Osemwengie** and his associates used call girls and carriers to transport oxycodone and the money made from selling it across the United States. He disguised his income through an anonymous shell company, aptly named High Profit Investments LLC.

Kingsley Iyare Osemwengie of Las Vegas, Nevada, was part of a sophisticated drug trafficking organization that diverted legitimate medicine such as oxycodone into the black market. The ring involved drug trafficking and money laundering activity in Massachusetts, Nevada, Texas, Florida, Georgia, Utah, Colorado, New York, Washington, Alaska, Pennsylvania and Oregon. This was the largest oxycodone trafficking case in the history of the District of Oregon based on the sheer volume

of oxycodone distributed, the geographic scope of the conspiracy, and the enormous profits generated. A single 80 milligram oxycodone pill sold for a range of \$30 wholesale to \$80 retail. Osemwengie invested in luxury real estate and flashy jewelry including a watch decorated with over 1,000 diamonds.<sup>32</sup>

The traffickers used call girls to transport the drugs across the country, and Osemwengie even used one of them as the nominee for an anonymous shell company used to launder proceeds from his drug trafficking scheme. The company was aptly named High Profit Investments LLC<sup>33</sup> and was incorporated in Nevada.

### Fraudulent Online Pharmacy Diverts Prescription Drugs

Mihran and Artur Stepanyan, along with at least 19 other people, are considered to be part of a nationwide drug diversion, money laundering and fraud enterprise, an online pharmacy. So much of the pharmacy's business was criminal that it qualified as a racketeering enterprise. The Stepanyans diverted legitimate prescription drugs and obtained other

**Mihran and Artur Stepanyan** operated at least four anonymous shell companies which they allegedly used to hide a wide-ranging criminal enterprise engaged in racketeering. Their biggest business consisted of diverting prescription drugs such as oxycodone from unlicensed sources to unknowing customers through a website pharmacy.

prescription drugs from unlicensed sources. **They used several anonymous shell companies, such as GC National Wholesale Inc.,<sup>34</sup> Nationwide Payment Solutions Inc.,<sup>35</sup> FM Distributors Inc.<sup>36</sup> and more to sell the drugs and launder the money.** During their operations over \$393 million worth of drugs was distributed and over \$5 million was stolen in financial crimes.<sup>37</sup> The operation was just beginning to experiment

with a murder-for-hire scheme when they got caught. The majority of their enterprises were based in Northern California, but also included Puerto Rico, New Mexico and others.

## Drug Money Laundering Disguised As “International Tax Planning, Asset Protection and Other Wealth Preservation Techniques”

**Martin Tremblay** ran a complex criminal operation centred around his use of multiple anonymous shell companies and training as an investment banker to launder drug money. His company fittingly claimed to be a leader in, amongst other things, “wealth preservation techniques.”

Tremblay was the president and managing director of the Bahamas based **anonymous shell company, Dominion Investments Ltd.**,<sup>38</sup> which he used to launder over **\$1 billion** from the firm’s clients. The money he laundered came from all sorts of illegal activity including drug trafficking involving cocaine, GHB and other drugs. His money laundering scheme ran from 1998 to roughly 2005, and his company owned bank accounts all over the

U.S. To further conceal the source and nature of these funds, Tremblay and his co-conspirators created shell companies and fictitious entities all over the world, including the U.S, using the same false nominees, addresses, and telephone numbers, to launder these illegal proceeds.<sup>39</sup>

## Money Launderers ‘Teach’ Undercover IRS How to Hide Drug Money

**Pavel Sosa Medina and Amado Vazquez Jr.** laundered money for others for profit using shell companies based in Kentucky and Florida. In a secret IRS sting operation, the pair laid out step by step instructions to undercover IRS agents on how to launder and hide their purported drug profits using anonymous shell companies.

Vazquez and Sosa Medina conspired to launder money for profit. The two were suspected money launderers from previous cases involving laundered drug profits through a Miami-Dade check-cashing company.<sup>40</sup> Using their history as a stepping stone, in an undercover operation, IRS

agents approached the pair asking them to help launder around half a million dollars in supposed drug money. The pair, saying they were willing to help as their business was already involved in criminal activity,<sup>41</sup> laid out a step-by-step money laundering plan to the IRS that included shell companies, blank checks and multiple wire transfers.<sup>42</sup> **The anonymous shell companies they used were incorporated in Florida and Kentucky, and they included ZAN Providers LLC<sup>43</sup> and R.C. & Son Enterprise LLC.<sup>44</sup>** Both are in prison in Florida.

## Peruvian Airline Owner and Drug Kingpin Continues Criminal Activity From Prison

Although in prison in Peru, Fernando Melciades Zevallos Gonzalez's criminal network continues to operate. Since the 1980s, **Zevallos has operated a drug trafficking organization and used two anonymous shell companies based in Miami, La Hacienda (USA) LLC<sup>45</sup> and Running Brook LLC,<sup>46</sup> both**

Notorious and violent drug trafficker **Fernando Zevallos**, founder of the airline Aero Continente, used two anonymous shell companies, La Hacienda (USA) LLC and Running Brooks LLC, to funnel his drug money into real estate in Florida.

**incorporated in Florida, to hide his drug profits.** After being designated a "significant foreign narcotics trafficker" under the Kingpin Act which froze his U.S. assets, Zevallos still managed to use the shell companies to move \$1.4 million of his \$1.7 million out of the United States. It is likely that to achieve this, Zevallos transferred the shell companies to be under his wife's name,<sup>47</sup> which is how the authorities tracked him. Key members of his associates and family continue to operate his drug network,<sup>48</sup> and the rest of his finances are still out of reach of the U.S. and Peruvian authorities.

## Fake Gold Miners Produce and Traffic Drugs

The elusive **Sanchez-Paredes family** have been operating a drug trafficking organization based in Peru for decades. They use Florida based anonymous shell companies such as Comarsa, a gold mining company, to produce cocaine and launder their profits.

Since the early 1980s Peruvian authorities have investigated the Sanchez-Paredes family who allegedly operate the Sanchez-Paredes Drug Trafficking Organization (DTO). There is a criminal complaint pending against the family in Peru, whilst in the U.S. investigations continue. Peruvian law enforcement believe that the Sanchez-Paredes DTO has financed various businesses including mining companies, farms, real estate investments, transportation companies and more, for the purpose of laundering many

millions of dollars in narcotics trafficking proceeds. For example, **the Sanchez-Paredes DTO owns two anonymous mining companies, CIA Minera Aurifera Santa Rosa SA ("Comarsa") and CIA Minera San Simon ("San Simon"). Both of these firms claim to be mining gold but are believed to be manufacturing cocaine;** calcium oxide is used for both gold mining and cocaine production, and the amount seized by Peruvian authorities in 2007 was significantly more than the amount necessary to mine gold.

More generally, the Sanchez-Paredes DTO uses many shell companies<sup>49</sup> and bank accounts linked to them to hide and launder their drug profits. They used various distant family members as the nominal owners of the company while the names of the real owners remained hidden. Followed by a seizure of 12 bank accounts containing over \$31 million from the family, Manhattan U.S. Attorney Preet Bharara said: "While this allegedly notorious drug trafficking family may be beyond our reach, the proceeds from their decade's long money laundering scheme are not."<sup>50</sup> Successful cases such as

this show how following the money can be an effective way of cracking down on drug trafficking, however this case is the exception to the rule due to lack of incorporation transparency.

## Former USC Athlete Leads Massive International Drug Trafficking and Money Laundering Organization

22 people were indicted in relation to the racketeering enterprise they allegedly named “ODOG”, an international drug trafficking, illegal sports gambling and money laundering organization. The organization used runners to both collect gambling debts and deliver drugs such as heroin to customers. Along with many others, a Certified Public Accountant (CPA), Luke Fairfield, assisted the enterprise by setting up anonymous shell companies and advised them on how to structure their bank transfers to remain inconspicuous. **One of these anonymous shell companies’ real name was Big Dog Sports Memorabilia Inc.,<sup>51</sup> which was a front company used to manage the money behind the organization’s operations.** The enterprise employed violence and threats of extreme violence to ensure people paid their drug or gambling debts, and their reach extended as far as Peru and Australia. The case against Hanson and his associates is still ongoing in California.<sup>52</sup>

**Owen Hanson** allegedly the lead a violent international narcotics trafficking and gambling ring based in San Diego, California. His activities reached as far as Australia, and he used a U.S. based anonymous shell company called Big Dog Memorabilia Inc., to disguise his activities.

## Over 50 Luxury Vehicles Used to Launder Heroin Trafficking Money

**Addonise Wells and Mario Freeman** used anonymous shell companies to invest their heroin trafficking profits in luxury vehicles. They also employed **Jimmie Goodgame**, who also bought luxury vehicles and was involved in the money laundering aspect of the enterprise.

Addonise Wells and Mario Freeman are accused of leading a large scale heroin trafficking ring in Ohio. The pair used an anonymous front company, Moe’s Tire Company, to deliver the drugs and launder the profits. They also employed Jimmie Goodgame and his wife Stacey to **launder money for them through more anonymous shell companies. One of these companies was called**

**J&G Enterprises I LLC,<sup>53</sup> which was anonymous until 2008, when the agent’s name was changed to that of Jimmie Goodgame.<sup>54</sup> It is unclear why this change occurred.**

While the Goodgames bought luxury vehicles to protect and hide the money, Wells and Freeman bought real estate in the names of their relatives for the same purpose. These luxury vehicles were also used by Wells and his associates to transport drugs.<sup>55</sup>

Authorities had suspected the Goodgames' involvement in drug trafficking for years. At a coincidental traffic stop outside Chicago, police found over \$500,000 in cash hidden in containers in one of the cars registered to Goodgame. With this evidence, they were able to build a strong enough case to go after the operation. Goodgame alone controlled at least \$1.5 million in profits.<sup>56</sup>

## Los Zetas Drug Cartel Lauanders Money Using Race Horses

The biggest of Mexico's drug gangs is the Los Zetas cartel, whose former leader...[is] Miguel Ángel Treviño...From 2008, **the Zetas used [anonymous] shell companies, in a scheme to launder millions of dollars of drug money into the United States, with the true ownership hidden behind front men.**<sup>57</sup>

The money was hidden behind the purchase of race horses, some of whom

were given names such as 'Number One Cartel' and 'Morning Cartel'. The horses were incredibly successful and reported to win the cartel several million dollars.

The leader of the infamous Los Zetas cartel, **Miguel Angel Trevino**, used anonymous shell companies to launder money. The cartel and its leader purchased race horses in Oklahoma, which they gave names such as 'Number One Cartel' both to keep their money safe and profit off horseracing.

Fourteen people, including Treviño, were indicted on money laundering charges by the U.S. in 2012.<sup>58</sup> Treviño was captured in Mexico in July 2013.<sup>59</sup> As of September 2013, four co-defendants from the original indictment have yet to be caught. Nine people have been sentenced for their role in the scheme.<sup>60 61</sup>

*This case study was excerpted from "The Great Rip Off" by Global Witness.*

## 'Boss of Bosses' Crime Lord and Drug Trafficker Still Free in Moscow

Known as the 'boss of bosses', the Russian **Semion Mogilevich** uses anonymous shell companies all around the world, including the U.S., to launder money for his vast criminal enterprise. Mogilevich traffics drugs, cheats on the stock market, facilitates prostitution, and more. Although several arrest warrants have been issued against him, he still lives freely in Moscow.

The FBI has described Semion Mogilevich as "the most dangerous mobster in the world," allegedly "involved in weapons trafficking, contract murders, extortion, drug

trafficking, and prostitution on an international scale."<sup>62</sup> According to an indictment, that reputation did not stop the Russian from setting up a **vast network of anonymous companies, stretching from Eastern Pennsylvania to the United Kingdom**<sup>63</sup>, which **allowed him to cheat the stock market and steal over \$150 million from investors**

**in the United States and overseas**<sup>64</sup>...By inflating the price of his companies through manipulating securities and false reporting, including reportedly lying to the Securities and Exchange Commission, Mogilevich convinced investors to purchase millions in stocks in a company that allegedly did no real business. Those involved lost millions.

In spite of several arrest warrants issued against him, Mogilevich still lives freely in Moscow, according to the FBI. He has not been convicted for these crimes.<sup>65</sup> This case is a clear demonstration of how some drug trafficking organizations are part of a larger criminal enterprise involved in many different criminal activities. This it illustrates how money laundering tools such as anonymous companies can be used to hide and finance all kinds of illicit activities and layers of complexity that make it even more difficult for law enforcement to monitor, track and seize the proceeds derived from drug trafficking.

*This case study was excerpted from The Great Rip Off by Global Witness.*

## Recommendations

This report recommends that federal law makers end the use of anonymous shell companies by mandating the collection of true beneficial ownership information from all companies. This information then needs to be easily and efficiently accessible by law enforcement, who can then act on it to help curb drug trafficking and hence the ongoing opioid crisis.

*“U.S. shell companies [have] the dubious distinction of being the only money laundering method where secrecy is provided by a government entity...This is simply unacceptable.”*

**- Adam Szubin**, Acting Under Secretary for Terrorism and Financial Intelligence of the U.S. Treasury

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