



# Money Laundering Risks in Commercial Real Estate: An Analysis of 25 Case Studies

A brief by Global Financial Integrity, FACT Coalition, and  
the Anti-Corruption Data Collective

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## Authors



**The Anti-Corruption Data Collective (ACDC)** brings together leading journalists, data analysts, academics and policy advocates to expose transnational corruption flows. We leverage data and expertise to expose the harm that financial secrecy causes to democracy, economic justice and the environment, with a particular focus on wrongdoing and risk areas in the real estate and private investment industries.



**The Financial Accountability and Corporate Transparency (FACT) Coalition** is a non-partisan alliance of more than 100 state, national, and international organizations working toward a fair tax system that addresses the challenges of a global economy and promoting policies to combat the harmful impacts of corrupt financial practices. The Coalition's goals include: ending the use of anonymous shell companies as vehicles for illicit activity; strengthening, standardizing, and enforcing anti-money laundering laws; requiring greater transparency from multinational corporations to promote informed tax policy; and eliminating loopholes that allow corporations and individuals to offshore income and avoid paying their fair share of taxes.



**Global Financial Integrity (GFI)** is a Washington, DC-based think tank focused on illicit financial flows, corruption, illicit trade and money laundering. By publishing high-caliber analyses, providing actionable policy recommendations, collaborating with partner organizations, conducting fact-based advocacy and working with governments to establish transparency measures, GFI aims to address the harms inflicted by trade misinvoicing, transnational crime, tax evasion and kleptocracy. By working with partners to increase transparency in the global financial system through beneficial ownership registries and Trade Integrity initiatives, GFI seeks to create a safer and more equitable world.

## Acknowledgements

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# Commercial Real Estate: Where Complexity Meets Opacity

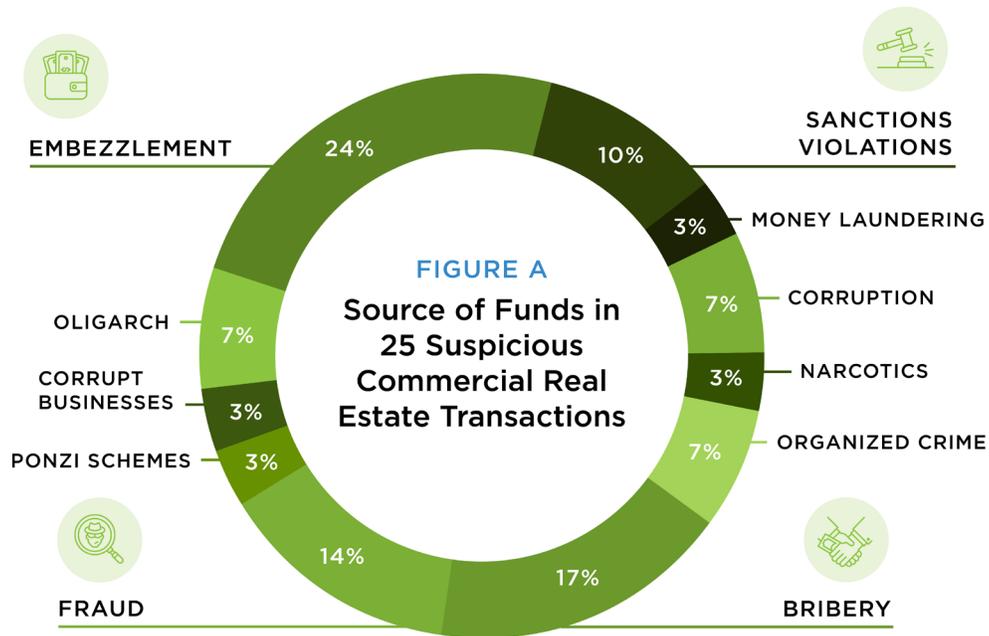
In September 2020, the International Consortium of Investigative Journalists (ICIJ) unearthed [startling evidence](#) of how Ukrainian oligarch Ihor Kolomoisky bought up commercial real estate across the U.S., allegedly to launder hundreds of millions of dollars he had swindled from PrivatBank, which he owned. The exposé was a blockbuster: over a period of 10 years, Kolomoisky had purchased 22 properties in eight states, leaving a trail of “boarded-up buildings, unpaid property taxes, dangerous factory conditions, unemployed workers, and at least four steel mills that filed for bankruptcy,” according to ICIJ. PrivatBank has pursued lawsuits against Kolomoisky and his business partner Genadiy Bogolyubo since 2017, claiming that the pair stole billions of dollars from the bank, which was privatized in 2016 after regulators discovered \$5 billion in missing assets. In 2023, Ukraine launched a criminal money laundering case against Kolomoisky. The bank’s former owners deny any wrongdoing. The years-long saga was an economic disaster for several small communities across the Midwest and a black eye for the U.S. regulators who had ignored numerous suspicious activity reports (SARs) submitted by Deutsche Bank, Kolomoisky’s financier of choice.<sup>1</sup>

Even with such explosive investigations in hand, we still know little about the extent to which commercial real estate in the U.S. is being actively used to launder money. If proven, how much of an anomaly would the Kolomoisky case be? How and why do the criminal and corrupt stash ill-gotten proceeds in the commercial real estate sector? To better understand the money laundering risks in this industry, we scoured news articles, government indictments, and other publicly available information, constructing for the first time a systematic overview of how suspicious money may be entering U.S. commercial real estate.

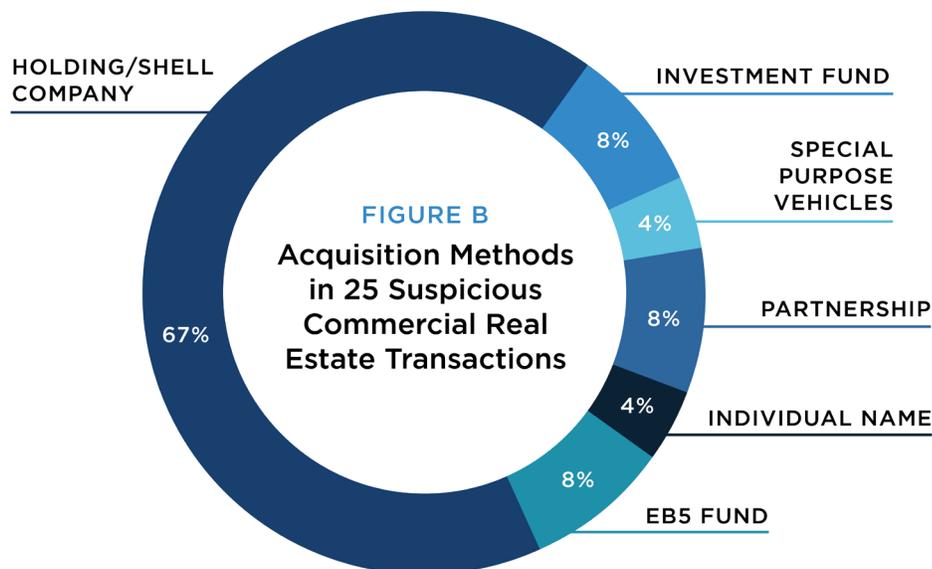
In the end, we were able to identify 25 cases in which illegal, allegedly illicit or suspicious funds were funneled into commercial property over approximately the last 20 years, with a total value of property purchased exceeding \$2.6 billion. To no surprise, California, Florida and New York are some of the most favored locations for these illegal investments, but criminals stashed money across some 20 different states. This money originated from around the globe. U.S. commercial real estate has attracted suspicious funds from 14 countries, including Iran, North Korea, Kazakhstan, Russia and Mexico. As varied as the sources of funds were, so too were the types of properties involved. Hotels, shopping malls, supermarkets, a music studio and an equestrian facility were snapped up by highly suspicious actors, in addition to more pedestrian office high-rises.

It should be noted that our research represents only known cases involving U.S. commercial real estate: the actual number is likely much higher. Our data definitively shows, however, that commercial property in the U.S. offers criminal syndicates, cartels, kleptocrats and fraudsters an easy path to hide and launder their ill-gotten gains. Russian oligarchs facing international sanctions have also invested in U.S. commercial real estate. Figure A summarizes the sources of the wealth that was laundered or stashed in commercial real estate in the 25 cases identified in this report. Shockingly, eight of the 25 cases involve foreign government officials or their relatives, yet the links to these Politically Exposed Persons (PEPs) were only uncovered long after the purchases.

<sup>1</sup> When approached by ICIJ for comment about transactions involving Kolomoisky or companies he controlled, Deutsche Bank declined to respond citing legal restrictions. According to ICIJ, “The bank said it has acknowledged “past weaknesses” and “learnt from our mistakes” and that it has addressed many of the concerns that have been raised about the institution.”



Taken together, the cases analyzed in this report confirm our worst suspicions. In recent years it has become increasingly clear that the combination of complex financing schemes and a lack of transparency mean commercial real estate provides a unique opportunity for laundering huge amounts of cash with a relatively low risk of detection. Unlike residential real estate, in which the transaction is relatively uncomplicated and the possibility of determining the true individuals behind the purchase is relatively simple, identifying who is behind the purchase of commercial property often presents a much greater challenge. Figure B summarizes the methods used to acquire commercial estate, drawing on the 25 cases identified in this report. Commercial real estate draws large in-flows from real estate investment trusts and private investment groups, in addition to funds from shadowy shell companies formed and operated by registered agents, proxies and/or attorneys. With the large number of money sources comes increased complexity and, in many instances, more opacity. Indeed, as Peter Hardy, an attorney at Ballard Spahr has [noted in comments to \*The Real Deal\*](#), “you have all sorts of funding flying around”, making identifying the source of the money problematic.



U.S. law enforcement has expressed similar concerns about the potential for commercial real estate to be exploited by malicious actors. The Financial Crimes Enforcement Network (FinCEN) – the U.S. Treasury Department bureau tasked with establishing the rules and regulations needed to curtail money laundering – issued an [alert](#) in January 2023 titled “*Potential U.S. commercial Real Estate Investments by Sanctioned Russian Elites, Oligarchs and Their Proxies.*” The alert, aimed at professionals in the sector, highlighted several red flags, including the use of offshore private investment vehicles as conduits for real estate purchases and a lack of beneficial ownership information for the buyer, among several others.

FinCEN is right to raise the alarm. Our in-depth examination of 25 cases shows that the U.S. financial system is ill-equipped to adequately identify, much less disrupt, money laundering occurring through commercial real estate. Indeed, it appears that in many cases, a full-system failure occurred, allowing money laundering to go on for years. The Kolomoisky case is a prime example. It took an audit of PrivatBank by the Government of Ukraine to raise suspicions that Kolomoisky’s US commercial real estate holdings were purchased using embezzled funds. In fact, no real estate agent inquiry, local government agency review or federal regulator investigation had previously triggered any red flags about Kolomoisky’s investments.

This assessment was echoed in an interview with Michael Sallah, the lead ICIJ journalist on the Kolomoisky story, who later continued the [investigation](#) at the *Pittsburgh Post-Gazette*. “Nobody asked any questions,” about the source of funds, Sallah noted. “There was no due diligence.” Sallah said that “Kolomoisky could hide his ownership,” through the use of related LLCs, nominees, registered agents and attorneys. Similarly, in case after case reviewed for this report, an array of enablers facilitated – knowingly or not – the laundering of billions of dollars. Lawyers, real estate agents, title companies, LLCs, registered agents and banks all smoothed the way. Based on this, the former ICIJ reporter offered a warning: without adequate safeguards and reporting requirements the United States will “continue to be a place where money from trusts and LLCs” will flow to be washed.

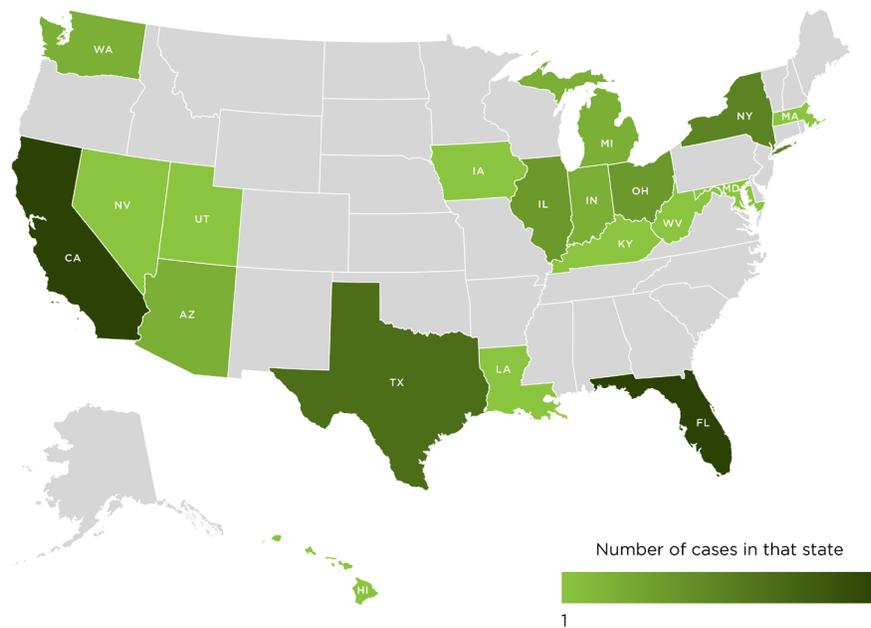
## Key Findings

- More than \$2.6 billion in suspicious funds were invested in commercial real estate in the U.S. over approximately the last 20 years. The actual figure is likely much higher given the opaque nature of the industry and the criminality involved.
- The \$2.6 billion was invested in 22 states across the U.S. (see Map 1).
- Funds used to buy commercial real estate in the United States originated in 14 different countries including Russia (4 cases), Mexico (4 cases), the U.S. (3 cases), and four countries with two cases each including China, Malaysia, Iran and Kazakhstan (see Map 2).
- Of the 25 cases reviewed for this study, 14 involved either politically exposed persons (PEPs) – individuals who either are officials of a foreign government or are related to such an individual – or oligarchs who typically have especially close relationships with government officials. While no doubt inadvertent on the part of the vast majority of professionals operating in the sector, U.S. commercial real estate is being used to facilitate corruption in many places around the globe.
- Predicate crimes – the illegal activity that generated the funds that were later laundered – include bribery, health care fraud, securities fraud and organized criminal activities. Funds also invested wealth from Russian oligarchs, among others.

- The types of commercial properties appearing in cases fall into four broad categories: real estate holdings/developments (e.g. land, buildings), business facilities (e.g. offices, music studios, health facilities), retail spaces (e.g. supermarkets, hotels, restaurants) and industrial sites (e.g. steel plants). High-value real estate holding/developments and business facilities were the two types of commercial property investments used most often in our analysis.
- Weak or non-existent reporting requirements by professions involved in the purchase of commercial real estate contributed to the ease with which illicit funds were laundered.

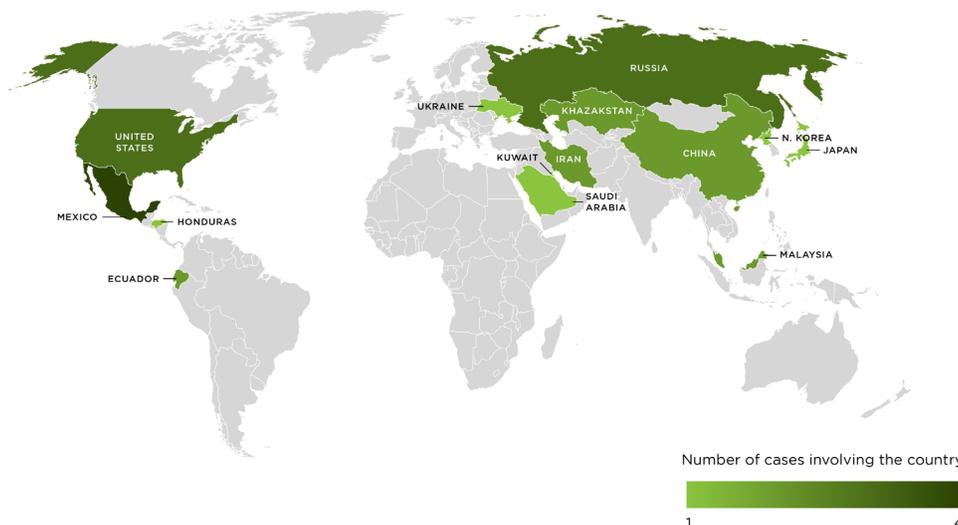
MAP 1

Locations of Commercial Real Estate Properties (U.S. States)



MAP 2

Countries Where Illicit or Suspicious Funds Originated



## Recommendations

At present, Geographical Targeting Orders (GTOs) are the primary regulatory tool to prevent money laundering through U.S. *residential* real estate. (GTOs currently do not cover commercial real estate.) In the [counties where GTOs apply](#), title insurance companies are required “to identify the natural persons behind companies used in non-financed purchases of residential real estate.” However, as detailed below, the GTOs are not a suitable model for regulation of the far more complex commercial real estate industry. Furthermore, a 2022 [working paper](#) by the Anti-Corruption Data Collective suggests that, as a limited pilot system, the GTOs failed to deter suspicious transactions. Analysis of millions of real estate deals found that the GTOs have not had a significant impact on the amount of corporate all-cash purchases in the targeted counties, nor caused a substitution to other types of purchases in these counties.

The Treasury Department should therefore advance and finalize rules that instate anti-money laundering obligations for the U.S. residential and commercial real estate sectors, ending a 20+ year long “temporary” exemption. Our recommendations build off the current Notice of Proposed Rulemaking from February 16, 2024 (“Anti-Money Laundering Regulations for Residential Real Estate Transfers”), that proposes significant changes to the current oversight of transactions in the Residential Real Estate market. We not only encourage the finalization of the rule as it has been proposed, but here propose an additional set of recommendations specific to the commercial real estate sector that should be included in new rulemaking.

In terms of Commercial Real Estate, that rule should include the following:

- a. A cascading reporting rule that accounts for evasion tactics used by money launderers:** The real estate sector should be required to identify and verify the beneficial owner of the client and the source of funds used to purchase the property. However each U.S. state has its own laws and customs regulating the real estate sector. A rule that would only cover one type of real estate professional would therefore provide money launderers with an easy evasion tactic to exploit. Instead, FinCEN should adopt a reporting obligation for multiple real estate professionals in a cascading order to ensure the requirement falls on at least one U.S.-based entity involved in the transaction, from both the buyer and the seller. As attorneys are legally required to be part of the closing process in almost 20 states, attorneys should be included in any cascading rule with specific reference to the function they perform in real estate transactions.
- b. The rule should cover transfers of ownership that do not constitute a sale:** The current real estate GTO defines ‘Covered Transaction’ to only refer to *purchases* of residential real property by a legal entity. However, numerous cases of real estate money laundering simply involve the transfer of ownership or creation of equitable interest in the property without an actual sale. FinCEN should expand the types of transactions covered under any new rule to include direct/indirect transfers of ownership or creation of equitable interest in the property.
- c. The rule should cover transactions by trusts:** An increasing proportion of housing is now owned by legal entities and arrangements, including trusts. In Los Angeles, for example, 23% of rental units are [owned by trusts](#). The GTOs, except for a singular non-public GTO,<sup>2</sup> have failed to address the ownership [risks associated with trusts](#).<sup>3</sup> Both foreign and some domestic trusts are

<sup>2</sup> ACDC Working Paper (2022). “The impact of ownership transparency policies on illicit purchases of US property”. p. 8.

<sup>3</sup> U.S. Government Accountability Office (2020). “Anti-Money Laundering: FinCEN Should Enhance Procedures for Implementing and Evaluating Geographic Targeting Orders.” <https://www.gao.gov/products/gao-20-546>.

also excluded from the purview of the Corporate Transparency Act. Yet, these types of legal arrangements are used by PEPs to purchase real estate. We therefore recommend that transactions by all different classes of legal entities and legal arrangements be included in any prospective rule.

- d. **FinCEN should finalize usable definitions of ‘residential’ and ‘commercial’ real estate:** Under the GTOs, FinCEN [clarified the term](#) ‘residential real property’ to mean ‘property designed principally for the occupancy of from one to four families.’ However, that decision produced a fair amount of confusion within the industry as to what is covered by this classification. For example, would the purchase of 100 ‘one to four family’ property units by a corporate entity within one building be treated as residential or commercial? We welcome the current FinCEN proposal in the February 16, 2024 NPRM on Residential Real Estate that modifies and expands the definition of ‘residential real estate’ to cover “residential real property such as single-family houses, townhouses, condominiums, and cooperatives, as well as apartment buildings designed for one to four families” (in addition to covering any commercial elements to the properties and land to be used for future residential developments). In our view, Commercial Real Estate should include all other properties having all other end-uses not covered by this definition of Residential Real Estate.
- e. **FinCEN should not limit its focus to ‘non-financed’ transactions:** The GTOs currently are restricted to all-cash transactions. However, the term ‘non-financed’ should not be treated as a synonym for ‘all-cash’ transactions. The term ‘financing’ in real estate transactions does not only include conventional loans provided by financial institutions that are regulated under the Banking Secrecy Act (BSA), but also means financing provided by private lenders, foreign financial institutions, online marketplaces like Zillow, private equity, bond issuance, etc. that are not subject to Anti-Money Laundering / Combating the Financing of Terrorism requirements. Therefore, we agree with the current proposal by FinCEN in the rulemaking on residential real estate that defines the term ‘financed’ and only provides exceptions for transactions that have robust due diligence and reporting mechanisms.
- f. Together with the rulemaking described above, **FinCEN should issue guidance on red flags for money laundering schemes in a commercial real estate transaction.** Further, new guidance is needed that defines politically exposed persons (PEPs) given their noted involvement in laundering funds through the purchase of commercial property. Any agency required to report red flags should also be required to indicate when a PEP from a foreign government is involved in a transaction.

Furthermore, to create additional safeguards throughout the complex chain of actors and transactions involved in commercial real estate deals:

- Treasury should finalize proposed rulemaking extending anti-money laundering obligations to the \$20 trillion U.S. private investment advisor sector. FinCEN and the Securities Exchange Commission (SEC) should require investment advisors to execute due diligence on prospective investors in private real estate investment vehicles.
- Congress should pass the ENABLERS Act, which would authorize Treasury to require professionals who provide certain financial services to their clients—such as forming or registering a company in the United States—to adopt safeguards that can help detect, flag, and prevent the laundering of criminal funds into and across the U.S.

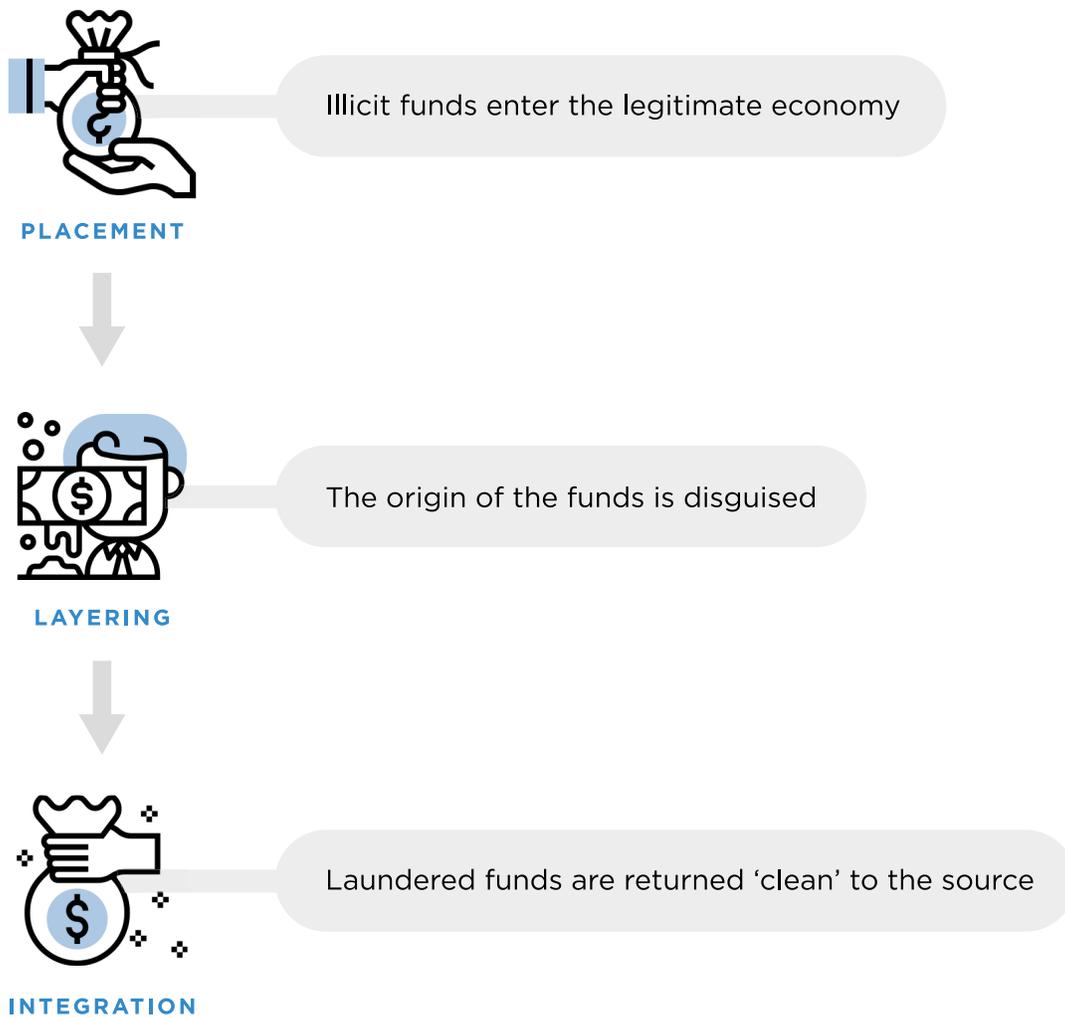
# The Curious World of Global Money Laundering Investigations

The following items highlight just a few of the more outlandish stories discovered during our research:

- » In 2020, the DOJ filed a series of lawsuits seeking the forfeiture of the Beverly Hills 'Mountain' – a 157-acre piece of undeveloped hilltop land (formerly owned by the sister of the last Shah of Iran and, later, the celebrity media mogul Merv Griffin) as part of efforts to recover more than \$100 million embezzled by former officials of Kuwait's Ministry of Defense. The stolen funds were [allegedly used](#) to purchase three other Beverly Hills homes as well as, "a penthouse and an apartment in Westwood, a private jet, a yacht, a Lamborghini sports car and approximately \$40,000 worth of memorabilia of boxer Manny Pacquiao." Kuwait's former minister of defense Sheikh Khalid al-Jarrah al-Sabah had earlier claimed in court that he was conned out of his investment in the 'mountain' when it was sold in 2019. In 2023, Kuwait convicted the former minister for misusing military funds.
- » A 2016 investigation by the *San Antonio Express News* linked more than [100 properties](#) in the U.S. to a single alleged scheme. Authorities in Mexico accuse a banker of bilking more than 6,000 investors of "more than \$160 million" which ended up in the "U.S., Spain and Great Britain". The U.S. properties were in addition to "yachts, vehicles and personal property". The suspect, Rafael Olvera Amezcua, was [deported from the U.S.](#) in 2022 to face charges in Mexico, where he remains in jail. He denies wrongdoing, but in 2019 [forfeited 80 real estate properties](#) and other assets to settle a lawsuit to recover the investors' lost funds.
- » In 2014, *The Nation* reported that "Allies of both the winner and the loser in Ukraine's 2010 presidential election... have been accused of money-laundering schemes involving New York properties." The former Prime Minister of Ukraine, Yulia Tymoshenko, allegedly siphoned off public funds and used them to bribe associates and other public officials. Those officials allegedly invested the bribes in NYC real estate, including purchasing the building at 14 Wall Street. When the scheme came to light, the Prime Minister accused *her political rivals* of laundering funds through New York real estate then sending the funds back to Ukraine to fund an election campaign to oust her from office. That suit was [dismissed](#). However, one of the defendants in her lawsuit, Dmytro Firtash, is currently [fighting against extradition](#) to the U.S. on separate corruption charges.
- » In the well-known Reza Zarrab/Halkbank case, a Turkish national who was convicted of helping launder illicit Iranian funds in the U.S. was [outed by a horse](#). When Sonata MF won the U.S. national dressage championship in 2021, the owner of the Florida equestrian facility where the horse was trained, took the opportunity to have his [photo taken](#) with the rider, trainer and horse. Journalists in Turkey identified the owner as the convicted money launderer, who was operating under an assumed name after [cooperating with U.S. prosecutors](#).
- » A former mayor of Almaty, Kazakhstan, who was convicted in absentia of stealing \$300 million from the city, was accused of purchasing a hotel and medical center in New York city to assist in laundering the funds. Further, a Swiss shell company allegedly tied to the mayor was involved in the purchase of a 600,000 square feet facility in Syracuse, NY which [fell into disrepair](#). To add to the international intrigue, a man tasked with purchasing the property for the shell company at a 2013 auction "ran from reporters, refusing to identify himself and even hiding his face with an iPad." Reporters from McClatchy DC later identified the man as New York property developer [Felix Sater](#).

# Case Studies

In the following pages we highlight five cases to demonstrate the various processes used to launder and obscure the origins of funds through commercial real estate in the United States. Following those case studies is a list of all the cases reviewed for this study.



## CASE 1

# The Black Market Peso Exchange gets into real estate

In 2018, the cross-border money laundering racket known as the Black-Market Peso Exchange (BMPE) came to the small-town of Locust Grove, GA (population 5,402).

The BMPE has quickly become one of the go-to ways for Latin American drug cartels to launder their revenue earned in the U.S. Under this scheme, brokers begin the money laundering operation by buying dollars earned in the narcotics trade using pesos purchased from people who want to transfer into the US without using the formal banking system. In other words, these middle-men charge a fee to convert dollars into pesos, and vice versa.

The operation later shifted to investing the proceeds of the criminal activities in commercial real estate. Between 2016 and 2019, some BMPE money launderers turned to complex real estate investment structures through the Florida-based Sefira Capital LLC and its subsidiaries. Sefira had set up a series of Special Purpose Vehicles (SPVs) through which outside investors could take equity stakes in a variety of real estate properties. The SPVs “indirectly owned interests in approximately fifteen real estate projects...in the United States, raising over \$100 million in capital from Investors.”

Prosecutors alleged that Sefira repeatedly ignored red flags that arose when courting investors for its SPVs. For example, clear discrepancies arose between the size of stated investments and the actual amount of money received by Sefira. According to the federal complaint, in some instances the individual who actually executed the money transfer into Sefira’s accounts often differed significantly from the named investors from which the funds were supposed to originate. A 2018 DEA undercover operation ultimately blew the lid off the whole operation, discovering payments that “resulted in the transfer of millions of dollars of narcotics proceeds to certain Sefira Accounts at the instruction of money-laundering brokers.”

Sefira put this money to work by targeting attractive investment opportunities in the commercial real estate sector. Among the properties purchased by Sefira and named in the complaint were a 248-unit apartment complex in Locust Grove, GA (valued at \$34 million), a hotel in Tysons Corner, VA (valued at \$62 million) and 66,000 square feet of office space in Miami, FL (valued at [\\$13 million](#)). Overall, the authors of this report were able to identify eight different residential, hotel, and office assets across the United States acquired by Sefira over the period.

Following a federal investigation that uncovered over \$50 million laundered through BMPE, in 2021, Sefira and 31 of its subsidiaries [agreed to forfeit \\$29 million](#) to settle the case, without any admission of wrongdoing.



**PLACEMENT**

Money laundering brokers invest narcotics proceeds in Sefira’s special purpose vehicles (SPVs)



**LAYERING**

Drug money is mixed with other investors’ stakes in real estate via SPVs



**INTEGRATION**

Sale of stakes in SPVs would give the appearance of legitimate funds

## CASE 2

## Fraudulent securities and photo ops

Beginning in 2012, tycoon [Ed Gong](#) (aka Xiao Hua Gong) burst onto the scene of Canadian politics, securing photo ops with the Prime Minister and attending fundraisers with Canada's political elite. Gong boasted of his successful career in real estate, having acquired hotels across Canada and even two Chinese-language TV channels. But the origins of his wealth were not all they seemed.

In fact, Gong's company, Edward Enterprise International Group Inc., was using a pyramid scheme to bilk investors, and was ultimately accused of [selling fraudulent securities](#) worth hundreds of millions of dollars to Chinese citizens between January 2012 and December 2017. Both the Canadian and New Zealand governments finally caught onto [the scheme](#) by tracing millions of dollars that had flowed through bank accounts and properties in both countries. A New Zealand company, Jiaxin Finance, [received funds](#) from Gong's companies and remitted them to bank accounts in Canada through 311 transactions between April 2015 and May 2016. Jiaxin, its director Qiang Fu and his mother were together fined just under NZ\$3 million in New Zealand, with prosecutors alleging that the pair displayed a flagrant disregard for their anti-money laundering obligations.

In the end, Gong's company pleaded guilty to charges of running a pyramid scheme and forging documents, forfeiting roughly \$15 million in assets and paying a hefty fine. An additional \$60 million was forfeited to the New Zealand government in a record settlement at the time. Charges against Gong personally were withdrawn, though he still faces [ongoing scrutiny](#) from the Ontario Securities Commission in a regulatory enforcement case.

Importantly for this report, Gong had been charged with laundering about one-quarter of his funds in commercial real estate in the United States, including a hotel in Dearborn, MI, thirty floors of a Chicago office building and a 325-acre business campus in Illinois that included four buildings and a heliport. In total, prosecutors estimated that Gong laundered \$53.4 million in the United States. These properties were ultimately [forfeited to the U.S. government](#) as part of the Canadian legal settlement, and the hotel was later sold off by the U.S. Marshals Service.

Gong's associates in New Zealand were the first to be sentenced under the country's AML laws. But their part is just one in a complete system failure in which banks in multiple countries, a real estate auction website and securities regulators failed to catch the dirty money on their books.



PLACEMENT

Proceeds of fraud are placed with Jiaxin Finance in New Zealand, who make hundreds of payments to Gong's Canadian bank accounts



LAYERING

Gong purchases U.S. and Canadian commercial real estate



INTEGRATION

Real estate holdings give the appearance of legitimate wealth, allowing Gong to gain access to political elites

## CASE 3

## Community revitalization by street gang?

Dajuan Morgan, an alleged member of Chicago's New Breed street gang has extensive criminal records in both Illinois and Indiana and has been designated a Serious Violent Felon due to his criminal history, according to local news reports. Even so, Morgan was able to purchase distressed properties in Indianapolis at extremely low prices from which he not only could run his allegedly illicit businesses, but also allegedly launder money connected to organized crime. Morgan obtained several of the properties through a city contractor called Renew Indianapolis, now known as Intend Indiana, for as little as \$1 each, and later sold them off for thousands of dollars, [reaping significant profit](#).<sup>4</sup> In 2023, Morgan pled guilty to one count of failure to remit taxes.

Many of the properties were located in the United Northwest Area (UNWA) neighborhood of Indianapolis, which has been targeted for revitalization through several city programs. Violence is rife in the area, and Indianapolis police allege Morgan himself has terrorized the neighbourhood. Indeed, the mission of Renew Indianapolis was to achieve urban renewal by constructing affordable housing and fostering small business development. Yet it appears that a lack of due diligence allowed an alleged leader of organized crime to exploit programs designed to better communities for his own criminal and money laundering activities.



## PLACEMENT

Morgan acquires cheap commercial properties as part of a neighborhood revitalization scheme



## LAYERING

Proceeds of crime are mingled with revenue from legitimate businesses located in the commercial properties



## INTEGRATION

Morgan sells the commercial real estate at a significant profit. The legitimate proceeds of the sale and the illegitimate criminal funds are mixed and sent to his accounts as clean money

<sup>4</sup> Intend Indiana did not respond to written request for comment for this report.

## CASE 4

# From illegal grain deals to a supermarket near you

As director of the Zhouko Municipal Grain Reserve in Henan Province, China, Jianjun Qiao oversaw the grain trade of an agricultural area covering more than 4,500 square miles. This powerful position gave Qiao numerous opportunities to exploit his office for personal gain. One of his schemes involved executing fraudulent transactions of grain belonging to the reserve, allowing Qiao to pocket the proceeds and siphon them out of China. That money was allegedly laundered through HSBC Canada Bank beginning in 2011, then funneled through a front company in Bellevue, WA called S&O Investments LLC.

U.S. law enforcement later unraveled the scheme and Qiao was extradited to the U.S. under [charges](#) including laundering up to \$28 million in various U.S. real estate properties using S&O Investments, as well as filing false immigration statements. [Media reports](#) note that in addition to a residence in Washington state, the funds were used to purchase a rental property in Flushing, NY as well as several commercial properties in Monterey Park, CA. These properties include a hotel, a series of rental apartments and a supermarket.

Qiao pled guilty to a federal conspiracy charge in 2021 and was sentenced to time served.



### PLACEMENT

Jiajun Qiao deposits funds from allegedly illegal grain deals in HSBC Canada Bank



### LAYERING

Jiajun Qiao funnels money through an LLC in Washington State



### INTEGRATION

Jiajun Qiao purchases properties in several states

## CASE 5

## A Russian oligarch spots an opportunity

Not all suspicious cases involve criminal funds. The opacity of the commercial real estate market may be appealing to Russian oligarchs or other politically connected business people for other reasons.

Beginning in 2011, Russian billionaire Mikhail Fridman, co-founder of Alfa Bank, Russia’s largest private bank, launched a U.S.-based real estate fund worth \$1 billion to acquire distressed properties all along the East Coast, from Boston to Miami. Fridman [partnered](#) with New York-based property developer and manager Rosen Partners, led by Jack Rosen. According to the *Wall Street Journal*, the majority of the money would come from Fridman. Fridman and Rosen had met in the 1990s and had worked together on a handful of projects in the U.S. before the big fund launch. The venture with Rosen Partners sought to invest in hotels, multi-family and office buildings and non-performing loans. Their investments would ultimately include a Manhattan condo project and a town-house development project in Edgewater, NJ. However, it is impossible to identify all the properties acquired by the fund.

In August 2023, the US followed the European Union and United Kingdom in imposing sanctions against Fridman following Russia’s full-scale invasion of Ukraine. Under the Treasury Department’s Office of Foreign Asset Control (OFAC) [sanctions](#): “all property and interests in property of the [sanctioned] persons ... that are in the United States or in the possession or control of U.S. persons are blocked and must be reported to OFAC. In addition, any entities that are owned, directly or indirectly, 50 percent or more by one or more blocked persons are also blocked.”

The current status of the properties acquired through the partnership is unknown.



## PLACEMENT

Russian oligarch’s assets help launch a property development fund



## LAYERING

Other investors contribute to the fund, which does not need to disclose its investors or their stakes



## INTEGRATION

Opacity in both private investment and commercial real estate industries could potentially protect Fridman’s assets from seizure under US sanctions

# Illicit and Suspicious Commercial Real Estate Investments in the United States

*N.B: All amounts are estimates based on the information available.*



Denotes **Politically Exposed Persons (PEP)**, i.e. a government official or a relative or close personal associate of a government official who, by their proximity to political power and government operations, are more susceptible to bribery, embezzlement and other financial crimes.



Denotes an **oligarch**, i.e. an individual who unduly benefited from the rapid privatization of public assets following the collapse of the Soviet Union. Oligarchs typically wield political influence and, in some cases, can be seen as financial proxies for political power.



Denotes a **link to organized crime**.

CASE #	COUNTRY OF FUNDS ORIGIN	PEP/ OLIGARCH/ ORGANIZED CRIME?	INDIVIDUAL OR ENTITY	LOCATION OF PROPERTIES	AMOUNT	PROPERTY TYPE
1	Ukraine		Ihor Kolomoisky	TX, KY, OH, WV, MI, IL	\$104M	hotel, office, steel plants, mobile phone plant
2	Malaysia		Jho Low et al	CA, NY	\$625M	hotels
3	Iran		Government of Iran	NY	\$500M	skyscraper
4	Honduras		Carlos and Mario Zelaya	LA	\$1.3M	office building
5	Mexico, U.S.		Sefira LLC	GA, FL, VA, MD	\$207.7M	apartment complexes, hotels, office buildings
6	Kuwait		Government officials	CA	\$100M	undeveloped land
7	Mexico		Rafael Olvrea Amezcua	TX, FL	\$30M	investment properties, office condo
8	Kazakhstan		Viktor Khapunov et al	NY, OH	\$35M	shopping mall, mental health facility, business campus
9	Iran		Wang Wei a.k.a. Jack Wang	OH	\$545,000	Unit in Medical Mart Hotel

CASE #	COUNTRY OF FUNDS ORIGIN	PEP/ OLIGARCH/ ORGANIZED CRIME?	INDIVIDUAL OR ENTITY	LOCATION OF PROPERTIES	AMOUNT	PROPERTY TYPE
10	China		Jianjun Qiao, Shilan Zhao	CA	\$28M	supermarket, hotel, apartment complex
11	Malaysia		Yaw family, Taib family and William Pope	WA, AZ, CA	Unknown	office space
12	Japan		Edwin Fujinaga and June Fujinaga	NV, CA, HI	Unknown	unspecified commercial real estate
13	U.S.		Lev Aslan Dermen, Jacob Kingston, Isaiah Kingston	UT, CA, AZ, TX, WA	Unknown	Investments in luxury residential high-rise buildings
14	China		Edward Gong/ Edward Enterprise International Group Inc	MI, IL	\$50.1M	hotel, office space, manufacturing complex
15	Ecuador		Carlos Polit Faiggoni	FL	\$7M	small office buildings, restaurants, dry cleaners
16	North Korea		Chi and Zhang Yupeng	Unknown	\$500,000	Investment in commercial construction project
17	Mexico		Tomas Yarrington	TX	\$7M	mixed-use development
18	U.S.		Dujuan Morgan	IN	Unknown	distressed properties
19	Russia		Alexei Mordashov	MD	Unknown	steel plant
20	Russia		Oleg Deripaska	CA	\$3M	music studio
21	Kazakhstan		Sauat Mynbayev, Askar Alshinbayev	NY, FL	\$391M	office buildings and commercial condos
22	Mexico		Legion of Christ	IA, FL, TX, IL, IN	\$14M	apartment complexes
23	Russia		Mikhail Fridman	MA, FL, NJ	>\$500m	hotels, office buildings
24	Turkey		Reza Zarrab a.k.a. Aaron Goldsmith	FL	\$1.2M	equestrian facility
25	Russia		Viktor Vekselberg	LA	Unknown	student housing complex, offices

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