

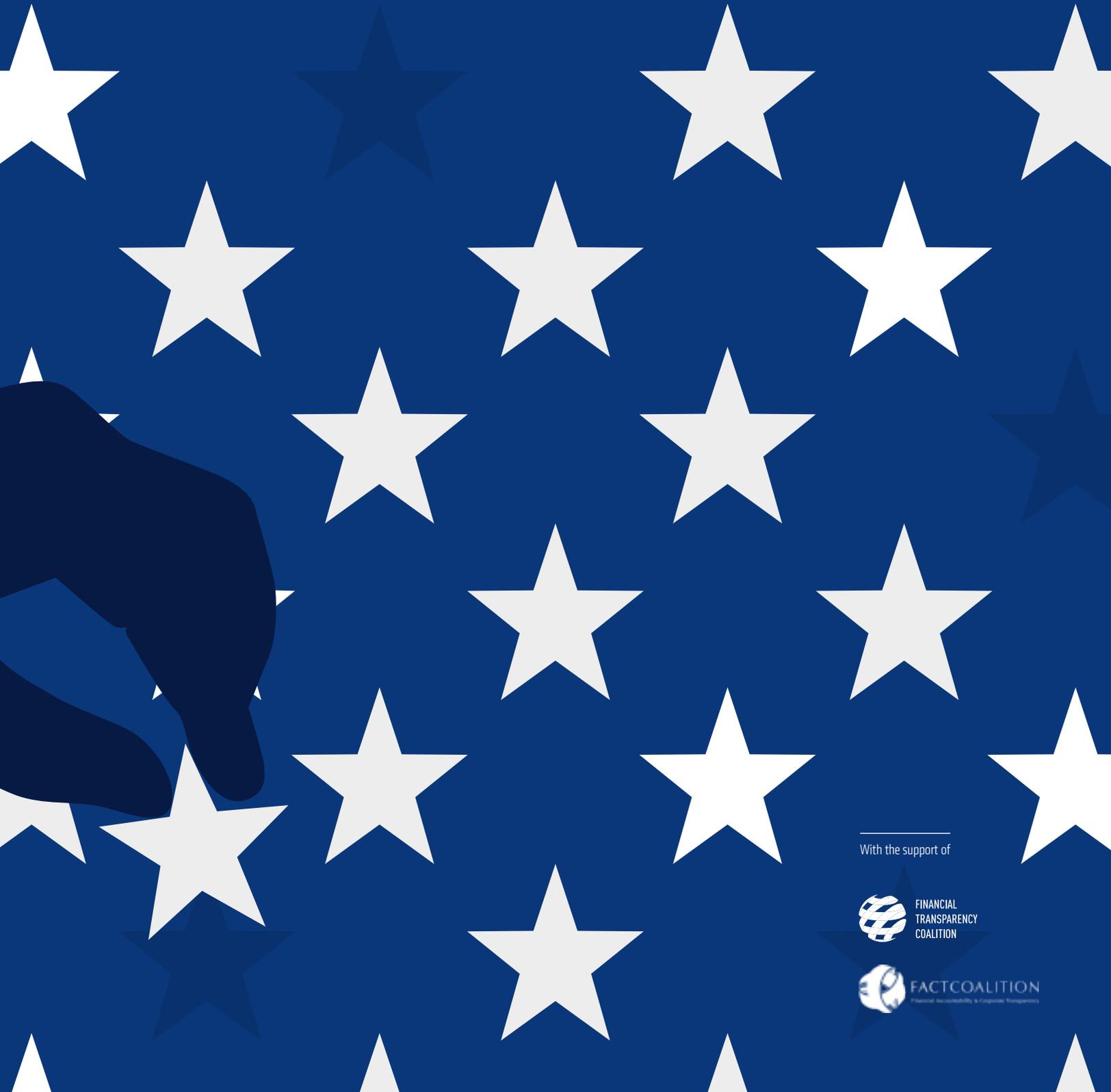
# THE GREAT RIP OFF

Anonymous company owners and  
the threat to American interests

September 2014



global witness



With the support of



FINANCIAL  
TRANSPARENCY  
COALITION



FACTCOALITION  
Financial Accountability & Corporate Transparency

## CONTENTS

SUMMARY	3
RIPPING OFF AMERICA'S NATIONAL SECURITY	6
RIPPING OFF THE U.S. TAXPAYER	8
RIPPING OFF THE VULNERABLE	10
RIPPING OFF BUSINESS AND INVESTORS	12
RIPPING OFF POOR COUNTRIES	14
RIPPING OFF DEMOCRACY	16
RECOMMENDATIONS AND CONCLUSIONS	18
NOTES	20

---

With the support of



# SUMMARY

This page: Charmian Gooch, Global Witness' co-founder, sets out her wish to end anonymous company ownership and accepts the 2014 TED prize.  
Photo: James Duncan Davidson



## Mo Ibrahim, Founder and Chair of the Mo Ibrahim Foundation:

“I’ve seen the harm that poor governance and a lack of accountability has caused across the developing world, which is why as a philanthropist and a businessman I support Charmian’s TED wish to fight corruption and to end anonymous companies.”

The United States is a country built on freedom, fairness and enterprise. We believe that if we work hard and pay our dues we can expect a good life, in which we are financially and physically secure.

Sometimes, it doesn’t work out that way, because some individuals abuse the rights of others.

Scammers and fraudsters cheat vulnerable people like the young, the old or the sick out of the things they desperately need to get by in life. Dishonest public officials use their positions for personal gain rather than representing the needs of their citizens and country. Terrorists and mobsters run criminal enterprises that hurt ordinary citizens’ interests in ways that are very hard to predict, and cost a huge amount to stop.

We all know what it feels like to get ripped off. But we know less about the tricks many of these criminals use to get away with it.

Global Witness analyzed a wide range of crimes and predatory behavior across the U.S. and found that they all had two things in common: all were carried out by anonymous owners of companies (see box), and authorities are spending huge amounts of time and money trying to stop them.

U.S. laws enabled these criminals to hide behind the secrecy that anonymous companies offer to pull off schemes that ripped us all off – from the young to the old to the faithful.

This report shows the range of crimes anonymous owners have been able to get away with:

- An Ohio school district employee used a web of fake companies to abuse his position and bill for millions of dollars’ worth of services that school kids never received (page 11)
- Texas lawyers used sham companies from Delaware and Nevada to trick elderly people into investing their life savings in worthless enterprises (page 11)
- Con artists, nicknamed the “Three Hebrew Boys” tricked churchgoers and military personnel into investing millions in a South Carolina company that turned out to be a Ponzi scheme (page 11)
- The Iranian government used an anonymous company from New York to conceal its ownership of a skyscraper on 5th Avenue, in direct breach of anti-terrorism sanctions (page 7)
- Convicted fraudsters set up ghost companies in South Dakota to swindle aspiring American entrepreneurs out of their capital by offering high return investments in imaginary biofuel projects (page 13)

# SUMMARY

## CONTINUED

Without the secrecy provided by anonymous American companies, it would have been much harder for them to get away with it. In most of the cases in this report, the authorities caught up with them eventually – but not without expensive, time-consuming investigations and court proceedings to peel away the layers of secrecy and uncover what was going on. It doesn't need to be this way. If company ownership were out in the open, we could cut some of this crime off at the source.

This is not an attack on companies. What we are proposing will help responsible business. Companies exist for a good reason – to limit liability if a business idea does not work out, and make sure would-be entrepreneurs do not go bankrupt. This is a very sound principle which allows business to flourish. But it is being abused, by people who have no interest in legitimate business. They just need a smokescreen behind which they are free to rip off innocent civilians and society as a whole.

We want to end this, and we can. By creating a public registry of the real, human owners and controllers of companies, our governments can bring business into the open and help end the great rip off.

Momentum is gathering internationally. The UK has already taken big steps by committing to a public registry of company owners, and there is change afoot in the European Union. But the U.S. is lagging behind. The worst offenders routinely make use of anonymous ownership in the U.S., because many of its states rank among the easiest places in the world to set up a company whose owners cannot be traced. As this report shows, this creates chronic problems within the United States and abroad.

That's why we need to push the U.S. government to do something about it.

All American companies must be required to disclose information about the real, living and breathing human beings that own and control them to the government, and this information must be publicly available.

Below: It is easier to set up anonymous companies in the U.S. than it is in traditional tax havens such as the Cayman Islands. Photo: Flickr/Creative Commons/Todd Wickerst



## ANONYMOUS OWNERS AND NOMINEE SHAREHOLDERS – WHAT ARE THEY?

Anonymous company owners can use their compan(ies) as a legal smokescreen for criminal and predatory activities. An anonymous company can do business like any other company, the only difference is it is incredibly difficult to find out who the actual human being(s) controlling it is.

Instead, it can be owned by a “nominee” – someone who essentially rents out their name so that the real owner's identity can be kept hidden - or just by another company that could also have anonymous owners. This makes it incredibly hard for law enforcement and the general public to know who really owns the company, and what it is being used for.

Gangsters and crooks regularly set up a series of companies that own each other. Stacked up like Russian dolls, and often crossing borders, they make it harder to figure out who is ultimately behind the company. These companies often serve no legitimate purpose, but to cover things up.

Jon Adler, National President of the US Federal Law Enforcement Officers Association (FLEOA), said:

“As supported in bi-partisan legislation currently in Congress, we must eliminate the corporate fox-holes that criminals cower in, and ensure business accountability and transparency. Requiring corporate filers to disclose who the beneficiaries are isn’t an invasion of privacy; it’s a proclamation of integrity.”

## WHAT IS A ‘BENEFICIAL OWNER’?

A ‘beneficial owner’ is a natural person – that is, a real, live human being, not another company or trust – who directly or indirectly exercises substantial control over a company or receives substantial economic benefits from the company.

## THE U.S. GOVERNMENT IS INCREASINGLY WORRIED ABOUT ANONYMOUS OWNERS

“While we recognize that the vast majority of companies formed in the U.S. are formed for legitimate purposes, some are not. Each year, billions of dollars move through the global financial system under the anonymous cloak that shell companies provide and into the hands of some of our most dangerous adversaries. These include narco-traffickers, weapons proliferators, sanctions evaders, child pornographers, cyber-criminals, terrorists, and money launderers. In addition to the threat posed to our national security by these illicit companies, they also distort competition and cost our economy precious tax revenue.”

David S. Cohen, Undersecretary for Terrorism and Financial Intelligence at the U.S. Department of the Treasury.  
August 1, 2014 <http://www.cnbc.com/id/101888028>

## Did you know - anonymous owners' favorite hiding place is America?

There is a common misunderstanding that anonymous company owners always look to sunny or mountainous tax havens like the Cayman Islands or Switzerland for the secrecy they need to cover their tracks. But the services they require are as readily available in major financial centers like the U.S. – and often more so. They are provided by lawyers, company service providers and other middlemen who are meant to be the pillars of our society, and to safeguard the protections and privileges we value, not enable the crimes that threaten them.

The World Bank found that the U.S. was the favorite destination for corrupt politicians from around the world to set up companies to move or hide dirty money, and that this is “especially concerning given the huge number of legal entities formed each year [in the U.S.] – around ten times more than in all 41 tax haven jurisdictions combined.”<sup>1</sup>

It is very easy to set up an anonymous company in America, regardless of what you want to use it for. A recent study found that out of 60 countries sampled worldwide, only Kenya makes it easier than the U.S. to set up a company without disclosing who the owners are. The study showed how little time it took to find a U.S. corporate service provider willing to set up a company with anonymous owners for inquiries that sounded like a front for terrorism or for those that should have raised a corruption risk.<sup>2</sup>

The evidence strongly suggests that, in most cases, company service providers are not interested in who you are or what you might be doing, and current U.S. laws do not require them to be. This is out of kilter with other legal requirements in the U.S. - you have to provide less information to set up a company than to get a driver’s license or register to vote, for example.

In the U.S., companies are created at the state level, so information on ownership varies from state to state. But no state requires the collection of information about the ultimate, or ‘beneficial,’ owners of companies.

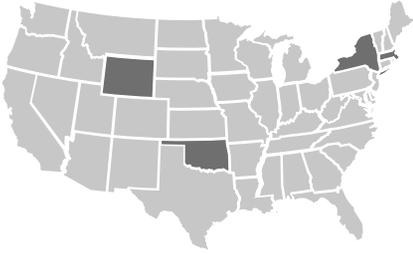
While some states collect shareholder information, these shareholders can be other companies with anonymous owners or nominees, essentially front people for the real owners of the company. So it is perfectly legal to set up American companies with anonymous owners. As *The Great Rip Off* shows, this lets con artists and criminals get away with all sorts of wrongdoing at home and abroad.

Of course, states did not set out to permit the creation of companies with anonymous owners. Instead, criminals have figured out how to take advantage of gaps in the law. But when loopholes like this are exploited, they need to be closed – especially when they are enabling a wide range of crimes that the government is desperate to stop. Yet states have been aware of this problem for many years and have taken very little meaningful action to address it. It is time for that to change.

This report reveals the scope and seriousness of the problem, and makes recommendations for what must be done to fix it. Given that the secret nature of anonymous company owners makes uncovering them extremely difficult, the cases presented here represent an indicative – not exhaustive – list of the ways in which company secrecy leads to abuse. These cases are very likely just the tip of the iceberg. The breadth and range of the cases and their locations point to the urgent need for swift, effective action to stop abusive behavior by anonymous company owners.

It is time to stop the anonymous owners behind the great rip off. It is time to change the law.

# RIPPING OFF AMERICA'S NATIONAL SECURITY



★ The U.S. government spends almost a trillion taxpayer dollars every year<sup>3</sup> protecting American citizens and interests against threats of various kinds, many of which originate overseas. These initiatives are top-level priorities for the U.S. government, but they are also very expensive, especially given that the nation's resources are stretched thin due to the economic crisis and slow recovery.

Such efforts to protect U.S. citizens are critically undermined when the money to pay for them goes missing. So it's particularly crazy that our legal system offers a way for would-be con artists to submit fraudulent procurement bids and squirrel away the money they've stolen behind shell companies they set up in the U.S.

But that's what is happening. Our analysis shows that anonymous company owners are able to rip off American taxpayers and divert funds away from their

intended uses for personal gain. Often, these people are abusing their responsibility for the allocation of government money, to procure fake services or goods. Whether it is selling knock-off parts to the Pentagon (see right), stealing millions from the U.S. Navy<sup>4</sup> or using inside knowledge to craft proposals to train and equip troops (see right), anonymous company owners are endangering U.S. citizens and hampering our military efforts overseas.

It's not just procurement, either. In other cases, known terror threats or criminals have been able to breach or evade sanctions by hiding behind anonymous companies. These criminals don't tend to get away with it forever – in many cases, the authorities eventually catch up with them. But not before great damage has been done, money stolen and huge amounts of time and resources wasted peeling away the layers of corporate secrecy and investigating

the wrongdoing. And who knows what threats remain undetected, hidden behind the veil of corporate anonymity?

We believe these examples are just the tip of the iceberg. By closing the loopholes which give criminals somewhere to hide, we can cut off many of these crimes at the source. To protect U.S. citizens, we must make company ownership a matter of public record.

This page: Drug traffickers, such as the Los Zetas cartel in Mexico,<sup>a</sup> have used anonymous companies to launder money and set up fronts – including by buying racing horses in the U.S. Photo: AP Photo/The El Paso Times, Mike Curran

Right: U.S. taxpayer funded efforts to train Afghan troops have been undermined by fraud and corruption facilitated by anonymous companies. Photo: AP Photo / Ahmad Jamshid

## Selling fake military parts to the Pentagon (WY)

The U.S. Department of Defense must know who it is doing business with, and that the military parts it buys are sound. Yet in recent years, the Pentagon has repeatedly suffered from counterfeit parts infiltrating its supply chain, putting American troops and interests at risk.<sup>5</sup>

One such scam was carried out by Atilla C. Kan, a procurement and operations manager for New York Machinery, a Pentagon supplier. Under the alias John Ryan, Kan formed two shell companies in Wyoming, and pretended they were largely owned by ethnic minorities in order to win preferential treatment for government contracts. They were just two of more than 2,000 companies registered to a small house in Wyoming. Nine of these companies were awarded contracts worth more than \$1.6 million, mostly by the Department of Defense.

Both Kan's companies supplied parts for military tractor-trailers described by the Pentagon as "essential to operating personnel". Instead of supplying bona-fide parts, Kan reverse-engineered fakes in Turkey that looked just like those made by the approved manufacturer.

The shell companies were later banned from selling parts to the Pentagon for three years, but it is not clear whether the Pentagon now vets its suppliers to see if their real owner can be identified. The risk to U.S. citizens and troops is clear.

Kan pleaded guilty in 2007 to fraud for his role in the scheme to sell substandard parts to the Department of Defense.<sup>6</sup> In 2010, New York Machinery also pleaded guilty to fraud.<sup>7</sup>

## NY skyscraper owned by government of Iran (NY)

The U.S. government has gone to great lengths to counteract the perceived threat from the Islamic Revolutionary Government of Iran, including making it illegal to provide services to Iran and for entities linked to the state to do business in America.

However, anonymous owners enabled Iran to own a "slice of Manhattan"<sup>18</sup> and profit from its expensive real estate market. A 36-story Manhattan skyscraper on 5th Avenue, which housed the Juicy Couture flagship store, was for many years part-owned by a front for the Iranian government, in direct breach of sanctions. The building was 'secretly owned and controlled'<sup>19</sup> by the Iranian government using companies incorporated in New York and the UK Crown Dependency of Jersey. In 2013, the U.S. was set to seize control of the building in what the Department of Justice called the largest ever terrorism-related forfeiture. After a lengthy investigation and court case, the judge found that the property's owners provided services to Iran, which has been against U.S. law since 1995, and that the building was involved in money laundering.<sup>20</sup>

The case is due to be appealed.<sup>21</sup>

## Stealing from American taxpayers and Afghan commando troops (MA)

The U.S. has spent billions to help Afghanistan turn the page on a past blighted by corruption and conflict. A key part of this effort focuses on equipping and training Afghan commando troops to serve their own people without outside support.

Such efforts are greatly undermined by fraudulent bids by people with inside knowledge, like those carried out by Lieutenant Colonel David Young, Michael Taylor and Christopher Harris.<sup>8</sup> Hiding behind anonymous companies, Young illegally passed on information about projects to Taylor, president of the American International Security Corporation (AISC), and Harris, a contractor in Afghanistan.

This information enabled AISC to design the perfect bid for the project. Between 2007 and 2011, it was awarded approximately \$54 million worth of Army contracts, inflating the prices once it had eliminated the competition.<sup>9</sup>

Young, Taylor and Harris stole more than \$20 million,<sup>10</sup> covertly transferring funds through U.S. shell companies with nominee directors.<sup>11</sup> They spent the money on houses, an airplane, expensive cars and South African Gold Krugerrand coins.<sup>12</sup>

All three have pled guilty.<sup>13</sup>

## Zetas drug trafficking (OK)

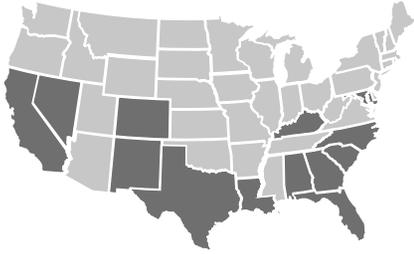
In the past decade, the international drug trade through Mexico has ripped apart the fabric of its society, causing many thousands of deaths and flooding American streets with drugs and dirty money. The governments of both countries have carried out crackdowns on both sides of the border, but the trade is flourishing today and the blood continues to flow. Meanwhile, the drug kingpins look for new ways to move and hide their cash. The biggest of Mexico's drug gangs is the Los Zetas cartel, whose former leader Miguel Ángel Treviño was notorious for dismembering his victims while still alive.

From 2008, the Zetas used anonymous companies, including from Oklahoma, in a scheme to launder millions of dollars of drug money into the United States, with the true ownership hidden behind frontmen.<sup>14</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.

Fourteen people, including Treviño, were indicted on money laundering charges by the U.S. in 2012.<sup>15</sup> Treviño was captured in Mexico in July 2013.<sup>16</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>17</sup>



# RIPPING OFF THE AMERICAN TAX PAYER



★ Taxes are critical to how our society works – we pay our dues and we expect certain protections and provisions in return.

When fraudsters and scammers steal the money and deprive citizens of those protections and provisions, they are not just ripping off a faceless institution – they are ripping us all off. Often, they target the most needy in society – the young or the sick. In this way, they are cheating people out of what is rightfully theirs under the social contract with the state.

Our analysis reveals how many of the worst of these scams were carried out by the owners of anonymous companies registered in the U.S.

This page: Varugan Amroyan was one of 73 people involved in an Armenian organized crime network that used U.S. anonymous owned companies to defraud Medicare of more than \$35 million. Photo: AP Photo / Louis Lanzano

Right: An investigator stands in front of a UPS Store where criminals rented mailboxes as 'addresses' for phantom clinics used to steal \$70 million from insurance companies and Medicare. Photo: REUTERS / Tami Chappell

**Armenian organized crime network creates fake healthcare clinics to steal millions from Medicare (AL, CA, CO, KY, MD, NV, NM, TX)**

Armen Kazarian was the kingpin of an American-Armenian crime syndicate behind the largest ever U.S. Medicare fraud. His scheme stole the identities of doctors and patients to try and rob the government initiative of more than \$100 million by submitting fraudulent claims.

Kazarian was a “Vor,” or “thief-in-law,” a select fraternity of senior criminals from the former Soviet Union on which the U.S. authorities have pledged to crack down. He was also an anonymous company owner. Kazarian’s operation set up at least 118 fake health clinics in around 25 states, using addresses that were often empty storefronts or UPS or Mailboxes,

Etc. stores. By opening the clinics in the names of anonymous companies from states including Alabama, California, Colorado, Kentucky, Maryland, Nevada, New Mexico and Texas, the gang was able to disguise who was really behind them and where the money was actually going.<sup>22</sup> The syndicate received at least \$35 million from the Medicare budget before they were caught.<sup>23</sup>

Kazarian pleaded guilty in 2011 to racketeering<sup>24</sup> and was sentenced to 37 months in prison in 2013.<sup>25</sup> Following the sentence, the Manhattan U.S. Attorney said, “International mobsters who think they can export their criminal enterprises to the United States and

target our government programs and our citizens are in for a rude awakening—they will face US justice and be made to answer for their crimes.”<sup>26</sup>

It would have been much more difficult to pull off the caper had the gang not been able to set up a web of anonymous companies in the U.S.

**Creating fake AIDS and cancer clinics to steal more than \$70 million from companies and taxpayers (FL, GA, LA, NC, SC)**

Beginning as early as 2005, anonymous owners used an insurance scam to steal approximately \$70 million from American businesses and taxpayers. The money was meant to help HIV and cancer sufferers through the government’s Medicare program.<sup>27</sup>

In one scheme, Michel de Jesus Huarte and associates set up at least 29 “phantom clinics” and submitted false claims for \$55 million worth of HIV and cancer treatments to private insurance companies that participated in Medicare Advantage. The sham clinics were paid approximately \$14.6 million from American companies even though the clinics did not exist and the treatments were never delivered.<sup>28</sup>

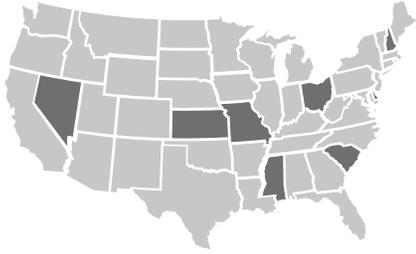
To hide what was going on, the businesses operated behind shell companies registered in Florida, Georgia, South Carolina, North Carolina and Louisiana. Huarte was able to conceal his ownership of these companies by recruiting nominee owners to sign bank and business documents, and serve as shareholders.<sup>29</sup>

In another fraud scheme, Huarte and other conspirators used phantom clinics in Florida to submit at least \$61 million in fake claims directly to Medicare for HIV infusion therapy. Medicare paid the fraudsters at least \$23.9 million before they were caught.<sup>30</sup>

Huarte pleaded guilty and was sentenced to 22 years in prison in 2010.<sup>31</sup>



# RIPPING OFF THE VULNERABLE



★ Con artists and tricksters are always likely to prey on the most vulnerable or desperate in society. But that doesn't mean we need to give them the tools to do so.

That's what is happening in the U.S. right now. Our analysis shows anonymous owners of companies registered here are able to trick people who thought they were working towards or buying into the chance of a better life, by hiding the reality of what they are doing behind the legal smokescreen of a company.

The examples vary widely, from fleecing churchgoers or the elderly of their life savings, to duping citizens with bad credit into taking out non-existent credit cards. There are health insurance scams, and one case in which hundreds of desperate foreigners were tricked into a life of modern slavery (see right). But whatever the context, the criminals all use networks of anonymous companies to hide very obviously

illegal or unethical activities. Often, the authorities are heavily invested in trying to stop these activities – but the anonymous company structures make it much more difficult to do so.

A lot of time, money and distress could have been saved if those behind the crimes had not been able to own anonymous companies. If we change the law, it will make life much harder for the con artists of the future.

This page: The "Three Hebrew Boys", pictured here in court, used anonymous companies as part of an elaborate con that tricked churchgoers and military personnel into investing \$82 million in a Ponzi scheme. Photo: AP Photo / The State, Lindsay Semple, Fil

## Selling Americans fake health insurance plans (DE, MS, NH, SC)

Imagine if you bit the bullet and bought a healthcare plan, only to have a legitimate claim rejected by a fake company when you needed it?

That's what happened to the 17,000 Americans who were the victims of an alleged \$28 million health insurance scam made possible by anonymous companies incorporated in Delaware, Mississippi, New Hampshire and South Carolina.

Bart S. Posey, Richard H. Bachman and others are alleged to have sold the fake health care plans and then turned down claims submitted by their victims.<sup>32</sup> Between 2008 and 2010 they are alleged to have used the web of American companies to sell the plans to individuals and employer groups in various states, and to launder their gains and blow the premiums. In total, they are accused of lining their own pockets with \$5.4 million<sup>33</sup> that they spent on property, a motorcycle and other luxury goods.<sup>34</sup>

Posey, Bachman and others accused deny the charges. The case is ongoing and the trial is scheduled for January 2015.<sup>35</sup>

## Conning the faithful and military personnel to the tune of \$82 million (SC, NV)

They called themselves the "Three Hebrew Boys". Touring the southeast United States, Tony Pough, Timothy McQueen and Joseph Brunson targeted religious events to preach about how their faith and an incredible investment opportunity had saved them from crushing debt.<sup>46</sup>

The three criminals tricked churchgoers and military personnel into investing more than \$82 million in a Ponzi scheme.<sup>47</sup> Thousands invested their life savings<sup>48</sup> in fake "debt elimination schemes" they were told would wipeout home mortgage payments, student and car loans and credit card debt after a certain period of time.<sup>49</sup>

Victims were required to sign a non-disclosure agreement with a million dollar penalty,<sup>50</sup> and then pay into the fraud through the Capital Consortium Group (CCG), an anonymous company from South Carolina controlled by the con men. The crooks characterized CCG as a ministry to make it appear that it was connected to a charitable debt elimination program<sup>51</sup> and claimed that its overseas investments earned 200-500% per night.

In reality very little of the money was invested.<sup>52</sup> Some was used to pay early customers in order to extend the life of the scam, but most of it lined the pockets of the three anonymous company owners, who purchased luxurious goods including high-end automobiles, a private jet and sky box seats at the Carolina Panthers and Atlanta Falcons stadiums.<sup>53</sup>

The three are currently serving prison sentences between 27 and 30 years.<sup>54</sup>

## Tricking the elderly out of their life savings (DE, NV)

Roger Lee Shoss and Nicolette Loisel knew the power a fake company could give them over vulnerable people. The two lawyers from Texas stole the identities of dormant, publicly-traded, companies from Delaware<sup>36</sup> and Nevada<sup>37</sup> and set up sham companies with the same names.

This trick allowed them to target elderly victims with telemarketing schemes, and persuade them to buy shares in the worthless enterprises by sending money to bank accounts controlled by Robert Paul Gunter in central Florida.

The scam fooled thousands of elderly citizens from around the world into investing more than \$127 million.<sup>38</sup> The co-conspirators spent the victims' money on properties across the globe, an airplane, boats, vehicles and more.<sup>39</sup>

In 2013, Gunter was sentenced to 25 years in jail. Shoss was sentenced to 10 months in prison and Loisel was sentenced to 12 months.<sup>40</sup>

## Anonymous debt collectors preying on vulnerable homeowners (DE)

Imagine being threatened with losing your home, sometimes over a tax bill of a few hundred dollars, and not knowing who you are really up against?

That's what happened to the victims of Aeon Financial, a company owned anonymously by Mark Alan Schwartz.<sup>55</sup> Targeting thousands of ordinary people including a retired teacher, a hospitalized grocery clerk and a severely disabled woman,<sup>56</sup> Aeon Financial bought up vulnerable Americans' property tax debts – known as "liens" – in Iowa, Kentucky, Ohio, Maryland and Washington, DC. The company then allegedly piled on legal fees which often increased the debt several times, and gave homeowners a stark choice: pay up or lose your home. This activity is perfectly legal.

The *Washington Post* uncovered the story in 2013 and tried to peel back the layers of anonymous companies to see if they could identify the ultimate owner of Aeon Financial, which was registered in Delaware. It reported that officials in DC didn't know who the real owners of Aeon were, and that the trail ended with Schwartz.<sup>57</sup> Only after the story received widespread attention, did Schwartz disclose in a letter to the editor in the *Washington Post* that he is a beneficial owner of the company. Schwartz wrote that "real property tax-lien investors such as Aeon Financial provide an invaluable public service by paying taxes that property owners have failed to pay".<sup>58</sup>

## Stealing millions from Ohio school children (OH)

Education is fundamental to all Americans getting a fair chance in life. One government official denied Ohio school children their dues by setting up a web of fake companies which he then paid millions of dollars for non-existent services.<sup>41</sup>

Joseph Palazzo was responsible for managing his school district's IT Department. Between 2007 and 2011, he and his associates set up a number of shell companies that enabled them to steal at least \$3.4 million,<sup>42</sup> by submitting fake invoices for IT products and services they never delivered.

According to court documents, the companies were simply shells established to "conceal the illegal nature of such funds and to avoid detection by law enforcement."<sup>43</sup> Palazzo then authorized the District to pay the invoices by issuing checks to the shell companies. The nominee owners of the shells kept approximately half of the money and gave the other half to Palazzo for his personal enrichment.<sup>44</sup>

Palazzo pled guilty to conspiracy to commit mail fraud, conspiracy to commit money laundering, and wire fraud, and was sentenced to more than 11 years in prison in 2013.<sup>45</sup>

## "Modern Slavery" and Anonymous Companies (KS, MO, OH)

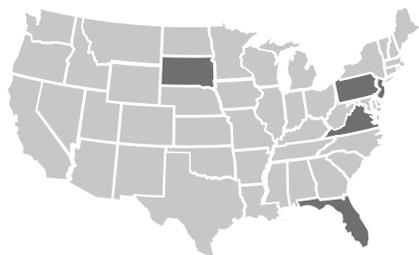
America has always been a country which welcomes immigrants who want to work for a better life. That promise lay behind a \$6 million human trafficking scheme in which anonymous company owners tricked their victims into a life likened to "modern-day slavery."<sup>59</sup>

Hiding their real identities behind a web of anonymous companies registered in Kansas, Missouri and Ohio,<sup>60</sup> the largely Moldovan gang ran employment companies that supplied hundreds of foreign nationals to hotels, resorts and casinos in fourteen states across the U.S.<sup>61</sup>

According to the indictment, victims from Jamaica, the Dominican Republic, the Philippines and elsewhere were lured into the U.S. with false promises and then forced to live in over-priced, overcrowded and sub-standard apartments. The gang withheld much of their earnings, allowed their visas to expire and threatened the workers with deportation and extra fees if they left.<sup>62</sup> They used the anonymous companies to obscure the links between the illegal activity and the main corporation they used in the scam, and to launder their illegal money.<sup>63</sup>

The ringleader of the scam was sentenced to twelve years in prison.<sup>64</sup>

# RIPPING OFF BUSINESSES AND INVESTORS



★ The ability to speculate is hardwired into how we do business – it's what has allowed the U.S. economy to grow into the largest in the world. This is why companies exist in the first place – by limiting liability, they create the conditions that help entrepreneurs turn their ideas into reality without risking everything if it goes wrong.

But good business means knowing who you are dealing with – so you have confidence in the value of what you are buying. The owners of secret, anonymous companies can stop this from happening. Instead, they allow con men and mobsters to defraud legitimate business people or investors by hiding fake promises or creating the impression of value when there is none.

This is bad for individual citizens and for the government – it is also bad for the market. For markets to work well, people need to be able to trust the other market participants, and that confidence needs to be backed up by a guarantee that those who transgress

will be punished. Yet as this section shows, some of the world's most wanted criminals have been able to cheat the system by hiding behind anonymously owned companies and creating the illusion of value.

Not knowing who the beneficial owners of companies are can also threaten financial stability. When Lehman Brothers, the fourth largest investment bank in America, declared bankruptcy in 2008, it triggered widespread panic and a global financial crisis whose repercussions are still being felt today.

Financial companies had no idea to what extent they may have had contracts with subsidiaries of Lehman, because information on the real, beneficial owners of companies is not recorded in the U.S.<sup>66</sup> Lehman wasn't alone – all the other banks were doing the same, because that's the way companies are set up in the U.S. and elsewhere. It meant nobody really knew their liabilities, which added to the sense of turmoil and uncertainty and almost froze the entire financial system. If the subsidiaries had

disclosed their beneficial owners in a public registry, it would have had a clear benefit for companies and people affected by the 2008 meltdown.

Large multinationals also face threats from this kind of anonymity. For example, if a multinational company partners with a previously unheard of, anonymously-owned company, it can be at risk of violating anti-bribery legislation such as the U.S. Foreign Corrupt Practices Act if it later turns out that its partner company is controlled by a public official involved in corruption. This has happened many times in the oil industry.

Secrecy breeds market instability and allows unscrupulous individuals to rip off ordinary citizens. Open business is good for business – which is why we must change the law and bring company ownership out of the shadows.

### Stealing NASA and other government contracts from disadvantaged small businesses (VA)

In order to give small, disadvantaged businesses a chance, the U.S. government often makes specific contracts available to them. These laudable schemes are potentially open to abuse by con artists – especially when they are able to hide their real identities behind anonymous companies.

Keith Hedman was one such anonymous owner. Hedman set up an anonymous company in Virginia and pretended that an employee, Dawn Hamilton, had founded it so that he could use her Portuguese heritage and history of social disadvantage to win preferential treatment.

Having successfully deceived the Small Business Administration, Hedman was able to fraudulently secure federal government contracts worth \$31 million from NASA and other agencies through various means, including by bribing a U.S. government official. Many of these contracts were for private security work for the government.

Hedman then illegally passed the majority of the work to a larger company.<sup>67</sup> The scam generated almost \$7 million in salary and payments for the conspirators that they should not have received.<sup>68</sup>

Hedman pleaded guilty, was sentenced to six years in jail and had to return \$6 million to the government.<sup>69</sup>

### Mobsters hiding behind family trusts (FL, NJ, PA)

Nicodemo Scarfo and Salvatore Pelullo were two Mafiosi who knew how to play the criminal shell game. Using anonymous companies opened in the name of trusts for their children as shields, they were able to cover up multi-million dollar crimes and launder the proceeds.<sup>77</sup>

Previously, Scarfo and Pellulo had used threats of economic and physical harm to take control of FirstPlus Financial Group (FPFG),<sup>78</sup> a publicly traded company from Texas, and force board members to approve fake contracts and to buy several sham companies they controlled.

FPFG paid millions of dollars for companies of little or no value, including for a company that Scarfo and others created for the sole purpose of being bought by FPFG.<sup>79</sup> The two mobsters ultimately stole at least \$12 million from the company and its shareholders,<sup>80</sup> money they used to buy fast cars, jewelry and a yacht they named “Priceless,” as well as a cache of firearms and ammunition.<sup>81</sup>

The two men were convicted in July 2014 and are due to be sentenced in the Fall.<sup>82</sup>

### Russian crime boss cons investors out of millions (PA)

The FBI has described Semion Mogilevich as “the most dangerous mobster in the world,”<sup>70</sup> allegedly “involved in weapons trafficking, contract murders, extortion, drug trafficking, and prostitution on an international scale.”<sup>71</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>72</sup> which allowed him to cheat the stock market and steal over \$150 million from investors in the United States and overseas.<sup>73</sup> Many of the investors lost their pensions and retirement savings.<sup>74</sup>

Using his web of anonymous companies, Mogilevich is said to have created the illusion of a successful international business,<sup>75</sup> supposedly trading in industrial magnets. This was complete with glossy annual reports and stock market listings.<sup>76</sup>

The reality was very different. 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.

The case shows how the secrecy that anonymous owners rely on breeds market instability and erodes investor confidence.

### Ripping off investors (SD)

Each of them had a dream. Whether it was opening a winery in Arkansas or renovating a golf course in Colorado, they were regular people who needed investment to make that dream a reality.<sup>83</sup>

Fresh out of prison for fraud, Wesley Wayne Austin and his accomplices set up ghost companies in South Dakota to swindle these aspiring American entrepreneurs out of their capital.<sup>84</sup>

Offering short-term investments in an imaginary biofuel project, or large loans in return for six-figure application fees, they tricked investors into wiring money up front, then used it to fund lavish lifestyles or pay off earlier investors in their Ponzi scam.<sup>85</sup>

In total they promised over \$1.4 billion in loans and sought over \$10.6 million in fees and supposed investments, swindling their victims out of at least \$3.3 million.<sup>86</sup>

Austin was sentenced to 11 years in prison in 2011.<sup>87</sup>

## WILL STATES THAT ARE MAJOR INCORPORATORS OF COMPANIES, LIKE DELAWARE AND NEVADA, LOSE BUSINESS?

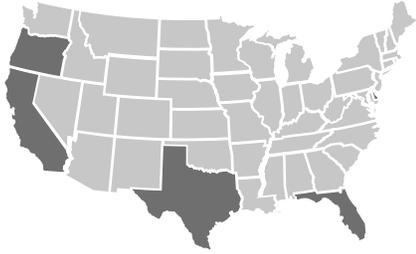
Legitimate businesses incorporate in the U.S. for a variety of reasons. America offers a strong, stable economy, access to one of the world's largest markets, and the credibility associated with being registered in the U.S. Secrecy is not the usual reason for legitimate corporations to operate in the U.S.

Changing the law to require all states to collect beneficial ownership information and make it publicly available would level the playing field. No state would lose business to any other state. A small amount of business may be lost, but this is the business of drug cartels, tax evaders, corrupt dictators and terrorists – businesses we do not want on our shores anyway. The vast majority of American businesses have nothing to hide – and so they have nothing to fear from this proposal.

### U.S. Treasury Undersecretary for Terrorism and Financial Intelligence, David Cohen makes clear:

“...those of us that ‘follow the money’ find ourselves constantly running up against legal brick walls, often unable to pierce the anonymity of these paper firms until it’s too late.”<sup>65</sup>

# RIPPING OFF POOR AND/OR UNSTABLE COUNTRIES



★ The developing world loses vast sums of money to corruption every year – money that could drive forward fledgling economies and pay for the schools, hospitals and roads that are badly needed. In 2010, the value of exports of oil and minerals from Africa was worth \$333 billion. But this vast wealth is not translating into an improved lot for most ordinary people in the continent, because so much of it is stolen by corrupt politicians.

This kind of corruption is all too often seen as a problem “over there”, that we can do little about in countries like the U.S. This is not true – as the examples in this section and many others show, the corrupt need a safe place to hide the money they have stolen from their citizens, and they often look to an anonymous American company to provide it.

Further problems arise when poor governments buy critical supplies like medicine and food from overseas, and need to get the best possible price

from their suppliers. Our analysis reveals how owners of anonymous American companies have been able to rip off such governments, denying often desperate citizens the essentials they need.

These anonymous owners are ripping off the people of these countries in the most spectacular fashion. Others are helping undermine security in some of the world’s poorest countries. The arms trader Viktor Bout, for example, was able to sell arms to both sides of several conflicts using anonymously-owned companies.

When the World Bank reviewed 213 cases of grand corruption between 1980 and 2010, it found that more than 70 per cent of them relied on anonymous shell companies. Companies registered in the U.S. topped the list – by bringing company ownership into the open, we can help poor countries grow safely and sustainably.

This page: Teodorin Obiang, son of the President of Equatorial Guinea, allegedly used American anonymous companies to secretly siphon off millions from sales of his desperately poor country’s resource wealth, spending more than \$300 million on luxury goods, including a fleet of fast cars. Photo: AFP / Stringer

Right: Viktor Bout, known as the Merchant of Death, used a global network of shell companies, including twelve incorporated in U.S. states, to become the world’s largest arms trafficker before being captured. Photo: AP Photo / Apichart Weerawong

### The President's son and the stolen resource wealth of Equatorial Guinea (CA)

Equatorial Guinea is massively rich in natural resources but its people are some of the poorest in the world. Where's all the money gone? It appears, in part, to have gone into the pockets of the president's son, via a string of anonymous companies.

The U.S. Department of Justice says that Teodorin Obiang spent more than \$300 million in stolen money on luxury goods, sports cars and houses.<sup>88</sup> The assets included a \$30 million mansion in Malibu, California and a \$38 million private jet. Anonymous companies incorporated in California were used to open bank accounts in the U.S. and buy a California mansion while keeping the real owner of the money secret, while a company incorporated in the British Virgin Islands was used to buy the plane.<sup>89</sup>

The president's son is facing court cases in France and the U.S. He is currently in settlement talks with the U.S. over two asset forfeiture cases that seek to seize the mansion and private jet. There's an arrest warrant out for him in France and some of his assets have been seized. But if he was such an obvious corruption risk, why was he allowed to set up these American companies in the first place?

### The Merchant of Death and anonymous companies (DE, FL, TX)

Viktor Bout – on whom the Hollywood film *Lord of War* is based – is said to have been the world's largest arms trafficker.<sup>90</sup> His deals fuelled conflicts throughout Africa and elsewhere, even providing weapons to both sides of the same conflict on some occasions. He used a global network of shell companies, including at least twelve incorporated in the U.S. states of Delaware, Florida and Texas.<sup>91</sup> Bout is now in jail in Illinois having been convicted on terrorism charges, including conspiracy to kill Americans and provide arms to a terrorist organization.<sup>92</sup>

### Ex-Ukrainian Prime Minister Lazarenko stole millions from his people (CA, DE)

The ex-Prime Minister of Ukraine, Pavel Lazarenko, was sent to jail in the United States in 2006 for laundering tens of millions of dollars of money that rightfully belonged to the Ukrainian people.<sup>93</sup> He was partly able to do this by using anonymous companies incorporated in Delaware and California.<sup>94</sup> One of the companies was used to funnel money into the U.S. to buy himself a \$7 million house in California.<sup>95</sup>

### Overcharging the government of Ukraine for vaccinations (OR)

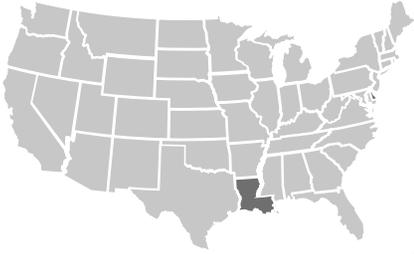
One of Ukraine's biggest medical suppliers, Interfarm, ripped off the government by supplying vaccines at double the cost price, according to a court complaint filed in the U.S. Ukraine has very low polio vaccination levels and UNICEF recently warned of a significant risk to the country, stemming from refugees fleeing the war in Syria.<sup>96</sup> For this reason, Ukrainian law prohibits importers from marking up the price of medicines by more than 10%.<sup>97</sup>

According to court documents, Interfarm used an anonymous company from Oregon as a fake middleman to trick the government into purchasing vaccines at around double the cost price.<sup>98</sup> According to the complaint, Interfarm was purchasing vaccines directly from the manufacturer.<sup>99</sup> If this turned out to be true, it would have led to fewer vaccines being purchased, and therefore fewer adults and children being vaccinated. One of the vaccines involved was against polio.<sup>100</sup>

The case was not contested and default judgment was awarded against the Oregon company in 2011. U.S. courts ordered the company to repay \$60 million to the Ukrainian state pharmaceutical supplier.<sup>101</sup>



# RIPPING OFF DEMOCRACY



★ Democracy is built on principles of openness and equality. Citizens in functioning democracies expect access to information about how money is used, equality of influence over the election process, and scrutiny of public officials to make sure they are doing their jobs, and that public money is being spent properly.

These principles are undone by the secrecy that anonymous companies offer. They allow politicians to further their own interests rather than representing the needs of their people, and open up the possibility of vested interests buying influence over politicians by financing their election campaigns.

We won't end graft in politics simply by bringing company ownership into the open – but we definitely won't end it if we allow unscrupulous individuals to hide behind anonymous American companies.




---

This page: Photo: Flickr / Creative Commons / KP Tripathi

---

Right: Former Rep. Williams Jefferson, D-La., pictured here, used anonymous companies to accept almost half a million dollars in bribes.  
Photo: AP Photo / Charles Dharapak

### U.S. Congressman keeps his bribe money on ice (DE, LA)

Former Louisiana Congressman William J. Jefferson is probably best known for getting caught with \$90,000 in bribe money in his freezer.<sup>102</sup> What is less well known is that he used anonymous shell companies from Delaware and Louisiana to take almost half a million dollars in bribes.<sup>103</sup>

Jefferson funneled bribe payments through companies, using family members, congressional staffers and others as nominees to disguise his control over the company and his involvement in the deals.<sup>104</sup> According to the Justice Department, “The business ventures that Jefferson sought to promote included telecommunications deals in Nigeria, Ghana and elsewhere; oil concessions in Equatorial Guinea; satellite transmission contracts in Botswana, Equatorial Guinea and the Republic of Congo; and development of different plants and facilities in Nigeria.”<sup>105</sup>

Jefferson was convicted in August 2009 and ultimately sentenced to 13 years in prison.<sup>106</sup>

### Anonymous companies disguising campaign contributions (DE)

Anonymous company ownership has also been used to disguise campaign contributions and potential efforts to buy influence over the democratic process in the U.S.

During the 2012 election cycle, NBC reported that a shell company with anonymous owners made a \$1 million donation to Restore Our Future, a pro-Mitt Romney PAC. The company was incorporated in Delaware only six weeks before making the donation. It then quickly dissolved, leaving no trace of the person who controlled it two weeks before the PAC made its first campaign filing of the year, which was the first time the public could see its donors.<sup>107</sup>

The negative publicity surrounding this news report led the anonymous company owner to identify himself as Edward Conard (a former Bain Capital executive), which the PAC later confirmed. Conard said that he had made the donation after consulting with lawyers who had reassured him that the donation would comply with election finance laws.<sup>108</sup>

In this instance, public outrage drew the financier into the open - but there is no reason to believe that this is a one-off. As long as people are able to hide the payments they make to political campaigns behind American shell companies with anonymous owners, voters cannot know who is buying what kind of influence over their decision-makers.



# RECOMMENDATIONS AND CONCLUSION

These cases illustrate how anonymous company owners operating throughout the U.S. have been able to rip off innocent American citizens and businesses across the country and around the world.

But for every case that has been exposed, many more remain hidden. As things stand, anonymous owners are able to steal from the state, business and ordinary people while remaining faceless and unaccountable. It's easy and the structures are entirely legal.

This must end. Given that anyone can incorporate a company anywhere in the world, we need a global solution to this problem.

**That is why every country must require all companies to disclose who ultimately owns and controls them and this information must be accessible to the public.**

But this global standard must be led by the U.S., where so many of the world's anonymous companies are set up.

There is growing recognition in the U.S. and around the world that something must be done to stop companies with anonymous owners from harming innocent people. Despite this, it remains quite easy and perfectly legal to set up an American company with anonymous owners.

## Global Momentum

In the last two years global momentum to tackle this problem has been building.

In 2013, the issue of anonymous company owners was high on the agenda of the G8. All G8 countries, including the U.S., endorsed broad principles about company ownership disclosure and agreed to take concrete steps to tackle the problem.

The U.K. is moving forward with the world's first public registry of beneficial ownership information.<sup>109</sup> This means that anyone will be able to find out who ultimately owns and controls British companies, even if they are owned by an offshore company. The European Union is currently considering the issue of anonymous company ownership through an update to its anti-money laundering directive. In March 2014, the European Parliament voted overwhelmingly in favor of creating public registries of the ultimate owners of companies and trusts. The governments of European Union member states need to agree before this becomes law.

When the G20 meets in November 2014 in Australia, the issue of companies with anonymous owners will be on the agenda and all

## DEPARTMENT OF JUSTICE

"The audience — including investigators from nine federal law enforcement agencies and prosecutors from a variety of districts and offices — was attending a financial investigation seminar designed to teach them how to investigate the financial aspects of international criminal organizations. The instructor, who was lecturing on U.S. shell companies, asked the members of the audience to raise their hand if they had ever reached a dead end in one of their investigations because of a U.S. shell company. Nearly every person in the room raised his or her hand. Departmental instructors report that such a response is common in money laundering courses delivered both domestically and abroad."

Jennifer Shasky, then-Senior Counsel to the Deputy Attorney General, U.S. Department of Justice, Testimony before the Committee on Homeland Security and Government Affairs, November 5, 2009.

G20 countries are expected to make commitments to address this issue.

## Finding a solution to this problem in the United States

In the U.S., the Obama Administration has committed to push for legislation that would require meaningful disclosure of beneficial ownership information at the time an American company is formed.<sup>110</sup>

Transparency of the real owners of companies is so important to our national security that President Obama also included a commitment to work with Congress on this issue in his Strategy to Combat Transnational Organized Crime.<sup>111</sup>

Key figures in Congress are seeking to end anonymous company ownership in America, and since 2008 there have been bipartisan bills pending in Congress that would require American companies to disclose their beneficial owners when they incorporate and to keep that information up to date.

However, legislation remains stalled because of organized opposition from the National Association of Secretaries of State and their allies. Its members have expressed concern over the perceived cost of collecting this information on their budgets.

There are sound financial reasons for this move. A change in the law would save money from states' budgets by reducing the time and money currently spent trying to track down the anonymous company owners behind so many crimes in the U.S.

The law would also generate new revenue for states, by increasing the collection of fines, penalties, and asset forfeitures that result from the improved ability of law enforcement to pursue and prosecute criminals.

The Departments of Justice and Treasury have offered \$40 million of the money they have recovered from prosecuting precisely the types of criminals that this bill would help stop in their tracks to offset the cost of states updating their systems to include beneficial ownership information.

A public registry of company owners would provide law enforcement with a critical tool in the fight against financial crime and the financing of terrorism, which is why company ownership transparency has widespread support from the law enforcement community. It also has support from small businesses, investors, faith leaders, organized labor, public interest groups and human rights and anti-corruption advocates.

Momentum is building — the U.S. needs a policy solution that will solve the problem wholesale. Therefore, any proposal to increase beneficial ownership transparency in the U.S. must do the following:

1. Collect information about all of the company's beneficial owners;
2. Define "beneficial owner" as a real human being, not another company, and not a nominee (someone who is listed as the owner on behalf of another person);
3. Include in the definition of "beneficial owner" individuals who control a company through unofficial means, such as trusts or power-of-attorney arrangements, outside legal ownership or acting as a corporate officer; and
4. Place beneficial ownership information in the public domain.

Below: G8 leaders gathering in Northern Ireland in 2013 pledged to tackle anonymous companies.  
Photo: AP Photo / Matt Dunham

## **REQUIRING COMPANIES TO COLLECT THEIR OWN BENEFICIAL OWNERSHIP INFORMATION WILL NEVER SOLVE THE PROBLEM**

When beneficial ownership information is only maintained by the company or the state only requires the company to disclose the name of a communications contact, it isn't useful to law enforcement. Investigations that follow the money often lead to a company. To find out who is behind the company, law enforcement would be forced to tip off the company that it was under investigation. This gives criminals time to remove themselves, their assets and their operations from the country.

This is an issue whose time has come – stopping criminals from using anonymous companies will help stamp out a raft of more visible crimes in the U.S. and beyond. There is no moral or economic argument for the status quo – and we can easily change it.

### **Congress**

Congress must pass legislation that requires all American companies to disclose their ultimate owners to the government when they incorporate and to keep this information up to date, and require the government entity collecting the information to make it publicly available. This could happen at either the state or federal level. What is critical is that actual beneficial ownership information is collected (not just a contact at the company) and that it is made available to law enforcement, tax authorities, financial institutions and the general public.

### **White House**

Given that government procurement is a high risk sector for fraud and corruption, often facilitated by anonymous companies, the Obama Administration should act immediately to require all companies that receive a contract, loan or grant from any agency within the United States government to disclose their beneficial ownership information to the government. In the spirit of the Open Government Partnership, the Administration should make this information available to the public.



# NOTES

- 1 Puppet Masters, a report by the Stolen Asset Recovery Initiative (of the World Bank and UNODC), <https://star.worldbank.org/star/publication/puppet-masters>
- 2 Michael Findley, Daniel Nielson, & Jason Sharman, Global Shell Games: Experiments in Transnational Relations, Crime and terrorism, Cambridge Studies in International Relations, 2014, can be purchased at: <http://www.globalshellgames.com>
- 3 <http://www.pogo.org/our-work/strauss-military-reform-project/defense-budget/2014/total-us-national-security-spending.html>
- 4 Statement of Facts, Case 1:13-cr-00305-LMB: <https://www.documentcloud.org/documents/1280319-johnson-keith-johnson-statement-of-facts.html>
- 5 Reuters, "How two shell companies duped the Pentagon" <http://www.reuters.com/article/2011/06/28/us-usa-shell-companies-pentagon-idUSTRE75R21G20110628>
- 6 Plea Agreement (Kan): <https://www.documentcloud.org/documents/1216298-kan-guilty-plea.html#document/p1/a174207>
- 7 Plea Agreement (New York Machinery): <http://www.justice.gov/usao/nj/Press/files/pdffiles/2010/New%20York%20Machinery%20Plea%20PR.pdf>
- 8 U.S. Department of Justice press release 22 Aug 2012: <http://www.justice.gov/usao/ut/news/2012/08-22.html>
- 9 U.S. Department of Justice press release 22 Aug 2012: <http://www.justice.gov/usao/ut/news/2012/08-22.html>
- 10 U.S. Department of Justice press release 22 Aug 2012: <http://www.justice.gov/usao/ut/news/2012/08-22.html>
- 11 Names of nominee entities: <https://www.documentcloud.org/documents/1272837-young-indictment.html#document/p4/a171218>; payments through nominee entities: <https://www.documentcloud.org/documents/1272837-young-indictment.html#document/p8/a171220> and <https://www.documentcloud.org/documents/1272837-young-indictment.html#document/p20/a171221>
- 12 Plea Deal (Young), p 6-7: <https://www.documentcloud.org/documents/1272836-young-plea-deal.html>
- 13 U.S. Department of Justice Press Release, 13 June 2013: <http://www.justice.gov/usao/ut/news/2014/06-13.html>
- 14 New York Times, A Drug Family in the Winner's Circle, 12 June 2012, <http://www.nytimes.com/2012/06/13/us/drug-money-from-mexico-makes-its-way-to-the-racetrack.html?pagewanted=all>
- 15 U.S. Department of Justice, Federal grand jury indicts Los Zetas leader in money laundering scheme, 12 June 2012, <http://www.justice.gov/usao/twx/news/2012/Trevino%20LZ%20indictment%20release.pdf>
- 16 <http://www.theguardian.com/world/2013/jul/16/mexico-drugs-trade>
- 17 [http://www.justice.gov/usao/twx/news/2013/Zetas\\_sentencings\\_2nd.html](http://www.justice.gov/usao/twx/news/2013/Zetas_sentencings_2nd.html) and <http://www.borderlandbeat.com/2013/12/carlos-nayen-borbolla-sentenced-to-15.html>
- 18 U.S. Department of Justice Press Release, 17 April 2014: <http://www.justice.gov/usao/nys/pressreleases/April14/650FifthAvSettlementPR.php>
- 19 <http://www.justice.gov/usao/nys/pressreleases/September13/AlaviSummaryJudgmentPR.php>
- 20 Opinion and Order, Case 1:08-cv-10934-KBF, 16 September 2013: <http://www.justice.gov/usao/nys/pressreleases/September13/AlaviSummaryJudgmentPR/650%20Fifth%20Avenue%20-%20Opinion%20and%20Order.pdf>
- 21 U.S. Attorney's Office, Southern District of New York Manhattan U.S. Attorney Announces Court Judgment Finding Midtown Office Building Secretly Owned And Controlled By Government Of Iran Subject To Forfeiture For Violations Of The Iranian Transactions Regulations And Money Laundering Offenses, 17 September 2013, <http://www.justice.gov/usao/nys/pressreleases/September13/AlaviSummaryJudgmentPR.php>; Time Magazine, Why US law helps shield global criminality, 2 Feb 2010
- 22 Indictment (p 9-10): <https://www.documentcloud.org/documents/1273797-kazarian-indictment.html#document/p9/a172495> and <https://www.documentcloud.org/documents/1273797-kazarian-indictment.html#document/p10/a172508>. Indictment: <https://www.documentcloud.org/documents/1273797-kazarian-indictment.html#document/p22/a172501>.
- 23 Indictment: <https://www.documentcloud.org/documents/1273797-kazarian-indictment.html#annotation/a172496>
- 24 U.S. Department of Justice Press Release, 8 July 2011: <http://www.fbi.gov/newyork/press-releases/2011/leader-of-armenian-organized-crime-ring-pleads-guilty-in-manhattan-federal-court-to-racketeering>
- 25 U.S. Department of Justice Press Release, 8 February 2013: <http://www.justice.gov/usao/nys/pressreleases/February13/KazarianArmenSentencingPR.php>
- 26 U.S. Department of Justice Press Release, 8 February 2013 <http://www.justice.gov/usao/nys/pressreleases/February13/KazarianArmenSentencingPR.php>
- 27 <http://www.fbi.gov/stats-services/publications/fbi-story/fbistory2012.pdf> 28 <http://www.fbi.gov/miami/press-releases/2010/mm012710a.htm>
- 29 Plea Agreement Case 09-CR-20523-CR-Seitz, (p.13) <https://www.documentcloud.org/documents/1262293-2009-plea.html#annotation/a170106>
- 30 FBI Press Release, 13 April 2010, <http://www.fbi.gov/miami/press-releases/2010/mm041310.htm> 31 FBI Press Release, 13 April 2010, <http://www.fbi.gov/miami/press-releases/2010/mm041310.htm>
- 32 Indictment p 12: <http://archive.tennessean.com/assets/pdf/DN207622627.pdf>. DOJ press release 18 June 2013 <http://www.justice.gov/usao/tnm/USvPosey.html> and Indictment p 13: <http://archive.tennessean.com/assets/pdf/DN207622627.pdf>
- 33 Indictment p 13: <http://archive.tennessean.com/assets/pdf/DN207622627.pdf>
- 34 Indictment p 30: <http://archive.tennessean.com/assets/pdf/DN207622627.pdf>
- 35 <https://www.documentcloud.org/documents/1298573-posey-doc-77.html>
- 36 Names of some of the DE companies used in scheme in indictment: <https://www.documentcloud.org/documents/1272854-shoss-shoss-indictment.html#document/p4/a171230>
- 37 Name of NV company in indictment: <https://www.documentcloud.org/documents/1272854-shoss-shoss-indictment.html#document/p5/a171231>
- 38 Homeland Security Investigations Press Release: <http://www.ice.gov/news/releases/1307/130725tampa.htm>
- 39 All from Homeland Security Investigations Press Release: <http://www.ice.gov/news/releases/1307/130725tampa.htm>
- 40 Homeland Security Investigations Press Release <http://www.ice.gov/news/releases/1307/130725tampa.htm>
- 41 U.S. Department of Justice press release 9 July 2013: <http://www.justice.gov/usao/ohn/news/2013/09julyala.html>
- 42 Indictment p 2-3, Case: 1:13-cr-00167-BYP; DOJ press release 11 April 2013: <http://www.justice.gov/usao/ohn/news/2013/11aprilcuy.html> and special audit: [https://ohioauditor.gov/auditsearch/Reports/2012/Cuyahoga\\_Heights\\_LSD\\_07-11\\_Special\\_Cuyahoga\\_Report.pdf](https://ohioauditor.gov/auditsearch/Reports/2012/Cuyahoga_Heights_LSD_07-11_Special_Cuyahoga_Report.pdf)

- 43 Indictment p 12-16 (quote is on page 12), Case: 1:13-cr-00167-BYP
- 44 U.S. Department of Justice Press Release 11 April 2013: <http://www.justice.gov/uso/ohn/news/2013/11aprilcu.html>
- 45 U.S. Department of Justice Press Release 9 July 2013: <http://www.justice.gov/uso/ohn/news/2013/09julypala.html>
- 46 <http://news.yahoo.com/investors-getting-2-5m-3-135415957.html>
- 47 FBI Press Release, 15 December 2010: <http://www.fbi.gov/columbia/press-releases/2010/co121510.htm>
- 48 FBI Press Release, 15 December 2010: <http://www.fbi.gov/columbia/press-releases/2010/co121510.htm>
- 49 Federal Indictment: <https://www.documentcloud.org/documents/1279473-pough-mcqueen-brunson-federal-indictment.html#document/p3/a174151>
- 50 Federal indictment: <https://www.documentcloud.org/documents/1279473-pough-mcqueen-brunson-federal-indictment.html#document/p2/a174153>
- 51 FBI Press Release, 20 November 2009: <http://www.fbi.gov/columbia/press-releases/2009/co112009.htm>
- 52 Federal indictment (p.4-5): <https://www.documentcloud.org/documents/1279473-pough-mcqueen-brunson-federal-indictment.html#document/p4/a174152>
- 53 Federal indictment (p 5): <https://www.documentcloud.org/documents/1279473-pough-mcqueen-brunson-federal-indictment.html#document/p5/a174154> and FBI press release 15 December 2010 : <http://www.fbi.gov/columbia/press-releases/2010/co121510.htm>
- 54 Federal Indictment: <https://www.documentcloud.org/documents/1279473-pough-mcqueen-brunson-federal-indictment.html#document/p2/a174153> and FBI Press Release 15 December 2010: <http://www.fbi.gov/columbia/press-releases/2010/co121510.htm>
- 55 <http://www.washingtonpost.com/sf/investigative/2013/12/08/debt-collecting-machine/>
- 56 <http://www.washingtonpost.com/sf/investigative/2013/12/08/debt-collecting-machine/>
- 57 <http://www.washingtonpost.com/sf/investigative/2013/12/08/debt-collecting-machine/>
- 58 [http://www.washingtonpost.com/opinions/dcs-property-tax-problem/2013/12/18/04477a70-6430-11e3-af0d-4bb80d704888\\_story.html](http://www.washingtonpost.com/opinions/dcs-property-tax-problem/2013/12/18/04477a70-6430-11e3-af0d-4bb80d704888_story.html)
- 59 U.S. ICE Press Release, 27 May 2009: <http://www.ice.gov/news/releases/0905/090527kansascity.htm> and U.S. U.S. Department of Justice Press Release: <http://www.justice.gov/opa/pr/2011/May/11-crt-589.html>
- 60 <http://www.ice.gov/news/releases/0905/090527kansascity.htm>
- 61 Alabama, Arizona, California, Colorado, Florida, Kansas, Louisiana, Massachusetts, Missouri, Minnesota, Nevada, New Jersey, South Carolina and Wyoming (indictment p 8) : <https://www.documentcloud.org/documents/1265406-askarkhodjaev-indictment.html#document/p8/a171014> <http://www.justice.gov/opa/pr/2011/May/11-crt-589.html>
- 62 U.S. Department of Justice Press Release 9 May 2011. <http://www.justice.gov/opa/pr/2011/May/11-crt-589.html> and indictment: <https://www.documentcloud.org/documents/1265406-askarkhodjaev-indictment.html#document/p22/a171016>
- 63 Indictment p 8 – 14 lists companies linked to scheme: <https://www.documentcloud.org/documents/1265406-askarkhodjaev-indictment.html>
- 64 U.S. Department of Justice Press Release, 9 May 2011. <http://www.justice.gov/opa/pr/2011/May/11-crt-589.html>
- 65 David S. Cohen, Undersecretary for Terrorism and Financial Intelligence at the Treasury Department, CNBC op-ed, 1 August 2014: <http://www.cnbc.com/id/101888028>
- 66 Floyd Norris, 'Demystify the Lehman Shell Game,' New York Times, 1 April 2010, <http://www.nytimes.com/2010/04/02/business/02norris.html?fta=y>.
- 67 Case: 13-cr-00074-GBI, Statement of Facts and here 68 Case: 13-cr-00074-GBI, Statement of Facts and here
- 69 U.S. Department of Justice Press Release 21 June 2013: <http://www.justice.gov/opa/pr/2013/June/13-crm-701.html>
- 70 <http://www.ibtimes.com/worlds-most-powerful-mobster-you-probably-never-heard-980488> 71 [http://www.fbi.gov/news/stories/2009/october/mogilevich\\_102109](http://www.fbi.gov/news/stories/2009/october/mogilevich_102109)
- 72 Superseding Indictment p 14-15: <https://www.documentcloud.org/documents/1278690-indictment-mogilevich.html#annotation/a175321and> <https://www.documentcloud.org/documents/1278690-indictment-mogilevich.html#annotation/a175322>
- 73 Superseding Indictment: <https://www.documentcloud.org/documents/1278690-indictment-mogilevich.html#annotation/a175320>
- 74 <http://todaynewsgazette.com/semion-mogilevich-fraud-cost-investors-150-million/>
- 75 Superseding Indictment p 14-15: <https://www.documentcloud.org/documents/1278690-indictment-mogilevich.html#document/p14/a175321>
- 76 <http://todaynewsgazette.com/semion-mogilevich-fraud-cost-investors-150-million/>
- 77 Indictment p 9, <https://www.documentcloud.org/documents/1263605-scarfo-nicodemo-et-al-indictment.html>
- 78 Indictment p. 17, <https://www.documentcloud.org/documents/1263605-scarfo-nicodemo-et-al-indictment.html>
- 79 Rutgers Investment Group. Indictment p 9 – 10: <https://www.documentcloud.org/documents/1263605-scarfo-nicodemo-et-al-indictment.html#document/p9/a171099>
- 80 Indictment p 7, <https://www.documentcloud.org/documents/1263605-scarfo-nicodemo-et-al-indictment.html>
- 81 Indictment p 6, 38, 44-46, <https://www.documentcloud.org/documents/1263605-scarfo-nicodemo-et-al-indictment.html>
- 82 <http://www.fbi.gov/philadelphia/press-releases/2014/member-and-associate-of-lucchese-organized-crime-family-convicted-of-racketeering-and-other-crimes>
- 83 <http://archive.argusleader.com/article/99999999/NEWS/112290002/S-D-loan-scam-bilked-millions>
- 84 Pokela factual basis statement, p.3. <https://www.documentcloud.org/documents/1272822-austin-pokela-statement-of-factual-basis.html#document/p3/a171170> and Indictment p. 7 <https://www.documentcloud.org/documents/1272823-austin-indictment.html#document/p7/a174615>
- 85 <https://www.documentcloud.org/documents/1272823-austin-indictment.html#document/p2/a174614>
- 86 <https://www.documentcloud.org/documents/1272823-austin-indictment.html#document/p5/a171217>

# NOTES

## CONTINUED

- 87 <http://www.fbi.gov/omaha/press-releases/2011/two-south-dakota-men-and-one-iowa-man-sentenced-in-south-dakota-for-conspiracy-to-commit-wire-fraud>
- 88 U.S. Department of Justice, Department of Justice Seeks to Recover More Than \$70.8 Million in Proceeds of Corruption from Government Minister of Equatorial Guinea, 25 October 2011, <http://www.justice.gov/opa/pr/2011/October/11-crm-1405.html>
- 89 United States District Court for the Central District of California, USA vs one white crystal-studded 'Bad Tour' glove and other Michael Jackson memorabilia; real property located on Sweetwater Mesa Road in Malibu, California; one 2011 Ferrari 599 GTO, page 49, available from <http://www.globalwitness.org/sites/default/files/library/Second%20Amended%20Complaint%206.11.12.pdf>
- 90 Browning, Lynnley, 'Delaware Laws, Helpful to Arms Trafficker, to Be Scrutinized,' New York Times, 4 November 2009: [http://www.nytimes.com/2009/11/05/business/05tax.html?\\_r=0](http://www.nytimes.com/2009/11/05/business/05tax.html?_r=0)
- 91 Ostfeld, Stefanie, 'Why UN arms negotiations must include talk of ending corporate secrecy,' al Jazeera, 28 March 2013: <http://www.aljazeera.com/indepth/opinion/2013/03/201332811291117590.html> and Written Testimony of U.S. Department of the Treasury Assistant Secretary Daniel L. Glaser before the Senate Committee on the Judiciary, Subcommittee on Crime and Terrorism, 1 November 2011: <http://www.treasury.gov/press-center/press-releases/Pages/tg1346.aspx>
- 92 Associated Press, 'Russian Viktor Bout convicted over Colombian arms deal,' 2 November 2011: <http://www.theguardian.com/world/2011/nov/02/viktour-bout-convicted-arms-deal>
- 93 FBI, San Francisco Department, Former Ukrainian Prime Minister Sentenced to 97 Months in Prison Fined \$9 Million for Role in Laundering \$30 Million of Extortion Proceeds, 19 November 2009, <http://www.fbi.gov/sanfrancisco/press-releases/2009/sf111909a.htm>
- 94 SA vs Pavel Ivanovych Lazarenko, second superceding indictment, p 2, available from [www.tymoshenkocase.com/wp-content/uploads/2012/07/en32-t1.pdf](http://www.tymoshenkocase.com/wp-content/uploads/2012/07/en32-t1.pdf)
- 95 Stolen Asset Recovery Initiative, database, Pavel I Lazarenko, <https://star.worldbank.org/corruption-cases/node/18662> and Dugsbery, <http://star.worldbank.org/corruption-cases/node/19091>. Further details of how Lazarenko bought a bank to help launder money available from Puppet Masters, Stolen Asset Recovery Initiative, <http://star.worldbank.org/corruption-cases/node/18662>
- 96 Ukraine polio outbreak risk, UNICEF [accessed 7/22/14]: [http://www.unicef.org/ukraine/media\\_25037.html](http://www.unicef.org/ukraine/media_25037.html)
- 97 Oregon District Court complaint from Ukrvaksina [accessed 7/8/14], p. 7., <http://www.uaba.org/Resources/Documents/Blog%20Docs/10-09-17%20Ukrvaksina%20Oregon%20Litigation.pdf>
- 98 Oregon District Court complaint from Ukrvaksina [accessed 7/8/14], pp. 2, 6, 7, 9., <http://www.uaba.org/Resources/Documents/Blog%20Docs/10-09-17%20Ukrvaksina%20Oregon%20Litigation.pdf>
- 99 Oregon District Court complaint from Ukrvaksina [accessed 7/8/14], pp. 4, 7, 9., <http://www.uaba.org/Resources/Documents/Blog%20Docs/10-09-17%20Ukrvaksina%20Oregon%20Litigation.pdf>
- 100 Oregon District Court complaint from Ukrvaksina [accessed 7/8/14], p. 9., <http://www.uaba.org/Resources/Documents/Blog%20Docs/10-09-17%20Ukrvaksina%20Oregon%20Litigation.pdf>
- 101 Oregon District Court default judgment against Olden [accessed 7/9/14], p. 2., [https://star.worldbank.org/corruption-cases/sites/corruption-cases/files/Ukraine\\_Ukrvaksina\\_Oregon\\_Default\\_Judgment\\_Order\\_Jun\\_9\\_2011.pdf](https://star.worldbank.org/corruption-cases/sites/corruption-cases/files/Ukraine_Ukrvaksina_Oregon_Default_Judgment_Order_Jun_9_2011.pdf)
- 102 FBI, Rooting Out Corruption: A Look Back at the Jefferson Case. <http://www.fbi.gov/news/stories/2013/april/a-look-back-at-the-william-j.-jefferson-corruption-case>
- 103 FBI, Rooting Out Corruption: A Look Back at the Jefferson Case. Accessed 11/21/13 via <http://www.fbi.gov/news/stories/2013/april/a-look-back-at-the-william-j.-jefferson-corruption-case>
- 104 Indictment: <https://www.documentcloud.org/documents/1262459-indictment.html#document/p37/a174256>
- 105 U.S. Department of Justice Press Release, 5 August 2009, <http://www.justice.gov/opa/pr/2009/August/09-crm-775.html>
- 106 FBI, Rooting Out Corruption: A Look Back at the Jefferson Case. <http://www.fbi.gov/news/stories/2013/april/a-look-back-at-the-william-j.-jefferson-corruption-case>
- 107 Isikoff, Michael, 'Firm gives \$1 million to pro-Romney group, then dissolves,' NBC News, 4 August 2011, [http://www.msnbc.msn.com/id/44011308/ns/politics-decision\\_2012/t/firm-gives-million-pro-romney-group-then-dissolves/?ns=politics-decision\\_2012](http://www.msnbc.msn.com/id/44011308/ns/politics-decision_2012/t/firm-gives-million-pro-romney-group-then-dissolves/?ns=politics-decision_2012)
- 108 Isikoff, Michael, 'Mystery million-dollar Romney donor revealed,' NBC News, 6 August 2011, <http://www.nbcnews.com/id/44046063/ns/politics/t/mystery-million-dollar-romney-donor-revealed/?ns=politics&#.VANoewmwLYh>
- 109 Speech by David Cameron at the Open Government Partnership summit, London, 31 October 2013, <https://www.gov.uk/government/speeches/pm-speech-at-open-government-partnership-2013>
- 110 White House Fact Sheet about G8 commitment and U.S. National Action Plan on Preventing the Misuse of Companies and Legal Arrangements, 18 June 2013, <http://www.whitehouse.gov/the-press-office/2013/06/18/fact-sheet-us-national-action-plan-preventing-misuse-companies-and-legal-and-open-government-partnership> U.S. National Action Plan advocacy commitment. P. 5: [http://www.whitehouse.gov/sites/default/files/us\\_national\\_action\\_plan\\_final\\_2.pdf](http://www.whitehouse.gov/sites/default/files/us_national_action_plan_final_2.pdf)
- 111 President's Strategy to Combat Transnational Organized Crime, July 2011. See p. 21: <http://www.whitehouse.gov/sites/default/files/microsites/2011-strategy-combat-transnational-organized-crime.pdf>.





ISBN Number: 978-0-9929128-0-2

Global Witness is an international non-governmental organisation which investigates the role of natural resources in funding conflict and corruption around the world. Global Witness is a company limited by guarantee and registered in England (no. 02871809).

Global Witness  
1100 17th Street NW, Washington, DC 20036, US

Global Witness  
Lloyds Chambers, 1 Portsoken Street, London E1 8BT

[mail@globalwitness.org](mailto:mail@globalwitness.org)  
[www.globalwitness.org](http://www.globalwitness.org)

© Global Witness, 2014