

February 26, 2001
File: INV 7 OI:HO QS

To : Acting Special Agent In Charge
Houston, Texas

Thru: Associate Special Agent In Charge,
Assistant Special Agent In Charge
Houston, Texas

From: [REDACTED]
[REDACTED]

Subject: Lost Proceeds

As a result of the laundering of bank checks by the U.S. Customs Service, Office of The Special Agent In Charge (SAIC), Houston, Texas, and during the course of conducting investigative activities regarding OPERATION [REDACTED], it has come to the attention of the SAIC/Houston that the undercover account for Operation [REDACTED], at Bank [REDACTED] Houston, Texas, has been debited \$151,880.11. This debit has been as a result of sixteen (16) checks which have been returned for reasons of insufficient funds, altered amounts, and or altered endorsements, and stop payments procedures. As a result of this, the U.S. Customs Service through Legal Counsel is conducting meetings with Bank [REDACTED] in order to arrive at a resolution. A total of approximately \$510,081.45 dollars in bank checks has been laundered through the Operation [REDACTED] account.

Initially, on July 13, 1999, Special Agents from Houston, Texas, received information from Confidential Sources SA-724-HO and SA-728-HO regarding bank checks being held in Argentina, that were alleged to be proceeds of narcotics trafficking activities. Information indicated that the individuals behind this particular instance were Leonardo [REDACTED] and Alfonso [REDACTED]. No action was taken by Agents regarding this proposal.

Prior to December 7, 1999, SA-724-HO and SA-728-HO again contacted Special Agents from the SAIC/Houston. The

Agents were apprised that Hector [REDACTED] (071561), an alleged money launderer residing in Buenos Aires, Argentina, was in possession of bank checks drawn on U.S. banks and that these checks were in some form or fashion proceeds of drug trafficking. [REDACTED] wanted these checks laundered and was willing to pay a fee for the laundering service.

On December 7, 1999, as a result of negotiations between SA-724-HO, SA-728-HO, and [REDACTED], Special Agents from the SAIC/Houston received from SA-724-HO 47 checks totaling \$59,861.42. These checks were forwarded to SA-724-HO via DHL Express Mail by SA-728-HO who in turn had received the checks from [REDACTED]. On December 9, 1999 the checks were deposited into the U.S. Customs/Operation [REDACTED] undercover account at Bank [REDACTED] Houston, Texas. As a result of this transaction, each party involved received \$2,135.56 in commission payments. (HO02BR90HO0002 report #362, pick up #00-01)

NOTE: The following is a chronology of steps taken by Agents regarding pick up #00-01, as these steps relate to the movement of funds from the Operation [REDACTED] account to target accounts;

Date of Deposit- 12/09/99

Date of wire of transfers;

1. 12/27/99, [REDACTED] Bank NY; acct. name - Jennifer [REDACTED]
2. 01/30/00, [REDACTED] Bank NY; acct. name - Jennifer [REDACTED]
3. 01/03/00, [REDACTED] National Bank, Miami, Fl.; acct. name -I.N.O. Leon [REDACTED]

On April 10, 2000, Special Agents from the SAIC/Houston received a total of 25 bank checks totaling \$61,005.59. These checks were forwarded to SA-724-HO by SA-728-HO via DHL Express Mail. These checks were derived as a result of negotiations between SA-724-HO, SA-728-HO, and [REDACTED]. On April 12, 2000, the checks were deposited into the U.S. Customs/Operation [REDACTED] undercover account at Bank [REDACTED] Houston, Texas. As a result of this transaction, each party involved received \$1,333.84 in commission payments. (HO02BR90HO0002 report #374, pick up #00-05)

NOTE: The following is a chronology of steps taken by Agents regarding pick up #00-05, as these steps relate to the movement of funds from the Operation [REDACTED] account to target accounts;

Date of Deposit- 04/12/00

Date of wire transfers;

1. 05/04/00, [REDACTED] Bank NY., Acct. name - Jennifer [REDACTED]
2. 05/04/00, [REDACTED] National Bank, Miami Fl., acct. name - I.N.O. Leon [REDACTED]
3. 05/04/00, [REDACTED] Bank, Houston, Tx., acct. name - SA-724-HO
4. 05/15/00, [REDACTED] Bank NY., acct. name - Jennifer [REDACTED] LTD
5. 05/15/00, [REDACTED] National Bank, Miami, Fl., acct. name - I.N.O. Leon [REDACTED]
6. 05/15/00, [REDACTED] Bank, Houston, Tx., acct. name - SA-724-HO

On April 21, 2000, an undercover agent from the SAIC/Houston met with [REDACTED] in Miami, Florida, in order to discuss the bank checks that he was providing to the undercover operation. [REDACTED] provided 43 checks totaling \$87,267.10. On April 24, 2000, these checks were deposited into the U.S. Customs/Operation [REDACTED] undercover account at Bank [REDACTED] Houston, Texas. As a result of this transaction, each party received \$3,232.48 in commission payments. (HO02BR90HO0002 report #375 & 384, pick up #00-06)

NOTE: The following is a chronology of steps taken by Agents regarding pick up #00-06 as these steps relate to the movement of funds from the Operation [REDACTED] account to target accounts;

Date of Deposit- 04/24/00

Date of wire transfers;

1. 05/08/00, [REDACTED] Bank NY, acct. name - Jennifer [REDACTED]
2. 05/15/00, [REDACTED] Bank NY, acct. name - Jennifer [REDACTED]

3. 05/19/00, [REDACTED] Bank NY, acct. name - Jennifer [REDACTED]
4. 05/19/00, [REDACTED] Bank, Houston, Tx., acct. name - SA-724-HO
5. 05/25/00, [REDACTED] National Bank, Miami, Fl., acct. name - I.N.O. Leon [REDACTED]

On May 18, 2000, Special Agents from the SAIC/Houston received a total of 62 bank checks totaling \$98,858.92. These checks were forwarded to SA-724-HO by SA-728-HO via DHL Express Mail. These checks were derived as a result of negotiations between SA-724-HO, SA-728-HO, and [REDACTED]. On May 19, 2000, a total of 58 checks totaling \$96,651.92 were deposited into the U.S. Customs/Operation [REDACTED] undercover account at Bank [REDACTED] Houston, Texas. The following 4 of these checks, 003136, 019125, 2888, and 102792, which totaled \$2,207.00, were drawn on foreign banks and were set up for collection by Bank [REDACTED] and credited to Operation [REDACTED]'s account at a later date. As a result of this transaction, each party received \$6,730.37 in commission payments. HO02BR90HO0002 report #377, pick up #00-08)

NOTE: The following is a chronology of steps taken by Agents regarding pick up #00-08 as these steps relate to the movement of funds from the Operation [REDACTED] account to target accounts;

Date of Deposit- 05/19/00

Date of wire transfers;

1. 06/05/00, [REDACTED] Bank NY, acct. name - Jennifer [REDACTED]
2. 06/12/00, [REDACTED] Bank NY, acct. name - Jennifer [REDACTED]
3. 06/12/00, [REDACTED] United Bank, Miami, Fl., acct. name I.N.O. Leon [REDACTED]
4. 06/12/00, [REDACTED] Bank, Houston, Tx., acct. name - SA-724-HO

On May 30, 2000, Special Agents from the SAIC/Houston received a total of 31 bank checks totaling \$128,304.74. These checks were forwarded to SA-724-HO via DHL Express Mail by SA-728-HO. These checks were derived as a result of negotiations between SA-724-HO, SA-728-HO, and [REDACTED]. On May 31, 2000, these checks were deposited

into the U.S. Customs/Operation [REDACTED] undercover account at Bank [REDACTED] Houston, Texas. As a result of this transaction, each party received \$5,705.33 in commission payments. (HO02BR90HO0002 report #384, pick up #00-09)

NOTE: The following is a chronology of steps taken by Agents regarding pick up #00-09 as these steps relate to the movement of funds from the Operation [REDACTED] account to target accounts;

Date of Deposit- 05/31/00

Date of wire transfers;

1. 06/19/00, [REDACTED] Bank NY., acct. name - Jennifer [REDACTED]
2. 07/06/00, [REDACTED] Bank NY., acct. name - Jennifer [REDACTED]
3. 07/17/00, [REDACTED] Bank NY., acct. name - Jennifer [REDACTED]
4. 07/28/00, [REDACTED] Bank NY., acct. name - Jennifer [REDACTED]
5. 08/10/00, [REDACTED] Bank NY., acct. name - Jennifer [REDACTED]
6. 08/10/00, [REDACTED] Bank Houston, Tx., acct. name - SA-724-HO

According to Bank [REDACTED] the bank started to receive the returned checks on June 14, 2000 with the last item (check) returned on 10/31/2000.

It should be noted that during the time that the checks were being negotiated with Operation [REDACTED] Agents, the checks were being provided to SA-728-HO by [REDACTED]. Subsequently SA-728-HO would then forward the bank checks to SA-724-HO by DHL Express Mail. Once the bank checks arrived in Houston, Texas, SA-724-HO would turn the checks over to Customs Agents for further processing.

Once the checks were deposited in Operation [REDACTED]'s undercover account, and after the checks cleared, funds were wire transferred to a bank account, in Miami, Florida, controlled by [REDACTED].

On January 19, 2001, SA-724-HO refused to submit to a polygraph exam after agreeing to do so earlier. The

purpose of the polygraph was to determine if SA-724-HO had prior knowledge of the fraudulent scheme involving the bank checks.

On February 12, 2001 Assistant U.S. Attorney Quincy Ollison was contacted regarding the issues surrounding the return of the bank checks and of [REDACTED] involvement in the laundering of bank checks.

[REDACTED]
Group Supervisor

Enclosure: 1