

MEMORANDUM

TO: Representative Jackie Speier
House of Representatives
California, 14th District

FROM: Tom Adams and Dennis Aftergut

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RE: The Trump Organization – A Racketeering Enterprise?

Introduction and Summary

Investments by Donald Trump and the Trump Organization reveal patterns highly suggestive of criminal conduct, particularly of money laundering. Multiple publicly available sources report that Trump regularly had investment partners who were criminals and had consistent links to money laundering entities. Quite often Trump's nominal business failed commercially, suggesting that a concealed, illicit business was the real point of the undertaking. Investments in hotels in Toronto, SoHo, Baku, Azerbaijan, and Panama appear to be the culmination of a strategy based on these patterns.

But beyond these hallmarks of criminality, Trump's enterprises bear in common another, striking characteristic: Russians play a predominant role. Some of these Russians had links to Vladimir Putin. Trump's involvement with Russians goes back decades.

Special Counsel Robert Mueller is now investigating whether unlawful acts were committed during the course of the 2016 Presidential election in connection with Russian interference. The fact that Russians also consistently appear in Trump's investments raises significant questions. Most importantly, are these seemingly disparate economic and political threads actually part of a single cloth?

The President has said that if the Special Counsel's investigation moves into his personal finances, it will cross a "red line." Is that because Trump fears what will be discovered? Was criminal conduct in his private investments linked to events that occurred in the election?

The Special Counsel has many tools at his disposal to uncover facts currently concealed. The Foreign Corrupt Practices Act (FCPA) requires Trump to have conducted a level of due diligence with respect to his foreign investments that was apparently lacking. It appears that Trump, in violation of the FCPA, turned a blind eye to obvious corruption. The Racketeering and Corrupt Organizations Act — RICO — criminalizes corrupt enterprises that conduct money laundering, even when it occurs abroad.

Trump and the Trump Organization were based in New York. New York has its own criminal statute prohibiting enterprise corruption. Significantly, Trump's pardon power does not extend to state crimes.

Both RICO and New York law authorize forfeiture of property obtained unlawfully.

If not already doing so, should Special Counsel Mueller and New York Attorney General Schneiderman, both capable prosecutors, be looking cooperatively and comprehensively at the entire tapestry: the roles Russians played *both* economically and politically? Should one or both of them seek forfeiture of any ill-gotten gains obtained by Trump, his family, or the Trump Organization?

Trump Casinos

An examination of the Trump Organization as a criminal enterprise must begin with its domestic roots. Trump casinos are a good place to start. Trump's experience there provided a blueprint for later Trump enterprises. In the casino business:

- Pushing legal constraints may involve “acceptable” risks.
- There may be an opportunity to engage in money laundering.
- Money can be made without the operational success of the “nominal” business.

Money laundering is the process of "cleansing" the profits of criminal activity by engaging in legitimate transactions that make the ill-gotten gains difficult to trace. As Adam Davidson reports in the New Yorker: “Casinos can make it remarkably easy to allow people, such as drug dealers or corrupt oligarchs, to use funds they obtained illegally. ... A money launderer can hand a stack of bills to a casino cashier and receive chips for betting on games. The chips can be returned for cash that will be reported as winnings to the I.R.S. Casinos can make a fair bit of money this way. Money launderers will, typically, aim to gamble with— and, inevitably, lose— some of their money to disguise their activity.”¹

A criminal who may care more about “cleansing” money than losing some of it, could be attractive to a business that needs cash desperately enough not to look too closely at the source of the funds. Failure of the nominal business, together with other significant factors, can raise the suspicion of experienced investigators that something more than the nominal business is going on.

Pushing legal constraints may involve “acceptable” risks.

From the start, Trump's casino companies developed a pattern and practice of violating gaming laws and prohibitions on racial discrimination. Even after numerous warnings from governmental agencies, violations continued. Trump Taj Mahal eventually admitted to willful violations of Bank Secrecy Act anti-money laundering requirements.

Between 1990 and 1999, New Jersey casino regulators fined Trump casinos more than \$1 million for multiple, separate offenses.²

Because the casino industry has long enabled money laundering, the Bank Secrecy Act, adopted in 1970, requires robust record keeping by casinos as a check on that and other illegal activity.³

In 1998 a U.S. Treasury Department agency, the Financial Crimes Enforcement Network (FinCEN) announced a \$477,000 civil penalty against Trump Taj Mahal Associates for violations of the Bank Secrecy Act committed during 1990 and 1991.⁴

Then in 2015, FinCEN levied a \$10 million civil penalty against Trump Taj Mahal Casino Resort. The casino admitted to several *willful* violations of the Bank Secrecy Act and Anti-Money Laundering provisions. The Financial Crimes Enforcement Network reported that repeated violations had continued for years, dating as far back as 2003,⁵ a period when Mr. Trump was the chief executive of the casino company.⁶

“Trump Taj Mahal received many warnings about its deficiencies,” said FinCEN Director Jennifer Shasky Calvery in 2015. “Like all casinos in this country, Trump Taj Mahal has a duty to help protect our financial system from being exploited by criminals, terrorists, and other bad actors. Far from meeting these expectations, poor compliance practices, over many years, left the casino and our financial system unacceptably exposed.”⁷

Money Made Without Operational Success

When the Trump Taj Mahal opened in 1990, Trump touted that it would be the “eighth wonder of the world.” But from the beginning, its business was built on unmanageable debt and excessive costs. Even before the Taj opened, the New Jersey Casino Control Commission expressed concern about its viability given its rapidly escalating costs.⁸

Marvin Roffman, an analyst for the *Wall Street Journal*, said so at the time. He reported that the Taj would need to reel in \$1.3 million a day just to meet its interest payments, a sum no Atlantic City casino had ever achieved. “The market just isn’t there,” Mr. Roffman told the *Journal*.⁹ Making matters worse, Trump failed to run the business capably: during a 5-year period when revenues at other Atlantic City casinos *rose* 18 percent, Trump casino revenues *fell* by 1 percent.

Just one year after it opened, Trump Taj Mahal was headed for its first of four bankruptcies. In August 1990, Trump had over \$800 million in loans that he had personally guaranteed. Protecting himself, he paid off these debts through funds raised from shareholders and bondholders. When Trump filed his second Taj bankruptcy in 2004, the bondholders took a \$500 million loss. In the third bankruptcy in 2009, the bondholders lost \$1.3 billion.¹⁰ Trump himself made money.¹¹

In 2014, the Taj filed for bankruptcy protection for the fourth time. The reason? According to Trump, it was the debt level assumed after the 2009 bankruptcy, when he no longer controlled the company.

Others saw it differently. “People underestimated Donald Trump’s ability to pillage the company,” said Sebastian Pignatello, a private investor who at one time held more than \$500,000 of stock in the Trump casinos. “He drove these companies into bankruptcy by his mismanagement, the debt and his pillaging.”¹²

What was going on at the Taj during the years it failed to file reports designed to detect money laundering? FinCEN did not charge the Taj with actual money laundering. The records

that might have identified illicit practices did not exist, making money laundering difficult to prove. However, the Taj admitted that its record-keeping violations were willful, not the result of negligence. Given this fact, one wonders what the Taj was hiding while its record-keeping duties were willfully disregarded.

There is little doubt that there are lessons that could easily have been learned from the casino ventures. A project need not succeed operationally - the casinos endured multiple bankruptcies. Trump endured none. His lenders, partners and investors lost fortunes. Trump made money. Trump could skirt regulations yet walk away without being personally convicted of any crimes.

Condos and Criminals, Especially of the Russian Variety

More or less concurrently with the history of the Trump Taj Mahal, Trump was conducting some very unusual residential property sales. Features of these transactions suggest that money laundering took place.

Although money laundering in real estate can be complicated, the basic patterns are fairly simple. Someone could use the proceeds of crime to purchase real estate and subsequently sell it, converting the dirty money to sale proceeds. Alternatively, he could take out an equity loan on the property, converting the dirty money to loan proceeds.

In 1984, David Bogatin, a Russian emigre with few apparent financial resources, purchased five units in the Trump Tower for \$6 million cash. The transaction was so unusual that Trump personally attended the real estate closing. Just three years later, in 1987, Bogatin pleaded guilty to taking part with Russian mobsters in a massive gasoline-bootlegging scheme. The government seized his five condos at Trump Tower, asserting that Bogatin had purchased them to "launder money, to shelter and hide assets."¹³ The Bogatin all-cash transaction and his subsequent criminal conviction had to operate to put Trump on notice that large all-cash sales should at the very least raise a question about money laundering.

In 1998, Russia defaulted on \$40 billion in debt, causing the ruble to plummet and Russian banks to close. The ensuing financial panic sent the country's oligarchs and mobsters scrambling to find safe havens for their money.¹⁴

An event of this magnitude, especially coming on the heels of the Bogatin crimes, should have put him on further notice that all-cash sales to Russians might be suspect.

It was no secret that investing in high-end real estate at that time offered criminal enterprises an ideal vehicle to launder money. "During the '80s and '90s, we in the U.S. government repeatedly saw a pattern by which criminals would use condos and high-rises to launder money," said Jonathan Winer, a deputy assistant secretary of state for international law enforcement in the Clinton administration.¹⁵

Construction of the Trump World Tower began in 1999. 13 people with known or alleged links to Russian mobsters or oligarchs came to own or live in that Tower and other Trump properties.

Two suspected mobsters, both Trump Tower condo owners, were assassinated on the street, one in New York, the other in Moscow.¹⁶ One of them, a notorious Russian gangster named Vyachelsav Kirillovich Ivankov, was shot on the streets of Moscow after being extradited to Russia in 2009 for murder charges.¹⁷ Ivankov had been thought to be an enforcer for Semion Mogilevich's Russian crime syndicate in New York, the Brighton Beach mob, after Mogilivech sprang Ivankov from a Russian prison in 1991. The FBI considers Mogilevich the Russian "boss of bosses."

In 2013, New York police arrested 29 suspects for allegedly running gambling rings and money laundering out of two Trump Tower condos, one of which occupied an entire floor.¹⁸ Two suspects were Russian owners of Trump condos in Florida. A notorious Russian mafia boss, Alimzhan Tokhtakhounov, was the only suspect to slip away. Seven months after the April 2013 raid, he appeared near Donald Trump in the VIP section of the Miss Universe Pageant in Moscow.¹⁹ Tokhtakhounov was still at large as of May 2017.²⁰

Over the years, sixty-three buyers with Russian addresses or passports spent \$98 million on Trump properties in south Florida.²¹

In one of his most infamous transactions, Trump sold a mansion in Palm Beach to Russian oligarch and billionaire Dmitry Rybolovlev for \$95 million.²² Trump had purchased it only four years earlier for \$41 million, making only modest improvements.²³

Rybolovlev's purchase occurred in July 2008, in the depths of recession, when the real estate market had tanked, especially in Florida. That same year, Trump faced significant debt payments. He was unable to make a payment on a bank loan for \$40 Million that he had personally guaranteed. Trump Entertainment Resorts, which owned the Trump Taj Mahal casino in Atlantic City, faced a \$53-million payment to bondholders.²⁴

Rybolovlev did not pay a premium for the mansion because he loved it: in short order, he tore it down to resell the property as lots. If that was a business strategy, it failed: a real estate agent quoted in the Miami Herald in March 2017 said that Rybolovlev may lose \$20 million on the overall transaction.²⁵

In any event, Trump received \$95 million, \$54 million more than he had paid just four years earlier, a 125% gain at a time when housing values were collapsing.

And what of Rybolovlev? A potash mine that Rybolovlev owned in Russia had collapsed, causing enormous damage. Rybolovlev faced punitive fines and even the loss of the mine. But four months after Rybolovlev bought Trump's Florida property, the Russian government ruled

that the mine had not caused the damage, blaming the collapse on long-dead Stalin-era planners. The stock price of Rybolovlev's mining company soared.²⁶

Trump conducted a lot of business with criminals in his residential real estate business. A good percentage of his condo business involved people who were taking money out of Russia. Once again, Trump was not personally charged with any crime. Again, he made money.

A Business Strategy?

Was a strategy born of these experiences? Investing in a project through licensing the use of the name "Trump" would seemingly avoid the personal liability risks that Trump experienced (but avoided) during his casino years. Yet, as a licensor, he could retain significant control by insisting that a project meet several quality standards in order to protect his name.

Whatever his motivation, Trump soon announced four new hotel/condo projects. The first, in Toronto, was announced in 2002.²⁷ The SoHo hotel/condo project in New York City, announced in 2006 on Trump's television show, *The Apprentice*, opened in 2008.²⁸ Another project in Panama City, Panama, announced in 2006, launched in 2011.²⁹ A hotel/condo project in Baku, Azerbaijan was announced in 2012.³⁰

Why the hotel/condo hybrid? There could be many reasons, but one might be that condos are a real estate interest that can be sold separately from the overall project. These condos provided an opportunity for money laundering, as had occurred with the Trump Tower condos. Money launderers could convert funds used to purchase an individual condo into loan proceeds or sale proceeds even while the hotel itself faced foreclosure and new ownership.

The construction phase of the hotel could provide another money laundering opportunity. As Adam Davidson writes in his devastating analysis of the Baku project: "Money launderers love construction projects. They attract legitimate funds from governments and private investors, and they require frequent payouts to legitimate subcontractors: cement factories, lumberyards, glass manufacturers, craftsmen." The payments could be made from "dirty" money that could be difficult to trace. A project with very expensive unique features, such as a Trump branded hotel, would require construction contracts where it could be difficult for outsiders to assess whether large payments to contractors included money laundering.

Excessive construction costs, however, have inevitable consequences. Making the project more expensive makes it harder to succeed. However, the Trump Organization positioned itself as "mere" licensor, not an equity partner. If project investors and lenders end up bearing those losses, well, that is something that Trump had previously endured and survived.³¹

Looking at these four projects, it becomes apparent that they share certain key characteristics:

- Each project involved one or more parties alleged or proven to be criminals.
- Each project included Russians or parties from the former Soviet Union.

- Each project was linked to money laundering.
- Each project reportedly incurred excessive costs.
- In each, the Trump Organization, nominally a licensor, played a significant role.
- Significantly, not one was a commercial success.

The combination of such suspicious factors and their repetition across a range of projects raises a profoundly troubling question: Is the Trump Organization a racketeering enterprise?

It would take a thorough investigation to get the full story; but let's examine the publicly reported facts.

The Toronto Hotel

Key information about the Trump International Hotel and Tower in Toronto comes from reporting by the Toronto *Star* and Columbia Journalism Investigations.³² That reporting reveals that this project possessed the core characteristics shared by later projects.

First, criminal involvement. Trump's initial partner, Leib Waldman, had fled the U.S. after pleading guilty to bankruptcy fraud and embezzlement in 1995.³³ Trump's other partners included a man who illegally converted a New York factory to lofts only to have the City order all his tenants evicted to protect them from hazardous conditions. Another partner owned a nursing home company that was cut off from federal funding due to concerns that the residents' safety was at risk. Four foreign partners invested through shell companies.³⁴

Second, Russian engagement critical to the project. Alex Shnaider, a Russian-born Canadian national became the new principal developer in 2004. Shnaider had no previous hotel or condo development experience. His most apparent qualification: he had made a lot of money quickly in the former Soviet Union.³⁵ New light was cast on Mr. Shnaider's on-going connections with Russian money and Russian economic institutions in 2010, when he sold his company's share in a Ukrainian steelmaker for about \$850 million to a Russian-controlled bank, VEB. At the time, Vladimir Putin was the chair of VEB's supervisory board. The transaction apparently served Russian strategic purposes by giving it key assets in the Ukrainian economy.³⁶

Financing for the Toronto project came from an Austrian bank with no prior experience in Canadian development and which previously had been accused of acting as a conduit for Russian money laundering.³⁷

Third, sales practices featured misrepresentations to potential buyers. At one point, Shnaider said that 75% of the units were sold. A few months later, Trump said the number was 70%. Later, the development company said 60%. A year later, the company admitted that fewer than 50% were sold.³⁸

A class action suit based on these misrepresentations, filed on behalf of buyers, is pending in Toronto.³⁹

Fourth, construction costs spiraled wildly out of control, a feature that by itself raises the suspicion of money laundering. When the bank loan on the project was depleted, the investors had to come up with an additional \$106 million. Adam Powadiuk, director of commercial finance at First National Financial, a real estate lender in Toronto, said the amount of debt on the projects was “enormous” and “very strange” in the Canadian context.⁴⁰

Fifth, this project was not just a commercial failure; it was uniquely so in a very favorable market. In the last decade, more than 400 condominium towers of 14 floors or more have been successfully built in Toronto, according to City Hall records. Only one went bankrupt after completion: The Trump International Hotel and Tower Toronto.⁴¹

Unlike his investors, Donald Trump did not lose money.⁴²

His name has now been dropped from the project.⁴³

Sixth, signs of due diligence are missing. This is particularly telling since Trump’s lead developer had no hotel development experience, could not get a local bank to lend on the project and had to finance through an Austrian bank, also with no relevant experience.

The SoHo Hotel

Initiated four years after Trump International Toronto, the Trump SoHo Hotel shared similar hallmarks of a criminal enterprise.

First, criminal associations once again. One of Trump’s partners in the project was the Bayrock Group.⁴⁴ A principal of Bayrock, a Russian, Felix Sater, had been convicted of a stabbing and pleaded guilty to a \$40 million stock manipulation and money-laundering scheme in New York State.⁴⁵ Another principal, Tamir Sapir, was regarded by the FBI as a member of a Russian mob in Brighton Beach.⁴⁶ A primary financial backer for Bayrock, Alexander Mashkevich, a Kazakhstan mining billionaire, was accused in 2011 by Belgian authorities of running a \$55 million money-laundering scheme. Mashkevich and two partners paid a fine, admitting no wrongdoing.⁴⁷

Second, in addition to the partners’ Russian backgrounds, important sources of revenue and financing had Russian connections. Principal financing came from the FL Group, an Icelandic bank favored by Russians. Sater recommended the Bank because it was close to Putin.⁴⁸

Third, as with Trump Hotel and Tower Toronto, sales practices featured misrepresentations to potential buyers. Investors who made deposits on the units sued the Trump Organization for fraud, obtaining an unusually favorable settlement: 90 cents on the dollar plus attor-

neys' fees. In return, the investors agreed to the Trumps' demand that they not cooperate voluntarily with any criminal investigation. That may well have helped Donald Trump Jr. and Ivanka Trump avoid charges of criminal fraud for false statements to prospective buyers about the number of units sold.⁴⁹

Fourth, there is reason to believe that Trump SoHo was never financially viable, that it in fact had been designed to make money in other than the ordinary ways. Opened in 2010, the condo-hotel went into foreclosure in 2014.⁵⁰ Brian Halberg, a real estate attorney, was quoted in the *Wall Street Journal* at the time of the foreclosure saying: "A luxury condo-hotel in New York is not a feasible business proposition."⁵¹

What was its true *raison d'être*? Two former executives filed suit against Trump's partner, the Bayrock Group, alleging that the company's "real purpose" was to develop hugely expensive properties bearing the Trump brand and then use those projects to launder money and evade taxes.⁵² That suit is now scheduled to proceed to trial under a racketeering statute⁵³. The *Financial Times* found that the project had "multiple ties to an alleged international money-laundering network."⁵⁴

The *Financial Times* has also linked money laundering by Viktor Khrapunov to the purchase (through shell companies) of Trump SoHo units. Khrapunov, the former energy minister of Kazakhstan and ex-mayor of its capital, Almaty, has been accused of looting hundreds of millions of dollars of public assets from that city. Khrapunov contends that all of his family's wealth was made lawfully and that the accusations are politically motivated.⁵⁵

Fully, seventy-seven percent of the condo sales in the SoHo Hotel were to shell companies. The same real estate lawyer handled nearly half of those sales. Four of the deeds to shell company listed a Moscow address that was crossed out, the lawyer's address was substituted.⁵⁶

Ross Delston, a Washington, D.C., lawyer and money laundering expert who has consulted for the Justice Department is quoted in BuzzFeed as saying: "Having 77% of the transactions to anonymous buyers raises the probability that there are red flags for money laundering and other financial crime."⁵⁷

Following its 2014 foreclosure, Trump SoHo has struggled to attract guests at five-star prices, dropping its rates in order to keep rooms occupied. The remaining condos have been slow to sell. The building's main restaurant closed in April 2017.

On November 22, 2017, the Trump Organization announced that it had reached a deal to sell its interest to the CIM Group. Under the deal, CIM can remove the Trump name.⁵⁸

The Baku Hotel

In 2012, the Trump Organization exported overseas the lessons learned in North America, and added one or two more. The indicia of criminality are even more glaring.

First, Trump International Tower and Hotel Baku is located in Azerbaijan, one of the most corrupt countries in the world.

Second, the developers are government officials and their families, widely believed to be criminals. The developers of the project are close relatives of the Transportation Minister, Ziya Mammadov, who became a billionaire while working on a modest civil servant's salary. The heads of the development company are his brother, Elton Mammadov, and his son, Anar Mammadov. Elton was a prominent member of Parliament. The Mammadov family is known as "The Corleones of the Caspian."⁵⁹ Ziya Mammadov has been involved in several multimillion-dollar contracts with the CEO of a construction firm controlled by the U.S.-sanctioned Iranian Revolutionary Guard.

Third, the construction prices were multiples of what would be expected and the contractors were paid in cash, including one cash payment for two million dollars. Two individuals who worked on the project reported that bribes were paid. People were walking out with dufls full of cash.⁶⁰ Money was going in and out of the U.S., the United Kingdom, Turkey, Romania, the United Arab Emirates, and several other countries. With such projects, it can be exceedingly difficult to detect the spread of illicit funds.⁶¹

Fourth, in concept and origin, the project had absolutely no prospect of financial success. Physically completed but never opened, Trump Baku was supposedly a luxury condo-hotel, but journalist Adam Davidson found it was located in a section of town unattractive to a wealthy clientele and almost impossible to get to:

[It is in] the underdeveloped eastern end of downtown, which is dominated by train tracks and is miles from the main business district, on the west side of the city. Across the street from the hotel is a discount shopping center; the area is filled with narrow, dingy shops and hookah bars. Other hotels nearby are low-budget options: at the AYF Palace, most rooms are forty-two dollars a night. There are no upscale restaurants or shops.⁶²

A former Azerbaijani Tourism official asked: "Why would someone put a luxury hotel there? Nobody who can afford to stay there would want to be in *that* neighborhood."⁶³

The building now stands empty. In 2016, the Trump Organization announced that it was abandoning the project.⁶⁴

Fifth, reported facts contradict the company's effort to portray itself as a passive participant that merely licensed the Trump name:

- The Trump Organization retained extensive control of design. At the time it entered the project in 2015, the Trump Organization insisted that most of the building's interior be gutted and rebuilt.

- The Trump Organization had a “technical services agreement” under which it engaged in extensive oversight. “We were in constant contact with the Trump Organization,” the Azerbaijani lawyer who worked on the project reported. “They approved the smallest details.” This included monthly site visits and even the approval of furniture and fabrics. Ivanka Trump personally visited the project in 2014. She specified certain materials. A photo of her at the project on her own website says that she has “overseen” the project development.⁶⁵
- Trump signed a contract to manage the hotel once it opened. The Trump Organization had a right to order an independent audit of the financial records at any time.⁶⁶

Sixth, due diligence by the Trump Organization seems to be either slim or none. Alan Garten, the Trump Organization’s chief legal officer, said that the people who had overseen the due diligence were “no longer with the company.” Garten’s predecessor as chief legal officer, Jason Greenblatt, now works at the White House as the President’s special representative for international negotiations. Garten described the documentation itself as “confidential and privileged.”⁶⁷

Even the most cursory review of the project would have uncovered basic problems: the corruption of the Mammadov family and its links to the Iranian Revolutionary Guard had been disclosed in a 2011 WikiLeaks release, a year before the Trump Organization announced the Baku deal. There was a second round of detailed disclosures in 2013 in a report from Radio Free Europe/Radio Liberty and the Organized Crime and Corruption Reporting Project.⁶⁸

Garten admits that the Trump Organization became aware in 2015 of the links to the Iranian Revolutionary Guard. However, the project contract was not cancelled until December 2016, a month after the Presidential election.⁶⁹

Why did it take until late 2016 to cancel the agreement? Garten says there was “no rush”; the project had “stalled.” In April 2015, Ivanka Trump had suggested otherwise: she said that the hotel would open that June. Why had she not realized on her visit in April 2015 that the project was built on an impossible site and doomed to failure? Ms. Trump did not respond to Adam Davidson’s request for comment.⁷⁰

Garten also said that the Trump Organization could not simply abandon its agreements. He did not say why the company did not exercise its right to order an audit. Nor did he explain why the company was not able to terminate the agreement in 2015, but was able to after Trump was elected in 2016. Nor has an explanation been offered as to how the existence of a private contract excuses unlawful engagement with entities sanctioned by the United States government.⁷¹

The Panama Hotel

The indicia of criminality of the Trump Organization's involvement in Panama mirror almost exactly those in Azerbaijan. Recent collaborative reporting by NBC News, Reuters and Global Witness has brought crucial facts about this project to light.⁷²

First, Panama is “perceived to be highly corrupt.”⁷³ Arthur Middlemiss, a former assistant district attorney in Manhattan and a former head of JPMorgan’s global anti-corruption program, told Reuters that the FCPA requires those who do business there to perform due diligence on others involved in their ventures. If they fail to do so, he said, they risk being criminally liable for turning a blind eye to wrongdoing.⁷⁴

Second, the pattern of criminal associations remains unbroken. Panamanian authorities charged Alexandre Henrique Ventura Nogueira, the lead broker for the project, with fraud and forgery after he admitted to money laundering. He fled the country after being released on \$1.4 million bail. Nogueira was “partners” with David Helmut Murcia Guzmán, currently in a U.S. prison, convicted of laundering drug money. Another investor in Ventura’s firm, Arkady Vodovozov, was convicted in Israel of kidnapping.⁷⁵

Third, sales prices of condos at the Trump Ocean Club were at multiples of market value, another hallmark of money laundering. When Ivanka Trump and real estate brokers discussed setting a minimum price for the condominiums at \$120,000, Nogueira recommended \$220,000. He claimed that he sold units at the project for “five or six times the price of comparable units in Panama.”⁷⁶

Many of the sales were all cash, wire transfers, and many of the buyers were shell companies. Ventura Nogueira admits that he purchased at least 10 units in the project on behalf of convicted drug money launderer, David Helmut Murcia Guzmán. In addition, two Russians, Andrey Bogdanov and Ivan Kazakikov, bought at least a dozen units after bringing money into Panama. Both men are suspected of money laundering.⁷⁷

Noting that numerous condo sales were made to shell companies with off-shore owners, Mauricio Ceballos, a former financial crimes prosecutor in Panama has called the Trump Ocean Club in Panama City “a vehicle for money laundering.”⁷⁸

Fourth, although it opened, the Trump Ocean Club, like other Trump hotel-condo projects, proved to be a white elephant. Out of 369 total condos, 202 remain unsold. The hotel has struggled with low occupancy and room rates are too low to cover the costs of unit maintenance.⁷⁹

On November 27, 2017, the Associated Press reported that the current owners of the Trump Ocean Club are seeking to terminate their contract with the Trump Organization and to remove the Trump name from the hotel. Nonetheless, Trump reportedly has earned over \$30 million from this project.⁸⁰ Among the claims made by the owners is that the Trump Organization misused their properties for its own gain. The Trump Organization is counter suing the owners.⁸¹

Fifth, as with Trump Baku, the Trump Organization claims that its only role was in the licensing of its name. In fact, as with Baku, the company was deeply involved in the project.

- Eric and Ivanka Trump conducted quality control and site inspection. “The Trump Organization has to approve everything because of his name on the project,” Nogueira told journalists.⁸²
- Ivanka Trump starred in a marketing video.⁸³
- The Trump Organization managed the property upon completion.⁸⁴
- As with both the Toronto and SoHo projects, promotional literature described Trump as a developer.⁸⁵

Sixth, the Trump Organization does not appear to have conducted due diligence on this investment, despite the obvious red warning flags.

“I had some customers with questionable backgrounds,” Nogueira acknowledged. “Nobody ever asked me. Developer didn’t ask and (the) Trump Organization didn’t ask. Nobody asked, ‘Who are the customers, where did the money come from?’ No, nobody asked.”⁸⁶

Legal Implications

There are several federal laws potentially implicated in corrupt foreign projects.

These include the Foreign Corrupt Practices Act, which broadly prohibits offering a foreign government official something of substantial value to influence an official act or to secure an improper advantage. The FCPA also requires certain accounting practices in order to prevent and allow the detection of corrupt payments.⁸⁷ In effect, it imposes ongoing due diligence for an American investor by criminalizing willful blindness or deliberate ignorance of the unlawful actions of foreign associates.⁸⁸

In a leading case under the FCPA, arising out of Azerbaijan, the U.S. Court of Appeals upheld a conviction, saying that, regardless of whether the defendant had known about the bribes, “the testimony at trial demonstrated that [the defendant] was aware of how pervasive corruption was in Azerbaijan generally.” The FCPA, the Court said, criminalized “*conscious avoidance—a deliberate effort to remain in the dark about any transgressions a foreign partner might be involved in* (emphasis added).”⁸⁹

Trump evidently had the FCPA on his mind in May 2012, the month that the Baku deal was finalized. In a phone-in appearance on CNBC, he expressed frustration with the law. “Every other country goes into these places and they do what they have to do,” he said. “It’s a horrible law and it should be changed.” If American companies refused to give bribes, he said, “you’ll do business nowhere.” He continued, “*There is one answer—go to your room, close the door, go to sleep, and don’t do any deals, because that’s the only way. The only way you’re going to do it is the other way* (emphasis added).”⁹⁰

The Racketeer Influenced and Corrupt Organizations Act, commonly known as RICO, is yet another statute implicated by this course of conduct. It generally prohibits a pattern of racketeering activity, meaning at least two criminal acts, such as money laundering, mail fraud

or other specified crimes.⁹¹ A racketeering enterprise under RICO includes any individual, partnership, corporation, association, or other legal entity and any group of individuals associated in fact, even if not a legal entity.⁹²

If the government prosecutes a person as a member of a RICO conspiracy, it need not prove that he agreed with every other conspirator, knew all of the other conspirators, or had full knowledge of all the details of the conspiracy. All that must be shown is that the defendant agreed to participate in a racketeering enterprise consisting of at least two racketeering acts, that he knew the general status of the conspiracy, and that he knew the conspiracy extended beyond his individual role.⁹³

A defendant's guilty knowledge and participation in the conspiracy may be inferred from facts and circumstances.⁹⁴ Acting as a "licensor" would apparently not be a defense since a defendant does not have to participate in the operation or management of the enterprise to be found liable.⁹⁵

RICO also authorizes the forfeiture of all unlawful proceeds.⁹⁶

Finally, RICO can apply wherever the money laundering occurs, even outside of the United States.⁹⁷ The fact that investments were in Azerbaijan, Canada and Panama would apparently not be a defense to a RICO charge based on money laundering.

Additionally, given that Trump and the Trump Organization were based in New York, that state's version of RICO is also pertinent. The New York statute is analogous to the federal RICO statute in that it criminalizes "enterprise corruption."⁹⁸ Under New York law, a defendant (1) must have engaged in a pattern of criminal activity that includes at least three associated criminal acts (2) with knowledge of the existence of the criminal enterprise and (3) with the intent to participate in it.⁹⁹

Money laundering and fraud are crimes that can give rise to liability for enterprise corruption under New York law.¹⁰⁰ The fact that the enterprise also has legitimate operations is not a defense.¹⁰¹ The intent and knowledge of the person charged can be proven by inferences from all the facts and circumstances.¹⁰² The New York statute also authorizes the forfeiture of unlawful proceeds.¹⁰³

The New York Attorney General possesses supervisory authority over New York corporations such as the Trump Organization. The Attorney General may seek to revoke a corporate charter if the corporation has transacted its business in a persistently fraudulent or illegal manner or has abused its powers contrary to the public policy of the state.¹⁰⁴

The recent chorus of attacks on the Special Counsel's investigation, and the multiple ways in which the President could interrupt or end it, threaten our ability to learn the truth about the 2016 election. Discovering whether an adversary nation had domestic cooperation in

seeking to affect our election is a matter of vital importance. Full knowledge almost certainly requires the tools that our legal system gives to skilled prosecutors.

Fortunately, our federalist structure provides these tools at two levels, federal and state. In this case, prosecutors at both levels have authority over potentially criminal acts in their jurisdictions, acts that may well form a coherent financial and political narrative of what happened. The search for truth in both jurisdictions is urgent.

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