



UNITED STATES DISTRICT COURT	CENTRAL DISTRICT OF CALIFORNIA
UNITED STATES OF AMERICA v. LUIS ERNESTO FLORES RIVERA	DOCKET NO.  MAGISTRATE'S CASE NO. <b>12-0776M</b>

Complaint for violation of Title 18, United States Code § 1956(h): Conspiracy to Launder Money

NAME OF MAGISTRATE JUDGE HON. ANDREW J. WISTRICH	UNITED STATES MAGISTRATE JUDGE	LOCATION Los Angeles, CA
DATE OF OFFENSE Unknown date - on or about December 2011	PLACE OF OFFENSE Los Angeles County	ADDRESS OF ACCUSED (IF KNOWN)

## COMPLAINANT'S STATEMENT OF FACTS CONSTITUTING THE OFFENSE OR VIOLATION:

Beginning on an unknown date and continuing until in or around December 2011, in Los Angeles County, within the Central District of California, and elsewhere, defendant LUIS ERNESTO FLORES RIVERA, and others known and unknown conspired to launder money, in violation of Title 18, United States Code, Section § 1956(h). In furtherance of the conspiracy, defendant LUIS ERNESTO FLORES RIVERA structured cash deposits less than \$10,000 into a U.S. bank account of a company with which he does business, WOODY TOYS, INC. (located in Industry, California) and paid WOODY TOYS, INC. cash knowing that the cash was proceeds of narcotics trafficking.

## BASIS OF COMPLAINANT'S CHARGE AGAINST THE ACCUSED:

(See attached affidavit which is incorporated as part of this Complaint)

## MATERIAL WITNESSES IN RELATION TO THIS CHARGE:

Being duly sworn, I declare that the foregoing is true and correct to the best of my knowledge.	SIGNATURE OF COMPLAINANT  MICHAEL MORIARTY
	OFFICIAL TITLE SPECIAL AGENT, IRS - CRIMINAL INVESTIGATIONS

Sworn to before me and subscribed in my presence,

SIGNATURE OF MAGISTRATE JUDGE(1)  ANDREW J. WISTRICH	DATE MARCH 29, 2012
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1) See Federal Rules of Criminal Procedure rules 3 and 54.

AFFIDAVIT IN SUPPORT OF CRIMINAL COMPLAINT

I, Michael Moriarty, being duly sworn, do hereby depose and state:

I. INTRODUCTION

1. I am a Special Agent ("SA") for the United States Department of the Treasury, Internal Revenue Service, Criminal Investigation ("IRS-CI"). I have been so employed since December, 1995. I am currently the Asset Forfeiture Coordinator for IRS-CI's Los Angeles Field Office and have served in that capacity since December 2010. Previously, I was the Public Information Officer for IRS-CI in Los Angeles for approximately 4 years. Prior to my assignment as the Public Information Officer, I was assigned to the High Intensity Drug Trafficking Area's Southern California Drug Task Force for approximately eight years. I have a Bachelor's of Arts degree in Psychology from California State University, Northridge, and I have earned twenty-six semester units in Accounting from Pierce College in Los Angeles, California and from the University of California, Los Angeles. I am a graduate of both the Criminal Investigator Training Program and the Special Agent Basic Training Program at the Federal Law Enforcement Training Center in Glynco, Georgia. My training at the Federal Law Enforcement Training Center included courses in the law of search and seizure set forth

under the Fourth Amendment and training in tracing illegal proceeds and proving illegitimate sources of funds using indirect methods of proof. My duties as a Special Agent include the investigation of potential violations of the criminal provisions of Title 26, Title 31, and Title 18 of the United States Code. Prior to my employment with IRS-CID, I was employed as an Internal Revenue Agent and as a Tax Auditor in the Examination Division of the Internal Revenue Service ("IRS") for seven and one-half years. My responsibilities in the Examination Division included the audit of individual, corporation, partnership, and employment tax returns in conjunction with their underlying books and records. I also conducted investigations of reporting violations specified under Title 31 of the United States Code.

2. I have personally conducted and / or participated in numerous criminal investigations involving attorneys, physicians, chiropractors, business managers, narcotics traffickers and their associates. These investigations have targeted violations of Title 26, United States Code sections 7201 (Tax evasion) and 7206(1) (Subscription to a false tax return); Title 18, United States Code sections 286 (Conspiracy to file false claims), 287 (Filing false claims), 1956 (Money laundering), and 1956(h) (Money laundering conspiracy); and

Title 31, United States Code section 5234 (Structuring). In the course of these investigations, I have examined and reviewed thousands of pages of tax, financial, bank, and other business records, as well as surveillance reports, wiretap summaries, and reports of interviews and investigations. Further, I have personally prepared analysis and reports of tax, financial, bank, and other business records, as well as reports of interviews and investigations. Additionally, I have prepared and / or assisted in the preparation of affidavits for search warrants in investigations involving the filing of false claims, structuring of currency deposits, money laundering, and narcotics trafficking. I have also testified in Federal District Court relating to income tax matters. As a result of my education, training, and experience in the investigation of money laundering and financial and income tax crimes, I have developed an expertise in using various financial methods to determine uses of legitimate and illegitimate sources of funds to acquire assets and launder money.

## **II. PURPOSE OF AFFIDAVIT**

3. I make this affidavit in support of a criminal complaint charging LUIS ERNESTO FLORES RIVERA ("LUIS FLORES") with conspiracy to commit money laundering in violation of 18 U.S.C. § 1956(h). This affidavit is made solely for the

purpose of establishing probable cause for the issuance of a criminal complaint and does not set forth all the information pertinent to this case. Since this investigation involves multiple law enforcement personnel from multiple organizations, the information provided in this affidavit was obtained by ICE, Homeland Security Investigations ("HSI") Special Agent ("SA") Joseph Simms, who was a member of High Intensity Drug Trafficking Area ("HIDTA") Group 49, and who also obtained information from various resources, including other HSI Special Agents, the U.S. Internal Revenue Service ("IRS"), task force officers of HIDTA Group 49, and reliable confidential sources.

### III. PROBABLE CAUSE

4. On March 29, 2012, I talked to HSI SA Simms, who advised me of the following:

a. In early 2011, members of HIDTA Group 49 began investigating WOODY TOYS, INC. ("WOODY TOYS"), a plush toy company located in Industry, California, for: (1) money laundering conspiracy, in violation of 18 U.S.C. § 371; (2) and conspiracy to evade reporting requirements, by structuring<sup>1</sup> cash

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<sup>1</sup> "Structuring" is a commonly-used money laundering method, wherein individuals or criminal groups will attempt to hide their financial activity from law enforcement scrutiny brought on by the generation of CTRs. By "structuring" their deposits so that no single transaction exceeds \$10,000, money launderers are able to deposit an aggregate total of over \$10,000 into the

deposits in amounts less than \$10,001,<sup>2</sup> and by failing to file IRS form 8300<sup>3</sup> for the receipt of cash over \$10,000, both in violation of 18 U.S.C. § 371.

b. Investigation revealed that WOODY TOYS was frequently accepting bulk cash at their business premises from individuals other than their toy customers located in Mexico and Colombia, but were nonetheless crediting the amount of cash picked-up to the accounts of customers located in Mexico and Colombia. Investigation also revealed that WOODY-TOYS picked up cash at third-party locations, including a warehouse where money

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banking system without bringing unwanted attention to their activities. This method is used by money launderers seeking to introduce illegally-generated funds into the legitimate financial system.

<sup>2</sup> 31 U.S.C. § 5313 requires financial institutions to file a Currency Transaction Report ("CTR") for each deposit, withdrawal, exchange of currency or other payment in currency of more than \$10,000 by, through, or to such financial institutions.

<sup>3</sup> Pursuant to Title 31, United States Code, Section 5331 and the regulations thereunder, including Title 31 of the Code of Federal Regulations, any person engaged in a trade or business who received over \$10,000 in cash was required to complete a Form 8300 and file it with the IRS by the 15th day after the cash was received. To complete the Form 8300, the person was required to verify and record the following information: the name, address, and taxpayer identification number of the person whom the cash was received; the name, address, and taxpayer identification number of the person on whose behalf the transaction was conducted; the amount of cash received; and the date and nature of the transaction.

couriers dropped off drug proceeds. Furthermore, bank records showed that WOODY TOYS' Bank of America ("BoA") account frequently received anonymous, out-of-state cash deposits in amounts less than \$10,001, which were also credited to the accounts of customers located in Mexico and Colombia. Based upon WOODY TOYS' cash receipt book, between 2005 and December 2011, WOODY TOYS received approximately more than \$3 million in cash at its business without filing an IRS form 8300. Bank records show that WOODY TOYS deposited cash received into its Cathay Bank account in structured amounts. Based upon BoA bank records, between 2005 and December 2011, approximately more than \$3 million in out-of-state cash were made into WOODY TOYS' BoA account in structured amounts.

c. HIDTA Group 49 believes that WOODY TOYS and their toy customers are facilitating what is known as a Black Market Peso Exchange Scheme ("BMPE"), which is a common way for drug traffickers to convert their U.S. currency (drug proceeds) in the United States, into pesos. HIDTA Group 49 believes that WOODY TOYS is accepting the U.S. currency from, or on behalf of, their customers, who are located in Colombia and Mexico. Once U.S. currency is received by WOODY TOYS, the toy customer in Colombia or Mexico pays (usually through a broker) the drug

trafficking organization ("DTO") in Colombia or Mexico the value of the U.S. currency in pesos, less any broker fee.

d. Pursuant to a search warrant signed by the Honorable Andrew J. Wistrich, U.S. Magistrate Judge, Central District of California, on December 7, 2011, IRS, ICE, and DEA Special Agents executed a business search warrant at WOODY TOYS. The seized items include, but are not limited to, cash receipts showing receipt of cash over \$10,000, printed BoA statements, and security video. IRS and ICE Special Agents also interviewed WOODY TOYS employees, some of whom admitted that they have picked up bulk cash from other locations and that WOODY TOYS accepts cash at its business from individuals other than its customers. Seized cash receipts show that WOODY TOYS accepted cash over \$10,000 (sometimes as much as \$60,000 and often in the amount of \$15,000 to \$30,000) on multiple occasions. Seized BoA statements show that WOODY TOYS credits the out-of-state structured, cash deposits made into WOODY TOYS' BoA account to toy customers located in Mexico and Colombia. Seized security video also shows the owner of WOODY TOYS accepting approximately seven bricks of cash from two Hispanic men who are not customers of WOODY TOYS.

e. LUIS FLORES, a citizen of Mexico, is a customer of WOODY TOYS. LUIS FLORES uses the BMPE system to pay for



toys. In other words, LUIS FLORES knowingly pays for toys using "narco-dollars." A reliable confidential source ("CS") advised HSI SA Simms that on or about September 28, 2011, LUIS FLORES visited WOODY TOYS with someone whom he identified as his cousin and met with a WOODY TOYS salesperson and one of the owners of WOODY TOYS in the showroom of WOODY TOYS. LUIS FLORES explained to the salesperson and owner that he is able to purchase U.S. currency at a better exchange rate in Guadalajara, Mexico, because he purchases "narco-money." Seized security video corroborates the CS' statement. The security video of September 28, 2011, shows LUIS FLORES, the owner of WOODY TOYS, and a salesperson meeting with LUIS FLORES and a Hispanic male in the showroom of WOODY TOYS. In addition, other statements provided by the CS have been corroborated by seized cash receipts and e-mails.

f. In furtherance of the conspiracy with WOODY TOYS and others known and unknown, LUIS FLORES arranged for cash to be picked up at a warehouse located on Mettler Street in Los Angeles. DEA investigation revealed that drug proceeds are delivered to this particular warehouse. Specifically, on or about August 22, 2011, approximately \$200,000 in cash was delivered to the warehouse on Mettler Street by a DTO member who was found with 8 kilograms of cocaine several days later. On or

around August 15, 2011, an employee of WOODY TOYS was sent to the warehouse to pick up cash. The employee picked up \$5,100 in cash and was provided a coded receipt for 5 boxes of pants and 100 loose pieces. The employee was warned never to mention cash when the employee came to pick up cash. As evidenced by a cash receipt, WOODY TOYS credited the customer account of LUIS FLORES in the amount of \$5,100 on or around August 15, 2011. During their interviews, other WOODY TOYS employees stated that they have picked up cash at this warehouse on Mettler Street, thereby showing that it was a pattern and practice of WOODY TOYS to pick up cash at this particular warehouse.

g. Based upon SA Simm's training and experience, he knows that it is common for drug traffickers to use coded language and keep coded records, including cash receipts, to conceal the source of money and to avoid detection from law enforcement. SA Simms believes that individuals at the warehouse on Mettler Street receive bulk cash, which are drug proceeds, and then divide the cash into smaller amounts for pick up by businesses such as WOODY TOYS. SA Simms believes that the cash WOODY TOYS picks up at the warehouse on Mettler Street, and the cash dropped off at WOODY TOYS by individuals other than customers are proceeds of a specified unlawful activity, that is, narcotics trafficking.

h. Travel records indicate that on or about April 9, 2008, LUIS FLORES entered the United States through Laredo, Texas, from Guadalajara, Mexico, with \$20,300 in cash. Additionally, on or about April 9, 2008, \$1,700 in cash was deposited into WOODY TOYS' BoA account at a BoA branch location in Laredo, Texas. The next day, on April 10, 2008, at approximately 9:41 a.m., \$9,000 in cash was deposited into the same bank account at the same BoA branch location in Laredo, Texas. Then, at 1:36 p.m., on April 10, 2008, \$9,221 in cash was deposited into the same bank account.

i. During the search warrant execution, Special Agents seized an April 10, 2008 e-mail from LUIS FLORES to an employee of WOODY TOYS, asking him/her to confirm that WOODY TOYS received the three deposits (which total \$19,921). Bank records and seized WOODY TOYS' accounting records indicate that LUIS FLORES never deposited, or caused to be deposited, more than \$10,000 in cash into WOODY TOYS' BoA account. Based upon the bank records, seized sales records, and seized e-mails, LUIS FLORES made, or caused to be made, structured cash deposits into WOODY TOYS' BoA account.

#### IV. CONCLUSION

5. Based on all the foregoing, I believe there is probable cause to believe that LUIS FLORES, and others known and

unknown, conspired to commit money laundering in violation of 18  
U.S.C. § 1956(h).

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MICHAEL MORIARTY  
SPECIAL AGENT  
IRS, CRIMINAL INVESTIGATIONS

SUBSCRIBED AND SWORN BEFORE ME  
THIS 29 DAY OF MARCH 2012

ANDREW J. WISTRICH

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HONORABLE ANDREW J. WISTRICH  
UNITED STATES MAGISTRATE JUDGE