

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW MEXICO**

UNITED STATES OF AMERICA,

Plaintiff,

vs.

Civil No. 11-1109

REAL PROPERTY LOCATED AT 6600 AND 6560 VENTURA ROAD SE,
DEMING, NM, AND 6545 EL PORTAL ROAD SE, DEMING, NM, INCLUDING
ALL STRUCTURES, APPURTENANCES AND IMPROVEMENTS THEREON,
CONTAINING 85 ACRES MORE OR LESS, OWNED BY RICK AND TERRI REESE;

1,428 FIREARMS, MORE OR LESS;

1,975,262 ROUNDS OF ASSORTED AMMUNITION, MORE OR LESS;

535 CANISTERS OF SMOKELESS POWDER, MORE OR LESS;

4,757 AMMUNITION MAGAZINES, MORE OR LESS;

\$117,823.09 IN GOLD AND SILVER COINS, MORE OR LESS;

2008 CHEVROLET SUBURBAN, REGISTERED TO OLD IRONSIDES,
VIN: 1GNFK16338JZ16417;

2006 JEEP RUBICON, REGISTERED TO OLD IRONSIDES,
VIN: 1J4FA64S26P732694;

2005 CHEVROLET SUBURBAN, REGISTERED TO OLD IRONSIDES,
VIN: 1GCHK23245F964465;

2005 DODGE RAM, REGISTERED TO OLD IRONSIDES,
VIN: 3D7KS28CX5G863507;

ASSORTED BODY ARMOR;

SEVENTEEN (17) GUN SAFES, MORE OR LESS;

FUNDS IN THE AMOUNT OF APPROXIMATELY \$11,019.92, MORE OR LESS,
SEIZED FROM ACCOUNT *****1276 AT FIRST SAVINGS BANK IN THE
NAME OF OLD IRONSIDES, LLC, D/B/A NEW DEAL SHOOTING;

\$5,449 IN U.S. CURRENCY, MORE OR LESS,
SEIZED FROM TERRI REESE;

\$13,000 IN U.S. CURRENCY, MORE OR LESS,
SEIZED FROM THE RESIDENCE OF RICK AND TERRI REESE AT
6600/6560 VENTURA ROAD SE, 6545 EL PORTAL ROAD SE, DEMING, NM;

\$4,000 IN U.S. CURRENCY, MORE OR LESS,
SEIZED FROM A GARAGE OR LARGE OUTBUILDING LOCATED ON THE
PREMISES OF 6600/6560 VENTURA ROAD SE, 6545 EL PORTAL ROAD SE,
DEMING, NM;

\$84,000 IN U.S. CURRENCY, MORE OR LESS,
SEIZED FROM THE BUSINESS PREMISES OF NEW DEAL GUN SHOP
LOCATED ON THE PREMISES OF 6600/6560 VENTURA ROAD SE,
6545 EL PORTAL ROAD SE, DEMING, NM;

ONE AMMUNITION RELOADING BENCH;

Defendants,

VERIFIED COMPLAINT FOR FORFEITURE *IN REM*

Plaintiff states:

JURISDICTION AND VENUE

1. This is a civil action *in rem* for forfeiture of the defendant properties, which are located in the District of New Mexico.
2. The United States District Court for the District of New Mexico has subject matter jurisdiction under 28 U.S.C. §§ 1345, 1355 and 1356.
3. Venue is proper under 28 U.S.C. §§ 1355 and 1395, and 18 U.S.C. § 981(h).

DEFENDANT PROPERTIES AND POTENTIAL CLAIMANTS

4. The plaintiff is the United States of America.
5. The defendants are:

- a. Real Property Located at 6600 and 6560 Ventura Road SE, and 6545 El Portal Road SE, Deming, New Mexico (all one tract), Including All Structures, Appurtenances and Improvements Thereon, Containing 85 Acres More or Less, Owned by Rick and Terri Reese (“the Defendant Premises”);
- b. 1,428 firearms, more or less, seized by officers of the U.S. Department of Homeland Security, Immigration and Customs Enforcement Homeland Security Investigations (“HSI”) from Old Ironsides, LLC, d/b/a New Deal Shooting Sports (“New Deal”), in Deming, New Mexico, as more particularly described in Exhibit A, attached to and incorporated into this Complaint by reference (“Defendant Firearms”). All Defendant Firearms in Exhibit A meet the definition of “firearm” in the Gun Control Act (“GCA”), 18 U.S.C. § 921(a)(3);
- c. 1,975,262 rounds of ammunition, more or less, seized from New Deal in Deming, New Mexico (“Defendant Ammunition”), as more particularly described and designated by caliber in Exhibit B, which is attached to and incorporated into this Complaint by reference. All Defendant Ammunition meet the definition of “ammunition” in the GCA, 18 U.S.C. § 921(a)(17)(A). Included among the Defendant Ammunition is 100,000 rounds, more or less, of “reloaded” ammunition (“Defendant Reloaded Ammunition”);
- d. 535 canisters of smokeless powder, more or less, seized from New Deal in Deming, New Mexico (“Defendant Powder”). Such powder meets the definition of ammunition in 18 U.S.C. § 922(a)(17)(A), as it is a “propellent powder designed for use in any firearm”;

- e. 4,757 Ammunition Magazines, more or less, seized from the Defendant Premises in Deming, New Mexico (“Defendant Magazines”);
- f. \$117,823.09, more or less, in gold and silver coins seized from the Defendant Premises in Deming, New Mexico (“Defendant Coins”);
- g. Four vehicles, more particularly described as:
 - i. 2008 Chevrolet Suburban, Registered to Old Ironsides, VIN: 1GNFK16338JZ16417;
 - ii. 2006 Jeep Rubicon, Registered to Old Ironsides, VIN: 1J4FA64S26P732694;
 - iii. 2005 Chevrolet Suburban, Registered to Old Ironsides, VIN: 1GCHK23245F964465; and
 - iv. 2005 Dodge Ram, Registered to Old Ironsides, VIN: 3D7KS28CX5G863507;
- h. Assorted body armor seized from the Defendant Premises in Deming, New Mexico (“Defendant Body Armor”), more specifically described as:
 - i. One Kevlar helmet;
 - ii. Two Tactical Armor Products Gamma Plus Body Armor Plate, serial numbers 226962 and 226713;
 - iii. One Point Blank Interceptor Vest, serial number 8470014651926;
 - iv. One Tactical Armor Products Body Armor Plate, serial number 226964; and
 - v. Two Point Blank Body Armor Vests, serial numbers AF209631 and AF16266;

i. Seventeen (17) gun safes, more or less, seized from the Defendant

Premises in Deming, New Mexico (“Defendant Gun Safes”);

j. Funds in the amount of \$11,019.92, more or less, from Account

*****1276 at First Savings Bank, held in the name of Old Ironsides, LLC, d/b/a

New Deal Shooting Sports (“Defendant Bank Account”);

k. Amounts of U.S. Currency (“Defendant Currency”), more particularly described as:

i. Approximately \$5,449 in U.S. Currency, more or less, seized from Terri Reese;

ii. \$13,000 in U.S. Currency, more or less, seized from the residence of Rick and Terri Reese located at 6600/6560 Ventura Road SE, and 6545 El Portal Road SE, Deming, NM;

iii. \$4,000 in U.S. Currency, more or less, seized from a garage or large outbuilding located on the premises of 6600/6560 Ventura Road SE, and 6545 El Portal Road SE, Deming, NM; and

iv. \$84,000 in U.S. Currency, more or less, seized from the business premises of New Deal Gun Shop located on the premises of 6600/6560 Ventura Road SE, and 6545 El Portal Road SE, Deming, NM.

l. One Ammunition Reloading Bench seized from the Defendant Premises.

6. The defendant properties, except for the Defendant Premises, are currently in the custody of officials of HSI, having been seized pursuant to seizure warrants issued by a U.S. Magistrate Judge for the District of New Mexico on August 26, 2011. The defendant properties will remain subject to the Court’s jurisdiction during the pendency of this action.

7. The Defendant Premises have not been seized, but are located within the District of New Mexico and within the jurisdiction of the Court. The United States does not request

authorization from the Court to seize the Defendant Premises at this time. The United States will, as provided in 19 U.S.C. § 1606, appraise the Defendant Premises when it executes the Writs of Entry, as requested in paragraph (2) of the Request for Relief, *infra*.

8. At all times relevant to this Complaint, Old Ironsides, LLC, d/b/a New Deal Shooting Sports (“New Deal”) in Deming, New Mexico, was a Federal Firearms Licensee licensed under the provisions of Chapter 44 of Title 18, United States Code, to deal in firearms. New Deal’s licensed business premises address was 6600 Ventura Road SE, Deming, New Mexico (“the New Deal Store”), which comprises a section of the Defendant Premises.

9. At all times relevant to this Complaint, Rick Reese was the sole listed owner of New Deal. At all times relevant to this Complaint, Terri Reese was married to Rick Reese, and Ryin Reese and Remington Reese were the adult sons of Rick and Terri Reese. At all times relevant to this Complaint, Rick Reese, Terri Reese, Ryin Reese and Remington Reese (collectively “the Reeses”) worked at New Deal selling firearms, ammunition, and other supplies, and lived on the Defendant Premises.

INTRODUCTION

A. Weapons Trafficking by and for Mexican Drug Cartels

10. Transnational narcotics distribution organizations operating in Mexico, often times referred to as “cartels,” rely upon firearms and ammunition in order to facilitate their operations, including to protect their supply routes, drug supplies, profits, and distribution territory from competing cartels and from law enforcement authorities.

11. Because of the demand by various cartels for firearms, the cartels represent a ready and lucrative market for firearms and ammunition. Among the weapons sought by the

cartels are 9 millimeter pistols and semi-automatic versions of military type rifles and pistols, including .50 caliber rifles, AK-47 type rifles,¹ AK-47 type pistols (resembling AK-47 type rifles with shorter barrels and without a rear stock), AR-15 rifles, and other high-powered handguns. The cartels seek out these firearms for a variety of reasons. For example, they seek out .50 caliber rifles, because they are powerful enough to penetrate a brick wall and are capable of shooting a target from at least 1,000 meters. The cartels also seek out AK-47 rifles and pistols, as they accept high-capacity magazines, are durable, and can be easily converted to fully-automatic mode.

12. While these firearms and ammunition are not generally available for purchase in Mexico through regular commercial channels, they are available in the United States through licensed retail gun shops. Therefore, the Mexican cartels often rely on the commercial firearms market in the United States, among other sources, to supply the cartels' paramilitary wings and enforcers. Firearms traffickers who work with or for the cartels to purchase firearms and ammunition from licensed retail gun shops in the United States, will frequently use multiple straw purchasers. The firearms traffickers then smuggle the weapons and ammunition into Mexico. These firearms and ammunition have a significantly higher monetary value in Mexico than in the United States. The firearms traffickers are generally paid by the cartels in cash that constitutes the proceeds of the cartels' illegal drug trafficking activities; in turn, the straw purchasers are also often paid with proceeds of the cartels' illegal drug trafficking activities.

¹ The term "AK-47 type" is given to a firearm with similar design and operating mechanism to the true AK-47, but with some differences. The "AK-47 type" is also called an "AK-47 variant."

B. Federal Firearms Licensees

13. A Federal Firearms Licensee (“FFL”) is a business licensed under Chapter 44 of Title 18, United States Code, to engage in the business of dealing in firearms. As described in paragraphs 19 and 20, *infra*, an FFL’s license does not, alone, provide the FFL with lawful authority to export firearms and ammunition from the United States or to manufacture ammunition for resale.

14. When a firearms purchaser buys a firearm from an FFL, that purchaser must fill out Bureau of Alcohol, Tobacco, Firearms, and Explosives (“ATF”) Form 4473, Firearms Transaction Record, listing the buyer’s true name, current residential address, date of birth, and other identifying information. The Form 4473 is designed, among other things, to make it possible for ATF to trace a firearm back to its retail purchaser. FFLs are required by Chapter 44 of Title 18, United State Code, to ensure the accuracy of these forms and to maintain them in their business records.

15. ATF Form 4473 requires the purchaser to provide an answer to the following question: “Are you the actual transferee/buyer of the firearm(s) listed on this form? **Warning: You are not the actual buyer if you are acquiring the firearm(s) on behalf of another person. If you are not the actual buyer, the dealer cannot transfer the firearm(s) to you . . .**” (Bold type in original). In signing the form, the purchaser acknowledges his understanding that falsely answering this question, or making any other false statement in connection with the acquisition of the firearm, is punishable as a felony under federal law.

16. It is a violation of federal law for a purchaser to state falsely on the Form 4473 that he or she is the actual purchaser of the firearm when he or she is in fact purchasing the

firearm on behalf of another person. 18 U.S.C. §§ 922(a)(6) and 924(a)(1)(A). Such an illegal transaction is commonly known as a “straw purchase.” Where an FFL or employee thereof completes a sale, knowing that the purchaser is a straw purchaser, the FFL or employee is subject to prosecution for aiding and abetting the purchaser’s unlawful conduct. 18 U.S.C. §§ 924(a)(1)(A) and 2.

17. FFLs engaged in the business of dealing in firearms are required by law to record the acquisition and disposition of every firearm supplied to the FFL in an acquisition and disposition (“A&D”) record and to maintain the A&D record at its licensed business premises. Specifically, for each firearm that is taken into its inventory, an FFL is required to record the name of the manufacturer (and importer, if any), model, serial number, type, and caliber or gauge of the firearm; the date of receipt; the name and address (or federal firearms license number), and date of birth of the person from whom the firearm is received; the date on which the firearm was sold or transferred; and the name and address (or federal firearms license number or Form 4473 transaction number) of the person to whom the firearm is transferred. 18 U.S.C. §§ 922(b)(5) and 923(g)(1)(A) and 27 C.F.R. § 478.125.

18. When firearms originating from the United States are recovered in Mexico, Mexican law enforcement officers may submit trace requests through ATF. In general, Mexican officials provide ATF with the identifying information (make, model, serial number, etc.) of the recovered firearm. ATF then uses FFL records to trace the recovered firearm through ATF’s National Tracing Center. Typically, ATF traces a firearm by contacting the licensed manufacturer or importer to determine the name and address of the first purchaser of that firearm – generally, a wholesaler – in the manufacturer’s or importer’s A&D records. Next, ATF

contacts the wholesaler to identify the retailer purchasing the firearm. This process continues until ATF identifies the licensed dealer that possesses records containing the name and address of the first retail purchaser to whom the firearm was sold. Identifying the first retail purchaser is an important step in attempting to identify the person or persons who possessed or transferred the firearm prior to its recovery by law enforcement. Because of the importance of ATF's tracing process, FFLs are required by law to respond to ATF trace requests within twenty-four hours. When an FFL's records are incomplete or inaccurate, ATF's efforts to trace the recovered gun to the last-known purchaser or possessor can be impeded.

BACKGROUND OF NEW DEAL

19. At all times relevant to this Complaint, neither New Deal nor any of the four members of the Reese family possessed a license from the U.S. Department of State or the Department of Commerce that would permit the export of firearms and ammunition. The Arms Export Control Act ("AECA"), 22 U.S.C. § 2778, and its implementing regulations promulgated in the International Traffic in Arms Regulations ("ITAR"), require such a license for the export of any items included within the U.S. Munitions List, 22 U.S.C. § 2778(b)(2); 22 C.F.R. § 123.1. The ITAR defines "export" to mean, in relevant part, the "[s]ending or taking [of] a defense article out of the United States in any manner, except by mere travel outside of the United States by a person whose personal knowledge includes technical data[.]" 22 C.F.R. § 120.17(a)(1). A "defense article" means "any item . . . designated in" the U.S. Munitions List, 22 C.F.R. § 120.6, and includes any "[n]onautomatic and semi-automatic firearms to caliber .50 inclusive[.]" 22 C.F.R. § 121.1 (Category I(a)), and ammunition for such firearms, 22 C.F.R. § 121.1 (Category III(a)).

20. At all times relevant to this Complaint, neither New Deal nor any of the four members of the Reese family possessed a federal license to manufacture ammunition. “Ammunition” is defined as “[a]mmunition or cartridge cases, primers, bullets, or propellant powder designed for use in any firearm other than an antique firearm.” 27 C.F.R. § 478.11(d). “Manufacturer” is defined as “[a]ny person engaged in the business of manufacturing . . . ammunition. The term shall include any person who engages in such business on a part-time basis.” 27 C.F.R. § 478.11. Knowingly manufacturing ammunition, including “reloaded” ammunition, without a license is a federal firearms offense. *See* 18 U.S.C. §§ 923(a), 922(a)(1)(A); 27 C.F.R. § 478.41. “Reloaded” ammunition refers to ammunition that is manufactured from used or spent shells; thus, “reloaded” ammunition is essentially recycled ammunition capable of reuse (as opposed to fully assembled, factory-loaded cartridges or shells). A “reloading” press or bench is a device that uses leverage to compress the assembled materials needed to manufacture the “reloaded” ammunition.

21. At all times relevant to this Complaint, firearms sold through New Deal as part of its inventory were stored not only in the New Deal Store, but also in other buildings on the Defendant Premises, including in the residence of Rick and Terri Reese (“the Main Residence”) and a large garage containing the apartment residences of Ryin and Remington Reese (“the Garage”). In addition, the Reeses offered the Defendant Reloaded Ammunition for sale, and maintained the Defendant Ammunition Reloading Bench in the Main Residence.

22. In general, Rick Reese did not maintain a distinction between himself and Old Ironsides, LLC. For example, Rick Reese commingled personal and corporate funds and used corporate assets for his personal benefit and for the personal benefit of his family. In addition, as

noted *supra*, assets of the business were stored in all structures erected upon the Defendant Premises, including the New Deal Store, the Main Residence, and the Garage.

23. As part of its regulation of the firearms industry, ATF inspects FFLs to ensure, among other things, that they are complying with all applicable federal firearms laws and regulations. As part of these inspections of New Deal, ATF Industry Operations Investigators (“IOIs”) reviewed the federal laws and regulations applicable to operating an FFL with Rick and Terri Reese. In October 2008 and September 2010, after reviews by an ATF IOI, Rick Reese signed an Acknowledgement of Federal Firearms Regulations form in which he indicated that he and New Deal were not involved in the export of firearms under the Arms Export Control Act or in the manufacture of ammunition. In addition, on both forms, Rick Reese acknowledged that he had reviewed the ATF regulations regarding straw purchases, as well as regulations involving out-of-state gun sales.

THE CRIMINAL INVESTIGATION

2010 Purchases and Trafficking of Firearms to Mexico

24. In August 2010, federal law enforcement officers learned that a person who would later become a confidential source for HSI (“CS-1”) was acting as a straw purchaser of firearms from New Deal. During subsequent debriefings of CS-1 after CS-1 began to cooperate with law enforcement, law enforcement officers learned that CS-1 was making these firearms purchases on behalf of another person who would also later become a confidential source for HSI (“CS-2”). When law enforcement first uncovered this information, CS-2 (who was not yet a confidential source for HSI), was trafficking firearms on a regular basis for the Juarez Cartel,

based in Ciudad Juarez, Chihuahua, Mexico.² Based on information later provided by CS-1 and CS-2, as well as other information gleaned during the investigation, law enforcement learned that CS-2, in 2010, used two individuals, including CS-1, to illegally purchase at least twenty-five (25) high-powered weapons from New Deal and then smuggle them into Mexico. In particular, based on information that has since been provided by CS-2, law enforcement officers have determined that the members of the Juarez Cartel for whom CS-2 was trafficking firearms advanced funds to CS-2 for the purchase of the weapons.

25. The following description of firearms transactions conducted by CS-1 and CS-2 at New Deal in 2010, as set out in paragraphs 26 through 33, is based largely on information that has been provided to law enforcement by CS-1 and/or CS-2 since they began cooperating with law enforcement. CS-1 began that cooperation in late 2010, and CS-2 began cooperating in early 2011. To the extent that conversations between CS-1, CS-2 and others are summarized in the below paragraphs, those descriptions are not intended to be verbatim descriptions of those conversations, but instead describe those conversations in substance and in part.

26. CS-1 made the first of several straw purchases for CS-2 at New Deal on March 31, 2010. During that transaction, CS-2 introduced CS-1 to Terri Reese, and CS-1 purchased five AK-47 type rifles for CS-2, using money provided to him/her by CS-2; in so doing, CS-1 falsely stated on ATF Form 4473 that CS-1 was the actual purchaser of the firearms. In fact, however, CS-1 purchased the rifles for CS-2.

27. Approximately one week later, CS-2 returned to New Deal and spoke with Ryin Reese about purchasing additional AK-47s. According to CS-2, during that conversation, CS-2

² The Juarez Cartel is also known as the Vicente Carrillo Fuentes Organization.

told Ryin Reese, in sum and substance, that he/she would be sending CS-1 to purchase more firearms. In response, Ryin Reese stated that he did not want to know that information.

28. Subsequently, on or about July 8, 2010, at New Deal, Ryin Reese sold ten AK-47 type rifles through a straw purchase to CS-1, through means similar to those described in paragraph 26. During this transaction, moreover, Ryin Reese assisted CS-1 in completing the Form 4478, knowing that CS-1 was falsely representing that CS-1 was the actual purchaser of the firearms when, in fact, Ryin Reese knew that CS-2 was the true purchaser of the firearms. CS-2 then concealed the ten rifles in a vehicle, smuggled the firearms to Mexico, and transferred them to members of the Juarez Cartel who were known to CS-2 and whom CS-2 had previously supplied with firearms. In fact, according to ATF trace data and reports, three of the AK-47 type rifles purchased by CS-1 for CS-2 on July 8, 2010, were recovered in Culiacan, Sinaloa, Mexico, on July 27, 2010, along with quantities of narcotics, after an armed confrontation with Mexican authorities.

29. On or about August 21, 2010, Ryin Reese sold one AK-47 type rifle in a straw purchase to CS-1, through means similar to those described in paragraph 26. Again, CS-2 concealed the rifle in a vehicle, smuggled it into Mexico, and transferred it to individuals whom CS-2 knew to be connected with the Juarez Cartel. According to ATF trace data and reports, this weapon was recovered in Ciudad Juarez, Mexico on January 22, 2011.

30. On or about August 25, 2010, at New Deal, Ryin Reese sold seven AK-47 type pistols through a straw purchase to CS-1, through means similar to those described in paragraph 26. Again, according to CS-2, CS-2 concealed the seven pistols in a vehicle, smuggled them into Mexico and transferred them to individuals whom CS-2 knew to be members of the Juarez

Cartel. Two of these weapons were recovered in Ciudad Juarez, Mexico – the first on February 15, 2011, and the second on March 10, 2011.

31. On or about August 28, 2010, Terri Reese was notified by the ATF National Tracing Center that one of the firearms sold to CS-1 on July 8, 2010, had been recovered. Terri Reese thereafter notified CS-2 about the tracing notification. CS-2 contacted CS-1, who tried to speak with Terri Reese on the telephone. After Terri Reese hung up on CS-1, CS-1 went to New Deal. There, Terri Reese told CS-1 that she would not discuss anything over the telephone because she believed that her telephones were being monitored by law enforcement. Terri Reese showed CS-1 a document regarding the firearm, told CS-1 that the firearm had been recovered in Mexico, and explained that she could get into trouble for showing CS-1 the document. Terri Reese added that if she were ever questioned about it, she would deny having shown CS-1 the document. Thereafter, no additional straw purchases were made by CS-1 from New Deal. However, in November 2010, a relative of CS-1 purchased two pistols from New Deal for CS-2. Therefore, despite having received the August 28, 2010 ATF tracing notification, the Reeses continued to supply weapons to CS-2.

32. During November 2010, at New Deal, Rick Reese told CS-2 that he found it humorous that the Mexicans were killing each other. On one occasion, Rick Reese showed CS-2 a .50 caliber rifle on display at New Deal, asked whether CS-2 would like to purchase it to take to Mexico, and stated that the weapon could be taken to a mountaintop to kill many people.

33. On or about November 12, 2010, CS-2 visited New Deal and told Ryin Reese that he/she needed ammunition. Ryin Reese showed CS-2 a special type of armor-piercing AK-47 type ammunition with a green tip. CS-2 purchased the “PMC Green Tip,” along with a large

quantity of other types of ammunition for a discounted price. After CS-2 began cooperating with HSI in early 2011, CS-2 told law enforcement that he/she concealed the ammunition in his/her vehicle, smuggled it across the border, and transferred it to individuals in Mexico whom he/she knew to be members of the Juarez Cartel.

Undercover Phase of Investigation

34. On January 21, 2011, CS-2 was arrested for firearms and narcotics violations. After his arrest, CS-2 agreed to cooperate with HSI.

35. Thereafter, CS-2, under the supervision and control of law enforcement agents, made numerous purchases of firearms and ammunition from various members of the Reese family at New Deal, and introduced several federal law enforcement officers operating undercover (“UCs”) to the Reeses for the purpose of making additional undercover purchases of firearms that the Reeses were told were destined for Mexico. As more fully set out below, the UCs posed as straw purchasers who were working with CS-2 to purchase guns and smuggle them to Mexico. Among other things, during the course of the undercover investigation, CS-2 consistently informed Rick, Ryin and Remington Reese that the firearms were destined for shipment to Mexico. The Reeses were also told that purchases by the UCs were straw purchases, and that the purchased firearms were not intended for personal use by the UCs. The Reeses also sold ammunition to CS-2 despite having been told by CS-2 that the ammunition was destined for Mexico. Additionally, the Reese family assisted CS-2 in concealing the firearms and ammunition by providing CS-2 with canvas bags free of charge, and at times physically assisted CS-2 in transferring the ammunition from the manufacturer’s packaging to the canvas bags —

demonstrating that the Reeses had reason to believe that CS-2 did not have a license to export the items from the United States.³

36. During the eight-month undercover phase of the investigation, CS-2 engaged in at least six conversations with the Reese family. Throughout these conversations, CS-2 told the Reeses, on multiple occasions, that CS-2 was buying firearms and ammunition for his/her connections in Mexico, and that he/she needed to negotiate prices on their behalf. CS-2 also discussed with the Reeses the drug wars occurring in Mexico and made explicit to the Reeses that he/she was working for people in Mexico. For example, on July 29, 2011, CS-2 explicitly referred to his/her “boss” in a recorded conversation with Rick Reese. On the same date, CS-2 told Rick Reese that the people in Mexico told him/her “to buy like 24 . . . grand,” meaning \$24,000 worth of firearms and ammunition. All of the firearms and ammunition that CS-2 purchased from New Deal were purchased in cash.

37. The first firearms transaction involving an undercover officer (UC-1) occurred on April 20, 2011. Both CS-2 and UC-1 wore concealed audio recording devices.⁴ UC-1 stayed back in the shop while CS-2 went up to Remington Reese and started negotiating with him about the purchase of an AK-47 type rifle. CS-2 later pointed to UC-1, indicating that UC-1 would be completing the Form 4473 for the rifle. CS-2 told Remington Reese that UC-1 would put down UC-1’s license number for the purchase of the rifle.

³ Despite representations to the Reeses by CS-2 and the UCs that the firearms and ammunition were destined for Mexico and the Mexican cartels, none of the firearms and ammunition purchased from New Deal during the undercover phase were actually sent to Mexico.

⁴ Throughout this Complaint, wherever quotations from or descriptions of the recorded conversations are set out, those descriptions or quotations are taken from draft transcripts and audio recordings and are not intended to be complete descriptions of the entire conversation.

38. CS-2 also discussed with Remington Reese the purchase of more “bullet-proof” (a/k/a green tip) ammunition. Remington Reese stated that they had “ammunition by the truck.” CS-2 subsequently purchased one thousand (1000) rounds of green tip .223 caliber ammunition and one thousand (1000) rounds of AK-47 ammunition from Remington Reese. After completing the sale, Remington Reese removed all of the ammunition from its original packaging and placed it in black canvas bags, provided to CS-2 by Remington Reese for no charge, and stated that this method of transportation would be “less suspicious” when crossing the border into Mexico. Remington Reese also told CS-2 that CS-2 should bring the black bags back from Mexico so that they could be refilled with ammunition. CS-2 replied that as Remington Reese knew, the bags were destined for Mexico, and the only way the ammunition would be coming back would be “on some . . . guy’s body.”

39. During the April 20, 2011, transaction, Remington Reese joked about his fingerprints being all over the ammunition. CS-2 said that CS-2 would wipe the rounds clean before providing them to others; but Remington Reese, in sum and substance, responded that he had stopped caring about such a problem. CS-2 also discussed the future purchase of several AK-47 type rifles with Remington Reese for the people “in Mexico.” CS-2 informed Remington Reese that UC-1 would be presenting UC-1’s license for the AK-47 type rifle purchase, an arrangement to which Remington Reese agreed. CS-2 also discussed the conversion of the semi-automatic weapons to fully automatic mode in Mexico, and Remington Reese replied that it could be done. However, Remington Reese also noted, “I can do everything with my semi-automatic AR-15 that two guys can do with the full auto on these.”

40. On May 19, 2011, CS-2 and UC-1 returned to New Deal, with CS-2 wearing a concealed audio recording device and UC-1 wearing a concealed audio and video recording device. They met with Ryin Reese, who advised CS-2 and UC-1 that he believed their telephones were being watched, and that they needed to be careful. CS-2 indicated to Ryin Reese that he/she (CS-2) would like to purchase several AK-47 type rifles, but that UC-1 would serve as the purchaser. CS-2 negotiated prices and accessories for several rifles with Ryin Reese. CS-2 informed Ryin Reese that CS-2 also needed a .50 caliber rifle because “. . . Chapo is taking over” (a reference to Joaquín Guzmán Loera, who is commonly known to be the head of the Sinaloa Drug Cartel).⁵ Ryin Reese and CS-2 discussed that Chapo Guzman had already taken over Chihuahua, and was expanding his authority into Sonora. Ryin Reese took a significant part in this conversation, making it clear that he knew who Chapo Guzman was and what he was doing in Mexico. Remington Reese also joined the conversation, and CS-2 told Remington Reese that he/she needed to purchase a .50 caliber rifle to take to Mexico, and Remington Reese responded, “I hear you, I hear you. There’s always peace if you carry your fire power.”

41. Ryin Reese ran the required background check on UC-1, who was serving as the straw purchaser for the purchase of the five firearms CS-2 had selected.⁶ CS-2 discussed the purchase of a .50 caliber rifle with Remington Reese. Ryin Reese then asked UC-1 for his/her

⁵ The Sinaloa Drug Cartel is a rival of the Juarez Cartel in Mexico.

⁶ Mandated by the Brady Handgun Violence Prevention Act of 1993 and launched by the Federal Bureau of Investigation on November 30, 1998, the National Instant Criminal Background Check System (“NICS”) is used by FFLs to instantly determine whether a prospective buyer of firearms is eligible for the sale. Upon the buyer’s completion of the ATF Form 4473 and before ringing up the sale, the FFL must contact either a state point of contact for NICS or contact NICS directly to determine through instant computerized checks of criminal records, court restraining orders, and other eligibility criteria whether the prospective buyer is, from the information in the databases, eligible to purchase the firearm.

driver's license. CS-2 protested, and Ryin Reese responded that he was just covering himself, in apparent reference to the periodic ATF inspections and to any firearm tracing that may occur. During this transaction, UC-1 purchased three AR-15 rifles and two AK-47 type rifles from Ryin Reese.

42. Also during the May 19, 2011 transaction, CS-2 told Remington Reese how packaging the ammunition in the black bags had facilitated its transportation to Mexico. CS-2 purchased one thousand (1000) more rounds of 5.56 green tip ammunition and one thousand (1000) rounds of AK-47 ammunition. Ryin and Remington Reese removed all the ammunition from its original packaging and, again, placed it in black canvas bags.

43. During that meeting, CS-2 repeatedly advised Ryin Reese that he/she was looking to purchase a bullet-proof vest, one that would stop an AK-47 because "We're f**king losing the f**king war in Mexico." Ryin Reese told CS-2 that "not much stops a . . . AK," but that they would see what they could find on the civilian market for CS-2. Ryin Reese also acknowledged that CS-2's people (meaning the Juarez Cartel) were losing the war with Chapo Guzman's Sinaloa Cartel, but CS-2 stated that CS-2 did not believe that Guzman's cartel would take over Juarez and Casas Grandes, where CS-2 was living at the time.

44. On May 27, 2011, CS-2 and UC-1 again visited New Deal. CS-2 was wearing a concealed audio and video recording device, and UC-1 was wearing a concealed audio recording device. After entering the store, CS-2 told Ryin Reese that, like always, he/she needed several AK-47 type rifles and ammunition. Ryin Reese told CS-2 that "they've been watching" him (Ryin) closely. CS-2 told Ryin Reese not to worry, and that they knew how to do things safely. CS-2 then told Ryin Reese that the people in Juarez were unhappy with the condition of a used

rifle that CS-2 had previously purchased from New Deal and that, going forward, CS-2 could only buy new rifles to take to Mexico. Also during the May 27, 2011 transaction, CS-2 further discussed purchasing a .50 caliber rifle with Ryin Reese. Ryin and Terri Reese began discussing the price for the .50 caliber rifle with CS-2, and Remington Reese joined the discussion. UC-1, posing as a straw purchaser for CS-2, purchased four AK-47 type rifles from Ryin Reese. A \$1000 cash deposit was also placed on the .50 caliber rifle at New Deal.

45. On June 15, 2011, CS-2 again visited New Deal, wearing a concealed audio and video recording device. UC-1 wore a concealed audio recording device. Ryin Reese displayed the new .50 caliber rifle that CS-2 and UC-1 had ordered. CS-2 told Remington Reese that he (CS-2) needed the gun dismantled because it was too big to take it into Mexico like it was. CS-2 then removed cash from his pocket and paid Ryin Reese the remaining balance for the .50 caliber rifle. CS-2 also purchased four hundred (400) rounds of .50 caliber ammunition from Ryin Reese. As he had done on previous occasions, Ryin Reese removed the ammunition from its packaging and placed it in black canvas bags.

46. During the June 15, 2011 transaction, Terri Reese asked CS-2 whether CS-2 wanted to order a second .50 caliber rifle, which CS-2 confirmed. Terri Reese then asked Ryin Reese whose name would be on the order. Ryin Reese told Terri Reese to “just leave it blank for right now.” Terri Reese then asked about a name for the background check paperwork, and CS-2 replied that “we’ll see who comes,” and assured Terri Reese that she should not worry. CS-2 told Ryin Reese that CS-2 would be bringing in a second person whose name could be placed on the required paperwork for the purchase of the second .50 caliber rifle, in order to decrease the chance of drawing the suspicion of law enforcement. CS-2 assured Ryin Reese not to worry

about the gun being recovered in Mexico, and told Ryin Reese that CS-2 was bribing law enforcement in Mexico to return confiscated weapons to him/her. Ryin Reese acknowledged that CS-2 was taking precautionary measures, but then told CS-2 that “people are talking,” and that he does not want to go to prison. CS-2 told Ryin Reese that “things are getting hard in Mexico and that’s why I am buying two of these [.50 calibers].” Also, Remington and Ryin Reese told CS-2 that CS-2 could get additional discounts on cases of ammunition if CS-2 returned the empty shells to New Deal.

47. On July 7, 2011, CS-2 and UC-1 again visited New Deal, accompanied by a second undercover officer (“UC-2”). CS-2 wore a concealed audio and video recording device. Like UC-1, UC-2 was posing as a straw purchaser. Ryin and Terri Reese sold the second .50 caliber rifle previously ordered by CS-2, as well as two AK-47 type rifles, through a straw sale to UC-2. Ryin Reese sold approximately two hundred (200) rounds of .50 caliber ammunition and approximately 1,260 rounds of 7.62 ammunition to CS-2, and repackaged the ammunition in black canvas bags as he had done on earlier occasions. Terri Reese requested that CS-2 make sure that nothing had her (Terri’s) name on it anywhere, and noted that “[a]mmo can’t get traced anyway.”

48. On July 29, 2011, CS-2 returned to New Deal with a third undercover officer (“UC-3”) for a final purchase of firearms. CS-2 wore a concealed audio and video recording device. UC-3 wore a concealed audio recording device. UC-3, like the previous undercover officers, posed as a straw purchaser for CS-2. Terri, Remington and Rick Reese assisted in the sale of one AK-47 type pistol and two 9 millimeter handguns to UC-3. CS-2 also purchased approximately 500 rounds of 9 millimeter ammunition, and approximately 1,000 rounds of 7.62

ammunition (for the .50 caliber rifle), which were loaded by Rick Reese and CS-2 into black canvas bags, as on previous occasions. Also on July 29, 2011, CS-2 discussed with both Rick and Remington Reese the possibility of making future purchases of \$24,000 worth of firearms and ammunition on behalf of “the people from Mexico.” Rick Reese advised CS-2 that it would be smart to “structure” the purchases of these guns in order to avoid suspicion. Rick Reese indicated that he understood that CS-2 had to smuggle a lot of the ammunition into Mexico. Rick Reese also stated, “I hope my guns go to Mexico . . . Yeah. I hope they use them to shoot those crooked motherf**king Federales in the ***hole.” “Federales” is a slang expression for the Mexican Federal Police. Rick Reese also commented that if he “brought a whole deuce . . . a military army truck to you in Mexico one of these days with ammo, you still wouldn’t have enough ammo, man.”

49. During the course of the investigation, CS-2 indicated an interest in a variety of firearms and ammunition at New Deal, and, in fact, CS-2 did purchase several different kinds of firearms (long guns and handguns) and ammunition through straw purchasers. CS-2 also discussed the purchase of body armor, and frequently inquired about Level 3 ceramic plated body armor. Level 3 ceramic plated body armor is body armor capable of providing protection from high-powered rifles. At all times, the Reeses made available to CS-2 New Deal’s entire inventory of firearms, ammunition, body armor and other items. Put another way, the Reeses never suggested that any of its inventory was not available for purchase by CS-2 or any of CS-2’s purported straw purchasers. In total, during 2010 and 2011, at least 40 firearms and more than 8,000 rounds of assault-type weapon ammunition (including 200 rounds of .50 caliber ammunition) were purchased from the Reese family on CS-2’s behalf. All purchases were made

with cash. Not only was CS-2 never turned down for any purchase, but on more than one occasion, the Reeses special-ordered firearms to meet CS-2's requests, and always encouraged CS-2 to buy additional inventory even after being notified that one of the AK-47 type rifles purchased in 2010 had been the subject of an ATF trace inquiry within a short period of time after its sale. They also offered to find suitable protective body armor for CS-2.

AUGUST 2011 INDICTMENT AND SEIZURE WARRANTS

50. On August 24, 2011, a federal grand jury sitting in the District of New Mexico indicted Rick, Terri, Ryin and Remington Reese in a 30-count Indictment on charges of smuggling firearms from the United States, making false statements in connection with firearms sales, conspiracy to commit these offenses, and money laundering conspiracy. *See United States v. Rick Reese, Terri Reese, Ryin Reese, and Remington Reese*, Case No. 11-CR-2294. The Indictment alleges that between April 2010 and July 29, 2011, Rick, Terri, Ryin and Remington Reese, doing business as "New Deal," an FFL, knowingly conspired to sell approximately thirty-four (34) firearms and numerous rounds of ammunition to straw purchasers, knowing that the firearms and ammunition were to be illegally exported to Mexico, in violation of 18 U.S.C. §§ 371 and 554, which prohibits the unauthorized export of goods from the United States. The Indictment details the manner and means by which the Reeses removed the ammunition from its original packaging, to be repackaged in black canvas bags, in order to facilitate its smuggling across the Mexican border.

51. The Indictment also charges that in order to facilitate the export of the firearms, the Reeses, on at least nine occasions, knowingly made false statements and representations on ATF Forms 4473, and assisted others in so doing, representing that the individual executing each

form was the actual purchaser of the firearm when, in fact, as the Reeses knew, the individual was purchasing the firearm on behalf of another for export to Mexico, in violation of 18 U.S.C. §§ 924(a)(1)(A) and 2.

52. The Indictment further alleges that the Reeses sold and dealt in the types of firearms and ammunition, for example AR-15s, AK-47s, and .50 caliber weapons, for which they knew a ready market existed among the Mexican cartels, and that they sold those firearms and ammunition at discounted prices. The Reeses are charged with eighteen (18) counts of knowingly exporting and attempting to export from the United States, and aiding and abetting the export of, a total of approximately thirty-four (34) firearms (each either an AK-47 type rifle, AR-15 rifle, or .50 caliber rifle), in violation of 18 U.S.C. §§ 554 and 2.

53. The Indictment also alleges that the Reeses made these sales in exchange for U.S. currency that was, in fact, derived from the illegal trafficking of firearms and narcotics for the 2010 transactions, and that was represented to be derived from the illegal trafficking of firearms and narcotics for the 2011 undercover transactions. Thus, the Reeses are charged with conspiracy to launder the proceeds of narcotics importation (21 U.S.C. §§ 952 and 960) and firearms trafficking for export (18 U.S.C. § 554), in violation of 18 U.S.C. §§ 1956(h) and 1956(a)(1) for the 2010 transactions. In addition, the Reeses are charged with a second count of money laundering conspiracy, 18 U.S.C. §§ 1956(h) and 1956(a)(3), in connection with the undercover transactions during 2011.

54. During an August 30, 2011 execution of search and seizure warrants, issued by a U.S. Magistrate Judge for the District of New Mexico, on the Defendant Premises, the following firearms were located in and seized from the following locations: (1) from the New Deal Store -

285 long guns, 358 hand guns, 156 twenty-two (.22) caliber firearms, and 987,211 rounds of ammunition; (2) from the Main Residence - 46 long guns, 128 hand guns, 55 twenty-two (.22) caliber firearms, and 179,580 rounds of ammunition; and (3) from the Garage - 120 long guns, 23 hand guns, 39 twenty-two (.22) caliber firearms, and 814,674 rounds of ammunition. In addition, a reloading bench was seized from the Main Residence, along with approximately 535 canisters of smokeless powder used to manufacture reloaded ammunition. Other components needed for the manufacture of ammunition were also identified. Approximately 100,000 rounds of the ammunition seized on the Defendant Premises were loose and not boxed in original manufacturer's packaging, and, upon information and belief, constitute rounds of "reloaded" ammunition offered for sale (the Defendant Reloaded Ammunition).

55. In addition, the defendants *in rem* \$117,823.09 in gold and silver coins were located in an underground storage area of the New Deal Store, in proximity to \$84,000 in U.S. Currency and a portion of the store's firearms inventory, readily available to use in trading or other activity in conjunction with the operations of New Deal. The four defendants *in rem* vehicles were all registered to Old Ironsides, LLC, and were used by the Reese family for New Deal business operations, including the transportation of inventory and the conducting of financial transactions with the First Savings Bank, where New Deal held its business bank account. The defendants *in rem* gun safes were displayed for sale at the front of the New Deal Store.

CLAIMS FOR RELIEF

**First Claim for Relief
(18 U.S.C. §§ 924(d), 554, 371, and 2)
(Forfeiture of Defendant Firearms & Defendant Ammunition
Intended to Be Used in Illegal Export Violations)**

56. Plaintiff incorporates by reference the allegations in paragraphs 1 through 55 as though fully set forth herein.

57. 18 U.S.C. §§ 924(d)(1) and (3)(F) provide for the forfeiture of any firearm or ammunition intended to be used in any knowing violation of any offense which may be prosecuted in a court of the United States which involves the export of firearms or ammunition.

58. 18 U.S.C. § 554 provides that “[w]hoever . . . knowingly exports or sends from the United States, or attempts to export or send from the United States, any merchandise, article, or object contrary to any law or regulation of the United States” shall be fined under the provisions of Title 18, United States Code, and imprisoned for not more than ten years. The Arms Export Control Act (“AECA”), 22 U.S.C. § 2778, and regulations promulgated pursuant to the statute, specifically 22 C.F.R. § 123.1, prohibit any export of and attempt to export “any defense article” without a license or written approval from the Directorate of Defense Trade Controls. The United States Munitions List is contained at 22 C.F.R. § 121.1, and includes as “defense articles” all non-automatic and semi-automatic firearms, including .50 caliber and corresponding ammunition (Categories I(a) and III(a)). Pursuant to 22 U.S.C. §§ 2778(b)(1)(A)(ii) and (b)(2), and 22 C.F.R. § 123.1, anyone who intends to export any “defense article” must register with the Directorate of Defense Trade Controls at the U.S. Department of State and obtain an export license. The Reese family, New Deal, and CS-2 did

not so register, and did not possess a license or written approval from the State Department to export the Defendant Firearms and Defendant Ammunition.

59. Within the District of New Mexico, the Defendant Firearms and Defendant Ammunition were intended to be used in a conspiracy to violate 18 U.S.C. § 554, and in separate instances of aiding and abetting violations of 18 U.S.C. § 554, which themselves constituted violations of 18 U.S.C. §§ 371 and 2, all which are offenses involving the export of firearms or ammunition which may be prosecuted in a court in the United States. The Defendant Firearms and Defendant Ammunition are, therefore, subject to forfeiture pursuant to 18 U.S.C. § 924(d).

Second Claim for Relief
(22 U.S.C. §§ 401, 2778(c), and 18 U.S.C. §§ 371 and 2)
(Forfeiture of Defendant Firearms & Defendant Ammunition Intended to
Be Used in Violations of the Arms Export Control Act)

60. Plaintiff incorporates by reference the allegations in paragraphs 1 through 55 as though fully set forth herein.

61. As noted in paragraph 58 above, the AECA prohibits any export of, and conspiracy and attempt to export “any defense article” without a license or written approval from the Directorate of Defense Trade Controls. The Defendant Firearms and Defendant Ammunition are “defense articles” as listed in Categories I(a) and III(a) of the United States Munitions List. 22 C.F.R. 121.1. Title 22 U.S.C. § 2778(c) provides that a willful violation of the AECA, or any implementing regulation, is punishable by a fine of not more than \$1,000,000 or imprisonment of not more than 20 years. 22 U.S.C. § 401 and 22 C.F.R. § 127.6(a) provide for forfeiture of any “defense article” intended to be exported or removed from the United States. The Reese family,

New Deal, and CS-2 did not possess a license or written approval from the State Department to export the Defendant Firearms and Defendant Ammunition.

62. Within the District of New Mexico, the Defendant Firearms and Defendant Ammunition were intended to be used in a conspiracy to export firearms and ammunition to Mexico without a license or State Department authorization, a violation of 22 U.S.C. § 2778, 22 C.F.R. § 127.1(a)(3) and 18 U.S.C. § 371, as well as separate instances of aiding and abetting, and attempting to commit such violations, in violation of 22 U.S.C. § 2778, 22 C.F.R. § 127.1(a)(1) and 18 U.S.C. § 2. The Defendant Firearms are, therefore, subject to forfeiture pursuant to 22 U.S.C. § 401 and 22 C.F.R. § 127.6.

Third Claim for Relief
(18 U.S.C. §§ 924(d), 924(a)(1)(A), 371, and 2)
(Forfeiture of Defendant Firearms Involved in Making False
Statements in Connection with Straw Purchases of Firearms)

63. Plaintiff incorporates by reference the allegations in paragraphs 1 through 55 as though fully set forth herein.

64. 18 U.S.C. § 924(d)(1) provides for the forfeiture of any firearm or ammunition involved in “a knowing violation of section 924.” 18 U.S.C. § 924(a)(1)(A) prohibits the making of any false statement or representation with respect to the information required to be kept in the records of an FFL.

65. Within the District of New Mexico, the Defendant Firearms were involved in and used in a conspiracy to make false statements in connection with the acquisition of firearms, in violation of 18 U.S.C. §§ 924(a)(1)(A) and 371, and in aiding and abetting the making of such false statements, in violation of 18 U.S.C. §§ 924(a)(1)(A) and 2, in that they were offered for

sale to customers in connection with any potential straw purchase of firearms by persons on behalf of third parties. The Defendant Firearms are, therefore, subject to forfeiture pursuant to 18 U.S.C. § 924(d).

Fourth Claim for Relief
(18 U.S.C. §§ 924(d), 922(a)(1)(B), 371, and 2)
(Forfeiture of Defendant Powder and Defendant Reloaded Ammunition
Involved in the Unlicensed Manufacturing of Ammunition)

66. Plaintiff incorporates by reference the allegations in paragraphs 1 through 55 as though fully set forth herein.

67. 18 U.S.C. § 924(d)(1) provides for the forfeiture of any firearm or ammunition involved in a willful violation of “any other provision of this chapter[.]” 18 U.S.C. § 922(a)(1)(B) prohibits the manufacturing of ammunition without a federal ammunition manufacturing license. No one in the Reese family nor New Deal possessed a license to manufacture ammunition.

68. Within the District of New Mexico, the Defendant Powder and the Defendant Reloaded Ammunition were involved in and used in the unlicensed manufacturing of ammunition, in violation of 18 U.S.C. § 922(a)(1)(B), a conspiracy to manufacture ammunition without a license, in violation of 18 U.S.C. §§ 922(a)(1)(B) and 371, and aiding and abetting the unlicensed manufacturing of ammunition, in violation of 18 U.S.C. §§ 922(a)(1)(B) and 2. The Defendant Powder and Defendant Reloaded Ammunition are, therefore, subject to forfeiture pursuant to 18 U.S.C. § 924(d).

Fifth Claim for Relief
(18 U.S.C. §§ 924(d) and 371)
(Forfeiture of Defendant Firearms & Defendant Ammunition
Involved in “Klein” Conspiracy to Defraud the United States)

69. Plaintiff incorporates by reference the allegations in paragraphs 1 through 55 as though fully set forth herein.

70. 18 U.S.C. § 924(d)(1) provides for the forfeiture of any firearm or ammunition involved in or used in the willful violation of “any . . . criminal law of the United States[.]” 18 U.S.C. § 371 criminalizes a conspiracy by two or more persons to defraud the United States, or any agency thereof, in any manner or for any purpose, during which one or more of such persons commits any act to effect the object of the conspiracy. Such an offense is subject to a fine under Title 18, United States Code, Section 371, or a term of imprisonment of not more than five years, or both. In operating New Deal, the Reese family knowingly maintained false entries in books and records, including the Firearms Acquisition and Disposition Records, required to be maintained by ATF, in violation of 18 U.S.C. § 922(m) and 18 U.S.C. § 924(a)(3), and in order to deceive ATF in connection with the true identity of firearms purchasers. Specifically, members of the Reese family recorded the names of straw purchasers as the actual purchasers of firearms in the company’s Firearms Acquisition & Disposition Records, when, in fact, they knew that said firearms were being purchased by CS-2 for the purpose of exporting them to Mexico. In addition, the Reese family conspired to assist straw purchasers to falsely complete ATF Forms 4473, knowing that the straw purchaser was not the actual person purchasing the firearm, in violation of 18 U.S.C. § 924(a)(1)(A), in order to conceal the true identities from ATF and law enforcement agencies. Also, the Reese family conspired to manufacture reloaded ammunition

for resale without the required federal license, in violation of 18 U.S.C. § 922(a)(1)(B), and concealed the “reloading” bench used for such purpose in the residence of Rick and Terri Reese.

71. In addition, among other acts, the Reese family extracted new ammunition from its manufacturer’s packaging, and repackaged the ammunition in canvas bags in order to conceal the ammunition from U.S. Customs and Border Protection officials at the Mexico border.

72. Within the District of New Mexico, the Defendant Firearms and Defendant Ammunition were involved and were used in an on-going conspiracy to defraud one or more agencies of the United States, by impeding, impairing, obstructing, and defeating the lawful functions and enforcement of federal laws and regulations by ATF, Customs & Border Protection, and other federal agencies, a violation of 18 U.S.C. § 371, which is a criminal law of the United States, and they are, therefore, subject to forfeiture pursuant to 18 U.S.C. § 924(d).

**Sixth Claim for Relief
(21 U.S.C. § 881(a)(7))
(Forfeiture of Defendant Premises as Real
Property Facilitating Narcotics Trafficking)**

73. Plaintiff incorporates by reference the allegations in paragraphs 1 through 55 as though fully set forth herein.

74. 21 U.S.C. § 881(a)(7) provides for forfeiture of all real property, including any right, title, and interest in the whole of any lot or tract of land and any appurtenances or improvements, which is used, or intended to be used, in any manner or part, to commit, or to facilitate the commission of any violation of Title 21, United States Code, punishable by more than one year’s imprisonment. The Defendant Premises were used continually throughout 2010 and 2011 to knowingly facilitate the export of firearms to a Mexican cartel, thereby enhancing

the cartel's ability to continue its consistent supply of narcotics, in part, to the United States, and to protect its supply routes, drugs, profits, and distribution territory from both law enforcement agents and competing cartels.

75. Within the District of New Mexico, the Defendant Premises constitute real property that was used, in any manner and part, to facilitate the importation of controlled substances into the United States in violation of 21 U.S.C. § 952, as well as the distribution of controlled substances and conspiracy to distribute controlled substances in violation of 21 U.S.C. §§ 841(a)(1) and 846. The Defendant Premises are, therefore, subject to forfeiture pursuant to 21 U.S.C. § 881(a)(7).

**Seventh Claim for Relief
(19 U.S.C. § 1595a(d), 18 U.S.C. §§ 554, 371, and 2)
(Forfeiture of All Defendants *In Rem* Except Defendant Currency
And Defendant Bank Account as Property Facilitating
the Illegal Exporting of Firearms and Ammunition to Mexico)**

76. Plaintiff incorporates by reference the allegations in paragraphs 1 through 55 as though fully set forth herein.

77. 19 U.S.C. § 1595a(d) provides for forfeiture of all “property used to facilitate the exporting or sending of . . . merchandise [attempted to be exported or sent from the United States contrary to law], the attempted exporting or sending of such merchandise, or the receipt, purchase, transportation, concealment, or sale of such merchandise prior to exportation[.]” All of the assets of the business of New Deal were used to facilitate the illegal export, attempted export, and purchase, transportation, concealment and sale of assault-type firearms and ammunition prior to the export of firearms and ammunition to Mexico in violation of U.S. law,

the conspiracy to commit those offenses, and aiding and abetting the commission of those offenses, in violation of 18 U.S.C. §§ 554, 371, and 2.

78. Within the District of New Mexico, all of the Defendants *In Rem* (except the Defendant Currency and Defendant Bank Account, which are addressed in the Eighth and Tenth Claims for Relief) constitute properties that were used to facilitate the export and attempted export of merchandise in violation of U.S. law, and were used to facilitate the purchase, transportation, concealment, and sale of merchandise intended to be exported in violation of U.S. law, the conspiracy to commit such offenses, and aiding and abetting the commission of such offenses, and are, therefore, subject to forfeiture pursuant to 19 U.S.C. § 1595a(d).

**Eighth Claim for Relief
(19 U.S.C. § 1595a(d), 18 U.S.C. §§ 554, 371, 2, and 984)
(Forfeiture of Defendant Bank Account and Defendant Currency as
Proceeds of the Illegal Exporting of Firearms and Ammunition to Mexico
And as Property Used to Facilitate Those Violations)**

79. Plaintiff incorporates by reference the allegations in paragraphs 1 through 55 as though fully set forth herein.

80. 19 U.S.C. § 1595a(d) provides for forfeiture of all property “attempted to be exported or sent from the United States contrary to law, or the proceeds or value thereof, and property used to facilitate the exporting or sending of such merchandise, the attempted exporting or sending of such merchandise, or the receipt, purchase, transportation, concealment, or sale of such merchandise prior to exportation” The Defendant Currency and Defendant Bank Account were used to facilitate the illegal export, attempted export, and purchase, transportation, concealment and sale of assault-type firearms and ammunition prior to the export of firearms and ammunition to Mexico in violation of U.S. law, the conspiracy to commit those offenses, and

aiding and abetting the commission of those offenses, in violation of 18 U.S.C. §§ 554, 371, and 2. The Defendant Bank Account and Defendant Currency also represent, at least in part, the proceeds of the export, attempted export, and purchase, transportation, concealment and sale of assault-type firearms and ammunition prior to the export of said items to Mexico, in violation of U.S. law, the conspiracy to commit those offenses, and aiding and abetting the commission of those offenses, in violation of 18 U.S.C. §§ 554, 371, and 2.

81. For any civil forfeiture action, 18 U.S.C. § 984 provides that, in cases in which the property subject to forfeiture is cash or funds deposited into a financial institution, the government does not have to identify the specific property involved in the offense that is the basis for the forfeiture. It is not a defense that said original “dirty” property has been removed and replaced by identical property. Identical property, *i.e.* cash or bank funds, found in the same place as the property involved in the offense is subject to forfeiture. A forfeiture action against property not directly traceable to the offense that is the basis for the forfeiture cannot be commenced more than one year from the date of the offense.

82. Within the District of New Mexico, the Defendant Bank Account and Defendant Currency constitute properties that were used to facilitate and constitute the proceeds of the export, attempted export, and purchase, transportation, concealment and sale of assault-type firearms and ammunition prior to the export of said items to Mexico in violation of U.S. law, the conspiracy to commit those offenses, and aiding and abetting the commission of those offenses, in violation of 18 U.S.C. §§ 554, 371, and 2, and are, therefore, subject to forfeiture pursuant to 19 U.S.C. § 1595a(d) and 18 U.S.C. § 984.

Ninth Claim for Relief
(18 U.S.C. §§ 981(a)(1)(A), 1956(a)(1), 1956(a)(3), and 1956(h))
(Forfeiture of all Defendants *In Rem* Except Defendant Currency
And Defendant Bank Account as Properties Involved In Money Laundering)

83. Plaintiff incorporates by reference the allegations in paragraphs 1 through 55 as though fully set forth herein.

84. 18 U.S.C. § 981(a)(1)(A) provides for forfeiture of “[a]ny property, real or personal, involved in a transaction or attempted transaction in violation of section 1956 . . . of this title”

85. 18 U.S.C. § 1956(a)(1) criminalizes knowingly engaging in or attempting to engage in financial transactions involving the actual proceeds of a specified unlawful activity (“SUA”) with the intent to promote the SUA or knowing that the transactions are designed to conceal or disguise the nature, location, source, ownership, or control of the SUA proceeds. 18 U.S.C. § 1956(a)(3)(A) criminalizes the conducting of a financial transaction involving property represented to be proceeds of an SUA (as in an undercover operation) with the intent to promote the SUA or to conceal or disguise the nature, location, source, ownership, or control of the property believed to be SUA proceeds. 18 U.S.C. § 1956(h) criminalizes a conspiracy to violate any of the provisions of 18 U.S.C. § 1956. At all times pertinent to this Complaint, the Reese family conducted financial transactions by accepting U.S. currency from CS-2 for the purchase of firearms and ammunition, knowing that the currency was, or was represented to be, the proceeds of drug smuggling and narcotics trafficking, which are both SUAs pursuant to 18 U.S.C. § 1961(1)(D). The Reeses additionally accepted such currency, knowing that the same

was intended to promote the SUA of firearms trafficking, or exporting firearms outside the United States, in violation of 18 U.S.C. §§ 554 and 924(n), both SUAs pursuant to 18 U.S.C. § 1956(c)(7). “Financial transaction” is defined at 18 U.S.C. § 1956(c)(4) as “a transaction which in any way or degree affects interstate or foreign commerce[.]” At all times, CS-2 represented the currency as having originated with his cartel contacts in Mexico.

86. Within the District of New Mexico, all of the Defendants *In Rem* (except for the Defendant Currency and Defendant Bank Account, which are addressed in the Tenth Claim for Relief) constitute properties that were involved in transactions and attempted transactions committed by the Reese family and New Deal, in violation of 18 U.S.C. §§ 1956(a)(1), 1956(a)(3), and 1956(h), in that the Reese family used all of the assets of the New Deal business, and their personal assets as commingled when expedient, to facilitate the alleged money laundering offenses. By using the apparent legitimacy of the business to conceal the illegitimacy of the underlying SUAs of illegal firearms trafficking and narcotics trafficking, the Reese family used the apparent legitimate assets of New Deal to facilitate the money laundering. Therefore, all of the Defendants *In Rem* are subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(A).

**Tenth Claim for Relief
(18 U.S.C. §§ 981(a)(1)(A), 1956(a)(1), 1956(a)(3), 1956(h), and 984)
(Forfeiture of Defendant Bank Account and Defendant Currency as
Property Involved and Proceeds of Money Laundering)**

87. Plaintiff incorporates by reference the allegations in paragraphs 1 through 55 as though fully set forth herein.

88. 18 U.S.C. § 981(a)(1)(A) provides for forfeiture of “[a]ny property, real or personal, involved in a transaction or attempted transaction in violation of section 1956 . . . of this title, or any property traceable to such property.”

89. As noted in paragraph 85, *supra*, 18 U.S.C. § 1956(a)(1) criminalizes financial transactions involving actual SUA proceeds with the intent to promote the SUA or knowing that the transactions are designed to conceal or disguise the nature, location, source, ownership, or control of the SUA proceeds. 18 U.S.C. § 1956(a)(3)(A) criminalizes financial transactions involving property represented to be proceeds of an SUA (as in an undercover operation) with the intent to promote the SUA or to conceal or disguise the nature, location, source, ownership, or control of the property believed to be SUA proceeds. 18 U.S.C. § 1956(h) criminalizes a conspiracy to violate any of the provisions of 18 U.S.C. § 1956. At all times pertinent to this Complaint, the Reese family conducted financial transactions in U.S. currency from CS-2 for the purchases of firearms and ammunition, knowing that the currency was, or was represented to be (during the 2011 undercover transactions), the proceeds of drug smuggling and narcotics trafficking, which are both SUAs pursuant to 18 U.S.C. § 1961(1)(D). The Reeses additionally accepted such currency, knowing that the same was intended to promote the SUA of firearms trafficking, in violation of 18 U.S.C. §§ 554 and 924(n), both SUAs pursuant to 18 U.S.C. § 1956(c)(7). At all times, CS-2 represented the currency as having originated with his cartel contacts in Mexico.

90. Within the District of New Mexico, the Defendant Currency and Defendant Bank Account constitute properties that were involved in transactions and attempted transactions, and constitute property traceable to property involved in transactions and attempted transactions, in

violation of 18 U.S.C. § 1956, as alleged in paragraph 85. As noted in paragraph 81, *supra*, pursuant to 18 U.S.C. § 984, to the extent that property involved in, and property traceable to property involved, in money laundering offenses was deposited to the account and collected by New Deal as currency within one year prior to the commencement of this action, any equivalent property is subject to forfeiture without the requirement of tracing. Therefore, the Defendant Bank Account and Defendant Currency are subject to forfeiture pursuant to 18 U.S.C. §§ 981(a)(1)(A) and 984.

REQUEST FOR RELIEF

WHEREFORE, Plaintiff requests:

(1) That, pursuant to Rule G(3)(b)(i) of the Supplemental Rules for Certain Admiralty or Maritime Claims and Asset Forfeiture Actions (“Supplemental Rules”), a Warrant of Arrest *In Rem*, in the form submitted with this Complaint, be issued to the United States Attorney General or to any duly authorized law enforcement officer by the Clerk of this Court, as the defendant personal properties are already in the possession, custody or control of the United States;

(2) That, pursuant to 18 U.S.C. §§ 983(j) and 985(b)(2), the Court issue a Writ of Entry authorizing the Department of Homeland Security to enter the Defendant Premises, including any structures, on one or more occasions during the pendency of this proceeding for the purpose:

- (a) of conducting an inspection, inventory and appraisal of the Defendant Premises, which may include still and video photography;

- (b) of accompanying any appraiser(s) selected by the United States to appraise the condition and value of the Defendant Premises pursuant to 19 U.S.C. § 1606;
 - (c) of accompanying any such appraiser or inspector by federal, state or local law enforcement officers to ensure the safety of any person acting under the Writ of Entry;
- (3) That the Court direct any and all persons having any claim to the defendant properties to file and serve their Verified Claims and Answers as required by 18 U.S.C. § 983(a)(4) and Supplemental Rule G, or suffer default thereof;
- (4) That the defendant properties be forfeited and condemned to the use and benefit of the United States of America; and
- (5) That plaintiff be awarded its costs and disbursements in this action and such other and further relief as this Court deems proper and just.

Respectfully submitted,

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UNITED STATES ATTORNEY

By: Electronically filed December 19, 2011
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28 U.S.C. § 1746 DECLARATION

I am an agent with the Department of Homeland Security, Homeland Security Investigations, and I have read the contents of the Complaint for Forfeiture *In Rem* to which this Declaration is attached; and the statements contained in the Complaint are true to the best of my knowledge and belief.

I declare under penalty of perjury under the laws of the United States of America that this Declaration is true and correct, except as to matters stated on information and belief, and as to those matters I believe them to be true.

DATED: 12/12/2011



Eddie S. Pacheco
Special Agent
Dept. of Homeland Security,
Homeland Security Investigations