

# Bloomberg Businessweek

JULY 3, 2023 • SPECIAL DOUBLE ISSUE

# THE

# HEIST

# ISSUE





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# THE HEIST ISSUE



July 3, 2023

Are good guys always good? Are some bad guys really not so bad? Is gray the new black? For the past five years we've published an annual Heist Issue that descends into a murky underworld filled with such questions. As always, we hope our sordid tales of robberies, schemes, scams and more steal your summer. — *The Editors*

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### COVER TRAIL



"This week, we hid a few things from our stories on the cover."

"Is there treasure?!"

"Not exactly, but if you can find three violins, a watch, a flashlight, five necklaces, a bomb, a pair of pearl earrings and a rhino, you'll win bragging rights."

"EEEEEEEEEEEEEE!"

COVER:  
MAX GUTHER  
FOR  
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ILLUSTRATION BY JOANNE JOO



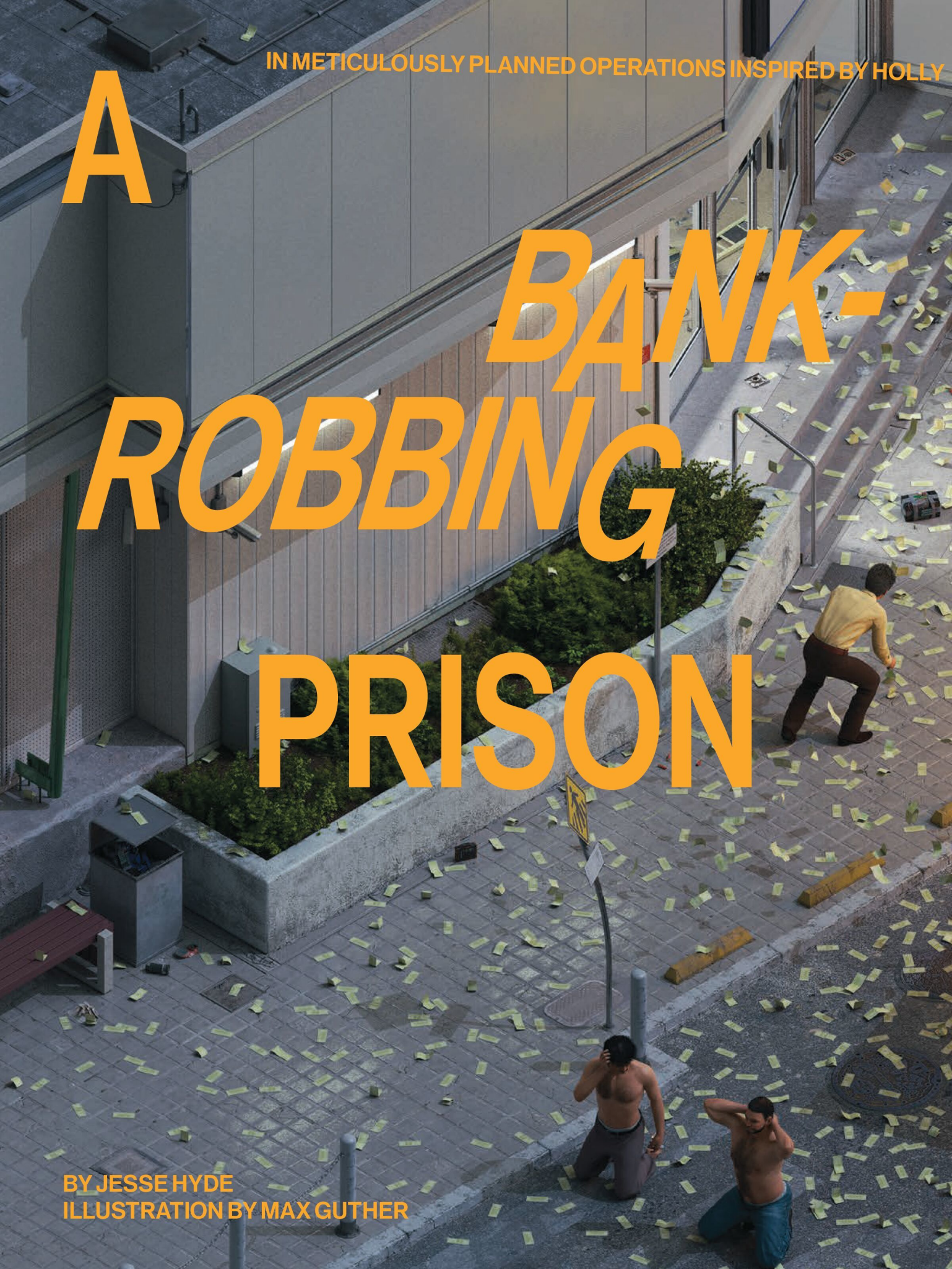
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IN METICULOUSLY PLANNED OPERATIONS INSPIRED BY HOLLY

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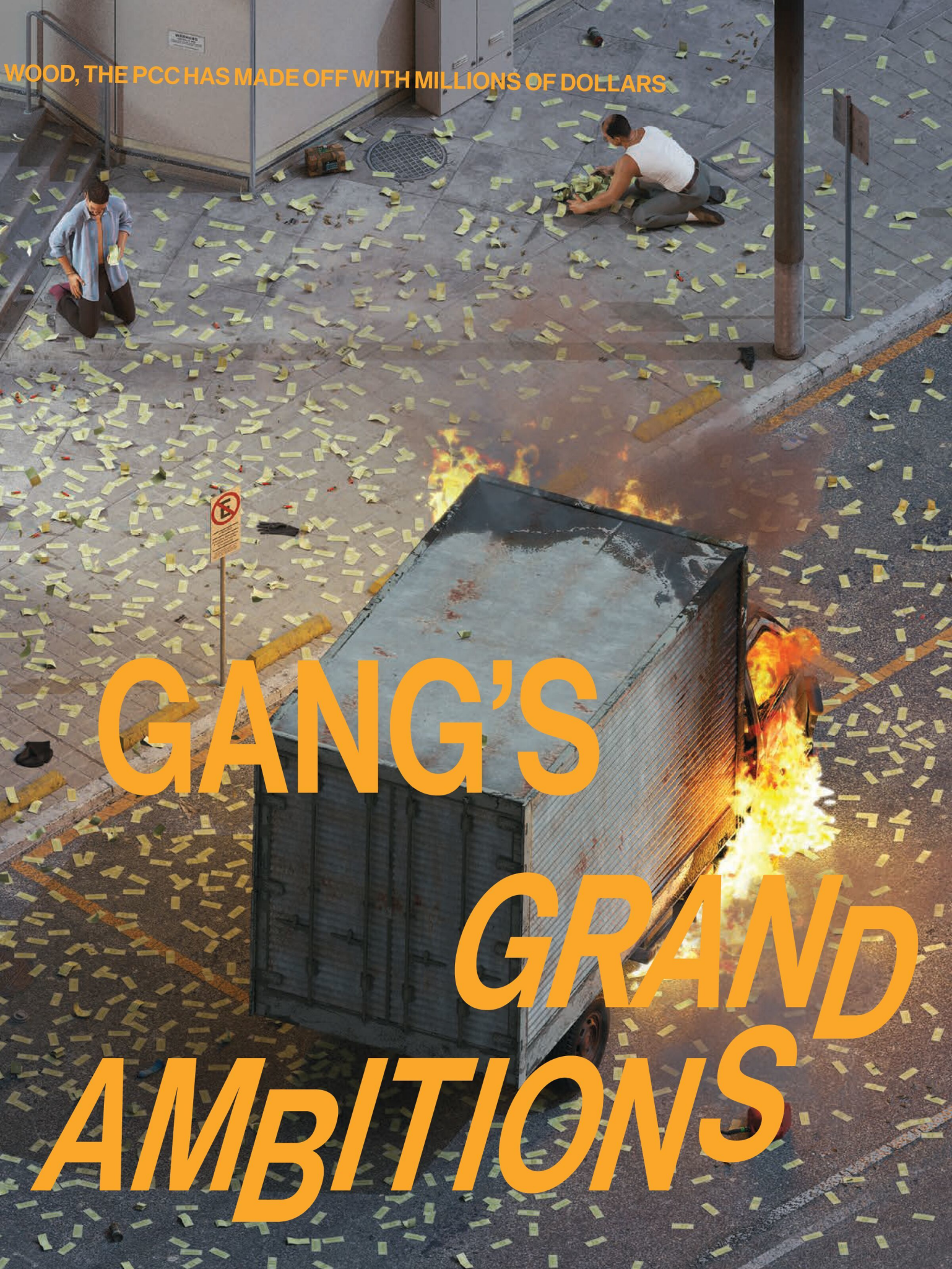
# BANK-ROBBING PRISON

BY JESSE HYDE  
ILLUSTRATION BY MAX GUTHER



WOOD, THE PCC HAS MADE OFF WITH MILLIONS OF DOLLARS

# GANG'S GRAND AMBITIONS



In the passenger seat of the speeding squad car, Anselmo Cruz adjusted his bulletproof vest. It was just before midnight on Nov. 30, 2020, and the first call for reinforcements had gone out 10 minutes ago. A tractor-trailer was on fire in front of the military police barracks in the Brazilian city of Criciúma, 130 miles south of Cruz's home base in Florianópolis. Now his iPhone lit up with a video. A second truck was on fire, this one blocking a tunnel between the two cities.

For over a decade, Cruz had been in charge of investigating major crimes and robberies for Santa Catarina, one of Brazil's wealthiest and safest states—a destination for the South American jet set, who come for the sandy beaches and luxury condos. But its topography also made Criciúma an obvious target for criminals. With the ocean to the

east and mountains to the west, there were many ways to escape.

As Cruz traveled south, one thing became clear: The burning trucks were just a distraction, intended to slow police from entering Criciúma's old downtown area. The Bank of Brazil branch, a towering hunk of Brutalist concrete, was under attack. Cruz's phone lit up again with videos and pictures of men in black carrying semiautomatic weapons. Hostages, stripped of their shirts, had been forced to sit at a crosswalk to, presumably, act as a human shield around the property.

Bank robberies were nothing new for Cruz. In 2017 he exchanged gunfire with thieves trying to rob another Bank of Brazil location in a small town an hour's drive north of Florianópolis. He took a bullet just below the neck, but police killed three of the burglars. *Novo cangaços*, as these types of crimes are known in Portuguese, are modern riffs on a type of robbery popular a century ago, in which nomads in the northeast part of Brazil stole from the rich. ("Novo" means new, but there's no direct English translation for "cangaço"; the original perpetrators were known as *cangaçeiros*, which translates roughly to "bandits.")

The modern version generally involved a handful of guys blowing up an ATM. Typically they targeted small towns and cities with only three or four

police officers, sometimes fewer. By the 2010s *novo cangaços* had spread from the northeast to all of Brazil. There were so many that banks began pulling out of rural areas, depriving locals of places to cash paychecks.

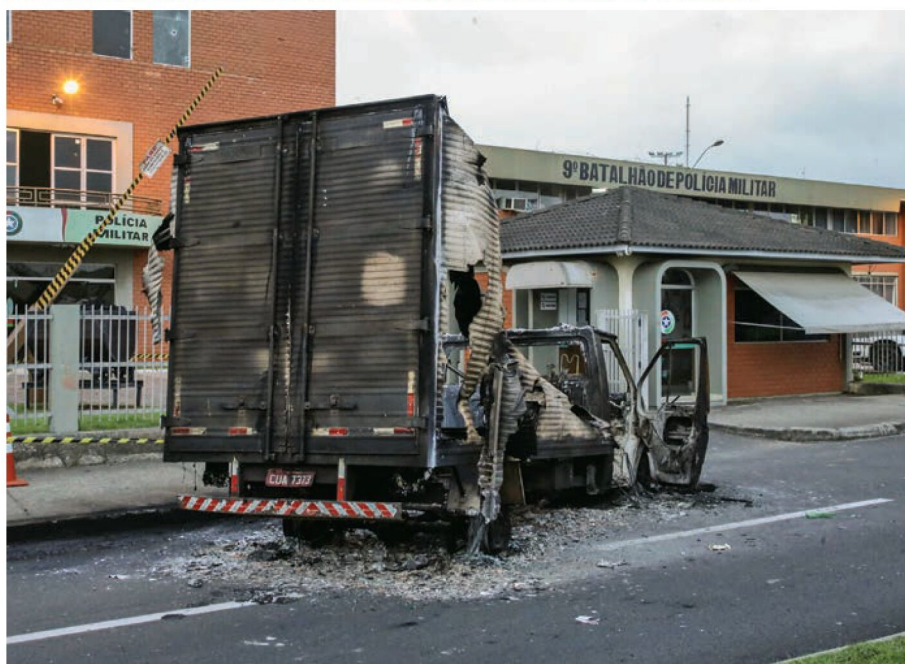
As banks improved their security, moving ATMs indoors and shifting basic transactions online, *novo cangaços* waned, declining by a fifth in the country's 15 most populous states from 2018 to 2020, according to the Central Bank of Brazil. In their place, though, came increasingly sophisticated operations carried out by men who seemed like professional criminals, with expertise in areas such as explosives, intelligence gathering and getaway cars.



Now one was happening in Santa Catarina, with a population of 240,000. "With a *novo cangaço* it was often impulsive. ... It required some planning, some coordination, but it wasn't that sophisticated," Cruz told me. "We knew this was something new." Jânia Perla Diógenes de Aquino, a professor at Federal University of Ceará, wrote in a research paper that these thieves appeared to take inspiration from caper movies including *Ocean's Eleven*, Woody Allen's *Small Time Crooks* and Spike Lee's *Inside Man*.

Criciúma looked like a military siege. The perpetrators had semiautomatic weapons and a .50-caliber rifle, powerful enough to blast through an armored car or take down a helicopter. In addition the bank was surrounded by apartment towers, which meant that if police started shooting, hundreds of civilians could be caught up in crossfire. The planners of this operation had knowledge of modern urban warfare tactics.

A truck set ablaze outside the military police barracks in Criciúma





## Cruz

In the aftermath, Brazilian criminologists categorized the heist in Criciúma as part of a new phenomenon. They called it *domínio das cidades*, or “dominion of cities,” a way of describing public security forces temporarily losing control. Criciúma was the largest armed robbery in Brazilian history, with 125 million reais (\$23 million) stolen. Cruz knew only one organization in Brazil that could pull off a heist so organized, sophisticated and successful: the PCC, or Primeiro

Comando da Capital (First Command of the Capital).

Three years later the case remains largely unresolved, with Cruz still on the hunt for about half of the crew, which he estimates to have totaled 30 people. The money mostly hasn’t been recovered either, though it’s likely that some of it was used to finance a growing, multinational drug-trafficking business. For an organization that began in a prison in São Paulo, the PCC had come a long way.

# B

y the time Cruz got to Criciúma, it was about 2 a.m. The thieves had left an hour earlier, and the streets were quiet and empty.

Cruz couldn’t believe the audacity of the heist. Criciúma had dozens of police officers, and heavily armed SWAT-style commandos were stationed just a few hours north in Florianópolis. Even with the distance, the mere thought of them getting involved could have a chilling effect: Known as BOPE, the tactical unit has a reputation for extrajudicial killings in Rio de Janeiro, where it began. Robbing the bank could have been a suicide mission.

To help buy themselves time, it seemed, the thieves had surrounded the property with homemade explosives that would need to be defused before Cruz’s detectives could get inside the vault to search for clues. This could take hours.

In addition to the cellphone footage, someone had livestreamed the events on Facebook. Cruz had already watched much of this on his drive. Piecing together the videos and testimony from witnesses, he began to get a picture of how the heist had gone down.

At about 11:45 p.m., as one group set fire to the trucks at the barracks and the tunnel between Florianópolis and Criciúma, another entered Criciúma’s old downtown. Sergio Firme, who works for the city’s roads department, told me he

**“With a novo cangaço it was often impulsive.... It required some planning, some coordination, but it wasn’t that sophisticated. We knew this was something new”**

← was with his crew repainting faded crosswalks and lane dividers when he heard what sounded like a motorcycle backfiring. He and the five other workers kept painting.

Then, Firme saw a black BMW SUV approach. It was armored. Two masked men exited wearing army helmets and all black clothing. Firme thought they were federal police, until one of the men told the crew to remove their shirts. They were instructed to follow the man in a single-file line to a crosswalk about a block from the bank, where they were then told to sit. After shooting out surveillance cameras, the gunmen addressed the hostages. “Nothing is going to happen to you,” they were told. “We’re going to get the money, and then we’re gone.”

Firme sat and smoked cigarettes. Other members of the crew began crying, he said, or whispering prayers to Jesus or the Virgin Mary. He realized, eventually, that they were shirtless to signal to other gunmen that they were hostages. And he figured that, sitting in the crosswalk, they’d block any police vehicles hurtling toward the bank.

Twenty minutes later another vehicle approached. It was a Ford F-250, also black and armored. Again, masked gunmen wearing black exited. This time they took out two suitcases, opening them to reveal ammunition clips, which they gave to the gunmen guarding Firme and the crew.

After about an hour, four hostages were told to walk single file into the bank vault. (Firme and a colleague were left behind.) From there, according to Cruz, they loaded pallets of cash into a caravan of 10 luxury SUVs—BMWs, Mercedes-Benzes, Audis—all painted black, all armored. The gunmen took as much cash as they could and then threw the rest onto the streets. Once they left, Cruz said, they knew residents would flood the streets to claim what they could, slowing anyone who tried to follow. (Police recovered about 300,000 reais from the streets around the bank.)

An hour later, as the bomb squad began deactivating the explosives, Cruz had to figure out where the caravan had gone—and who was along for the ride.

Since its founding 30 years ago, the PCC has grown into one of the most powerful forces in Latin America. It dominates drug trafficking in South America’s largest city, São Paulo, and has expanded into other countries. Lincoln Gakiya, a state prosecutor in São Paulo who’s listened to thousands of hours of intercepted phone calls from its leaders, says the PCC controls the port where about 80% of cocaine that leaves Brazil for Europe is trafficked. The gang’s annual revenue from drug trafficking was estimated at \$4.8 billion in a December 2020 report whose lead author is Matthew Taylor, a professor of international studies and interim associate dean of research at American University’s School of International Service in Washington, DC.

Today the PCC is diffused, with about 40,000 members, according to experts who research the organization. Cruz and others estimate from 100 to 300 people are involved in heists such as the one in Criciúma, though not all are affiliated with the gang. “The PCC operates like a criminal cooperative,” Taylor says.

One of its mottoes is “crime strengthens crime,” so even if the PCC isn’t behind a heist, it might be supplying guns, bomb-making expertise or getaway drivers to unaffiliated freelancers. “If they’re renting out the guns, or financing the robbery, they get a cut,” Gakiya says.

When the PCC started in the 1990s, police knew the names of its leaders. They’d formed the organization in an era of deep inequality and mass incarceration in Brazil. In some of São Paulo’s largest prisons, men were crammed 15 to a cell. There were no proper toilets, and men were stabbed to death for a slice of bread. Mondays were known as *Segunda sem lei* (“Mondays without law”), when prisoners executed their own for unpaid debts while cellmates watched and chanted, “*Vai morrer*” (“You will die”). “The PCC was born in direct response to neglect of

the state,” says Gabriel Feltran, author of *Irmãos* (“Brothers”), a history of the PCC.

The worst was Carandiru Penitentiary, a complex that spread across seven blocks. In October 1992, in response to rioting, Brazilian police killed 111 inmates. In the aftermath, prisoners agreed they’d no longer prey upon one another.

They drew up a charter for a new entity. Article 13 said prisoners must be “united and organized” to fight “the oppression of the state.” The ideals struck many inmates with the force of religion. They came from neighborhoods where police often ran roughshod over suspected criminals, and sometimes over people they thought just looked like criminals. “Their ideology was very much animated by this idea that there are two worlds,” says Steven Dudley, who co-authored the report with Taylor and is director of InSight Crime, which studies security in Latin America and the Caribbean. “There is the world of the banks and the professionals, the good schools, the good hospitals, and then there is the world they come from.”

The PCC—led by men with nicknames such as Big Jelly, Little César and Sombra (the Shadow)—established order, discipline and basic security. But as the group’s profile rose, prison

“There is the world of the banks and the professionals, the good schools, the good hospitals, and then there is the world they come from”



officials transferred its leadership out of Carandiru to quash the movement. The move backfired. Instead the gang spread, infiltrating every prison in the state of São Paulo.

In the early 2000s a man named Marco Willians Herbas Camacho, aka Marcola, emerged as the head of the PCC after an internal power struggle. Orphaned at age 9, he'd roamed the streets of São Paulo as a pickpocket and become legendary for his bank-robbing exploits—as well as for his taste for fast cars and nice clothes, which earned him another nickname: Playboy.

Under Marcola the PCC grew. Proceeds from the drug trade inside prisons were used not to enrich PCC brass—the revenue from outside easily took care of that, Gakiya says—but for financing families' bus rides to visit incarcerated relatives and to pay for inmates' attorneys.

Once released, men returned to their neighborhoods in São Paulo, bringing the same order and discipline to the *favelas* that the PCC had brought to the prisons. And because security at prisons in São Paulo was porous, smuggling in cellphones (often via conjugal visits) was easy. PCC leadership could communicate with members in other prisons as well as those on the outside, who were fighting for territory with gangs



Marcola (center)

such as the Comando Vermelho (Red Command), which controlled the drug trade in Rio de Janeiro and also started in prison.

The PCC would ultimately win this fight. “In a few short years they came to dominate, controlling every portal of sale, and the fighting over territory ceased,” Gakiya says. The goal, it

seemed, was for the PCC to evolve into a mafia similar to, say, the 'Ndrangheta in Italy. It was turning into a parallel state.

In the spring of 2006, word reached Marcola that 765 PCC members were going to be transferred to a high-security prison in the interior of São Paulo state. This would disrupt visits on Mother's Day, a sacrosanct holiday for inmates. On the night of May 12—after some of the relocations had occurred—São Paulo came under coordinated attack. Buses, banks and public buildings, all symbols of state power, were set ablaze. Police were ambushed at home or in station precincts. The attackers, mostly masked young men, had come from the favelas on motorbikes and on foot, carrying semiautomatic rifles or Molotov cocktails. For seven days, São Paulo retreated. Restaurants, shops and schools closed.

Eventually, law enforcement negotiated a truce with Marcola. In exchange for a cease-fire, they promised more televisions in the prisons so inmates could watch the World Cup. →

### Carandiru Penitentiary in 1992



CAMACHO: SERGIO LIMA/AF/GETTY IMAGES; RIOT: PISCO DEL GAISO/FOLHAPRESS



The farm in Nova Veneza where the armored cars were found

**C**ruz entered the bank's vault. It was the morning after the robbery, and as he predicted it had taken the bomb squad hours to deactivate the explosives.

About the same time Cruz was poking around the vault, another team of police arrived at a farm in the town of Nova Veneza, 10 miles northwest. A neighbor had called to let them know what he'd come upon: 10 black, armored cars sitting in a cornfield.

Picking their way through the cornstalks, officers noticed the tire tracks of a truck. In a prior investigation, the criminals had underestimated how heavy the cash they'd robbed would be, and

their cars broke down within miles of the bank. That's most likely why, in this instance, the perpetrators had used 10 of them to distribute the haul. In the cornfield they'd rendezvoused with the truck (a tractor-trailer, the police figured, given the weight of the cash and guns plus the number of men), loaded up and left.

By this point, police from all over Santa Catarina and the neighboring state of Rio Grande do Sul had joined the manhunt. A big break came two days after the tractor-trailer was discovered, thanks to residents of Três Cachoeiras, an hour and a half south of Criciúma in Rio Grande do Sul. They told police that the night after the robbery, about 30 people had convened at a small blue house for a barbecue. They were grilling meat, smoking marijuana and laughing loudly until 3 a.m. According to a press report, the owner of the house told police that the men who rented it had come two or three

months earlier and offered the tenant 15,000 reais to leave in two days. He'd agreed. The men then canvassed the neighborhood, asking if the area was safe and whether there was much of a police presence. They told neighbors they were fruit vendors and showed off pineapples to prove it.

Watching video from a neighbor's security camera, police saw a tractor-trailer leaving and returning to the house at various points before and after the heist. Its load seemed lighter every time it left, leading police to conclude this was a stash house for money and guns.

Another big break came the next day. Police noticed on surveillance video that, in the weeks before the heist, a Range Rover Evoque with São Paulo plates had made several trips with other vehicles used in the operation. They'd traveled between São Paulo and Criciúma, a 10-hour drive each way. The Brazilian highway patrol had the plate number;

when officers located it traveling south about 200 miles outside Criciúma, they pulled it over. The two women inside gave conflicting answers about where they were going. When police searched the vehicle, they found 4,000 reais and the identification card of a man named Marcio Geraldo Alves Ferreira. The woman driving said he was her boyfriend. She wouldn't say where he was, but the Range Rover's GPS revealed an address in Gramado, a glitzy resort town in the mountains.

At dawn the next morning, BOPE teams from Santa Catarina and Rio Grande do Sul raided the house in Três Cachoeiras and the address in Gramado. Police arrested 14 suspects in the robbery, seven of whom, including Ferreira, are in the PCC, Cruz says. (All have pleaded not guilty to robbery and criminal conspiracy charges as they await trial.)

Gakiya says Ferreira, known as Buda, was part of an elaborate operation uncovered in 2014 to spring Marcola, the PCC leader, from prison. The idea was to land a helicopter with an armored basket in the yard and have Marcola climb in; PCC gunmen would exchange fire with guards as the helicopter made its escape. Prison officials discovered the plan, thanks in part to phone calls Gakiya intercepted, and Buda was imprisoned. He was released in 2019, after which he learned how to make explosives, says a federal police office who spoke on the condition of anonymity, because he's not authorized to comment publicly.

Lawyers for Ferreira declined to comment. Lawyers for the other suspects either declined to comment or didn't return requests for comment. In Brazil, PCC members rarely speak to the press. It's even uncommon for journalists to ask their lawyers for comment. One defense attorney I reached seemed spooked that I had his number, and he said he could meet only in person. When I told him I could visit him in Florianópolis, he said he was in Buenos Aires and wouldn't be back for several weeks.

It's unclear how much power Marcola still has over the PCC. (His lawyer couldn't be reached for comment.) Gakiya says he's worried that leadership has transferred to men outside prison, which would make it even harder for law enforcement to police the organization. Most knowledge about the gang comes from intercepted prison phone calls.

Regardless, the PCC's initial goal of defending the rights of prisoners no longer seems like priority No. 1. Today it's a multinational conglomerate, Gakiya says, that uses gas stations and bus companies—steady sources of legit cash—to launder cocaine money. The head of gas station industry group Fecombustíveis estimated in 2020 that the PCC controls about 3%, or 270, of São Paulo state's approximately 9,000 gas stations. The gang also sells marijuana and contraband cigarettes, which account for as much as half of those sold in São Paulo and Rio de Janeiro.

Recently the PCC has expanded north to trafficking routes in the Amazon River basin. The gang is waging a bloody battle with the Família do Norte (Family of the North) for control. The FDN—which controls most prisons in that area of the country by, ironically, emulating the PCC's organizational structure—pioneered the trafficking of cocaine from Peru and Colombia along the Solimões, a tributary of the Amazon that leads to the Atlantic Ocean. Gakiya says the PCC wants control of the waterway. If it gets it, the group will control all of Brazil's major cocaine distribution channels. Taylor, the American University professor, says the fighting has “introduced a horrendous level of violence and instability to the region.”

In May, when I visit Cruz in his office in São José, the sister city to Florianópolis, just across a bridge, he has a 2-foot-high stack of neatly arranged investigative files. The Criciúma folders, out of view, are three

times as tall; it's a more complex case than any other he's handled, he says. The PCC defendants' lawyers have filed a lot of pretrial motions.

The heist took about a year of planning, he tells me. In the three years since, police have identified homes and shacks that the crew rented along the coast and the city's perimeter, where they hid cars and weapons. Cruz says the men who rented the houses were paid expressly for that purpose and didn't know why the houses were being rented. The same goes for those who drove the getaway cars and those who painted them black.

Cruz says only two or three of the 30 suspects likely even knew they were robbing a bank until the night of the heist. The planners probably chose that branch because it serves as a hub for banks in the region. The mayor of Criciúma, Clésio Salvaro, has said that on the day of the robbery, the bank got a large deposit of cash that was set to be disbursed to smaller branches. (The Bank of Brazil hasn't commented on the robbery other than a statement immediately afterward saying that no employees were injured and that it wouldn't discuss its losses.)

In the meantime, about 15 suspects remain at large. Cruz says two who were arrested might have participated in subsequent heists, the most significant being the August 2021 robbery of a bank in Araçatuba in São Paulo state. The theft bore a close similarity to Criciúma, even if the bounty was comparatively smaller at 10 million reais. “What happened in Criciúma was unprecedented,” Cruz says. “And we learned a lot. This was a complicated case with dozens of suspects, enormous planning. ... Hopefully that will help us stop the next one.”



The

Air Jordans

Michael Malekzadeh made millions as a sneaker resale kingpin. Then came a drop so hot it blew up his empire and led to charges for criminal fraud

That

Weren't

By Misyrlena Egkolfopoulou and Kim Bhasin  
Illustration by Pedro Veneziano

# A PRIVATE

jet landed in May 2022 at a small airport near Eugene, Oregon, and dropped off two men. They hopped in a car and drove past vegetable farms and cannabis storerooms to a quiet business park at the western edge of town. Their destination was a dusty warehouse that held hundreds of rows of neatly stacked sneaker boxes, almost 60,000 in all. The shoes were the stockpile of Michael Malekzadeh, the owner of Zadeh Kicks, one of the largest US sneaker resale operations. Many of the sneakers were among the most valuable on the secondary market, selling for thousands of dollars a pair. The men had come for their cut—the value of what they’d ordered and not received from Malekzadeh.

They were but a few of the former customers who’d shown up around the same time looking for him so they could get their shoes or their money back. Records show that the local police force received four calls about the address across two days, including two incidents described as “suspicious conditions” and one as “criminal trespass.” Local media reported that at one point shots were fired, with no one hurt.

No one left the warehouse satisfied. The sneakers and the company no longer belonged to Malekzadeh. Days earlier the warehouse had been taken over by a court-appointed receiver, who was already working to liquidate the company’s assets.

For at least four years, Zadeh Kicks had been offering sneakerheads and other resellers something no other company could: a way to order highly anticipated shoes months before their release, at costs often far below market value. Professional flippers depended on its too-good-to-be-true prices, even if they wondered how Malekzadeh could offer them for so many coveted models and in such large quantities.

Sneakerheads had their theories. Maybe he made enough from certain orders that he could afford to take a loss on others. Maybe he had a contact at Nike Inc. leaking him info or funneling him shoes off the books. And was it true that one of his ex-wife’s relatives was a supply chain executive at Foot Locker Inc.? Whatever he was doing, it seemed to be working. Zadeh Kicks became a major force in resales, so significant to the market that smaller operators parlayed his presales to them into millions of dollars in profits. “For a long time I looked up to him—he was a good dude,” says Sebastian Catlin, co-owner of reseller Sneakorhead in Eugene, who first learned about Malekzadeh on Instagram. “Someone you aspired to be, and he would always seem straight-up.”

But there was no secret shoe pipeline. In fact, Malekzadeh would simply wait until the shoes he’d presold were released, then purchase them on the open market from retailers such as StockX, according to people familiar with his operation who asked to remain anonymous because the matter is sensitive. Delivery delays could persist as long as a year, but he managed to fulfill most orders—until one day he couldn’t.

In an indictment handed down in July 2022, federal prosecutors alleged that Malekzadeh was often selling at a loss and pocketing some of the preorder proceeds. If he didn’t have enough merchandise to send someone their shoes, the prosecutors said, he’d sometimes “buy back” the preorder and pay a premium in cash or store credit. The indictment charged Malekzadeh with money laundering, wire fraud and conspiracy to commit bank fraud. The pattern prosecutors laid out effectively amounted to an \$85 million sneaker Ponzi scheme that harmed thousands of people across the US. Court documents allege that Malekzadeh “advertised, sold, and collected payments from customers for preorders knowing he could not satisfy all orders placed.” His fiancée, Bethany Mockerman, the company’s chief financial officer, was charged with conspiring with him.

Both have pleaded not guilty—the company’s dissolution documents say its inability to fulfill orders came about because demand for sneakers simply grew too fast and it didn’t have adequate internal processes to keep up. Malekzadeh and Mockerman have been released as they await trial or a settlement. If convicted, Malekzadeh faces up to 30 years in prison. In a statement, his lawyer wrote: “Since filing for receivership and initially cooperating with authorities last year, Michael has continued to work to ensure the maximum possible return to customers and investors. He has voluntarily turned over tens of millions of dollars in business and personal assets to the receivership and government. He has also provided assistance to ensure maximum recovery on business and personal assets. Michael remains committed to taking accountability and limiting the harm to others to the greatest possible extent.” A lawyer for Mockerman declined to comment.

The sneaker resale market has boomed in recent years, reaching more than \$2 billion in North America, according to financial services company TD Cowen. What was once a hobby for collectors has become a sophisticated market with full-time investors and speculators. Few capitalized off this metamorphosis more than Zadeh Kicks, which supplied everyone from callow teenagers looking to double a \$1,000 investment to national operations that spent millions to fill up their distribution centers. Some lucky customers made hefty profits. But when the company shut down, thousands more lost their money—some as much as \$1 million. People close to Malekzadeh say some were angry enough to send him into hiding. His trial, originally scheduled for June, has been postponed as the receiver works to sell off his inventory and repay customers. It’s unlikely they’ll all get their money back.

## FRIENDS

and business associates of Malekzadeh say he always wanted to be in the shoe game. He got a degree from the University of Oregon and began selling sneakers on eBay around 2010. He talked of working briefly at Nike, which was founded in Eugene, but then getting in trouble for reselling shoes. (Nike didn’t respond to a request for comment.)

In those days, Malekzadeh sold sneakers he customized

by hand. He built relationships with retailers and began buying up their unwanted inventory and flipping it online. “He was very artsy, very charismatic, and he always sounded like he had big goals,” says Tyler Angelos, owner of a paint company that briefly sponsored Malekzadeh as a sneaker artist in the early 2010s.

Malekzadeh officially established Zadeh Kicks in 2013, initially with a straightforward model of purchasing sneakers and selling them off. His company started just as big shoemakers such as Nike and Adidas were developing a vast ecosystem of online special releases, routinely announcing “drops” of certain models that would leak to the public several months in advance to build anticipation. The secondary market followed suit, with sneakerheads such as Malekzadeh competing to nab as many shoes as they could and reselling them for a profit.

He ran his operation out of the Eugene warehouse, which was in the same building as his family’s biotech company. The sprawling space gradually filled up with Nike Air Jordans, Adidas Yeezys and other models in the hottest silhouettes and colorways available. Zadeh Kicks was an unlikely business for the area, tucked in an industrial pocket across the street from a furniture distributor and an auto shop. But it soon became a major operation, despite requiring only a few employees to pack shipments. The small office Malekzadeh worked out of was decorated with posters, street art, his personal sneaker collection and a limited-edition carpet designed by Virgil Abloh, the late Louis Vuitton artistic director.

Malekzadeh’s ambitions were briefly derailed in 2014 when a fire broke out at the warehouse, destroying thousands of pairs of sneakers. He told the magazine *Complex* that it might’ve been caused by a stray cat knocking over candles he’d lit to mask the smell of dye. He also said his insurance company, Liberty Mutual, had sent a representative to get his collection appraised, counting more than 20,000 pairs of shoes, which Malekzadeh estimated were worth over \$400,000. Liberty reimbursed him for the retail value of the damaged sneakers and auctioned off the ones that survived the fire. Malekzadeh said he bought them back for \$32,000. (Liberty declined to comment.)

Zadeh Kicks’ presales model began coalescing after the blaze. Customers would order sneaker designs as long as six months ahead of their expected release date, at lower prices than they were likely to find on the resale market once the shoe was out. The approach was uncommon, and Zadeh Kicks further distinguished itself with its low pricing and high volume.

Buyers were essentially placing an options bet, locking in a price and hoping the shoes would be worth more once released. When they came out, Malekzadeh would fill orders by any means necessary. It no doubt helped that StockX, GOAT and Stadium Goods all launched around that time—as those sites evolved into major resellers, they became his biggest source for stock. As long as more preorders were coming in, he could afford to lose money filling ones for an earlier release. “He was running a weird, unregulated casino,” says Matt Halfhill, who runs the sneaker news site *Nice Kicks*. “The problem is that he had to depend on buyers who were not that sophisticated in order to make money.”

Malekzadeh’s operating procedures weren’t especially sophisticated, either. He had a website, ZadehKicks.com, that he built with the e-commerce platform Shopify. After a shoemaker announced a forthcoming drop, he’d put links where people could preorder. Customers, especially repeat ones, could also email him directly with details of what they wanted. Most of the time, he’d simply reply with prices for different quantities, sometimes indicating a percentage discount for customers who placed larger orders, say of 250 pairs or more. He also sold stock he had on hand, promoting those sales and his presales on social media and in email blasts. Money typically came in through PayPal, though prosecutors also cited direct wire transfers for some orders. Emailed receipts could read like gnostic texts, featuring lines like “157x Nike Air Jordan Retro 4 Zen Master Amethyst Wave Bright Crimson Black- priv2 - 8 for \$160.00 each.”

As Zadeh Kicks grew, other resellers used it to build their own businesses, sourcing sneakers from Malekzadeh in large quantities and flipping them at high margins. Among the largest was New Jersey-based Schmidty Kicks, which came to depend on Zadeh Kicks to provide sneakers for preorders of its own. Another significant source of customers came from “cook groups”—online communities, usually on Discord, where sneakerheads share advice and intel on how to acquire limited-edition shoes. Major groups, which could have more than a thousand people and sometimes charged monthly membership

“The problem is that he had to depend on buyers who were not that sophisticated in order to make money”



Malekzadeh with part of his personal collection in 2020

← fees, would often include a particular reseller who sourced from Zadeh Kicks and would notify members when it was taking presale orders.

Preorder customers kept coming to Malekzadeh despite regular delivery delays. If someone prodded too much, they were sometimes threatened with being banned from buying again. “We have had multiple emails from you now on this,” read one email response reviewed by *Bloomberg Businessweek* from Zadeh Kicks to an inquiring customer. “They have been shipping, and in stages, and it is clear you cannot wait until completed so we will be refunding all those orders now. And if that is an issue we can refund all open ordres [sic] as well if you like and ban.”

PayPal’s rules require a guaranteed delivery within 20 days from the date of purchase, but Zadeh Kicks would often take 10 times longer than that to ship sneakers. Malekzadeh also circumvented Shopify’s \$9,999 gift card limit by using a third-party app called Rise.ai to issue gift cards that wildly exceeded that number. (A spokesperson for PayPal says: “PayPal takes these matters seriously and continues to work with multiple stakeholders to navigate this situation.” One for Shopify says: “Shopify’s Acceptable Use Policy (AUP) clearly outlines the activities that are not permitted on our platform and we take action when stores are found in violation. Zadeh Kicks was removed from the Shopify platform last year.” Rise.ai didn’t respond to requests for comment.)

When the coronavirus pandemic began in 2020, interest in sneakers—and in online speculation—spiked. New customers started coming to Zadeh Kicks by the thousands. People close to Malekzadeh recall watching him manage millions of dollars in sneaker deals mostly using his phone and a few spreadsheets, messaging individual buyers about quotes and delivery dates. Other resellers took notice, too. “We knew Eugene had some sellers, but on his level?” says Cadence Klindt, the other co-owner of Sneakorhead. “Oh man, this guy’s doing some of the biggest numbers in the game.”

## THE BIG-MONEY

sneakerheads usually congregate in hubs such as New York and Los Angeles, not sleepy college towns like Eugene. But Malekzadeh had some flash. In 2020 he and Mockerman bought a house on a hill in one of Eugene’s pricier locales, renovating it to include a five-car garage. Neighbors describe seeing cars collectively worth millions of dollars parked on the curb—a Rolls-Royce, a Lamborghini, a Porsche. Their engines could be heard revving from down the block. And Malekzadeh was just as conspicuous downtown, where Lambo sightings otherwise tend to be rare. Most of his fleet would show up on his social media posts.

Malekzadeh liked to customize his rides, sending them to 503 Motoring, a luxury car shop in Beaverton, just outside Portland. He’d call 503’s president, Tim Walbridge, every few months to let him know about a new whip he’d purchased and line up custom rims, window tints, carbon-fiber body kits or other modifications. Malekzadeh always paid on time,



The Zadeh Kicks warehouse in 2020

Walbridge says, but he didn’t seem to drive much—the cars’ mileage was always surprisingly low. “He just kept telling us that sales were incredible,” Walbridge says. “He was busy. He was a hustler.”

By 2021 trucks were arriving every day at the Zadeh Kicks warehouse, delivering as many as 1,000 pairs of sneakers addressed to Malekzadeh, according to someone with direct knowledge who requested anonymity discussing a sensitive matter. Most were UPS vans bearing boxes from StockX. Zadeh Kicks had quietly become one of the marketplace’s biggest buyers, inundating the local UPS facility with purchases, the person says. (StockX said in a statement that “No single buyer has ever represented more than 1% of our overall trade volume in a given year.”)

Demand was peaking, and StockX and sneaker stores weren’t meeting it. Malekzadeh was resorting to more extreme tactics to fill orders, according to federal prosecutors. If he was struggling to deliver the shoes, he’d sometimes offer to refund the presale at a higher price than the customer had paid. Some cash might be reimbursed, but the buybacks usually consisted mainly of store credit or gift cards. Zadeh Kicks customers accumulated thousands in unspent credit from missed deliveries. The lucky ones who were still getting their sneakers included some of the big resellers, who kept right on flipping them and making hefty returns.

Just before Christmas 2021, Nike dropped a particularly coveted sneaker: the Air Jordan 11 Cool Grey, a high-top with two silvery hues, patent leather sides, an icy-blue sole and a retail price of \$225. They were immediately a top draw, hyped by basketball stars such as Jayson Tatum. Nike Chief Executive Officer John Donahoe told analysts and investors it was the single biggest release since the company began emphasizing direct-to-consumer sales in 2017.

Zadeh Kicks had been offering the Cool Greys for as little as \$115 since the fall before the drop.



# ABOUT A

On release day it owed customers more than 600,000 pairs—an enormous chunk of Nike’s entire stock, which sneaker site *Housakicks* estimated at 1.2 million to 1.7 million pairs. Malekzadeh had no hope of filling the order. What’s more, the cycle was already repeating: Even as he scrambled to find Cool Greys, he was getting tens of thousands of preorders for the next big Jordan release, the Air Jordan 4 Retro Military Black, due out the following May.

It was all too much. At some point in early 2022, he went up to Portland, where he hired lawyers and told the US Attorney’s office what had happened. As of April, federal prosecutors later determined, Malekzadeh and Zadeh Kicks owed customers more than \$70 million worth of undelivered sneakers. The following month he voluntarily dissolved the company, and the court overseeing his bankruptcy appointed David Stapleton as the receiver for its assets.

Stapleton, who didn’t respond to an emailed request for comment, posted an announcement on ZadehKicks.com and emailed customers to notify everyone of his appointment. He urged anyone who was owed money to get in touch. Within a day approximately 3,500 people responded, according to court documents, as Stapleton compiled a list of creditors that would eventually surpass 15,000. Word tore through social media, leading to threats against Malekzadeh and his family. Some Discord users formed a Zadeh Relief Group for customers seeking restitution. Within a few days came the report of gunfire at the warehouse.

Stapleton took control of \$2 million that was sitting in Zadeh Kicks’ bank accounts. He also began working through Malekzadeh’s possessions, including about 1,100 pairs of sneakers from his personal collection. Neighbors soon noticed trucks carting away the Bentleys and Ferraris in his driveway. Walbridge, at 503 Motoring, says he got calls from American Express Co., which asked if Malekzadeh had any outstanding balances. Federal prosecutors rang him up, too, wondering if 503 had any of Malekzadeh’s cars in the shop. It did have one, which it worked with the Federal Bureau of Investigation to transfer. (Amex declined to comment.)

In July the federal government officially charged Malekzadeh and Mockerman. Court documents showed Malekzadeh had managed to acquire only about 6,000 pairs of the Cool Greys, and prosecutors alleged that Zadeh Kicks had pocketed the \$70 million from the undelivered orders and left customers with only store credits or gift cards, or with nothing at all. The federal investigation into Malekzadeh’s activities encompassed the FBI, the IRS and the Department of Homeland Security, as well as a state task force; agents seized assets including about \$6.4 million in cash, almost 100 high-end watches and hundreds of designer handbags. By the following spring, Malekzadeh had sold his house, too.

thousand Zadeh Kicks creditors are still waiting to hear whether they’ll get any money back, according to court documents. They range from one-time buyers out 200 bucks to full-time resellers owed \$1 million or more. One jilted buyer, speaking on condition of anonymity, says he lost more than \$600,000, mostly on one large order placed via wire transfer just prior to the catastrophe. He’d never resold shoes before—it just seemed like a no-brainer investment.

Among those Zadeh Kicks owes money to is Brett Schmidt, president of Schmidty Kicks, who filed for bankruptcy earlier this year, citing liabilities of at least \$18 million. Court documents from the proceeding show he owes money to more than 600 customers of his own, with some of the debts reaching six figures. (A lawyer for Schmidty Kicks declined to comment.)

Customers have filed almost 400 complaints with the Federal Trade Commission, and credit card companies have received hundreds of claims from people disputing Zadeh Kicks charges. PayPal has refunded some customers, though since last July it’s sent rejection letters to others, particularly those it deemed resellers, saying its policies didn’t apply in their circumstances.

Anyone else hoping to get their money back will have to wait until the receiver finishes liquidating Zadeh Kicks’ assets. Stapleton’s firm has been selling off stranded merchandise on eBay, including Ben & Jerry’s Nikes that look like a melting cow (listed for \$1,500) and Nike Zoom Kobe 6 Protro sneakers in neon green (\$700). As of May 2023 the sales had raised nearly \$2.6 million, well shy of the total owed to creditors. The sell-off and the \$2 million from Zadeh Kicks’ accounts must also pay for the receivership process and the company’s rent and other expenses—\$1.84 million, all told, as of May.

Stapleton’s team has also been working to identify the customers who made the most money from Zadeh Kicks, arguing that their profits should be returned to the receivership and used to help repay those who lost the most money—a power often exercised in liquidation proceedings. Thus far, he’s sent clawback letters to 19 former customers who collectively made \$16 million from Zadeh Kicks. Nearly all have responded, but it’s unclear how many will cooperate.

Malekzadeh left a trail of personal creditors, too. Amex filed a lawsuit in federal court against him and Mockerman, trying to get back more than \$2 million in unpaid balances. Financial filings show Malekzadeh also had dealings with at least six other lenders. All are trying to get money back.

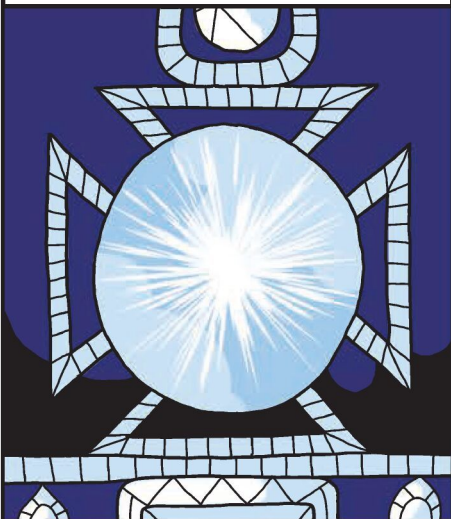
No one knows how long it’ll take for cash to start flowing to those who ordered shoes on Zadeh Kicks. Almost a year after the company’s implosion, on a sunny day in May, Malekzadeh’s father’s blue Porsche 718 Boxster convertible was parked outside the warehouse, where the family biotech business is also located. He responded to a knock at the company’s office but declined to answer questions about Zadeh Kicks, then shut the door. On the warehouse floor, boxes were still stacked high. Security cameras and personnel monitor the facility 24 hours a day, to ensure that workers—and the sneakers—are safe. **B**

# THE BIG BRINK'S BIG-RIG BIG RIPOFF

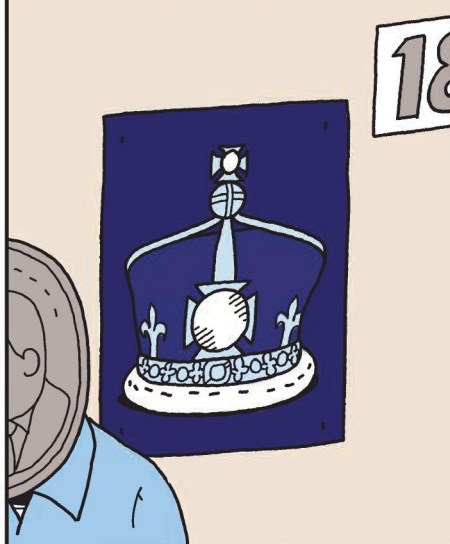
Illustrations by Dorothy Gambrell

In 27 minutes, millions of dollars worth of jewelry vanished from a Brink's tractor-trailer in California last year. The fallout from the heist has been ugly, with Brink's Co. suing the victimized merchants, who then filed their own suit against the company. *Bloomberg Businessweek* partnered with *Los Angeles Times* reporters Daniel Miller and Richard Winton, who've covered the story of what might be the biggest jewelry heist ever. Here's what we know about how it went down.

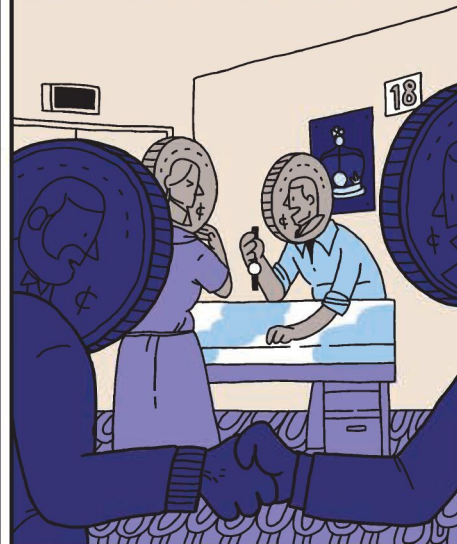
The jewelry industry isn't as glitzy as it might seem, especially for those on the trade show circuit.



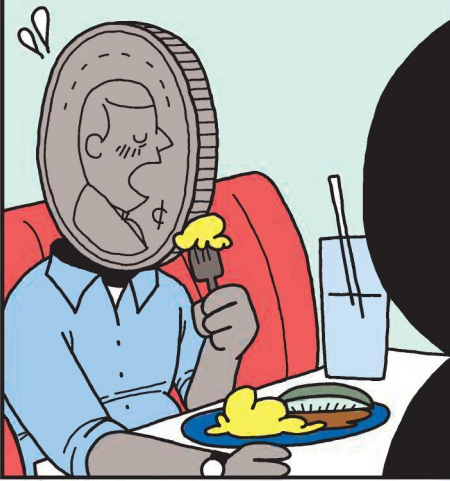
These jewelers eke out a living under harsh lighting in drab convention centers.



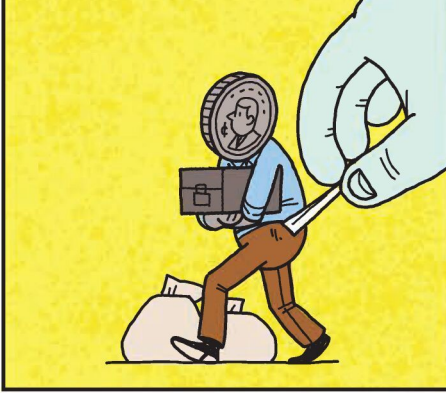
It's a business built on handshake deals, generous favors and well-earned trust.



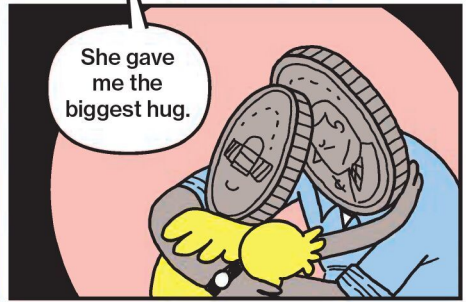
Jean Malki co-owns Forty-Seventh & Fifth Inc., a jeweler in LA. In August 2022, he was having lunch with a reporter for the *LA Times* and choking back tears.



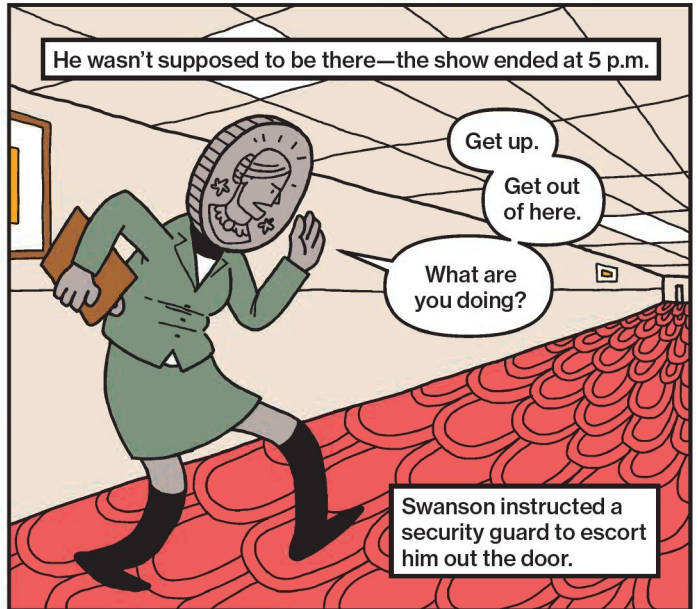
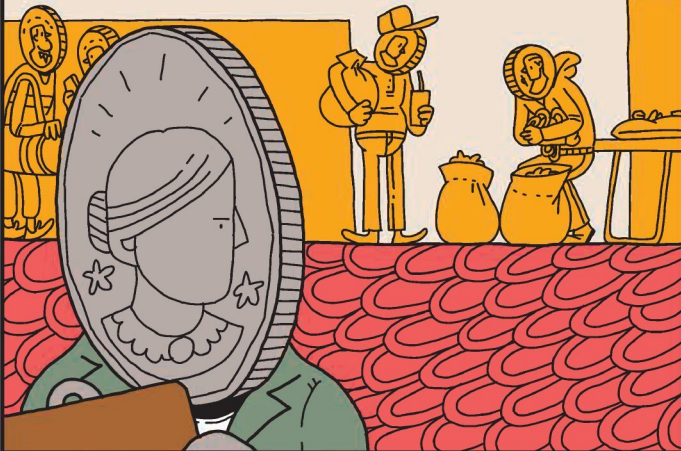
He recounted having to tell his kids about what had happened to his company the month before, when more than 650 pieces—including necklaces, rings, pendants and bangles—were taken from him. Also among the stolen objects were 30 high-value watches, including half a dozen Rolexes.



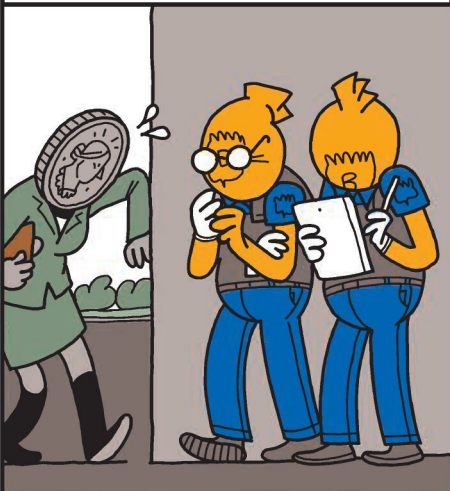
His daughter, then 7, tried to cheer him up.



That July, the International Gem & Jewelry Show had stopped for three days in San Mateo. As dozens of jewelers, Malki among them, packed up, the show's manager, Brandy Swanson, noticed a man sitting on a folding chair near the back of the municipal events center, watching everyone.



Swanson alerted workers for Brink's, which had been hired to receive, load and drive most of the jewelers' wares from the venue to LA.



The expo's organizers also alerted jewelers over the facility's loudspeaker



Such warnings are routine, though on this day they were delivered with more urgency than normal, the *LA Times* later reported.



Among the Brink's workers were two drivers. One of them, Tandy Motley, later said in a deposition that a bearded man in a silver SUV had been watching him while the tractor-trailer was loaded.



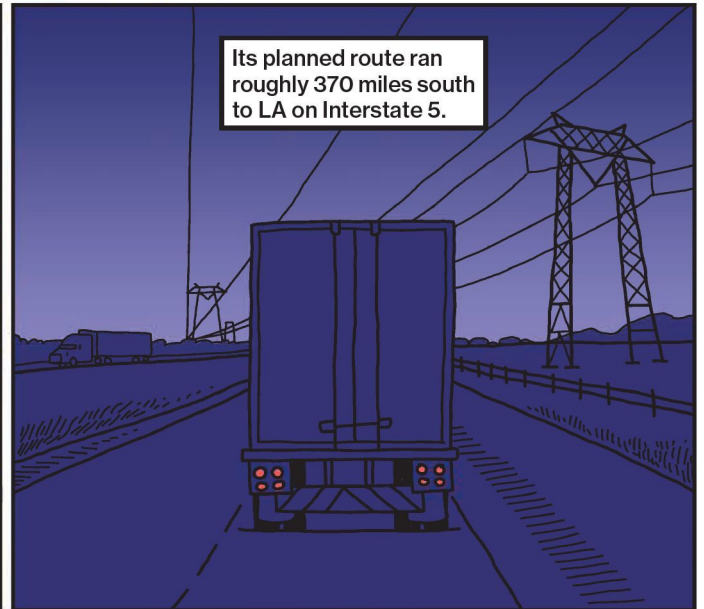
In a deposition, the other driver, James Beaty, also noted "a gentleman that was staring" at him. It's not clear if the drivers were referring to the same person.



The jewelers' cases continued to be packed up and loaded—73 bags in all. The 18-wheeler rumbled away from the convention center at about 8:25 p.m.

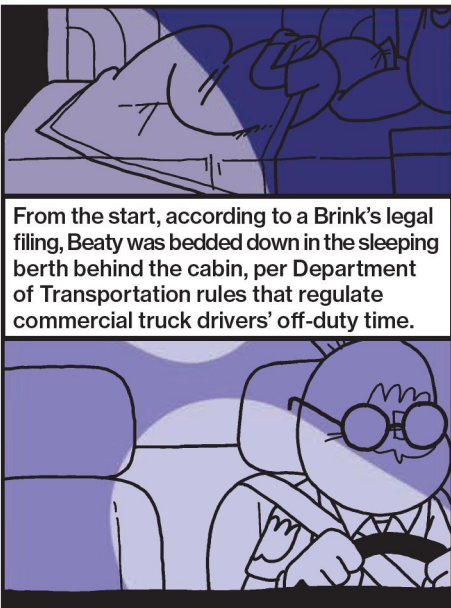


Its planned route ran roughly 370 miles south to LA on Interstate 5.



Midway through the rig's climb over the Tejon Pass, at about 2 a.m.,

From the start, according to a Brink's legal filing, Beaty was bedded down in the sleeping berth behind the cabin, per Department of Transportation rules that regulate commercial truck drivers' off-duty time.

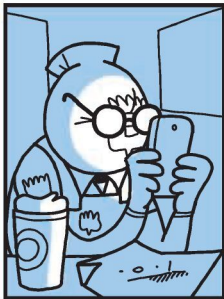


Motley parked at the Flying J Travel Center in Lebec.

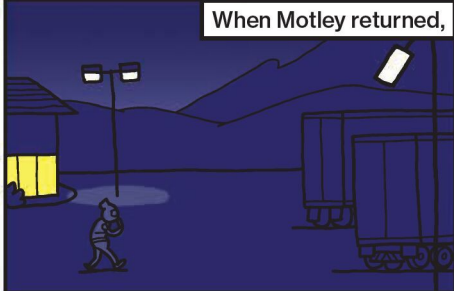
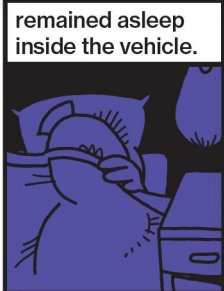
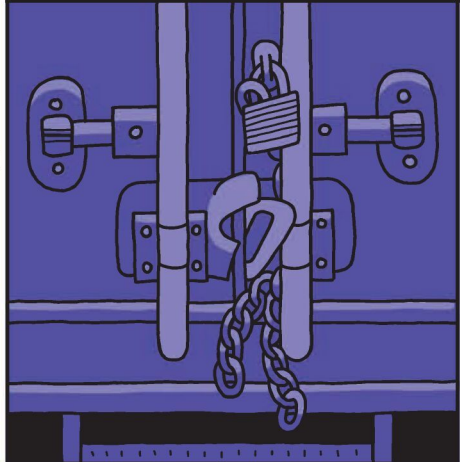


He went to get food at the other end of the property.

He was gone for 27 minutes.



he saw that the trailer's red plastic tamper seal had been removed and its rear lock had been "cut away," Brink's said in a legal filing, adding that Beaty "did not see or hear anything unusual."



Beaty, meanwhile,

remained asleep inside the vehicle.

When Motley returned,

After deputies from the LA County Sheriff's Department arrived, they turned on body cameras and recorded their interactions with Motley and Beaty, who had by then emerged from the vehicle. The transcript of those recordings became public when lawyers for the jewelers included it in a legal filing.

Beaty and Motley said they weren't sure how many bags—if any—had been taken. But after a deputy inquired, Motley took inventory.

He told Beaty that only 49 of the 73 bags were still there.



The drivers speculated about what had happened.

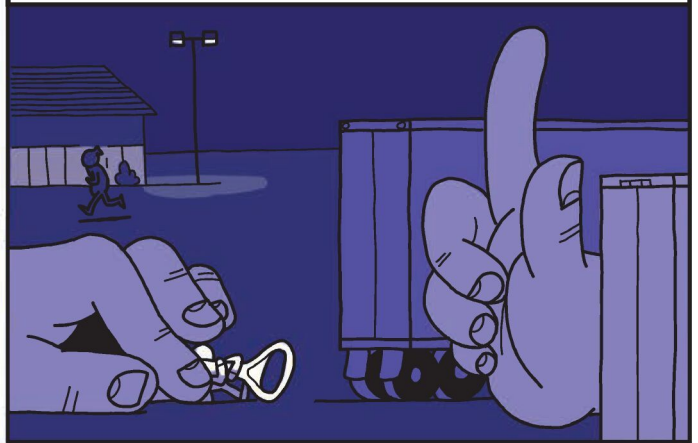


I'm pretty sure we were followed from the show where we got loaded.

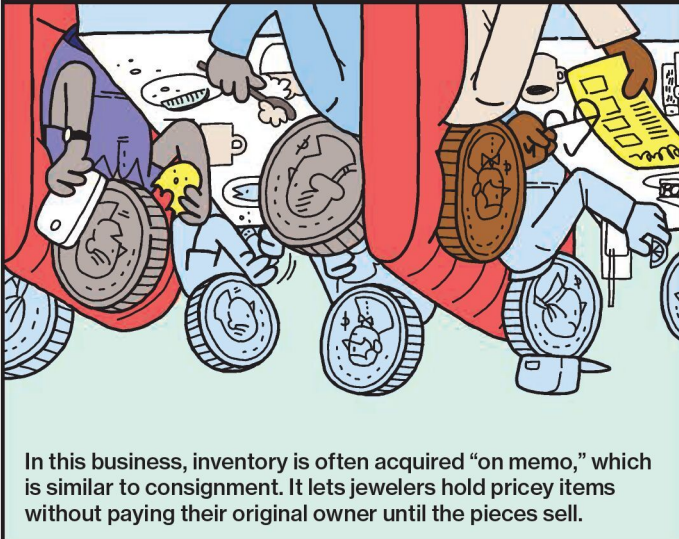
I heard some ruckus earlier like there was—it was a foreign language, it wasn't Spanish, because I know a lot of Spanish.

It wasn't that.

Investigators have come to suspect that thieves tracked the big rig from San Mateo using multiple vehicles, according to two law enforcement sources who spoke to the *LA Times* on the condition of anonymity because they weren't authorized to comment publicly. The criminals waited for an opportune moment to break into the truck, the sources said.

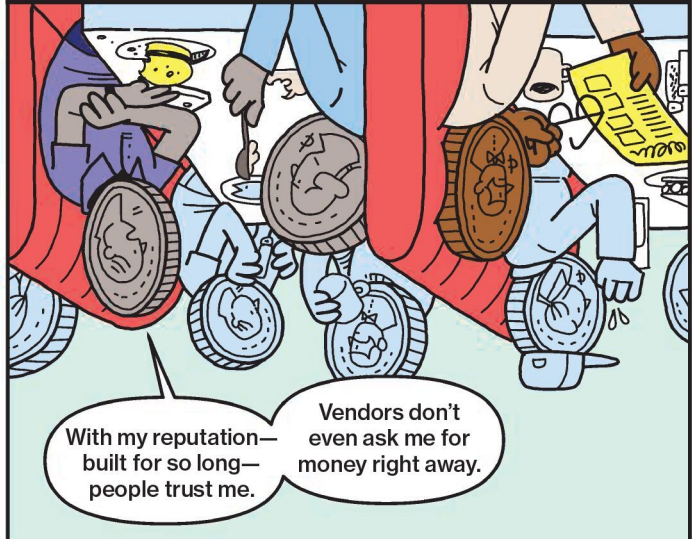


Eight of the 14 victimized jewelers are based in LA County. Their tight-knit community has been upended.



In this business, inventory is often acquired "on memo," which is similar to consignment. It lets jewelers hold pricey items without paying their original owner until the pieces sell.

One victim, Kenny Lee, lost 1,300-plus items, a collection worth at least \$12 million that took about 30 years to assemble, he says.



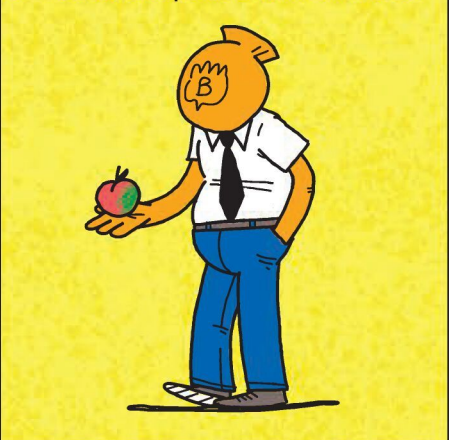
With my reputation—built for so long—people trust me.

Vendors don't even ask me for money right away.

Arnold Duke, president of International Gem & Jewelry Show Inc., estimated to the *LA Times* that the stolen items were worth more than \$100 million.



But in its lawsuit against the jewelers, Brink's put the value at \$8.7 million, a figure the company attributed to manifests the jewelers' representatives (often the jeweler himself) signed ahead of the truck's departure from San Mateo.



According to the *Times'* interviews with jewelers, it's standard practice among them to assign merchandise values that are lower than what they'd be on the open market to reduce shipping fees.



Malki, for example, said he declared the value of his stolen goods at \$100,000. He declined to disclose their fair-market value but said it was

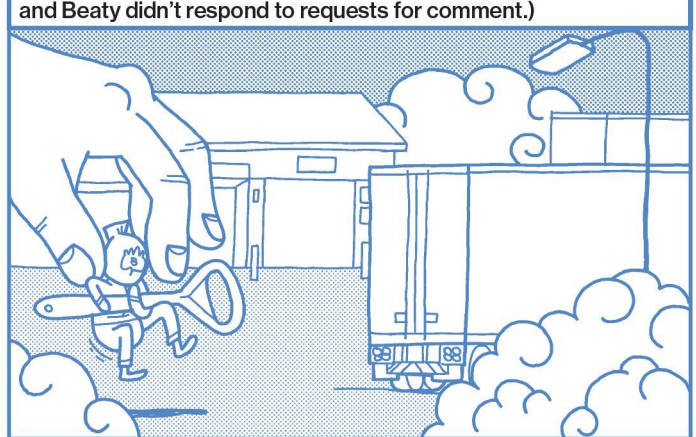
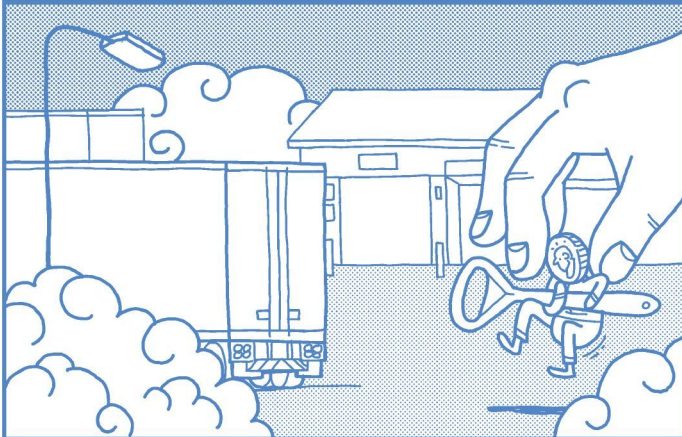


Dana Callahan, a Brink's spokeswoman, says that in sworn testimony Malki called the valuation he used a

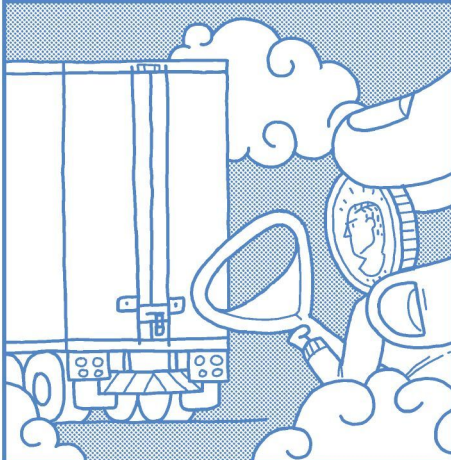


The victims were shocked by the Brink's suit, which sought to limit the company's financial exposure to \$8.7 million. Callahan says that "if the jewelers here had honestly and accurately declared the value of the goods they shipped, litigation would not be necessary." She adds, "We remain willing to compensate these customers for the declared value of their goods."

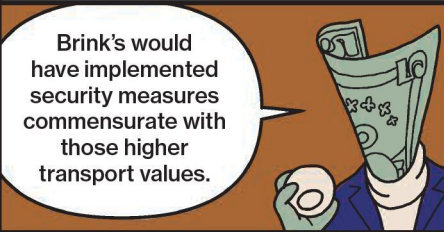
In their suit, filed about two weeks after the Brink's one, the jewelers demanded about \$100 million in restitution and at least \$100 million in damages. Their suit said that the tractor-trailer was parked in a "poorly lit" location and had an "easily-defeated lock," and that "lax security" by Brink's allowed "jewelry and gemstones to be stolen right out from under the noses" of the drivers. (Motley and Beaty didn't respond to requests for comment.)



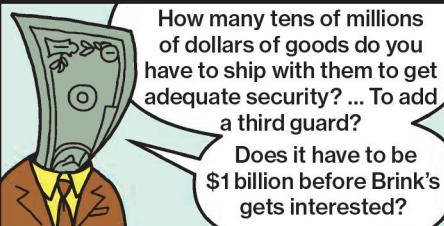
Callahan says "the truck was parked in a well-lit, heavily trafficked part of the truck stop. It was surrounded by other vehicles and near the fuel lanes at the Flying J, which had significant lighting."



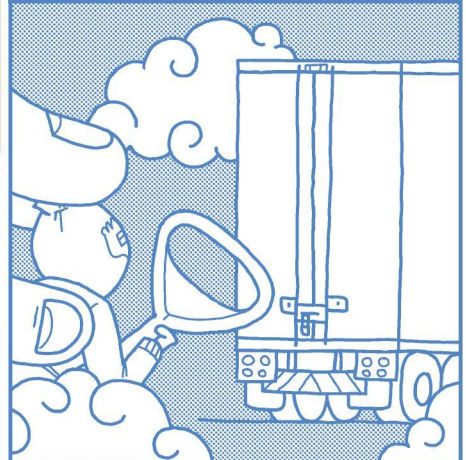
She adds that had the jewelers declared their wares were worth more, then



To that, the merchants' attorney, Jerry Kroll, says,



He adds, "If they'd guarded the goods, we wouldn't even be here now. For 27 minutes, one person is inside the Flying J and the other person is sleeping—we don't consider that guarding the goods."



# WHAT IS AVAXHOME?



# AVAXHOME-

the biggest Internet portal,  
providing you various content:  
brand new books, trending movies,  
fresh magazines, hot games,  
recent software, latest music releases.

Unlimited satisfaction one low price

Cheap constant access to piping hot media

Protect your downloadings from Big brother

Safer, than torrent-trackers

18 years of seamless operation and our users' satisfaction

All languages

Brand new content

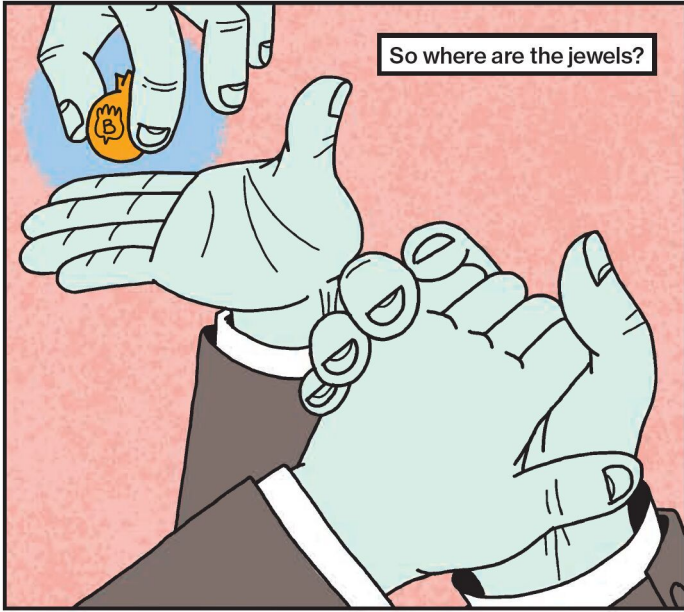
One site



**AVXLIVE** **ICU**

AvaxHome - Your End Place

We have everything for all of your needs. Just open <https://avxlive.icu>



So where are the jewels?



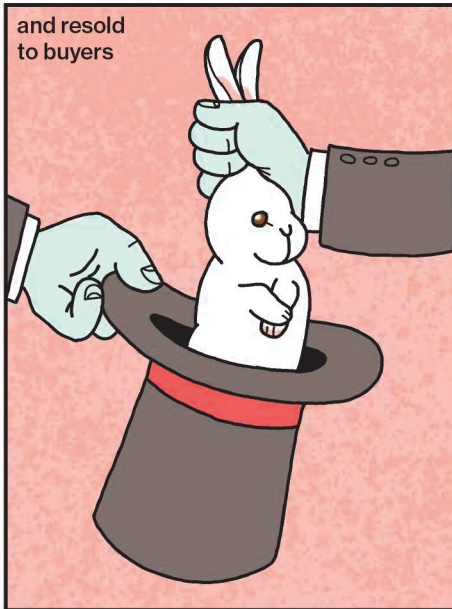
Industry veterans say the merchandise has likely been altered to make it unrecognizable.

Gold, platinum and silver would be separated from gems, melted down and reconstituted in untraceable bars.

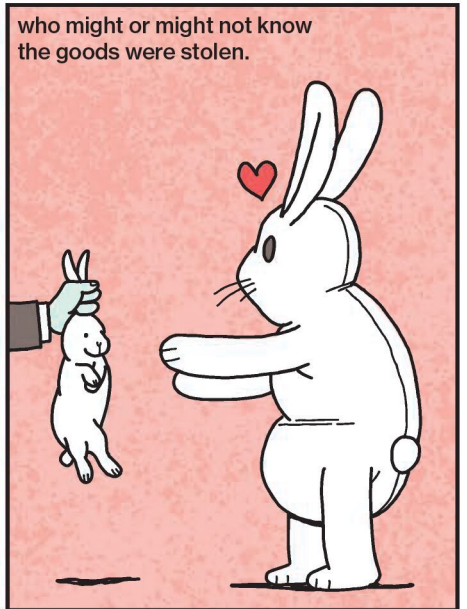
Diamonds and other precious stones would be polished and recut to remove marks identifying them on gemological registries.



The ill-gotten wares would then be sold to fences

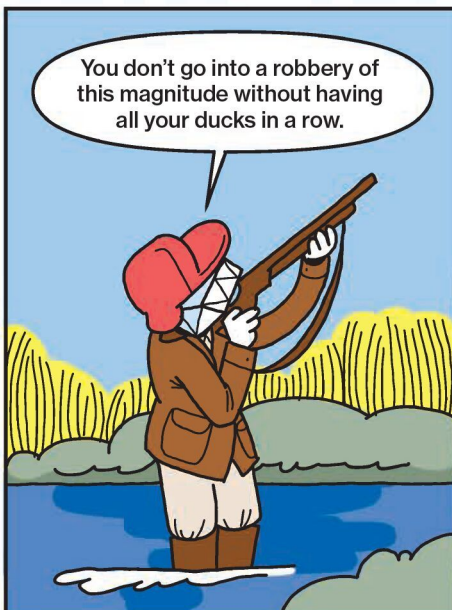


and resold to buyers

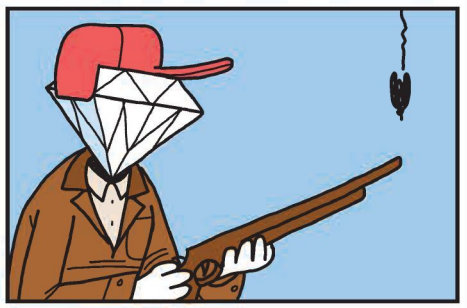


who might or might not know the goods were stolen.

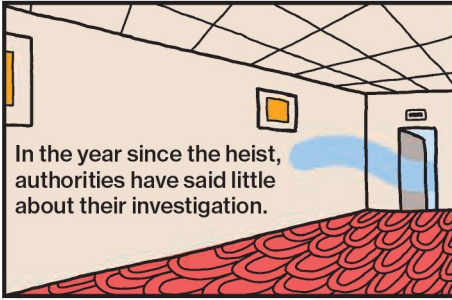
Larry Lawton, a former jewel thief who spent over a decade in prison after being convicted in connection with jewelry store robberies in the 1990s, says the thieves who carried out the Flying J heist "knew where to get rid of the stuff" before they burgled the truck.



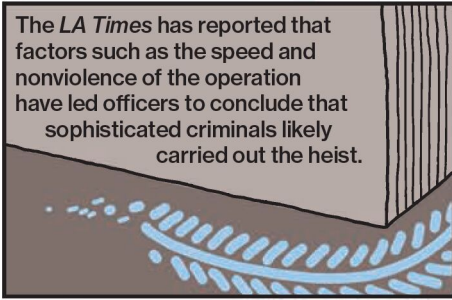
You don't go into a robbery of this magnitude without having all your ducks in a row.



Whoever planned this planned a good one.



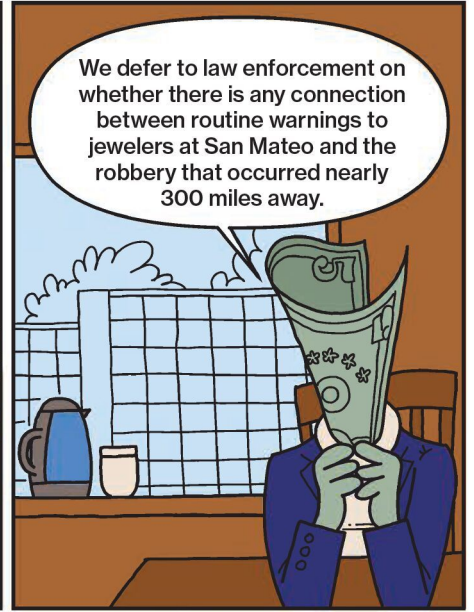
In the year since the heist, authorities have said little about their investigation.



The *LA Times* has reported that factors such as the speed and nonviolence of the operation have led officers to conclude that sophisticated criminals likely carried out the heist.

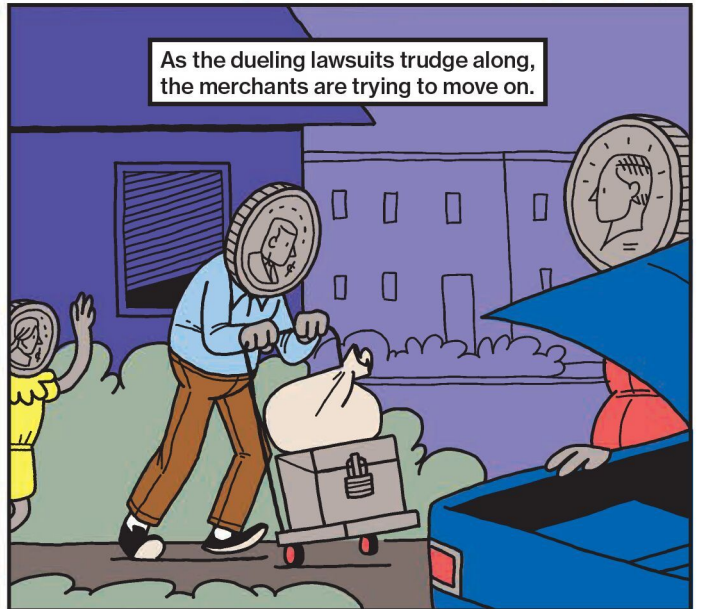
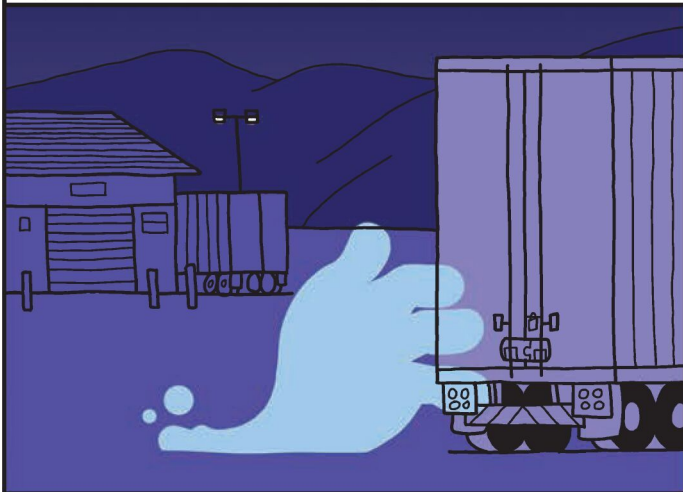


Investigators haven't linked the suspicious men at the jewelry show to the operation.



We defer to law enforcement on whether there is any connection between routine warnings to jewelers at San Mateo and the robbery that occurred nearly 300 miles away.

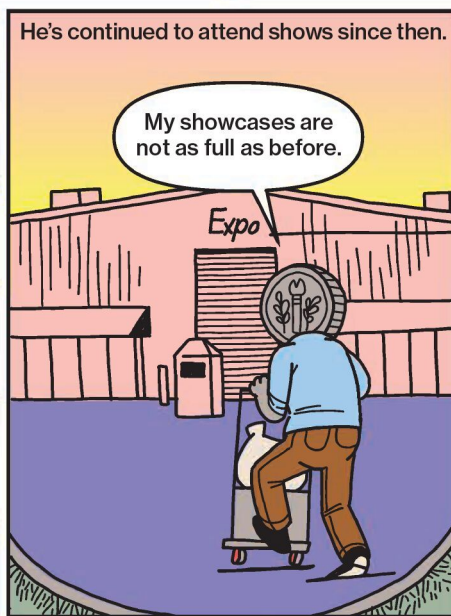
Beyond the bodycam footage, other video captured at the Flying J—and in San Mateo—is thought to exist, but the LA County Sheriff's Department hasn't disclosed details. (The department declined to comment.)



As the dueling lawsuits trudge along, the merchants are trying to move on.



Malki returned to the jewelry show when it came back to San Mateo in September 2022, just two months after the burglary. He'd bought a small amount of new inventory and acquired more on memo.



He's continued to attend shows since then.

My showcases are not as full as before.



But I manage.

A RHINO HORN CAN BE WORTH \$40,000 ON THE BLACK MARKET, WHICH IS WHY SOME PEOPLE ARE MERCILESSLY KILLING THE ANIMALS. COULD A LEGAL TRADE IN HORNS SAVE THEM?

# EVERY

# LAST

A southern white rhino, sedated and blindfolded, is dehorned in Greater Kruger Park

BY JONATHAN FRANKLIN PHOTOGRAPHS BY GULSHAN KHAN

IS ALL YOU NEED TO KNOW ABOUT WHY POACHERS IN SOUTH AFRICA  
DON'T SAVE THE RHINOS?

A close-up photograph showing a person in dark tactical clothing using a chainsaw to cut a rhino's horn. The person is wearing a black watch and has a tattoo on their forearm. The rhino's head is in the foreground, and the chainsaw is cutting through the horn, with wood chips flying. The background is a dry, grassy field.

**RHINO**

## 1.

Twisting above the South African grasslands, the pilot maneuvers his four-seat helicopter lower and lower, the rotors whipping up a cloud of red dirt and spiny branches. A rifleman in the passenger seat leans out and scans intently for his targets. How did that 9-foot-long southern white rhinoceros and her calf just disappear? Are they lying down, hiding in the vegetation? Out here in the 2.3 million hectares (5.7 million acres) of Greater Kruger Park, it's easy to lose a rhino.

Following directions from the chopper, two packed Land Rovers plow over bushes and bounce along the rough terrain, a man in one vehicle holding tight to an orange Stihl chainsaw. Hacking the horns off a rhino is always a team effort, and with the black market price for a horn topping \$40,000, there's no shortage of people willing to traffic one of the animal kingdom's most valuable commodities.

The dust briefly clears, and the pilot spots his chance. He hovers above the terrified animals, providing the shooter a clean look. The first shot hits the mother in the flank; she panics and pounds forward. A second shot hits the calf, which immediately starts to wobble. Less than five minutes later, both rhinos are toppled in the grass. The Rovers brake, and a dozen people hop out. Rhino poachers often use a panga, a sort of machete, to crudely hack off the horn after, if the animal is still alive, immobilizing it via a number of deep, brutal slashes severing the spinal cord.

This time, a chainsaw roars to life and seconds later, chips of rhino horn (worth \$50 a gram as a powder to be swallowed as a supposed cancer cure in Vietnam) shower into the grass. A series



A dehorning team closes in on a rhino

of slow, deliberate slices sever both horns from the mother and one from the calf. In total, the horns weigh about 8 pounds—at \$11,000 per pound in the collector's market in China, this small bag of loot is worth about \$90,000. That in part explains why an estimated three-quarters of the wild rhinos in South Africa have been killed in less than a decade. And why poachers might risk a 25-year jail sentence for a night spent evading lions and leopards and then hacking off horns.

As he sets down the chainsaw, the

cutter looks exhausted, but he isn't done yet. Leaning into the side of the mother rhino, he braces his leg and tries to move her into a more comfortable position. These men and women aren't poachers. The animals were darted with an opiate. Once they were down, a veterinarian poured artificial tears into their eyes, then blindfolded them, trying to minimize their distress as



McDonald

their horns were taken. This elaborate process, called dehorning, is how rhinos, under attack by poaching gangs in South Africa and anywhere else they roam, are protected. Their most valuable part is sawed off and immediately measured, tagged, microchipped and locked away under armed guard.

Like human fingernails, rhino horns carry no nerves, are made of keratin and grow constantly. Once trimmed, the horn grows from flattened nub to a foot in length in five years. The visual effect of a dehorned rhino, meanwhile, is disturbing; it's like looking at a lion after someone has razored off his flowing mane.

"I must have participated in 2,000 dehornings. We've done up to 22 in a single day," says Gerry McDonald, the helicopter pilot on this mission. "We shouldn't be doing this, but it's the only thing that's working. At the reserves where we have dehorned, the rhinos have been left alone. We know it's a temporary solution—it's just buying us time. But if you have rhino with horn, you are going to be poached. That's just the way it is."

Across South Africa, teams such as this, combining the skills of experienced bush pilots and frontline veterinarians, are fighting to slow the killings of rhinos and the theft of their horns. In this latest twist in the illegal rhino horn trade, the people lopping off the horns with chainsaws are the good guys.

## 2

Rangers and conservation managers in Africa refer to Kruger National Park as "Fortress Kruger." Despite the effort and money invested in keeping them out, poachers roam widely inside the park. Elephants are killed for tusks and pangolins for scales. Antelope, buffalo and other species are trafficked into the illegal trade in game meat. A decade ago, Kruger had approximately

9,000 southern white rhinos. That population has been reduced, through poaching and drought, to about 2,600. As with the war on drugs, it appears that government crackdowns and prohibitions do little more than professionalize the traffickers and maintain black market prices. But unlike cocaine or fentanyl, the supply of rhino horns is finite. If every rhino on Earth were poached tomorrow, the total supply would weigh roughly 29 tons and fill only three shipping containers.

Rhino horns are trafficked by transnational criminal syndicates with well-organized supply chains. Demand comes from Southeast Asia and China, where millions of people believe powdered rhino horn has medicinal qualities, combating hangovers and slowing cancer. Intact horns are also prized, as well as intricate horn carvings and libation cups. An ostentatious show of rhino horns on the mantelpiece is, for a certain kind of collector, a sign of membership in a most exclusive club.

Given the value placed on horns, it's little surprise that rhinos throughout Asia were poached almost to extinction by 2008. Populations that once roamed Thailand, Laos, Vietnam and Indonesia are almost gone. The number of Java rhinos is down to 76, Sumatran rhinos, 80. Having exhausted Asia, the smugglers and traffickers turned their attention to Africa around 2007.

Africa's rhinos—blacks, northern whites and southern whites—had been making a modest comeback after 200 years of being ravaged by European settlers and hunted for sport. The population, once less than a hundred, was headed toward 30,000. Criminal gangs quickly reversed that. The black rhino population is now about 6,000. There are only two northern white rhinos, both of them female. Southern white rhinos number about 16,000, at least three-quarters of them in South Africa.

The country's rhino population is spread thin and far. Several thousand roam the federally maintained Kruger National Park and the private nature preserves that have taken down their fences and become part of Greater Kruger. Even more, about 60% of the total, live on what are functionally breeding farms.



Mzimba was assassinated by poachers in 2022

But habitat destruction has disturbed migration patterns enough to make it difficult to precisely count the remaining rhinos. Many park rangers say published population figures are too high; they suspect the South African government is overestimating the rhino population to divert attention from the grim reality of poaching inside Kruger, the nation's showcase park.

The costs of fighting poachers are difficult to tally. There are direct expenses, including security fences, live-feed cameras, bullet-proof vests, satellite connection fees and an air wing of helicopters and airplanes. There are substantial indirect costs, including the care, feeding and upbringing of orphaned rhinos. There's also a more devastating line item: the lives of rangers. Across Africa more than 100 rangers died in 2022. Roughly 80% were homicides.

In July 2022, Anton Mzimba, a ranger in the Timbavati Private Nature Reserve, was assassinated in his front yard. In the weeks before the hit, Mzimba received word that a contract had been placed on his life because of his fight against rhino poaching. He consulted with his superiors and colleagues; they say he believed he could outmaneuver the poaching syndicates. He was wrong. Shot repeatedly in front of his family, he bled to death before he reached the hospital.

← “Anton was my friend,” says Altin Gysman, a 23-year veteran of the South African Army who now trains paramilitary conservation protection teams. “We trained together, and he was killed because he was true to his word. He would not be corrupted. That’s why they killed him. Now all our rangers must wonder, ‘Are we next?’”

Inside his sweltering office at the Southern African Wildlife College, a training ground for national park rangers, Gysman can hear the drill sergeants on the nearby parade field as they lead new rangers through a six-week boot camp. Dressed in military-style uniforms, they stomp the ground in unison while holding faux rifles made of plywood and painted blue. These men and women are preparing to be sent to the front. They will learn to handle semiautomatic weapons, analyze intelligence feeds and employ combat medic skills. “We are the

bulletproof vests for the rhino,” Gysman says. “If you want to shoot a rhino, you must take us out first.”

Across the fields from Gysman’s office—past the firing range, the hangar for light aircraft and a grass runway chewed clear by a herd of impala—are kennels for the unit’s dogs: bluetick, redbone, and black and tan hounds, as well as Belgian Malinois. Leading this pack is Johan van Straaten, a barefoot, sunburned man who lives and breathes to track poachers. The dog team, supplemented by another detachment at a satellite station in Skukuza, 120 kilometers (75 miles) south, is a rapid reaction force.

It’s startling to watch a pack of trained dogs sprint on command, jump into a helicopter and then immediately fall asleep on the chopper floor as the craft buzzes above the grasslands. But the dogs know their mission will be exhausting. “We have tracked poachers who walked 150 kilometers over a four-day period,” Van Straaten says. “Once we caught up to them when they were resting with their shoes off, and

they still ran off for 40 kilometers in the bush, barefoot.”

Poaching attacks are often carried out by three-man teams: a shooter, a panga-wielder and a human mule to carry food, water and extra supplies. Increasingly, poachers use silencers. Gunshots carry far across the grasslands, and the sound sends conservation officers and helicopters scrambling. A massive rhino is rarely dispatched with a single shot, even though the .458 caliber slugs are the same as those used to poach elephants.

In an attempt to throw off the pursuers, some poachers pad their boots or sneakers with five pairs of socks to blur and distort their footprints. Others walk backward or jump from rock to rock. Tactics such as these may slow human trackers, but when the dogs arrive, deception rarely works. The K-9 teams have a success rate of 75%, versus 5% to 10% by human-only teams. “A person may take five minutes to advance a hundred yards. The dog does it in seconds,” van Straaten says. “Even before the helicopter touches the ground,



Black Mamba rangers Qolile Mathebula and Cute Mhlongo



## “People are saying, ‘We’re going to hunt them until there is none, because then the horn will be worth even more’”

all six dogs are barking and ready to go. We land, and they jump out, and they will find the poacher.”

A well-trained hound can follow human tracks as old as 48 hours, but by then the horn is likely out of the park and headed toward the airport in neighboring Mozambique or on a cargo ship destined for Vietnam or Laos, with a high probability that it will end up with Chinese buyers.

For veteran rangers, the militarization of protected areas in South Africa, with all the marching and emphasis on firepower, is a far cry from the initial romance implicit in wildlife protection. Wilson Siwela has spent 32 years as a ranger in Kruger National Park. Asked about the old days, and his main concerns when he first began, Siwela pauses to collect his thoughts. “There were so many thirsty animals,” he says.

# 3.

No one knows exactly how many rhinos are being poached in South Africa. Sometimes after a horn is stolen, the carcass is whisked away, then butchered and sold into the underground game-meat market. Sometimes hyenas, lions and vultures devour the evidence. South African investigators have proof—in the form of mutilated rhinos—that a minimum of 451 rhinos were poached in the country in 2022. If this pace of poaching continues, wild rhinos could be exterminated in as few as seven years.

That, perversely, would probably juice the illegal horn trade. “What’s currently happening now is a systematic deletion of rhino. People are saying, ‘We’re going to hunt them until there is none, because then the horn will be worth even more,’” Ruben de Koch, a longtime trainer of African park rangers, said in the recent documentary *Rhino Man*.



Spencer

A 2003 University of Wisconsin academic paper titled “Betting on Extinction: Endangered Species and Speculation” made a similar point. “It can be optimal for a speculator to induce poachers to harvest so rapidly as to make extinction of the species inevitable,” the paper stated. “With natural stocks depleted, the investor would then enjoy considerable market power, allowing him to obtain supra-normal profits.” The paper suggests that dehorning might not be sufficient to stem the slaughter, based on “anecdotal reports from poachers claiming to have been instructed to kill rhinos in the wild, whether they have valuable horns or not.”

The two remaining northern white rhinos are in Kenya; each has its own bodyguard. In South Africa several private nature reserves link individual rhinos to satellite feeds. “I used a system where there is one sensor in the horn and one on the rhino’s body,” says Craig Spencer, a warden inside the Olifants West Nature Reserve, a privately owned 22,000-acre reserve that’s part of Greater Kruger. “If the horn moves more than 5 meters from the body, an alert is triggered, and we can track the movement of the horn.”

Spencer appreciates the importance of dehorning operations, aerial surveillance and K-9 units, but he’s convinced that the most effective antipoaching tool is building community support for wildlife conservation. A decade ago he assembled an all-female, unarmed antipoaching unit led by local women with lifelong ties to nearby villages. The

group, known as the Black Mambas, patrol in jeeps and on foot to disrupt poachers sneaking into the park or trying to escape with bush meat, ivory or rhino horn. They routinely find and destroy wire snares used to trap animals.

The Black Mambas are also like detectives. Rumors, gossip, tidbits of useful information are more likely to be picked up by a female team roaming the communities than by military-style units wielding heavy weaponry. Spencer also figured the Black Mambas would be at less risk than their militarized counterparts. The murder of a local unarmed woman would bring widespread condemnation, not to mention a vast law enforcement counterattack.

Bouncing in the back of a pickup during a patrol in the Greater Kruger, two Black Mambas hold on to a roll bar and aim high-powered flashlights into the bush. To their right a 10-foot-high electrified fence is meant to keep lions, leopards and marauding elephants inside the reserve and the illegal poachers out. Neither the animals nor the poachers are particularly discouraged by the fencing. The clever elephants have learned to use their tusks to hook, then snap, the lines, as if they were popping piano strings, one by one, after which they trample down the fence. Poachers use wire cutters. Or they crawl through tunnels dug by wandering warthogs.

Any sign of sliced fencing is an alert for the Mambas to radio for reinforcements. On this night →



A dehorned mother rhino in Greater Kruger



Gerry McDonald's twin brother, Bruce, flies this plane, its purpose clear from below

← the fence is intact, but that's not to say all is quiet. In the bobbing pools of illumination created by the headlights, a lone hyena trots. To the left, a solitary elephant curls its trunk around some branches and rips them free. Farther down the road a wild ruckus erupts as two—maybe more—elephants brawl.

At the park rangers' base, none of the locals seem worried that a trio of lions pace and rest under a porch swing, perhaps attracted by the smell of a barbecue. In many ways it's easy to see this natural wonderland as a protected paradise. It's that, but it's also a battlefield, and should one of the reserve's rhinos show its face in the starry light of the African landscape, its silhouette would be eerie and unnatural: a rhino with no horn. A rhino perhaps with no future.

# 4.

Given the heightened security in both private and public parks, poachers are diversifying from their longstanding tactic of using evenings with a full moon (known locally as poacher's moon) for their forays into the park areas. Now, they increasingly enter the nature reserves disguised as tourists. The guns are smuggled in by clerical or cleaning staff, stashed in cars or in the bottom of laundry bins. A 2022 investigation commissioned by the European Union found evidence that poachers had positioned so many guns inside Kruger National Park that "sometimes a hyena or elephant would discover [a] rifle and play with it."

"Many of the 2.6 million people who live along the western border of Kruger have never seen wildlife," says Spencer, the warden. "It's a travesty, but they live on the other side of the fence, and to many, the safari and bush experiences are seen as a tourist activity arranged for the comfort of

white outsiders." The animals live in protected areas; local people scratch out a living in what they sardonically call "the unprotected areas."

Mzimba, the ranger assassinated last year, was a passionate proponent for distributing the revenue from wildlife tourism more equitably. His commitment to bridging the gap included years advocating for local youth to be incorporated into the workforce through a program called Future Rangers. "People around the protected areas see that the hunting and tourism companies [are] making money and getting rich," he said on a podcast accompanying the *Rhino Man* documentary. "The conservation areas are seen as islands of gold, where only a few people are benefiting."

Three sociologists from Wageningen University in the Netherlands who studied this phenomenon published a paper in 2022 criticizing South Africa's safari business and the attendant real estate gold rush—there's a booming business selling lots on wildlife estates and private game reserves. Vacationers at their second homes and wealthy tourists cavort in open-topped vehicles at the reserves while impoverished Black South Africans (minimum wage in the country is \$1.38 an hour) commute great distances to work as service staff. It isn't uncommon to see 12 or 14 workers standing in the back of a pickup truck racing along potholed roads, meaning a single traffic collision could disintegrate the integrity of a dozen families. The segregation and inequality, say the authors, are similar to the former apartheid government's scheme of banishing Black citizens to Bantustans and townships. The authors call these aspects of ecotourism business "green apartheid."

Poachers around Kruger promote the idea that they are Robin Hood-style outlaws who rob rhinos from the rich to spread cash among the poor. Among the most famous was Petros "Mr. Big" Mabuza, an accused trafficker living near nature reserves in the South African town of Hazyview. In 2018 he was arrested for his central role in a poaching scheme; prosecutors described him in court proceedings as "a crucial point of receiving and

distributing rhino horn" in and around Kruger National Park.

Mabuza was also facing charges of murder. Nonetheless, he was released on bail, and while he awaited trial, he was killed in a roadside assassination, his car riddled with bullets. Mr. Big was buried like a cartel boss. His body was delivered to the funeral ceremony in a helicopter, the casket draped in leopard skin. Two professional video teams recorded the event. Hundreds of supporters paid homage to a man they revered for paying university fees for local students and in other ways sharing his vast wealth. For those who couldn't attend, the ceremony was livestreamed on YouTube.

People in the towns near Kruger say it's easy to tell who's working for the rhino kingpins. Suddenly a neighbor has a new car or a second story on the house. "But the [low level] poachers don't make the big money, probably only 50,000 or 100,000 rand"—\$2,700 or \$5,500—explains a member of one antipoaching unit, who asked to be identified only as Patrick. "So that's not enough to finish building a house, maybe they build half the house and then they are back into the bush, trying to poach another rhino." In local street slang, someone who's struck it rich is said to "have the horn."

# 5.

In March this year, anti-poaching units received an urgent report that a robbery was underway at a rhino breeding farm. Alarms were sounding, guards were rushing to inspect a hole cut through the security fencing, and tracking dogs were scouring the lands. There were no

reports of shots fired, so perhaps the farm's rhinos hadn't yet been poached.

## ANOTHER ANIMAL KINGDOM TARGET

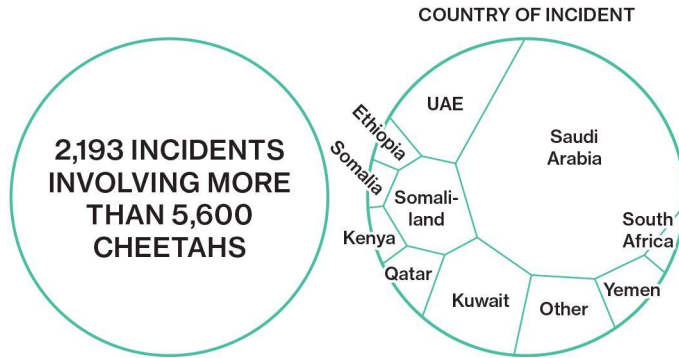
Tracking the footprints and bent grass, the guards saw that the poachers had made a beeline for the main house. There they emptied a metal case holding approximately 18 rhino horns. They also tore apart two rooms looking for cash, cut open a small safe with an acetylene torch and tried, unsuccessfully, to pry open a gun safe. No one was found on the property; there were indications the robbers might have escaped in a waiting vehicle.

For different reasons and in different black markets, cheetahs are as pricey as rhino horns. The data represented below was gathered by researcher Patricia Tricorache, who studied government sources, news reports, e-commerce sites and social media platforms to identify almost 2,200 instances of cheetahs being illegally trafficked or in the possession of private owners from 2010 to 2021.

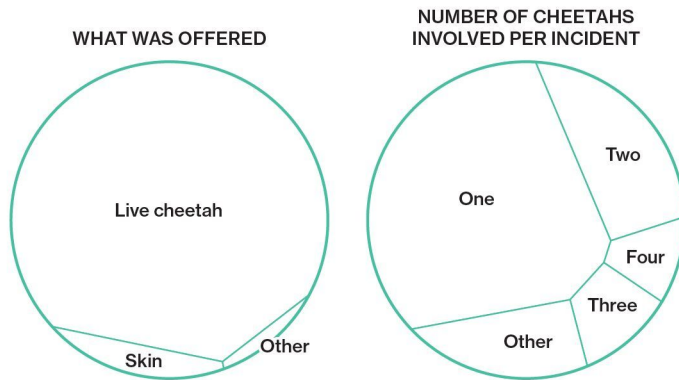
In the conservation community, the idea of a robbery was mocked. Most private rhino owners don't keep horns around; they use armored-car transport services and place their horns in safe deposit boxes alongside Krugerrands and diamonds. Pointed questions were raised: Was the ranch owner faking the invasion to cover up the illegal sale of rhino horns? Was it an inside job? Had the security team at the ranch robbed their own boss?

Investigators tracking the rhino horn trade in Asia have been baffled in recent years by the quantity of horns coming out of South Africa. Even if they account for every rhino poached in Africa, the volumes don't add up; there are simply too many horns for sale. Some ranchers insist that South African officials have been pilfering from a rhino horn stockpile the government maintains in a vault near the town of Skukuza. Conservation advocates allege the black market is being fed by private owners, who have no legal outlet for the horns they harvest. Rhino owners also, they say, fake robberies of their homes and attacks on their animals, then sell the horns they've reported as stolen to dealers in Johannesburg. "We have heard of many cases in which the owner goes out and shoots his own rhino and claims that a poacher did it," Spencer says. "That is the reality."

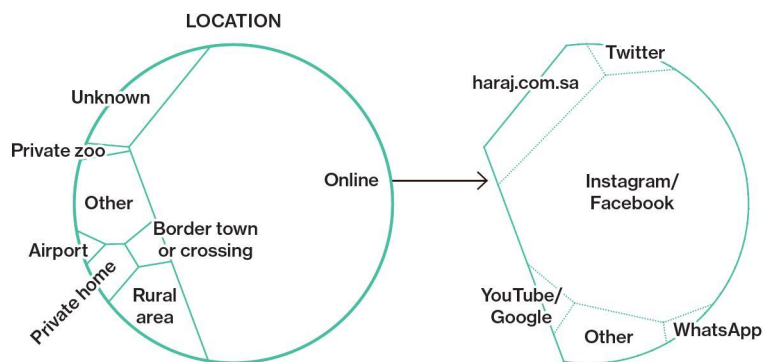
A week after the robbery, the ranch owner, who later asked to remain anonymous because of



These are the nations where a trafficked cheetah was detected. Countries in sub-Saharan Africa are near the beginning of the supply chain. Nearly all illegally traded cheetahs are bound for the Arabian Peninsula.

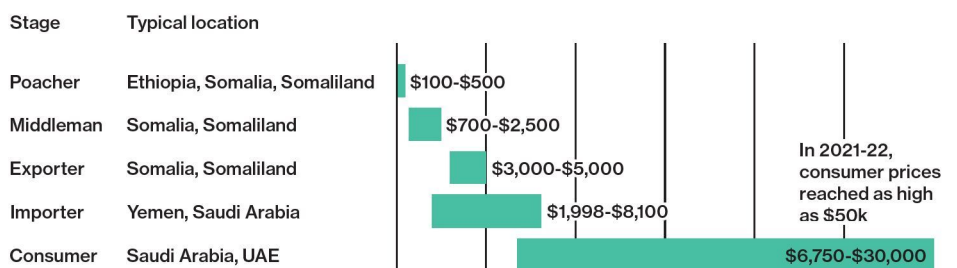


The vast majority of incidents involve live animals. Mostly they're moved alone or in pairs, though in 2015 a Yemeni dealer offered 56 cheetah cubs for sale. There's also a trade in skins, teeth, skulls and other parts.



These are the places and websites where trafficking incidents were detected. Sales are most commonly arranged on social media, and increasingly on messaging apps in particular. Since 2021, at least 170 offers have been identified on WhatsApp.

ASKING PRICE PER CHEETAH CUB, 2016-20



DATA: TRICORACHE ET AL. AS PUBLISHED IN DATA IN BRIEF, APRIL 2021 (DATA THROUGH 2019), UNPUBLISHED DATA COLLECTED BY PATRICIA TRICORACHE (2020-21 DATA), TRICORACHE AND STILES FOR THE GLOBAL INITIATIVE AGAINST TRANSNATIONAL ORGANIZED CRIME, SEPTEMBER 2021 (PRICES)

← additional robbery attempts on the farm and his home, knows what people are saying. “To be involved would be a betrayal of everything that I morally stand for,” he says, weeping. He’s invested millions raising and protecting rhinos and dedicated years advocating for a legal trade in their horns, from which he planned to make even more millions. He openly cries as he describes fears that the raiders would have murdered or tortured him with the acetylene torch had he not been out on the day of the incursion. He also shows off a seriously upgraded security profile. An automatic pistol is tucked into the front of his cargo pants. A matte black AR-15 with silencer and thermal scope sits on his desk. A heavy bulletproof vest hangs off the back of his chair. In his living room (decorated with a trio of bleached white elephant skulls), a half-dozen armed men are receiving a security briefing from a British Special Forces veteran.

Under South African law, landowners are permitted to buy, sell and trade the wildlife on their property. The online auction site My Wildlife SA offers everything from a herd of 50 impala (a relative bargain at \$102 apiece) to a rhino family that includes bull, cow and calf. In only five clicks a buyer can have these three rhinos in their basket and be ready to enter credit card details for a payment of \$24,540, not including transport and sales tax. Five years ago the price might have been 10 times higher. The difference is the fear factor. Landowners know that keeping

rhinos might subject them to home invasion, kidnapping or murder by poaching gangs. This explains why rhinos can even be had for free, to a good home. “I could get six rhinos with a few phone calls,” Spencer says. “People are dumping them. No one wants rhino. It’s just too costly.”

It’s an uncomfortable economic reality in South Africa that a rhino is now worth more dead than alive. “What we have is the arbitrage between the legal value of a live rhino and the illegal value of a dead rhino. That arbitrage is huge,” says Kevin Leo-Smith, a South African economist who has spent decades in both conservation and wildlife tourism developments. “The bottom line is that you are actually incentivizing dead rhinos and—lo and behold—that is what we are finding, dead rhinos. And more and more.”

Nowhere is this conundrum more apparent than on the 21,000-acre rhino ranch belonging to John Hume. For more than two decades, Hume, who made millions in the holiday resort industry, has watched his herd flourish; he now has slightly more than 2,000 southern white rhinos, meaning he personally owns 12% to 15% of the remaining members of this species. Hume’s investment strategy was to raise rhinos like a herd of cattle—to inoculate, vaccinate, feed and breed. He never planned on having so many rhinos, but as security costs soared, he received hundreds of animals at minimal or no cost. The result is not only a massive herd but also rhinos from almost 100 locations, providing a diverse genetic pool.

Every two or three years he trims his animals’ horns. His stockpile has grown steadily, and though he declines (for security reasons) to provide precise figures, he told National Public Radio in 2016 that he had 5 tons of horn, roughly \$300 million worth based on current black market prices. Given that Hume has said he can harvest a ton per year, he could now be sitting on three-quarters of a billion dollars’ worth of rhino horn. He, like others in his position, lobbies for

the legalization of the international horn trade. The South African government has repeatedly rejected the idea, as have most international conservation groups.

In early 2023, at 81 years old and with his rhino security costs topping a \$1 million a year (not to mention the expense of 16 tons a day of barley and other feed), Hume gave up. Even his critics have no doubt that he truly cares for the health and welfare of his animals. But with no sign of a legalized trade in sight, Hume put up the entire herd for auction. The minimum bid (for the herd, not the horns) was set at \$10 million.

“He is a controversial character. He took a big bet on being able to trade horn, and he basically lost his fortune trying to do it,” Leo-Smith said as the date of the auction approached. “Will he get his \$10 million minimum price? I am not sure. Ten years ago for sure.”

Leo-Smith was right to be skeptical. In May, Hume announced that the auction had failed. No one had met the minimum bid. He vaguely described conversations with possible buyers but then went on vacation.

Will his herd be bought by a conservation nongovernmental organization and used as breeding stock for wild rhino herds across the continent? Will another rhino rancher buy it up, betting again that a regulated international trade in rhino horns will be legalized? The implications are far broader than just Hume’s farm and animals. Dozens of private rhino owners across South Africa face financial disaster. Their costs are soaring, and they have no legal way to sell the horns they harvest.

Leo-Smith takes the side of those advocating for legal trade in horns. It would send the value of live rhinos soaring, he says, which in turn would ensure rhino grazing lands would be preserved. (This argument is sometimes pitched as “horns for habitat.”) “Imagine how much the rhino could contribute to overall conservation,” he says. He is, however, against the conversion of rhinos into a kind of domesticated livestock. “Captive breeding is a bad situation for rhino,”

**“You are actually incentivizing dead rhinos and—lo and behold—that is what we are finding, dead rhinos”**



Harvested horns ready to be microchipped and locked away

he said. “It’s like a zoo as far as I am concerned. We want wild rhino.”

The prohibitions that stymie the international trade in rhino horn are established by the 50-year-old endangered species treaty known as the Convention on International Trade in Endangered Species of Wild Fauna and Flora, or Cites. Last December, however, legal rhino trade advocates saw an opening in a new agreement: the 2022 Global Biodiversity Framework, signed by 196 nations in Montreal. This agreement specifies fundamental conservation tenets that include community involvement, the protection of biodiversity and sustainable use of resources. The pro-trade lobby argues that legal horn harvesting meets all three requirements. Africa’s rhinos, in this view, can be saved by market forces. Humans “look after what is valuable and neglect what is not,” Leo-Smith says.

The anti-trade coalition is vehement that if the trade is legalized, demand will immediately outstrip the supply. The possibility that 1.4 billion Chinese

consumers, with a centuries-long tradition of using rhino horn powders in traditional medicine, will have legal access to horns is terrifying to many rhino defenders.

In late June came perhaps the most brazen horn theft yet. The target was a government stockpile, at the North West Parks Board headquarters in the town of Mahikeng. Thieves made off with 51 horns in an operation that carried all the hallmarks of an inside job—the intruders appeared to know where the keys were stored and how the alarm systems functioned. The horns weighed between 70 and 90 kilograms and were worth approximately \$2 million.

Activists opposing legalization of the horn trade say this proves a point they’ve been making—that the logical end of a dehorning operation should be the destruction of the culled horns. “Maintaining stockpiles of rhino horn sustains the notion that at some point in the future, what is currently banned in international trade will be legalized again and that the stocks will be cashed

in at vastly inflated costs,” says Mary Rice of the Environmental Investigation Agency, a London-based conservation group. “Dehorning is clearly not disrupting the organized criminal networks, who are now able to get a significantly greater return on their investment by targeting the storage facilities.”

As these debates about antipoaching tactics, community engagement and legal trade become more heated, rhino populations continue to fall. If that problem isn’t solved, the rest will be academic. Bands of hunters will continue to prowl the African plains, slaughtering rhinos at a rate that will leave future generations with no other options than to study the bones and imagine the behavior of a wild animal that roamed the Earth for 14 million years. It will be a theft for the ages. **B**



**TRUCKFUL OF COOKING OIL**

**KINGSTON, JAMAICA**  
Allegedly taken by a construction worker and a policeman



**\$50,000+ IN BOTOX AND OTHER COSMETIC DRUGS**

**BUSSELTON, AUSTRALIA**  
The thief was captured on CCTV footage; she later pleaded guilty



**SANTA CLAUS STATUE**

**GREENVILLE, SOUTH CAROLINA**  
Taken from a restaurant display that showed Santa cooking the Grinch; the thief returned the statue, along with roses and an apology



**11,000+ CASES OF CHICKEN WINGS WORTH \$1.5 MILLION**

**HARVEY SCHOOL DISTRICT, ILLINOIS**  
Allegedly ordered by an administrator during the pandemic using district money, then resold; the schools don't actually serve wings



**1,240 CASES OF CRAB WORTH \$732,000**

**STANWOOD, WASHINGTON**  
The alleged thief, who pleaded not guilty, previously went to prison for impersonating a cruise-line buyer to steal shrimp



**"GARY" THE 8-FOOT GORILLA STATUE WORTH £3,000**

**CARLUKE, SCOTLAND**  
Stolen from a garden center; later 8-foot gorilla statue sightings were determined not to have been Gary



**132 BOTTLES OF WINE WORTH €150,000+**

**MADRID**  
Thieves targeted the finest vintages from the 25,000-bottle cellar of a two-Michelin-starred restaurant, including a 1925 vintage



**\$1 MILLION IN SIGNED KOBE BRYANT SHOES, POKÉMON CARDS, OTHER MEMORABILIA**

**LOS ANGELES**  
Three men in white hoodies crashed a truck into a store and got away in less than seven minutes

# The Strange Things Th

Since we went to press with our last Heist Issue, the world's robbers have been busy. While many kept to the tried and true, others saw value in specialization. Why jack a boring old bank when you could be the Pirate Kings of Dimes? Why be another Fabergé egg-robbing hack when you could be the world's top Creme Egg bandit? And anyone can lift a wallet, but it takes a gifted criminal imagination (and some heavy-duty equipment) to nab your very own sperm whale skull.

By Jeremy Keehn

Illustrations by Joanne Joo



**10-TON RAMSES II STATUE (ATTEMPTED)**

**ASWAN, EGYPT**  
Three men were caught with digging equipment and a crane



**2,000,000 DIMES**

**PHILADELPHIA**  
Taken from a truck originating at a US Mint facility; 10 or more men presumed responsible, annoying at checkouts



**TRASHBAGFUL OF BEEF JERKY WORTH AT LEAST \$2,000**

**ESPAÑOLA, NEW MEXICO**  
A subsequent break-in forced the store to throw away three bins' worth of jerky



**AROUND 200,000 CADBURY CREME EGGS AND OTHER SWEETS WORTH £54,000+**

**TELFORD, UK**  
One sticky-fingered man pleaded guilty





**4-METER-LONG SPERM WHALE SKULL**  
*EDEN, AUSTRALIA*  
Taken from the Eden Killer Whale Museum; perps at very large



**\$42,500 IN CALCULATORS**  
*BRONX, NEW YORK*  
Teen crew allegedly conducted at least nine break-ins at six schools; one 18-year-old has been arrested



**TRUCKFUL OF SIMBA POTATO CHIPS WORTH 1.2 MILLION RAND**  
*EKURHULENI, SOUTH AFRICA*  
One man was caught in the act; he described two accomplices who are missing and presumed salty



**R2-D2 STATUE WORTH UP TO \$10,000**  
*WALT DISNEY WORLD, ORLANDO*  
The man caught removing the droid claimed to be a security-guard job applicant



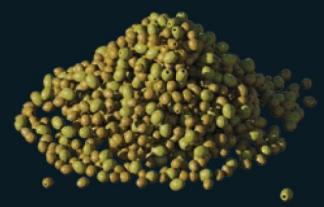
**\$37,355+ IN CADAVER PARTS GIVEN TO HARVARD MEDICAL SCHOOL**  
*CAMBRIDGE, MASSACHUSETTS*  
Seven people were charged in association with alleged thefts from 2018 to 2022; five, including a morgue manager and the Salem-based owner of Kat's Creepy Creations, have pleaded not guilty



**TRUCKSFUL OF FROZEN BEEF AND PORK WORTH \$9 MILLION**  
*6 MIDWESTERN US STATES*  
Three men pleaded guilty to operating a meat-theft ring encompassing at least 45 robberies



**C\$250,000 IN TOOTHPASTE**  
*GUELPH, ONTARIO*  
Perps at large, presumed smiling



**17.5 TONS OF OLIVES**  
*LAS VEGAS, SPAIN*  
16 arrested for thefts from six farms

# Thieves Stole Last Year\*

\*Or were arrested or convicted for stealing or attempting to steal (or were reported to have attempted to steal) last year



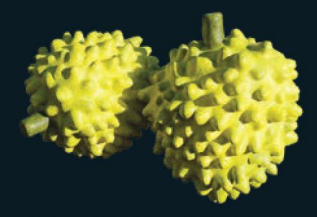
**1.5 3 BOXES OF POKÉMON CARDS WORTH \$500,000,000 \$500,000**  
*SPARTANBURG, SOUTH CAROLINA*  
The initial police report erroneously cataloged the cards taken from a collector



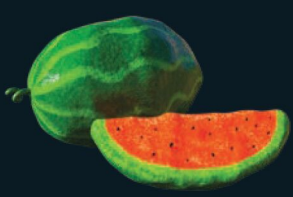
**TRUCKFUL OF COVID-19 TEST KITS**  
*FENNOR, IRELAND*  
The truck was found; the test kits and perps were not



**OSCAR MAYER WIENERMOBILE CATALYTIC CONVERTER**  
*LAS VEGAS*  
A garage patched the hole, and the Wienermobile continued on to its scheduled event



**1 MILLION+ BAHT IN DURIAN**  
*TRAT PROVINCE, THAILAND*  
Afterward, police began offering an overnight plantation-guarding service



**57 WATERMELONS**  
*MERCED COUNTY, CALIFORNIA*  
Two men were arrested, and the melons were returned



**60 CONTAINERS OF BULL SPERM**  
*OLFEN, GERMANY*  
Perps missing, presumed scientifically literate; police noted that bull sperm must be preserved using liquid nitrogen at -196C (-321F)



**20 BRISKETS WORTH \$3,000**  
*AUSTIN*  
The restaurant's owner and manager were later indicted on unrelated workers'-compensation fraud charges, which they denied; the owner passed away this June



**FUNERAL HOME VAN, CORPSE INCLUDED**  
*CHICAGO*  
One man was arrested for allegedly taking the van with the body of a 47-year-old father of 12 inside

A \$500 MILLION CATALYTIC CONVERTER THEFT RING AND

JAC



THE EFFORT TO BRING IT DOWN

BY EVAN RATLIFF ILLUSTRATION BY MAX GUTHER

# KED



## T

he largest investigation in the history of the Tulsa Police Department began with a routine traffic stop. On the afternoon of May 2, 2021, an off-duty officer reported a suspicious white pickup truck driving through the southeastern part of the city with “multiple catalytic converters in the bed.” Oklahoma, like the rest of the country, had been experiencing an astonishing rise in thefts of the devices—astonishing in part because many car owners don’t even know what their catalytic converter is, or why it’s worth stealing, until it’s gone.

Required by law for all gas-powered cars in the US, a catalytic converter is a metal cylinder on a vehicle’s underside that cleans exhaust before it exits the tailpipe. Each one contains a “core” that includes less than a quarter-ounce of the precious metals platinum, palladium and rhodium, known as platinum group metals, or PGMs. Detach the cylinder, and that core can be extracted, crushed, smelted and refined, releasing its metals to be resold on the global market. When prices of PGMs began skyrocketing in 2020, the reward for sawing a catalytic converter off a car spiked along with them. Stolen hunks of metal once worth tens of dollars were suddenly commanding hundreds or more.

So for the Tulsa PD, a truck piled with catalytic converters warranted dispatching a pair of officers, who located the pickup and pulled it over in a residential neighborhood. At the wheel was one Tyler Curtis, from Wagoner, a town not far to the east, where the city starts to give way to self-storage units and pastures. He looked every bit the Southern frat boy he was, 24 years old with mussed brown hair and a tattoo of a lighthouse on his forearm. The officers approached the truck from each side and asked Curtis whether there

was a gun in the vehicle. He said there was. This wasn’t unusual—they were in Oklahoma, after all. But it supplied enough pretext for the officers to handcuff Curtis and a passenger outside the truck, then search the vehicle. In the center console they found a loaded handgun, as well as a small bag containing a few grams of cocaine and heroin and a \$9,900 bundle of cash.

The word “multiple,” it turned out, had undersold the number of catalytic converters in the truck bed. There were 128 of them. “It was a large number,” one of the officers later testified, “and it was on a Sunday, when dealerships by law have to be closed, and most businesses that deal in those parts would be closed.” The officers called in a lieutenant who’d been working with the FBI to investigate the wave of thefts. The lieutenant read Curtis his rights and asked where he’d gotten the units. Curtis said he was the owner of a legitimate recycling business, Curtis Cores, and had bought them legally from car lots and muffler shops.

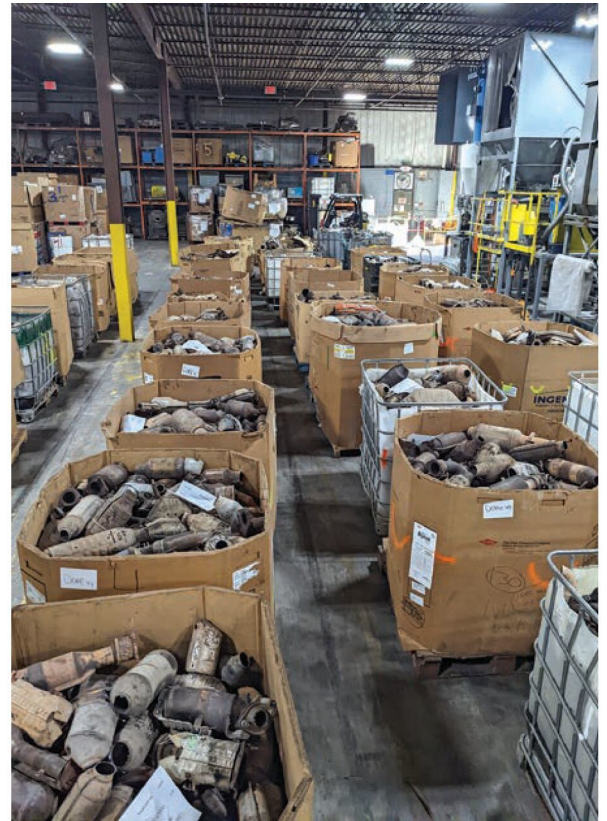
“To me, it made no sense,” the lieutenant later testified. He noted that the cats, as they’re called in the trade, had jagged ends, as though they’d been sawed—to him, a telltale sign they’d been stolen. Despite those suspicions, Curtis and his passenger were booked only for the drugs and the unpermitted gun. As it turned out, there was nothing illegal, strictly speaking, about driving around with a big pile of cats, jagged ends or no. All you needed to possess used ones was a scrap metal license, and while Curtis didn’t have it, he said his father had applied for the permit. Months later, Curtis would take a prosecutor’s deal on the drug possession and gun charges for deferred prison time and return to running Curtis Cores.

The case might have ended there. But in the months before the traffic

stop, as the police tried to get a handle on the theft problem, they’d started rounding up “cutters”: street-level thieves who do the dirty work of separating catalytic converters from vehicles. Security footage of driveways and parking lots often shows cutters lifting cars using hydraulic jacks or, with taller pickups and SUVs, simply crawling underneath them. They then deploy handheld, battery-powered tools known as “sawzalls,” named after a popular brand, to cut the pipes on both ends of the cat. A skilled cutter can pull off the whole operation in a couple of minutes, emerging with two smaller pipes attached to a bulging middle, like a python that’s swallowed a mammal too large to digest.

By the time of Curtis’ arrest, some of the cutters the

A junkyard warehouse full of catalytic converters owned by DG Auto in New Jersey



Tulsa PD had picked up said they'd been selling to "intermediate buyers," as they were later described in a federal search warrant application. Among them was a man named Steven Low Sr., who worked at an insurance agency but allegedly dealt in cats on the side. "I just ran an ad on Facebook, and people started bringing them to me," Low said when I called him recently. "I guess there's too many laws that I didn't know about." Low's case was later dismissed, but two days before Curtis' traffic stop, a GPS device police placed on Low's SUV showed him arriving at a warehouse on Highway 51, east of Tulsa in Broken Arrow. The address, they would later discover, belonged to Curtis Cores.

With the Low connection in hand, the police took a closer look at Curtis. From jail, he'd been captured on a recorded phone line asking his parents to drive out to the warehouse and remove any incriminating evidence. (Curtis' parents were never charged with a crime.) After he was released on bail, the authorities obtained a warrant to search his confiscated phone and iPad. They found messages that seemed to confirm he was more than a kid buying catalytic converters on the street. He appeared to be a midlevel player in a coast-to-coast network, a "tiered structure" of traffickers that spanned the country. That network, police would discover, was funneling a massive stream of cats to a company in Freehold, New Jersey, DG Auto Parts, with cores containing hundreds of millions of dollars' worth of metals to be extracted and shipped overseas for refining.

Yet the case still might have fizzled if not for the presence, in Tulsa's Riverside Street Crimes Unit, of an officer with the improbable name Kansas Core. At age 28, with a military bearing and a perpetual high-and-tight haircut, he looked the part. "He's not this undercover, crazy-looking bearded guy," says the street crimes unit supervisor, Lieutenant Brad Staggs. "He's like, 'You're a cop.'" Core had been on the force for fewer than three years and was green enough that his move to street crimes "kind of ruffled feathers," Staggs says. But a commander had elevated him there after seeing a certain industriousness and precision in him. (The Tulsa PD declined to make Core available for comment, citing his involvement in the ongoing investigation.)

The cat racket was hardly a choice assignment. "There's this 'We don't care about catalytic converters, because it's a property crime'" camp at the department, Staggs says. "It's not a sexy crime. It's not the robberies and the homicides." When the previous commander gave Core the case, it wasn't exactly hazing, but it wasn't far off. "I'm pretty sure that lieutenant basically was like, 'Core, you're the up-and-coming guy,'" Staggs says. "'Your last name is Core, and all the criminals call these cores. Here you go.'"

By the time Staggs took over the unit in September 2021, Core had become an evangelist of what Staggs now calls Camp 2—"the camp of people that are like, 'no, this is really affecting people.' Church vans, U-Haul businesses, insurance companies that are having to replace these things, elderly people. You know, it crosses all demographics." Core didn't just want to bust cutters around Tulsa. He wanted to trace the problem and "cut off the head of the snake."

"I sat down with Core on probably Day 2 in the unit, and I asked him, 'Tell me everything you know and where you think we can go,'" Staggs says. "Like, 'What do you think we can run this up to?'" Core laid out what the team had learned about Curtis, DG Auto and the ships full of material headed across the ocean. "If we get the right help and we get the right resources," Core told Staggs, "I don't see why we can't go all the way."

That December, Core obtained a warrant to mount a 24-hour surveillance camera outside Curtis Cores, installed surreptitiously on a utility pole along Highway 51. Over the next 11 months, the investigation would draw in hundreds of law enforcement agents across dozens of local, state and federal departments. They would uncover the story of a dark supply chain that saw \$545 million in cash crisscross the country in exchange for tons of catalytic converters—a network deeply intertwined with a legal recycling business the world desperately needs. By the time they moved to take it down, one officer would be dead, and nearly everyone involved would be left marveling at how a humdrum scrap business had spawned a criminal epidemic.

**T**

ypically, catalytic converter theft is the stuff of local headlines. Start looking, and you'll find them daily, in every corner of the country: "Providence Man Fights Off Catalytic Converter Thieves" or "Catalytic Converter Thieves Hit Jacksonville Restaurant Twice in 3 Weeks." There's a strain of vigilante justice in tales such as "Man Stabbed to Death After Trying to Steal Catalytic Converter in South El Monte." Others offer thinly veiled schadenfreude, like "Man Crushed to Death Stealing Catalytic Converter in Oakland." They're stolen by the dozen from car dealerships, parking garages and school bus depots. One night in January, Chicago *police* had five vehicles hit in a single lot.

Most of the time, that's where the story ends. "I would say every police department in our country was having the same problem we were," Staggs says. Arresting cutters, much like grabbing low-level drug dealers off the corner, doesn't ultimately dent the trade. "You damaged a car—it's a minor crime. They just get out and keep doing it."

Looking through the unblinking



← eye of the pole camera on Highway 51, though, it was easy enough to establish that Curtis was operating at a different scale. Curtis Cores’ headquarters was a tennis-court-size warehouse, clad in blue corrugated metal and situated between Meats n’ More and JT Wholesale Auto. Pickups, U-Hauls and SUVs with trailers would roll up daily, sometimes hourly, piled high with catalytic converters. Curtis and his employees would unload, inspect and price them, settling with the sellers in cash. Then they’d pack them in cardboard boxes, wrap them in plastic and load them onto pallets for shipment to the East Coast.

It looked like a major operation, but for Kansas Core to prove it was criminal, he’d have to show that at least some of the devices were stolen. Unlike the trade in illicit drugs, dealing in catalytic converters is not only perfectly legal but also an elegant recycling system. When a car is totaled or reaches the end of its life span, any self-respecting scrapyard will cut off its cat and hawk it to a dealer exactly like Curtis, who will sell it up the chain for the metals to be extracted.

Problem is, once a catalytic converter has been removed, it’s impossible to identify which vehicle it came from, beyond the make and model. And while the authorities will often argue that a “rough cut” cat is the product of a thief working quickly, the angle of a saw mark isn’t much to hang a prosecution on. Junkyards often use the same sawzalls that thieves do.

Core wouldn’t only have to show that Curtis was trafficking in stolen cats, either. Any criminal case would need to establish that he knew they were stolen. On that front, at least, there were early hints. The phone Curtis was carrying during his traffic stop had messages he and Low exchanged after seeing news about the arrest of some local cutters:

*Low: yep, hopefully no names*

*Curtis: That’s what I was thinking with the notepad they found. you never told them my name right?*

*Low: nope*

*Curtis: Good. I hope they never wrote your name down either.*

*Low: I know*

*Curtis: Just be careful*

Weeks after getting the pole camera

in place, Core got a warrant for Curtis’ Facebook account. Looking back through his history, Core’s team—along with agents who’d joined up with the case from the Homeland Security Investigations division in Tulsa—traced the evolution of a catalytic converter empire. (The Department of Homeland Security declined to comment.)

Curtis had been an all-American kid from the small city of Duncan, once known as “the buckle on the oil belt.” He was a high school golf team standout who landed at Oklahoma’s Northeastern State University and pledged Tau Kappa Epsilon. Three years before his traffic stop, he picked up a part-time job at Green Country Auto Core, a catalytic converter recycler located in the nearby town of Kansas. “He was just a college kid looking for a job,” says Dave Edwards, Green Country’s owner. “He didn’t know much at all” about catalytic converters. “Nobody does, really. It hasn’t always been viewed as a shady business like it is right now. It wasn’t sought after until the prices went up. That’s when the trouble began.”

Edwards says he showed Curtis the ins and outs of negotiating with junk car haulers, repair shops and scrapyards. “He was smart,” Edwards says. “He was good at his job, and the kid was a hustler.” Enough of a hustler that by August 2020 he’d managed to find Edwards a larger buyer in New Jersey called DG Auto.

DG was operated by a scrap metal entrepreneur named Navin Khanna, though most people used his nickname, Lovin. The company solicited catalytic converter loads from across the country, removed the cores in a process called “decanning,” which resembles an aluminum can getting crushed, and sold the insides to a nearby refiner. Khanna paid quickly and at the highest market prices, often in cash, and he seemed to have a bottomless appetite. “I didn’t deal with the guy much. Tyler dealt with him,” Edwards says now. “I did talk to the guy—just kind of rubbed me the wrong way.” Bad vibes or not, court documents say that by the end of 2020, Green Country had sold DG Auto \$2 million worth of catalytic converters.

One day that winter, Curtis showed up to work and told Edwards he was

going out on his own and taking Khanna’s business with him. “I wished him luck,” Edwards says. “I felt I wasted a lot of time on him, showing him the business. Would’ve been nice to have a little warning, couple of weeks at least. In hindsight, it’s probably the best thing that happened to me.”

By early 2021, a few months before the traffic stop, Curtis had quit college, and Curtis Cores was up and running on Highway 51. He hired a motley crew of young men, including one of his former frat brothers. From the outside, nothing about the operation seemed remotely illicit, says Jeremy Jones, the owner of JT Auto next door, who rented the warehouse to Curtis. The company had liability insurance, Jones says, and paid the rent “like clockwork,” by check. Staff even wore matching baseball caps with the Curtis Cores logo. Jones remembers Curtis temporarily shutting down the business around the time he was pulled over, saying he needed to get a scrap metal license. When he did, he hung it in the warehouse in case state inspectors showed up.

By the end of the year, when the pole camera went up, Curtis Cores was handling 5,000 to 6,000 catalytic converters a week, according to

“You gotta go all over New Jersey picking up cars and lifting hoods that ain’t been moved in a while. They got freaking possums under the engine. It’s not a freaking high life”

a federal search warrant application. Sellers were bringing them to Curtis from as far away as Houston, an eight-hour drive. Curtis Cores would turn around and ship them to DG Auto or to an associate in New York named Adam Sharkey.

Edwards says that after Curtis went out on his own, he lost contact with him and Khanna. “Washed our hands of both of them,” he says. But he heard from local contacts about the cash Curtis was paying. “They were offering more than anybody,” Edwards says. “If something seems too good to be true, it normally is.”

# D

DG Auto had always been, above all, a family business. Lovin Khanna started it in his mid-30s alongside his younger brother, Tinu, who goes by Gagan. The Khanna family immigrated to the New Jersey area from India in 2000, when the brothers were teenagers. Their father worked in the scrap metal business for years, and by the mid-2010s, Lovin was running his own shop, Ocean Metal Recycling, processing everything from air conditioners to lead batteries. “We are a second-generation company with over 20 years of experience,” his business card said. “We believe honesty is a way of business.” In 2019 the brothers opened DG Auto Wreckers, which specialized in used car parts, including catalytic converters.

“Logan was pretty much a very humble guy,” says Robert Hailey, a scrap car buyer who started selling to the Khannas at the time. “I call him Logan because I ain’t calling no grown man Lovin.” The business was unglamorous, the sellers arriving with small loads they’d scavenged from around the region. “You gotta go all over New Jersey picking up cars and lifting up hoods that ain’t been moved in a while,” Hailey says. “They got freakin’ possums under the engine. It’s not a freaking high life.”

Covid-19, however, launched the Khannas’ fortunes into the stratosphere. Upwards of 60% of all PGMs used in catalytic converters are extracted in South Africa, and pandemic-shuttered mines and transportation issues decimated the global supply. “Then we had mismatches in timing,” says Bart Melek, the global head of commodity strategy at TD Securities. “Some parts of the world where the mines were open had Covid problems later than the consuming parts of the world.” Because catalytic converters are mandated by emissions law in the US and other countries, Melek says, and because PGMs are irreplaceable to their function, their value soared. (PGMs provide the chemical “catalysts” that transform nitrogen oxide and carbon monoxide into harmless gases and carbon dioxide.) In December 2019 the price of rhodium stood at \$6,000 an ounce. By March 2021 it would top \$29,000. Platinum and palladium underwent similar spikes.

The Khannas went all in, incorporating DG Auto in February 2020 and moving into an office park in Freehold. They purchased four decanning machines, which run from \$10,000 to \$25,000 apiece. Resembling a kind of industrial guillotine, the machines slice open the catalytic converters and crush the honeycomblike ceramic cores into dust, which falls into plastic-lined boxes. From there the materials could be trucked to a PGM refiner 30 miles away, in Burlington.

In the tiered structure later outlined by the authorities, DG sat one level up in the pyramid from Curtis Cores. The company partnered with intermediate buyers around the US, including Curtis. “People would come with tractor trailers and drop them off,” says the manager of a neighboring business, who declined to give his name. “Dumpsters full of cats. They were working 24 hours.”

For buyers such as Curtis and DG, the business required not only amassing catalytic converters, but also knowing the value of each type. The amount of PGMs varies by make and model, and even—because of state-by-state emissions laws—where the car was purchased. A Honda Accord’s catalytic converter is worth more than a Chevy Impala’s, while one in an Accord

from California is worth more than its counterpart from Michigan. Some of the most prized specimens are found on Toyota Priuses manufactured between 2004 and 2009. That model is so famous for its high concentration of palladium that dealers know its parts code by heart: GD3 EA6. At peak metal prices, a single used GD3 EA6 could sell for more than \$1,800.

At DG Auto, the broad-bellied Lovin was the pricing expert, according to dealers who sold to the company. The leaner Gagan handled the backslapping, greeting sellers as they came in. While the catalytic converters were being priced, he’d offer a shot of whiskey from a bottle in the office or invite VIP dealers out for a dinner on DG.

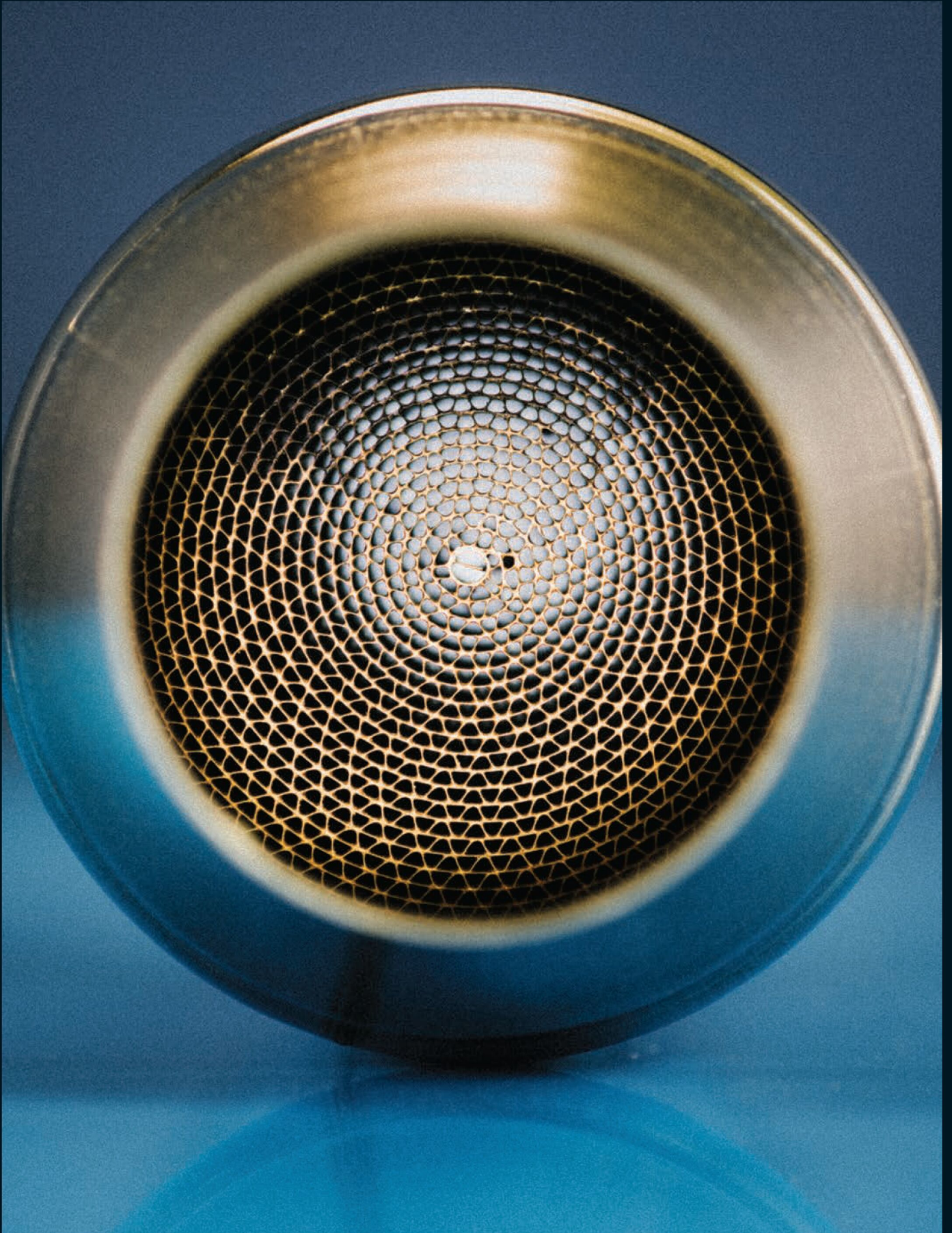
Over the years, much of the trade migrated onto Facebook, where companies such as DG and Curtis Cores advertise and sellers share photos of the cats they’ve picked up. Lovin was soon an inescapable presence on the major groups, a testosterone-heavy community where the proof of your rise-and-grind mentality is a selfie in front of a U-Haul stacked with grungy cats.

By 2021, DG had a new website and a clunky slogan: “Trusted Connection of PGM Journey.” The company launched an app for iOS and Android, offering sellers up-to-the-day pricing on 12,000 catalytic converter codes. Users could submit photos to be graded and priced, and lock in the terms in case commodity prices dropped. “They were beating out everybody else in the market, so you’re pretty crazy to not sell to them,” says one dealer in the Northeast, who didn’t want his name used because of the stigma



A skilled cutter can remove a catalytic converter from your car in a couple of minutes, using a battery-powered tool called a sawzall and, if the vehicle is low to the ground, a hydraulic jack





Detach the converter, and its core can be extracted, crushed, smelted and refined, releasing the precious palladium, platinum and rhodium inside. At peak metal prices, a single converter can sell for \$1,800

← associated with the illegal side of the business. “When it’s 10% over the next closest competitor, 10% is a big number when you get hundreds of thousands of dollars a week. So everybody started to sell to DG.”

As DG’s appetite grew, authorities allege, its scruples about provenance evaporated. The Khannas began advancing millions in cash to their biggest buyers, including Curtis Cores, which could then pay the highest prices on the street. And the Khanna brothers seemed to have money to burn. Gagan bought a \$200,000 Lamborghini, then a \$240,000 Mercedes-Benz, then a \$440,000 Ferrari. Not to be outdone, Lovin picked out a \$550,000 McLaren and affixed a vanity license plate: “GD3 EA6.”

Lovin bought a 5,500-square-foot McMansion on seven acres, complete with a six-car garage, and the whole family moved in, including the brothers’ parents. One afternoon in August 2021, a group of DG employees and partners gathered to celebrate their success. Hailey, the scrap car buyer, posted a group photo from the Khannas’ back porch to Facebook. “All In The Family DG Catalytic Family Millionaire Club,” he captioned it. “These Guys Lovin Khanna, Gagan Khanna... We Started Out As Workers And Quickly Became Family.”

In the spring of 2022, as the Tulsa investigation was widening, the DG family took out a booth at an annual

Institute of Scrap Recycling Industries convention in Las Vegas. A photo from the event shows Lovin and five employees smiling in front of a DG banner, wearing matching T-shirts and fleeces. The same day, the conference offered a session called “Catalytic Converter Theft—Legislation & Enforcement and the Effect on Recycling.” One of the speakers was a special agent from the FBI.

**B**ack in Tulsa, Core and the other investigators were methodically building the case against Curtis. The agents kept adding warrants, first to intercept calls on Curtis’ cellphone and then to monitor the phone locations and Facebook accounts of his employees. Core, too, was a fan of the pile-of-cats selfies, noting dryly in one affidavit that “criminal offenders usually maintain these photographs in their possession.” Another pole camera went up, this time at the home of Curtis and his wife, Reiss. The couple lived on a 147-acre piece of Reiss’ family’s land in Wagoner. They’d lived with her parents on the property until Curtis Cores got off the ground, then built their own

house on a smaller patch carved out of the family plot.

Even the police had to admit that Curtis’ drive was impressive. “He’s running a multimillion-dollar operation on his own, with six employees or seven employees that are legitimately working for him,” says Staggs. “Then there’s the coordination that he’s doing outside of the state, the shipping. And he’s doing this all as a 26-year-old dropout of NSU.”

Catalytic converters were streaming into Curtis Cores from Arkansas, Kansas, Louisiana, Minnesota, Missouri, New Mexico, Texas, even California. A regular supply arrived from Houston, where the sellers seemed to specialize in the “torpedoes” taken from Toyota Tacoma and Tundra trucks. One of Curtis’ employees noted in intercepted Facebook messages that torpedoes “are the most stolen catalytic converter in the region.”

With PGM prices hitting peaks—palladium nearly tripled in the first three months of 2022—the network was awash in cash. “I mean, this is Tulsa, Oklahoma, a city of 450,000 people, but this is not a mom and pop operation,” says Clinton Johnson, the US attorney for the state’s Northern District. It’s “semi loads full of catalytic converters going from Tulsa to New Jersey,” he says.

**O**n the last evening of March 2022, in Houston, a Harris County sheriff’s deputy named Darren Almendarez was off duty, making a grocery run with his wife. The couple needed to stock up for a celebration of his sister’s birthday. They parked their Toyota Tundra at a Northside location of Joe V’s Smart Shop, a Houston-area chain, and went inside. When they left the store, Almendarez noticed a black Nissan Altima backed up to the Tundra. Two men had crawled underneath as a driver waited in the Altima.

Almendarez had been with the Harris



A pickup truck full of catalytic converters, along with a rapid floor jack for lifting cars, outside of Curtis Cores in Oklahoma in November

County Sheriff's Office for 23 years, including a stint on the antigang task force, but a few years earlier he'd joined the auto theft unit. He was known for working long hours, tracking cases to chop shops and junkyards. Now he'd walked out of Joe V's to find thieves ripping the cat off his own truck.

"Wait right here, babe," he told his wife.

As he approached, the men jumped back into the Altima.

"Run," Almendarez called back to his wife, she later recalled. "Call 911."

The driver raised a handgun, and Almendarez pulled his own. In a flurry of bullets, Almendarez was struck multiple times. So were two of the men, 23-year-old Joshua Stewart and 19-year-old Fredarius Clark, before the Altima sped off.

Almendarez's wife ran to where he'd collapsed, as did a Joe V's employee who pulled off her apron to try to stanch the bleeding. It wasn't enough. Almendarez was transported to Houston Northwest Hospital, where he was pronounced dead.

Stewart and Clark showed up in the same emergency room shortly afterward, having driven themselves there after the shootout. They were treated and arrested. The third suspect, 17-year-old Fredrick Tardy, was picked up a day later. All three were charged with capital murder and are awaiting trial.

Back in Oklahoma, Staggs' team heard that Houston police were trying to track where catalytic converters stolen by the three suspects were ending up, and that the supply chain might run through Tulsa. "They were highly motivated, obviously, to go out and take these people down," Staggs says. "So we took this detour in our investigation to

provide them with anything we could."

A week after the grocery store killing, the pole camera outside Curtis Cores caught a black GMC truck with Texas plates pulling up with a U-Haul trailer full of cats. The truck was traced to a Houston resident named Isaac Castillo. The Tulsa authorities alerted Houston PD, and when Castillo returned to Texas, the police pulled him over. In the truck they found a box with \$206,000 in cash. Castillo denied he'd done anything illegal and said the money was from selling scrap metal in Oklahoma. As it turned out, he'd been pulled over months before, in February, with a truck bed full of torpedoes, an unlicensed gun and \$25,000 in cash. He'd been charged and released; the case was eventually dismissed when he agreed to enter a pre-trial diversion program.

A later federal search warrant application alleged that Castillo wasn't just another intermediate buyer. He was a member, the affidavit says, of what the Houston Police Department called the Ley Road gang, named for a street in Northeast Houston. Houston police and Homeland Security investigators allege that members of Ley Road and another gang had been buying cats from the same men accused of killing Almendarez. Cats had become valuable enough, it seemed, that they were attracting a more serious brand of criminal: "a real gang that was dealing in drugs and guns," according to Staggs.

That July, Houston police and Homeland Security went after the Ley Road gang, raiding five homes and a storage facility, seizing \$400,000, 29 guns and 400 catalytic converters and making five arrests. At first, Castillo wasn't among the people detained. The authorities got a warrant to ping his cellphone location and found him back at Curtis Cores in Tulsa, making a delivery. The pole camera caught Castillo and Curtis working on something inside his vehicle. When police pulled Castillo over minutes later, according to search warrant affidavits, they found \$80,000 hidden in the truck's interior panels. (He now faces charges of engaging in organized criminal activity in Houston. His lawyer didn't reply to requests for comment.)

Castillo told investigators Curtis kept \$500,000 in his desk drawer and "was

aware the catalytic converters he received were stolen," according to the affidavits. "Castillo advised that Curtis also told him to not talk about it."

**A**s business kept booming for Curtis and the Khanna brothers, moving money was proving to be a problem. On May 2, 2022, a year to the day after Curtis' traffic stop, Kansas Core and the other Oklahoma-based authorities tracked the phone of one of his employees to Elevation Auto Core in Denver. When they learned the employee was flying back to Tulsa, they had him stopped at the airport. A cash-sniffing dog picked out his bag, which contained \$500,000. The employee quickly signed it over to the police.

To the Tulsa PD, the brazenness was astonishing. "One of the most eye-opening things in the whole investigation was guys bringing \$500,000 and flying it on an airplane in a backpack," Staggs says. "I didn't know that happened in the United States." The group, he says, was running "like a cartel."

Six days later, an officer from the Wyandotte Nation Tribal Police Department in northeastern Oklahoma pulled over a rented Penske truck. A dog was deployed to "air-sniff" the vehicle, and once again the K-9 detected something. The police searched the truck and discovered three pallets of catalytic converters and \$1.3 million in cash.

The driver was a New York resident named Robert Sharkey, who, according to the search warrant affidavit, "provided various mixed narratives to the purpose of his trip, or the source of the catalytic converters and money." At one point he said he was going to visit his cousin in Broken Arrow, which just happened to be the home of Curtis Cores. →



Sharkey’s name was already familiar to the Tulsa PD: His son, Adam, was one of Curtis’ connections at DG Auto. According to the authorities, the \$1.3 million in cash originated at DG, and \$290,000 of it was intended for Curtis. Sharkey was allegedly driving on to Amarillo, Texas, to deliver the rest to another intermediate buyer named Martynas Macerauskas. (Two months later, Macerauskas’ wife, Kristina, was pulled over in Texas with \$1.2 million in her trunk. She promptly told the authorities she’d driven it all the way from DG in New Jersey. The Macerauskases are facing federal charges of conspiracy to receive stolen goods and money laundering. Their lawyer declined to comment.)

The night of Sharkey’s traffic stop, the pole camera on Highway 51 captured Curtis’ employees pacing outside, awaiting his arrival. At close to 3 a.m., they finally called Curtis to tell him Sharkey had been pulled over and had lost the money. Curtis called Adam Sharkey to break the bad news. “We’re f---ed,” he said. As for the money, Curtis said he hoped Lovin Khanna would understand.

Apparently, Khanna did: Two days later, Curtis flew to Newark, New Jersey, and drove to DG’s office in Freehold, tailed by investigators. He walked out with \$1 million in bags. After checking the car’s headlights and taillights carefully, he drove it back to Oklahoma.

During this time, according to the search warrant applications, Curtis and his wife were bringing bags of cash to and from their house regularly, hiding them around the property’s hundreds of acres. One day, the pole camera captured Reiss’ mother climbing out of her car, putting on a white Tyvek suit of the type “commonly used for painting” or the “handling of chemicals,” according to the warrant applications, and walking into a field that was off-camera. She returned with a large white bag,

which investigators concluded was full of money, and drove off.

But Curtis seemed to grow more careful after getting back from Freehold, according to the affidavits. The Houston police were arresting alleged members of the Ley Road gang, and wiretaps caught him saying he thought the authorities would connect the arrests back to Curtis Cores. He altered his buying patterns, started refusing to drive with large amounts of cash and would check with his wife that their money was safe.

He still wasn’t careful enough. Tulsa investigators sent in a cooperating witness with 20 catalytic converters, telling Curtis he’d bought them from “a sketchy motherf---er” who’d “just got them from some cars” and stashed them in a field after running from police. Curtis bought them.

In New Jersey, there were hints that the Khanna brothers’ business was growing equally perilous. DG Auto now claimed its own subsidiary locations in Mississippi, Virginia and Wisconsin. But two DG employees had been arrested with a load of catalytic converters in Ohio, and in August 2022 federal authorities raided a DG buyer in Connecticut. When federal investigators obtained a wiretap for a DG employee, they captured Lovin telling him it was too risky to travel with cash. They’re “busting everybody,” he said.

There were other threats, too. That spring, the price of PGMs, and particularly palladium, had started dropping. Another buyer was threatening to sue DG for stealing data from its own mobile pricing app. On Facebook there were regular accusations that the brothers were offering cash for loads of cats, then refusing to pay up. “People were getting really angry,” says the dealer from the Northeast. He says he stopped working with DG when he came to believe they

were shorting him. “People were getting ripped off for big, big money. And it seemed to get progressively worse.”

The Northeastern dealer says agents from the FBI and Homeland Security showed up at his shop, asking questions about DG. “I gave them everything I had,” he says. “I wanted to see them go down, just like everybody else did.”

For all that, the Khannas were still flying high, like pilots who didn’t realize their engine had stalled out. DG Auto had become a juggernaut, a reliable source of income for everyone around the brothers. “We won’t shut down and leave you hanging, unlike our competition,” they wrote on Facebook. They’d bought a local junkyard, creating more room to receive shipments. “I don’t know how the hell you get that big,” says Hailey, the junk car buyer who’d worked with them from the beginning. He drifted out of the DG family, he says, as the company grew. “You get to the point of that five or six, seven converters off of scrap cars don’t mean nothing when you’re buying two, three hundred. You know what I mean? It’s a different ballgame.”

In September 2022, DG announced it had secured a funding round with the help of a private investment firm called the Barrett Edge. They planned to use it for “acquiring a profitable company to initiate our next phase of growth,” Lovin said in the press release. The Barrett Edge’s founder, Barrett Ehrlich, added: “Lovin and his team at DG Auto are consummate professionals and entrepreneurs that have thrived in difficult market conditions, growing their business to revenue in excess of \$300 million annually.”

But for months, federal indictments later alleged, investigators had been sending confidential informants into DG, selling catalytic converters while always emphasizing their sketchy

“I was getting a cup of coffee. I look out the window, and some

origins. On Sept. 1, a seller claimed to have a cousin in a Toyota warehouse who could steal Prius cats and “bricks”—cores that hadn’t been put inside cats. The Khannas ate it up. When the shipment arrived, Lovin drove them down to the refinery in his brand-new Rolls-Royce.

**C**ops love a good code name, and by the fall of 2022 the investigation in Tulsa had one: Operation Heavy Metal. In the Riverside precinct, officers began to joke that Kansas Core had never taken a day off, he was so obsessed. Someone posted a print-out featuring a meme in which a wild-looking Charlie from *It’s Always Sunny in Philadelphia* stands before a wall crowded with papers and lines, cigarette in hand. “Larceny from a vehicle?” they’d typed in. “You mean the greatest criminal conspiracy ever devised.”

Operation Heavy Metal now involved not just Homeland Security Investigations, but the IRS, the FBI and dozens of local police departments. Between manpower and geographic reach, some of Staggs’ veteran colleagues reckoned Camp 2 had launched the Tulsa PD’s largest investigation. By chance, law enforcement agents in California had been working a completely independent case involving buyers, which had also led them to DG. The investigations merged into one, soon becoming so unwieldy that agents had to gather in Philadelphia for three days to coordinate the endgame.

On the morning of Nov. 2, Jeremy Jones was in his office at JT Auto, next to Curtis Cores on Highway 51. “I was getting a cup of coffee,” he says. “I look out the window, and something caught my eye—it was like a SWAT team. There’s a tank. There’s guys with assault rifles and military gear.” His first instinct was that Curtis had been secretly dealing drugs or guns. When he wandered out to talk to the cops and found out it was in fact the catalytic converter business they were taking down, “it did seem like a little overkill.”

DG showing off cats on a Facebook page in 2020



Curtis pulled out from the shop just before the raid began, then turned around and came back. Officers cuffed him without incident. In the end, six of his employees and partners were arrested, as was his wife. Police flew a helicopter over the family home and scoured the property on ATVs, hoping to locate whatever money the family might have buried. “He probably has money hidden somewhere that we’ll never find,” Staggs says.

Simultaneously, federal and local law enforcement were

raiding eight other sites around the country, from Nevada to Minnesota to Virginia, the home of DG Auto South. The Sharkeys, Adam and Robert, were picked up in West Islip, New York, two of 21 total arrests on a mixture of interstate stolen property and money-laundering charges.

In New Jersey, the authorities descended on DG’s Freehold office and the junkyard, along with the Khannas’ house, which still had Halloween decorations out front. The forfeiture lists from Oklahoma and New Jersey illustrated the relative fortunes of Curtis and the Khannas. In Oklahoma, the authorities confiscated a Yamaha ski boat, a Volvo and a pair of Chevy Silverados. At the Khannas’, they impounded the Rolls-Royce, the Ferrari and the McLaren, along with a collection of Rolex and Patek Philippe watches and \$1 million in cash.

**W**e cut the head off of that snake,” Staggs told me when I sat across from him at the Riverside division one day in April. It was true enough, if you viewed the snake’s head as lying in Freehold, New Jersey. But the US supply chain didn’t, of course, end there. There was still the matter of DG Auto’s refiner, which investigators had identified early on as the source of the money—all \$545 million they ultimately counted—that had passed through DG Auto’s operation: Dowa Metals & Mining America, in Burlington, New Jersey.

One afternoon this past March, as a late winter snow blew in, I paid the Burlington facility a visit, pulling into the same office park where Lovin had gone in his Rolls full of Prius cats. The unassuming one-story brick building had fenced delivery entrances on either end. When I rang the bell, a woman in a blazer poked her head out to help me. I said I’d

thing caught my eye—it was like a SWAT team. There’s a tank”

← come to speak to someone about Dowa’s business, and she ushered me through to a break room.

A few minutes later, I was greeted by Ken Mukai, an assistant purchasing manager. He was friendly but guarded, willing to give me some background on Dowa but not much more. “We started as a mining company in Japan 100-something years ago,” he said. But these days Dowa focuses on recycling metals rather than extracting them. “Here in the US, we are collecting,” Mukai said. “But eventually it all goes to Japan.”

The American division opened in 2015, five years before the boom. And in DG it found the perfect partner. That much I discovered not from Mukai but from two dozen federal search warrant and seizure affidavits filed in federal court in Oklahoma—documents that were mysteriously available on the public docket, if you knew the right search terms. (Typically, search and seizure applications are provided to defense attorneys in discovery but rarely made public by the court before trial.) According to federal wiretaps, Lovin told associates that DG’s business had been flailing until he partnered with Dowa. And a subpoena for the Khannas’ bank records revealed that in just over a year from March 2021 to April 2022, Dowa had transferred \$224 million into a single DG account. Another account showed \$175 million worth of Dowa infusions. This was the money filtering down to Curtis Cores—and eventually to cutters on the street.

In 2020, as metal prices began to climb, Dowa announced that it had begun doing its own decanning, allowing the company to accept both extracted catalytic converter dust, such as what came from DG, and intact units. “They would buy converters off of people up in New Jersey, like individuals, scrapers and all,” says Michael Tuttle, a former employee of DG South in Virginia who regularly made the six-hour drive.

“Every time I went up there, there’d be people pulling up with, like, little cargo vans. They’d have maybe 100 converters.” (Tuttle was laid off by the company in 2021 and is not implicated in the legal case.)

Dowa would evaluate the PGM content of all the dust it received or extracted using a chemical assay, offer the supplier a price and send the material by boat to Japan. From there, it went to Nippon PGM Co., a venture founded in 1991 by Dowa and two other Japanese companies. Nippon says it operates the world’s largest PGM recycling plant, smelting as much as 1,000 tons of material a month with “high recovery rates and no environmental risk,” according to a promotional video. The metals are extracted by melting the material in a series of furnaces, separating out the valuable bits and refining the resulting alloys into platinum, rhodium and palladium pure enough that they can be sold back to the world market. Close to one-quarter of the world’s PGM supply, in fact, is recycled from old catalytic converters. So if you wake up to find yours stolen, then pay several thousand dollars to replace it, there’s a not-insignificant chance your new one will include metals stolen from someone else’s.

It’s unclear what vetting, if any, Dowa conducted on the tons of dust and catalytic converters from DG Auto and others. When I brought up the issue of stolen devices with Mukai, he offered, “I’ve seen the YouTube videos where they crawl under the car and cut them off in under two minutes.” He was hesitant to elaborate. He’d only been at Dowa six months, he said, and he wanted to make sure the article I was working on wouldn’t tarnish the company. When I followed up later, he first said he was too busy to talk, then referred me to a Dowa press email. The company didn’t respond to detailed requests for comment.

Despite bank records and surveillance showing Dowa as the source of the network’s cash, the company’s name was redacted in the indictments against the Khannas and Curtis. Prosecutors referred to the company only as an unindicted co-conspirator. “There are pending investigations on

other players involved in this case,” Johnson, the US attorney in Oklahoma, said when I asked him about the lack of charges against Dowa. “Sometimes the timing of an indictment is based on the local need. We needed to stop catalytic converters getting cut off people’s cars.” Staggs says charges are the feds’ call, but he “wouldn’t be surprised” to see Dowa employees indicted.

Dowa, it seemed, wasn’t just waiting around to see if the hammer came down. In March the company announced it had hired a chief compliance officer named Janice Ayala to “bring a fresh perspective to the many compliance challenges of the metal refining and recycling industry,” as Ayala put it in a press release. It seemed to be auspicious timing: Ayala had spent the previous 27 years at Homeland Security, most recently as director of the joint task force for investigations at the very agency that had been looking into DG Auto and Dowa.

**A**s for the less connected defendants, Curtis spent five months in detention before finally making bail in April. I called him during a trip to Tulsa shortly afterward, and he said he was eager to talk but needed to consult his lawyer. When he messaged back, he said we’d have to talk after the case was resolved. (The lawyer for Curtis’ wife didn’t respond to a request for comment, nor did lawyers for Adam Sharkey or other Curtis Cores employees. Curtis’ mother-in-law, who wasn’t charged in the case, didn’t respond to requests for comment. Robert Sharkey’s attorney declined to comment.)

Lovin Khanna was indicted in Oklahoma and California, but the brothers were transferred to California first. There, prosecutors convinced a federal judge that their ties to India, combined with the alleged discovery of \$26 million in unaccounted-for cash, made them a flight risk. They have pleaded



The sign outside DG Auto's New Jersey junkyard

not guilty and remain in jail, awaiting trial, with Lovin facing up to 65 years in prison and Gagan up to 25 years. "Right now we are not in a position to talk," their father, Nirmal, said in an email. "We are still living in deep fear." Lovin's California attorney, Alan Eisner, stressed that his client "is legally presumed innocent of the charges" and "enjoys the strong support of his family and community members." Gagan's attorney declined to comment. A third brother, Michael, took over the scrapyards. A lawyer for the family wrote to the court that he'd pledged not to buy or sell any catalytic converters.

Some of the accused will almost certainly plead guilty—90% of all federal defendants do. But if any of them decide to take it to trial, the government will still have the challenge of proving to juries that even

low-level employees were knowingly engaged in building a criminal enterprise, not just part of a recycling industry that lacks protocols. To DG's defenders, the company is just a convenient target. "They were normal f--ing people with a normal business," one of its former partners told me, requesting anonymity because "I'm not trying to be a part of no drama. "They're making an example out of somebody," he said. "That's all they're doing."

Others in the business believe DG got what it had coming, and they lament the reputational damage from the industry's less scrupulous actors. "When I tell someone what industry I'm in, I don't necessarily specify catalytic converters," says Iga Vendetti, a managing partner at Global Refining Group, a recycling company based in Virginia and Nevada that specializes in cats. "The moment I do, they think to themselves, 'Oh, you guys get the stolen stuff.'"

Global Refining Group and other large recyclers are trying to work with state governments on laws that can filter out illegal operations without crushing the legal industry. "The quicker we can get these bad companies—or these, I guess, fencing operations—out of our business, the quicker our business can go back to normal," Vendetti says.

When PGM prices started attracting large-scale thefts of catalytic converters, "we went to this position where all of a sudden we not only have to worry about just doing regular business, but on top of that, we have to find a way to ensure that this stolen material doesn't trickle down the supply chain."

States are desperate to stop the theft epidemic, which has continued even with the price of PGMs back down to earth. Some are passing laws to criminalize possessing catalytic converters without paperwork showing their origin and a license. Others offer programs for car owners to etch their devices with traceable serial numbers or weld them more securely to cars. The long-term solution, however, may already be hiding in car-buying trends: Electric vehicles, not having any exhaust, require none at all.

In Oklahoma, Staggs says, the Tulsa PD worked with state legislators on a bill to increase the penalties for catalytic converter theft, hoping to deter cutters and dealers. (A similar bill enacted in Texas was named the Deputy Darren Almendarez Act.) Staggs says Operation Heavy Metal decimated the illegal business. "In the four months prior to that national takedown day, there were 250 reports of catalytic converter theft" in Tulsa, he says. "In the four months after, there were 38."

Still, the headlines have kept coming, and the *schadenfreude* has, too. "Man Found Under Vehicle Accused of Stealing Nine Parish Bus Catalytic Converters," in Lake Charles, Louisiana. "Man Shot While Allegedly Trying to Steal Catalytic Converters at North Side Business," in San Antonio, Texas. And five days after I spoke to Staggs came one about Tulsa. "TPD: Catalytic Converter Thieves Caught Red-handed."

The Wild West of catalytic converter slinging had always had a strain of fatalism running through it. Early on, when investigators started examining the Facebook accounts of Curtis' employees, they'd found two of them discussing all the cutters the Tulsa PD was arresting. "We definitely buy from guys that steal but pretend like we don't know," one of them wrote.

"I guess make the money til you can't," the other replied. **B**

# The Skim

By Jessica Fu

Illustration by Pedro Veneziano

# Scam

The technology that secures electronic benefits transfers is woefully outdated, allowing criminals to drain millions of dollars from accounts before recipients see a dime





# ON

a warm September night in Green Bay, Wisconsin, Crystal Cork started her Mercury Mountaineer and made her way to a nearby US Bank ATM. Back in Sacramento, California, where Cork and her five children live, the clock had just struck 12 a.m. Around midnight at the beginning of every month, millions of dollars in welfare payments traditionally flow into the bank accounts of low-income families across the US. Cork was driving through Green Bay in the middle of the night in a race to withdraw her money before anyone else got to it.

Recently, Cork had encountered a peculiar and stressful problem: Other people had apparently gained access to her monthly benefits. In three separate instances, she'd arrived at an ATM to withdraw these benefits in cash only to discover the bulk of her balance had already been siphoned away. According to bank records, the mystery withdrawals had taken place at ATMs she'd never visited.

That September night, Cork couldn't afford for things to go wrong again. She and her kids had to get back from Green Bay, where they were seeing family, to Sacramento for school. Flying had been too expensive, so Cork had piled everyone into the Mountaineer. But it was 16 years old. "My car is not something that should be driven across the country," she says. The plan was to hit the road with some money in her wallet and pray she wouldn't need it for repairs along the 30-hour-plus drive home.

At the ATM, Cork tried to withdraw her monthly stipend, about \$1,300, but the transaction was declined. She checked her balance, and the number on-screen confirmed what she suspected: The bulk of her money was gone. "There's no way this is happening," she remembers thinking.

Cork had fallen victim yet again to thieves who intercept money from massive public assistance programs intended to help poor Americans pay for rent, gas and food. Her stolen benefits came from CalWorks, a \$7.2 billion annual program that provides cash to low-income families. Scammers also target the Supplemental Nutrition Assistance Program (SNAP), which is projected to distribute \$127 billion in grocery allowances for residents in or near poverty this year.

This fraud, known as "skimming," is becoming a big problem for people on public assistance. It's hard to put a dollar figure on how much is being skimmed nationwide; in many states, welfare administrators don't collect individual reports of missing money, let alone track the scam more broadly. In addition, a lot of victims don't know their benefits have been stolen until weeks or months after it happens. And even when

they find out, they may not report the theft. In most states, once benefits are gone, they're virtually impossible to get back.

Hints are emerging about the scale and persistence of the issue in California, one of the states hardest hit by skimming because of its large population and relatively robust welfare programs. The problem there has been growing at an alarming rate: In summer 2021, the California Department of Social Services was spending about \$100,000 a month restoring benefits that residents had reported stolen through skimming (or text and email phishing scams). Through March of this year, the figure had grown to an average of \$10 million.

These programs are all vulnerable for the same reason: They rely on desperately obsolete payment technology. For decades the US has depended on a humble piece of plastic known as the Electronic Benefits Transfer card to move billions of dollars to welfare recipients. Like most bank cards of the late 20th century, the EBT card uses a simple magnetic stripe to encode confidential payment information.

All thieves have to do to lift this information is install skimmers in places where bank cards are frequently swiped, such as cash registers or ATMs. The devices mimic the appearance of genuine payment terminals, while surreptitiously recording and storing card numbers and personal identification numbers (PINs) for later misuse.

In recent years, financial-services companies have bolstered card protections to stay a step ahead of fraudsters, heralding security features such as chips and tap-to-pay. But federal and state governments have made little effort to equip EBT cards with these now-standard measures. The EBT card is equipped with the same level of technology as a "glorified hotel room key," says Haywood Talcove, chief executive officer of LexisNexis Risk Solutions, which collects law enforcement data from about 2,000 US police departments. In January 2022 participating agencies received 300 reports of skimming incidents. By this January, the number had risen to almost 18,000.

Law enforcement agencies are struggling to get a handle on the problem, in large part because of the decentralized nature of skimming rings. The few criminals who've been caught so far insist they're merely carrying out orders from anonymous higher-ups, many of whom investigators have traced abroad. Vacancies in these rings are filled by new recruits eager to make some quick cash. "We have transnational organized crime groups that are specifically targeting EBT programs," says Michael Peck, assistant special agent in charge with the US Secret Service, which is investigating EBT fraud. "They've identified weaknesses, vulnerabilities and normal protocols that they can get around in order to take advantage of this system. It's everywhere."

# SCAMMERS

targeting food benefits stroll into grocery stores, typically in pairs, appearing to shop like normal customers. Then, at checkout, one person distracts the cashier while the other quickly lays a new unit over the retailer's point-of-sale terminal. The ersatz device snaps on quickly and cleanly.

# The EBT card is equipped with the same level of technology as a “glorified hotel room key”

Criminals can easily purchase basic hardware online, then hollow it out so it has just enough capability to collect magnetic stripe data. The skimming device doesn't interfere with the normal checkout process; it simply records crucial payment information—the account number encoded in a card's magnetic stripe and the secret PIN that authorizes a purchase—while letting the data flow unimpeded into the genuine terminal underneath.

The equipment used to pull off a similar maneuver at ATMs is even harder to detect. To get EBT card data, thieves slip razor-thin “deep-insert” devices inside card readers, pairing that hardware with pinhole cameras, which they tape near keypads to capture PINs. After the traps are laid, the criminals wait for people to step into them, then return later to either physically retrieve the devices and the data they contain or, increasingly, to collect it surreptitiously via Bluetooth. The databases they compile can include hundreds or even thousands of EBT account numbers and their corresponding PINs.

Then they encode the stolen account numbers onto the magnetic stripes of blank cards, typically old gift cards that have been wiped clean. They put a sticker with the associated PIN on each. The final product is a cloned EBT card equipped with virtually the same level of access to the food or cash benefits intended for its legitimate twin—and it's reusable until a victim changes their PIN.

Withdrawing cash benefits simply requires swiping a cloned card at an ATM. The process is so

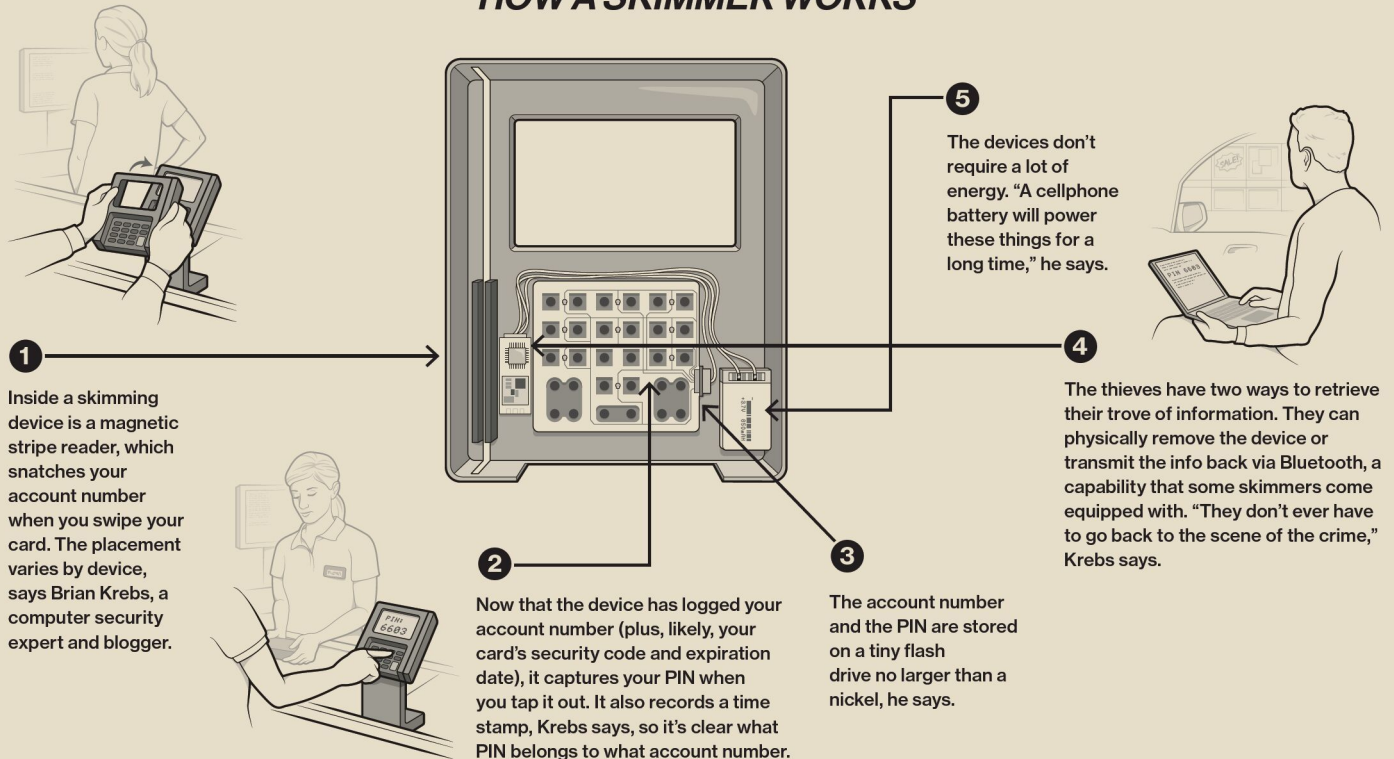
straightforward that people have been recorded on surveillance footage zeroing out dozens of accounts linked to EBT cards in minutes, then heading out with thousands of dollars in cash.

To convert food benefits into cash, scammers mainly use their cloned cards to purchase bulk quantities of high-value items and then flip those purchases online for as close to retail price as possible. In the past year the go-to item for EBT skimming rings has been infant formula, a product that's seen severe shortages and, as a result, price gouging online. (Red Bull energy drink is popular, too, because it's easy to flip and has a high resale value.) In a recent bust, investigators throughout Arizona seized more than 3,200 cans of formula, alongside skimming devices, card-making equipment and 1,200 cloned EBT cards.

David Babcock, a senior investigator with the Los Angeles County district attorney's office, is a member of state and federal teams trying to rein in the skimming problem. When Babcock and his colleagues at the Southern California High Tech Task Force, a regional network of investigators focused on white-collar crimes, began working to address the explosion in theft complaints it saw beginning in summer 2022, the problem at first



## HOW A SKIMMER WORKS



← Reports were coming in from across Southern California, but they often had little in common. Each case involved a different ATM or bank, and the stolen amounts fluctuated. But one detail stood out: the timing of the withdrawals at midnight on the first day benefits are available.

In mid-August, Babcock's team moved to make use of its findings, setting in motion a bust to unfold at midnight on Sept. 1, the next time the state would dole out EBT benefits. They focused on six ATMs that had come up frequently in past complaints.

At about 12:05 a.m., Babcock and a fellow officer approached a man as he stepped out of a low-slung branch of Bank of America in LA's Larchmont Village neighborhood. They asked him if he had anything illegal on him. "Cards," he responded. In his black Nautica wallet, the officers discovered 15 gift cards bearing neon stickers with PINs scrawled on them, according to the arrest report. The man, Andreas Graagand, had \$9,200 on him.

Inside the ATM vestibule, the officers discovered a man and a woman crouched on the ground. Bank of America surveillance footage showed that they'd been cashing out a stack of more than 30 cards before tucking them above a ledge and hiding when police approached. The two had more than \$13,000 on them.

By the end of the night the task force had nabbed 16 suspects in LA County, seizing \$130,000 in cash and more than 300 cloned cards. At the time, it was the country's single biggest benefits skimming bust. All the suspects were released on bail. Seven were later found guilty of fraudulent credit or debit card use, and the others never showed up for court and are now at large. According to court records, Graagand pleaded no contest and was sentenced to 11 days in jail and two years of probation.

Following suspects up the chain of command is challenging. Investigators say they don't believe Graagand, for example, was the leader of a cell. Rather, they think he and the others apprehended on Sept. 1 were "runners" for someone bigger and unknown. Skimmers are often members of diffuse and opaque networks in which participants may act independently and without knowing who their collaborators are. There are people who put the skimming tech in place. There are people who collect the data and clone the cards. There are people who cash out the accounts and funnel the money. "In a sense, they fall under one group, but it's more splintered than you might think," Babcock says.

In January municipal police in the small city of Anderson, in Northern California, arrested two men outside a Bank of America branch in a strip mall. (A Bank of America Corp. spokesperson declined to comment on incidents at its branches.) They suspected one man of installing skimming devices and the other of being an accomplice. According to an incident report, the accused installer said he got \$300 to \$500 per transaction. He said he wasn't "the big one" within the organization but declined to elaborate out of fear for his family. He also told police that he didn't know the accomplice, who was handling the driving—that they'd met for the first time when he'd been picked up in the morning.

Babcock says he didn't expect the task force's bust to stamp out EBT skimming in Southern California, but he wanted it to have a chilling effect. "When you start to punish people and hold them accountable, you're starting to hope that, OK, maybe that'll be a deterrent, right?" he says. In the half-year after the bust, though, the cost of skimming and other types of EBT card fraud more than doubled for California. In March, the most recent month for which data are available, the state spent an unprecedented \$13 million restoring stolen benefits.

Investigators note that the uptick in EBT skimming appears to have coincided with the end of pandemic unemployment insurance programs, which were a frequent target of fraud. The pool of food and cash benefits to steal from also grew after Congress significantly bumped up the value of monthly nutrition assistance payments. (That was phased out in March.)

The scope of the problem has drawn in the US Department of Homeland Security, which formed a group of Secret Service agents focused on benefits skimming. Investigators suspect that people are traveling from Europe with specific intent to defraud food and cash benefit programs. "You see a large number of Romanians that have entered the country illegally, and they're largely going to California" to skim, says Jarred Medenwald, a Secret Service special agent who's been looking into Romanian organized crime for five years.

The task force includes members of the Romanian National Police, though it hasn't pointed the finger at a specific crime ring from the country. Investigators say the fraud is being carried out by small, loosely coordinated teams, and that they're investigating the problem broadly. "There's not a clearly defined hierarchy of one organized crime group doing all of this skimming in the United States," Medenwald says.

## AID GROUPS

representing the poor say they've been warning about vulnerabilities in public assistance programs for more than a decade. In 2011 a California resident who'd been victimized by skimming sued the Department of Social Services, arguing that recipients whose benefits are stolen electronically deserve full reimbursement. (Prior to the lawsuit, victims



Cards seized in the September 2022 bust in Los Angeles

in California who reported lost or stolen cards were entitled to reimbursement, but those whose accounts were drained by cloned cards were unprotected.) The suit prompted lawmakers to pass legislation mandating the restoration of skimmed cash benefits using the state's general fund. They later expanded this protection to food benefits.

This legal remedy is a relative anomaly; only the District of Columbia, Rhode Island and Wisconsin dip into their own funds to replace skimmed food benefits. Even then, reimbursement can often require dealing with bureaucracy, including filing reports with social services agencies and the police. Each time Cork was scammed, it took about three weeks before she was made whole.

The gap in coverage in most states is at odds with basic protections to which other consumers have grown accustomed. A banking customer whose debit card is skimmed can safely assume they'll be reimbursed for unauthorized withdrawals. But EBT cards are excluded from standard financial safeguards. In 1978, Congress passed the Electronic Fund Transfer Act, which protects consumers against unauthorized electronic transactions. In 1994, the Federal Reserve Board, which implemented EFTA at the time, moved to explicitly include EBT recipients under the law. But as part of a controversial package of welfare reforms signed by President Bill Clinton in 1996, EBT cards were carved out of EFTA's scope, creating a two-tier system for banking protections. "There was never a parallel set of protections set up," says Victoria Negus, benefits policy advocate at the Massachusetts Law Reform Institute, which fights for economic justice.

Late last year, Congress passed an appropriations bill that set aside some money to replace skimmed food benefits up to twice per year per recipient. The value of each restoration would be capped at two months' worth of benefits, however, which falls short of what observers say EBT recipients deserve. "It's an equity issue," says Andrew Kazakes, an attorney at the Legal Aid Foundation of Los Angeles. "Why do the people who need benefits have the least secure means of receiving those benefits?"

In recent months, state and federal officials have announced efforts to bring EBT card technology up to industry standards. In March the US Department of Agriculture, which oversees food benefits, announced it would work with five states—Illinois, Louisiana, Massachusetts, Missouri and Oklahoma—to test contactless mobile payments. According to the press release, the rollout will take place over "the next few years," a timeline Negus argues is unacceptably long. "If a whole bunch of rich people had their dollars stolen from them because the solutions that the government and banks and credit card companies had put in place to protect them failed, we would have had systemic solutions in place months ago," she says. "There's no solution in sight. There's no timeline. There's no sense of when things will happen. There's nothing." (A USDA spokesperson says the pilot initiatives "are complex projects involving a wide range of stakeholders carefully coordinating efforts.")

Cards with chips are much more secure than those that have only magnetic stripes, says Alain Martin, head of consulting at the banking and payment services arm of the Thales Group, a multinational tech company. That's because the chip is a tiny computer that exchanges encrypted information with a point-of-sale device to prove the card isn't a clone. The account info and PIN stored in a chip-based card might be the same as a magnetic stripe card, but the unique key the chip uses to encrypt the data is inaccessible and unreadable.

California is working to put chip technology on EBT cards, says Jason Montiel, a spokesperson for the Department of Social Services. He didn't specify a rollout date, noting there are technological and statutory issues to be worked out. In the meantime, the state has started releasing benefits to recipients later in the morning, to prevent ATM skimmers from working under cover of night and to give recipients a better chance of receiving their benefits before they can be stolen. The agency also says it has blocked suspicious transactions and identified potential perpetrators, but it declined to comment further on its mitigation efforts.

For Crystal Cork, the mother who was skimmed four times between October 2021 and September 2022, the time change simply adjusted when she got to an ATM each month to 6:30 a.m. She hasn't had her benefits stolen since September of last year, but she hasn't let her guard down, either. Cork says she'd find a way to get by if she were skimmed again: "I always let my kids know that Mom will find a way." That might mean borrowing money from family, or not buying birthday gifts, or making dinner for the family with just a chicken breast, a can of vegetables and rice. "It's just very sad," she says, "that there's people out there that really do this type of stuff." **B**

BANQUE

IS IT  
REALLY  
STEALING  
IF THE MON

LEBANON'S FINANCIAL CRISIS HAS LEFT MILLIONS OF DEPOSITORS WITHOUT ACCESS TO THEIR ACCOUNTS. SOME ARE TURNING TO EXTREME MEASURES

BY RUTH MICHAELSON  
PHOTOGRAPHS BY MANU FERNEINI

E DU LIBAN



Arabic graffiti on the wall above a window.

Arabic graffiti on the wall above a window.

THEY IS YOURS?

Lebanon's central bank

T

he Hafiz family was desperate to get their money back from Blom Bank SAL. They had the \$20,000 for Nancy Hafiz's brain cancer treatment in the family savings account, but the bank wouldn't let them withdraw it. When Nancy got too sick to lobby the branch manager on her own behalf, her sister Sali took over. Please, Sali begged, my sister is running out of time. The manager said he could draw the equivalent of \$200 a month in Lebanese pounds from the account, adding insult to death sentence. The rest of the family had no better luck. Sali contemplated selling a kidney. Instead, she and a third sister, Ikram, decided to stick up the bank with a fake pistol and a canister of gasoline.

One morning last September, Sali livestreamed the family heist. She charged toward the counter of a Blom branch in Beirut, brandishing her nephew's plastic toy handgun. The clerks screamed and took cover. Standing on a table, tucking the dummy weapon into the waistband of her black jeans as though she did this every day, Sali yelled, "I came here today to get my sister's money." To show they were serious, Ikram poured the gasoline over her head and threatened to set herself alight if the employees didn't hand over the cash. Soon, she was holding a clerk by the collar as he fed fistfuls of US dollars into a money-counting machine. The sisters stuffed \$13,000 into

bags—enough to get Nancy's treatment started—and fled the scene, ditching the fake gun outside.

Later that week, their mother, Hiam Hafiz, appeared on the local news, but not to implore her girls to give themselves up. "We did not take money that was not ours," she said. "This was our money that we put in the bank."

The Hafiz sisters' heist was one of eight such incidents in a single month in Lebanon, as desperate depositors turned to bank robbery to reclaim their savings. A run of overlapping catastrophes had pushed them to this point, including the deadly 2020 explosion at Beirut's port, which killed at least 218 people. At the center of the pain, however, was the ongoing meltdown of the country's banking system, which has led Lebanese commercial banks to impose severe capital controls and lock citizens out of their life savings. The World Bank describes it as "likely to rank in the top 10, possible top three, most severe crisis episodes globally since the mid-19th century."

The epicenter is Lebanon's central bank, the Banque du Liban. Riad Salameh has run the place for just shy of 30 years, making him the longest continuously serving central bank governor in the world. During most of that

time, he claimed to champion a stable, conservative philosophy of monetary policy and presided over what appeared to be booming prosperity, as swaths of the capital were transformed from battlefields scarred by civil war into sleek boulevards lined with high-end restaurants. For many years, the posher streets of Beirut were jammed with sports cars; above them, residents popped Champagne at rooftop bars overlooking the Mediterranean Sea.

Unfortunately, behind this era of easy money was what the World Bank and leaders including French President Emmanuel Macron have described as a Ponzi scheme. When times got tougher, the Banque du Liban began struggling to pay its debts, and the country's commercial banks started teetering, too. To buy time, Salameh handed out a couple rounds of cheap credit. But eventually he arrived at a more desperate solution, leaning on the commercial banks themselves to plug holes in his cash reserves. As the populace began to feel the pain from rising costs of living, this setup also stalled out, and the financial system collapsed.

Today, Lebanon's economy is in shambles. Inflation topped 170% last year, and credit-ratings agencies say this year could be worse. The

Concrete barriers blocking the entrance to Lebanon's central bank are covered with fake wanted posters, which lampoon the bank's governor and other leaders







Salameh at a press conference in Beirut in late 2019, shortly after he closed the banks for two weeks

average Lebanese citizen with money in the bank can expect a deal such as the one the Hafiz family was offered: a relative pittance from their savings, every so often. What this means is that former members of Beirut's middle class are begging on the street. Robberies for food, basic medicines, baby formula and diapers have been on the rise. "They have legalized stealing our money," says Ibrahim Abdallah, a member of the Depositors' Outcry Association, a protest group that helped the Hafiz sisters plan their heist. "People here, we just want to survive."

Salameh, who repeatedly declined to comment for this story, has said he'll leave his post in July rather than seek another six-year term. Before his intended retirement to his villa overlooking Beirut, his most loyal companions might be his Cohibas. One financial analyst who meets regularly with him, and spoke on condition of anonymity for fear of professional reprisals, says the governor doesn't put down his latest cigar even to shake hands. "From time to time, when he speaks in long sentences, the cigar goes out," the person says. "He relights it and carries on."

In May, French and German prosecutors issued arrest warrants for Salameh in connection with an investigation that stretches across six

countries. The allegations include buying real estate in those countries using millions of dollars in stolen Lebanese public funds. (Salameh has said the charges are politically motivated and called the French warrant illegal.) At home, however, Salameh has remained remarkably untouchable. He's been free to chain-smoke cigars in his office while a vanishing middle class has been left to consider its options, all of them desperate.

Salameh spent the first two decades of his career at Merrill Lynch in Beirut and Paris, eventually becoming a portfolio manager for wealthy clients including Lebanese industrialist Rafik Hariri. When Hariri became Lebanon's prime minister in the early years after the nation's devastating 15-year civil war, he brought Salameh back with him, making him the central bank governor in 1993. "Riad," says former Vice Governor Nasser Saidi, sighing as he utters his old boss's name, "is not an economist. He was a broker." Saidi says Salameh's original sin was his 1997 decision to peg the Lebanese pound to the US dollar, allowing both currencies to be used interchangeably. For dozens of countries around the world, the dollar peg makes it cheaper to conduct financial transactions and international trade, which are typically conducted in US dollars. But for this fixed exchange rate to hold, Lebanon would need to have lots of dollars coming in at all times.

Even early in his tenure, Salameh demonstrated a gift for politics. He forged and maintained alliances with each of the many factions in Lebanon's fragile status quo, including the militant group Hezbollah, charming them in tandem with European and American diplomats. His closeness to the warlords-turned-politicians among Lebanon's ruling elite led almost everyone interviewed for this story to refer to him as "the mafia's accountant." But

as the new millennium dawned, the currency peg seemed to be working, spurring investment from throughout Europe and across the Persian Gulf. US dollars flowed into many of the 4 million Lebanese in-country from the more than double that number in the diaspora. The real estate sector boomed, and Lebanon seemed to "defy financial gravity," in the words of one former US ambassador.

This two-step also presented an opportunity for middlemen, including those in the Salameh family. In 2001, Salameh's brother Raja founded a company in the British Virgin Islands called Forry Associates. For more than a decade, according to a 2022 Reuters investigation, the Banque du Liban charged commercial banks commissions on their purchases of government securities without disclosing that the bulk of those commissions went to Forry. European authorities have said they suspect Raja's company transferred more than \$300 million in profits to Swiss bank accounts. The Salamehs have denied wrongdoing, but Lebanese and European authorities have spent years investigating how they and their associates went on to buy tens of millions of dollars in properties throughout Europe. In France, the mother of one of Salameh's admitted children from an extramarital affair is facing questions about how she came to own a property on Paris' most famous shopping boulevard, the Champs-Élysées, which investigators in Beirut allege she leased back to the Banque du Liban to use as office space.

"There is something inherently elusive and slippery about Salameh," Jeffrey Feltman, then the US ambassador to Lebanon, wrote in a 2007 diplomatic cable later published by WikiLeaks. By then, Salameh had won favor with the US and was visiting Washington and Damascus for strategic meetings about a possible run for Lebanon's presidency. (In another cable from earlier that year, Feltman recounted a Rotary Club dinner during which, he said, Salameh replied to a question about his policy priorities with this: "Get me the presidency, and I'll tell you.") The ambassador concluded that a President Salameh would be a bad idea because of "the questionable way the Central Bank is run, with



Sali Hafiz leaving the Justice Palace in Beirut in October; Abdallah speaking at a protest in the Beirut suburb of Dekwaneh in May: “They have legalized stealing our money”

measures were pushing the basic cost of living beyond the reach of many. In 2019, when the government proposed steep new taxes, protesters flooded the streets, gathering amid clouds of tear gas in front of the Parliament building to demand that the country’s leaders step down. In response, Salameh closed the banks for two weeks. When they reopened, the long lines of depositors still didn’t know how bad things were about to get.

← far less transparency and many more questionable practices than Salameh’s stellar reputation would have one believe.”

For the people of Lebanon, times were good. Salameh’s regulations helped the country largely dodge the global financial meltdown of 2008, and by 2010 about 1 in 5 cars on its roads were made by Mercedes-Benz. A year later, Chanel opened a standalone boutique in downtown Beirut. A booming financial sector gave rise to a thriving upper-middle class with its pick of holiday homes overseas. Salameh and his policies got the credit, and the halo effect enabled him to brush off pressure from ministers to sell some of the central bank’s more extravagant assets, including a private jet and a casino.

Not long after, however, clouds began to gather. After 2011, as a popular uprising in neighboring Syria twisted into a brutal civil war, foreign investors began turning away from the region, and the US dollar inflows that sustained Lebanon’s economy dropped sharply, tipping the country deeper into debt. Salameh’s solution was to dole out financial relief for struggling banks, beginning in late 2015 with BankMed SAL

and Bank Audi SAL. Both were major national financial institutions, and the family of former Prime Minister Hariri, who was assassinated in 2005, controlled the former and had a stake in the latter. (Both banks declined to comment, though Bank Audi has said its treatment matched its size.) Other banks followed.

The Banque du Liban kept US dollars flowing through the country’s financial sector by offering troubled financial institutions extremely generous interest rates, but this was a short-term solution. The central bank didn’t have the funds to cover that interest or all the deposits, so it began a secret, complex siphoning of funds from commercial banks to meet its near-term obligations. In the meantime, its asset Middle East Airlines bought a second private jet for use by Salameh and elite clients.

By 2018 the Banque du Liban was creating assets out of thin air. An audit report from that year, later leaked widely, lays bare some of Salameh’s creative accounting. Notably, he assigned an annual financial value to Lebanon’s long-term financial stability, termed “seniorage,” then added it as a credit on the bank’s balance sheet. According to the audit report, Salameh was empowered to determine this amount “as deemed appropriate by him.”

A sense of unsustainability was seeping into Beirut. While crowds of playboys were taking out loans to buy fancy cars and watches, inflation and austerity

Over the following months, the banks imposed steadily harsher withdrawal limits, particularly on overseas transfers. Businesses closed, joblessness soared, and in March 2020, Prime Minister Hassan Diab declared on national TV that the country would default on a \$1.2 billion bond rather than repay it.

Salameh shrugged off blame for the financial crisis in a televised speech the following year. “This engineering, we were forced to do it to buy time for Lebanon, so Lebanon could reform,” he said. He implied that government leaders had supported him. Even so, attendees at a meeting at the presidential palace that summer say Salameh rebuffed demands from ministers to provide a simple list of the central bank’s assets and debts. He didn’t seem all that big on team spirit.

In June 2021, Salameh took a private jet to a small airport in northern Paris. When he arrived, he told customs officials he was carrying

**“I can’t predict what his future will be. All I can say is that it’ll be very bad”**

€15,000 (\$16,100) for a trip to meet with Lebanese bankers working in France. But while inspecting his bags, the officials spotted stacks of bank notes and grew suspicious, according to a police report later leaked to *Al-Akhbar*, a Lebanese newspaper. They donned surgical gloves to count the bills, which were in US dollars and euros, including 47 of the €500 notes dubbed the “bin Laden” for their link to illicit activity. In total, Salameh was carrying almost €91,000. When customs officials asked him why his suitcases contained so much undeclared cash, he told them, “I forgot it was there.” After several hours of questioning, he paid a fine of €2,700 and continued on with the rest of the money.

By then, the audit report from 2018 had long since leaked to the public. Soon after Salameh’s Paris trip, protesters filled the street outside the central bank offices, screaming that it was time for him and others to go. They couldn’t see the governor. The heavy beige curtains running along both sets of windows in his cavernous corner office remained permanently shut. But inside, according to the financial analyst who meets regularly with him, Salameh could faintly hear their cries. If the protests bothered him, he didn’t let it show. “He has this incredible sense of impunity,” the analyst says. “He must be a hell of a poker player. You couldn’t read anything on his face.”

Since then, Salameh has largely confined himself to his office while millions of Lebanese citizens have access to only tiny slivers of their savings. Aayad Sarka, a depositor-turned-protester, says he stopped taking heart medications because he can no longer afford them and pulled out his own teeth at home instead of paying to see a dentist.

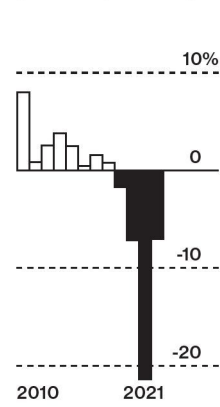
More than a few protesters say the relative success of heists such as the Hafiz sisters’ has made armed-ish robberies look like their least-worst option. Among them is Pascal Rassi, a physician who sold his practice in the early days of the financial crisis and put the entire \$100,000 in proceeds in the bank. (“I was naive,” he says.) The monthly \$200 in pounds the bank has offered him doesn’t cover

necessities such as heating or treatment for his fibromyalgia. He’s tried pleading. He’s tried a hunger strike. On one occasion, he tied himself to a chair in his local branch with a cable. Now he’s no longer allowed in. “It’s the banks who are the thieves!” he exclaims. “Someone who takes their own money is not a thief!”

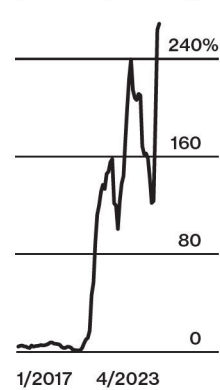
As Salameh’s vice governor, Wassim Mansouri, prepares to take over the Banque du Liban on an interim basis, demonstrators are increasingly targeting heads of commercial banks, and Abdallah says he fears some depositors will consider assassinations to be fair punishment. Some executives must also worry about getting swept up in the probe targeting Salameh. In April, French prosecutors indicted AM Bank SAL Chairman Marwan Kheireddine for alleged money laundering and criminal conspiracy. In mid-May, French prosecutors charged Salameh in absentia with criminal conspiracy, organized money laundering and aggravated tax evasion. A week later, German prosecutors issued an arrest warrant on similar charges. (Salameh hasn’t responded publicly to the German allegations, nor has Kheireddine to the French ones.)

Salameh is unlikely to face extradition. Disgraced auto executive Carlos Ghosn has been chilling in Lebanon since 2019, when he jumped bail in Japan. Like Ghosn, though, Salameh is running short on other places he can go. Besides Europe, he’s lost favor in the US, too. The Department of the Treasury repeatedly called out the Banque du Liban in January, when it placed sanctions on a currency trader it said “plays a key role” in allowing Hezbollah to exploit the Lebanese crisis. But Lebanon might not be safe for Salameh after his retirement, either. At this point, he’s so unpopular that he

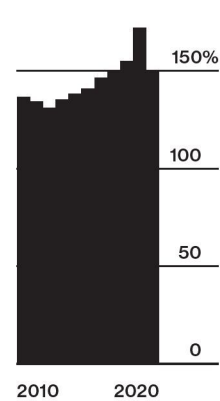
Lebanon's GDP, year-over-year change



Consumer price index, year-over-year change



Gross public debt, as share of GDP



could end up a scapegoat for the rest of the country’s ruling class—who are, after all, the ones who kept him on.

When the financial crisis began, Gebran Bassil was the senior adviser to Lebanon’s then-president, Michel Aoun, who’s also his father-in-law. Bassil is a long-serving, powerful minister who heads the Christian nationalist party called Free Patriotic Movement. (The US Treasury Department also personally sanctioned him in 2020 over allegations of corruption, which he dismisses as politically motivated.) He now says that he and Aoun wanted to get rid of Salameh at the end of the governor’s last term six years ago, long before the banks shut down, but that US officials talked them out of it. “Salameh is servicing the interests of a political system,” Bassil says, leaning back in a leather armchair in an expansive duplex with panoramic views of Beirut. A Cohiba-branded ashtray is sitting on the coffee table between us, though Bassil says he’s no longer a cigar guy. “I can’t predict what his future will be,” he says. “All I can say is that it’ll be very bad.”

For many ordinary Lebanese, things are already bad and getting

worse. Beirut streetlights no longer switch on at night, because the state electric utility is low on both fuel and funds. Lebanon has been without a president since Aoun resigned in October, and the government has seemed all the more paralyzed. But this anarchy has also left room for folk heroes. Nancy Hafiz used her heist-procured family savings to begin treatment for brain cancer in Turkey, and unlike Salameh, her sisters appear unafraid to show their face in public. **B**



p

Siegsdorf

Police said four rare violins went missing after a collector and his daughter were killed.  
Then a lot of stories began to unravel

# The Stradivarius Murders

By Brent Crane  
Illustration by Pedro Veneziano

# SOON

after Bernard von Bredow moved to Paraguay, in 2017, he deemed the sunny, landlocked South American country a “free space for the soul.” With Loreena, one of his four children, he’d fled what he called the “slavery” of Angela Merkel’s Germany, which he’d come to see as an insufferable place of rules, globalism and shadowy “deep state” machinations. In Paraguay, he could finally “live in freedom,” he told friends. He could survive off his German pension and the occasional sale of one of his many rare violins.

Von Bredow urged peers back home to join him, praising the Paraguayan lifestyle and touting plots of land for sale. He shared photos of his exotic reset over Telegram and videos on YouTube. Here was Loreena, whom he affectionately called Lolo, playing with their cats. Here was the pair making sauerkraut kombucha in their cozy kitchen. Here was a \$100,000 1835 Ascoli Piceno violin available for the “seriously interested.”

Von Bredow was proud of the large, remote compound he’d had built in Areguá, just up the road from scenic Ypacaraí Lake and surrounded by jungle and long green fields. The brick walls of the property were lined with barbed wire, security cameras and floodlights. Von Bredow personally painted a life-size mammoth on the gate. Inside the two-floor house, violins and cellos cluttered the living room. Big baroque paintings hung on the walls. More miscellany was stored among the six shipping containers on-site, including kayaks, dusty antiques, mountains of tools for von Bredow’s endless projects and stringed instruments galore.

But there was one gap in the brick fortifications: a stretch of short, simple fence abutting a patch of jungle. Paraguayan investigators theorize that, on the night of Oct. 21, 2021, a band of intruders severed it and entered the grounds, then smashed in the front door, raining glass on the floor.

The following day, von Bredow was found lifeless, sprawled beside his living room table. He’d been shot in the neck, and his body bore signs of torture. Fourteen-year-old Loreena was found dead in the bathtub. She’d been shot in the abdomen. Blood was everywhere—on the carpet, in the hall, in the kitchen. Belongings had been tossed about, maybe from a struggle, a search or both. Missing from the property, the local police announced later, were four specimens of the world’s most expensive musical instrument, the Stradivarius violin.

The roughly 600 remaining violins built in the 17th and 18th centuries by the Italian luthier Antonio Stradivari, revered for their exquisite craftsmanship and tone, can fetch as much as \$20 million each. Prices have risen higher than ever in recent years, owing to an influx of buyers from Asia and a secondary

market driven by large investment firms. Some have even built funds allowing investors to bet on a slice of a given violin’s future value.

These tend to be solid bets in part because many Strads now come with centuries of lore. The 1697 Molitor that sold for \$3.6 million in 2010, for instance, was said to have been owned by Napoleon. (It’s named for one of his generals, Count Gabriel Jean Joseph Molitor.) Aficionados make the instruments sound downright sacred. “They’re incredible,” says Gabriel Ben-Dashan, executive director of the Stradivari Society in Chicago. “Owning a Strad changes one’s life.”

Von Bredow had told friends he possessed at least one Strad, and at the time of his death, his invite-only website, [violinen.biz](http://violinen.biz), featured one for sale, according to his sister, Anita. (She wouldn’t grant access to the site.) He’d also boasted that he owned two violins made by Giuseppe Guarneri, a Stradivari contemporary whose instruments are similarly valuable, selling regularly for six or seven figures.

Yet friends say von Bredow wasn’t a wealthy man, only an eccentric with a history of financial instability and a susceptibility to all manner of conspiracy theories. He was also a celebrity paleontologist and a polymath, described by many as a genius. “He knew everything,” says one friend, Sascha Wildi. “You could ask him anything, and he’d talk for hours.” In death, he left behind a string of murder suspects and few answers.

## VON BREDOW

had always stuck out in Siegsdorf, his small hometown in the foothills of the German Alps. There, in the 1990s, he opened a museum devoted to the woolly mammoth and other ice age megafauna. He named it, in his quirky way, the Mammutheum.

Like most facets of his life, von Bredow’s entry into paleontology was unconventional. In 1975, at the age of 16, while out with a friend searching for buried World War II weapons in a forest near his home, he discovered a complete mammoth skeleton. Eventually, without formal training, he excavated and cast it. Standing more than 12 feet high, it was then the biggest specimen of European *Mammuth* yet discovered. Von Bredow named it Oskar—chosen, he later said, because a prestigious discovery should evoke an equally prestigious prize.

Showmanship came easily to von Bredow. A natural raconteur, he could mesmerize strangers with his verve, comic voices and seemingly endless collection of esoteric facts. “He was one of the most authentic people I’ve ever met,” says Martin Schleske, a luthier who became one of von Bredow’s friends. “He didn’t care about any conventions. They were just not important for him.”



The crime scene

## “There were a lot of people he was in trouble with”

Although endearing to some, von Bredow’s bravado could be irritating, too. Ellen Norten, a journalist who interviewed him in 2002 for a Bavarian state TV program, remembers him as “conceited,” rudely rebuking her for going back to work too soon, he thought, after her husband’s recent death. “He could be very insulting,” Wildi says. “There were a lot of people he was in trouble with.”

After Oskar, in the 1980s, von Bredow discovered several other ancient creatures’ remains at the wooded site outside Siegsdorf. When the town, which had subsidized his castings, set out to build a museum to house his finds, he spurned them to start his own, sparking a minor tussle over who owned the fossils. (The town got Oskar.) “Bernard was not a diplomat,” recalls Dick Mol, a paleontologist and friend. “He could be a little arrogant.”

The Mammutheum wound up with an unkempt, oddball character that reflected its owner’s. It melded a nerdy love for the ancient world with a deep desire to freak out the squares. In the verdant grounds, overgrown with weeds, he placed towering statues of prehistoric monsters, including the enormous rhinoceros known as a Siberian unicorn. He taught seminars on bowhunting and fire making. In a thatched-roof hut, he cooked meals for guests over open flame, slicing slabs of meat with stone daggers and serving homemade moonshine. Sometimes he dressed as a cave man.

This eccentric program also helped make the museum a vehicle for wider self-promotion. Through the ’90s, von Bredow fashioned himself into an ice age expert, presenting on television, consulting on films and touring his wares in traveling exhibits across Europe. “He lived off his wits,” recalls Adrian Lister, a British paleontologist. “He could see this was a way of making his living.” With Russian scientists, he helped excavate another mammoth in Siberia.

Around the turn of the century, von Bredow’s attention shifted to another obscure yet distinguished niche: antique violins. Just as he’d taught himself the intricacies of handling fossils, he learned to build and restore stringed instruments, sourcing wood from a forest near his house. In that 2002 TV interview, he deemed his new obsession “the most difficult craft there is.” Often he showed up unannounced at Schleske’s studio outside Munich, offering to clean the place in exchange for training. “He really wanted to be good,” Schleske says.

In only a few years, von Bredow became skilled enough to earn a modest reputation as a dealer and restorer, bolstering it with his knack for publicity. In a 2008 TV documentary, he constructed one violin entirely with Stone Age tools. Another he made from mammoth ivory. Mostly, though, he purchased his instruments, scouring eBay for gems. By the 2010s he possessed some 200 violins and cellos, which he stored at

his Siegsdorf home, hanging some from the ceiling.

Von Bredow lent some violins to professional musicians, selling others through word-of-mouth or on [violin.biz](http://violin.biz), which dates to 2004. He often bragged to friends of his collection’s exorbitant value—so high, he told them, that he couldn’t afford to insure it.

But von Bredow was growing frustrated with Germany. Life under Merkel had become too restrictive, too expensive, too racially diverse. He’d always harbored a certain paranoid sensibility. His friend Verena Schmidt recalls helping him check his cabinets and bookcases for listening devices.

Von Bredow’s grandfather, a logistics specialist for the Nazis, had fled Germany for New Zealand after the fall of the Third Reich. Von Bredow had spent a great deal of time there as a child and young adult. In his 20s he’d attended sermons by Barry Smith, an evangelist preacher who spent decades warning of imminent apocalypse and railing against the “new world order.” Haggis Lamb, a friend who often hosted von Bredow in Blenheim, a quiet town on the South Island, recalls him regularly sleeping with a bowie knife under his pillow.

In middle age, von Bredow was drawn in by grand conspiracy theories involving Bill Gates and George Soros, and his darkly conspiratorial turns began to unnerve even longtime friends. He became enamored with the Reichsbürger movement, which rejects the legitimacy of the modern German state in favor of the bygone Reich. “He got stranger and stranger every week,” says Schmidt, adding that she distanced herself from him a few years before he left for South America.

In 2015, von Bredow began making visits there. The lush, sparsely populated country of Paraguay has a peculiar history of German immigration, including among White supremacists. (Nietzsche’s sister once co-founded a “racially pure” colony of Aryans there.) When von Bredow permanently relocated two years later, he left most of his fossils in Siegsdorf. But he took his violins, shipping them in containers across the Atlantic.

## VON BREDOW’S

persona attracted like-minded people. One who shared his fondness for stringed instruments, conspiracy theories and kayaking was Yves Steinmetz, who joined him in Paraguay around 2018. The two had met through a mutual friend in Lake Chiemsee, a vacation destination outside Siegsdorf, in 2010. Steinmetz says he worked as an assistant surgeon at the RoMed Clinic, a hospital on the lake’s shores.

Steinmetz had been a cello prodigy in Fürth, his Bavarian hometown. He has said he went on to play professionally for more than a decade, mostly in the Nuremberg Philharmonic Orchestra and the Nuremberg Opera House, until an ear condition and his doctor father led him out of music and into medicine. In the early 2000s he studied endocrinology at the prestigious University of Hamburg. His 2010 dissertation, which is available online, focused on female-to-male gender-confirmation surgery, which he underwent in the 1990s.



← In Germany, however, there are almost no public records of Steinmetz. Neither the Nuremberg Philharmonic nor Opera House has a record of his employment. It's unclear whether he received a medical degree. A dozen acquaintances and colleagues either didn't respond to requests for comment or declined to speak about him. ("Leave it—it's not good for him," said one, his former luthier in Berlin, before hanging up.)

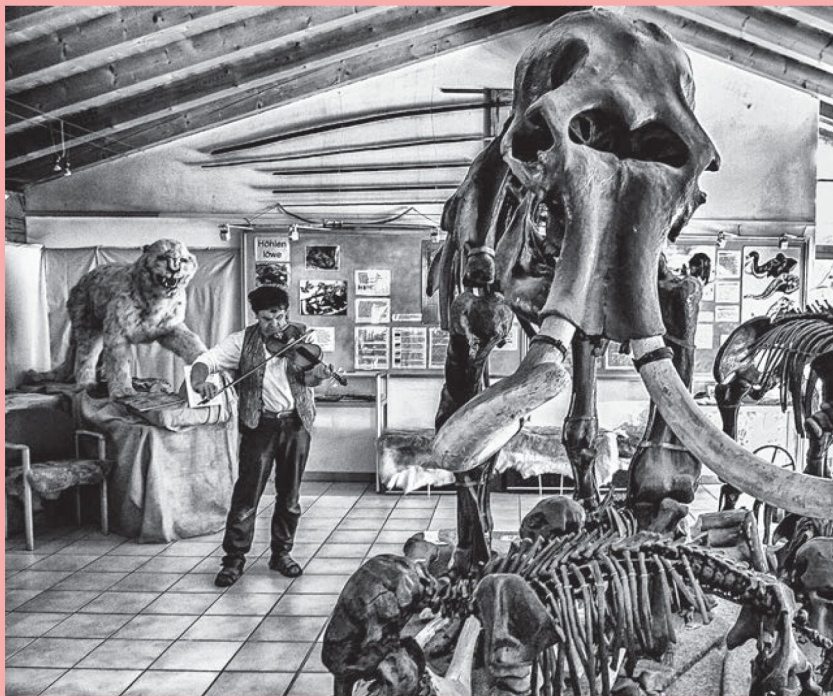
Asked about his past, Steinmetz says, cryptically: "Many people had taken advantage of me" by the time he met von Bredow. "I came to Paraguay because I believed Bernard was my friend" is all he would say of his motivations.

Steinmetz eventually took over a small building on von Bredow's compound in Areguá, a quiet town an hour's drive from Paraguay's capital, Asunción. Down the road, von Bredow and Loreena often swam in Ypacaraí Lake alongside marshy reeds and wading tero-tero birds. Steinmetz says he bought his parcel of land from von Bredow for \$10,000. Separate from the small building, where he slept, he also received a yurt, where he kept some of his things.

Steinmetz found work with a philanthropic youth orchestra run by conductor Luis Szarán, who says Steinmetz is "a very good cellist." The National Symphony Orchestra in Asunción confirms that he sat in with its players on occasion, too. But as lovely as his playing was, Steinmetz could also discomfit people. He could come off as cheery and exuberant one second, severe and brooding the next. Local violist Victor Aguilar describes these mood swings as "very weird."

Soon after Steinmetz relocated to Paraguay, something drove him and von Bredow apart. There are conflicting accounts about what. According to four people who knew von Bredow, Steinmetz had received numerous loans from him, in Germany and Paraguay, which he never paid off. Steinmetz disputes this. "He never gave me a penny," he says. Von Bredow's friends also say, and Steinmetz doesn't deny, that the disagreement centered on a cello and several violins.

The cello was made by Jean-Baptiste Vuillaume, a 19th century French luthier. Steinmetz says it was a gift from his late father worth somewhere between \$200,000 and \$500,000. He considered it his "life insurance." In Areguá, he says, he needed cash, and von Bredow agreed to sell the cello for him. Months passed with no word on the sale, Steinmetz says, and when he inquired, von Bredow alleged the instrument was a fake and "wasn't worth shit"—something Steinmetz vigorously disputed. He says von Bredow told him he'd brought the cello to Germany and refused to return it. From then on, "the relationship broke and broke," Steinmetz says. He went to the Areguá police and accused von Bredow of theft, but nothing came of it.



Von Bredow in the Mammutheum in 2014, playing a violin he made

Steinmetz remembers letting von Bredow continue to store a dozen violins and cellos in his non-yurt building while von Bredow was away in Germany. Then, one day in November 2018, with von Bredow in Europe, Steinmetz's building burned down. The fire started mysteriously, in the middle of the day, while Steinmetz was out, he says. The whole structure was incinerated. Von Bredow would later tell his friend Volker Grannas that the instruments were worth more than \$1 million and completely uninsured, according to Grannas. In Germany, von Bredow received photos from Steinmetz of charred headstocks as proof that the instruments had been lost in the blaze.

At first, von Bredow took the incident at face value, but some in his circle wondered about the timing. Anar Bramo, a professional violinist in Germany, says that when he raised doubts, von Bredow replied, "Yves is my friend." But as time passed, Bramo says, von Bredow's doubts seemed to grow. After returning to Areguá, he'd found some violin remains, according to Bramo, but only from his cheaper models.

## ANTONIO

Stradivari was born in 1644 in Cremona, in what's now northern Italy. He built his masterpieces in a workshop across from a public park. He was, says the Stradivari Society's Ben-Dashan, "the greatest craftsman in our art that has ever lived." He was also prolific, completing about 1,000 violins, violas and cellos during his lifetime, including pieces commissioned for bankers, clergymen, aristocrats and kings. Those made during his "golden period," 1700 to 1725, are the most sought-after today.

Specialists have long debated why Stradivari's violins are so exquisite. Perhaps he incorporated some long-lost





building technique. Maybe he used a unique varnish or some bygone wood. In 2003 two American scientists speculated that reduced solar activity during his lifetime might've resulted in wood growth with "superior acoustical properties." In 2021, Joseph Nagyvary, a biochemist and Stradivarius obsessive in Texas, found that Strads' bodies were put through "aggressive chemical treatment" involving zinc, copper, borax, lime water and alum.

Whatever explains the instruments' quality, today's market has rewarded their rarity and prestige. In 2005, Christie's sold one, the 1699 Lady Tennant, for \$2.3 million. The next year the 1707 Hammer went for \$3.5 million. This record was broken in 2010 with the sale of the Molitor of Napoleonic fame. In 2011 the 1721 Lady Blunt sold for \$15.9 million. In 2021 another sold for just less than that amount. Others are valued at more than \$20 million.

The escalations in Strad sales prices have, of late, priced out even the most successful musicians. "Those who play them can no longer afford them," says Dmitry Gindin, a rare-violin expert, consultant and investor in Europe. Many reside untouched in museums, but it's also increasingly common for owners to loan their stringed assets to talented players, hoping to burnish a reputation as a patron of the arts. Typically a musician pays all maintenance and insurance costs, which can range from 0.5% to 2% of total value, sometimes as much as \$15,000 a year or more.

Gindin attributes the boom in Strad values in part to interest from high-net-worth individuals in Japan, Taiwan and China, who, he says, have changed the market "considerably." But rare instruments have attracted attention from large investment firms, too. Kathryn Graddy, an economist at Brandeis University, wrote in a 2011 paper that such assets deliver 3.5% in real returns—"less than stocks and similar to treasury bonds." Over the past decade, more firms have come to see them as a safe way to diversify a portfolio.

One in Australia, the ACO Instrument Fund, focuses entirely on rare stringed instruments. The \$7 million fund—which keeps one Stradivarius, two other rare violins and a cello—is run by the Australian Chamber Orchestra and loans its instruments to its musicians. Minority investors can buy in starting at \$50,000.

Also common are informal arrangements wherein a handful of enthusiasts purchase shares in a single instrument. Most of the time these investors are already involved in the violin business, as dealers, certifiers or restorers, and so can contribute to the upkeep and eventual sale.

Expertise is important, because amateurs are prone to misidentification. A true aficionado can determine the authenticity of a Stradivarius, Guarneri or Amati with relative ease. But an amateur, especially an arrogant one, can be easily misled. Online, anyone can search and compare images, and errors are common. "People call many times a week who think they have a Strad," Ben-Dashan says.

Von Bredow himself was often fooled, according to Bramo.

He says he borrowed many von Bredow violins over the years that were supposed to be rare, high-end models, only to play them and be disappointed. Eventually, Bramo says, he started bringing them to specialists for a closer look. Of the 15 violins he brought in, none were found to be authentic. He believes that dozens more also weren't what von Bredow said they were. "A lot of violins which he thought were very expensive, or a Stradivarius or Guarneri or something like that, were not original," Bramo says. "They were only copies." He says von Bredow laughed off the idea, convinced he knew better.

To resell a rare violin, you need authentication records that track the instrument's chain of custody over the centuries. True antiques will often carry three or more such documents. Today these are issued by only a handful of trusted authorities, such as the craftsmen-dealers Charles Beare and Florian Leonhard in London and Eric Blot in Cremona. If a violin lacks these certificates, it's practically impossible to sell for anywhere near market value. And even if someone who'd stolen an instrument also had its certificates, it would be risky if not outright foolish to put it on the open market.

There have been cases of musicians losing expensive violins. Less commonly there have been documented cases of fraud—of lesser violins passed off as ultrarare. But no expert reached could recall a targeted theft involving a home invasion. Two years ago, when thieves broke into Gindin's home, they ignored his instruments. "It doesn't make any sense to steal violins," Leonhard says. "It is extremely unusual."

## TWO WEEKS

after the murders, Anita Bredow—she dropped the German signifier "von" decades ago, when she moved away—flew to Paraguay from her home in the Netherlands to sort through the aftermath. She says she'd always been close with her brother and had come to visit his compound twice in happier times. This time, she says, with no arrests made, she kept a low profile, refusing media requests and hiring a local German-run security team to shadow her.

Before her arrival, Anita had contacted two friends of von Bredow's, Grannas and Stephen Messing. It was the mild-mannered Messing, a former IT guy running a pizzeria in Areguá, who called police to report the murder scene. The first thing he noticed was the shattered entryway. When he entered the house, his eyes darted to the bathroom, where Loreena was floating in a tub of crimson water. He gasped. "I hadn't experienced it before," he says, "this kind of concentrated shock."

For the next several days, he remembers, he helped detectives from Asunción work their way through the crime scene, standing guard for three nights outside the house alongside an officer. "I was there as the representative of the victim," he says. They asked him "50 times" to reopen the shipping containers on the property, he recalls, ostensibly



to look for clues. He says he assumed they were stealing things. (Paraguayan authorities didn't respond to repeated requests for comment.)

After a few days, the police stopped guarding the house, and Anita asked Grannas to go and retrieve her brother's violins, lest they be stolen by looters before her arrival. Grannas, a cattle farmer who'd known von Bredow in Germany, says he brought four of the violins back to his house, along with some other items. "I wanted to bring more but didn't have room in my truck," he says. He and Messing held a funeral. Police later had to exhume the bodies to perform autopsies.

To handle von Bredow's estate, Anita hired Andrés Casati, a Paraguayan lawyer recommended by the Dutch Embassy. When Casati accompanied Anita to give a statement to the prosecutor, Sandra Ledesma, he told her they also needed to take a statement from Loreena's mother, Judith Peters, who was still in Europe. Anita got her on the line, but when Peters learned the purpose of the call, she hung up.

Casati says Anita assured him that Peters was simply "very hurt" and didn't trust the judicial system in Paraguay, but he found it disturbing that she didn't come to Paraguay after her daughter's murder. "I was a prosecutor for five years and a judge for 12 years, and I'd never seen anything like this," he says. (Peters couldn't be reached for comment for this story, nor could von Bredow's surviving children.)

Also unnerving, Casati says, was Anita's ostentatious security detail, which included members from the local chapter of a German biker gang. They followed her everywhere, heavily armed. After a week, he says, he dropped von Bredow's sister as a client. "It was all very strange," he says. "I have a professional reputation to protect." Anita's account contradicts this: She says she's the one who dropped him. "Another lie," she says.

Around this time, Grannas and Messing say, they were growing frustrated by the Paraguayan police's, and the German Embassy's, seeming unconcern about solving their friend's murder. Grannas says he was particularly troubled because he wanted justice for the Bredows and felt that the chances were remote without foreign pressure. In November 2021 he emailed reporters at *Bild*, the German tabloid, urging them to investigate. The paper sent Philipp Lichterbeck, a freelancer in Brazil, to Areguá, where he spent several days with Grannas. They visited the von Bredow compound, stepping past police tape into



Steinmetz's 2021 detention



Grannas' 2021 detention

the ransacked living room. Weeks after the murder, Lichterbeck says, "there were still bloodstains on the floor."

A few days after Lichterbeck visited the crime scene, the police searched Grannas' home and found weapons, including a cache of guns that Messing had tried to hide. They detained Grannas, Messing and Steinmetz without charges, sending all three to a jail outside Asunción called Emboscada. "We

made the decision to search the houses of the people closest to the victims and found a lot of evidence," Ledesma, who declined to comment for this story, told local reporters. In her theory of the case, the three had conspired to steal von Bredow's violins together, torturing their friend to acquire the authentication certificates. She suggested the killers must have been known to the victims, because why else would they have killed Loreena, too?

But the evidence against Grannas and Messing was flimsy. The authorities made a fuss about having found the von Bredow violins Grannas had retrieved, even though he'd done so at Anita's request. Grannas, a longtime hunter, has a large gun collection in his home, but none that the police found was a 9mm pistol, the model forensic experts had concluded was used in the killings. Neither Grannas nor Messing had a history of conflict with von Bredow, and both were, by all appearances, financially secure. As for Messing hiding the guns, he says he wanted to prevent police from stealing them. Grannas also had an extremely solid alibi: A team of workers corroborated that he'd been at his ranch several hours away on the night of the murders, and he had tollbooth receipts supporting that story. "I'm a roughneck, but I would never be able to do something like that," Grannas told *Bild*. "If I had wanted a violin, Bernard would have given it to me."

## WHEN

he was alive, von Bredow made a questionable choice of legal counsel. For reasons unknown, he retained Jimmy Páez, an attorney who liked to call himself "the devil's advocate" because he had a habit of taking on tough cases, often suing Paraguayan authorities for alleged corruption. Like von Bredow, he possesses a kind of dogged charisma, and for a while he looked good on paper, too. He'd studied law at Universidad Católica, the best university in Paraguay, then pursued postgraduate studies in Freiburg, Germany. Fluent in German, he married a German woman and worked for both Steinmetz and Grannas as well. But the year before the murders, Páez was permanently disbarred by the Paraguayan Supreme Court of Justice for stealing funds from clients and business partners, and one colleague, Peter Tase, says he

**"We made the decision to search the houses of the people closest to the victims and found a lot"**

has a “violent attitude.” There are videos of him threatening his neighbors with his German shepherds. Grannas says he once complained to Páez about problems getting a debtor to pay him back; Páez offered to send a guy to “break his knees.”

Nonetheless, Anita went to meet Páez in his office in Villa Morra, an upscale Asunción neighborhood, soon after she arrived in Paraguay in the wake of the murders. He struck an odd figure, a short, portly man with a silly fedora and skull-faced rings who kept saying he was a Freemason. “I handled him with reserve,” she says. “But I trusted him because my brother trusted him.” That changed, she recalls, when, while reviewing some documents Páez had provided to her, she noticed an odd-looking handwritten item that read “TESTAMENT” with squiggly German underneath.

“Oh, and what is this?” she asked, trying to sound casual while her heart was racing. Páez showed her: It was a will, dated March 2021, with von Bredow’s signature and stamped fingerprint.

This was odd. Von Bredow already had a will back in Germany. Why make a second one here? But things soon became frightfully clear. In the event of von Bredow’s death, the document read, all of his possessions should fall to his lawyer, Páez.

Anita is adamant that the will wasn’t written by von Bredow. “It’s not the handwriting of my brother,” she says. Another friend of his who’s seen the will agrees. “Bernard wrote in a high-class, old-style German that was quite complicated and beautiful,” he says. “This was not.”

She alerted authorities to the suspicious will. Police found piles of cash and several violins in Páez’s possession and arrested him. He was driving a rental car at the time, and its GPS tracker indicated it had been in Areguá, near the von Bredow compound, on the day of the murders. He, too, has not been formally charged with anything and has denied the claims by Anita and others that he was involved in the murders or faked the will.

This past fall, I met Páez inside Tacumbú, Paraguay’s largest prison. He had a more mundane explanation for almost every incriminating-looking detail. He said the violins weren’t von Bredow’s, but gifts he’d bought in Buenos Aires for his musical wife. The money, he said, was his own. Yes, he’d been in Areguá on the day of the murders, but only, he said, because he owns property there. (*Bloomberg Businessweek* couldn’t verify this claim.) The only thing he couldn’t explain was the will. Why would von Bredow have left his possessions to his lawyer, instead of to the loving daughter in his care or to the other children back in Germany? “I was surprised,” Páez said with a shrug. He also claimed Anita’s story was wrong about a crucial detail—she’d given the will to him, he said, not the reverse.

Páez alleged that it was von Bredow’s sister who’d planned the murders, alongside Grannas, Messing and Steinmetz. “I am here in prison because I have information about corruption,” he said, stabbing an indignant finger into the air. “About Grannas the criminal, Messing the criminal, Yves the

criminal, Anita the criminal.” (Anita, like the other three, denies this allegation.) As for the claims that he’s prone to violence and violent threats more broadly, including the suggestion of knee-breaking, Páez said again that these were examples of his accusers telling on themselves.

It’s possible Páez had the von Bredows killed in some harebrained inheritance scheme. Perhaps the burns found on von Bredow’s body were from being tortured into writing the phony document. Casati, who knew Páez in law school, says it’s more likely Páez simply faked the will after learning of his client’s untimely death. That would make him guilty of fraud—and astounding stupidity—but not homicide. “I think he was just trying to be clever and take advantage of the situation,” Casati says. “I don’t think he had anything to do with the murder.”

## GRANNAS

and Messing were released from Emboscada late last year, after spending 10 months in the prison. Following an additional four months under house arrest, they were formally excused from the murder investigation, meaning they’re no longer under suspicion. They say they plan to leave Paraguay. “The psychological damage is really big,” Messing says. “I don’t recognize myself anymore.”

Steinmetz remains in the prison, pending a trial that has been repeatedly delayed. (He has yet to be formally charged with anything.) He has access to a cello, which he often plays for other prisoners, sometimes accompanied by a guitarist. He says he’s been framed—by Grannas, Messing, Páez, the Paraguayan judicial system, the Freemasons. He insists he’s not a liar. “If you start out with a lie,” he said during a jail-house visit in October, “you have to bend every truth to fit it.”

The local police have never provided any evidence that four Strads were stolen, as they initially claimed, and declined repeated requests for comment. Ledesma’s office declined to release information on the violins seized from Páez. And there’s no evidence von Bredow ever owned a real Strad—just his own bragging and the purported sales listing on his website. After all, the total supply of the instruments is very well known and rigorously authenticated, and none of the authenticators are aware of any being anywhere near Paraguay. “The chances of something new coming up are infinitesimally rare,” Ben-Dashan says. Yet even the promise of a Strad could’ve been enough to set off heinous crimes.

Two weeks after the murders, a young Swiss friend of von Bredow’s, a multimillionaire, also flew to Paraguay to investigate. He’d made friends with von Bredow during his last decade in Germany and says he’d felt himself to be the same kind of seeker as the young von Bredow chasing his mammoths. The brutality of the killings, especially Loreena’s, had moved him to see if he could help get some answers. But the trip freaked him out—the other expats, the police, the biker gang. After two weeks, he abandoned his quest and returned home, willing to speak about it only on condition of anonymity. “With every character I was dealing with, there was always this element of something strange in their background,” he says. “I never knew who to trust.” **B**

# SBF's Shopping List

By Max Chafkin  
Illustrations by Joanne Joo

It will be up to the courts to decide whether Sam Bankman-Fried, who's been accused of orchestrating a multibillion-dollar fraud at the crypto exchange FTX, was a criminal or merely a poor businessman. SBF, whose story is the focus of a new podcast from Bloomberg and Wondery called *Spellcaster*, denies wrongdoing and is fighting the charges. What's clear, beyond any reasonable doubt, is that he and his inner circle didn't have the greatest taste. Here's a partial list of where their money went. All figures are from public disclosures or bankruptcy documents, unless otherwise noted. 🗞 — *With Zeke Faux, Hannah Miller and Annie Massa*



## SEMFOR MEDIA \$10 MILLION

Investment in a startup promising "transparent news" and "distilled views." It plans to return the money.



## SOAK MY DECK LUXURY WATERCRAFT \$2.5 MILLION

Alameda Research, Bankman-Fried's affiliated hedge fund, bought a 52-foot yacht for Sam Trabucco, its co-chief executive officer.



## TEAM SOLOMID FTX "SPORTS" \$210 MILLION

Naming rights for an LA e-sports team; it had set a world record for *Super Smash Bros.* tournament wins and has since dropped "FTX" from its name.



## THE ORCHID PENTHOUSE CLUBHOUSE \$30 MILLION

Hangout for Bankman-Fried and his inner circle inside the ultra-exclusive Albany resort in the Bahamas.

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## MOONSTONE BANK LOCAL BUSINESS

**\$11.5 MILLION EQUITY STAKE**  
Community bank in Washington state that briefly rebranded to focus on crypto and cannabis. It's since changed its name back to Farmington State Bank, saying it was "returning to its original mission."



## REPRESENTATIVE GEORGE SANTOS

**THOUGHT LEADER  
\$29,000**  
Campaign contributions for the Long Island Republican, known for stretching the truth and for a wire fraud indictment. Santos, who denies wrongdoing, counted FTX as his top corporate backer.



## A TESLA FOR GREG16676935420

**STUNT  
\$136,000**  
Tesla Model S Plaid given to a semifamous crypto influencer. "This is the craziest day of my life," Greg16676935420 tweeted after receiving it.



## "DON'T BE LIKE LARRY" SUPER BOWL ANTI-ENDORSEMENT

**\$20 MILLION FOR A 60-SECOND AD\***  
Commercial featuring *Curb Your Enthusiasm* star Larry David as a crypto skeptic who doesn't want to invest with FTX.

\*For production and airtime, according to a person familiar with the spot.



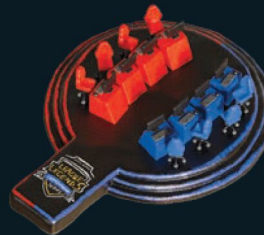
## APE IN! "ART" \$24.4 MILLION

Lot of 101 drawings of monkeys in various costumes, created by the crypto company that owns Bored Ape Yacht Club and auctioned by Sotheby's as nonfungible tokens, or NFTs.



## FTX ARENA

**SPORTS BRANDING  
\$135 MILLION FOR 19 YEARS**  
Naming rights for the 20,000-seat home of the NBA's Miami Heat. Since renamed the Kaseya Center, after a local IT company.



## LEAGUE OF LEGENDS CHAMPIONSHIP SERIES

**"SPORTS" BRANDING  
\$96 MILLION FOR SEVEN YEARS**  
Agreement to become the official cryptocurrency exchange partner of the North American e-sports league, which is now suing FTX.



## TRIPS TO JIMMY BUFFETT'S MARGARITAVILLE PARADISE ISLAND

**CORPORATE HOSPITALITY  
\$599,409**  
Unpaid bill at a themed Bahamas resort.

# I Live a Life of **Climb**



After 23 years as an internal medicine doctor, I wanted a different kind of challenge. I combined my medical industry knowledge with my love for technology to establish Accolade Consultants in 2013.

In 2019, I joined Vistage to build my confidence and gain valuable insights from experienced CEOs I trust and respect. Immediately, I had a confidential group of peers giving me input, pointing out what I couldn't see, validating ideas and sharing resources. I also have an amazing, supportive CEO coach who is dedicated to my development as a business leader.

In three years, my business has grown 30%, and the staff has nearly doubled. Beyond the numbers, I'm also a better leader with a 10-year vision and a solid plan to achieve it.

**I'm Stephen. I live a life of climb.**

*Dr. Stephen Broomes*

Founder & CEO, Accolade Consultants  
Douglasville, Georgia  
Vistage member since 2019

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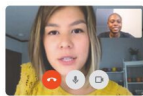
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