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SOUTHERN DISTRICT OF CALIFORNIA  
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10 UNITED STATES DISTRICT COURT  
11 SOUTHERN DISTRICT OF CALIFORNIA

12 UNITED STATES OF AMERICA, ) Criminal Case No. 95-0973-B  
13 )  
Plaintiff, ) DATE: September 24, 1996  
14 ) TIME: 9:00 a.m.  
v. ) GOVERNMENT'S TRIAL MEMORANDUM  
15 )  
ENRIQUE AVALOS-BARRIGA (5); )  
16 JOSE REYNOSO-GONZALEZ (8); )  
LUIS FERNANDO GONZALEZ (9); )  
17 SALVADOR REZA (11); )  
RICARDO YUDICE-CAMPOS (23) )  
18 )  
Defendants. )

19 COMES NOW the plaintiff, UNITED STATES OF AMERICA, by and  
20 through its counsel, Alan D. Bersin, United States Attorney,  
21 Cynthia Bashant, Assistant United States Attorney, and Todd  
22 Robinson, Trial Attorney, Narcotic and Dangerous Drug Section,

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## I

STATEMENT OF FACTSA. INTRODUCTION

Codefendant Joaquin Guzman-Loera ("Chapo" Guzman), currently in custody in Mexico, was the head of a very large narcotics smuggling organization ("the Guzman organization"), which imported drugs from Mexico into the United States and distributed those drugs throughout the United States. In the United States, two chief lieutenants for the Guzman organization were ENRIQUE AVALOS-BARRIGA and JOSE REYNOSO-GONZALEZ, who used their legitimate Mexican import businesses (primarily food import businesses) to import narcotics and launder money for the organization.

REYNOSO'S import businesses in the United States include, among others, Reynoso Bros., Inc., Grocery Depot, Fruteria Tropicana, Tia Anitas and Cotija Cheese. REYNOSO'S Mexican businesses include, among others, Productos La Hacienda, Fruteria Tropicana, Productos Vallecitos, and the Rancho Verde Farm in Tecate, Mexico. REYNOSO owns these businesses with his two brothers, also indicted in this case, but currently fugitives, Antonio and Jesus Reynoso-Gonzalez. REYNOSO has also involved his children, John, Arturo and Deborah, in these businesses, giving them various positions within the companies.<sup>1/</sup>

AVALOS has owned several businesses in the United States, including Distribudora El Campeon and Ochoa Brothers Mexican

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<sup>1/</sup> REYNOSO'S eldest son Rene was also involved in these businesses until 1992, when Rene fled to Mexico to avoid murder-for-hire charges. Rene was later extradited and is currently in custody in the United States, having been convicted of hiring two individuals to kill his landlord.

1 Imports, and several businesses in Mexico, including Distribudora  
2 de Basicos. Until June, 1992, Guillermo Salles-Figueroa ("Memo")  
3 also served as a third lieutenant in the United States for the  
4 Guzman organization. Agents arrested Memo in June, 1992, and he  
5 is currently serving a nineteen year federal sentence for drug  
6 trafficking. After Memo's arrest, AVALOS took on a greater role  
7 and greater prominence with the organization.

8 AVALOS and REYNOSO were assisted by codefendants LUIS  
9 FERNANDO GONZALEZ, SALVADOR REZA, and RICARDO YUDICE, who secured  
10 warehouses in the United States to store the narcotics before  
11 their distribution. AVALOS and REYNOSO used a multitude of  
12 methods for importing and transporting the narcotics, modifying  
13 the methods as law enforcement discovered one or the other.

14 B. ARIEL SOAP

15 In 1989, REYNOSO used his business Reynoso Bros., Inc. to  
16 import cocaine hidden in Mexican soap boxes. The brand name on  
17 the soap was "Ariel." REYNOSO imported the cocaine as stated, and  
18 then distributed the cocaine to various individuals, including  
19 Jose Hasakian. On October 7, 1989, agents surveilled a truck  
20 being loaded with Ariel soap at the Reynoso Bros. warehouse.  
21 Agents later seized 297 kilograms of cocaine hidden in the Ariel  
22 soap boxes from the same truck. During the same time period,  
23 agents arrested Hasakian for possession of cocaine with intent to  
24 distribute. Immediately after his arrest, when it became clear  
25 the Government intended to seek forfeiture of Hasakian's  
26 properties as part of the drug case, Hasakian quit-claimed his  
27 properties to REYNOSO, and REYNOSO's son, Rene.

28

1           C.    THE JETS

2           In February or March of 1990, Chapo Guzman caused a front  
3 company to be opened in Mexico City, Mexico, under the name of  
4 Servicios Aereos Ejecutivos Poblanos, S.A. ("SAEPSA"). The  
5 purpose of the company allegedly was to provide jet transportation  
6 for executives, and was characterized as an "air taxi service."  
7 In reality, however, SAEPSA acquired jets to transport large  
8 amounts of cash, earned by members of the Guzman organization in  
9 the United States, out of the United States to Mexico, and to  
10 transport large amounts of cocaine north from the interior of  
11 Mexico to the U.S. -- Mexico border.

12           In September, 1990, Mexican law enforcement officers seized  
13 SAEPSA and began instituting procedures to seize several Lear jets  
14 belonging to the company. In order to avoid seizure in Mexico, a  
15 Lear Jet 25 and a Lear Jet 35 were both de-registered in Mexico  
16 and re-registered in the name of companies belonging to REYNOSO.  
17 SAEPSA was then reopened in Mexico City under the name of  
18 Aeroabastos.

19           In a joint Mexican law enforcement -- DEA operation, first  
20 the FAA and later the DEA contacted REYNOSO to inquire about the  
21 jets. When asked about the jets by the FAA, REYNOSO responded  
22 that they were based out of Van Nuys, California, but were both  
23 currently in Mexico where they were for sale. However, when later  
24 contacted by the DEA and told the jets may be seized because of  
25 their connection to drug activity, REYNOSO immediately disclaimed  
26 any knowledge of, or ownership in, the jets. In fact, up until  
27 the time they were seized in the latter part of 1992, the Guzman  
28

1 organization continued to use those two jets for drug trafficking  
2 activities.

3 D. THE LOS ANGELES WAREHOUSES

4 Throughout 1991 and the first half of 1992, AVALOS, together  
5 with codefendant Jorge Ramirez-Cordova (indicted in this case but  
6 not yet arrested), opened several warehouses in the Los Angeles  
7 area to which cocaine was imported. In March 1991, AVALOS  
8 arranged with several individuals to import approximately 283  
9 kilograms of cocaine into the United States by bribing an  
10 Immigration Inspector. However, the Immigration Inspector  
11 revealed the scheme to her supervisor, and DEA was able to seize  
12 the cocaine as it was being driven by Gabriel Vasquez north to one  
13 of Avalos' warehouses. Gabriel Vasquez and three other  
14 individuals were prosecuted and convicted for that seizure.

15 In June 1991, the Los Angeles District Attorneys Office filed  
16 a massive drug trafficking indictment against twenty-one  
17 individuals, including Guillermo Salles-Figueroa (Memo) and  
18 Alfredo Vasquez (currently a fugitive), father of Gabriel Vasquez  
19 (indicted for transporting the 283 kilograms of cocaine three  
20 months before). In connection with the Los Angeles case, law  
21 enforcement agents executed thirty-three search warrants,  
22 including several at warehouses leased by AVALOS: one leased  
23 under the name of Distribudora El Campeon, one leased under the  
24 name Ochoa Brothers Mexican Imports, and one leased under the name  
25 Perez Brothers Hardware.

26 At the warehouses leased by AVALOS, agents found several  
27 indications that cocaine had been present but, because they did  
28 not know to open the cans or other containers of Mexican products

1 stored inside, they did not discover large amounts of cocaine.  
2 Therefore, AVALOS was never arrested and was able to take over the  
3 responsibilities left by Memo.

4 At one of the warehouses leased by AVALOS, neighbors  
5 indicated they had seen a large number of empty chili pepper cans  
6 being unloaded into the warehouse. Agents also found instructions  
7 for an industrial can opener at one of the warehouses.

8 E. THE TUNNEL

9 Just prior to Memo's arrest, agents surveilled him meeting  
10 with Jorge Ramirez and looking at blueprints. Agents then  
11 followed Ramirez to the Hampton Inn in Buena Park, California,  
12 where he registered under the name of Alberto Parra-Zamora and  
13 made a series of telephone calls to REYNOSO, Roque De La Fuente  
14 and Buddy Plaster. Agents then followed Ramirez to his residence  
15 in Cerritos, California where they interviewed him. Ramirez said  
16 he worked for AVALOS at one of AVALOS' warehouses. Ramirez was  
17 not confronted at that time with his use of the name Parra-Zamora.

18 In May, 1993, Mexican law enforcement discovered a tunnel  
19 beginning in Tijuana, Mexico, and continuing approximately 1400  
20 feet across the border into Otay Mesa, California. The tunnel was  
21 approximately 100 feet short of a warehouse being constructed by  
22 a contractor named Buddy Plaster. Plaster was interviewed and  
23 stated that REYNOSO hired him, via defendant REZA, to build the  
24 warehouse. However, after Plaster began construction, REYNOSO  
25 told him that Alberto Parra-Zamora (true name: Jorge Ramirez)  
26 would complete construction of the warehouse and would lease it  
27 back to REYNOSO's company, Tia Anita. Roque De La Fuente  
28 initially sold the property on which the warehouse was being

1 constructed to REYNOSO, via broker REZA. However, according to De  
2 La Fuente, after REYNOSO made the initial downpayment on the  
3 property, REYNOSO brought in Parra-Zamora (Ramirez), who REYNOSO  
4 introduced as a long-time friend and business partner. REYNOSO  
5 indicated Parra-Zamora (Ramirez) would complete the purchase of  
6 the property.

7 However, even after REYNOSO brought Parra-Zamora (Ramirez)  
8 into the transaction, REYNOSO continued to make payments to De La  
9 Fuente and Plaster via Parra-Zamora (Ramirez). Additionally,  
10 while Parra-Zamora (Ramirez) was in the United States, he used  
11 REZA'S home address. During construction of the warehouse,  
12 despite the fact that REYNOSO was allegedly to lease the space for  
13 his Tia Anita cannery, the contractor Plaster was unable to  
14 receive any direction from REYNOSO regarding appropriate  
15 modifications for the cannery (i.e. number and placement of  
16 drains). As a result, Plaster concluded REYNOSO was not planning  
17 to use the warehouse as a cannery and cautioned Parra-Zamora  
18 (Ramirez) to be careful REYNOSO didn't back out of the lease.

19 In April 1993, Mexican law enforcement seized 7.3 tons of  
20 cocaine hidden and sealed in approximately 1400 cases of chili  
21 pepper cans. Several confidential informants have stated that  
22 AVALOS was responsible for the seized load of cocaine. According  
23 to those informants, the cocaine had been packaged at a REYNOSO-  
24 controlled cannery in Guadalajara in the presence of and with the  
25 assistance of JOSE REYNOSO and his brother, codefendant Antonio  
26 Reynoso. The cocaine-laden chili pepper cans were destined for a  
27 warehouse leased by AVALOS in Tijuana. The information provided  
28 by the informants was corroborated by documents seized at the time



1 of the seizure. Also, according to informant information, the  
2 chili pepper cans were to be transported through the completed  
3 tunnel to further decrease the likelihood of detection.

4 After the Tecate seizure and tunnel discovery, AVALOS went  
5 into hiding. REYNOSO decided that, as an ostensibly legitimate  
6 businessman, he could take the heat for the tunnel and decided to  
7 remain in Los Angeles. That fall, AVALOS left Southern California  
8 and moved to Chicago under an assumed name, whereupon he continued  
9 to direct the Guzman organization's U.S. operations.

10 In November 1993, AVALOS sent an informant<sup>2/</sup> to pick up  
11 cash from REYNOSO. During two cash pick ups, REYNOSO told the  
12 informant that he should not take REYNOSO's business card right  
13 now because REYNOSO was "too hot" after the seizure of the tunnel.  
14 REYNOSO also said he was not too concerned about U.S. law  
15 enforcement, but that Mexican law enforcement was a problem  
16 because some imbecile had left tunnel blueprints with REYNOSO's  
17 name on them in a house that was searched by Mexican law  
18 enforcement officers. During taped telephone calls between the  
19 informant and REYNOSO, REYNOSO refers to the cash as "boxes of  
20 cactus".

21 F. CHICAGO AND SAN ANTONIO WIRE INTERCEPTIONS

22 While AVALOS was in Chicago, federal law enforcement  
23 requested and received permission to electronically monitor six  
24 telephones being used by AVALOS and other assistants he recruited  
25 in Chicago. Among those assistants was defendant LUIS FERNANDO  
26 GONZALEZ (aka "Gori"). AVALOS used GONZALEZ to set up warehouses

27 \_\_\_\_\_  
28 <sup>2/</sup> Unbeknownst to Avalos, the informant was working for the  
Government at the time.



1 in Chicago, New Jersey and Los Angeles, again for the purpose of  
2 storing cocaine. The wire interceptions reflect that the  
3 organization was reeling from the various seizures in 1992 and  
4 1993, but was continuing the same warehouse operations it had  
5 begun in Los Angeles. In September, 1994, AVALOS discussed the  
6 possibility of building another tunnel from Mexico to the United  
7 States beginning somewhere between San Luis, Colorado, and  
8 Mexicali, Mexico. AVALOS also discussed another method of  
9 importing cocaine which involved hiding the cocaine in rail cars  
10 filled with soybean or other cooking oil.

11 During his time in Chicago, AVALOS made plans to move to San  
12 Antonio, where he made frequent trips to visit his friend and  
13 codefendant Raul Guzman-Enriquez.<sup>3/</sup> Agents in San Antonio  
14 sought and received permission to intercept four telephone lines  
15 used by AVALOS and Guzman-Enriquez. Guzman-Enriquez is the son of  
16 Raul Guzman-Ruiz, a drug trafficker and compadre of Chapo Guzman.  
17 Members of a rival drug trafficking organization assassinated  
18 Guzman-Ruiz in November, 1992. Guzman-Ruiz' death left his son,  
19 Guzman-Enriquez saddled with millions of dollars of debt to the  
20 Chapo Guzman organization. As a result, Guzman-Enriquez was eager  
21 to work for the organization to help repay the debt owed by his  
22 father, and met with Chapo Guzman to discuss his role in the  
23 organization. Chapo Guzman told Guzman-Enriquez to stay in San  
24 Antonio and report to AVALOS, who would give Guzman-Enriquez  
25 further orders regarding his role.

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27 <sup>3/</sup> Guzman-Enriquez was arrested in connection with this  
28 indictment in San Antonio and has since pled guilty to the  
indictment in San Antonio.

1           In July, 1994, the Government intercepted information that  
2 the organization was sending two couriers to pick up money from  
3 AVALOS in Chicago. Surveillance established AVALOS and GONZALEZ  
4 buying two television sets which GONZALEZ then delivered, together  
5 with money and airline tickets, to the two couriers. U.S. Customs  
6 Agents detained the two couriers as they attempted to fly from  
7 Chicago to Guadalajara, and seized \$700,000 cash hidden in the two  
8 gutted television sets. The television sets had been packaged in  
9 boxes, checked as baggage, and marked with the name "Arturo  
10 Guzman-Loera," the brother of Chapo Guzman, who is also a  
11 codefendant in this case.

12           During the same time period, wire interceptions revealed that  
13 AVALOS' wife, Silvia (indicted and convicted of money laundering  
14 in San Antonio), called AVALOS from Tijuana and reported that  
15 \$1,000,000 cash had been taken from their home. AVALOS, believing  
16 that Silvia had taken the money for her own purposes, berated her  
17 severely. He then called and asked Antonio Reynoso to go to  
18 Silvia's house to see if she had actually been beaten up as she  
19 claimed.

20           In the summer of 1994, AVALOS sent GONZALEZ to Los Angeles to  
21 meet with members of the Guzman organization, sent to the U.S.  
22 from Mexico, to open another warehouse in Los Angeles. REYNOSO  
23 made the reservations for these members and for GONZALEZ to stay  
24 in the City of Industry, California. Once again, REZA helped the  
25 organization members locate a suitable warehouse. AVALOS was  
26 particularly interested in finding a warehouse that could  
27 accommodate railroad tracks, so that rail cars loaded with  
28 narcotics could be transported from Mexico to the United States

1 and unloaded in the warehouse. In August, 1994, REZA, together  
2 with GONZALEZ and another codefendant, filed a business license  
3 application and occupancy permit for a business located at a  
4 warehouse in La Mirada, California, claiming the purpose of the  
5 business was to "export edible oil." REZA paid for the business  
6 license.

7       Soon thereafter, a Colombian national, Rodrigo Suavita  
8 (indicted in this case but not yet arrested), contacted AVALOS and  
9 hired AVALOS to transport his cocaine into the United States from  
10 Mexico, and within the United States from Los Angeles to Newark,  
11 New Jersey. Suavita was introduced to AVALOS via Memo's son, Jorge  
12 Alberto Salles (indicted in this case but not yet arrested). In  
13 response to Suavita's request, AVALOS sent GONZALEZ to Newark to  
14 open a suitable warehouse in New Jersey. Moreover, AVALOS tapped  
15 Guzman-Enriquez to assist in the negotiations with Suavita.

16       After meeting with Guzman-Enriquez, Suavita travelled to Los  
17 Angeles, where he met with Antonio Reynoso and viewed a second  
18 warehouse on Virginia Street, already established and leased by an  
19 employee of REYNOSO, defendant RICARDO YUDICE ("the Virginia  
20 Street warehouse"). After viewing the Virginia Street warehouse,  
21 Suavita was reportedly ecstatic about the operations he had viewed  
22 in Los Angeles.

23       In September, 1994, agents intercepted information that  
24 Antonio Reynoso was sending "machinery" from Los Angeles to  
25 Chicago, which agents believed contained cocaine. The agents  
26 located a warehouse which had been leased by associates of AVALOS  
27 in Chicago. On September 23, 1994, agents stopped a car leaving  
28 the Chicago warehouse. The car held 120 kilograms of cocaine.

1 Pursuant to a search warrant, agents searched the Chicago  
2 warehouse and found an additional 270 kilograms of cocaine hidden  
3 in PVC pipes cut to fit inside a gutted boiler. Shipping  
4 documents in the warehouse indicated YUDICE had sent the boiler  
5 from the Virginia Street warehouse to the Chicago warehouse.

6 At the time YUDICE was arrested in Los Angeles, he consented  
7 to a search of the Virginia Street warehouse. Inside, agents  
8 found a boiler, cut PVC pipe, and cut sheet metal -- indicating  
9 that the boilers were packaged with the PVC pipe and then  
10 refurbished with sheet metal. Agents had earlier surveilled  
11 YUDICE making several purchases of sheet metal from Advanced Pipe  
12 and Steel, once accompanied by REYNOSO'S son Arturo Reynoso.

13 Surveillance also established that YUDICE met often with  
14 REYNOSO, and had been an employee of REYNOSO-owned Cotija Cheese  
15 for many years. At the time REYNOSO was arrested, REYNOSO denied  
16 that YUDICE had ever been an employee. However, REYNOSO'S desk  
17 drawer contained a file of court documents pertaining to YUDICE'S  
18 arrest.<sup>4/</sup> Shipping documents reflect that numerous boilers were  
19 sent between the Virginia Street warehouse (by defendant YUDICE)  
20 and the Chicago warehouse.

21 After the Chicago seizure of cocaine, AVALOS fled to Mexico.  
22 Wire interceptions in San Antonio revealed that, in Mexico, AVALOS  
23 reported back to members of the Chapo Guzman organization for his  
24 loss of money and cocaine in Chicago and was physically tortured  
25 for the loss, after which he promised to repay the debt he had  
26 incurred.

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27 <sup>4/</sup> Yudice was arrested in this case prior to the arrest of  
28 Jose Reynoso.