

**Southwest Border Initiative
(Project Gunrunner)**

Biweekly Update

June 1, 2010

The following is a biweekly update on significant events related to the Southwest Border Initiative. The information is collected from the different ATF offices involved in this initiative and intended for ATF use only.

FIELD OPERATIONS

DALLAS FIELD DIVISION

Investigations:

El Paso Field Office

781035 08 0045 Operation Dirty Shield (OCDETF): ATF special agents recently found that associates of [ATF] [ATF] had conspired to use or carry firearms during and in relation to serious drug offenses. Associates of the [ATF] DTO have purchased several firearms in the United States and transported them to Mexico. Five of these firearms have been seized in Mexico, three .50 caliber rifles and two AK-47 rifles. These firearms have been seized among larger quantities of firearms and equipment used by cartel death squads who carry out enforcement actions for the Sinaloa and/or [ATF] DTO's.

This investigation has identified 30-50 suspects, five of which have a principal role in acquiring firearms used to facilitate a drug trafficking operations in several cities among different states in the United States.

ATF IOIs working in conjunction with ATF agents are currently reviewing FFL records in Arkansas and Northern Texas in search of more illegal firearm purchases linked to this investigation. Most recently, Investigators identified an additional straw purchaser from Dumas, Texas, on May 25, 2010.

ATF agents from Lubbock and El Paso anticipate interviewing several more suspects located in Kentucky, Colorado, West Virginia and Texas. These interviews are expected to further seal the conspiracy.

ATF agents, with the support of the U.S. Attorney's Office, are ready to execute search warrants and make arrests of at least two suspects over the next two weeks in Northern Texas. These two targets are principal suspects in the drug and firearm conspiracy. ATF agents expect the search warrants to lead to evidence of additional crime guns trafficked to Mexico.

781035-10-0039 [ATF] On May 21, 2010, 1

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ATF agents arrested [ATF] a convicted felon in possession of firearms. [ATF] is currently employed as a chemist and has a prior felony conviction for possession of methamphetamines. A federal search warrant was executed at his residence in El Paso where 25 firearms, 2 illegal silencers and a large amount of ammunition/accessories were seized. Investigation is ongoing.

781035-10-0022 831 Camp North East, Fabens, TX Firearms Seizure: This investigation resulted from the recovery of 10 AK-47s from a residence in Fabens, TX. Five of the rifles were short-barreled, and one was a machinegun. Prints were lifted from the firearms. IAFIS has matched the prints and discovered possible matches to several individuals, some with criminal histories. This firearm investigation is now connected to an ongoing OCDETF investigation and recent murder in Horizon, Texas.

781035-10-0029 [ATF] On May 17, 2010, [ATF] was arrested. [ATF] indicated to agents in a post-arrest interview that he could produce more firearms and cocaine. [ATF] indicated specific knowledge of where to acquire firearms and ammunition for shipment to Mexico, cocaine shipments from Mexico into and throughout the United States, and how drugs are coming into the U.S. The U.S. Attorney's office has agreed to allow [ATF] to cooperate in exchange for a reduced charge.

Dallas Group III

781016010-0021 [ATF] On May 26, 2010, the ATF Plano Satellite Field Office received a U.S. CBP Weapons Seizure Bulletin, regarding the May 20, 2010 seizure of 60 assault rifles near La Pryor, Texas. Two of the three subjects initially arrested had readily identifiable ties to the North Texas area. The subjects were deconflicted through N-Force and it was determined that Special Agent [ATF] San Antonio Field Office, had an open investigation on them, in regards to a traffic stop and recovery of firearms. ATF Plano contacted SA [ATF] and offered assistance in the investigation of the North Texas subjects. The ATF Firearms Trace Results are pending on the seized firearms.

SA [ATF] advised that one of the subjects had stated that they had departed the North Texas area on May 19, 2010, from a Home Depot Store located on Forrest Lane in Dallas, Texas. The subject further advised that the truck containing the contraband firearms was already loaded. SA [ATF] advised that approximately 61 pieces of OSB board were used to conceal the shipment. The center section of the 4' x 8' boards had been cut out to transport the contraband. Solid 4' x 8' sheets were used on the top, creating the impression that there was a complete stack of OSB boards in the back of the truck. SA [ATF] provided a scanned copy of a UPC Bar Code removed from one of the OSB boards.

Based upon the intelligence information, Special Agents [ATF] ATF, travelled to The Home Depot located at 11468 Grissom Lane, Dallas, Texas 75229. Upon arrival, [ATF] Asset Protection Specialist (APS), was contacted and his assistance was requested in identifying the purchase of the OSB boards. After reviewing several hours of video surveillance footage, on May 19, 2010, at approximately 4:20 p.m., the seized truck was identified in the outside Contractor Pick-Up Section of The Home Depot. The truck appeared to have been already loaded with the OSB board.

APS [ATF] recognized the sales associate helping the three Hispanic males at their truck. The sales associate, [ATF] was called to the Asset

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Protection Office to be interviewed. Following the interview, it was determined that on May 18, 2010, at approximately 7:15 p.m., [ATF] had sold a pallet containing 66 sheets of 4' x 8' OSB boards, a circular saw, a replacement saw blade, a tape measure, a wood pencil and drinks to the three Hispanic males. A copy of the sales receipt indicated that they received a discount price on the hardware items. The investigation revealed that one of the subjects had a Home Depot Rewards account, which enabled him to receive a discount price on certain items. The subject provided telephone number [ATF] to receive the discount. That account was set up in the name of [ATF] Dallas, Texas. Additionally, one of the subjects had asked to purchase a strapping machine, in order to secure the OSB boards at a later time. [ATF] advised the subject that The Home Depot did not sell the machine, however they could re-bind them.

While reviewing the May 18, 2010, surveillance footage of the outside Contractors Pick-Up Section the 66 sheets of OSB board were loaded into the bed of a white 4-door Ford truck. Just outside of the camera's view was a white 2-door BMW. As the subjects began to depart from the location, the white BMW pulled up and stopped momentarily next to the white Ford truck. It was apparent that both vehicles were involved in the operation.

The May 19, 2010, surveillance footage of the outside Contractors Pick-Up Section shows the arrival of the 2003 Ford F-350 truck, which was later seized in La Pryor, Texas. The OSB board was already loaded into the bed of the truck. After a period of time, a sales associate placed a strap around the OSB boards, securing them together. [ATF] was told that they were transporting the boards east, towards the State of Louisiana.

On May 26, 2010, following the interviews at The Home Depot, SA [ATF] travelled to [ATF] [ATF] Dallas, Texas. SA [ATF] observed the same white 2-door BMW, from the Home Depot surveillance footage, and a black Chevrolet truck parked in the front drive-way of the residence.

On May 27, 2010, Tactical Operations Officer [ATF] and SA [ATF] returned to the residence located at [ATF] Dallas, Texas. The black Chevrolet truck was still parked in the front drive-way. It was determined that there was an alley behind the residence. The rear yard of the residence is separated from the alley by a 6' board on board privacy fence. There is a gate which opens into the alley. Additionally, there were two trash containers in the alley, next to the gate. Based upon the location of the trash containers, it was apparent that the trash would have been abandoned by the occupants of the residence. Inside the trash container, located on the right side, were two clear trash bags. TOO [ATF] and SA [ATF] observed two approximately 4" x 4" pieces of OSB board inside the top trash bag. SA [ATF] removed the two pieces, which were placed into evidence. Additionally, SA [ATF] learned that Tuesday is the regularly scheduled trash refuge day for the neighborhood.

SA [ATF] contacted the Farmers Branch Police Department, Narcotics Division, which is located within close proximity to [ATF] Dallas, Texas. SA [ATF] learned that this residence has been identified as part of a cocaine and firearms trafficking organization operated by the [ATF]

On May 12, 2010, during the Farmers Branch Police Department investigation of an associated stash location, investigators conducted a surveillance of a truck which was followed to a remote section of a Target Store parking lot. The occupants of the truck met with [ATF] (ATF Plano Investigation Number 781016-10-0021), who was driving a 2004 Hummer H2. It appeared as though something was exchanged between the two vehicles. After a period of time,

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[ATF] left the location and travelled into the City of Richardson, Texas. The Richardson Police Department stopped and arrested [ATF] for not having a front license plate displayed on his vehicle. During the inventory search [ATF] was found to possess two pistols, a bullet proof vest, mace, a Taser and other items. [ATF] also had \$5,060 in U.S. currency, contained in a McDonald's paper sack. Additionally, [ATF] cellular telephone contained numerous photographs of firearms. The Richardson Police Department contacted the ATF Plano Satellite Field Office and requested assistance in the investigation of [ATF]

On May 19, 2010 [ATF] and his attorney travelled to the Richardson Police Department in regards to the investigation and seizure from [ATF]. His attorney allowed [ATF] to be interviewed by the Investigators. SA [ATF] watched the interview live from a control room. [ATF] advised that he sold firearms at area gun shows and kept a quantity of money on his person to purchase firearms. [ATF] advised that he previously purchased ten reconditioned bullet proof vests from a company on the internet. [ATF] told investigators that he sold one, one was seized from his vehicle and the other eight were at his residence. [ATF] advised that he had already paid for a table at the upcoming Fort Worth Will Rogers Convention Center Gun Show, which is scheduled for the weekend of May 29, 2010.

It is believed that [ATF] is engaged in the business of dealing in firearms without a Federal Firearms License, in violation of 18 USC 922(a)(1)(A). [ATF] was issued a Texas Tax Payers Identification Number on April 21, 2010, which lists his business name as MATT'S SURPLUS, 3401 W. Lancaster Ave, Fort Worth, Texas. His business address is also the address of the Fort Worth Will Rogers Convention Center.

The investigation of [ATF] and others in the Eastern and Northern Judicial Districts of Texas, is continuing at the ATF Plano Satellite Field Office.

HOUSTON FIELD DIVISION

Liaison, Training, Media, and Other SWB Interaction:

Ten Investigators from Houston Groups VI (IO) & VII (IO) operated a booth at the May 22 & 23, 2010 Gun Show at the Reliant Center in Houston. Investigators provided firearms related materials to the general public as well as industry members. They were also available to answer questions posed to them by anyone in attendance at the gun show.

Investigations:

Houston V

782045-10-0025 [ATF] On May 19, 2010, Houston Group V agents initiated the arrest of an illegal alien, [ATF] found to be in possession of ten assault type rifles purchased by suspected firearms trafficker and straw purchaser; [ATF] was observed at a Houston FFL purchasing ten assault type rifles from an FFL who is cooperating with ATF. During the transaction, agents observed [ATF] arrive at the FFL and join [ATF] (Previously this week, ATF surveillance identified [ATF] and determined him to be in the U.S. illegally.) [ATF] purchased the firearms and 16 extra [ATF]

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magazines. The agents observed the firearms being placed into [ATF] vehicle. Agents followed [ATF] away from the location and after a lengthy surveillance, requested local police to conduct a traffic stop of [ATF] vehicle. [ATF] was placed under arrest for no driver's license or insurance. The Houston United States Attorney's Office has accepted prosecution of [ATF] at the request of ATF. The investigation of [ATF] will continue.

Corpus Christi

782020-08-0088 [ATF] One additional firearm traced to [ATF] has been recovered among a stash of firearms, body armor, and explosives at a Narco camp in Mexico.

Laredo Field Office

782080-10-0049 [ATF] On 5/10/10, ATF arrested [ATF] for a violation of 18 USC 922g5 (Alien in Possession of a Firearm). [ATF] was stopped on this date in Hebbronville, TX by U.S. Border Patrol. A Ruger pistol, Hi Point pistol, and approximately 225 rounds of ammunition were found in his possession.

782080-10-0050 [ATF] On 5/11/2010, the Laredo Police Department responded to a possible home invasion. Further investigation revealed that [ATF] a previous convicted felon, admitted to accidentally shooting [ATF] and filing a false report with police. ATF anticipates seeking an indictment for a violation 18 USC 922g1 (Felon in Possession of a Firearm).

782080-10-0052 Imperial Tobacco: On May 18, 2010, ATF was contacted by the TX Comptroller's Office in reference to a contraband cigarette seizure that occurred on May 12, 2010. On that date, approximately 20,647 packs of John Player cigarettes were seized by the Comptroller's Office. The cigarettes are manufactured in Mexico for the Canadian market. It is believed that these cigarettes were part of a shipment that was stolen en route from Mexico to Canada at an earlier date. ATF is investigating the case and anticipates charges under the CCTA statute.

McAllen III

PROJECT SHINING STARR: Agents from the ATF McAllen III FO began Project Shining Starr, which has been constructed to focus on approximately 150 potential straw purchasers living in or purchasing highly trafficked firearms in Starr County, Texas. This Project will also focus on the FFL investigation of Gladiator Guns & Ammo located in Roma, Texas. Gladiator Guns & Ammo is where most of the suspicious purchases have been made. Agents have begun the process of acquiring the use of investigative tools such as [ATF] [ATF] Agents have also started to interview potential straw purchasers in Starr County, Texas. The goal of this project is to identify several Straw Purchasing Organizations and conduct a successful FFL investigation. Project continues. Separate case numbers will be assigned individually under this project and will be listed as such under the case title in N-Force.

LOS ANGELES FIELD DIVISION

Investigations:

El Centro Field Office

784095-10-0010 **ATF** On May 14, 2010, **ATF** of Brawley, CA was indicted for violation of 18 USC 922 (g) (5), Felon in Possession of a Firearm. **ATF** was previously arrested by Calexico Police Department following a traffic stop, which led to the discovery of a concealed firearm. Given **ATF** nexus to border violence, further investigative efforts by the El Centro ATF Field Office revealed that **ATF** was involved in the distribution of methamphetamines in Brawley, CA. Additional investigative efforts also revealed that **ATF** was targeted for extortion by associates of the Mexican Mafia that are operating in the Imperial Valley. Shortly following **ATF** indictment, the El Centro Field Office was contacted by the Henderson, Nevada Police Department regarding a murder that **ATF** may have committed. Investigative efforts are ongoing.

784095-10-0001 **OPERATION BUYER'S DELIGHT**: The El Centro Field Office initiated Operation Buyer's Delight in cooperation with a local FFL conducting business in El Centro, CA. Information provided by the FFL indicates that he has received numerous inquiries from foreign nationals from Mexico requesting to purchase firearms. The FFL has agreed to provide such individuals with a contact number for ATF Agents operating in an undercover capacity as firearms dealers. Upon obtaining telephone calls from these individuals, efforts will be made to identify these individuals and determine if federal firearms violations exist. This will be an ongoing initiative by the El Cento Field Office.

784095-10-0007 **ATF** On May 21, 2010, the El Centro Field Office obtained an arrest warrant for **ATF** **ATF** for violation of 26 USC 5861 (c) and 26 USC 5861 (d), following his illegal possession of a sawed-off shotgun. Investigative efforts revealed that **ATF** is involved in area border violence, has street gang affiliation and is involved in the local illegal sale and distribution of narcotics, specifically crack cocaine. Investigative efforts provided agents with general intelligence on a border gang operating in El Centro, CA. The gang is suspected of participating in crack cocaine distribution, prostitution, illegal firearms possession and general crime.

General Intelligence:

MEXICALI, MEXICO FIREARMS SEIZURE – ATF El Centro is currently working with the Tijuana ATF Attaché Office regarding a firearms seizure in Mexicali, Mexico of several .50 caliber rifles. The seizure by Mexican authorities resulted in the arrest of one individual and the seizure of the firearms. Attempts are ongoing to identify three U.S. based telephone numbers associated with this seizure.

San Diego I

784040-10-0061 CWG and BEST Follow Up: According to Trace Number

ATF

ATF

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On March 23, 2010 SA [ATF] and ICE SA [ATF] attempted to interview [ATF] at his residence. He was not there and [ATF] stated he no longer lived there. Several hours later, [ATF] contacted SA [ATF] by phone and stated [ATF] was just nervous. He then told her that he used to keep the firearm in his vehicle and the firearm was stolen from his vehicle not long after he purchased it.

784090-09-0038 [ATF] Between February 2009 and June 2009, a confidential informant made multiple purchases of methamphetamine and firearms, including Title II firearms from two individuals. Rey ALARCON, a multi convicted felon was sentenced to 140 months on April 26, 2010 for his participation in the conspiracy.

784040-10-0023 Op. [ATF] This case was initiated by ATF/SDPD in November 2009. [ATF] had gained the trust of [ATF] whose family has been involved in narcotic trafficking and home invasion type robberies for years. ATF developed intelligence on the [ATF] family during the Lost Sheppard case, 784040-09-0048. As [ATF] got close to [ATF] found [ATF] purchasing weapons from [ATF] or other members of his "crew." During this investigation, it has been clear that [ATF] receives his orders from family members who live in Mexico; in fact Fausto [ATF] [ATF] is incarcerated in Mexico. We are working this case in conjunction with the San Diego Cross Border Violence Working Group, which is lead by FBI. The FBI has been able to go up on phone intercepts on many phones. ATF has purchased or recovered 15 firearms and three pounds of methamphetamine. In fact, ATF fronted \$4,000 in U.S. currency for two new weapons, an AR-15 and an FN 5.7. This firearms transaction was arranged through a high ranking member of the ARRELLANO-Felix Drug Trafficking Organization (AFO). ATF has been able to prevent three homicides and, [ATF] [ATF] This investigation continues.

784040-10-0043 Diaz CNC Machinery: This investigation has identified an Hispanic male who is currently producing lower AR-type receivers. It is believed that the owner of the shop produces the lower receivers at his business, which is located in Chula Vista, CA. The owner then returns home, and sells the receivers. Per [ATF] [ATF] the owner lives in Tijuana, MX. [ATF] has been successful in purchasing one of these lower receivers. This investigation continues.

PHOENIX FIELD DIVISION

Liaison, Training, Media, and Other SWB Interaction:

On May 11, 2010, the Phoenix III Area Supervisor and two industry operations investigators participated in a three-hour Outreach Seminar for Big 5 Sporting Goods. A meeting with regional managers and assistant store managers provided ATF the opportunity to discuss Big 5 Sporting Goods' policies related to firearm transactions and to reinforce the importance of complying with federal regulation to ensure public safety. This was a continued effort to develop fruitful partnerships between ATF and the regulated firearm industry. This partnership makes for effective efforts to prevent firearms from being illegally trafficked across international borders.

Investigations:

Phoenix VI (IO)

785110-2010-0001: A records review of Cavalry Arms out of business records disclosed a firearms trafficking lead. [ATF] purchased an Ametec Arms, model WM-15, .223 caliber rifle that was recovered in Mexico. [ATF] also purchased an additional 11 firearms including three Cavalry Arms, model CAV-15, .223 caliber rifles; four CAV-15 .223 receivers; and one Century Arms International, model C93, 5.56 caliber rifle.

Albuquerque II (IO)

785055-2010-0066: A recent compliance inspection conducted at The Outdoorsman of Santa Fe disclosed that [ATF] purchased approximately 69 hand guns since November 2006. [ATF] is associated with one traced firearm that was purchased previous to November 2006. Handguns purchased include Glock, S&W, Kimber, Colt, Sig Sauer, Beretta and Taurus in multiple calibers. A referral was submitted to the Phoenix FIG.

785055-2010-0043: A recent compliance inspection conducted at FFL [ATF] disclosed that Earl Woodward Mount purchased a total of 27 handguns, 2 handgun receivers and 1 rifle between August 2009 and April 2010. Purchases consisted of mostly Walther M9 25ACPs, but also included FN's, Brownings, Colts, (mostly 25 ACP calibers) and other manufacturers. A referral was submitted to the Phoenix FIG.

Investigations:

Phoenix I

785040-09-0122 [ATF] et. al: This investigation, which began under Operation GIDEON, has resulted in the arrest and conviction of seven defendants. One defendant pled guilty and has entered into a cooperation agreement with the government. That defendant is now providing ATF with information on individuals who are involved in armed home invasion robberies, narcotics trafficking and firearms violations. The primary targets of these robberies are Mexico DTO members. This investigation will now focus on identifying unindicted co-conspirators, associates and rival home invaders for investigation and prosecution. Efforts will continue to determine the source of supply of their firearms.

785040-09-0141 Operation Middleman: This investigation focuses on members of the New Mexican Mafia who have been identified through [ATF]. [ATF] These individuals are believed to be involved in narcotics trafficking on behalf of a Mexico DTO and some have discussed involvement in Phoenix area home invasion robberies. This investigation will now focus on historical criminal activity, continued purchases of methamphetamine from gang members and a possible proactive sting operation.

Phoenix II

7855045-10-0026 [ATF] From January 2010 to the present, ATF has purchased 19 pistols/revolvers undercover from [ATF] a 8

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former FFL) and [ATF] Five of these firearms were purchased at gun shows in Nevada and Oklahoma. [ATF] have boasted about having 6,000 firearms in their collection. Fourteen firearms sold by [ATF] (as a non-licensee) and [ATF] have been recovered in crimes in Tennessee, Nebraska, Arizona and California. Since September 2006, when [ATF] FFL expired, he has purchased at least 500 firearms and [ATF] has purchased 58 firearms.

785045-10-0023 Operation 602 Exchange: This is a storefront operation in the Phoenix area. A goal of the storefront is to identify and purchase firearms and other contraband from suspects. The following items of evidence have been purchased in undercover operations: three firearms, quantities of methamphetamine, crack cocaine, ecstasy, and marijuana with potential violations of 18 USC 924(c) and 21 USC 841. These undercover deals have been done at the store before it has even opened for business.

Phoenix Group VII (OCDETF Strike Force)

785115-10-0004 Operation Fast and Furious: This OCDETF case is a large scale firearms trafficking case with the firearms being recovered either in the Republic of Mexico or on/near the U.S./Mexico border (El Paso, TX, Nogales, AZ, Douglas, AZ). More than 1,500 firearms have been purchased since October 2009 for over one million cash in over-the-counter transactions at various Phoenix area FFLs. ATF has several T-III Court Authorized Audio Intercepts with affidavits on additional target telephones involved in this conspiracy pending at the Department of Justice, Office of Enforcement Operations. There are many facets to this investigation. ATF is attempting to not only secure straw-purchase and dealing firearms without a license cases but also to make the greater connection to the Mexican Cartel/Drug Trafficking Organization.

785115-10-0013 [ATF] On February 24, 2010, Mexican authorities arrested four "Sicarios" that participated in the execution of a State Police official and seized an arsenal in Nogales, Sonora. Authorities seized 11 AK-47 type rifles, one AR-15 type rifle, one .50 caliber rifle with tri-pod, two 9mm handguns, one .38 caliber handgun, five grenades, over 1,500 rounds of ammunition, tactical gear, several means of communication, police uniforms and two vehicles (one armored). One of these AK-47 type rifles seized in the above event was purchased from a Scottsdale, AZ FFL 74 days prior (on 12/12/2009) by [ATF] year old Hispanic male and resident of Phoenix, AZ. Additionally, [ATF] also has two other firearm traces from 2008. [ATF] [ATF] has purchased approximately 26 firearms (all Weapons of Choice for the Cartels) from March 2008 to March 2010.

785115-10-0014 SAN LUIS CONNECTION: An OCDETF proposal was presented/sponsored by ATF Phoenix Group VII and was recently approved by the Arizona District. This investigation pertains to a firearm and drug trafficking organization that actively transports firearms through San Luis, Arizona to the Sinaloa Cartel. ATF has identified straw purchasers related to approximately 40 of 140 firearms recovered in Mexico in February of 2010. Agents are working with ATF VCAB, DEA Intel (Financial Investigation), DEA (Yuma) and ICE (Phoenix Strike Force) to identify the historical role of identified persons in this organization.

785115-10-0015 Operation Pawn Star: In April 2010, [ATF] purchased five AK type rifles from Mo Money Pawn Shop. After the transaction, a FFL employee observed [ATF] with another unknown Hispanic male depart the parking lot in a vehicle with Mexican License Plates. Special Agents subsequently identified the owner of the vehicle as [ATF] a9

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Mexican citizen. Shortly after the transaction (same day), [ATF] reported firearms as stolen to the Phoenix Police Department. Within two hours of the purchase, the aforementioned vehicle was documented crossing the U.S./Mexico border at San Luis with a driver named [ATF]. This same vehicle routinely crosses the border between U.S. and Mexico at San Luis with different occupants in the vehicle.

785115-10-0016 [ATF] has purchased 20 firearms in April and May 2010 from Phoenix area FFLs. All purchased firearms are "weapons of choice" for the cartels, mainly Colt .38 Supers, Berretta 9mm, and FN 5.7 caliber pistols. There have been no firearm recoveries to date. The DEA in Philadelphia has an active OCDETF/Priority Target (PTO) (pending) investigation on [ATF] and members of his family. The family is based in Sinaloa, Mexico, with significant ties to Phoenix. The organization is currently distributing drugs throughout Phoenix, NYC and the Philadelphia area. Phoenix ATF queried [ATF] cell telephone number through the DEA "DARTS" system and identified that [ATF] and [ATF] are communicating via cellular telephones.

785115-10-0019 [ATF] On April 7, 2010, Mexican military personnel from the 24th Regiment raided four residences in Culiacan, Sinaloa. Seized in these raids were 5 rifles, 25 handguns, 55 magazines, 6 vehicles and over three million dollars in U.S. currency. Two of the recovered firearms were traced to [ATF] a resident of Goodyear, Arizona. [ATF]

[ATF] Although [ATF] purchased these firearms approximately five months apart, they were recovered together in Mexico. A search of the ATF Multiple-Sales Transactions database revealed that from October 20, 2007, through April 15, 2010, [ATF] purchased 25 firearms, all FN 57 or Colt 38 pistols.

785115-10-0020 [ATF] On April 24, 2010, an ATF cooperating defendant delivered two Beretta 9mm pistols to [ATF]. Delivery was electronically recorded by consent of cooperating defendant (CD). [ATF] The goal

[ATF] [ATF] has inquired of the cooperating defendant if the ATF UC had a CWP, Class III and/or a manner to procure NFA weapons.

785115-10-0021 [ATF] On April 24, 2010, Mexican military personnel were engaged in a shootout with local drug traffickers when 11 people were killed, including three soldiers. After the confrontation, Mexican military personnel seized 11 AK-47 rifles, four handguns, 45 magazines, 28,000 rounds of ammunition, 30 military uniforms, one ton of marijuana and 14 vehicles. Phoenix area purchasers include [ATF]. Further investigation revealed that these three individuals have purchased 60 firearms for approximately \$23,500 cash between September 2009 and May 2010. [ATF] have the same place of employment.

785115-10-0022 [ATF] As part of a seizure in Tijuana on February 2, 2010, Elements with the Policia Estatal Preventiva (PEP) seized 5 AK-47 type rifles, 1 AR-15 type rifle, 30 magazines, 615 rounds of ammunition, tactical gear/body armor, and 2 stolen vehicles. [ATF] year old Hispanic male and resident of Phoenix, AZ, purchased nine AK-47 rifles in a three day period. Six have been recovered in the above seizure event in Tijuana,¹⁰

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Mexico. [ATF] admitted to the straw purchase to Phoenix ATF agents who recently submitted an ATF Recommendation for Prosecution. [ATF] refused/failed to identify the individuals for whom he straw purchased these firearms.

785115-10-0023 [ATF] On February 26, 2010, the Mexican Military discovered an arsenal inside a subterranean firearms cache near Culiacan, Sinaloa. Authorities seized 129 firearms. [ATF] [ATF] year old white female and resident of Phoenix, AZ, purchased five FN Herstal, 5.7 caliber rifles in December of 2008 from a Phoenix FFL. Two of these firearms have been recovered in the above mentioned seizure event in Mexico. [ATF] admitted to the straw purchase to ATF Phoenix agents who are currently investigating the individuals who put her up to the straw purchase.

785070-10-0001 [ATF] This case involves suspected firearms trafficker [ATF] who has had over 23 firearm recoveries in the past three and one half years. To date, 13 of those firearms have been recovered in Mexico (These firearms were involved in several deaths to Mexico government personnel). He has purchased more than 36 firearms over the past three years. [ATF] [ATF] has five firearm recoveries and an open ATF Phoenix investigation 785045-07-0183.

785070-10-0001 [ATF] On February 25, 2010, Mexican Military personnel involved in a confrontation, arrested four members of an unidentified armed group and seized an arsenal in Culiacan, Sinaloa. [ATF] year old Hispanic male and resident of Phoenix purchased from a Phoenix area FFL an FN 5.7 caliber pistol recovered in the confrontation. REYES has up to 24 other firearm purchases and is linked to additional crime guns recovered in Mexico.

785071-10-0003 [ATF] On February 2, 2010, the Policia Estatal Preventiva (PEP) seized several weapons of choice, large amounts of ammunition and tactical gear, in Tijuana. Some of these firearms were purchased by [ATF] at [ATF] an Arizona FFL. An average 65 day time to crime was disclosed by the NTC.

785071-10-0004 [ATF] On February 27, 2010, [ATF] purchased 10 Romanian Arms Model WASR-10 7.62 caliber rifles at the Cross Roads Gun Show, located in Phoenix, AZ. The Phoenix Police Department seized these firearms as evidence and later returned them to [ATF] informed the Phoenix PD that he purchased each rifle from the FFL J&G Sales for under \$400. [ATF] stated that he got a discount for buying in volume. [ATF] mentioned that he sometimes polished up the guns and sold them on the internet on Backpage.com to make a small profit. A query in E-trace also verifies a multiple sale of two FN Model Five-Seven semi-automatic pistols from [ATF] on April 12, 2010 by [ATF] These firearms are all weapons of choice (WOC) for the Mexican Cartels.

785071-10-0007 [ATF] On March 4, 2010, Mexican Military personnel seized an arsenal and a large amount of marijuana in Altar, Sonora, Mexico. Authorities seized eight AK-47 type rifles, one .30 caliber carbine, 24 magazines, nearly 1,000 rounds of ammunition, 12,900 kilos of marijuana (12.9 metric tons) and 7 vehicles. [ATF] has purchased several firearms from Overland Industries, an Arizona FFL. [ATF] has approximately 10 traces and all of these traces involve the Romarm/CUGIR, 7.62 assault rifle. Of those 10 traces, two were recovered and subsequently traced in the above mentioned seizure event.

Tucson Group I

785065-0010-0057 [ATF] has purchased approximately \$20,000 worth of firearms from Defensive Arms and Ammo, an FFL in Tucson. ATF special agents spoke with the FFL who explained [ATF] would prepay for the firearms and request the FFL to order them for him. When the FFL receives the firearms, he calls [ATF] to come pick them up. [ATF] border crossings were analyzed and it was revealed that on almost every occasion that [ATF] picks up firearms, he crosses into Mexico and back into the U.S. within 8-10 hours of the pick-up. Currently, [ATF] has \$10,000 of firearms waiting to be picked up. Tucson I and the GRIT team are currently conducting surveillance and expect [ATF] to show up this week to pick up the firearms. Special Agents from Tucson I and GRIT will conduct surveillance, expecting [ATF] to attempt to cross at the Douglas POE. CBP has been contacted and will assist with any outbound inspection requests. CBP also advised Tucson I that in early May, the FBI notified CBP to look out for [ATF] as FBI had information that [ATF] would be attempting to smuggle firearms and [ATF] through the Douglas POE into Mexico.

785065-09-0079 [ATF] On May 12, 2010, Tucson I, along with GRIT team members, instituted [ATF] Currently [ATF] is still unemployed and does not have the reported income to support his illegal firearm purchases. Based on the [ATF] conducted, there is no significant activity to report in terms of illegal activity. However, additional intelligence has been gathered in regards to additional persons, locations and vehicles. ATF and GRIT team members will continue surveillance on [ATF] and have resources in place to identify additional persons and/or his source of funding on his next purchase(s).

Tucson Group II

785085-09-0040 [ATF] This case stems from the recovery of firearms purchased in Tucson and recovered in Caborca and Nogales, Sonora, Mexico. The original subject identified is [ATF] who claims to have been born in the U.S. and possesses a California Birth Certificate, but who Mexican officials identify as having a Mexican birth certificate and a residence in Guaymas, Sonora, Mexico. Investigation has substantiated [ATF] ownership of the house in Guaymas and his frequent border crossings. Investigation has identified other purchasers in Tucson and connections to the La CHINA Smuggling Organization in Nogales, Arizona. Contact with one purchaser resulted in subsequent death threats against the purchaser and linkage to a Tucson gang named [ATF]

785085 10 0042 [ATF] ATF continues to develop investigative leads involving [ATF] who have ordered hundreds of thousands of rounds of ammunition suspected of being trafficked to Mexico DTOs. These three suspects have purchased over a quarter million rounds of ammunition (predominately 7.62mm, .223 REM, .38 Super) from FFLs and online ammunition retailers. The three suspects are unemployed, utilize numerous prepaid Visa credit cards to order the ammunition, and employ unusual methods for paying for, receiving, and transporting the ammunition. During surveillance, special agents have observed a Mexico plated vehicle located in the driveway of a house where the [ATF] transport the ammunition to after receiving the shipments at a different location. Two Mexican citizens have been identified who are frequent occupants of the vehicle which crosses into the United States on the same day deliveries of ammunition are received by the [ATF]

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and [ATF] A request to utilize a pen register and obtain geo-location information for [ATF] [ATF] cell phone has been approved.

EXPLOSIVES TECHNOLOGY BRANCH

On May 19, 2010, CEIT members responded to Escobedo Militar Base #4, Monterrey, Mexico, via DEA aircraft. The team examined the [ATF] recovered from the Higuera, Nuevo Leon, Mexico ZETA training camp seizure (ATF IN: 701531-10-0023). The recovered cache consisted of 77 [ATF], 3-RPG launchers, 2-RPG rockets, 31 [ATF], and 1-M72 LAW rocket. General [ATF] requested EEO [ATF] to determine if the RPGs and M-72 were live functional weapons. EEO [ATF] determined that the [ATF] [ATF], 4-M-26 and one (1) M-67 did not contain complete fuzing mechanisms and would not have functioned. The explosive filler was ground up charcoal and some type of fuel, most likely charcoal lighter fluid. The remaining munitions were found to be in functional condition and the war heads were live. One [ATF] was fabricated in the same manner and contained the same fuzing system as those recovered in Monterrey, Tepic, Mexico and McAllen, Texas.

On May 24, 2010, ATF Mexico and PGR Fiscal [ATF] went to Campo Militar Base #1, Mexico City, Mexico to examine recovered firearms and an AT-4 (ATF IN: 701500-10-0005). The Major of the storage facility displayed the AT-4, which consisted of the tube only. The lot number and serial number had been removed. The Major then requested EEO [ATF] to identify the remainder of the explosives recovered from this cache. EEO [ATF] x-rayed and examined the following items:

- 5 M60 fuse igniters, lot # SGK83J009-008
- 1 M-127A1 Flare, lot # KC226
- 1 50 feet (approx) roll of 50 grain detonating cord, Ensign Bickford
- 1 Roll "FAMESA" Igniter cord, fuse, lot # R.I. 15-00650-C
- 2 ½ Sticks of white putty substance labeled, P.E.4, suspected High Explosive (Sample Collected)
- 2 Sticks, ½ half pound size, TOVEX, blasting agent
- 3 Pieces of U.S. fabricated Flex-X, lot # CIL-1-2 11-70
- 2 M-6 electric detonator cardboard tubes with leg wire and one detonator
- 9 Non-Electric, Igniter cord detonators
- 20 [ATF] 2 [ATF]
- 5 Defense Technology, Spede heat, CN, long range – 150 YD, 37mm, single projectile, 17, CN – LR, F206 CN
- 1 Defense Technology, Spede heat, CS, short range, 37mm projectile
- 1 [ATF]
- 3 [ATF]
- 1 M26M, Original Mexican Military, DGFN AF2001 Lot # 002/01 1116
- 1 M26M, cloned from above
- 1 [ATF]
- 4 Explosive devices, plastic containers, each with an electric match
- 1 Plastic bag containing several pieces of detonating cord, safety fuse commercial and military

During the examination of the material, 2½ sticks 13

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of PE4 were examined. ATF Mexico requested a sample to be sent to the ATF Laboratory. PGR and SEDENA allowed a sample to be removed. All munitions and explosives were intact and appeared to be in functional condition.

OFFICE OF STRATEGIC INTELLIGENCE AND INFORMATION

Significant Events Occurring This Period:

On May 15, Mexico City Proceso reported that two police officers were killed in an ambush in Guerrero State's Tierra Caliente region. The ambush happened near the curve known as Chucumpun, in Tlalchapa, by men armed with Barret .50 caliber, AK-47 and AR-15 weapons. The agents have been identified as [ATF] [ATF] (It should be noted that attacks against law enforcement using .50 caliber weapons are rare.)

On May 16, Mexico City Proceso reported the arrest and quick release of [ATF] [ATF]. The operation, in which more than 200 federal agents, including soldiers, Navy officers and police officers participated, took less than five hours. Charged with money laundering, [ATF] [ATF] was arrested and transferred to the SIEDO headquarters in Mexico City. By the time authorities confirmed her arrest, she had already been released and returned to her native town, Jesus Maria, located half an hour from Culiacan. The magazine finds her release "very strange," as she was the main objective of a large police and Army operation that yielded results: six houses, seven luxury cars, five strong boxes full of jewelry, and other goods related to [ATF] were seized by the officers.

On May 18, Mexico City Cadena 3 reported that former Senator and presidential candidate Diego Fernandez de Cevallos Ramos remains missing after he vanished last Friday, May 14, from his estate in the Pedro Escobedo municipality, Quintana Roo State. Local and federal authorities are safeguarding the estate and collaborating on the investigation of the incident.

On May 18, Villahermosa Tabasco Hoy reported that a study by the Multisystems Group for Industrial Security confirms that Mexico is number one worldwide in number of kidnappings. The states with the highest kidnapping rates are Mexico City, Mexico State, Sinaloa, Chihuahua and Guerrero. "Mexico holds first place in kidnappings worldwide with more than 8,000 cases reported per year, which does not take into account the hundreds of express kidnappings that are not reported." The report explains that express kidnappings, in contrast with the traditional kind, do not keep victims captive for long periods of time, but just for a few hours, and that makes them more lucrative because they require no logistics plan or strategy.

On May 19, Mexico City Milenio.com reported that in seven cities along Nuevo Leon's border with Tamaulipas State, the numbers in the Municipal Police agencies have dwindled to practically nothing. The drastic levels of the violence that have struck the region have caused many officers to resign, as the turf war between the Gulf Cartel and Los Zetas has sparked gunfights between the two sides, as well as with law enforcement agencies. The affected municipalities are Agualeguas, China, Doctor Cross, General Bravo, General Trevino, Los Aldamas and Paras.

On May 20, Mexico City Canal 11 reported that in the 14

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past three months, four lynchings have taken place in the State of Mexico, a trend that worries analysts. The main reason cited by residents of the neighborhoods where these incidents have taken place is the absence or utmost corruption of authorities, who fail to apprehend criminals or protect citizens.

Also on May 20, Mexico City Canal 11 reported that President Felipe Calderon Hinojosa and First Lady Margarita Zavala de Calderon were received by U.S. President Barack Obama in the White House in Washington. Calderon and Obama issued a joint statement, saying they will approach the fight against organized crime in a new manner. The dismantling of criminal organizations will have to be accompanied by reforms that strengthen the institutions involved in this fight. Social cohesion will also be fostered, in order to make the recruitment of people harder for the cartels. They acknowledged many young people are seduced by organized crime because of lack of opportunities.

The Naval Secretariat, in a press release on May 20, reported that Navy soldiers shot and killed four and arrested four alleged members of Los Zetas during a gunfight on May 19 in the Graciano Sanchez community of the San Carlos municipality. The following items were seized from the gang: 14 AK-47s, 112 ammunition clips and 3,621 ammunition rounds.

In a bulletin on May 20, the SSP reported information on a Federal Police operation that landed eight arrests on May 19 in Ciudad Juarez. Officers arrested three alleged members of the Los Aztecas gang, which is affiliated with La Linea, and five alleged members of the Gente Nueva gang, affiliated with the Sinaloa Cartel. The following weapons and equipment were confiscated throughout the operation: 12 AK-47s, 1 .223 caliber rifle, 9 .9mm pistols, 1 .380 caliber pistol, 40 ammunition clips, 2,600 ammunition rounds, 12 bulletproof vests, four tactical vests, 1 silencer and radio communication devices. Officers also seized six vehicles, three of which had been reported stolen.

On May 21, Mexico City El Universal reported that during an address to the United States Congress, President Felipe Calderon criticized Arizona's SB1070 and urged U.S. legislators to reinstate a ban on the sale of assault weapons, which sparked protests from Republican lawmakers. After referring to his government's fight against organized crime, Calderon declared that "there is an issue on which Mexico needs your help: to stop the flow of high-powered weapons and other legal weaponry across the border." The Mexican president urged U.S. lawmakers to consider reinstating a ban on the sale of assault weapons, which had been allowed to lapse in 2004.

On May 23, Sedena reported that when weapons are seized from organized criminals, they are stored and guarded by Sedena, which classifies them and keeps them under tight security measures. If a weapon is new, used but usable, or repairable, it is kept for later legal use. If it is homemade or unfit to be used, it is destroyed. Between August 25, 2009 and January 14, 2010, Sedena destroyed 79,074 weapons.

On May 24, Villahermosa Tabasco Hoy reported that the Mexican government launched an attack on drug cartels in December 2006, deploying over 50,000 soldiers and thousands of police officers. The attack has left 22,700 dead and the government has seized 56,136 weapons from drug-trafficking cartels, according to Sedena.

On May 25, Monterrey El Norte reported that all 594 Monterrey Police officers will remain in the State Public Security Secretariat building, to undergo a series of evaluations known as "tests of trust." The tests include psychometric and medical evaluations, as well as a

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drug test. The move comes on the heels of the May 11 arrest of 14 Monterrey officers for alleged ties to organized crime groups. The agency is expected to perform a major purge of officers considered unfit for service.

On May 26, Mexico City Cadena 3 reported that U.S. Ambassador to Mexico Carlos Pascual reported the governments of Mexico and the United States are designing a safe corridor in their mutual border. This would increase surveillance and help curb drug trafficking and gunrunning.

Significant Seizure Events This Period:

No new updates provided for this period.

Trace Requests for Mexico Recoveries:

FY 10 Trace Requests Thus Far:

There were 36,030* trace requests for Mexico that were submitted between October 1, 2009 and May 24, 2010, of which 142 are pending completion. The break down by agency is as follows:

- Total Trace Requests by ATF 403
- Total Trace Requests by DHS 388
- Total Trace Requests by Mexico 35,236
- Total Trace Requests From Other Agencies 3

*These numbers do not include 11,606 duplicate traces.

INTERNATIONAL AFFAIRS OFFICE

Mexico City

Liaison, Training, Media, and Other SWB Interaction:

On May 19, the ATF Mexico Office and the U.S. Embassy Deputy Chief of Mission attended the monthly Firearms Coordination Group (GC-Armas) meeting at the Attorney General's Office (PGR) in Mexico City. The primary purpose of this meeting was to discuss eTrace and an eTrace MOU between ATF and the Government of Mexico.

During the meeting, the PGR and the Center for Planning, Analysis, and Information Combating Organized Crime (CENAPI) advised that eTrace access and training should be given to the Delegado (equivalent to a U.S. Attorney) assigned to each Mexican State. The Delgado oversees all the prosecutors and the Federal Ballistics Laboratories. The PGR indicated that they want their prosecutors to enter the trace requests and not the laboratory technicians as originally agreed. According to the PGR, they would like to have this training completed within six months.

On May 24, a team of personnel from the ATF Office in Mexico City was accompanied by a prosecutor from the Specialized Unit of Investigation in Terrorism, Stockpiling and Firearms Trafficking (UEITA) to examine, photograph and trace 35 firearms and over 40 individual pieces of explosives seized in Atizapan de Zaragoza, State of Mexico. The firearms and explosives were being held at SEDENA Military Camp Number 1 in Naucalpan, State of Mexico. The opportunity to view the firearms and explosives in the military warehouse was coordinated through UEITA Chief.

On May 24, representatives from the ATF Mexico Office briefed members of the S7 section of the Secretariat of National Defense on the firearms and explosives seizure in Higueras, the importance of eTrace, an adjudicated ATF investigation and the capabilities of the RPG-7 and Improvised Explosive Devices seized in Mexico. The RPG-7 is a portable, shoulder-launched, anti-tank rocket propelled grenade weapon originated from Russia.

There is growing concern within SEDENA on the use of the RPG-7 against its forces around the country and since December 2006, at least 50 of these items have been used and/or recovered in Mexico. Due to these concerns, SEDENA requested training on the RPG-7/M72 Light Anti-Tank Weapon for approximately 100 personnel. Each training session would take two days and be given to groups of 30 personnel each. The M72 Light Anti-Tank Weapon is a lightweight, self-contained, anti-armor weapon consisting of a rocket packed in a launcher designed in the U.S.

To support ongoing trace efforts, SEDENA indicated that they would provide the ATF Mexico Office with the significant seizures weekly. This would allow the ATF Mexico Office to trace the firearms sooner and provide personnel assigned to the S7 and GC-Armas attendees with preliminary trace results.

On May 21, the ATF Mexico Office briefed U.S. Embassy Law Enforcement Team members on the firearms and explosives seizure in Higueras, Nuevo Leon which occurred on May 11. Approximately 25 personnel attended the presentation.

Monterrey

Investigative Assistance:

On May 11, the Mexican Army seized approximately 175 firearms, ammunition, [ATF] [ATF] at a Los Zetas training camp in La Higuera, Nuevo Leon. After learning of this seizure, the Monterrey Field Office obtained authorization from General Moreno, the Commander of the 4th Military Region to have ATF personnel enter the military base to view, examine and photograph the firearms and ammunition. According to soldiers who searched the camp, the firearms were individually bundled up with body armor, ammunition, magazines and two-way radios and appeared to be ready-made to hand out to Los Zeta members. The Monterrey Field Office has entered all the firearm information into eTrace and all grenade information was supplied to an ATF Explosives Enforcement Officer and the U.S. Bomb Data Center for tracing.

On May 19, Monterrey Field Office personnel assisted the CEIT to examine, disassemble and document all explosives, [ATF] RPGs and [ATF] seized during the raid.

Tijuana

No new updates provided for this period.

Ciudad Juarez

No new updates provided for this period.

OFFICE OF TRAINING AND PROFESSIONAL DEVELOPMENT

No new updates provided for this period.

ENFORCEMENT PROGRAMS AND SERVICES

No new updates provided for this period.