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A longtime Alaskan believed to be linked to laundering nearly $1 billion for the government of Iran stands to lose more than 20 Anchorage homes and condominiums that the U.S. Attorney's office contends he bought with profits made trafficking money.

Alleged international profiteer Kenneth Zong ran the Phillips International Inn restaurant in Anchorage along with his wife, Kilja. They also operated the Trattoria Bella restaurant. Both eateries closed in 2006.

After that, Kenneth Zong became involved in trying to market surplus Alaska pink salmon to Korea, as well as various other businesses in the state. Other U.S. businesses in which Zong was involved are unknown, as are his exact whereabouts today.

A naturalized U.S. citizen, at the moment he appears to be in a prison somewhere in South Korea in connection with Korean money laundering charges. Calls to Anchorage’s two local Korean newspapers -- Korean News and Alaska Korean Community News -- resulted in contacts who knew Zong at some point, but those acquaintances declined to comment.

Once an active member of the local Korean community, Zong now appears to be an invisible man locally. People either don't want to talk about him or say they never knew him.

What is publicly being revealed about Zong is coming from federal prosecutors who contend he got rich working with several Iranians.

The family homes and numerous condos in Anchorage were allegedly purchased with $10 million Zong received as compensation for helping the Iranians funnel $1 billion to businesses worldwide. He laundered the money with the help of family back in America, according to a federal affidavit prepared by U.S. Treasury Department special agent Sue Chambers.

Civil case: An 'extremely common' route

The U.S. government has not yet criminally charged Zong but is instead trying to seize the properties and more in civil court.

David B. Smith of the Smith and Zimmerman law office in Virginia, regarded as an expert on criminal and civil forfeiture cases, said it is “extremely common” for the government to choose this route. Civil forfeiture lawsuits allow federal prosecutors to seize property months or years before they’ve prepared a criminal indictment, he said.

Smith, who participates in such cases across the country, contended up to 98 percent of criminal forfeiture cases begin in civil courtrooms. However, the government sets thresholds for the seizure of various types of properties, such as $20,000 for real estate. The seizure needs to be worth the government's time and money, Smith said.

Along with the real estate, authorities assert Zong bought cars, jewelry and interest in a yacht. He allegedly spread his earnings through many of these assets to family members. Prosecutors aim to take those alleged illicit purchases away from his family. They are relying on a special act of Congress that authorized a number of ways civil forfeitures can occur without criminal charges.

In this case, the lawsuit alleges Kenneth Zong violated the International Emergency Economic Powers Act, which authorizes the president to impose sanctions against foreign countries the government deems a threat, such as Iran. Court documents say he created "numerous and fictitious shell companies" in South Korea and worked with his Iranian contacts to transfer $1 billion from the government of Iran, converting the funds to U.S. dollars, to businesses outside the Middle Eastern country, according to the affidavit.

"The $1 billion figure is significant on a national scale, in my experience, in forfeiture," said assistant U.S. attorney Jim Barkeley, who's been handling such cases for 20 years. "Statistically, a small amount of cases deal with that amount of money."

In Alaska, there have been entire calendar years during which the government collected less than $10 million in assets, Barkeley said.

A year ago, Zong was convicted in Korea for breaking that country's foreign exchange and customs laws by filing false import and export documents. The crimes were linked to the financial operations of one of his Korean companies, Anchore, formerly KSI Ejder. In June 2013, he was sentenced to a two-year prison term, fined $20,000 and forced to forfeit $6 million.

The U.S. government can choose civil forfeiture rather than filing a criminal case when a defendant is unavailable. The defendant could be dead or, as in Zong's case, out of the country, Barkley said.

One of Zong's sons, Mitchell Sub Zong, allegedly helped his father launder the millions, but so far, there have been no criminal charges lodged against him. Mitchell attended Dimond High School but now lives primarily in the Lower 48 and has hired California attorney James Spertus to represent him and two of his businesses, MLS Gulf Trading One and MLS Gulf Trading Two. Calls to Spertus were not returned.

However, as of early June, the government halted any further legal proceedings in the case. The "motion to stay" could allow the parties time to "discuss and potentially agree upon a global settlement in both the civil and possible criminal proceedings," according to the motion.

Kenneth Zong allegedly told Korean prosecutors that while at Colorado State University 16 years ago Mitchell was a classmate of Majid Fasoodeh, an Iranian associated with Farsoodeh & Partnership. The relationship was the kernel that enabled Kenneth to embark on the alleged international money-laundering scheme.

Farsoodeh & Partnership is a company linked to individuals working for the government of Iran in association with the Zongs' case, according to the federal affidavit.

Shipped seafood, restaurants and default judgments

The affidavit says Kenneth Zong became an American citizen in 1985, five years after moving to

Anchorage. He lived here until at least 2001, when he moved his primary residence to Korea and began setting up companies and bank accounts abroad, according to federal prosecutors.

He maintained ties with Anchorage, however. In a March 2004 Juneau Empire story [2], “Anchorage businessman” Kenneth Zong was lauded for striking a five-year contract to send canned pink salmon to South Korea-based Lotte Group, a large conglomerate.

A joint venture partnership was eventually established involving Lotte, Copper River Seafoods and one of Zong's Alaska-based businesses Koskimo, the Korean word for Eskimo. When the partnership was announced, Zong said he planned to open a Koskimo restaurant chain with an exclusively Alaska seafood menu, according to an Alaska Journal of Commerce article [3] in August 2004.

Anchorage never got a Koskimo restaurant, but Kenneth did spend time in the restaurant business. Along with running the once well-known Phillips restaurant, he operated Trattoria Bella in the location that is now home to City Diner. Court documents indicate those endeavors did not go well.

Kenneth and Kilja were sued twice in 2006. In January of that year Salvatore Fava filed a civil complaint against the Korean restaurateurs for failing to pay back a $40,000 loan. The money was meant for improvements to Trattoria Bella, according to an affidavit.

Three months after that lawsuit, Teddy’s Tasty Meats sued Kenneth and Kilja over more than $22,000 worth of unpaid purchases.

So despite federal prosecutors’ contention that Kenneth moved from Alaska across the Pacific Ocean to Korea in 2001, the elder Zong appears to have maintained a link to the state through the restaurants.

In both cases an Anchorage Superior Court judge issued default judgments after the Zongs failed to plead or defend themselves.

Kenneth Zong’s oldest son, Wong Sub Zong, reportedly still lives in Anchorage. Efforts to contact Wong were unsuccessful. Zong’s second son, Mitchell, is reported to split his time between Costa Mesa, Calif., and Colorado Springs, Colo. -- cities where additional properties the U.S. government wants to seize are located.

There are two other sons, Jason Sub Zong and Hyo “Joe” Sub Zong, who live in Eugene, Ore., and Anchorage, respectively. Reached by telephone, Joe declined to comment on the lawsuit.

‘The Iranians’

Zong's company Anchore, according to federal officials, was used as a conduit to distribute the $1 billion in Iranian assets to numerous Korean shell companies. Beginning around January 2011 and continuing for nearly two years, the government says, Zong worked with three individuals special agent Chambers of the Treasury Department identified as “the Iranians”: Pourya Nayebi, Houshang Hosseinpour and Houshang Farsoudeh.

The three Iranians set up their own front companies in New Zealand, Turkey, Georgia and other countries.

U.S. government investigators tied the Iranians to multiple companies using over 11,000 seized emails and cellphone communications. The correspondence allegedly details the importance of avoiding detection by the U.S. and Korean authorities and Kenneth Zong's financial compensation. U.S. Magistrate Judge John D. Roberts authorized the search and seizure warrant granting access to a single email account consisting of the thousands of emails.

Zong and his foreign colleagues went to "considerable lengths," according to court filings, in an attempt to legitimize their businesses through supporting documents like contracts and invoices. They also allegedly bribed bank officials to permit their dealings.

Central Bank of Iran cash converted to U.S. dollars

The scheme allegedly operated like this: Anchore purported to sell marble tiles and other construction supplies to Farsoodeh & Partnership. The tiles were allegedly bought from a Dubai-based company. It was set up by the Iranians, and the materials were supposedly shipped directly to them in Iran.

The businesses' names and the countries in which they were based changed more than once, allegedly in an effort to hide the fact that they were not operating as advertised.

Funds from the Central Bank of Iran were transferred to Kenneth Zong's Korean bank account. Ultimately, Zong acted as the hub for illegal deposits and the conversion of funds. According to the cited emails, separate purchases of tiles totaled between about $600,000 and $2 million.

U.S. presidents since Ronald Reagan have issued executive orders prohibiting trade with Iran due to Iranian support of terrorism and its race for nuclear arms. The sanctions have taken a toll on the economy and people of Iran, but government officials try to evade the sanctions by investing and banking elsewhere as the value of the Iranian dollar, the rial, declines.

The main recipient of funds converted by Kenneth Zong was Orchidea Gulf Trading, an Iranian front company. Of the $1 billion sent through companies controlled by Zong, approximately $862 million was sent to Orchidea Gulf, the affidavit says.

'Luxury living expenses'

Several months after Kenneth Zong began working with the Iranians, Anchore sent $9.8 million over several months to Alaska for the tile contract. The money was spent on "investments, luxury living expenses, jewelry, automobiles and real estate, among other uses," according to the federal affidavit.

"Kenneth Zong and his family utilized multiple companies and bank accounts to move money among the accounts controlled by the Zong family in the United States and Korea," the affidavit says. Zong's Alaska-based companies include Koskimo Construction, MSL Gulf Trading Inc., MLS Gulf Trading One Inc., MLS Gulf Trading Two Inc. and others.

Joe Zong is listed the president of Koskimo, and Mitchell Zong is the manager of at least three of the companies, according to the affidavit and filings with the state.

Koskimo was formed in 2005. The only address associated with the business is a south Anchorage home located at Grey Wolf Circle. State court records indicate Mitchell Zong had work done on the house in 2008-2010; he brought lawsuits against people for unsatisfactory work. But filings with the Municipality of Anchorage show none of the Zongs currently own the home.

MLS Gulf Trading was established in April 2011, around the time Zong allegedly began conspiring with the Iranians. Its business address is the same as Koskimo's. Since its creation, the State of Alaska hasn't received any filings or reports from MLS, and the business was dissolved in late December. Gulf Trading One and Two similarly share the Anchorage address, as well as a mailing address in Costa Mesa, Calif.

According to FBI surveillance, the California property is a family home with no signs indicating a business.

The federal affidavit indicates investigators poured over the Zongs' bank accounts to track the $10 million profit. Five million dollars from three such accounts was allegedly used to buy real estate.

Gulf Trading One is the current owner of a south Anchorage home at Alderwood Loop. The Zongs shuffled around $375,000 to buy the house; Mitchell allegedly wrote a check totaling about $278,000 for the purchase, according to the affidavit.

In June 2011, Trading One bought 23 condominiums in Anchorage and a single condo in Eagle River. The sale totaled $4,180,000. The funds were withdrawn from a First National Bank Alaska account the government says held laundered money.

Along with the Alaska properties, the government aims to seize homes in Costa Mesa, Calif.; Colorado Springs, Colo.; and Eugene, Ore. The properties are nothing extravagant, valued around $300,000 to $400,000.

In early May, an amended affidavit to the civil case was filed detailing personal property being seized through warrants.

The government can more easily seize personal property during civil forfeiture cases to prevent defendants from spending funds or hiding assets before trial. Since the lawsuit was filed, the government has seized money from multiple bank accounts of Mitchell Zong, including rental income from some Anchorage condominiums. One seizure from a Key Bank account totaled $1.3 million.

A 2011 Subaru Outback, a 2008 Porsche 911, a 2013 Toyota Tundra, a 2013 Mercedes Benz GL 450, and a 2013 Yamaha motorcycle were seized, along with interest in a $350,000 yacht were also seized, according to the amended affidavit.

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