

Khamenei controls massive financial empire built on property seizures



Many Iranians, who now live outside the country, have faced the loss of their property through schemes that have produced fake title deeds for their houses. These fake deeds are then used to sell the properties with no recourse for the real owners.

Those who then visit their properties find the locks on their properties have been changed and new owners installed; many sad stories abound. Is there anywhere in the world where the government is so blatantly involved in what amounts to theft ? and this is for profit of individuals, not the state! The 'Bonyade Imam' (Khomeini) Foundation, under direct control of Supreme Leader Khamenei, has amassed a fortune, from sources that include the sale of stolen properties!

The 82-year-old Iranian woman keeps the documents that upended her life in an old suitcase near her bed. She removes them carefully and peers at the tiny Persian script.

There's the court order authorizing the takeover of her children's three Tehran apartments in a multi-story building the family had owned for years. There's the letter announcing the sale of one of the units. And there's the notice demanding she pay rent on her own apartment on the top floor.

Pari Vahdat-e-Hagh ultimately lost her property. It was taken by an organization that is controlled by the most powerful man in Iran: Supreme Leader Ayatollah Ali Khamenei. She now lives alone in a cramped, three-room apartment in Europe, thousands of miles from Tehran.

The Persian name of the organization that hounded her for years is "Setad Ejraiye Farmane Hazrate Emam" ? Headquarters for Executing the Order of the Imam. The name refers to an edict signed by the Islamic Republic's first leader, Ayatollah Ruhollah Khomeini, shortly before his death in 1989. His order spawned a new entity to manage and sell properties abandoned in the chaotic years after the 1979 Islamic Revolution.

Setad has become one of the most powerful organizations in Iran, though many Iranians, and the wider world, know very little about it. In the past six years, it has morphed into a business juggernaut that now holds stakes in nearly every sector of Iranian industry, including finance, oil, telecommunications, the production of birth-control pills and even ostrich farming.

The organization's total worth is difficult to pinpoint because of the secrecy of its accounts. But Setad's holdings of real estate, corporate stakes and other assets total about \$95 billion, Reuters has calculated. That estimate is based on an analysis of statements by Setad officials, data from the Tehran Stock Exchange and company websites, and information from the U.S. Treasury Department.

Just one person controls that economic empire ? Khamenei. As Iran's top cleric, he has the final say on all governmental matters. His purview includes his nation's controversial nuclear program, which was the subject of intense negotiations between Iranian and international diplomats in Geneva that ended Sunday without an agreement. It is Khamenei who will set Iran's course in the nuclear

talks and other recent efforts by the new president, Hassan Rouhani, to improve relations with Washington.

The supreme leader's acolytes praise his spartan lifestyle, and point to his modest wardrobe and a threadbare carpet in his Tehran home. Reuters found no evidence that Khamenei is tapping Setad to enrich himself.

But Setad has empowered him. Through Setad, Khamenei has at his disposal financial resources whose value rivals the holdings of the shah, the Western-backed monarch who was overthrown in 1979.

How Setad came into those assets also mirrors how the deposed monarchy obtained much of its fortune - by confiscating real estate. A six-month Reuters investigation has found that Setad built its empire on the systematic seizure of thousands of properties belonging to ordinary Iranians: members of religious minorities like Vahdat-e-Hagh, who is Baha'i, as well as Shi'ite Muslims, business people and Iranians living abroad.

Setad has amassed a giant portfolio of real estate by claiming in Iranian courts, sometimes falsely, that the properties are abandoned. The organization now holds a court-ordered monopoly on taking property in the name of the supreme leader, and regularly sells the seized properties at auction or seeks to extract payments from the original owners.

The supreme leader also oversaw the creation of a body of legal rulings and executive orders that enabled and safeguarded Setad's asset acquisitions. "No supervisory organization can question its property," said Naghi Mahmoudi, an Iranian lawyer who left Iran in 2010 and now lives in Germany.

Khamenei's grip on Iran's politics and its military forces has been apparent for years. The investigation into Setad shows that there is a third dimension to his power: economic might. The revenue stream generated by Setad helps explain why Khamenei has not only held on for 24 years but also in some ways has more control than even his revered predecessor. Setad gives him the financial means to operate independently of parliament and the national budget, insulating him from Iran's messy factional infighting.

Washington has acknowledged Setad's importance. In June, the Treasury Department imposed sanctions on Setad and some of its corporate holdings, calling the organization "a massive network of front companies hiding assets on behalf of ? Iran's leadership." The companies generate billions of dollars in revenue a year, the department stated, but it did not offer a detailed accounting.

The Iranian president's office and the foreign ministry didn't respond to requests for comment. Iran's embassy in the United Arab Emirates issued a statement calling Reuters' findings "scattered and disparate" and said that "none has any basis." It didn't elaborate.

Setad's director general of public relations, Hamid Vaezi, said by email in response to a detailed description of this series that the information presented is "far from realities and is not correct." He didn't go into specifics.

In a subsequent message, he said Setad disputes the Treasury's allegations and is "in the process of retaining U.S. counsel to address this matter." He added: "This communication puts you on notice that any action by your organization could prejudice our dispute in the United States and harm our position for which we hold you responsible."

When Khomeini, the first supreme leader, set in motion the creation of Setad, it was only supposed to manage and sell properties "without owners" and direct much of the proceeds to charity. Setad was to use the funds to assist war veterans, war widows "and the downtrodden." According to one of its co-founders, Setad was to operate for no more than two years.

Setad has built schools, roads and health clinics, and provided electricity and water in rural and impoverished areas. It has assisted entrepreneurs in development projects. But philanthropy is just a small part of Setad's overall operations.

Under Khamenei's control, Setad began acquiring property for itself, and kept much of the funds rather than simply redistributing them. With those revenues, the organization also helps to fund the ultimate seat of power in Iran, the Beite Rahbar, or Leader's House, according to a former Setad employee and other people familiar with the matter. The first supreme leader, Khomeini, had a

small staff. To run the country today, Khamenei employs about 500 people in his administrative offices, many recruited from the military and security services.

A complete picture of Setad's spending and income isn't possible. Its books are off limits even to Iran's legislative branch. In 2008, the Iranian Parliament voted to prohibit itself from monitoring organizations that the supreme leader controls, except with his permission.

But Reuters has put together the fullest account yet of the organization's holdings. They include:

*** A giant property portfolio**

The head of Setad's real-estate division said at a ceremony in 2008 that the unit was worth about \$52 billion. The value of Iran's currency has plunged since then, while property values have soared. The property portfolio has also changed, so its current value is hard to establish.

Setad regularly conducts large auctions of its real estate - at least 59 to date, according to a review of Iranian newspaper advertisements and auction websites. One recent auction took place in May, when nearly 300 properties went on the block - including houses, stores, tracts of farmland and even a spa-and-pool complex in Tehran. The required opening bids totaled about \$88 million, based on the official exchange rate that month.

*** An investment unit worth tens of billions of dollars**

In June, the U.S. Treasury Department sanctioned Setad and 37 companies it controls over the organization's alleged role in "assisting the Iranian Government's circumvention of U.S. and international sanctions." The Treasury also said Setad played a role in "generating revenue for the Iranian leadership," and that one of its investment companies alone was worth about \$40 billion in late 2010.

But the June action covered just part of Setad's corporate holdings. According to a Treasury spokesman, sanctions only apply to subsidiaries if the targeted entity "owns 50 percent or more of a company."

In practice, Setad controls many businesses in which it holds very small stakes. Reuters identified at least 24 public companies in which Setad - or a company it invested in - held less than 50 percent. Those holdings that are publicly traded are worth more than \$3.4 billion, Reuters calculated. That figure includes about \$3 billion Setad paid in 2009 for a stake in Iran's largest telecommunications firm.

Reuters also identified 14 companies Setad has invested in - directly or through other companies - that couldn't be valued because they are not publicly traded.

All told, Reuters was able to identify about \$95 billion in property and corporate assets controlled by Setad. That amount is roughly 40 percent bigger than the country's total oil exports last year. It also surpasses independent historians' estimates of the late shah's wealth.

After toppling the monarchy, the Islamic Republic filed suit in the United States against the shah and his wife, Farah Pahlavi, claiming they had stolen \$35 billion in Iranian funds, according to court records. In today's dollars, that sum would be worth about \$79 billion. The suit was dismissed.

Abbas Milani, director of the Iranian Studies program at Stanford University who wrote a biography of the shah published in 2011, told Reuters he believes the estimate of the shah's fortune was "extremely exaggerated." He said the monarch led a truly opulent lifestyle - including owning an automobile collection that may have included 120 fancy vehicles. But, he wrote in the biography: "Those most likely to know estimate the Shah's fortune to be close to a billion dollars." With inflation, that would equal about \$3

billion in today's money, a fraction of the worth of Setad's holdings.

PROTECTION FEES

Setad officials have offered two justifications for their property activities: that the assets were acquired legitimately, and part of the profits go to charity.

In an interview in April with the Iranian reformist newspaper Shargh, Ali Ashraf Afkhami, who was identified as the head of Tadbir Economic Development Group - the main unit that handles Setad's financial investments - called the organization a "custodian" of "property without owners," and suggested that none had been confiscated. He also described the way Setad had accumulated its real estate as nothing unusual.

"Imagine that a property or piece of land has been left behind by someone after their death without any heirs or, for example, property that has been freed by customs but remains without an owner," he said. "These properties must be managed somehow. If the lack of ownership is confirmed through the order of the court, then the property is given to Setad."

"Like I said," he added, "everywhere in the world systems have been created to take control of property or pieces of land that have no owners and the profits are put toward activities for the public good."

Charities have played an important role in the Islamic Republic. Setad controls a charity. Other charitable trusts, known as "bonyads," served as a vital safety net during and after the 1980-1988 Iran-Iraq War, assisting disabled veterans, widows and orphans, and the poor.

According to the son of one slain soldier, Bonyad Shahid (Martyrs Foundation) provided his and other families' accommodation, wages and household items. A list of current veteran services on its website includes discount airplane tickets, technical training and the installation of wheelchair lifts on vehicles.

Setad, however, is a much broader operation than these foundations. It's unclear how much of its revenue goes to philanthropy. Iranians whose properties have been seized by Setad, as well as lawyers who have handled such cases, dispute the argument that the organization is acting in the public interest. They described to Reuters what amounts to a methodical moneymaking scheme in which Setad obtains court orders under false pretenses to seize properties, and later pressures owners to buy them back or pay huge fees to recover them.

"The people who request the confiscation ? introduce themselves as on the side of the Islamic Republic, and try to portray the person whose property they want confiscated as a bad person, someone who is against the revolution, someone who was tied to the old regime," said Hossein Raeesi, a human-rights attorney who practiced in Iran for 20 years and handled some property confiscation cases. "The atmosphere there is not fair."

Ross K. Reghabi, an Iranian lawyer in Beverly Hills, California, said the only hope to recover anything is to pay off well-connected agents in Iran. "By the time you pay off everybody, it comes to 50 percent" of the property's value, said Reghabi, who says he has handled 11 property confiscation cases involving Setad.

An Iranian Shi'ite Muslim businessman now living abroad, who asked to remain anonymous because he still travels to Iran, said he attempted two years ago to sell a piece of land near Tehran that his family had long owned. Local authorities informed him that he needed a "no objection letter" from Setad.

The businessman said he visited Setad's local office and was required to pay a bribe of several hundred dollars to the clerks to locate his file and expedite the process. He said he then was told he had to pay a fee, because Setad had "protected" his family's land from squatters for decades. He would be assessed between 2 percent and 2.5 percent of the property's value for every year.

Setad sent an appraiser to determine the property's current worth. The appraisal came in at \$90,000. The protection fee, he said, totaled \$50,000.

The businessman said he balked, arguing there was no evidence Setad had done anything to protect the land. He said the Setad representatives wouldn't budge on the amount but offered to facilitate the transaction by selling the land itself to recover its fee. He said he hired a lawyer who advised him to pay the fee, which he reluctantly did last year.

This was not the only encounter the businessman's family has had with Setad. He said his sister, who lives in Tehran, recently told him that Setad representatives had gone door-to-door at her apartment complex, demanding occupants show the deeds for their units.

Several other Iranians whose family properties were taken over by Setad described in interviews how men showed up and threatened to use violence if the owners didn't leave the premises at once. One man said he had been told how an elderly family member had stood by distraught as workmen carried out all of the furniture from her home.

According to this account, she sat down on a carpet, refused to move and pleaded, "What can I do? Where can I go?"

"Then they reached down, lifted her up on the carpet and took her out."

"BEHIND THE DOORS"

Several Iranian foundations, such as Bonyad Mostazafan (The Foundation of the Oppressed), also have been granted legal authority to confiscate certain properties. Those organizations generally are open about the practice, listing their names and logos in real-estate advertisements. Setad's role in confiscations is more hidden.

Neither Setad's logo nor its full name appear in newspaper advertisements listing upcoming auctions. Instead, the organization uses a vague title that doesn't make clear the seller is connected to Setad. A call by a reporter to one of the phone numbers listed in an advertisement in May for property in the northeastern city of Mashhad was greeted by a recording that said: "You have reached Setad Ejraiye Farmane Hazrate Emam."

Many of the newspaper ads found by Reuters also referred readers to a website for further information. That site doesn't contain Setad's proper name either. Internet website ownership records show that the site, which lists auctions for many types of confiscated goods - including boats, motorcycles, flat-screen televisions, automobiles and even fertilizer - is registered to an office in Tehran. When a reporter called it, the person who answered confirmed it was Setad's office.

Some of the properties under Setad's control were confiscated from religious minorities, including members of the Baha'i faith, a religion founded in Iran that is seen as heretical by the Islamic Republic. Baha'is are a persecuted religious group in Iran, with some followers blocked from jobs and universities. Baha'i shops and cemeteries also have been vandalized.

Figures compiled by the United Nations office of the Baha'i International Community, a non-governmental organization, show that Setad was occupying 73 properties seized from its members as of 2003, the most recent data available. The real estate was then worth about \$11 million.

That figure captured only a fraction of the value of Baha'i properties taken by Setad. Not on the list were several that belonged to a Baha'i named Aminullah Katirai. According to his daughter, Heideh Katirai, who now lives in Toronto, Setad has been pursuing her family's property for more than two decades.

Her father owned a house and land around the city of Hamedan in northwest Iran, she said. In the early 1990s, Setad confiscated about 750 hectares (1,853 acres) - the family's entire land holdings in the area. Court records documenting the property seizures that were reviewed by Reuters claim Katirai had collaborated with the prior government of the shah. Katirai's daughter says her father never had any ties to the shah's government.

He tried to appeal to government authorities: He wrote a letter to a parliamentary commission in 1993 stating he was being targeted solely because of his religion. In a response seen by Reuters, a commission representative cited Article 13 of Iran's constitution, which says that only Zoroastrians, Jews and Christians are recognized as religious minorities and have the right to practice their religion within the limits of the law. "The Baha'i faith is not among religion minorities," a translation of the letter stated. The commission refused to consider his case.

Setad did not stop there. According to his daughter, Setad representatives showed up several years later at a three-story building her family had owned in central Tehran for 44 years. At the time, Katirai lived on the ground floor, and the upper floors were rented out.

According to his daughter, the Setad representatives claimed the building's owner had left the country and had abandoned it. Katirai told the Setad representatives repeatedly that he owned the building. They left, but Setad soon began court proceedings to take it over.

In 2008, Katirai died. For the past five years, Setad has been trying to evict the tenants, including Katirai's son, producing court notices and threatening fines. "Each corner of that house is a memory for us," said Katirai's daughter. "I took my kids there every Friday to see the family."

"What has my family done to deserve this kind of treatment?" she asked. "We know that Islam is a religion of peace. But how can a government that claims to be an Islamic government allow this to happen?"

Mohammad Nayyeri, a lawyer who worked in Iran until 2010 and now lives in Britain, said he handled a case involving Setad in which a Muslim man's house had been confiscated in part based on rumors that he had converted to the Baha'i faith and had ties with the monarchy.

The man - Nayyeri declined to name him because he still has family in Iran - relocated to the United States soon after the 1979 revolution. The new government seized the man's home, in a wealthy Tehran neighborhood.

"The Baha'i rumor was one of the triggers of this," Nayyeri said. "They found that this house is empty and the owner had left the country so they came and seized the place." Around 1990, the property was given to Setad, which sold it at auction.

Nayyeri said that in 2008, the owner's son contacted him. By then, the man had died. The son - who told the lawyer his father had never converted to the Baha'i faith and had no ties to the monarchy - wanted to clear his name and try to recover the house.

Nayyeri said he lodged a complaint against Setad and the current owner and successfully challenged the original confiscation. He ultimately obtained a judicial order that the property be returned to the son.

But Setad refused to give it back unless the son offered a "khoms," a religious payment mandated under Islamic law, Nayyeri said. It totaled \$50,000 - 20 percent of the property's assessed value. According to the lawyer, the son had no choice, and paid it.

Reghabi, the Iranian lawyer based in California, said he, too, won a number of property seizure cases involving Setad. But he said no case was simple - the hurdles involved not only untangling a property's ownership and challenging decades-old court decrees, but also identifying and paying off people with connections to the key decision maker.

"The real stuff is what goes on behind the doors," he said. "You have to find the right person."

Reghabi said his clients were responsible for paying the various fees, which were all "subject to negotiation" and could reach millions of dollars.

He added that he always advised clients whose properties had been sold by Setad to try to recover some of the sale proceeds in cash.

"That is my advice to them ? don't try and be stupid and get your property back."

"COME AND KILL ME"

The case of Vahdat-e-Hagh, who is Baha'i, involved several Iranian organizations over the years, but none was more relentless than Setad, she said.

She said her troubles began in 1981 when her husband, Hussein, began working for a company called Asan Gas that had been set up in part to assist unemployed members of the faith.

In September 1981, he was arrested and imprisoned in Tehran. According to Vahdat-e-Hagh, after five months, a cleric from a court sentenced him to death, with no chance to appeal. He was executed in February 1982.

"He was shot with nine bullets," she said, her voice cracking.

To protest her husband's execution, she began writing letters to senior government officials, including Khamenei, then Iran's president. In 1985, she said, she was jailed for three months.

Her protests continued, including a call to Khamenei's office. "I kept begging them to tape my voice, to take my message to Khamenei," she said. Instead, she said, the clerk recorded the conversation and turned the tape over to the intelligence ministry.

The widow's account of what happened next is supported by legal notices and official correspondence seen by Reuters.

A court later ordered the confiscation of her family's apartments in an affluent area of north Tehran. Her children were out of the country at the time and the court order accused them of proselytizing the Baha'i faith abroad, she said.

Two Iranian foundations pressed Vahdat-e-Hagh to turn over her properties to them. She refused, and both eventually dropped the matter, she said.

Then, in November 1991, Setad entered the picture. Another court authorized it to confiscate the family's properties in Tehran and the southern city of Shiraz.

According to Vahdat-e-Hagh, Setad representatives came to her apartment and threatened to beat her if she did not leave. "One even had his fist balled up one time to punch me," she said. "I told them, 'You can come and kill me.'"

In January 1992, Setad wrote to the property registry office requesting that the names of Vahdat-e-Hagh's children be removed from the deeds to their apartments. A year later, Setad sent a letter to Vahdat-e-Hagh offering to sell her one of the units.

Setad ultimately sold the apartment to an official from Tehran's revolutionary court, she said, who flipped it within a month for a quick profit. Setad later sold three more apartments that belonged to her two other children and late husband.

In the fall of 1993, Vahdat-e-Hagh quietly left Iran, telling only a few friends and relatives. It took six years before Setad authorities realized she was no longer living in her apartment, which she had been renting out.

In a letter in November 1999, Setad offered to sell her own apartment to her at a discount. She refused. It then demanded she pay rent on the unit. She refused again. The organization eventually sold it.

Vahdat-e-Hagh said she later telephoned the new buyer. "This was my property and my family's property that was built with the blood of myself and my husband," she said she told the man. She said he offered her some money, which out of principle she refused.

Today, the building appears to be vacant, except for a business on a lower level. Merchants in the neighborhood said the property's present ownership isn't clear and the building may be under the control of an Islamic organization.

On the top floor, where Vahdat-e-Hagh once lived, most of the windows are broken.

Source: Reuters