

CRIME SEP 25

Did Gas Pipe defendants know they were trafficking drugs? Jurors will decide



Kevin Krause, Federal Courts Reporter

Over the next month, jurors in the [Gas Pipe](#) drug trafficking trial in Dallas will hear a lot about the number and position of atoms in various molecules. They'll listen to testimony from chemists about molecular structure. And they will be told about drugs with names like XLR-11 that carry labels like “Assassin Revolution.”

But in the end, the federal jury will have to decide a basic question common to even the most routine drug case: Did the defendants sell products they knew contained illegal substances?

In the case of the Gas Pipe, they are smokeable leafy products known as Spice and K2. The synthetic marijuana drug trafficking trial officially started Tuesday with opening statements from the government and defense attorneys.

On trial are five people associated with the Gas Pipe smoke shop chain, including its owners, Gerald “Jerry” Shults, 72, and his daughter, Amy Herrig, 43. Both face potential life sentences if convicted.

Assistant U.S. Attorney Chad Meacham told jurors during his opening statement that the government first banned Spice products in 2011, after they had already been widely sold in retail smoke shops and even places like Valero gas stations.



The owners of the Gas Pipe chain go to trial on federal drug trafficking charges that could land them in prison for the rest of their lives. The government claims the father and daughter earned millions by selling dangerous synthetic marijuana products like K2 and Spice, which are responsible for an epidemic of recent overdoses across the U.S. (Shaban Athuman/Staff Photographer)

The Gas Pipe owners are accused of making and selling synthetic marijuana in colorful foil packets with names like Wolf Pack Rage, Afghan Ice and Venom.

The owners were aware of the upcoming ban at the time, Meacham said. They switched the molecule in their Spice products four different times to stay one step ahead of federal regulations, he said. When a substance was about to be added to the banned list, the Gas Pipe had a “fire sale” up until midnight to get it off their shelves, he said.

“This is their business. They’re experts at it,” Meacham said. “So they began the search for a new molecule.”

The Drug Enforcement Administration has had to play catch-up in recent years, adding new concoctions to its growing banned substance list.

Dangers known?

The Gas Pipe continued to sell Spice products with banned ingredients, Meacham said.

The government knows that, he said, because undercover officers bought them from the stores more than two dozen times between November 2013 and April 2014. By that time, the Gas Pipe’s revenues had taken off because their competition had dwindled, Meacham said.

The Gas Pipe in early 2014 began manufacturing its own Spice product, which it called “Plur,” he said.

Meacham told jurors they will hear testimony from a co-defendant, Lawrence Shahwan, a Gas Pipe supplier who he said was single-handedly “responsible for bringing K2 to Dallas.”

Shahwan, who has pleaded guilty in the case, agreed to supply the Gas Pipe with 30,000 units of K2 per week for a total of \$4 million, Meacham said. He displayed the contract on courtroom monitors.

Thirty days before the June 2014 federal raids, armored trucks picked up over \$2 million in cash from Gas Pipe stores, he said. At the time, the Gas Pipe was making up to \$500,000 a week selling the drug, according to authorities.

More than \$20 million in assets was seized from the Gas Pipe's owners. After the raid, those profits plummeted, Meacham said.



Jerry Shults and Amy
Herrig (Facebook)

While agents searched one Gas Pipe store, they noticed a recent issue of *Time* magazine with the headline, “The Rise of Fake Pot.” Meacham displayed a photo of the magazine for jurors.

“They knew how dangerous these substances could be,” Meacham said.

The DEA says synthetic cannabinoids are chemicals created in a laboratory that can cause increased blood pressure, seizures, hallucinations, violence, an inability to breathe and psychotic episodes. The drugs have resulted in deaths and numerous hospitalizations, federal authorities say.

Just last month, more than 110 people overdosed on Spice in a Connecticut park.

The Gas Pipe case is believed to be the largest prosecution of a synthetic marijuana operation in Texas and one of the biggest in the nation.

Trying to comply?

George Milner, Shults' attorney, told jurors his client ordered legal products and that someone else had substituted ingredients without telling the Gas Pipe.

Milner talked about Shults' voluntary service in the Air Force during the Vietnam War and how he returned to a country torn apart. Disillusioned by war, Shults joined the counterculture movement and regularly attended music festivals. Milner said his client became a "small-time hippy entrepreneur" who began by selling novelty items out of a store he lived in.

The first Gas Pipe opened in 1970, and it eventually grew into a successful retail chain with 14 locations across Texas and New Mexico and almost 200 employees. The company had shops in Arlington, Dallas, Fort Worth, Garland and Plano.

A dozen stores remain open today, and Shults has since become a "grandfatherly gentleman," Milner said. In addition to smoking pipes and accessories, the chain sells such things as T-shirts, sex toys, piercing supplies, candles and energy drinks.



The New York City Police Department displayed packets of synthetic marijuana, known as K2, in Brooklyn. (New York Police Department/The Associated Press)

Milner said prosecutors are focusing on "one microcosm of time" in the company's long and successful history. He said the Gas Pipe's stores remain open and that one of its billboard advertisements is located "right next to" the [DEA's Dallas headquarters](#). That's not something you do if you're engaged in illegal activity, he said.

Shults, an avid outdoorsman, also operates a successful Alaskan fishing lodge, and he bought and restored the historic [Ridglea Theater](#) in Fort Worth, Milner told the jury. He called the 2014 federal raid the "apex of the DEA's effort to shut Jerry Shults down," and said agents "came in like storm troopers" in an unnecessary display

of force and aggression.

“They did not break him of his will to fight,” Milner said, after noting that authorities seized every bank account his client owned.

Herrig’s attorney, Marlo Cadeddu, told jurors the case is a story about “what a drug dealer doesn’t do.”

Drug dealers don’t stay open for 40 years, she said. They also don’t establish an employee pension plan; sell products openly in retail stores; subject their products to lab tests; sign contracts for their products; pay state and federal taxes; and destroy products that become illegal, she said.

Cadeddu said the Gas Pipe requested about 70 lab tests on its products from 2011 to 2014. If something tested positive for a drug that was illegal or was about to be illegal, the store owners would have it destroyed, she said. The Gas Pipe tossed out more than half a million dollars’ worth of product in “trying to comply with the law,” she said.

“You’ll see a lot of evidence related to product dumps,” Cadeddu told jurors.



Jerry Shults (Facebook)

Also making their case before the jury will be Bridgett Payrot, an Arlington store manager; office manager Carolyn Settlemire; and Tom Scott, a contractor for the company.

A total of 33 defendants, including four companies, are listed in the indictment. They include several top Gas Pipe corporate executives and more than a dozen area and store managers. Some have already pleaded guilty and are expected to testify during the trial for the government.

Also featuring prominently in the Gas Pipe trial will be something called drug analogues, which have a chemical structure that is “substantially similar” to that found in illegal drugs.

Defense attorneys said that definition has no scientific meaning and is merely a subjective determination. They added that there is even disagreement about what is and what is not illegal inside the DEA and among chemists.

Four employees have worked for the Gas Pipe for more than 20 years, said Cadeddu. But all employees, she said, receive a pension and medical benefits.

The stores, including one a mile from the DEA’s headquarters, are covered in colorful murals and “not hidden in back alleys,” she said.
