



Cigarette Trafficking Update

December 3, 2015

Update: Recent Cases



- Organized crime is continuing to come to Virginia as a main source state for obtaining cigarettes, which they can then traffic up north for enormous profits.
- Law enforcement has noted that ethnic gangs with direct ties to foreign countries continue to engage in cigarette trafficking, frequently with links to drug and weapons trafficking.

Update: Recent Cases



- In the last 8 months, a number of ongoing criminal investigations led to arrests and criminal charges, which were also reported in the news.
- Arrests of low-level traffickers and large organized criminal gangs continue to occur.

Update: General District Court Data



General District Court Charges for Common Cigarette-Related Offenses, FY13-FY15*

Code	Description	FY13	FY14	FY15
§ 58.1-1017(B)	Cigarettes without stamp, sale, purchase, possess, < 3000 pks (FY13); <500 pks (FY14 onward)	8	3	1
§ 58.1-1017(B)	Cigarettes without stamp, sale, purchase, possess, <500 pks, subseq.	-	0	0
§ 58.1-1017(C)	Cigarettes without stamp, sale, purchase, possess, > 3000 pks (FY13); >= 500 pks (FY14 onward)	12	14	4
§ 58.1-1017(C)	Cigarettes without stamp, sale, purchase, possess, >= 500 pks, subseq.	-	0	1
§ 58.1-1017.1	Possession with intent to distribute tax-paid, contraband cig.	102	109	45
§ 58.1-1017.1	Possession with intent to distribute tax-paid, contraband cig., subseq.	2	8	4
§ 58.1-1017.1	Intent/distribute >=100,000 tax-paid cigarettes	-	14	5
§ 58.1-1017.1	Intent/distribute >=100,000 tax-paid cigarettes, subseq.	-	0	0
Local Cigarette Tax Ordinance	Local Cigarette Tax Ordinance Violation	7	14	1

Source: Supreme Court of Virginia- General District Court Case Management System (CMS). * Fiscal year in which charge was filed.

Update: General District Court Data



General District Court Convictions for Common Cigarette-Related Offenses, FY13-FY15*

Code	Description	FY13	FY14	FY15
§ 58.1-1017(B)	Cigarettes without stamp, sale, purchase, possess, < 3000 pks (FY13); <500 pks (FY14 onward)	7	6	2
§ 58.1-1017(B)	Cigarettes without stamp, sale, purchase, possess, <500 pks, subseq.	-	0	0
§ 58.1-1017(C)	Cigarettes without stamp, sale, purchase, possess, > 3000 pks (FY13); >= 500 pks (FY14 onward)	0	0	0
§ 58.1-1017(C)	Cigarettes without stamp, sale, purchase, possess, >= 500 pks, subseq.	-	0	0
§ 58.1-1017.1	Possession with intent to distribute tax-paid, contraband cig.	68	82	46
§ 58.1-1017.1	Possession with intent to distribute tax-paid, contraband cig., subseq.	2	0	0
§ 58.1-1017.1	Intent/distribute >=100,000 tax-paid cigarettes	-	0	0
§ 58.1-1017.1	Intent/distribute >=100,000 tax-paid cigarettes, subseq.	-	0	0
Local Cigarette Tax Ordinance	Local Cigarette Tax Ordinance Violation	3	4	2

Source: Supreme Court of Virginia- General District Court Case Management System (CMS). * Fiscal year in which charge was concluded.

Update: Circuit Court Data



Circuit Court Charges for Common Cigarette-Related Offenses, FY13-FY15*				
Code	Description	FY13	FY14	FY15
§ 58.1-1017(B)	Cigarettes without stamp, sale, purchase, possess, < 3000 pks (FY13); <500 pks (FY14 onward)	0	0	0
§ 58.1-1017(B)	Cigarettes without stamp, sale, purchase, possess, <500 pks, subseq.	-	0	0
§ 58.1-1017(C)	Cigarettes without stamp, sale, purchase, possess, > 3000 pks (FY13); >= 500 pks (FY14 onward)	9	0	1
§ 58.1-1017(C)	Cigarettes without stamp, sale, purchase, possess, >= 500 pks, subseq.	-	5	0
§ 58.1-1017.1	Possession with intent to distribute tax-paid, contraband cig.	4†	7†	4†
§ 58.1-1017.1	Possession with intent to distribute tax-paid, contraband cig., subseq.	0	3	6
§ 58.1-1017.1	Intent/distribute >=100,000 tax-paid cigarettes	-	4	0
§ 58.1-1017.1	Intent/distribute >=100,000 tax-paid cigarettes, subseq.	-	0	4
Local Cigarette Tax Ordinance	Local Cigarette Tax Ordinance Violation	0	0	1

Source: Supreme Court of Virginia- Circuit Court Case Management System (CMS). * Fiscal year in which charge was filed.† These charges were the result of appeals from General District Court. Note: The CMS does not include cases from Alexandria or Fairfax. Virginia Beach rejoined the system in October 2014 after leaving the system in FY09.

Update: Circuit Court Data



Circuit Court Convictions for Common Cigarette-Related Offenses, FY13-FY15*				
Code	Description	FY13	FY14	FY15
§ 58.1-1017(B)	Cigarettes without stamp, sale, purchase, possess, < 3000 pks (FY13); <500 pks (FY14 onward)	5	3	0
§ 58.1-1017(B)	Cigarettes without stamp, sale, purchase, possess, <500 pks, subseq.	-	0	0
§ 58.1-1017(C)	Cigarettes without stamp, sale, purchase, possess, > 3000 pks (FY13); >= 500 pks (FY14 onward)	4	2	1
§ 58.1-1017(C)	Cigarettes without stamp, sale, purchase, possess, >= 500 pks, subseq.	-	0	0
§ 58.1-1017.1	Possession with intent to distribute tax-paid, contraband cig.	2†	5†	10†
§ 58.1-1017.1	Possession with intent to distribute tax-paid, contraband cig., subseq.	0	2	0
§ 58.1-1017.1	Intent/distribute >=100,000 tax-paid cigarettes	-	1	4
§ 58.1-1017.1	Intent/distribute >=100,000 tax-paid cigarettes, subseq.	-	0	1
Local Cigarette Tax Ordinance	Local Cigarette Tax Ordinance Violation	0	0	0

Source: Supreme Court of Virginia- Circuit Court Case Management System (CMS). * Fiscal year in which charge was concluded. † At least one of the convictions was the result of an appeal from General District Court. Note: The CMS does not include cases from Alexandria or Fairfax. Virginia Beach rejoined the system in October 2014 after leaving the system in FY09.

Update: Recent Cases



- On February 23, 2015, Min Jie Zhu, Yau Mau Chu, and Rafel Dominquez pled guilty in Chesterfield Circuit Court to various charges related to their trafficking scheme that involved shipping untaxed cigarettes in “Chinatown” commercial buses from Virginia to New York.
 - Over a 9 month period, they purchased and shipped between 57,000 and 114,000 cartons, with a value in New York of between \$9 and \$12 million.
 - Zhu had acquired a business license, so he would purchase his cigarettes in Virginia without paying any tax.
 - A Richmond-area Special Multi-jurisdictional Operational Group had placed Zhu under surveillance in early 2014.
 - Zhu received a 5 year sentence, with all but 6 months suspended; the other defendants received 6 month suspended sentences, with no active time.

Source: “Trio pleads guilty to trafficking Va. cigarettes to NY on ‘Chinatown’ buses,” Bowes, M., Richmond Times-Dispatch, Feb. 23, 2015; “3 people sentenced in Virginia cigarette trafficking case,” Assoc. Press, Feb. 24, 2015.

Update: Recent Cases



- On April 2, 2015, Mohamed Seid Ahmed Mohamed was sentenced in federal district court in Richmond to 3 years and 5 months in prison and was ordered to pay \$1 million in restitution to the Virginia Department of Taxation.
 - He had pled guilty in September of 2014 to conspiring to commit wire fraud and to trafficking in contraband cigarettes.
 - From June 2011 to January 2014, using a cigarette store he owned in Richmond as a cover, he purchased more than 440,000 cartons of cigarettes and sold most of them to traffickers.

Source: "Chesterfield Man Sentenced in Cigarette Trafficking Case," Assoc. Press, April 6, 2015.

Update: Recent Cases



- On July 6, 2015, Brooklyn limo driver Hazim Abuhakmeh pled guilty in Hanover Circuit Court to a charge of conspiring to transport untaxed cigarettes out of Virginia, and received a 3 year suspended sentence.
 - He had purchased \$55,000 worth of cigarettes from a wholesaler in Virginia.
 - He had a previous misdemeanor conviction in Maryland for trafficking cigarettes.
 - As a result of his Virginia felony conviction, Abuhakmeh faces possible deportation to Jordan.

Source: “Brooklyn limo driver escapes prison time in Hanover, but more problems ahead in cigarette scheme,” McKelway, B., Richmond Times-Dispatch, July 7, 2015.

Update: Recent Cases



- On July 8-9, 2015, 20 defendants were arrested on indictments issued by New York for cigarette trafficking. Among them were 8 Richmond area residents.
 - The defendants were part of an organized gang that arranged for trafficked cigarettes to be sold in the Bronx.
 - The Henrico County Commonwealth’s Attorney’s Office and Henrico Police played a crucial role in the investigation.
 - One of the Richmond area defendants, Mickel Marzouk, pled guilty in federal court in Richmond in April on separate charges of conducting armed robberies of cigarette distributors.

Source: “Eight Richmond-area residents charged in New York City cigarette trafficking case,” Green, F., Richmond Times-Dispatch, July 13, 2015.

Update: Recent Cases



- On September 15, 2015, Yinhau “Steven” Chen, a Fredericksburg businessman, pled guilty in federal court in Richmond with conspiracy to launder \$12.2 million derived from illegal cigarette trafficking.
 - Between March 2014 to June of 2015, Chen purchased at least \$13.8 million worth of cigarettes from wholesalers in Virginia, and then sold them to cigarette traffickers from out-of-state.
 - It is alleged that of his various businesses, two of them, Infinity Strategic Services and Family Computers, had no purpose other than to serve as funnel accounts for his cigarette purchases and sales.

Source: “Fredericksburg man charged with money laundering in cigarette smuggling case,” Green, F., Richmond Times-Dispatch, Sept. 11, 2015.

Update: Recent Cases



- On September 17, 2015, Kathy Crabtree Farley, the former president of Cherokee Tobacco and Firebird Manufacturing, pled guilty in federal court in Danville, Virginia, to four counts stemming from a 47 count indictment for tax evasion, wire fraud, and violations of the Contraband Cigarette Trafficking Act.
 - Between November 2011 and August 31, 2013, Farley failed to pay \$13 million in federal taxes.
 - Sentencing is scheduled for this month.

Source: “Farley pleads guilty to four counts; faces 38 years in prison, \$1 million fine,” Hodge, A., The Gazette-Virginian, Sept. 17, 2015.

Update: Recent Cases



- On October 5, 2015, Jordanian national Maher Mustafa was sentenced to 10 months incarceration and 2 months home confinement in the U.S. District Court in Richmond.
 - Mustafa started his business, *The Cigarette Outlet*, in June of 2014 in Henrico County.
 - During a 9 month period of time, Mustafa sold \$23 million of cigarettes to traffickers.
 - When he tried to flee arrest, he left a note in his safe deposit box, “Dear Agent...Good luck. Try to be faster and smarter next time. Have a good day.”

Source: “Alleged cigarette trafficking figure sentenced to 10 months,” Green, F., Richmond Times-Dispatch, October 5, 2015.

Update: Recent Cases



- On October 28, 2015, in New York state court, Basel Ramadan was sentenced to 4 to 12 years in prison, and ordered to forfeit \$1.2 million.
 - He had been found guilty on 198 counts of enterprise corruption, money laundering, and evading \$5.3 million in taxes.
 - Ramadan was the head of a 16 member criminal enterprise that purchased cigarettes in Virginia, transported and stored them in Delaware, and then sold them in New York.

Source: “Ringleader of cigarette smuggling ring sentenced to up to 12 years in prison, forced to forfeit \$1.2M,” Carrega-Woodby, C., N.Y. Daily News, Oct. 28, 2015.

Update: Recent Cases



- On August 17, 2015, there was an attempted robbery in the parking lot of the Sam's Club at the White Oak Village shopping center in Richmond.
- Multiple shots were fired; the suspects "left in a vehicle with an undisclosed amount of cash."

Source: "Citizen fires gun at men attempting robbery at White Oak Village," WTVR.com, Aug. 18, 2015.

Update: Conclusions



- Virginia's statutes are being used to combat cigarette trafficking.
- Multi-state and federal coordination between law enforcement agencies is essential to combat trafficking rings.
- Cigarette trafficking cases are time and resource intensive.
- Sentences given by courts in Virginia are low, especially compared with the amounts of money generated by the trafficking rings.
 - Law enforcement and prosecutors will need to be vigilant, as cigarette trafficking will continue to be an issue in Virginia.



Discussion
