



**U.S. Department of Justice**

*United States Attorney  
Western District of New York*

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# PRESS RELEASE

October 4, 1999

**RE: UNITED STATES OF AMERICA v. KAID, et al.  
99-CR-00131**

Robert Galbraith, Branch Chief, Criminal Investigations Division, Internal Revenue Service, Special Agent in Charge Steve Pirotte and Resident Agent in Charge (Buffalo Office) Jeffrey Stirling of the Bureau of Alcohol, Tobacco and Firearms, Buffalo Police Commissioner Rocco Diina, Erie County Sheriff Patrick Gallivan, Peter P. Farrell, Deputy Commissioner for the Office of Tax Enforcement and Charles M. Mills, Director of the Petroleum, Alcohol and Tobacco Bureau, New York State Department of Taxation and Finance, District Director John Ingham, Immigration and Naturalization Service, Niagara County Undersheriff Sam Muscarella, and United States Attorney Denise E. O'Donnell announced today the arrest of multiple defendants in Michigan and New York based upon a 102 count Federal Indictment charging a cigarette wholesale company and 31 other defendants with being part of an illegal

cigarette smuggling network stretching from the Western District of New York to the State of Michigan and elsewhere. The defendants are charged with money laundering conspiracy, racketeering conspiracy, and numerous counts of contraband cigarette smuggling, in violation of Title 18, United States Code, Sections 1956(h), 2342, 2, 1962(d), 1963 and 982. If convicted, the defendants face a possible term of imprisonment of 20 years on the money laundering and racketeering conspiracy charges, 5 years for the contraband cigarette smuggling counts, and fines of \$250,000.

The Indictment also seeks the forfeiture of approximately \$70 million from the defendants, which the Indictment alleges was the value of the untaxed cigarettes, including the loss of tax revenues to the States of Michigan and New York, from the defendants' activities.

U.S. Attorney O'Donnell stated that the indictment alleges the defendants began smuggling cigarettes in 1994, when the state of Michigan raised its cigarette excise tax. The Indictment alleges that the defendants engaged in a scheme to evade New York and Michigan cigarette excise taxes by purchasing large quantities of untaxed cigarettes on Native American reservations in Western New York, and thereafter transporting them into Michigan and other places where the cigarettes were resold without payment of the tax.

The Indictment further alleges that the criminal smuggling venture was aided by the knowing involvement of New York cigarette wholesaler A.D. Bedell Company, Inc., along with some of the company's key employees. The Indictment alleges that A.D. Bedell Company was a New York State cigarette stamping agent throughout the period of the smuggling operation and was responsible for serving as the administrator of New York's and the Federal government's cigarette tax program.

The indictment alleges that A.D. Bedell Company and its employees knowingly participated in the scheme by separating the quantities of cigarettes into individual smugglers' loads and, on occasion, helping to load the smugglers' transport trucks and vehicles and facilitating the smuggling scheme through various other means.

U.S. Attorney O'Donnell stated that this investigation began in 1997, when law enforcement agencies received reports of widespread cigarette smuggling, along with information regarding a variety of related crimes. Federal, State, and local law enforcement agencies committed resources to this multi-agency investigation.

The investigation was jointly overseen by the Internal Revenue Service and Bureau of Alcohol, Tobacco and Firearms working in conjunction with Immigration and Naturalization Service, Buffalo Police Department, New York State Department of Taxation and Finance, Erie County Sheriff's Office, and Niagara County Sheriff's Office.

U.S. Attorney O'Donnell praised the exceptional cooperation between and among each of the law enforcement agencies which participated in the investigation. The prosecution of the case will be headed by Assistant United States Attorney William J. Hochul, Jr.