

ATF AND INTERNET CIGARETTE TRAFFICKING

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OBJECTIVES

- This presentation will involve ATF Enforcement Actions involving illegal Internet Cigarette Trafficking.
- We will discuss the legal basis for ATF Internet Cigarette investigations.
- We will discuss recent examples of ATF Internet cigarette cases.

ATF's Legal Authority

- Contraband Cigarette Trafficking Act- 18 USC 2341 et. seq.
- Jenkins Act- 15 USC 375.
- Mail and Wire Fraud Statutes 18 USC 1341, 1343.
- Federal Money Laundering Statutes, 18 USC 1956.
- Federal Forfeiture Laws.

LEGAL THEORY Cont.

- 18 USC 981 (civil) 982 (criminal) provides that US can forfeit proceeds of violations of 18 USC, 1341, 1343, 2342 and 1956.
- If a person profits from violations of sections 2342 and 1956 ATF can seize and forfeit these profits.

Asset Forfeiture and Recent Diversion Cases

- Under 18 USC 981 and 982 ATF can forfeit proceeds of CCTA violations (18 USC 2342) and ITAR (untaxed alcohol) violations (18 USC 1952) and Money Laundering proceeds (18 USC 1956) related to these violations.

Recent Internet Cases

- US v. Native Trading (NDNY 2006)
- Native Trading located on St. Regis Mohawk Reservation largest producer of untaxed cigarettes in US.
- ATF/NDNY/TTB investigation results in Native Trading agreeing to come into compliance, pay taxes and keep records.
- Native forfeits 2 Million \$ to ATF as proceeds of past CCTA violations.

TOP STORY N.28

Smoking Does Not Cause Lung Cancer

When the tobacco executives testified to Congress that they did not believe that smoking caused cancer, their answers were probably truthful. Now, if they were asked if smoking increases the risk of getting lung cancer, then their answer should have be "yes." But even so, the risk of a smoker is much less than anyone would suspect.

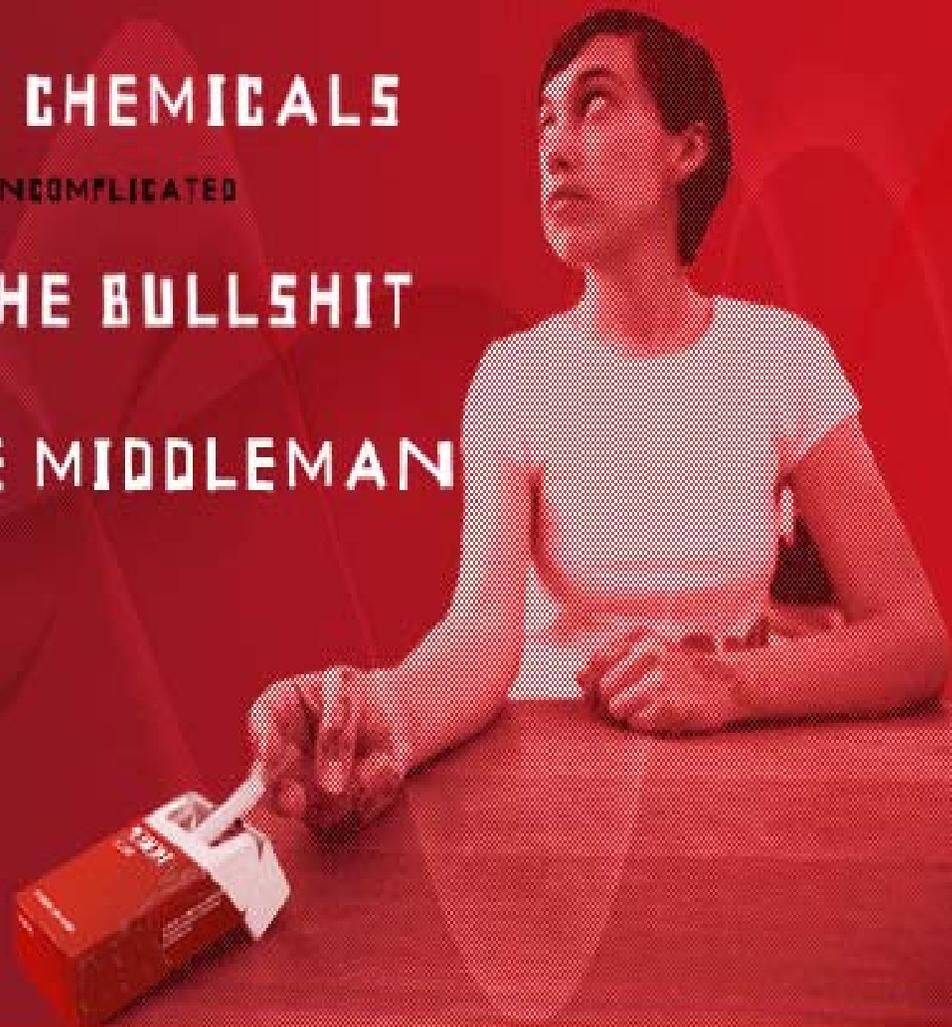
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STUB OUT THE CHEMICALS

CLEAN CLEAR + UNCOMPLICATED

THROW OUT THE BULLSHIT

STAMP OUT THE MIDDLEMAN



INTERNET CASES

- US v. Otamedia/Yes Smoke (EDNY 2004-2006)
- Otamedia largest foreign Internet distributor of untaxed cigarettes.
- ATF seizes several plain loads of cigarettes at JFK airport and cuts off shipments at other airports
- ATF seizes cigarettes with street value of over 7 million \$ which effectively closes down Otamedia/YesSmoke.



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As part of the Seneca Nation of Indians and the Iroquois Confederacy, SmartSmoker is currently not required to collect state sales tax for products sold on Native land. Nonetheless, we are required under federal law to report all sales and shipments of cigarettes to the state taxing authority within your home state. You should contact the taxing authority within your state to determine your tax obligation on the use of these products within your state.

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DIVERSION CASES

- US v. Scott Maybee/OT Direct (WDNY 2006)
- ATF investigation of largest domestic Internet Cigarette web site.
- OT Direct and affiliates had over 80 web sites and engaged in cigarette trafficking pyramid schemes and distribution of free cigarettes.

Diversion cases

- Maybee has agreed to comply with Jenkins Act and CCTA and will forfeit 1.25 million of illegal proceeds to ATF.
- US v. King Enterprises (NDNYS 2006)
- King is second largest manufacturer on St. Regis . Still not licensed. ATF seized \$400,000 in proceeds at Massena NY Airport which was about to be delivered to tobacco/filter supplier.

QUESTIONS ?