



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, JANUARY 21, 1999
WWW.USDOJ.GOV

AT
(202) 616-2771
TDD (202) 514-1888

**FORMER LORILLARD TOBACCO CO. PURCHASING AGENT CHARGED
WITH BID-RIGGING AND TAX EVASION**

WASHINGTON, D.C. -- The Department of Justice today charged a former purchasing agent at Lorillard Tobacco Company with income tax evasion and conspiring to rig bids and allocate contracts for the supply of advertising and display materials awarded to Lorillard.

The two-count information was filed today in U.S. District Court in Manhattan against Edward M. Lundberg of Brooklyn, New York. Lundberg was responsible for purchasing point-of-purchase advertising and display materials, including printed posters, case cards, and counter displays.

According to the charges, Lundberg conspired with outside vendors from 1987 to February 1994 to rig bids on advertising and display contracts awarded by Lorillard worth a total of \$10 million. Lundberg manipulated Lorillard's competitive bidding program to ensure that contracts were awarded to the outside vendors who were his co-conspirators. In exchange for his services, Lundberg received kickbacks totaling approximately \$300,000 in the form of cash,

vacations, airline tickets, and other goods and services from the vendors. Lundberg declared only \$10,000 of this \$300,000 on his personal income taxes.

Lorillard manufactures and sells several brands of cigarettes and other tobacco products. At the time of the conspiracy Lorillard had its headquarters in Manhattan. Lorillard has since moved its base of operations to Greensboro, North Carolina.

“Lorillard is one of a number of companies victimized by unscrupulous outside vendors and corrupt employees who undermine corporate competitive bidding policies,” said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division. “The Division remains committed to prosecuting conduct that prevents free and open competition in any market. Not only was Lorillard victimized by this conspiracy, but honest, competitive suppliers of printed advertising and display materials were prevented from selling to Lorillard.”

Today’s charges stem from a crackdown on collusive practices by suppliers of point-of-purchase advertising and display materials, which are used to advertise and promote various kinds of consumer goods, primarily in retail stores. The investigation, which is being conducted by the Antitrust Division’s New York Field Office with the assistance of the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation Division, is continuing.

To date, 18 individuals and eight corporations have pleaded guilty to various federal charges as a result of the Department of Justice’s ongoing antitrust investigation of bid-rigging, commercial bribery, and tax-related offenses in the advertising and display materials industry. Earlier prosecutions have involved personnel at Philip Morris, Inc. (New York City), Heublein, Inc. (Farmington, Connecticut), Hiram Walker & Sons, Inc. (Southfield, Michigan), Warner-

Lambert Co. (Morris Plains, New Jersey), Austin Nichols & Co., Inc. (New York City), and Domecq Importers, Inc. (Old Greenwich, Connecticut).

The maximum penalty for an individual convicted under the Sherman Act is three years in prison and a fine not to exceed the greatest of \$350,000 or twice the gross pecuniary gain derived from the crime, or loss to the victim.

The maximum penalty for an individual convicted of an income tax evasion charge is five years in prison and a fine not to exceed the greatest of \$250,000 or twice the gross pecuniary gain derived from the crime, or twice the loss to the victim, together with the costs of prosecution.

Anyone with information concerning bid rigging, bribery, or fraud in the advertising and display materials industry should contact the New York Division of the FBI at (212) 384-1000.

###