

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF RHODE ISLAND

UNITED STATES OF AMERICA)

vs.)

Cr. No.)

WISSAM KHALIL)

In violation of 18 U.S.C. § 371)

BASSAM KHALIL)

18 U.S.C. § 2342)

NAJD KHALIL)

18 U.S.C. § 1001)

VALERIA MENDEZ (KHALIL))

ABDULLAH ALNAHAS)

BASSAM KIRIAKI)

RICHARD LARRAIN)

Defendants)

CR 13 062

INDICTMENT

THE GRAND JURY CHARGES THAT:

Introductory Allegations

At all times relevant to the indictment:

1. Pursuant to Title 18, United States Code, Section 2341, "Contraband Cigarettes" means a quantity in excess of 10,000 cigarettes, which bear no evidence of the payment of applicable state or local cigarette taxes in the state or locality where such cigarettes are found, if the state or local government requires a stamp, impression, or other indication to be placed on packages or other containers of cigarettes to evidence payment of cigarette taxes, and which are in the possession of any person.

2. The State of Rhode Island by virtue of Rhode Island General Law § 44-20-12 requires that a tax stamp be affixed to each package of cigarettes as proof of tax payment.
3. The Defendants were not a "person", "carrier" or "employee" as described in Title 18, United States Code, Section 2341 (2) (A) - (D).
4. S.C. is a national wholesale club with headquarters in Bentonville, Arkansas and with stores located throughout the United States including the Commonwealth of Virginia. Consumers may purchase products at S.C., including cigarettes provided they have a membership in S.C.
5. C. is a national wholesale club with headquarters in Issaquah, Washington and with stores located throughout the United States including the Commonwealth of Virginia. Consumers may purchase products at C., including cigarettes provided they have a membership in C.
6. At all times relevant to the indictment the cigarette tax in Virginia was substantially lower than the cigarette tax in Rhode Island. Rhode Island currently imposes a tax of \$3.50 per package of cigarettes compared with Virginia which currently imposes a tax of .35 per package of cigarettes.

Count I

7. From at least January 1, 2012 through on or about April 12, 2013, the defendants WISSAM KHALIL, BASSAM KHALIL, NAJD KHALIL, BASSAM KIRIAKI, ABDULLAH ALNAHAS, and RICHARD LARRAIN, along with others known and unknown to the grand jury, did unlawfully, willfully and knowingly combine, conspire, confederate and agree with each other to knowingly transport, receive, possess, sell and distribute in Rhode Island in excess of 10,000 contraband cigarettes, as that term is defined in Title 18, United States Code, Section 2341, to wit, a quantity of more than 10,000 cigarettes which bore no evidence of the payment of applicable state cigarette taxes in Rhode Island, all in violation of Title 18, United States Code, Section 371.

OBJECT OF THE CONSPIRACY

8. It was the object of the conspiracy for defendants WISSAM KHALIL, BASSAM KHALIL, NAJD KHALIL, BASSAM KIRIAKI, ABDULLAH ALNAHAS, and RICHARD LARRAIN and others known and unknown to the grand jury to enrich themselves by purchasing large quantities of cigarettes in Virginia, where the state tax on cigarettes is substantially lower than in Rhode Island, and then transporting those

cigarettes to Rhode Island without paying the Rhode Island cigarette tax, resulting in a substantial profit.

MANNER AND MEANS OF THE CONSPIRACY

9. The manner and means used by defendants, WISSAM KHALIL, BASSAM KHALIL, NAJD KHALIL, BASSAM KIRIAKI, ABDULLAH ALNAHAS, and RICHARD LARRAIN and others known and unknown to the grand jury to accomplish the goals of the conspiracy, include the following:
10. On or about February 3, 2012 WISSAM KHALIL formed KHA Distributors, Inc., a Virginia corporation, with an address of 6072 River View Drive, King George, Virginia and a stated purpose of operating a convenience store.
11. On or about February 5, 2012, WISSAM KHALIL made an application with S.C.in Woodbridge, Virginia for a corporate membership for his company, KHA Distributors, Inc., using the address of 6072 River View Drive, King George, Virginia and listing himself and BASSAM KHALIL as authorized users of the membership privileges.
12. On or about February 3, 2012, WISSAM KHALIL made application with the Commonwealth of Virginia for a Certificate of Registration for the Collection of Virginia Sales and Use Tax for the company KHA Distributors, Inc. The Commonwealth of Virginia, Department of Taxation, subsequently issued to KHA Distributors, Inc. a Certificate

of Registration for the Collection of Virginia Sales and Use Tax. That certificate, along with the formation of KHA Distributors, Inc., enabled WISSAM KHALIL and BASSAM KHALIL to purchase large quantities of cigarettes in Virginia.

13. On or about May 31, 2012 NAJD KHALIL formed Smokers Stop, Inc., a Virginia corporation, with an address of 6072 River View Drive, King George, Virginia (the same address as KHA Distributors, Inc.) and a stated purpose of operating a convenience store.

14. On or about June 1, 2012, NAJD KHALIL made an application with S.C. in Richmond, Virginia for corporate membership for Smokers Stop, Inc., using the 6072 River View Drive, King George, Virginia address and listing himself and WISSAM KHALIL as authorized users of the membership privileges.

15. On or about May 31, 2012, NAJD KHALIL made application with the Commonwealth of Virginia for a Certificate of Registration for the Collection of Virginia Sales and Use Tax for Smokers Stop, Inc. The Commonwealth of Virginia Department of Taxation subsequently issued to Smokers Stop, Inc., a Certificate of Registration for the Collection of Virginia Sales and Use Tax. That certificate, along with the formation of Smokers Stop, Inc., enabled NAJD KHALIL to purchase large quantities of cigarettes in Virginia.

16. On or about August 12, 2012 NAJD KHALIL made an application with C. in Fredericksburg, Virginia for corporate membership for his company, Smokers Stop, Inc., using the 6072 River View Drive, King George, Virginia address and listing himself as the authorized user of the membership privileges.
17. On or about December 7, 2012, RICHARD LARRAIN formed Bad Boys Tobacco, Inc., a Virginia corporation with an address of 2785 Jefferson Highway, Suite 113, Stafford, Virginia, for the purpose of using this corporate entity to purchase cigarettes in Virginia and transport these cigarettes to Rhode Island for resale without the required Rhode Island tax stamps or paying the required Rhode Island cigarette tax.
18. Although the defendants rented commercial properties, first at 6072 River View Drive, King George, Virginia and then at 2785 Jefferson Highway, Suite 113, Stafford, Virginia, at no time during the timeframe relevant to the indictment did the defendants operate a retail store offering products for sale to the public in Virginia.
19. At all times relevant to the indictment the defendants sold cigarettes bought in Virginia at their own Rhode Island convenience stores and sold cigarettes bought in Virginia to other Rhode Island convenience stores without

paying the required Rhode Island cigarette tax, resulting in substantial profits.

Overt Acts

20. In furtherance of the conspiracy and in order to accomplish its objectives and purposes, at least one of the following overt acts, among others, was committed by one or more of the co-conspirators in the District of Rhode Island and elsewhere:
21. Paragraphs 9 through 19 above are hereby re-alleged and incorporated as overt acts in furtherance of this conspiracy.
22. On or about April 24, 2012, WISSAM KHALIL and NAJD KHALIL prepared and caused to be prepared a 2000 Ford Triton truck VIN (1FDWE5L4YHA27484) with false walls to conceal and transport cigarettes across state lines from Virginia to Rhode Island.
23. On or about April 24, 2012, WISSAM KHALIL and NAJD KHALIL purchased 835 cartons of cigarettes bearing Virginia cigarette tax stamps costing \$35,797.31 at a S.C. store located in Virginia. The two men made that purchase using a S.C. membership for KHA Distributors, Inc., and thereafter loaded and concealed the cigarettes in the Ford Triton truck for transportation from Virginia to Rhode Island for the purpose of selling these cigarettes in Rhode

Island without paying the required Rhode Island cigarette tax and without the required Rhode Island tax stamp being affixed to the packages of cigarettes.

24. On or about July, 24, 2012, WISSAM KHALIL arranged to have C.C., a person whose identity is known to the grand jury, drive a 1999 GMC box truck bearing a Rhode Island Combination Registration to Virginia for the purpose of transporting cigarettes purchased in Virginia bearing Virginia cigarette tax stamps to Rhode Island for resale in Rhode Island without paying the required Rhode Island cigarette tax.

25. On or about February 12, 2013, NAJD KHALIL and RICHARD LARRAIN travelled from Rhode Island to a S.C. store located in Woodbridge, Virginia where NAJD KHALIL purchased \$28,667 worth of cigarettes bearing Virginia cigarette tax stamp using the Smokers Stop, Inc. membership. RICHARD LARRAIN and NAJD KHALIL then transported or caused to be transported those cigarettes from Virginia to Rhode Island for the purpose of selling these cigarettes in Rhode Island without paying the required cigarette tax and without the cigarette packages bearing the required Rhode Island cigarette tax stamp.

26. During the time frame relevant to the indictment, defendants took steps to conceal their sale of untaxed

cigarettes in Rhode Island from Rhode Island tax authorities. For example, on or about February 13, 2013, at approximately 12:59 PM ABDULLAH ALNAHAS spoke to WISSAM KHALIL, and referring to Rhode Island State Tax Investigators, warned WISSAM KHALIL to: "watch out, they are going around." WISSAM KHALIL then asked "Where are they?" to which ABDULLAH ALNAHAS replied, "They were at [S.'s]," a reference to a convenience store located in Providence, Rhode Island. A short time later, WISSAM KHALIL called his brother, NAJD KHALIL, who was operating WISSAM KHALIL's convenience store located at 110 Doyle Avenue in Providence, Rhode Island, and told him to "pay attention" "they are sitting with [S]." WISSAM KHALIL further told NAJD KHALIL, "Eh, I know, but you do something there. Put a piece of wood, or a chair, or anything so they won't come close and so they find it hard to get in." NAJD KHALIL replied that he would do that. WISSAM KHALIL then added, "Don't leave anything in your pockets and if someone comes close to you, hit'em and break their teeth, if anyone comes close." NAJD KHALIL then said yes, he knows. WISSAM KHALIL then added "Slap them, if anyone comes near you right away. I will get you if they put you in jail, even if I have to pay a million dollars."

27. On or about the early morning hours of February 16, 2013, ABDULLAH ALNAHAS provided WISSAM KHALIL with United States currency to purchase cigarettes in Virginia to be brought back to Rhode Island for sale in Rhode Island without paying the required Rhode Island cigarette tax.
28. On or about February 16, 2013, NAJD KHALIL rented a car in Rhode Island at WISSAM KHALIL's direction and thereafter travelled to a S.C. store located in Woodbridge, Virginia where he purchased \$28,608.58 worth of cigarettes bearing Virginia cigarette tax stamps using the Smokers Stop, Inc. membership. NAJD KHALIL and RICHARD LARRAIN loaded the cigarettes into a pickup truck bearing a Rhode Island War Veteran registration plate and transported the cigarettes from Virginia to Rhode Island for resale in Rhode Island.
29. On or about February 16, 2013, RICHARD LARRAIN, dressed in his United States Army uniform, affixed a Rhode Island War Veterans vehicle registration plate to a GMC pickup truck and thereafter transported cigarettes bearing Virginia tax stamps and purchased in Virginia from Virginia to Providence, Rhode Island for resale in Rhode Island without the required Rhode Island cigarette tax stamps.
30. On or about February 26, 2013, RICHARD LARRAIN and NAJD KHALIL travelled from the State of Rhode Island to

Virginia to purchase cigarettes from a S.C. store in Woodbridge, Virginia. NAJD KHALIL, using his Smokers Stop, Inc. membership, purchased \$28,154.34 worth of cigarettes bearing Virginia cigarette tax stamps. RICHARD LARRAIN then changed into his United States Army uniform and transported the cigarettes in a pickup bearing a Rhode Island War Veterans registration plate from Virginia to Rhode Island for resale in Rhode Island without the required Rhode Island cigarette tax stamps.

31. On or about March 30, 2013 NAJD KHALIL and RICHARD LARRAIN travelled separately from Rhode Island to Virginia for the purpose of purchasing \$30,000 worth of cigarettes bearing Virginia tax stamps and transporting these cigarettes back to Rhode Island without paying the required Rhode Island cigarette tax. NAJD KHALIL concealed and transported \$30,000 in United States currency in a rental vehicle and drove that vehicle from Rhode Island to Virginia for that purpose. Before he could purchase cigarettes in Virginia, however, NAJD KHALIL was stopped by the Virginia State Police who seized the \$30,000 in United States currency.

32. On or about April 8, 2013 BASSAM KIRIAKI, WISSAM KHALIL and RICHARD LARRAIN created a false IRS Form 8300, "Report of Cash Payments over \$10,000 Received in a Trade

or Business," which they backdated to March 25, 2013 and which they then sent by way of facsimile machine to the Virginia State Police to persuade the Virginia State Police to return \$30,000 in United States currency seized by the Virginia State Police from NAJD KHALIL in order to use that currency for, among other purposes, the purchase of additional contraband cigarettes.

Count II

33. From on or about January 1, 2012 through on or about April 12, 2013, the defendants, WISSAM KHALIL, BASSAM KHALIL, NAJD KHALIL, BASSAM KIRIAKI, ABDULLAH ALNAHAS, and RICHARD LARRAIN, in the District of Rhode Island and elsewhere did knowingly transport, receive, possess, sell and distribute in excess of 10,000 contraband cigarettes, as that term is defined in Title 18, United States Code, Section 2341, to wit, a quantity of more than 10,000 cigarettes which bore no evidence of the payment of applicable state cigarette taxes in the State of Rhode Island, all in violation of Title 18 United States Code, Section 2342(a) and Section 2.

COUNT III

34. From not later than February 7, 2013 to February 26, 2013, BASSAM KHALIL and WISSAM KHALIL along with others known and unknown to the grand jury did unlawfully,

willfully and knowingly combine, conspire, confederate and agree with each other to willfully and knowingly make and cause to be made a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of a department or agency of the United States, that is to tell a customer service representative of the United States Social Security Administration that their father, N.K., whose identity is known to the grand jury, had not been outside of the United States for a calendar month or thirty consecutive days since February 1, 2011, said statement being made at Social Security Administration Office located in the District of Rhode Island, all in violation of Title 18 United States Code, Section 371.

OVERT ACTS

35. In furtherance of the conspiracy and in order to accomplish its objectives and purposes, at least one of the following overt acts, among others, was committed by one or more of the conspirators in the District of Rhode Island and elsewhere:
36. On or about February 26, 2013 WISSAM KHALIL and BASSAM KHALIL did engage in a telephone conversation during which BASSAM KHALIL reported to WISSAM KHALIL that their father,

N.K., had fallen and injured himself. Despite N.K.'s apparent injuries WISSAM KHALIL directed his brother BASSAM KHALIL to bring N.K. to a previously scheduled meeting with a representative of the United States Social Security Administration in Pawtucket, Rhode Island.

37. That on or about February 26, 2013 BASSAM KHALIL drove N.K. to the United States Social Security Administration office located in Pawtucket, Rhode Island. BASSAM KHALIL left his father, N.K. in the vehicle BASSAM KHALIL had driven to the office and thereafter BASSAM KHALIL engaged in a meeting with a customer service representative of the Social Security Administration during which he knowingly and willfully provided a false statement to that government representative when BASSAM KHALIL stated that N.K., had not been outside of the United States for a calendar month or thirty consecutive days since February 1, 2011.

COUNT IV

38. That on or about the 26th day of February, 2013, BASSAM KHALIL, did willfully and knowingly make and cause to be made a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of a department or agency of the United States by telling a customer service representative of the United

States Social Security Administration that his father, N.K., whose identity is known to the grand jury, had not been outside of the United States for a calendar month or thirty consecutive days since February 1, 2011, said statement being made at a Social Security Administration Office located in the District of Rhode Island, all in violation of Title 18, United States Code, Section 1001.

COUNT V

39. From between on or about March 7, 2012 and October 31, 2012, Defendants WISSAM KHALIL, and VALERIA MENDEZ (KHALIL), along with others known and unknown to the grand jury did unlawfully, willfully and knowingly combine, conspire, confederate and agree with each other to willfully and knowingly make and cause to be made, a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of a department or agency of the United States by having VALERIA MENDEZ (KHALIL) tell a Program Specialist of the United States Department of Agriculture, Food and Nutrition Service, that she was not related to WISSAM KHALIL, when in fact she is married to WISSAM KHALIL, said statement being made in the District of Rhode Island, all in violation of Title 18, United States Code, Section 371.

Overt Acts

40. In furtherance of the conspiracy and in order to accomplish its objectives and purposes, at least one of the following overt acts, among others, was committed by one or more of the conspirators in the District of Rhode Island and elsewhere:

41. On or about March 7, 2012 VALERIA MENDEZ (KHALIL) completed a Supplemental Nutrition Assistance Program Application for Stores identifying herself as the owner of "Your Corner store" located in Providence, Rhode Island. VALERIA MENDEZ (KHALIL) thereafter filed the application with the United States Department of Agriculture Food and Nutrition Service.

42. On or about April 5, 2012, VALERIA MENDEZ (KHALIL) filed a fill-in-the-blanks affidavit with the United States Department of Agriculture Food and Nutrition Service in which she was asked certain questions concerning her relationship to the former owners of the two preceding businesses that had been located at 110 Doyle Avenue, Providence, Rhode Island, Neighborhood Mart and Friendly Mart, as well as any relationship to the owners of those businesses, N.K. and WISSAM KHALIL. VALERIA MENDEZ left that portion of the affidavit incomplete notwithstanding that VALERIA MENDEZ is married to and lives with, WISSAM

KHALIL in Central Falls, Rhode Island. VALERIA MENDEZ then affirmed in the affidavit "I make this statement fully and completely realizing that if I am subsequently authorized to participate in the Food Stamp Program and if the U.S. Department of Agriculture becomes aware that N.K. or WISSAM KHALIL is still associated with my business, the Department of Agriculture may institute action to revoke the authorization of this store."

43. Between on or about April 5, 2012 and October 31, 2012, VALERIA MENDEZ (KHALIL) was interviewed by a Program Specialist employed by the United States Department of Agriculture Food and Nutrition Service. During that interview, VALERIA MENDEZ (KHALIL) was asked if she was related to WISSAM KHALIL. VALERIA MENDEZ (KHALIL) stated she did not know WISSAM KHALIL, did not live on Orchard Street in Central Falls and resided with her parents in Providence, Rhode Island.

COUNT VI

44. Between on or about April 5, 2012 and October 31, 2012 VALERIA MENDEZ (KHALIL), did willfully and knowingly make and cause to be made a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of a department or agency of the United

States by telling a Program Specialist for the United States Department of Agriculture Food and Nutrition Service that she was not related to WISSAM KHALIL, when in fact she was the wife of WISSAM KHALIL and lived with him in Central Falls, Rhode Island, said statement being made in the District of Rhode Island, all in violation of Title 18, United States Code, Section 1001.

Criminal Forfeiture

1. The Defendants, if convicted of any of the offenses charged in Counts One and Two alleged in this indictment, shall forfeit to the United States:
 - a. any property, real or personal, constituting, or derived from, proceeds obtained directly or indirectly, as a result of such violation.
 - b. Such property includes but is not limited to \$30,000 in United States Currency seized on or about March 30, 2013 by the Virginia State Police in the Commonwealth of Virginia

All in accordance with Title 18, United States Code,
Section 981(a)(1)(C) (as incorporated by Title 28 United States
Code, Section 2461(c)).

A TRUE BILL

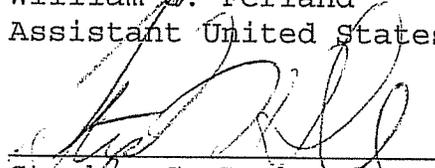


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