

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF RHODE ISLAND

FILED
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DISTRICT COURT

UNITED STATES OF AMERICA)

vs.)

Cr. No. 13-062 SUPERSEDING

WISSAM KHALIL)

In violation of 18 U.S.C. § 371

BASSAM KHALIL)

18 U.S.C. §§ 2342(a) and 2

NAJD KHALIL)

18 U.S.C. § 1956(h)

VALERIA MENDEZ (KHALIL))

18 U.S.C. §§ 1956(a)(1)(A)(i)

NAZIR KHALIL)

and 2

ABDULLAH ALNAHAS)

31 U.S.C. § 5324(a)(3),

BASSAM KIRIAKI)

(d)(1) and 18 U.S.C. § 2

RICHARD LARRAIN)

42 U.S.C. § 1383A(a)(3)(A)

Defendants

SUPERSEDING INDICTMENT

THE GRAND JURY CHARGES THAT:

Introductory Allegations

At all times relevant to the superseding indictment:

1. Pursuant to 18 U.S.C. § 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 18 U.S.C § 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 superseding 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.

7. At all times relevant to the superseding indictment the defendant, WISSAM KHALIL was the *defacto* owner and operator of a convenience store known variously as My Corner Store, Friendly Mart and Neighborhood Market (hereafter shall be referred to as the convenience store) located at 110 Doyle Avenue Providence, Rhode Island. The convenience store sold various products including but not limited to, food items, beverages, cleaning products, groceries, tobacco products, and paper products.

8. During the relevant time period, the convenience store, was, at various times, authorized to accept Supplemental Nutrition Assistance Program (SNAP) benefits (also known as "food stamps") as payment for eligible food items sold out of the store. The convenience store was authorized to participate in SNAP based upon applications submitted to the United States Department of Agriculture (USDA) Food and Nutrition Service.

9. SNAP enables low-income households to obtain a more nutritious diet by increasing their food purchasing power.

10. Under the program, eligible households receive "SNAP benefits" in the form of credits to an electronic benefit card to buy food from retail food stores that participate in the SNAP. SNAP benefits are obligations of the United States and redeemable at face value by the Secretary of the USDA through

the facilities of the Treasury of the United States. The USDA administers SNAP nationally.

11. Rhode Island relies upon the Electronic Benefit Transfer (EBT) system for the distribution of SNAP benefits. The EBT system uses plastic debit cards, which are automatically credited with the recipient's appropriate amount of benefits at the beginning of each month. To access benefits, the recipient presents the card at an authorized retailer's location. The card is swiped through an electronic terminal device, commonly known as an EBT terminal. The EBT terminal reads coded information on the card's magnetic strip. Through a series of wire transfers, the transaction amount is deducted from the EBT card's balance and deposited into the retailer's account.

12. In order to receive payment for SNAP transactions, retailers must use state contracted processing companies or third party processing companies. These companies facilitate the transfer of each state's pool of USDA SNAP benefits to the bank accounts maintained by authorized retailers. The authorized retailers are responsible for providing the processing companies with the appropriate bank routing and account information. The processing companies are responsible for providing the retailers with the EBT terminals.

13. Payments come to the retailers in the form of wire transfers from the processing company based upon retailers'

daily sales totals from SNAP benefits. These payments typically take two banking business days to clear to the retailer's bank account. Each state has an approved contractor that can facilitate these SNAP transactions. The State of Rhode Island uses JPMorgan Chase to facilitate the administration of its SNAP benefits.

14. Retailers also must obtain a license from the USDA Food and Nutrition Service to accept SNAP benefits from eligible recipients as payment for authorized food purchases. Before receiving authorization to participate in SNAP, a retailer is provided with an application to participate in SNAP and a book of federal regulations governing SNAP. The SNAP application advises retailers of the SNAP regulations, including those prohibiting the retailer from providing cash to recipients in exchange for the recipient's SNAP benefits.

15. At all times relevant to this superseding indictment, SNAP benefits associated with transactions conducted at the convenience store were deposited into bank accounts at Citizens Bank controlled by WISSAM KHALIL. Between on or about June 2010 and on or about May 8, 2013, as a result of fraudulent and non-fraudulent transactions, SNAP funds in excess of \$509,416.25 were deposited into the convenience store accounts.

16. The Social Security Income (SSI) program Title XVI is a nationwide cash assistance program, administered by the United

States Social Security Administration (SSA) and is designed as a lifeline of last resort for the aged, blind, or disabled, whose income and resources are below specified levels. The program establishes that payment may be received as a right by those United States citizens or legally admitted aliens residing in this country, who qualify by meeting income and resource criteria. No work credits are necessary to qualify for SSI, and every SSI case is subject to periodic review to ensure that the recipients receiving checks are still eligible and are being paid the correct monthly amount.

Count I

17. From at least January 1, 2012 through on or about May 6, 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 18 U.S.C. § 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 18 U.S.C. § 371.

OBJECT OF THE CONSPIRACY

18. 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, transporting those cigarettes to Rhode Island, selling those cigarettes without paying the Rhode Island cigarette tax, and concealing said transactions, resulting in a substantial profit.

MANNER AND MEANS OF THE CONSPIRACY

19. 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:

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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 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.

26. 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.

27. 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.

28. 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 superseding indictment did the defendants operate a retail store offering products for sale to the public in Virginia.

29. At all times relevant to the superseding indictment the defendants sold cigarettes bought in Virginia at their own Rhode Island convenience store 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

30. 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:

31. Paragraphs 19 through 29 above are hereby re-alleged and incorporated as overt acts in furtherance of this conspiracy.

32. On or about April 24, 2012, WISSAM KHALIL and NAJD KHALIL purchased 835 cartons of cigarettes bearing Virginia cigarette tax stamps costing \$35,769.44 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.

33. On or about April 24, 2012, WISSAM KHALIL and NAJD KHALIL prepared and caused to be loaded a 2000 Ford Triton truck VIN (1FDWE5L4YHA27484) with false walls to conceal and transport cigarettes across state lines from Virginia to Rhode Island.

34. 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.

35. 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 \$28,676.65 worth of cigarettes bearing Virginia cigarette tax stamp using the Smokers Stop, Inc. membership.

36. 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.

37. During the time frame relevant to the superseding 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."

38. 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.

39. 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.

40. 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 without the required Rhode Island cigarette tax stamps.

41. 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.

42. 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.

43. 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.

44. 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 on March 30, 2013. All in violation of 18 U.S.C. § 371.

Count II

45. From on or about January 1, 2012 through on or about May 6, 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 18 U.S.C. § 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 18 U.S.C. § 2342(a) and Section 2.

COUNT III

46. From between on or about August 1, 2010 and May 8, 2013 in the District of Rhode Island NAZIR KHALIL, BASSAM KHALIL and WISSAM KHALIL along with others known and unknown to the grand jury, having knowledge of the occurrence of an event affecting the continued right of NAZIR KHALIL to benefits provided through a program within the jurisdiction of the United States Social Security Administration, did unlawfully, willfully and knowingly combine, conspire, confederate and agree with each

other to conceal or fail to disclose such event from the United States Social Security Administration with an intent to fraudulently secure such benefit when no such benefit was authorized, in violation of 42 U.S.C. § 1383A(a)(3)(A), all in violation of 18 U.S.C., § 371.

OVERT ACTS

47. 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:

48. On or about August 17, 2010 NAZIR KHALIL AND BASSAM KHALIL engaged in or caused another to engage in a redetermination interview for determining continuing eligibility for Supplemental Security Income payments. During the course of that interview BASSAM KHALIL reported to the Social Security Administration that NAZIR KHALIL had not been outside of the United States for a calendar month or 30 consecutive days since March 1, 2010 when in fact NAZIR KHALIL had been outside of the United States for more than 30 consecutive days.

49. On 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, NAZIR

KHALIL, had fallen and injured himself. Despite NAZIR KHALIL's apparent injuries, WISSAM KHALIL directed his brother BASSAM KHALIL to bring NAZIR KHALIL to a previously scheduled interview for determining continuing eligibility for Supplemental Security Income payments with a representative of the United States Social Security Administration in Pawtucket, Rhode Island.

50. On or about February 26, 2013, BASSAM KHALIL drove to the United States Social Security Administration office located in Pawtucket, Rhode Island. BASSAM KHALIL engaged in a meeting with a 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 NAZIR KHALIL, had not been outside of the United States for a calendar month or thirty consecutive days since February 1, 2011. All in violation of 18 U.S.C. § 371

COUNT IV

51. From between August 1, 2010 and May 8, 2013 in the District of Rhode Island NAZIR KHALIL, BASSAM KHALIL and WISSAM KHALIL along with others known and unknown to the grand jury did, having knowledge of the occurrence of an event affecting the continued right of NAZIR KHALIL to payment of Title XVI Supplemental Security Income benefits provided through a program within the jurisdiction of the United States Social Security Administration, concealed or failed to disclose such event from

the United States Social Security Administration with an intent to fraudulently secure such benefits when no such benefit was authorized all in violation of 42 U.S.C. § 1383A(a)(3)(A).

COUNT V

52. From at least January 1, 2012 through on or about May 6, 2013, in the District of Rhode Island and elsewhere, the defendants WISSAM KHALIL, NAJD KHALIL, and BASSAM 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 commit an offense against the United States, to wit: knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, conducted and attempted to conduct financial transactions, which in fact involved the proceeds of a specified unlawful activity, to wit: contraband cigarette trafficking in violation of 18 U.S.C § 2342, with the intent to promote the carrying on of said specified unlawful activity, in violation of 18 U.S.C. § 1956(a)(1)(A)(i).

MANNER AND MEANS

53. The manner and means used by defendants, WISSAM KHALIL, NAJD KHALIL and BASSAM KHALIL and others known and unknown to the grand jury to accomplish the conspiracy, include the following:

54. Paragraphs 19 through 29 above are hereby re-alleged and incorporated as manner and means used to accomplish the goals of the conspiracy.

55. Between January 1, 2012 and May 6, 2013 the defendants, WISSAM KHALIL, NAJD KHALIL, BASSAM KHALIL and others known and unknown to the grand jury did receive United States currency or checks from customers who purchased contraband cigarettes from them. The defendants, WISSAM KHALIL, NAJD KHALIL, BASSAM KHALIL and others known and unknown to the grand jury, then deposited said United States currency into various bank accounts at Citizens Bank over which WISSAM KHALIL and NAJD KHALIL had access and use.

56. The defendants, WISSAM KHALIL and NAJD KHALIL then used debit cards associated with those accounts to make multiple purchases of large quantities of cigarettes in Virginia for transportation back to Rhode Island.

OVERT ACTS

57. 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:

58. On or about February 15, 2012 the defendant WISSAM KHALIL caused \$20,000 in United States currency to be deposited

into Citizens Bank account XXXX4160. On that same date he caused \$10,000 to be transferred to Citizens Bank account XXXXXX1914 and \$1,000 to be transferred to Citizens Bank account XXXX0858.

59. On or about February 16, 2012 WISSAM KHALIL caused two separate purchases of cigarettes at S.C. located in Woodbridge, Virginia to be made, one in the amount of \$5000 and one in the amount of \$4,324 each using the debit card associated with Citizens account XXXX4160. The defendant, WISSAM KHALIL then caused two additional purchases of cigarettes to be made at the same S.C. in Woodbridge, Virginia, one in the amount of \$5000 and one in the amount of \$4,324. Each was made using the debit card associated with Citizens account XXXXXX1914. The defendant, WISSAM KHALIL, then caused two additional purchases of cigarettes to be made at the same S.C. in Woodbridge, Virginia, one in the amount of \$429.60 and one in the amount of \$237.63. Each was made using the debit card associated with Citizens Bank account XXXX0858. The defendant, WISSAM KHALIL then caused an additional purchase of cigarettes to be made at the same S.C. in Woodbridge, Virginia. That purchase, in the amount of \$6000 was made using \$6000 in United States currency.

60. On or about March 19, 2012 the defendant, WISSAM KHALIL caused \$9,800 in United States currency to be deposited into Citizens Bank account XXXXXX1914, an account for which he

was an authorized user. On that same date, the defendant, WISSAM KHALIL, caused \$9,830 in United States currency to be deposited into Citizens Bank account XXXX0858 an account for which he was an authorized user. On that same date the defendant, WISSAM KHALIL, caused \$9,850 in United States currency to be deposited into Citizens Bank account XXXX4160 an account for which he was an authorized user.

61. On or about March 20, 2012 the defendant, WISSAM KHALIL caused two purchases of cigarettes to be made at S.C. located in Woodbridge, Virginia, both purchases were in the amount of \$4,900 and both were made using a debit card associated with Citizens Bank account XXXXXX1914. On that same date and at that same S.C. located in Woodbridge, Virginia, the defendant, WISSAM KHALIL caused three additional purchases of cigarettes to be made. One purchase was in the amount of \$4,424. One purchase was in the amount of \$4,900 and the third was in the amount of \$300. Each of these three purchases was made using a debit card associated with Citizens Bank account XXXX0858. On that same date and at the same S.C. located in Woodbridge, Virginia, the defendant, WISSAM KHALIL, caused three additional purchases of cigarettes to be made. One purchase was in the amount of \$4,424. One purchase was in the amount of \$4,900 and the third was in the amount of \$200. Each of these three purchases was made using a debit card associated with

Citizens Bank account XXXX4160. On that same date and at the same S.C. located in Woodbridge, Virginia, the defendant, WISSAM KHALIL, caused an additional purchase of cigarettes. Said purchase was made with \$434.19 in United States currency.

62. On or about March 22, 2012 the defendant, WISSAM KHALIL caused \$2,400 in United States currency to be deposited into Citizens Bank account XXXX0858 an account for which he was an authorized user. On that same date the defendant, WISSAM KHALIL, caused \$9,940 in United States currency to be deposited into Citizens Bank account XXXX4160 an account for which he was an authorized user. On that same date the defendant, WISSAM KHALIL, caused \$9,960 in United States currency to be deposited into Citizens Bank account XXXXXX1914 an account for which he was an authorized user.

63. On or about March 23, 2012 the defendant, WISSAM KHALIL caused a purchase of cigarettes to be made at S.C. located in Woodbridge, Virginia, in the amount of \$2,400 using a debit card associated with Citizens Bank account XXXX0858. On that same date and at the same S.C. located in Woodbridge, Virginia the defendant, WISSAM KHALIL, caused three additional purchases of cigarettes to be made. One purchase was in the amount of \$5000. One purchase was in the amount of \$4,324 and the third was in the amount of \$400. Each purchase was made using a debit card associated with Citizens Bank account

XXXX4160. On that same date and at the same S.C. located in Woodbridge, Virginia the defendant, WISSAM KHALIL, caused three additional purchases of cigarettes to be made. One purchase was in the amount of \$4,900. One purchase was in the amount of \$4,424 and the third was in the amount of \$600. Each purchase was made using a debit card associated with Citizens Bank account XXXXXX1914. On that same date and at the same S.C. located in Woodbridge, Virginia, the defendant, WISSAM KHALIL, caused two additional purchases of cigarettes to be made. One purchase in the amount of \$7,353.60 was made using United States currency. The second purchase in the amount of \$861.57 was also made using United States currency.

64. On or about March 26, 2012 the defendant, WISSAM KHALIL caused \$1,600 in United States currency to be deposited into Citizens Bank account XXXX4160, an account for which he was an authorized user. On or about March 29, 2012 the defendant, WISSAM KHALIL, caused \$9,520 in United States currency to be deposited into Citizens Bank account XXXX0858 an account for which he is an authorized user. On that same date the defendant, WISSAM KHALIL, caused \$9,988 in United States currency to be deposited into Citizens Bank account XXXX4160 an account for which he was an authorized user.

65. On or about March 30, 2012 the defendant, WISSAM KHALIL caused two purchases of cigarettes to be made at S.C.

located in Woodbridge, Virginia. One purchase was in the amount of \$4,424. One purchase was in the amount of \$4,900. Both were made using a debit card associated with Citizens Bank account XXXXXX1914. On that same date and at the same S.C. located in Woodbridge, Virginia the defendant, WISSAM KHALIL, caused two additional purchases of cigarettes to be made. One purchase was in the amount of \$4,900. One purchase was in the amount of \$4,853.41. Both were made using a debit card associated with Citizens Bank account XXXX0858. On that same date and at the same S.C. in Woodbridge, Virginia the defendant, WISSAM KHALIL, caused two additional purchases of cigarettes to be made. One purchase was in the amount of \$4,900. One purchase was in the amount of \$3,595.13. Both were made using a debit card associated with Citizens Bank account XXXX4160.

66. On or about April 23, 2012 the defendant, WISSAM KHALIL caused \$1000 in United States currency to be deposited into Citizens Bank account XXXXXX1914, an account for which he was an authorized user. On that same date the defendant, WISSAM KHALIL, caused \$1,200 in United States currency to be deposited into Citizens Bank Account XXXXXX1914, an account for which he was an authorized user. On that same date the defendant, WISSAM KHALIL, caused \$37,000 in United States currency to be deposited into Citizens Bank account XXXXXX0868, an account for which he was an authorized user.

67. On or about April 24, 2012 the defendant, WISSAM KHALIL, caused various electronic transfers, each in the amount of \$9,900, to be made from Citizens Bank account XXXXXX0868 to Citizens Bank accounts XXXX4160, XXXXXX1914 and XXXX0858, each an account for which he was an authorized user.

68. On or about April 24, 2012 the defendant, WISSAM KHALIL caused two purchases of cigarettes to be made at S.C. located in Woodbridge, Virginia. One purchase in the amount of \$4,900 was made using a debit card associated with Citizens Bank account XXXX4160. A second purchase in the amount of \$5000 was also made on that date at that location using account XXXX4160. On that same date and at the same S.C. located in Woodbridge, Virginia the defendant, WISSAM KHALIL, caused two additional purchases of cigarettes to be made. One purchase was in the amount of \$4,900. One purchase was in the amount of \$5000. Each was made using a debit card associated with Citizens Bank account XXXX0858. On that same date and at the same S.C. located in Woodbridge, Virginia the defendant, WISSAM KHALIL, caused two additional purchases of cigarettes to be made. One purchase was in the amount of \$5000. One purchase was in the amount of \$4,900. Each was made using a debit card associated with Citizens Bank account XXXXXX1914. On that same date and at that same location the defendant, WISSAM KHALIL caused an an

additional purchase to be made in the amount of \$6097.31 in United States currency.

69. On various days and dates between January 2, 2012 and January 16, 2013 the defendant, BASSAM KHALIL received twenty five checks drawn on the account of Eido Food Mart, Inc. with the Pawtucket Credit Union, account number XXXX1179 for the purchase of contraband cigarettes. The total amount received in the twenty five checks was \$97,700. During that same frame the defendant, BASSAM KHALIL, negotiated said checks for the receipt of their cash value at the Pawtucket Credit Union.

All in violation of 18 U.S.C. § 1956(h).

COUNTS VI- XI

70. From at least January 1, 2012 through on or about May 6, 2013, in the District of Rhode Island and elsewhere the defendants WISSAM KHALIL, and NAJD KHALIL, along with others known and unknown to the grand jury, knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, knowingly conducted and attempted to conduct financial transactions affecting interstate commerce, to wit: the purchase of cigarettes in Virginia for resale in Rhode Island, which involved the proceeds of a specified unlawful activity, to wit contraband cigarette trafficking in violation of 18 U.S.C. § 2342, with the intent to promote the carrying on of said specified unlawful activity

<u>COUNT</u>	<u>DATE</u>	<u>LOCATION</u>	<u>DOLLAR AMOUNT</u>
COUNT VI	2/16/2012	S.C. Woodbridge, VA	\$25,315.23
COUNT VII	2/28/2012	S.C. Woodbridge, VA	\$26,365.54
COUNT VIII	3/20/2012	S.C. Woodbridge, VA	\$29,382.19
COUNT IX	3/23/2012	S.C. Woodbridge, VA	\$30,263.17
COUNT X	3/30/2012	S.C. Woodbridge, VA	\$27,572.54
COUNT XI	4/24/2012	S.C. Woodbridge, VA	\$35,797.31

All in violation of 18 U.S.C. § 1956(a)(1)(A)(i) and
2.

COUNT XII

71. On or about March 19, 2012, in the District of Rhode Island, the defendants WISSAM KHALIL and NAJD KHALIL, knowingly and for the purpose of evading the reporting requirements established under 31 U.S.C. § 5313(a), and the regulations promulgated thereunder, did structure, attempt to structure, assist in structuring, and aided and abetted in structuring currency transactions with Citizens Bank, a domestic financial institution, using Citizens Bank accounts numbered XXXXXX1914, XXXX0858 and XXXX4160.

All in violation of 31 U.S.C. §§ 5324(a)(3), (d)(1), and 18 U.S.C. § 2.

COUNT XIII

72. On or about March 22, 2012, in the District of Rhode Island, the defendants WISSAM KHALIL and NAJD KHALIL, knowingly and for the purpose of evading the reporting requirements established under 31 U.S.C. § 5313(a), and the regulations promulgated thereunder, did structure, attempt to structure, assist in structuring, and aided and abetted in structuring currency transactions with Citizens Bank, a domestic financial institution, using Citizens Bank accounts numbered XXXXXX1914, XXXX0858 and XXXX4160.

All in violation of 31 U.S.C. §§ 5324(a)(3), (d)(1), and 18 U.S.C. § 2.

COUNT XIV

73. On or about March 29, 2012 in the District of Rhode Island, the defendants WISSAM KHALIL and NAJD KHALIL, knowingly and for the purpose of evading the reporting requirements established under 31 U.S.C. § 5313(a), and the regulations promulgated thereunder, did structure, attempt to structure, assist in structuring, and aided and abetted in structuring currency transactions with Citizens Bank, a domestic financial

institution, using Citizens Bank accounts numbered XXXX4160, XXXX0858 and did so as part of a pattern of illegal activity involving more than \$100,000 in a 12 month time period.

All in violation of 31 U.S.C. §§§ 5324(a)(3), (d)(1), and 18 U.S.C. § 2.

COUNT XV

74. Beginning on a date unknown, but at least as early as on or about April 10, 2010, and continuing until on or about May 8, 2013, in the District of Rhode Island, the defendants, WISSAM KHALIL, NAJD KHALIL, BASSAM KIRIAKI, VALERIA MENDEZ (KHALIL), and RICHARD LARRAIN did knowingly, intentionally and willfully combine, conspire, confederate, and agree with each other and with other uncharged coconspirators, to acquire and possess food stamp coupons, authorization cards, and access devices in a manner not authorized by law or regulation, where the food stamp coupons, cards, and devices have a value of \$100 or more, in violation of 7 U.S.C., § 2024(b).

THE OBJECT OF THE CONSPIRACY

75. It was the object of the conspiracy for the defendants, WISSAM KHALIL, NAJD KHALIL, VALERIA MENDEZ (KHALIL), BASSAM KIRIAKI and RICHARD LARRAIN to enrich themselves by allowing recipients of SNAP benefits to redeem their SNAP

benefits for United States currency, and by charging the recipients a surcharge in return for allowing them to redeem their benefits for cash.

METHODS AND MEANS

73. It was part of the conspiracy that the defendants, WISSAM KHALIL, NAJD KHALIL and VALERIA MENDEZ (KHALIL) regularly allowed SNAP benefit recipients to exchange SNAP benefits for cash at a convenience store operated by WISSAM KHALIL located at 110 Doyle Avenue in Providence, Rhode Island.

74. It was further part of the conspiracy that the defendants, WISSAM KHALIL, NAJD KHALIL and VALERIA MENDEZ (KHALIL) charged the SNAP benefit recipients' EBT cards an additional amount as a surcharge for providing cash back. The surcharge varied depending upon the transaction.

OVERT ACTS

75. 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:

76. On or about April 19, 2010 WISSAM KHALIL caused a "Supplemental Nutrition Assistance Program Application for Stores" identifying NAZIR KHALIL as the owner of Neighborhood

Mart, a convenience store located in Providence, Rhode Island to be completed. WISSAM KHALIL thereafter caused the application to be filed with the United States Department of Agriculture Food and Nutrition Service.

77. On or about May 3, 2010, WISSAM KHALIL caused a sworn letter to be filed with the United States Department of Agriculture Food and Nutrition Service the letter stated that NAZIR KHALIL had no direct relation with the prior owner of the convenience store located at 110 Doyle Avenue in Providence, Rhode Island (WISSAM KHALIL) when in fact NAZIR KHALIL was WISSAM KHALIL's father.

78. 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.

79. 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."

80. On or about June 28, 2012 WISSAM KHALIL, BASSAM G. KIRIAKI and R.T., a person whose identity is known to the grand jury, collaborated on the production of a sworn letter that was later submitted to the United States Department of Agriculture in support of the application of VALERIA MENDEZ (KHALIL) to that Department to participate in the Supplemental Nutrition Assistance Program knowing that the contents of that letter were false.

81. 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.

82. In furtherance of the conspiracy and to effect the objects of the conspiracy, on days and dates between November 1, 2010 and May of 2013, in the District of Rhode Island, the defendants, WISSAM KHALIL, NAJD KHALIL and RICHARD LARRAIN acquired SNAP benefits in a manner not authorized by law or regulation, when WISSAM KHALIL and NAJD KHALIL exchanged cash for SNAP benefits.

All in violation of 18 U.S.C. § 371.

Criminal Forfeiture

1. The Defendants, if convicted of any of the offenses charged in Counts One and Two alleged in this superseding 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:
 - i) \$30,000 in United States Currency seized on or about March 30, 2013 by the Virginia

State Police in the Commonwealth of
Virginia;

- ii) 2007 Mercedes Benz G.L. 450 SUV VIN
JGBF71E97A248516;
- iii) \$30,945 in United States Currency seized
on or about May 8, 2013 at 25 Orchard
Street, Central Falls, Rhode Island;
- iv) 2000 GMC Sierra pickup truck VIN
1GTEK19T2YE348030;
- v) \$20,559.50 in United States Currency
seized on or about May 8, 2013 at the
third floor apartment 149/151 Harrison
Street, Pawtucket, Rhode Island;
- vi) 2010 Toyota Camry VIN 4T1BF3EK7AU500441;
- vii) \$3,360 in United States Currency seized on
or about May 8, 2013 from the 2010 Toyota
Camry described in subparagraph vi;
- viii) \$874 in United States Currency seized on
or about May 8, 2013 from 110 Doyle Avenue
in Providence, Rhode Island;
- ix) 2003 Chevrolet Tahoe VIN
1GNEK13T33J181659;
- x) \$36,217.58 in United States Currency
seized on or about May 8, 2013 from 385

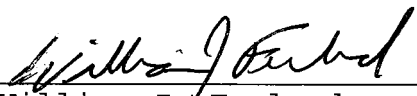
Westminster Street, Providence, Rhode
Island.

All in accordance with 18 U.S.C. § 981(a)(1)(C) (as
incorporated by 28 U.S.C. § 2461(c)).

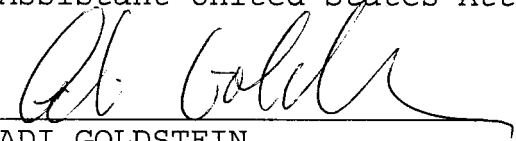
A TRUE BILL

PETER F. NERONHA
UNITED STATES ATTORNEY

REDACTED



William J. Ferland
Assistant United States Attorney



ADI GOLDSTEIN
Assistant United States Attorney
Deputy Chief
Criminal Division