



Department of Justice

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FOR IMMEDIATE RELEASE

October 17, 2014

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Tobacco Wholesaler Charged in Scheme to Defraud Two New England States

BOSTON - A Middletown, Conn. man appeared today in federal court on charges related to a scheme to defraud the Commonwealth of Massachusetts and the State of Connecticut of millions of dollars in tobacco tax revenue.

Syed I. Bokhari, 50, was charged in a 32-count Indictment with conspiracy to commit wire fraud, wire fraud, trafficking in contraband smokeless tobacco, money laundering, and violation of the Prevent All Cigarette Trafficking (PACT) Act. Bokhari was the de facto owner of a warehouse in Springfield, Mass., that went by a variety of names, including A-Z Discount Merchandise and Discount Novelties and Merchandise, Inc. He was also the de facto owner of a warehouse in Danbury, Conn. which went by the name of Novelty and Merchandise, LLC.

It is alleged that Bokhari defrauded Massachusetts and Connecticut from at least 2008 through June 5, 2012 by failing to pay excise taxes on smokeless tobacco and cigars owed by businesses he owned and controlled. It is alleged that he furthered the scheme to defraud by transferring smokeless tobacco to those states without reporting such transfers to the appropriate state tax authorities, as required under the PACT Act. The Indictment also alleges that Bokhari accepted payments for tobacco products in cash amounts of more than \$10,000, yet did not file the required federal financial reporting form in order to disguise the true volume of the tobacco products being sent to Massachusetts and Connecticut and the source of the cash payments. Bokhari also allegedly provided fake invoices and caused the filing of false excise tax returns to the Massachusetts and Connecticut tax authorities.

According to documents filed in connection with the charges, the government's current estimate of the loss attributable to the defendant is \$43 million.

U.S. Attorney Carmen M. Ortiz said, "This indictment exposes a form of tax evasion that deprives states like Massachusetts and Connecticut of badly needed revenue that pays for essential government services like education, public safety, and infrastructure. When tobacco tax laws are evaded, as the defendant is alleged to have done in this indictment, honest tobacco distributors suffer, as does the honest taxpayer."

"This indictment should send a clear message that the illegal diversion of tobacco products will not be tolerated. We will continue to work with our federal and state partners to identify and arrest those involved in this type of criminal activity which in this case resulted in the loss of tens of millions of dollars in state tax revenue. Because in the end while the criminals

profit, it is our citizens that bear the cost,” said Daniel J. Kumor, Special Agent in Charge of the Bureau of Alcohol, Tobacco, Firearms and Explosives, Boston Field Division.

Department of Revenue Commissioner Amy Pitter, who served as Chair of the Massachusetts Illegal Tobacco Commission said, “Stopping the flow of illegal tobacco products is a priority for both our agency and the Commission and this indictment makes it clear that we are serious. Teaming up with federal, state and local law enforcement proved a successful model for combatting this criminal activity.”

“This indictment highlights the fact that tax evasion in any form is not a victimless crime,” said SAC William P. Offord, IRS Criminal Investigation. “We will use all lawful means to identify and prosecute those who evade their taxes, whether it’s excise tax on tobacco products or income taxes.”

“Smuggling tobacco in order to evade state and local taxes is a multi-million dollar industry. It cheats the government as well by fueling an underground economy,” said Special Agent in Charge Bruce Foucart of HSI Boston. “Fortunately, Homeland Security Investigations’ unique customs law enforcement authorities were designed specifically to target and investigate these types of crimes. Our special agents will continue tracking down these criminals in conjunction with our federal, state, and local law enforcement partners.”

Bokhari faces a maximum sentence of 20 years in prison, three years of supervised release and a fine of \$250,000 or twice the gross gain or loss for each of the 11 counts of conspiracy and wire fraud; a maximum sentence of five years in prison, three years of supervised release and a fine of \$250,000 or twice the gross gain or loss for each of the five counts of contraband smokeless tobacco trafficking; a maximum sentence of 20 years in prison, three years of supervised release and a fine of \$500,000 or twice the value of the property involved in the transaction for each of the 11 counts of money laundering; a maximum sentence of three years in prison, one year of supervised release and a fine of \$250,000 for each of the five counts of violation of the PACT Act; and forfeiture as alleged in the Indictment. Actual sentences for federal crimes are typically less than the maximum penalties. Sentences are imposed by a federal district court judge based on the U.S. Sentencing Guidelines and other statutory factors.

U.S. Attorney Ortiz, SAC Kumor, SAC Offord; Commissioner Pitter; SAC Foucart; and Commissioner Kevin B. Sullivan, of the Connecticut Department of Revenue Services made the announcement today. The case is being prosecuted by Alex J. Grant of Ortiz’s Springfield Office and Veronica M. Lei of Ortiz’s Asset Forfeiture Unit.

The details contained in the Indictment are allegations. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt in a court of law.

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