

## **Late 2008 – 2010 Cases of Smuggling, Misappropriation of Funds, and/or Corruption**

### April 2010 – August 2008

Multiple instances of known or suspected smuggling by JTI Duty Free Middle East distributor **IBCS** (warning letter sent on July 2009, no further action, BI directed not to investigate – see below)

### April 2010 – 2007

Massive-scale smuggling of Saint George and More from product sold to Russia distributor **Megapolis** into the European Union; detailed reports passed to Geneva and Russia management teams (no action taken; Russia GM claims it is not a concern)

### April – February 2010

JTI Duty Free sub-distributors **JM Dolphin** and **DFS Shipstore** identified selling cigarettes to unauthorized customers (no action taken; information on BI investigation leaked to smugglers)

### March 2010 – December 2004

Numerous instances of smuggling by JTI Uruguay shipstore distributor **Pedro Santana** (no action taken; information on BI investigation leaked to smugglers)

### March 2010 – June 2008

Several reports of Greece Duty Free Distributor **Athanasiou** selling goods outside authorized channels (limited checks conducted in 2008; no action taken)

### March 2010 – May 2009

Large-scale smuggling by Israel Duty Free distributor **James Richardson** to Lebanon and possibly Iraq via Cyprus and Netherlands (Duty Free “discussion” with Richardson in June 2009; no further action taken)

19 March 2010

Duty free Camel diverted from distributor **Weitnauer** found in Saint Martin (no action – Weitnauer is/was a subject of the EC v RJR RICO complaint and also is a principal JTI DF distributor in Africa, in addition to the Americas)

12 March 2010

BI team and outside investigator ordered by JTI Geneva to ignore and return information on links between **13 JTI employees** – including several senior officers – and smugglers arrested or detained in Serbia and Croatia.

February – January 2010

Use of BI money to pay for Corporate Security attendees at **IACP** raised (no action taken)

June 2009 - December 2008

BI investigation shows Austria service provider **SIS (Security Investigations Services)** paying government officials in Romania for information and assistance and receiving "excessively large" payments (Euro145,000 in February 2009 alone) for unknown or unclear work. (JTI agrees to pay SIS Euro275,000 in order to terminate agreement; no action taken on "red flags" associated with large payments to the firm)

14 February 2009

JTI Greece employee links to **cigarette and narcotics smuggler Vassilis Rossolymos** (no action)

October – November 2008

JTI Asia employee dealings with smuggler **Denby Williams**, who, in turn, purportedly has commercial dealings with known or suspected **Real IRA** members and is a top target of HMRC. (no action)

## **IBCS – Issa AUDEH Background**

IBCS and Issa Audeh have been repeatedly and prominently mentioned in the EC v RJR Criminal Conspiracy Complaint and in numerous press reports and academic studies as being linked to smuggling of JTI (formerly RJR) cigarettes into northern Iraq.

### **Chronology of BI Cases Involving IBCS Since Late 2008 (most recent first)**

#### 10 April 2010

1,000 master cases of diverted Winston identified being smuggled via Mersin, Turkey and the Harbur Border Crossing into northern Iraq.

#### 23 February 2010

400 master cases of diverted Winston identified being smuggled via Mersin, Turkey and the Harbur Border Crossing into northern Iraq.

#### 3 February 2010

Email from Duty Free Simon Warburton to DReynolds cc Head WWDF David Francis

*Subject Jalat Khan*

*Dear David,*

*I have recently received a request from IBCS to supply Afghan Duty Free Ltd, the Vice President of this company is Jalat Khan. I am aware of previous communication you have had with Sumida-san, where you have stated that there is sufficient doubt about Khan's connections and dealings to reasonably preclude us from doing business with him either directly or indirectly.*

*This is the initial response we gave to IBCS in October 2009. Last week they brought up the subject once more and have provided various documentation of reference. IBCS personally recommend this customer.*

*I would appreciate if you could review the attached documentation and advise if this changes your recommendation.*

#### 19 January 2010

## BI Source reports:

*According to the information obtained from our source 955 Boxes ( 47750 Cartons) of Winston cigarettes, which were sent "Miel Trd" company, arrived to Famagusta Port of KKTC (Turkish Republic of Northern Cyprus) on 29 Dec 2009 by a ship named Miya.*

*On 06 Jan 2010 "Miel Trd" company sent the said shipment by "Itimat Ro/Ro Ship" to Mersin Port of Turkey with a truck which has the licence plate number of "TFT 949-390R". We learned that Turkey is the transit country and the truck's destination is Iraq.*

*Please note that Miel Trd is connected to Ozbekoglu company which we are currently investigating for JTI. We also learned that the JTI products that are sold in the Iraq cigarette market are being illegally delivered to Iran and Turkey.*

19 January 2010

## DReynolds Memo for the Record

**From:** Reynolds, David A

**Sent:** Tuesday, January 19, 2010 1:32 PM

**To:** Reynolds, David A

**Subject:** MFR - 19 Jan 10 TELCON with WvA re MM Discussion on 10 Dec 09

*During a TELCON with Willem Van Adrichem, BI Director for the Middle East, starting at 1300 hours local on 19 January 2010, Van Adrichem explained that on the sidelines of the BI Meeting in Hong Kong on 10 December Mark Mulvey, VP for CS and BI, asked him if he was investigating JTI JV partner and distributor Issa Audeh. Van Adrichem responded that Audeh's name has come up on several occasions during the course of investigations conducted by different service providers in relation to possible large-scale diversions of JTI cigarettes. Mulvey then directed Van Adrichem to cease any investigations into the activities of Audeh and to not initiate any future queries into this person's activities without the specific approval, or upon the request, of the "fourth floor" – presumably a reference to the JTI EXCOM.*

*During my conversation with Van Adrichem he clearly was very uncomfortable with the verbal instructions from Mulvey, which Van Adrichem believes was prompted by Mulvey's reading of some of the materials stolen by SSI, which had hacked into the emails of several of the service providers acting on behalf of the Middle East BI team.*

*I discussed with Van Adrichem the recent reports of potentially sizable diversions of JTI cigarettes from/within the Middle East (ICR report of JTI cigarettes in a UAE warehouse, offer of Winston and Camel to Bassam Zeini, and Panos A offering JTI cigarettes, and Esfor report of a shipment of JTI cigarette via Mersin bound for northern Iraq) and that the instructions from Mulvey effectively restricted our ability to conduct complete and full investigations.*

*I suggested to Van Adrichem – since Mulvey at no point raised this issue with me – that he write an email to Mulvey citing the recent reporting and asking him to clarify in writing his instructions to not investigate if the diversions point to the involvement of Audeh or his associates.*

*I stressed that it is imperative that Mulvey's instructions be in writing since verbal instructions to look the other way leave us vulnerable to allegations we have ignored potentially criminal activity.*

*(The conversation with WA was recorded)*

9 September 2009

## BI Report

*According to Habib GULZAR, habib@habibgulzar.com, speaking in early September 2009, "reliable sources in Dubai" provided the attached documents dated 23 August 2009 confirming the sale of 272 cases of WINSTON by IBCS Trading and Distribution, PO Box 23489, Sharjah, UAE; Tel: +971 65723078, +971 65725109; email ibcs.sharjah@audeh-group.com to Jalat KHAN. [NB: IBCS is owned by Issah AUDEH and is a key distributor for WWDF, while Jalat Khan, principally through his firm JK International is a well known smuggler principally targeting the Iran market and also the owner of Arya Tobacco, which reportedly has manufactured counterfeit international brands. Khan also reportedly was linked to the February 2006 diversion of 450 cases of SEVEN STARS from Afghanistan to the Philippines via the firm Yau Lee Holdings. Habib Gulzar is the authorized ADF distributor in Afghanistan and receives shipments via TWLT. End NB]*

*Per the attached documents, a person named P. VENUGOPAL issued the letter to Khan on behalf of IBCS confirming the sale. Venugopal advises Khan that the 272 cases would be shipped to him via forwarder Steinweg Sharaf FZE, in Dubai. He also attached for Khan Invoice Number 1276 dated 19 August 2009 for the cigarettes, an Original Certificate of Origin issued by the Sharjah Chamber of Commerce, and a Packing List.*

*The Invoice indicates that the cigarettes were sold by IBCS to Afghan Duty Free, Najeeb Zarab Complex, Kabul, Afghanistan, Tel: +937 98333333 and were to be delivered via Steinweg Sharaf FZE, PO Box 17013, Jebel Ali Free Zone, Dubai; Tel: +971 506858367.*

*The terms are FOB Dubai at US\$263 per case of WINSTON identified as produced in Switzerland 73 cases of WINSTON Filter KS Soft B/E No. 1-1-51-2904, 25 cases of WINSTON Filter Soft B/E No. 1-1-51-5987, 77 cases of WINSTON Lights KS Box B/E/ No. 1-1-51-5987, and 97 cases of WINSTON Ultra Lights Box B/E/ No. 1-1-51-5987. Total price is cited as US\$71,536.00 payable to IBCS Trading and Distributing, USD Account Number 052 400 260 070727 013 at Blom Bank – France, Sharjah, UAE.*

*According to Gulzar,*

*In 2007, Gulzar purchased back 300 cases of SSCL from Jalat Khan in Dubai from the stocks which he had smuggled out of Afghanistan to the Philippines market. Gulzar claimed that Khan has been involved in smuggling out 1000's of SEVEN STARS CUSTOM Lights to Philippines and Taiwan for which JTI has the records in their files.*

*Khan together with the owner of Concord Tobacco (his cousin) is involved in producing fake cigarettes in Dubai. (NB: Concord Tobacco has been raided several times in the past five years and found to be counterfeiting JTI and Imperial Tobacco brands. End NB)*

*Khan was also involved in importing fake MARLBORO from China*

*Khan's purchase of 272 cases of WINSTON is likely bound for the Iran market.*

*Another source provided the following details on the members of the IBCS group possibly involved in diverting and/or smuggling JTI cigarettes:*

*Petros VARDAS – petros.vardas@audeh-group.com and possibly vardas.petros@audgroup.com*

*Issa AUDEH – ibcs\_cy@audgroup.com and audeh.issa@audgroup.com*

*Bassam AUDEH – audeh.bassam@audgroup.com*

*Issa Michael MATALKA – mid-east@nol.com.jo*

#### 24 July 2009

JLP Email to Reynolds and Payne re

*Subject: “Letter to IBCS re Seizure of Winchester Export Lights in Malta”*

*FYI - next time we have problem with these two customers - we will most likely terminate them.”*

#### 17 July 2009

WW Duty Free Simon Jones Email to JLP, Fadoul; Rahme, Fady; Raydan, Karim,

Subject: RE: Letter to IBCS re Seizure of Winchester Export Lights in Malta

*Attached warning letter delivered to IBCS.*

#### 25 August 2008

BI Report

*Based on our intelligence, Customs in Mersin, Turkey opened container # CRXU 203776-9 on Saturday 26 July. It contained 4 brands, predominantly 350 master cases of Winchester Export Lights Two other transit containers were also opened, however these turned out to be Karelia Slims & Rothmans, not our brands. The details of the container holding the Winchester:*

*CONTAINER NO: CRXU 203776-9*

*SHIPPER: CIRCUIT LOGISTIC LIMITED SAL (OFFSHORE) BEIRUT LEBANON*

*CONSIGNEE : MCS DENIZCILIK NAKLIYAT TURIZM SAN.VE TIC LTD STİ.*

*ÇAKMAK CADDESİ GÖKÇE İŞ MERKEZİ NO:9 KAT 7 MERSİN TURKEY*

*NOTIFY : MIEL TRADING*

*VESSEL : MV ICE SUN*

FLAG: GIBRALTAR

PORT OF LOADING: BEIRUT

LOAD: 425 MC

MERSIN TRANSIT TO IRAQ

*There was no count done in front of us , as it was a Saturday afternoon, Customs were not prepared to empty it out, however we were initially advised that there were 200 MC of Winchester in the Container. Subsequently, the invoicing details have now been released to us, and there are actually 350 master cases.*

*Samples were sent to Trier for lab analysis. The Lab later confirmed that they received a carton of Winchester Export Lights CPB with US Vol. HW (QA code: 322-2008) - which was identified as Genuine product from Turkey produced on June 11, 2008 with Pack code: FFH11B05*

*Our records show that these goods were made in Turkey on 11 June 08, and the entire production run was sold to IBCS in Sharjah and delivered FOB Izmir Factory to Interworld SARL (Zone France Depot No 6105 in Beirut).*

*The seller is Circuit Logistics Ltd. Sal, Beirut, invoiced to Miel Trading Ltd. Famagusta Northern Cyprus. The cigarettes were en route to Dohuk, Iraq.*