

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

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THE EUROPEAN COMMUNITY,  
acting on its own behalf and on behalf of the  
MEMBER STATES it has power to represent, and the  
Kingdom of Belgium, Republic of Finland,  
French Republic, Hellenic Republic,  
Federal Republic of Germany, Italian Republic,  
Grand Duchy of Luxembourg,  
Kingdom of the Netherlands,  
Portuguese Republic, and  
Kingdom of Spain, individually,

Plaintiffs,

- against -

COMPLAINT

RJR NABISCO, INC.,  
R.J. REYNOLDS TOBACCO COMPANY,  
R.J. REYNOLDS TOBACCO INTERNATIONAL, INC.,  
RJR ACQUISITION CORP., f/k/a  
NABISCO GROUP HOLDINGS CORP.,  
RJR NABISCO HOLDINGS CORP.,  
R.J. REYNOLDS TOBACCO HOLDINGS, INC.,

DEFENDANTS.

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Plaintiffs, THE EUROPEAN COMMUNITY, acting on its own behalf and on behalf of the MEMBER STATES it has power to represent, and the Kingdom of Belgium, Republic of Finland, French Republic, Hellenic Republic, Federal Republic of Germany, Italian Republic, Grand Duchy of Luxembourg, Kingdom of the Netherlands, Portuguese Republic, and Kingdom of Spain, individually, (hereinafter referred to as the "MEMBER STATES" and together with THE EUROPEAN COMMUNITY, as "PLAINTIFFS"), by and through their undersigned attorneys, for their complaint herein allege:

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## I. INTRODUCTION

1. For more than a decade, the DEFENDANTS (hereinafter also referred to as the “RJR DEFENDANTS” or “RJR”) have directed, managed, and controlled money-laundering operations that extended within and/or directly damaged the Plaintiffs. The RJR DEFENDANTS have engaged in and facilitated organized crime by laundering the proceeds of narcotics trafficking and other crimes. As financial institutions worldwide have largely shunned the banking business of organized crime, narcotics traffickers and others, eager to conceal their crimes and use the fruits of their crimes, have turned away from traditional banks and relied upon companies, in particular the DEFENDANTS herein, to launder the proceeds of unlawful activity.

2. The DEFENDANTS knowingly sell their products to organized crime, arrange for secret payments from organized crime, and launder such proceeds in the United States or offshore venues known for bank secrecy. DEFENDANTS have laundered the illegal proceeds of members of Italian, Russian, and Colombian organized crime through financial institutions in New York City, including The Bank of New York, Citibank N.A., and Chase Manhattan Bank. DEFENDANTS have even chosen to do business in Iraq, in violation of U.S. sanctions, in transactions that financed both the Iraqi regime and terrorist groups.

3. The RJR DEFENDANTS have, at the highest corporate level, determined that it will be a part of their operating business plan to sell cigarettes to and through criminal organizations and to accept criminal proceeds in payment for cigarettes by secret and surreptitious means, which under United States law constitutes money laundering. The officers and directors of the RJR DEFENDANTS facilitated this overarching money-laundering scheme

by restructuring the corporate structure of the RJR DEFENDANTS, for example, by establishing subsidiaries in locations known for bank secrecy such as Switzerland to direct and implement their money-laundering schemes and to avoid detection by U.S. and European law enforcement. This overarching scheme to establish a corporate structure and business plan to sell cigarettes to criminals and to launder criminal proceeds was implemented through many subsidiary schemes across THE EUROPEAN COMMUNITY. Examples of these subsidiary schemes are described in this Complaint and include:

- (a.) Laundering criminal proceeds received from the Alfred Bossert money-laundering organization;
- (b.) Money Laundering for Italian organized crime;
- (c.) Money laundering for Russian organized crime through The Bank of New York;
- (d.) The Walt money-laundering conspiracy;
- (e.) Money laundering through cut outs in Ireland and Belgium;
- (f.) Laundering of the proceeds of narcotics sales throughout THE EUROPEAN COMMUNITY by way of cigarette sales to criminals in Spain;
- (g.) Laundering criminal proceeds in the United Kingdom;
- (h.) Laundering criminal proceeds through cigarette sales via Cyprus; and
- (i.) Illegal cigarette sales into Iraq.

Numerous additional subsidiary schemes exist that harm THE EUROPEAN COMMUNITY and each of the MEMBER STATES named herein.

4. This civil action is based upon violations of the Racketeer Influenced and Corrupt Organizations Act, which was specifically intended by Congress to eradicate organized

crime on all fronts (including in foreign and interstate commerce) and to deprive violators of their ill-gotten gains. It is also based upon violations of standards of common law, including fraud, negligence, unjust enrichment, public nuisance, and conspiracy to commit such torts. Plaintiffs seek damages; equitable relief such as disgorgement of profits; and injunctive relief (a) to enjoin DEFENDANTS from engaging in money laundering and facilitating organized crime, and (b) to compel DEFENDANTS to adopt necessary programs and procedures to prevent such conduct in the future. Absent such relief, there will be an increased risk to national security, continued harm to Plaintiffs, and damage to the vital interests of the United States and Plaintiffs.

## II. PARTIES

5. THE EUROPEAN COMMUNITY is a governmental body created as a result of collaboration among the majority of the nations of Western Europe, more specifically, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, and the United Kingdom. Pursuant to the Treaty establishing THE EUROPEAN COMMUNITY, as last amended by the Treaty of Amsterdam (1999), Article 2, THE EUROPEAN COMMUNITY is vested with the responsibility "to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, . . . a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among the Member States." THE EUROPEAN COMMUNITY has certain legal rights and responsibilities. Pursuant to Article 281 of the Treaty establishing THE EUROPEAN COMMUNITY, THE EUROPEAN COMMUNITY is a legal person. Pursuant to

Article 282 of the Treaty establishing THE EUROPEAN COMMUNITY, THE EUROPEAN COMMUNITY possesses the most extensive legal capacity accorded to legal persons under the laws of the Member States, and it may, in particular, acquire or dispose of property and may be a party to legal proceedings. In such instances, THE EUROPEAN COMMUNITY is represented by the European Commission. Pursuant to Article 280 of the Treaty establishing THE EUROPEAN COMMUNITY, THE EUROPEAN COMMUNITY has the duty to counter fraud and any other illegal activities affecting the financial interests of THE EUROPEAN COMMUNITY through measures which shall act as a deterrent and be such as to afford effective protection in the Member States. THE EUROPEAN COMMUNITY has a duty to protect against harm to the financial institutions and infrastructure within THE EUROPEAN COMMUNITY. THE EUROPEAN COMMUNITY possesses additional duties and authorities that have been conferred upon it by the MEMBER STATES or that it shares with the MEMBER STATES, by virtue of treaty and/or law, including but not limited to the following: (a) The duty and authority to regulate foreign commerce; (b) The duty and authority to regulate and set rules to combat money laundering; (c) The duty and authority to prescribe regulations for the seizure of bank accounts and assets and to take other related actions to combat money laundering and other financial crimes committed against the financial interests of THE EUROPEAN COMMUNITY and the MEMBER STATES; (d) The duty and authority to ensure and regulate the free movement of goods within THE EUROPEAN COMMUNITY; (e) The duty and authority to regulate safety and security at sea; (f) The duty and authority to regulate and take action to protect against breaches of THE EUROPEAN COMMUNITY Customs Territory or THE EUROPEAN COMMUNITY Customs Border; (g) The duty and authority to regulate ports, customs territories, free trade zones, and customs bonded warehouses; (h) The duty and



authority to regulate transportation into THE EUROPEAN COMMUNITY or within its borders; and (i) The duty to promote throughout the Community a harmonious, balanced, and sustainable development of economic activities and to protect and promote the economic well being of its citizens. THE EUROPEAN COMMUNITY has the general duty and the authority to act to abate any harm to itself or to the general public of THE EUROPEAN COMMUNITY within its areas of competence as set forth above. Among the legal rights of THE EUROPEAN COMMUNITY is the right to hold a legal or beneficial interest in property. THE EUROPEAN COMMUNITY is represented in the United States by a Delegation in Washington, D.C. The Delegation has full diplomatic privileges and immunities, and the Head of the Delegation is accorded full ambassadorial status.

6. Each of the named MEMBER STATES, Kingdom of Belgium, Republic of Finland, French Republic, Hellenic Republic, Federal Republic of Germany, Italian Republic, Grand Duchy of Luxembourg, Kingdom of the Netherlands, Portuguese Republic, and Kingdom of Spain, is a sovereign State. As such, each State possesses the legal capacity to acquire, own, or dispose of property and may be a party to legal proceedings. Each MEMBER STATE is a “person” as defined under the applicable United States law. Each MEMBER STATE has the right to hold a legal or beneficial interest in property.

7. Within the areas of their competency and jurisdiction, THE EUROPEAN COMMUNITY and each of the named MEMBER STATES are the legal entities with the duty and responsibility for enforcing the money and banking laws within their respective jurisdictions. If any entities, including the RJR DEFENDANTS, launder criminal proceeds or commit other illegal acts that violate the money and/or banking laws of the PLAINTIFFS, it is these PLAINTIFFS with the duty and competency to enjoin and obtain redress for such conduct.

8. RJR NABISCO, INC. was a Delaware corporation and, according to public records, maintained its principal place of business at 1301 Avenue of the Americas, New York, New York 10019-6013. During relevant times, RJR NABISCO, INC. was the parent corporation of R.J. REYNOLDS TOBACCO COMPANY and has participated in the sale and manufacture of cigarettes and other tobacco products both individually and through its agent and instrumentality, DEFENDANT R.J. REYNOLDS TOBACCO COMPANY, and related entities and ventures. At all relevant times, RJR NABISCO, INC. assumed an active role in the tobacco business and treated the tobacco business as a department or division of RJR NABISCO, INC. At times pertinent to this complaint, RJR NABISCO, INC., individually and through its agents, subsidiaries, divisions, or affiliated companies, or ventures, materially participated in the operation and management of RJR's money-laundering enterprise, and materially participated, conspired, assisted, encouraged, and otherwise aided and abetted one or more of the other DEFENDANTS in the unlawful and fraudulent conduct alleged herein, all of which has affected foreign and interstate commerce. Upon information and belief, based on RJR's public filings, RJR NABISCO, INC., was renamed R.J. REYNOLDS TOBACCO HOLDINGS, INC., a Delaware corporation, and is now a direct, wholly-owned subsidiary of RJR ACQUISITION CORP., f/k/a NABISCO GROUP HOLDINGS CORP. During relevant times herein, RJR NABISCO, INC., has conducted continuous and systematic business in the State of New York, maintains a substantial financial presence in the State of New York, utilizes offices of its own and of its affiliated corporations in New York, and is otherwise subject to the jurisdiction of the courts in the State of New York.

9. R.J. REYNOLDS TOBACCO COMPANY is a New Jersey corporation whose principal place of business is located at 401 North Main Street, Winston-Salem, North Carolina

27102. At times pertinent to this complaint, R.J. REYNOLDS TOBACCO COMPANY, individually and through its agents, subsidiaries, divisions, or affiliated companies or ventures, materially participated in the operation and management of RJR's money-laundering enterprise, and materially participated, conspired, assisted, encouraged, and otherwise aided and abetted one or more of the other DEFENDANTS in the unlawful and fraudulent conduct alleged herein, all of which has affected foreign and interstate commerce. During relevant times herein, R.J. REYNOLDS TOBACCO COMPANY conducted continuous and systematic business in the State of New York, maintains a substantial financial presence in the State of New York, utilizes offices of its own and of its affiliated corporations in New York, and is otherwise subject to the jurisdiction of the courts in the State of New York.

10. R.J. REYNOLDS TOBACCO INTERNATIONAL, INC. is a Delaware corporation. At times pertinent to this complaint, R.J. REYNOLDS TOBACCO INTERNATIONAL, INC., individually and through its agents, subsidiaries, divisions, or affiliated companies or ventures, materially participated in the operation and management of RJR's money-laundering enterprise, and materially participated, conspired, assisted, encouraged, and otherwise aided and abetted one or more of the other DEFENDANTS in the unlawful and fraudulent conduct alleged herein, all of which has affected foreign and interstate commerce. During all relevant times, R.J. REYNOLDS TOBACCO INTERNATIONAL, INC. conducted continuous and systematic business in the State of New York, maintained a substantial financial presence in the State of New York, utilized offices of its own and of its affiliated corporations in New York, and is otherwise subject to the jurisdiction of the courts in the State of New York.

11. RJR NABISCO HOLDINGS CORP. is a Delaware corporation whose principal place of business is 1301 Avenue of the Americas, New York, New York 10019-6013.

During all relevant times, RJR NABISCO HOLDINGS CORP. was the parent corporation of RJR NABISCO, INC. On June 14, 1999, RJR NABISCO HOLDINGS CORP. changed its name to NABISCO GROUP HOLDINGS CORP. In 2001, NABISCO GROUP HOLDINGS CORP. changed its name to RJR ACQUISITION CORP. RJR ACQUISITION CORP., f/k/a NABISCO GROUP HOLDINGS CORP. is a Delaware corporation whose principal place of business is 7 Campus Drive, Parsippany, New Jersey 07054-0311.

12. On June 14, 1999, RJR NABISCO HOLDINGS CORP. distributed all of the common stock of its subsidiary, R.J. REYNOLDS TOBACCO HOLDINGS, INC., to the shareholders of RJR NABISCO HOLDINGS CORP.

13. During all relevant times, the holding corporations, identified above in paragraphs 11 and 12, participated, directly and indirectly, in the sale and manufacture of cigarettes and other tobacco products through their agent and instrumentality DEFENDANT, R.J. REYNOLDS TOBACCO COMPANY, and related entities and ventures. These holding corporations assumed an active role in the tobacco business, and at relevant times have treated the tobacco business as a department or division. At times pertinent to this complaint, these holding corporations, individually and through their agents, subsidiaries, divisions, or affiliated companies or ventures, materially participated in the operation and management of RJR's money-laundering enterprise, and materially participated, conspired, assisted, encouraged, and otherwise aided and abetted one or more of the other DEFENDANTS in the unlawful and fraudulent conduct alleged herein, all of which has affected foreign and interstate commerce. During relevant times herein, the holding corporations, identified above in paragraphs 12 and 13, conducted continuous and systematic business in the State of New York, maintained a substantial

financial presence of their own and their affiliated corporations in New York, and are otherwise subject to the jurisdiction of the courts in the State of New York.

14. The RJR DEFENDANTS are and were, during all relevant times, involved in directing, managing, and controlling money-laundering operations that extended within and/or directly damaged the PLAINTIFFS. At all times pertinent to this complaint, the RJR DEFENDANTS, individually and through their employees, agents, joint venturers, coconspirators, subsidiaries, divisions, or affiliated companies, actively directed, managed, and controlled the RJR money-laundering enterprise, and actively participated, conspired, assisted, encouraged, and otherwise aided and abetted one or more of their coconspirators in the unlawful and fraudulent conduct alleged herein, all of which has affected and continues to affect foreign and interstate commerce in the United States.

15. The foregoing RJR corporations, as well as their affiliated entities, ventures, and successors, are and were, during all relevant times, affiliated, consolidated, combined, and unitary entities for purposes of tobacco operations and related activities. Tobacco operations were departments within the RJR corporate family. The RJR DEFENDANTS maintain control of tobacco operations worldwide through a web of affiliated entities and joint ventures. This corporate structure was an essential aspect of RJR's successful efforts to launder the proceeds of criminal activity to the detriment of the PLAINTIFFS.

16. The RJR DEFENDANTS are and were, during all relevant times, responsible for the acts and omissions of their employees, for acts undertaken within the general area of their authority and for the benefit of the RJR DEFENDANTS. As alleged herein, the RJR DEFENDANTS were central figures in the overall conspiracy that actively embarked on and extensively participated in the fraudulent scheme. By means of corporate policies that put RJR

DEFENDANTS' resources and strategy at the heart of the conspiracy, the RJR DEFENDANTS were aggressor entities that acted to harm the economic interests of the Plaintiffs.

17. The RJR DEFENDANTS, during relevant times, have adopted a "worldwide" policy that purports to exercise control of the activities of their employees, as well as those of their direct and indirect subsidiaries. Under this policy, which is said to be monitored and enforced by RJR's Audit Committee, RJR DEFENDANTS have undertaken responsibility for the acts of the employees of the RJR DEFENDANTS, wherever taken, including acts related to money-laundering activities within Europe and elsewhere which materially injured THE EUROPEAN COMMUNITY and its MEMBER STATES.

### III. JURISDICTION

18. As to the Plaintiffs, the MEMBER STATES, jurisdiction is proper in this Court pursuant to 28 U.S.C. §§ 1331, 1337 because this matter involves allegations of illegal behavior arising under the laws of the United States, including violations of RICO. Furthermore, jurisdiction in this Court is proper pursuant to RICO, 18 U.S.C. §§ 1964(a),(c) and 28 U.S.C. § 1651(a). The DEFENDANTS are "persons" within the meaning of 18 U.S.C. § 1961(3). As to all Plaintiffs, jurisdiction is proper in this Court pursuant to 28 U.S.C. § 1332 because the matter in controversy exceeds the sum or value of \$75,000 and involves parties of diverse citizenship. The Plaintiffs are "persons" within the meaning of 18 U.S.C. § 1961(3). Finally, this Court may exercise jurisdiction over Plaintiffs' non-federal claims pursuant to 28 U.S.C. § 1367, as this Court possesses both federal question and diversity jurisdiction.

#### IV. VENUE

19. Venue is proper in this Court pursuant to 18 U.S.C. § 1965(a) because DEFENDANTS reside, are found, have an agent, or transact affairs in this District. Venue is also proper in this Court pursuant to 18 U.S.C. § 1965(b) because, to the extent any DEFENDANT may reside outside of this district, the ends of justice require such DEFENDANT or DEFENDANTS to be brought before the Court. Venue properly lies in this Court pursuant to 28 U.S.C. § 1391(b)(2) or, alternatively, pursuant to 28 U.S.C. § 1391(a)(2). Further, certain of the conspiratorial acts alleged herein took place within this judicial district.

#### V. THE LINK BETWEEN RJR'S CIGARETTE SALES, MONEY LAUNDERING, AND ORGANIZED CRIME

##### *Money-Laundering Links Between Europe, The United States, Russia, and Colombia*

20. Cigarette sales, money laundering, and organized crime are linked and interact on a global basis. According to Jimmy Gurule, Undersecretary for Treasury Enforcement: “Money laundering takes place on a global scale and the Black Market Peso Exchange System, though based in the Western Hemisphere, affects business around the world. US law enforcement has detected BMPE-related transactions occurring throughout the United States, Europe, and Asia.”

21. The primary source of cocaine within THE EUROPEAN COMMUNITY is Colombia. Large volumes of cocaine are transported from Colombia into THE EUROPEAN

COMMUNITY and then sold illegally within THE EUROPEAN COMMUNITY and the MEMBER STATES. The proceeds of these illegal sales must be laundered in order to be useable by narcotics traffickers. Throughout the 1990s and continuing to the present day, a primary means by which these cocaine proceeds are laundered is through the purchase and sale of cigarettes, including those manufactured by the RJR DEFENDANTS. Cocaine sales in THE EUROPEAN COMMUNITY are facilitated through money-laundering operations in Colombia, Panama, Switzerland, and elsewhere which utilize RJR cigarettes as the money-laundering vehicle.

22. In a similar way, the primary source of heroin within THE EUROPEAN COMMUNITY is the Middle East and, in particular, Afghanistan, with the majority of said heroin being sold by Russian organized crime, Middle Eastern criminal organizations, and terrorist groups based in the Middle East. Heroin sales in THE EUROPEAN COMMUNITY and the MEMBER STATES are facilitated and expedited by the purchase and sale of the DEFENDANTS' cigarettes in money-laundering operations that begin in THE EUROPEAN COMMUNITY and the MEMBER STATES, Eastern Europe, and/or Russia, but which ultimately result in the proceeds of those money-laundering activities being deposited into the coffers of the RJR DEFENDANTS in the United States.

*Background on the Convergence of Narcotics Trafficking and Money Laundering*

23. This complaint is about Trade and Commerce or, more correctly, illegal Trade and illegal Commerce, and how money laundering facilitates the financing and movement of goods internationally. Merchants engaging in global trade often turn to the more stable global



currencies for payments of goods and services purchased abroad. In many markets, the United States dollar is the currency of choice and, in some cases, the United States dollar is the only accepted form of payment. Merchants seeking dollars usually obtain them in a variety of ways, including the following three methods. Traditional merchants go to a local financial institution that can underwrite credit. Private financing is usually available for those with collateral. A third and least desirable source of dollar financing can be found in the “black markets” of the world. Black Markets are the underground or parallel financial economies that exist in every country. Criminals and their organizations control these underground economies, which generally operate through “money brokers.” These “money brokers” often fulfill a variety of roles not the least of which is an important intermediate step in the laundering process, one that we will refer to throughout this complaint as the “cut out.” (See paragraphs 32-35 below.)

24. The criminal activity that provides the dollars for these black market money-laundering operations is often drug trafficking and related violent crimes. South America is the world leader in the production of cocaine, and the United States and the European Union are the world’s largest cocaine markets. Likewise, Colombia and countries in the Middle East produce heroin. Cocaine and heroin are smuggled to the United States and Europe, and are sold for United States dollars as well as in local European currencies (and now the Euro). Russian drug smugglers obtain heroin from the Middle East and cocaine from South America, and sell both drugs in large quantities in the United States and in Europe. Retail street sales of cocaine and heroin have risen dramatically over the past two decades throughout the United States and Europe. Consequently, drug traffickers routinely accumulate vast amounts of illegally obtained cash in the form of United States dollars in the United States and Euros in Europe. The U.S.

Customs Service estimates that illegal drug sales in the United States alone generate an estimated fifty-seven billion dollars in annual revenues, most of it in cash.

25. A drug trafficker must be able to access his profits, to pay expenses for the ongoing operation, and to share in the profits; and he must be able to do this in a manner that seemingly legitimizes the origins of his wealth, so as to ward off oversight and investigation that could result in his arrest and imprisonment and the seizure of his monies. The process of achieving these goals is the money-laundering cycle.

26. The purpose of the money-laundering cycle is to establish total anonymity for the participants, by passing the cash drug proceeds through the financial markets in a way that conceals or disguises the illegal nature, source, ownership, and/or control of the money.

#### *Background on Black Market Money Exchanges*

27. Within Europe, the United States, South America, and elsewhere, a community of illegal currency exchange brokers, known to law-enforcement officials as “money brokers,” operates outside the established banking system and facilitates the exchange of narcotics sale proceeds for local cash or negotiable instruments. Many of these money brokers have developed methods to bypass the banking systems and thereby avoid the scrutiny of regulatory authorities. These money exchanges have different names depending on where they are located, but they all operate in a similar fashion.

28. A typical “money-broker” system works this way: In a sale of Colombian cocaine in THE EUROPEAN COMMUNITY, the drug cartel exports narcotics to the MEMBER STATES where they are sold for Euros. In Colombia, the cartel contacts the money broker and

negotiates a contract, in which the money broker agrees to exchange pesos he controls in Colombia for Euros that the cartel controls in Europe. The money broker pays the cartel the agreed-upon sum in pesos. The cartel contacts its cell (group) in the European Union and instructs the cell to deliver the agreed-upon amount of Euros to the money broker's European agent. The money broker must now launder the Euros he has accumulated in the European Union. He may also need to convert the Euros into U.S. dollars because his customers may need U.S. dollars to pay companies such as RJR for their products.

29. The money broker uses his European contacts to place the monies he purchased from the cartel into the European banking system or into a business willing to accept these proceeds (a process described in more detail below). The money broker now has a pool of narcotics-derived funds in Europe to sell to importers and others. In many instances, the narcotics trafficker who sold the drugs in THE EUROPEAN COMMUNITY is also the importer who purchased the cigarettes. Importers buy these monies from the money brokers at a substantial discount off the "official" exchange rates and use these monies to pay for shipments of items (such as cigarettes), which the importers have ordered from United States companies and/or their authorized European representatives, or "cut outs." The money broker uses his European contacts to send the monies to whomever the importer has specified. Often these customers utilize such monies to purchase the DEFENDANTS' cigarettes in bulk and, in many instances, the money brokers have been directed to pay the RJR DEFENDANTS directly for the cigarettes purchased. The money broker makes such payments using a variety of methods, including his accounts in European financial institutions. The purchased goods are shipped to their destinations. The importer takes possession of his goods. The money broker uses the funds derived from the importer to continue the laundering cycle.

30. In that fashion, the drug trafficker has converted his drug proceeds (which he could not previously use because they were in Euros) to local currency that he can use in his homeland as profit and to fund his operations; the European importer has obtained the necessary funds from the black market money broker to purchase products that he might not otherwise have been able to finance (due to lack of credit, collateral, or U.S. dollars, and/or a desire for secrecy); the company selling cigarettes to the importer has received payment on delivered product in its currency of choice regardless of the source of the funds; and the money broker has made a profit charging both the cartel and the importer for his services. This cycle continues until the criminals involved are arrested and a new cycle begins. Money laundering is a series of such events, all connected and never stopping until at least one link in the chain of events is broken.

31. Many narcotics traffickers who sell drugs in THE EUROPEAN COMMUNITY now also purchase and import cigarettes. In particular, as the trade in cigarettes becomes more profitable and carries lesser criminal penalties compared to narcotics trafficking, the “business end” of selling the cigarettes has become at least as attractive and important to the criminal as the narcotics trafficking. Finally, it makes no difference whatsoever to the money-laundering system whether the goods are imported and distributed legally or illegally. Regardless of whether he sells his cigarettes legally or illegally, the narcotics trafficker has achieved his goal in that he has been able to disguise the nature, location, true source, ownership, and/or control of his narcotics proceeds. At the same time, the cigarette manufacturer (in this case RJR) has achieved its goal because it has successfully sold its product in a highly profitable way.

*Background on Money Laundering: The “Cut-Out” Strategy*

32. There are numerous important steps in any money laundering cycle. “Dirty” money of necessity moves in a way that is specifically designed to conceal or disguise its nature, source, ownership, and/or control. Successful “layering” of “dirty” transactions will often involve intermediaries, like money brokers, as a matter of necessity and convenience. These “money brokers” play an important role in the laundering conspiracy. They serve to isolate relevant coconspirators from the overt criminal acts, and because of that they are often referred to by law-enforcement agencies as “cut outs.” The “cut out” is purposefully inserted into the transaction to create a layer of activity between the overt criminal actors and those receiving the laundered proceeds or profits of the criminal scheme. The “cut out’s” role is to shield the true participants in the conspiracy from discovery.

33. In this money-laundering conspiracy, the RJR DEFENDANTS’ role will often be masked by the activities of the “cut outs.” Consequently, the “cut-out” strategy will be referred to often throughout this complaint. The “cut-out” strategy is also relevant to the sales and marketing end of the international cigarette export cycle. When a cigarette manufacturer intentionally sells its products into criminal distribution channels via carefully selected wholesalers, so that it can deny responsibility for “where the customer sells the product,” the manufacturer is using that wholesaler as a “cut out” to insulate itself from the overt acts involved in the sale of cigarettes as a means of supporting the money-laundering cycle.

34. The cut-out strategy works for the benefit of the manufacturers looking to increase market share and for those merchants looking to conceal their involvement in legal or illegal business activity. Overall, this process develops into the creation of an unfair business

strategy for the manufacturer that increases its market share by creating a competitive disadvantage. By operating outside the legal framework for fair business operations, the manufacturer creates an unfair advantage for itself as against its competitors in virtually all aspects of business activity, including profit margins, financing terms, price structures, shipping, storage, advertising, regulation (e.g., in the case of cigarettes, health warnings), reporting obligations, and other aspects of business strategy. The resulting “competitive disadvantage” is particularly onerous to domestic companies that must comply with an array of regulations ranging from the sourcing of raw materials to laws governing treatment of their employees. Consequently, domestic manufacturers in THE EUROPEAN COMMUNITY (both state owned and privately owned) are particularly harmed by the cut-out strategy.

35. As will become clear from the RJR DEFENDANTS’ use of Weitnauer Trading Company Ltd. (hereinafter referred to as “Weitnauer”), Michael Haenggi, Copaco, Alfred Bossert, and many others, the “cut out” was an integral part of the RJR DEFENDANTS’ direction of and participation in this international money-laundering conspiracy.

## VI. THE RACE FOR MARKET SHARE

36. RJR has been aware of organized crime’s involvement in the distribution of its products since at least the 1970’s. On January 4, 1978, the Tobacco Institute’s Committee of Counsel met at the offices of Philip Morris in New York City. The Committee of Counsel was the high tribunal that set the tobacco industry’s legal, political, and public relations strategy for more than three decades. The January 4, 1978, meeting was called to discuss, among other things, published reports concerning organized crime’s involvement in the tobacco trade and the

tobacco industry's complicity therein. The published reports detailed the role of organized crime in the tobacco trade (including the Colombo crime family in New York), and the illegal trade at the Canadian border and elsewhere. RJR's general counsel, Max Crohn, attended and participated in the meeting. All of the large cigarette manufacturers were present at the meeting and represented by counsel, such as Philip Morris (Arnold & Porter, Abe Krash), and Brown & Williamson (Paul Weiss Rifkind Wharton & Garrison, Martin London). The Committee of Counsel took no action to address, investigate, or end the role of organized crime in the tobacco business. Instead, the Committee agreed to formulate a joint plan of action to protect the industry from scrutiny of the U.S. Congress. Notice and the agenda for the meeting, and the minutes of the meeting, were transmitted by the use of the U.S. mails.

37. Throughout the 1990s and continuing to the present day, the RJR DEFENDANTS have undertaken extensive efforts to increase their market share and to expand the sales of their products throughout the world.

38. To accomplish this end, the RJR DEFENDANTS have actively engaged in the sale of their products to criminals and/or criminal organizations, which can purchase goods with their criminal proceeds only if the payments for those goods are made covertly so as to avoid detection by law enforcement. The RJR DEFENDANTS engaged in such conduct through illegal acts, including money laundering, wire fraud, mail fraud, and other violations of United States law. The RJR DEFENDANTS have controlled, directed, encouraged, supported, and facilitated the activities of the criminals who purchase their products. The RJR DEFENDANTS have collaborated with criminals, directly and indirectly, and have sold cigarettes to persons and entities that they know or had reason to know were laundering criminal proceeds through the purchase of cigarettes.

39. By engaging in this illegal conduct the RJR DEFENDANTS have achieved multiple benefits for themselves, including but not limited to the following:

(a.) The RJR DEFENDANTS have increased their cigarette sales because they have new and additional customers, namely, the money-launderers and the criminal organizations they service.

(b.) The RJR DEFENDANTS have increased their profit margins because they require the criminals to pay a premium for their cigarettes and/or subject the criminals to sales and credit terms that are more favorable to the RJR DEFENDANTS than those granted to legitimate customers.

(c.) The RJR DEFENDANTS have increased their market share by adding to their customer base to the detriment of their competitors.

(d.) The RJR DEFENDANTS have enhanced the market value of their tobacco operations, while decreasing the market value of their competitors' operations.

40. The RJR DEFENDANTS, jointly and as individual corporations, control, direct, encourage, support, promote, and facilitate the criminal activities that harm THE EUROPEAN COMMUNITY in a variety of ways, including but not limited to the following:

(a.) The RJR DEFENDANTS developed mechanisms and procedures, including the use of cut outs, to allow their criminal customers to pay them for cigarettes in ways that could not be detected by U.S. and European law enforcement. In most instances, the RJR DEFENDANTS mandate that their criminal clients utilize these procedures to ensure that the RJR DEFENDANTS' role in these money-laundering activities will remain undetected.



(b.) The RJR DEFENDANTS accept payments from persons or entities they know, or have reason to know, are criminals and money launderers, and/or from distributors that they know, or have reason to know, are selling cigarettes to criminals and money launderers.

(c.) The RJR DEFENDANTS make arrangements by which the cigarettes they sell can be paid for in such a way that the payments are virtually untraceable.

(d.) The RJR DEFENDANTS make arrangements for payments for their cigarettes to be made into foreign accounts, including accounts held by Swiss corporations and/or Swiss bank accounts, in an attempt to improperly utilize Swiss banking and privacy laws as a shield to protect the criminals from government investigations concerning their activities.

(e.) The RJR DEFENDANTS agree to receive payment for cigarettes by way of third-party checks and other forms of payment executed by persons who have no relationship to the transaction other than that they have provided the funds. Such persons are a common part of money-laundering schemes. Payments for cigarettes by such third-party persons are a clear indication of money-laundering activity.

(f.) The RJR DEFENDANTS established protocols for “layered transactions” that allowed for payment for cigarettes to be made through multiple intermediaries (cut outs) to conceal the ultimate source and nature of the illicit funds.

(g.) The RJR DEFENDANTS invoiced distributors and intermediaries (cut outs) for cigarettes that were sold to criminal customers to conceal the fact that these sales were being made to criminals. In fact, however, the intermediaries and distributors were never expected to pay for the invoiced cigarettes and, at most, would act as pass-through accounts by which the criminals paid the RJR DEFENDANTS for cigarettes.

(h.) The RJR DEFENDANTS generate false or misleading invoices, bills of lading, shipping documents, and other documents that expedite the process by which the cigarettes are secretly delivered to criminals.

(i.) The RJR DEFENDANTS approve their criminal customers on an expedited basis and do not require them to go through the formalities required of legitimate customers.

(j.) The RJR DEFENDANTS engage in a pattern of activity by which they ship cigarettes designated for one port knowing that, in fact, the cigarettes will be diverted to another port to be sold illegally and/or in violation of United States laws and embargoes.

(k.) The RJR DEFENDANTS have formed, financed, and directed the activities of industry groups to disseminate false and misleading information to Plaintiffs and the public to conceal their illegal activities.

(l.) The RJR DEFENDANTS controlled, directed, encouraged, supported, and facilitated cigarette sales to criminals by giving instructions to distributors, shippers, shipping companies, retailers, and/or various other intermediaries so as to effectuate the sale of large amounts of cigarettes by criminal organizations.

41. But for the involvement and active assistance of the RJR DEFENDANTS, money launderers and criminals could not have laundered the proceeds of their criminal activities and continued such activities at such levels to the detriment of THE EUROPEAN COMMUNITY and the MEMBER STATES.

42. The members of this vertical group, consisting of the DEFENDANTS, the distributors, the shippers, the criminal customers, currency brokers, and the RJR DEFENDANTS' agents and subsidiaries who receive payment for the cigarettes, work together

for the common purpose of depriving Plaintiffs of money and property and engaging in a course of conduct to gain massive profits from the sale of cigarettes as a part of a global money-laundering enterprise while harming Plaintiffs' economic interests. The activities of this core group constitute a conspiracy in law and in fact.

## VII. RJR'S DIRECT INVOLVEMENT IN MONEY LAUNDERING

43. The RJR DEFENDANTS have been actively involved in money laundering for many years, and have carried out their scheme through acts within this District and throughout this State. Examples of the methods and means by which the RJR DEFENDANTS have been complicit in the money-laundering scheme, directly and through the acts of their coconspirators, are set forth below.

### *RJR's Relationships with Money Launderers*

44. The RJR DEFENDANTS solicited contacts with companies and individuals in Europe, Central America, and the Caribbean that the DEFENDANTS knew, or had reason to know, were money launderers. Large parts of RJR's illegal activities were conducted through a branch of RJR called North American Duty Free (NADF). Richard LaRocca was vice president-general manager for North America Duty Free. He had been recruited by the RJR DEFENDANTS because of his special knowledge of the Spanish cigarette market. Richard LaRocca knew and worked directly with Michael Haenggi who was a major customer of RJR and a central figure in a massive cigarette sales/money-laundering scheme. In 1997, Michael

Haenggi freely admitted to the *New York Times* that he sold RJR cigarettes in bulk to known criminals. In spite of this public announcement, the RJR DEFENDANTS made a corporate decision to continue selling huge volumes of cigarettes to Michael Haenggi even though they were on notice that payments from Haenggi would include the proceeds of criminal activity.

45. In light of the dramatic increase of narcotics sales in THE EUROPEAN COMMUNITY over the last two decades, narcotics traffickers and money launderers in THE EUROPEAN COMMUNITY increasingly needed to launder enormous volumes of cash and/or convert their cash from one form of currency to another. The RJR DEFENDANTS wished to increase their market share in certain target markets in THE EUROPEAN COMMUNITY by obtaining additional customers for their product on whom they could rely to sell the cigarettes in the markets targeted by the DEFENDANTS. In general, it was immaterial to the RJR DEFENDANTS whether the cigarettes were sold legally or illegally, so long as the cigarettes were sold in the target markets. Accordingly, the RJR DEFENDANTS reached an agreement with their coconspirators, the narcotics traffickers and money launderers, that the DEFENDANTS would provide these criminals with the capability to launder the proceeds of their criminal activities, including narcotics trafficking, by purchasing the DEFENDANTS' tobacco products. The RJR DEFENDANTS arranged for secret delivery of the cigarettes and secret means by which the coconspirators could pay for the cigarettes, an essential component of the money-laundering scheme. In return, the narcotics traffickers and money-launderers agreed to sell the products in the markets targeted by the RJR DEFENDANTS and sold the cigarettes under the instructions of the RJR DEFENDANTS. In this way, the proceeds of enormous amounts of Colombian cocaine money and Russian heroin money derived from narcotics sales in

the United States and THE EUROPEAN COMMUNITY, as well as the proceeds of other crimes, were laundered through the purchase and sale of the RJR DEFENDANTS' products.

46. The RJR DEFENDANTS had a well-established relationship with distributors in Switzerland, Panama, the Caribbean, Eastern Europe, and elsewhere who were well situated to develop and exploit relationships with criminal individuals and organizations. The RJR DEFENDANTS directly and indirectly encouraged their distributors to solicit and/or expand their relationships with customers who were purchasing the cigarettes largely for the purpose of laundering criminal proceeds.

47. The RJR DEFENDANTS entered into agreements and understandings with money launderers and narcotics traffickers in Europe, Russia, and South America to meet the business needs of RJR and their coconspirators. These money launderers include but were not limited to Gerardo Cuomo, Patrick Laurent, Gilbert Llorens, Corrado Bianchi, Werner Denz, Martin Denz, Luis Garcia, members of the Mansur family, and Patrick Monnier. Communications with or on behalf of these individuals were accomplished through a regular use of the U.S. wires and mails.

48. Two Swiss companies known as Algrado A.G. (hereinafter referred to as "Algrado") and Weitnauer were primary distributors of RJR products and an essential link in the money-laundering chain. During the time that the RJR DEFENDANTS and their coconspirators, including Algrado and Weitnauer, were selling cigarettes through the aforesaid scheme, they developed a sophisticated mechanism by which the proceeds of these sales could be laundered to disguise their criminal origins. For example, throughout the 1990s and until some time in 1998, a significant conduit for the laundering of criminal proceeds in THE EUROPEAN COMMUNITY and the MEMBER STATES was a series of accounts opened in Liechtenstein

and Switzerland by Mingo Finance Limited, a British Virgin Island company. Payments of criminal proceeds to Algrado for RJR products were made through several Mingo Finance accounts, including but not limited to account #: 0577983-AB/US at the Bank of Liechtenstein, One Herrengasse 12, located in Vaduz, Liechtenstein. The RJR DEFENDANTS knew or, but for their willful blindness would have known, that the payments through Mingo Finance constituted the proceeds of criminal activity.

*RJR's Direction and Control of the Money-Laundering Scheme*

49. The RJR DEFENDANTS controlled every aspect of the financial transactions involving the purchase of their cigarettes. The RJR DEFENDANTS set either favorable or unfavorable financing terms for their customers as a means to reward, punish, and/or control the customers. The RJR DEFENDANTS also controlled the exact methods and means by which RJR was paid for the cigarettes. In this way, RJR structured its payment schemes to maximize its own security from detection by United States and European law enforcement.

50. In addition to establishing the rules by which the RJR DEFENDANTS would be paid by cash, Brady Bonds, secret payments to Swiss accounts, or other means as described more fully below, the RJR DEFENDANTS also dictated that their criminal customers route payments to RJR through intermediary distributors, shippers, and other cut outs. This procedure, known in money-laundering jargon as "layering," is conducted for the sole purpose of concealing the payments' true source from THE EUROPEAN COMMUNITY and United States law enforcement. In the case of money-laundering transactions related to THE EUROPEAN COMMUNITY and the MEMBER STATES, such intermediaries included Weitnauer, Algrado,

Copaco, and various exchange houses in Switzerland, including Intercambi S.A. In the case of sales of cigarettes into Iraq, the primary intermediary was IBCS and other companies owned by Issa Audeh.

51. At key distribution points such as Antwerp, Belgium, the RJR DEFENDANTS utilized certain storage and shipping companies to handle their products. These storage and shipping companies maintained lists of “direct customers of RJR” which included special handling instructions for shipments designated for RJR customers that RJR knew were involved in criminal activities. These direct customers included but were not limited to Porespa, Copaco, Arbol, Brascotres, Icosa, Sacon, and others. These special handling instructions included, for example, that all invoices for shipments to certain companies must be sent to Renato Meyer, an employee of the RJR DEFENDANTS in Switzerland who was a central actor in RJR’s money-laundering scheme. Instructions concerning other customers included that the cartons (master cases) should be “neutralized and decoded.” To neutralize and decode a master case meant to remove the marks and numbers on the case that otherwise could be used by THE EUROPEAN COMMUNITY authorities to track and regulate the product. As to other companies, special instructions included that invoices must not travel with the product but must be sent to a particular fax number. These special instructions, directed by the RJR DEFENDANTS, were intended to conceal the true purchaser of the cigarettes and/or RJR’s relationship with these special customers. These “direct customer” lists clearly demonstrated that the RJR DEFENDANTS knew that they were selling to criminal customers and thereby demonstrated that the RJR DEFENDANTS knew that they were receiving criminal proceeds in payment for their products.

52. RJR's criminal customers were obtained, serviced, and supervised by other RJR employees in Switzerland in addition to Renato Meyer, including Diego Luchessa and Oscar Ivanissevich. Distributors and warehousemen in Belgium had regular communications with these individuals regarding many of RJR's criminal customers, including Porespa, Copaco, Arbol, Brascotres, and others. For example, these criminal companies routinely used certain ships for the shipment of RJR products. These ships included the Tara I, the Ali B, Bleu Diamond II, and Wendy I. Details of the shipments of cigarettes aboard these vessels were requested by and delivered to RJR employees in Switzerland, including Diego Luchessa, so that RJR could keep track of the cigarettes all the way to their ultimate destination. In this way, the RJR DEFENDANTS knew who their ultimate customers were and knew that they were receiving criminal proceeds in payment for their products.

*The Gerardo Cuomo Money-Laundering Organization*

53. The RJR DEFENDANTS knowingly sold large volumes of cigarettes to Gerardo Cuomo, an Italian citizen residing in Switzerland who is currently under indictment by the Italian government for charges of money laundering and other criminal activities. The RJR DEFENDANTS, their coconspirators, and Gerardo Cuomo created a complex web of companies located in various bank secrecy havens to disguise the true nature and origin of the criminal proceeds that the Cuomo money-laundering organizations were receiving from Italian mafia-type criminal organizations which included the proceeds of arms trafficking, drug trafficking, and other illegal activity. Monies received from Cuomo's criminal activities, as well as from the criminal activities of other mafia organizations, would be ferried illegally out of Italy in large



cash amounts and received by the money-laundering broker organizations located in Switzerland, including but not limited to the Alfred Bossert organization and the Gegis money-laundering broker organization. Gerardo Cuomo accomplished his purchase of RJR cigarettes through the use of the U.S. wires and/or mails.

54. The principal company of the Gerardo Cuomo money-laundering organization was Maxim S.A., located at Via Motta #34, 6900 Lugano, Switzerland. This company would distribute RJR cigarettes to itself and to Italian criminal cigarette distribution, drug-trafficking, and arms-trafficking organizations. These organizations delivered payment for the cigarettes to money brokers in Switzerland who would in turn credit the payments to Maxim S.A.

55. From the accounts held by the Bossert money-laundering broker organization and the Gegis money-laundering organization, payments would be wired to the different companies that were providing huge volumes of RJR cigarettes to the Gerardo Cuomo organization. The criminal proceeds would then be exchanged for RJR cigarettes as part of the money-laundering process. Providers of the RJR products included:

(a.) Kyro Avia Limited located at 202 Christoforous Court, 3734 Limassol, Cyprus. Payments to Kyro Avia were made to account 233-10561419.1 at Union Bank of Switzerland, 4001 Basel, Switzerland. Payments of criminal proceeds were made to Kyro Avia on behalf of the Gerardo Cuomo organization by the money-laundering broker organizations throughout the 1990s.

(b.) Van Caem Belgium Bvba, located at Van Cuyckstraat #7, Bus 13, 2000 Antwerp, Belgium. Payments of criminal proceeds to Van Caem were made throughout the 1990s and were made to account 633.033.219 at KBC Bank Nederland N.V., located in Amsterdam, Holland, Swift KRED NL 2X through KBC Bank N.Y., SWIFT KRED U.S. 33.

(c.) Rosacta Co. Ltd., located at 62 Arch. Makarios Avenue, 3728 Limassol, Cyprus. Payments of criminal proceeds to Rosacta were made to account 241-07-158027-02 at Hellenic Bank Ltd., located at Gladstonos Avenue in Anaxagoras Street, 3041 Limassol, Cyprus, Swift #: HEBACY2NLIM. Payments to Rosacta were made throughout the 1990s.

(d.) Namari Holdings Ltd., located at 22 Grenville Street, in St. Helier, Jersey, Channel Islands, JE4PX. Payments of criminal proceeds to Namari were made to Harris Bank International Corp., located at 430 Park Avenue, New York, New York 10022, Swift # HATRUS33, for credit to the Royal Bank of Scotland International PLC, located at Royal Bank House, Baxt Street, St. Helier, Jersey, JE48XF, account 16028601 for credit to sub-account Namari Holdings Ltd., sub-account 34878/610/1045889 – Account name: “Nama Hold-USD1”.

(e.) Corlett Trading Limited also located at 202 Christoforous Court, 3734 Limassol, Cyprus. Payments of criminal proceeds to Corlett were made to account 310 465 US dollars in the name of Corlett Trading Limited at Anker Bank Genf Postfach 4923, 8022 Zurich, Switzerland, clearing number 8279. Payments were made to Corlett Trading for product exchanged for criminal proceeds throughout the 1990s.

(f.) Old Navy Trading, 56 Macarious Avenue, Christoforous Court, Office 202, 3734 Limassol, Cyprus. Payments of criminal proceeds were made to Old Navy Trading for products received and exchanged for criminal proceeds to account 10-561'419.1 US dollars at Union Bank of Switzerland, located in Basel, Switzerland. Payments were made to Old Navy Trading throughout the 1990s.

(g.) Icosa A.G., located at Post Office Box 409, 4132 in Muttenz, Switzerland. Numerous payments of criminal proceeds were made to Icosa A.G. throughout the 1990s to account 700.192.00 held at Banque Vanorient Geneva, in Geneva, Switzerland.

(h.) Rowill International located at Mikseban, 238 Links, 2930 Brasschaat, Belgium. Numerous payments of criminal proceeds were made to Rowill International on behalf of the Cuomo money-laundering organization by the Swiss money-laundering broker organizations to account 63.30.56.103 at KBC Bank, located in Rotterdam, Netherlands, Swift KRED-NL-2X and additional payments were made to a second Rowill account 411-2015001-22 at the KBC Bank located in Antwerp, Belgium, Swift KRED-DE-22.

56. All of the aforesaid companies ultimately delivered these criminal proceeds to the RJR DEFENDANTS. The aforesaid scheme was developed and facilitated by the RJR DEFENDANTS.

#### *The Alfred Bossert Money-Laundering Organization*

57. One of the primary Swiss money-laundering organizations involved in the wholesale laundering of the proceeds of narcotics trafficking, arms trafficking, and other criminal activities in THE EUROPEAN COMMUNITY was the organization created by Alfred Bossert, located in and around Lugano, Switzerland. Mr. Bossert's primary company, "Intercambi S.A.," received and continues to receive large cash payments stemming from the criminal activity of various criminal organizations operating in THE EUROPEAN COMMUNITY, including the proceeds of narcotics trafficking. These payments would be received by the Bossert organization in Switzerland, the sums would be counted, and the person

or entity to which the funds belonged would be credited with the appropriate amount. The Bossert organization would then, either directly or through a variety of money-laundering “subcontractors” such as Enrico Rosini and/or Gecap S.A., change the various currencies (i.e., Italian lira, Spanish pesetas, and others) into U.S. dollars, and would hold those dollars in several accounts created and/or controlled by the Bossert organization or its “subcontractors”.

58. On a monthly basis, the Bossert organization would send a “statement” to the various owners of the funds, such as the organization created by Corrado Bianchi, a major RJR customer, indicating the dates and sums received on their behalf from mafia-type criminal organizations. Furthermore, the Bossert organization would receive instructions from its various clients, including Corrado Bianchi, to make payment out of their informal “account” to a variety of destinations, including directly to RJR and other providers of cigarettes. In this way, huge volumes of cash were illegally transported out of THE EUROPEAN COMMUNITY and the MEMBER STATES by mafia-type criminal organizations, converted into United States dollars, and funneled to the RJR DEFENDANTS via their coconspirators.

59. The Bossert organization holds the funds for its money-laundering clients and issues payment through accounts it controls according to the instructions received by the clients. These accounts included account 251884/01/US dollars, located at Corner Banca S.A. located at Via Canova 16, 6901 Lugano, Switzerland; account #: Q5-790-418/US dollars, located at the Swiss Bank Corporation (SBC) located in Lugano, Switzerland; account #:1.1.17300.01.333.0002, located in Banca del Sempione, in Lugano, Switzerland; or accounts held by companies controlled by Intercambi, S.A.; or by the Bossert organization such as the account held by Okapi Panama S.A., including account 242.151/02 in the name of Okapi Panama, S.A. at the ABN/AMRO Bank in Lugano, Switzerland.

60. RJR cigarettes were paid for in bulk through the aforesaid scheme. The RJR DEFENDANTS were fully aware that their primary customers for the sale of cigarettes into Italy were various families of the Italian mafia and that the RJR DEFENDANTS were receiving criminal proceeds, including narcotics proceeds, in payment for their cigarettes, and that a primary purpose of these purchases was to conceal the nature, source, ownership, and control of the criminal proceeds. No reasonable company, upon receiving these payments from the Bossert money-laundering organization, could possibly have concluded that these funds were derived from legitimate sources. The payment for cigarettes, not by the true purchaser but rather through cut-outs such as Alfred Bossert, is a clear and classic sign of money laundering.

*Money Laundering for Italian Organized Crime*

61. Throughout the 1990s and at least through 2000, the RJR DEFENDANTS and their coconspirators maintained four major customers for sales of their products to Italian organized crime groups via Montenegro. These four customers, known within the trade as the “fabulous four,” were the following: (a.) Gilbert Llorens; (b.) Luis Garcia Manolo, a/k/a Il Spaniolo; (c.) Patrick Laurent; and (d.) Patrick Monnier. This group of the “fabulous four” each enjoyed a “license” granted by the exclusive license holder in Montenegro, Montenegrin Tabak Transit (MTT). Montenegrin Tabak Transit received an exclusive license from the Montenegrin government for the transit of tobacco products through Montenegro.

62. The RJR DEFENDANTS and their coconspirators maintained an additional, second tier of coconspirators who were actually representatives of Italian mafia organizations,

and included Gerardo Cuomo, Guglielmo Chiavi, Augusto Arcellaschi, Gregory Tsortzakis, Ciro Mazarella, Francesco Prudentino, and others.

63. Representatives of the first tier group of the “fabulous four” also participated in this second tier of RJR coconspirators, providing the product directly to Montenegro, and then taking the product out of Montenegro and providing it to Italian mafia-type criminal organizations.

64. The RJR DEFENDANTS also sold products to these groups through routes other than Montenegro using criminal organizations that included but were not limited to, Gerardo Cuomo, Martin Denz, and Luciano Caré.

65. Throughout the 1990s, the Italian mafia-type criminal organizations illegally transported large volumes of cash, including narcotics proceeds and the proceeds of other crimes, to Switzerland for deposit with money-laundering broker organizations located in Switzerland, including but not limited to the Alfred Bossert organization. After the funds were received, the various currencies would be exchanged for U.S. dollars and held in “informal” accounts at the disposal of the particular cigarette distributor that was dealing with the criminal organization in question. Upon receipt of notification from the money-laundering broker, the provider would order the release of the appropriate quantity of cigarettes to the representatives of the purchasing criminal organization.

66. The RJR DEFENDANTS made special arrangements with these criminal groups to ensure that they could make secret payments to the RJR DEFENDANTS so that the RJR DEFENDANTS could sell their products to these groups and these groups could avoid detection by law-enforcement authorities of THE EUROPEAN COMMUNITY and the MEMBER STATES. As a result, a complex scheme of money launderers, money couriers,

corporate structures, and banking relationships was established to launder the aforesaid proceeds. Billions of dollars in criminal proceeds were laundered in this manner. The RJR DEFENDANTS were both the architects and the beneficiaries of the payment plan by which these massive amounts of funds were laundered. But for the RJR DEFENDANTS' complicity in the money-laundering scheme, the money laundering could not have been accomplished.

67. The RJR DEFENDANTS and their coconspirators made use of an organized group of money couriers whose function was to receive criminal proceeds in Italy and other parts of THE EUROPEAN COMMUNITY and to illegally ferry those proceeds out of Italy and THE EUROPEAN COMMUNITY to Switzerland, where the couriers would hand the cash proceeds over to the Swiss money-laundering broker organizations. Examples of the courier organizations include those associated with Nedo Caneva, Adriano Corti, Donino Verdamo, Aldo Tacchini, Pietro Cerroni, Lorenzo Fieni, Americo Mirandi, and Angelo Carboni. These courier organizations provided a vital and necessary link between the Italian mafia-type criminal organizations and the Swiss money-laundering broker organizations, and provided an essential link in the laundering of the criminal proceeds distributed to the RJR DEFENDANTS.

68. Throughout the 1990s, employees of the RJR DEFENDANTS traveled to the warehouses and facilities of these criminals groups to inspect product, ensure freshness, replace damaged goods, and provide other services for these criminal organizations just as they would any other customer. In this way, the RJR DEFENDANTS knew who their customers were and knew, or but for their willful blindness would have known, that their customers were organized criminal organizations. The United States wires and mails were used on a regular basis for communication between the RJR DEFENDANTS and these individuals and/or their employees.

*Money Laundering through the Bank of New York*

69. The RJR DEFENDANTS have participated in and have received the proceeds of a massive money-laundering scheme through the Bank of New York. Throughout the late 1990s, the Bank of New York was the hub of a money-laundering scheme created by Russian organized crime, including Russian narcotics traffickers. In this scheme, a group of bank entities, some legitimate and some fabricated, opened correspondent accounts with the Bank of New York. Through these correspondent banks and the Bank of New York, Russian organized criminals were able to launder hundreds of millions of dollars of criminal proceeds in the Eastern District of New York. The RJR DEFENDANTS were prime beneficiaries of this money-laundering enterprise. THE RJR DEFENDANTS received millions of dollars per month in payments through the Bank of New York that constituted the proceeds of Russian organized criminal activity, including narcotics trafficking. The RJR DEFENDANTS knew or should have known that the money that they were receiving through this route constituted the proceeds of criminal activity and was being illegally laundered. In spite of this fact, the RJR DEFENDANTS continued for years to sell cigarettes to these customers and receive these criminal proceeds in New York. The transfer of these illicit funds to and through the Bank of New York was accomplished through a continuing use of the U.S. wires and mails. The vast majority of the aforesaid transactions were accomplished through the use of the SWIFT system, which is based in Belgium and which is an important part of U.S., EUROPEAN COMMUNITY, and international banking systems.

70. **Sinex Bank.** One example of the ways in which the Bank of New York was utilized to launder criminal proceeds by way of payments to the RJR DEFENDANTS involved a



bank known as Sinex Bank. Sinex Bank was incorporated under the laws of the country of Nauru in 1996 and was created almost exclusively for the purpose of laundering the proceeds of Russian organized crime. Sinex bank did business in the United States by way of an office maintained in this district in Kew Gardens, Queens, New York, by Aleksey Volkov, one of its directors. The owners and general managers of the bank were indicted and are currently incarcerated as a result of their activities laundering Russian criminal proceeds through the Bank of New York.

71. Sinex's criminal customers initiated bank transfers that were sent to Depozitarno Kliringovy Bank (DKB). Transfers to DKB Bank were cleared through DKB's accounts at the Bank of New York in Queens. These payments were then sent to accounts at Credit Suisse First Boston in Geneva, Switzerland, for the benefit of the RJR DEFENDANTS. Such payments occurred over a several-year period. Examples of such payments in one limited time period include the following:

Date	Payee	Amount
May 27, 1997	RJ Reynolds Tobacco International S.A.	\$1,000,050.
May 28, 1997	RJ Reynolds Tobacco International S.A.	491,745.
May 29, 1997	RJ Reynolds Tobacco International	200,000.
May 30, 1997	RJ Reynolds Tobacco International	260,000.
June 2, 1997	RJ Reynolds International S.A.	379,235.
June 3, 1997	RJ Reynolds Tobacco International	245,850.
June 25, 1997	RJ Reynolds Tobacco International	125,000.
July 23, 1997	RJ Reynolds Tobacco International	290,000.
July 24, 1997	RJ Reynolds Tobacco International	459,745.

July 25, 1997

RJ Reynolds Tobacco International

679,910.

R.J. Reynolds Tobacco International, S.A., the recipient of the above-listed funds, was the subsidiary and/or agent and/or alter ego of the RJR DEFENDANTS. Criminal proceeds received by R.J. Reynolds Tobacco International, S.A. were received for the benefit of the RJR DEFENDANTS. R.J. Reynolds Tobacco International S.A. was based in Switzerland by the RJR DEFENDANTS as a part of the money-laundering scheme by which criminal organizations could make payments to the RJR DEFENDANTS and avoid detection from U.S. and European law-enforcement agencies by utilizing Swiss secrecy laws.

72. In each of the above-described transactions, the “ordering bank” was Sinex Bank. The RJR DEFENDANTS, as payees for these orders, knew or should have known that they were receiving millions of dollars in payments ordered by an obscure bank located on a tiny Pacific island. The RJR DEFENDANTS thus knew or should have known that they were receiving laundered criminal proceeds. No legitimate purchaser of cigarettes would be ordering payment for product through Sinex Bank. Equally revealing, on the payment detail forms that would have been delivered to or available to the RJR DEFENDANTS, Sinex Bank identified itself as the Ordering Customer. By identifying itself as the “Ordering Customer,” Sinex Bank was concealing the true identity of the entities that were paying for the RJR cigarettes. Such concealment is a classic indication of money laundering and would have been certain to alert the RJR DEFENDANTS that the proceeds in question were most likely laundered criminal proceeds.

73. Between 1996 and 1999, Sinex Bank laundered up to Seven Billion Dollars in criminal proceeds. Much of the data surrounding these transactions has not yet been available to the Plaintiffs. Accordingly, it would be impractical to list individually all of the similar transactions by which Russian organized crime proceeds were laundered through payments to the

RJR DEFENDANTS. All the aforesaid transactions occurred through extensive use of the U.S. wires and mails. Employees of the Bank of New York and officers of Sinex Bank have pled guilty to U.S. money-laundering charges in connection with the above-described scheme. THE EUROPEAN COMMUNITY'S banking system, transportation system, and free market were exploited, and various crimes were committed in THE EUROPEAN COMMUNITY, including fraud, forgery, and others, as many of the cigarettes that were purchased through this scheme were transported through THE EUROPEAN COMMUNITY to Russia.

74. **Benex and BECS.** One part of the conspiracy involving the Bank of New York includes the following facts. In late 1995, Peter Berlin and his wife, Lucy Edwards, who was then a vice president in the Bank of New York, Eastern European Division, in Manhattan, entered into an agreement with certain coconspirators, including Russian individuals, to establish bank accounts at the Bank of New York. Several accounts were established for the Russian coconspirators at the Bank of New York, including accounts in the names of "Benex" and "BECS." These accounts were managed from offices in Forest Hills, Queens, and that office was run by individuals who were working for a Russian bank, DKB. DKB would transfer funds into the Benex and BECS accounts in bulk amounts on a daily or almost daily basis and then DKB would issue daily instructions from its offices in Moscow directing employees in the Queens office to transfer funds out of the accounts to various third-party transferees and beneficiaries located around the world.

75. Benex and BECS operated as front companies for the Russian coconspirators and the Russian banks they controlled. A large number of Russian individuals and businesses used this illegal banking operation to transfer and receive money in violation of Russian currency control limitations and to promote schemes to defraud the Russian government. Edward Berlin

and Lucy Edwards were charged by the United States government with conspiracy to, among other things, “launder money through international funds transfers intended to promote criminal activity, including a wire fraud service scheme to defraud the Russian government.” In pleading guilty, Berlin and Edwards admitted under oath that they personally assisted individuals to transfer money through the Benex and BECS accounts knowing that the reason, intent, and purpose of using these entities was to defraud the Russian government.

76. The money-laundering scheme described above was designed to launder the proceeds of crimes committed by Russian organized crime groups, including at least one group that utilizes the purchase and sale of cigarettes as a primary mechanism for its money-laundering activities—the Soltntsevskaia Group. The FBI has indicated that “the Benex and BECS accounts have been used to transmit funds for illegal purposes or to individuals or groups known or suspected to be involved in Russian organized crime or other criminal activities,” including kidnapping, financial crimes, narcotics trafficking, arms trafficking, and other crimes. Wire transfers involved in this scheme were made through United States financial institutions and were sent to countries throughout the world, including Luxembourg and Belgium. Cigarettes sold by the RJR DEFENDANTS were a part of this money-laundering conspiracy, and all or part of the funds laundered through the aforesaid conspiracy were laundered within the Eastern District of New York. In a substantial percentage of the transactions described above, THE EUROPEAN COMMUNITY and the MEMBER STATES were victims of the criminal schemes. THE EUROPEAN COMMUNITY facilities and institutions were exploited as a part of this narcotics trafficking and money-laundering scheme. Many of the aforesaid transactions were conducted by Russian organized crime groups based in THE EUROPEAN COMMUNITY. These schemes involved illegal acts in Belgium, Austria, Greece, the United Kingdom, and other

MEMBER STATES as part of an extensive narcotics trafficking/money-laundering scheme. Narcotics involved in this scheme were sold in THE EUROPEAN COMMUNITY and in the United States.

### *The Walt Money-Laundering Conspiracy*

77. WALT S.R.L. (hereinafter Walt) was an Italian company with offices in several European countries. Walt was owned and run by Luciano Caré, whose organization is currently under criminal investigation by European authorities for money laundering and other criminal activities in several MEMBER STATES and THE EUROPEAN COMMUNITY. The cigarettes for criminal proceeds money-laundering conspiracy carried out through Walt has harmed THE EUROPEAN COMMUNITY and several MEMBER STATES, including Italy, Spain, Belgium, France, and Portugal. It has also harmed several non-European Community jurisdictions, including the United States, Senegal, and Angola.

78. Throughout the 1990's and, upon information and belief, continuing through at least 2001, the Walt scheme traded cigarettes manufactured by RJR in the United States with and through several criminal organizations within THE EUROPEAN COMMUNITY. The illegal proceeds received by Walt from these criminal organizations were then transported through several MEMBER STATES, including but not limited to Belgium, France, Spain, and Italy, via clandestine and covert means. Once transported to Italy, the criminal proceeds were delivered to banking institutions and deposited into accounts, including but not limited to account numbers 00300/24/08279513, and 00300/16/09330095 in the San Paolo Bank, located in Genoa, Italy. From this account and others, funds representing criminal proceeds were wired to

the Bank of New York, for further credit to R.J. REYNOLDS TOBACCO INTERNATIONAL in Geneva. Examples of these transactions occurred on April 12, 1997 (\$53,000), and September 30, 1997 (\$90,010). Such transactions continued throughout the 1990s and, upon information and belief, through 2001.

79. An additional example of a transfer of criminal proceeds from Walt to the RJR DEFENDANTS occurred on November 12, 1997, when Walt transferred \$82,800 from its account number 06572674071 at the Monte Paschi Bank, located in Paris, France, to R.J. REYNOLDS TOBACCO INTERNATIONAL located in Switzerland. Payment was received in the R.J. REYNOLDS account #719100-82-1 in Credit Swiss Bank, in Geneva, Switzerland. The RJR DEFENDANTS knew that Walt was not the true purchaser of the cigarettes, but instead was serving as a cut out for criminal groups. The RJR DEFENDANTS knew or should have known that Walt had no license to import or sell cigarettes in Italy and therefore could not be a legitimate purchaser of the RJR products in question.

#### *Money Laundering through Cut Outs in Ireland and Belgium*

80. The RJR DEFENDANTS sold cigarettes and laundered criminal proceeds through a series of cut outs located in Ireland and Belgium. An example of such a money-laundering scheme is set forth below.

81. The RJR DEFENDANTS maintained as direct customers two companies called Willbrook Trading Ltd. and Glenpower Ltd. These were Irish companies based at the same address in Dublin, Ireland. They both maintained Swiss bank accounts at the same Swiss

bank. Even though these companies ostensibly purchased RJR cigarettes through third-party distributors, they were direct customers of RJR and were serviced directly by RJR employees.

82. Willbrook Trading Ltd. and Glenpower Ltd. sold RJR-brand cigarettes to numerous companies owned and operated by criminals and/or criminal organizations, including Maverick Trading Limited and Delphinus Services Ltd. Both companies were owned and operated by individuals who have been charged with conspiracy, forgery, and other crimes within THE EUROPEAN COMMUNITY. Maverick Trading Limited and Delphinus Services Ltd., while incorporated in Guernsey, Channel Islands, were actually operated from Antwerp, Belgium.

83. In the years 1996 through 1998, the organization that included Willbrook Trading Ltd. and Glenpower Ltd. purchased almost forty million dollars worth of RJR cigarettes and sold them to Maverick Trading Ltd., Delphinus Services Ltd., and/or other related companies. All or virtually all of the forty million dollars utilized to purchase the aforesaid cigarettes constituted criminal proceeds. The RJR DEFENDANTS knowingly laundered the aforesaid criminal proceeds by way of their sales of their cigarettes to Willbrook Trading Ltd. and/or Glenpower Ltd. The aforesaid sales and transfers of proceeds were accomplished through multiple uses of the U.S. wires and mails.

84. Companies related to Maverick Trading Ltd. and Delphinus Services Ltd. include Unicorn, Encoterra, Sunflower, Ando-Invest, and A.I.T.A., all located in Belgium, and a company known as Incomondo, located in Aruba. At a minimum, Maverick Trading Limited, Unicorn, Encoterra, Sunflower, and Incomondo laundered criminal proceeds through the use of bank accounts located in Belgium and by way of money transfers between Belgian bank accounts utilizing the SWIFT system. The majority of the funds utilized in the aforesaid

transactions ultimately inured to the benefit of and/or were transferred to the RJR DEFENDANTS.

*Cigarette Sales to Launder Narcotics Proceeds*

85. The sale of cigarettes has become one of the primary vehicles by which drug traffickers launder their illicit profits. RJR has become a prime recipient of this business. Money brokers routinely purchase large volumes of RJR cigarettes with money that represents the proceeds of illicit drug sales. Representatives of RJR know or should know the source of these funds and their illicit nature, yet RJR continues to receive these funds and to sell cigarettes to these persons and entities.

86. Sales of RJR cigarettes have enabled drug lords to launder their illicit profits. Representatives of the RJR DEFENDANTS are on actual notice that the source of funds used to purchase their cigarettes is drug trafficking, yet RJR continues to receive these funds and to sell cigarettes to these persons and their affiliates. By reason of this conduct, the RJR DEFENDANTS aid, abet, and act in concert with drug lords to launder their ill-gotten gains.

87. The DEFENDANTS have long been on notice that their cigarette sales are linked to money laundering. In or about 1994, the National Coalition Against Crime and Tobacco Contraband, which was funded by RJR and other tobacco companies, retained Lindquist Avey Macdonald Baskerville Inc. (“Lindquist”) to investigate and analyze illegal activity involving cigarettes in the United States, among other things. In its August 15, 1994, report, Lindquist observed that: “There are indications that some Colombian cocaine barons still handle cigarettes, but for a different purpose. It is believed that, in some cases, they patriate



cocaine profits earned in the United States through cigarette purchases. These cigarettes are imported into Colombia and sold there, providing cocaine traffickers with a seemingly legal alibi for the source of their wealth."

88. That the RJR DEFENDANTS should have known that their distributors were laundering drug proceeds is undeniable. In or about the early 1990s, bank accounts in Miami, Florida, owned by various RJR cigarette distributors, were frozen by United States law-enforcement officials because funds credited to those accounts represented laundered drug money. The freezing of these accounts was well known to the RJR DEFENDANTS. By virtue of this event, the RJR DEFENDANTS were aware or should have been aware that their distributors had been involved in handling laundered narcotics proceeds. In spite of the fact that the conduct of these individuals was known to RJR, the RJR DEFENDANTS continued to develop these relationships actively so as to sell large volumes of cigarettes to these money launderers.

#### *Cocaine Trafficking and Money Laundering in Spain*

89. Cocaine trafficking occurs in Spain on a massive scale as a result of joint ventures between Colombian producers and Galician traffickers. In 1999, seventeen tons of Colombian cocaine were seized in Spain. These seizures represented a small percentage of the total amount of Colombian cocaine delivered into THE EUROPEAN COMMUNITY via Spain. Prior to and during the 1990s, Galician organized crime groups specialized in trading in cigarettes manufactured by the RJR DEFENDANTS and laundering their money in Switzerland. RJR's Winston brand is by far the most popular foreign-made cigarette in Spain and a large

percentage of the money laundering conducted in Spain through cigarette sales was thus accomplished using RJR products. Accordingly, the marriage between the Galician crime groups and Colombian crime groups has proven mutually beneficial. The Galicians obtained a valuable new product for distribution in the form of cocaine. The Colombians obtained partners who had established trafficking networks in THE EUROPEAN COMMUNITY, expertise in money laundering in Switzerland, and expertise in the purchase and sale of American cigarettes, RJR-brand cigarettes in particular.

90. The activities of Colombian organized crime in Spain are particularly violent. In 1999 alone, eight Colombian nationals were murdered in Spain as a result of turf wars and realignment within the criminal community. Spaniards actually became the heads of Colombian cocaine networks in Europe, especially as far as money-laundering operations were concerned.

91. Partnerships between the Colombian cocaine producers and Galician traffickers often occurred as follows: The Colombians conveyed cocaine to Central America, where the Galicians picked it up and transported it to the coast of Northern Spain. In return for this service, the Galicians received 30% to 50% of each shipment, which they then sold in THE EUROPEAN COMMUNITY, in particular Spain, Belgium, and The Netherlands. The remaining fifty to seventy percent of the cocaine was marketed in Europe by the Colombians themselves once the narcotics were within the borders of THE EUROPEAN COMMUNITY. Two such smuggling networks were identified and dismantled in 1999 by Spanish authorities. One such network was known as “Los Mataderos” (The Slaughter House).

92. Throughout the 1990s, the RJR DEFENDANTS had dealings with individuals in Spain that they knew or should have known were a part of these criminal organizations. One such individual, a major customer of the RJR DEFENDANTS, was Laureano Oubina. Laureano

Oubina was a member of the Galician drug trafficking network described above. As far back as June 18, 1990, Laureano Oubina was identified by and arrested by Spanish law-enforcement authorities as a result of his involvement in narcotics trafficking and money laundering. At that time, Laureano Oubina was considered by Spanish law enforcement to be the Spanish connection for the Colombian “Medellin Cartel.” He was linked to notorious Colombian cocaine traffickers, including Pablo Escobar Gaviria and Fabio Ochoa Vazquez. Both before and after June 1990, Laureano Oubina was also a major customer of the RJR DEFENDANTS. He was a customer of Michael Haenggi who was a major distributor for the RJR DEFENDANTS and who, as described above, has publicly admitted that he was involved in the sale of cigarettes to criminals.

93. During all or part of the time that Laureano Oubina was purchasing and selling RJR cigarettes, he was using those cigarette purchases to launder narcotics proceeds. Laureano Oubina’s involvement in narcotics trafficking was known to the RJR DEFENDANTS or should have been known to them. Laureano Oubina had several publicized bouts with law-enforcement agencies in Spain throughout the 1990s regarding his alleged narcotics trafficking. In the most recent incident in October 1999, he escaped just as law-enforcement authorities were preparing to arrest him on a hashish trafficking charge.

#### *Money Laundering through Central America and the Caribbean*

94. Richard Larocca, Vice President-General Manager for North America Duty Free/Latin America; Tom Brock, Vice President, Special Markets Americas; John Dyson, Latin America Sales Manager, RJR Tobacco International Miami; Sergio Rotati, Vice President, RJR Tobacco International for Special Markets Latin America; Bill Ventura, RJR Director Latin America; Orlando Morales, RJR Tobacco International Miami Chief Financial Officer, and other

agents or employees of the DEFENDANTS established direct relationships with individuals in Europe, Central America, and the Caribbean who they knew, or should have known, were actively involved in laundering the proceeds of illicit narcotics sales. Executives and employees of the RJR DEFENDANTS traveled to Europe, the Caribbean, and to Central America on multiple occasions for the purpose of meeting and negotiating business agreements with individuals who the RJR DEFENDANTS knew, or should have known, were involved in the laundering of narcotics proceeds. This travel was routinely arranged through the use of the U.S. wires and mails.

95. An example of the RJR DEFENDANTS' agreements with money launderers can be seen in RJR's relationship with El Torreon, S.A. In October 1992, John Dyson (Latin America Sales Manager for RJR Tobacco International located in Miami) traveled to Aruba to establish direct contacts between RJR distributors and Colombian narcotics money laundering organizations. The meeting was arranged through the use of the U.S. wires and/or mails. During the meeting, RJR set up the following scheme to receive Colombian narcotics money in exchange for cigarettes sold by RJR:

(a.) RJR's Aruba distributor would sell products to El Torreon, S.A., which would then sell the product into the distribution channels selected by RJR.

(b.) El Torreon would pay for the product with narcotics proceeds collected in Medellin and flown from Medellin to be handed over to the Aruban distributor.

(c.) El Torreon's front man in Medellin was to be in charge of the collection of the narcotics proceeds in cash in Medellin and was to effectuate the transfer of the proceeds in person.

(d.) At the direction of Mr. Dyson, the El Torreon money-laundering arrangement was established to go into effect on January 1, 1993.

(e.) The Aruban RJR distributor explained to Mr. Dyson at the October 1992 meeting that the narcotics proceeds to be delivered to him would require special handling, and create special risks, and that the additional costs associated with the El Torreon money scheme would be charged to RJR. Mr. Dyson agreed to this.

(f.) Beginning in January 1993 and continuing for an undetermined time thereafter, the RJR DEFENDANTS laundered drug proceeds through this scheme.

(g.) The aforesaid criminal proceeds were delivered to the RJR DEFENDANTS in the United States through the use of the U.S. wires and/or mails.

96. El Torreon S.A. was owned, operated, and directed by a Spanish multinational corporation.

97. The development of these relationships with known money launderers, such as El Torreon S.A., was known or should have been known by all the RJR DEFENDANTS and in particular RJR NABISCO, INC., R.J. REYNOLDS TOBACCO COMPANY, and R.J. REYNOLDS TOBACCO INTERNATIONAL, INC.

#### *Money Laundering through Panama*

98. The RJR DEFENDANTS knowingly and intentionally shipped large volumes of cigarettes to individuals and corporations in certain free trade zones such as the Colon Free Trade Zone in Panama for the purpose of expediting the money-laundering scheme. One such company was a company known as Compania Panamana de Comercio (Copaco). Copaco was a

major distributor for the RJR DEFENDANTS. Sales through Copaco were made to companies that were known money launderers. Copaco was wholly or partially owned and controlled by Michael Haengi, who sold most of his RJR cigarettes to criminal customers in THE EUROPEAN COMMUNITY. Even as to cigarettes whose ultimate destination was nowhere near Panama, RJR shipped these cigarettes through cut outs in Panama so that the money launderers could use the secrecy laws of the Republic of Panama as a shield by which to prevent law-enforcement agencies and governments from identifying the true purchasers of the cigarettes. This trade allowed for the movement of laundered money out of Europe without detection. The RJR DEFENDANTS endeavored to conceal the sale of their products into money-laundering channels by transferring the cigarettes to several cut outs in several destinations prior to the ultimate delivery to the final customer, and by providing secret and circuitous means by which the cigarettes were paid for.

#### *Money Laundering through the United Kingdom*

99. From at least October 1995 through April 1997, the RJR DEFENDANTS knowingly supplied large volumes of cigarettes to a money-laundering group in the United Kingdom that was selling cigarettes into Spain as a part of a money-laundering enterprise. One of the companies involved in the operation was Entire Warehousing. Additionally, there were at least six other related companies that were engaged in a massive money-laundering scheme. Through the period from 1995 through 1997, the aforesaid companies sold thousands of cases of cigarettes manufactured by the RJR DEFENDANTS into Spain. The RJR DEFENDANTS sold cigarettes to "distributors" in Panama and elsewhere with the full knowledge that the true

purchaser of the cigarettes was this money-laundering group. The cigarettes were sold to intermediary "distributors" in Panama and elsewhere to conceal from law-enforcement authorities the fact that the RJR DEFENDANTS were selling cigarettes to this criminal group. The cigarettes in question were paid for with the proceeds of criminal activity. The RJR DEFENDANTS were the recipients of these criminal proceeds and were a key part of the money-laundering process. A substantial portion of the cigarettes that were sold to this money-laundering conspiracy were provided by Cimarron Holdings, S.A., a company that appears on RJR's special customer lists described more fully in paragraph 51. Payments for cigarettes as a part of this conspiracy were paid for by Intercambi S.A., the primary company in the Alfred Bossert money-laundering organization.

100. Through the aforesaid transactions, cigarettes were sold by the RJR DEFENDANTS and criminal proceeds were laundered on or about the following dates: November 23, 1995; November 27, 1995; November 28, 1995; November 30, 1995; December 1, 1995; December 4, 1995; December 5, 1995; December 6, 1995; January 5, 1996; January 11, 1996; January 19, 1996; January 26, 1996; February 2, 1996; February 12, 1996; February 22, 1996; March 20, 1996; April 30, 1996; and May 16, 1996.

*Distinctions between Sales to Legitimate Customers and Sales to Criminal Customers*

101. Throughout the 1990s, the RJR DEFENDANTS utilized different business practices depending on whether their customer was a legitimate business customer or a criminal business customer. Criminal customers were handled differently because they represented a greater risk. Specifically, the RJR DEFENDANTS faced a risk that the products intended for

criminal customers might be confiscated or the customers arrested. Additionally, the RJR DEFENDANTS took steps to secrete from law enforcement authorities their relationship with these criminal customers so as to prevent law-enforcement authorities from becoming aware that the RJR DEFENDANTS were laundering criminal proceeds.

102. Cigarette sales to a legitimate customer can be identified by the following characteristics:

(a.) Customers placed orders directly to RJR through the use of purchase orders. Purchase orders could be communicated by telephone or fax.

(b.) The purchase orders were processed and serviced by warehouses contracted by RJR.

(c.) The wholesaler of the cigarettes was responsible for complying with all applicable laws and the payment of applicable taxes.

(d.) Legitimate customers were usually provided with credit terms. Because credit was being extended, the approval process for a new customer could take a substantial amount of time.

(e.) Legitimate customers routinely make payments directly to RJR via wire transfers.

(f.) Cigarettes purchased by legitimate customers were typically produced and shipped from a single source.

103. In contrast, when the RJR DEFENDANTS sold cigarettes to criminal customers, the procedure often was as follows:

(a.) The customers could not place orders directly to RJR; orders had to be placed with some intermediary company (a cut out).



(b.) Orders for production of the cigarettes were placed by an intermediary company, not the wholesaler.

(c.) If the cigarettes passed through a Free Trade Zone, the customer, not RJR, coordinated the shipment and transportation instructions with the Free Trade Zone.

(d.) The customer was deemed “responsible” for compliance with applicable law regarding the sale of the cigarettes.

(e.) Sales were often for cash only; no credit or credit terms highly favorable to RJR were offered.

(f.) The RJR DEFENDANTS approved such sales almost immediately without any attempt to “know the customer.” In fact, the RJR DEFENDANTS make it a point to not develop a knowledge of the customer so they would not have to admit that they were aware of the customer’s criminal activities. Formal applications and waiting periods for approval that were the standard in the industry were circumvented.

(g.) The RJR DEFENDANTS accepted payment by checks payable to intermediary companies, third-party checks, bank checks, third-party wire transfers, and other forms of payment that were not typical in the cigarette trade. Payments often had to be made through “cut outs” to hide or disguise the true nature of the transaction and the participants.

(h.) On some occasions, payments were made directly to the account of an RJR subsidiary in Puerto Rico. However, in such instances, those payments were directed to be sent to a numbered account and did not name RJR in the payment details.

(i.) The RJR DEFENDANTS continually switched the banks where payments were to be made to RJR in order to escape detection by U.S. law enforcement. This process was known within RJR as “musical banks.”

(j.) The RJR DEFENDANTS engaged in “dual sourcing,” a practice in which cigarettes were sourced from multiple locations or transferred through circuitous and indirect shipping routes to conceal the true customer.

### *Money-Laundering Mechanisms*

#### *Laundering of Cash*

104. The way in which the RJR DEFENDANTS laundered narcotics proceeds and the proceeds of other forms of criminal activity evolved over the years. In the early- to mid-1990s, the money-laundering operations were often simple and overt, involving meetings between RJR employees and known money launderers in which the RJR employees would actually receive large volumes of cash in payment for cigarettes, or would be present when these transactions took place.

105. For example, for many years it was virtually a monthly routine that employees of the RJR DEFENDANTS would travel to Colombia by way of Venezuela. These employees, traveling with authorized RJR distributors, would enter Colombia illegally, paying bribes to guards at the Colombian border so that they could enter the country without their passports being stamped. They would then travel by car to various locations such as Maicao where they would meet face to face with money launderers and narcotics traffickers. There the RJR employees would receive payments for cigarettes in the form of bulk cash that may be denominated in United States dollars or Venezuelan bolivars. They would also receive easily transferable instruments such as third-party checks, cashiers checks, and other such instruments. The employees of the DEFENDANTS would then travel back to Venezuela, bribing border

guards at the Venezuelan border to ensure that they could move the cash illegally across the border into Venezuela. Once the employees of the DEFENDANTS reached a major Venezuelan city such as Maracaibo they would, by direct or indirect means, wire transfer the funds to bank accounts of the RJR DEFENDANTS in the United States, thereby completing the money-laundering cycle.

106. At all times throughout this process, the RJR DEFENDANTS and their employees were well aware that they were laundering the proceeds of criminal activities. The great lengths that were taken to conduct these activities in a surreptitious manner demonstrate the knowledge of the RJR DEFENDANTS that these activities were illegal. The process by which these illegal payments were made, received, transported, and laundered was established by high-level executives of the RJR DEFENDANTS. This money-laundering operation could not have occurred without the knowledge and complicity of officers and managers of the RJR DEFENDANTS. The above-described travel was arranged through the use of the U.S. wires and mails and the laundered narcotics proceeds were transferred to the bank accounts of the RJR DEFENDANTS through the U.S. wires and mails.

#### *Money Laundering through Brady Bonds*

107. At another time in the 1990s, to avoid the transportation of bulk cash and to conceal further the illegal nature of their transactions, the RJR DEFENDANTS laundered the proceeds of criminal activities through the use of Brady Bonds. Brady Bonds, named after former United States Secretary of the Treasury Nicholas Brady, were created in association with the IMF and the World Bank as part of an effort to restructure outstanding sovereign loans into

liquid debt instruments. Brady Bonds were coupon-bearing bonds for which the principal and interest were collateralized by United States Treasury zero-coupon bonds and other high-grade instruments. Creditor banks exchanged sovereign loans for Brady Bonds incorporating principal and interest guarantees as a means by which debtor governments could have their debts reduced. Issued as registered and/or bearer bonds, Brady Bonds were utilized to restructure the debt in a number of countries, including Venezuela. Brady Bonds are transferable and can be bought and sold through various exchanges.

108. As an example of how Brady Bonds were used to launder narcotics proceeds, employees and/or distributors of the RJR DEFENDANTS traveled to locations such as Maicao, Colombia, to receive payment for cigarettes by cash, check, or money order. Often these payments were made in Venezuelan bolivars, not the preferred currency for the RJR DEFENDANTS. To convert these bolivars into United States dollars, the RJR DEFENDANTS and/or their distributors would transport the cash, checks, or money orders to a major city in Venezuela. At that point, they would use the funds in question to purchase Brady Bonds. Once the Brady Bonds were purchased, they would be transferred to an exchange in New York City where they would then be sold for dollars. In this way, the DEFENDANTS could launder the proceeds of criminal activities, convert the proceeds into United States dollars, and deliver them to their bank accounts in New York without detection from law enforcement. The purchase, movement, and sale of the Brady Bonds were expedited through the United States wires and/or mails.

*Money Laundering through Secret Swiss Accounts*

109. In the mid- to late-1990s, the RJR DEFENDANTS received public notice that many of their distributors were laundering narcotics proceeds. Several of their major customers were indicted for money laundering by the U.S. government or by the governments of other countries. Other distributors had their bank accounts in Miami, Florida, seized because they contained the proceeds of narcotics trafficking. In spite of this notice that the RJR DEFENDANTS were selling their cigarettes to criminals and were laundering the proceeds of narcotics trafficking, the RJR DEFENDANTS did not cease conducting their business with these distributors and customers. Rather, they moved their international operations to Switzerland for the sole reason of conducting continuing illegal activities, including the laundering of criminal proceeds by taking advantage of Swiss secrecy laws to conceal their activities. The RJR DEFENDANTS established policies by which many of their criminal customers could pay for the cigarettes they purchased only by way of such secret bank accounts and Swiss companies. This secret and surreptitious method of payment was eagerly embraced by the RJR DEFENDANTS' criminal customers. The primary reason they purchased cigarettes from the RJR DEFENDANTS was to launder the proceeds of their criminal activities. Secret payments were necessary to ensure that U.S. and European law-enforcement agencies did not detect their activities.

110. The decision to move certain operations to Switzerland and to provide for payment by their customers into Swiss accounts was made at an executive level by RJR NABISCO, INC., R.J. REYNOLDS TOBACCO COMPANY, R.J. REYNOLDS TOBACCO INTERNATIONAL, INC., RJR ACQUISITION CORP., f/k/a NABISCO GROUP HOLDINGS

CORP., RJR NABISCO HOLDINGS CORP., and R.J. REYNOLDS TOBACCO HOLDINGS, INC.. The RJR DEFENDANTS moved the records concerning almost all their illegal activities to Geneva, Switzerland, so as to escape the surveillance of the governments that are victimized by RJR's illegal activities, including THE EUROPEAN COMMUNITY and governments of the MEMBER STATES.

*Movement of Operations to Cyprus*

111. One of the RJR DEFENDANTS' primary agents for the storage and handling of cigarettes in THE EUROPEAN COMMUNITY was a company known as Belgian Pakhoed N.V. On May 26, 1997, Belgian Pakhoed N.V. sent a letter to the RJR DEFENDANTS notifying the RJR DEFENDANTS that a substantial number of the RJR DEFENDANTS' customers were "involved in major EC-fraud." Belgian Pakhoed N.V. identified these customers and told the RJR DEFENDANTS that Belgian Pakhoed N.V. would no longer load cigarettes on to ships operated by these customers.

112. By way of this communication, the RJR DEFENDANTS were put on notice that certain of their customers were criminals and that there was a high probability that these customers were paying RJR with criminal proceeds. The response of the RJR DEFENDANTS was not to cut off its supply of cigarettes to these customers, but rather to redirect their supply of cigarettes to these customers through the country of Cyprus, which is not a member of THE EUROPEAN COMMUNITY. The RJR DEFENDANTS continued to supply cigarettes to these customers for years after RJR had been notified that these customers were criminals, and RJR continued to receive and launder the proceeds of their crimes. Many of the aforesaid customers

were involved in money laundering and/or other criminal activities that were highly detrimental to THE EUROPEAN COMMUNITY.

*Illegal Sales into Iraq*

113. Throughout the 1990s, the RJR DEFENDANTS committed an array of crimes, including money laundering, by selling United States-made cigarettes into Iraq in violation of United States law. The means by which this money-laundering operation was conducted include the following: The RJR DEFENDANTS maintained a long-term relationship with an individual known as Issa Audeh. Issa Audeh had previously been an employee of R.J. REYNOLDS TOBACCO INTERNATIONAL, INC. In the 1980s, Audeh served as Regional Director, Middle East/Near East Region for RJR. Around the late 1980s or early 1990s, Issa Audeh set up a group of companies located in Cyprus, including Audeh Trading and Consultancy Service and IBCS Trading and Distribution Company Limited (“IBCS”). IBCS was established in complicity with, and at the direction of, the RJR DEFENDANTS. The sole or primary purpose for IBCS was to sell and distribute RJR cigarettes throughout the Middle East, including Iraq. Throughout the 1990s, Issa Audeh and his companies became one of the largest international customers of the RJR DEFENDANTS. Throughout the 1990s, IBCS, as well as other companies managed or directed by Issa Audeh, acted pursuant to an agreement with RJR, under which RJR directed and controlled the actions of IBCS and other companies owned by Issa Audeh.

114. In late 1989 or early 1990, the RJR DEFENDANTS and Issa Audeh entered into an agreement with an individual known as Abdel Hamid Damirji for the purpose of distributing RJR products in Iraq. Through his Liechtenstein corporation, Tradinter Middle East

Development Establishment, Abdel Damirji worked with the RJR DEFENDANTS and Issa Audeh to establish RJR products and the RJR product name in Iraq.

115. In the fall of 1990 after the Iraqi invasion of Kuwait, Abdel Damirji transferred his cigarette sales operations to Jordan with the approval of the RJR DEFENDANTS for the purpose of supplying the Iraqi market with RJR cigarettes from Amman. The RJR DEFENDANTS, through their officer or employee, Edward Touma, as part of RJR's "Special Markets-Middle East-Near East" division, in written and/or telephonic communications with Abdel Damirji, arranged a procedure by which Abdel Damirji would purchase RJR cigarettes from RJR through Issa Audeh in Cyprus. At times when Abdel Damirji needed more RJR cigarettes than could be supplied through Issa Audeh's companies, Abdel Damirji obtained his RJR cigarettes directly from RJR. For example, in June 1991, the RJR DEFENDANTS sold and delivered directly to Abdel Damirji seven full air-cargo shipments consisting of approximately 17,000 master cases of RJR cigarettes. (There are 10,000 cigarettes in a master case.) Between March 1991 and September 1992, Abdel Damirji purchased at least six hundred thousand master cases of cigarettes, either directly from RJR or from Issa Audeh.

116. On approximately September 1, 1992, the RJR DEFENDANTS modified their procedures with Abdel Damirji so that Mr. Damirji would be obtaining his cigarettes through IBCS. In October 1992, in meetings between Mr. Damirji and Issa Audeh held in Limassol, Cyprus, their agreements were further modified. At that time, Abdel Damirji agreed to acquire, build, and secure warehousing for storage and distribution of RJR products in Mersin, Turkey. In return, RJR and IBCS agreed that Abdel Damirji would have the exclusive rights to distribute RJR products in Iraq. Pursuant to this agreement, Abel Damirji spent almost one



million dollars building and equipping warehouses in Turkey for the purpose of selling RJR products into Iraq.

117. Between 1993 and 1995, the aforesaid agreement remained in place and Abdel Damirji acted as the exclusive distributor of RJR products in Iraq. During this period, hundreds of millions of dollars of RJR cigarettes were purchased by Abdel Damirji from the RJR DEFENDANTS and were sold and distributed in Iraq. During this time period, as part of the distribution arrangement, upon becoming aware of customers who wished to purchase RJR products in Iraq, IBCS and THE RJR DEFENDANTS would direct those customers to Damirji's company, Tradinter Middle East Development Establishment

118. In approximately October 1995, IBCS and/or the RJR DEFENDANTS promoted the establishment of a different group (hereinafter referred to as the Zenzelawi Group) that also would sell RJR cigarettes into Iraq. In September 1996, IBCS and the RJR DEFENDANTS began to supply a company known as Akshimpex Trading Limited ("Akshimpex") with RJR cigarettes for the Iraqi market. Akshimpex is owned by an individual who is, upon information and belief, an Iraqi citizen. Between October 24, 1996, and December 31, 1996, Abdel Damirji ordered and the RJR DEFENDANTS delivered forty-four containers of Winston cigarettes and fifty-seven containers of Aspen-brand cigarettes that were ultimately delivered and sold in Iraq. (A forty-foot container typically holds approximately ten million cigarettes.) According to an agreement between Abdel Damirji and Issa Audeh on behalf of RJR, these sales were made to "achieve the sales goal for 1996 . . . and the continuous promotion and sale of Winston and Aspen brand cigarettes to the Iraqi market." On or about January 1997, the RJR DEFENDANTS sold fifteen containers of Aspen-brand cigarettes to Akshimpex for sale into Iraq.

119. In approximately January 1997, the RJR DEFENDANTS ceased selling cigarettes to Abdel Damirji and his company Tradinter Middle East Development Establishment. However, the RJR DEFENDANTS continued to sell their cigarettes to Akshimpex for sale into Iraq and in fact dramatically increased such sales. Since January 1997, Akshimpex has acted as the agent for the RJR DEFENDANTS for the delivery of their products into Iraq. From January 1997 through 2001, RJR employees visited Akshimpex on a regular basis to check on consignments of cigarettes to confirm that they were in fact going into Iraq.

120. Throughout the aforesaid time period, IBCS Trading and Distribution Company Limited was acting as the agent, alter ego, and/or coconspirator of the RJR DEFENDANTS. All acts attributable to IBCS are equally attributable to the RJR DEFENDANTS. Additionally, all the RJR DEFENDANTS were put on notice of the aforesaid facts because on or about October 15, 1997, Tradinter Middle East Development Establishment sued R.J. REYNOLDS TOBACCO INTERNATIONAL S.A., a subsidiary of the RJR DEFENDANTS. The lawsuit specifically identified R.J. REYNOLDS TOBACCO INTERNATIONAL S.A. as a subsidiary of R.J. REYNOLDS TOBACCO COMPANY, INC. and RJR NABISCO, and alleged that Tradinter Middle East Development Establishment had been granted by RJR the exclusive rights to sell RJR cigarettes into Iraq. IBCS, the codefendant of the RJR DEFENDANTS in the lawsuit, filed a responsive pleading to the lawsuit. In its responsive pleading, IBCS admitted sales of RJR products into Iraq, but only denied that there was an exclusive distribution agreement between IBCS, RJR, and Tradinter Middle East Development Establishment.

121. By May 1999, the RJR DEFENDANTS were actively maintaining a burgeoning business selling huge volumes of U.S.-made cigarettes into Iraq and laundering the

proceeds of those sales. In May 1999, the RJR DEFENDANTS sold their international operations, including their plant in Puerto Rico, to Japan Tobacco, Inc. and/or its affiliates. As a part of the purchase agreement, the RJR DEFENDANTS entered into a “transitional services agreement” under which, for a period of at least two years, the RJR DEFENDANTS would continue to manage and operate all or part of the international operations purchased by Japan Tobacco. The RJR DEFENDANTS therefore participated in and were materially responsible for the illegal transactions conducted by Japan Tobacco, Inc. regarding RJR products from at least May 1999 through May 2001. Additionally, from May 1999 through the present, all Winston cigarettes and other RJR-brand cigarettes sold internationally by the Japan Tobacco entities are sold under license of and with the complicity of the RJR DEFENDANTS. During that time, the RJR DEFENDANTS continued, and in fact increased, the volumes of cigarettes that were produced at the Puerto Rico plant for illegal sale into Iraq. In fact, during the first two-year period in which the transitional services agreement was in effect, the RJR DEFENDANTS, along with their coconspirator Japan Tobacco, Inc., produced and sold almost eight hundred forty-foot containers of United States-made cigarettes into Iraq, amounting to almost eight billion cigarettes. The majority of these cigarettes were delivered from Puerto Rico to Valencia and other ports in THE EUROPEAN COMMUNITY. There the cigarettes were offloaded and transferred to other ships that transported them to Cyprus. In this way, THE EUROPEAN COMMUNITY ports and facilities were misused as a part of this illegal scheme.

122. Following a brief period of warehousing in Cyprus, the cigarettes were sent to Iraq via Turkey. Shipments by way of the aforesaid route were so numerous that they cannot all be listed. However, said shipments included the following:

Shipping Date from Cyprus to Iraq via Turkey	Number of Containers	Consignee
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August 18, 1999	15	Akshimpex Trading Limited
February 25, 2000	11	Akshimpex Trading Limited
April 11, 2000	12	Akshimpex Trading Limited
May 2, 2000	7	Akshimpex Trading Limited
June 16, 2000	12	Akshimpex Trading Limited
June 26, 2000	21	Akshimpex Trading Limited
July 8, 2000	15	Akshimpex Trading Limited
August 9, 2000	10	Akshimpex Trading Limited
August 18, 2000	10	Akshimpex Trading Limited
August 24, 2000	8	Akshimpex Trading Limited
August 25, 2000	7	Akshimpex Trading Limited
September 7, 2000	5	Akshimpex Trading Limited
September 11, 2000	7	Akshimpex Trading Limited
September 20, 2000	12	Akshimpex Trading Limited
September 22, 2000	5	Akshimpex Trading Limited
October 2, 2000	7	Akshimpex Trading Limited
October 11, 2000	15	Akshimpex Trading Limited
October 18, 2000	2	Akshimpex Trading Limited
November 6, 2000	11	Akshimpex Trading Limited
December 11, 2000	4	Akshimpex Trading Limited
January 9, 2001	11	Akshimpex Trading Limited
January 23, 2001	22	Akshimpex Trading Limited
February 25, 2001	9	Akshimpex Trading Limited

April 16, 2001	10	Akshimpex Trading Limited
April 25, 2001	18	Akshimpex Trading Limited
April 30, 2001	15	Akshimpex Trading Limited
May 8, 2001	10	Akshimpex Trading Limited
May 14, 2001	18	Akshimpex Trading Limited
May 21, 2001	18	Akshimpex Trading Limited
May 28, 2001	4	Akshimpex Trading Limited
June 3, 2001	21	Akshimpex Trading Limited
June 9, 2001	13	Akshimpex Trading Limited
June 18, 2001	11	Akshimpex Trading Limited
June 23, 2001	23	Akshimpex Trading Limited
June 30, 2001	13	Akshimpex Trading Limited.

123. As to each of the shipments listed above, the paperwork accompanying the shipments as they left the manufacturing plant in Puerto Rico carried the following notice: “UNITED STATES LAW PROHIBITS DISTRIBUTION OF THESE COMMODITIES TO NORTH KOREA, VIETNAM, IRAQ, OR CUBA UNLESS OTHERWISE AUTHORIZED BY THE UNITED STATES.” (Emphasis added.) The United States government authorized none of these shipments.

124. Shipments similar to those identified above were made into Iraq as recently as February 2002. On January 15, 2002, ten containers of Winston cigarettes and one container of Magna cigarettes were delivered from IBCS to Akshimpex Trading Ltd. Shortly thereafter, the aforesaid containers were delivered into Iraq. On January 24, 2002, IBCS delivered another sixteen containers of Winston cigarettes to Akshimpex for delivery into Iraq. On February 12,

2002, IBCS delivered six containers of Winston cigarettes to Akshimpex for delivery into Iraq. All the aforesaid cigarettes were transported through the Habur Gate, the entrance portal from Turkey into Iraq, to the town of Dohuk in Iraq.

125. The RJR DEFENDANTS and Japan Tobacco, Inc. knew of and participated in this scheme. Bills of lading and other shipping documents prepared by IBCS demonstrate that IBCS shipped the cigarettes in the aforesaid shipments to “AKSHIMPEX TRADING LTD. IN TRANSIT TO IRAQ.” Often IBCS directly invoiced customers in Iraq. The shipping company that transferred the cigarettes in question from Mersin, Turkey, to Iraq delivers the cigarettes into Iraq pursuant to a contract with Akshimpex. However, the shipping company often receives its instructions for shipment and delivery of the cigarettes by way of telephone calls from IBCS. The shipping company is identified on shipping documents and ships’ manifests when the “real owner” of the cigarettes contacts IBCS and tells IBCS to identify the shipping company on the documentation.

126. The owner of Akshimpex also owns or operates two companies from the same location known as MBA Trading and KA International. Recently, shipments of Winston cigarettes bound for Iraq have been identified as consigned to MBA Trading or KA International, largely in an attempt to deceive law-enforcement authorities concerning their true owners and destination.

127. The RJR DEFENDANTS and/or their coconspirators expedited the sale of these cigarettes by creating false paperwork that would misstate the destination of these cigarettes, for example, by making official declarations to customs authorities that the ultimate destination of the cigarettes was Russia when in fact the intended destination was Iraq. These cigarettes were not smuggled; although the value of the cigarettes was grossly understated, by

and large, all the cigarettes in question were declared and certified as being exported from Turkey and therefore entered Iraq “legally.” This gross undervaluation of the cigarettes, “legal” importation based on false or misleading documentation, and sale of cigarettes on such a massive and sustained scale could only be accomplished and in fact were accomplished with the complicity of the Iraqi government and members of the ruling family.

128. The RJR DEFENDANTS and their coconspirators were well aware that they were violating United States law in providing economic benefit to the Iraqi regime by orchestrating this massive importation of cigarettes into Iraq. (Iraq Sanctions Act of 1990, Pub. L. No. 101-513, §§ 586-586J, 50 U.S.C. § 1701 (1994 & Supp. IV 1998).) This massive scheme could not have occurred but for the full complicity of the RJR DEFENDANTS and their coconspirators, who made the scheme possible through their covert shipment of cigarettes and acceptance of covert payments.

129. Even following Japan Tobacco, Inc.’s acquisition of RJR’s international operation, the RJR DEFENDANTS remained actively involved in the sale of cigarettes into Iraq. Employees of the RJR DEFENDANTS’ subsidiaries visited Turkey on a regular basis to oversee the delivery of RJR-brand cigarettes into Iraq and to ensure that the shipments in fact were being delivered from Turkey into Iraq. The RJR DEFENDANTS also employed a company to monitor the movements of their name-brand cigarettes through Turkey and into Iraq. RJR employees and/or agents even visited the Habur Gate, the entrance portal from Turkey into Iraq, to ensure that the cigarettes in question were being handled properly right up to the point where they were delivered across the border into Iraq. For example, RJR personnel visited the Habur Gate for this purpose in August 2001.

130. Additionally, in 2001 and 2002, the RJR DEFENDANTS produced and sold new brands of cigarettes that apparently were designed for the Iraqi/Middle East market. Two such brands were Easton and Barton. These cigarette brands, although virtually unknown in the West and unidentified in the RJR DEFENDANTS' annual report, were manufactured by the RJR DEFENDANTS in North Carolina for sale into Iraq.

131. The Easton brand name is purportedly owned by a company known as GMB Inc. located at 401 North Main Street, Winston-Salem, North Carolina. This address is also the address for the corporate offices of the RJR DEFENDANTS. Although GMB Inc. ostensibly owns the brand-name rights to Easton cigarettes, the cigarettes themselves are manufactured by the RJR DEFENDANTS. Easton-brand cigarettes made in the United States are labeled in part: "Manufactured by RJ Reynolds Tobacco Co., Winston-Salem, NC USA exclusively for A.T.C. . . .Made in USA." The Barton Light cigarettes made in the United States are labeled in part: "Manufactured by RJ Reynolds Tobacco Co., Winston-Salem, NC USA. exclusively for A.T.C. . . .Made in USA."

132. The Barton and Easton brand cigarettes are sold through the RJR distribution network, including IBCS and Akshimpex, into Iraq. Shipments of Easton and Barton brand cigarettes, manufactured by the RJR DEFENDANTS, were sold illegally into Iraq as recently as April 2002. Shipments of Barton and Easton brand cigarettes were accompanied by promotional materials, including hats, cigarette lighters, key rings, and matches.

133. The following illegal shipments of RJR-brand cigarettes into Iraq took place between January and April 2002:

Winston	59,500 master cases	(10,000 cigarettes per master case)
Magna	65,000 master cases	



Winchester 10,909 master cases  
Aspen 7,022 master cases  
Doral 1,500 master cases  
Barton 4,500 master cases  
Easton 1,560 master cases.

Shipments into Iraq on March 2, 2002, March 23, 2002, March 31, 2002, April 6, 2002, and April 11, 2002, included advertising and promotional materials for the RJR-brand cigarettes.

134. The RJR DEFENDANTS and their coconspirator, Japan Tobacco, Inc., have used and continue to use the ports and facilities of THE EUROPEAN COMMUNITY and the MEMBER STATES to expedite the illegal sales of cigarettes into Iraq. For example, as recently as April 2002, IBCS had delivered ten containers of RJR-brand cigarettes to Turkey to sell into Iraq. However, in an effort to disguise the route of these cigarettes and to deceive U.S. and THE EUROPEAN COMMUNITY law-enforcement officials, IBCS, under the direction of RJR's coconspirator, Japan Tobacco International, ordered that the cigarettes be shipped to a warehouse in Antwerp, Belgium. The aforesaid shipment was a complete ruse. The warehouse was instructed to hold the cigarettes temporarily and then ship them back to Turkey. The only purpose for shipping one hundred million cigarettes from Turkey to Belgium and back to Turkey was to attempt to conceal from U.S. and THE EUROPEAN COMMUNITY law-enforcement officials that the true destination of the cigarettes was Iraq.

135. In many instances, the cigarettes in question, even when ostensibly in the possession of IBCS, remained titled to the RJR DEFENDANTS or Japan Tobacco, Inc. Thus, the RJR DEFENDANTS and/or Japan Tobacco, Inc. maintained control over the shipping, handling, and ultimate delivery of the cigarettes up to and including the time the cigarettes enter

Iraq. The aforesaid scheme was accomplished through a continuing use of the U.S. wires and/or mails.

*RJR and the PKK*

136. Substantial portions of the cigarettes sold into Iraq were sold to or for the benefit of various terrorist groups, including the PKK (Kurdistan Workers' Party). Throughout the 1990s and up to and including 2002, the RJR DEFENDANTS and their coconspirators have sold cigarettes into Iraq by way of the northern territories of Iraq, including the towns of Dohuk and Zokho. This region is wholly or partially controlled by terrorist groups, including the PKK. The PKK and similar terrorist groups charge a fee for every container of cigarettes that is allowed to pass through their territory. These fees have been paid to the PKK by the RJR DEFENDANTS' coconspirators. Consequently, the RJR DEFENDANTS and their coconspirators have provided direct financial benefits to the PKK and other terrorist groups. Although the regime of Saddam Hussein is often at odds with Kurdish groups in Northern Iraq, the illegal cigarette trade is so lucrative to Saddam Hussein and his family that they allow several Kurdish groups to import these cigarettes. Saddam Hussein's son Uday Hussein oversees and personally profits from the illegal importation of cigarettes into Iraq.

137. On October 8, 1999, Secretary of State Madeleine K. Albright designated the Kurdistan Workers' Party (PKK) as a "Foreign Terrorist Organization" (FTO) pursuant to the Antiterrorism and Effective Death Penalty Act of 1996, Pub. L. No. 104-132, § 302, 110 Stat. 1214, 1248 (1996), as amended by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, Pub. L. No. 104-208, 110 Stat. 3009 (1996). As a result of this action, it became

illegal for a person in the United States or subject to the jurisdiction of the United States to provide funds or other material support to a designated FTO. On May 10, 2001, Secretary of State Colin L. Powell reaffirmed the designation of the PKK as an FTO on the ground that it has “continued to plan and prepare for possible acts of terrorism.”

138. The designation of the PKK as an FTO is consistent with its activities over the course of the past three decades. The PKK was established in the 1970s as a Marxist-Leninist insurgent group primarily composed of Turkish Kurds. In recent years, it has moved beyond rural-based insurgent activities to include urban terrorism. It seeks to establish an independent Kurdish state in southeastern Turkey, where the population is predominantly Kurdish. The PKK’s primary targets are the Turkish Government security force in Turkey, but it has also been active in THE EUROPEAN COMMUNITY against Turkish targets. The PKK conducted attacks on Turkish diplomatic and commercial facilities in dozens of West European cities in 1993 and again in spring 1995. In an attempt to damage Turkey's tourism industry, the PKK has bombed tourist sites and hotels and kidnapped foreign tourists. PKK members in Europe have been involved in wholesale and retail distribution of heroin and other criminal activities to finance their operations, including the purchase of arms. The PKK has received aid and comfort from Syria, Iraq, and Iran.

139. The PKK has had a particularly adverse affect on THE EUROPEAN COMMUNITY. The PKK has launched numerous terrorist attacks within THE EUROPEAN COMMUNITY. Additionally, the PKK is known to commit an array of other criminal offenses within THE EUROPEAN COMMUNITY, including heroin trafficking and weapons trafficking. Accordingly, the acts of the RJR DEFENDANTS, described in paragraphs 113-135 above, proximately and directly injure THE EUROPEAN COMMUNITY because the RJR

DEFENDANTS' activities enable the PKK to engage in narcotics trafficking, weapons trafficking, and terrorist activities that occur within and to the detriment of THE EUROPEAN COMMUNITY and the MEMBER STATES. In April 2002, THE EUROPEAN COMMUNITY declared the PKK a terrorist group.

*Corruption of Public Officials in the Balkans*

140. Throughout the 1990s, the RJR DEFENDANTS sold large volumes of cigarettes and received large amounts of criminal proceeds through the Balkans, including Montenegro. The RJR DEFENDANTS capitalized on an ongoing war and corrupt government officials as a means to expedite the sale of their products and to help disguise the illegal nature of their actions.

141. Throughout the 1990s, huge amounts of money were paid to public officials in Montenegro and elsewhere to guarantee the security of the cigarettes and the illicit funds that were passing through the Balkans. For example, the Montenegrin government required that all cigarettes passing through Montenegro be handled by the official freight forwarder and handler of the Montenegrin government, Zetatrans. Zetatrans was paid approximately Thirty Dollars per case of cigarettes transited through Montenegro. This Thirty Dollars was divided up among various Montenegrin officials involved in this business and who controlled the "licenses" to ship cigarettes through Montenegro. These officials included Milo Djukanovic, now President of Montenegro; the now deceased former head of the Montenegrin Foreign Investment Agency, Milutin Lalic; and others.

142. As another example, in the mid 1990s, a company called Montenegrin Tabak Transit (MTT) was created by certain members of Italian organized crime in conjunction with Montenegrin government officials. The company was officially sanctioned by the Montenegrin Foreign Investment Agency and operated under the special protection of Milo Djukanovic. MTT was granted the exclusive license to transit cigarettes through the Port of Montenegro. Payments to MTT for the privilege of shipping cigarettes through Montenegro were made throughout the 1990s by members of Italian organized crime through Swiss money brokers, including but not limited to the Alfred Bossert money-laundering organization.

143. MTT, using banks in Switzerland and Liechtenstein, funneled payments from Italian organized crime groups to the Yugoslav federal government and Montenegrin regional governments. Payments through this process were delivered to Milutin Lalic, Milo Djukanovic, and others. "Licensing" payments by Italian organized crime organizations to MTT for the transportation of cigarettes reached almost one hundred U.S. dollars per case of cigarettes. Since tens of thousands of cases of cigarettes were transported through Montenegro as part of the money-laundering scheme throughout the 1990s, the net result was the payment of millions of dollars to government officials in the Yugoslav federal government and the Montenegrin regional government.

144. The RJR DEFENDANTS and their distributors sold cigarettes to their customers in Montenegro "CIF," meaning that the price included cost, insurance, and freight in a lump sum. The RJR DEFENDANTS were well aware that these "licensing fees" were being paid by their coconspirators. The RJR DEFENDANTS' employees traveled to Montenegro on a regular basis to inspect their cigarettes and service their customers and, as such, were well aware of these practices.

145. Political corruption in the Balkans causes economic harm to THE EUROPEAN COMMUNITY and the MEMBER STATES in numerous ways. Political instability in the region requires THE EUROPEAN COMMUNITY and the MEMBER STATES to expend large amounts of money to promote political stability. Additionally, THE EUROPEAN COMMUNITY and MEMBER STATES are required to expend large amounts of money to combat the criminality and economic instability fostered, promoted, and made possible by the existence of significant lawless regions so close to their borders which provide safe havens and staging grounds for criminal activities that directly affect THE EUROPEAN COMMUNITY and the United States.

*Travel and Entertainment by RJR Employees*

146. To advance the money-laundering schemes set forth above, the employees, executives, and managers of the RJR DEFENDANTS often traveled extensively, both to supervise the schemes and also to entertain RJR's criminal customers. RJR executives such as Tom Brock and Richard Larocca traveled to Europe and South America to meet with, entertain, and maintain relations with RJR's criminal customers. RJR executives and managers who engaged in such travel and entertainment often received large travel and entertainment budgets from the RJR DEFENDANTS. Some RJR executives received travel and entertainment budgets of up to one million dollars per year for the purpose of advancing the RJR DEFENDANTS' illicit activities in this fashion.

147. During the years when the RJR DEFENDANTS sold cigarettes in money-laundering operations conducted via Montenegro, RJR employees conducted direct and personal

supervision of such activities. RJR employees would periodically visit Switzerland, Italy, and Montenegro to gather market information for the RJR DEFENDANTS. The RJR DEFENDANT'S employees met and had discussions with various criminals and representatives of criminal groups to obtain information concerning the quantities of cigarettes being sold and the means by which they were sold. The RJR DEFENDANTS' employees traveled to Montenegro on a regular basis to witness the operations, view the warehouses, and observe the loading and unloading activities relating to RJR cigarettes.

148. RJR invited criminal coconspirators of the RJR DEFENDANTS to Geneva, Switzerland, on several occasions so that those individuals could have meetings with the executives of RJR INTERNATIONAL. Such travel, entertainment, and meetings occurred throughout the 1990s.

*RJR's Efforts to Deceive the Plaintiffs*

149. On many occasions, government officials of the MEMBER STATES such as Guardia di Finanza in Italy, pursuant to cooperation agreements entered into with RJR, have requested that the DEFENDANTS and/or their coconspirators, Japan Tobacco, Inc., inspect seized Camel and Winston cigarettes to determine whether they were legitimate product and the party to whom the cigarettes were sold. Almost invariably, the RJR DEFENDANTS and/or Japan Tobacco, Inc. have indicated that they are unable to determine to whom the product was sold. This was true even as to products that the RJR DEFENDANTS admitted were produced by them.

150. The representations by RJR and Japan Tobacco, Inc. that they could not identify the customers to whom the products were sold were false and fraudulent. The cigarettes in question contained markings that allow the RJR DEFENDANTS to identify at a minimum the first and second purchasers of the cigarettes. The RJR DEFENDANTS and Japan Tobacco, Inc. deceived the Plaintiffs and refused to provide this information, which was known to them, in order to protect their valuable criminal customers and also to prevent the Plaintiffs' law-enforcement authorities from conducting investigations that could demonstrate the RJR DEFENDANTS' complicity in the money-laundering schemes.

151. When the RJR DEFENDANTS indicated that they were unable to identify to whom the products were sold, they made a false representation to the Plaintiffs regarding a matter of great importance to the Plaintiffs. The Plaintiffs reasonably relied upon the representations of the RJR DEFENDANTS because the DEFENDANTS were supposed to be acting in good faith pursuant to cooperation agreements that they entered into with the Plaintiffs. The Plaintiffs have suffered great financial harm as a result of DEFENDANTS' failure to identify the customers to which the seized products were sold. The RJR DEFENDANTS' false statements have made it costly and/or impossible to apprehend the coconspirators who are trafficking in the cigarettes as a part of the scheme to launder criminal proceeds.

152. The RJR DEFENDANTS filed or caused the filing of false and fraudulent documents that misstated the destination and the value of cigarettes. This was done to advance the money-laundering scheme. In many nations, including the MEMBER STATES and Turkey, costly surety bonds are required of shippers that transport cigarettes across the country. By grossly undervaluing the cigarettes being shipped, the RJR DEFENDANTS and their coconspirators reduced the purported value of their shipments and thereby dramatically reduced



the surety bonds that must be paid on the cigarettes. In so doing, the DEFENDANTS and their coconspirators reduce their costs associated with the sale and delivery of the cigarettes.

153. With respect to cigarette sales into Iraq, the DEFENDANTS and/or their coconspirators filed false and fraudulent documents with Spanish authorities to conceal that the final destination of the cigarettes was Iraq. The value of the cigarettes in question was fraudulently understated by the DEFENDANTS and/or their coconspirators to expedite the delivery of cigarettes into Iraq with the payment of minimal surety bonds. THE EUROPEAN COMMUNITY and the MEMBER STATES reasonably relied upon such false and fraudulent documents to their detriment.

154. The RJR DEFENDANTS, and in particular R.J. REYNOLDS TOBACCO INTERNATIONAL, INC., through their agent Paul Bourassa and others, continually worked to prevent THE EUROPEAN COMMUNITY and the MEMBER STATES from discovering THE RJR DEFENDANTS' role in the money-laundering scheme. The RJR DEFENDANTS cited Swiss secrecy laws and other excuses as an improper basis for refusing to provide THE EUROPEAN COMMUNITY and the MEMBER STATES with requested information concerning the criminal conduct of the RJR DEFENDANTS and their customers.

155. The RJR DEFENDANTS entered into an understanding or agreement, express or tacit, with their distributors, customers, agents, consultants, and other coconspirators, to participate in a common scheme, plan or design to commit tortious and illegal acts, including money laundering. In pursuance of the agreement, RJR and other tobacco companies formed, managed, and directed the affairs of several groups including, without limitation: (a) International Committee on Smoking Issues ("ICOSI"); (b) EEC Task Force on Consumerism; (c) International Duty Free Confederation ("IDFC"); (d) "Confederation of European

Community Cigarette Manufacturers Ltd.” (“CECCM”); and (e) CECCM’s “Duty Free Study Group” which was comprised entirely of company representatives, including those of RJR. Acting through the aforesaid groups, RJR obstructed government oversight and falsely represented to Plaintiffs and the public that the RJR DEFENDANTS were not involved in illegal activities.

*RJR’s Responsibility for its Agents, Employees, and Coconspirators*

156. The acts and omissions of the individuals employed by the RJR DEFENDANTS are imputed to the RJR DEFENDANTS under the doctrines of vicarious liability and *respondeat superior*. The RJR DEFENDANTS actually benefited from the performance of predicate acts of racketeering through increased sales, profits, name-brand recognition, and market share.

157. The RJR DEFENDANTS and their employees were central figures and aggressors in the fraudulent scheme. RJR personnel, including Richard Larocca, Tom Brock, Renato Meyer, Diego Luchessa, Oscar Ivanissevich, John Dyson, Sergio Rotati, Bill Ventura, Orlando Morales, and other RJR executives, performed their fraudulent and illegal acts on behalf of the RJR DEFENDANTS within the scope and course of their employment with RJR. The officers and directors of the RJR DEFENDANTS, including RJR Chairman Steven F. Goldstone, had knowledge of, or were willfully blind and recklessly indifferent toward, the unlawful activity.

158. The RJR DEFENDANTS are liable under principles of agency. Each of the RJR DEFENDANTS is responsible for the conduct of its supervisory employees, including

Richard Larocca, Tom Brock, Renato Meyer, Diego Luchessa, Oscar Ivanissevich, John Dyson, Sergio Rotati, Bill Ventura, and Orlando Morales, who violated the law and caused the RJR DEFENDANTS to enter into and act to further money-laundering conspiracies.

*RJR's Use of Wires and Mails*

159. During all relevant times, the RJR DEFENDANTS communicated with each other and with their coconspirators on virtually a daily basis, by means of interstate and international wires, as a means of obtaining orders for cigarettes, arranging for sale and shipment of cigarettes, and arranging for and receiving payment for the cigarettes in question. Under principles of conspiracy and concert of action, the RJR DEFENDANTS are jointly and severally liable for the actions of their coconspirators in the furtherance of the money-laundering scheme.

160. The RJR DEFENDANTS and their coconspirators utilized the interstate and international mail and wires, and other means of communications, to prepare and transmit documents that intentionally misstated the purchases of the cigarettes in question so as to mislead the authorities within the United States and THE EUROPEAN COMMUNITY in regard to the nature and objectives of the money-laundering scheme. THE EUROPEAN COMMUNITY and its MEMBER STATES, including the Kingdom of Belgium, Republic of Finland, French Republic, Hellenic Republic, Federal Republic of Germany, Italian Republic, Grand Duchy of Luxembourg, Kingdom of the Netherlands, Portuguese Republic, and Kingdom of Spain, reasonably relied on said misrepresentations of fact were damaged as a result, and continue to be damaged by such reliance.

161. The RJR DEFENDANTS, their subsidiary corporations, and their coconspirators have used the mail and telephonic and other wire forms of communication on a daily basis in furtherance of the money-laundering schemes described above. Specifically, the U.S. mails and wires are used by the RJR DEFENDANTS to bill and pay for the cigarettes, to confirm billing and payment for the cigarettes, to account for the payment of the cigarettes to the DEFENDANTS and their subsidiaries, and to maintain an accounting of the proceeds received by the RJR DEFENDANTS from the sale of the cigarettes, with said proceeds ultimately being returned to the RJR DEFENDANTS in the United States.

162. The RJR DEFENDANTS' coconspirators, the distributors and money launderers, utilize the mail and wire communications on a continuing basis to advance the money-laundering schemes, specifically to determine marketing strategies, to order cigarettes, to arrange for sale of the cigarettes, to arrange for distribution of cigarettes, to arrange for payment of cigarettes, and to further support other aspects of the money-laundering schemes.

163. Because the money-laundering conspiracy is a multi-million dollar per year operation and is continuing on a daily basis, it is impractical and impossible, in advance of discovery, to delineate each and every fraudulent communication in what is a pervasive and ongoing use of the mails and wires in furtherance of the money-laundering activities. By conducting some of their activities in countries known for bank secrecy, the RJR DEFENDANTS have taken affirmative steps to prevent the victims of their fraud and illicit conduct from discovering the exact details of the vast number of wire and mail communications that furthered the money-laundering schemes, including orders for tobacco products, and repatriation of the proceeds of the money-laundering schemes to the United States.

164. In addition to using the mail and wire communications themselves to advance the money-laundering schemes, the RJR DEFENDANTS, caused the use of the U.S. mails and wires in furtherance of the money-laundering schemes by acting with knowledge that the use of the U.S. mails and/or wires would follow in the ordinary course of business and/or could be reasonably foreseen as a result of their activities. The mailing or use of wire communications was for the purpose of executing the scheme, to wit, the money-laundering activities. These mail and wire transmissions furthered the money-laundering schemes and were essential to the success of those schemes, since such communications were necessary for the coconspirators, who were separated by great distances and national borders to effectuate their common goals within the money-laundering enterprises.

#### VIII. IMPACT OF THE MONEY-LAUNDERING SCHEME ON THE UNITED STATES AND THE EUROPEAN COMMUNITY

165. International money laundering has become a threat to United States security, as well as to the security of THE EUROPEAN COMMUNITY and the MEMBER STATES. As Asa Hutchinson, Director of the United States Drug Enforcement Administration, has stated: “The illegal drug production that undermines America’s culture also funds terror and erodes democracies across the globe. They all represent a clear and present danger to our national security.” Since the money-laundering scheme that is the subject matter of this complaint is a fundamental part of the drug-production cycle, these money-laundering activities equally represent a threat to U.S. national security as well as the security of THE EUROPEAN COMMUNITY.

166. Money laundering through the purchase and sale of cigarettes has become a primary means by which terrorists finance their illegal activities. The RJR DEFENDANTS knowingly or negligently support the activities of terrorists when they allow terrorist groups to launder narcotics proceeds in THE EUROPEAN COMMUNITY through the purchase of United States-made cigarettes.

167. The majority of the conduct of the RJR DEFENDANTS that is material to this case is conducted by the RJR DEFENDANTS in the United States. There is a substantial effect experienced in the United States and in this district as a result of the schemes that are the subject matter of this complaint because:

(a.) The RJR DEFENDANTS receive, and have received, the profits and proceeds of said schemes in the United States. Such funds have been repatriated to this country through money laundering and other acts of concealment, all of which threaten the integrity of the U.S. financial system.

(b.) The money-laundering schemes that are the subject matter of this complaint, in particular those involving Russian organized crime, the Bank of New York, and Sinex Bank, are centered largely in and operate from this district. The majority of the money-laundering activities described in relation to this portion of the scheme occurred in Queens, New York, and tens of millions of dollars of laundered criminal proceeds that constitute the subject matter of this complaint were laundered in Queens, New York.

(c.) Many millions of dollars of the laundered narcotics proceeds which are the subject matter of this lawsuit passed through The Bank of New York (BONY) to the RJR DEFENDANTS. The money-laundering activities at The Bank of New York proved to be so

pervasive that they damaged the integrity of that bank and had serious economic ramifications for other banks throughout the Eastern District of New York.

(d.) The United States and THE EUROPEAN COMMUNITY have recognized in international conventions their mutual interest in ending transnational money-laundering schemes. The RJR DEFENDANTS' conduct contravenes the vital public interest in stemming such illicit conduct.

(e.) Large volumes of false documents have been filed with the United States Customs Service and the Bureau of Alcohol, Tobacco and Firearms by the RJR DEFENDANTS and/or their coconspirators. The purpose of these filings was to deceive the United States Customs Service and the Bureau of Alcohol, Tobacco and Firearms and allow the criminal activity to continue.

(f.) The money-laundering schemes are intertwined with organized crime in New York City. Some of the largest and most dangerous narcotics traffickers in the world reside and conduct business in the Eastern District of New York. Furthermore, certain individuals who work and reside in the Eastern District of New York have established a multi-million dollar industry within the Eastern District of New York for the laundering of criminal proceeds through cigarette sales. Millions of dollars worth of real estate has been purchased within the Eastern District of New York in conjunction with this money-laundering scheme.

(g.) This district and its transportation facilities have been used by the RJR DEFENDANTS as a springboard for the transnational shipment of cigarettes as part of the money-laundering scheme.

(h.) The money-laundering scheme is advanced by numerous acts of wire fraud and mail fraud, many of which occurred in the United States. The United States has an

interest in preventing such schemes from being carried out through the U.S. telecommunications system and postal system.

168. Throughout THE EUROPEAN COMMUNITY, cigarettes and narcotics are routinely part of the same criminal transactions, and the incidence of violence associated with such trade is rising rapidly. High-ranking executives of RJR knew or reasonably should have known that their tobacco products were being sold to and through narcotics traffickers through illegal means. These RJR executives failed to act with reasonable care to investigate and abate these activities and failed otherwise to act to prevent the damage to Plaintiffs.

169. All the aforesaid activities occurred with both the knowledge and at the direction of persons at both middle management and high-level management positions within the RJR DEFENDANTS' corporations. The vast majority of the cigarettes utilized in the money-laundering schemes are shipped from the United States. The vast majority of the activities of the RJR DEFENDANTS that are the subject matter of this complaint, including management decisions and direction of the schemes, are conducted by the RJR DEFENDANTS in the United States and, more particularly, from the RJR DEFENDANTS' offices in the State and City of New York.

All of the predicate acts set forth herein share the same purpose and the same victims, namely, THE EUROPEAN COMMUNITY and its MEMBER STATES, including the Kingdom of Belgium, Republic of Finland, French Republic, Hellenic Republic, Federal Republic of Germany, Italian Republic, Grand Duchy of Luxembourg, Kingdom of the Netherlands, Portuguese Republic, and Kingdom of Spain.



IX. CONTINUING DAMAGE TO THE PLAINTIFFS AND COMPELLING NEED FOR  
INJUNCTIVE AND EQUITABLE RELIEF

170. THE EUROPEAN COMMUNITY and the MEMBER STATES have the right and duty to make claims for, and to seek injunctive relief against, the money-laundering conspiracy that is the subject matter of this complaint.

171. The Plaintiff, THE EUROPEAN COMMUNITY, exists for the purpose of promoting the stability and economic welfare of its MEMBER STATES. Money laundering and the criminal activities associated with money laundering pose a severe threat to the stability and economic welfare of THE EUROPEAN COMMUNITY, the MEMBER STATES, and their citizens. As a result of the DEFENDANTS' wrongful activities, THE EUROPEAN COMMUNITY and the MEMBER STATES have been injured in their businesses and deprived of money and property, and the DEFENDANTS have secured vast profits and proceeds from their illegal scheme. The injuries to the Plaintiffs include, but are not limited to, the following:

(a.) *Right, Title, and Interest in the Proceeds of Crime.* Under the laws of the MEMBER STATES, the MEMBER STATES possess title in, or have a right to the proceeds of, any criminal activity conducted within their borders. This right is a civil right of reparation. The RJR DEFENDANTS' money-laundering scheme described in this Complaint causes a loss of business and property to THE EUROPEAN COMMUNITY and the MEMBER STATES because the laundering of the criminal proceeds prevents the MEMBER STATES from collecting the money and property constituting the proceeds of criminal activity, to which right or title has vested in the MEMBER STATES.

*(b.) Right, Title, and Interest in the Instrumentalities of Crime.* Under the laws of the MEMBER STATES, the MEMBER STATES possess title in, or have a right to, any property used in the commission of a crime conducted within their borders, including money and goods. This right is a civil right of reparation. The RJR DEFENDANTS' money laundering described in this Complaint causes a loss of business and property to the MEMBER STATES because the laundering of the criminal proceeds prevents the MEMBER STATES from acquiring title in or rights to the instrumentalities used in the commission of criminal activity, which title or right has vested in the MEMBER STATES.

*(c.) Money Laundering Facilitates Organized Crime.* The money-laundering scheme by the RJR DEFENDANTS facilitates organized crime including narcotics trafficking, arms trafficking, and other offenses. THE EUROPEAN COMMUNITY, the MEMBER STATES, and their citizens are the victims of these crimes. But for the active assistance of the RJR DEFENDANTS, money launderers and criminals could not have laundered the proceeds of their criminal activities to the detriment of THE EUROPEAN COMMUNITY and the MEMBER STATES.

*(d.) Costs of Fighting Money Laundering.* The RJR DEFENDANTS' money-laundering scheme and related criminal activities cause direct economic losses to THE EUROPEAN COMMUNITY and the MEMBER STATES in the form of increased expenditures to prevent money laundering, including financial audits, anti-money-laundering protocols, and other expenditures that are necessitated by such conduct.

*(e.) Costs of Regulating Transactions and Detecting Money Laundering.* Financial institutions in THE EUROPEAN COMMUNITY must train staff in detecting and reporting suspicious transactions and in any event report all transactions over EUR15,000 to the

authorities in the MEMBER STATES. Specifically constituted financial intelligence units (“FIU”) must then quickly investigate the reported transactions as well as carrying out other investigations into money laundering. As a result, the MEMBER STATES have been injured in their business and property because of the costs to financial institutions of detecting and reporting such transactions and because of the funds and resources required for MEMBER STATES to carry out investigations in order to detect money laundering.

*(f.) Law-Enforcement Costs of Fighting Underlying Criminal Activity.*

THE EUROPEAN COMMUNITY and the MEMBER STATES are required to expend large amounts of money on law-enforcement activities to combat the criminal activity that is facilitated by the money laundering and related activities of the RJR DEFENDANTS and their coconspirators.. Such criminal activity includes, but is not limited to, narcotics trafficking, weapons trafficking, terrorism, and an array of other organized criminal activities. But for the money-laundering activities of the RJR DEFENDANTS, the efficacy of these crimes would be diminished, the incentive to commit these crimes would be reduced, and the law enforcement and other costs incurred by THE EUROPEAN COMMUNITY and the MEMBER STATES would be accordingly diminished.

*(g.) Damage to EUROPEAN COMMUNITY and MEMBER STATE*

*Property.* The means employed by the RJR DEFENDANTS and their coconspirators routinely result in damage to or the destruction of property of THE EUROPEAN COMMUNITY or the MEMBER STATES such as automobiles and vessels. This damage to the PLAINTIFFS’ property is foreseeable and anticipated by the RJR DEFENDANTS and their coconspirators, and results in additional expenditures by THE EUROPEAN COMMUNITY and MEMBER STATES to repair and replace the damaged property.

(h.) *Damage to MEMBER STATES for Expenses to Store and Destroy*

*Proceeds of Criminal Activity.* As a result of the massive money-laundering scheme perpetrated by the RJR DEFENDANTS, the Republic of Italy has been required to warehouse, store, and ultimately destroy huge volumes of cigarettes and other property used in the scheme. As of early 2002, at one storage facility alone, the Republic of Italy is currently storing two million master cases of cigarettes that were purchased with the proceeds from crime. Often, such cigarettes must be stored for a long period of time because they will serve as evidence in legal actions. Accordingly, the average case of cigarettes seized by law-enforcement authorities in Italy remains in storage approximately six years. The cost to the Italian government for the storage of these cigarettes, including warehouse facilities, employees, insurance, and costs associated with the full-time process of destroying cigarettes equals approximately thirteen dollars per case of cigarettes. Accordingly, the Italian government currently spends approximately twenty-six million dollars per year simply to warehouse, store, and destroy seized cigarettes. Of the cigarettes so stored, a substantial percentage are the products of the RJR DEFENDANTS. Other MEMBER STATES currently experience similar problems and resulting losses.

(i.) *Damage to the Legitimate Economy.* The RJR DEFENDANTS' money-laundering scheme and related criminal activities cause a direct and adverse economic impact on THE EUROPEAN COMMUNITY and the MEMBER STATES because this underground economy competes illegally against the legitimate economy of THE EUROPEAN COMMUNITY and the MEMBER STATES, and thereby causes direct financial loss to the PLAINTIFFS.

(j.) *Competitive Losses of the MEMBER STATES.* The RJR DEFENDANTS' money-laundering activities and their related criminality compete against the

legal cigarette trade within the MEMBER STATES and in particular compete against the MEMBER STATES that participate in the marketplace as either buyers or sellers of cigarettes. Entities that purchase and sell cigarettes using laundered money enjoy an unfair competitive advantage over legitimate businesses due to favorable exchange rates, lack of government oversight, and other factors favoring the illegitimate trader. Legitimate purchasers, manufacturers, and/or distributors of cigarettes are direct competitors of the money-laundering conspirators. As participants in the marketplace, the MEMBER STATES suffer a direct loss of money and property as a result of this illegal activity.

(k.) *Damage to Italy as a Distributor of Cigarettes.* The Republic of Italy possesses the exclusive right to import and distribute cigarettes within Italy. The Republic of Italy is adversely affected in its business and property as a direct result of the massive money-laundering scheme to convert criminal proceeds into cigarettes, which was designed, implemented, and controlled by the RJR DEFENDANTS. The unfair advantage that the money-laundering scheme has afforded to the RJR DEFENDANTS has impaired the ability of the Italian government to compete effectively in the Italian cigarette market. As a result, warehouses and other distribution facilities have been closed or otherwise rendered useless, and the Republic of Italy as rightful distributor of cigarettes has lost millions of dollars, both in lost cigarette sales as well as in the cost associated with the closing of factories, discharge of employees, and other measures made necessary by the illegal acts of the RJR DEFENDANTS and their coconspirators.

(l.) *Damage to MEMBER STATES as Manufacturers and Distributors of Cigarettes.* A similar situation exists with other MEMBER STATES, because certain governments participate in the manufacture and/or distribution of cigarettes. The MEMBER STATES that are market participants have been adversely affected in their business and property

as a direct result of the money-laundering scheme designed, implemented, and controlled by the RJR DEFENDANTS. The unfair advantage that the money-laundering scheme has given to the RJR DEFENDANTS and their coconspirators has rendered these MEMBER STATES unable to compete effectively in their own cigarette markets. As a result, factories and distribution facilities have been closed, workers have been fired, and the affected MEMBER STATES have lost millions of dollars, both in lost cigarette sales as well as in the costs associated with the closing of factories, discharge of employees, and other measures made necessary by the illegal acts of the RJR DEFENDANTS and their coconspirators.

*(m.) RJR DEFENDANTS' Misuse and Disruption of the Marketplace.*

THE EUROPEAN COMMUNITY provides at its expense a marketplace without internal frontiers that inures to the benefit of all commercial enterprises that operate within the borders of THE EUROPEAN COMMUNITY. This marketplace makes the sale of products such as cigarettes easier and more profitable. The money-laundering activities of the RJR DEFENDANTS and their coconspirators make illicit use of this marketplace for their own economic benefit and to the economic detriment of THE EUROPEAN COMMUNITY and the MEMBER STATES. Money laundering disrupts the legitimate trade and markets within THE EUROPEAN COMMUNITY, damages the economic viability of THE EUROPEAN COMMUNITY, and causes harm to the financial institutions and infrastructure within THE EUROPEAN COMMUNITY.

*(n.) Damage to THE EUROPEAN COMMUNITY Financial Institutions.*

The RJR DEFENDANTS' money-laundering scheme and related criminal activities undermine and damage THE EUROPEAN COMMUNITY'S financial system. The integrity of financial institutions, including banks, is compromised when they are used to launder criminal proceeds.

Financial messaging systems such as the SWIFT system, based in Belgium, have been exploited because they have been used on a continuing basis to expedite this money-laundering scheme.

*(o.) Frustration of the Duty to Prevent Harm to Financial Institutions.*

The RJR DEFENDANTS' money-laundering scheme and related criminal activities subvert and undermine THE EUROPEAN COMMUNITY'S duties, responsibilities, and legal authority, and inhibit the ability of THE EUROPEAN COMMUNITY to prevent harm to the financial institutions and infrastructure within THE EUROPEAN COMMUNITY.

*(p.) Damage to MEMBER STATES (Bank Failures).* When commercial banks fail as a result of money laundering, the MEMBER STATES sustain direct economic losses because they are often required to protect depositors who are victims of these bank failures.

*(q.) Damage to MEMBER STATE Banks.* Money laundering associated with the cigarette sales described in this Complaint has a direct and adverse impact on commercial banks owned wholly or partially by certain of the MEMBER STATES. The underground currency exchange deprives commercial banks of transaction fees and other sources of income associated with the international and/or foreign exchange transactions that are displaced by these money-laundering activities. When commercial banks fail as a result of money laundering, the MEMBER STATES sustain direct economic losses as a result of those failures.

*(r.) Protection of MEMBER STATES' Currency.* When each of the MEMBER STATES issues its currency, the MEMBER STATE acts as a guarantor of the stability of the currency it issues (see however the Euro at paragraph (s.) below). The MEMBER STATE provides value to the currency by its willingness to maintain the strength and integrity of

that currency. When the RJR DEFENDANTS and their coconspirators launder the currency of a MEMBER STATE, they convert and make illicit use of the currency and thereby erode the stability and credibility of that currency thereby depriving the PLAINTIFFS of money and property.

(s.) *Protection of the Euro.* On January 1, 1999, THE EUROPEAN COMMUNITY created a new currency, the Euro. It is the ultimate duty and responsibility of THE EUROPEAN COMMUNITY and the MEMBER STATES to protect the public's confidence in the Euro. When the RJR DEFENDANTS and their coconspirators launder the Euro, they convert and make illicit use of the Euro, thereby undermining public confidence in the Euro and in the financial institutions that are based on the Euro.

(t.) *Devaluation of PLAINTIFFS' Property.* The money-laundering scheme of the RJR DEFENDANTS and their coconspirators involves the exchange for U.S. dollars of the currencies of the MEMBER STATES often at deeply discounted unofficial exchange rates due to the criminal nature of these transactions. The exchange of tens of millions of dollars worth of the PLAINTIFFS' currencies at a deep discount rate acts to devalue the Plaintiffs' currencies. In that the Plaintiffs hold and own billions of dollars in their own currencies, the Plaintiffs suffer a direct loss of money and property when the money that they hold is thus devalued.

(u.) *Distortion of the Money Supply.* The process of laundering criminal proceeds through the purchase and sale of RJR cigarettes involves the unrecorded and irregular physical removal of huge amounts of local currency from the territory of the MEMBER STATES. The money-laundering activities of the RJR DEFENDANTS, when they involve an unrecorded and irregular removal of PLAINTIFFS' currencies, act to affect and distort the



supply of money in the MEMBER STATES. This distortion directly and adversely affects the official calculations of the money supply performed and maintained by the MEMBER STATES, thereby causing additional expenditures of funds by the PLAINTIFFS to detect and compensate for the huge unrecorded and irregular physical removals of PLAINTIFFS' currencies, depriving the PLAINTIFFS of money and property.

(v.) *Balance of Payments.* The process of laundering criminal proceeds through the purchase and sale of U.S.-made cigarettes involves the illegal conversion of local currency into U.S. dollars outside of the facilities provided by the MEMBER STATES for this exchange. The money-laundering activities of the RJR DEFENDANTS, when they involve an unrecorded and irregular conversion of the PLAINTIFFS' currencies into United States dollars, distort the official balance of payments calculated and maintained by the PLAINTIFFS, thereby causing additional expenditures of funds by the PLAINTIFFS to detect and compensate for the huge unrecorded and irregular foreign exchange operations, depriving the PLAINTIFFS of money and property.

(w.) *MEMBER STATES' Contributions to EUROPEAN COMMUNITY Expenditures.* The MEMBER STATES have suffered an injury to business and property because they have been required to contribute additional funding to THE EUROPEAN COMMUNITY as a result of the money-laundering activities of the RJR DEFENDANTS and their coconspirators.

(x.) *MEMBER STATE Local Expenditures to Support EUROPEAN COMMUNITY Action.* The MEMBER STATES have suffered an injury to business and property because they have been required to expend additional funds and resources to support, on a local level, the efforts of THE EUROPEAN COMMUNITY as a result of additional

activities carried out, and expenditures incurred by, THE EUROPEAN COMMUNITY due to the money-laundering activities of the RJR DEFENDANTS and their coconspirators.

(y.) *Distortion of the “Fourth Resource.”* Huge volumes of irregular transactions have gone unrecorded due to the RJR DEFENDANTS’ money-laundering scheme. This has produced distortions in the system of contributions made by the MEMBER STATES to THE EUROPEAN COMMUNITY. As a result, some MEMBER STATES have suffered injury to their business and property because they have been required to contribute more than their correct share of the “fourth resource.” THE EUROPEAN COMMUNITY has been injured in its business and property because increased expenditures of funds and resources are required to detect and compensate for the distortions produced in the fourth resource contribution assessments by the huge money-laundering transactions of the RJR DEFENDANTS and their coconspirators.

(z.) *Frustration of THE EUROPEAN COMMUNITY’S Duty to Fulfill Its Obligations to the MEMBER STATES.* The money laundering and related criminal activities of the RJR DEFENDANTS and their coconspirators substantially inhibit the capacity of THE EUROPEAN COMMUNITY to execute its duties to regulate foreign commerce; to regulate customs territories, free trade zones, and customs bonded warehouses; to regulate transportation into THE EUROPEAN COMMUNITY or within its borders, including the use of the roads; to regulate the free movement of goods within THE EUROPEAN COMMUNITY; to regulate safety and security at sea; to combat money laundering; to protect and promote the economic well being of its citizens; and to abate harm to itself and the general public within THE EUROPEAN COMMUNITY.

*(aa.) Damage to EUROPEAN COMMUNITY Regulation of its Customs*

*Territory.* THE EUROPEAN COMMUNITY has a Customs Territory and a Customs Border separate and apart from the borders of the MEMBER STATES. The violation and permeation of that Border and that Territory by money-laundering activities and the illegal transport of money into and out of THE EUROPEAN COMMUNITY violates the legal rights of THE EUROPEAN COMMUNITY, threatens the safety, security, and well-being of governmental personnel and property within THE EUROPEAN COMMUNITY, and interferes with and damages the regulatory system and authority of THE EUROPEAN COMMUNITY.

*(bb.) Damage to the MEMBER STATES Regarding Protection of Their*

*Borders.* The MEMBER STATES each have a national territory and borders separate and apart from the borders of the other MEMBER STATES and THE EUROPEAN COMMUNITY. The violation and permeation of those borders and that national territory by money-laundering activities and the illegal transport of money into and out of the MEMBER STATES violates the legal rights of the MEMBER STATES, threatens the safety, security, and well being of governmental personnel and property within the MEMBER STATES, and interferes with and damages the regulatory system and authority of the MEMBER STATES. The MEMBER STATES suffer injury to their money and property from the additional expenditure required to counteract the scheme of the RJR DEFENDANTS and their coconspirators through additional equipment, personnel, border facilities, and other means.

*(cc.) Injury to THE EUROPEAN COMMUNITY and MEMBER STATES*

*Due to RJR DEFENDANT'S Support of Totalitarian Regimes.* Illegal cigarette sales by the RJR DEFENDANTS and their coconspirators into Iraq and other areas have resulted in a direct financial benefit to totalitarian regimes and to terrorist groups that have caused harm to THE

EUROPEAN COMMUNITY and to the MEMBER STATES, including but not limited to destruction of public property, death and/or injury of government personnel, diminished economic productivity, increased law-enforcement expenses, and other costs associated with combating terrorism.

(dd.) *Damage Caused by Bribery of Public Officials.* Money-laundering activities, bribery of government officials, and other related criminal acts conducted in various countries and in particular the Balkans, have caused severe harm to THE EUROPEAN COMMUNITY and the MEMBER STATES including but not limited to increased law-enforcement and military expenditures, disruption of public services, expenses to stabilize unstable political situations in Eastern Europe that affect Western Europe, and damage to the trade and the economy of THE EUROPEAN COMMUNITY and the MEMBER STATES.

172. THE EUROPEAN COMMUNITY and the MEMBER STATES and their economies have suffered losses at least equal to, and properly measured by, the total amount of criminal proceeds laundered by the RJR DEFENDANTS. These losses were directly and proximately caused by the money-laundering activities of the RJR DEFENDANTS and their coconspirators. THE EUROPEAN COMMUNITY and the MEMBER STATES have the duty and responsibility to protect against, and to seek redress for, such losses.

173. As a direct and proximate result of the money-laundering activities that are conducted, aided, and encouraged by the RJR DEFENDANTS, losses of hundreds of millions of dollars per year are being suffered by THE EUROPEAN COMMUNITY and its MEMBER STATES, including the Kingdom of Belgium, Republic of Finland, French Republic, Hellenic Republic, Federal Republic of Germany, Italian Republic, Grand Duchy of Luxembourg, Kingdom of the Netherlands, Portuguese Republic, and Kingdom of Spain. THE EUROPEAN

COMMUNITY and the MEMBER STATES have been deprived of money and property in this manner throughout the 1990s and continuing through the present time. If the money-laundering activities of the RJR DEFENDANTS are not stopped, THE EUROPEAN COMMUNITY and the MEMBER STATES will continue to lose money and property in the future. In addition, THE EUROPEAN COMMUNITY and the MEMBER STATES have been required to expend large amounts of money in their efforts to stop money laundering and to recoup funds that they have lost as a result of the activities of the RJR DEFENDANTS. All of these losses will continue into the future, absent judgment in Plaintiffs' favor and injunctive and equitable relief, including:

(a.) RICO Injunctive and Equitable Relief. Under the RICO statute, 18 U.S.C. § 1964(a), and pursuant to inherent equitable powers of the Court, the U.S. District Court is empowered to prevent and restrain violations of 18 U.S.C. § 1962 by issuing appropriate orders, including without limitation : (i) ordering any person to divest himself or herself of any interest, direct or indirect, in any enterprise; (ii) imposing reasonable restrictions on the future activities or investments of any person that affect interstate or foreign commerce, including, but not limited to, prohibiting any person from engaging in the same type of endeavor as the enterprise engaged in; and (iii) ordering dissolution or reorganization of any enterprise, making due provision for the rights of innocent persons. In addition, under 28 U.S.C. § 1651(a), the U.S. District Courts are empowered to "issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law." Consistent with these powers, the MEMBER STATES seek an order that: (i) enjoins the RJR DEFENDANTS and their respective agents, servants, officers, directors, employees, and all persons acting in concert with them from laundering the proceeds of criminal activities through the sale of cigarettes; (ii)

compels each of the RJR DEFENDANTS who are found to have violated 18 U.S.C. § 1962 to disgorge all proceeds derived from any such violation and to make restitution to Plaintiff; (iii) enjoins the RJR DEFENDANTS and their respective agents, servants, officers, directors, employees, and all persons acting in concert with them from selling cigarettes and/or receiving payment for cigarettes without proper documentation, shipping records, markings, and similar indicia of compliance with law that will facilitate the proper tracking of the cigarettes and the funds with which they were purchased; (iv) enjoins the RJR DEFENDANTS and their respective agents, servants, officers, directors, employees, and all persons acting in concert with them from selling cigarettes to any distributor or any other person who cannot fully and accurately account for the source of the funds with which the cigarettes were purchased; (v) enjoins the RJR DEFENDANTS and their respective agents, servants, officers, directors, employees, and all persons acting in concert with them from engaging in any practices by which distributors, shippers, or wholesalers can pay for the cigarettes in question into offshore corporations, offshore bank accounts, or other locations that limit the ability of government officials to track the sale of cigarettes or the payment for said cigarettes; (vi) orders the RJR DEFENDANTS to create and utilize adequate protocols by which all cigarettes manufactured by the RJR DEFENDANTS and all payments made for such cigarettes into THE EUROPEAN COMMUNITY can be adequately tracked and monitored by government officials of THE EUROPEAN COMMUNITY and the MEMBER STATES; (vii) orders the RJR DEFENDANTS to take all reasonable and necessary steps to stop the money-laundering scheme, including the addition of any necessary labeling, tracking devices, or other means that would allow the RJR DEFENDANTS and/or THE EUROPEAN COMMUNITY and the MEMBER STATES to track and monitor the movement of cigarettes into and within THE EUROPEAN COMMUNITY;

(viii) orders the RJR DEFENDANTS to disclose all knowledge within their possession concerning the names, locations, activities, and procedures of their non-legitimate customers; (ix) orders the RJR DEFENDANTS to implement “know your customer” protocols and rules for the acceptance of payments for their products that will make it difficult or impossible for criminals to launder criminal proceeds through the purchase of their products; (x) orders the imposition of a constructive trust and equitable lien upon the RJR DEFENDANTS’ ill-gotten gains, including without limitation those profits and proceeds derived from the money-laundering scheme, and compels the RJR DEFENDANTS to disgorge to Plaintiffs all ill-gotten gains derived from the money-laundering scheme; (xi) orders the imposition of a constructive trust and equitable lien upon all monies laundered by the RJR DEFENDANTS as a part of the money-laundering scheme and compels the RJR DEFENDANTS to disgorge to Plaintiffs an amount equal to the total amount of monies laundered through the aforesaid scheme; (xii) orders divestiture of all interests held by the RJR DEFENDANTS, directly or indirectly, in the enterprises involved in the money-laundering activities; and (xiii) orders the RJR DEFENDANTS to adopt, monitor and enforce appropriate compliance programs to deter and remedy money-laundering activities involving their products. For purposes of this complaint, all of the foregoing injunctive and equitable remedies and those injunctive and equitable remedies that may hereafter be sought by THE EUROPEAN COMMUNITY and the MEMBER STATES or ordered by the Court with respect to THE EUROPEAN COMMUNITY’S and the MEMBER STATES’ claims under RICO shall be referred to herein as "RICO Injunctive and Equitable Relief."

(b.) Common Law Injunctive and Equitable Relief. Under the common law, and pursuant to the inherent equitable powers of the Court, the U.S. District Court is

empowered to prevent and restrain the RJR DEFENDANTS' and their coconspirators' money-laundering activities, enter prohibitory and mandatory injunctions, and impose other equitable relief, to provide full relief to Plaintiffs and to prevent continuing harm to the Plaintiffs' interests. In addition, the federal courts are empowered under 28 U.S.C. § 1651(a) to "issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law." Consistent with these powers, THE EUROPEAN COMMUNITY and the MEMBER STATES seek an order that: (i) enjoins the RJR DEFENDANTS and their respective agents, servants, officers, directors, employees, and all persons acting in concert with them from laundering the proceeds of criminal activities through the sale of cigarettes or otherwise engaging in conduct that violates any common law, statutory or equitable standard; (ii) compels each of the RJR DEFENDANTS that is found to have violated any common law, statutory, or equitable standard to disgorge all proceeds derived from any such violation and to make restitution to Plaintiffs; (iii) enjoins the RJR DEFENDANTS and their respective agents, servants, officers, directors, employees, and all persons acting in concert with them from selling cigarettes without proper documentation, shipping records, markings, and similar indicia of compliance with law that would allow the proper tracking of the cigarettes and the funds with which they were purchased so that they cannot be sold illegally; (iv) enjoins the RJR DEFENDANTS and their respective agents, servants, officers, directors, employees, and all persons acting in concert with them from selling cigarettes to any distributor or any other person who cannot fully and accurately account for where the cigarettes will ultimately be sold; (v) enjoins the RJR DEFENDANTS and their respective agents, servants, officers, directors, employees, and all persons acting in concert with them from engaging in any practices by which distributors, shippers, or wholesalers can pay for the cigarettes in question into offshore



corporations, offshore bank accounts, or other locations that limit the ability of government officials to track the sale of cigarettes or the payment for said cigarettes; (vi) orders the RJR DEFENDANTS to create and utilize adequate protocols by which all cigarettes manufactured by the RJR DEFENDANTS and all payments made for such cigarettes into THE EUROPEAN COMMUNITY can be adequately tracked and monitored by governmental officials of THE EUROPEAN COMMUNITY and the MEMBER STATES; (vii) orders the RJR DEFENDANTS to take all reasonable and necessary steps to terminate ongoing money laundering and prevent future money laundering, including the addition of any necessary labeling, tracking devices, or other means that would allow the RJR DEFENDANTS and/or THE EUROPEAN COMMUNITY and the MEMBER STATES to track and monitor the movement of cigarettes into and within THE EUROPEAN COMMUNITY; (viii) orders the RJR DEFENDANTS to disclose all knowledge within their possession concerning the names, locations, activities, and procedures of their non-legitimate customers; (ix) orders the RJR DEFENDANTS to implement “know your customer” protocols and rules for the acceptance of payments for their products that make it difficult or impossible for criminals to launder criminal proceeds through the purchase of their products; (x) orders the imposition of a constructive trust and equitable lien upon the RJR DEFENDANTS’ ill-gotten gains, including without limitation those profits and proceeds derived from the money-laundering scheme, and compels the RJR DEFENDANTS to disgorge to Plaintiffs all ill-gotten gains derived from the money-laundering scheme; (xi) orders the imposition of a constructive trust and equitable lien upon all monies laundered by the RJR DEFENDANTS as a part of the money-laundering scheme and compels the RJR DEFENDANTS to disgorge to Plaintiffs an amount equal to the total amount of monies laundered through the aforesaid scheme; (xii) orders divestiture of all interests held by the RJR

DEFENDANTS, directly or indirectly, in the enterprises involved in the money-laundering activities; (xiii) orders the RJR DEFENDANTS to adopt, monitor and enforce appropriate compliance programs to deter and remedy money-laundering activities involving their products. For purposes of this complaint, all of the foregoing injunctive and equitable remedies, and those injunctive and equitable remedies that may hereafter be sought by Plaintiffs or ordered by the Court on Plaintiffs' common law claims, shall be referred to herein as "Common Law Injunctive and Equitable Relief."

COUNT I  
MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(RICO, 18 U.S.C. § 1962(a))

174. The MEMBER STATES restate and reallege paragraphs one (1) through one hundred seventy-three (173) and further allege:

175. The RJR DEFENDANTS, along with their coconspirators in the money-laundering schemes, including associated distributors, shippers, currency dealers, wholesalers, money brokers, and other participants in the schemes identified above, were, at relevant times, an association-in-fact of individuals and corporations engaged in, and the activities of which affected, interstate and foreign commerce, and thus constituted an "enterprise" within the meaning of 18 U.S.C. § 1961(4) (the "RJR Money-Laundering Enterprise"). These persons and entities were and are associated in fact for the purpose, among others, of illegally laundering criminal proceeds of criminal activity to the economic detriment of Plaintiffs. The RJR Money-Laundering Enterprise is an ongoing organization whose constituent elements function as a

continuing unit for the common purpose of maximizing the sale of tobacco products through illegal means and carrying out other elements of the RJR DEFENDANTS' scheme. The RJR Money-Laundering Enterprise has an ascertainable structure and purpose beyond the scope of the RJR DEFENDANTS' predicate acts and the conspiracy to commit such acts. The Enterprise has engaged in and its activities have affected interstate and foreign commerce. The Enterprise continues through the concerted activities of the RJR DEFENDANTS to disguise the nature of the wrongdoing, to conceal the proceeds thereof, and to conceal the RJR DEFENDANTS' participation in the Enterprise in order to avoid and/or minimize their exposure to criminal and civil penalties and damages. The role of each DEFENDANT in the RJR Money-Laundering Enterprise has been set forth above.

176. In connection with the fraudulent schemes set forth above, and to further their illegal aims, the RJR DEFENDANTS have engaged in numerous acts of "racketeering activity," and each of the RJR DEFENDANTS has aided and abetted each other of the RJR DEFENDANTS and other coconspirators in committing those acts of "racketeering activity" within the meaning of RICO. 18 U.S.C. §§ 1961, et seq.; 18 U.S.C. § 2. The RJR DEFENDANTS have committed multiple predicate acts of racketeering including, but not limited to:

(a.) Money Laundering. (18 U.S.C. §§ 1956(a)(1), 1961(1)(B)). Knowing that the property involved in certain financial transactions represented the proceeds of some form of unlawful activity, the RJR DEFENDANTS conducted or attempted to conduct financial transactions in interstate and foreign commerce involving the proceeds of specified unlawful activity with the intent to promote the carrying on of specified unlawful activity; or did so knowing that the transactions were designed in whole or in part to conceal or disguise the nature,

the location, the source of ownership, or the control of the proceeds of specified unlawful activity, or did so knowing that the transactions were designed in whole or in part to avoid a transaction reporting requirement under state or federal law. The RJR DEFENDANTS knew that the funds they received in exchange for cigarettes represented the proceeds of specified unlawful activity, including without limitation narcotics trafficking, wire fraud, mail fraud, and violations of the Travel Act. The RJR DEFENDANTS also knew that such transactions constituted offenses against a foreign nation involving the manufacture, importation, sale, or distribution of a controlled substance. The RJR DEFENDANTS knowingly conducted and attempted to conduct such financial transactions with the intent to promote the carrying on of such unlawful activity. In addition, the RJR DEFENDANTS knowingly conducted and attempted to conduct such financial transactions with the intent to conceal or disguise the nature (proceeds of racketeering activity), the location, the source (drug traffickers, money launderers), the ownership, or the control of the proceeds of specified unlawful activity. Finally, the RJR DEFENDANTS knowingly conducted and attempted to conduct such financial transactions to avoid transaction-reporting requirements under state or federal law, including without limitation currency and monetary instrument reports.

(b.) International Money Laundering. (18 U.S.C. §§ 1956(a)(2), 1961(1)(B)). The RJR DEFENDANTS transported, transmitted, and/or transferred monetary instruments or funds to a place in the United States from or through a place outside the United States with the intent to promote the carrying on of specified unlawful activity, or did so knowing that the monetary instruments or funds involved in the transportation, transmission, or transfer represented the proceeds some form of unlawful activity and knowing that such transportation, transmission, or transfer was designed in whole or in part to conceal or disguise

the nature, the location, the source, the ownership, or the control of the proceeds of a specified unlawful activity, or to avoid a transaction reporting requirement under state or federal law. By such conduct, the RJR DEFENDANTS engaged in financial transactions within the meaning of 18 U.S.C. § 1956(c)(4). Among other things, the RJR DEFENDANTS knew that money orders and funds sent from South America, the Caribbean, and Europe to the United States to pay for cigarettes purchased in bulk represented the proceeds of specified unlawful activity, including without limitation wire fraud, mail fraud, and violations of the Travel Act. The RJR DEFENDANTS also knew that such specified unlawful activity was an offense against a foreign nation involving the manufacture, importation, sale or distribution of a controlled substance. The RJR DEFENDANTS also aided and abetted violations of 18 U.S.C. § 1956(a)(1) and § 1956(a)(2).

(c.) Conspiracy to Engage in Money Laundering. 18 U.S.C. §§ 1956(h), 1961(1)). The RJR DEFENDANTS conspired to commit offenses defined in 18 U.S.C. § 1956 – including § 1956(a)(1) and § 1956(a)(2). The RJR DEFENDANTS, by their words and actions, agreed to accept currency, monetary instruments, and funds with the knowledge that the currency, monetary instruments, and funds represented the proceeds of specified unlawful activity conducted by themselves and their coconspirators. The RJR DEFENDANTS adopted the common purpose of the conspiracy and participated in its consummation. The goal of the money-laundering conspiracy was to deprive Plaintiffs of money and property, while assuring that the profits derived from cigarette sales were repatriated to the benefit of the RJR DEFENDANTS in a clandestine manner to avoid detection and prosecution.

(d.) Money Laundering (18 U.S.C. §§ 1957, 1961(1)). DEFENDANTS knowingly engaged or attempted to engage in monetary transactions in the United States, in

criminally derived property having a value greater than \$10,000 and derived from specified unlawful activity. 18 U.S.C. § 1957(f)(3) and § 1956(c)(7). DEFENDANTS engaged in monetary transactions, including deposits, withdrawals, transfers, or exchanges, in or affecting interstate or foreign commerce, involving funds or monetary instruments by, through, or to financial institutions. DEFENDANTS knew that the funds or instruments received in exchange for their cigarettes represented the proceeds of specified unlawful activity, including but not limited to, wire fraud, mail fraud, and violations of the Travel Act. The RJR DEFENDANTS knew that such specified unlawful activity included offenses against foreign nations involving the manufacture, importation, sale, or distribution of controlled substances.

(e.) Money Laundering of Proceeds of Offenses against Foreign Nations. (18 U.S.C. § 1956(c)(7)(B)(vi); 18 U.S.C. § 1961(1)(B)). The RJR DEFENDANTS, knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, conducted or attempted to conduct financial transactions in interstate and foreign commerce involving the proceeds of specified unlawful activity with the intent to promote the carrying on of specified unlawful activity; or did so knowing that the transactions were designed in whole or in part to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity; or did so knowing that the transactions were designed in whole or in part to avoid transaction reporting requirements under state or federal law. The RJR DEFENDANTS knew that the proceeds of transactions with narcotics traffickers, participants in organized crime, money launderers, and others engaged in criminal conduct represented the proceeds of specified unlawful activity, including without limitation offenses with respect to which the United States would be obligated by a multilateral treaty either to extradite the alleged offender or to submit the case for prosecution, if the offender

were found within the territory of the United States. Specifically, the RJR DEFENDANTS laundered the proceeds of offenses that are subject to multilateral treaties, including without limitation the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988), and the International Convention for the Suppression of the Financing of Terrorism (2001), and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Adopted November 21, 1997, entered into force in the United States: February 15, 1999).

(i.) The RJR DEFENDANTS have laundered the proceeds of various offenses covered by the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, including, for example: (i) the conversion or transfer of property, knowing that such property is derived from narcotics trafficking, or from an act of participation in such offense or offenses, for the purpose of concealing or disguising the illicit origin of the property or of assisting persons involved in the commission of such an offense or offenses to evade the legal consequences of their actions; (ii) the financing of narcotics trafficking; (iii) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from narcotics trafficking or from an act of participation in such an offense or offenses; (iv) the acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from narcotics trafficking or from an act of participation in such offense or offenses; and (v) participation in, association or conspiracy to commit, attempts to commit, and aiding, abetting, facilitating and counseling the commission of acts of, narcotics trafficking.

(ii.) The DEFENDANTS have laundered the proceeds of various offenses covered by the International Convention for the Suppression of the Financing of

Terrorism (2001), including, for example, providing material support and resources to persons and entities engaged in terrorist activities, and providing assets, including products and services, to those persons and entities, acting with knowledge that such persons and entities, including without limitation the PKK and the Iraqi regime, were engaged in terrorism or the sponsorship of terrorist activities. Such persons and entities that engage in terrorist activity are so tainted by their criminal conduct that providing any assets, material support or resources to any of them facilitates such terrorist activities.

(iii.) The DEFENDANTS have laundered, and conspired to launder, the proceeds of various offenses covered by the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Adopted November 21, 1997, entered into force in the United States: February 15, 1999), including for example the proceeds of transactions obtained or continued as a consequence of payments, direct and indirect, to foreign public officials. As alleged above, DEFENDANTS made payments or provided things of value to foreign public officials, retained or obtained business as a result of such payments, and laundered the proceeds of those transactions, often through venues known for bank secrecy.

(f.) Money Laundering of Proceeds of Terrorism. (18 U.S.C. § 1956(c)(7)(D); 18 U.S.C. § 1961(1)(B); 18 U.S.C. § 1961(1)(G)). The RJR DEFENDANTS, knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, conducted or attempted to conduct financial transactions in interstate and foreign commerce involving the proceeds of specified unlawful activity with the intent to promote the carrying on of specified unlawful activity; or did so knowing that the transaction was designed in whole or in part to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity; or did so knowing that



the transaction was designed in whole or in part to avoid a transaction reporting requirement under state or federal law. DEFENDANTS knew that the proceeds of transactions with persons and entities engaged in terrorism represented the proceeds of specified unlawful activity, including but not limited to acts of terrorism.

(g.) Money Laundering of Proceeds of Offenses against a Foreign Nation Involving Narcotics Trafficking. (18 U.S.C. § 1956(c)(7)(B); 18 U.S.C. § 1961(1)(B)).

Knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, the RJR DEFENDANTS conducted or attempted to conduct financial transactions in interstate and foreign commerce involving the proceeds of specified unlawful activity with the intent to promote the carrying on of specified unlawful activity; or did so knowing that the transaction was designed in whole or in part to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity; or did so knowing that the transaction was designed in whole or in part to avoid transaction reporting requirements under state or federal law. The RJR DEFENDANTS knew that the proceeds of transactions with narcotics traffickers, money launderers and others engaged in criminal activity represented the proceeds of specified unlawful activity, including an offense against a foreign nation involving the manufacture, importation, sale or distribution of a controlled substance.

(h.) Money Laundering of Proceeds of Offenses against a Foreign Nation Involving a Scheme to Defraud Foreign Banks. (18 U.S.C. § 1956(c)(7)(B)(iii); 18 U.S.C. § 1961(1)(B)). The DEFENDANTS, knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, conducted or attempted to conduct financial transactions in interstate and foreign commerce involving the proceeds of specified

unlawful activity with the intent to promote the carrying on of specified unlawful activity; or, knowing that the transaction was designed in whole or in part to conceal or disguise the nature, the location, the source of ownership, or the control of the proceeds of specified unlawful activity, or, knowing that the transaction was designed in whole or in part to avoid a transaction reporting requirement under state or federal law. DEFENDANTS engaged in and facilitated financial transactions and acts of money laundering that deprived foreign banks, including those belonging to Plaintiffs, of money and property that would have been paid to such bank through the lawful transaction of business. DEFENDANTS knowingly engaged in financial transactions designed to launder the proceeds of fraud, or a scheme or attempt to defraud, foreign banks belonging to Plaintiffs.

(i.) Money Laundering of Proceeds of Violations of Foreign Corrupt Practices Act. (18 U.S.C. § 1956(c)(7)(D); 18 U.S.C. § 1961(1)(B)). In general, the Foreign Corrupt Practices Act (FCPA) makes it unlawful for DEFENDANTS, or any officer, director, employee, or agent thereof, to pay or promise to pay money or any thing of value to any foreign official for purposes of influencing any act or decision of the foreign official in his or her official capacity, inducing such official to do or omit to do any act in violation of the lawful duty of such official, or securing any improper advantage, or inducing such foreign official to use his or her influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, in order to assist DEFENDANTS in obtaining or retaining business for or with, or directing business to, any person. “Foreign official” means any officer or employee of a foreign government or any department, agency, or instrumentality thereof, or of a public international organization, or any person acting in an official capacity for or on behalf of such entities.

The DEFENDANTS, acting through intermediaries, provided money or things of value to foreign officials to obstruct oversight of DEFENDANTS conduct, preclude discovery of their involvement in money laundering and other criminality, and thereby permit their business to continue. The DEFENDANTS, knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, conducted or attempted to conduct financial transactions in interstate and foreign commerce involving the proceeds of specified unlawful activity with the intent to promote the carrying on of specified unlawful activity; or, knowing that the transaction was designed in whole or in part to conceal or disguise the nature, the location, the source of ownership, or the control of the proceeds of specified unlawful activity, or, knowing that the transaction was designed in whole or in part to avoid a transaction reporting requirement under state or federal law.

(j.) Providing Material Support or Resources to Designated Foreign Terrorist Organizations. (18 U.S.C. § 2339(B) and 18 U.S.C. § 1961(1)(G)). Beginning in or about 1990, and continuing until 2002, in the United States and elsewhere, the RJR DEFENDANTS, Audeh Trading and Consultancy Service and IBCS, with each other and with others known and unknown, did knowingly provide, conspire to provide, and aid and abet others in providing, material support or resources to the PKK, a designated FTO, in violation of 18 U.S.C. § 2339(B). The object of the conspiracy was to provide funds, goods, services, and other assets to the PKK, which caused the DEFENDANTS' cigarette shipments to be sent into Iraq and financed the PKK's terrorist activities and operations.

(k.) Wire fraud and mail fraud. (18 U.S.C. §§ 1341, 1343, 1961(1)(B)). The RJR DEFENDANTS devised a scheme or artifice to defraud and/or to obtain money by means of false pretenses, representations, or promises, and used the mails and wires for the

purpose of executing the scheme, and acted with a specific intent to defraud by devising, participating in, and/or abetting the scheme. The wire and mail communications were made during the course of the conspiracy that covered at least 1991 to 2002. Hundreds of telephone conversations and faxes were made to further the fraudulent scheme on virtually a daily basis during the course of the conspiracy, including without limitation those identified in paragraphs 47, 68, 73, 83, 94, 106, and others. These telephone conversations, mailings, and wire transfer of funds furthered the scheme by expediting the secret payments to the RJR DEFENDANTS of funds that constituted the proceeds of criminal activity and were part of a clandestine system for the remittance of such proceeds to the RJR DEFENDANTS. The RJR DEFENDANTS, acting through their employees, agents, and coconspirators, made or caused to be made such telephone calls, mailings, and wire transfers of funds to further the scheme. The RJR DEFENDANTS knew that their coconspirators, in the course of carrying out the RJR DEFENDANTS' directions and orders, would use or cause to be used the interstate and international wires and mails. The motive for committing fraud is plain: the acquisition of criminals as additional customers by laundering their criminal proceeds meant increased profits and market share for the RJR DEFENDANTS.

(1.) Violation of the Travel Act. (18 U.S.C. §§ 1952, 1961(1)(B)). The RJR DEFENDANTS traveled in interstate or foreign commerce, and used facilities in interstate and foreign commerce, including the mail, with intent to distribute the proceeds of unlawful activity, and to promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on of unlawful activity, and thereafter performed or attempted to perform unlawful activity. The RJR DEFENDANTS knew that the funds provided to them represented the proceeds of unlawful activity, including trafficking in narcotics and controlled

substances, and knew that, by accepting such payments, they aided the efforts of the drug traffickers to launder their ill-gotten gains. The RJR DEFENDANTS and their representatives and coconspirators traveled across national borders and otherwise used the facilities of foreign commerce to distribute the proceeds of unlawful activity to the benefit of the RJR DEFENDANTS. By this conduct, the RJR DEFENDANTS promoted, managed, established, and facilitated such unlawful activity.

177. The acts described above form a “pattern” of racketeering activity within 18 U.S.C. § 1961(5). The DEFENDANTS and others with whom they have been associated have been related in their common objectives of maximizing global cigarette sales and utilizing money laundering to achieve this end. The DEFENDANTS’ predicate acts have had the same or similar purposes, results, participants, victims, and methods of commission, and occurred over at least a ten-year period. The predicate acts have been consistently repeated and are capable of further repetition.

178. The DEFENDANTS’ pattern of racketeering activities dates from at least January 1, 1985, through the present and threatens to continue in the future.

179. The RJR DEFENDANTS used or invested, directly or indirectly, racketeering income, or a part thereof, or the proceeds of such income, to acquire an interest in, establish, and operate, the RJR Money-Laundering Enterprise, which is and was engaged in, or the activities of which affect and have affected, interstate or foreign commerce, in violation of 18 U.S.C. § 1962(a). The RJR DEFENDANTS were principals in the racketeering scheme. The MEMBER STATES suffered multiple injuries to their economic interests as a result of this use and investment of racketeering income.

180. Specifically, the RJR DEFENDANTS received the income and proceeds of a pattern of racketeering activity in which they participated as principals, including an international money-laundering scheme, acts of wire fraud and mail fraud, and violations of the Travel Act. Upon their receipt of such ill-gotten gains by wire transfers from money launderers and/or their associates, the RJR DEFENDANTS used and invested such income and proceeds, or a portion thereof, to acquire an interest in, establish, and operate the RJR Money-Laundering Enterprise, which was and is engaged in interstate and foreign commerce. In particular, the RJR DEFENDANTS used the proceeds of the scheme: (a) to operate the RJR Money-Laundering Enterprise; (b) to replenish the supply of cigarettes for ultimate sale to known money launderers; (c) to acquire, purchase, and subsidize facilities necessary to the RJR Money-Laundering Enterprise, including manufacturing, sales, and distribution operations (e.g., the Puerto Rico plant), secret offices and offshore companies and bank accounts (e.g., Swiss companies and bank accounts); (d) to compensate employees and agents of the RJR DEFENDANTS engaged in the money-laundering activities; (e) to pay expenses incurred in connection with money-laundering activities such as telephone bills incurred in the wire fraud scheme and travel costs incurred by such employees; and (f) to establish a money-laundering scheme, infrastructure, and network. In sum, the RJR DEFENDANTS did not reinvest the proceeds of racketeering activity in their general business operations, but instead used and invested such proceeds to establish the infrastructure of, acquire an interest in, and operate the RJR Money-Laundering Enterprise, and it was this use and investment that harmed the MEMBER STATES. The use and investment of the proceeds of racketeering activity occurred in several ways, including but not limited to the following:

(a.) The proceeds from the money-laundering enterprise finance the sales and marketing operations that promote the increase of sales in succeeding years.

(b.) The increased market volume and premium prices charged to money-laundering customers are utilized to offset the additional expenses incurred by the DEFENDANTS when they pay for the additional shipping and handling charges associated with the clandestine movement of the cigarettes through the circuitous routes established by the DEFENDANTS.

181. The MEMBER STATES were injured in their business and property by reason of the RJR DEFENDANTS' use and investment of racketeering income to acquire, establish, and operate the RJR Money-Laundering Enterprise. Absent this use and investment of racketeering income, the criminals who launder their criminal proceeds through the purchase of cigarettes would find their crimes less profitable and more difficult to commit, and the economic injury to the MEMBER STATES would have been avoided in whole or in part.

182. As a direct and proximate result of the violations set forth above, the Plaintiffs, the MEMBER STATES, have been injured in their business and property as set forth more fully above in paragraphs one hundred seventy (170) through one hundred seventy-three (173). The DEFENDANTS' violations of 18 U.S.C. § 1962(a) caused these losses. Under the provisions of 18 U.S.C. § 1964(c), the MEMBER STATES are entitled to bring this action and recover herein treble damages, the cost of bringing the suit, pre-judgment interest, and reasonable attorneys' fees.

## COUNT II

### MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(RICO, 18 U.S.C. § 1962(b))

183. The MEMBER STATES restate and reallege paragraphs one (1) through one hundred eighty-two (182) and further allege:

184. The RJR DEFENDANTS acquired or maintained, directly or indirectly, through a pattern of racketeering activity, an interest in and control of the RJR Money-Laundering Enterprise, which was and is engaged in, or the activities of which affect and have affected, interstate or foreign commerce in violation of 18 U.S.C. § 1962(b). The Plaintiffs, the MEMBER STATES, have been injured by the DEFENDANTS' acquisition and maintenance of an interest in and control of the enterprise through a pattern of racketeering activity.

185. The DEFENDANTS, through a pattern of racketeering activity, acquired or maintained, directly or indirectly, an interest in and control of the RJR Money-Laundering Enterprise that engaged in and the activities of which affect interstate and foreign commerce. Specifically, the RJR DEFENDANTS maintained control of the RJR Money-Laundering Enterprise by means of racketeering activities, including, for example: (a) interstate and international wire communications in violation of 18 U.S.C., § 1343 (orders and instructions for payment were placed telephonically and RJR had total control over the enterprise and the payment for their product); (b) money laundering in violation of 18 U.S.C., §§ 1956 and 1957 (RJR controlled and concealed the flow of the proceeds of the cigarette sales – a key aim of the scheme – through money laundering); and (c) violations of the Travel Act, 18 U.S.C., § 1952 (cross-border travel and transactions to facilitate money laundering and other illicit activities).



Through this pattern of racketeering activities, which also included transmitting false statements to government authorities, the RJR DEFENDANTS were able to acquire and maintain an interest in and control of the RJR Money-Laundering Enterprise. This interest and control furthered, concealed, and protected the operations of the money-laundering enterprise, and thereby permitted the RJR Money-Laundering Enterprise to flourish without detection.

186. As a direct and proximate result of the DEFENDANTS' acquisition and maintenance of an interest in and control of the RJR Money-Laundering Enterprise, the Plaintiffs, the MEMBER STATES, have suffered the loss of money and property as set forth more fully above in paragraphs one hundred seventy (170) through one hundred seventy-three (173). The DEFENDANTS' violations of 18 U.S.C. § 1962(b) caused these losses. Under the provisions of 18 U.S.C. § 1964(c), the MEMBER STATES are entitled to bring this action and recover herein treble damages, the cost of bringing the suit, pre-judgment interest, and reasonable attorneys' fees.

### COUNT III

#### MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(RICO, 18 U.S.C. § 1962(c))

187. The MEMBER STATES restate and reallege paragraphs one (1) through one hundred eighty-six (186) and further allege.

188. The RJR DEFENDANTS, through the commission of two or more acts constituting a pattern of racketeering activity, directly or indirectly participated in the operation

or management of the RJR Money-Laundering Enterprise, the activities of which affect interstate or foreign commerce.

189. At all relevant times, the RJR DEFENDANTS participated in the operation or management of an “enterprise,” within the meaning of 18 U.S.C. § 1961(4). The RJR DEFENDANTS, operating together and individually, directed and controlled the RJR Money-Laundering Enterprise. The RJR DEFENDANTS operated, managed, and exercised control over the money-laundering enterprise by, among other things: (a) establishing a money-laundering scheme in which the coconspirators facilitated the money-laundering scheme and concealed and remitted to the RJR DEFENDANTS the proceeds of the money-laundering scheme; (b) compelling their customers to sell cigarettes at a price set by the DEFENDANTS; and (c) investing and using the proceeds of the money-laundering scheme in the enterprise.

190. As a direct and proximate result of the violations set forth above, the Plaintiffs, the MEMBER STATES, have been injured in their business and property as set forth more fully above in paragraphs one hundred seventy (170) through one hundred seventy-three (173). The DEFENDANTS’ violations of 18 U.S.C. § 1962(c) caused these losses. Under the provisions of 18 U.S.C. § 1964(c), the MEMBER STATES are entitled to bring this action and recover herein treble damages, the cost of bringing the suit, pre-judgment interest, and reasonable attorneys’ fees.

COUNT IV

MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(RICO, 18 U.S.C. § 1962(d))

191. The MEMBER STATES restate and reallege paragraphs one (1) through one hundred ninety (190) and further allege:

192. The RJR DEFENDANTS entered into an agreement with each other and with distributors, shippers, currency dealers, and wholesalers to join in the conspiracy to violate 18 U.S.C. §§ 1962(a), 1962(b), and 1962(c). Each DEFENDANT entered into an agreement to join the conspiracy, and took acts in the furtherance of the conspiracy and knowingly participated in the conspiracy. The purpose of the conspiracy was to acquire and service new customers by laundering the proceeds of their criminal activity to the economic detriment of Plaintiffs and to the economic benefit of the RJR DEFENDANTS. The conspirators carried out the scheme and each conspirator was put on notice of the general nature of the conspiracy, that the conspiracy extended beyond the individual role of any single member, and that the conspiratorial venture functioned as a continuing unit for a common purpose. The RJR DEFENDANTS adopted the goal of furthering and facilitating the criminal endeavor. Their stake in the money-laundering venture was in making profits and increasing market share through their informed and interested cooperation with their criminal customers, and their active assistance, stimulation, and instigation of the money-laundering activities.

193. The RJR DEFENDANTS, together with each member of the conspiracy, agreed and conspired to violate: (1) 18 U.S.C. § 1962(a) by using, or causing the use of, income they derived from the above-described pattern of racketeering activities in the acquisition,

establishment, and/or operation of the enterprise, the activities of which affect interstate or foreign commerce; (2) 18 U.S.C. § 1962(b) by acquiring or maintaining, or causing the acquisition or maintenance of, through a pattern of racketeering activity, an interest or control in the enterprise, the activities of which affect interstate or foreign commerce; (3) 18 U.S.C. § 1962(c) by participating, directly and indirectly, in the conduct of the affairs of the enterprise through a pattern of racketeering activity, including an agreement that the conspirators, or one of them, would commit or cause the commission of two or more racketeering acts constituting such a pattern; and (4) violating the USA Patriot Act.

194. The RJR DEFENDANTS participated in and cooperated with each other and with their coconspirators in the aforementioned conspiracy that enabled each cigarette manufacturer and distributor to enhance its market share, suppress its competition, and promote sale of its products.

195. As a result of the conspiracy, the RJR DEFENDANTS and their coconspirators were able to facilitate the laundering of large volumes of money that constituted the proceeds of criminal activity.

196. The membership of the conspiracy in question included the RJR DEFENDANTS and tobacco distributors, the shippers, the wholesalers, currency brokers, and the RJR DEFENDANTS' subsidiary corporations; who act in concert to produce the cigarettes, mislabel or fail to properly label the cigarettes, sell the cigarettes, and arrange for payment in a way that is undetectable by governmental authorities, with said payment ultimately being returned to the DEFENDANTS in the United States. As coconspirators, the RJR DEFENDANTS are liable for all of the actions committed by all of the coconspirators within the conspiracy and are liable for all of the damages sustained by the MEMBER STATES that were

caused by any members of the conspiracy, regardless of whether the RJR DEFENDANTS were themselves directly involved in a particular aspect of the enterprise.

197. As a direct and proximate result of the violations set forth above, the Plaintiffs, the MEMBER STATES, have been injured in their business and property as set forth more fully above in paragraphs one hundred seventy (170) through one hundred seventy-three (173). The DEFENDANTS' violations of 18 U.S.C. § 1962(d) caused these losses. Under the provisions of 18 U.S.C. § 1964(c), the MEMBER STATES are entitled to bring this action and recover herein treble damages, the cost of bringing the suit, pre-judgment interest, and reasonable attorneys' fees.

## COUNT V

### MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(RICO, 18 U.S.C. §§ 1964(a), 1964(c), 28 U.S.C. § 1651(a))

198. The MEMBER STATES restate and reallege paragraphs one (1) through one hundred ninety-seven (197) and further allege:

199. The United States District Court is empowered to prevent and restrain violations of 18 U.S.C. § 1962 by issuing appropriate orders, including, but not limited to: ordering any person to divest himself or herself of any interest, direct or indirect, in any enterprise; imposing reasonable restrictions on the future activities or investments of any person, including, but not limited to, prohibiting any person from engaging in the same type of endeavor in which the enterprise engaged, the activities of which affect interstate or foreign commerce; or

ordering dissolution or reorganization of any enterprise, making due provision for the rights of innocent persons. 18 U.S.C. § 1964(a).

200. The RJR DEFENDANTS currently are actively engaged in the activities set forth within this complaint that promote and support the money laundering that is the subject matter of this complaint.

201. The DEFENDANTS intend to continue said activities and to interfere with investigations by governmental officials into the DEFENDANTS and their coconspirators' money-laundering activities.

202. The DEFENDANTS, by their conduct of selling cigarettes to money launderers, creating false and misleading documents, improperly labeling shipments of cigarettes, and setting forth mechanisms of payment by which criminals may pay for the cigarettes without being detected by government investigations, all continue to damage the MEMBER STATES.

203. As a result of the DEFENDANTS' conduct in violation of 18 U.S.C. §§ 1962(a), 1962(b), 1962(c), and 1962(d), the MEMBER STATES have been and continue to be irreparably injured as is alleged more fully above.

204. As a result of the nature of the money-laundering activities, it would be functionally impossible for the MEMBER STATES to put a complete halt to said money-laundering activities as long as the DEFENDANTS continue to conduct these activities. In addition, the MEMBER STATES continue to suffer injury to business and property to an extraordinary degree.

205. Money damages will not provide a full and complete remedy for DEFENDANTS' unlawful conduct. There is no adequate remedy at law that will protect the

MEMBER STATES in the future from these money-laundering activities if the DEFENDANTS do not cease their involvement in and support of money-laundering activities. Pursuant to 18 U.S.C. §§ 1964(a), 1964(c), as well as 28 U.S.C. § 1651(a), the MEMBER STATES demand full RICO Injunctive and Equitable Relief.

## COUNT VI

### EUROPEAN COMMUNITY AND MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(COMMON LAW FRAUD)

206. Plaintiffs restate and reallege paragraphs one (1) through two hundred five (205) and further allege:

207. The RJR DEFENDANTS and their coconspirators intentionally falsified documents, falsified shipping records, and generated false and misleading billing records concerning the payment for cigarettes so as to mislead the Plaintiffs, THE EUROPEAN COMMUNITY and the MEMBER STATES, as to the purchasers of and source of funds for payment for their cigarettes. The RJR DEFENDANTS and their coconspirators made these false and material statements and representations and failed to disclose material information in such documents and records with intent to defraud the Plaintiffs. The DEFENDANTS made these material misrepresentations and omissions with the knowledge and intention that the Plaintiffs, THE EUROPEAN COMMUNITY and the MEMBER STATES, would reasonably rely on said documents. The RJR DEFENDANTS entered into an understanding or agreement, express or tacit, with their distributors, customers, agents, consultants, and other coconspirators, to participate in a common scheme, plan, or design to commit the aforesaid tortious acts, and

thereby launder criminal proceeds to the detriment of THE EUROPEAN COMMUNITY and the MEMBER STATES. In pursuance of the agreement, RJR and its distributors, customers, agents, consultants, and other coconspirators acted tortiously by, among other things, committing the aforesaid acts constituting fraud, thereby causing harm to Plaintiffs. The RJR DEFENDANTS, through agreement and joint action with their coconspirators, acted tortiously, recklessly, and unlawfully to the detriment of Plaintiffs. By means of the aforesaid concerted action, the RJR DEFENDANTS and their coconspirators are jointly and severally liable for the torts and other wrongful conduct alleged herein.

208. Plaintiffs reasonably relied upon the DEFENDANTS' misrepresentations, and incurred damage as a result of such reliance. Specific examples of the process by which these activities occurred are set forth above.

209. The Plaintiffs, THE EUROPEAN COMMUNITY and the MEMBER STATES, reasonably relied upon falsified or misleading documents produced or procured by the DEFENDANTS, and were thereby misled in the course of performing their duty to fight against money laundering and related criminal activity.

210. Furthermore, the RJR DEFENDANTS knowingly and intentionally generated false, misleading, and material information, and intentionally concealed other material information, concerning their role in money laundering in connection with the sale of their products.

211. The Plaintiffs, THE EUROPEAN COMMUNITY and the MEMBER STATES, reasonably relied upon data and information provided to them by the DEFENDANTS and/or their coconspirators and agents in acting or refraining from acting with respect to money-laundering activities.



212. The RJR DEFENDANTS, in falsifying documents to expedite money laundering, in providing misleading information, and in concealing material and true information concerning their money-laundering activities, acted in willful, wanton, gross, and callous disregard for the rights of the Plaintiffs, THE EUROPEAN COMMUNITY and the MEMBER STATES. The aforesaid actions were taken knowingly for the purpose of supporting the activities of the DEFENDANTS' coconspirators and with the intent of increasing the profits and sales of the DEFENDANTS and harming THE EUROPEAN COMMUNITY and the MEMBER STATES.

213. DEFENDANTS were duty-bound to disclose the material information concerning the destination of tobacco shipments and the concealed sources of funds used to purchase cigarettes. By law, no person may make false statements to the government. Having undertaken to make representations to THE EUROPEAN COMMUNITY and the MEMBER STATES, DEFENDANTS were obligated to provide full, complete, and truthful information concerning the destination of tobacco shipments and the sources of funds to purchase their products. DEFENDANTS had superior, if not exclusive, knowledge of such information, and it was not readily available to the Plaintiffs. DEFENDANTS intended and knew, or should have known, that Plaintiffs would reasonably rely, act, and refrain from acting, on the basis of false and/or incomplete information provided to Plaintiffs by DEFENDANTS, and Plaintiffs did so to their detriment. Under these circumstances, DEFENDANTS' conduct amounts to fraudulent misrepresentation and fraudulent concealment, and an effective conversion of Plaintiffs' money and property.

214. As a direct and proximate result of the RJR DEFENDANTS' fraud and the Plaintiffs' reliance upon said fraud, the Plaintiffs have suffered economic damages as are set

forth more fully above in paragraphs one hundred seventy (170) through one hundred seventy-three (173). The Plaintiffs demand judgment for damages, both compensatory and punitive, as well as full Common Law Injunctive and Equitable Relief.

## COUNT VII

### EUROPEAN COMMUNITY AND MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(PUBLIC NUISANCE)

215. Plaintiffs restate and reallege paragraphs one (1) through two hundred fourteen (214) and further allege:

216. Plaintiffs are governmental authorities.

217. Money laundering and related criminal activities are a violation of law and a public nuisance.

218. The money-laundering activities in the United States and THE EUROPEAN COMMUNITY of the RJR DEFENDANTS: (a) have substantially and unreasonably interfered with, offended, injured and endangered, and continue to interfere with, offend, injure and endanger, the public health, morals, safety, convenience, and well-being of the general public, the financial infrastructure of THE EUROPEAN COMMUNITY, and the operation of the market for tobacco products in THE EUROPEAN COMMUNITY and the MEMBER STATES and have interfered with and endangered the Customs Territory, Customs Border and free market which THE EUROPEAN COMMUNITY is bound to protect; (b) constitute conduct that is proscribed by applicable laws, administrative regulations, and directives; (c) constitute conduct of a continuing nature and/or have produced a permanent or long-lasting effect, and the

DEFENDANTS know or should know that said conduct has a significant harmful effect upon the public right.

219. The money-laundering activities of the RJR DEFENDANTS in the United States, THE EUROPEAN COMMUNITY, and the MEMBER STATES have been, and continue to be, effectuated through widespread criminal activity, including mail fraud, wire fraud, and other illegal acts.

220. The RJR DEFENDANTS facilitated the laundering of criminal proceeds by means of a variety of acts and omissions conducted in or directed from the United States, including the following: (a) The RJR DEFENDANTS laundered criminal proceeds by covertly receiving funds that they knew or should have known were the proceeds of criminal acts and took steps to conceal the source and nature of the criminal proceeds. (b) The RJR DEFENDANTS arranged a process by which cigarettes purchased by criminals could be paid for by secret payments into Swiss corporations and/or Swiss bank accounts so as to conceal revenues derived from criminal activities. (c) The DEFENDANTS filed or caused the filing with THE EUROPEAN COMMUNITY and/or the MEMBER STATES of false and fraudulent documents that misstated the value of, the intended destination of, and the source of funds for the purchase of cigarettes that were placed within customs bonded warehouses and/or free trade zones within THE EUROPEAN COMMUNITY. (d) The RJR DEFENDANTS sold large volumes of United States-made cigarettes into Iraq in violation of United States laws and to the detriment of the Plaintiffs. (e) The RJR DEFENDANTS failed to supervise the distribution of their tobacco products to assure that such products were not sold into criminal channels or paid for with illicit funds. (f) The RJR DEFENDANTS failed to act reasonably when they were put on notice of their involvement with money launderers. (g) The RJR DEFENDANTS entered into an

understanding or agreement, express or tacit, with their distributors, customers, agents, consultants, and other coconspirators, to participate in a common scheme, plan or design to commit the aforesaid tortious acts and thereby launder money to the detriment of THE EUROPEAN COMMUNITY and the MEMBER STATES. In pursuance of the agreement, RJR and its distributors, customers, agents, consultants, and other coconspirators acted tortiously by, among other things, committing the aforesaid acts constituting public nuisance, thereby causing harm to Plaintiffs. The RJR DEFENDANTS, through joint action with their coconspirators, acted tortiously, recklessly, unlawfully, and negligently to the detriment of Plaintiffs. By means of the aforesaid concerted action, the RJR DEFENDANTS and their coconspirators are jointly and severally liable for the torts and other wrongful conduct alleged herein.

221. Through these and other intentional and negligent acts and omissions, the RJR DEFENDANTS have substantially and unreasonably offended, interfered with, and caused damage to the public in the exercise of rights common to all, in a manner such as to (a) offend public morals, (b) interfere with use by the public of a public place, (c) endanger and injure the property, life, health, safety, and comfort of a considerable number of persons; and (d) injure and interfere with the market for tobacco products in THE EUROPEAN COMMUNITY and the MEMBER STATES; and (e) injure the economic well being of the citizens of THE EUROPEAN COMMUNITY and the MEMBER STATES. The acts and omissions of the RJR DEFENDANTS constitute a public nuisance. This public nuisance, or some part of it, continues unabated to the detriment of Plaintiffs' interests and has undermined and endangered the Customs Territory, Customs Border, and free market that THE EUROPEAN COMMUNITY is bound to protect.

222. The RJR DEFENDANTS knew, or reasonably should have known, that their acts and omissions relating to money laundering created great dangers to the community, including Plaintiffs' economic and non-economic interests. The DEFENDANTS directly, or through their coconspirators, undermined THE EUROPEAN COMMUNITY'S duties and authority to regulate ports; to regulate foreign commerce; to regulate customs territories, free trade zones, and customs bonded warehouses; to regulate transportation into THE EUROPEAN COMMUNITY or within its borders; to ensure and regulate the free movement of goods within THE EUROPEAN COMMUNITY; to regulate safety and security at sea; to regulate and take action to protect against breaches of THE EUROPEAN COMMUNITY Customs Territory or THE EUROPEAN COMMUNITY Customs Border; and to regulate and set rules to combat money laundering, all harms different from those suffered by members of the general public or the Member States, and all wrongs which it is the duty and responsibility of THE EUROPEAN COMMUNITY to redress.

223. The RJR DEFENDANTS have acted maliciously, wantonly, and with a recklessness that bespeaks an improper motive and vindictiveness, and have engaged in outrageous and oppressive conduct and with a reckless or wanton disregard of safety and rights. Their conduct amounts to a fraud on the public.

224. As a direct and proximate result of the acts and/or omissions of the RJR DEFENDANTS, which constitute a public nuisance, Plaintiffs have sustained and continue to sustain injury as set forth more fully in paragraphs one hundred seventy (170) through one hundred seventy-three (173). THE EUROPEAN COMMUNITY and the MEMBER STATES each have the right to recover damages as set forth in paragraphs one hundred seventy (170)

through one hundred seventy-three (173) in that each has suffered damages that are unique to it and which are of a kind different from those suffered by the general public.

225. By reason of the injury to their economic and non-economic interests due to the public nuisance described in the preceding paragraphs to this complaint, Plaintiffs are entitled to an award of damages, including actual, compensatory, and punitive damages. In addition, damages do not constitute a full and adequate remedy at law, and for this reason Plaintiffs are therefore entitled to full Common Law Injunctive and Equitable Relief, including a judgment permanently enjoining DEFENDANTS from the continuation of activities constituting a public nuisance, and compelling DEFENDANTS to take steps to abate and prevent the money laundering that is the subject matter of this complaint.

## COUNT VIII

### EUROPEAN COMMUNITY AND MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(UNJUST ENRICHMENT)

226. Plaintiffs restate and reallege paragraphs one (1) through two hundred twenty-five (225) and further allege:

227. The RJR DEFENDANTS were unjustly enriched at Plaintiffs' expense. The acts and omissions of these DEFENDANTS and others have placed in the possession of these DEFENDANTS money under such circumstances that in equity and good conscience they ought not to retain it.

228. The RJR DEFENDANTS were unjustly enriched through their money-laundering scheme. The RJR DEFENDANTS entered into an understanding or agreement,

express or tacit, with their distributors, customers, agents, consultants, and other coconspirators, to participate in a common scheme, plan or design to commit the aforesaid tortious acts and thereby launder the proceeds of criminal activity to the detriment of THE EUROPEAN COMMUNITY and the MEMBER STATES. In pursuance of the agreement, RJR and its distributors, customers, agents, consultants, and other coconspirators acted tortiously by, among other things, committing the aforesaid acts constituting unjust enrichment, thereby causing harm to Plaintiffs. The RJR DEFENDANTS, through joint action with their coconspirators, acted tortiously, recklessly, unlawfully, and negligently, to the detriment of Plaintiffs. By means of the aforesaid concerted action, the RJR DEFENDANTS and their coconspirators are jointly and severally liable for the torts and other wrongful conduct alleged herein.

229. THE EUROPEAN COMMUNITY provides at its expense a marketplace without internal frontiers that inures to the benefit of all commercial enterprises that operate within the borders of THE EUROPEAN COMMUNITY. It is this marketplace makes the sale of products such as cigarettes more expeditious and profitable. The DEFENDANTS and their coconspirators in laundering the proceeds of criminal activity, make illicit use of this marketplace to their economic benefit and to the economic detriment of THE EUROPEAN COMMUNITY and the MEMBER STATES. The RJR DEFENDANTS were unjustly enriched through their money-laundering scheme. By reason of their money-laundering scheme, the RJR DEFENDANTS were enabled to illegally enhance profits, market share, and the sales price of their international tobacco operations.

230. The unjust enrichment of the RJR DEFENDANTS was accomplished at the expense of Plaintiffs. By reason of the money-laundering scheme, Plaintiffs were, and continue

to be, deprived of money and property, and have suffered other economic and non-economic injuries, and DEFENDANTS reaped vast profits and proceeds from their illegal scheme.

231. Under these circumstances, the receipt and retention of the money derived from money-laundering operations are such that, as between Plaintiffs and DEFENDANTS, it is unjust for DEFENDANTS to retain it.

232. Equity and good conscience require the RJR DEFENDANTS to pay damages and restitution to Plaintiffs, disgorge their ill-gotten gains and, to effectuate these remedies, a constructive trust and equitable lien should be imposed by this Court upon the proceeds obtained by DEFENDANTS by reason of money-laundering activities, which proceeds are rightly owned by and belong to Plaintiffs. Plaintiffs have suffered damages as set forth more fully in paragraphs one hundred seventy (170) through one hundred seventy-three (173), and are entitled to recover actual, compensatory, and punitive damages. Judgment in Plaintiffs' favor should include full Common Law Injunctive and Equitable Relief.

## COUNT IX

### MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(UNJUST ENRICHMENT)

233. Plaintiffs restate and reallege paragraphs one (1) through two hundred thirty-two (232) and further allege:

234. DEFENDANTS received funds, including the proceeds of narcotics trafficking, and received the instrumentalities of illicit conduct. Such funds and



instrumentalities, and the proceeds thereof, were and are the property of the MEMBER STATES as of the time of the commission of the illicit conduct.

235. By appropriating Plaintiffs' funds and property for themselves, DEFENDANTS have been enriched at Plaintiffs' expense. DEFENDANTS have rejected demands for compensation.

236. Under the circumstances, in good conscience and equity, DEFENDANTS cannot retain such funds and instrumentalities, and the proceeds thereof.

237. Equity and good conscience require the RJR DEFENDANTS to pay damages and restitution to Plaintiffs, disgorge their ill-gotten gains and, to effectuate these remedies, a constructive trust and equitable lien should be imposed by this Court upon the proceeds obtained by DEFENDANTS by reason of money-laundering activities, which proceeds are rightly owned by and belong to Plaintiffs. Plaintiffs are entitled to damages, including actual, compensatory, and punitive damages, and their injuries are set forth more fully above in paragraphs one hundred seventy (170) through one hundred seventy-three (173). Judgment in Plaintiffs' favor should include full Common Law Injunctive and Equitable Relief.

## COUNT X

### EUROPEAN COMMUNITY AND MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(NEGLIGENCE)

238. Plaintiffs restate and reallege paragraphs one (1) through two hundred thirty-seven (237) and further allege:

239. DEFENDANTS owed, and continue to owe, a duty of reasonable care to refrain from causing foreseeable loss to the Plaintiffs. DEFENDANTS were and are obligated to avoid negligently causing harm to Plaintiffs and were and are duty-bound to:

(a.) design, implement, and utilize effective monitoring and oversight procedures, including appropriate compliance programs, to deter and detect money laundering-related activities by their employees and agents;

(b.) investigate and terminate the money laundering-related conduct of their employees and agents, particularly inasmuch as their managerial personnel with decision-making authority were put on reasonable notice of such illicit conduct;

(c.) deal with the Plaintiffs, and their representatives, in an honest, good faith, and forthright manner;

(d.) terminate sales of their tobacco products to or through persons or entities known to be engaged, directly or indirectly, in money laundering;

(e.) comply with federal and state statutes and the standards of care reflected therein;

(f.) produce, market, and distribute their cigarette products lawfully and with due care; and

(g.) use proper practices and procedures in the hiring, selection, approval, instruction, training, supervision, and discipline of employees and agents engaged in the production, marketing, and distribution of their products, some of whom the DEFENDANTS knew, or reasonably should have known, were assisting and otherwise engaged in money laundering.

240. As manufacturers, distributors, and dominant participants in the marketplace, DEFENDANTS had, and continue to have, the authority and ability to act reasonably to prevent money laundering in connection with the sale of their products for the protection of Plaintiffs. Reasonable steps could and should have been taken by the DEFENDANTS to prevent or reduce the risk of their products being sold to persons who were using the purchase of cigarettes to launder the proceeds of criminal activity.

241. DEFENDANTS, as manufacturers, distributors, and dominant participants in the marketplace, have a special ability and duty to exercise reasonable care to detect and guard against the risks associated with the distribution of their products, for the benefit and protection of those foreseeably and unreasonably placed at risk of harm from the distribution of their products, including Plaintiffs.

242. DEFENDANTS' unreasonable acts and omissions created and enhanced the risk that their products would be distributed to persons who would use the purchase of cigarettes to launder criminal proceeds.

243. DEFENDANTS' unreasonable acts and omissions affirmatively and foreseeably caused substantial economic and non-economic damages to the Plaintiffs, and otherwise obstructed their ability to protect themselves from harms associated with money laundering. DEFENDANTS, acting with and through their employees, agents, and coconspirators, breached their duty of care, as aforesaid, by acts and/or omissions that posed an unreasonable and foreseeable risk of harm to Plaintiffs. The RJR DEFENDANTS entered into an understanding or agreement, express or tacit, with their distributors, customers, agents, consultants, and other coconspirators, to participate in a common scheme, plan, or design to commit the aforesaid tortious acts, and thereby launder criminal proceeds to the detriment of

THE EUROPEAN COMMUNITY and the MEMBER STATES. In pursuance of the agreement, RJR and its distributors, customers, agents, consultants, and other coconspirators acted tortiously by, among other things, committing the aforesaid acts constituting negligence, thereby causing harm to Plaintiff. The RJR DEFENDANTS, through joint action with their coconspirators, acted tortiously, recklessly, unlawfully, and negligently, to the detriment of Plaintiffs. By means of the aforesaid concerted action, the RJR DEFENDANTS and their coconspirators are jointly and severally liable for the torts and other wrongful conduct alleged herein. DEFENDANTS' breach proximately caused, and continues to cause, damage to the economic and non-economic interests of the Plaintiffs, as set forth more fully in paragraphs one hundred seventy (170) through one hundred seventy-three (173).

244. The RJR DEFENDANTS have acted maliciously, wantonly, and with a recklessness that bespeaks an improper motive and vindictiveness, and have engaged in outrageous and oppressive conduct and with a reckless or wanton disregard of safety and rights. Their conduct amounts to a fraud on the public.

245. By reason of the injury to their economic and non-economic interests due to the negligence of the DEFENDANTS, as aforesaid, Plaintiffs are entitled to an award of damages, including actual, compensatory, and punitive damages. In addition, damages do not constitute a full and adequate remedy at law, and for this reason, Plaintiffs are entitled to full Common Law Injunctive and Equitable Relief, including a judgment permanently enjoining DEFENDANTS from the continuation of activities constituting negligence, and compelling DEFENDANTS to take steps to abate and prevent the laundering of criminal proceeds through the purchase and sale of their product.

COUNT XI

EUROPEAN COMMUNITY AND MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(NEGLIGENT MISREPRESENTATION)

246. Plaintiffs restate and reallege paragraphs one (1) through two hundred forty-five (245) and further allege:

247. The DEFENDANTS owed, and continue to owe, a duty of reasonable care to refrain from causing foreseeable loss to Plaintiffs. DEFENDANTS have assumed the special duty to speak truthfully to government officials, and particularly due to their superior knowledge of their own conduct, were bound to speak with due care. DEFENDANTS were and are obligated to avoid negligently causing foreseeable harm to Plaintiffs, and were and are duty-bound to exercise reasonable care to: (a) refrain from negligently misrepresenting -- through documents and other forms of communication that the DEFENDANTS knew or should have known would be reasonably relied on by Plaintiffs -- the payment for and/or value of cigarettes; the destination of cigarettes; and the sources of funds with which cigarettes are purchased; (b) be truthful in their representations to Plaintiffs and their representatives concerning money laundering and other improper activities as aforesaid; and (c) avoid misleading Plaintiffs when providing Plaintiffs with such information as DEFENDANTS possess concerning the money laundering associated with DEFENDANTS' products into THE EUROPEAN COMMUNITY.

248. DEFENDANTS breached their duty to Plaintiffs by negligently making various material misrepresentations and/or failing to disclose material information to Plaintiffs and their representatives as aforesaid.

249. The DEFENDANTS have acted maliciously, wantonly, and with a recklessness that bespeaks an improper motive and vindictiveness and have engaged in outrageous and oppressive conduct and with a recklessness or wanton disregard of the Plaintiffs' interests and rights. Their conduct amounts to a fraud on the public.

250. DEFENDANTS, acting with and through their employees, agents, and coconspirators, breached their duty of care, as aforesaid, by acts and/or omissions that posed an unreasonable risk of foreseeable harm to Plaintiffs.

251. Plaintiffs reasonably relied on DEFENDANTS' misrepresentations and, as a result, DEFENDANTS' breach proximately caused, and continues to cause, damage to the economic interest of Plaintiffs. The RJR DEFENDANTS entered into an understanding or agreement, express or tacit, with their distributors, customers, agents, consultants, and other coconspirators, to participate in a common scheme, plan or design to commit the aforesaid tortious acts and thereby launder the proceeds of criminal activity to the detriment of THE EUROPEAN COMMUNITY and the MEMBER STATES. In pursuance of the agreement, RJR and its distributors, customers, agents, consultants, and other coconspirators acted tortiously by, among other things, committing the aforesaid acts constituting negligent misrepresentation, thereby causing harm to Plaintiffs. The RJR DEFENDANTS, through joint action with their coconspirators, acted tortiously, recklessly, unlawfully, and negligently, to the detriment of Plaintiffs. By means of the aforesaid concerted action, the RJR DEFENDANTS and their coconspirators are jointly and severally liable for the torts and other wrongful conduct alleged herein.

252. By reason of the injury to its interests due to the negligence, malice and recklessness of the DEFENDANTS, as set forth more fully in paragraphs one hundred seventy

(170) through one hundred seventy-three (173), and Plaintiffs are entitled to an award of damages, including actual, compensatory, and punitive damages. In addition, damages do not constitute a full and adequate remedy at law, and for this reason, Plaintiffs are entitled to full Common Law Injunctive and Equitable Relief, including a judgment permanently enjoining DEFENDANTS from the continuation of activities constituting negligence.

## COUNT XII

### MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(COMMON LAW CONVERSION)

253. The MEMBER STATES restate and reallege paragraphs one (1) through two hundred fifty-two (252) and further allege:

254. DEFENDANTS received funds, including the proceeds of narcotics trafficking, and received the instrumentalities of illicit conduct. Such funds and instrumentalities, and the proceeds thereof, were and are the property of the Member States as of the time of the commission of the illicit conduct.

255. DEFENDANTS were obligated to either remit such funds and instrumentalities to Plaintiffs, or refuse to accept such funds and instrumentalities. DEFENDANTS did neither. Instead, DEFENDANTS appropriated the funds and instrumentalities for their own use.

256. DEFENDANTS misappropriated Plaintiffs' money and property, and have rejected demands for compensation.

257. DEFENDANTS have assumed and exercised ownership over funds and instrumentalities belonging to the Plaintiffs. Plaintiffs have sustained and will continue to sustain damages as a result of DEFENDANTS' conversion, for which DEFENDANTS are liable to Plaintiffs.

258. The RJR DEFENDANTS have acted maliciously, wantonly, and with a recklessness that bespeaks an improper motive and vindictiveness, and have engaged in outrageous and oppressive conduct and with a reckless or wanton disregard of safety and rights. Their conduct amounts to a fraud on the public.

259. By reason of the injury to their economic and non-economic interests due to the negligence of the DEFENDANTS, as set forth more fully above in paragraphs one hundred seventy (170) through one hundred seventy-three (173), Plaintiffs are entitled to an award of damages, including actual, compensatory, and punitive damages. In addition, damages do not constitute a full and adequate remedy at law, and for this reason, Plaintiffs are entitled to full common law Injunctive and Equitable Relief, including a judgment permanently enjoining DEFENDANTS from the continuation of activities constituting negligence, and compelling DEFENDANTS to take steps to abate and prevent the laundering of criminal proceeds through the purchase and sale of their products.



COUNT XIII

MEMBER STATES

(AS TO ALL RJR DEFENDANTS)  
(MONEY HAD AND RECEIVED)

260. The MEMBER STATES restate and reallege paragraphs one (1) through two hundred fifty-nine (259) and further allege:

261. DEFENDANTS knowingly received money belonging to Plaintiffs, including funds representing the proceeds of illicit conduct.

262. DEFENDANTS benefited from the receipt of money, the benefit of which remains with DEFENDANTS. A trust or equitable lien is impressed upon such money and the proceeds thereof.

263. Under principles of equity and good conscience, DEFENDANTS should not be permitted to keep the money and the proceeds thereof. DEFENDANTS knew that the funds in question were the proceeds of illicit conduct and, as such, were the property of Plaintiffs. Through deceit and acts of concealment, DEFENDANTS received, handled, deposited, and transferred such funds to their own accounts. Plaintiffs have changed their positions as a result of DEFENDANTS' conduct and have been precluded from taking action against those persons involved in the illicit conduct, including DEFENDANTS, at the time of such conduct. DEFENDANTS' conduct was tortious, a trespass upon the rights and interests of Plaintiffs, and fraudulent.

264. Equity and good conscience require the RJR DEFENDANTS to pay damages and restitution to Plaintiffs, disgorge their ill-gotten gains and, to effectuate these remedies, a constructive trust and equitable lien should be imposed by this Court upon the

proceeds obtained by DEFENDANTS by reason of money-laundering activities, which proceeds are rightly owned by and belong to Plaintiffs. Plaintiffs are entitled to damages, including actual, compensatory, and punitive damages, and their injuries are set forth more fully above in paragraphs one hundred seventy (170) through one hundred seventy-three (173). Judgment in Plaintiffs' favor should include full Common Law Injunctive and Equitable Relief.

#### DEMAND FOR JUDGMENT

WHEREFORE, the Plaintiffs demand judgment in their favor and against DEFENDANTS as follows:

265. Pursuant to COUNT I, damages, including interest, against the RJR DEFENDANTS, jointly and severally, the precise amount to be supplied to the Court upon a trial on the merits; treble the actual damages pursuant to 18 U.S.C. § 1964(c), along with an award of the costs of the suit and a reasonable attorney's fee.

266. Pursuant to COUNT II, damages, including interest, against the RJR DEFENDANTS, jointly and severally, the precise amount to be supplied to the Court upon a trial on the merits; treble the actual damages pursuant to 18 U.S.C. § 1964(c), along with an award of the costs of the suit and a reasonable attorney's fee.

267. Pursuant to COUNT III, damages, including interest, against the RJR DEFENDANTS, jointly and severally, the precise amount to be supplied to the Court upon a trial on the merits; treble the actual damages pursuant to 18 U.S.C. § 1964(c), along with an award of the costs of the suit and a reasonable attorney's fee.

268. Pursuant to COUNT IV, damages, including interest, against the RJR DEFENDANTS, jointly and severally, the precise amount to be supplied to the Court upon a trial on the merits; treble the actual damages pursuant to 18 U.S.C. § 1964(c), along with an award of the costs of the suit and a reasonable attorney's fee.

269. Pursuant to COUNT V, RICO Injunctive and Equitable Relief against the RJR DEFENDANTS, jointly and severally, along with an award of the costs of the suit and a reasonable attorney's fee.

270. Pursuant to COUNT VI, against the RJR DEFENDANTS, jointly and severally, an award of compensatory and punitive damages, with interest, the precise amount to be supplied to the Court upon a trial of the merits; Common Law Injunctive and Equitable Relief; and the costs of the suit and a reasonable attorney's fee.

271. Pursuant to COUNT VII, against the RJR DEFENDANTS, jointly and severally, an award of compensatory and punitive damages, with interest, the precise amount to be supplied to the Court upon a trial of the merits; Common Law Injunctive and Equitable Relief; and the costs of the suit and a reasonable attorney's fee.

272. Pursuant to COUNT VIII, against the RJR DEFENDANTS, jointly and severally, an award of compensatory and punitive damages, with interest, the precise amount to be supplied to the Court upon a trial of the merits; Common Law Injunctive and Equitable Relief; and the costs of the suit and a reasonable attorney's fee.

273. Pursuant to COUNT IX, against the RJR DEFENDANTS, jointly and severally, an award of compensatory and punitive damages, with interest, the precise amount to be supplied to the Court upon a trial of the merits; Common Law Injunctive and Equitable Relief; and the costs of the suit and a reasonable attorney's fee.

274. Pursuant to COUNT X, against the RJR DEFENDANTS, jointly and severally, an award of compensatory and punitive damages, with interest, the precise amount to be supplied to the Court upon a trial of the merits; Common Law Injunctive and Equitable Relief; and the costs of the suit and a reasonable attorney's fee.

275. Pursuant to COUNT XI, against the RJR DEFENDANTS, jointly and severally, an award of compensatory and punitive damages, with interest, the precise amount to be supplied to the Court upon a trial of the merits; Common Law Injunctive and Equitable Relief; and the costs of the suit and a reasonable attorney's fee.

276. Pursuant to COUNT XII, against the RJR DEFENDANTS, jointly and severally, an award of compensatory and punitive damages, with interest, the precise amount to be supplied to the Court upon a trial of the merits; Common Law Injunctive and Equitable Relief; and the costs of the suit and a reasonable attorney's fee.

277. Pursuant to COUNT XIII, against the RJR DEFENDANTS, jointly and severally, an award of compensatory and punitive damages, with interest, the precise amount to be supplied to the Court upon a trial of the merits; Common Law Injunctive and Equitable Relief; and the costs of the suit and a reasonable attorney's fee.

278. Such other and similar relief as the Court deems just, proper, and equitable; and trial by jury as to all issues triable as of right by jury.

Dated:           New York, New York  
                  October 30, 2002

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