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Nevada Adult Population and Number of Adult Smokers

Year	Population 18 +	Adult Smoking Rate	Number of Adult Smokers
2000	1,486,703	29 %	431,143
2001	1,566,919	26.9 %	421,501
2002	1,617,077	26.9 % ⁰¹	434,993

F10812

Nevada Cigarette Tax Stamps Sold and Revenue Realized 2000-2002

NV Fiscal Year	Nevada Cigarette Stamps sold	Nevada Cigarette Excise Tax Revenues	Cigarette Tax Per Pack—Neighboring States				
			CA	OR	ID	AZ	UT
2000	174,297,940	\$ 59,477,492	.87	.60	.28	.58	.18
2001	180,880,840	\$ 61,632,146.	.87	.60	.28	.58	.18
2002	173,235,750	\$ 59,029,783	.87	.60 ₂	.28	.58 ₃	.695 ₄

[1] Projecting 2001 smoking rate into 2002.

[2] Increased to \$.28 effective 11/1/02.

[3] Increased to \$.18 effective 11/25/2002

[4] Effective 5/6/02.

ASSEMBLY WAYS AND MEANS

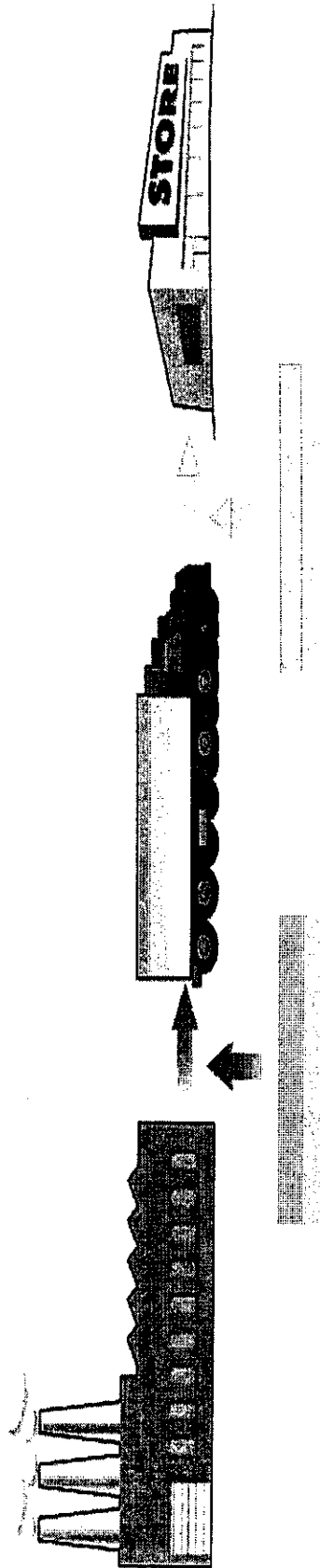
DATE: 5-5-03 ROOM: 3137 EXHIBIT F

SUBMITTED BY: JOHN ALBRECHT-AG's office

Counterfeit Cigarettes

- 1) Avoid state tax (\$.35 +?) per pack
- 2) Avoid federal tax (\$.39) per pack
- 3) Avoid MSA payments (\$.40-.58) per pack
- 4) Alternative to # 4, avoid escrow payments (\$.35) per pack
- 5) Cause reduction in MSA payments through volume adjustment & still cause adverse health consequences
- 6) Cheap cigarettes more likely to be purchased by underage youth

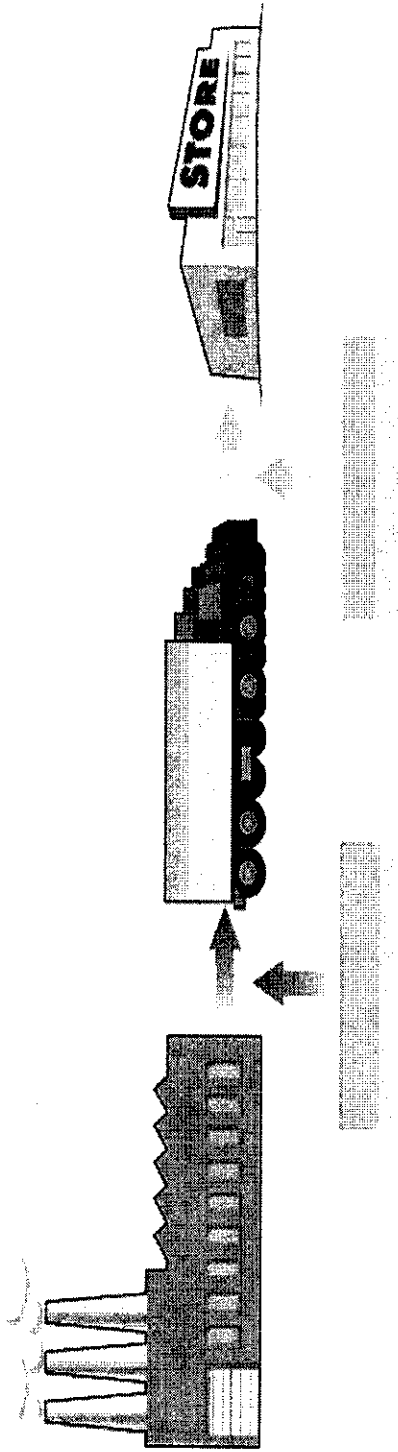
Unlicensed Entities Sell Counterfeit Cigarettes to Wholesale Dealers or Retailers



F30812

Anti-Counterfeiting Provisions of AB 460

Sections 10-37 and 59-79



100+ Manufacturers report shipments to Wholesale Dealers report to Wholesale Dealers to Taxation Dept. shipments to Retailers to Taxation Dept. Sec. 27(1). 120 Wholesale Dealers report Taxation Dept. Sec. 27(2)

No Reporting by Retailers

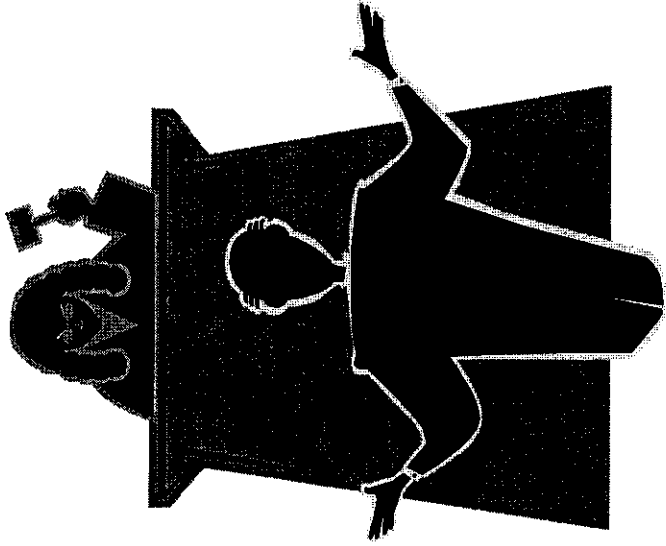
F40812

Taxation Dept. Reports

- Observe change in trends of prior cigarette sales (e.g. retail store that previous received 30 cartons of Brand XYZ every month for 6 months now orders zero). Sec. 27.
- Report Change to Attorney General's office that would investigate inventory and retailer records required under Section 71.

Attorney General

- If investigation results in evidence of counterfeit cigarettes or other violations of law, Attorney General may bring criminal or civil action under Sections 34-37 or other violations of NRS Chapter 370. Sec. 58 and 79.



F60812

Sections 38-58, AB 460 affect Current NRS 370A

- NRS Chapter 370A required for NV to avoid reduced MSA payments
- Requires Tobacco Manufacturers not signing MSA to deposit 1.5 cents per cigarette in escrow account
- Escrow account may only be used to pay health care related judgment/settlement
- Payment due on 4/15 in year after sales occurred
- Law reduces economic advantage of not signing MSA

F 70812

Sections 38-58 (Strengthens NRS 370A)

- NPM must certify all brands and that has established an escrow account for past sales. Sec. 51(2) & (3).
- NPM appoints registered agent for service of process in Nevada. Sec. 54.
- Taxation Dept. List of all certified brands on Internet. Sec. 53.
- Prohibits placing cigarette stamps on any non-certified brand. Sec. 57.
- May require quarterly escrow payment. Sec. 56(1).

Amendment to NRS 370A

- MSA prohibits Amending "Model Act" (NRS Chapter 370A)
- Exception: Signatories have agreed that Sec. 80 Amendment is permitted.
- Current law permits NPM to withdraw amount that exceeds payment amount to applicable state
- Sec. 80 would eliminate windfall to NPMs that concentrate sales in a few states.



ATF NEWS

Bureau of Alcohol, Tobacco, Firearms and Explosives

FY-03-08

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For Immediate Release

www.atf.gov

April 9, 2003

ATF DISMANTLES ILLEGAL CIGARETTE TRAFFICKING ORGANIZATIONS ON BOTH COASTS

Arrests Culminate 2-1/2-year Undercover Investigation

LOS ANGELES - U.S. Attorneys for the Western District of Virginia and the Central District of California and the Washington and Los Angeles Field Divisions of the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) announced today the unsealing of indictments against 15 members of two transcontinental cigarette smuggling organizations that trafficked about \$20 million in contraband cigarettes.

ATF agents arrested at least 13 people in California today and were seeking more as part of the 2½-year-long undercover investigation that involved hundreds of law enforcement officers from numerous Federal, State, and local jurisdictions across the United States.

During the course of the investigation, the indictments allege, the smuggling organizations moved about \$20 million worth of cigarettes illegally from Virginia to California, Nevada and New York and defrauded the State of California of about \$5 million in tax revenue. As part of the investigation, law enforcement officers followed and conducted surveillance on numerous tractor-trailer trucks loaded with contraband cigarettes as they moved across the country.

The Federal government is seeking forfeiture of approximately \$18.5 million in addition to the following accomplishments that have already occurred:

- Seizure of 1,000 cases of domestic brand cigarettes; street value of \$2,100,000
- Recovery of approximately 700,000 counterfeit State tax stamps
- Recovery of 51 cases of counterfeit domestic cigarettes; street value of \$92,750
- Seizure of 2 tractor-trailer trucks (pending forfeiture) and other vehicles
- Seizure and forfeiture of more than \$350,000.00 in cash
- Seizure of approximately \$5.2 million in additional financial instruments

Western District of Virginia

Twelve individuals and two companies were named in a 32-count indictment returned in the Western District of Virginia. The indictment alleges that the defendants traveled to Virginia to purchase untaxed cigarettes, and then transported the cigarettes to California without paying the taxes owed in either State. During the course of the conspiracy, the indictment alleges the defendants purchased approximately 108,084,000 cigarettes (9007 cases) for approximately \$8,922,200.00, with a retail value of approximately \$18,574,035.00, and avoided approximately \$4,701,654.00 in California cigarette taxes. The named defendants, all residents of California,

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include:

VICKEN I DJEREDJIAN, aka Vick Gregg, Vick Deere, Age 30
AKOP CHICHYAN, aka Jack Chichyan, Age 31
MNATSAKAN GRIGORIAN, aka Miatskan Zakevich Grigoryan, Mike Grigoryan, Age 37
MIRAKYAN MASIS, Age 55
RAFIK ASATRYAN, aka Rosik ASATRYAN, Age 45
RUBEN ISRAELYAN, aka Ruben Hovahnniysan, Age 47
ARMEN GRIGORYAN, Age 26
GEORGIY GRIGORYAN, aka Georgiy Vladimirovich Grigoryan, Age 25
SEROB BOYADZHAYAN, aka Serb, Age 33
MANVEL ISKANDARYAN, aka Bear, Age 44
ALBERT ASATRYAN, Age 46
AZAT STEPHANYAN, Age 20
GRAND DISTRIBUTION COMPANY, USA, INC.
PRO-CAL TRANSPORTATION, INC., aka Grace Way

All defendants are charged with conspiracy to possess and transport contraband cigarettes. Each of the defendants is also charged in various counts of actual possession and transportation of contraband cigarettes. All charges carry a penalty of up to five years imprisonment and a fine of \$250,000 for the individuals and a fine of \$500,000 for the companies.

The indictment also seeks the forfeiture of a monetary amount of \$18,574,235, which is alleged to have been the gross proceeds obtained by the defendants as a result of their criminal conduct, and the forfeiture of four residences, 14 vehicles, \$190,906 in financial instruments, and seven financial accounts containing proceeds of the illegal enterprise that were traced directly by law enforcement officers. Property being sought for forfeiture to assist in the satisfying of the \$18 million monetary amount includes an additional four residences, three vehicles, and 18 additional financial accounts.

Central District of California

Three persons were named in a 15-count indictment returned in the Central District of California and charged with conspiracy to possess and transport contraband cigarettes and launder money, possession and transportation of contraband cigarettes, and money laundering. The indictment alleges that the defendants trafficked more than 45,000,000 contraband cigarettes (3,750 cases) and laundered approximately \$3.3 million. The money laundering charges carry a penalty of up to 20 years imprisonment and a fine of \$500,000.00. Charged in this indictment are:

RENE KHAJA, Age 30
SUREN AMBARCHYAN, Age 28
HENRI MINASSIAN, Age 28

In a related investigation, ATF agents executed a search warrant today at Country Home Tobacco, a retail store located in Monterey Park, Calif., following the filing of two criminal complaints alleging cigarette trafficking against the following persons:

JOHN KAMAR, Age 35
MIKHAEL KAMAR, Age 39

Arrested today were:

VICKEN I DJEREDJIAN, aka Vick Gregg, Vick Deere, Age 30
AKOP CHICHYAN, aka Jack Chichyan, Age 31
MNATSAKAN GRIGORIAN, aka Miatskan Zakevich Grigoryan, Mike Grigoryan, Age 37
MIRAKYAN MASIS, Age 55
ARMEN GRIGORYAN, Age 26
GEORGIY GRIGORYAN, aka Georgiy Vladimirovich Grigoryan, Age 25

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MANVEL ISKANDARYAN, aka Bear, Age 44
ALBERT ASATRYAN, Age 46
RENE KHAJA, Age 30
SUREN AMBARCHYAN, Age 28
HENRI MINASSIAN, Age 28
JOHN KAMAR, Age 35
MIKHAEL KAMAR, Age 39

U.S. Attorneys in Virginia and California commended the work of the law enforcement agencies participating in this investigation: ATF, IRS, California Board of Equalization (BOE), Virginia Alcohol Beverage Control Board, Roanoke Police Department, Botetourt County Sheriff's Department, Virginia State Police, and New York State Tax Authority, INS, and United States Marshals Service.

A Grand Jury indictment is only a charge and not evidence of guilt. The defendants are entitled to a fair trial with the burden on the government to prove guilt beyond a reasonable doubt.

ATF is the world's leading investigative agency on firearms, explosives and arson, providing that expertise to the Federal and state, local and foreign governments. The Bureau administers and enforces the Federal laws and regulations relating to firearms, explosives and arson, and the criminal laws concerning alcohol and tobacco smuggling and diversion. ATF's 4,700 men and women serve to protect the American public and reduce violent crime. More information about ATF and its programs is available on the Internet at www.atf.gov.

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