



Department of Justice

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NORTH CAROLINA MAN SENT TO PRISON AND BARRED FROM TOBACCO INDUSTRY

ABINGDON, VIRGINIA -- Terence P. McLaughlin, an Ayden, North Carolina, business owner was sentenced to imprisonment for a term of one year, barred from any involvement in the tobacco industry for ten years, and ordered to forfeit \$801,495 to the United States after admitting to conspiring to avoid federal excise tax on cigarettes removed from his factory and being part of a contraband cigarette trafficking scheme. McLaughlin's company, CLP Inc., was also sentenced today. In addition, as part of his plea agreement McLaughlin agreed to pay over \$950,000.00 in past due excise taxes.

McLaughlin, age 56, of Winterville, North Carolina, was sentenced in the United States District Court for the Western District of Virginia in Abingdon for making false statements on federal tax returns, underreporting the number of tax stamps affixed to cigarettes, and creating false billing and shipping documents for cigarettes shipped from his factory.

Beginning in January 2007, McLaughlin and CLP began underreporting the number of tax stamps affixed to cigarettes that were to be delivered into Georgia, Kentucky, South Carolina, Tennessee and Virginia. The laws of these states require that cigarette manufacturers that were not parties to the Master Settlement Agreement of 1998 make specified annual deposits into an escrow fund based on the number of the manufacturer's cigarettes sold in the state and file annual certifications truthfully stating sales in each state and that the required escrow deposits were made. CLP was not a party to the Master Settlement Agreement.

In order to facilitate this fraud, CLP employees, under the direction of McLaughlin created shipping and billing documents for tens of millions of Bridgeton branded cigarettes that falsely identified the shipping destination as a location in New York and stated the cigarettes were "for reservation sales only" when the shipments were actually destined to locations in Virginia and Kentucky. These cigarettes were later resold in the states of Georgia, Kentucky, South Carolina, Tennessee and Virginia.

By having the number of tax stamps affixed understated, McLaughlin was able to understate the number of cigarettes actually sold in these states and decrease his annual deposits to the escrow

fund in each state as required by state law. Using this scheme, CLP Inc. derived illegal profits of over \$800,000.

During the same time frame, CLP underreported taxable removals from their Ayden, North Carolina factory by over 48,000,000 cigarettes. Throughout 2007, McLaughlin filed false reports and returns with the Alcohol and Tobacco Tax and Trade Bureau and, as a result, failed to pay over \$950,000 in federal taxes.

The investigation of this case was conducted by the Bureau of Alcohol, Tobacco, Firearms and Explosives; Alcohol and Tobacco Tax and Trade Bureau; Roanoke and Washington County, Virginia, Sheriff's Offices; Virginia State Police; and Office of the Attorney General for the Commonwealth of Virginia. Assistant United States Attorney Randy Ramseyer prosecuted the case for the United States.

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