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United States Attorney
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PRESS RELEASE

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“TWO PLUMMER, IDAHO RESIDENTS PLEAD TO TRAFFICKING CONTRABAND CIGARETTES”

Spokane – Today, James A. McDevitt, United States Attorney for the Eastern District of Washington, announced that Peter Mahoney, 53, and Peggy Mahoney, 38, husband and wife, of Plummer, Idaho, pled guilty to contraband cigarette trafficking charges. Peter Mahoney pled guilty to conspiracy to traffic in contraband cigarettes and money laundering. Peggy Mahoney pled guilty to one count of contraband cigarette trafficking. Their sentencing is scheduled for April 19, 2007.

According to the plea agreements, Peter and Peggy Mahoney operated the Warpath Smoke Shop/One Stop in Plummer, Idaho, which sold cigarettes at retail. The Warpath also sold wholesale cigarettes to Washington Indian retailers without reporting those sales to Washington State, thus avoiding the payment of Washington cigarette taxes. Peggy Mahoney would process orders from the Washington retailers and fax invoices to the retailers confirming the sales. Peggy Mahoney’s brother, and codefendant, Mark Van’t Hul, 43, of Montana, as part of the conspiracy, would rent a van in Spokane, Washington, drive to Plummer, Idaho, and pick up unstamped cigarettes from the Warpath complex. Mark Van’t Hul would then travel on I-90 to Western Washington and deliver contraband cigarettes to codefendants Lyle Conway, 69, and Shawn Conway, 34, both of Fife, Washington, among others, on the Puyallup Reservation. Mark Van’t Hul would then return to Plummer, Idaho, with checks from the retailers which were in payment for the cigarettes. From September 2002 to March 2003, the Mahoneys deposited checks from three co-conspirators totaling over \$2.7 million as proceeds of contraband cigarette trafficking. The indictment alleges that over the course of the conspiracy, the tax loss to the state of Washington was up to \$7 million. Peter Mahoney and Peggy Mahoney agreed to forfeit \$1.4 million.

Five individuals have pleaded guilty in this and related contraband cigarette and money laundering investigations. These investigations, spanning the last five-years, have resulted in the seizure of \$3.1 million in cash, over \$2 million in seized bank accounts and over 200,000 cartons of cigarettes.

Illegal smuggling of cigarettes has resulted in losses over the years to the state of Washington of hundreds of millions of dollars in tax revenues. Idaho is a major source state for untaxed cigarettes. This smuggling also hurts legitimate law abiding cigarette retailers inside the state of Washington who lose sales to retailers dealing in contraband cigarettes. In Washington, all lawfully sold cigarette packages bear Washington State approved stamps, except for personal use quantities sold on federal military bases.

“This investigation, and others like it, demonstrates the impact that cooperative efforts by the Washington State Attorney General’s Office, U. S. Attorney’s Office, the ATF, the IRS, and the Washington State Liquor Control Board are making to promote a level playing field among the retail cigarette dealers throughout the state of Washington,” said U. S. Attorney James A. McDevitt.

The maximum penalty for trafficking in contraband cigarettes is five years imprisonment and the maximum penalty for money laundering is 20 years imprisonment. Both crimes also carry a term of court supervision of not more than 3 years after imprisonment.

The Bureau of Alcohol, Tobacco, Firearms and Explosives; the Internal Revenue Service - Criminal Investigation; the Washington State Liquor Control Board; and the United States Attorney's Office joined forces to investigate this case. Washington State Assistant Attorney General Jerry Ackerman and Assistant United States Attorney Jane Kirk prosecuted this case.