

MEDIA RELEASE



**Attention: News Director
For Immediate Release
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**U.S. DEPARTMENT OF JUSTICE
DAVID L. HUBER
UNITED STATES ATTORNEY
Western District of Kentucky**

**Contact: Hancy Jones III
Assistant United States Attorney
(502) 582-5911**

**LOUISVILLE BUSINESSMAN SENTENCED FOR CONSPIRACY TO TRAFFIC
IN CONTRABAND CIGARETTES AND MONEY LAUNDERING ACTIVITIES**

David L. Huber, United States Attorney for the Western District of Kentucky, announced today that **JOSEPH MELTON, III**, age 46, of 9007 Splitrail, Louisville, Kentucky, was sentenced yesterday in United States District Court, Louisville, Kentucky, for violating federal contraband cigarette and money laundering laws.

Chief United States District Judge John G. Heyburn, II, sentenced **Melton** to 3 years' probation. In addition, the Court imposed a special penalty assessment of \$200. As part of the Plea Agreement filed with the Court, **Melton** agreed to forfeit \$2 million to the United States. He acknowledged, through an Agreed Final Order of Forfeiture, that the \$2 million represents proceeds of the unlawful activity outlined in the Information. To date, **Melton** has paid \$1.1 million toward satisfaction of the forfeiture obligation. Chief Judge Heyburn previously entered the Final Order of Forfeiture, and during the sentencing hearing yesterday, he accepted a proposed payment plan prepared and presented by the parties.

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On January 18, 2005, **Melton** pled guilty to one count of conspiring to traffic in contraband cigarettes and one count of conspiracy to engage in money laundering activities. During the guilty plea hearing, **Melton** admitted that between 1994 and 2001, in Jefferson County, Kentucky, and elsewhere, he, along with others, conspired to engage in the sale and distribution of contraband quantities of cigarettes (sales/distributions involving 60,000 cigarettes).

The object of the conspiracy was to sell and distribute cigarettes in Kentucky to individuals who would transport contraband quantities of cigarettes to the Chicago, Illinois, area. The individuals from Chicago who purchased the cigarettes in Kentucky would transport the cigarettes to Chicago, Illinois. Once in Chicago, the individuals would sell and distribute the cigarettes without paying the required state (Illinois) and local (Cook County) taxes for the sale of said cigarettes. During the relevant time period, the tax on a pack of cigarettes in Cook County, Illinois, totaled 93¢ as opposed to Kentucky's 3¢ per pack tax.

During the time period set out above, **Melton** developed and/or maintained financial/ownership interests in several businesses in the Louisville, Kentucky, area, for example:

- from 1994-1999, **Melton** owned and operated Melton Food Mart 3, located at 5619 Outer Loop, Louisville, Kentucky;
- from 1995-2001, **Melton**, and others, owned and operated JJ's Smoke Shop, located at 10611 Dixie Highway, Louisville, Kentucky;

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- from 1997-2001, **Melton**, and others, owned and operated Discount Cigarette and Liquor Outlet, Inc., d/b/a Cheap Smokes, located at 7613 Old Shepherdsville Road, Louisville, Kentucky; and
- on numerous occasions from 1994-2001, **Melton**, and others acting at his direction, knowingly sold and distributed contraband quantities of cigarettes from the businesses referenced above to individuals from Chicago, Illinois.

Melton and the other individuals acting at his direction knew that the purchasers of cigarettes were from Chicago, Illinois, and that the purchasers would transport the contraband quantities of cigarettes to Chicago, Illinois, for re-sale.

Additionally, from between 1994 and 2001, in Jefferson County, **Melton**, along with others, knowingly conspired and agreed among themselves and with each other to engage in money laundering activities. While knowing that the property involved in financial transactions represented the proceeds of some form of unlawful activity, that is, trafficking in contraband cigarettes, **Melton** and others conducted and attempted to conduct financial transactions which in fact involved the proceeds of the specified unlawful activity, all with the intent to promote the carrying on of the specified unlawful activity.

Melton and others conducted and attempted to conduct financial transactions which were designed in whole or in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of the specified unlawful activity of trafficking in contraband cigarettes.

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During the time period, 1994-2001, outlined above, **Melton**, and others acting at his direction, received large sums of cash and checks from individuals as payment for the cigarettes and upon receipt of the money and/or checks, co-mingled the money from the sale of contraband cigarettes with the legal cash receipts of the businesses and deposited the funds into business accounts held by financial institutions. **Melton**, and others acting at his direction, later wrote checks from the business accounts for the purpose of purchasing additional cigarettes, and they used the newly purchased cigarettes to promote the carrying on of the specified unlawful activity of trafficking in contraband cigarettes.

The case was prosecuted by Assistant United States Attorney Jo E. Lawless and was investigated by the Bureau of Alcohol, Tobacco, Firearms and Explosives in connection with the Louisville Metropolitan Police Department.

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