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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

November 1987 Grand Jury

'88 0768 K

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.)
)
 JAVID NAGHDI,)
 aka David Naghdi,)
 aka Gregorio Reynolds,)
 aka Khukon Reynolds,)
 aka Dr. Behrouz Mansouri,)
)
 Defendant.)

Criminal Case No. _____

I N D I C T M E N T
Title 18, U.S.C., Sec. 1343 - Wire Fraud

The grand jury charges:

INTRODUCTORY ALLEGATIONS

At all relevant times herein:

1. Defendant JAVID NAGHDI, also known as David Naghdi, Gregorio Reynolds, Khukon Reynolds, and Dr. Behrouz Mansouri (hereinafter referred to as "Javid Naghdi"), was an Iranian national who emigrated to the United States. At various times, he lived in New York City, New York, Los Angeles, California, and London, England. In 1986, Naghdi was employed by Sunshine Pharmacy, 424-1/2 North Fairfax, Los Angeles, California.

PLBH:sak/mk:San Diego
09/21/88

**GOVERNMENT
EXHIBIT
X**

1 2. From June 1987 to the present, defendant JAVID NAGHDI represented to
2 various businessmen that he was president of Naghdi International, Inc. (hereinafter
3 referred to as "Naghdi International"), an international pharmaceutical company
4 operated by his family. According to Naghdi, this business earned approximately 50
5 million dollars a year and had offices in Los Angeles, California, London, England and
6 other places. As part of its business, Naghdi International, Inc. offered to sell enormous
7 quantities of three prescription drugs, Tagamet, Anspor and Naprosyn. These drugs have
8 all been approved by the United States Food and Drug Administration (hereinafter
9 referred to as "FDA") for distribution within the United States.

10 3. Tagamet is manufactured by Smith, Kline and French Laboratories (herein-
11 after referred to as "SK&F") in Cidra, Puerto Rico for distribution on the United States
12 market. SK&F is a division of SmithKline Beckman (hereinafter referred to as
13 "SmithKline") whose principal place of business is located at 1500 Spring Garden Street,
14 Philadelphia, Pennsylvania. SmithKline and its various divisions and subsidiaries own the
15 registered trademark for Tagamet and are the only companies licensed to legally
16 distribute it throughout the world.

17 4. The worldwide market for Tagamet exceeds one billion dollars. The Tagamet
18 distributed in this country is in the form of light green, round tablets that contain a
19 300 mg. dosage and are marked "Tagamet" on one side and "SKF 300" on the other side.
20 The product contains the active ingredient cimetadine. Tagamet is an inhibitor of
21 gastric acid secretions, approved for use in the treatment of active and recurrent
22 duodenal ulcer, active benign gastric ulcer, and certain pathological hypersecretory
23 conditions.

24 5. Anspor is manufactured by Squibb Manufacturing, Inc., in Humacao, Puerto
25 Rico, under an exclusive agreement with SmithKline. The Anspor distributed in this
26 country for SmithKline is in the form of orange and white capsules that contain a
27 250 mg. dosage and are marked "Anspor" on one end and "SKF 250" on the other end.
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1 The product contains the active ingredient cephadrine. Anspor is a semisynthetic
2 antibiotic approved for use in the treatment of respiratory tract infections, otitis media,
3 skin and structure infections, and urinary tract infections. SmithKline and its various
4 divisions and subsidiaries own the registered trademark for Anspor and are the only
5 companies licensed to legally distribute it throughout the world.

6 6. Naprosyn is manufactured by Syntex Puerto Rico, Inc. in Humacao, Puerto
7 Rico. Syntex Puerto Rico, Inc. sells the Naprosyn to its parent company, Syntex
8 Laboratories, Inc. (hereinafter referred to as "Syntex"), 3401 Hillview Avenue, Palo
9 Alto, California. The Naprosyn distributed in this country is in the form of orange-
10 rectangular shaped tablets that contain a 375 mg. dosage and are marked by the number
11 "273" on one side, and "SYNTEX" on the other side. The product contains the active
12 ingredient Naproxen. Naprosyn is a nonsteroidal anti-inflammatory drug with analgesic
13 and antipyretic properties. It is used in cases of severe arthritis. Syntex owns the
14 registered trademark for Naprosyn and it is the only company licensed to legally
15 distribute it throughout the world.

16 7. National Benefits Consultants, Inc. (hereinafter referred to as "NBC Sales") is
17 located at 11866 Wilshire Boulevard, Suite 200, Los Angeles, California. The president
18 of NBC Sales is Jack Russell. NBC Sales and Jack Russell were utilized by defendant
19 JAVID NAGHDI as a United States base from which he could locate purchasers
20 interested in buying the prescription pharmaceuticals Tagamet, Naprosyn and Anspor.

21 8. Belrico Handel und Handelberatung Gesellschaft M.B.H. (hereinafter
22 referred to as "Belrico") is located at Larchenfelder Strasse 15/13, 1160 Vienna, Austria.
23 The director and general manager of Belrico is Shevindu Roy Chowdhury. Belrico is one
24 of a number of companies that attempted to "broker" prescription drugs by introducing a
25 "buyer" to Jack Russell, doing business as NBC Sales. In return for locating a buyer for
26 Naghdi International's drugs, Belrico receive a commission on any resulting sale.

1 9. Able Distributors, Inc. (hereinafter referred to as "Able Distributors"), is
2 located at 1605-1607 Kenilworth Avenue, N. E., Washington, D.C. The President of Able
3 Distributors is Jose O. Ponton, Sr. Able Distributors was another company that
4 attempted to "broker" prescription drugs for Jack Russell doing business as NBC Sales.
5 In return for locating a buyer for Naghdi International's drugs, Able Distributors would
6 also get a commission on any resulting sale.

7 10. Owens & Minor, Inc. (hereinafter referred to as "Owens & Minor"), is a
8 pharmaceutical distributor with principal offices located at 2727 Enterprise Parkway,
9 Richmond, Virginia. It has been in operation for over one hundred years and has 22
10 branches across the country. As part of its normal course of business, Owens & Minor
11 purchases, among other drugs, Tagamet, Anspor and Naprosyn from their legitimate
12 United States distributors.

13 THE SCHEME

14 11. Beginning in or about June 1987 and continuing up to and including August 11,
15 1988, within the Southern District of California and elsewhere, defendant JAVID
16 NAGHDI and others acting on his behalf did knowingly and willfully devise and intend to
17 devise a scheme and artifice to defraud and to obtain money and property from potential
18 purchasers of prescription pharmaceuticals (including Belrico, Owens & Minor, and
19 Foxmeyer Trading Company), pharmaceutical brokers (including NBC Sales and Able
20 Distributors), pharmaceutical manufacturers (including SmithKline and Syntex), credit
21 card companies (Diners Club and American Express), and other individuals and entities by
22 means of false and fraudulent pretenses, representations and promises regarding the
23 manufacturing, sale, and distribution of counterfeit Tagamet, Anspor, and Naprosyn.

24 METHODS AND MEANS OF THE ILLEGAL SCHEME

25 12. It was a part of defendant's scheme and artifice to defraud that he would and
26 did manufacture millions of bottles of counterfeit Tagamet, Anspor, and Naprosyn. The
27 defendant would and did manufacture these drugs in such a way that they appeared
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1 to the unsuspecting purchaser to be FDA-approved pharmaceuticals produced by
2 SmithKline and Syntex. The defendant would and did transport these drugs to Tampico,
3 Mexico, for storage by a Mexican freight forwarder.

4 13. It was a further part of defendant's scheme and artifice to defraud that he
5 would and did utilize Naghdi International, NBC Sales, Able Distributors, and other
6 individuals and entities to offer for sale millions of bottles of counterfeit Tagamet,
7 Anspor, and Naprosyn. Following these offers, Naghdi International and NBC Sales would
8 and did enter into contracts with Belrico and Owens & Minor to sell various quantities of
9 these drugs.

10 14. It was a further part of defendant's scheme and artifice to defraud that he
11 would and did lure prospective purchasers by offering to sell Tagamet, Anspor, and
12 Naprosyn at substantially below the price for which the drugs could be legitimately
13 obtained from SmithKline and Syntex. The defendant would and did explain his ability to
14 sell the drugs at such low prices by making a variety of false representations. Among
15 these false representations, defendant claimed to purchase drugs for Naghdi
16 International with millions of dollars in cash, and to have special contacts within
17 SmithKline and Syntex.

18 15. It was a further part of defendant's scheme and artifice to defraud that he
19 would and did represent to various purchasers that three million bottles of Tagamet,
20 three million bottles of Anspor and two million bottles of Naprosyn located in Tampico,
21 Mexico, had been purchased from SmithKline and Syntex. In addition, defendant falsely
22 represented that these pharmaceutical companies shipped the drugs to Naviera
23 Coatzacoalcos, a Mexican freight forwarder.

24 16. It was a further part of defendant's scheme and artifice to defraud that he
25 would and did represent that an additional one million bottles of Tagamet located
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1 in Tampico, Mexico had also been purchased by Naghdi International from SmithKline.
2 Once again, defendant falsely represented that SmithKline shipped this Tagamet to
3 Naviera Coatzacoalcos.

4 17. It was a further part of defendant's scheme and artifice to defraud that he
5 utilized various forged and fraudulent documents and invoices that purported to be from
6 SmithKline and Syntex to verify the sale of these huge amounts of drugs to Naghdi Inter-
7 national. In this manner, defendant would and did convince prospective purchasers that
8 Naghdi International's drugs had been legally obtained from the pharmaceutical
9 companies. These documents would and did contain specific information relating to the
10 quantity, lot numbers and expiration dates of the drugs sold, as well as shipping dates and
11 financial information regarding the sale.

12 18. It was a further part of defendant's scheme and artifice to defraud that he
13 and others acting on his behalf would and did provide prospective purchasers with a copy
14 of an insurance policy, and other documents indicating that the three million bottles of
15 Tagamet, three million bottles of Anspor and two million bottles of Naprosyn were
16 legitimately purchased from SmithKline and Syntex. The insurance policy stated that
17 the drugs were being insured by Naghdi International for 579 million dollars. To further
18 reassure the purchasers of the legitimacy of the transaction and to discourage laboratory
19 testing, the documents also indicated that the containers were being stored in a bonded
20 warehouse in Tampico, Mexico, and that Naghdi International was the legal owner of the
21 drugs.

22 19. It was a further part of defendant's scheme and artifice to defraud that he
23 would and did utilize forged and fraudulent certificates of origin purporting to be from
24 SmithKline and Syntex. These certificates contained bogus lot numbers and expiration
25 dates, were signed by fictitious employees, and prepared on fake letterheads. The
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1 defendant would and did use these forged documents to trick prospective purchasers and
2 conceal the fact that neither he nor his corporation had any contacts at SmithKline or
3 Syntex that enabled Naghdi International to obtain the drugs at such low prices.

4 20. It was a further part of defendant's scheme and artifice to defraud that in
5 order to facilitate payment prior to discovery of the fraud, the defendant would and did
6 require that payment be made by an irrevocable, divisible, transferable letter of credit.
7 This letter of credit would be payable and risk of loss would pass to the buyers at the
8 time they received the merchandise, at which time Naghdi agreed to supply the seller
9 with various documents, including certificates of legal ownership of the goods and of
10 quality and quantity.

11 21. It was a further part of defendant's scheme and artifice to defraud that, in
12 order both to enhance his credibility and to cover up his inability to purchase large
13 quantities of the drugs directly from the pharmaceutical manufacturers, the defendant
14 would and did obtain samples of legitimate Tagamet from sources outside of SmithKline.
15 In this regard, the defendant would and did provide several bottles of Tagamet that were
16 actually manufactured by SmithKline in order to mislead prospective purchasers.
17 Thereafter, the defendant would and did falsely represent that the bottles were from the
18 same lots of Tagamet that were being produced for him. In doing so, defendant would
19 and did falsely represent that he was personally speaking with officials at SmithKline.

20 22. It was a further part of defendant's scheme and artifice to defraud that he
21 would and did utilize his cancelled Diners Club card to charge tens of thousands of
22 dollars. Defendant would and did utilize these charges to convey the impression of
23 great wealth while negotiating Naghdi International's sales of prescription drugs.

24 23. It was a further part of defendant's scheme and artifice to defraud that he
25 would and did falsely represent to a business associate that he would not actually use the
26 associate's American Express card, but simply needed it to guarantee defendant's hotel
27 bills. Defendant then knowingly charged tens of thousands of dollars in bills to the
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1 business associate's credit card that he failed to pay. These charges were also utilized to
2 support Naghdi while he was negotiating the sale of prescription drugs.

3 24. It was a further part of defendant's scheme and artifice to defraud that he
4 would and did falsely represent that he was a licensed physician and part of his family's
5 multi-million dollar international pharmaceutical business. Defendant would often
6 introduce himself as "Dr. Naghdi" and claimed to have attended medical school. In
7 addition, defendant would utilize fraudulent financial statements that indicated that
8 Naghdi International did millions of dollars in business each year.

9 25. It was a further part of defendant's scheme and artifice to defraud that he
10 would and did utilize false and fictitious names when conducting his business. In this
11 regard, defendant would and did utilize a false United States passport in the name of
12 Gregorio Reynolds.

13 26. As a result of defendant's scheme and artifice to defraud, the following acts,
14 among others, were performed:

15 a. On or about June 12, 1987, in Los Angeles, California, defendant JAVID
16 NAGHDI informed Jack Russell of NBC Sales that he had three million bottles of
17 Tagamet, three million bottles of Anspor, and two million bottles of Naprosyn for sale.
18 Defendant explained that the drugs were available as a prior deal with Abidi
19 Pharmaceuticals in Iran fell through due to problems obtaining a confirmed letter of
20 credit. After the deal fell through, defendant stated that the drugs were returned to
21 Tampico, Mexico.

22 b. In or about June 1987, NBC Sales, on behalf of defendant JAVID
23 NAGHDI, contacted, among others, Ed Charol of Trading Services Company, Stamford,
24 Connecticut (hereinafter referred to as "TSC"), Doel Garcia of Money Concepts
25 Hispanica, West Palm Beach, Florida, and Jose O. Ponton, Sr., of Able Distributors
26 regarding the drugs returned to Tampico, Mexico.

1 c. On or about June 15, 1987, Jack Russell, on behalf of defendant JAVID
2 NAGHDI, sent Ed Charol of TSC a formal offer from Naghdi International regarding the
3 drugs returned to Tampico, Mexico.

4 d. On or about June 18, 1987, upon receipt of Naghdi International's offer,
5 Ed Charol contacted Shevendu Roy Chowdhury of Belrico to discuss finding a buyer for
6 Tagamet, Anspor and Naprosyn.

7 e. In or about September 1987, Shevendu Roy Chowdhury discussed the
8 possibility of selling the drugs to the government of Iran with Michael R. Machura of
9 International Development and Promotion Company, Ltd., Vordere Zollamtsstrasse 11,
10 A-1030, Vienna, Austria (hereinafter referred to as "IDPC").

11 f. On or about September 29, 1987, defendant provided NBC Sales with
12 information about the weight, dimensions, and serial numbers of the containers in which
13 drugs were located. Jack Russell subsequently forwarded this information to Edward
14 Charol.

15 g. On or about October 9, 1987, Jack Russell, on behalf of Naghdi
16 International, sent a "reconfirmation offer" to Charol and Chowdhury indicating the total
17 purchase price as \$579,002,292.00. The offer also identified the specific lot numbers,
18 expiration dates, quantity, and weight. In addition, it specified that the drugs were being
19 held by Naviera Coatzacoalcos in a bonded warehouse in Tampico, Mexico.

20 h. On or about October 21, 1987, defendant caused a copy of an insurance
21 policy for the drugs (policy number 80779) issued by Seguros America Insurance
22 Company, to be sent to Jack Russell.

23 i. On or about October 30, 1987, Belrico entered into a contract with
24 Naghdi International to purchase the three million bottles of Tagamet, three million
25 bottles of Anspor and two million bottles of Naproxyn located in Tampico. Following
26 receipt of the drugs, Belrico arranged to sell them to IDPC for delivery to the
27 Government of Iran.

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1 j. On or about November 9, 1987, defendant caused documents from the
2 freight forwarder to be sent to Jack Russell. The documents included numerous forged
3 letters and certificates indicating that the drugs had been manufactured by SmithKline
4 and Syntex prior to being sold to Naghdi International.

5 k. On or about November 11, 1987, Jack Russell, on behalf of Javid
6 Naghdi, accompanied Michael R. Machura to Tampico, Mexico, in order to inspect the
7 drugs and the documents related thereto.

8 l. In or about December 1987, defendant caused a Mexican treasury
9 document to be sent to Jack Russell demonstrating that the drugs were presently in
10 Tampico, Mexico.

11 m. On or about December 12, 1987, defendant used his cancelled Diners
12 Club card to purchase items from the food hall at Harrods Department Store in London,
13 England.

14 n. On or about December 25, 1987, defendant met with Jack Russell,
15 Edward Charol, Roy Chowdhury, and Peter Polland in London, England regarding the
16 Belrico contract.

17 o. In or about January 1988, defendant informed Jack Russell that an
18 additional 1,000,000 bottles of Tagamet could be provided. Based on this assurance, Able
19 Distributors, on behalf of NBC Sales, made an offer to sell one million bottles of
20 Tagamet to Owens & Minor.

21 p. On or about March 2, 1988, defendant Javid Naghdi signed a purchase
22 order and contracted to sell one million bottles of Tagamet to Owens & Minor. This
23 contract called for Owens & Minor to pay 27 million dollars by irrevocable letter of
24 credit upon receipt of the Tagamet in Tampico, Mexico.

25 q. On or about April 18, 1988, defendant falsely stated to a buyer that he
26 was buying the additional Tagamet from SmithKline and that they were sending sample
27 bottles directly to NBC Sales.

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1 r. In or about April 1988, allegedly due to the fact that he checked into
2 the Hotel Intercontinental under the alias Gregorio Reynolds, defendant asked Jack
3 Russell to guarantee his bill until the pharmaceutical deal was completed.

4 s. On or about April 27, 1988, defendant at a meeting at the Dorchester
5 Hotel in London, England, stated that Owens & Minor's order of one million bottles of
6 Tagamet was almost three-quarters complete.

7 t. In or about May 1988, defendant caused American Express Company to
8 bill Milton Polland approximately \$20,000 for expenses defendant had incurred at the
9 Hotel Intercontinental.

10 u. On or about June 14, 1988, defendant signed an amended purchase order
11 with Owens & Minor regarding the sale of the one million bottles of Tagamet. Defendant
12 Naghdi sent the amended contract to NBC Sales utilizing the alias Gregorio Reynolds.

13 v. On or about June 18, 1988, Javid Naghdi told Jack Russell in a
14 telephone conversation that the Tagamet would shortly arrive in Tampico, Mexico. He
15 stated, among other things, that it would be packed in 27,778 cases, weigh 142,470 kg.,
16 and would fill six containers. Naghdi stated that five containers would have 4,630 cases
17 each, and the sixth would have 4,628. He also indicated that the freight forwarder,
18 Naviera Coatzacoalcos, would store the containers in warehouse 27 of the free zone and
19 the warehouse manager would be Jose Marglouss.

20 w. On or about July 21, 1988, defendant told Jack Russell that the
21 Tagamet had arrived in Tampico, but he was having trouble obtaining the proper permits
22 from the Mexican government. Javid Naghdi requested that Russell inform Owens &
23 Minor that their pharmaceutical deal was still on, but delayed because of the
24 inefficiency of the Mexican government.

1 FRAUD COUNTS

2 27. On or about the dates listed below, within the Southern District of California
3 and elsewhere, defendant JAVID NAGHDI, for the purpose of executing the aforesaid
4 scheme and artifice to defraud, transmitted and caused to be transmitted in interstate
5 and foreign commerce, by means of wire communications, writing, signs, signals and
6 sounds, that is, telephone calls and telefaxes, as follows:

7 <u>COUNT</u>	<u>DATE</u>	<u>ROUTE</u>
8 1	06/18/87	Telefax from Naghdi International in California to Ed Charol in Connecticut
9 2	09/29/87	Telefax from NBC Sales in California to Ed Charol in Connecticut
10 3	10/21/87	Telefax from USA-Mex, International in Texas to Jack Russell in California
11 4	10/30/87	Telefax from NBC Sales/Naghdi International in California to Javid Naghdi in England
12 5	11/09/87	Telefax from Jose Serralta in Texas to NBC Sales in California
13 6	11/24/87	Telefax from Naviera Coatzacoalcos in Mexico to Jack Russell in California
14 7	02/22/88	Telefax from Able Distributors in Washington, D.C. to NBC Sales/Naghdi International in California
15 8	04/18/88	Telephone call between Javid Naghdi in England and Agent Supnick in California
16 9	04/19/88	Telephone call between Javid Naghdi in England and Agent Supnick in California
17 10	04/20/88	Telefax from Naghdi International in California to Michael R. Machura in Austria
18 11	04/25/88	Telephone call between Javid Naghdi in England and Jack Russell in California

<u>1</u>	<u>COUNT</u>	<u>DATE</u>	<u>ROUTE</u>
2	12	04/28/88	Telefax from Central Pacific Assurance in California to Hotel Intercontinental in England
3			
4	13	04/29/88	Telefax from Hotel Intercontinental in England to Central Pacific Assurance in California
5			
6	14	05/20/88	Telephone call between Javid Naghdi in England and Agent Supnick in California
7			
8	15	06/06/88	Telephone call between Javid Naghdi in England and Agent Supnick in California
9			
10	16	06/06/88	Telephone call between Javid Naghdi in England and Agent Supnick in California
11	17	06/18/88	Telephone call between Javid Naghdi in England and Jack Russell in California
12			
13	18	06/28/88	Telephone call between Javid Naghdi in England and Jack Russell in California
14			
15	19	07/05/88	Telephone call between Javid Naghdi in England and Jack Russell in California
16			
17	20	07/05/88	Telephone call between Javid Naghdi in England and Agent Supnick in California
18			
19	21	07/07/88	Telefax from Central Pacific Assurance in California to Hotel Intercontinental in England
20			
21	22	07/12/88	Telephone call between Javid Naghdi in England and Agent Supnick in California
22			
23	23	07/13/88	Telephone call between Javid Naghdi in England and Agent Supnick in California
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25	24	07/19/88	Telephone call between Javid Naghdi in England and Agent Supnick in California
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COUNT

DATE

ROUTE

25

08/01/88

Telephone call between Javid Naghdi in
England and Jack Russell in California

All in violation of Title 18, United States Code, Section 1343.

DATED: September 23, 1988.

A TRUE BILL:

Jerry L. Peter
Foreperson

WILLIAM BRANIFF
United States Attorney

By:

PHILLIP L. B. HALPERN
Assistant U.S. Attorney

