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APPAREL IMPORTERS AGREE TO PAY MORE THAN $2.7 MILLION TO SETTLE CIVIL CHARGES THAT THEY DEFRAUDED U.S. CUSTOMS

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today that apparel companies INTERTEX APPAREL GROUP, LTD., J.J. BASICS, INC., and BEN'S CLOTHING INC. D/B/A RED ZONE, as well as their principals JACK SETTON, MARC SETTON, VIVEK BENDRE, JACOB BENSADIGH, AND STEVE BENSADIGH (collectively the "defendants") have agreed to pay a total of $2,798,872.50 to resolve civil charges that they defrauded the Government by making false statements in connection with the importation of wearing apparel into the United States. United States District Judge NAOMI REICE BUCHWALD approved the settlement today in Manhattan federal court. According to the Complaint filed by the United States of America:

Since at least 2001, the defendants engaged in a scheme to defraud the United States by systematically importing into the United States goods which were actually manufactured in China, but representing to the United States in the required customs entry documents that the goods were manufactured in either Russia or Korea. This scheme enabled the defendants to evade quotas on goods manufactured in China, and therefore to import goods into the United States that otherwise would have been prohibited. The defendants imported the goods for domestic sale to retailers, including Wal-Mart Stores, Inc., J.C. Penney Co., Inc., Family Dollar Stores, Inc., Kohls Corp. and Marshalls, a Division of TJX Companies, Inc.

Since at least 2003, the defendants also engaged in a scheme to defraud the United States by declaring the value of certain goods entered into the United States to be less than the actual cost for those goods charged by the Chinese manufacturers. On occasion, the defendants would also cause the quota category and type of good being imported into the United States to be misrepresented on customs entry forms.

To execute the scheme, shell companies were created and used as the importers of record for the purpose of shielding the identity of the defendant companies as the true purchasers of the goods from the Chinese manufacturers.

In total, the defendants agreed to pay the Government $2,798,872.50 to settle the charges detailed in the Government's 239-page Complaint. In agreeing to the settlement, the defendants did not admit any wrongdoing or liability.

Mr. GARCIA praised the investigative work of U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection in this case.

The allegations of wrongdoing were first brought to the attention of the Government by a whistleblower, who filed a complaint under the *qui tam* provisions of the federal False Claims Act. Those provisions permit the Government to intervene in cases originally commenced by private parties who have knowledge of fraud committed against the Government.

Former Assistant United States Attorney SHEILA M. GOWAN and Assistant United States Attorney BENJAMIN H. TORRANCE handled the case.

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