

# Tariff Takedown: Why Ambiance Apparel’s \$118 Million Federal Case is Fashion’s Cautionary Tale

By Glenn Taylor



CREDIT: U.S. Immigration and Customs Enforcement

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Federal prosecutors have filed charges against a Los Angeles Fashion District clothing importer its owner for running a plot to undervalue imported garments and avoid paying millions of dollars in taxes to the U.S. government.

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In conjunction with the charges, wholesaler Ambiance Apparel, along with owner Sang Bum “Ed” Noh, pled guilty to under-invoicing clothing imports to avoid paying customs [tariffs](#) from 2014 to 2019.

As part of the guilty plea, Noh and Ambiance will pay a combined total of \$118 million in restitution and forfeiture, which includes nearly \$36 million in cash seized from both parties in 2014 and another \$18.4 million to [U.S. Customs and Border Protection](#) (CBP).

While the case itself involves a lot of money for one company, the scope gets even greater when taking into account the parties that are investigating the case. Investigators have included the U.S. Immigration and Customs Enforcement’s (ICE) Homeland Security Investigations (HSI), IRS Criminal Investigation, L.A. Impact and the Long Beach, Los Angeles, Gardena and West Covina Police Departments, in addition to CBP. Support was provided by the Organized Crime Drug Enforcement Task Force.

The Department of Justice (DOJ) noted in its official statement that the extent of the investigation started in September 2014, when law enforcement authorities led by HSI executed dozens of search warrants as part of an investigation into money laundering and other crimes at businesses similarly located within the Fashion District.

The initial crackdown, which targeted downtown Los Angeles businesses linked to money laundering for drug cartels, led to the arrest of nine defendants and seized \$65 million in cash and bank deposits.

While one can’t assume how far the extent of the investigation has gone beyond Los Angeles, the fact that it has drawn the DOJ’s scrutiny can’t be ignored, especially now that international tariff tensions are much higher than they were in 2014 due to the [ongoing trade war](#) with China. U.S. [apparel imports](#) in July fell [32 percent](#) overall, according to the Commerce Department’s Office of Textiles & Apparel (OTEXA), with a 50 percent decrease in apparel shipments from China, or \$1.58 billion worth, pulling

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Add on the fact that Covid-19 significantly tightened supply chains for apparel and footwear alike and there unfortunately always a possibility looming that more fashion executives might be tempted to cut corners to save cash.

Danielle Garno, attorney and co-chair of the retail industry team at law firm Cozen O'Connor, told Sourcing Journal that while she hasn't seen or dealt with cases like this herself, the circumstances regarding the case and other like it suggest that "it would be naïve to think that this was just a one-off."

"We've certainly seen a shift in enforcement agencies looking at certain schemes or frauds in all sectors. There's for sure a focus on those issues," Garno said.

In the customs [fraud](#) scheme, Ambiance imported clothing from Asian countries and submitted fraudulent invoices to CBP that undervalued the shipments and allowed Ambiance to avoid paying the full amount of tariffs owed on the imports, according to court documents. After tariffs were assessed at the reduced values, Ambiance Apparel then paid its suppliers the difference in cost. The scheme resulted in a profit to the company of \$17.1 million in unpaid tariffs.

At Noh's direction, the manufacturers prepared two invoices for the clothing ordered by Ambiance—one that usually reflected 60 to 70 percent of the actual price and was paid by letter of credit, and one that reflected the balance of the actual price and was paid by wire transfer.

The first invoice, which fraudulently reduced the value of the shipment, was submitted to CBP and was used to calculate the tariffs due on the imports. As a result of this scheme, over the course of just over four-and-a-half years, Ambiance undervalued imports by about \$82.6 million.

In a second scheme, Ambiance admitted it failed to file reports with the Secretary of the Treasury that documented cash transactions of more than \$10,000. Ambiance employees received approximately 364 payments of more than \$10,000 over a two-year period—which totaled more than \$11.1 million—and the company failed to file a single Form 8300 to alert federal authorities to the cash transactions.

Noh, of Bel Air, Calif., agreed to plead guilty to one count of conspiracy and one count of subscribing to a false tax return. These charges carry a statutory maximum penalty of eight years in federal prison.

Ambiance Apparel, the operating name for two corporations, Ambiance U.S.A. Inc. and Apparel Line U.S.A., Inc., agreed to plead guilty to eight counts, including conspiracy, money laundering and customs offenses.

"There's multiple factors that can come into play as far as what the outcome is going to be," Garno said. "Having an individual and the executive of a company facing jail time is a big deal. It clearly indicates that [the government is] serious about enforcing these laws."

Rachel Collins Clarke, attorney and member of the white collar defense and investigations team at Cozen O'Connor, said she thought it was notable that both Noh and Ambiance entered guilty pleas.

“To me, that shows that the DOJ is looking closely at these schemes and has stiff penalties for any violators,” Clarke said. “The DOJ could have let the company take the plea or could have let the company throw an executive under the bus, they didn’t do that. Instead, they were extremely aggressive in pursuing both the company and the owner.”

Noh and Ambiance will be summonsed to appear for arraignments on Sept. 14 in U.S. District Court.

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