



U.S. Department of Justice

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Southern District of Mississippi

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BILOXI COUPLE CHARGED WITH CUSTOMS AND WIRE FRAUD CONSPIRACY

DUNN LAMPTON, United States Attorney for the Southern District of Mississippi, and MICHAEL A. HOLT, Special Agent-In-Charge, Immigration and Customs Enforcement, New Orleans Office of Investigations, Department of Homeland Security, announced that **PAUL** and **DONNA KOTSAKOS** of Biloxi were arraigned today on a 16-count indictment before the Honorable Robert H. Walker, United States Magistrate Judge, at the United States courthouse in Gulfport. The indictment charges both defendants with conspiracy to commit various offenses against the United States, including United States customs violations and wire fraud. The indictment also charges **PAUL** and **DONNA KOTSAKOS** with 14 counts of wire fraud and **DONNA KOTSAKOS** with one count of lying to federal agents.

According to the indictment, defendants **PAUL** and **DONNA KOTSAKOS** operated an import company known as PK Promotions, Inc., in Biloxi. PK Promotions provided promotional items to casinos, restaurants, wholesalers, and sports teams. PK Promotions imported promotional items, such as bags, cups,

beads, lanyards, and shirts, from China. **PAUL KOTSAKOS** served as president of PK Promotions and **DONNA KOTSAKOS** was director of sales.

As described in the indictment, defendants **PAUL** and **DONNA KOTSAKOS** sought to avoid paying the full amount of duty on imported goods by employing various means, such as presenting fraudulent invoices for submission to the United States Customhouse and arranging to give merchandise a false classification to reduce the import duties. As part of the scheme, both defendants caused invoices received from foreign suppliers to be altered to reflect a lower price of goods sold on the invoices that were sent to customs brokers for submission to United States Customs and Border Protection officials to determine the applicable customs duties. As examples, the indictment lists various overt acts of the conspiracy, detailing how the invoices for imported items were altered to reduce the price of the items so as to lower the customs duties.

As a further part of the scheme, defendant **PAUL KOTSAKOS** communicated with foreign manufacturers via electronic mail to request that the suppliers prepare phony invoices reflecting a lower price for goods sold or a different classification of the goods in order to evade otherwise applicable customs duties, with the understanding that the suppliers would bill defendant

PK Promotions separately for the actual price of the goods. For example, defendant **PAUL KOTSAKOS** e-mailed a supplier in China in July 2003, asking to "get the invoice to read half of the amount for the high tariff." Also in July 2003, defendant **PAUL KOTSAKOS** sent an e-mail to a supplier in China, requesting that an invoice for engraved glassware be classified so as to refer to the glassware as having no engraving. In November 2003, he sent another e-mail to a supplier in China, stating that "we need invoice for the less amount to show the customs."

As the indictment explains, defendants **PAUL** and **DONNA KOTSAKOS** participated in a related scheme to send fraudulent invoices by facsimile to another supplier of promotional items located in Louisiana, for which PK Promotions imported goods and falsely billed the supplier for an inflated amount of the goods. This related scheme involved preparing phony invoices on letterhead of a bogus company called "Taiwan Foreign Trade Co., Ltd.," that were then faxed to the Louisiana supplier.

According to the indictment, when questioned about her involvement in PK Promotions, defendant **DONNA KOTSAKOS** denied having any role in the company. However, records show she was involved in the business, having the title of director of sales.

"This case sends a clear message to criminals that Immigration and Customs Enforcement (ICE) agents and Customs

and Border Protection (CBP) officers, along with other federal, state and local law enforcement partners, are shutting down fraudulent acts that circumvent the payment of duties on items imported into the United States," said MICHAEL A. HOLT, Special Agent-in-Charge of ICE in New Orleans. "Criminals who try to cheat the government out of appropriate tax revenues will be identified and brought to justice. No one should be allowed to enrich themselves by refusing to pay taxes or follow the rules that the average citizen has to abide by every day. We will aggressively prosecute those who defraud our government and cheat our citizens out of their tax revenue. We will continue using our special immigration and customs authorities to ensure appropriate duties are paid on all items imported into this country."

Defendants **PAUL** and **DONNA KOTSAKOS** face a maximum of five years of imprisonment on the conspiracy count. Each defendant also faces a maximum of 20 years of imprisonment for each wire fraud count. In addition, **DONNA KOTSAKOS** is subject to five years of imprisonment for the false statement count. In addition to possible imprisonment, each defendant faces a maximum fine of \$250,000, and three years of supervised release for each count.

Assistant United States Attorney GAINES CLEVELAND is the prosecutor in charge of the case. Mr. LAMPTON praised the

efforts of the Department of Homeland Security, Immigration and Customs Enforcement for its diligent work in the investigation of this case.

United States Attorney Lampton stressed that this indictment represents an accusation only and all defendants are entitled to a presumption of innocence.

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