

ATTORNEY GENERAL OF THE STATE OF NEW YORK
TAXPAYER PROTECTION BUREAU

Assurance No. 17-194

In the Matter of

An Investigation by ERIC T. SCHNEIDERMAN,
Attorney General of the State of New York, of

EDWARD PAQUETTE and
PLANE TO SEA CONSULTANT INC.,

Respondents.

ASSURANCE OF DISCONTINUANCE

The Office of the Attorney General of the State of New York (“OAG”) commenced an investigation pursuant to (a) the N.Y. False Claims Act and (b) Executive Law § 63(12) into the contracting process at Terminal One of JFK Airport and the practice of certain individuals and businesses providing, or receiving, non-disclosed payments in return for business opportunities. This Assurance of Discontinuance (“Assurance”) contains the findings of OAG’s investigation and the relief agreed to by OAG and Respondents Edward Paquette and Plane to Sea Consultant Inc. (collectively, the “Parties”).

FINDINGS

1. Terminal One Group Association, L.P. (“TOGA”) is a partnership between four airlines (Air France, Japan Airlines, Korean Air, and Lufthansa) established to lease Terminal One at John F. Kennedy (“JFK”) Airport from the Port Authority of New York and New Jersey (“Port Authority”), and to manage Terminal One’s operations. TOGA earns annual revenues of approximately \$125 million.

2. During the years 2000 through 2016, Edward Paquette served as TOGA's Executive Director. In this role, Mr. Paquette was the primary day-to-day decision maker for TOGA, and his position gave him decisive influence over the awarding of contracts to conduct business at Terminal One.

3. As described below, Mr. Paquette used his position to enrich himself personally by soliciting or otherwise arranging to receive over \$1 million in payments from certain businesses that contracted with TOGA, starting in 2011, if not earlier. In 2015, Mr. Paquette formed a single member corporation named Plane to Sea Consultant Inc. as a means of receiving these payments.

4. Mr. Paquette engaged in the following schemes to facilitate these payments:

- i. Accepting \$640,000 from a ground handling company (Ground Services International) that TOGA had just awarded its largest contract to;
- ii. Accepting monthly cash payments from one of TOGA's largest food concessionaires (Express Hospitality) that totaled approximately \$100,000 per year;
- iii. Using TOGA funds to purchase catering services from an Express Hospitality company that were never performed in return for cash payments from Express Hospitality;
- iv. Accepting monthly cash payments from a transportation company (Golden Touch Transportation) that did business at Terminal One that totaled approximately \$18,000 a year.

5. In short, Mr. Paquette compromised the integrity of business operations at JFK Airport by accepting payments from airport businesses in return for the exercise of his influence as TOGA's Executive Director.

Ground Handling Services Scheme

6. Ground handling services entail performance of the work such as baggage loading and unloading, ramp handling, and aircraft servicing. The most valuable contract TOGA awards is the contract for ground handling services at Terminal One. Depending on the amount of air

traffic at the terminal, the contract generates approximately \$32 million in annual revenue for the ground handling contractor.

7. In late 2013 or early 2014, TOGA decided to change ground handling companies. Mr. Paquette then solicited bids for the contract.

8. After a bidding process that Mr. Paquette directed, Mr. Paquette explicitly recommended Ground Services International (“GSI”), owned by Jeffrey Kinsella, to the TOGA Board of Directors. The Board approved the recommendation, and GSI became Terminal One’s new ground handling service provider. GSI’s contract with TOGA began in February 2015.

9. In July 2015, Mr. Kinsella directed GSI to begin making secret monthly payments to Mr. Paquette’s company, Plane to Sea Consultant Inc. Mr. Paquette did not disclose these payments, the existence of his company, or the existence of any financial relationship with GSI, to the TOGA Board of Directors.

10. Paquette and GSI backdated the first payment from GSI to Plane to Sea Consultant Inc. to February 2015 - the same month the contract between TOGA and GSI took effect. GSI paid Mr. Paquette a total of \$640,000 from 2015 through 2017. During this period and until his retirement, Mr. Paquette, as TOGA’s executive director, oversaw performance and execution of the ground handling contract.

Express Hospitality Scheme

11. Mr. Paquette also had a longstanding relationship with Rocco Manniello, the owner of several food-related businesses at JFK and LaGuardia airports. Mr. Manniello’s operations in Terminal One included an employee cafeteria, multiple Panini Express operations, two bars, and a mobile hot dog stand. These businesses operated under the trade name “Express Hospitality.”

12. Consistently from January 2011 through April 2016, Express Hospitality made secret cash payments to Mr. Paquette each month. During this time, Express Hospitality paid approximately \$572,950 in total to Mr. Paquette.

13. In return for these monthly cash payments, Mr. Paquette treated Mr. Manniello and various Express Hospitality businesses favorably. Among other conduct, Mr. Paquette:

(i) facilitated deals that granted certain Express Hospitality businesses more favorable rent terms with the Port Authority than similarly-situated concessionaires;

(ii) offered Rocco Manniello opportunities for new food services businesses that could be developed at JFK Airport;

(iii) provided security passes to certain employees of Express Hospitality in disregard of the normal process for obtaining airport security passes; and

(iv) ensured that Express Hospitality catered certain events at JFK Airport.

14. Express Hospitality concealed these payments to Paquette by, among other things, labeling the payments “rent” or “petty cash” in internal accounting journals and by delivering the payments to Mr. Paquette in manila envelopes full of cash. Mr. Paquette never disclosed his arrangement with Express Hospitality to TOGA’s Board of Directors.

Favorable Rent Terms

15. Pursuant to their contracts with TOGA or the Port Authority and in return for the opportunity to use Port Authority facilities to conduct business, certain Express Hospitality businesses were required to report and to pay a percentage of their gross receipts to the Port Authority in rent. At the same time Mr. Paquette was receiving cash payments from Express Hospitality, Paquette negotiated contracts between TOGA and Express Hospitality that required Express Hospitality to pay a lower percentage of its revenue in rent than other similarly-situated

food businesses at Terminal One. This conduct had the result of decreasing the amount of rent received by the Port Authority.

16. By causing TOGA to sign contracts with Express Hospitality on terms more favorable to Express Hospitality, Mr. Paquette caused the submission to the Port Authority of false records material to an obligation to pay the Port Authority.¹

Fraudulent “Employee Appreciation Day” Scheme

17. TOGA historically sponsored an annual event called Employee Appreciation Day for employees at Terminal One. The event provided food, sweets, and drinks to employees. TOGA organized and paid for Employee Appreciation Day, contracting with Mr. Manniello’s company A&R Food Service to provide catering services. At some point between 2007 and 2010, however, Employee Appreciation Day stopped being held.

18. Despite this development, A&R Food Services Inc. continued to issue invoices for the non-existent event to TOGA, and Mr. Paquette approved payment of the fraudulent invoices.

19. As a result, TOGA paid the invoices. A&R Food Services Inc. then returned a large portion of the TOGA payment to Mr. Paquette personally, in cash.

20. This scheme occurred in 2011, 2012, and 2013 and resulted in an aggregate amount of \$37,053 being falsely billed for the non-existence Employee Appreciation Day.

Golden Touch Transportation Scheme

21. TOGA partners and the various other airlines operating at Terminal One often require transportation services to move passengers and/or airline employees.

¹ On a monthly basis, Express Hospitality submitted payment to the Port Authority, along with a corresponding record of that payment. Those records were false as they were not the result of honest negotiation, but instead were distorted due to the payment scheme described herein.

22. Golden Touch Transportation of New York contracts with TOGA to provide such transportation services. In addition, Golden Touch Transportation of New York provides transportation services to a number of airlines at Terminal One.

23. During the period from at least January 2011 through the end of 2016, Golden Touch Transportation of New York caused its parent company--first Veolia Transportation and then later Transdev--to make monthly payments of \$1,500 to Mr. Paquette. For the entire period, the payments totaled approximately \$108,000.

24. In return for these payments, Mr. Paquette provided Golden Touch Transportation of New York information about opportunities at the airport for new business, and steered potential clients to Golden Touch Transportation of New York.

25. Mr. Paquette and Golden Touch Transportation of New York concealed their arrangement by, among other things, using Mr. Manniello's catering business to disguise the payments. Under this scheme, Mr. Manniello's catering company submitted invoices for catering services to Golden Touch Transportation of New York each month. Golden Touch Transportation then had its parent company pay the invoice each month by check. However, no catering services for those invoices were in fact contemplated or provided; instead, individuals at Mr. Manniello's company cashed the checks and passed the cash along to Mr. Paquette.

26. Mr. Paquette never disclosed his arrangement with Golden Touch Transportation to TOGA's Board of Directors.

27. OAG finds that Respondents' actions are in violation of the New York False Claims Act and Executive Law 63(12).

28. Edward Paquette and Plane to Sea Consultant Inc. admit paragraphs 1-15 and 17-26, and neither admit nor deny paragraph 16.

29. The OAG finds the relief and agreements contained in this Assurance appropriate and in the public interest. THEREFORE, the OAG is willing to accept this Assurance pursuant to Executive Law § 63(15), in lieu of commencing a statutory proceeding for violations of the New York False Claims Act and Executive Law 63(12) based on the conduct described above from 2011 to 2017.

IT IS HEREBY UNDERSTOOD AND AGREED, by and between the Parties:

RELIEF

30. Monetary Relief

- a. Monetary Relief Amount: Respondents shall pay to the State \$2,000,000 in penalties, restitution, damages, and disgorgement (the “Monetary Relief Amount”). Payment of the Monetary Relief Amount shall be made in full upon execution of this Assurance.
- b. Payment shall be made by wire transfer.

MISCELLANEOUS

Subsequent Proceedings

31. In any subsequent investigation, civil action, or proceeding by the OAG to enforce this Assurance, for violations of the Assurance, or if the Assurance is voided pursuant to paragraph 37, the Respondents expressly agree and acknowledge:

- a. that any statute of limitations or other time-related defenses are tolled from and after the effective date of this Assurance;
- b. that the OAG may use statements, documents or other materials produced or

provided by the Respondents prior to or after the effective date of this Assurance;

c. that any civil action or proceeding must be adjudicated by the courts of the State of New York, and that Respondents irrevocably and unconditionally waive any objection based upon personal jurisdiction, inconvenient forum, or venue.

32. If a court of competent jurisdiction determines that the Respondent has violated the Assurance, the Respondent shall pay to OAG the reasonable cost, if any, of obtaining such determination and of enforcing this Assurance, including without limitation legal fees, expenses, and court costs.

Effects of Assurance:

33. This Assurance is not intended for use by any third party in any other proceeding. All terms and conditions of this Assurance shall continue in full force and effect on any successor, assignee, or transferee of the Respondents. Respondents shall cause this Assurance to be adopted in any such transfer agreement. No party may assign, delegate, or otherwise transfer any of its rights or obligations under this Assurance without the prior written consent of OAG.

34. Nothing contained herein shall be construed as to deprive any person of any private right under the law.

35. Any failure by the Attorney General to insist upon the strict performance by Respondents of any of the provisions of this Assurance shall not be deemed a waiver of any of the provisions hereof, and the Attorney General, notwithstanding that failure, shall have the right thereafter to insist upon the strict performance of any and all of the provisions of this Assurance to be performed by the Respondents.

Communications:

36. All notices, reports, requests, and other communications pursuant to this Assurance must reference Assurance No 17-194, and shall be in writing and shall, unless expressly provided otherwise herein, be given by hand delivery; express courier; or electronic mail at an address designated in writing by the recipient, followed by postage prepaid mail, and shall be addressed as follows:

If to the Respondents, to: Jeffrey Greco Esq.,
545 Fifth Avenue, 25th Floor
New York, NY 10017
Or in his absence, to the person holding the title of
President of Plane to Sea Consultant Inc.

If to the OAG, to: Justin Wagner, Esq.
Office of the New York State Attorney General
120 Broadway, 22nd Floor
New York, NY 10271
(212) 416-8819
Or in his absence, to the person holding the title of
Bureau Chief, Taxpayer Protection Bureau.

Representations and Warranties:

37. The OAG has agreed to the terms of this Assurance based on, among other things, the representations made to OAG by the Respondents and their counsel and OAG's own factual investigation as set forth in Findings, paragraphs 1 - 26 above. The Respondents represents and warrants that neither it nor its counsel has made any material representations to the OAG. If any material misrepresentations by Respondents or their counsel are later found to be inaccurate or misleading, this Assurance is voidable by the OAG in its sole discretion.

38. No representation, inducement, promise, understanding, condition, or warranty not set forth in this Assurance has been made to or relied upon by the Respondents in agreeing to this Assurance.

39. The Respondents represent and warrant, through the signatures below, that the terms and conditions of this Assurance are duly approved, and execution of this Assurance is duly authorized.

40. To the extent further investigation or litigation relating to the Findings (paragraphs (1)-(26) above), proceeds against individuals or entities that are not Parties to or released by this Agreement, each Respondent agrees to be available, upon reasonable notice, to meet with attorneys or other representatives of the State either in person or by telephone, and to answer questions related to issues pertaining to the investigation or litigation. Each Respondent agrees that to the extent such investigation or litigation proceeds, if so requested or demanded by the State, the Respondent will testify in subpoena hearings, depositions, and/or at trial. Each Respondent also agrees to make available to the State, upon reasonable notice, documents or other materials relevant to any such investigation or litigation.

General Principles:

41. Unless a term limit for compliance is otherwise specified within this Assurance, the Respondents' obligations under this Assurance are enduring. Nothing in this Agreement shall relieve Respondents of other obligations imposed by any applicable state or federal law or regulation or other applicable law.

42. Nothing contained herein shall be construed to limit the remedies available to the OAG in the event that the Respondents violate the Assurance after its effective date.

43. This Assurance may not be amended except by an instrument in writing signed on behalf of the Parties to this Assurance.

44. In the event that any one or more of the provisions contained in this Assurance shall for any reason be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, in the sole discretion of the OAG, such invalidity, illegality, or unenforceability shall not affect any other provision of this Assurance.

45. Respondents acknowledges that they have entered this Assurance freely and voluntarily and upon due deliberation with the advice of counsel.

46. This Assurance shall be governed by the laws of the State of New York without regard to any conflict of laws principles.

47. The Assurance and all its terms shall be construed as if mutually drafted with no presumption of any type against any party that may be found to have been the drafter.

48. This Assurance may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

49. The effective date of this Assurance shall be October 31, 2017.

IN WITNESS WHEREOF, the Assurance is executed by the parties hereto.

ERIC T. SCHNEIDERMAN, ATTORNEY GENERAL
OF THE STATE OF NEW YORK


Dated: Nov. 1, 2017

By: 
Thomas Teige Carroll
Justin Wagner

Office of the Attorney General
Taxpayer Protection Bureau
120 Broadway, 22nd Floor
New York NY 10271
(212) 416-6412

EDWARD PAQUETTE

Dated: 11/1/17

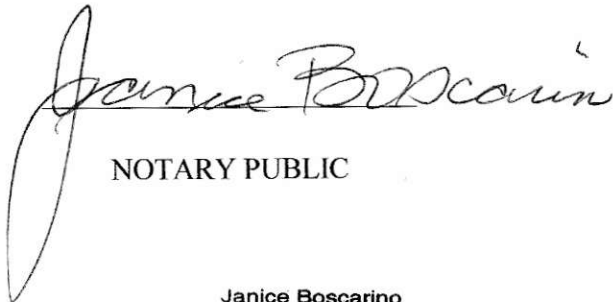
By: 
Edward Paquette

STATE OF New York
COUNTY OF Suffolk) ss.:

On this 1 day of November, 2017, Edward Paquette, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument, appeared before the undersigned and acknowledged to me that he/she executed the within instrument by his/her signature on the instrument.

Sworn to before me this

1 day of Nov, 2017


NOTARY PUBLIC

Janice Boscarino
Notary Public, State of New York
No. 01B06215197
Qualified in Suffolk County
Commission Expires 12/21/2017

PLANE TO SEA CONSULTANT INC.

Dated: 11/1/17

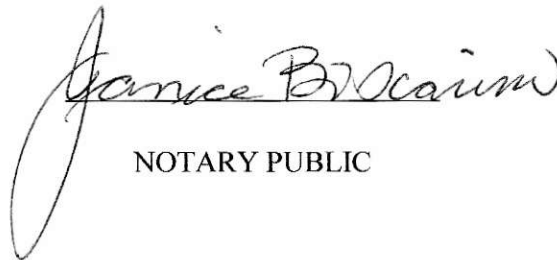
By: 
Edward Paquette, President

STATE OF New York)
COUNTY OF Suffolk) ss.:

On this day 1 of November, 2017, Edward Paquette, known personally to me to be the President of Plane to Sea Consultant Inc., appeared before the undersigned and acknowledged to me that he/she, as such officer and being authorized so to do, executed the within instrument for the purposes therein set forth, on behalf of the RESPONDENT, by his/her signature on the instrument as such officer.

Sworn to before me this

1 day of Nov., 2017


NOTARY PUBLIC

Janice Boscarino
Notary Public, State of New York
No. 01B06215197
Qualified in Suffolk County
Commission Expires 12/21/2017