

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Criminal No. 10-
: :
: 18 U.S.C. §§ 666(a)(2),
: 981(a)(1)(C) and § 2;
v. : 26 U.S.C. § 7201;
: 18 U.S.C. § 2461
: :
FRANK COTRONEO : I N F O R M A T I O N

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

COUNT 1 - Bribery

1. At all times relevant to Count 1 of this Information:
 - a. Defendant FRANK COTRONEO was employed as an insurance broker, with an office in Morristown, New Jersey.
 - b. There was an insurance broker based in Towson, Maryland, who specialized in providing insurance brokerage services for public entities, including municipalities and school boards (the "Insurance Broker"). Through companies under his control, the Insurance Broker obtained yearly insurance brokerage contracts with, and provided insurance brokerage services for, numerous New Jersey municipal entities, including, but not limited to, the Toms River Regional School District (the "District") dating back to at least in or about 1998. During the

relevant time period, the Insurance Broker, through his companies, received well over \$1,000,000 in premiums, brokerage commissions and fees on a yearly basis for providing insurance brokerage and other insurance services for the District.

c. Defendant FRANK COTRONEO and the Insurance Broker were health insurance co-brokers for the District. As a co-broker, defendant FRANK COTRONEO assisted the Insurance Broker in obtaining and maintaining the yearly health insurance brokerage contract with the District. In return for defendant FRANK COTRONEO's assistance, the Insurance Broker compensated defendant FRANK COTRONEO, among other means, through checks from a sham company controlled by the Insurance Broker and based in Maryland (the "Sham Company").

d. There was an executive employee of the District who oversaw approximately 2,000 employees, with a yearly budget of approximately \$200 million (the "Executive Employee"). Of the District's yearly budget, approximately \$30 million was dedicated toward health insurance premium costs for the District's employees. The Executive Employee was an agent of the District, and had the authority to, among other things, (i) sign contracts on behalf of the District, (ii) consult with District board members as to District matters, and (iii) make recommendations to District board members as to the appointment of the health

insurance broker for the District and as to other insurance matters.

e. There was an employee of the District, (the "District Employee") who was hired by the District at the Executive Employee's recommendation in or about 1998.

f. In or about the late 1990s, defendant FRANK COTRONEO was informed by the Insurance Broker that the Insurance Broker was making regular payments to the Executive Employee in exchange for the Executive Employee's official assistance in obtaining and maintaining the yearly health insurance brokerage contract with the District.

g. In or about 2000, defendant FRANK COTRONEO was informed by the Insurance Broker, that the Insurance Broker, at the Executive Employee's direction, had purchased the District Employee's apartment in Florida as a favor to the Executive Employee in return for the Executive Employee's official assistance in obtaining and maintaining the yearly health insurance brokerage contract with the District.

h. In or about 2002, defendant FRANK COTRONEO met with the Insurance Broker, the Executive Employee, and an associate of the Executive Employee's ("Middleman 1") to discuss a scheme whereby the Executive Employee would approve a workers compensation insurance contract between the Insurance Broker and the District, in which the contract fee would be padded so that the Insurance Broker would receive approximately

\$500,000-\$600,000 in profit on a yearly basis. As part of this scheme, defendant FRANK COTRONEO and the Insurance Broker formed a shell company in order to funnel profits from the District workers compensation insurance contract through Middleman 1 to the Executive Employee, in return for the Executive Employee's official assistance in obtaining and maintaining the yearly health insurance brokerage contract with the District.

i. In or about 2003, defendant FRANK COTRONEO met with the Insurance Broker and the Executive Employee at the Executive Employee's District offices to discuss raising the insurance broker commission rates from 5% to 6%, which were to be paid by the District's health insurance carrier. Monies from the additional commissions that defendant FRANK COTRONEO and the Insurance Broker received were used to pay the Executive Employee for the Executive Employee's official assistance as the District Superintendent in obtaining and maintaining the yearly health insurance brokerage contract with the District. The corrupt arrangement among the Executive Employee, the Insurance Broker and others continued through in or about April 2010.

j. By in or about 2003, defendant FRANK COTRONEO was informed by the Insurance Broker that the Insurance Broker was paying the Executive Employee approximately \$8,000 per month in exchange for the Executive Employee's official assistance in obtaining and maintaining the yearly health insurance brokerage

contract with the District.

k. At all times relevant to Count 1 of this Information, the District received benefits in excess of \$10,000 per year under a Federal program involving a grant, contract, subsidy, loan, guarantee, insurance and other forms of Federal assistance.

2. From at least as early as in or about November 2005 to in or about April 2010, in Ocean County, in the District of New Jersey and elsewhere, defendant

FRANK COTRONEO

and others did knowingly, intentionally, and corruptly give, offer, and agree to give things of value of \$5,000 and more, including the items set forth below, to the Executive Employee and others with intent to influence and reward the Executive Employee in connection with a business, transaction, and series of transactions of the District involving a thing of value of \$5,000 and more.

3. It was part of the corrupt activity that, on or about December 22, 2005, at a jewelry store in Morristown, New Jersey (the "jewelry store"), defendant FRANK COTRONEO obtained an approximately \$20,500 Rolex brand women's watch. Thereafter, defendant FRANK COTRONEO delivered this watch to the Executive Employee to give as a gift to the District Employee for the Executive Employee's benefit, as consideration for the Executive

Employee's recommendation of the Insurance Broker and his companies to continue to conduct insurance business for the District, and other exercises of discretion on behalf of the Insurance Broker and his companies. After defendant FRANK COTRONEO had obtained this watch, but prior to in or about February 23, 2006, in New Jersey, defendant FRANK COTRONEO directed the Insurance Broker, in Maryland, to issue and mail a check drawn on the Sham Company's bank account for \$20,500 payable to the jewelry store, to pay for this watch. The Insurance Broker caused such \$20,500 check to be issued on or about February 27, 2006 to the jewelry store.

4. It was further part of the corrupt activity that, in or about December 2009, defendant FRANK COTRONEO traveled from New Jersey to obtain an approximately \$35,800 Rolex brand men's watch at a store in New York, New York (the "watch store"), and then caused this watch to be delivered to himself in New Jersey via UPS, and then delivered this watch to the Executive Employee in return for the Executive Employee's recommendation of the Insurance Broker and his companies to continue to conduct insurance business for the District, and other exercises of discretion on behalf of the Insurance Broker and his companies. On or about January 22, 2009, defendant FRANK COTRONEO issued a check payable to the watch store from his personal bank account at Valley National Bank in Morristown, New Jersey to pay for this

watch. At defendant FRANK COTRONEO's direction, the Insurance Broker then reimbursed defendant FRANK COTRONEO for this purchase by issuing a check from the Sham Company, dated January 26, 2009, in the amount of \$37,500, payable to defendant FRANK COTRONEO.

In violation of Title 18, United States Code, Section 666(a)(2) and Section 2.

COUNTS 2 to 4 - Tax Evasion

1. Paragraphs 1(a) to 1(j) of Count 1 of this Information are hereby incorporated and realleged as if fully set forth herein.

Affirmative Acts of Evasion

2. It was part of the tax evasion scheme that defendant FRANK COTRONEO and the Insurance Broker agreed that the Insurance Broker would compensate defendant FRANK COTRONEO through payments made by the Sham Company to third parties as directed by defendant FRANK COTRONEO, in order to conceal such income and purposely evade the assessment by the United States Department of the Treasury, Internal Revenue Service ("IRS") of federal income tax owing on such compensation. Examples of such activity are set forth below:

A. Defendant FRANK COTRONEO directed the Insurance Broker to issue checks from the Sham Company to pay FRANK COTRONEO's personal American Express bills. For example, defendant FRANK COTRONEO received an American Express bill for his Platinum Card account, which reflected a balance of \$28,479.36, and was due and owing by July 3, 2007. Defendant FRANK COTRONEO then directed the Insurance Broker to pay such American Express bill. The Insurance Broker then issued a check from the Sham Company, dated July 7, 2007, in the amount of \$28,479.36, payable to American Express. In sum, from in or

about 2005 through in or about 2007, defendant FRANK COTRONEO directed the Insurance Broker to issue checks from the Sham Company to pay over \$200,000 towards defendant FRANK COTRONEO's personal American Express bills. Defendant FRANK COTRONEO purposely failed to report this income on U.S. Individual Income Tax Returns (IRS - Forms 1040) that defendant FRANK COTRONEO filed with the IRS for tax years 2005 to 2007.

B. Defendant FRANK COTRONEO directed the Insurance Broker to issue checks from the Sham Company to pay defendant FRANK COTRONEO's membership fees and expenses at a golf club in Colts Neck, New Jersey (the "golf club"). At defendant FRANK COTRONEO's direction, the Insurance Broker issued checks from the Sham Company dated February 6, 2006 and February 20, 2007 in the amounts of \$20,000 and \$21,400, respectively, to pay defendant FRANK COTRONEO's yearly membership dues at the golf club. Defendant FRANK COTRONEO purposely failed to report this income on U.S. Individual Income Tax Returns (IRS - Forms 1040) that defendant FRANK COTRONEO filed with the IRS for tax years 2006 and 2007.

C. Defendant FRANK COTRONEO further directed the Insurance Broker to issue checks from the Sham Company to pay landscape design, construction and remodeling fees for work performed by a landscape architecture and construction firm (the "landscape firm") located in Hunterdon County, at defendant FRANK

COTRONEO's personal residence in New Jersey. From in or about July 2005 to in or about November 2007, at defendant FRANK COTRONEO's direction, the Insurance Broker issued checks from the Sham Company, with a total amount of approximately \$571,000, payable to the landscape firm to pay for work and services performed for defendant FRANK COTRONEO's personal benefit. Defendant FRANK COTRONEO purposely failed to report this income on U.S. Individual Income Tax Returns (IRS - Forms 1040) that defendant FRANK COTRONEO filed with the IRS for tax years 2005 to 2007.

3. On or about the dates set forth below, in Somerset County, Hunterdon County, Monmouth County, in the District of New Jersey, and elsewhere, defendant

FRANK COTRONEO

did knowingly and willfully attempt to evade and defeat a substantial tax due and owing by him to the IRS for the tax years 2005, 2006 and 2007 as set forth below by causing payments to be made by the Insurance Broker through the Sham Company to third parties for defendant FRANK COTRONEO's benefit and by filing false and fraudulent U.S. Individual Income Tax Returns, IRS Forms 1040 with the IRS:

COUNT	TAX YEAR AND RETURN	UNREPORTED INCOME	TAX DEFICIENCY	DATE OF OFFENSE
2	2005, Form 1040	\$151,550	\$42,550	7/21/06
3	2006, Form 1040	\$639,523	\$208,067	10/22/07

4	2007, Form 1040	\$890,171	\$320,207	10/15/08
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In violation of Title 26, United States Code, Section 7201.

FORFEITURE ALLEGATION

As the result of committing the aforementioned offense in violation of Title 18, United States Code, Section 666(a)(2), as alleged in Count 1 of this Information, defendant FRANK COTRONEO shall forfeit to the United States pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, all property, real and personal, that constituted or was derived from proceeds traceable to the commission of the offense, in that such sum constituted or was derived from proceeds traceable to the commission of bribery.

If any of the above-described forfeitable property, as a result of any act or omission of defendant FRANK COTRONEO:

- (1) cannot be located upon the exercise of due diligence;
- (2) has been transferred or sold to, or deposited with, a third party;
- (3) has been placed beyond the jurisdiction of the Court;
- (4) has been substantially diminished in value; or
- (5) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), to seek forfeiture of any other property of defendant FRANK COTRONEO up to the value of the above forfeitable property.

In violation of Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461.



PAUL J. FISHMAN
UNITED STATES ATTORNEY

CASE NUMBER: 10-

United States District Court
District of New Jersey

UNITED STATES OF AMERICA

v.

FRANK COTRONEO

INFORMATION

**18 U.S.C. §§ 666(a)(2), 981(a)(1)(C), and § 2,
26 U.S.C. § 7201; 28 U.S.C. § 2461**

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