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**MANHATTAN U.S. ATTORNEY CHARGES CONSTRUCTION MANAGER  
FOR TOURO COLLEGE WITH \$2 MILLION COMMERCIAL  
KICKBACK SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, GEORGE VENIZELOS, the Acting Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), and MARJORIE FRANZMAN, the Special Agent-in-Charge for the United States Department of Labor, Office of Inspector General's New York Office of Labor Racketeering and Fraud Investigations ("DOL-OIG"), announced the arrest of LAWRENCE PESCE, a construction manager for Touro College, on charges that he had defrauded Touro College out of more than \$2 million since May 2008 through a kickback scheme that included the submission of an inflated bid for a construction project, bid-rigging, and the submission of fraudulent invoices.

According to the Complaint unsealed today in Manhattan federal court:

In or about May 2008, Touro College sought competitive bids for a construction project located at 230 West 125<sup>th</sup> Street in Manhattan ("the project"). LAWRENCE PESCE was Touro College's construction manager for the project. Prior to bids being received by Touro College, PESCE reached out to a developer in the region (the "developer"), indicating he could ensure that the developer's company would get the project if the developer agreed

to pay kickbacks to him. The night before bids were due to Touro College, PESCE met with the developer, who intended to bid for the project in the approximate amount of \$9.1 million. PESCE told the developer to instead bid \$10.9 million on the project, and kick back the difference of approximately \$1.8 million to him. The developer agreed to do so, and also arranged, with PESCE's assistance, to submit "dummy bids" from other contractors, all in amounts in excess of \$10.9 million, which would ensure that the developer's bid was the lowest. The developer was then awarded the contract by Touro College.

Over the course of the ensuing two-year project, PESCE directed the developer to submit additional, falsely-inflated invoices, or "change orders," that overbilled Touro College by hundreds of thousands of dollars. PESCE expected to receive, as additional kickbacks, the difference between the actual change order amounts and the inflated amounts. Through the initial inflated bid and inflated change orders, the developer has been paid by Touro College in excess of \$12.4 million for work on the project, which is now substantially complete.

The developer made the kickback payments to PESCE from the project in a number of ways. First, at PESCE's direction, the developer gave PESCE checks totaling \$568,002 made payable to a company called "Hamilton Construction." To hide the fact that these checks were really just kickbacks to PESCE, the developer generated paperwork to make it appear that Hamilton Construction was a subcontractor doing work on the project, when in fact it was not. Second, the developer paid kickbacks to PESCE in the form of real estate. Specifically, in 2009, the developer supplied \$350,000 to fund the purchase by PESCE of a property in Wantagh, New York, while executing fraudulent documents to make it appear as though they were business partners. In addition, the developer agreed to transfer to PESCE four units of a housing development located in Wappinger Falls, New York, owned by the developer and valued in excess of \$1 million, in satisfaction of all remaining kickbacks owed to PESCE by the developer. Finally, the developer gave PESCE a total of approximately \$190,000 in cash kickbacks.

The developer ultimately became an informant for the FBI. On or about May 14, 2010, acting at the direction of the FBI, the developer recorded a meeting he had with PESCE at a diner in New Jersey. During the meeting, the developer gave PESCE a \$10,000 undercover payment as part of the kickback scheme. At one point during the meeting, PESCE explained why he did not think that he and the developer would be investigated for the kickback scheme, stating that law enforcement was "interested

in, you know, federal offenses," and Touro was a private institution. After the developer handed the envelope with \$10,000 to PESCE, PESCE stated: "Oh boy, we couldn't be any more obvious than that." At other points in the recorded discussion, PESCE joked that he wanted the project to continue for as long as possible; talked about the ocean-view Wantagh property that he purchased through the kickback scheme; and quipped about coming in a submarine to receive his next cash payoff because "no one could be tracking us."

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PESCE, 45, of Bellmore, New York, is charged with one count of wire fraud which carries a maximum sentence of 30 years in prison. PESCE is expected to be presented in Manhattan federal court later today.

U.S. Attorney PREET BHARARA stated: "Lawrence Pesce allegedly breached his position of trust at Touro College and received a \$2 million windfall from his dishonest sale of the college's construction project. With the FBI and DOL-OIG, our Office is committed to pursuing and prosecuting corruption and fraud in all sectors, public and private."

FBI Acting Assistant Director-in-Charge GEORGE VENIZELOS stated: "Lawrence Pesce allegedly constructed a plan to engage in illegal activity, underestimating the interest of law enforcement. His confidence reached excessive magnitudes, at times brazenly joking about the ease with which he carried out his arrangement. Now, the joke is on him. For the FBI and our partners at the DOL-OIG and the U.S. Attorneys Office for the Southern District of New York, wire fraud is no laughing matter. We will continue to seek out those who engage in all types of fraudulent activity, and bring about certain justice."

U.S. Department of Labor, Office of Inspector General Special Agent-in-Charge MARJORIE FRANZMAN stated: "Today's Complaint represents the Office of Inspector General's commitment to investigate labor-related crimes involving the construction industry in New York City. We will continue to work proactively with the FBI and other law enforcement partners to prevent these and other such crimes."

Mr. BHARARA praised the FBI and DOL-OIG and for their outstanding work in investigating this case. Mr. BHARARA added that the investigation is continuing.

This case is being handled jointly by the Office's

Complex Frauds and Organized Crimes Units. Assistant United States Attorneys LISA ZORNBERG and MARK LANPHER are in charge of this prosecution.

The charge contained in the Complaint is merely an accusation, and the defendant is presumed innocent unless and until proven guilty.

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