

A.G. Schneiderman Announces Felony Conviction And \$13 Million Settlement In Tax Fraud Investigation Of Jfk Airport Food Companies

Whistleblower Exposed Express Hospitality Group's Long-Running Tax Scheme

Resolution Marks First Settlement In Ongoing Investigation "Operation Greased Runway," Examining Contracting Practices At JFK Airport

NEW YORK—Attorney General Eric T. Schneiderman today announced the conviction of Yankee Clipper Food Services I Corporation on felony charges stemming from an extensive scheme to avoid paying New York taxes between 2011 and 2015. Following an investigation conducted by the Attorney General's Office, the company, along with several individuals and affiliated airport food service companies doing business under the trade name "Express Hospitality Group," agreed to pay \$13 million to settle separately filed civil claims initially raised by a whistleblower under New York State's False Claims Act. The plea and civil settlement are the first resolution in the Attorney General's ongoing investigation into the contracting and procurement process at JFK Airport—an investigation dubbed "Operation Greased Runway."

[Click here to read the settlement.](#)

"For years, Express Hospitality Group disregarded state law and New York taxpayers," said **Attorney General Schneiderman**. "Today's felony conviction and settlement should send a clear message to those attempting to avoid paying their fair share: tax evasion is illegal, disgraceful — and it will not be tolerated."

The Attorney General's investigation revealed that Express Hospitality Group engaged in schemes by which certain of its businesses intentionally underpaid over \$5 million in taxes owed to New York and underpaid approximately \$350,000 owed to the Port Authority of New York and New Jersey as part of a fee for operating at the airport. The investigation also uncovered that the company's tax schemes involved maintaining a double set of books, collecting — but failing to remit — State and City sales tax, failing to withhold taxes on employee compensation, and underreporting receipts for corporate franchise tax purposes.

Additionally, while not the subject of the conviction and settlement announced today, the Attorney General's ongoing investigation also revealed that Express Hospitality Group had a longstanding history of making secret cash payments to an airport executive with significant influence over Express Hospitality's ability to conduct and expand its business at JFK Airport. In return for these monthly cash payments, the airport executive allegedly facilitated deals that granted certain Express Hospitality businesses favorable treatment, offered new business opportunities to the company, and provided security passes to certain employees of Express Hospitality outside the normal process for obtaining airport security passes.

Michael Nestor, Inspector General for the Port Authority of New York and New Jersey said, "Today's announcement exposes an insidious pattern of corruption that allowed the defendants to freely and fraudulently siphon millions of dollars and defraud taxing authorities and the Port Authority of New York and New Jersey. My office will continue to work vigorously with the New York State Attorney General's Office and its law enforcement partners to identify, investigate and prosecute such fraud."

Attorney General Schneiderman's Office and the Office of the Inspector General of the Port Authority of New York and New Jersey investigated the claims of a whistleblower with credible information about Express Hospitality Group's fraudulent and illegal business practices, and pursued them to resolution through the Taxpayer Protection Bureau and the Public Integrity Bureau.

Today, Yankee Clipper Food Services I Corporation pleaded guilty to one count of Grand Larceny in the First Degree, a Class B felony, one count of Grand Larceny in the Second Degree, a Class C felony, and one count of Scheme to Defraud in the First Degree, a Class E felony. The pleas were entered today in Queens Supreme Court.

Relevant corporate entities within the Express Hospitality umbrella include: (i) Yankee Clipper Food Services, Inc. and Yankee Clipper Food Services I Inc., which operate multiple Panini Express stores, two bars, and a mobile hot dog stand at JFK Airport; (ii) R&G Food Services, Inc., which operates the employee cafeteria at JFK Airport's Terminal Five; and (iii) A&R Food Services, Inc., which operates employee cafeterias at JFK Airport's Terminal One, and the American Airlines cafeteria, catering and vending machine businesses at LaGuardia Airport. Rocco Manniello and his son, Michele Manniello, owned and operated Express Hospitality during the relevant period. However, Rocco Manniello, who directed the fraudulent schemes, died before the completion of the investigation.

Attorney General Schneiderman expresses his thanks to the whistleblower, the whistleblower's attorneys, the Office of the Inspector General of the Port Authority of New York and New Jersey—including Investigator Mia Chang, Supervising Forensic Investigator Fred Ferrone, Assistant Director of Investigations Salvatore Dalessandro, and Director of Investigations Steven Pasichow—and the New York State Department of Taxation and Finance for their assistance in bringing this case to resolution.

The Attorney General's investigation was led by Assistant Attorneys General Justin Wagner of the Taxpayer Protection Bureau and John B. Chiara of the Public Integrity Bureau, with assistance from Legal Support Analysts Justin Meshulam of the Taxpayer Protection Bureau and Dillon Kraus of the Public Integrity Bureau.

The Attorney General's investigation was conducted by Investigator Melissa Kaplan of the Investigations Bureau, under the supervision of Supervising Investigator Sylvia Rivera and Deputy Chief Investigator John McManus. The Investigations Bureau is led by Chief Dominick Zarrella. Forensic accounting was performed by Deputy Chief

Auditor Sandy Bizzarro of the Forensic Audit Section. The Forensic Audit Section is led by Chief Auditor Edward J. Keegan, Jr.

The Taxpayer Protection Bureau is led by Bureau Chief Thomas Teige Carroll and Deputy Bureau Chief Scott J. Spiegelman. The Public Integrity Bureau is led by Bureau Chief Daniel G. Cort and Deputy Bureau Chief Stacy Aronowitz. The Criminal Justice Division is led by Chief Deputy Attorney General Jason Brown.