NEWS

United States Department of Justice
U.S. Attorney, District of New Jersey
401 Market Street, Fourth Floor
Camden, New Jersey 08101

Paul J. Fishman, U.S. Attorney

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Assistant U.S. Attorney
SETH B. KOSTO
973-645-2737

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Former Leasing Company Executive Sentenced to 60 months in Prison for $6.2 Million Embezzlement Scheme

(More)

Greg Reinert, PAO **856-757-5233**
Public Affairs Office **973-645-2888**

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CAMDEN – The former president of an Essex County leasing company was sentenced to 60 months in prison today for embezzling over $6.2 million from his employer, U.S. Attorney Paul J. Fishman announced.

U.S. District Judge Joseph H. Rodriguez also ordered John W. Manning, 54, a.k.a. "Jack," of Millington, to pay $6,282,426 in restitution and to serve three years of supervised release upon the completion of his prison term. Judge Rodriguez continued the defendant's release on a $100,000 bond pending his surrender to officials with the U.S. Bureau of Prisons on a date to be determined by prison authorities.

Manning made his first appearance in federal court and pleaded guilty before Judge Rodriguez on July 14, 2009, to one count of wire fraud. At the plea hearing, Manning admitted that he schemed to defraud his employer of 25 years, a vehicle and equipment leasing company identified in the Information only as "Company A." Manning admitted that, beginning in July 2004, he approached Company A officials and told them that one of the company's largest customers, identified as "Utility B," wished to finance certain equipment with Company A through sale and leaseback transactions ("the Sale and Leaseback Transactions"). In the Sale and Leaseback Transactions, Utility B would sell equipment that it already owned to Company A, which would then lease the equipment back to Utility B, in exchange for Utility B's agreement to pay back the cost of the equipment, plus a percentage mark-up, over a term of years.

Manning admitted that he had, in fact, never spoken to anyone at Utility B concerning the possible Sale and Leaseback Transactions.

After convincing Company A officials to engage in the purported Sale and Leaseback Transactions, Manning admitted that he secretly established several corporations and bank accounts in names that were deceptively similar to those of Utility B and its parent and subsidiary companies, such as "Utility B Management" ("the Fake Subsidiaries"). Manning also admitted that he created fraudulent documents, including purchase orders, bills of sale and lease agreements, that purported to show that Utility B had purchased and owned the subject equipment. Furthermore, Manning admitted that the equipment Company A was supposed to purchase as part of the Sale and Leaseback Transactions never existed.

Manning admitted that he funded the purported Sale and Leaseback Transactions by causing Company A to issue checks payable to the Fake Subsidiaries, which he then deposited into accounts that he controlled.

In order to conceal the fraudulent scheme from Company A officials, Manning admitted that he used some of the money that he had gained through the fraudulent sale to make scheduled payments back to Company A on the Sale and Leaseback Transactions. Because Manning made the payments in a timely manner from a bank account that appeared to be controlled by Utility B, Company A officials had no reason to suspect that the fictitious Sale and Leaseback Transactions had never happened.

Manning further admitted that, in order to conceal the fraudulent scheme from Company A officials, he interfered with Company A external audits that would have revealed that Utility B did not have any of the equipment purportedly covered by the Sale and Leaseback Transactions. Specifically, Manning intercepted audit questionnaires that required Utility B officials to certify the existence of leased equipment and forged the signature of Utility B's president before returning the questionnaires to Company A's external auditors, he admitted.

Between about July 2004 and February 2009, Manning caused Company A to transfer to the Fake Subsidiaries approximately $8.2 million in connection with the purported Sale and Leaseback Transactions. As a result of these purported transactions, Company A also paid approximately $359,000 in sales tax to New Jersey authorities.

Manning admitted that he kept approximately $5.8 million of the embezzled funds for his own personal use, while returning approximately $2.4 million to Company A in the form of payments. Manning also admitted to concealing the scheme by wiring the embezzled funds through multiple bank accounts that he controlled.

Manning spent approximately $800,000 in Embezzled Funds to purchase and renovate real estate, including a beachfront condominium in Sarasota County, Fla., and two luxury time-share interests in the U.S. Virgin Islands. He also spent at least $1 million in embezzled funds to purchase, renovate, and operate a Union County restaurant, and spent additional embezzled funds on personal expenditures that included, among other things, chartered airplane and limousine travel, jewelry, luxury goods, and fine dining.

In determining the actual sentence, Judge Rodriguez consulted the Advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines and determining a sentence. Parole has been abolished in the federal system. Defendants who are given custodian terms must serve nearly all that time.

Fishman credited Special Agents of the FBI under the direction of Acting Special Agent in Charge Kevin B. Cruise, and United States Postal Inspectors under the direction of Inspector in Charge David Collins in Newark, with the investigation leading to the guilty plea.

The government is represented by Assistant U.S. Attorney Seth B. Kosto of the Criminal Division in Newark.

– end –

Defense Attorneys:	Michael Critchley, Sr., Esq.	West Orange
	Edmund DeNoia, Esq.	Livingston