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United States Department of Justice
U.S. Attorney, District of New Jersey
970 Broad Street, Seventh Floor
Newark, New Jersey 07102



Paul J. Fishman, U.S. Attorney

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Assistant U.S. Attorneys:

Seth Kosto
973-645-2737

Erez Liebermann
973-645-2874

lott0322.rel

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Former Telecommunications Project Manager Sentenced to
24 Months Imprisonment in \$1 Million Fraud/Tax Evasion Scheme

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TRENTON – A former project manager for a national cellular telecommunications provider was sentenced to 24 months in prison today for receiving more than \$1 million in kickback payments from contractors to whom he awarded construction projects and for evading taxes on portions of that income, U.S. Attorney Paul J. Fishman announced.

U.S. District Judge Joel A. Pisano also ordered Stephen Lotter, 46, of Bordentown, to serve two years of supervised release upon the completion of his prison term. Judge Pisano 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.

Lotter made his first appearance in federal court and pleaded guilty before Judge Pisano on August 10, 2009, to an information that charged one count of wire fraud and three counts of tax evasion.

At his plea hearing, Lotter admitted that he schemed to defraud his employer, a national cellular telecommunications provider identified in the Information as Company A. Lotter admitted that, as a project manager, he had the authority to award projects on behalf of Company A for the construction, maintenance, and repair of its telecommunications facilities, such as cell towers, transmitters, and receivers ("Project Contracts"). Lotter also had the authority to approve payments to contractors working under his direction.

Lotter admitted that, beginning in or about January 2003, he demanded and received kickbacks of up to 20 percent of the value of Project Contracts ("Kickback Payments") from several contractors, who are identified by initials in the Information. In order for contractors to recoup the cost of Kickback Payments they made to Lotter, Lotter permitted contractors to present fraudulent invoices for payment ("Fraudulent Invoices"). Lotter admitted that the Fraudulent Invoices, which he approved, double-billed Company A for work that contractors had previously performed; billed for work that did not need to be performed but nevertheless was performed (i.e., the installation of redundant and unnecessary equipment); and billed for the purported purchase of telecommunications equipment that Lotter provided to contractors at no cost.

In order to obtain the telecommunications equipment that Lotter gave at no cost to contractors – who then billed Company A for the same equipment on the Fraudulent Invoices - Lotter admitted that he caused other Company A employees to ship surplus equipment to, among other places, his Burlington County residence.

Between in or about January 2003 and in or about February 2008, Lotter admitted that he received cash, check, and in-kind payments worth more than \$1,000,000, including a 2005 Porsche 911 Turbo S, and a 2008 Cadillac Escalade. In connection with his plea and sentencing, Lotter forfeited approximately \$800,000 in United States currency, the Porsche, the Escalade, and a 2008 Harley Davidson motorcycle.

Regarding the tax offenses, Lotter admitted that he failed to declare approximately \$634,000 in Kickback Payments on false and fraudulent federal income tax returns that he filed in 2004,

2005, and 2006, and that there was due and owing approximately \$216,000 in income taxes for those years.

Lotter was ordered to report to prison in approximately 6 weeks. Upon completion of his sentence, Lotter was ordered to serve four concurrent two-year terms of supervised release. Judge Pisano also ordered that a hearing take place within 90 days at which time Judge Pisano will enter an order requiring the payment of restitution to Company A.

On March 17, Christopher Gilmore, 47, of Sussex County, pled guilty before Judge Pisano to a related Information charging him with wire fraud. At his plea hearing, Gilmore, a telecommunications contractor, admitted that he had paid Lotter more than \$1 million in cash, check and in-kind payments in exchange for Lotter awarding Project Contract to companies Gilmore controlled. Judge Pisano ordered Gilmore released on \$100,000 unsecured bond and set a sentencing date of July 6, 2010.

In determining Lotter and Gilmore's sentences, Judge Pisano consulted and will consult, respectively, 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 Special Agent in Charge Michael B. Ward in Newark, and Special Agents of the IRS Criminal Investigations Division under the direction of Special Agent in Charge William P. Offord in Newark, with the ongoing investigation, known as "Operation Dropped Call," that resulted in Lotter's sentencing.

The Government is represented by Assistant U.S. Attorneys Seth Kosto and Erez Liebermann of the Criminal Division in Newark.

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Defense Attorney Clifford Lazzaro, Esq., Freehold, for defendant Stephen Lotter
Defense Attorney Louis Esposito, Esq., Cedar Grove, for defendant Christopher Gilmore