

# Department of Justice

United States Attorney William J. Hochul, Jr.  
Western District of New York

---

FOR IMMEDIATE RELEASE  
JULY 26, 2011  
[www.usdoj.gov/usao/nyw](http://www.usdoj.gov/usao/nyw)

CONTACT: BARBARA BURNS  
PHONE: (716) 843-5817  
FAX: (716) 551-3051

## **NIAGARA FALLS BUSINESSMAN PLEADS GUILTY TO FRAUD AND TAX CHARGES**

BUFFALO, N.Y.-- U.S. Attorney William J. Hochul, Jr. announced today that John J. Gross, 75, of Niagara Falls, New York, pleaded guilty before U.S. District Judge Richard J. Arcara to mail fraud and filing a false tax return. The charges carry a maximum penalty of 23 years in prison and a \$500,000 fine.

First Assistant U.S. Attorney James P. Kennedy, Jr., who is handling the case, stated that the fraud charge arose out of a bid rigging scheme, involving work performed by a plumbing and general contracting business that Gross ran out of Niagara Falls, N.Y. Specifically, Gross admitted that following a December 2008 storm which caused damage to the Summit Mall in Wheatfield, New York, employees of his contracting company submitted two false bids which purportedly came from his competitors. One bid was entirely fabricated by a Gross employee using a supply of letterhead from one competitor. The other bid was obtained under false pretenses from another competitor at Gross' direction. The bids were then given to an employee of the Summit Mall who presented them to management claiming they were independently obtained. Gross had previously done repairs and improvements at the employee's home at a substantially reduced cost. As a result of the defendant's conduct, his company, which submitted the lowest bid, was awarded the contract.

Gross also admitted to defrauding Goodyear Tire and Rubber Company on two occasions. In one instance, he utilized a Goodyear employee to obtain bids provided by other contractors to perform work at Goodyear. This allowed Gross to underbid his competitors. Gross did home repairs at substantially reduced costs or at no cost at this employee's home. The defendant also gave the employee free charter fishing trips. In the other instance, Gross simply prepared and submitted to Goodyear, a fictitious higher-priced bid purportedly made by one of his competitors.

In addition, Gross maintained two sets of books in order to hide income from the Internal Revenue Service which had an outstanding judgment against him as a result of a tax evasion conviction in the late 1990's.

“Particularly in this difficult economic climate, it is important to ensure that businesses can operate in an environment that is free from dishonesty and deceit, "said U.S. Attorney Hochul. "The defendant's behavior in this case drove up the cost of doing business in Niagara County and provided an unfair advantage to his company. As a result, not only the defendant's competitors and customers, but the very core principles of capitalism and a free market system, were harmed by his conduct.”

“Mr. Gross' crimes have had a long-term, detrimental effect on economic development in Niagara Falls," said FBI Special Agent in Charge Christopher M. Piehota. "In mirroring the method of operation the FBI often encounters in public corruption investigations, Mr. Gross made it his priority to locate and then groom individuals who were in a position to benefit him personally or to provide him with things of value. The FBI's investigation into Mr. Gross' related business relationships will continue until all logical investigative avenues have been addressed.”

The plea is the culmination of an investigation on the part of Special Agents of the Federal Bureau of Investigation, under the direction of Special Agent in Charge Christopher M. Piehota and Internal Revenue Service, under the direction Special Agent in Charge Charles Pine.

Sentencing is scheduled for November 30, 2011 before Judge Arcara.