



Department of Justice

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MICHIGAN BUSINESSMAN PLEADS GUILTY TO DEFRAUDING THE FEDERAL E-RATE PROGRAM

WASHINGTON – A Michigan businessman pleaded guilty to wire fraud in connection with the federal E-Rate program, the Department of Justice announced today.

Jeremy R. Sheets pleaded guilty to a charge filed in U.S. District Court in Grand Rapids, Mich., on Dec. 9, 2010, for engaging in wire fraud in connection with the E-Rate program funding applications of two school districts in western Michigan. The department said Sheets engaged in the wire fraud beginning in or about December 2001 and continuing until about December 2007.

According to the charge, Sheets, the president and part owner of an Internet and technology services company, violated E-Rate program rules by compensating two school districts for their share of E-Rate expenses. In addition, Sheets utilized E-Rate funds to purchase undisclosed items, some of which were not eligible for E-Rate funding. Sheets concealed his violation of E-Rate program rules from the E-Rate program by fraudulently misrepresenting that the schools had been billed for their E-Rate expenses when, in fact, Sheets had reimbursed the schools for their share of expenses.

The E-Rate program was created by Congress in the Telecommunications Act of 1996 and is administered by the Universal Service Administrative Company, under the auspices of the Federal Communications Commission (FCC). The program provides subsidies to economically disadvantaged schools and libraries. Depending on the financial needs of the applicant schools, the program pays 20 to 90 percent of the cost for Internet access and telecommunications services, as well as internal computer and communications networks.

As a result of the Antitrust Division's investigation into fraud and anticompetitive conduct in the E-Rate program, a total of seven companies and 20 individuals have pleaded guilty or have been convicted and found guilty or entered civil settlements. Those companies and individuals have paid, agreed to pay, or been sentenced to pay criminal fines and restitution totaling more than \$40 million. Fifteen individuals have been sentenced to serve jail time.

The wire fraud charge carries a maximum penalty of 20 years in prison and a \$250,000 fine for an individual. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either amount is greater than the statutory maximum fine.

The charge announced today resulted from an ongoing investigation by the Department of Justice Antitrust Division's Chicago Field Office, with the assistance of the U.S. Attorney's Office in Grand Rapids, the FBI's Grand Rapids Office of its Detroit Division and the FCC's Office of Inspector General. Anyone with information concerning violations of the E-Rate Program or other anti-competitive conduct is urged to call the Antitrust Division's Chicago Field Office at 312-353-7530 or visit www.justice.gov/atr/contact/newcase.htm.

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