



Department of Justice

FOR IMMEDIATE RELEASE
MONDAY, MARCH 28, 2011
WWW.JUSTICE.GOV

AT
(202) 514-2007
TDD (202) 514-1888

FORMER OWNER OF ILLINOIS TECHNOLOGY COMPANY PLEADS GUILTY IN MULTI-STATE SCHEME TO DEFRAUD THE FEDERAL E-RATE PROGRAM

Schools in Arkansas, Illinois and Louisiana Affected by Scheme

WASHINGTON – A former owner of an Illinois-based technology company has pleaded guilty to participating in a conspiracy to defraud the federal E-Rate program, the Department of Justice announced today. Tyrone Pipkin was originally charged in U.S. District Court in New Orleans on Nov. 18, 2010, for his role in the conspiracy to defraud the E-Rate program.

Pipkin, a former co-owner of Global Networking Technologies Inc. (GNT), pleaded guilty today in U.S. District Court in New Orleans to conspiring to defraud the E-Rate program by providing bribes and kickbacks to school officials in multiple states. The department said that Pipkin, who acted on his own behalf and on behalf of Computer Training Associates and GNT, participated in the conspiracy beginning on or about December 2001 through September 2005. According to the court document, Pipkin participated in the conspiracy to provide bribes and kickbacks to school officials and employees responsible for the procurement of Internet access services at certain schools in Arkansas, Illinois and Louisiana. In return, those individuals ceded control of the E-Rate competitive bidding process to Pipkin and his co-conspirator, ultimately allowing them to ensure E-Rate contracts at these schools were awarded to their companies.

The schools and school districts affected by the conspiracy are: in Arkansas - Gould and Holly Grove public school districts; in Illinois - Antioch Center, Fairfield Center, Ingleside Center, St. Mary's Center, Waukegan Center, Zion Center and Niles Terrace Center; and in Louisiana - All Saints School, St. Augustine High School, St. David School and St. Monica School.

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 oversight 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, including today's plea, a total of seven companies and 22 individuals have pleaded guilty, been convicted at trial or entered civil settlements. Those

companies and individuals have been sentenced to pay criminal fines and restitution totaling more than \$40 million. Fifteen individuals have been sentenced to serve jail time.

Pipkin is charged with conspiracy, which carries a maximum penalty of five years in prison and a \$250,000 criminal fine for individuals. 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 plea announced today resulted from an investigation by the Department of Justice Antitrust Division's Dallas Field Office, the FBI's Dallas Field Office and the FCC's Office of Inspector General, with assistance from the U.S. Attorney's Office for the Eastern District of Louisiana. Anyone with information concerning violations of the E-Rate program is urged to call the Antitrust Division's Dallas Field Office at 214-661-8600 or visit www.justice.gov/atr/contact/newcase.htm.

###

11-383