

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
WESTERN DIVISION

UNITED STATES OF AMERICA                    )  
  )  
  ) v. No. \_\_\_\_\_  
  )       Violations: Title 18, United States  
JOHN C. BLANCHARD,                            )       Code, Sections 1001, 1341 & 1343  
ERIC R. BEHLER,                                )  
JOANNE BLANCHARD,                            )  
JAMES C. BLANCHARD, and                    )  
AMY B. JOHNSON                                )

**COUNT ONE**

The DECEMBER 2011 GRAND JURY charges:

1. At times material to this indictment:

(a) Defendant JOHN C. BLANCHARD owned and operated the following businesses: National Association of System Administrators, Inc. (“NASA Inc.”); National Association of System Administrators Corporation (“NASA Corp.”); NASA Education Corporation (“NASA Education”); and Liberating Solutions Corporation (“Liberating Solutions”). These businesses were operated from offices located in Crystal Lake, Illinois.

(b) NASA Inc. was in the business of providing computer hardware maintenance and operating system support.

(c) NASA Corp. was in the business of providing of computer consultation and software development.

(d) NASA Education was established as a non-profit corporation that was purportedly intended to assist displaced and disabled U.S. military veterans in becoming integrated into community life by providing them with work training and other services.

(e) Liberating Solutions was a business that, working in conjunction with NASA Education, bid on and performed contracts with federal, state, and local governmental agencies.

(f) Defendant ERIC R. BEHLER was a Contracting Officer for Liberating Solutions.

(g) Defendant JOANNE BLANCHARD, the wife of defendant John C. Blanchard, managed the finances and payroll for the businesses listed in paragraph 1(a) above.

(h) Defendant JAMES C. BLANCHARD, the brother of defendant John C. Blanchard, managed security operations for the businesses listed in paragraph 1(a) above and was a Project Manager for Liberating Solutions.

(i) Defendant AMY B. JOHNSON worked for the businesses listed in paragraph 1(a) above and administered federal grants obtained by NASA Education.

2. At times material to this indictment:

(a) Federal law allowed for certain contracts to be set-aside for companies that were owned and controlled by persons who fell into certain specified categories of disadvantaged individuals.

(b) The purpose of set-aside contracts was to aid small businesses that were socially and economically disadvantaged.

(c) Set-aside contracts could only be awarded to companies that met the applicable criteria.

(d) One category of companies which could receive set-aside contracts were businesses known as Service Disabled Veteran Owned Small Businesses.

(e) A Service Disabled Veteran Owned Small Business was defined as a business that was: (1) at least 51 percent owned by one or more eligible service related disabled veterans; and (2) the management and daily business operations were controlled by one or more service-disabled veterans.

(f) The Service Contract Act provided that companies which contracted with the federal government to furnish services through the use of service employees must pay those employees certain minimum monetary wages.

(g) The Davis-Bacon Act provided that companies that received federally funded contracts for the construction, alteration, or repair (including painting and decorating) of public buildings were required to pay their laborers no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area.

(h) Federal regulations which implemented the Davis Bacon Act required that, during the performance of the contract, companies had to submit certified weekly payroll records to the government's Contracting Officer.

(i) Illinois law required that companies that received contracts from State, County, City or other political subdivisions pay their laborers, mechanics, and other workmen certain prevailing hourly wages.

(j) Illinois law required that companies performing work under contracts with State, County, City or other political subdivisions had to submit certified weekly payroll records.

(k) The Department of Labor (“DOL”) provided up to \$10,000 in grant funds to organizations that sponsored “Stand Down” events. Stand Downs were events for homeless veterans that were held in a local community. The purpose of Stand Down events was to provide veterans with information regarding training, employment opportunities, and social services.

(l) Organizations that received DOL grants for Stand Downs were required to provide to the DOL receipts or invoices for costs incurred in staging the events.

(m) Organizations that received DOL grants for Stand Downs were required to return to the DOL any funds not expended in putting on the Stand Downs.

3. From at least as early as May 2007, and continuing to at least December 9, 2010, at Crystal Lake, in the Northern District of Illinois, Western Division, and elsewhere,

JOHN C. BLANCHARD,  
ERIC R. BEHLER,  
JOANNE BLANCHARD,  
JAMES C. BLANCHARD, and  
AMY B. JOHNSON,

defendants herein, knowingly devised and engaged in a scheme to defraud the United States, Service Disabled Veteran Owned Small Businesses, and the U.S. military veterans enrolled with NASA Education, and to obtain money, funds, credit, and property belonging to these victims by means of materially false and fraudulent pretenses, representations, and promises, which scheme is further described below.

4. It was the object of this scheme that the defendants caused the companies listed in paragraph 1(a) above to be paid more than \$1,500,000 on federal contracts that these businesses were not entitled to receive, because the contracts were set-aside for Service Disabled Veteran Owned Small Businesses.

5. It was further the object of this scheme that the defendants caused financial benefits to the companies listed in paragraph 1(a) above by causing those businesses to receive contracts with federal, state, and local governmental agencies, and then failing to pay the U.S. military veterans who performed work under these contracts the wages required under the Service Contract Act, the Davis Bacon Act, and Illinois law.

6. It was further the object of this scheme that the defendants caused NASA Education to retain excess grant funds by submitting to the DOL fraudulent invoices and receipts that falsely claimed that NASA Education had incurred certain expenses while conducting Stand Down events.

7. It was a part of the scheme that defendants John C. Blanchard and Eric R. Behler caused Liberating Solutions to obtain federal set-aside contracts by falsely

representing that Liberating Solutions was a Service Disabled Veteran Owned Small Business.

8. It was further a part of the scheme that defendants John C. Blanchard, Eric R. Behler, and James C. Blanchard falsely represented that certain U.S. military veterans were owners of Liberating Solutions.

9. It was further a part of the scheme that defendants John C. Blanchard and Eric R. Behler signed bids and contract documents on behalf of Liberating Solutions which represented that Liberating Solutions would pay its workers wage rates that complied with the Service Contract Act, the Davis Bacon Act, and Illinois law relating to prevailing wage rates.

10. It was further a part of the scheme that U.S. military veterans, who were enrolled with NASA Education, were required to perform the physical labor needed under Liberating Solutions' contracts with the federal, state, and local governments.

11. It was further a part of the scheme that defendants John C. Blanchard, Eric R. Behler, Joanne Blanchard, and James C. Blanchard failed to pay the U.S. military veterans the wages that were required to be paid under the Service Contract Act, Davis Bacon Act, and Illinois law.

12. It was further a part of the scheme that, in order to conceal the fact that Liberating Solutions was not paying the U.S. military veterans the wages required by the Service Contract Act, the Davis Bacon Act, and Illinois law, defendants Eric R. Behler and

Joanne Blanchard submitted, and caused to be submitted, to the appropriate federal, state, and local government officials, false certified payroll documents.

13. It was further a part of the scheme that in, order to assist Liberating Solutions in winning government contracts, defendants James C. Blanchard and Amy B. Johnson provided false references for Liberating Solutions.

14. It was further a part of the scheme that, in order to enable Liberating Solutions to keep excess grant funds that it had received for Stand Down events, defendants James C. Blanchard and Amy B. Johnson created, caused to be created, and caused to be submitted to DOL fraudulent invoices that falsely claimed that Liberating Solutions had incurred certain costs and expenses that had not been incurred.

15. On or about December 13, 2007, at Crystal Lake, in the Northern District of Illinois, Western Division,

**JOHN C. BLANCHARD,**

defendant herein, for the purpose of executing the aforesaid scheme, and attempting to do so, knowingly did cause to be transmitted by means of a wire communication in interstate commerce from Philadelphia, Pennsylvania, to the account of Liberating Solutions, at Crystal Lake Bank & Trust in Crystal Lake, Illinois, certain signals, namely a bank transfer in the amount of \$272,101.50, which transfer was a payment under a set-aside contract that Liberating Solutions had obtained to provide notebook computers and computer monitors to Department of Homeland Security, Office of the Inspector General;

In violation of Title 18, United States Code, Section 1343.

**COUNT TWO**

The DECEMBER 2011 GRAND JURY further charges:

On or about September 4, 2007, at Crystal Lake, in the Northern District of Illinois,  
Western Division,

JOHN C. BLANCHARD,

defendant herein, did knowingly and willfully make, and cause to be made, a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of the United States Department of Veterans Affairs (“VA”), an agency within the executive branch of the Government of the United States, namely the statement on a cover letter that accompanied Liberating Solutions’ bid for a contract to perform painting work at the VA Hospital in Batavia, New York, that Liberating Solutions was a “Women Owned, Service Disabled Company”;

In violation of Title 18, United States Code, Section 1001(a)(2).



**COUNT THREE**

The DECEMBER 2011 GRAND JURY further charges:

On or about September 14, 2007, at Crystal Lake, in the Northern District of Illinois,  
Western Division,

JOHN C. BLANCHARD,

defendant herein, did knowingly and willfully make, and cause to be made, a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of the United States Department of Homeland Security and the United States Treasury, Bureau of Public Debt, agencies within the executive branch of the Government of the United States, namely the statement on a cover letter that accompanied Liberating Solutions' bid for a contract to supply notebook computers to the Department of Homeland Security, Office of the Inspector General, that Liberating Solutions was a "Veteran Owned, Service Disabled Company";

In violation of Title 18, United States Code, Section 1001(a)(2).

**COUNT FOUR**

The DECEMBER 2011 GRAND JURY further charges:

1. Paragraphs 1 through 14 of Count One of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about January 4, 2008, at Crystal Lake, in the Northern District of Illinois, Western Division,

JOHN C. BLANCHARD and  
ERIC R. BEHLER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, knowingly did cause to be transmitted by means of a wire communication in interstate commerce from Denver, Colorado, to the account of Liberating Solutions, at Crystal Lake Bank & Trust in Crystal Lake, Illinois, certain signals, namely a bank transfer in the amount of \$1,500, which transfer was a payment under a set-aside contract that Liberating Solutions had obtained to provide computer support for Fairchild Air Force Base in Washington;

In violation of Title 18, United States Code, Section 1343.

**COUNT FIVE**

The DECEMBER 2011 GRAND JURY further charges:

1. Paragraphs 1 through 14 of Count One of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about April 11, 2008, at Crystal Lake, in the Northern District of Illinois, Western Division,

JOHN C. BLANCHARD and  
ERIC R. BEHLER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, knowingly did cause to be transmitted by means of a wire communication in interstate commerce from Liberating Solutions, in Crystal Lake, Illinois, to Parkersburg, West Virginia, certain signals, namely a facsimile of a cover letter that accompanied Liberating Solutions' bid for a contract to supply computer servers to DHS-OIG, which cover letter represented that Liberating Solutions was a "Veteran Owned, Service Disabled Company";

In violation of Title 18, United States Code, Section 1343.

**COUNT SIX**

The DECEMBER 2011 GRAND JURY further charges:

1. Paragraphs 1 through 14 of Count One of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about January 22, 2009, at Crystal Lake, in the Northern District of Illinois, Western Division,

JOHN C. BLANCHARD and  
ERIC R. BEHLER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, knowingly did cause to be transmitted by means of a wire communication in interstate commerce from Indianapolis, Indiana, to the account of Liberating Solutions, at Crystal Lake Bank & Trust in Crystal Lake, Illinois, certain signals, namely a bank transfer in the amount of \$5,076.57, which transfer was a payment under a set-aside contract that Liberating Solutions had obtained to provide landscaping services at Kirtland Air Force Base in New Mexico;

In violation of Title 18, United States Code, Section 1343.

**COUNT SEVEN**

The DECEMBER 2011 GRAND JURY further charges:

On or about March 27, 2009, at Crystal Lake, in the Northern District of Illinois,  
Western Division,

JOHN C. BLANCHARD and  
ERIC R. BEHLER,

defendants herein, did knowingly and willfully make, and cause to be made, a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of the United States Department of Homeland Security and the United States Treasury, Bureau of Public Debt, agencies within the executive branch of the Government of the United States, namely the statement on a cover letter that accompanied Liberating Solutions' bid for a contract to supply notebook computers, monitors, and docking stations to the Department of Homeland Security, Office of the Inspector General, that Liberating Solutions was a "Veteran Owned, Service Disabled, Small Business";

In violation of Title 18, United States Code, Section 1001(a)(2).

## COUNT EIGHT

The DECEMBER 2011 GRAND JURY further charges:

1. Paragraphs 1 through 14 of Count One of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about June 10, 2008, at Crystal Lake, in the Northern District of Illinois, Western Division,

JOHN C. BLANCHARD,  
ERIC R. BEHLER, and  
JAMES C. BLANCHARD,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, knowingly did cause to be transmitted by means of a wire communication in interstate commerce from Liberating Solutions, in Crystal Lake, Illinois, to a computer located in New Mexico, certain signals, namely an e-mail which stated that Liberating Solutions had no payroll records for "Individual A," because Individual A was an owner of Liberating Solutions;

In violation of Title 18, United States Code, Section 1343.

**COUNT NINE**

The DECEMBER 2011 GRAND JURY further charges:

1. Paragraphs 1 through 14 of Count One of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about September 3, 2008, at Crystal Lake, in the Northern District of Illinois, Western Division,

JOHN C. BLANCHARD and  
ERIC R. BEHLER,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, knowingly did cause to be transmitted by means of a wire communication in interstate commerce from Indianapolis, Indiana, to the account of Liberating Solutions, at Crystal Lake Bank & Trust in Crystal Lake, Illinois, certain signals, namely a bank transfer in the amount of \$13,225, which transfer was a payment under a set-aside contract that Liberating Solutions had obtained to erect tents at Fort McCoy in Wisconsin;

In violation of Title 18, United States Code, Section 1343.

**COUNT TEN**

The DECEMBER 2011 GRAND JURY further charges:

1. Paragraphs 1 through 14 of Count One of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about October 14, 2008, at Crystal Lake, in the Northern District of Illinois, Western Division,

JOHN C. BLANCHARD,  
ERIC R. BEHLER, and  
JOANNE BLANCHARD,

defendants herein, for the purpose of executing the aforesaid scheme, and attempting to do so, knowingly did cause to be delivered by mail, according to the direction thereon, an envelope containing a check drawn on the United States Treasury, in the amount of \$7,825.48, remitted as payment on a contract for painting services performed at the Veteran's Administration Hospital in Batavia, New York, that envelope being delivered to:

Liberating Solutions Corp.  
6819 Hillside Road  
Crystal Lake, Illinois 60012-3231;

In violation of Title 18, United States Code, Section 1341.



**COUNT ELEVEN**

The DECEMBER 2011 GRAND JURY further charges:

On or about October 16, 2008, at Crystal Lake, in the Northern District of Illinois,  
Western Division,

JOHN C. BLANCHARD,  
ERIC R. BEHLER, and  
JOANNE BLANCHARD,

defendants herein, did knowingly and willfully make, and cause to be made, a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of the United States Department of Housing and Urban Development (“HUD”), an agency within the executive branch of the Government of the United States, namely a certified payroll document which false represented that certain individuals had worked as “Laborers,” during the week ending July 18, 2008, on a contract that Liberating Solutions had obtained to perform roofing and remodeling work for the McHenry County Housing Authority;

In violation of Title 18, United States Code, Section 1001(a)(2).

**COUNT TWELVE**

The DECEMBER 2011 GRAND JURY further charges:

On or about October 16, 2008, at Crystal Lake, in the Northern District of Illinois,  
Western Division,

JOHN C. BLANCHARD,  
ERIC R. BEHLER, and  
JOANNE BLANCHARD,

defendants herein, did knowingly and willfully make, and cause to be made, a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of the United States Department of Housing and Urban Development (“HUD”), an agency within the executive branch of the Government of the United States, namely a certified payroll document which false represented that certain individuals had worked as “Laborers,” during the week ending July 25, 2008, on a contract that Liberating Solutions had obtained to perform roofing and remodeling work for the McHenry County Housing Authority;

In violation of Title 18, United States Code, Section 1001(a)(2).

**COUNT THIRTEEN**

The DECEMBER 2011 GRAND JURY further charges:

On or about October 10, 2007, at Crystal Lake, in the Northern District of Illinois,  
Western Division,

JAMES C. BLANCHARD and  
AMY B. JOHNSON,

defendants herein, did knowingly and willfully make and use, and caused to be made and used, a false document, knowing this document to contain materially false, fictitious and fraudulent statements and entries, in a matter within the jurisdiction of the United States Department of Labor, an agency within the executive branch of the Government of the United States, namely an invoice purportedly issued by “Bull Dog Security” to NASA Education for security services rendered at a Stand Down event on October 8-9, 2007;

In violation of Title 18, United States Code, Section 1001(a)(3).

**COUNT FOURTEEN**

The DECEMBER 2011 GRAND JURY further charges:

On or about April 5, 2008, at Crystal Lake, in the Northern District of Illinois,  
Western Division,

JAMES C. BLANCHARD and  
AMY B. JOHNSON,

defendants herein, did knowingly and willfully make and use, and caused to be made and used, a false document, knowing this document to contain materially false, fictitious and fraudulent statements and entries, in a matter within the jurisdiction of the United States Department of Labor, an agency within the executive branch of the Government of the United States, namely an invoice purportedly issued by “Bull Dog Security” to NASA Education for security services rendered at a Stand Down event on March 31 - April 1, 2008;

In violation of Title 18, United States Code, Section 1001(a)(3).

**COUNT FIFTEEN**

The DECEMBER 2011 GRAND JURY further charges:

On or about November 14, 2008, at Crystal Lake, in the Northern District of Illinois,  
Western Division,

JAMES C. BLANCHARD and  
AMY B. JOHNSON,

defendants herein, did knowingly and willfully make and use, and caused to be made and used, a false document, knowing this document to contain materially false, fictitious and fraudulent statements and entries, in a matter within the jurisdiction of the United States Department of Labor, an agency within the executive branch of the Government of the United States, namely an invoice purportedly issued by “Bull Dog Security” to NASA Education for security services rendered at a Stand Down event on November 10-11, 2008;

In violation of Title 18, United States Code, Section 1001(a)(3).

**COUNT SIXTEEN**

The DECEMBER 2011 GRAND JURY further charges:

On or about March 14, 2009, at Crystal Lake, in the Northern District of Illinois,  
Western Division,

JAMES C. BLANCHARD and  
AMY B. JOHNSON,

defendants herein, did knowingly and willfully make and use, and caused to be made and used, a false document, knowing this document to contain materially false, fictitious and fraudulent statements and entries, in a matter within the jurisdiction of the United States Department of Labor, an agency within the executive branch of the Government of the United States, namely an invoice purportedly issued by “Bull Dog Security” to NASA Education for security services rendered at a Stand Down event on March 10-11, 2009;

In violation of Title 18, United States Code, Section 1001(a)(3).

**COUNT SEVENTEEN**

The DECEMBER 2011 GRAND JURY further charges:

On or about March 12, 2010, at Crystal Lake, in the Northern District of Illinois,  
Western Division,

JAMES C. BLANCHARD and  
AMY B. JOHNSON,

defendants herein, did knowingly and willfully make and use, and caused to be made and used, a false document, knowing this document to contain materially false, fictitious and fraudulent statements and entries, in a matter within the jurisdiction of the United States Department of Labor, an agency within the executive branch of the Government of the United States, namely an invoice purportedly issued by “Bull Dog Security” to NASA Education for security services rendered at a Stand Down event on March 8-9, 2010;

In violation of Title 18, United States Code, Section 1001(a)(3).

A TRUE BILL:

\_\_\_\_\_  
FOREPERSON

\_\_\_\_\_  
ACTING UNITED STATES ATTORNEY