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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

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| UNITED STATES OF AMERICA,<br><br>Plaintiff,<br>v.<br><br>VIDEO NETWORK COMMUNICATIONS, INC.,<br>HOWE ELECTRIC, INC.,<br>SEMA4, INC.,<br>DIGITAL CONNECT COMMUNICATIONS, INC.,<br>EXPEDITION NETWORKS, LTD.,<br>ADJ CONSULTANTS, INC.,<br>JUDY GREEN,<br>ALLAN GREEN,<br>GEORGE MARCHELOS,<br>STEVEN NEWTON, EARL NELSON, and WILLIAM HOLMAN,<br><br>Defendants. | No. CR 05-0208 CRB<br><br>VIOLATIONS: 15 U.S.C. § 1 and 18 U.S.C. § 2 – Collusion and Aiding and Abetting; 18 U.S.C. §§ 1343 and 2 – Wire Fraud and Aiding and Abetting; 18 U.S.C. § 371 – Conspiracy<br><br>SAN FRANCISCO VENUE |

S U P E R S E D I N G  I N D I C T M E N T

The Grand Jury charges:

INTRODUCTION

At all times relevant to this Indictment:

1. E-Rate was a program created by Congress in the Telecommunication Act of 1996 and

operated under the auspices of the Federal Communications Commission ("FCC") to provide funding to connect schools and libraries to the Internet. The FCC designated the Universal Services Administrative Company ("USAC"), a non-profit corporation, to administer the E-Rate program. The E-Rate program collected substantial quantities of money monthly from telecommunications customers across the country to fund the program.

2. The E-Rate program was designed to ensure that the neediest schools receive the most financial help. All participating school districts were required to fund a percentage of the cost of the equipment and services acquired under the E-Rate program (hereinafter referred to as "co-pay"). The amount of the co-pay was based on the number of students in the district qualifying for the United States Department of Agriculture's school lunch program, with the neediest school districts eligible for the highest percentage of funding. However, even the neediest schools were required to fund at least 10% of the cost of the acquired equipment and services.

3. During the relevant period, school district applications for E-Rate funding far exceeded the funding available. USAC had the following rules and procedures to ensure that E-Rate funding was distributed to the widest number of qualifying applicants: (1) only USAC-approved equipment, services, and supplies were eligible for funding; (2) schools could seek funding only for projects for which the schools had budgeted funds for their co-pay amount and for the purchase of the end-user equipment and services necessary to utilize the applied-for equipment and services; (3) service providers or their agents could not participate in the vendor selection process or the completion of forms necessary for the schools to receive E-Rate funding in order to avoid a conflict of interest or even the appearance of a conflict of interest; and (4) school districts were required to follow local and state law competitive bidding procedures to ensure that the school districts received the most cost-effective bids from the responsive bidders.

DEFENDANTS COMMON TO ALL WIRE FRAUD COUNTS

4. VIDEO NETWORK COMMUNICATIONS, INC. ("VNCI"), formerly known as Objective Communications, was a Delaware corporation with its principal place of business in Portsmouth, New Hampshire. VNCI manufactured video teleconferencing switches, which it

sometimes referred to as PVBX (Private Video Branch Exchange), meaning, a PBX with video conferencing capability. VNCI provided equipment and services for projects funded by the FCC's E-Rate program.

5. JUDY GREEN worked as a sales representative for VNCI from 1999 to 2002. JUDY GREEN specialized in marketing VNCI products to educational institutions, including local school districts. JUDY GREEN, while employed at VNCI, also acted as a consultant to school districts in order to assist them in designing computer networks, identifying potential government-sponsored funding sources, such as the FCC's E-Rate program, and applying for these funds.

6. GEORGE MARCHELOS worked as a sales representative for VNCI from 1999 into 2002. MARCHELOS specialized in marketing VNCI products to educational institutions, including school districts. MARCHELOS, while employed at VNCI, and after his VNCI employment, also acted as a consultant to school districts in order to assist them in designing computer networks, identifying potential government-sponsored funding sources, such as the FCC's E-Rate program, and applying for these funds.

SCHEMES TO DEFRAUD

7. In the Northern District of California and elsewhere, as set forth in Counts One through Eleven and Twenty-Two below, the defendants devised and intended to devise schemes and artifices to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, in relation to various E-Rate projects in school districts around the country.

PURPOSE OF THE SCHEMES

8. It was a purpose of each scheme to defraud that the defendants would unlawfully enrich themselves through:

a. Control of the bidding, application, implementation, and invoicing process at the project, which the defendants intended to be funded by the E-Rate Program;

b. The submission of materially false and misleading information to USAC

in order to obtain E-Rate program funding for the project;

c. The omission and misrepresentation of information that would have resulted in the denial or significant reduction of E-Rate program funding for the project; and

d. The concealment of all of the above from the FCC and USAC.

MANNER AND MEANS OF EXECUTING THE SCHEMES

In each scheme to defraud:

9. The defendants and others known and unknown to the Grand Jury deceived and intended to deceive the FCC and USAC into believing that the affected school district was applying for funds to pay only for eligible equipment, when, in fact, the defendants had included the costs of ineligible end-user equipment and services ("in-kinds") as part of the costs of the eligible equipment set forth in the school district's funding application for the project.

10. The defendants and others known and unknown to the Grand Jury deceived and intended to deceive the FCC and USAC into believing that the affected school district budgeted for, possessed, or had the resources available to acquire the end-user equipment necessary to make use of the E-Rate funded equipment, and had budgeted funds to pay the school district's co-pay share.

11. The defendants and others known and unknown to the Grand Jury created and prepared and intended to create and prepare documents and other written materials containing materially false statements and omissions in order to deceive and mislead the FCC and USAC into believing that the affected school district was applying for funds for only eligible equipment, that the school district had the resources available to purchase the end-user equipment, and that the district could fund its co-pay, as described in paragraphs Nine and Ten above. The defendants caused these materially false and misleading documents to be submitted to USAC in support of the school district's funding application.

COUNT ONE: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE WEST FRESNO SCHEME

12. From in or about November 1998 until in or about June 2001, in the Northern District of

California and elsewhere, the defendants

JUDY GREEN,
GEORGE MARCHELOS,
ADJ CONSULTANTS, INC.,
VIDEO NETWORK COMMUNICATIONS, INC.,
HOWE ELECTRIC, INC.,
EARL NELSON, and
STEVEN NEWTON,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the West Fresno Elementary School District located in Fresno, California (hereinafter in this Count "the district").

THE DEFENDANTS

13. The defendants in this Count include those described in paragraphs Four through Six, which are realleged as if fully set forth here.

14. HOWE ELECTRIC, INC. ("HOWE") was a California corporation with headquarters in Fresno, California, that supplies electrical and other contracting services for commercial projects in the Fresno, California area. HOWE provided equipment and services for projects funded by the FCC's E-Rate program.

15. ADJ CONSULTANTS, INC. ("ADJ") was a California company, owned by defendant JUDY GREEN and her husband, ALLAN GREEN, that provided consulting services to schools and other entities wishing to participate in the FCC's E-Rate program. ADJ received funds from vendors working at projects funded by the FCC's E-Rate program. JUDY GREEN also worked for ADJ, both before and after her employment at VNCI. JUDY GREEN marketed herself, through ADJ, as experienced in designing and installing computer networks, identifying potential government-sponsored funding sources, such as the FCC's E-Rate program, and applying for these funds.

16. STEVEN NEWTON was a former Vice President at Premio Computers, Inc., a manufacturer and distributor of computers, servers and related equipment. In that position, NEWTON worked with JUDY GREEN to provide computer-related goods and services to be

funded by the FCC's E-Rate program.

17. EARL NELSON was a former Emeryville, California, branch manager for Inter-Tel Technologies, Inc., which manufactured, sold and installed telecommunications equipment. In that position, NELSON supervised individuals at Inter-Tel who provided equipment and services for projects funded by the FCC's E-Rate program.

THE PURPOSE OF THE SCHEME

18. Paragraph Eight is realleged as if fully set forth here.

19. Another purpose of the scheme to defraud was to unlawfully enrich the defendants through the submission of materially false and misleading invoices to receive payment of E-Rate funds for the project.

MANNER AND MEANS OF EXECUTING THE SCHEME

20. Paragraphs Nine through Eleven are realleged as if fully set forth here.

21. It was further part of the scheme to defraud that the defendants and others known and unknown to the Grand Jury deceived and intended to deceive the FCC and USAC into believing that the district was applying for funds to pay only for eligible equipment when in truth, the defendants had included the costs of ineligible video equipment and marketing and management fees as part of the costs of the eligible equipment set forth in the district's funding application for the project.

22. It was further part of the scheme that the defendants and others known and unknown to the Grand Jury did not seek to collect payment from the district for the district's co-pay. In doing so, the defendants and others intended to deceive the FCC and USAC into believing that the district was paying its co-pay when, as the defendants and others well knew, the entire cost of the project was to be funded by the E-Rate program, contrary to FCC regulations and USAC policy.

23. It was further part of the scheme that the defendants and others known and unknown to the Grand Jury caused USAC to be invoiced for the entire cost of the district project. Upon receipt of these invoices, USAC paid the defendants and others money, believing that the invoices were only for USAC's share of the cost of the project when in truth, they represented

the entire cost of the project.

24. It was further part of the scheme that the defendants and others known and unknown to the Grand Jury submitted to USAC the USAC Forms 474 (Requests for Payment) that falsely stated that equipment or services had been provided or delivered on the district's E-Rate project, when in truth, the equipment or services had not been provided or delivered. In response to these false Forms 474, USAC sent payments to the defendants and others for the project.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

25. On or about June 19, 2000, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: a June 19, 2000 e-mail from MARCHELOS in Saratoga, California, to an Inter-tel employee in Salt Lake City, Utah, containing false responses to USAC's inquiry about the district's E-Rate project PBXs.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT TWO: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE HIGHLAND PARK SCHEME

26. From in or about November 1998 until in or about June 2001, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,
GEORGE MARCHELOS,
ADJ CONSULTANTS, INC.,
VIDEO NETWORK COMMUNICATIONS, INC.,
EARL NELSON, and
STEVEN NEWTON,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the Highland Park School District located in Highland Park, Michigan (hereinafter in this Count "the district").

THE DEFENDANTS

27. The defendants in this Count are described in paragraphs Four through Six and Fifteen through Seventeen, which are realleged as if fully set forth here.

THE PURPOSE OF THE SCHEME

28. The purposes set forth in Paragraph Eight and Nineteen are realleged as if fully set forth here.

MANNER AND MEANS OF EXECUTING THE SCHEME

29. The manner and means set forth in Paragraphs Nine through Eleven and Twenty-One through Twenty-Four are realleged as if fully set forth here.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

30. On or about May 31, 2000, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: a May 31, 2000 telephonic facsimile from an Inter-tel employee in Emeryville, California, to a VNCI employee in Portsmouth, New Hampshire, concerning ineligible equipment and forgiveness of co-pay amounts.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT THREE: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE COVERT SCHEME

31. From in or about November 1999 until in or about June 2001, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,
GEORGE MARCHELOS,
VIDEO NETWORK COMMUNICATIONS, INC., and
WILLIAM HOLMAN,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the Covert Public School District located in Covert, Michigan (hereinafter in this Count "the district").

THE DEFENDANTS

32. The defendants in this Count are described in paragraphs Four through Six and Thirty-Three, which are realleged as if fully set forth here.

33. WILLIAM HOLMAN was the former Senior Vice-President for Sales at NEC Business Network Solutions ("NEC-BNS"), which manufactured and sold data equipment, including computers, servers, routers and switches. NEC-BNS also sold telecommunication equipment, including PBXs, and provided cabling and maintenance services for the above equipment. In his position at NEC-BNS, HOLMAN was responsible for its relationship with VNCI and supervised individuals who provided equipment and services for projects funded by the FCC's E-Rate program.

THE PURPOSE OF THE SCHEME

34. Paragraphs Eight and Nineteen are realleged as if fully set forth here.

MANNER AND MEANS OF EXECUTING THE SCHEME

35. Paragraphs Nine through Eleven and Twenty-One through Twenty-Four are realleged as if fully set forth here.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

36. On or about March 19, 2001, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: a March 19, 2001 e-mail from a NEC-BNS employee in Cincinnati, Ohio to a NEC-BNS employee in San Ramon, California and copied to WILLIAM HOLMAN concerning itemized pricing for in-kinds and installation for ineligible video conferencing equipment at the Covert Public School District.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT FOUR: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE LEE COUNTY SCHEME

37. From in or about November 1999 until in or about June 2001, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,
GEORGE MARCHELOS,
VIDEO NETWORK COMMUNICATIONS, INC., and
WILLIAM HOLMAN,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the Lee County School District Number 1 headquartered in Marianna, Arkansas (hereinafter in this Count "the district").

THE DEFENDANTS

38. The defendants in this Count are described in paragraphs Four through Six and Thirty-Three, which are realleged as if fully set forth here.

THE PURPOSE OF THE SCHEME

39. Paragraphs Eight and Nineteen are realleged as if fully set forth here.

MANNER AND MEANS OF EXECUTING THE SCHEME

40. Paragraphs Nine through Eleven and Twenty-One through Twenty-Four are realleged as if fully set forth here.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

41. On or about February 22, 2001, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: a February 22, 2001 e-mail from a NEC-BNS employee in Irving, Texas, to a Lee County School District employee in Marianna, Arkansas, and to a NEC-BNS employee in San Ramon, California, concerning reducing the scope of the district's E-Rate project to pay for in-kinds.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT FIVE: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE JASPER COUNTY SCHEME

42. From in or about November 1999 until in or about June 2001, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,
GEORGE MARCHELOS,
VIDEO NETWORK COMMUNICATIONS, INC., and
WILLIAM HOLMAN,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the Jasper County School District headquartered in Ridgeland, South Carolina (hereinafter in this Count "the district").

THE DEFENDANTS

43. The defendants in this Count are described in paragraphs Four through Six and Thirty-Three, which are realleged as if fully set forth here.

THE PURPOSE OF THE SCHEME

44. Paragraphs Eight and Nineteen are realleged as if fully set forth here.

MANNER AND MEANS OF EXECUTING THE SCHEME

45. Paragraphs Nine through Eleven and Twenty-One through Twenty-Four are realleged as if fully set forth here.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

46. On or about April 10, 2001, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: an April 10, 2001 e-mail from an NEC-BNS employee in Cincinnati, Ohio to an NEC-BNS employee in San Ramon, California and copied to WILLIAM HOLMAN, concerning the installation of ineligible end-user equipment at the Jasper County School District.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT SIX: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE ECORSE SCHEME

47. From in or about November 1999 until in or about June 2001, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,

GEORGE MARCHELOS,
VIDEO NETWORK COMMUNICATIONS, INC., and
WILLIAM HOLMAN,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the Ecorse Public School located in Ecorse, Michigan (hereinafter in this Count "the district").

THE DEFENDANTS

48. The defendants in this Count are described in paragraphs Four through Six and Thirty-Three, which are realleged as if fully set forth here.

THE PURPOSE OF THE SCHEME

49. Paragraphs Eight and Nineteen are realleged as if fully set forth here.

MANNER AND MEANS OF EXECUTING THE SCHEME

50. Paragraphs Nine through Eleven and Twenty-One through Twenty-Four are realleged as if fully set forth here.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

51. On or about May 29, 2001, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: a May 29, 2001 e-mail from an NEC-BNS employee in Cleveland, Ohio, to a NEC-BNS employee in San Ramon, California, concerning reducing the scope of the district's project to pay for in-kinds.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT SEVEN: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE CERIA TRAVIS SCHEME

52. From in or about November 1999 until in or about December 2001, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,
GEORGE MARCHELOS,

VIDEO NETWORK COMMUNICATIONS, INC., and
WILLIAM HOLMAN,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the Ceria Travis Academy located in Milwaukee, Wisconsin.

THE DEFENDANTS

53. The defendants in this Count are described in paragraphs Four through Six and Thirty-Three, which are realleged as if fully set forth here.

THE PURPOSE OF THE SCHEME

54. Paragraphs Eight and Nineteen are realleged as if fully set forth here.

MANNER AND MEANS OF EXECUTING THE SCHEME

55. Paragraphs Nine through Eleven and Twenty-One through Twenty-Four are realleged as if fully set forth here.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

56. On or about August 27, 2001, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: an August 27, 2001 e-mail from an NEC-BNS employee in Chicago, Illinois to a NEC-BNS employee in San Ramon, California, concerning payment of an invoice for ineligible remodeling services for classrooms at the Ceria Travis Academy.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT EIGHT: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE MUSKEGON HEIGHTS SCHEME

57. From in or about November 1999 until in or about June 2000, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,
GEORGE MARCHELOS, and
VIDEO NETWORK COMMUNICATIONS, INC.,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the Muskegon Heights School District located in Muskegon Heights, Michigan (hereinafter in this Count "the district").

THE DEFENDANTS

58. The defendants in this Count are described in paragraphs Four through Six, which are realleged as if fully set forth here.

THE PURPOSE OF THE SCHEME

59. Paragraph Eight is realleged as if fully set forth here.

MANNER AND MEANS OF EXECUTING THE SCHEME

60. Paragraphs Nine through Eleven and Twenty-One are realleged as if fully set forth here.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

61. On or about May 30, 2000, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: a May 30, 2000 e-mail from MARCHELOS in Saratoga, California, to a Muskegon Heights School District employee in Muskegon Heights, Michigan, containing instructions for submitting false responses to USAC.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT NINE: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE SAN FRANCISCO SCHEME

62. From in or about November 1999 until in or about June 2001, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,
GEORGE MARCHELOS,
VIDEO NETWORK COMMUNICATIONS, INC., and
EARL NELSON,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and

intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the San Francisco Unified School District (hereinafter in this Count "the district").

THE DEFENDANTS

63. The defendants in this Count are described in paragraphs Four through Six and Seventeen, which are realleged as if fully set forth here.

THE PURPOSE OF THE SCHEME

64. Paragraph Eight is realleged as if fully set forth here.

MANNER AND MEANS OF EXECUTING THE SCHEME

65. Paragraphs Nine through Eleven and Twenty-One are realleged as if fully set forth here.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

66. On or about August 21, 2000, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: an August 21, 2000 telephonic facsimile from a San Francisco Unified School District employee in San Francisco, California, to a USAC employee in Whippany, New Jersey, containing false bid summaries.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT TEN: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE W.E.B. DUBOIS SCHEME

67. From in or about November 1999 until in or about June 2001, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,
GEORGE MARCHELOS,
VIDEO NETWORK COMMUNICATIONS, INC., and
HOWE ELECTRIC, INC.,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and

to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the W.E.B. DuBois Charter School located in Fresno, California (hereinafter in this Count "the district").

THE DEFENDANTS

68. The defendants in this Count are described in paragraphs Four through Six and Fourteen, which are realleged as if fully set forth here.

THE PURPOSE OF THE SCHEME

69. Paragraphs Eight and Nineteen are realleged as if fully set forth here.

MANNER AND MEANS OF EXECUTING THE SCHEME

70. Paragraphs Nine through Eleven and Twenty-One through Twenty-Four are realleged as if fully set forth here.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

71. On or about June 28, 2000, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: a June 28, 2000 e-mail from JUDY GREEN in Long Beach, California, to an Inter-tel employee in Emeryville, California, and to MARCHELOS in Saratoga, California, concerning creating false PBX parts schedules.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT ELEVEN: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

THE LUTHER BURBANK SCHEME

72. From in or about November 2000 until in or about November 2003, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,
GEORGE MARCHELOS,
ADJ CONSULTANTS, INC.,
VIDEO NETWORK COMMUNICATIONS, INC.,
SEMA4, INC., and
STEVEN NEWTON,

and others known and unknown to the Grand Jury, did knowingly and intentionally devise and

intend to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, related to the E-Rate project for the Luther Burbank School District located in San Jose, California (hereinafter in this Count "the district").

THE DEFENDANTS

73. The defendants in this Count include those described in paragraphs Four through Six and Fifteen, which are realleged as if fully set forth here.

74. SEMA4, INC. ("SEMA4"), a California company headquartered in Capistrano Beach, California, was a systems integrator of computer and communications equipment. SEMA4 provided equipment and services for a project funded by the FCC's E-Rate program.

75. STEVEN NEWTON was a former Vice President at Premio Computers, Inc., and had an ownership interest in, and was the principal manager of, SEMA4. In those positions, NEWTON worked with JUDY GREEN to provide computer-related goods and services for projects funded by the FCC's E-Rate program.

THE PURPOSE OF THE SCHEME

76. Paragraphs Eight and Nineteen are realleged as if fully set forth here.

MANNER AND MEANS OF EXECUTING THE SCHEME

77. Paragraphs Nine through Eleven and Twenty-Two through Twenty-Four are realleged as if fully set forth here.

USE OF INTERSTATE WIRE FACILITIES IN FURTHERANCE OF THE SCHEME

78. On or about May 25, 2001, in the Northern District of California and elsewhere, for the purpose of executing the scheme and artifice to defraud, the defendants knowingly transmitted and caused to be transmitted by wire communication in interstate commerce the following writing: a May 25, 2001 telephonic facsimile from a Luther Burbank School District employee in San Jose, California, to USAC in Whippany, New Jersey, requesting changing the service provider to SEMA4.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT TWELVE: 15 U.S.C. § 1, 18 U.S.C. § 2 (Collusion and Aiding and Abetting)

THE WEST FRESNO CONSPIRACY

79. From in or about November 1998 until in or about June 2001, the defendants

JUDY GREEN,
GEORGE MARCHELOS,
EARL NELSON,
ADJ CONSULTANTS, INC.,
VIDEO NETWORK COMMUNICATIONS, INC., and
HOWE ELECTRIC, INC.,

and others known and unknown to the Grand Jury, entered into and engaged in a combination and conspiracy to suppress and restrain competition for an E-Rate project at the West Fresno Elementary School District in Fresno, California ("the project"), in unreasonable restraint of interstate trade and commerce, in violation of the Sherman Act, Title 15, United States Code, Section 1.

80. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

a. to allocate among the defendants and co-conspirators the project;

b. to submit collusive, noncompetitive, and rigged bids for the project; and

c. to provide equipment and services for the project and receive payment from USAC as a result of the allocation and collusive bidding.

81. The defendants

JUDY GREEN,
GEORGE MARCHELOS,
ADJ CONSULTANTS, INC., and
VIDEO NETWORK COMMUNICATIONS, INC.,

aided, abetted, counseled, commanded, induced and procured the combination and conspiracy charged in this Count and willfully caused others to perform acts and make statements in furtherance of the charged combination and conspiracy, in violation of Title 18, United States Code, Section 2.

MEANS AND METHODS OF THE CONSPIRACY

82. For the purpose of forming and carrying out the charged combination and conspiracy, the defendants and co-conspirators did the following things, among others:

a. discussed prospective bids for the project;

b. agreed who would be the lead contractor on the project and who would participate on the project as subcontractors to the designated lead contractor;

c. submitted fraudulent and non-competitive bids in accordance with the conspiratorial agreement; and

d. engaged defendants JUDY GREEN and MARCHELOS, who did the following:

i. took steps to ensure the success of the conspiracy by eliminating and disqualifying bids from non-conspirators and either directly awarding the contracts or using their best efforts to persuade the school district officials to award contracts to the designated lead contractor; and

ii. successively caused to be awarded the project to the defendants and co-conspirators. In return, some of the defendants and co-conspirators agreed to pay and paid defendants JUDY GREEN and MARCHELOS's employer, defendant VNCI, a fee and agreed to purchase and purchased and installed defendant VNCI's equipment on the project.

DEFENDANTS AND CO-CONSPIRATORS

83. Paragraphs Four through Six, Fourteen, Fifteen and Seventeen are realleged as if fully set forth here.

84. Various individuals and corporations, not made defendants in this Indictment, participated as co-conspirators in the charged combination and conspiracy and performed acts

and made statements in furtherance of it.

85. Whenever this Indictment refers to any act, deed, or transaction of any corporation, it means that the corporation engaged in the act, deed, or transaction by or through its officers, directors, employees, agents, or other representatives while they were actively engaged in the management, direction, control, or transaction of its business or affairs.

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TRADE AND COMMERCE

86. During the period covered by this Count, bid proposals, USAC forms, and supporting documents were transmitted across state lines in connection with the application for E-Rate funding for the supply of substantial quantities of video and other telecommunication equipment and services at the project. In addition, substantial quantities of video and other telecommunication equipment, and services, and payments for those goods and services**,** traveled in a continuous and uninterrupted flow of interstate trade and commerce, in connection with the conspiracy charged in this Count.

87. During the period covered by this Count, the activities of the defendants and co-conspirators that are the subject of this Count were within the flow of, and substantially affected, interstate trade and commerce.

JURISDICTION AND VENUE

88. The aforesaid combination and conspiracy was carried out, in part, within the Northern District of California and within the five years preceding the return of this Indictment.

All in violation of Title 15, United States Code, Section 1, and Title 18, United States Code, Section 2.

COUNT THIRTEEN: 15 U.S.C. § 1, 18 U.S.C. § 2 (Collusion and Aiding and Abetting)

THE HIGHLAND PARK CONSPIRACY

89. Paragraphs Four through Six, Fifteen, Eighty-Four and Eighty-Five are realleged as if fully set forth here.

90. From in or about November 1998 until in or about July 2001, the defendants

JUDY GREEN,
GEORGE MARCHELOS,

ADJ CONSULTANTS, INC., and
VIDEO NETWORK COMMUNICATIONS, INC.,

and others known and unknown to the Grand Jury, entered into and engaged in a combination and conspiracy to suppress and restrain competition for an E-Rate project at the Highland Park School District in Highland Park, Michigan ("the project"), in unreasonable restraint of interstate trade and commerce, in violation of the Sherman Act, Title 15, United States Code, Section 1.

91. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

a. to allocate among the defendants and co-conspirators the project;

b. to submit collusive, noncompetitive, and rigged bids for the project; and

c. to provide equipment and services for the project and receive payment from USAC as a result of the allocation and collusive bidding.

92. The defendants aided, abetted, counseled, commanded, induced, and procured the combination and conspiracy charged in this Count and willfully caused others to perform acts and make statements in furtherance of the charged combination and conspiracy, in violation of Title 18, United States Code, Section 2.

93. Paragraphs Eighty-Two and Eighty-Six through Eighty-Eight are realleged as if fully set forth here.

All in violation of Title 15, United States Code, Section 1, and Title 18, United States Code, Section 2.

COUNT FOURTEEN: 15 U.S.C. § 1, 18 U.S.C. § 2 (Collusion and Aiding and Abetting)

THE COVERT CONSPIRACY

94. Paragraphs Four through Six and Eighty-Four and Eighty-Five are realleged as if fully set forth here.

95. From in or about November 1999 until in or about July 2001, the defendants

JUDY GREEN,
GEORGE MARCHELOS, and
VIDEO NETWORK COMMUNICATIONS, INC.,

and others known and unknown to the Grand Jury, entered into and engaged in a combination and conspiracy to suppress and restrain competition for an E-Rate project at the Covert Public School District in Covert, Michigan ("the project"), in unreasonable restraint of interstate trade and commerce, in violation of the Sherman Act, Title 15, United States Code, Section 1.

96. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

a. to allocate among the defendants and co-conspirators the project;

b. to submit collusive, noncompetitive, and rigged bids for the project; and

c. to provide equipment and services for the project and receive payment from USAC as a result of the allocation and collusive bidding.

97. The defendants aided, abetted, counseled, commanded, induced and procured the combination and conspiracy charged in this Count and willfully caused others to perform acts and make statements in furtherance of the charged combination and conspiracy, in violation of Title 18, United States Code, Section 2.

98. Paragraphs Eighty-Two and Eighty-Six through Eighty-Eight are realleged as if fully set forth here.

All in violation of Title 15, United States Code, Section 1, and Title 18, United States Code, Section 2.

COUNT FIFTEEN: 15 U.S.C. § 1, 18 U.S.C. § 2 (Collusion and Aiding and Abetting)

THE LEE COUNTY CONSPIRACY

99. Paragraphs Four through Six and Eighty-Four and Eighty-Five are realleged as if fully set forth here.

100. From in or about November 1999 until in or about July 2001, the defendants

JUDY GREEN,
GEORGE MARCHELOS, and
VIDEO NETWORK COMMUNICATIONS, INC.,

and others known and unknown to the Grand Jury, entered into and engaged in a combination and conspiracy to suppress and restrain competition for an E-Rate project at the Lee County School District Number 1 in Marianna, Arkansas ("the project"), in unreasonable restraint of interstate trade and commerce, in violation of the Sherman Act, Title 15, United States Code, Section 1.

101. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

a. to allocate among the defendants and co-conspirators the project;

b. to submit collusive, noncompetitive, and rigged bids for the project; and

c. to provide equipment and services for the project and receive payment from USAC as a result of the allocation and collusive bidding.

102. The defendants aided, abetted, counseled, commanded, induced, and procured the combination and conspiracy charged in this Count and willfully caused others to perform acts and make statements in furtherance of the charged combination and conspiracy, in violation of Title 18, United States Code, Section 2.

103. Paragraphs Eighty-Two and Eighty-Six through Eighty-Eight are realleged as if fully set forth here.

All in violation of Title 15, United States Code, Section 1, and Title 18, United States Code, Section 2.

COUNT SIXTEEN: 15 U.S.C. § 1, 18 U.S.C. § 2 (Collusion and Aiding and Abetting)

THE JASPER COUNTY CONSPIRACY

104. Paragraphs Four through Six, Eighty-Four and Eighty-Five are realleged as if fully set forth here.

105. From in or about November 1999 until in or about July 2001, the defendants

JUDY GREEN,
GEORGE MARCHELOS, and
VIDEO NETWORK COMMUNICATIONS, INC.,

and others known and unknown to the Grand Jury, entered into and engaged in a combination and conspiracy to suppress and restrain competition for an E-Rate project at the Jasper County School District in Ridgeland, South Carolina ("the project"), in unreasonable restraint of interstate trade and commerce, in violation of the Sherman Act, Title 15, United States Code, Section 1.

106. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

a. to allocate among the defendants and co-conspirators the project;

b. to submit collusive, noncompetitive, and rigged bids for the project; and

c. to provide equipment and services for the project and receive payment from USAC as a result of the allocation and collusive bidding.

107. The defendants aided, abetted, counseled, commanded, induced and procured the combination and conspiracy charged in this Count and willfully caused others to perform acts and make statements in furtherance of the charged combination and conspiracy, in violation of Title 18, United States Code, Section 2.

108. Paragraphs Eighty-Two and Eighty-Six through Eighty-Eight are realleged as if fully set forth here.

All in violation of Title 15, United States Code, Section 1, and Title 18, United States Code, Section 2.

COUNT SEVENTEEN: 15 U.S.C. § 1, 18 U.S.C. § 2 (Collusion and Aiding and Abetting)

THE ECORSE CONSPIRACY

109. Paragraphs Four through Six, Eighty-Four, and Eighty-Five are realleged as if fully set

forth here.

110. From in or about November 1999 until in or about July 2001, the defendants

JUDY GREEN,
GEORGE MARCHELOS, and
VIDEO NETWORK COMMUNICATIONS, INC.,

and others known and unknown to the Grand Jury entered into and engaged in a combination and conspiracy to suppress and restrain competition for an E-Rate project at the Ecorse Public School in Ecorse, Michigan ("the project"), in unreasonable restraint of interstate trade and commerce, in violation of the Sherman Act, Title 15, United States Code, Section 1.

111. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

a. to allocate among the defendants and co-conspirators the project;

b. to submit collusive, noncompetitive, and rigged bids for the project; and

c. to provide equipment and services for the project and receive payment from USAC as a result of the allocation and collusive bidding.

112. The defendants aided, abetted, counseled, commanded, induced and procured the combination and conspiracy charged in this Count and willfully caused others to perform acts and make statements in furtherance of the charged combination and conspiracy, in violation of Title 18, United States Code, Section 2.

113. Paragraphs Eighty-Two and Eighty-Six through Eighty-Eight are realleged as if fully set forth here.

All in violation of Title 15, United States Code, Section 1, and Title 18, United States Code, Section 2.

COUNT EIGHTEEN: 15 U.S.C. § 1, 18 U.S.C. § 2 (Collusion and Aiding and Abetting)

THE CERIA TRAVIS CONSPIRACY

114. Paragraphs Four through Six, Eighty-Four, and Eighty-Five are realleged as if fully set

forth here.

115. From in or about November 1999 until in or about July 2001, the defendants

JUDY GREEN,
GEORGE MARCHELOS, and
VIDEO NETWORK COMMUNICATIONS, INC.,

and others known and unknown to the Grand Jury, entered into and engaged in a combination and conspiracy to suppress and restrain competition for an E-Rate project at the Ceria Travis Academy in Milwaukee, Wisconsin ("the project"), in unreasonable restraint of interstate trade and commerce, in violation of the Sherman Act, Title 15, United States Code, Section 1.

116. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

a. to allocate among the defendants and co-conspirators the project;

b. to submit collusive, noncompetitive, and rigged bids for the project; and

c. to provide equipment and services for the project and receive payment from USAC as a result of the allocation and collusive bidding.

117. The defendants aided, abetted, counseled, commanded, induced and procured the combination and conspiracy charged in this Count and willfully caused others to perform acts and make statements in furtherance of the charged combination and conspiracy, in violation of Title 18, United States Code, Section 2.

118. Paragraphs Eighty-Two and Eighty-Six through Eighty-Eight are realleged as if fully set forth here.

All in violation of Title 15, United States Code, Section 1, and Title 18, United States Code, Section 2.

COUNT NINETEEN: 15 U.S.C. § 1, 18 U.S.C. § 2 (Collusion and Aiding and Abetting)

THE MUSKEGON HEIGHTS CONSPIRACY

119. Paragraphs Four through Six, Eighty-Four, and Eighty-Five are realleged as if fully set

forth here.

120. From in or about November 1999 until in or about June 2000, the defendants

JUDY GREEN,
GEORGE MARCHELOS, and
VIDEO NETWORK COMMUNICATIONS, INC.,

and others known and unknown to the Grand Jury, entered into and engaged in a combination and conspiracy to suppress and restrain competition for an E-Rate project at the Muskegon Heights School District in Muskegon Heights, Michigan ("the project"), in unreasonable restraint of interstate trade and commerce, in violation of the Sherman Act, Title 15, United States Code, Section 1.

121. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

a. to allocate among the defendants and co-conspirators the project;

b. to submit collusive, noncompetitive, and rigged bids for the project; and

c. to provide equipment and services for the project and receive payment from USAC as a result of the allocation and collusive bidding.

122. The defendants aided, abetted, counseled, commanded, induced and procured the combination and conspiracy charged in this Count and willfully caused others to perform acts and make statements in furtherance of the charged combination and conspiracy, in violation of Title 18, United States Code, Section 2.

123. Paragraphs Eighty-Two and Eighty-Eight are realleged as if fully set forth here, with the exception that Paragraph Eighty-Two (d)(ii) is not realleged.

TRADE AND COMMERCE

124. Bid proposals, USAC forms, and supporting documents submitted as part of the Muskegon Heights School District's E-Rate application for the funding of the supply of substantial quantities of video and other telecommunication equipment and services were

transmitted from locations outside of Michigan to locations in Michigan, from Michigan to locations outside of Michigan, and from locations in California to locations outside of California. Moreover, the conspirators anticipated that defendant VNCI would manufacture and ship substantial quantities of video and other telecommunication equipment from its facilities in New Hampshire to Michigan, in a continuous and uninterrupted flow of interstate commerce, in connection with the conspiracy charged in this Count. Furthermore, the conspirators anticipated that they would receive substantial funds transmitted in interstate commerce from the E-Rate Program for equipment and services provided for the project. The E-Rate program receives substantial funds transmitted in interstate commerce from telecommunication carriers which collect such funds monthly from their customers, located throughout the United States.

125. In addition, defendant VNCI's general business activities included manufacturing and purchasing videoconferencing equipment components, as well as shipping videoconferencing equipment from its facilities in New Hampshire to locations in other states, thereby substantially affecting interstate commerce.

126. The activities of the defendants that are the subject of this Indictment were within the flow of, and substantially affected, interstate trade and commerce.

All in violation of Title 15, United States Code, Section 1, and Title 18, United States Code, Section 2.

COUNT TWENTY: 15 U.S.C. § 1, 18 U.S.C. § 2 (Collusion and Aiding and Abetting)

THE W.E.B. DUBOIS CONSPIRACY

127. Paragraphs Four through Six, Fourteen, Eighty-Four and Eighty-Five are realleged as if fully set forth here.

128. From in or about November 1999 until in or about July 2001, the defendants

JUDY GREEN,
GEORGE MARCHELOS,
VIDEO NETWORK COMMUNICATIONS, INC., and
HOWE ELECTRIC, INC.,

and others known and unknown to the Grand Jury, entered into and engaged in a combination

and conspiracy to suppress and restrain competition for an E-Rate project at the W.E.B. DuBois Charter School in Fresno, California ("the project"), in unreasonable restraint of interstate trade and commerce, in violation of the Sherman Act, Title 15, United States Code, Section 1.

129. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

a. to allocate among the defendants and co-conspirators the project;

b. to submit collusive, noncompetitive, and rigged bids for the project; and

c. to provide equipment and services for the project and receive payment from USAC as a result of the allocation and collusive bidding.

130. The defendants

JUDY GREEN,
GEORGE MARCHELOS, and
VIDEO NETWORK COMMUNICATIONS, INC.,

aided, abetted, counseled, commanded, induced, and procured the combination and conspiracy charged in this Count and willfully caused others to perform acts and make statements in furtherance of the charged combination and conspiracy, in violation of Title 18, United States Code, Section 2.

131. Paragraphs Eighty-Two and Eighty-Six through Eighty-Eight are realleged as if fully set forth here, with the exception that Paragraph Eighty-Two (d)(ii) is not realleged.

All in violation of Title 15, United States Code, Section 1, and Title 18, United States Code, Section 2.

COUNT TWENTY-ONE: 15 U.S.C. § 1, 18 U.S.C. § 2 (Collusion and Aiding and Abetting)

THE 2003-2004 PROJECTS CONSPIRACY (Collusion)

132. Paragraph Fifteen, Eighty-Four and Eighty-Five are realleged as if fully set forth here.

133. JUDY GREEN worked for ADJ. She marketed herself to school districts and others, through ADJ, as experienced in designing and installing computer networks, identifying

potential government-sponsored funding sources, such as the FCC's E-Rate program, and applying for these funds.

134. DIGITAL CONNECT COMMUNICATIONS, INC. ("DIGITAL CONNECT") was a California company, headquartered in Capistrano Beach, California, that was established in 2002 to provide telecommunication and Internet access equipment and services to schools participating in the FCC's E-Rate program.

135. STEVEN NEWTON was a former Vice President at Premio Computers, Inc., and had an ownership interest in, and was the principal manager of, DIGITAL CONNECT. In those positions, NEWTON worked with JUDY GREEN to provide computer-related goods and services for projects funded by the FCC's E-Rate program.

136. EXPEDITION NETWORKS, LTD. ("EXPEDITION") was a California company, headquartered in North Hills, California, that designed and installed computer integrated systems and sought to provide telecommunication and Internet access equipment and services to schools participating in the FCC's E-Rate program in 2003.

137. ALLAN GREEN worked for ADJ. JUDY and ALLAN GREEN marketed themselves, through ADJ, as experienced in designing and installing computer networks, identifying potential government-sponsored funding sources, such as the FCC's E-Rate program, and applying for these funds.

138. Beginning as early as October 2002 and lasting through at least January 2004, the exact dates being unknown to the Grand Jury, the defendants

JUDY GREEN,
ALLAN GREEN,
ADJ CONSULTANTS, INC.,
STEVEN NEWTON,
EXPEDITION, and
DIGITAL CONNECT,

and others known and unknown to the Grand Jury, entered into and engaged in a combination and conspiracy to suppress and restrain competition for fifteen 2003-2004 E-Rate projects ("the 2003-2004 projects"), in unreasonable restraint of interstate trade and commerce, in violation of the Sherman Act, Title 15, United States Code, Section 1. The 2003-2004 projects were located at the following school districts:

Luther Burbank School District – San Jose, CA
Temple City Unified School District – Temple City, CA
Philadelphia Charter Academy School – Philadelphia, PA
Yeshiva of Far Rockaway – Far Rockaway, NY
Barnwell County School District – Blackville, SC
Salkehatchie Consortium – Allendale, SC
Altheimer Unified School District – Altheimer, AR
Arkansas River Educational Services Cooperative – Pine Bluff, AR
Crossett Public School District – Crossett, AR
Dollarway Public School District – Pine Bluff, AR
Humphrey Public School District – Humphrey, AR
Lakeview School District – Helena, AR
Lee County School District – Marianna, AR
Poyen Public School District – Poyen, AR
Townsend Park Elementary School – Pine Bluff, AR;

139. The defendants

JUDY GREEN,
ALLAN GREEN, and
ADJ CONSULTANTS, INC.,

aided, abetted, counseled, commanded, induced, and procured the combination and conspiracy charged in this Count and willfully caused others to perform acts and make statements in furtherance of the charged combination and conspiracy, in violation of Title 18, United States Code, Section 2.

140. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

a. to allocate among the defendants and co-conspirators the 2003-2004 projects;

b. to submit collusive, noncompetitive, and rigged bids for the 2003-2004 projects; and

c. to provide equipment and services for the 2003-2004 projects and receive payment from USAC as a result of the allocation and collusive bidding.

MEANS AND METHODS OF THE CONSPIRACY

141. For the purpose of forming and carrying out the charged combination and conspiracy, the defendants and co-conspirators did the following things, among others:

a. discussed prospective bids for the 2003-2004 projects;

b. agreed who would be the low bidder on some projects;

c. agreed who would be the low bidder on particular portions of some projects;

d. submitted fraudulent and non-competitive bids in accordance with the conspiratorial agreement; and

e. engaged defendant JUDY GREEN to obtain for the defendants the award of the 2003-2004 projects. In return, the defendants agreed to pay fees to defendants JUDY GREEN and/or ADJ.

TRADE AND COMMERCE

142. Bid proposals, USAC forms, and supporting documents submitted as part of the applications for the funding of the supply of substantial quantities of video and other telecommunication equipment and services at the 2003-2004 projects were transmitted from locations in California to locations outside of California. Moreover, defendants DIGITAL CONNECT and EXPEDITION anticipated that they would ship substantial quantities of servers, routers, switches, and PBXs from California in a continuous and uninterrupted flow of interstate trade and commerce to school districts located in various other states, in connection with the conspiracy charged in this Count. Ultimately, USAC did not provide any E-Rate funding on the 2003-2004 projects because of the suspected collusion of the defendants, and thus the school districts involved were denied a substantial quantity of E-Rate services and equipment that would have traveled in a continuous and uninterrupted flow of interstate commerce. In addition, as a result of the conspiracy, non-colluding vendors were denied the opportunity to supply substantial quantities of E-Rate services and equipment on the 2003-2004 projects in a continuous and uninterrupted flow of interstate commerce. Furthermore, the conspirators anticipated that they would receive substantial funds transmitted in interstate commerce from the E-Rate Program for equipment and services provided for the project. The E-Rate program receives substantial funds transmitted in interstate commerce from telecommunication carriers which collect such funds monthly from their customers, located through-out the United States.

143. During the relevant period, the activities of the defendants and co-conspirators that are the subject of this Count were within the flow of, and substantially affected, interstate trade and commerce.

JURISDICTION AND VENUE

144. The aforesaid combination and conspiracy was carried out, in part, within the Northern District of California, and within the five years preceding the return of this Indictment.

All in violation of Title 15, United States Code, Section 1, and Title 18, United States Code, Section 2.

COUNT TWENTY-TWO: 18 U.S.C. § 371 (Conspiracy to Commit Wire and Mail Fraud)

THE 2003-2004 PROJECTS CONSPIRACY TO DEFRAUD

145. Paragraphs Fifteen and 133 through 137 are realleged as if fully set forth here.

146. GEORGE MARCHELOS worked as an independent consultant to school districts in order to assist them in designing computer networks, identifying potential government-sponsored funding sources, such as the FCC's E-Rate program, and applying for these funds.

147. From in or about October 2002 until at least January 2004, the exact dates being unknown to the Grand Jury, in the Northern District of California and elsewhere, the defendants

JUDY GREEN,
ALLAN GREEN,
GEORGE MARCHELOS,
STEVEN NEWTON,
ADJ CONSULTANTS, INC.,
DIGITAL CONNECT, and
EXPEDITION,

and others known and unknown to the Grand Jury, did knowingly and intentionally conspire to commit offenses against the United States, namely, mail fraud in violation of Title 18, United States Code, Section 1341, and wire fraud in violation of Title 18, United States Code, Section 1343.

148. It was a part of the conspiracy that the defendants and co-conspirators, having devised and intending to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, in relation to the 2003-2004 projects identified in Paragraph

150(a) below, for the purpose of executing such scheme and artifice, knowingly would and did place in post offices and authorized depositories for mail matter, matters and things to be sent and delivered by the Postal Service, and deposit and cause to be deposited matters and things to be sent and delivered by private and commercial interstate carriers, and take and receive therefrom, such matters and things, and knowingly cause such matters and things to be delivered by mail and such carriers according to the direction thereon, and at the place at which they were directed to be delivered by the persons to whom they were addressed, in violation of Title 18, United States Code, Section 1341.

149. It was a part of the conspiracy that the defendants and co-conspirators, having devised and intending to devise a scheme and artifice to defraud the FCC and USAC as to a material matter and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, in relation to the 2003-2004 projects identified in Paragraph 150(a) below, for the purpose of executing such scheme and artifice, knowingly would and did transmit or cause to be transmitted by means of wire communications in interstate commerce, certain writings, signs, signals or sounds, in violation of Title 18, United States Code, Section 1343.

MEANS AND METHODS OF THE CONSPIRACY

150. The defendants and co-conspirators used the following means and methods, among others, to accomplish the conspiracy:

a. The defendants and co-conspirators controlled the bidding, application, implementation and invoicing process of the E-Rate projects located at the school districts listed below ("the 2003-2004 projects"):

Luther Burbank School District – San Jose, CA
Temple City Unified School District – Temple City, CA
Philadelphia Charter Academy School – Philadelphia, PA
Yeshiva of Far Rockaway – Far Rockaway, NY
Barnwell County School District – Blackville, SC
Salkehatchie Consortium – Allendale, SC
Altheimer Unified School District – Altheimer, AR
Arkansas River Educational Services Cooperative – Pine Bluff, AR
Crossett Public School District – Crossett, AR
Dollarway Public School District – Pine Bluff, AR
Humphrey Public School District – Humphrey, AR

Lakeview School District – Helena, AR
Lee County School District – Marianna, AR
Poyen Public School District – Poyen, AR
Townsend Park Elementary School – Pine Bluff, AR

b. The defendants and co-conspirators submitted materially false and misleading information to USAC in order to obtain from USAC a commitment to provide E-Rate program funding for those projects;

c. The defendants and co-conspirators omitted and misrepresented material information that would have resulted in the denial or significant reduction of E-Rate program funding for those projects;

d. The defendants and co-conspirators concealed all of the above from the FCC and USAC;

e. The defendants and co-conspirators deceived the FCC and USAC into believing that the schools involved in the 2003-2004 projects were applying for funds to pay for only eligible equipment, when, in truth, the defendants and co-conspirators had included the costs of ineligible end-user equipment and services and costs of marketing and management fees as part of the costs of the eligible equipment set forth in the funding applications for those projects;

f. The defendants and co-conspirators prepared and submitted to USAC Form 471 applications for funding for schools involved in the 2003-2004 projects. On those Forms 471, contrary to USAC rules, the defendants and co-conspirators inserted equipment and service amounts that were different than the bid amounts submitted by the defendants awarded those 2003-2004 projects;

g. Contrary to USAC rules, the defendants and co-conspirators planned not to seek payment from the schools involved in the 2003-2004 projects for their co-pay. The defendants and co-conspirators created sham "foundations" and submitted false information and documentation to the FCC and USAC in an attempt to mislead them into believing that the

foundations had funding resources and had donated, or were going to donate, to the 2003-2004 project schools funding sufficient to cover the schools' co-pay. In truth, the foundations had no such funding resources, and the defendants planned to use USAC funding to cover 100% of the cost of the 2003-2004 projects; and

h. The defendants and co-conspirators, in response to FCC and USAC inquiries to the 2003-2004 project schools regarding their ability to pay for end-user equipment and services necessary to utilize the applied-for equipment and services, submitted false documentation to USAC representing that the schools had secured access to such resources.

OVERT ACTS

151. In furtherance of the conspiracy and to effect the objects of the conspiracy, the defendants and co-conspirators committed the following overt acts, among others, in the Northern District of California and elsewhere:

a. On or about January 13, 2003, an employee of defendant EXPEDITION caused to be delivered through United Parcel Service a funding year 2003-2004 bid proposal to the Luther Burbank School District in San Jose, California.

b. On or about January 4, 2003, defendants JUDY GREEN, ALLAN GREEN, STEVEN NEWTON, and employees of defendants EXPEDITION and DIGITAL CONNECT met at the offices of defendant ADJ. At this meeting, they discussed prices for equipment and services that were then included in bid proposals for the 2003-2004 projects.

c. On or about April 29, 2003, defendant JUDY GREEN sent a telephonic facsimile from California to USAC in New Jersey that contained false financial information about a sham foundation, including that the foundation had over $22 million in assets in 2001 when, in truth, the foundation did not have any such assets.

d. On or about October 31, 2003, defendant MARCHELOS sent via United Parcel Service, an interstate carrier, from San Jose, California, an appeal letter to USAC on behalf of Luther Burbank that falsely represented that the district had budgeted funds to pay its portion of its proposed 2003-2004 project's cost.

e. On or about April 22, 2003, a Luther Burbank employee sent a telephonic facsimile from San Jose, California, to a USAC employee in Whippany, New Jersey, confirming that Luther Burbank had received USAC's request for information about Luther Burbank's funding resources for its co-pay and end-user equipment.

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All in violation of Title 18, United States Code, Section 371.

DATED:

A TRUE BILL

_____/s/_____
THOMAS O. BARNETT
Acting Assistant Attorney General

_____/s/_____
FOREPERSON

____/s/ by Eumi L. Choi
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