

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF KANSAS  
(Kansas City Docket)

**FILED**

**APR 24 2008**

Clerk, U.S. District Court  
By: K. K. K. Deputy Clerk

UNITED STATES OF AMERICA, )  
)  
Plaintiff, )  
)  
v. )  
)  
LEONARD DOUGLAS "DOUG" LaDURON; and )  
MARY JO LaDURON, a/k/a MARY JO GAULT, )  
)  
Defendants. )

Case No. 08-20055-01-02 KHV/JPO

INDICTMENT

**COUNT ONE: Conspiracy To Commit Mail Fraud, Wire Fraud and Make False Statements in a Matter within the Jurisdiction of the Government of the United States (18 U.S.C. § 371)**

THE GRAND JURY CHARGES:

**Overview of the E-Rate Program**

1. In approximately 1998, the Federal government implemented a program to provide subsidies to schools and libraries for use in the purchase and installation of Internet access and telecommunications services as well as internal computer and communication networks (the "E-Rate Program"). The E-Rate Program is administered under contract with the government by a not-for-profit company called the Universal Service Administrative Company ("USAC") and by a subdivision of USAC called the Schools and Libraries Division ("SLD"). The Federal

Communications Commission ("FCC") oversees and regulates USAC.

2. One of the principal objectives of the E-Rate Program is to encourage economically disadvantaged schools to install and upgrade their Internet and communications infrastructure, and to provide their students with access to the Internet as a learning tool. To accomplish this, the Federal government offers to pay a large portion of the cost of each participant school's infrastructure enhancements where such schools meet the E-Rate Program's eligibility requirements.

3. One of the E-Rate Program's core requirements for participation is that each applicant school pay some percentage of the cost of the work funded by the program. The percentage that the applicant school must pay ranges from 10% to 80%, depending on the neediness of each applicant school (hereinafter, the school's "co-pay"). The government pays the balance of that cost, which ranges from as low as 20% to as high as 90%. The applicant schools are required to pay a portion of the costs so that schools have a financial incentive to negotiate for the best prices; so that spending under the E-Rate Program is not wasteful; and so that schools purchase only those infrastructure enhancements that they truly need.

4. A second core requirement for participation in the E-Rate Program is that each applicant school must seek competitive bids for the work for which they are requesting E-Rate funding. An applicant school begins its participation in the E-Rate Program by filing an initial form with USAC entitled the "Universal Service Program Description of Services Requested and Certification Form," also known as the FCC Form 470. The Form 470 lists the types of services or goods for which the applicant school will be seeking funding. The purpose of the Form 470 is

to open a competitive bidding process for the services and goods desired by the applicant school. After completing the Form 470, the applicant school transmits it to USAC which posts the information from the form on the SLD website. The information posted on the SLD website may be accessed by any company interested in being selected as a service provider for the applicant school. To allow for sufficient time for a competitive bidding process to occur, FCC rules require that requests for goods and services be posted on SLD's website for at least 28 days before the applicant school selects a service provider. To ensure an open and competitive bidding process, FCC rules forbid a service provider who will participate in the bidding process as a bidder from completing the FCC Form 470 on behalf of an applicant school.

5. After the 28-day period has passed following an applicant school's filing of its Form 470 the applicant school may choose a service provider and sign a contract with it to obtain eligible goods and services under the E-Rate Program. Once a contract with a service provider is signed, the applicant school must file another form with USAC, by which the school actually seeks funding from the E-Rate Program for the goods and services specified.

6. Once funding is approved by USAC, the applicant school must file at least one additional form before the service provider is eligible to receive payment from USAC under the E-Rate Program. This form is a certification by the school to USAC that the school is receiving, is scheduled to receive, or has received goods and services from the school's service provider. This form must be received by USAC before an invoice from the service provider will be paid.

7. After providing eligible goods and services to an eligible school, the service provider must file a Service Provider Invoice Form with USAC to seek payment for goods and services

provided in the amount previously approved by USAC. Before submitting this form, the service provider must have provided the goods and services for which payment is requested and the service provider must have billed the applicant school for the school's co-pay.

### **Background**

8. At times relevant to the Indictment, defendant Leonard Douglas “Doug” LaDuron acted on his own behalf and on behalf of Serious ISP, Inc and Myco Technologies, Inc., Kansas corporations owned and operated by him. These companies were established by Leonard Douglas “Doug” LaDuron. One of the principal activities conducted by the companies was the application for and receipt of the fraudulently obtained funds from the E-Rate Program, as described in this Indictment.

9. At times relevant to the Indictment, defendant Leonard Douglas “Doug” LaDuron acted on his own behalf and as an agent of Elephantine Corporation, a Kansas corporation owned and operated by him. Elephantine Corporation was established by Leonard Douglas “Doug” LaDuron for the purpose of defrauding the E-Rate Program. One of the principal activities conducted by the company was the provision of consulting services to schools applying for E-Rate Program funds, as described in this Indictment.

10. Defendant Mary Jo LaDuron, a/k/a Mary Jo Gault, is the mother of defendant Leonard Douglas “Doug” LaDuron. At times relevant to the Indictment, defendant Mary Jo LaDuron, a/k/a Mary Jo Gault assisted her son, Leonard Douglas “Doug” LaDuron with implementing the conspiracy and schemes to defraud the E-Rate program described in this Indictment.

## **The Conspiracy**

11. Beginning in Fall 1999, and continuing through sometime in November 2003, the precise dates being unknown to the grand jury, the defendants herein,

**Leonard Douglas "Doug" LaDuron and  
Mary Jo LaDuron, a/k/a Mary Jo Gault,**

combined, conspired, confederated, and agreed to commit offenses against the United States of America, in the District of Kansas and elsewhere, by:

A) knowingly and intentionally conspiring between themselves and other unindicted coconspirators to commit a series of offenses against the United States, namely to defraud and obtain E-Rate Program money from USAC, through materially false representations and the concealment of material facts, by depositing and causing to be deposited matters and things to be sent to USAC by United States Mail and by private and commercial interstate carrier, namely Airborne Express, in violation of Title 18, United States Code, Section 1341.

B) knowingly and intentionally conspiring between themselves and other coconspirators to commit a series of offenses against the United States, namely to defraud and obtain E-Rate Program money from USAC, through materially false representations and the concealment of material facts, by transmitting and causing to be transmitted by wire communication, in interstate commerce, matters and things to be sent to USAC by electronic mail, telephone, and telefax, in violation of Title 18, United States Code, Section 1343.

C) knowingly and intentionally conspiring among themselves and other coconspirators to commit a series of offenses against the United States, namely to defraud and obtain money from USAC, through the intentional manipulation of the competitive bidding process at schools seeking E-Rate funding, submission of materially false representations to USAC, concealment of

material facts from USAC, and forgery of the signatures of the officials representing schools seeking E-Rate funding, in violation of Title 18, United States Code, Section 1001.

12. The objects of the conspiracy were to: (a) to induce schools to select Company A, Serious ISP, Inc. and/or Myco Technologies, Inc. as the schools' service provider or providers in violation of E-Rate Program rules; (b) submit materially false and fraudulent documents to USAC which claimed that the schools had been had paid or would pay their co-pay; (c) submit other materially false and fraudulent documents to USAC; (d) receive payment from USAC for goods and services that defendants provided those schools; and (e) conceal the existence of the conspiracy from those schools, and USAC.

13. Defendant Mary Jo LaDuron, a/k/a Mary Jo Gault, fraudulently represented herself to schools applying for E-Rate funds, and to USAC, as an independent E-Rate consultant with Elephantine Corporation, but in fact acted in concert with her son, Leonard Douglas "Doug" LaDuron, to steer school's seeking E-Rate funding toward Serious ISP, Inc., Myco Technologies, Inc., and Company A. In doing so, Mary Jo LaDuron, a/k/a Mary Jo Gault, concealed her true identity and family relationship to Leonard Douglas "Doug" LaDuron by using her maiden name in dealing with those schools, and in dealing with USAC, in violation of E-Rate Program rules.

14. Defendant Leonard Douglas "Doug" LaDuron and other coconspirators, submitted or caused to be submitted fraudulent applications and other documents to USAC. In many cases, these applications and documents contained erroneous, misleading, or fraudulent information, including, but not limited to, fabricated school budgets, fabricated technology plans, the substitution of the names of Mary Jo Gault, Doug LaDuron or others instead of the names of the actual school officials on application documents, and forged signatures of school officials.

15. Defendant Leonard Douglas “Doug” LaDuron and other coconspirators, submitted fraudulent invoices and other documents to USAC which falsely claimed that the applicant schools had paid or would pay their co-pays and that all of the other rules of the E-Rate Program had been followed by defendants.

#### **Acts in Furtherance of the Conspiracy**

16. In furtherance of the conspiracy and to effect the unlawful objects thereof, defendant Leonard Douglas “Doug” LaDuron and other coconspirators committed and caused to be committed the following acts in the State and District of Kansas, and elsewhere:

- A) Between Fall of 1999 and November 2003, defendants Leonard Douglas “Doug” LaDuron, Mary Jo LaDuron, a/ka Mary Jo Gault and other coconspirators promised school officials that their schools would not have to pay the schools’ co-pay if the schools chose one or more of the defendants as the schools’ E-Rate Program service provider.
- B) Between Fall 1999 and November 2003, defendants Leonard Douglas “Doug” LaDuron, Mary Jo LaDuron, a/k/a Mary Jo Gault, and other coconspirators, used Elephantine Corporation, to pose as an independent consultant to schools interested in applying for funding under the E-Rate program. Mary Jo LaDuron, a/k/a Mary Jo Gault, defendant Leonard Douglas “Doug” LaDuron’s mother, used her maiden name of Mary Jo Gault in dealings with schools and USAC, and orchestrated the bidding process at these schools to direct the award of contracts funded under the E-Rate program to the other defendants. As a result of the defendants’ manipulation of the contract award process, all of the schools that

utilized Elephantine Corporation as their consultant ultimately awarded the technology contracts that were funded under the E-Rate program to the companies owned and operated by the defendant, Leonard Douglas “Doug” LaDuron, and/or to Company A, a coconspirator company. These schools included:

1. Aurora Weir Bilingual High School (Milwaukee, Wisconsin)
2. Dr. Brenda Pijoos School (Milwaukee, Wisconsin)
3. College Preparatory School of America (Lombard, Illinois)
4. Cornerstone Achievement Academy (Milwaukee, Wisconsin)
5. Calvary Chapel Academy (Lawrence, Kansas)
6. Islamic Academy Day School (Asbury Park, New Jersey)
7. Islamic School of Lawrence (Lawrence, Kansas)
8. Mohammed School (Little Rock, Arkansas)
9. New Horizon School (Pasadena, California)
10. River Run Education and Transition Training (Salem, Oregon)

C) Between Fall 1999 and November 2003, defendants Leonard Douglas “Doug” LaDuron, Mary Jo LaDuron, a/k/a Mary Jo Gault, and other coconspirators, caused forms applying for funding to be submitted on behalf of the schools for which E-Rate funding was sought that contained fictitious, fraudulent, or misleading information, including, but not limited to, forged signatures of school officials, fictitious school budgets, technology plans containing false information, USAC forms on which the defendants or other persons employed by the defendants, were listed as the school contact person, president, technology



administrator, or some other title intended to represent that person as an employee or agent of the school, and other intentionally misleading information. In some instances these forms were submitted by interstate telefax transmission or other means of wire transmission, including by interstate transmission of electronic mail or electronic data over the Internet. In other instances, these forms were submitted by United States Mail or by private interstate carriers.

D) Between Fall 1999 and November 2003, defendants Leonard Douglas “Doug” LaDuron, Mary Jo LaDuron, a/k/a Mary Jo Gault, and other coconspirators, in order to conceal the improper promises they had made to schools to pay for or forgive the schools’ co-pay and the defendants’ manipulation of the contract award process, engaged in artifices to conceal the fact that schools had not paid the co-pay. In some cases, one or more of the defendants or coconspirators paid an amount roughly equal to the school’s co-pay directly to the school, then accepted payment from the school for the co-pay. In other instances, they arranged for a third party to pay the school an amount roughly equal to the school’s co-pay directly to the school, then accepted payment for the co-pay from the school. Some of these payments were made in such a manner as to convince the schools involved that they were charitable contributions from individuals other than the defendants or their coconspirators. These transactions were intended to conceal from USAC the fact that:

- (1) on some occasions the defendants and coconspirators had promised schools that they would not have to pay the co-pay of contracts awarded

under the E-Rate program, and

(2) on some occasions the defendants and coconspirators paid the co-pay in order to continue and conceal their conspiracy.

E) Between Fall 1999 and November 2003, defendants Leonard Douglas “Doug” LaDuron, Mary Jo LaDuron, a/k/a Mary Jo Gault, and other coconspirators also engaged in other acts to conceal their fraudulent activity from USAC by instructing school officials how to respond to inquiries from USAC about possible violations of the E-Rate Program rules. In order to conceal their illegal activities, the defendants and coconspirators would coach the school officials on how they should respond to USAC inquiries. These conversations took place in interstate telephone calls between the defendants and coconspirators with the school officials. They were in some instances followed up by interstate telefax transmissions or interstate electronic mail messages that provided the school officials with more specific guidance as to how they should respond to USAC.

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

**COUNT TWO: False Statement (18 U.S.C. §1001)**

17. On or about 2003, in the District of Kansas, the defendant herein,

**Leonard Douglas “Doug” LaDuron**

knowingly and willfully made a false statement which was material to a matter within the jurisdiction of the Department of Housing and Urban Development of the United States (“HUD”) in connection with an application to obtain rental housing assistance through HUD’s Housing

Choice Voucher Program.

18. From at least 1999 to at least January 2004, defendant Leonard Douglas “Doug” LaDuron owned and operated, as President, Serious ISP, Inc. and Myco Technologies, Inc., Kansas corporations established by him.

19. On June 30, 2003, the defendant, Leonard Douglas “Doug” LaDuron, falsely submitted a fraudulent Certification of Eligibility and Personal Declaration of Information form to the Lawrence-Douglas County Housing Authority, the local administrator of HUD’s Housing Choice Voucher Program, in connection with his application for the program in which he stated that his occupation/title with Serious ISP, Inc. was “Sales” and in which he withheld the fact that he was the owner and President of Serious ISP, Inc. and Myco Technologies, Inc. The defendant, Leonard Douglas “Doug” LaDuron, submitted this form containing false and misleading information in order to receive rental housing assistance from The Lawrence-Douglas County Housing Authority under HUD’s Housing Choice Voucher Program to which he might not otherwise have been entitled.

**COUNT THREE: False Statement (18 U.S.C. §1001)**

20. On or about 2003, in the District of Kansas, the defendant herein,

**Leonard Douglas “Doug” LaDuron**

knowingly and willfully made a false statement which was material to a matter within the jurisdiction of the Department of Housing and Urban Development of the United States (“HUD”) in connection with an application to obtain rental housing assistance through HUD’s Housing Choice Voucher Program.

21. From at least 1999 to at least January 2004, defendant Leonard Douglas "Doug" LaDuron owned and operated Serious ISP, Inc., acting as the company's President.

22. On July 18, 2003, defendant Leonard Douglas "Doug" LaDuron falsely submitted a fraudulent Employment Verification form to The Lawrence-Douglas County Housing Authority, the local administrator of HUD's Housing Choice Voucher Program, in connection with his application for the program in which he forged the signature of the bookkeeper for Serious ISP, Inc., falsely stating that he was paid an hourly rate and not disclosing that he was the owner and president of Serious ISP, Inc. The defendant, Leonard Douglas "Doug" LaDuron, submitted this forged and fraudulent form without the knowledge or authority of the bookkeeper in order to receive rental housing assistance from The Lawrence-Douglas County Housing Authority under HUD's Housing Choice Voucher Program to which he might not otherwise have been entitled.

**All in violation of Title 18, United States Code, Section 1001.**

**JURISDICTION AND VENUE**

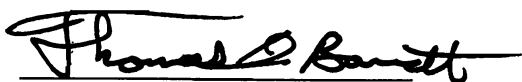
The offenses charged in this Indictment were carried out, in part, in the District of Kansas within the five years preceding the return of this Indictment.

A TRUE BILL

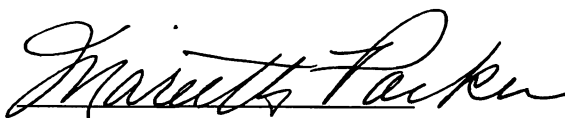
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FOREPERSON

DATED: 4/24/08



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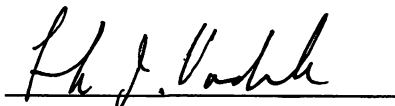
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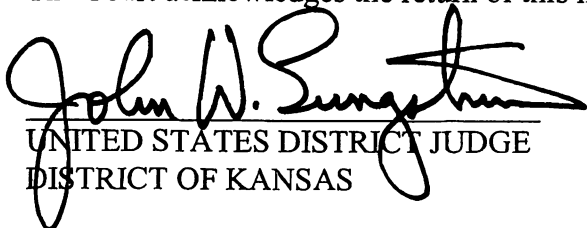


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(It is requested that the trial of the above-captioned case be held in the City of Kansas City, Kansas.)

The Court acknowledges the return of this indictment in open court.



UNITED STATES DISTRICT JUDGE  
DISTRICT OF KANSAS