



# Department of Justice

FOR IMMEDIATE RELEASE  
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## **MICHIGAN BUSINESSMAN SENTENCED TO 15 MONTHS IN PRISON FOR DEFRAUDING THE FEDERAL E-RATE PROGRAM**

WASHINGTON — The president and part owner of a Michigan-based Internet and technology services company was sentenced today to serve 15 months in prison for defrauding the federal E-Rate program, the Department of Justice announced.

Jeremy R. Sheets was also sentenced by Judge Paul L. Maloney of U. S. District Court in Kalamazoo, Mich., to pay a \$12,000 criminal fine and to pay \$115,534 in restitution for engaging in wire fraud in connection with the E-Rate applications of two school districts his company serviced in western Michigan. Sheets was charged with wire fraud on Dec. 9, 2010, and pleaded guilty on Jan. 24, 2011.

As a result of the Antitrust Division's investigation into fraud and anticompetitive conduct in the E-Rate program, a total of seven companies and 24 individuals have pleaded guilty, been convicted at trial or entered civil settlements. Those companies and individuals have been sentenced to pay criminal fines and restitution totaling more than \$40 million. Eighteen individuals, including Sheets, have been sentenced to serve prison time.

According to the charge, Sheets violated E-Rate program rules by compensating two school districts for their share of E-Rate expenses. In addition, Sheets utilized E-Rate funds to purchase undisclosed items, some of which were not eligible for E-Rate funding. Sheets concealed his violation of E-Rate program rules from the E-Rate program by fraudulently misrepresenting that the schools had been billed for their E-Rate expenses when, in fact, Sheets had reimbursed the schools for their share of expenses. The department said Sheets engaged in the wire fraud beginning in or about December 2001 and continuing until about December 2007.

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

Today's sentencing resulted from an investigation by the Department of Justice Antitrust Division's Chicago Field Office, with the assistance of the U.S. Attorney's Office in Grand Rapids, the FBI's Grand Rapids Office of its Detroit Division and the FCC's Office of Inspector

General. Anyone with information concerning violations of the E-Rate program or other anti-competitive conduct is urged to call the Antitrust Division's Chicago Field Office at 312-353-7530 or visit [www.justice.gov/atr/contact/newcase.htm](http://www.justice.gov/atr/contact/newcase.htm).

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