



Department of Justice

FOR IMMEDIATE RELEASE
WEDNESDAY, APRIL 23, 2008
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Two New Jersey Executives Agree to Plead Guilty in Nationwide Scheme to Defraud the Federal E-rate Program

WASHINGTON - Co-owners of a New Jersey-based computer service provider have agreed to plead guilty to participating in a conspiracy to defraud the Federal Communications Commission's (FCC) E-Rate program, the Department of Justice announced today.

Conspiracy charges were filed today in the U.S. District Court in Kansas City, Kan., against Benjamin Rowner and Jay H. Soled, former owners of DeltaNet Inc., for their role in defrauding the E-Rate program. Rowner and Soled conspired to defraud the E-Rate program by submitting false statements and concealing material facts from the Universal Service Administrative Company, which administers the E-Rate Program for the FCC. In some instances, these false statements were submitted by wire transmission, email and U.S. mail. The conspiracy began in 1999 and ran at least until 2003, affecting schools from New York to California. Under the terms of their plea agreements, which are subject to court approval, the two men have agreed to cooperate with the Department's ongoing investigation.

E-Rate, a program authorized by Congress in the Telecommunications Act of 1996, provides funding to economically disadvantaged school districts and libraries to connect to and utilize the Internet. Under the E-Rate program, schools can receive money for cabling, Internet backbone equipment (i.e., servers, PBX and switches), and the reimbursement of monthly Internet and telephone connectivity service fees.

"The Antitrust Division will vigorously prosecute those who are involved in fraudulent schemes that take funds away from federal programs and disrupt the competitive process," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division.

As a result of the Antitrust Division's investigation into fraud and anticompetitive conduct in the E-Rate Program, a total of six companies and 12 individuals have pleaded guilty, have been convicted and found guilty, or entered civil settlements and have paid, agreed to pay, or been sentenced to pay, criminal fines and restitution totaling more than \$40 million. Trials are currently pending in three additional E-Rate cases, and one individual remains an international fugitive.

"Our investment in this investigation is paying off," said Dr. Kent R. Nilsson, Inspector General of the Federal Communications Commission. "Every unlawful dollar obtained by individuals and companies deprives impoverished schools of much-needed funding, and we, along with the DOJ and FBI, will continue to aggressively pursue those who would steal from the E-Rate fund."

"The FBI played a key role in this matter," noted Tom Dalton, Acting Supervisory Special Agent, FBI White Collar Crime Squad, Kansas City, Mo., "and the investigation was conducted in a spirit of cooperation with several other agencies."

The conspiracy charges each carry a maximum penalty of five years in prison and a \$250,000 fine for individuals. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either amount is greater than the statutory maximum fine.

The charges announced today resulted from an ongoing investigation by the Antitrust Division, the FBI, the FCC concerning fraud committed on the E-Rate program and with assistance from the U.S. Attorney's Office for the District of Kansas. Anyone with information concerning violations of the E-Rate Program or other anticompetitive conduct is urged to call the Chicago Field Office of the Antitrust Division at 312-353-7530.

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