



UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA :

- v. - :

JOHN ANGELIDES, :

Defendant. :

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INFORMATION

03 Cr.

COUNT ONE

(Fraud, False Claims and False Statements Conspiracy)

The United States Attorney charges:

The E-Rate Program

1. In or about 1998, the Federal government implemented a program to provide subsidies to schools and libraries in financial need 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 program is administered under contract with the Government by a private, not-for-profit company called the Universal Service Administration Company ("USAC"), and a subdivision of USAC called the "Schools and Libraries Division" ("SLD"). The Federal Communications Commission ("FCC") oversees and regulates USAC and SLD.

2. One of the principal objectives of the E-Rate Program is to encourage economically disadvantaged schools to create and upgrade their internet and communications

infrastructure, and to provide their students with access to the internet as a learning tool. To further this objective, the Federal government has, since the inception of the program, offered 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 eligibility requirements is that each applicant school pay some percentage of the cost of the infrastructure enhancement. The percentage that the applicable school must pay ranges from 10% to 80%, depending on particular characteristics related to the neediness of each applicant institution (hereinafter, the school's "Undiscounted Share"). The Government pays the balance of that cost, which ranges from as low as 20% to as high as 90%. Among the reasons why the applicant schools are required to pay a portion of the costs are: (i) to ensure that schools have a financial incentive to negotiate for the most favorable prices, so that the government's spending under the program is not wasteful; and (ii) to ensure that schools only purchase infrastructure and equipment that they truly need.

#### Connect 2 Internet and the Defendants

4. At all times relevant to this Information, Connect 2 Internet Networks, Inc. ("Connect 2") was a vendor of internet and communications infrastructure and related services.

5. At all times relevant to this Information, JOHN ANGELIDES, the defendant, was the owner and principal officer of Connect 2.

6. A number of schools in the New York City and New Jersey area have applied for and received funding from the E-Rate Program to establish, enhance and/or upgrade those schools' internet infrastructure, using Connect 2 as their vendor for internet related services and equipment. Specifically, in the period from approximately July 1998 to the present, Connect 2 was the vendor of goods and services for more than 200 schools participating in the E-Rate Program. Most of these schools purported to participate at a 90% discount rate (i.e., the discount rate associated with the most financially disadvantaged schools), and consequently, under the rules of the E-Rate Program, those schools were obligated to pay 10% of the cost of goods and services, and Connect 2 sought payment from the Government for the purportedly remaining 90%.

#### Overview of the Fraudulent Scheme

7. JOHN ANGELIDES, the defendant, and co-conspirators not named as defendants herein, devised and carried out a scheme to obtain E-Rate funds for goods and services that Connect 2 provided to various schools on the false pretense that the schools would pay or had paid their Undiscounted Share of the costs of those goods and services. In fact, ANGELIDES and Connect 2 charged the schools

nothing for these goods and services, and assured the schools that they would never have to pay for the goods and services. In this way, ANGELIDES and Connect 2 were able to sell E-Rate eligible goods and services to schools across the New York City area with little or no control on the price they charged, and impose the entire cost on the Government.

8. Among the schools through which JOHN ANGELIDES, the defendant, perpetrated this fraudulent scheme were: the Al Noor School, located in Brooklyn, New York; the Saint Rocco Victoria School, located in Newark, New Jersey; the Children's Store Front School, located in Manhattan, New York; schools operated at various times in Brooklyn, the Bronx and Manhattan by the Association for the Help of Retarded Children; the Islamic Elementary School, located in Queens, New York; the Saint John's Lutheran School, located in Glendale, New York; and the Annunciation School, located in the Bronx, New York (collectively, hereinafter, the "Schools").

9. JOHN ANGELIDES, the defendant, and his co-conspirators induced the Schools to participate in the scheme and to hire Connect 2 as their E-Rate Vendor. ANGELIDES also deceived the Government into believing that the Schools had paid their Undiscounted Share by, among other things:

(a) falsely representing to school administrators that the Schools' Undiscounted Share would be covered by "outside

grants" or "outside sources of funding" donated to Connect 2 for that purpose;

(b) asking the Schools to write checks payable to Connect 2 and agreeing not to cash the checks;

(c) asking the Schools to write checks payable to Connect 2 and agreeing to return the money in cash or by check payable to the Schools or their designees;

(d) creating back-dated invoices and other phony billing documents to give the false appearance that Connect 2 billed the Schools for their Undiscounted Share;

(e) concealing communications in which the defendants assured the Schools that they would not have to pay for any of the goods and services being supplied by Connect 2; and

(f) providing school administrators with false and misleading documents designed to conceal the scheme and enable Connect 2 to collect more money from the E-Rate Program.

#### The Conspiracy

10. From at least in or about the Fall of 1999, through at least in or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly did combine, conspire, confederate and agree together and with each other to violate the laws of the United States, to wit, Title 18, United States Code, Sections 287, 1001, and 1343.

The Objects of the Conspiracy

11. It was a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, would and did transmit and cause to be transmitted by means of wire, radio and television communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds for the purpose of executing such a scheme and artifice and attempting so to do, in violation of Title 18, United States Code, Section 1343.

12. It was further a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly, made and presented to persons and officers in the civil service of the United States and to departments and agencies thereof, claims upon and against the United States and departments and agencies thereof, knowing such claims to be false, fictitious and fraudulent, in violation of Title 18, United States Code, Section 287.

13. It was further a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, in a matter within the jurisdiction of the executive and legislative branches of the Government of the United States,

unlawfully, willfully and knowingly, falsified, concealed and covered up by trick, scheme and device material facts, and made materially false and fraudulent statements and representations, and made and used false, fictitious writings and documents knowing the same to contain materially false, fictitious and fraudulent statements and entries, in violation of Title 18, United States Code, Section 1001(a).

Means and Methods of the Conspiracy

14. Among the means and methods by which JOHN ANGELIDES, the defendant, and his co-conspirators carried out the conspiracy were the following:

a. JOHN ANGELIDES, the defendant, and his co-conspirators falsely represented to various School administrators that their Schools' participation in the E-Rate Program would be at no cost to the Schools; and that the Schools' Undiscounted Share would be covered by "outside grants" or "outside sources of funding" donated to Connect 2 for that purpose;

b. JOHN ANGELIDES, the defendant, and his co-conspirators requested that School officials write checks payable to Connect 2 while agreeing not to cash the checks;

c. JOHN ANGELIDES, the defendant, and his co-conspirators requested that School officials write checks payable to Connect 2 while agreeing to return those monies to the Schools or their designees; and

d. JOHN ANGELIDES, the defendant, and his co-conspirators created back-dated invoices and other phony billing documents to give the false appearance that Connect 2 had billed the Schools for their Undiscounted Share;

e. JOHN ANGELIDES, the defendant, and his co-conspirators concealed communications in which they assured the Schools that they would not have to pay for any of the goods and services being supplied by Connect 2; and

f. JOHN ANGELIDES, the defendant, and his co-conspirators attempted to persuade school administrators to lie to government investigators and give them false and misleading documents, in order to conceal the scheme and enable the defendants to collect more money from the E-Rate Program.

Overt Acts

15. In furtherance of said conspiracy and to effect the illegal objects thereof, JOHN ANGELIDES, the defendant, and others known and unknown, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. On or about January 13, 2000, JOHN ANGELIDES, the defendant, sent a letter he signed on behalf of Connect 2 by fax communication from Staten Island, New York, to the St. Rocco Victoria School in Newark, New Jersey, stating that the School could participate in the E-Rate Program with "absolutely no cost to the school."

b. In or about January 2000, in New York, New York, JOHN ANGELIDES, the defendant, told an employee of the Association for the Help of Retarded Children that the Association could participate in the E-Rate Program and incur no cost.

c. On or about January 18, 2000, JOHN ANGELIDES, the defendant, signed a letter on behalf of Connect 2 stating to the St. John Lutheran School in Queens, New York, that it could participate in the E-Rate Program with "absolutely no cost to the school."

d. On or about January 18, 2000, JOHN ANGELIDES, the defendant, signed a letter on behalf of Connect 2 advising the Islamic Elementary School in Queens, New York, that it could participate in the E-Rate Program with "absolutely no cost to the school."

e. On or about July 30, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that ANGELIDES and Connect 2 were acting in compliance with the rules and regulations of the E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

f. On or about August 30, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey,

that falsely represented that ANGELIDES and his company, Connect 2, were acting in compliance with the rules and regulations of the E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

g. On or about October 10, 2001, JOHN ANGELIDES, the defendant, received approximately \$54,999 from a co-conspirator not named as a defendant herein, as part of a "check exchange" perpetrated to create the misimpression that Connect 2 was acting in compliance with the rules and regulations of the E-Rate Program.

h. On or about November 21, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that Connect 2 was acting in compliance with the rules and regulations of the E-Rate Program, and enclosed false, incomplete and misleading documentation to support that false representation.

(Title 18. United States Code, Section 371.)

#### FORFEITURE ALLEGATION

16. As the result of committing the offense of conspiracy to commit wire fraud, in violation of Title 18, United States Code, Section 371 as alleged in Count One of this Information, JOHN ANGELIDES, the defendant, shall forfeit to the United States pursuant to Title 18, United States Code, Sections 981(a)(1)(C), 1956(c)(7) and 1961(1), and Title 28, United States

Code, Section 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of this offense, including, but not limited to the following:

a. A sum of money equal to approximately \$290,000 in United States currency, representing the amount of proceeds obtained as a result of the offense.

Substitute Assets Provision

b. If any of the property described above as being subject to forfeiture, as a result of any act or omission of any of the defendant --

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third party;

(3) has been placed beyond the jurisdiction of the court;

(4) has been substantially diminished in value; or

(5) has been commingled with other property which cannot be divided without difficulty;

it is the intention of the United States, pursuant to Title 21,

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(Title 18 U.S.C. § 371)

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JAMES B. COMEY  
United States Attorney.

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