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**OWNER AND FOUR EMPLOYEES OF CRYSTAL LAKE BUSINESSES CHARGED  
WITH DEFRAUDING UNITED STATES, U.S. MILITARY VETERANS, AND  
SERVICE DISABLED VETERAN OWNED SMALL BUSINESSES**

ROCKFORD — the owner of certain Crystal Lake, Ill. businesses, three of his current employees, and one former employee, were all indicted today by a federal grand jury in Rockford, Ill. The indictment charges the five defendants with defrauding the United States, U.S. military veterans, and certain other disadvantaged businesses known as Service Disabled Veteran Owned Small Businesses.

Defendant, **John C. Blanchard**, 51, of Crystal Lake, Ill., owns and operates several businesses referenced in today's indictment, including National Association of Systems Administrators, Inc. ("NASA, Inc."), National Association of Systems Administrators Corporation ("NASA Corp."), NASA Education Corp. ("NASA Education"), and Liberating Solutions Corporation ("Liberating Solutions"). NASA, Inc., and NASA Corp. provide computer system maintenance and support for small businesses and engage in some software design. NASA Education and Liberating Solutions are companies that are purportedly designed to help homeless U.S. military veterans by providing them with work training, community reintegration, and other services. All of these businesses are located in Crystal Lake, Ill.

The remaining four defendants all worked for John Blanchard's businesses. **Joanne Blanchard**, 49, of Crystal Lake, John Blanchard's wife, managed the finances and payroll for her husband's companies. **James Blanchard**, 55, of McHenry, Ill., John Blanchard's brother, was a

Project Manager for Liberating Solutions and managed security for his brother's businesses. **Eric R. Behler**, 51, of Curlew, Washington, was a Contracting Officer for Liberating Solutions. **Amy B. Johnson**, 50, of Elkhart, Indiana, oversaw NASA Education.

The indictment alleges that the defendants fraudulently obtained federal contracts that were set-aside for Service Disabled Veteran Owned Small Businesses. Federal law allows for certain contracts to be set-aside for Service Disabled Veteran Owned Small Businesses. To qualify as a Service Disabled Veteran Owned Small Business, a company must be at least 51% owned by one or more service-disabled veterans, and the daily operations of the business must be managed by a service-disabled veteran. According to the indictment, the defendants caused Liberating Solutions to bid for and win federal set-aside contracts by falsely representing that Liberating Solutions was a Service Disabled Veteran Owned Small Business.

The indictment also charges that the defendants defrauded the U.S. military veterans who were enrolled in the NASA Education program by failing to pay them the wages they were entitled to under the Davis Bacon Act, the Service Contract Act, and Illinois law. The Davis-Bacon Act requires that companies receiving federally funded contracts for work on federal buildings must pay their employees locally prevailing wages and fringe benefits for similar projects in the area. The Service Contract Act requires companies that are awarded federal contracts to provide certain services to the federal government must also pay their employees certain wage rates. Illinois law has similar requirements for contractors who are awarded contracts for state and local government projects.

According to the indictment, the defendants caused Liberating Solutions and NASA Education to win contracts with the federal government and local governments in Illinois by representing that their businesses would pay their employees the wage rates required under the Davis Bacon Act, the Service Contract Act, and Illinois law. Then, the defendants required the U.S.

military veterans who were enrolled in the NASA Education program to perform the physical labor required by these contracts. Contrary to the representations on the contracts, the defendants did not pay the veterans the wage rates required by the Davis Bacon Act, the Service Contract Act, and Illinois law.

The indictment also charges the defendants with defrauding the United States in connection with the receipt of certain grant funds. The U.S. Department of Labor (“DOL”) provides up to \$10,000 in grant funds to organizations that sponsor “Stand Downs.” Stand Downs are events which provide homeless veterans with information regarding training, employment opportunities, and social services. The DOL requires organizations that receive these grants to provide the DOL with receipts and invoices for the costs incurred. The grant recipients are also required to return any funds not expended for the event.

According to the indictment, the defendants fraudulently caused NASA Education to keep excess grant funds it received for Stand Down events by submitting fraudulent invoices falsely claiming that NASA Education had incurred certain expenses. For example, some of these fraudulent invoices claimed that security for NASA Education’s Stand Down events had been provided by a company known as “Bull Dog Security,” when in fact security for those events had been provided by veterans who were not paid for their services.

The indictment returned today contains six counts of wire fraud, one count of mail fraud, and ten counts of providing material false statements and documents in a matter within the jurisdiction of a federal agency. Each count of wire fraud and mail fraud carries a maximum penalty of 20 years in prison. Each count of providing material false statements or documents carries a maximum penalty of 5 years in prison. All of the counts carry a maximum fine of \$250,000, or an alternate fine totaling twice the loss or twice the gain derived from the offense, whichever is greater, and restitution. If convicted, the Court must impose a reasonable sentence under the advisory United

States Sentencing Guidelines.

The defendants are scheduled to be arraigned on the indictment next Tuesday, Aug. 28, 2012, at 11:00 a.m., at the federal courthouse in Rockford, Ill. The arraignments will be conducted by U.S. Magistrate Judge P. Michael Mahoney.

The indictment was announced today by Gary S. Shapiro, Acting United States Attorney for the Northern District of Illinois; James Vanderberg, Special Agent in Charge of the Chicago Office of the U.S. Department of Labor, Office of Inspector General; John W. Brooks, Special Agent in Charge of the Central Field Office of the U.S. Department of Veterans Affairs, Office of the Inspector General; Armando Lopez, Special Agent in Charge of the Chicago Field Office of the U.S. Department of Homeland Security, Office of the Inspector General; Barry McLaughlin, Special Agent-in-Charge of the U.S. Department of Housing and Urban Development, Office of Inspector General in Chicago; and Jeffrey L. Arsenault, Special Agent in Charge of the Central Field Office of the Defense Criminal Investigative Service.

The government is represented by Assistant U.S. Attorney Scott A. Verseman.

The public is reminded that an indictment contains only charges and is not evidence of guilt. Each defendant is presumed innocent and is entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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