

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

vs.

GREGORY A. DERUE,

INDICTMENT

Defendant.

_____ /

The Grand Jury charges:

INTRODUCTION

At all times relevant to this Indictment, the following facts were true:

1. Defendant Gregory A. DeRue was a resident of Granger, St. Joseph County, Indiana.
2. Defendant DeRue was employed by Southwestern Michigan College (“College”) in Dowagiac, Cass County, Michigan between January 2011 and May 2013 as the Executive Director of Marketing.
3. At the recommendation and request of its Executive Director of Marketing, Defendant DeRue, the College began using DMG Media in June 2011 as the College’s advertising agency for use in purchasing all television, radio, and billboard advertising. DMG Media served in this capacity through May 2013.
4. DMG Media invoices list its place of business as 5776-51 Grape Road # 164, Mishawaka, Indiana 46545. 5776-51 Grape Road, Mishawaka, St. Joseph County, Indiana is a UPS Store that rents mail boxes to various clients. Box # 164 was rented to DMG Media.
5. De Rue Marketing Group LLC is organized in the State of Indiana. The Indiana

Business Entity Report on file with Indiana state government indicates that Greg DeRue is the President of De Rue Marketing Group LLC. In August 2, 2011, De Rue Marketing Group filed with the State of Indiana a Certificate of Assumed Business Name – DMG Media.

6. While serving as Executive Director of Marketing with the College, Defendant DeRue never disclosed that he served as the President and sole employee of DMG Media. Rather, the College dealt exclusively through email with DMG Media’s purported agent, “Jack.”

7. Over the course of the College’s relationship with DMG Media, from June 2011 to May 2013, DMG Media billed the College a total of \$487,427. All invoices were paid except the final invoice in May 2013 of \$26,260, on which the College placed a stop payment order. Of this \$487,427 gross amount invoiced to the College, DMG Media contracted with media providers to provide \$279,145 worth of services, to include an agency commission of \$32,360 paid to DMG Media by the College as a 15% commission on television and radio billings.

8. Billing invoices were sent by electronic email from DMG Media to the College. The College paid those invoices by cutting a check drawn on Fifth Third Bank in Western Michigan and mailed via the United States Postal Service from Dowagiac, Cass County, Michigan to the DMG Media address at 5776-51 Grape Road # 164, Mishawaka, St. Joseph County, Indiana 46545.

9. DMG Media invoiced the College for more than the gross amount of the services actually provided and invoiced for services never provided. DMG Media also failed to pay some media providers for advertising that was completed on behalf of the College. Defendant Greg DeRue concealed from the College that he was the President and sole employee of DMG Media, and that the College’s contact at DMG Media – “Jack” – did not otherwise exist apart from Defendant DeRue.

10. After Defendant DeRue was released from employment with the College on May 23, 2013, but before the DMG Media contract with the College was later terminated, DeRue contacted the College to advise that he would be handling the College's account with DMG Media.

COUNTS 1-9
(Mail Fraud)

11. The Grand Jury incorporates into Counts 1-9 the allegations and assertions set forth in paragraphs 1 through 10 of this Indictment.

12. From no later than in or about June 2011 to in or about May 2013, in Cass County and elsewhere, in the Southern Division of the Western District of Michigan,

GREGORY A. DERUE

did knowingly, and with the intent to defraud, devise and participate in a scheme and artifice to defraud and to obtain money by means of material false and fraudulent pretenses, representations and promises.

MANNER AND MEANS

13. It was part of the scheme to defraud that DMG Media invoiced the College for more than the gross amount of the services actually provided and invoiced for services never provided. In Invoice # 142 dated September 8, 2011, DMG Media invoiced the College for \$1,000 for “WNDU – TV commercials” provided in August 2011. The College cut a check for \$7,130.00 to DMG Media on October 7, 2011 for Invoice # 142 to pay this and other line items on the invoice, and as part of its normal business practice and procedure mailed that check through the United States Postal Service from Dowagiac, Cass County, Michigan. DMG Media placed no advertising with WNDU-TV over this period on behalf of the College.

14. In Invoice # 155 dated October 1, 2011, DMG Media invoiced the College for \$4,000 for “WNDV TV buys” provided in September 2011. In Invoice # 163 dated October 21, 2011, DMG Media invoiced the College for \$4,000 for “WNDV TV buy” provided in October 2011. The College cut a check for \$47,465 to DMG Media on October 28, 2011 for

Invoices # 155 and # 163 to pay these and other line items on the invoices, and as part of its normal business practice and procedure mailed that check through the United States Postal Service from Dowagiac, Cass County, Michigan. DMG Media placed no advertising with WNDU-TV over this period on behalf of the College.

15. In Invoice # 182 dated December 1, 2011, DMG Media invoiced the College for \$435 for “WNDU TV buy” provided in December 2011. The College cut a check for \$9,905 to DMG Media on January 20, 2012 for Invoice # 182 to pay this and other line items on the invoice, and as part of its normal business practice and procedure mailed that check through the United States Postal Service from Dowagiac, Cass County, Michigan. DMG Media placed no advertising with WNDU-TV over this period on behalf of the College.

16. In Invoice # 201 dated February 13, 2012, DMG Media invoiced the College for \$11,100 for “WSBT, Comcast, WSJV, WNDU TV buys” provided in February 2012. The College cut a check for \$12,000 to DMG Media on March 9, 2012 for Invoice # 201 to pay this and other line items on the invoice, and as part of its normal business practice and procedure mailed that check through the United States Postal Service from Dowagiac, Cass County, Michigan. DMG Media placed no advertising with WNDU-TV over this period on behalf of the College.

17. In Invoice # 212 dated March 12, 2012, DMG Media invoiced the College for \$3,500 for “WNDU TV” provided in March 2012. The College cut a check for \$36,140 to DMG Media on April 13, 2012 for Invoice # 212 and another invoice to pay this and other line items on the invoice, and as part of its normal business practice and procedure mailed that check through the United States Postal Service from Dowagiac, Cass County, Michigan. DMG Media placed no advertising with WNDU-TV over this period on behalf of the College.

18. In Invoice # 337 dated April 11, 2012, DMG Media invoiced the College for \$15,250 for “TV Buys WSJV, WBND, CW25, Comcast, WSBT, WNDU” provided in April 2012. The College cut a check for \$33,950 to DMG Media on May 4, 2012 for Invoice # 337 and another invoice to pay this and other line items on the invoice, and as part of its normal business practice and procedure mailed that check through the United States Postal Service from Dowagiac, Cass County, Michigan. DMG Media placed no advertising with WNDU-TV over this period on behalf of the College.

19. In Invoice # 417 dated May 11, 2012, DMG Media invoiced the College for \$4,500 for “WNDU TV” provided in May 2012. The College cut a check for \$38,300 to DMG Media on June 1, 2012 for Invoice # 417 and another invoice to pay this and other line items on the invoice, and as part of its normal business practice and procedure mailed that check through the United States Postal Service from Dowagiac, Cass County, Michigan. DMG Media placed no advertising with WNDU-TV over this period on behalf of the College.

20. In Invoice # 553 dated June 8, 2012, DMG Media invoiced the College for \$4,000 for “WNDU TV” provided in June 2012. The College cut a check for \$20,000 to DMG Media on June 22, 2012 for Invoice # 553 to pay this and other line items on the invoice, and as part of its normal business practice and procedure mailed that check through the United States Postal Service from Dowagiac, Cass County, Michigan. DMG Media placed no advertising with WNDU-TV over this period on behalf of the College.

21. In Invoice # 1038 dated September 14, 2012, DMG Media invoiced the College for \$11,800 for “TV Ad Buys” provided in September 2012. An email dated June 3, 2013 from “Jack” details that \$5,000 from the line item was directed to WNDU. The College cut a check for \$19,900 to DMG Media on October 12, 2012 for Invoice # 1038 to pay this and other line

items on the invoice, and as part of its normal business practice and procedure mailed that check through the United States Postal Service from Dowagiac, Cass County, Michigan. DMG Media placed no advertising with WNDU-TV over this period on behalf of the College.

22. It was further part of the scheme to defraud that Defendant DeRue received the money sent to him by the College and deposited those checks into a DMG Media account at Woodforest National Bank.

THE MAILINGS

23. In order to execute the scheme, Defendant DeRue, in the Southern Division of the Western District of Michigan, did knowingly cause to be sent, delivered, and received through the Postal Service, according to the directions thereon, the items and things described below on or about the dates indicated:

Count	Date	Description of Mailing
1	On or about 10/07/2011	United States Postal Service First Class Mail addressed to DMG Media in Mishawaka, Indiana.
2	On or about 10/28/2011	United States Postal Service First Class Mail addressed to DMG Media in Mishawaka, Indiana.
3	On or about 01/20/2012	United States Postal Service First Class Mail addressed to DMG Media in Mishawaka, Indiana.
4	On or about 03/09/2012	United States Postal Service First Class Mail addressed to DMG Media in Mishawaka, Indiana.
5	On or about 04/13/2012	United States Postal Service First Class Mail addressed to DMG Media in Mishawaka, Indiana.
6	On or about 05/04/2012	United States Postal Service First Class Mail addressed to DMG Media in Mishawaka, Indiana.
7	On or about 06/01/2012	United States Postal Service First Class Mail addressed to DMG Media in Mishawaka, Indiana.

8	On or about 06/22/2012	United States Postal Service First Class Mail addressed to DMG Media in Mishawaka, Indiana.
9	On or about 10/12/2012	United States Postal Service First Class Mail addressed to DMG Media in Mishawaka, Indiana.

18 U.S.C. § 1341

COUNTS 10-11
(Money Laundering)

24. The Grand Jury incorporates into Counts 10-11, specifically and by reference and as if stated therein, the allegations and assertions stated in paragraphs 1-23.

25. On or about the dates listed below, in the Western District of Michigan, Southern Division, and elsewhere,

GREGORY A. DERUE

did knowingly engage in monetary transactions by, through, and to financial institutions, affecting interstate commerce, in criminally-derived property of a value greater than \$10,000, said property having been derived from specified unlawful activity, namely, mail fraud:

Count	Date	Transaction
10	On or about 07/01/2012	DERUE issued check # 1256 in the amount of \$50,000 from the DMG Media account at Woodforest National Bank payable to DERUE's personal account at Teachers Credit Union. Also on or about July 1, 2012, DERUE issued check # 4922 in the amount of \$31,400.25 from his personal account at Teachers Credit Union to pay his home mortgage at Wells Fargo.
11	On or about 07/09/2012	DERUE issued ACH check # 1257 from the DMG Media account at Woodforest National Bank to Hyundai Capital in the amount of \$22,919.60 to pay off a 2012 Hyundai Santa Fe vehicle.

18 U.S.C. § 1957
18 U.S.C. § 1956(i)

FORFEITURE ALLEGATION
(Mail Fraud)

The allegations contained in Counts 1 through 9 of this Indictment are hereby re-alleged and incorporated by reference for the purpose of alleging forfeitures pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c).

Pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), upon conviction of the scheme to defraud in violation of 18 U.S.C. § 1341 set forth in Counts 1 through 9 of this Indictment, the defendant,

GREGORY A. DERUE,

shall forfeit to the United States of America any property, real or personal, which constitutes or is derived from proceeds traceable to the scheme to defraud. The property to be forfeited includes, but is not limited to, the following:

1. PERSONAL PROPERTY:
 - a. United States currency in the amount of \$115,089.87 seized on or about June 26, 2014 from Woodforest National Bank Account #XXXXXX0472 held in the name of DeRue Marketing Group LLC.
 - b. a 2012 Hyundai Santa Fe, VIN: 5XYZG3AB9CG126988, titled in the name of Gregory Albert DeRue
2. MONEY JUDGMENT: A sum of money equal to at least \$61,272.53, which represents the balance of proceeds DeRue obtained, directly or indirectly from the scheme to defraud charged in Counts 1-9.
3. SUBSTITUTE ASSETS: If any of the property described above, as a result of any act or omission of the defendant:
 - a. cannot be located upon the exercise of due diligence;

- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty,

the United States of America shall be entitled to forfeiture of substitute property pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b)(1) and 28 U.S.C. § 2461(c).

18 U.S.C. § 981(a)(1)(C)

21 U.S.C. § 853(p)

28 U.S.C. § 2461(c)

FORFEITURE ALLEGATION
(Money Laundering)

The allegations contained in Counts 10 and 11 of this Indictment are hereby re-alleged and incorporated by reference for the purpose of alleging forfeitures pursuant to 18 U.S.C. § 982(a)(1).

Pursuant to 18 U.S.C. § 982(a)(1), upon conviction of either offense in violation of 18 U.S.C. § 1957 set forth in Counts 10 and 11 of this Indictment, the defendant,

GREGORY A. DERUE,

shall forfeit to the United States of America any property, real or personal, involved in such offense, and any property traceable to such property. The property to be forfeited includes, but is not limited to, the following:

1. MONEY JUDGMENT: a sum of money equal to at least \$31,400.25, which represents the property involved in the offense charged in Count 10.

2. PERSONAL PROPERTY: a 2012 Hyundai Santa Fe, VIN: 5XYZG3AB9CG126988, titled in the name of Gregory Albert DeRue, which constitutes property involved in the offense charged in Count 11.

3. SUBSTITUTE ASSETS: If any of the property described above, as a result of any act or omission of the defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty,

the United States of America shall be entitled to forfeiture of substitute property pursuant to 21 U.S.C. § 853(p) as incorporated by 18 U.S.C. § 982(b)(1) and 28 U.S.C. § 2461(c).

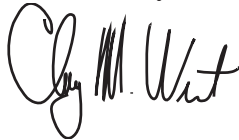
18 U.S.C. § 982(a)(1)
21 U.S.C. § 853(p)
18 U.S.C. § 982(b)(1)
28 U.S.C. § 2461(c)

A TRUE BILL



GRAND JURY FOREPERSON

PATRICK A. MILES, JR.
United States Attorney



CLAY M. WEST
Assistant United States Attorney