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September 10, 2021
For Immediate Release

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Former CEO Ordered to Pay \$37 Million in Fines in Charter School Fraud Case

Funds Will Support K through 12 Students in San Diego County

San Diego County District Attorney Summer Stephan today announced that Jason Schrock, 46, charged with stealing tens of millions in public funds has been sentenced to four years in state prison and ordered by a judge to pay \$37.5 million in fines with his co-defendant Sean McManus, 48.

In addition to handing down his sentence, Judge Frederick Link – who oversaw the entire case – ordered \$18.75 million in fines to be paid to the County of San Diego now, reserving another \$18.75 million to be paid when McManus is sentenced on February 22, 2022. Another \$14 million in restitution was ordered to be paid to victims in kindergarten through 12th grade, which will be held in trust and administered by the San Diego Foundation. The remaining restitution of more than \$90 million will go to the state. The court-appointed receiver was ordered to hold the additional approximately \$70 million to be paid out at a future date. In all, more than \$220 million in stolen funds were recovered, of which \$150 million was the subject of today's court hearing.

Under a resolution passed unanimously by the San Diego County Board of Supervisors last month, the fines imposed by the court related to this case will be earmarked and exclusively dedicated to programs that directly serve the needs of kindergarten through 12th grade students in San Diego County. The District Attorney's Office is recommending the funds be allocated in the areas supporting educational equity and acceleration of learning, behavioral health needs, housing and food stability needs, mentorship, and other needs that allow children to thrive, all of which is consistent with the Judge Link's order to the receiver.

“These defendants engaged in a systematic public corruption scheme on the backs of students, their parents and the public that over time diverted millions of taxpayer dollars into their own pockets,” [District Attorney Summer Stephan](#) said. “Our team's successful prosecution of this case held the defendants accountable for widespread misappropriation of public funds that extended across the state. Now, a great deal of those stolen funds will be funneled back into supporting students. Children are our future and these funds come at a perfect time to help them recover and succeed.”

McManus, the CEO and president of A3 Education, along with Jason Schrock and nine other defendants were indicted in May of 2019 on several criminal counts including conspiracy, misappropriation of public funds, and conflict of interest.

The case is one of the nation's largest fraud schemes targeting taxpayer dollars intended for primary education. Schrock pleaded guilty to felony charges including conspiracy and conflict of interest. He has been on house arrest in his home in Orange County since he was arraigned. As part of the DA's investigation, more than \$220 million in assets and fraudulently acquired taxpayer funds is being recovered, representing one of the nation's largest recoveries.

Prosecutors said a case of this magnitude, with foreign parties and compounded with the set back of the pandemic, could take a decade to see through trial and appeals, during which time hundreds of millions of dollars would have been unavailable to children for educational purposes. By coming to an early resolution and recovering all the funds, the DA's office was able to save the cost of litigation and guarantee a victory that puts money back into the system to help educate our youth as intended.

The 235-page indictment was the result of a year-long investigation by the San Diego County District Attorney's Office into allegations of fraud in public schools. The investigation uncovered a massive scheme in which McManus and Schrock directed subordinates and co-defendants to open 19 charter schools in San Diego County and across California and obtained taxpayer funds in a variety of unlawful ways while providing little to no education to most of the children enrolled. McManus and Schrock sought out small school districts with limited experience and ability to provide oversight and proposed they authorize online charter schools to earn additional public funds in the form of oversight fees. Without any meaningful oversight, McManus and Schrock used the charter schools to unlawfully secure taxpayer revenue and siphoned more than \$100 million into companies they control.

McManus and Schrock paid athletic organizations for student information and documentation used to enroll children into public school under cover of a "fundraiser." McManus and Schrock paid pre-existing youth programs as little as \$25 per student and the state later compensated them as much as \$4,000 per student as a "charter school student." Some parents were unaware their children were enrolled in a charter school and these children received nothing more than they would have already received from their athletic program. McManus and Schrock further inflated the taxpayer funds they collected by backdating student enrollment documentation, misrepresenting spending to meet state requirements for instructional services expenditures, distorting the calendars for the school year to manipulate the state funding formula, and moving children between schools when the students earned maximum funding for a school year.

McManus and Schrock controlled the charter schools and transferred over \$100 million to private businesses under their control by falsifying invoices for services provided to the charter schools that never occurred. McManus and Schrock did not use the money to educate students, but instead spent the funds on themselves and their families—they invested in startup companies, real estate, and wired funds directly to themselves or family members. The funds paid to McManus and Schrock's companies largely ended up in their pockets.

Nine co-defendants in the case have pleaded guilty thus far, including McManus who will be sentenced on February 22, 2022. As part of the plea agreement, McManus is cooperating with the District Attorney's Office and the court-appointed receiver to assist in the prosecution of the remaining defendants and in the court-appointed receiver's efforts to recover additional funds.

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About the San Diego County District Attorney's Office

The San Diego County DA's Office prosecutes all felony crimes in the county and misdemeanor crimes committed outside the City of San Diego. The office files about 40,000 criminal cases a year and balances prosecution with numerous crime prevention programs. District Attorney Summer Stephan

leads the office of more than 1,000 dedicated employees who pursue fair and equal justice, and support victims daily across San Diego County.