



NEWS RELEASE

United States Attorney's Office

Central District of California

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ARIZONA COUPLE INDICTED ON CHARGES OF DEFRAUDING DEFENSE DEPARTMENT AND NORTHROP GRUMMAN BY OBTAINING \$2.6 MILLION FROM BOGUS CONTRACTS

Federal authorities are searching for a former employee of the Northrop Grumman Corporation and his wife, who were indicted yesterday for causing the defense contractor to pay approximately \$2.6 million for materials that were never delivered and using contract proceeds to fund their lavish lifestyle.

Arrest warrants were issued today for Michael Crabtree, 47, and his wife, Susan Crabtree, 44. The warrants were issued this morning following yesterday's return of a seven-count indictment by a federal grand jury in Los Angeles. The Crabtrees are believed to be residents of Buckeye, Arizona.

Michael Crabtree started working at Northrop Grumman's El Segundo plant in August 2004, and he was responsible for ordering material and supplies for various Defense Department programs, including the F-18 Hornet and the F-35 Joint Strikeforce Fighter programs.

According to the indictment, from soon after he was hired at Northrop Grumman until he left in early 2007, Michael Crabtree ordered approximately \$2.6 million of composite material – specifically, carbon fiber tape and silicone rubber damming material – from a Santa Ana-based company called Advanced West, intending that the materials would never be delivered to Northrop Grumman.

Michael Crabtree caused Northrop Grumman to pay for the materials, and he directed the proceeds of these fictitious sales to himself.

The fraudulent expenses incurred by Northrop Grumman were passed onto the United States under the F-18 and F-35 contracts. Northrop Grumman has since refunded those amounts to the United States government.

To further the scheme, Susan Crabtree allegedly used her maiden name to set up a shell company called Driscoll Enterprises. Michael Crabtree convinced the proprietor of Advanced West to serve as an intermediary on contracts between Northrop Grumman and Driscoll Enterprises, telling the owner of Advanced West that Northrop Grumman could not directly do business with Driscoll Enterprises because Crabtree's brother-in-law owned the company. Michael Crabtree directed contracts to Advanced West, which returned most of the contract proceeds to Susan Crabtree, doing business as Driscoll Enterprises, which never delivered any materials to Northrop Grumman.

Michael Crabtree allegedly tricked Northrop Grumman personnel into believing that the materials had been delivered by claiming that he had personally received the materials prior to other Northrop Grumman personnel arriving at work.

To make it appear that there was competitive bidding, Michael Crabtree directed subordinates to seek bids from Advanced West and a Houston company called Delta Composites. With Advanced West already playing a role in the scheme, Michael Crabtree modified a Northrop Grumman database so that the requests for bids to Delta Composites were sent to his residence, which was located in Irvine and later in Newport Coast. Susan Crabtree then submitted proposals under Delta Composites' name to Northrop Grumman. Because the Crabtrees controlled the "competitive" bidding process, they ensured that Advanced West always received the contract.

The indictment alleges that the Crabtrees spent the proceeds of their scheme on luxury items, including a new home, a race car, a recreational vehicle, a luxury box at the Honda Center in Anaheim, jewelry and electronics.

The indictment charges the Crabtrees with one count of conspiracy, three

counts of wire fraud and three counts of money laundering. If convicted of all the charges alleged in the indictment, each defendant would face a maximum statutory penalty of 125 years in federal prison.

An indictment contains allegations that a defendant has committed a crime. Every defendant is presumed to be innocent until proven guilty in court.

The charges against the Crabtrees are the result of an investigation by the Defense Criminal Investigative Service, IRS - Criminal Investigation Division and the Federal Bureau of Investigation.

In October 2006, the Department of Justice formed the National Procurement Fraud Task Force to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in government contracting activity for national security and other government programs. The Procurement Fraud Task Force – chaired by Assistant Attorney General Alice S. Fisher for the Criminal Division – includes the United States Attorneys' Offices, the FBI, the U.S. Inspectors General community, and a number of other federal law enforcement agencies. This case, as well as other cases brought by members of the Task Force, demonstrate the Department of Justice' s commitment to helping ensure the integrity of the government procurement process.

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