



Department of Justice

FOR IMMEDIATE RELEASE
MONDAY, APRIL 21, 2008
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ARIZONA COUPLE PLEAD GUILTY TO CHARGES OF DEFRAUDING DEFENSE DEPARTMENT AND NORTHROP GRUMMAN BY OBTAINING \$2.5 MILLION FROM BOGUS CONTRACTS

A former employee of the Northrop Grumman Corporation and his wife pleaded guilty today to federal charges related to a scheme in which they caused the defense contractor to pay approximately \$2.5 million for materials that were never delivered.

Michael Crabtree, 48, of Buckeye, Arizona, pleaded guilty to conspiracy and money laundering in relation to the scheme. His wife, Susan Crabtree, 45, pleaded guilty to wire fraud

Michael Crabtree started working at Northrop Grumman's El Segundo plant in August 2004. 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 court documents, from soon after he was hired at Northrop Grumman until he left in early 2007, Michael Crabtree ordered approximately \$2.5 million of composite material – specifically, carbon fiber tape and silicone rubber damming material – from a Santa Ana-based company called Advanced West. Michael Crabtree caused Northrop Grumman to pay for the materials, and the proceeds of these fictitious sales went to himself. No materials were delivered to Northrop Grumman.

Michael Crabtree 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. 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.

As part of the scheme, Susan Crabtree 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.

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 initially 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 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.

United States District Judge Otis D. Wright II is scheduled to sentence the Crabtrees on July 14. At sentencing, Michael Crabtree faces a statutory maximum sentence of 15 years in federal prison. Susan Crabtree could be sentenced to as much as 20 years in federal prison.

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

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Release No. 08-046