

# ***NEWS RELEASE***



## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA***

*San Diego, California*

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*For Immediate Release*

## **SAN DIEGO JURY FINDS DEFENSE CONTRACTORS GUILTY IN NORTH ISLAND BRIBERY CASE**

**NEWS RELEASE SUMMARY** – March 4, 2013

A federal jury today convicted two San Diego area defense contractors and one corporation of conspiracy and bribery in connection with a fraud and corruption scheme at Naval Air Station (NAS) North Island, in Coronado, California.

The three defendants - Robert Ehnou, the owner and President of Poway defense contractor L&N Industrial Tool & Supply Inc. (“L&N”); Joanne Loehr, the owner and operator of Poway defense contractor Centerline Industrial Inc. (“Centerline”); and Centerline itself (a California corporation) were charged with one count of engaging in a conspiracy to commit wire fraud, bribery, and money laundering; and with additional counts of bribery. The case was tried before a jury beginning on February 20, 2013. This afternoon, after two days of deliberations, the jury returned verdicts of guilty for each defendant as to

the conspiracy count, and as to one or more bribery counts. The jury also returned verdicts of not guilty as to each defendant on one or more bribery counts.

The evidence presented at trial showed that as part of the conspiracy, defense contractors provided Navy officials with a wide range of personal benefits, including cash, checks, retail gift cards, flat screen television sets, luxury massage chairs, bicycles costing thousands of dollars, model airplanes, and other items. In return, the Navy officials placed millions of dollars in government orders with the defense contractors.

Additionally, the defense contractors prepared and submitted fraudulent invoices to the Department of Defense, making it appear that they were billing the Department for goods and services within the scope of legitimate government contracts. In fact, the Defense Department was unknowingly paying for, among other things, the cost of bribes provided to the Navy officials. Compounding the cost of the fraud, the defense contractors also routinely charged a markup on the fraudulent invoices.

L&N and Centerline also engaged in money laundering by using its government contract to fraudulently bill the Navy for items that were never supplied; and then, at the request of Navy co-conspirators, pass along the criminal proceeds to Centerline, keeping a portion for itself as compensation for serving as a conduit for the criminal proceeds.

During the course of the conspiracy, the Department of Defense paid Ehnou's company, L&N, over \$3 million. Centerline obtained over \$1.5 million in payments from Defense Department during the conspiracy. A third defense contractor, X&D Supply, Inc. ("X&D"), located in Carlsbad, California, was paid over \$2 million during the conspiracy.

L&N, also known as Mardoc Corporation, filed for Chapter 7 bankruptcy in June 2011. Centerline remains in business.

Today's verdicts bring to eleven the total number of individual defendants convicted in connection with this scheme. Of the eight individuals previously convicted, five were Navy officials: Donald Vangundy, Kiet Luc, David Lindsay, Brian Delaney - all four of whom worked in the Navy's "E2/C2"

aircraft program, which is dedicated to maintaining the tactical readiness of the Navy's E-2 and C-2 aircrafts – and Kenneth Ramos, who worked in North Island's Industrial Business Operations Department. These five former Navy officials admitted to receiving a total of more than \$1 million in cash, goods, and services for their personal use, all fraudulently charged to and paid for by the Department of Defense in connection with this fraud and bribery scheme.

The other four defendants previously convicted were owners or sales managers of San Diego-area defense contracting firms: John Newman was the sales manager of L&N, Paul Grubiss was the sales manager of Centerline, Michael Graven was the owner and operator of X&D, and Jesse Denome was the owner and operator of JD Machine Tech Inc., another San Diego defense contractor.

According to United States Attorney Duffy, the investigation into possible corruption at Naval Air Station North Island was initiated on the basis of citizen complaints. These complaints followed the July 2009 indictment of six individuals on fraud and corruption charges centered at the Space and Naval Warfare Systems Command (SPAWAR). As part of the SPAWAR corruption case, the government publicized a hotline dedicated to the reporting of possible waste, fraud, and abuse related to government and military contracts. U.S. Attorney Duffy noted that the investigation is ongoing and urged anyone with information relating to waste, fraud, and abuse in government contracting to contact the Procurement Fraud Working Group hotline at: [sandiego.procurementfraud@usdoj.gov](mailto:sandiego.procurementfraud@usdoj.gov) or call **1-877-NO-BRIBE**.

U.S. Attorney Laura Duffy said she was pleased with the verdict. "This case, which has snared 11 Navy officials and defense contractors, is shocking for the brazen way the parties conspired to take millions of dollars out of public coffers for big-screen TVs and massage chairs. We won't stand for these secret deals between greedy defense contractors and government officials, who received luxurious gifts at taxpayers' expense. These defense contractors profited, not from doing business the right way, but by fraud and bribery. Today's verdicts send a clear signal that our community will not tolerate corruption."

Special Agent in Charge (SAC) Daphne Hearn of the San Diego FBI, commented that rooting out public corruption is one of the FBI's highest priorities. Corruption committed by government employees

or public officials will not be tolerated and will be vigorously investigated. Public corruption erodes public confidence and undermines the strength of our democracy. Like many of our investigations, this case started with a tip from a concerned citizen. The FBI encourages citizens to report potential public corruption activity by calling (877) NO-BRIBE.

“Today justice was served,” said N. Dawn Mertz, Acting Special Agent in Charge of IRS Criminal Investigation for the Los Angeles Field Office. “Today’s convictions confirm a conspiracy to bribe public officials by Robert Enhow and Joanne Loehr, motivated by money and greed and not military war-time efforts. The jury clearly did not accept the claims by the defense. This case reinforces law enforcement efforts to identify, investigate and prosecute bribery of public officials.”

Chris Hendrickson, Special Agent in Charge, Defense Criminal Investigative Service, Western Field Office said, "We are extremely pleased at this outcome, which yet again sends the message that corruption and fraud committed by DoD employees and contractors will be vigorously investigated and prosecuted. While the vast majority of DoD employees and contractors are honest in their work, some choose to abuse the public trust. This investigation clearly attests that those who compromise the integrity of the United States will face their day of reckoning. Corruption of this nature strikes at the heart of our national security and erodes public confidence. The DCIS will use all investigative tools and partnerships available to protect the interests of the Department of Defense and taxpayers."

David House, Special Agent in Charge, Pacific Rim Region Office of Investigations for the General Services Administration Office of Inspector General, said, "The GSA OIG along with its law enforcement partners will continue to protect the government contracting process by rooting out corrupt individuals who use the process for personal gain."

The three defendants convicted today – Robert Ehnou, Joanne Loehr, and Centerline – are scheduled to be sentenced on May 20, 2013 before the Honorable Larry Alan Burns.

**DEFENDANTS**      **Case Number: 12cr3320H**

Robert Ehnou      Age: 46      Coronado, California  
Joanne Loehr      Age: 52      La Jolla, California  
Centerline Industrial Inc., a California corporation

**SUMMARY OF CHARGES IN CASE NO. 12cr3320H**

Count 1: Conspiracy to commit bribery, in violation of Title 18, United States Code, Section 371 (**all defendants**) - Maximum penalties: 5 years in prison, \$250,000 fine, term of supervised release of three years, restitution, forfeiture, and \$100 special assessment. (**All defendants found guilty on Count One.**)

Counts 2 to 7: Bribery, in violation of Title 18, United States Code, Section 201 (**defendant Ehnou**) - Maximum penalties (per count): Fifteen years in prison, \$250,000 fine, term of supervised release of three years, restitution, and \$100 special assessment. (**Defendant Ehnou found guilty on Count Seven, not guilty on Counts Two through Six**)

Counts 8 to 12: Bribery, in violation of Title 18, United States Code, Section 201 (**defendants Loehr and Centerline**) - Maximum penalties (per count): Fifteen years in prison, \$250,000 fine, term of supervised release of three years, restitution, and \$100 special assessment. (**Defendants Loehr and Centerline found guilty on Counts Ninth through Twelve, not guilty on Count Eight**)

**Case Number: 12-CR-4071-LAB**      **Sentencing Date: March 4, 2012**

Kenneth Paul Ramos

**Case Number: 12-CR-1055-LAB**      **Sentencing Date: September 10, 2012**

Donald Vangundy  
Kiet Luc  
Brian Delaney  
David Lindsay  
John Newman  
Michael Graven  
Paul Grubiss

**Case Number: 10-CR-3737-LAB**

Jesse Denome

**INVESTIGATING AGENCIES**

Federal Bureau of Investigation  
Defense Criminal Investigative Service  
Internal Revenue Service - Criminal Investigation  
General Services Administration - Office of Inspector General  
Naval Criminal Investigative Service