

NEWS RELEASE



***OFFICE OF THE UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California***

***United States Attorney
Laura E. Duffy***

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For Immediate Release

**SAN DIEGO DEFENSE CONTRACTOR PLEADS GUILTY TO
BRIBING GOVERNMENT OFFICIAL TO OBTAIN LUCRATIVE
E-2/C-2 EARLY WARNING AIRCRAFT CONTRACTS**

NEWS RELEASE SUMMARY - May 16, 2011

United States Attorney Laura E. Duffy announced that Jesse Denome pled guilty today in federal court before the Honorable Cathy Ann Bencivengo, United States Magistrate Judge, to conspiring to bribe a federal official and filing a false tax return. The plea is subject to final acceptance by United States District Court Judge Larry A. Burns before or at the time of sentencing

According to court documents, Denome is the owner of JD Machine Tech, Inc. ("JD Machine"), a San Diego-based defense contractor. JD Machine contracted with the Fleet Readiness Center Southwest (located at the Naval Air Station North Island in Coronado, California) to provide goods and services to the E2/C2 aircraft program. As revealed during his guilty plea, Denome – from June 2004 to September 2005 – provided a government official employed by the U.S. Department of the Navy (identified only as D.V.) with

a variety of bribes in various forms. These bribes were given to D.V. with the intent to induce him to steer valuable contracts related to the E2/C2 program to JD Machine.

According to court records, the bribes included: (1) a \$2,472.86 bicycle; (2) a \$449.95 model airplane engine; and (3) over \$18,000 in payments on D.V.'s personal credit card. In exchange for these bribes, D.V. placed over 100 orders on behalf of the E2/C2 program (valued at over \$300,000) with JD Machine for various goods and services.

Court documents also revealed that Denome improperly characterized personal expenses, such as vacations and expenses for hunting and other hobbies, as business deductions on JD Machine's 2005, 2006, and 2008, Form 1120S, U.S. Income Tax Returns. These improper deductions resulted in understated tax due and owing on defendant's personal tax return. In total, defendant understated his personal tax returns by over \$300,000, resulting in additional tax due and owing by defendant of \$80,048.

Denome is scheduled to appear in court before the Honorable Larry A. Burns, United States District Court Judge, on August 8, 2011, at 9:30 a.m. for sentencing.

U.S. Attorney Duffy praised the efforts of the Naval Criminal Investigative Service, Defense Criminal Investigative Service, General Services Administration Office of Inspector General, Federal Bureau of Investigation, and the Internal Revenue Service for their investigation of the case.

U.S. Attorney Duffy urges anyone with information relating to waste, fraud, and abuse in government contracting to contact the Procurement Fraud Working Group at the new email hotline: sandiego.procurementfraud@usdoj.gov. The Procurement Fraud Working Group is a joint effort by over fourteen federal agencies to identify, combat, and deter procurement fraud in the Southern District of California. These agencies include: the United States Attorney's Office, Defense Criminal Investigative Service, Naval Criminal Investigative Service, Army Criminal Investigation Command, Air Force Office of Special Investigations, Defense Contract Audit Agency, Defense Contract Management Agency, General Services Administration Office of Inspector General, Small Business Administration Office of the Inspector General, Department of Veteran's Affairs Office of Inspector General, United States Postal Inspection

Service, Department of Transportation Office of Inspector General, Internal Revenue Service, and the Federal Bureau of Investigation. Individuals may also contact these agencies directly.

DEFENDANT

Case Number: 10CR3737-LAB

Jesse Denome

Age: 47

San Diego, California

SUMMARY OF CHARGES

Count One: Title 18, United States Code, Section 371 (Conspiracy)

Maximum penalties Count One: Five years' imprisonment
\$250,000 fine
Three years' supervised release
\$100 special assessment

Count Two: Title 26, United States Code, Section 7206(1) (Filing False Tax Return)

Maximum penalties Count Two: Three years' imprisonment
\$250,000 fine
Three years' supervised release
\$100 special assessment

INVESTIGATING AGENCIES

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