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SOUTHERN DISTRICT *of* CALIFORNIA

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U.S. Navy Petty Officer Sentenced to 27 Months in Prison for Trading Classified Information for Cash and iPads; He is the First to be Sentenced in Colossal International Fraud and Bribery Scandal

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NEWS RELEASE SUMMARY – January 21, 2016

SAN DIEGO – U.S. Navy Petty Officer First Class Daniel Layug was sentenced today to 27 months in prison for accepting cash, consumer electronics and travel expenses from foreign defense contractor Glenn Defense Marine Asia in exchange for classified U.S. Navy information.

Layug, who pleaded guilty in May 2014 to a single count of conspiracy to commit bribery, is the first defendant to be sentenced in the alleged bribery scheme involving Singapore-based Glenn Defense Marine Asia (GDMA), which provided port services to U.S. Navy ships in the Asia Pacific region and used information obtained through bribery to win and maintain contracts.

During today's sentencing hearing, U.S. District Judge Janis Sammartino told the defendant that he had repeatedly betrayed the trust his country placed in him. "You put the Navy at risk. You put your colleagues at risk. And you put our country at risk...I think our security and safety were all at risk."

Rear Admiral Jonathan A. Yuen, chief of Navy Supply Corps and Commander of Naval Supply Systems Command, testified during today's hearing about the impact of Layug's crime on the Navy. "I am very disappointed to learn that he admitted to receiving cash payments and electronic equipment in exchange for information concerning the movements of our ships. I do not have the words to express the depth of the betrayal such an exchange represents in contrast to the service and sacrifice that supply officers and sailors around the world perform every day. Every one of us in uniform owes the nation we serve our unswerving loyalty. Whatever the dollar value of the money and things Layug illicitly received, no amount of money is worth betraying our nation, our Navy or our shipmates."

"In return for a monthly cash allowance, the latest gadgets and luxury accommodations for himself and his friends, the defendant betrayed the country that had given him every opportunity," said U.S. Attorney Laura Duffy. "Layug essentially sold his honor for an iPad 3, and in doing so he put the U.S. Navy at risk of embarrassment, exploitation, attack or worse. Today's sentence is the first of many that we hope will remind others to resist temptation."

"Today's sentencing of Chief Petty Officer Daniel Layug is yet another example of the continued dedication by the Defense Criminal Investigative Service and its law enforcement partners to identify and prosecute those individuals who would abuse their positions of trust within the Department of Defense," said Chris D. Hendrickson, Special Agent In Charge, Defense Criminal Investigative Service, Western Field Office. "The conduct of Chief Petty Officer Layug is

reprehensible and deeply troubling. The Defense Criminal Investigative Service will continue to investigate and seek to prosecute any individual, regardless of position, who would put our mission of Protecting America's Warfighters at risk.”

“Petty Officer Layug intentionally traded the safety and security of Sailors and Marines aboard ships for cash and expensive gifts, betraying the longstanding trust among those who serve the Navy and the nation, said NCIS Director Andrew Traver. NCIS initially discovered this criminal activity and we will continue to work with the Defense Criminal Investigative Service and the U.S. Attorney's Office in vigorously investigating and prosecuting these crimes of corruption and fraud.”

So far, nine people have been charged; of those seven have pleaded guilty. Two are awaiting trial, including Commander Michael Michael Vannak Khem Misiewicz and former Department of Defense civilian employee Paul Simpkins. Layug was ordered to surrender to the U.S. Bureau of Prisons on April 1.

According to court documents, GDMA owner and CEO Leonard Francis and other GDMA employees enlisted the clandestine assistance of Layug and other U.S. Navy personnel including Captain Daniel Dusek, Commander Misiewicz, Commander Jose Luis Sanchez and Naval Criminal Investigative Service Special Agent John Beliveau -to provide classified ship schedules and other sensitive Navy information. In total, GDMA allegedly overcharged the Navy under its contracts and submitted bogus invoices for tens of millions of dollars in port services.

In his plea agreement, Layug, 27, admitted that he accepted a \$1,000 a month allowance from GDMA, plus luxury hotel stays for himself and others in Malaysia, Singapore, Indonesia, Hong Kong and Thailand. He also admitted asking GDMA for numerous electronics gadgets, including an iPad 3, a Nikon digital camera, a Blackberry, a VAIO computer, a PSP gaming unit and a Wii gaming unit.

According to the plea agreement, Layug worked secretly on behalf of GDMA, using his position as a logistics specialist at a U.S. Navy facility in Yokosuka, Japan, to gain access to classified U.S. Navy ship schedules and then provided this information to GDMA's vice president of global operations. Layug admitted he also provided pricing information from one of GDMA's competitors.

In return, GDMA gave Layug envelopes of cash on a regular basis, the plea agreement said. On May 21, 2012, GDMA's vice president of global operations instructed a GDMA accountant that “at the end of each month, we will be providing an allowance to Mr. Dan Layug. Total of US \$1,000. You may pay him the equivalent in Yen. He will come by the office at the end of each month to see you.”

According to the plea agreement, Layug sought consumer electronics from GDMA. In an email on March 9, 2012, Layug asked the vice president of global operations, “What are the chances of getting the new iPad 3? Please let me know.” In the plea agreement, Layug admitted that GDMA then provided him with an iPad 3.

In another email exchange on May 28, 2013, Layug asked the vice president of global operations for a “bucket list” of items including a high end camera, an iPhone5 cellular phone, a Samsung S4 cellular phone, and an Ipad Mini. Shortly after sending his “bucket list” to the vice president of global operations, Layug stated in an email that “the camera is awesome bro! Thanks a lot! Been a while since I had a new gadget!”

Francis was previously charged with conspiring to bribe U.S. Navy officials.

Three other senior Navy officials – Dusek, Misiewicz and Sanchez – have been charged separately with bribery conspiracies involving GDMA. Dusek and Sanchez have pleaded guilty. On December 17, 2013, Special Agent Beliveau II, has also pleaded guilty to conspiracy and bribery charges for regularly tipping off Francis to the status of the government's investigation into GDMA.

The ongoing investigation is being conducted by NCIS, the Defense Criminal Investigative Service and the Defense Contract Audit Agency.

The case is being prosecuted by Assistant U.S. Attorney Mark W. Pletcher of the Southern District of California and Trial Attorneys Brian Young and Lawrence Atkinson of the Criminal Division's Fraud Section.

Case Number: 14mj1402
Yokosuka, Japan