



THE UNITED STATES ATTORNEY'S OFFICE
SOUTHERN DISTRICT *of* CALIFORNIA

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Department of Justice

U.S. Attorney's Office

Southern District of California

FOR IMMEDIATE RELEASE

Wednesday, January 26, 2022

**U.S. Navy Commander Pleads Guilty in the Run Up to the
Seventh Fleet Navy Bribery Trial**

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NEWS RELEASE SUMMARY – January 26, 2022

SAN DIEGO – U.S. Navy Commander Stephen Shedd pleaded guilty in federal court today to bribery charges, admitting that he and eight other indicted leaders of the U.S. Navy's Seventh Fleet received more than \$250,000 in meals, entertainment, travel and hotel expenses, gifts, cash and the services of prostitutes from foreign defense contractor Leonard Glenn Francis.

Shedd is one of nine members of the Seventh Fleet indicted by a federal grand jury in March 2017 for conspiring with and receiving bribes from Francis, the owner and CEO of Singapore-based Glenn Defense Marine Asia, which provided services for U.S. Navy ships in port, including tugboats; fenders; security; food; fuel; water; trash and waste removal; and transportation.

Shedd is the third of the Seventh Fleet defendants to plead guilty. The trial of the remaining defendants is scheduled to begin on February 28, 2022. The remaining six defendants - who are accused of conspiring to trade military secrets and substantial influence for sex parties with prostitutes and luxurious dinners and travel, among other lavish things of value - include U.S. Navy Rear Admiral Bruce Loveless; Captains David Newland, James Dolan, David Lausman and Donald Hornbeck; and Commander Mario Herrera.

The overarching fraud and bribery investigation has resulted in federal criminal charges against 34 U.S. Navy officials, defense contractors and the GDMA corporation. So far, 28 of those have pleaded guilty, admitting collectively that they accepted millions of dollars in luxury travel and accommodations, meals, lavish gifts, or services of prostitutes, among other things of value, from

Francis in exchange for helping GDMA win and maintain contracts and overbill the Navy by over \$35 million.

The U.S. Navy's Seventh Fleet represents a vital piece of the United States military's projection of power as well as American foreign policy and national security. The largest numbered fleet in the U.S. Navy, the Seventh Fleet is comprised of 60-70 ships, 200-300 aircraft and approximately 40,000 sailors and Marines. The Seventh Fleet is responsible for U.S. Navy ships and subordinate commands that operate in the Western Pacific throughout Southeast Asia, Pacific Islands, Australia, and Russia and the Indian Ocean territories, as well ships and personnel from other U.S. Navy Fleets that enter the Seventh Fleet's area of responsibility.

According to Shedd's admissions as set forth in his plea agreement, the defendants informed Francis of planned U.S. Navy ship movements by providing Francis with classified U.S. Navy ship schedules and narrative summaries of those schedules. The defendants provided Francis with internal, proprietary U.S. Navy information. The defendants took official acts and exerted pressure on, advocated before, and provided advice to other U.S. Navy officials, knowing and intending that such advocacy and advice would form the basis for such other officials' decisions to pay GDMA's claims, overlook inflated invoices, quash bid protests filed by GDMA's competitors, suppress competition in contract awards, and resolve in GDMA's favor other questions, matters, and controversies regarding GDMA's husbanding business.

From November 2006 to October 2008, Shedd served as the Seventh Fleet's South Asia Policy and Planning Officer, where he was, in part, responsible for identifying ports that U.S. Navy ships would visit. From November 2008 to May 2010, Shedd served as a Personnel Distribution Officer stationed in Millington, Tennessee, and thereafter, upon being promoted to Commander, from March 2011 until May 2014, Shedd served as the Executive Officer and later the Commanding Officer of the U.S.S. Milius.

"The defendant has admitted he was one of the many whose allegiance was switched from the Navy to Leonard Francis," said U.S. Attorney Randy Grossman. "This abdication of the defendant's duties to the Navy and the United States comes with heavy consequences."

"Mr. Shedd's disgraceful actions while serving in a sensitive position with the U.S. Navy's 7th Fleet betrayed the standards and expectations of all members of the Armed Forces and jeopardized the Fleet's safety and security," said Kelly P. Mayo, the Director of the Department of Defense Office of Inspector General, Defense Criminal Investigative Service (DCIS). "This lengthy investigation demonstrates that DCIS and our law enforcement partners will continually strive to fortify the integrity of the Department of Defense's procurement systems by doggedly pursuing and rooting-out corruption in the Department."

"Cmdr. Shedd abused his high-level position in the Navy by illegally accepting lavish gifts from Mr. Francis in exchange for providing Mr. Francis classified ship schedules listing numerous ships, specific ports, and dates for the visits far in advance of ship visits," said NCIS Director Omar Lopez. "NCIS and our law enforcement partners are committed to rooting out bribery and corruption that wastes valuable U.S. taxpayer money and damages the integrity of the Navy."

Shedd is scheduled to be sentenced on July 21, 2022 before U.S. District Judge Janis L. Sammartino.

DEFENDANT

Case Number: 17-CR-0623-JLS

Stephen Shedd

Age: 48

Temecula, CA

SUMMARY OF CHARGES

Conspiracy to Commit Bribery, in violation of 18 U.S.C. § 371

Maximum Penalty: Five years in prison, \$250,000 fine

Bribery of a Public Official, in violation of 18 U.S.C. § 201(b)(2)

Maximum Penalty: Fifteen years in prison, \$250,000 fine

INVESTIGATING AGENCIES

Defense Criminal Investigative Service

Naval Criminal Investigative Service

Defense Contract Audit Agency

Topic(s):

Public Corruption

Component(s):

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