

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF FLORIDA
PENSACOLA DIVISION**

UNITED STATES OF AMERICA

vs.

Case No. 3:16cr88/MCR

MICHAEL ALLEN BRAUN
_____ /

STATEMENT OF FACTS

This statement of facts is submitted on behalf of the undersigned parties. All parties agree that if the above-styled case were to go to trial, the government could produce competent, substantial evidence of the following facts to prove the Defendant is guilty of the offenses charged in the Indictment to which the Defendant is pleading guilty. The parties further agree that not all of the facts known from or related to this investigation are contained in this brief summary.

The United States Air Force (USAF) is a military service of the United States and an agency of the United States Department of Defense. The USAF contracts with various vendors, companies, and entities to perform services and provide materials to the USAF to support a USAF activity. The USAF activity which is the subject of this investigation occurred at Hurlburt Air Force Base in Okaloosa County, Florida.

FILED IN OPEN COURT THIS

1/12/17
**CLERK, U.S. DISTRICT
COURT, NORTH DIST. FLA.**

This investigation was initiated on April 3, 2015, based upon a Department of Defense (DoD) Hotline Complaint and subsequent interview of the complainant, J.H. In the complaint, J.H. alleged bid rigging, fraud, material substitution, collusion and bribery on the part of: Master Sergeant Cody Boone Covert (hereinafter "Covert"), 901 Special Operation Aircraft Maintenance Squadron (901 SOAMXS), Hurlburt Field, FL; J.C., Secretary, 1 Special Operation Maintenance Group (1 SOMXG), Hurlburt Field, FL; and Michael Allen Braun (hereinafter "Braun"), owner of Trans Global Storage Systems (Trans Global or TGSS), 21060 Floral Bay Dr. N, Forest Lake, MN 55025.¹ J.C. is the spouse of Covert. The fraud violations were committed to obtain Air Force contract FA4417-14-P-0193, build C-130 panel storage carts, and receive the contracted price of \$126,300. The impetus for the subject Air Force contract was the commander of the 901 SOAMXS who requested action be taken to decrease the time needed to inspect C-130 aircrafts by 25% which included, in part, the efficient storage of parts and panels.

J.H. is a former sales representative for Trans Global, and the employee who submitted Trans Global's quote for the aforementioned contract.

¹ Braun is a former United States Marine Corps Officer and is a contractor with the Department of Defense since November, 2013.

According to J.H., between January, 2014, and August, 2014, Covert, Braun, himself, and J.C. met several times in various locations (mainly at the Covert's residence) to discuss the requisition for the contract. During the meetings, design drawings, material specifications, prices, and profit sharing were discussed amongst the participants. J.C. was instructed by Covert and Braun to establish a company in order for the Coverts to receive their profit share. In June, 2014, J.C. incorporated Airrack LLC (Airrack), 121 Scottsdale Ct., Mary Esther, FL, as a Florida Limited Liability Company. Approximately August, 2014, Covert provided the drawings and specifications of the carts to C.F., Resource Advisor, 901 SOAMXS, Hurlburt Field, FL for purchase through the 1st Special Operations Contracting Squadron (1 SOCONS), Hurlburt Field, FL. In August, 2014, C.F. submitted a request for purchase (AF Form 9) to the 1 SOCONS.

On September 2, 2014, 1 SOCONS created solicitation number F2F2014217A001 in FedBizOpps.gov. As quotes were received from various companies, the 1 SOCONS Contracting Officer provided the quotes to C.F. for verification of quantities and technical aspects for acceptability. C.F. provided these quotes to Covert for verification of quantities and technical aspects for acceptability.

On one occasion, Covert provided a competitor's ~~quote~~ to Braun for review. On September 17, 2014, Covert, using his USAF email, emailed Southern Services & Equipment Inc.'s (SSE) ~~quote~~ for the contract to himself (bigcovert@gmail.com). On the same day, Covert forwarded SSE's ~~quote~~ from bigcovert@gmail.com to Braun's personal email address. The body of the email stated "FOUO, [Braun] got these from [C.F.] to look over. Looks pretty tall."

ELO Engineering, located in Fridley, MN, provided comprehensive sheet metal fabrication and design services for Trans Global. Law enforcement agents interviewed D.B., an employee at ELO Engineering. D.B. stated Braun provided him with a sketch and the dimensions of the C-130 panel carts and then he (D.B.) created the final design for the carts on a computer for his company (ELO) to fabricate. D.B. also stated the carts were not built to specifications. D.B. explained that one of the carts was longer than requested, and the same cart was missing slots. D.B. stated both carts were missing slots and therefore out of specifications. D.B. stated Braun approved the carts final designs, even though they were missing slots and not to specs. D.B. further related the carts were fabricated from steel (even though the USAF requested aluminum).

Braun was interviewed and admitted to attending at least two meetings at Covert's residence in Fort Walton Beach, FL to discuss the details of the panel carts. During the meeting, Braun and Covert discussed a variety of topics including the design of the panel carts, specifications of the carts, and profit sharing. Braun stated he agreed to provide Airrack 45% of Trans Global's net profit from Air Force contract FA4417-14-P-0193. In total, Braun admitted he provided the Coverts approximately \$33,428.75. The profit sharing agreement also specified a \$500.00 payment at the time of execution of the agreement. During the execution, Braun stated he handed over a \$500.00 check to Covert, which was made out to Covert. ^{According to the Coverts, Braun} ~~Braun~~ claimed all money would go into J.C.'s company because the government favored supporting female owned businesses. However, investigation revealed neither Braun nor Covert ever communicated to the USAF that Airrack, J.C., or Covert would receive 45% of Trans Global's profit from the contract.

A follow-up interview of Braun revealed that Trans Global paid for Covert to travel to Minnesota as part of a manufacturing inspection visit to confirm the building process of the panel carts and discuss future business ventures. Additionally, Braun provided documentation that indicated Trans Global paid for a one night stay at a Holiday Inn Express and a first- class

round trip airline ticket for Covert. Military records indicate Covert used ordinary personal leave during this trip to Minnesota. This trip totaled approximately \$1,221.67.

On May 13, 2016, J.C. was interviewed. J.C. admitted she and Covert accepted nearly \$35,000 from Braun. J.C. explained that payment consisted of two hand-delivered checks from Braun. J.C. admitted Airrack was only created to accept profits from Braun/Trans Global. J.C. stated she had no other business planned for Airrack.²

On June 30, 2016, Covert was interviewed. Covert admitted he and J.C. accepted nearly \$35,000 from Braun. Covert stated the money was for his panel cart idea. Covert admitted there were several meetings at his residence where he, Braun and J.H. discussed the specifications of the panel carts before the award of the contract. Covert admitted he and Braun authored the Government's Request for Purchase (RFP) document. Covert admitted he provided SSE's ~~quote~~ ^{proprietary proposal/drawings} to Braun for evaluation before the USAF contract was awarded. Covert admitted he (Covert) assessed both SSE's quote and Trans Global's ~~quote~~ ^{proprietary proposals/drawings} for technical acceptability. Covert admitted he never

² On March 2, 2015, J.C. deposited the first check from Trans Global into Airrack LLC's bank account in the amount of \$5,000; then, on March 9, 2015, J.C. deposited the second check from Trans Global into Airrack LLC's bank account in the amount of \$27,928.75. Although some of the money was spent by J.C. on personal expenses using the business debit card, the majority of the funds were transferred by J.C. into the joint personal bank account of J.C. and Covert.

communicated to anyone else at USAF that he and his wife were partners with Trans Global. Covert agreed Airrack's sole purpose was to collect money from Braun/Trans Global in their joint venture. Covert admitted he authored the royalty agreement between Airrack and Trans Global for 45% of the net profits.

E.W. was the USAF Contract Specialist who had the final say on who was awarded the USAF contract. E.W. was interviewed and explained that the aforementioned contract was for the fabrication of two sets of panel storage carts for a C-130 aircraft. E.W. stated his point of contact during the entire contract process was C.F. E.W. disclosed he did not have any contact with Covert during the contract process. E.W. created the solicitation for the carts and collected the vendor bids. E.W. stated the contract was awarded based on lowest priced technically acceptable (LPTA) selection process, which meant, bids were assessed based on the lowest evaluated price and technical acceptability standards for non-cost factors. E.W. acknowledged the solicitation required the carts to be made from aluminum.

E.W. stated three vendors were evaluated for the award of the contract: Trans Global Storage Systems, Inc. (Trans Global or TGSS) with a total proposed price of \$126,300; Mountain Vista System Solution, LLC (MVSS) with a total proposed price of \$150,000; and Southern Services Equipment

(SSE), Inc. with a total proposed price of \$68,628. E.W. disclosed MVSS bid was eliminated based on price, so the evaluation was between TGSS and SSE.

E.W. provided both quotes to C.F. for verification of quantities and technical acceptability. In C.F.'s response to the quotes, C.F. indicated SSE's quote was not technically acceptable due to height limits; however, Trans Global's quote was technically acceptable. E.W. did not know how the evaluators assessed Trans Global's height requirements because Trans Global's dimensions were blacked out and unreadable on their proposal. Since Trans Global was the only vendor evaluated as technically acceptable, E.W. awarded Trans Global the USAF contract.

C.F. was interviewed and explained that in early 2014, Covert verbally inquired about purchasing C-130 storage panel carts to assist in aircraft de-paneling operations. In August 2014, C.F. submitted an AF Form 9 (Request for Purchase) and supporting documentation provided by Covert, to E.W. to begin the contract award process. The supporting documentation Covert provided detailed dimensions, design, cart construction, fabrication material, and panel size layout.

C.F. stated that he received Trans Global's bid proposal from E.W. for technical acceptability. C.F. stated he subsequently sent Trans Global's proposal to Covert for technical evaluation. Trans Global's drawings showed

panel carts with blacked out measurements and blacked out material specifications. C.F. explained that Covert approved Trans Global's proposal. C.F. stated he would not have approved Trans Global's proposal because Trans Global omitted the cart specifications. However, relying on Covert's opinion, on September 15, 2014, C.F. sent an email to E.W. stating Trans Global's quote was technically acceptable. On September 17, 2014, E.W. awarded the Air Force contract to Trans Global.

The day prior, on September 16, 2014, E.W. received a bid proposal from SSE and sent the quote to C.F. to evaluate whether the proposal was technically acceptable. C.F. subsequently sent the quote to Covert for technical evaluation. According to C.F., Covert verbally told him (C.F.) the cart was unacceptable due to excessive height and missing panel compartments. On September 17, 2015, C.F. conveyed Covert's response to E.W. via email.

When questioned about the carts construction material, C.F. stated the contract required the carts to be built from aluminum to reduce the weight of the carts. C.F. stated the carts "could not be made from steel."

The two panel carts the USAF currently have, as a result of Trans Global being awarded the contract, do not meet the required specifications and are made of steel. Both E.W. and C.F. state they had no idea a company

called Airrack, or Covert and his wife, had any pecuniary interest in the subject USAF contract; had they known, both stated they would not have awarded the contract to Trans Global.

Wide Area Work Flow (WAWF) is the government web-based system for electronic invoicing utilized by the USAF to electronically process vendor payment requests and receiving reports for products and services. On February 12, 2015, after the panel carts were delivered, Braun accessed WAWF as the “initiator” and indicated Trans Global delivered the panel carts to the USAF in compliance with the contract’s requirements, and requested payment be made. In turn, C.F., as the “group resource manager”, accessed WAWF and electronically approved payment by the USAF to Trans Global for \$126,300.00.

ELEMENTS OF THE OFFENSE

COUNT I – (Conspiracy)

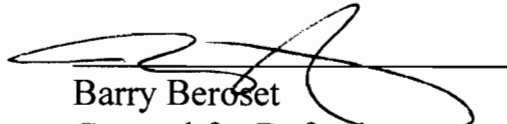
- (1) two or more persons, in some way or manner, agreed to try to accomplish a common and unlawful plan to commit wire or mail fraud, as charged in the indictment; and,
- (2) the Defendant knew the unlawful purpose of the plan and willfully joined in it.

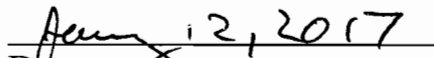
(Honest Services Fraud involving a Wire)

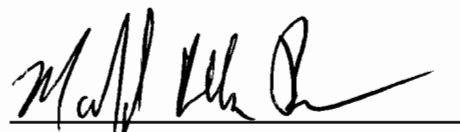
- (1) the breach of a fiduciary duty through bribes or kickbacks;
- (2) the defendant must act with intent to defraud;
- (3) the fraud must be material; and,
- (4) in advancing or carrying out the scheme to defraud, the defendant transmitted, or caused to be transmitted, any writing, signal, or sound by means of a wire communication in interstate or foreign commerce.

COUNT VI – (Bribery of a Public Official)

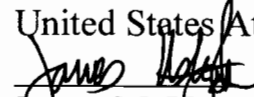
- (1) the Defendant directly or indirectly [gave] [offered or promised] something of value to a public official; and,
- (2) the Defendant acted knowingly and corruptly, with intent [to influence an official act] or [to influence the public official to allow or make an opportunity for the commission of a fraud on the United States].

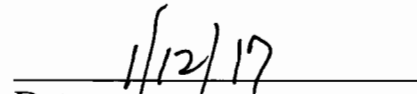

Barry Beroset
Counsel for Defendant

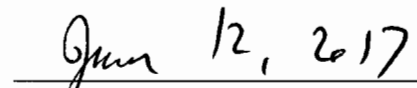

Date 1/12/17


Michael Allen Braun
Defendant

Respectfully submitted,

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Pensacola, Florida 32502


Date 1/12/17


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