



DEPARTMENT OF THE AIR FORCE

ARLINGTON, VA 22203-1613

MAY 11 2006

Office of the Deputy General Counsel

MEMORANDUM IN SUPPORT OF THE PROPOSED DEBARMENTS OF:

TOOLS AND METALS, INC., d/b/a
TMI INTEGRATED HOLDINGS CORP., a/k/a
TMI INTEGRATED SERVICES
TODD BRIAN LOFTIS
DANIEL LOUIS MILLER
MARK GEORGE ANDOS
TIMOTHY RYAN LEE
TAMMY LOUISE CALVERT
DANNY WAYNE HOLLADAY

Effective this date the Air Force has proposed the debarments of Tools and Metals, Inc., d/b/a TMI Integrated Holdings Corp., a/k/a TMI Integrated Services ("TMI"), Todd Brian Loftis ("Loftis"), Daniel Louis Miller ("Miller"), Mark George Andos ("Andos"), Timothy Ryan Lee ("Lee"), Tammy Louise Calvert ("Calvert"), and Danny Wayne Holladay ("Holladay") from Government contracting and from directly or indirectly receiving the benefits of federal assistance programs. The actions are initiated pursuant to Federal Acquisition Regulation ("FAR") Subpart 9.4.

INFORMATION IN THE RECORD

Information in the record indicates that at all times relevant hereto:

1. TMI was a Texas company engaged in the business of industrial equipment manufacturing and wholesaling.
2. Loftis was a shareholder, the president, and chief executive officer of TMI.
3. Miller was a vice president of customer service of TMI.
4. Andos was a sales representative of TMI.
5. Lee was the operations manager of TMI.
6. Calvert was a contract administrator of TMI.
7. Holladay was a senior buyer and purchasing manager of TMI.

The Conspiracy

8. From 1998 to 2004, TMI performed a sole source contract (the "Contract") with Lockheed Martin Aerospace ("LMA") to supply LMA tools for Department of Defense ("DoD") contracts, including contracts for the manufacture of F-16 and F-22 airplanes. The cost of tools purchased by LMA under the Contract was passed on, in part, to DoD. The Contract required all TMI tools to be priced at TMI's cost plus a markup of 15% for first-time buys and 20% for subsequent buys.

9. TMI executed a conspiracy to defraud LMA and the Government by artificially inflating TMI's costs of items sold to LMA under the Contract by as much as 100% or more (the "Conspiracy"). TMI obtained multiple price quotes from its suppliers and then quoted a high price to LMA while purchasing a lower priced tool for the sale to LMA. TMI scanned into its computers supplier invoices and changed the quantities and prices paid by TMI to thwart LMA auditing.

10. TMI received at least \$18 million in fraudulent profits as a result of the Conspiracy.

11. Loftis instructed Miller, Calvert, and unknown TMI employees to fraudulently markup costs of tools sold to LMA under the Contract. When Loftis learned of the Government's investigation of the Conspiracy, he directed unknown TMI employees to destroy false invoices and to remove evidence of the Conspiracy from TMI computers.

12. Miller directed Lee and unknown TMI personnel to fraudulently inflate costs on tools sold to LMA and created false invoices to support TMI's inflated costs. Miller shredded incriminating documents to destroy evidence of the Conspiracy. Miller allowed Lee to delete false invoices and other evidence of the Conspiracy from Miller's computer.

13. Andos knowingly submitted false invoices to LMA auditors in furtherance of the Conspiracy.

14. Lee knowingly falsified vendor invoices to reconcile TMI's fraudulent costs with requirements of the Contract. Lee would scan into his computer the original invoices and alter them to reflect the desired false costs. Lee deleted false invoices and other evidence of the Conspiracy from TMI computers.

15. Calvert knew that TMI was required to quote LMA the lowest price with the shortest lead time for items TMI purchased under the Contract. Instead, Calvert fraudulently quoted higher prices than TMI actually paid.

16. Holladay instructed Calvert to fraudulently markup costs of tools sold to LMA under the Contract. Holladay justified markups well in excess of Contract limits because "TMI was in the business to make money."

17. On December 2, 2005, a one count Information was filed in the U.S. District Court, Northern District of Texas ("USDC-NDT") against Loftis. The Information alleged that on or

about March 23, 2005, Loftis committed Conspiracy to Defraud the Government with False and Fraudulent Claims, a Class C Felony (18 USC §§ 286).

18. On December 8, 2005, Loftis pleaded guilty to Conspiracy to Defraud the Government with False and Fraudulent Claims (18 USC § 286). Loftis was sentenced in the USDC-NDT on March 28, 2006, to imprisonment for a term of 87 months, supervised release for 3 years upon release from imprisonment, and ordered to pay restitution of \$20,000,000 and a special assessment of \$100.

BASES FOR THE PROPOSED DEBARMENTS

1. The criminal conviction of Loftis provides a separate basis for his debarment, pursuant to FAR 9.406-2(a)(3) and (5).

2. The conduct of Loftis, TMI, Miller, Andos, Lee, Calvert, and Holladay is of so serious or compelling a nature that it affects their present responsibility to be Government contractors or subcontractors and provides a basis for their debarments pursuant to FAR 9.406-2(c).

3. Pursuant to FAR 9.406-5(a), the criminal, fraudulent, and seriously improper conduct of any officer, director, shareholder, partner, employee, or other individual associated with a contractor may be imputed to the contractor when the conduct occurred in connection with his or her performance of duties for or on behalf of the contractor, or with the knowledge, approval or acquiescence of the contractor.

a. The criminal and seriously improper conduct of Loftis may be imputed to TMI, because his criminal and seriously improper conduct occurred in connection with his performance of duties for or on TMI's behalf, or with TMI's knowledge, approval, or acquiescence. This imputation provides a separate cause for TMI's debarment.

b. The seriously improper conduct of Miller, Andos, Lee, Calvert, and Holladay may be imputed to TMI, because their seriously improper conduct occurred in connection with the performance of duties for or on TMI's behalf, or with TMI's knowledge, approval, or acquiescence. This imputation provides a separate cause for TMI's debarment.

4. Pursuant to FAR 9.406-5(b), the seriously improper conduct of TMI may be imputed to Loftis, Miller, Andos, Lee, Calvert, and Holladay, because as officers, directors, shareholders, partners, employees, or other individuals associated with TMI, each knew of, or had reason to know of TMI's seriously improper conduct. These imputations provide a separate basis for the debarments of Loftis, Miller, Andos, Lee, Calvert, and Holladay.

5. Pursuant to FAR 9.406-1(b), debarments may be extended to the affiliates of a contractor. Loftis, TMI, Miller, Lee, and Holladay are affiliates as defined in FAR 9.403 ("affiliates"), because directly or indirectly Loftis, Miller, Lee, and Holladay control or can control TMI. The

affiliation of Loftis, TMI, Miller, Lee, and Holladay provides a separate basis for their debarments.

A handwritten signature in black ink, appearing to read 'S. Shaw', written in a cursive style.

STEVEN A. SHAW
Deputy General Counsel
(Contractor Responsibility)