

UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
Norfolk Division

UNITED STATES OF AMERICA, )  
 ) No. 2:20-cr-03  
 v. )  
 )  
 MICHAEL KITREL, )  
 )  
 Defendant. )

**STATEMENT OF FACTS**

The parties stipulate that the allegations in Count One of the Criminal Information and the following facts are true and correct, and that had the matter gone to trial the United States would have proven them beyond a reasonable doubt:

**Background**

1. The defendant, Michael Kitrel (“KITREL”) registered L&K Technology and Logistics (L&K) on June 3, 2014. L&K was a Virginia-based Limited Liability Company (LLC) headquartered at KITREL’s home in Chesapeake, Virginia with the purported purpose of fulfilling government goods contracts for the United States Navy (USN).

2. Lieutenant Randolph Prince was an officer in the USN and was the supply liaison for a USN command based out of Virginia Beach, Virginia.

3. As his command’s supply liaison, Prince had authority to make purchase requests for his unit.

4. Lieutenant Courtney Cloman is also a naval officer and conducted business on behalf of L&K. KITREL and Cloman were the only employees or officers of L&K.

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5. In or around May 2014, Prince approached Cloman and KITREL and informed them that he was in a position through which he could direct Government contracts to businesses of his choosing.

6. All conspirators knew one another through poker games hosted by various private individuals in the Virginia Beach area.

7. Cloman and KITREL were not particularly close friends aside from playing poker, and would infrequently speak on the phone apart from when conversing about L&K.

8. Prince told Cloman and KITREL that all the two needed to do was establish an LLC and “front” the money for the business, at which time Prince would direct government contracts to the LLC without any need for competitive bidding.

9. Prince never ultimately requested that any money be “fronted” for the business. At one point, KITREL stated to Cloman that he intended to rent a storage facility for L&K, but ultimately never did. KITREL was later told by Prince that he need not provide any start-up money for L&K as it would “all work out on the back end.”

10. On or about May 30, 2014, KITREL accompanied by Cloman met with an attorney. Following this consultation, KITREL established L&K, with himself as member, and his home in Chesapeake, Virginia as L&K’s business address.

11. On or about June 24, 2014, KITREL established an L&K bank account at BB&T Bank.

12. PRINCE directed KITREL to create a fake email account for the business. As a result KITREL established the Google email account (LKTechLLC@gmail.com) on June 6, 2014. KITREL, Prince and Cloman had access to this account. At the suggestion of Prince, L&K conducted its business utilizing this email account under the alias “Dave Freese,” L&K

emails list “Dave Freese” as an L&K Technology and Logistics, LLC “Logistics/Contracts Supervisor.” KITREL never met a “Dave Freese” nor knew a “Dave Freese” to be working at L&K. Prince later told KITREL that “Dave Freese” was an alias specifically used to make the business look larger.

13. L&K maintained no inventory or warehouse, and was not registered to do business with the Department of Defense in any way.

14. Prince steered business to L&K through a San Diego-based government contracting firm (Firm V) with which he had connections by virtue of a separate fraud.

15. KITREL and Cloman were unaware of how Prince was steering contracts to L&K, but knew that L&K would not be required to take any action whatsoever in order to have government contracts awarded to them.

16. As part of each subcontract steered to L&K, Prince created fraudulent purchase requests, and directed the creation of fraudulent sales quotes and invoices, for L&K “inert training aids.” Inert training aids are inert explosive devices with which Prince’s unit trains.

17. Prince generated four fraudulent purchases requests for L&K inert training aids between June and December of 2014, which Cloman and KITREL were aware.

18. For each purchase request, Prince went through Firm V to purchase L&K’s inert training aids via product substitution.

19. For each purchase request, Firm V built carts in E-Mall for various items unrelated to inert training aids.

20. Once the USN released the funds to Firm V for their E-Mall purchases, Firm V then subcontracted the training aid purchases to L&K.

21. For each purchase request Prince created fraudulent sales quotes for L&K items.

22. KITREL would inform Cloman each time these quotes were submitted to the L&K email account and request that he review them prior their submission to Firm V.

23. L&K would then generate a packing slip, which Prince would sign in order to give the appearance that L&K had delivered goods purportedly ordered.

24. Prince provided KITREL and Cloman with pricing data and descriptions for the items purportedly ordered, as well as, shipping information to create false L&K invoices and packing slips.

25. The signed fraudulent packing slips would trigger payment from Firm V to L&K.

#### **The L&K Sales**

26. On June 1, 2014, Prince signed a purchase request form for supplies on behalf of his USN unit requesting 100 units of inert Semtex, 100 units of inert bulk C4 explosive material, and 50 units of inert C4 4.5-pound blocks.

27. On the morning of June 18, 2014, L&K and Prince exchanged emails wherein Prince provided KITREL with a "sample" purchase order, instructed KITREL to fill in his company information into the document, and informed KITREL that he would call him soon.

28. Later on June 18, 2014, KITREL and Cloman worked together at KITREL's home to prepare a sales order for submission to Firm V representing a sale of the items requested by Prince in his purchase request. For this first sale, Cloman typed information into the sales order as Prince relayed the necessary information to KITREL over the phone. The sales order ultimately listed a total price of \$21,000.00. The sales order indicated a "delivery date" of June 27, 2014.

29. After speaking with Prince over the phone Cloman, with KITREL present in the room, emailed the sales order at 1:35 pm on June 18, 2014 to Prince. The email stated, "attached

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is the sales order that we discussed via phone,” and listed “Michael Kitrel” in the “To” line. Fourteen minutes later the same email was sent to Prince; however, “Dave Freese” was now listed in the “To” line.

30. By June 26, 2014, Firm V prepared a purchase order for the various items in L&K’s sales order. KITREL and Cloman spoke twice telephonically on the day these documents were sent to L&K. The invoice specified Prince’s command as the location to which L&K would deliver the goods, KITREL’s home as the vendor address, and KITREL’s phone number as the vendor phone number.

31. On July 1, 2014, an L&K invoice was prepared listing Firm V as the buyer. The document listed Prince and his unit as the entity to which L&K would deliver their goods. The invoice listed about \$21,000.00.

32. On July 7, 2014, “Dave Freese” sent Prince an e-mail explaining that L&K had shipped the order. Attached to this email was a packing slip with an amended delivery date of July 3, 2014. Again, KITREL’s home address and telephone number were listed as the vendor’s address and phone number. Prince subsequently signed this packing slip, representing that L&K had delivered the ordered goods. KITREL and Cloman spoke telephonically on four occasions on July 7, 2014.

33. On July 8, 2014, Prince sent an email to his contacts at Firm V asking that they “wrap this one up as completed.” “Dave Freese” was carbon copied to this email. Prince attached to the email the packing list slip signed by him on July 1, 2014.

34. Despite the conspirators confirming to Firm V that the sale was completed, Firm V had not yet received the necessary invoice from L&K to complete the sale, and requested the document on July 8, 2014. “Dave Freese” sent the invoice to Firm V minutes after receiving

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Firm V's request. KITREL spoke with Cloman telephonically on three occasions on July 8, 2014, once minutes prior to the invoice being sent, and two times thereafter.

35. On July 17, 2014, KITREL received a check from Firm V for \$21,000.00, which he deposited into L&K's BB&T bank account, thus completing the first L&K purchase. On this day, KITREL and Cloman spoke twice telephonically. Shortly after KITREL deposited the check, he met with Cloman and paid him \$5,000.00 in cash.

36. On July 9, 2014, Cloman sent Prince an email containing a new sales order "via [their] previous conversation." Prince forwarded this email, and the attached sales order to Firm V on the same day requesting that his contacts at Firm V "get a cart going on this for me."

37. This second L&K sales order listed six units of inert training kits worth \$13,899.00 each, for a total sale worth \$83,394.00.

38. Firm V incorporated this sales order into a purchase order, with a "schedule date" of July 9, 2014, naming Prince in the "ship to" address, naming L&K as the vendor, and detailing the contents of the training kits. By this time, L&K had established a business phone number through "Grasshopper," which is a virtual phone system program that allows business owners to establish business phone lines that seamlessly link to existing landlines or cellular phones.

39. On July 16, 2014, Cloman sent an email to Prince stating, "This email confirms that we have shipped your order." Thirty-four minutes later, Prince sent an L&K invoice and signed packing slip (confirming delivery) to Firm V and instructing them to "process to close out." The packing slip indicates a delivery date for the order of July 16, 2014. KITREL and Cloman spoke telephonically three times that day following the submission of this packing slip.

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40. On July 28, 2014, Cloman emailed an L&K invoice to Firm V associated with the June 18, 2014 sales request. The same day, a Firm V representative directed Firm V to “pay this vendor.”

41. On August 19, 2014, KITREL received a check from Firm V for \$83,394.00, which he deposited into L&K’s BB&T checking account. KITREL paid Cloman \$4,000.00 in cash from this second purchase.

42. On September 3, 2014, Prince generated a third purchase request for inert training aids from L&K, purchased again through Firm V, totaling \$80,794.96. This purchase request was ultimately broken down into two separate orders for L&K goods.

43. On December 3, 2014 “Dave Freese” sent a sales order to Prince. On December 8, 2014, PRINCE forwarded this email and sales order to his contacts at Firm V. PRINCE carbon copied “Dave Freese” to this email.

44. On December 9, 2014, Firm V requested that L&K provide a quote “that equals approx. \$31,500.” Firm V requested items similar to those described in the December 3, 2014 sales order.

45. On December 10, 2014, “Dave Freese” sent Firm V an email with a new sales order as requested. He stated in the email “attached is the new quote for the products that Prince requested.” The sales order quoted several units of inert training aids at a price of \$30,300.00.

46. On December 12, 2014, a Firm V sales representative sent L&K an email asking that he “send another quote for approx. \$56,556.47 worth of items for Prince.”

47. “Dave Freese” complied, and on December 15, 2014 provided a new L&K sales order for several units of inert training aid “kits”, totaling \$55,692.00.

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48. Firm V then requested details as to what items were actually contained in the “kits.” Following this email, KITREL and Cloman spoke over the phone. At that time, KITREL explained to Cloman that Cloman needed to speak with Firm V to explain the specific breakdown of items. A subsequent L&K email provided Firm V with details for the specific items contained within each “kit.”

49. On December 22, 2014, “Dave Freese” indicated to Firm V via email that “[s]hipment [of the third L&K purchase] is ready for delivery to LT. Prince.”

50. On December 23, 2014, Prince sent L&K an email indicating that he had returned signed packing slips to Firm V, indicating delivery of the purchased goods.

51. On January 7, 2015, a representative in Firm V’s accounting department sent the Firm V sales representative an email stating that the order worth \$30,300.00 had *not* been placed due to the fact that they had not been shown a proper L&K quote indicating costs per kit of inert training aids.

52. By January 9, 2015, amended documentation was provided to Firm V. At that time, a Firm V representative sent a purchase order to L&K for the goods purportedly already *delivered* by L&K to Prince on December 23, 2014.

53. On January 22, 2015, KITREL received a check in an amount of \$55,692.00 from Firm V, which he deposited into L&K’s BB&T checking account.

54. Following receipt of this third check, L&K and Firm V engaged in a lengthy email conversation regarding confusion over which invoices L&K had actually fulfilled. On January 23, 2015 at 9:23AM, an email was sent from “Michael Kitrel <lktechllc@gmail.com>” to Prince asking that he “sign the packing slip of the items that you have already received.” The

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email; however, is signed "Dave Freese." Five minutes later, the same email was sent to Prince, but this time from "Dave Freese <lktechllc@gmail.com>."

55. On February 23, 2015, KITREL received a check in an amount of \$30,300.00 from Firm V, which he deposited into L&K's BB&T checking account.

56. KITREL typically provided Prince and Cloman with their portions of the L&K proceeds in cash payments, or in the case of Prince, in payments to various creditors to relieve Prince of various gambling debts. Additionally, one portion of Cloman's proceeds came in the form of a repayment of a debt owed to KITREL for start-up capital for Cloman's real estate business.

57. L&K never provided the USN with any goods whatsoever.

58. L&K had no overhead costs for its operation, and thus operated at one hundred percent profit.

59. In conversations with Prince, KITREL offered to rent storage space for inventory and to "front" money for the business. Ultimately, KITREL never purchased any inventory for the company, never held any inventory, never made any deliveries for the company. KITREL knew L&K had no independent capability or infrastructure with which it could fulfill government contracts.

In total, the USN expended \$190,386.00 for the aforementioned fraudulent dealings between the USN, Firm V, and L&K, including mark-ups and fees for the USN's use of the Defense Logistics Agency's processes and Firm V.

60. In February 2017, the Naval Criminal Investigative Service began investigating Prince and his procurements on behalf of his USN command.

61. NCIS agents approached KITREL at L&K's registered address to ask questions of "Dave Freese" regarding L&K's dealings with Firm V and the USN. At that time, KITREL informed NCIS agents that he did not know who "Dave Freese" was.

62. NCIS agents later approached Cloman. Cloman explained to NCIS agents that KITREL approached him and stated that he told NCIS that he did not know who "Dave Freese" was.

63. In April 2017, KITREL and Cloman met again to discuss the investigation into L&K. KITREL explained to Cloman that he told investigators a specific breakdown of L&K's payment to the conspirators, and that Cloman should tell agents the same.

64. For his part in the L&K conspiracy, KITREL personally obtained at least \$78,000.00.

65. KITREL agreed with Prince and Cloman to engage in the aforementioned dealings with the USN in order to personally profit from government contracts, and to pay off Prince's gambling debts despite, after several inquiries, receiving no confirmation from Prince that the company he established and owned was itself providing goods to the government.

68. The defendant acknowledges that the foregoing statement of facts does not describe all of his conduct relating to the offenses charged in this matter.

Respectfully submitted,

G. ZACHARY TERWILLIGER  
UNITED STATES ATTORNEY

By:

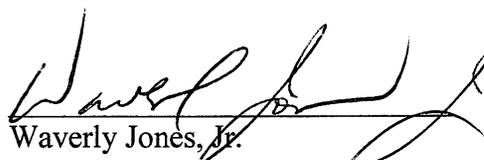


Matthew J. Heck  
Special Assistant United States Attorney

After consulting with my attorney, I hereby stipulate that the above statement of facts is true and accurate, and that had the matter gone to trial, the United States would have proved the same beyond a reasonable doubt.

  
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MICHAEL KITREL  
Defendant

I am the attorney for MICHAEL KITREL. I have carefully reviewed the above statement of facts with the defendant. To my knowledge, the defendant's decision to stipulate to these facts is an informed and voluntary one.

  
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Waverly Jones, Jr.  
Counsel for Defendant

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