



DEPARTMENT OF THE AIR FORCE

ARLINGTON, VA 22203-1613

JUL 20 2010

Office of the Deputy General Counsel

FILE COPY

VIA FEDERAL EXPRESS

SAF/GCR  
4040 N. Fairfax Drive  
Suite 204  
Arlington, VA 22203

Zerene Aerospace Industries, Inc.  


Re: Notice of Debarment

Dear Ladies and Gentlemen:

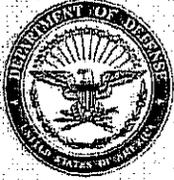
By letter dated June 18, 2010, the Air Force initiated proceedings to debar Zerene Aerospace Industries, Inc. ("Zerene Industries") from contracting with the United States Government. The letter provided Zerene Industries with an opportunity to submit information and arguments in opposition to the proposed debarment. To date, Zerene Industries has not responded to the proposed debarment notice.

Based upon the information in the administrative record in this matter, I have determined that protection of the Government's interests requires that Zerene Industries be debarred from contracting with the United States Government. The effects of debarment are those stated in the June 18, 2010, Notice of Proposed Debarment.

Because of the egregious nature of the conduct, I find that a period of debarment longer than generally imposed under the Federal Acquisition Regulation is necessary to protect the Government's interests. This debarment is effective immediately and continues for six years and one month from June 18, 2010, the date Zerene Industries was proposed for debarment. Zerene Industries' debarment will terminate on July 17, 2016.

Sincerely,

  
STEVEN A. SHAW  
Deputy General Counsel  
(Contractor Responsibility)



DEPARTMENT OF THE AIR FORCE  
ARLINGTON, VA 22203-1613

JUN 18 2010

Office of the Deputy General Counsel

MEMORANDUM IN SUPPORT OF THE PROPOSED DEBARMENT OF:  
ZERENE AEROSPACE INDUSTRIES, INC.

Effective this date the Air Force has proposed the debarment of Zerene Aerospace Industries, Inc. from Government contracting and from directly or indirectly receiving the benefits of Federal assistance programs. The action is initiated pursuant to Federal Acquisition Regulation (FAR) Subpart 9.4.

INFORMATION IN THE RECORD

There is a preponderance of evidence in the record establishing that:

1. Department of Defense ("DoD") contracts require that DoD contractors provide aircraft parts originating from approved manufacturers. In some instances, DoD contracts require that DoD contractors supply new "surplus" aircraft parts which are parts originally released as surplus by the DoD for sale to or within the public sector. Ordering new surplus aircraft parts ensures that the parts have been previously inspected by the DoD or domestic airline inspectors.

2. The Federal Aviation Administration ("FAA"), which is part of the Department of Transportation ("DOT") is charged by statute with regulating aircraft safety in the United States, including the regulation of aircraft repair stations and their employees. Furthermore, an FAA authorized repair station can only perform repairs, certifications, inspections, testing, and overhauls of parts that appear both within its "Rating" and on its "Capabilities List." An FAA repair station's Limited Capability List contains approved aircraft parts listed by both a manufacturer's name and part number.

Relevant Individuals and Companies

3. Zerene Aerospace Inventory, Inc. ("ZAI") was in the business of manufacturing and repairing aircraft parts. ZAI was neither a DoD contractor, nor was it an FAA authorized repair station. ZAI was incorporated in the State of Florida on October 23, 2007. Julio Zerene ("Zerene") is the owner of ZAI. Zerene is also the owner of Zerene Services, Inc. ("ZSI") which was incorporated in the State of Florida on March 1, 1999, and Zerene Aerospace Industries, Inc. ("Zerene Industries") which was incorporated in the State of Florida on September 11, 2006.

4. Best Aviation Sales, Inc. ("Best") is a DoD supplier of aircraft and other transportation equipment parts for use in several aviation and critical weapons system applications. Best was incorporated in the State of Illinois on August 1, 1998. William H. Miller ("Miller") is the

president of Best and owns 100% of Best's stock. Since its incorporation, Best has been awarded approximately 5 million dollars in USAF contracts.

5. Falcon Group Corp. a/k/a Falcon Aviation Group, Inc. ("Falcon") is a DoD supplier of aircraft and other transportation equipment parts for use in several aviation and critical weapons system applications. Falcon was incorporated in the State of Florida on December 31, 2007. Since its incorporation, Falcon has been awarded approximately 1.3 million dollars in USAF contracts. John A. Falco ("Falco") is the president of Falcon and owns 100% of Falcon's stock.

6. The Airborne Group, Inc. ("Airborne") is a DoD supplier of aircraft and other transportation equipment parts for use in several aviation and critical weapons system applications. Airborne was incorporated in the State of Florida on August 9, 2001. Mariella Bianchi ("Bianchi") is the president of Airborne, and Juan Beltran ("Beltran") was the Director of Military Sales. Since its incorporation, Airborne has been awarded approximately 2 million dollars in USAF contracts.

#### The Conspiracy

7. On May 2, 2008, the Department of Transportation-Office of Inspector General ("DoT-OIG") received information that Zerene, through his business ZAI, was illegally manufacturing aircraft skins, wings, and controlled surfaces for various aircraft including the U.S. Air Force's ("USAF") E-3 Sentry, Airborne Warning and Control System. ZAI was not an approved manufacturer of aircraft parts for either the U.S. Military or the civilian aviation community.

8. Multi-agency investigations revealed that Zerene did not sell illegally manufactured aircraft parts directly to the USAF, but instead sold to various DoD contractors who conspired with Zerene to in turn sell the substandard aircraft parts to the USAF. These various DoD contractors included Best, Falcon, and Airborne.

9. By way of example, in June 2008, Best was awarded Tinker Air Force Base ("Tinker AFB") contract number FA8112-08-M-D737 in the amount of \$50,875. The contract pertained to the purchase of three different types of aircraft parts, including six Structural Aircraft Panels ("Panels") to be used on the USAF's KC-135 aircraft. The contract required that the Panels be new surplus parts originating from Boeing.

10. Upon delivery of the Panels to Tinker AFB, Best provided the USAF with documents which detailed the origin of the Panels as coming from ZAI, which had allegedly purchased the Panels from an FAA authorized repair station. The documents further certified the Panels as "new-surplus" and identified the Panels as Boeing part number 5-96297-21 as required by the contract. Investigations revealed, however, that the FAA repair station from which ZAI had allegedly purchased the Panels had administratively dissolved approximately three years prior to the date the Panels were allegedly shipped to ZAI.

11. Thereafter, in December 2008, the Panels were inspected and tested by the USAF's Aerospace Engineers. The testing revealed that the Panels were not manufactured by Boeing. Specifically, the Panels were made of the wrong material and were dimensionally incorrect. Additionally, Boeing's DoD Cage Code was not found on the part's packing as required or on the part itself. Moreover, the dimension errors noted on the Panels would have prevented the parts from being properly installed on USAF aircraft. The tests also revealed that the Panels were newly manufactured, thus conflicting with the USAF's contract requirements that the Panels originate from Boeing as new surplus parts.

12. On April 30, 2009, a multi-agency search warrant was executed on Zerene's businesses in Miami, Florida. Agents discovered three large aviation part manufacturing plants complete with bulk raw materials, expensive tools and machinery necessary for the production of aviation parts, and a large number of aviation parts in various stages of production.

13. As a result of the search, numerous documents were seized from ZAI which implicated Best, Falcon, and Airborne as DoD contractors involved in the conspiracy to sell fraudulent substandard aircraft parts to the DoD. A forensic review of Zerene's bank accounts revealed that from 2007 to July 2009, Zerene received nearly 1.5 million dollars in income from the sale of illegally manufactured aircraft parts.

14. Following the search of his businesses, Zerene admitted in an interview with agents that he was in the business of manufacturing and repairing aircraft parts, including aircraft parts destined for DoD contractors and FAA repair stations for subsequent sale to the DoD. Zerene admitted that despite the fact he was not licensed or authorized to manufacture *any* aviation parts, he had fabricated numerous parts for various DoD contractors. Zerene acknowledged that not only did he illegally fabricate the Panels Best delivered to Tinker AFB, but also that he falsely certified the Panels as Boeing parts in an attempt to satisfy and fulfill the requirements of the contract awarded to Best.

15. On August 26, 2009, a multi-agency search warrant executed on Best's place of business resulted in agents seizing numerous documents and electronic media which contained financial information such as purchase orders, e-mails, and receipts associated with Best's sale of counterfeit aircraft parts to the USAF. Both the documents seized from Best and the records obtained from ZAI revealed the names of several companies, including Best, which had conspired with ZAI to fraudulently sell substandard aircraft parts to the DoD. Best and Miller were suspended by the Air Force on February 4, 2010, pending the completion of the multi-agency criminal investigation into their misconduct.

16. On July 22, 2009, Zerene pled guilty in the U.S. District Court, Southern District of Florida to one count of Fraud Involving Aircraft or Space Vehicles in violation of 18 U.S.C.

§38(a)(1)(B). On October 2, 2009, Zerene was sentenced to 37 months imprisonment and 2 years supervised release, and ordered to pay a fine in the amount of \$100. Zerene, ZAI, and ZSI were subsequently debarred by the Air Force on May 10, 2010.

17. On November 13, 2009, Falco, owner of Falcon, pled guilty in the U.S. District Court, Southern District of Florida to one count of Fraud Involving Aircraft Parts in violation of Title 18, U.S.C. §38. On February 9, 2010, Falco was sentenced to 37 months imprisonment and 3 years supervised release, and ordered to pay a fine in the amount of \$100 and restitution to the Air Force in the amount of \$1.3 million. Falco and Falcon were subsequently debarred by the Air Force on May 10, 2010.

18. On January 5, 2010, Bianchi and Beltran of Airborne were indicted in the U.S. District Court, Southern District of Florida on one count of Conspiracy to Commit Aircraft Parts Fraud in violation of 18 U.S.C. §38(a)(3) and eight counts of Aircraft Parts Fraud in violation of 18 U.S.C. § 38(a)(1)(A). On April 7, 2010, Bianchi and Beltran pled guilty to one count of Conspiracy to Commit Aircraft Parts Fraud, and they are scheduled to be sentenced on July 7, 2010. Airborne, Bianchi, and Beltran were suspended by the Air Force on February 4, 2010, pending completion of the criminal proceedings in the U.S. District Court, Southern District of Florida.

#### BASES FOR THE PROPOSED DEBARMENT

1. The improper conduct of Zerene is of so serious or compelling a nature that it affects his present responsibility to be Government contractor or subcontractor and provides a separate independent basis for his debarment pursuant to FAR 9.406-2(c). Furthermore, Zerene's conviction in the Southern District of Florida provides a separate independent basis for his debarment pursuant to FAR 9.406-2(a)(1), (3), and (5). Consequently, Zerene was debarred by the Air Force on May 10, 2010.

2. The improper conduct of ZAI is of so serious or compelling a nature that it affects its present responsibility to be Government contractor or subcontractor and provides a separate independent basis for its debarment pursuant to FAR 9.406-2(c). Consequently, ZAI was debarred by the Air Force on May 10, 2010.

3. Pursuant to FAR 9.406-1(b), debarments may be extended to the affiliates of a contractor. Zerene and Zerene Industries are affiliates, as defined at FAR 9.403 (Affiliates), because directly or indirectly, Zerene has power to control Zerene Industries. The affiliation of Zerene and Zerene Industries provides a separate independent basis for the debarment of Zerene Industries.

4. Pursuant to FAR 9.403 (Affiliates), interlocking management or ownership is indicative of control so as to make entities affiliates of each other. ZAI and Zerene Industries are affiliates of each other as evidenced by their common ownership by Zerene. The affiliation of ZAI and Zerene Industries provides a separate independent basis for each of their debarments pursuant to FAR 9.406-1(b).



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STEVEN A. SHAW  
Deputy General Counsel  
(Contractor Responsibility)