

NEWS

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FOR IMMEDIATE RELEASE
Sept. 11, 2008

New Jersey Defense Contractor Fined, Ordered to Pay \$7.9 Million
in Restitution for Fraud on Tank Filter Contracts

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NEWARK – A New Jersey-based defense contractor was sentenced today to five years of probation, fined the maximum amount of \$500,000 and ordered to pay \$7.9 million in restitution to the United States, U.S. Attorney Christopher J. Christie announced.

Parmatic Filter Corporation, of Montague, was sentenced by U.S. District Judge William H. Walls. The company pleaded guilty on Sept. 6, 2007, to conspiring to commit major fraud against the United States.

Parmatic received two DoD contracts in 1996 and 1997 to manufacture the M48A1 filter. The filter is designed and intended to provide breathable, uncontaminated air to soldiers and Marines conducting operations in environments contaminated by nuclear, biological and chemical agents and materials, and the filter is primarily used in the M1A1/2 Main Battle Tank. The total value of both contracts was more than \$7 million.

At its plea hearing, the company admitted that it and its employees conspired to fraudulently circumvent the manufacturing, testing and quality assurance requirements through a variety of means to maximize the company's profits. These fraudulent means included using substituted and defective components and parts; shipping filters to the DoD, knowing that the filters had failed required internal testing; submitting fraudulent test filters to the DoD; re-manufacturing defective filters and then shipping them to the DoD; and creating and submitting false documents to the DoD.

The company also admitted that it changed a supplier for a key component of the filter, without the DoD's knowledge or approval as required under the contracts. After this unauthorized change of supplier, the company acknowledged that it learned that the new components were too big and did not conform to the contracts' required specifications. In an attempt to remedy the situation, Parmatic admitted that its senior managers and employees machined or removed aluminum from the components, again without the DoD's knowledge or approval as required under the contracts.

By machining these components, the company admitted that it removed a protective coating on the components intended to inhibit corrosion. Parmatic admitted that it then shipped filters to the DoD containing these substituted and defective parts. Parmatic also admitted in Court that it shipped filters to the DoD, knowing that the filters had failed required internal testing. This internal testing was required under the contracts and was intended to ensure that the filters could properly filter air contaminated by radiological particles and biological and chemical agents, such as nerve gas and blood and blister agents.

“This is a steep and appropriate price for this company and its officers to pay for their fraud,” said Christie. “They cut corners to increase profit and in doing so potentially put service men and women in danger.”

The following individuals have already been sentenced:

Brett J. Halpin, 64, Ocean City, Maryland, was sentenced before Judge Walls on Aug. 26, 2008 to three years of probation, six months of home confinement, ordered to pay \$133,000 in restitution to the United States, and a \$30,000 fine. Halpin was a former senior manager at Parmatic. Halpin pleaded guilty to conspiracy to commit major fraud against the United States by remanufacturing defective filters and caused them to be shipped to the DoD.

Robert J. Spadaro, 68, of North Port, Fla., was sentenced by Judge Walls on Aug. 28 to two years of probation, four months of home confinement, and ordered to pay \$381,780 in restitution to the United States. Spadaro was a former senior manager at Parmatic. Spadaro pleaded guilty to conspiracy to commit major fraud against the United States by submitting fraudulent sample filters to the DoD.

David D. Sward, 64, Randolph, N.J., was sentenced by Judge Walls to three years of probation with six months of home confinement, and fined \$5,000. He pleaded guilty to failing to report and actively concealing Parmatic's submission of false and fraudulent certifications to a private company. This offense was unrelated to the DoD filter contracts.

Christie credited Special Agents of the Defense Criminal Investigative Service, under the direction of Acting Resident Agent in Charge John Ledden, and Special Agents of the Army's Criminal Investigative Command, under the direction of Resident Agent in Charge Carl Russ with the investigation leading to prosecution.

The case was prosecuted by Assistant U.S. Attorney Anthony Moscato.

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Defense Counsel for Parmatic: Steven B. Horowitz, Esq., Springfield, N.J.