

SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the Department of Defense, Defense Contract Management Agency (collectively the “United States”), and L3 Technologies, Inc., Communication Systems West (“L3”) (hereafter collectively referred to as “the Parties”), through their authorized representatives.

RECITALS

A. L3 manufactures cables, receivers, and communications equipment to operate unmanned aircraft vehicles and retrieve data for military operations and intelligence. L3 has sole source, fixed price prime contracts with the Air Force, Army, Navy, and other government agencies, and subcontracts with other prime contractors who manufacture unmanned aircraft vehicles.

B. The United States contends that it has certain civil claims against L3 arising from L3’s billing of Proratables.¹ Specifically, the United States contends that L3 submitted and/or caused the submission of false claims in connection with Government contracts by including P-type Proratables as part of the Material Additive Factor² and routinely proposing such parts as individual charges on the bill of materials. This resulted in L3 improperly charging the Government twice for Proratables costs in the

¹ “Proratables” refers to materials that are consumed in the production of a product or the provision of a service, including but not limited to low value common parts such as nuts, bolts and screws (P-Type) and consumables such as solvents, adhesives, lubricants, and towels (S-Type), and which are not typically included in the bill of materials provided under a Government contract.

² “Material Additive Factor” refers to a category of costs associated with transfer material, transfer material support, scrap, proratable support, vendor support, and residual material.

contracts listed in Attachment A between January 1, 2008 through May 16, 2011, in violation of the False Claims Act, 31 U.S.C. § 3729; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Truth In Negotiations Act, 10 U.S.C. § 2306a; the Contract Disputes Act, 41 U.S.C. §§ 7101-7109; the Federal Acquisition Regulation; or common law theories of breach of contract, payment by mistake, unjust enrichment or fraud. That conduct is referred to below as the “Covered Conduct.”

C. This Settlement Agreement is neither an admission of liability by L3 nor a concession by the United States that its claims are not well founded.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. L3 shall pay to the United States \$21,811,248 (Settlement Amount), of which \$14,939,211 is restitution, by electronic funds transfer pursuant to written instructions to be provided by the Civil Division of the United States Department Of Justice no later than 14 days after the Effective Date of this Agreement.

2. Subject to the exceptions in Paragraphs 3 and 4 (concerning reserved claims) below, and conditioned upon the United States’ receipt of the Settlement Amount due under Paragraph 1, the United States releases L3, together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them, from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. § 3729; the Program Fraud

Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Truth In Negotiations Act, 10 U.S.C. § 2306a; the Contract Disputes Act, 41 U.S.C. §§ 7101-7109; the Federal Acquisition Regulation; or common law theories of breach of contract, payment by mistake, unjust enrichment or fraud.

3. Nothing in this Agreement precludes the United States from pursuing civil or administrative claims other than the Covered Conduct under the False Claims Act, 31 U.S.C. § 3729; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Truth In Negotiations Act, 10 U.S.C. § 2306a; the Contract Disputes Act, 41 U.S.C. §§ 7101-7109; the Federal Acquisition Regulation; or common law theories of breach of contract, payment by mistake, unjust enrichment or fraud, including claims in connection with conduct related to L3's pricing of eight related products known as Remote Operations Video Enhanced Receivers, or "ROVER" products, specifically, L3's (a) disclosure of offloading the manufacturing of assemblies and (b) proposing labor costs and burdens to the Government concerning products the costs of which were recorded in "common build" accounts in connection with the sole source price proposals for fixed price contracts of ROVER products, including proposal FFH 430-002, Contract No. FA8620-07-G-3015, which resulted in the award of Delivery Order 0033 thereunder, as well as proposals for any modifications, change orders, delivery orders, or equitable adjustments related to such contracts. The claims described in this Paragraph are referred to as "Offloading and Common Build claims." In any action brought by the United States asserting Offloading and Common Build claims under the causes of action described in this Paragraph, the United States agrees that it may not recover damages for the same claims as the Covered Conduct.

4. Notwithstanding the release given by the United States in Paragraph 2 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability or enforcement right, or any administrative remedy, including the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct, including as noted above in Paragraph 3;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals;
- g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;
- h. Any liability for failure to deliver goods or services due;
- i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct.

5. L3 waives and shall not assert any defenses L3 may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth

Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

6. L3 fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that L3 has asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

7. Nothing in this Agreement precludes L3 from pursuing any claims related to termination for convenience proposals L3 is currently negotiating with the Army for the Kiowa helicopter program under Contract Nos. W58RGZ-11-C-0023 and W58RGZ-11-D-0169 or from pursuing those negotiations.

8. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of L3, and its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) L3's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation in connection with the matters covered by this Agreement (including attorneys' fees);

- (4) the negotiation and performance of this Agreement;
- (5) the payment L3 makes to the United States pursuant to this Agreement,

are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by L3, and L3 shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Within 90 days of the Effective Date of this Agreement, L3 shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by L3 or any of its subsidiaries or affiliates from the United States. L3 agrees that the United States, at a minimum, shall be entitled to recoup from L3 any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine L3's books and records and to disagree with any calculations submitted by L3 or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by L3, or the effect of any such Unallowable Costs on the amount of such payments.

9. This Agreement is intended to be for the benefit of the Parties only.

10. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

11. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.

12. This Agreement is governed by the laws of the United States. The exclusive venue for any dispute relating to this Agreement is the United States District Court for the District of Utah. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

13. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

14. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

15. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

16. This Agreement is binding on L3's successors, transferees, heirs, and assigns.

17. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

18. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

THE UNITED STATES OF AMERICA

DATED: April 6, 2023

BY: _____



Paul R. Perkins
Deputy Director
Commercial Litigation Branch
Civil Division
United States Department of Justice

Sandra Steinvoort
Assistant United States Attorney
United States Attorney's Office for the
District of Utah

L3 Technologies, Inc., Communication Systems West

DATED: _____ BY: _____

Scott Mikuen
Senior Vice President, General Counsel and Secretary
L3 Technologies, Inc., Communication Systems West

DATED: _____ BY: _____

W. Jay DeVecchio
Counsel for L3 Technologies, Inc., Communication
Systems West

DATED: _____ BY: _____

Edward Jackson
Counsel for L3 Technologies, Inc., Communication
Systems West

DATED: _____

BY: _____

Paul R. Perkins
Deputy Director
Commercial Litigation Branch
Civil Division
United States Department of Justice



Sandra Steinvoort
Assistant United States Attorney
United States Attorney's Office for the
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Senior Vice President, General Counsel and Secretary
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W. Jay DeVecchio
Counsel for L3 Technologies, Inc., Communication
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DATED: _____ BY: _____

Edward Jackson
Counsel for L3 Technologies, Inc., Communication
Systems West

DATED: _____

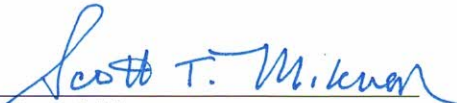
BY: _____

Paul R. Perkins
Deputy Director
Commercial Litigation Branch
Civil Division
United States Department of Justice

Sandra Steinvooort
Assistant United States Attorney
United States Attorney's Office for the
District of Utah

L3 Technologies, Inc., Communication Systems West

DATED: 3-31-23 BY: _____



Scott Mikuen
Senior Vice President, General Counsel and Secretary
L3 Technologies, Inc., Communication Systems West

DATED: _____ BY: _____

W. Jay DeVecchio
Counsel for L3 Technologies, Inc., Communication
Systems West

DATED: _____ BY: _____

Edward Jackson
Counsel for L3 Technologies, Inc., Communication
Systems West

DATED: _____

BY: _____

Paul R. Perkins
Deputy Director
Commercial Litigation Branch
Civil Division
United States Department of Justice


Sandra Steinvoort
Assistant United States Attorney
United States Attorney's Office for the
District of Utah

L3 Technologies, Inc., Communication Systems West

DATED: _____ BY: _____

Scott Mikuen
Senior Vice President, General Counsel and Secretary
L3 Technologies, Inc., Communication Systems West

DATED: 03/31/23 BY: _____


W. Jay DeVecchio
Counsel for L3 Technologies, Inc., Communication
Systems West

DATED: _____ BY: _____

Edward Jackson
Counsel for L3 Technologies, Inc., Communication
Systems West

DATED: _____

BY: _____

Paul R. Perkins
Deputy Director
Commercial Litigation Branch
Civil Division
United States Department of Justice

Sandra Steinvoort
Assistant United States Attorney
United States Attorney's Office for the
District of Utah

L3 Technologies, Inc., Communication Systems West

DATED: _____ BY: _____

Scott Mikuen
Senior Vice President, General Counsel and Secretary
L3 Technologies, Inc., Communication Systems West

DATED: _____ BY: _____

W. Jay DeVecchio
Counsel for L3 Technologies, Inc., Communication
Systems West

DATED: 03/31/23 BY: *Edward Jackson*

Edward Jackson
Counsel for L3 Technologies, Inc., Communication
Systems West

SETTLEMENT AGREEMENT – ADDENDUM

This Addendum supersedes Paragraph 1 of the Terms and Conditions in the Parties' April 6, 2023, Settlement Agreement (Agreement).

L3 shall pay to the United States \$21,811,248 (Settlement Amount), of which \$14,939,211 is restitution, by electronic funds transfer pursuant to written instructions to be provided by the Civil Division of the United States Department of Justice no later than 25 days after the Effective Date of the Agreement.

No other changes are made to the Agreement.

THE UNITED STATES OF AMERICA

DATED: 4/20/2023

BY: _____



Paul R. Perkins
Deputy Director
Commercial Litigation Branch
Civil Division
United States Department of Justice



Sandra Steinvoort
Assistant United States Attorney
United States Attorney's Office for the
District of Utah

L3 TECHNOLOGIES, INC., COMMUNICATION SYSTEMS WEST

DATED: _____ BY: _____

Scott Mikuen
Senior Vice President, General Counsel and Secretary
L3 Technologies, Inc., Communication Systems West

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THE UNITED STATES OF AMERICA

DATED: _____

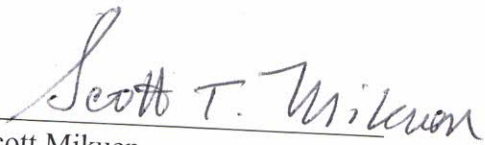
BY: _____


Paul R. Perkins
Deputy Director
Commercial Litigation Branch
Civil Division
United States Department of Justice

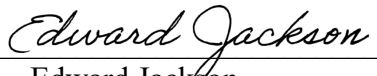
Sandra Steinvoort
Assistant United States Attorney
United States Attorney's Office for the
District of Utah

L3 TECHNOLOGIES, INC., COMMUNICATION SYSTEMS WEST

DATED: 04/24/2023 BY: _____


Scott Mikuen
Senior Vice President, General Counsel and Secretary

DATED: 04/20/2023 BY: 
W. Jay DeVecchio
Counsel for L3 Technologies, Inc., Communication
Systems West

DATED: 04/20/2023 BY: 
Edward Jackson
Counsel for L3 Technologies, Inc., Communication
Systems West