

## **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 the Air Force (collectively, the “United States”), Aero Turbine, Inc. (“ATI”), and Gallant Capital Partners, LLC (“Gallant”), through their authorized representatives. Collectively, all of the above will be referred to as “the Parties.”

### **RECITALS**

A. ATI is an aerospace maintenance, repair, and overhaul service provider incorporated in California with its principal place of business in Stockton, California. On January 25, 2017, the Air Force awarded ATI the Management of Items Subject to Repair Contract FA8122-17-D-0001 (“MISTR Contract”) to repair and maintain General Electric J85 turbojet engines.

B. Gallant is a private equity company organized in California with its principal place of business in Los Angeles, California. From January 2019 to August 2024, Gallant, through investment funds for which it acted as an advisor, owned a controlling stake in ATI.

C. The MISTR Contract incorporated Defense Federal Acquisition Regulation Supplement (“DFARS”) clause 252.204-7012, which requires Department of Defense (“DoD”) contractors and subcontractors to provide adequate security on all covered contractor information systems to safeguard covered defense information by, at a minimum, implementing the security requirements specified by National Institute of Standards and Technology (“NIST”) Special Publication (“SP”) 800-171, “Protecting Controlled Unclassified Information in Nonfederal Information Systems and Organizations,” by not later than December 31, 2017. To support the

MISTR Contract, ATI maintained an information system known as Aero Turbine Online Management System (ATOMS), which contained controlled unclassified information (CUI).

D. ATI submitted two written disclosures to the United States concerning ATI's non-compliance with cybersecurity requirements relating to the MISTR Contract. ATI and Gallant cooperated with the United States' investigation by identifying individuals involved in or responsible for the issues and disclosing facts gathered during its independent investigation, with attribution of the facts to specific sources. After identifying the issues, ATI represented that it promptly implemented mechanisms to remediate the identified issues and prevent like issues from occurring in the future. ATI and Gallant received credit under the United States Department of Justice's guidelines in Justice Manual § 4-4.112 for taking disclosure, cooperation, and remediation into account in False Claims Act cases.

E. The United States contends that it has certain civil claims against ATI and Gallant arising from ATI's knowing submission and/or causing the submission of claims to the Air Force under the MISTR Contract during the period of January 1, 2018, to February 29, 2020, that were false and/or fraudulent for the following reasons (hereinafter, the "Covered Conduct"):

(1) During the period of January 1, 2018, to February 29, 2020, ATI had not fully implemented all cybersecurity controls in NIST SP 800-171 for its ATOMS information system, including controls that, if not implemented, could (a) lead to significant exploitation of the system or exfiltration of controlled defense information or (b) have a specific and confined effect on the security of the system and its data. Before its written disclosure to the United States of the issue, ATI had assumed that its implementation of export controls to protect technical data was sufficient to meet its cybersecurity obligations under the MISTR Contract, but neither ATI nor

Gallant had verified whether ATI met the specific cybersecurity controls in NIST SP 800-171 for the ATOMS information system.

(2) During the period of June 6, 2019, to July 29, 2019, ATI and Gallant failed to control the flow of CUI in accordance with approved authorizations and failed to limit access to the ATOMS information system to authorized users. After engaging a software company with personnel in Egypt to improve ATOMS, a Gallant employee assisting ATI provided the software company's personnel in Egypt with data from ATOMS that contained CUI relating to the MISTR Contract, even though the software company and its foreign citizen personnel were not authorized to receive CUI under the MISTR Contract.

F. This Settlement Agreement is neither an admission of liability by ATI or Gallant, 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. ATI and Gallant shall jointly and severally pay to the United States One Million Seven Hundred and Fifty Thousand Dollars (\$1,750,000.00) plus interest accruing at a rate of four and a half percent (4.5%) per annum from May 29, 2025, and continuing until and including the date of payment (collectively, "Settlement Amount"), of which One Million One Hundred Fifty Thousand Dollars (\$1,150,000.00) 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 fourteen (14) calendar days after the Effective Date.

2. Subject to the exceptions in Paragraph 3 (concerning reserved claims) below, and conditioned upon the United States' receipt of the Settlement Amount, the United States releases ATI and Gallant from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729–3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801–3812, as amended; or the common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

3. Notwithstanding the releases given 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 the 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;
- 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; and

- i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct.

4. ATI and Gallant waive and shall not assert any defenses they 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.

5. ATI and Gallant fully and finally release 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 ATI and Gallant have 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 or the United States' investigation or prosecution thereof.

6. 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 ATI and/or Gallant and their 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) ATI and Gallant's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorneys' fees);

- (4) the negotiation and performance of this Agreement; and
- (5) the payment(s) ATI and Gallant make 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 ATI and Gallant, and ATI and Gallant 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 ninety (90) days of the Effective Date, ATI and Gallant shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by ATI, Gallant, or any of their subsidiaries or affiliates from the United States. ATI and Gallant agree that the United States, at a minimum, shall be entitled to recoup from ATI and Gallant 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 ATI and Gallant's books and records and to disagree with any calculations submitted by ATI, Gallant, or any of their subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by ATI and Gallant, or the effect of any such Unallowable Costs on the amount of such payments.

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

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

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

10. ATI and Gallant expressly waive all rights they may have by virtue of Section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

11. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Eastern District of California. 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.

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

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

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

15. This Agreement is binding on ATI and Gallant's successors, transferees, heirs, and assigns.

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

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

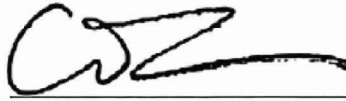
[SIGNATURE PAGE(S) FOLLOW]



**THE UNITED STATES OF AMERICA**

DATED: 7/31/2025

BY:



CHRISTOPHER TERRANOVA  
ROBIN OVERBY  
Trial Attorneys  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice

DATED: 7/31/2025

BY:



DAVID THIESS  
Assistant United States Attorney  
Eastern District of California

AERO TURBINE, INC.

DATED: 7/29/2025

BY: *Ranjeet Singh*  
RANJEET SINGH  
Vice President and General Manager  
of Aero Turbine, Inc.

DATED: 7/30/2025

BY: *Sheila A. Armstrong*  
SHEILA ARMSTRONG  
G. NORMAN ACKER III  
J.D. KOESTERS  
K&L Gates LLP  
Counsel for Aero Turbine, Inc.

GALLANT CAPITAL PARTNERS, LLC

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
JON GIMBEL  
Partner, Gallant Capital Partners, LLC

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
THOMAS WALDMAN  
Stradling Yocca Carlson & Rauth LLP  
Counsel for Gallant Capital Partners, LLC

AERO TURBINE, INC.

DATED: \_\_\_\_\_

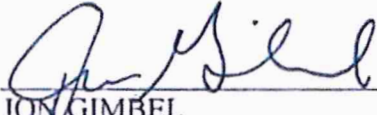
BY: \_\_\_\_\_  
RANJEET SINGH  
Vice President and General Manager  
of Aero Turbine, Inc.

DATED: \_\_\_\_\_

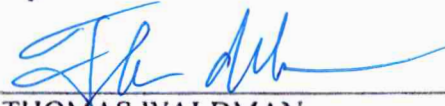
BY: \_\_\_\_\_  
SHEILA ARMSTRONG  
G. NORMAN ACKER III  
J.D. KOESTERS  
K&L Gates LLP  
Counsel for Aero Turbine, Inc.

GALLANT CAPITAL PARTNERS, LLC

DATED: 7/29/25

BY:   
JON GIMBEL  
Partner, Gallant Capital Partners, LLC

DATED: 7/29/25

BY:   
THOMAS WALDMAN  
Stradling Yocca Carlson & Rauth LLP  
Counsel for Gallant Capital Partners, LLC