

PRO TANTO SETTLEMENT AGREEMENT

This Pro Tanto 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 Defense Logistics Agency (DLA) and the Department of the Army (“Army”) (collectively the “United States”), Insect Shield, LLC (“Insect Shield”), and Emelia Downs, through their authorized representatives. The United States, Insect Shield and Emelia Downs, collectively, are hereafter referred to as “the Parties.”

RECITALS

A. Insect Shield is a North Carolina Limited Liability Company with its principal place of business located in Greensboro, North Carolina. Insect Shield was a subcontractor to various garment manufacturing companies that were awarded contracts by DLA and the Army to provide Army Combat Uniforms (ACUs). Insect Shield applied permethrin, an insect repellent, to ACUs under its subcontracts with garment manufacturing companies.

B. On October 1, 2019, Emelia Downs (“Relator”) filed a *qui tam* action in the United States District Court for the Middle District of North Carolina captioned *United States ex rel. Emelia Downs v. Insect Shield, LLC et al.* (No. 1:19-cv-1026), pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730(b) (the “Civil Action”). The United States intervened in the Civil Action on September 15, 2023, and filed the United States’ Complaint in Intervention on December 14, 2023.

C. The United States contends that it has certain civil claims against Insect Shield arising from its knowing falsification of test results regarding the application of permethrin to Army uniforms, thereby causing its prime contractors to submit false

claims for payment to DLA and the Army from January 1, 2015, through December 31, 2021, as described in the United States' Complaint in Intervention. That conduct is referred to below as the Covered Conduct.

D. This Settlement Agreement is neither an admission of liability by Insect Shield nor a concession by the United States that its claims are not well founded. Insect Shield denies the United States' allegations in Paragraph C and Relator's allegations in the Civil Action.

E. Relator claims entitlement under 31 U.S.C. § 3730(d) to a share of the proceeds of this Settlement Agreement and to Relator's reasonable expenses, attorneys' fees and costs.

F. This Agreement is on a pro tanto basis and is not intended to settle, discharge or release any claim of Relator or the United States against the Estate of Richard Lane (hereafter "the Estate"), or any other person or entity not herein expressly released.

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. Insect Shield and the Estate of Richard Lane (hereafter "Estate") shall pay to the United States \$1,400,000 (the "Settlement Amount"), of which \$700,000 is restitution. Insect Shield shall pay \$875,000 of the Settlement Amount ("Insect Shield Portion"), of which \$437,500 is restitution. Pursuant to a separate agreement with the Estate, to be executed contemporaneously herewith, the Estate shall pay \$525,000 of the

Settlement Amount (“Estate Portion”), of which \$262,500 is restitution. Insect Shield shall pay the Insect Shield Portion to the United States according to the following terms and schedule:

A. No later than 10 days after the Effective Date of this agreement, Insect Shield shall make an initial payment of \$300,000.

B. Over a period of 24 months, Insect Shield will pay \$575,000, the remaining unpaid balance of the Insect Shield Portion, plus interest at 5% per annum, pursuant to the payment schedule attached at Exhibit A (the “Payments Over Time”).

C. All payments of the Insect Shield Portion to the United States shall be made by electronic funds transfer pursuant to instructions to be provided by the Civil Division of the Department of Justice.

D. If Insect Shield or any of its affiliates is sold, merged, or transferred, or a significant portion of the assets of Insect Shield or of any of its affiliates is sold, merged, or transferred into another non-affiliated entity, Insect Shield shall promptly notify the United States, and all remaining payments owed pursuant to the Settlement Agreement shall be accelerated and become immediately due and payable.

E. The Insect Shield Portion may be prepaid, in whole or in part, without penalty or premium.

2. Conditioned upon the United States receiving payments of the Insect Shield Portion, the United States agrees that it shall pay to Relator by electronic funds transfer 22.5% percent of each such payment received under the Settlement Agreement (Relator’s Share) as soon as feasible after receipt of the payment.

3. Subject to the exceptions in Paragraph 5 (concerning reserved claims) below and subject to Paragraph 10 (concerning default) and Paragraph 11 (concerning bankruptcy) below, and upon the United States' receipt of the Insect Shield Portion plus interest on unpaid amounts at 5% per annum, the United States releases Insect Shield together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; 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. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; or the common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

4. Subject to the exceptions in Paragraph 5 (concerning reserved claims) below and subject to Paragraph 10 (concerning default) and Paragraph 11 (concerning bankruptcy) below, and upon the United States' receipt of the Insect Shield Portion plus interest on unpaid amounts at 5% per annum, Relator, for herself and for her heirs, successors, attorneys, agents, and assigns, releases Insect Shield from any civil monetary claim the Relator has on behalf of the United States for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733.

5. Notwithstanding the releases given in Paragraph 3 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;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals;
- g. Any liability of the Estate of Richard Lane; and
- h. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct.

6. Relator and her heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B).

Conditioned upon Relator's receipt of the Relator's Share, Relator and her heirs, successors, attorneys, agents, and assigns fully and finally release, waive, and forever discharge the United States, its agencies, officers, agents, employees, and servants, from any claims arising from the filing of the Civil Action or under 31 U.S.C. § 3730, and from any claims to a share of the proceeds of this Agreement and/or the Civil Action.

7. Insect Shield waives and shall not assert any defenses Insect Shield 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.

8. Insect Shield 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 Insect Shield 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 or the United States' investigation or prosecution thereof.

9. 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 Insect Shield, 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), civil investigation, and criminal investigations of the matters covered by this Agreement;
- (3) Insect Shield's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil and any criminal 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 payments Insect Shield makes to the United States pursuant to this Agreement and any payments that Insect

Shield may make to Relator, including costs and attorneys' fees,

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 Insect Shield, and Insect Shield 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, Insect Shield shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by Insect Shield or any of its subsidiaries or affiliates from the United States. Insect Shield agrees that the United States, at a minimum, shall be entitled to recoup from Insect Sheild 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 Insect Shield's books and records and to disagree with any calculations submitted by Insect Shield or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Insect Shield, or the effect of any such Unallowable Costs on the amount of such payments.

10. In the event that Insect Shield fails to pay the Insect Shield Portion as provided in the payment schedule set forth in Paragraph 1 and Exhibit A, Insect Shield

shall be in Default of Insect Shield's payment obligations ("Default"). The United States will provide a written Notice of Default, and Insect Shield shall have an opportunity to cure such Default within seven (7) calendar days from the date of receipt of the Notice of Default by making the payment due under the payment schedule and paying any additional interest accruing under the Settlement Agreement up to the date of payment. Notice of Default will be delivered to Insect Shield, or to such other representative as Insect Shield shall designate in advance in writing. If Insect Shield fails to cure the Default within seven (7) calendar days of receiving the Notice of Default and in the absence of an agreement with the United States to a modified payment schedule ("Uncured Default"), the remaining unpaid balance of the Settlement Amount shall become immediately due and payable, and interest on the remaining unpaid balance shall thereafter accrue at the rate of 12% per annum, compounded daily from the date of Default, on the remaining unpaid total (principal and interest balance).

b. In the event of Uncured Default, Insect Shield agrees that the United States, at its sole discretion, may (i) retain any payments previously made, rescind this Agreement and pursue the Civil Action or bring any civil and/or administrative claim, action, or proceeding against Insect Shield for the claims that would otherwise be covered by the releases provided in Paragraph 3 above, with any recovery reduced by the amount of any payments previously made by Insect Shield to the United States under this Agreement; (ii) take any action to enforce this Agreement in a new action or by reinstating the Civil Action; (iii) offset the remaining unpaid balance from any amounts due and owing to Insect Shield and/or affiliated companies by any department, agency, or agent of the United States at the time of Default or subsequently; and/or (iv) exercise any

other right granted by law, or under the terms of this Agreement, or recognizable at common law or in equity. The United States shall be entitled to any other rights granted by law or in equity by reason of Default, including referral of this matter for private collection. In the event the United States pursues a collection action, Insect Shield agrees immediately to pay the United States the greater of (i) a ten-percent (10%) surcharge of the amount collected, as allowed by 28 U.S.C. § 3011(a), or (ii) the United States' reasonable attorneys' fees and expenses incurred in such an action. In the event that the United States opts to rescind this Agreement pursuant to this paragraph, Insect Shield waives and agrees not to plead, argue, or otherwise raise any defenses of statute of limitations, laches, estoppel or similar theories, to any civil or administrative claims that are (i) filed by the United States against Insect Shield within 120 days of written notification that this Agreement has been rescinded, and (ii) relate to the Covered Conduct, except to the extent these defenses were available on October 1, 2019. Insect Shield agrees not to contest any offset, recoupment, and /or collection action undertaken by the United States pursuant to this paragraph, either administratively or in any state or federal court, except on the grounds of actual payment to the United States.

11. In exchange for valuable consideration provided in this Agreement, Insect Shield and Relator acknowledge the following:

- a. Insect Shield has reviewed its financial situation and warrants that it is solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(1)(B)(ii)(I) and shall remain solvent following payment to the United States of the Settlement Amount.
- b. In evaluating whether to execute this Agreement, the Parties intend that the mutual promises, covenants, and obligations set forth herein constitute a

contemporaneous exchange for new value given to Insect Shield, within the meaning of 11 U.S.C. § 547(c)(1), and the Parties conclude that these mutual promises, covenants, and obligations do, in fact, constitute such a contemporaneous exchange.

c. The mutual promises, covenants, and obligations set forth herein are intended by the Parties to, and do in fact, constitute a reasonably equivalent exchange of value.

d. The Parties do not intend to hinder, delay, or defraud any entity to which Insect Shield was or became indebted to on or after the date of any transfer contemplated in this Agreement, within the meaning of 11 U.S.C. § 548(a)(1).

e. If any of Insect Shield's payments or obligations under this Agreement are avoided for any reason (including but not limited to, through the exercise of a trustee's avoidance powers under the Bankruptcy Code) or if, before the Settlement Amount is paid in full, Insect Shield or a third party commences a case, proceeding, or other action under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors seeking any order for relief of Insect Shield's debts, or to adjudicate Insect Shield as bankrupt or insolvent; or seeking appointment of a receiver, trustee, custodian, or other similar official for Insect Shield or for all or any substantial part of Insect Shield's assets:

(i) the United States may rescind the releases in this Agreement and bring any civil and/or administrative claim, action, or proceeding against Insect Shield for the claims that would otherwise be covered by the releases provided in Paragraph 3 above;

(ii) the United States has an undisputed, noncontingent, and liquidated allowed claim against Insect Shield in the amount of \$2,843,834 less any payments received pursuant to Paragraph 1 of this Agreement, provided, however, that such

payments are not otherwise avoided and recovered from the United States by a receiver, trustee, creditor, custodian, or similar official;

(iii) if any payments are avoided and recovered by a receiver, trustee, creditor, custodian, or similar official, the United States shall not be responsible for the return of any amounts already paid by the United States to the Relator; and

(iv) if, notwithstanding subparagraph (iii), any amounts already paid by the United States to the Relator pursuant to Paragraph 2 are recovered from the United States in an action or proceeding filed by a receiver, trustee, creditor, custodian, or similar official in or in connection with a bankruptcy case that is filed within two years of the Effective Date of this Agreement or of any payment made under Paragraph 1 of this Agreement, Relator shall, within thirty days of written notice from the United States to the undersigned Relator's counsel, return to the United States all amounts recovered from the United States.

f. Insect Shield agrees that any civil and/or administrative claim, action, or proceeding brought by the United States under Paragraph 11.e is not subject to an "automatic stay" pursuant to 11 U.S.C. § 362(a) because it would be an exercise of the United States' police and regulatory power. Insect Shield shall not argue or otherwise contend that the United States' claim, action, or proceeding is subject to an automatic stay and, to the extent necessary, consents to relief from the automatic stay for cause under 11 U.S.C. § 362(d)(1). Insect Shield waives and shall not plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories, to any such civil or administrative claim, action, or proceeding brought by the United States within 120 days of written notification to Insect Shield that the releases

have been rescinded pursuant to this paragraph, except to the extent such defenses were available on October 1, 2019.

12. This Agreement is intended to be for the benefit of the Parties only, and, except as set specifically set forth in this Agreement, the Parties do not release any claims against any other person or entity.

13. Upon receipt of the initial payment described in Paragraph 1, above, the Parties shall promptly sign and file in the Civil Action a Joint Stipulation of Dismissal of the Civil Action against Insect Shield only pursuant to Rule 41(a)(1). Any claims of the United States or Relator alleged in the Civil action against defendants who are not a party to this Agreement shall not be subject to such stipulated dismissal.

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

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

16. 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 Middle District of North Carolina. 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.

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

Forbearance by the United States from pursuing any remedy or relief available to it under this Agreement shall not constitute a waiver of rights under this Agreement.

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

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

20. This Agreement is binding on Insect Shield's successors, transferees, heirs, and assigns.

21. This Agreement is binding on Relator's successors, transferees, heirs, and assigns.

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

23. 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.

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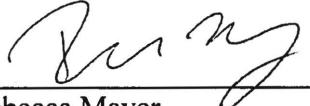
THE UNITED STATES OF AMERICA

DATED: 1/6/2026

BY: 

Jonathan K. Hoerner
Jikky Thankachan
Jeffrey A. McSorley
Trial Attorneys
Commercial Litigation Branch
Civil Division
United States Department of Justice

DATED: 1/5/2026

BY: 

Rebecca Mayer
Assistant United States Attorney
Middle District of North Carolina

INSECT SHIELD, LLC - DEFENDANT

DATED: 1-5-2026 BY: 
Jason Griffin
President, Insect Shield, LLC

DATED: 1-5-2026 BY: 
D.J. O'Brien III
Counsel for Insect Shield, LLC

EMELIA DOWNS - RELATOR

DATED: 1/2/26 BY: emelia downs
Emelia Downs

DATED: 1/2/26 BY: Sean Herrmann
Sean Herrmann
Herrmann & Murphy, PLLC
Counsel for Relator Emelia Downs

EXHIBIT A

SCHEDULE OF PAYMENTS OVER TIME

Amount	Date Due
\$300,000	Within 10 days of the Effective Date of the Settlement Agreement
\$287,500 plus interest	Within 12 months of the Effective Date of the Settlement Agreement
\$287,500 plus interest	Within 24 months of the Effective Date of the Settlement Agreement