

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 Defense Logistics Agency (DLA) and the Department of the Army (“Army”) (collectively the “United States”), the Estate of Richard Lane (“Estate”), and Emelia Downs through their authorized representatives. The United States, Estate, and Emelia Downs, collectively, are hereafter referred to as “the Parties.”

RECITALS

A. Until his death in December 2022, Richard Lane was co-founder, co-owner and President of Insect Shield, LLC (“Insect Shield”), 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 the Estate arising from Insect Shield’s knowing falsification of test results regarding the

application of permethrin to Army uniforms, thereby causing Insect Shield's 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 the Estate nor a concession by the United States that its claims are not well founded.

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 Insect Shield, LLC (hereinafter, "Insect Shield"), 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 shall pay to the United States \$1,400,000 (the "Settlement Amount"), of which \$700,000 is restitution. The Estate shall pay \$525,000 of the Settlement Amount ("Estate Portion"), of which \$262,500 is restitution. The Estate shall pay the Estate Portion to the United States 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 ten days after the Effective Date of this Agreement. Pursuant to a separate agreement with Insect Shield, to be executed contemporaneously herewith,

Insect Shield shall pay \$875,000 (“Insect Shield Portion”) of the Settlement Amount, of which \$437,000 is restitution.

2. Conditioned upon the United States receiving the Estate Portion and as soon as feasible after receipt, the United States shall pay \$118,125 to Relator by electronic funds transfer (Relator’s Share).

3. Subject to the exceptions in Paragraph 5 (concerning reserved claims) below, and upon the United States’ receipt of the Estate Portion, the United States releases the Estate 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 6 below, and upon the United States’ receipt of the Estate Portion, Relator, for herself and for her heirs, successors, attorneys, agents, and assigns, releases the Estate 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 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 except Richard Lane, and
- g. 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. The Estate waives and shall not assert any defenses the Estate 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. The Estate 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 the Estate 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 the Estate, 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 any criminal investigation of the matters covered by this Agreement;
- (3) The Estate's investigation, defense, and corrective actions undertaken in response to the United States' audit(s), civil investigation, and criminal investigation in connection with the matters covered by this Agreement (including attorneys' fees);
- (4) the negotiation and performance of this Agreement;

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

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

11. Upon receipt of the Estate Portion described in Paragraph 1, above, the Parties shall within ten (10) business days of receipt of the Estate Portion, sign and file in the Civil Action a Joint Stipulation of Dismissal of the Civil Action against the Estate 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.

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

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

14. 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 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.

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

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

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

18. This Agreement is binding on the Estate's successors, transferees, heirs, and assigns.

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

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

21. 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.

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK]

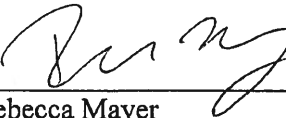
THE UNITED STATES OF AMERICA

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: 1/6/2026

BY: 

Rebecca Mayer
Assistant United States Attorney
Middle District of North Carolina

The Estate of Richard Lane - DEFENDANT

DATED: 1.6.26 BY: Betsy H. Lane executrix
Betsy Lane, Executrix
On Behalf of the Estate of Richard Lane

DATED: 1.6.26 BY: Alexandra Morgan
Alexandria Morgan
Counsel for the Estate of Richard Lane

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