

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement is entered into between the United States of America (“United States”), acting through the United States Department of Justice, and Drakontas LLC (“Drakontas”), a limited liability company with a headquarters in Camden, New Jersey, and an additional office location in Glenside, Pennsylvania (collectively, “the Parties”).

II. RECITALS

A. Drakontas was founded in 2004 to provide software and communications solutions to a variety of markets, including law enforcement and public safety personnel.

B. Between 2005 and 2011, Drakontas entered into cooperative agreements with the United States Department of Justice, Office of Justice Programs. The cooperative agreements consisted of the following: 2005-IJ-CX-K004, 2007-IJ-CX-K013, 2009-DE-BX-K003, 2009-D2-BX-K005, and 2011-BE-BX-K001.

C. The United States contends that during year 2010, Drakontas’ accounting system lacked sufficient detail and did not comply fully with the requirements of the cooperative agreements, and as a result, the company did not accurately record and support all drawdowns of grant funds under the cooperative agreements during that year. The United States further contends that during years 2009 and 2010, Drakontas was reimbursed for certain personnel compensation that was in excess of the amounts permitted under the cooperative agreements. Consequently, the United States contends that it made payments to Drakontas that were not due and owing.

D. The allegations in Paragraph C above are hereafter referred to as the “Covered Conduct.”

E. The United States contends that, based upon the Covered Conduct, it has claims against Drakontas under the common law doctrines identified in paragraph C of the Terms and Conditions below. Drakontas denies the contentions of the United States and denies that such contentions constitute claims under common law doctrines, or other laws.

F. Accordingly, this Agreement is made in compromise of disputed claims. As such, this Agreement is neither an admission of liability by Drakontas nor a concession by the United States that its claims are not well founded.

G. To avoid the delay, uncertainty, inconvenience, and expense of litigation, the Parties have reached a settlement of all claims in relation to the Covered Conduct according to the Terms and Conditions set forth below.

III. TERMS AND CONDITIONS

In reliance on the foregoing Recitals, and in consideration of the mutual promises, covenants and obligations of this Settlement Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

A. Drakontas shall pay to the United States the total sum of \$155,322 (“Settlement Amount”) in four equal installments, the first of which in the amount of \$38,830.50 shall be paid within thirty (30) days after the Effective Date of this Settlement Agreement, the second of which in the amount of \$38,830.50 shall be paid within sixty (60) days after the Effective Date of this Settlement Agreement, the third of which in the amount of \$38,830.50 shall be paid within one-hundred twenty (120) days after the Effective Date of this Settlement Agreement, and the fourth of which in the amount of \$38,830.50 shall be paid within two-hundred forty (240) days after the Effective Date of this Settlement Agreement. Payment to the United States of the

Settlement Amount shall be made by electronic funds transfer pursuant to written instructions to be provided to Drakontas by the United States prior to or upon its execution of this Settlement Agreement. In the event that the Settlement Amount is not paid in accordance with this paragraph, interest shall accrue on the Settlement Amount, retroactively, at the rate of five percent (5%) per year.

B. In addition to paying the Settlement Amount, Drakontas agrees to comply with the following prospective compliance requirements in connection with any application(s) seeking federal grant funds and/or cooperative agreements with any federal agency:

1. Drakontas agrees to submit with any such application(s) a copy of (i) this Settlement Agreement and (ii) Drakontas' policies and procedures that govern its financial management system and its drawdowns of federal grant funds.

2. Drakontas agrees to retain an independent auditing firm to undertake a risk assessment and audit of Drakontas' financial systems and compliance — including Drakontas' federal grant compliance, internal controls, grant accounting, and compliance with this Settlement Agreement — each year in which Drakontas receives federal funds, and to submit the results of any such audit(s) to the grant awarding agency each year in which Drakontas receives federal funds.

3. Drakontas agrees to designate a Grant Compliance and Quality Assurance Coordinator to ensure that Drakontas complies with federal grant and cooperative agreement requirements and maintains adequate documentation to justify its drawdowns of federal funds.

4. Drakontas and its members and employees shall promptly report to the Office of Inspector General of the United States Department of Justice any and all credible evidence of misuse of federal funds. In the event the alleged misuse of federal funds relates to a

federal agency other than the Department of Justice, the report shall be made both to the Office of Inspector General of the United States Department of Justice and the other agency's Office of Inspector General.

5. Drakontas agrees that its accounting staff and any employee(s) responsible for the drawdown of federal funds will complete training on federal grant reporting and the use of federal funds prior to drawing down federal funds. Employees who complete such training shall certify to Drakontas that they have completed the training, and Drakontas shall retain a record of these certifications.

6. The provisions enumerated in subparagraphs (1) through (5) (collectively, the "Compliance Program") shall remain in effect for seven (7) years from the Effective Date of this Settlement Agreement.

C. Subject to the exceptions set forth in Paragraph E below, and conditioned upon the full payment of the Settlement Amount and implementation of the Compliance Program, and subject to Paragraph I below (concerning bankruptcy proceedings commenced within 91 days of the Effective Date of this Settlement Agreement or any payment made under this Settlement Agreement), the United States (on behalf of itself, those acting on its behalf, its officers, agents, agencies, and departments) releases Drakontas, and its assigns, subsidiaries, parents, and divisions (collectively, "the Drakontas Released Parties") from any and all civil or administrative monetary claims the United States has or may have under the common law theories of breach of contract, payment by mistake, and unjust enrichment for the Covered Conduct.

D. Drakontas fully and finally releases the United States, its agencies, employees, servants, and agents from any claims (including attorney fees, costs, and expenses of every kind and however denominated) that Drakontas has asserted, could have asserted, or may assert in the

future against the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation, prosecution, and disposition thereof.

E. Notwithstanding any term of this Settlement Agreement, specifically reserved and excluded from the scope and terms of the releases in this Settlement Agreement as to any entity or person (including Drakontas) are the following:

1. Any civil, criminal, or administrative liability arising under Title 26, U.S. Code (Internal Revenue Code);
2. Any criminal liability;
3. Any liability of individuals;
4. Except as explicitly stated in this Agreement, any administrative liability including the suspension or debarment rights of any federal agency;
5. Any liability to the United States (or its agencies) for any conduct other than that related to the Covered Conduct;
6. Any civil liability to the United States (or its agencies) arising under the False Claims Act, 31 U.S.C. §§ 3729-3733, and common law fraud for any conduct related or unrelated to the Covered Conduct;
7. Any liability based upon obligations that this Settlement Agreement creates; and
8. Any liability for personal injury or property damage or other consequential damages arising from the Covered Conduct.

F. Drakontas agrees to the following:

1. Unallowable Costs Defined: that all costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf

of Drakontas, and its present or former officers, directors, employees, shareholders, partners, and agents in connection with:

- a. the matters covered by this Settlement Agreement;
 - b. the United States' audit(s) and civil investigation(s) of the matters covered by this Settlement Agreement;
 - c. Drakontas' investigation, defense, any corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Settlement Agreement (including attorney fees);
 - d. the negotiation and performance of this Settlement Agreement; and
 - e. the payment Drakontas makes to the United States pursuant to this Settlement Agreement, including costs and attorney fees, are "Unallowable Costs" for government contracting purposes (hereinafter referred to as "Unallowable Costs").
2. Future Treatment of Unallowable Costs: Drakontas will separately determine and account for Unallowable Costs, and Drakontas shall not charge such Unallowable Costs directly or indirectly to any contracts with the United States.
3. Treatment of Unallowable Costs Previously Submitted for Payment: Within ninety (90) days of the Effective Date of this Settlement Agreement, Drakontas shall identify and repay any Unallowable Costs

included in payments that Drakontas previously sought from the United States. Drakontas agrees that the United States shall be entitled, at a minimum, to recoup from Drakontas any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on any previously-submitted requests for payment.

4. Nothing in this Settlement Agreement shall constitute a waiver of the rights of the United States to audit, examine, or re-examine Drakontas' books and records to determine that no Unallowable Costs have been claimed in accordance with the provisions of this Paragraph.

G. Drakontas waives and shall not assert any defenses it 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 Settlement Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this paragraph or any other provision of this Settlement Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

H. Drakontas warrants that it has reviewed its financial situation and that it is currently solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(1)(B)(ii)(1), and shall remain solvent following payment to the United States of the Settlement Amount. Further, the Parties warrant that, in evaluating whether to execute this Settlement Agreement, they have: (a) intended that the mutual promises, covenants, and obligations set forth constitute a contemporaneous exchange for new value given to Drakontas within the meaning of 11 U.S.C.

§ 547(c)(1); and (b) concluded that these mutual promises, covenants, and obligations constitute such a contemporaneous exchange. Further, the Parties warrant that the mutual promises, covenants, and obligations set forth herein are intended to and do, in fact, represent a reasonably equivalent exchange of value that is not intended to hinder, delay, or defraud any entity to which Drakontas was or became indebted to on or after the date of this transfer, within the meaning of 11 U.S.C. § 548(a)(1).

I. If within 91 days of the Effective Date of this Settlement Agreement or of any payment made under this Settlement Agreement, Drakontas or a third party commence any case, proceeding, or other action under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors: (a) seeking to have any order for relief of Drakontas' debts, or seeking to adjudicate Drakontas as bankrupt or insolvent; or (b) seeking appointment by a receiver, trustee, custodian, or other similar official for Drakontas, or for all or any substantial part of Drakontas' assets, Drakontas agrees as follows:

1. Drakontas' obligations under this Settlement Agreement may not be avoided pursuant to 11 U.S.C. § 547, and Drakontas shall not argue or otherwise take the position in any such case, proceeding, or action that:
 - a. Drakontas' obligations under this Settlement Agreement may be avoided under 11 U.S.C. § 547;
 - b. Drakontas was insolvent at the time this Settlement Agreement was entered into, or became insolvent as a result of the payment made to the United States; or

- c. the mutual promises, covenants, and obligations set forth in this Settlement Agreement do not constitute a contemporaneous exchange for new value given to Drakontas.
2. If Drakontas' obligations under this Settlement Agreement are avoided for any reason, including, but not limited to, through the exercise of a trustee's avoidance powers under the Bankruptcy Code, the United States, at its sole option, may rescind the releases in this Settlement Agreement and bring any civil and/or administrative claim, action, or proceeding against Drakontas for the claims that would otherwise be covered by the releases provided in Paragraphs C-E, above.

Drakontas agrees that: (i) any such claims, actions, or proceedings brought by the United States are not subject to an "automatic stay" pursuant to 11 U.S.C. § 362(a) as a result of the action, case, or proceedings described in the first clause of this Paragraph, and Drakontas or a related party shall not argue or otherwise contend that the United States' claims, actions, or proceedings are subject to an automatic stay; (ii) Drakontas or a related party 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 claims, actions, or proceeding that are brought by the United States within ninety (90) calendar days of written notification to Drakontas that the releases have been rescinded pursuant to this Paragraph; and (iii) any such claims against Drakontas are valid in the full amount of all federal funds used

under the contracts trebled plus the statutory maximum penalty for each invoice submitted to the United States by Drakontas, and the United States may pursue its claims against Drakontas in the case, action, or proceeding referenced in the first clause of this Paragraph, as well as in any other case, action, or proceeding.

3. Drakontas acknowledges that its agreement in this Paragraph is provided in exchange for valuable consideration provided in this Settlement Agreement.

J. This document contains the full and complete Settlement Agreement with respect to the matters covered herein. No modification of this Settlement Agreement shall be effective unless in writing, signed by the Parties, and agreed to by the United States.

K. All Parties consent to the public disclosure of this Settlement Agreement, and information about this Settlement Agreement may be made available to the public upon request.

L. Each person who signs this Settlement Agreement in a representative capacity warrants that he or she is duly authorized to do so. Further, each Party itself (a) acknowledges that such Party has been advised by competent legal counsel in connection with the execution of this Settlement Agreement and the accompanying releases, has read each and every paragraph of this Settlement Agreement, and understands the respective rights and obligations set forth herein, and (b) represents that the commitments, acknowledgment, representations, and promises set forth herein are freely and willingly undertaken and given.

M. This Settlement Agreement is governed by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among

the Parties under this Settlement Agreement is the United States District Court for the Eastern District of Pennsylvania.

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

O. For purposes of construction, this Settlement Agreement shall be deemed to have been drafted by all Parties to this Settlement Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

P. This Settlement Agreement is intended to be for the benefit of Drakontas and the United States only, and by this instrument, Drakontas and the United States do not release any claims against any other person or entity, except those released within this Settlement Agreement.

Q. Drakontas represents that this Settlement Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

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

S. This Settlement Agreement is binding on Drakontas and its successors, transferees, and assigns.

T. This Settlement Agreement is effective on the date of signature of the last signatory to the Settlement Agreement (“Effective Date of this Settlement Agreement”).

U. Facsimiles or scanned PDFs of signatures shall constitute acceptable, binding signatures for purposes of this Settlement Agreement.

V. All tolling agreements relating to the Covered Conduct are hereby terminated on the Effective Date of this Settlement Agreement.

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement or counterparts thereof, intending to be bound.

THE UNITED STATES OF AMERICA

DATED: 5/5/16

BY:



ZANE DAVID MEMEGER
United States Attorney ~~First Assistant U.S. Attorney~~



MARGARET L. HUTCHINSON
Assistant United States Attorney
Chief, Civil Division




MICHAEL S. MACKO
Assistant United States Attorney
U.S. Attorney's Office for the Eastern
District of Pennsylvania

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF JUSTICE PROGRAMS

DATED: 5/3/16

BY:


MAUREEN A. HENNEBERG
Deputy Assistant Attorney General
Office of Justice Programs

DRAKONTAS LLC

DATED: 4/21/16

BY:



BRIAN REGLI
Chief Executive Officer
Drakontas LLC

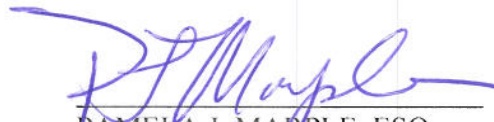


JAMES SIM
President and Chief Operating Officer
Drakontas LLC

COUNSEL FOR
DRAKONTAS LLC

DATED: 4/25/2016

BY:



PAMELA J. MARPLE, ESQ.
Greenberg Traurig LLP