

## 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 United States Department of Defense, the United States Department of the Navy, and the United States Department of Homeland Security (collectively the "United States") and Bayonne Drydock and Repair Corporation ("Bayonne Drydock") (hereafter collectively referred to as "the Parties"), through their authorized representatives.

### RECITALS

A. Bayonne Drydock is a New Jersey corporation that provides drydock and repair services to marine vessels, including United States Navy ships.

B. The United States contends that it has certain civil claims against Bayonne Drydock arising from its continued employment of unauthorized alien employees in violation of the Employment Eligibility Verification clause ("E-Verify") of the United States Federal Acquisition Regulations, for work performed on United States Navy ships, including the USS Watkins and the USS Gilliland under contracts N00033-14-C-3210 and N00033-08-R-5302, respectively, during the period from approximately May 26, 2017 through December 9, 2020 ("Military Contracts"). Specifically, the United States alleges that Bayonne Drydock used multiple subcontractors on the Military Contracts that were owned and/or controlled by Bayonne Drydock's Contract and Risk Manager ("Risk Manager"). In January 2016, the Department of Homeland Security issued a Notice of Suspect Documents to Bayonne Drydock's Risk Manager indicating that one of the subcontractors owned and controlled by her was employing individuals who were not verified to work in the United States. Subsequently, Bayonne Drydock's Risk Manager purportedly terminated the unauthorized alien employees. However, that same month,

Bayonne Drydock's Risk Manager took affirmative steps to assist another subcontractor to employ the unauthorized alien employees, which continued through December 2020. Bayonne Drydock's Risk Manager pleaded guilty to a criminal charge of knowingly hiring and continuing to employ unauthorized aliens in the United States, in violation of Title 8 United States Code, Section 1324a(a)(2) and (f)(1) and Title 18, United States Code, Section 2. The unauthorized alien employees that were working for subcontractors owned by Bayonne Drydock's Risk Manager worked on the Military Contracts in violation of the E-Verify provision in the Federal Acquisition Regulations, and the United States alleges that Bayonne Drydock improperly billed the United States for the labor performed on United States Navy ships by unauthorized alien employees of its subcontractors. In total, Bayonne Drydock billed for the work of approximately 52 unauthorized alien employees on the Military Contracts that were employed by the subcontractors owned and/or controlled by its Risk Manager. The conduct described in this paragraph is referred to below as the "Covered Conduct".

C. This Settlement Agreement is neither an admission of liability by Bayonne Drydock 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. Bayonne Drydock shall pay to the United States Four Million Forty-Three Thousand, Eight Hundred Ten dollars and Fifty-Six cents (\$4,043,810.56) ("Settlement Amount"), of which Two Million Twenty-One Thousand Nine Hundred Five dollars and Twenty-Eight cents (\$2,021,905.28) is restitution, by electronic funds transfer pursuant to

written instructions to be provided by the United States Attorney's Office for the District of New Jersey no later than 30 days after the Effective Date of this Agreement.

2. Subject to the exceptions in Paragraph 3 (concerning reserved claims) below, and conditioned upon the United States' receipt of the Settlement Amount due under Paragraph 1, the United States releases Bayonne Drydock, 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. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Contract Disputes Act, 41 U.S.C. §§ 7101-7109; or the common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

3. Notwithstanding the release 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 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 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.

4. Bayonne Drydock waives and shall not assert any defenses Bayonne Drydock 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. Bayonne Drydock 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 Bayonne Drydock 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.

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 Bayonne Drydock, and its present or former officers, directors, employees, shareholders, and agents in connection with:



- (1) the matters covered by this Agreement and any related plea agreement;
- (2) the United States' audit(s) and civil and any criminal investigations of the matters covered by this Agreement;
- (3) Bayonne Drydock's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil and criminal investigations in connection with the matters covered by this Agreement (including attorneys' fees);
- (4) the negotiation and performance of this Agreement and any related plea agreement;
- (5) the payment Bayonne Drydock 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 Bayonne Drydock, and Bayonne Drydock 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, Bayonne Drydock shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by Bayonne Drydock or any of its subsidiaries or affiliates from the United States. Bayonne Drydock agrees that the United States, at a minimum, shall be entitled to recoup from Bayonne Drydock 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 Bayonne Drydock's books and records and to disagree with any calculations submitted by Bayonne Drydock or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Bayonne Drydock, or the effect of any such Unallowable Costs on the amount of such payments.

7. Bayonne Drydock agrees to cooperate fully and truthfully with the United States' investigation of individuals and entities not released in this Agreement. Upon reasonable notice, Bayonne Drydock shall encourage, and agrees not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals.

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

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

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

11. 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 New Jersey. 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 Bayonne Drydock'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 of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

**THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK**


SIGNATURE PAGE

THE UNITED STATES OF AMERICA

TODD BLANCHE  
U.S. Deputy Attorney General

ALINA HABBA  
Acting United States Attorney  
Special Attorney

By:



MARK C. ORLOWSKI  
Assistant United States Attorney

DATED:

9/9/2025

BAYONNE DRYDOCK AND REPAIR CORPORATION

By:



MICHAEL CRANSTON  
~~President~~ OWNER  
Bayonne Drydock and Repair Corporation

By:



MATTHEW E. BECK, ESQ.  
Chiesa, Shahinian & Giantomasi, P.C.  
Attorney for Defendant,  
Bayonne Drydock and Repair Corporation

DATED: September 8, 2025