

ADMINISTRATIVE AGREEMENT

This Administrative Agreement ("Agreement") dated the ^{14th} day of ^{Nov} 2010, is made between Kenton Trace Technologies, ("KTT") and the United States Air Force.

PREAMBLE

1. KTT is a limited liability company registered in Ohio, formed on April 3, 2000, that is engaged in the business of providing technical and professional services.
2. James R. Silcott, Sheila K. Silcott, and David P. Nicholas formed, and are current owners of KTT, and former employees of a government contractor based in Dayton, Ohio. The Silcott's and Nicholas formed KTT while still employed by that contractor. The Silcott's and Nicholas ended their employment with that contractor on May 3, 2001.
3. While employed by their original employer, the Silcott's and Nicholas had access to its sensitive business information and trade secrets information. As a condition of their employment the Silcott's and Nicholas executed an agreement titled *Agreement Covering Confidentiality, Conflicts of Interest, Noncompetition, Proprietary Rights, and Related Matters* (hereinafter, the "Confidentiality Agreement"). Among other things the Confidentiality Agreement included restrictions limiting their ability to compete against their employer, or to release or use its proprietary information.
4. In September 2000, while still employed the Silcott's and Nicholas began communicating with another government contractor about teaming to pursue business opportunities, including opportunities that would put the companies in competition with the Silcott's and Nicholas's former employer
5. Choosing instead to compete alone, in May 2001, KTT submitted a bid to compete for the award of the Air Force C-130 mobility support contract. Their former employer also submitted a bid for the C-130 mobility support contract, a contract their former employer had performed for the previous five years. KTT knew, or should have known it was competing for the C-130 mobility support contract against their former employer. The former employer ultimately discovered that KTT was competing against it for the C-130 mobility support contract, and that KTT had been formed by former employees, James Silcott, Sheila Silcott, and David Nicholas.
6. On or about May 17, 2001, before award could be made on the C-130 mobility support contract, the former employer filed a lawsuit seeking a preliminary injunction and temporary restraining order against KTT, the Silcott's, and Nicholas in the Montgomery County, Ohio Common Pleas court alleging a violation of the Confidentiality Agreement. On June 6, 2001, the Court issued a preliminary injunction enforcing the terms of the Confidentiality Agreement.
7. Their former employer later discovered that KTT was working with another contractor to perform the C-130 mobility support contract. Their former employer again brought suit alleging, among other things that KTT and another contractor had colluded in competing for the C-130 support contract by using proprietary information obtained from the Silcott's and Nicholas's former employer.
8. After trial, the jury found the Confidentiality Agreements between James and Sheila Silcott and Nicholas and their former employer were enforceable, that the Silcott's and Nicholas had breached their non-disclosure agreement, and that they had violated the 2001 preliminary injunction.

9. As a result of the judgment KTT's ability to continue operations was threatened and filed a petition for reorganization under Chapter 11 of the United States Code on February 21, 2008, and has continued its operation as a Debtor and Debtor-in-Possession. KTT will continue to maintain operations as best they are able, as they work through the bankruptcy process.
10. On March 26, 2009, the Air Force initiated proceedings to debar KTT, the Silcott's, and Nicholas for a period of three years. The Respondents were in fact debarred on July 16, 2009 with an effective date of debarment beginning on the date the debarment was initiated by the Air Force.
11. Since the time of the final debarment, James and Sheila Silcott, and David Nicholas have prepared statements wherein they admit that their actions were wrong and accept the decision of the court, and have relinquished their right to an appeal. Further each of them has received an Administrative Reprimand signed by the Ethics Officer and the General Counsel. Each of their statements and reprimands are attached as Exhibit 1a - 1d.
12. The Air Force, KTT, the Silcott's, and Nicholas agree that pursuant to the Federal Acquisition Regulation (FAR) 9.406 and applicable case law grounds exist for the debarment. The Air Force has further determined, however, that based upon information currently known to the Air Force, the corrective actions, and representations reflected in the terms and conditions of this Agreement provide adequate assurance that KTT's, the Silcott's and Nicholas's future dealings with the Government, if any, will be conducted responsibly and that debarring them from future government contracting is not necessary.

ARTICLES

1. **Period.** The period of this Agreement shall be three years from the date the Agreement is signed by the Air Force, or, if the Air Force determines at any time during such three year period that KTT has ceased to be in full compliance with the letter and spirit of this Agreement, for a period of three years following reestablishment of full compliance as determined by the Air Force.
2. **Employees.** The word employee(s) in this Agreement includes company officers, permanent, temporary, and contract employees, full-time and part-time employees, consultants, and members of the Board of Directors.
3. **Self-Governance Programs:** KTT has implemented and agrees to maintain self-governance programs that include compliance programs for employees and a Business Ethics Program that covers all employees. The Business Ethics Program shall be maintained so as to ensure that KTT and its employees maintains the business honesty and integrity required of Government contractors and that KTT, and all of its officers and employees, operate in strict compliance with all applicable laws, regulations, and the terms of any contract. KTT represents that its Business Ethics Program includes the following components:
 - a. **Central High-Level Program Management.** Kristina Vogel, Financial Manager, and Security Officer has been appointed Ethics Officer. The Ethics Officer is responsible for managing all aspects of KTT's Business Ethics Program. Her duties will include among others to ensure that each employee has read the Code of Business Ethics, will agree to comply with it, and provide training as required by this agreement. In addition, and throughout the duration of this Agreement, Colonel Theodore J. Fink, a retired Air Force Judge Advocate, will serve as General Counsel, to provide added guidance to the Ethics Officer as well as oversight and review of the corporate compliance.

b. Code of Business Ethics. KTT has adopted a Corporate Compliance and Ethics Policy, hereafter referred to as the Code of Business Ethics, attached as Exhibit 2. The Code of Business Ethics has been circulated to each employee. Each employee is required to sign a register maintained by the Ethics Officer and open to inspection by the Government that he/she has read, understands and will abide by the Code. At least once each calendar year in conjunction with the quarterly security training each KTT employee shall repeat the procedure of reading the Code and signing the Register. Within 15 days of starting employment with KTT new employees shall read the Code and sign the register, indicating that he/she has read understands and will abide by the Code.

c. Information and Education Program. Upon the acceptance of this Agreement by the Air Force, KTT will institute and shall maintain an information and education program designed to assure that all employees are aware of these applicable laws, regulations, and standards of business conduct that employees are expected to follow and the consequences both to the employee and to the company that will ensue from any violation of such measures. Training shall consist of compliance training for affected employees, plus at least one hour of initial training in the KTT Business Ethics Program for every KTT employee, plus, each year for each then-current employee, not less than one additional hour of live ethics training.

d. Reporting and Information Resources. KTT has posted in prominent places accessible to each employee a notice giving the telephone number of KTT's Ethics Officer and the General Counsel, inviting confidential calls to report suspected instances of improper conduct, providing instructions that encourage employees to make such reports, noting that in lieu of a phone call, the employee may send an e-mail to report improper conduct. The notice also sets forth the company's commitment to comply with all applicable laws and regulations in the conduct of its business. A copy of the notice is Exhibit 3 to this Agreement.

4. Performance Standard. Promotion of and adherence to KTT's Business Ethics Program is an element of each manager's and supervisor's written performance standards and each manager and supervisor is appraised annually in writing on his or her adherence to and promotion of the KTT Business Ethics Program. KTT shall submit, as a part of each report to the Air Force, a statement by James Silcotti that he verified that each manager and supervisor has been appraised on his adherence to and promotion of KTT's Business Ethics Program.

5. Ethics Certificate. KTT shall annually certify to the Air Force that each supervisor at every level has personally (a) discussed with each supervised employee the content and application of the KTT Business Ethics Program; (b) informed each such employee that strict adherence to the law, the Code of Business Conduct, and the principles of the Program is a condition of employment; and (c) informed each employee that KTT will take disciplinary action, including discharge, for any violation of law, the Code of Business Conduct, the principles of the program, or basic tenets of business honesty and integrity. A copy of the certificate used to fulfill this requirement is attached as Exhibit 4. KTT shall submit, as a part of each report to the Air Force a statement by Kristina Vogel that she verified that the certifications are being maintained and that each manager and supervisor provided a certification as required by this provision. The certificates shall be maintained and available for Air Force review during the life of this Agreement.

6. Responsibility for Compliance. Kristina Vogel has been appointed to be responsible for the KTT Business Ethics Program, for maintaining and updating the Code of Business Ethics, and for auditing KTT's compliance with this Agreement. Ms. Vogel's activities will be supported by the KTT General Counsel. As business conditions dictate, KTT will continually evaluate its staffing requirements to ensure resources are available to ensure compliance with the Code of Business Ethics, and this Agreement.

7. Reports. Each calendar quarter, KTT shall submit written reports, signed by its CEO to the Air Force describing the measures taken by KTT during the quarter to implement the Business Ethics Program and to ensure Agreement compliance. This report must be received at the Air Force within twenty days of the end of the calendar quarter. The final report is to be received not later than one month prior to the final day of this Agreement. At such time as this agreement is signed by the parties, dates that reports are due will be provided to the Air Force. The reporting dates are deadlines for receipt of the reports by the Air Force. KTT's failure to meet these requirements on or before the dates agreed to shall constitute a breach of this Agreement. These quarterly reports shall include:

- a. Standards of conduct/ethics /compliance training conducted, subject matter covered and the number and type of persons who attended;
- b. Informal notifications or initiatives relating to the Business Ethics Program;
- c. The initiation of and status of any ongoing investigation of, or legal proceedings, involving KTT, including times, places, and subject matter of search, warrants, subpoenas, criminal charges, criminal or civil agreements;
- d. A statement by Kristina Vogel that she has verified that all employees have received the training required by this Agreement;
- e. A report identifying all calls made to the company reporting alleged misconduct (regardless of subject matter), and any instances of suspected misconduct brought to the attention of management through any other channel during the preceding quarter. Such reports shall summarize the facts of each matter, stating the date and source (genetically identified only as employee, consultant, outsider, etc.), of the report, date and nature of the reported conduct, type and results of any internal investigation, corrective and/or disciplinary action and date of feedback to the source of the information. Matters pending resolution, at the time of a reporting period shall be reported each quarter until final resolution of the matter is reported. If the company has received no reports, it shall report that fact. The complete files on each case shall be made available to the Air Force upon request.
- f. A statement of any problems or weaknesses identified through the Ethics and Business Conduct process, corrective action proposed and initiated, and the status of any corrective action.

8. Management. Sheila Silcott and David Nicholas have signed statements that they no longer have any input into the daily affairs of KTT. Please see exhibits 1a- 1d. On the date of execution of this Agreement, James Silcott is the sole individual responsible for the management of KTT. KTT shall notify the Air Force in writing, at least thirty (30) days in advance if Mr. Silcott leaves his current position, and provide the name to the Air Force of the successor upon appointment.

9. Legal Proceedings. James Silcott represents to the Air Force that, to the best of his knowledge, none of the officers, directors, or managers of KTT is now under criminal or civil investigation by any Governmental entity for fraud, theft, embezzlement, or violations of environmental laws, immigration laws, and/or procurement laws. He shall notify the Air Force within two working days of the time he learns of the initiation of any criminal or civil investigation of KTT or any employee of KTT, by any federal, state, or local government concerning fraud, theft, embezzlement, or compliance with environmental laws, immigration laws, and/or procurement laws.

10. Meeting. Between five and seven months after the effective date of this Agreement, or at any other time he is requested to do so, James Silcott shall meet with, the Air Force Deputy

General Counsel for Contractor Responsibility or a designee to discuss the status of implementation of this Agreement and of the Business Ethics Program.

11. Business Ethics Program Review. KTT represents that it will engage an independent party that is acceptable to the Air Force to perform a review of KTT's Business Ethics Program, and that such review will be concluded within two months following the execution of this Agreement. KTT shall require the independent party to prepare a report for KTT evaluating KTT's business ethics program and recommending any changes that seem appropriate. KTT shall direct the independent party to issue the report to KTT and to the Air Force without first discussing its proposed conclusions with KTT. KTT shall provide its action plan for implementing any recommended changes to the Air Force within one month following KTT's receipt of the report. This process shall be completed promptly so that KTT's action plan is furnished to the Air Force not later than three months after the effective date of this Agreement. KTT shall cause a second such review of its Business Ethics Program to be conducted and a report to be prepared and submitted to the Air Force not later than 30 months after the effective date of this Agreement.

12. Misconduct Report. KTT shall report to the Air Force, within 10 days of discovery by management, any suspected misconduct that management has reasonable grounds to believe may constitute a violation of criminal or civil law. The misconduct to be reported includes misconduct by any person, including, but not limited to KTT, KTT's subcontractors, suppliers, and employees, as defined herein, and Government employees, if related to the conduct of KTT's business with the Government. It also shall include misconduct from any source relating to KTT's business. KTT shall investigate all reports of misconduct that come to their attention and shall notify the Air Force of the outcome of such investigations and any potential or actual impact on any aspect of KTT's business. KTT shall take corrective action, including prompt restitution of any harm to the Government.

13. Compliance Officer. KTT has appointed Kristina Vogel to serve as Ethics officer and has retained Colonel Theodore J. Fink, (USAF Retired) to serve as its General Counsel to assist Ms. Vogel to assure KTT's compliance with this Administrative Agreement. Every six months Colonel Fink shall report in writing to the Air Force his assessment of whether, and to what extent, KTT has complied with this Administrative Agreement. If he identifies defaults by KTT then, Colonel Fink's report should identify and specifically discuss those defaults. A final report detailing the extent of compliance with the agreement throughout the term of the agreement shall be delivered to the Air Force no later than six (6) months prior to the expiration of the agreement.

14. Letters to Suppliers and Subcontractors. KTT shall distribute to every supplier and subcontractor of KTT a letter from them (1) emphasizing KTT's commitment to procurement integrity, (2) suppliers and subcontractors not to offer or give anything of value to employees of KTT, (3) stating that employees are not allowed to give to or receive from suppliers anything of value, (4) asking suppliers and subcontractors to report to them any improper or illegal activity by employees, and (5) informing subcontractors and suppliers of the telephone number for KTT's Ethics Officer. A copy of the letter is at Exhibit 5. A similar letter will be sent to all suppliers and subcontractors each year in the month of April. A copy of each year's letter shall be furnished to the Air Force pursuant to Article 6.

15. Employment Of Illegal Aliens, Convicted Felons, Or Suspended Or Debarred Persons. KTT shall not knowingly employ: (i) an illegal alien; (ii) a person who has been convicted within the previous ten years from the start of employment of a crime of dishonesty or false statement; or (iii) a person who is listed by a Federal Agency as debarred, suspended, or otherwise ineligible for Federal programs. To enforce this policy, KTT shall reasonably inquire into the status of any potential

employee, to include at a minimum, review of the General Services Administration's (GSA) List of Parties Barred from Federal Procurement and Non-procurement Programs as maintained by GSA on the internet and compliance with reasonable procedures guarding against the employment of illegal aliens. Until resolved KTT shall remove employees, who are suspended or proposed for debarment, from responsibility for, or involvement with, KTT's business with the federal government. Any employee charged with a criminal offense relating to honesty and integrity, shall be removed immediately from responsibility for or involvement with KTT's business with the federal government. KTT shall notify the Air Force of each such personnel action taken, and reasons therefore within 10 days of the action.

16. Business Relationships With Suspended Or Debarred Entities. KTT shall never knowingly form a contract with, purchase from, or enter into any business relationship with any individual or business entity that is listed on the GSA list by a Federal Agency as debarred, suspended, or proposed for debarment. To effectuate this policy, KTT shall make reasonable inquiry into the status of any potential contractor or business partner, to include, at a minimum, review of the General Services Administration's List of Parties Excluded from Federal Procurement or Non-procurement Programs, including the version of this list maintained by GSA on the internet.

17. Proposed Changes. KTT shall notify the Air Force in writing in advance of any proposed changes in the directives, instructions, or procedures implemented in furtherance of KTT's Business Ethics Program and compliance with this Agreement. The Air Force, or its authorized representative, retains the right to verify, approve, or disapprove any such changes.

18. Access To Records And Information. In addition to any other right the Department of the Air Force may have by statute, regulation, or contract, the Air Force or its duly authorized representative may examine KTT's books, records, and other company documents and supporting materials for the purpose of verifying and evaluating: (a) compliance with the terms of this Agreement; (b) ethical business conduct in its dealings with all of its customers, including the Government; (c) compliance with Federal laws, regulations, and procurement policies and with accepted business practices; and (d) compliance with the requirements of Government contracts or subcontracts. The materials described above shall be made available at reasonable times for inspection, audit, or reproduction. Further, for purposes of this provision, the Air Force or its authorized representative may interview any employee at the employee's place of business during normal business hours or at such other place and time as may be mutually agreed between the employee and the Air Force. Employees will be interviewed without a representative of KTT being present. The employee's own counsel, if requested by the employee, may represent the employee personally.

19. Unallowable Costs. KTT agrees that all costs, as defined in FAR 31.205-47, incurred by, for, or on behalf of KTT or any current or former employee, consultant, or affiliate shall be expressly unallowable costs for Government contract accounting purposes.

a. Unallowable costs include, but are not limited to, costs arising from, related to, or in connection with (a) the matters at issue here, (b) any Government criminal and civil investigations regarding the matters at issue here, and (c) the Air Force's independent review of KTT's present responsibility, including the costs of the company's submissions, presentations, and appearances before the office of the Air Force Deputy General Counsel for Contractor Responsibility. KTT's costs of performing and administering the terms of this Agreement and any fines or penalties levied or to be levied in or arising out of the matter at issue here are agreed to be expressly unallowable costs.

Also unallowable are costs of bringing KTT's self-governance, compliance, and/or ethics programs to a level acceptable to the Air Force. KTT agrees to account separately for such costs.

b. KTT agrees to treat as unallowable costs the full salary and benefits of any officer, employee, or consultant terminated from employment or removed from government contracting as a result of the wrongdoing at issue here and the cost of any severance payments or early retirement incentive payments paid to employees released from the company as a result of the wrongdoing at issue here. For purposes of the preceding sentence, the salary and benefits costs shall include all such costs from the first instance of participation of each individual in the matters at issue here, as determined by the Air Force.

c. To comply with this paragraph, KTT recognizes certain costs may need to be reclassified. KTT shall proceed immediately to identify and reclassify such costs and within ninety days of the effective date of this Agreement, KTT shall adjust any bid rate, billing rate, or unsettled final indirect cost rate pools to eliminate any costs made unallowable by this Agreement, and shall advise the Air Force, the cognizant administrative contracting officer, and the cognizant Government auditor of the amount and nature of the reclassified costs within 120 days of the date of this Agreement. The Air Force or a designated representative shall have the right to audit KTT's books and records to verify compliance herewith. Such audit rights are in addition to any audit rights the Government has under the terms of any contract with KTT.

20. **Reimbursement of Cost of Review.** KTT agrees that upon final execution of this Agreement by all parties, it will reimburse the Department of the Air Force in the amount of \$15,000 for the costs of reviewing this case and monitoring this Agreement, payable at the end of this agreement process, subject to an availability to pay.

21. **Adverse Actions.** KTT agrees that adverse actions taken, or to be taken, by KTT against any employee or other individual associated with, arising out of or related to the wrongdoing at issue here were solely the result of their initiatives and decisions, and were not the result of any action by, or on behalf of, agents or employees of the United States.

22. **No Suspension or Debarment.** Provided that the terms and conditions of this Agreement are faithfully fulfilled, the Air Force will not suspend or debar KTT and James Silcott, Sheila Silcott, and David Nicholas based on the facts and circumstances set forth in the Preamble. The Air Force's decision not to suspend or debar KTT or the KTT employees upon the facts at issue here shall not restrict the Air Force or any other agency of the Government from instituting administrative actions, including, without limitation, suspension, or debarment should other information indicating the propriety of such action come to the attention of any agency, or additional, previously undisclosed information concerning the facts at issue here is discovered by the Government.

23. **Present Responsibility.** KTT's compliance with the terms and conditions of this Agreement shall constitute an element of KTT's and the KTT employees' present responsibility for Government contracting. KTT's failure to meet any of its obligations pursuant to the terms and conditions of this Agreement constitutes a separate cause for suspension and/or debarment. By entering into this Agreement, the Air Force is not affirmatively determining that KTT and the KTT employees are presently responsible for any specific Government contract.

24. **Notice to Employees.** KTT shall notify all employees of the facts and substance of this Agreement, the nature of the wrongdoing leading to this Agreement, and the importance of each

employee abiding by the terms of this Agreement and all requirements of law, regulations, and policies and procedures.

25. Sale of KTT. Should KTT's owners sell or in any way transfer ownership of any part of the business entities bound by this Agreement, then they shall notify the Air Force in advance, and shall require by the terms of the transfer that the new owner shall be bound by this Agreement, including, but not limited to, all reporting requirements.

26. Purchase of Business. If KTT's owners purchase or establish new business units (either directly or via other persons or entities), and if those new businesses do business directly or indirectly with the federal government, then all provisions of this Administrative Agreement, including any training or education requirements shall apply to those new businesses within 60 days following such purchase or establishment

27 Waiver. As against the United States, its departments, agencies, instrumentalities, agents- and employees in their official and personal capacities, KTT and the KTT employees waive all claims, demands, or requests for monies of any kind or of whatever nature that they may have or may develop in the future arising from, related to, or in connection with, any investigation, or as a result of administrative or judicial proceedings, or request for any other relief in law or in equity, or in any other forum be it judicial or administrative in nature arising out of or relating to the facts that gave rise to their proposed debarment.

28. Release. KTT and the KTT employees who were previously proposed for debarment, release the United States, its instrumentalities, agents, and employees in their official and personal capacities, of any and all liability or claims arising out of or related to the investigation, criminal prosecution, or civil settlement at issue here, or the suspension, proposed debarment, or debarment, or the discussions leading to this Agreement.

29. Paragraph Headings. The paragraph headings in this Agreement are inserted for convenient reference only and shall not affect the meaning or interpretation of this Agreement.

30. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which taken together, shall constitute a complete Agreement.

31. Air Force Reliance. KTT represents that all written materials and other information supplied to the Air Force by their authorized representative during the course of discussions with the Air Force preceding this Agreement are true and accurate, to the best information and belief of the signatories to this Agreement. KTT also represents that it has not withheld from the Air Force any non-privileged information in its possession and relates to the facts at issue. KTT, and the persons signing this Administrative Agreement for KTT, understand that the Air Force relies on the truth, accuracy, and completeness of all such representations by KTT.

32. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes any inconsistent prior agreement or understanding, whether oral or written, relating to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

33. Restrictions on Use. KTT hereby agrees that neither the existence nor any term of this Agreement shall be admissible as evidence, or otherwise used, by KTT or the KTT employees in

connection with any criminal, civil, contract, or administrative investigation or action.

34. **Bankruptcy.** Bankruptcy proceedings shall not affect the enforcement of this Agreement in the interests of the Government.

35. **Authorized Representative.** Those persons signing below for KTT are fully authorized to execute this Agreement and represent that they have authority to bind KTT.

36. **Severability.** If any provision in this Agreement for any reason is deemed to be invalid, illegal, or unenforceable, such invalidity, illegality or unenforceability shall not affect other provisions of this Agreement.

37. **Notices.** Unless otherwise changed in writing, any notices, reports, or information required hereunder shall be in writing and delivered or mailed by registered or certified mail postage prepaid as follows:

If to KTT, to: James R. Silcott
4033 Ridgetop Drive
Bellbrook, OH 45305

If to the Air Force: Deputy General Counsel for
Contractor Responsibility (SAF/GCR)
4040 N. Fairfax Drive
Suite 204
Arlington, VA 22203-1613

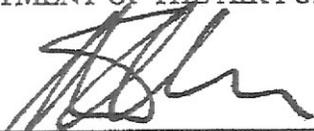
Or such other address as either party shall have designated by notice in writing to the other party.

38. **Public Document.** This Agreement, including all attachments and reports submitted pursuant to this Agreement, is a public document and may be distributed by the Air Force throughout the Government as appropriate and to other interested persons upon request.

39. **Modification.** This Agreement may be amended or modified only by a written document signed by both parties.

DEPARTMENT OF THE AIR FORCE

BY: _____



DATE

4/6/10

KENTON TRACE TECHNOLOGIES

BY: James R. Silcott

[REDACTED]

DATE 1 April 2010

BY: Sheila K. Silcott

[REDACTED]

DATE 1 April 2010

BY: David P. Nicholas

[REDACTED]

DATE 1 April 2010