SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (“Agreement”) is entered between the United States of America, acting through the United States Department of Justice and on behalf of the United States Army (collectively the "United States") and Sikorsky Aircraft Corporation, a corporation organized and existing under the laws of Delaware with offices in Stratford, Connecticut, ("Sikorsky") (hereafter referred to as “the Parties”).

II. PREAMBLE

As a preamble to this Agreement, the Parties agree to the following:

A. Sikorsky manufactures helicopters for the United States and the commercial market.

B. The United States contends that it has certain civil claims, as specified below, against Sikorsky for engaging in the following conduct during the period from 1992 to 2006. The United States alleges that the armor plated ballistic inserts, part numbers 70500-01153-41, 70500-01153-045, 70500-01153-042 and 70500-01153-046, manufactured and supplied by Ceradyne, Inc., a corporation with offices in Costa Mesa, California, for Sikorsky and used in BLACK HAWK helicopters manufactured by Sikorsky for the United States Army, have failed to comply with testing requirements for armor plated ballistic inserts in that they were not subjected to required ballistic testing (hereinafter referred to as the "Covered Conduct").

C. Sikorsky denies all allegations relating to or arising from the Covered Conduct or otherwise investigated by the United States, that it violated the False Claims Act or any common law obligations or that it in any way acted wrongfully.
D. This Agreement is neither an admission of liability by Sikorsky nor a concession by the United States that its claims are not well founded.

E. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, the Parties reach a full and final settlement pursuant to the Terms and Conditions below.

III. TERMS AND CONDITIONS

1. Sikorsky agrees to pay to the United States $2,941,000 ("two million nine hundred and forty one thousand dollars") (the "Settlement Amount"). Sikorsky agrees to pay the Settlement Amount to the United States by electronic funds transfer pursuant to written instructions to be provided by the United States. Sikorsky agrees to make this electronic funds transfer no later than nine business days after the Effective Date of this Agreement.

2. Subject to the exceptions in Paragraph 3 below (concerning excluded claims), in consideration of the obligations of Sikorsky in this Agreement, and conditioned upon Sikorsky’s full payment of the Settlement Amount, the United States (on behalf of itself, its officers, agents, agencies, and departments) agrees to release Sikorsky, its predecessors, parent, successors, assigns, affiliates, subsidiaries, and all of its present and former officers, directors, employees and agents, from any civil or administrative monetary claims or remedies the United States has or may have 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. §§ 601-613; or the common law theories of breach of contract, negligent misrepresentation, payment by mistake, unjust enrichment, and fraud.

3. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including...
Sikorsky, its predecessors, parent, successors, assigns, affiliates, subsidiaries, and all of its present and former officers, directors, employees and agents) are the following claims of the United States:

a. Any civil, criminal, or administrative liability arising under Title 26, U.S. Code (Internal Revenue Code);

b. Any criminal liability;

c. Any administrative liability, including the suspension or 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 such obligations as are created by this Agreement;

f. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct; and

g. Any liability arising from the late delivery of goods or services.

4. Sikorsky waives and shall not assert any defenses Sikorsky 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. Nothing in this paragraph or any other provision of this 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.

5. Sikorsky fully and finally releases the United States, its agencies, employees, servants, and agents from any claims (including attorney’s fees, costs, and expenses of every kind and however denominated) that Sikorsky has asserted, could have asserted, or may assert in the future against the United States, and its agencies, employees, servants, and agents, related to the Covered Conduct and the United States’ investigation and prosecution thereof.

6. Sikorsky agrees to the following:

a. 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 Sikorsky, 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) and civil and any criminal investigation(s) of the matters covered by this Agreement;

   (3) Sikorsky’s investigation, defense, and corrective actions undertaken in response to the United States’ audit(s) and civil criminal investigation(s) in connection with the matters covered by this Agreement (including attorney’s fees);

   (4) the negotiation and performance of this Agreement;

   (5) the payment Sikorsky makes to the United States pursuant to this Agreement, including costs and attorneys fees, are “Unallowable Costs” for government contracting purposes (hereinafter referred to as “Unallowable Costs”). The “matters covered by this Agreement” includes related criminal matters if any.
b. **Future Treatment of Unallowable Costs:** Unallowable Costs will be separately determined and accounted for by Sikorsky, and Sikorsky shall not charge such Unallowable Costs directly or indirectly to any contracts with the United States.

c. **Treatment of Unallowable Costs Previously Submitted for Payment:** Sikorsky further agrees that within 90 days of the Effective Date of this Agreement it shall identify any unallowable costs (as defined in this Paragraph) included in payments previously sought by Sikorsky or any of its subsidiaries or affiliates from the United States. Sikorsky agrees that the United States, at a minimum, shall be entitled to recoup from Sikorsky any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs in any such payments. Any payments due shall be paid to the United States pursuant to the direction of the Department of Justice and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by Sikorsky or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Sikorsky, or the effect of any such Unallowable Costs on the amount of such payments.

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

7. **This Agreement is intended to be for the benefit of the Parties only.** The Parties do not release any claims against any other person or entity.

8. **Sikorsky warrants that it has reviewed its financial situation and that it currently 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. Further, the Parties warrant that, in evaluating whether to execute this Agreement, they (a) have intended that the mutual promises, covenants, and obligations set forth constitute a contemporaneous exchange for new value given to Sikorsky, within the meaning of 11 U.S.C. § 547(c)(1), and (b) conclude that these mutual promises, covenants, and obligations do, in fact, 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 Sikorsky was or became indebted to on or after the date of this transfer, within the meaning of 11 U.S.C. § 548(a)(1).

9. Except as expressly provided to the contrary in this Agreement, 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. Sikorsky represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

11. This 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 Agreement is the United States District Court for the District of Connecticut.

12. For purposes of construction, 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.
13. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

14. The individuals signing this Agreement on behalf of Sikorsky represent and warrant that they are authorized by Sikorsky to execute this Agreement. The United States signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement.

15. This Agreement is binding on Sikorsky’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).

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UNITED STATES OF AMERICA

DATED: 3/24/09

Alan Marc Soloway, AUSA
District of Connecticut
Attorney for the United States of America

SIKORSKY AIRCRAFT COMPANY

DATED: 3/24/09

By: James T. Cowdery
Cowdery, Ecker & Murphy, L.L.C.
Attorney for Sikorsky Aircraft Company