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**ROCKVILLE DEFENSE CONTRACTOR AGREES TO PAY OVER \$1.6 MILLION
TO SETTLE OVERCHARGE CLAIM**

Baltimore, Maryland - AEPTEC Microsystems, Inc., headquartered in Rockville and doing business as 3e Technologies, has agreed to pay \$1,662,500 to settle potential claims against the company under the False Claims Act that it overcharged the Department of the Navy in four contracts for shipboard automation technology, announced United States Attorney for the District of Maryland Rod J. Rosenstein.

The settlement resulted from an investigation by the Defense Criminal Investigative Service in conjunction with the United States Attorney's Office for Maryland into 3e Technologies' performance under four Navy contracts. All four of the contracts involved developing and installing systems on Navy ships that allow for the wireless transfer of information on board and to facilities on shore. Three of the contracts involved the installation of wireless sensors to collect data about wear and tear on equipment aboard ships, to assist the Navy in making the transition from scheduled maintenance to condition based maintenance. The fourth contract called for the automation of shipboard food services, including development of a wireless system to monitor food inventories aboard ships.

The settlement agreement resolved claims that 3e Technologies submitted false claims to the Navy for work performed under the contracts by shifting labor hours from fixed fee contracts for commercial purchasers and other government entities to the Navy's cost-plus contracts. The 3e contracts with the Navy were all cost plus fixed fee contracts. Under cost plus contracts, a contractor receives direct reimbursement for all costs, including labor costs. Under fixed price contracts, the contractor agrees to a total price regardless of actual cost. By shifting costs from fixed price to cost plus contracts, a contractor may considerably increase the amount of money it receives for its work.

Enacted during the Civil War, the False Claims Act is the Government's primary civil tool to combat fraud and abuse in federal programs and procurement. The Act allows the Government to recover triple the amount of its actual damages, plus a civil penalty of \$6,000 to \$11,000 for each claim. Pursuant to the agreement, 3e does not admit that it violated the False Claims Act, nor does the Government concede that its claims are not well founded.

United States Attorney Rosenstein commended Assistant United States Attorney Jamie M. Bennett and the Office of the Defense Criminal Investigative Service for their work on the investigation and settlement.

SETTLEMENT AGREEMENT

I. PARTIES

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 Office of Inspector General (OIG-DOD) of the Department of Defense and Department of the Navy (Navy) (collectively the “United States”), Bethany O’Day, the relator in the qui tam action that is the subject of this Agreement, and AEPTEC Microsystems Inc., doing business under the trade name, 3e Technologies International, Inc. (“3e”) (hereafter referred to as “the Parties”), through their authorized representatives.

II. PREAMBLE

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

A. AEPTEC Microsystems, Inc, dba 3e Technologies ,International Inc. is a Maryland corporation with its headquarters at 700 King Farm Boulevard, Suite 600, Rockville, Maryland 20850. 3e may sometimes be referred to herein as the “Settling Defendant.”

B. On or about July 11, 2002, pursuant to the False Claims Act, 31 U.S.C. Sections 3729-3733, a four-count Complaint was filed, under seal, in the United States District Court for the District of Maryland, Case No. AW-02-2307.

C. Pursuant to statute, the government initiated an investigation of all the claims set forth in the Complaint. The matters encompassed by the government’s investigation (hereafter the “Covered Conduct”) included the allegations set forth in the

Complaint, and more specifically that the 3e had knowingly submitted false claims to the Navy for work performed under the following contracts during the following time periods: Contracts No. N00178-00-D-3052; N00167-00-D-0097; N00164-01-C-0048; N00244-01-D-036; AND N00164-01-C-0018; for the time period March 1, 2000 to July 15, 2005.

D. As a result of its investigation, the United States contends that 3e submitted or caused to be submitted false claims for payment to the Department of the Navy ("Navy") under the following contracts: Contract No. N00167-00-0097, the Automated Maintenance Environment contract; Contract No. N00178-00-D-3052, the Ashore Automated Maintenance Environment Initial Work Plan; Contract No. N00164-01-0048, the Total Ship Monitoring contract; and Contract No. 00164-01-C-00-18, the Advanced Food Service System for Shipboard Use. All of these contracts were Cost Plus Fixed Fee ("CPFF") contracts as that term is defined in 48 C.F.R. §16.306

E. The United States contends that it has certain civil claims against 3e for engaging in the "Covered conduct," under the False Claims Act, 31 U.S.C. §3729 et. seq., and the common law.

F. The United States contends also that it has certain administrative claims, as specified in Paragraph 2 below, against 3e for engaging in the Covered Conduct.

G. 3e has denied the allegations in the Complaint, and this Agreement is neither an admission of liability by 3e nor a concession by the United States that its claims are not well founded.

H. 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. 3e agrees to pay to the United States One-Million Six Hundred Sixty Two Thousand Five Hundred U.S. Dollars (\$1,662,500) (the "Settlement Amount"). 3e agrees to pay the Settlement Amount by electronic funds transfer pursuant to written instructions to be provided by the United States Attorneys' Office for the District of Maryland as follows:

a. Five hundred thousand dollars (\$500,000) to be paid within fifteen (15) business days of the effective date of this Agreement;

b. The remaining balance, One million one hundred and sixty two thousand, five hundred U.S. dollars (\$1,162,500.00) to be paid within one hundred twenty days of the first payment, along with the payment of interest calculated at the rate of five percent interest per annum .

c. In addition to the settlement amount set forth in this Paragraph, 3e and its Chief Executive Officer, Steven Chen, in his individual capacity, agree to execute Stipulations for Consent Judgment whereby each agrees, among other things, that if there is a default by 3e in the payment of the Settlement Amount and a failure to timely cure that default within thirty days of written notice by the United States, 3e and Steven Chen, in his individual capacity, agree to have judgment entered against 3e and Steven Chen, as to the remaining unpaid balance of the Settlement Amount plus court costs,

expenses and attorneys fees equal to fifteen percent (15%) of the entire amount due at the time of the default.

The Stipulations for Consent Judgment will be executed by 3e and Steven Chen at the same time that the Settlement Agreement is executed and will be maintained at the United States Attorney's Office in the District of Maryland until such time as the terms of the Settlement Agreement are fulfilled by 3e, at which time the Stipulations for Consent Judgment will be returned to counsel for 3e and Steven Chen. Both 3e and Steven Chen agree to be subject to personal jurisdiction in the United States District Court for the District of Maryland for purposes of filing the stipulations for Consent Judgment.

2. Subject to the exceptions in Paragraph 3 below, in consideration of the obligations of 3e set forth in this Agreement, conditioned upon 3e's full payment of the Settlement Amount, and subject to Paragraph 9 below (concerning bankruptcy proceedings commenced within 91 days of the Effective Date of this Agreement), the United States (on behalf of itself, its officers, agents, agencies, and departments) and Bethany O'Day agree to release 3e and its officers, employees and agents from any civil monetary claim the United States or Ms. O'Day has or may have under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Contract Disputes Act, 41 U.S.C. §601-613 (1988), or the common law theories of payment by mistake, unjust enrichment, breach of contract, and fraud, for the Covered Conduct.

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 3e) are the following:

- a. Any civil, criminal, or administrative 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, including debarment or exclusion from Federal defense contracting;
- 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;

4. 3e waives and will not assert any defenses 3e may have to any criminal prosecution or administrative action relating to the Covered Conduct, which defenses may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth 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. 3e fully and finally releases the United States, its agencies, employees, servants, and agents, and Bethany O'Day and her counsel, from any claims (including attorney's fees, costs, and expenses of every kind and however

denominated) which 3e has asserted, could have asserted, or may assert in the future against Ms. O'Day and her counsel, and the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation and prosecution thereof.

6. 3e 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 and the regulations and official program directives promulgated thereunder) incurred by or on behalf of 3e, its present or former officers, directors, employees, shareholders, and agents in connection with the following shall be "unallowable costs" on government contracts:

(1) the matters covered by this Agreement,

(2) the United States' investigation of the matters covered by this Agreement,

(3) 3e's investigation, defense, and corrective actions undertaken in response to the United States' civil and 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 3e makes to the United States pursuant to this Agreement, and

b. Future Treatment of Unallowable Costs: These unallowable costs shall be separately determined and accounted for in nonreimbursable cost centers by 3e, and 3e shall not charge such unallowable costs directly or indirectly to any contracts with the United States.

c. Nothing in this Agreement shall constitute a waiver of the rights of the United States or the State of Maryland to audit, examine, or re-examine 3e'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, except to the extent provided for in Paragraph 8 below.

8. 3e 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 will remain solvent following its 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 3e, 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 and do, in fact, represent a reasonably equivalent exchange of value which is not intended to hinder, delay, or defraud any entity to which 3e was or became indebted, on or after the date of this transfer, all within the meaning of 11 U.S.C. § 548(a)(1).

9. If, within 91 days of the Effective Date of this Agreement or of any payment made hereunder, 3e commences, or a third party commences, 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 3e's debts, or seeking to adjudicate 3e as bankrupt or insolvent; or (b) seeking appointment of a receiver, trustee, custodian, or other similar official for 3e or for all or any substantial part of 3e's assets, 3e agrees as follows:

a. 3e's obligations under this Agreement may not be avoided pursuant to 11 U.S.C. §§ 547 or 548, and 3e will not argue or otherwise take the position in any such case, proceeding, or action that: (1) 3e's obligations under this Agreement may be avoided under 11 U.S.C. §§ 547 or 548; (2) 3e was insolvent at the time this Agreement was entered into, or became insolvent as a result of the payment made to the United States hereunder; or (3) the mutual promises, covenants, and obligations set forth in this Agreement do not constitute a contemporaneous exchange for new value given to 3e.

b. If 3e's obligations under this 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 Agreement, and bring any civil and/or administrative claim, action, or proceeding against 3e for the claims that would otherwise be covered by the releases provided in Paragraph 2, above. 3e agrees that (1) 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 proceeding described in the first clause of this Paragraph, and that 3e will not argue or otherwise contend that the United States' claims, actions, or proceedings are subject to an automatic stay; (2) that 3e will 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 which are brought by the United States within 90 calendar days of written notification to 3e that the releases herein have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on the date of the Settlement Agreement; and (3) the United States have a claim against 3e in the amount of \$1,662,500, and the United States may pursue their claims in the case, action, or proceeding referenced in the first clause of this Paragraph, as well as in any other case, action, or proceeding.

c. 3e acknowledges that its agreements in this Paragraph are provided in exchange for valuable consideration provided in this Agreement.

10. 3e and the United States shall each bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

11. 3e represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

12. 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 shall be the United States District Court for the District of Maryland.

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 3e represent and warrant that they are authorized by 3e 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 may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

16. This Agreement is binding on 3e's successors, transferees, heirs, and assigns.

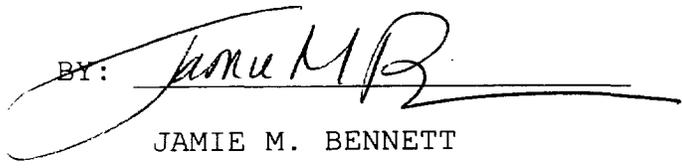
17. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

18. The "Effective Date" of this Agreement shall be the date of signature of the last signatory to the Agreement. Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

THE UNITED STATES OF AMERICA

ROD J. ROSENSTEIN
UNITED STATES ATTORNEY

DATED: 3/30/04

BY: 

JAMIE M. BENNETT

Assistant United States Attorney

District of Maryland

36 South Charles Street

Fourth Floor

Baltimore, Maryland 21201

3e - DEFENDANT

DATED: 3/20/06

BY: 
~~STEVEN CHEN~~ *CHAIRMAN*
~~CHIEF EXECUTIVE OFFICER~~ *CHIH HSIANG*
AEPTEC MICROSYSTEMS, INC. *CHAIRMAN of the*
Board of Directors
dba 3e TECHNOLOGIES INTERNATIONAL, INC.

DATED: 3/23/06

BY: 
DALE P. KELBERMAN
Counsel for 3e
Miles & Stockbridge
10 East Baltimore St., Suite 1700
Baltimore, Maryland 21202

RELATOR

DATED: 29 MAR 06

BY: _____



Bethany O'Day

Relator

DATED: 3-12-2006

BY: _____



Robin Page West

Cohan & West, P.C.

201 North Charles Street, Suite 2404

Baltimore, Maryland 21201

Counsel for Relator