

Conciliation Agreement
Between the United States Department of Labor
Office of Federal Contract Compliance Programs
And
Kratos Defense & Security Solutions, Inc.
4820 Eastgate Mall, Suite 200
San Diego, California 92121

PART I: General Provisions

1. This Agreement is between the Office of Federal Contract Compliance Programs (hereinafter OFCCP) and Kratos Defense & Security Solutions, Inc. (hereinafter Kratos).
2. The violations identified in this Agreement were found during a compliance evaluation of Kratos at its Micro Systems, Inc. establishment located at 35 Hill Avenue Northwest, Fort Walton Beach, Florida which began on June 14, 2012, and they were specified in a Notice of Violation issued December 20, 2012. OFCCP alleges that Kratos has violated Executive Order 11246, as amended, and its implementing regulations at 41 CFR Chapter 60, due to the specific violations cited in Part II below.
3. This Agreement does not constitute an admission by Kratos of any violation of Executive Order 11246, as amended, and its implementing regulations.
4. The provisions of this Agreement will become part of Kratos' affirmative action program (AAP). Subject to the performance by Kratos of all promises and representations contained herein and in its AAP, all named violations in regard to the compliance of Kratos with all OFCCP programs will be deemed resolved. However, Kratos is advised that the commitments contained in this Agreement do not preclude future determinations of non compliance based on a finding that the commitments are not sufficient to achieve compliance.
5. Kratos agrees that OFCCP may review compliance with this Agreement. As part of such review, OFCCP may require written reports, inspect the premises, interview witnesses, and examine and copy documents, as may be relevant to the matter under investigation and pertinent to Kratos' compliance. Kratos shall permit access to its premises during normal business hours for these purposes.
6. Nothing herein is intended to relieve Kratos from the obligation to comply with the requirements of Executive Order 11246, as amended; Section 503 of the Rehabilitation Act of 1973, as amended; the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended (38 U.S.C. 4212), and their implementing regulations, or any other equal employment statute or executive order or its implementing regulations.
7. Kratos agrees that there will be no retaliation of any kind against any beneficiary of this Agreement or against any person who has provided information or assistance, or who files a complaint, or who participates in any manner in any proceedings under Executive Order 11246, as amended; Section 503 of the Rehabilitation Act of 1973, as amended; and the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended (38 U.S.C. 4212).
8. This Agreement will be deemed to have been accepted by the Government on the date of

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signature by the District Director for OFCCP, unless the District Director or Director, OFCCP, indicates otherwise within 45 days of the District Director's signature on this Agreement.

9. If, at any time in the future, OFCCP believes that Kratos has violated any portion of this Agreement during the term of this Agreement, Kratos will be promptly notified of that fact in writing. This notification will include a statement of the facts and circumstances relied upon in forming that belief. In addition, the notification will provide Kratos with 15 days from receipt of the notification to respond in writing, except where OFCCP alleges that such a delay would result in irreparable injury.

Enforcement proceedings for violation of this Agreement may be initiated at any time after the 15-day period has elapsed (or sooner, if irreparable injury is alleged) without issuing a Show Cause Notice.

Where OFCCP believes that Kratos has violated this Conciliation Agreement, OFCCP may seek enforcement of this Agreement itself and shall not be required to present proof of the underlying violation resolved by this Agreement.

Liability for violation of this Agreement may subject Kratos to sanctions set forth in Section 209 of the Executive Order and/or other appropriate relief.

PART II: Specific Provisions

1. **VIOLATION**: Compensation data provided by Kratos for employees as of June 1, 2012, revealed that Kratos provided lower compensation to the minority, female employee when compared to the similarly situated non-minority, male employee in the (6), (7)(C) job title. Time with Kratos, time in current job title, experience, education and performance did not explain the disparity in compensation. Accordingly, OFCCP finds that Kratos failed to ensure equal opportunity in compensation to the minority, female (6), (7)(C) employee because of her gender and race, in violation of 41 CFR 60-1.4(a) (1).

REMEDY: Although Kratos affirms that this disparity in pay was unintentional, Kratos will do the following:

Kratos will provide the minority, female (6), (7)(C) employee, (6), (7)(C), with a salary adjustment of \$1,518.40 per year. Additionally, Kratos will disburse to (6), (7)(C) \$3,254.17 in back pay and \$108.25 in interest, totaling \$3,362.42; and retroactive 401(k) benefits in the amount of \$146.44. Kratos will disburse the back pay and interest to (6), (7)(C) in a lump sum minus deductions required by law. The back pay will be reduced by withholdings for federal income tax, state, and/or local income tax, and (6), (7)(C) share of FICA. Kratos will provide (6), (7)(C) with an IRS Form W-2 for her backpay and an IRS Form 1099 for the interest amount.

Kratos will not retaliate, harass, or engage in any form of reprisal or other adverse action against (6), (7)(C) based on or in relation to the terms or provisions of this Remedy.

Kratos will complete the process of monetary distribution within 90 days, but no sooner than 45 days, from the date this Agreement is signed by the District Director, OFCCP.

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Within 100 days from the date this Agreement is signed by the District Director, OFCCP, Kratos will provide training on its equal employment opportunity programs for all persons involved in determining compensation amounts paid to Kratos' employees at an estimated cost of \$984. Kratos will update this training annually.

Kratos will immediately review and, as appropriate, revise its compensation system to ensure that this violation ceases. In addition, Kratos will review at least annually and revise, as needed, its compensation system to ensure that this violation does not recur.

2. **VIOLATION**: Compensation data provided by Kratos for employees as of June 1, 2012, revealed that Kratos failed to timely promote the minority, female employee simultaneously with her similarly situated non-minority, male employee in the (6), (7)(C) job title. Time with Kratos, time in current job title, experience, education and performance did not explain the disparate treatment regarding promotion. Accordingly, OFCCP finds that Kratos failed to ensure equal opportunity in promotion to the minority, female (6), (7)(C) employee because of her gender and race, in violation of 41 CFR 60-1.4(a) (1).

REMEDY: Although Kratos affirms that this adverse treatment was unintentional, Kratos will do the following:

Kratos will disburse to (6), (7)(C) \$2,587.27 in back pay and \$189.78 in interest, totaling \$2,777.05; and retroactive 401(k) benefits in the amount of \$116.43. Kratos will disburse the back pay and interest to (6), (7)(C) in a lump sum minus deductions required by law. The back pay will be reduced by withholdings for federal income tax, state, and/or local income tax, and (6), (7)(C) share of FICA. Kratos will provide (6), (7)(C) with an IRS Form W-2 for her back pay and an IRS Form 1099 for the interest amount.

Kratos will not retaliate, harass, or engage in any form of reprisal or other adverse action against (6), (7)(C) based on or in relation to the terms or provisions of this Remedy.

Kratos will complete the process of monetary distribution within 90 days, but no sooner than 45 days, from the date this Agreement is signed by the District Director, OFCCP.

Within 100 days from the date this Agreement is signed by the District Director, OFCCP, Kratos will provide training on its equal employment opportunity programs for all persons involved in the promotion process for Kratos' employees at an estimated cost of \$326. Kratos will update this training annually.

Kratos will immediately review and, as appropriate, revise its promotion process to ensure that this violation ceases. In addition, Kratos will review at least annually and revise, as needed, its promotion process to ensure that this violation does not recur.

FUTURE CONDUCT: Kratos will not repeat the above violations.

PART III: Reporting

Kratos shall submit **two reports**, as stated below, to Assistant District Director—Birmingham, United States Department of Labor, Office of Federal Contract Compliance Programs, 950 22nd Street North,

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Suite 660, Birmingham, Alabama 35203.

The **first report** shall be due 120 days after the date on which the District Director, OFCCP signs this agreement. The first report shall consist of the following:

1. Pursuant to Remedy 1, Documentation that includes:
 - a) Copies of personnel forms confirming salary increases given to (6), (7)(C);
 - b) Evidence of back pay and interest disbursed to (6), (7)(C) as well as the contributions made to her 401(k) account, including copies of the cancelled checks and pay slips showing the gross amount and deductions required by law;
 - c) Results of Kratos' review of its compensation system, to include findings, additional equity adjustments and back pay; and
 - d) Actual cost of training that Kratos provided on its equal employment opportunity programs for all persons involved in determining compensation amounts paid to Kratos' employees to include the date(s) of training, and names and titles of recipients.
2. Pursuant to Remedy 2, Documentation that includes:
 - a) Evidence of back pay and interest disbursed to (6), (7)(C) as well as the contributions made to her 401(k) account, including copies of the cancelled checks and pay slips showing the gross amount and deductions required by law;
 - b) Results of Kratos' review of its promotion process, to include findings, description of modifications made and additional equity adjustments and back pay; and
 - c) Actual cost of training that Kratos provided on its equal employment opportunity programs for all persons involved in the promotion process to Kratos' employees to include the date(s) of training, and names and titles of recipients.

The **second report** shall be due 12 months after this Agreement is signed by the District Director, OFCCP. The second report shall consist of the following: Results of Kratos's annual review of its compensation system and promotion process, including description of modifications made, findings, additional equity adjustments and back pay, if any.

TERMINATION DATE: This Agreement will expire 90 days after OFCCP receives the second and final report required in Part III above or on the date that the District Director gives notice to Kratos that Kratos has satisfied its reporting requirements, whichever occurs earlier, unless OFCCP notifies Kratos in writing prior to the end of the 90-day period that Kratos has not satisfied its reporting requirements pursuant to this Agreement.

INTEGRATION CLAUSE: This Agreement represents the full Agreement between Kratos and OFCCP and this Agreement supersedes any other agreements, oral or written. In signing this Agreement, neither Kratos nor OFCCP relies upon any promise, representation of fact or law, or other inducement that is not expressed in this Agreement. This Agreement may be modified only by written agreement of the Parties affected and may not be modified by any oral agreement.

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PART IV: Signatures

The person signing this Conciliation Agreement on behalf of Kratos Defense & Security Solutions, Inc. personally warrants that he is fully authorized to do so, that Kratos Defense & Security Solutions, Inc. has entered into this Conciliation Agreement voluntarily and with full knowledge of the effect thereof, and that execution of this Agreement is fully binding on Kratos Defense & Security Solutions, Inc. This Conciliation Agreement is hereby executed by and between the Office of Federal Contract Compliance Programs and Kratos Defense & Security Solutions, Inc.

Date: 2 January 2013

(6), (7)(C)

Wayne Armstrong
General Manager
Micro Systems, Inc.
Kratos Defense & Security Solutions, Inc.
35 Hill Avenue Northwest
Ft. Walton Beach, Florida 32548

Date: 01/10/13

(6), (7)(C)

Eunsook Kim
Assistant District Director—Birmingham
Office of Federal Contract Compliance
Programs

Date: 1/2/13

(6), (7)(C), (7)(E)

Compliance Officer—Birmingham
Office of Federal Contract Compliance
Programs

Date: 01/10/13

(6), (7)(C)

Miguel A. Rivera, Jr.
District Director—Orlando
Office of Federal Contract Compliance
Programs