

PAGA SETTLEMENT AGREEMENT

This PAGA Settlement Agreement (hereinafter "Settlement Agreement," "Settlement," or "Agreement") is made and entered into between Plaintiffs, Jose Velasquez and Haroutioun Tufenkjian ("Plaintiffs") for themselves and on behalf of the State of California acting in a private attorney general capacity (hereinafter "Plaintiffs") and HK Staffing Agency, Inc., ("HK Staffing Agency") ("Defendant"). Plaintiff and Defendants are collectively referred to herein as the "Parties" and may be individually referred to as a "Party."

I. DEFINITIONS

The following terms, when used in this Settlement Agreement, shall have the following meanings:

1. "Action" means the matter entitled *Jose Velasquez, et. al. v. HK Staffing Agency, Inc., et al.*, filed by Plaintiffs on May 1, 2020 in the Superior Court of California, County of Los Angeles and as set forth in Plaintiff's February 26, 2020 correspondence to the Private Attorneys General Act ("PAGA") Administrator of the California Labor and Workforce Development Agency (hereinafter "LWDA Letter").
2. "Defendants" mean HK Staffing Agency, Inc., and its past, present, and future officers, directors, employees, board members, agents (including, without limitation, any investment bankers, accountants, insurers, reinsurers, attorneys and any past, present or future officers, directors and employees), customers, partners, investors, shareholders, members, representatives, parent companies, subsidiaries, affiliates, divisions, predecessors, successors, agents, and principals, and their heirs, estates, executors, administrators, servants, insurers, attorneys, and assigns (collectively, "Released Parties").
3. "Court" means the Superior Court of California for the County of Los Angeles.
4. "Data List" means a list in a ready to use, excel spreadsheet format provided by Defendant(s) which contains the name, last known mailing address, social security number, and number of Pay Periods or dates of employment of each of the PAGA Group Members worked during the PAGA Period.
5. "PAGA" means the California Labor Code Private Attorneys General Act, California Labor Code § 2698 *et seq.*
6. "Individual PAGA Payment" means the amount to be paid to each of the PAGA Group Members from the 25% of the PAGA Payment apportioned to them, such individual share to be based on the number of Pay Periods worked during the PAGA Period.
7. "PAGA Payment" means the total of the Gross Settlement Amount, less the payments for the Attorneys' Fees, Attorneys' Expenses and the Administration Costs, which shall be paid in full settlement of the PAGA Released Claims. Should the amount of the PAGA Payment increase or decrease, the amount to be distributed shall be adjusted according to the changes made by the Court. The PAGA Payment will be subject to Court approval consistent with Labor Code § 2699. The PAGA Payment shall be allocated under Labor Code section 2699

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with 75% of the Section 2699 payment going to the LWDA and 25% to the aggrieved employees (PAGA Group Members, as defined *infra*). The PAGA Group Members will be issued a form 1099 for their Individual PAGA Payments. .

8. "LWDA" means the California Labor Workforce Development Agency.

9. "Gross Settlement Amount" means the sum of One Hundred and Ninety Thousand Dollars and Zero Cents (\$190,000.00), which represents the maximum total amount payable under this Settlement Agreement by Defendants, including, without limitation, attorneys' fees, costs, and the recovery by the eligible employees for the PAGA Payment (as defined above). Defendants will not be required to make any payment in excess of the Gross Settlement Amount under any circumstances except that if there is an increase by more than 5% of pay periods beyond the currently stated amount (1,200 pay periods) as of November 11, 2021, then additional payment of \$158.33 (the equivalent of \$190,000 / 1,200) will be added to the Gross Settlement Amount per pay period that is beyond the 5%

10. "PAGA Period" means the time period from February 26, 2019 through November 11, 2021.

11. "PAGA Released Claims" with respect to the State of California and Participating PAGA Group Members (other than Plaintiff) means penalties related to wage and hour claims, rights, demands, liabilities and causes of action, whether known or unknown, arising during the PAGA Period, that were asserted or could have been asserted in the Action against Defendants based on the facts alleged or ascertained during the pendency of the Action, based on the alleged Labor Code violations alleged in the Action, including, the following categories: (a) any and all claims involving any alleged failure to pay overtime wages; (b) any and all claims involving any alleged failure to pay minimum wage; (c) any and all claims involving any alleged failure to keep accurate records or to issue proper wage statements to employees; (d) meal and rest periods; (e) failure to provide suitable seating; (f) failure to timely pay wages; (g) failure to reimburse business expenses. This release excludes the release of claims not permitted by law. The PAGA Released Claims expressly exclude all PAGA claims outside the PAGA Period and those not alleged in the Action.

12. "PAGA Group Members" means all individuals who are or were employed as commission based Outside Salespersons by Defendants in California for one or more pay periods from February 26, 2019 through November 11, 2021. Defendant represents there are 39 aggrieved employees during this Period.

13. "Administrator" means ILYM Group, Inc. retained by the parties to administer the settlement. The Administrator fee will be paid from the Gross Settlement Amount. The Administrator fee shall not affect and nothing shall increase the total amount Defendant will pay as part of the Gross Settlement Amount.

14. "Parties" means Plaintiff and Defendants.

15. "Plaintiff's Counsel" means James Hawkins, Esq., Gregory Mauro, Esq., and Michael Calvo, Esq. of James Hawkins APLC.

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II. RECITALS

1. Plaintiffs were employees of Defendants during the PAGA Period.
2. On February 26, 2020, Plaintiffs sent their LWDA Letter asserting claims for civil penalties pursuant to PAGA stemming from Defendants' alleged: Failure to Pay Minimum Wages; Failure to Pay Wages and Overtime; Failure to Provide Meal Periods or Meal Period Premiums; Failure to Provide Rest Periods of Rest Period Premiums; Failure to Reimburse for Necessary Business Expenditures; Failure to Issue Accurate and Itemized Wage Statements; Failure to Issue Semimonthly Payments; Failure to Keep Records; Failure to Provide Seating; and Waiting Time Penalties for Failure to Pay Wages When Employment Ends.
3. The Parties engaged formal discovery, informal discovery, exchanging information, documents and reviewing and analyzing extensive data made available by Defendants which enabled the parties to thoroughly evaluate Plaintiff's claims, the claims of the putative class or PAGA Group Members, Defendants' defenses, and the likely outcomes, risks and expense of pursuing litigation.
4. On November 12, 2021, the Parties engaged in mediation before mediator Kelly Knight. The Parties were able to agree to settle the claims following a full day of mediation.
5. The Parties agree a bona fide dispute exists as to whether any amount of penalties are due from Defendants to any California employees, including Plaintiff, and to the California Labor and Workforce Development Agency ("LWDA") and/or to any allegedly aggrieved employees.
6. Based on the discovery exchanged as well as their own independent investigation and evaluation, the Parties have considered the claims asserted by Plaintiff, the defenses asserted by Defendants, the risks associated with the continued prosecution of the Action, the cost of continued litigation through trial and appeals, and after considering all the circumstances, the Parties have concluded that the proposed settlement set forth in this Agreement is fair, adequate, and reasonable.
7. The Parties intend to fully and finally resolve the PAGA Released Claims as to Plaintiff and the PAGA Group Members.
8. The Parties further agree that the Agreement, the fact of this Settlement, any of the terms of this Agreement, and any documents filed in connection with the Settlement shall not constitute, or be offered, received, claimed, construed, or deemed as an admission, finding, or evidence of: (i) any wrongdoing by any Released Parties, (ii) any violation of any statute or law by Released Parties, (iii) any liability on the claims or allegations in the Action on the part of any Released Parties, (iv) any waiver of Defendants' right to arbitration or the enforceability of any arbitration agreement, or (v) the propriety of certifying a litigation class or collective (conditionally or otherwise) or pursuing representative relief under the PAGA in the Action or any other civil or administrative proceeding; and this Agreement shall not be used by any person or entity for any purpose whatsoever in any administrative or legal proceeding, including but not limited to arbitrations, other than a proceeding to enforce the terms of the Agreement.

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9. Within 30 days of full execution of this Settlement Agreement by all Parties and their counsel, Plaintiffs will file the Motion for Approval of the PAGA Settlement, as further addressed herein.

10. NOW, THEREFORE, IT IS HEREBY CONSENTED TO, AND AGREED, by Plaintiffs for themselves and on behalf of the State of California and aggrieved employees and by Defendants, that, subject to the approval of the Court and the LWDA, the Action shall be settled, compromised, and dismissed, on the merits and with prejudice, and the Released Claims shall be finally and fully compromised, settled and dismissed as to the Released Parties, in the manner and upon the terms and conditions hereafter set forth in this Agreement.

III. OPERATIVE TERMS OF SETTLEMENT AGREEMENT

The Parties agree as follows:

1. **Non-Admission.** Nothing in this Settlement Agreement shall be construed to be an admission by Plaintiff that the PAGA claims do not have merit or by Defendants of any liability or wrongdoing as to Plaintiff, the PAGA Group Members, or any other person, and Defendants specifically disclaim any such liability or wrongdoing. The Parties have entered into this Settlement Agreement with the intention to avoid further disputes and litigation with the attendant inconvenience, expenses, and risks. This Settlement Agreement and any related court documents or orders are not and may not be cited or admitted as evidence of liability.

2. **Settlement Amount.** Defendants shall pay the maximum Gross Settlement Amount of One Hundred and Ninety Thousand Dollars (\$190,000.00) in settlement of the Action. The Parties agree to allocate the Gross Settlement Amount as follows:

a. **PAGA Payment:** The PAGA Payment is the total of the Gross Settlement Amount, less the payments for the Attorneys' Fees, Attorneys' Expenses and the Administration Costs, which shall be paid in full settlement of the PAGA Released Claims. The PAGA Payment will be subject to Court approval consistent with Labor Code § 2699. Upon approval, the PAGA Payment shall be distributed as follows:

(1) One Hundred Percent (100%) of the PAGA Payment shall be paid as a Labor Code section 2699 payment with 75% of this amount being paid to the LWDA and 25% being paid to the Aggrieved Employees as their Individual PAGA Payments. Each Individual PAGA Payment shall be based on the number of pay periods each Aggrieved Employee worked during the PAGA Period as a percentage of the total pay periods worked by all Aggrieved Employees during the PAGA Period. This amount shall constitute resolution of all remedies available under Labor Code section 2699, and preclude pursuit by Aggrieved Employees of any PAGA Released Claims.

(2) The penalty settlement payments will be reported on IRS Form 1099s. The Parties acknowledge and agree that all payments under this Settlement Agreement as PAGA Payments are attributable as penalties. None are attributable as wages. Accordingly, the parties acknowledge and agree that Defendants are

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not responsible for any employer-side taxes in connection with any PAGA Payments under this Settlement Agreement.

(3) In the event the Court or LWDA increases the allocation of funds to the PAGA Payment, such increase shall come from the Gross Settlement Amount..

b. **Attorneys' Fees and Costs:** Defendant will not oppose Plaintiff's request for attorneys' fees up to 33.33% of the Gross Settlement Amount and reasonable costs. In the event this award is not approved by the Court, or a lesser amount is approved by the Court, the remainder will be included in the PAGA Payment.

c. **PAGA Administration:** Administrator's fee shall be paid from the Gross Settlement Amount. The Administrator's duties will include, among other things identified in this Agreement, a National Change of Address database search to update stale addresses prior to mailing Individual PAGA Payments and accompanying letters to PAGA Group Members; calculate the pro rata payment of penalties allocated to the PAGA Group Members, issue checks and IRS Form 1099's, and report such payments to the proper taxing authorities; format and print the letter accompanying the Individual PAGA Payment check; void Individual PAGA Payment checks after 180 days and transmit funds represented by such uncashed checks as provided for by this Agreement, and declarations as required by the Parties and the Court.

d. **Plaintiff's Service Payment:** Ten Thousand Dollars (\$10,000.00) shall be paid to each Plaintiff for resolution of their own individual claims and as a service award for initiation of and service as a representative of the State of California and of all other PAGA Group Members. Plaintiff will provide a general release and Civil Code 1542 waiver.

3. **Representative PAGA Release.** In Plaintiffs' capacity as a private attorney general and "aggrieved employee" acting on behalf of Plaintiffs' self, the State of California, and the PAGA Group Members, and in consideration of the PAGA Payment and Plaintiff's Service Payment, Plaintiffs hereby releases Defendants and Defendants' past, present and/or future, officers, board members, directors, employees, agents (including, without limitation, any investment bankers, accountants, insurers, reinsurers, attorneys and any past, present or future officers, directors and employees), representatives, attorneys, insurers, customers, partners, investors, shareholders, members, administrators, parent companies, subsidiaries, affiliates, divisions, predecessors, successors and/or assigns (the Released Parties) from any and all PAGA Released Claims that arose during the PAGA Period.

4. **Plaintiffs' Complete and General Release.** Upon complete execution of this Agreement by all Parties, Plaintiffs, for themselves only, generally, unconditionally, irrevocably and absolutely releases and discharges the Released Parties from any and all claims related in any way to the transactions or occurrences between them to date, to the fullest extent permitted by law, including, but not limited to, Plaintiffs' hiring by and employment with the Defendant, Plaintiff's compensation, wages, or pay of any kind related to the Defendant, and all other losses, liabilities, claims, charges, demands and causes of action, known or unknown, suspected or unsuspected, arising directly or indirectly out of or in any way connected with Plaintiffs' employment with the Defendant ("Plaintiffs' Complete and General Release"). Plaintiffs' Complete and General Release is intended to have the broadest possible application and includes, but is not limited to, any tort, contract, common law, constitutional or other statutory claims,

including, but not limited to alleged violations of California state law, the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Equal Pay Act, the Americans with Disabilities Act, the Employee Retirement Income Security Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Occupational Safety and Health Act, the National Labor Relations Act, the Family and Medical Leave Act, the California Family Rights Act, the California Fair Employment and Housing Act, the California Labor Code, the California Constitution, the California Business and Professions Code, the California Industrial Welfare Commission Wage Orders, the California Government Code, as well as any amendments to those laws, and all claims for attorneys' fees, costs and expenses. This release of Plaintiffs' Complete and General Release unconditionally, irrevocably and absolutely releases and discharges the Released Parties from any claim that Plaintiff could maintain in any action against any Released Party at the time of the execution of this Settlement Agreement. Notwithstanding the foregoing, this waiver and release of claims does not extend to any rights which as a matter of law cannot be waived and released by private agreement, including rights to sue to enforce this Agreement and rights to unemployment benefits and workers' compensation benefits.

5. **Plaintiffs' Waiver of Rights Under California Civil Code Section 1542.** As partial consideration for the Plaintiffs' Service Payment, the Plaintiffs' Complete and General Release shall include all such claims, whether known or unknown by the releasing party. Thus, even if Plaintiffs discover facts and/or claims in addition to or different from those that he now knows or believes to be true with respect to the subject matter of the Plaintiffs' Complete and General Release, those claims will remain released and forever barred. Therefore, with respect to Plaintiffs' Complete and General Release, Plaintiffs expressly waives and relinquishes the provisions, rights and benefits of section 1542 of the California Civil Code, which reads:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, and that if known by him or her would have materially affected his or her settlement with the debtor or released party.

6. **Settled Claims.** Upon entry of the Order approving this settlement, Plaintiff and all PAGA Group Members will be forever barred from pursuing the PAGA Released Claims against Defendants during the PAGA Period.

7. **Confidentiality.** Neither Plaintiff nor Plaintiffs' Counsel shall issue a press release, or hold a press conference about the settlement and should they be asked to comment, shall respond that the Action has been resolved and to look to the Court's file for further information.

8. **No Right to Opt Out or Object.** The Parties agree there is no statutory right for any PAGA Settlement Group Member to object, opt out or otherwise exclude himself or herself from the Settlement. The Parties further agree there is no right or opportunity for any PAGA Settlement Group Member to appeal the approval of the Settlement by the Court.

9. **Waiver of Right to Appeal.** Provided that the Judgment is consistent with the material terms of this Agreement, Plaintiff, Defendants, and their respective counsel hereby waive any and all rights to appeal from the Judgment, including all rights to any post-judgment proceeding and appellate proceeding, such as a motion to vacate judgment, a motion for new

trial, and any extraordinary writ, and the Judgment therefore will become non-appealable at the time it is entered. The waiver of appeal does not include any waiver of the right to oppose any appeal, appellate proceedings or post-judgment proceedings. This paragraph does not preclude Plaintiffs or Plaintiffs' Counsel from appealing from a refusal by the Court to award the Plaintiff's Counsel attorneys' fees and/or costs sought by them. If an appeal is taken, the time for consummating the Settlement (including making payments under the Settlement) will be suspended until such time as their appeal is finally resolved and the Judgment becomes Final, as defined in this Agreement.

10. **Motion for Approval of PAGA Settlement by Plaintiff's Counsel.** The Parties recognize that in accordance with Labor Code Section 2699(I) Court approval is required in the event of a settlement of a PAGA action on a representative basis. However, as explained in *Arias v. Superior Court* (2009) 46 Cal.4th 969, the Parties are not obligated to follow the class action procedural rules in PAGA cases and therefore need not obtain approval of the PAGA settlement through a motion for preliminary or final approval. Instead, to comply with the requirements of Labor Code Section 2699(I), Plaintiff shall file a Motion for Approval of the PAGA Settlement requesting that the Court approve the amount of the PAGA Penalties provided for by this Settlement ("PAGA Approval Motion"). Upon filing the motion for settlement approval, Plaintiff will also serve the LWDA with notice of the settlement as required by applicable law. At least seven (7) days prior to the deadline for filing, Plaintiff's counsel will provide the Motion for Approval of PAGA Settlement to counsel for Defendants' counsel to review and approve before it is filed. The Parties agree that Plaintiff will submit the Proposed Final Judgment and Order of Final Approval and Dismissal with Prejudice (retaining jurisdiction in the Court to enforce per CCP 664.6) ("Final Order") which will be approved by both counsel for Defendants and for Plaintiff prior to Plaintiff's filing.

11. The proposed PAGA Settlement is contingent upon the approval by the Court. If the Court should fail to approve this Settlement in the form agreed to by the Parties, the Parties agree to coordinate efforts to address the Court's questions or concerns and resubmit the Approval Stipulation or motion. If, after the Parties are unable to obtain approval of the terms of the Settlement, or (b) the Court's approval of this Settlement is reversed, modified, or declared or rendered void, then (i) this Settlement shall be considered null and void; (ii) neither this Settlement nor any of the related negotiations or proceedings shall be of any force or effect; and (iii) all Parties to this Settlement shall stand in the same position, without prejudice, as if the Settlement had been neither entered into nor filed with the Court. Invalidation of any material portion of this Settlement, except for the amount of attorneys' fees and costs, shall invalidate this Settlement in its entirety unless the Parties shall subsequently agree in writing that the remaining provisions shall remain in full force and effect. The Approval Motion will request the Court to approve the amount of the PAGA Penalties, dismiss the Operative Complaint with Prejudice, and enter judgment.

12. Within thirty (30) days of the full execution of this Agreement, Plaintiff will file the Motion for Approval of PAGA Settlement, together with the proposed PAGA Group Letter (defined in section IV. 3. *infra*), and Final Order Approving the PAGA Settlement, but only after Defendants' opportunity for review of all said documents and approval thereof in writing.

13. **Termination of Settlement Agreement.** If the Court does not approve this settlement, or if the Court does not enter judgment as provided for in this Settlement Agreement,

or if appellate review is sought and on such review the Court's decision is materially modified or reversed, or if one or more of the terms of the Settlement Agreement are not approved or is materially modified or reversed or found to be invalid, then Defendants shall have the right within twenty-one (21) days of written notice thereof to elect to terminate the Settlement Agreement, in which event it shall have no force or effect, and the Parties shall be deemed to have reverted to their respective status as of the date and time immediately prior to the execution of this Settlement Agreement.

14. **Final Order.** Plaintiff shall submit to the Court a proposed Final Order together with the Joint Motion for Approval of PAGA Settlement mutually agreed to by the Parties. This Settlement Agreement is expressly conditioned upon the Court entering the Final Order in its entirety. Defendant's must review and approve of the Final Order before it is submitted to the Court.

15. **Payment.** Defendant shall tender the Gross Settlement Amount to the Administrator within one-hundred twenty days (120) days of receipt of the signed Final Order and Judgment entered by the Court.

IV. ADMINISTRATION OF SETTLEMENT

1. Following Court approval of the PAGA Settlement, Administrator, will administer the PAGA Settlement and distribute the Gross Settlement Amount as provided for by this Agreement.

2. The PAGA Payment will be allocated as provided by Labor Code §2699(i), with 75% paid to the LWDA, and 25% distributed to PAGA Group Members on a proportionate basis, based upon the number of Pay Periods each worked during the PAGA Period.

3. Within thirty (30) days of receipt of Gross Settlement Amount the Administrator will issue to the PAGA Group Members, their Individual PAGA Payment together with a letter explaining the Individual PAGA Payment ("PAGA Group Letter") which is in a form substantially similar to **Exhibit "A"** which will be approved by both counsel for Defendant and for Plaintiff. The Individual PAGA Payment and letter will be mailed to the PAGA Group Members' last-known home address or as updated by the Administrator following the NCOA database search. Individual PAGA Settlement checks will remain active for one hundred and eighty (180) days. Any check returned as non-deliverable on or before the cashing deadline will be sent promptly via regular First-Class U.S. Mail to the forwarding address affixed thereto. Funds represented by settlement checks returned as undeliverable and those settlement checks remaining uncashed for more than one hundred and eighty (180) days after issuance will be tendered to the State of California Controller Unclaimed Property Fund ("UPF") for further handling on behalf of the PAGA Group Members. The Individual PAGA Payments shall be deemed penalties and shall be reported using IRS tax form 1099.

4. After the distribution of the Individual PAGA Payment, the balance of the Gross Settlement Amount shall be paid as follows:

a. Within fourteen (14) calendar days of the distribution of the Individual PAGA Payment, the Administrator will pay Plaintiff's counsel the attorneys' fees and costs in

the amounts set forth in paragraph III.2(b) above to the extent it is approved by the Court.

b. Within fourteen (14) calendar days of the distribution of the Individual PAGA Payment, the Administrator shall pay the LWDA its share of the PAGA Payment.

5. Following distribution of the Gross Settlement Amount, the Administrator will provide a declaration to the Parties regarding the distribution to be filed with the Court.

6. Defendants make no representations or warranties with respect to tax consequences of any payment under this Settlement Agreement.

V. MISCELLANEOUS PROVISIONS

1. **Drafting.** The Parties agree that the terms and conditions of this Settlement Agreement are the result of lengthy, intensive, arm's-length negotiations between the Parties and that neither Party shall be considered the "drafter" of this Settlement Agreement for purposes of having terms construed against that Party.

2. **Successors.** This Settlement Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, trustees, executors, administrators and successors.

3. **Costs and Fees.** The Parties shall each bear their own costs, attorneys' fees, mediator fees, and other fees incurred in connection with this Agreement and in connection with the Action and Plaintiff's claims, except as otherwise set forth specifically herein.

4. **Authority.** Defendants represent and warrant that the undersigned has the authority to act on behalf of Defendants and to bind Defendants to the terms of this Agreement. Plaintiff and his counsel represent and warrant that Plaintiff has the capacity to act on behalf of the State of California as a private attorney general under PAGA to bind them to the terms and conditions of this Agreement.

5. **Governing Law.** This Agreement shall be construed under and governed by the laws of the State of California. This Agreement shall be deemed to have been entered into in San Diego, California and all questions of validity, interpretation or performance of any of its terms or of any rights or obligations of the Parties to this Agreement shall be governed by California law. If any legal or equitable action or arbitration is necessary to enforce the terms of this Agreement, it shall be brought in the State of California, County of San Diego.

6. **Complete Agreement.** The Parties each acknowledge and represent that no promise or representation not contained in this Settlement Agreement has been made to them and acknowledge and represent that this Settlement Agreement contains the entire understanding between them and contains all terms and conditions pertaining to the compromise and settlement of the claims. This Settlement Agreement cannot be amended or modified except by a writing signed by the Parties hereto.

7. **Nullification of Settlement Agreement.** In the event that: (i) the Court does not approve the Settlement as provided herein; or (ii) the Settlement does not become final for any other reason, then this Settlement Agreement, and any documents generated to bring it into

effect, will be null and void, and the Parties will be returned to their original respective positions.

8. **Judgment and Continued Jurisdiction.** After approval of this settlement, the Court will have continuing jurisdiction solely for purposes of addressing: (i) the interpretation and enforcement of the terms of the Settlement, (ii) settlement administration matters, and (iii) matters as may be appropriate under court rules or as set forth in this Settlement.

9. **Entire Agreement.** This Settlement Agreement constitutes the entirety of the Parties' settlement terms. No other prior or contemporaneous written or oral agreements may be deemed binding on the Parties.

10. **Amendment or Modification.** This Settlement Agreement may be amended or modified only by a written instrument, signed by either the Parties or their successors-in-interest or counsel for all Parties.

11. **Authorization to Enter Into Settlement Agreement.** Counsel for all Parties warrant and represent they are expressly authorized by the Parties whom they represent to negotiate this Settlement Agreement and to take all appropriate action required or permitted to be taken by such Parties pursuant to this Settlement Agreement to effectuate its terms and to execute any other documents required to effectuate the terms of this Settlement Agreement. The Parties and their counsel will cooperate with each other and use their best efforts to effect the implementation of the Settlement. If the Parties are unable to reach agreement on the form or content of any document needed to implement the Settlement, or on any supplemental provisions that may become necessary to effectuate the terms of this Settlement, the Parties may seek the assistance of the Court to resolve such disagreement.

12. **Binding on Successors and Assigns.** This Settlement Agreement will be binding upon, and inure to the benefit of, the successors or assigns of the Parties hereto, as previously defined.

13. **California Law Governs.** All terms of this Settlement Agreement and Exhibits hereto will be governed by and interpreted according to the laws of the State of California.

14. **Execution and Counterparts.** This Settlement Agreement is subject only to the execution of all Parties. However, the Settlement Agreement may be executed in one or more counterparts. All executed counterparts and each of them, including facsimile and scanned copies of the signature page, will be deemed to be one and the same instrument provided that counsel for the Parties will exchange among themselves original signed counterparts.

15. **Acknowledgement that the Settlement is Fair and Reasonable.** The Parties believe this Settlement Agreement is a fair, adequate, and reasonable settlement of the Action and have arrived at this Settlement after arm's-length negotiations by experienced counsel. The Parties further acknowledge that they are each represented by competent counsel and that they have had an opportunity to consult with their counsel regarding the fairness and reasonableness of this Settlement.

16. **Invalidity of Any Provision.** Before declaring any provision of this Settlement Agreement invalid, the Court will first attempt to construe the provision as valid to the fullest extent possible consistent with applicable precedents so as to define all provisions of this

Settlement Agreement valid and enforceable.

17. **Severability.** If any term or provision of this Agreement is held to be invalid or unenforceable, the remaining portions of this Agreement will continue to be valid and will be performed, construed, and enforced to the fullest extent permitted by law, and the invalid or unenforceable term will be deemed amended and limited in accordance with the intent of the Parties, as determined from the face of the Agreement, to the extent necessary to permit the maximum enforceability or validation of the term or provision.

18. **Waiver.** No waiver of any condition or covenant contained in this Settlement Agreement or failure to exercise a right or remedy by any of the Parties hereto will be considered to imply or constitute a further waiver by such party of the same or any other condition, covenant, right or remedy.

19. **Taxes.** The Parties make no representation as to the tax treatment or legal effect of the payments called for hereunder, and the Plaintiff and the PAGA Group members are not relying on any statement, representation, or calculation by any of the Parties or by the Settlement Administrator in this regard. Plaintiff and the PAGA Group members understand and agree that they will be solely responsible for the payment of any taxes and penalties assessed on the payments described herein and will hold Plaintiff, Plaintiff's Counsel, Defendant, Defendant's counsel and the Released Parties free and harmless from and against any claims resulting from the tax treatment of payments under this Agreement. Plaintiff and PAGA Group members acknowledge and agree that no provision of this Settlement, and no written communication or disclosure between or among the Parties or their attorneys and other advisers, is or was intended to be, nor will any such communication or disclosure constitute or be construed or be relied upon as, tax advice within the meaning of United States Treasury Department Circular 230 (31 C.F.R. Part 10, as amended).

20. **Enforcement Action.** In the event that one or more of the Parties institutes any legal action or other proceeding against any other Party or Parties to enforce the provisions of this Settlement or to declare rights and/or obligations under this Settlement, the successful Party or Parties will be entitled to recover from the unsuccessful Party or Parties reasonable attorneys' fees and costs, including expert witness fees incurred in connection with any enforcement actions.

21. **Guarantee:** Kermanig, Inc. and Kermanig, LLC. collectively ("Kermanig") will guarantee payments for HK Staffing Agency. HK Staffing Agency, Inc. will have a judgment entered against it guaranteed by Kermanig, Inc. No judgment shall be entered against Kermanig.

22. **Mutual Preparation.** The Parties have had a full opportunity to negotiate the terms and conditions of this Settlement Agreement. Accordingly, this Settlement Agreement will not be construed more strictly against one party merely by virtue of the fact that it may have been prepared by counsel for one of the Parties, it being recognized that, because of the arm's-length negotiations between the Parties, all Parties have contributed to the preparation of this Settlement Agreement.

23. **Representation By Counsel.** The Parties acknowledge that they have been represented by counsel throughout all negotiations that preceded the execution of this Settlement

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Agreement, and that this Settlement Agreement has been executed with the consent and advice of counsel, and reviewed in full.

24. **Cooperation and Execution of Necessary Documents.** All Parties will cooperate in good faith and execute all documents to the extent reasonably necessary to effectuate the terms of this Settlement Agreement.

25. **Binding Agreement.** The Parties warrant that they understand and have full authority to enter into this Settlement, and further intend that this Settlement Agreement will be fully enforceable and binding on all Parties, and agree that it will be admissible and subject to disclosure in any proceeding to enforce its terms, notwithstanding any mediation confidentiality provisions that otherwise might apply under federal or state law.

26. **Denial of Liability.** The Parties expressly recognize that the making of this agreement does not in any way constitute an admission or concession of wrongdoing on the part of Defendant. Nothing in this Settlement, nor any action taken in implementation thereof, nor any statements, discussions or communications, nor any materials prepared, exchanged, issued or used during the course of this Action, is intended by the Parties to, nor will any of the foregoing constitute, be introduced, be used or be admissible in any way in any other judicial, arbitral, administrative, investigative or other forum or proceeding, as evidence of any violation of any federal, state, or local law, statute, ordinance, regulation, rule or executive order, or any obligation or duty at law or in equity. Notwithstanding the foregoing, this agreement may be used in any proceeding in the Court that has as its purpose the interpretation, implementation, or enforcement of the Settlement or any orders or judgments of the Court entered into in connection therewith.

26. **Authorization and Voluntary Agreement**

Each of the Parties represents and warrants that (a) they are fully authorized to enter into this Agreement; (b) they have read and fully understand each of the provisions of this Agreement; (c) they have had the opportunity to rely, and/or have relied, upon the advice and representation of their legal counsel of their own choosing in entering into this Agreement; (d) they have signed the Agreement voluntarily, without any duress or undue influence on the part, or on behalf, of any Party; and (e) the terms of this Agreement are contractual and not merely recitals. **Plaintiffs hereby are advised not to sign this Agreement before consulting with legal counsel.**

IN WITNESS THEREOF, the Parties each acknowledge that she/he/it has read the foregoing Settlement Agreement, accepts and agrees to the provisions contained in this Settlement Agreement and hereby executes it voluntarily and with full understanding of its consequences.

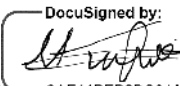
PLAINTIFFS:

Dated: 1/24, 2022

By:

DocuSigned by:
Jose Velazquez
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~~John Velasquez~~
Jose Velasquez

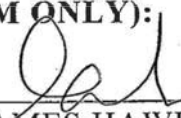
Dated: 01_25, 2022

DocuSigned by:

CAE11BEB2BC04A6...
By: Haroutoun Tufenkjian

PLAINTIFF'S COUNSEL (AS TO FORM ONLY):

Dated: January 24, 2022

By:


JAMES HAWKINS
GREGORY MAURO
MICHAEL CALVO
JAMES HAWKINS, APLC

DEFENDANT:

Dated: 01-22, 2022

By:


HK STAFFING AGENCY, INC.

By: Joe Kabadayan
Its: President

GUARANTOR

Dated: 01-22, 2022

By:


KERMANIG, INC. AND KERMANIG, LLC.
COLLECTIVELY ("KERMANIG") AS
GUARANTOR OF PAYMENTS FOR HK
STAFFING AGENCY, INC.

By: Joe Kabadayan
Its: President

DEFENDANTS' COUNSEL (AS TO FORM ONLY):

Dated: 01/22, 2022

By:

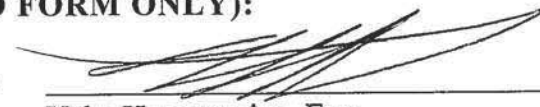

Vahe Hovanessian, Esq.

EXHIBIT A TO PAGA SETTLEMENT AGREEMENT

MJon Velasquez, et. al. v. HK Staffing, Inc., et al.
Superior Court of California, County of Los Angeles
Case No. 20-STCV-17127

[Date____, 2022]

PAGA EMPLOYEE NAME
ADDRESS

You have received the enclosed check in connection with the Settlement of the above-referenced lawsuit brought by former employees John Velasquez and Haroutioun Tufenkjian. On February 26, 2020, Plaintiffs sent their LWDA Letter asserting claims for civil penalties pursuant to PAGA stemming from Defendant HK Staffing, Inc. alleged: Failure to Pay Minimum Wages; Failure to Pay Wages and Overtime; Failure to Provide Meal Periods or Meal Period Premiums; Failure to Provide Rest Periods of Rest Period Premiums; Failure to Reimburse for Necessary Business Expenditures; Failure to Issue Accurate and Itemized Wage Statements; Failure to Issue Semimonthly Payments; Failure to Keep Records; Failure to Provide Seating; and Waiting Time Penalties for Failure to Pay Wages When Employment Ends

HK Staffing, Inc. denies, and continues to deny, all allegations and liability, but to avoid further time and expense of protracted and uncertain litigation, HK Staffing, Inc. and Plaintiffs have agreed to settle the lawsuit for civil penalties. The settlement, approved by the Court on [DATE], resolves the alleged claims brought on behalf of all individuals who are or were employed as commission based Outside Salespersons by Defendants in California for one or more pay periods from February 26, 2019 through November 12, 2021. ("PAGA Group").

Pursuant to the Court's Order, a payment of \$190,000.00 was approved in settlement of this lawsuit. After accounting for Plaintiffs' Counsel's attorneys' fees of \$66,666.67 and reimbursement of litigation costs of \$_____, administration expenses to \$5,000, and \$10,000 each as service awards and individual settlement Plaintiffs, the remaining sum called the "PAGA Payment" will be divided pursuant to California law as follows: \$_____ (75%) to the State of California Labor Workforce Development Agency and \$_____ (25%) to all PAGA Group employees to be shared on a proportionate basis. The enclosed check represents your share based upon the number of Pay Periods you worked any time during the period from February 26, 2019 and [DATE] ("PAGA Period"). An IRS 1099 form is enclosed. You will be solely responsible for paying federal, state, or local taxes, if any, on the amount of your check.

Regardless of whether you negotiate the enclosed check, by way of this Settlement and the corresponding Judgment and Final Order, for the PAGA Period, each PAGA Group member shall fully release **HK Staffing Agency, Inc.** for all claims for civil penalties under PAGA as alleged in Plaintiff's February 26, 2020 correspondence to the Private Attorneys General Act ("PAGA") Administrator of the California Labor and Workforce Development Agency (the "LWDA Letter") and Plaintiff's Operative Complaint filed in this Action or reasonably could have been asserted under Labor Code § 2698 et seq. based upon the facts alleged in the LWDA Letter and Plaintiff's Complaint filed in this Matter.

The enclosed check is valid for 180 days from the date of issuance. **It is strongly recommended that you cash or deposit this check immediately.** After 180 days of issuance, the check will become void and the amount forwarded to the State of California Controller's Office Unclaimed Property Division for further handling. If the

check is lost or misplaced, please contact the Administrator immediately, toll-free (800) _____ to have it reissued. If you have any questions about your check, please contact the [insert administrator information].