# PAGA SETTLEMENT AGREEMENT

This agreement to settle claims asserted pursuant to the Private Attorneys General Act ("PAGA Settlement Agreement") is made by and between plaintiff Pedro Villanueva ("Plaintiff"), on behalf of himself, all alleged aggrieved employees, and the State of California, and defendant Harbor Freight Tools Texas, L.P. ("Defendant"). This PAGA Settlement Agreement refers to Plaintiff and Defendant collectively as the "Parties," or each side individually as a "Party."

## 1. DEFINITIONS.

1.1 "Action" means, collectively, Plaintiff's Private Attorneys General Act ("PAGA") cause of action alleging wage and hour violations, contained within the lawsuit *Pedro Villanueva v. Harbor Freight Tools Texas, L.P.*, filed on June 20, 2025, and pending in Superior Court of the State of California, County of Riverside, Case No. CVRI2503311, amended on August 7, 2025, and further amended by the Second Amended Complaint to be filed pursuant to the Parties' Joint Stipulation for Leave to File Second Amended Complaint, entered September 18, 2026, and Plaintiff's PAGA Notice(s), as amended.

1.2 "Administrator" means Phoenix Class Action, the neutral entity the Parties have agreed to appoint to administer the Settlement.

1.3 "Administration Expenses Payment" means the amount the Administrator will be paid from the Gross Settlement Amount to reimburse its reasonable fees and expenses in accordance with the Administrator's "not to exceed" bid submitted to the Court in connection with approval of this Settlement.

1.4 "Aggrieved Employee" means Plaintiff and any person who worked as a non-exempt employee for Defendant in California during the PAGA Period.

1.5 "Aggrieved Employee Data" means the Aggrieved Employee's full name, last-known mailing address, Social Security number, and number of PAGA Pay Periods worked by each Aggrieved Employee.

1.6 "Aggrieved Employee Address Search" means the Administrator's investigation and search for current Aggrieved Employee mailing addresses using all reasonably available sources, methods and means including, but not limited to, the National Change of Address database, skip traces, and direct contact by the Administrator with Aggrieved Employees.

1.7 "Court" means the Superior Court of California, County of Riverside.

1.8 "Court Approval Order and Judgment" means the Court order and judgment granting final approval of the Settlement.

1.9 "Defendant" means and refers to the named defendant Harbor Freight Tools Texas, L.P.

1.10 "Defense Counsel" means Sheppard, Mullin, Richter & Hampton LLP by and through Greg S. Labate, Esq. and Eric T. Angel, the attorneys representing the Defendant in the Action.

1.11 "Effective Date" means the date by which the Settlement, including the Court Approval Order and Judgment, becomes final. For purposes of this PAGA Settlement Agreement, the Settlement "becomes final" only after the latest of (i) the period for filing any appeal, writ, or other appellate proceeding opposing the Settlement has elapsed without any appeal, writ, or other appellate



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proceeding opposing the Settlement having been filed, which is no sooner than 61 days following the Court Approval Order and Judgment; (ii) any appeal, writ, or other appellate proceeding opposing the Settlement has been dismissed finally and conclusively with no right to pursue further remedies or relief; (iii) any appeal, writ, or other appellate proceeding has upheld the Court's final order with no right to pursue further remedies or relief; or (iv) the period for filing any motion to intervene, motion to vacate or similar motion attempting to disrupt the Settlement has elapsed without any such motion having been filed, or such motion has been denied and is itself unappealable. In this regard, it is the intention of the Parties that the Settlement shall not become effective until the Court Approval Order and Judgment is completely final, and there is no further recourse by an appellant or objector who seeks to contest the Settlement.

1.12 "Enhancement Award" means the award to Plaintiff in an amount not to exceed TEN THOUSAND DOLLARS ($10,000), and to be approved by the Court, for his efforts as a PAGA Representative.

1.13 "Gross Settlement Amount" means FOUR HUNDRED AND NINETY FIVE THOUSAND DOLLARS AND ZERO CENTS ($495,000), which is the total gross amount Defendant agrees to pay under the Settlement. The Gross Settlement Amount will be used to pay Individual PAGA Payments, the LWDA PAGA Payment, PAGA Counsel Fees Payment, PAGA Counsel Litigation Expenses Payment, Enhancement Award, and the Administrator's Expenses Payment.

1.14 "Individual PAGA Payment" means the Aggrieved Employee's pro rata share of 35% of the PAGA Penalties calculated according to the number of Pay Periods the Aggrieved Employee worked during the PAGA Period.

1.15 "LWDA" means the California Labor and Workforce Development Agency, the agency entitled, under Labor Code section 2699, subd. (i).

1.16 "LWDA PAGA Payment" means the 65% of the PAGA Penalties paid to the LWDA under Labor Code section 2699, subd. (i).

1.17 "Net Settlement Amount" means the Gross Settlement Amount, less the following payments in the amounts approved by the Court: the LWDA PAGA Payment, PAGA Counsel Fees Payment, PAGA Counsel Litigation Expenses Payment, Enhancement Award, and the Administration Expenses Payment. The remainder is to be paid to Aggrieved Employees as Individual PAGA Payments.

1.18 "PAGA Counsel" means Jose Garay, APLC, by and through Jose Garay, and The Wheeler Law Firm, APC, by and through Scott Wheeler, the attorneys representing the Plaintiff in the Action.

1.19 "PAGA Counsel Fees Payment" and "PAGA Counsel Litigation Expenses Payment" mean the amounts allocated to PAGA Counsel for reimbursement of reasonable attorneys' fees and expenses, respectively, incurred to prosecute the Action.

1.20 "PAGA Pay Period" means any pay period during which an Aggrieved Employee worked for Defendant in California for at least one day during the PAGA Period.

1.21 "PAGA Period" means the period from May 11, 2023 to May 11, 2026.

1.22 "PAGA" means the Private Attorneys General Act (Labor Code §§ 2698, *et seq.*, §§ 2699, *et seq.*).



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1.23 "PAGA Notices" means Plaintiff's letter to Defendant and the LWDA dated June 5, 2025, providing notice pursuant to Labor Code section 2699.3, subd.(a) of Defendant's alleged Labor Code violations and Plaintiff's amended letter to Defendant and the LWDA dated May 14, 2026.

1.24 "PAGA Penalties" means the total amount of PAGA civil penalties to be paid from the Gross Settlement Amount, allocated 35% to the Aggrieved Employees as Individual PAGA Payments and 65% to the LWDA as the LWDA PAGA Payment, in settlement of PAGA claims asserted in the Action.

1.25 "Plaintiff" means Pedro Villanueva, the named plaintiff in the Action.

1.26 "Released PAGA Claims" means the claims being released by the Plaintiff, the Aggrieved Employees, and PAGA Counsel as described in Paragraph 5 below.

1.27 "Released Parties" means: Defendant and each and all of its past, present and future agents, employees, servants, officers, directors, managing agents, members, owners (whether direct or indirect), partners, trustees, representatives, shareholders, stockholders, attorneys, parents, subsidiaries, equity sponsors, related companies/corporations and/or partnerships, divisions, assigns, predecessors, successors, insurers, consultants, joint venturers, joint employers, potential and alleged joint employers, temporary staffing agencies and employees thereof, dual employers, potential and alleged dual employers, co-employers, potential and alleged co-employers, common law employers, potential and alleged common law employers, contractors, affiliates, service providers, alter-egos, potential and alleged alter-egos, vendors, affiliated organizations, any person and/or entity with potential or alleged to have joint liability, and all of their respective past, present and future employees, directors, officers, members, owners, agents, representatives, payroll agencies, attorneys, shareholders, stockholders, fiduciaries, parents, subsidiaries, other service providers, and assigns, any person or entity acting on their behalf, and each and all of them.

1.28 "Settlement" means the disposition of the Action effected by this PAGA Settlement Agreement and any related Court orders.

## 2. RECITALS.

2.1 On June 20, 2025, Plaintiff commenced the Action by filing a Complaint alleging causes of action against Defendant for failure to pay all wages, failure to provide meal periods, failure to provide rest periods, failure to provide recovery periods, failure to produce wage statements, failure to produce personnel records, failure to produce signed records, failure to maintain legal temperature controls, failure to provide accurate, itemized wage statements, failure to pay waiting time penalties, failure to reimburse for necessary business expenditures, and unfair business practices. On August 7, 2025, Plaintiff filed a First Amended Complaint adding a PAGA cause of action, stemming from the same class action allegations. On November 10, 2025, the Court entered the Parties' Joint Stipulation to Dismiss Class Claims and Submit Matter to Arbitration, dismissing all class claims and staying the Action. As a condition of the Parties' settlement, and in advance of seeking Court approval of the Settlement, the Parties agreed that Plaintiff would file a Second Amended Complaint to align with the claims and allegations at issue and bargained for when the Parties resolved this Action. On September 18, 2026, the Parties entered into a Joint Stipulation for Leave to File Second Amended Complaint, pursuant to which Plaintiff shall file a Second Amended PAGA Representative Action Complaint (the "Second Amended Complaint") within ten (10) days after entry of the Court's order granting leave. The Second Amended Complaint, once filed, is the operative complaint in the Action (the "Operative Complaint"). Defendant denies the allegations in the Operative Complaint, denies any failure to comply with the laws identified in the Operative Complaint, and denies any and all wrongdoing, legal liability, penalties, interest,



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and damages arising out of any of the facts or conduct alleged in the Action. Neither this PAGA Settlement Agreement, nor any document referred to or contemplated herein, nor any action taken to carry out this PAGA Settlement Agreement, is, may be construed as, or may be used as an admission, concession or indication by or against Defendant of any fault, wrongdoing, or liability whatsoever.

2.2 Pursuant to Labor Code section 2699.3, subd.(a), Plaintiff asserts that Plaintiff gave timely written notice to Defendant and the LWDA by sending the PAGA Notice(s).

2.3 On March 12, 2026, the Parties participated in a full-day private mediation with the help of a reputable employment mediator, Hon. Amy Hogue (Ret.), which led to this PAGA Settlement Agreement to settle the Action.

2.4 The Parties engaged in informal discovery. Among other things, Plaintiff obtained, through informal discovery wage and timekeeping records, relevant wage and hour policies, and a substantial sampling of the Aggrieved Employees.

## 3. MONETARY TERMS.

3.1 Gross Settlement Amount. Defendant promises to pay the total gross amount of FOUR HUNDRED AND NINETY FIVE THOUSAND DOLLARS AND ZERO CENTS ($495,000) and no more as the Gross Settlement Amount. Defendant has no obligation to pay the Gross Settlement Amount prior to the deadline stated in Paragraph 4.4 of this PAGA Settlement Agreement. The Administrator will disburse the entire Gross Settlement Amount without asking or requiring Aggrieved Employees to submit any claim as a condition of payment. None of the Gross Settlement Amount will revert to Defendant, nor will Defendant under any circumstances be liable for an amount that exceeds the Gross Settlement Amount.

3.2 Payments from the Gross Settlement Amount. The Administrator will make and deduct the following payments from the Gross Settlement Amount, in the amounts specified in the Court Approval Order and Judgment:

3.2.1 To PAGA Counsel: A PAGA Counsel Fees and Litigation Expenses Payment totaling not more than thirty-three percent (33.3%) of the Gross Settlement Amount, which is ONE HUNDRED SIXTY FOUR THOUSAND AND EIGHT HUNDRED AND THIRTY FIVE DOLLARS AND ZERO CENTS ($164,835.00). Defendant will not oppose requests for Court approval of this payment provided that it does not exceed this amount. Plaintiff and/or PAGA Counsel will file an application or motion for approval of PAGA Counsel Fees and Litigation Expenses Payment. If the Court approves PAGA Counsel Fees and Litigation Expenses Payment less than the amounts requested, the Administrator will allocate the remainder to the Net Settlement Amount. Released Parties shall have no liability to PAGA Counsel or any other counsel retained by Plaintiff and/or PAGA Counsel arising from any claim to any portion of the PAGA Counsel Fees and Litigation Expenses Payment. The Administrator will pay the PAGA Counsel Fees and Litigation Expenses Payment using one or more IRS 1099 Forms. PAGA Counsel assumes full responsibility and liability for taxes owed on the PAGA Counsel Fees and Litigation Expenses Payment and holds Defendant harmless, and indemnifies Defendant, from any dispute or controversy regarding any division or sharing of any of these payments.

3.2.2 To the Administrator: An Administrator Expenses Payment not to exceed $10,000.00 except for a showing of good cause and as approved by the Court. To the extent the actual



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administration expenses are less or the Court approves payment less than $10,000.00, the Administrator will allocate the remainder to the Net Settlement Amount.

3.2.3 To the Plaintiff: An Enhancement Award not to exceed TEN THOUSAND DOLLARS ($10,000), in return for a General Release and Waiver of Rights under California Civil Code Section 1542.

3.2.4 To the LWDA and Aggrieved Employees: PAGA Penalties in the amount of $310,165.00 to be paid from the Gross Settlement Amount, with 65% ($201,607.25) allocated to the LWDA PAGA Payment and 35% ($108,557.75) allocated to the Individual PAGA Payments.

3.2.4.1. The Administrator will calculate each Individual PAGA Payment by (a) dividing the amount of the Aggrieved Employees' 35% share of PAGA Penalties ($35% of the PAGA Penalties as defined in Paragraph 1.24) by the total number of PAGA Pay Periods worked by all Aggrieved Employees during the PAGA Period and (b) multiplying the result by the count of each Aggrieved Employee's PAGA Pay Periods. Aggrieved Employees assume full responsibility and liability for any taxes owed on their Individual PAGA Payments. No Aggrieved Employee may opt out of or be excluded from participating in the Settlement that releases PAGA claims, and each Aggrieved Employee shall be bound by the release of PAGA claims as specified under the "Release by Aggrieved Employees," regardless of whether they cash their Individual PAGA Payment check.

3.2.4.2. Payments. The Administrator will report the Individual PAGA Payments on IRS 1099 Forms. No person shall have any claim against Defendant, Defense Counsel, Plaintiff, PAGA Counsel, or the Administrator based on distributions and payments made in accordance with this PAGA Settlement Agreement. Additionally, the Individual PAGA Payments shall be deemed not to be pensionable earnings and shall not have any effect on the eligibility for, or calculation of, any of the employee benefits (e.g., vacations, holiday pay, retirement plans, etc.) of Plaintiff and/or any of the other Aggrieved Employees.

## 4. SETTLEMENT FUNDING AND PAYMENTS.

4.1 PAGA Pay Periods. Based on a review of its records to date, Defendant estimates there are approximately 1,325 Aggrieved Employees who worked a total of approximately 63,000 PAGA Pay Periods during the PAGA Period.

4.2 Aggrieved Employee Data. Within thirty (30) calendar days after entry of the Court Approval Order and Judgment, Defendant, through Defense Counsel, will deliver the Aggrieved Employee Data to the Administrator in the form of a Microsoft Excel spreadsheet. To protect the Aggrieved Employees' privacy rights, the Administrator must maintain the Aggrieved Employee Data in confidence, use the Aggrieved Employee Data only for purposes of this Settlement and for no other purpose, and restrict access to the Aggrieved Employee Data to only those Administrator employees who need access to the Aggrieved Employee Data to effectuate and perform the Administrator's duties under this PAGA Settlement Agreement. Defendant has a continuing duty to immediately notify the Administrator if it discovers that the Aggrieved Employee Data omitted any information intended to be included, and to provide corrected or updated Aggrieved Employee Data as soon as reasonably feasible, to the extent such information is available to Defendant.



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Parties and their counsel will expeditiously use best efforts, in good faith, to reconstruct or otherwise resolve any issues related to missing, incorrect, or omitted Aggrieved Employee Data.

4.3 Escalator Clause. Defendant has represented that there are approximately 63,000 pay periods worked by its California non-exempt employees from May 11, 2023 to May 11, 2026. This is a material representation for Plaintiff to enter into this agreement. Should the actual number of active pay periods worked by this group of people during the PAGA Period (defined above) increase beyond 10%, Defendant, at its sole discretion, has the option of either: (a) increasing the Gross Settlement Amount on a pro rata basis according to the number of additional pay periods over the 10% cap, or (b) closing the PAGA Period on the date immediately preceding the date when the number of pay periods exceeds this 10% cap.

4.4 Funding of Gross Settlement Amount. Defendant shall fully fund the Gross Settlement Amount by transmitting the funds to the Administrator into an account set up solely for distribution of funds pertaining to this Settlement within thirty (30) calendar days of the Effective Date.

4.5 Payments from the Gross Settlement Amount. Within fourteen (14) calendar days after Defendant funds the Gross Settlement Amount, the Administrator will mail checks for all Individual PAGA Payments, the LWDA PAGA Payment, the Administration Expenses Payment, Enhancement Award, the PAGA Counsel Fees Payment, and the PAGA Counsel Litigation Expenses Payment. Disbursement of the PAGA Counsel Fees Payment and the PAGA Counsel Litigation Expenses Payment shall not precede disbursement of Individual PAGA Payments.

4.5.1 The Administrator will issue checks for the Individual PAGA Payments and send them to the Aggrieved Employees via First Class U.S. Mail, postage prepaid. The face of each check shall prominently state the date (not less than 180 days after the date of mailing) when the check will be voided. The Administrator will cancel all checks not cashed by the void date. Before mailing any checks, the Settlement Administrator must update the recipients' mailing addresses using the National Change of Address Database.

4.5.2 The Administrator must conduct an Aggrieved Employee Address Search for all Aggrieved Employees whose checks are returned undelivered without a USPS forwarding address. Within seven (7) calendar days of receiving a returned check, the Administrator must re-mail checks to the USPS forwarding address provided or to an address ascertained through the Aggrieved Employee Address Search. The Administrator need not take further steps to deliver checks to Aggrieved Employees whose re-mailed checks are returned as undelivered. The Administrator shall promptly send a replacement check to any Aggrieved Employee whose original check was lost or misplaced, requested by the Aggrieved Employee prior to the void date.

4.5.3 For any Aggrieved Employee who's Individual PAGA Payment check is uncashed and cancelled after the void date, the Administrator shall transfer the funds represented by such checks to the California Controller's Unclaimed Property Fund in the name of the Aggrieved Employee.

4.5.4 The payment of Individual PAGA Payments shall not obligate Defendant or any of the other Released Parties to confer any additional benefits or make any additional payments to the Aggrieved Employees or any other employee (such as 401(k) contributions or bonuses) beyond those specified in this PAGA Settlement Agreement.



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5. **RELEASES OF CLAIMS**. Effective on the date when Defendant has fully funded the entire Gross Settlement Amount, Plaintiff, individually and on behalf of the State of California, the Aggrieved Employees, and PAGA Counsel will release claims against all Released Parties as follows:

5.1 Plaintiff's Release. Plaintiff and Plaintiff's former and present spouses, representatives, agents, attorneys (including PAGA Counsel), heirs, administrators, successors, and assigns generally, release and discharge Released Parties from all known and unknown claims, transactions, or occurrences under federal, state and/or local law, statute, ordinance, regulation, common law, or other source of law, including but not limited to claims arising from or related to Plaintiff's employment with Defendant and Plaintiff's compensation while so employed ("Plaintiff's Release"). Plaintiff's Release includes all claims asserted in the Action, as amended, and/or arising from or related to the facts and claims alleged in the Action, as amended, or the PAGA Notices, or that could have been raised in the Action, as amended, or the PAGA Notices based on the facts and claims alleged, as amended. Plaintiff's Release includes, but is not limited to, all claims for unpaid wages, including, but not limited to, failure to pay minimum wages, straight time compensation, overtime wages and compensation, double-time compensation, and/or interest; the calculation of the regular rate of pay; wages related to alleged illegal time rounding; failure to pay wages at least twice each calendar month; failure to timely pay wages; failure to timely pay final wages and wages due upon separation; collecting and/or receiving from Plaintiff part of his wages; requiring Plaintiff to execute a release as a condition of being paid; retaliation; failing to provide Plaintiff with paid sick leave; failing to pay Plaintiff wages for unused vested vacation time; missed/short/late/interrupted meal period, rest period, and/or recovery period wages/premiums; failure to provide meal periods; failure to authorize and permit rest periods and/or recovery periods; the calculation of meal period, rest period, and/or recovery period premiums; reimbursement for all necessary business expenses; failure to indemnify employees for necessary expenditures incurred in discharge of duties; payment for all hours worked, including off-the-clock work and walking time; failure to furnish accurate itemized wage statements; failure to maintain required records; failure to provide suitable seating; failure to maintain temperature providing reasonable comfort; unlawful deductions and/or withholdings from wages; unfair business practices; penalties, including, but not limited to, recordkeeping penalties, wage statement and payroll reporting penalties, minimum-wage penalties, and waiting-time penalties; and attorneys' fees and costs. Plaintiff's Release includes all claims arising under the California Labor Code (including, but not limited to, sections 98.6, 200, 201, 201.1, 201.3, 201.5, 202, 203, 204, 205.5, 206, 206.5, 208, 210, 216, 218, 218.5, 218.6, 221, 222, 222.5, 223, 224, 225, 225.5, 226, 226.2, 226.3, 226.7, 226.8, 227.3, 246, 247.5, 248.5, 256, 432, 450, 510, 511, 512, 515, 516, 550, 551, 552, 558, 1102.5, 1174, 1174.5, 1175, 1182.12, 1194, 1194.2, 1194.3, 1197, 1197.1, 1197.2, 1198, 1198.5, 1199, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2810.5, 2698 *et seq.*, 2699 *et seq.*, 2802, and 2804); all claims arising under: the Wage Orders of the California Industrial Welfare Commission (including, but not limited to Wage Order No. 1-2001); PAGA; California Business and Professions Code sections 17200, *et seq.*; the California Civil Code, to include sections 3287, 3336 and 3294; 8 CCR sections 3203, 11070, 11090, 11100; California Code of Civil Procedure section 1021.5; all state and local ordinances related to COVID-19 right of recall; the California common law of contract; the FLSA, 29 U.S.C. sections 201, *et seq.*; 29 CFR 778.223; 29 CFR 778.315; federal common law; and the Employee Retirement Income Security Act, 29 U.S.C. sections 1001, *et seq.* ("ERISA"). Plaintiff's Release also includes all claims for lost wages and benefits, emotional distress, retaliation, punitive damages, and attorneys' fees and costs arising under federal, state, or local laws for discrimination, harassment, retaliation, and wrongful termination, such as, by way of example only, (as amended) 42 U.S.C. section 1981, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act ("ADA"), the Age Discrimination in Employment Act ("ADEA"), and the California Fair Employment and Housing Act ("FEHA"); the California Government Code; the California Fair



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Pay Act; the California Equal Pay Act; and the law of contract and tort. Plaintiff's Release does not extend to any claims or actions to enforce this PAGA Settlement Agreement, or to any claims for vested benefits, unemployment benefits, disability benefits, social security benefits, workers' compensation benefits that arose at any time, or based on occurrences that take place after Plaintiff's execution of this PAGA Settlement Agreement. Plaintiff acknowledges that Plaintiff may discover facts or law different from, or in addition to, the facts or law that Plaintiff now knows or believes to be true but agrees, nonetheless, that Plaintiff's Release shall be and remain effective in all respects, notwithstanding such different or additional facts or law or Plaintiff's discovery of them. All such claims, liabilities or causes of action (including, without limitation, claims for related attorneys' fees and costs) are forever barred by this PAGA Settlement Agreement regardless of the forum in which they may be brought. The Parties intend for this release to be as broad as lawfully possible. Non-signatories can avail themselves of the PAGA Settlement Agreement, and this PAGA Settlement Agreement is for their respective benefit and use.

5.1.1 Plaintiff's Waiver of Rights Under California Civil Code Section 1542. For purposes of Plaintiff's Release, Plaintiff expressly waives and relinquishes the provisions, rights, and benefits, if any, 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.

5.2 Release by the State of California and Aggrieved Employees. The State of California and all Aggrieved Employees are deemed to release, on behalf of themselves and their respective former and present representatives, agents, attorneys, heirs, administrators, successors, assigns, and the LWDA, the Released Parties from all known and unknown claims for civil penalties under PAGA that were alleged, or could have been alleged, in the Action and/or in the PAGA Notices, including but not limited to, claims relating to failure to pay minimum wages, straight time compensation, overtime wages and compensation, double-time compensation, and/or interest; the calculation of the regular rate of pay; wages related to alleged illegal time rounding; failure to pay wages at least twice each calendar month; failure to timely pay wages; failure to timely pay final wages and wages due upon separation; collecting and/or receiving from Aggrieved Employees part of their wages; requiring Aggrieved Employees to execute a release as a condition of being paid; retaliation; failing to provide Aggrieved Employees with paid sick leave; failing to pay Aggrieved Employees wages for unused vested vacation time; missed/short/late/interrupted meal period, rest period, and/or recovery period wages/premiums; failure to provide meal periods; failure to authorize and permit rest periods and/or recovery periods; the calculation of meal period, rest period, and/or recovery period premiums; reimbursement for all necessary business expenses; failure to indemnify employees for necessary expenditures incurred in discharge of duties; payment for all hours worked, including off-the-clock work and walking time; failure to furnish accurate itemized wage statements; failure to maintain required records; unlawful deductions and/or withholdings from wages; unlawful failure to keep accurate payroll records of daily hours worked; failure to permit inspection of personnel and payroll records; failure to provide suitable seating; failure to provide each Aggrieved Employee with a written description of each quota to which the employee is subject and failure to provide personal work speed data upon request, and any other violation of the Warehouse Quota Law, Labor Code sections 2100 through 2112; any violations of the California Labor Code that could have been alleged, including without limitation sections 98.6, 200, 201, 201.1, 201.3, 201.5, 202, 203, 204, 205.5, 206, 206.5, 208, 210, 216, 218, 218.5, 218.6, 221, 222, 222.5, 223, 224, 225, 225.5, 226, 226.2, 226.3, 226.7, 226.8, 227.3, 246,



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5.3 Release by PAGA Counsel. PAGA Counsel release on behalf of their present and former attorneys, employees, agents, successors, assigns, the State of California, and the LWDA, the Released Parties from all claims for any attorneys' fees or costs incurred in connection with the Action.

6. **MOTION OR APPLICATION FOR APPROVAL OF SETTLEMENT.** The Parties agree to jointly prepare and file an application or motion for approval of this Settlement.

6.1 Plaintiff's Responsibilities. Plaintiff will prepare and deliver to Defense Counsel all documents necessary for obtaining approval of this Settlement under Labor Code section 2699, subd. (f)(2)) including (i) a draft proposed Court Approval Order and Judgment; (ii) a signed declaration from the Administrator attaching its "not to exceed" bid for administering the Settlement and attesting to its willingness to serve; competency; operative procedures for protecting the security of the Aggrieved Employee Data; amounts of insurance coverage for any data breach, defalcation of funds or other misfeasance; all facts relevant to any actual or potential conflicts of interest with the Aggrieved Employees or the LWDA; and the nature and extent of any financial relationship with Plaintiff, PAGA Counsel or Defense Counsel; (iii) a signed declaration from PAGA Counsel attesting to its timely transmission to the LWDA of all necessary PAGA documents (notices of violations (Labor Code section 2699.3, subd. (a)), Operative Complaint (Labor Code section 2699, subd. (l)(1)), this PAGA Settlement Agreement (Labor Code section 2699, subd. (l)(2)); and (iv) all facts relevant to any actual or potential conflict of interest with Aggrieved Employees and/or the Administrator. In their declarations, Plaintiff and PAGA Counsel shall aver that they are not aware of any other pending matter or action asserting claims that will be extinguished or adversely affected by the Settlement. Pursuant to Labor Code section 2699 subd. (l)(2), PAGA Counsel shall submit the proposed settlement to the LWDA at the same time that the proposed settlement is submitted to the Court. Moreover, pursuant to Labor Code section 2699 subd. (l)(3), PAGA Counsel shall submit a copy of the Court's judgment following approval of this PAGA Settlement Agreement, and any other order in the Action that either provides for or denies an award of PAGA civil penalties shall be submitted to the LWDA within ten (10) calendar days after entry of the Court Approval Order and Judgment.

6.2 Responsibilities of PAGA and Defense Counsel. PAGA Counsel and Defense Counsel are jointly responsible for expeditiously finalizing and filing the application or motion for approval of this Settlement no later than thirty (30) calendar days after the full execution of this PAGA Settlement Agreement and the Individual Settlement Agreement, and if necessary, obtaining a prompt hearing date for the motion and appearing in Court to advocate in favor of the motion. PAGA Counsel is responsible for delivering the Court Approval Order and Judgment to the Administrator.



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6.3 Duty to Cooperate. At least fourteen (14) calendar days before filing any application or motion for approval, PAGA Counsel shall provide a copy of the proposed filing to Defense Counsel for Defense Counsel's review. If the Parties disagree on any aspect of the proposed application or motion for approval of this Settlement and/or the supporting declarations and documents, PAGA Counsel and Defense Counsel will expeditiously work together on behalf of the Parties by meeting in person or by telephone, and in good faith, to resolve the disagreement. If the Court does not grant the motion for approval of this Settlement or conditions its approval on any change to this PAGA Settlement Agreement or any other term of Settlement, PAGA Counsel and Defense Counsel will expeditiously work together on behalf of the Parties by meeting in person or by telephone, and in good faith, to modify the PAGA Settlement Agreement and/or Settlement and otherwise satisfy the Court's concerns. At no time shall any of the Parties or their counsel seek to solicit or otherwise encourage Aggrieved Employees to submit written objections to the Settlement, or appeal from the Court Approval Order and Judgment.

6.4 Nullification of Settlement. In the event the Court does not enter a Court Approval Order and Judgment as provided herein, which becomes final as a result of the occurrence of the Effective Date, or the Settlement does not become final for any other reason, this PAGA Settlement Agreement, shall become null and void and any order or judgment entered by the Court in furtherance of this Settlement shall be treated as void *ab initio*. In such a case, the Parties will seek to reach a revised agreement acceptable to them to be presented to the Court. In the event the Parties cannot reach a mutually acceptable revised agreement, they shall ask the mediator to assist them in resolving the remaining disputes before litigating further. In the event the Parties are unable to reach a revised agreement, or any such revised agreement is not approved by the Court, the Parties shall proceed in all aspects as if this PAGA Settlement Agreement had not been executed, submitted, and/or filed, and Defendant will not make any payments under either agreement, except that any fees already incurred by the Administrator shall be paid for by Defendant. In the event any motion to intervene or to vacate, or similar motion is filed prior to the Effective Date, or an appeal is filed from the Court Approval Order and Judgment, or any other appellate review is sought prior to the Effective Date, administration of the Settlement shall be stayed pending final resolution of the motion, appeal, or other appellate review. The Parties will work cooperatively in connection with defending the Settlement, and each Party will file papers in support of the Settlement as necessary and appropriate.

## 7. SETTLEMENT ADMINISTRATION.

7.1 Selection of Administrator. The Parties have jointly selected Phoenix Class Action to serve as the Administrator and verified that, as a condition of appointment, Phoenix Class Action agrees to be bound by this PAGA Settlement Agreement and to perform, as a fiduciary, all duties specified in this PAGA Settlement Agreement in exchange for the Administration Expenses Payment. The Parties and their counsel represent that they have no interest or relationship, financial or otherwise, with the Administrator other than a professional relationship arising out of prior experiences administering settlements.

7.2 Employer Identification Number. The Administrator shall generate and use its own unique identification number for each Aggrieved Employee ("Employee Identification Number") for the purposes of calculating payroll tax withholdings and providing reports to state and federal tax authorities.

7.3 Qualified Settlement Fund. The Administrator shall establish a settlement fund that meets the requirements of a Qualified Settlement Fund under U.S. Treasury Regulation section 468B-1.



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7.4 Administrator Duties. The Administrator has a duty to perform or observe all tasks to be performed or observed by the Administrator contained in this PAGA Settlement Agreement or otherwise.

**8. CONTINUING JURISDICTION OF THE COURT.** The Parties agree that, after entry of the Approval Order, the Court will retain jurisdiction over the Parties, the Action, and the Settlement solely for purposes of (i) enforcing this PAGA Settlement Agreement, the Individual Settlement Agreement, and/or the Court Approval Order and Judgment, (ii) addressing settlement administration matters, and (iii) addressing such matters after entry of the Court Approval Order and Judgment as are permitted by law.

8.1 Waiver of Right to Appeal. Provided the Court's final judgment pertaining to the Settlement is consistent with the terms and conditions of this PAGA Settlement Agreement, including without limitation the PAGA Counsel Fees Payment and PAGA Counsel Litigation Expenses Payment, the Parties and their respective counsel waive all rights to appeal from the judgment, including all rights to post-judgment and appellate proceedings, the right to file motions to vacate judgment, motions for new trial, extraordinary writs, and appeals. The waiver of appeal does not include any waiver of the right to oppose such motions, writs or appeals. If a third party appeals the judgment, the Parties' obligations to perform under this PAGA Settlement Agreement will be suspended until such time as the appeal is finally resolved and the judgment becomes final.

**9. ADDITIONAL PROVISIONS.**

9.1 No Admission of Liability or Representative Manageability for Other Purposes. This PAGA Settlement Agreement represents a compromise and settlement of highly disputed claims. Nothing in this Agreement is intended or should be construed as an admission by Defendant that any of the allegations in the Action have merit or that Defendant has any liability for any claims asserted; nor should it be intended or construed as an admission by Plaintiff that Defendant's defenses in the Action have merit. The Parties agree that representative treatment is for purposes of this Settlement only. If, for any reason, the Court does not approve this Settlement, Defendant reserves all available defenses to the claims in the Action, and Plaintiff reserves the right to contest Defendant's defenses. The Settlement, this PAGA Settlement Agreement, the Individual Settlement Agreement, and the Parties' willingness to settle the Action will have no bearing on, and will not be admissible in connection with, any litigation (except for proceedings to enforce or effectuate the Settlement, the PAGA Settlement Agreement, and/or the Individual Settlement Agreement).

9.2 Integrated Agreement. Upon execution by all Parties and their counsel, this PAGA Settlement Agreement, together with the Individual Settlement Agreement referenced herein, shall constitute the entire agreement between the Parties relating to the Settlement, superseding any and all oral representations, warranties, covenants, or inducements made to or by any Party.

9.3 Attorney Authorization. PAGA Counsel and Defense Counsel separately warrant and represent that they are authorized by Plaintiff and Defendant, respectively, to take all appropriate actions required or permitted to be taken by such Parties pursuant to this PAGA Settlement Agreement to effectuate its terms, and to execute any other documents reasonably required to effectuate the terms of this Settlement, including any amendments to this PAGA Settlement Agreement and/or the Individual Settlement Agreement.

9.4 Cooperation. The Parties and their counsel will cooperate with each other and use their best efforts, in good faith, to implement the Settlement by, among other things, modifying the PAGA Settlement Agreement, and submitting supplemental evidence and supplementing points and authorities to the extent requested by the Court. In the event the Parties are unable to agree upon the form or content of any document necessary to implement the Settlement, or on any



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modification of the PAGA Settlement Agreement that may become necessary to implement the Settlement, the Parties will seek the assistance of a mediator and/or the Court for resolution.

9.5 No Prior Assignments. The Parties separately represent and warrant that they have not directly or indirectly assigned, transferred, encumbered, or purported to assign, transfer, or encumber to any person or entity and portion of any liability, claim, demand, action, cause of action, or right released and discharged by the Party in this Settlement.

9.6 No Tax Advice. Neither Plaintiff, PAGA Counsel, Defendant, nor Defense Counsel are providing any advice regarding taxes or taxability, nor shall anything in this Settlement or PAGA Settlement Agreement be relied upon as such within the meaning of United States Treasury Department Circular 230 (31 CFR Part 10, as amended) or otherwise.

9.7 No Effect on Employee Benefits. All payments to be issued in connection with this Settlement, including without limitation the Individual PAGA Payments made to the Aggrieved Employees or any payments made pursuant to the Individual Settlement Agreement, shall be deemed not to be pensionable earnings and shall not have any effect on the eligibility for, or calculation of, any of the employee benefits (e.g., vacations, holiday pay, retirement plans, etc.) of Plaintiff or any other Aggrieved Employee. The Parties agree that any payment made pursuant to the PAGA Settlement Agreement and/or the accompanying Individual Settlement Agreement do not represent any modification of Plaintiff's or the Aggrieved Employees' previously credited hours of service or other eligibility criteria under any employee pension benefit plan or employee welfare benefit plan sponsored by any Defendant. Further, any payment made pursuant to the PAGA Settlement Agreement and/or the accompanying Individual Settlement Agreement shall not be considered "compensation" in any year for purposes of determining eligibility for, or benefit accrual within, an employee pension benefit plan, employee welfare benefit plan sponsored by any Defendant, or unemployment benefits. No Defendant shall take 401(k) or other benefits deductions from any payments made pursuant to the PAGA Settlement Agreement and/or the accompanying Individual Settlement Agreement.

9.8 No Injunctive Relief. As part of this Settlement, Defendant shall not be required to enter into any consent decree, nor shall Defendant be required to agree to any provision for injunctive relief, or to modify or eliminate any of its personnel, compensation, or payroll practices, or adopt any new personnel, compensation, or payroll practices.

9.9 Modification of Agreement. This PAGA Settlement Agreement, and all parts of it, may be amended, modified, changed, or waived only by an express written instrument signed by all Parties or their representatives, and approved by the Court.

9.10 Agreement Binding on Successors. This PAGA Settlement Agreement will be binding upon, and inure to the benefit of, the successors of each of the Parties.

9.11 Applicable Law. All terms and conditions of this PAGA Settlement Agreement will be governed by and interpreted according to the laws of the State of California, without regard to conflict of law principles.

9.12 Interpretation. In interpreting this PAGA Settlement Agreement and/or the accompanying Individual Settlement Agreement, a masculine, feminine, or neutral pronoun shall not exclude other genders. The singular shall include the plural, and the plural shall include the singular. The term "any" should be understood to include and encompass "all," and "or" should be understood to encompass "and" and vice versa.



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9.13 Cooperation in Drafting. The Parties have jointly cooperated in the negotiation, drafting, and preparation of this PAGA Settlement Agreement. Hence, this PAGA Settlement Agreement will not be construed against any Party on the basis that the Party was the drafter or participated in the drafting. Additionally, Plaintiff and PAGA Counsel each agree that they have carefully read and fully understand all of the provisions of this PAGA Settlement Agreement, which is in both Plaintiff and PAGA Counsel's preferred language and thus no translation is required.

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

9.15 Confidentiality. To the extent permitted by law, all agreements made, and orders entered during Action and in this PAGA Settlement Agreement relating to the confidentiality of information shall survive the execution of this PAGA Settlement Agreement.

9.16 Publicity. Except as necessary to obtain Court approval, including prior submission to the LWDA, Plaintiff and PAGA Counsel shall not communicate the terms or the fact of this PAGA Settlement Agreement to any third party or parties other than (1) employees or law partners of PAGA Counsel and/or Plaintiffs' immediate family members; and (2) their respective accountants or lawyers as necessary for tax purposes. Plaintiffs and PAGA Counsel agree not to publicize the Action or this Settlement in any way, such as through press statements, press releases, or internet or social media posts/publications. Plaintiffs and PAGA Counsel further agree to respond to any press inquiries by stating only that the Action has been resolved. The Administrator shall not host or publish any website in connection with the Settlement unless required by Court order.

9.17 Use and Return of Aggrieved Employee Data. Information provided to PAGA Counsel pursuant to Cal. Evid. Code §1152, and all copies and summaries of the documents, data, and information provided to PAGA Counsel by Defendant in connection with the mediation, other settlement negotiations, or in connection with the Settlement, may be used only with respect to this Settlement, and for no other purpose, and may not be used in any way that violates any existing contractual agreement, statute, or rule of court. Not later than ninety (90) calendar days after the Administrator discharges its obligation to pay out all Settlement funds, Plaintiff shall destroy all paper and electronic versions of Aggrieved Employee Data received from Defendant unless, prior to the Administrator's payment of all Settlement funds, Defendant makes a written request to PAGA Counsel for the return, rather than the destruction, of Aggrieved Employee Data.

9.18 Headings. The descriptive heading of any section or paragraph of this PAGA Settlement Agreement is inserted for convenience of reference only and does not constitute a part of this PAGA Settlement Agreement.

9.19 Calendar Days. Unless otherwise noted, all reference to "days" in this Agreement shall be to calendar days. In the event any date or deadline set forth in this Agreement falls on a weekend or State court holiday, such date or deadline shall be on the first business day thereafter.

9.20 Notice. All notices, demands or other communications between the Parties in connection with this PAGA Settlement Agreement shall be in writing and deemed to have been duly given as of the third business day after mailing by United States mail, or the day sent by email or messenger, addressed as follows: To Plaintiff and PAGA Counsel: Jose R. Garay, Esq., JOSE GARAY, APLC, 249 E. Ocean Blvd., Suite 814, Long Beach, CA 90802, jose@garaylaw.com; and Scott Ernest Wheeler, Esq., THE WHEELER LAW FIRM, APC, 250 West First Street, Suite 216, Claremont, CA 91711, sew@scottwheelerlawoffice.com. To Defendant and Defense Counsel:



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Greg S. Labate, Esq. and Eric T. Angel, Esq., Sheppard, Mullin, Richter & Hampton LLP, 650 Town Center Drive, 10th Floor, Costa Mesa, CA 92626, glabate@sheppard.com and eangel@sheppard.com.

9.21 Execution in Counterparts. This PAGA Settlement Agreement may be executed in one or more counterparts by facsimile, electronically (i.e., via DocuSign), or email which for purposes of this PAGA Settlement Agreement shall be accepted as an original. All executed counterparts and each of them will be deemed to be one and the same instrument as long as counsel for the Parties exchange between themselves the signed counterparts. Any executed counterpart will be admissible in evidence to prove the existence and contents of this PAGA Settlement Agreement.

9.22 Stay of Litigation. The Parties agree that upon the execution of this PAGA Settlement Agreement, the Action shall be stayed, except to effectuate the terms of the Settlement. The Parties further agree that upon the signing of this PAGA Settlement Agreement, and pursuant to CCP section 583.330, the date to bring a case to trial under CCP section 583.310 shall be tolled pending Settlement approval.

*On Behalf of Plaintiff:*

Dated: 10 / 16 / 2026

Pedro Villanueva, Plaintiff

*On Behalf of Defendant Harbor Freight Tools Texas, L.P.:*

Dated: 10/26/2026

Name: Meryl K. Chae
Title: EVP & General Counsel

**APPROVED AS TO FORM & CONTENT**



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**JOSE GARAY, APLC**

Dated: 10 / 15 / 2026

Jose R. Garay, Esq.

**THE WHEELER LAW FIRM, APC**

Scott Ernest Wheeler, Esq.

Attorneys for Plaintiff Pedro Villanueva

**SHEPPARD, MULLIN, RICHTER & HAMPTON LLP**

Dated: 11/2/2026

Greg S. Labate, Esq.
Attorneys for Defendant Harbor Freight Tools Texas, L.P.



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