DECLARATION OF KEITH D. MESSERSCHMIDT

I, KEITH M. MESSERSCHMIDT, declare as follows:

1. I am a certified public accountant licensed in the State of California. I have been a licensed CPA and litigation consultant since 1997. Prior to becoming a sole proprietor, I was the Director of Forensic Accounting at Cumming Construction Management and a partner in Litigation and Insurance Consulting Services at White, Zuckerman, Warsavsky, Luna & Hunt. During my thirty-two years of practice, I have consulted or provided expert testimony in hundreds of litigation and insurance matters. Both federal and state courts have qualified me as an expert in the areas of economic damages, fraud investigations, business valuations and insurance claims. I have also served as a forensic accounting expert in Alternative Dispute Resolution mediations in New Orleans, Louisiana, resulting from damages incurred during Hurricane Katrina. I earned a Bachelor of Science degree in Accounting from the University of Southern California in 1992 and a Master of Science degree in Accounting from the California State University, Fullerton, in 1999.

2. I make this declaration of my own personal knowledge, am competent to testify to the facts set forth herein and I could and would testify thereto if sworn as a witness.

3. This Declaration is based on certain background facts, which are set forth herein, of which I am advised and which I assume for the purpose of this Declaration to be true.

4. The opinions stated herein are my own.

TASK

5. I was retained by counsel for the Plaintiff Huerta ("Plaintiff') to assist in analyzing FPK Security, Inc.'s ("FPK Security" or "the Company") financial condition, profitability, and ability to pay a substantial settlement payment.

6. That said, it does not appear the Company could pay a settlement of more than the $350,000, specified in the Settlement Agreement and release of PAGA claims. Any amount exceeding the $350,000 proposed settlement could risk significant financial harm.

7. The Defendant shall deposit the Gross Settlement Amount with the Settlement Administrator. The Gross Settlement Amount shall be funded as follows: (1) first installment payment of $50,000 shall be paid within 90 days of execution of a long form settlement agreement; (2) second installment of $50,000 shall be paid within 90 days of the first installment payment; (3) third installment payment of $125,000 shall be paid within 30 days after Final Approval of the settlement; and (4) a fourth and final installment payment of $125,000 (less any interest accrued on the amounts held) shall be paid within six months of the third installment payment. Defendant's share of payroll taxes shall be deposited by Defendant with the Settlement Administrator at the same time it deposits the fourth and final installment payment. Settlement Administrator shall deposit all funds paid by Defendant into an interest-bearing account and any interest accrued on the funds shall be credited toward the Gross Settlement Amount and applied to satisfy Defendant's payment obligations.

8. Data used to analyze the Company's financial condition was provided to me by counsel with a representation from FPK Security that the information was accurate. I assume that representation to be true. The financial documentation provided by the Company included the following:

a. FPK Security, Inc.'s U.S. Corporation Income Tax Return (Form 1120-S) for the 12-months ended December 31, 2020.

b. FPK Security, Inc.'s U.S. Corporation Income Tax Return (Form 1120-S) for the 12-months ended December 31, 2021.

c. FPK Security, Inc.'s U.S. Corporation Income Tax Return (Form 1120-S) for the 12-months ended December 31, 2022.

d. FPK Security, Inc.'s Internal Balance Sheets as of December 31, 2021 through December 31, 2023.

e. FPK Security, Inc.'s Internal Balance Sheets as of December 31, 2024.

f. FPK Security, Inc.'s Internal Balance Sheets as of January 18, 2025.

g. FPK Security, Inc.'s Internal Profit and Loss Statements for the 12-months ended December 31, 2021 through December 31, 2023.

h. FPK Security, Inc.'s Internal Profit and Loss Statements for the 12-months ended December 31, 2024.

i. FPK Security, Inc.'s Internal Profit and Loss Statements for the 18 days ended January 18, 2025.

j. FPK Security, Inc.'s Statement of Cash Flows for the 12-months ended December 31, 2021 through December 31, 2023.

k. FPK Security, Inc.'s Internal Statement of Cash Flows for the 12-months ended December 31, 2024.

BACKGROUND

9. FPK Security & Investigations is owned and operated by a family of US military veterans and retired law enforcement officers. FPK Security is a boutique security company with technology and services comparable to, and often more efficient than, our nationwide corporate competitors.

10. FPK Security is based in Southern California with active client operations throughout the West Coast region and capable of providing security services nationwide.

11. As a result of a sharp decrease in cash on hand, and working capital, the Company's current financial condition has been dramatically impacted. Total cash on hand as of December 31, 2024, totals $74,898. As a result, the Company will be required to devise a payment plan in order to fund this class action.

FINANCIAL CONDITION

12. To evaluate the Company's current financial condition and its ability to pay a substantial settlement without incurring significant financial harm, I analyzed FPK Security's key financial ratios. These key financial ratios included:

a. The Liquidity Ratios

  i. The Current Ratio

  ii. The Quick Ratio

  iii. Cash on Hand

b. Activity Ratios

i. Revenue to Accounts Receivable

ii. Day's Receivables

iii. Working Capital

iv. Revenue to Working Capital

v. Revenue/Working Capital

vi. Loss Provision on Contracts in Progress

c. Leverage Ratios

i. Tangible Net Worth,

ii. Debt-to-Asset Ratio

iii. Debt-to-Equity Ratio

13. Although FPK Security received two PPP loans totaling $525,000 each (approved on April 9, 2020 and January 30, 2021), ongoing annual net losses for the years ended December 31, 2022, through December 31, 2024, have reduced the company's cash on hand as of December 31, 2024, to $74,898.

14. Finally, these annual net losses have impacted the Company's current cash on hand and working capital, leading to the necessity of funding the class settlement in payments.

15. That said, it does not appear the Company could pay more than $350,000; the amount specified in the Settlement Agreement and release of PAGA claims. Any amount exceeding the $350,000 proposed settlement could risk significant financial harm. –

16. Terms for the proposed settlement state that the Defendant shall deposit the Gross Settlement Amount with the Settlement Administrator. The Gross Settlement Amount shall be funded as follows: (1) first installment payment of $50,000 shall be paid within 90 days of execution of a long form settlement agreement; (2) second installment of $50,000 shall be paid within 90 days of the first installment payment; (3) third installment payment of $125,000 shall be paid within 30 days after Final Approval of the settlement; and (4) a fourth and final installment payment of $125,000 (less any interest accrued on the amounts held) shall be paid within six months of the third installment payment. Defendant's share of payroll taxes shall be deposited by Defendant with the Settlement Administrator at the same time it deposits the fourth

and final installment payment. Settlement Administrator shall deposit all funds paid by Defendant into an interest-bearing account and any interest accrued on the funds shall be credited toward the Gross Settlement Amount and applied to satisfy Defendant's payment obligations.

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SUMMARY

17. In summary, incurring any additional liabilities, such as increasing the settlement award or expediting the timing of payments, may be detrimental to the Company's current operations, and may also impact their ability to continue employing the current workforce.

18. If this case were to continue and Plaintiff was to secure a verdict for damages in excess of this amount, it is likely the Company's financial position may be further jeopardized and efforts by the Plaintiff to collect on the verdict would be difficult, requiring additional expenditure or resources.

19. As a result, I have considered the magnitude of the amount set forth in the Settlement Agreement, including the timing of the payment. Based on this review, it is my opinion the financial documents establish that FPK Security cannot pay substantially more than $350,000, the amount specified in the Settlement Agreement, without risking significant financial harm to the Company.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on May 23, 2025, at Manhattan Beach, California.

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Keith D. Messerschmidt, CPA/ABV, CGMA