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 Newsom ("Plaintiff") to assist in analyzing City Private Security, Inc.'s ("City Private Security" or "the Company") financial condition, profitability, and ability to pay a substantial settlement payment.

6. It does not appear the Company can pay a settlement of more than the $100,000, in three equal payments, as specified in the Settlement Agreement and release of PAGA claims. Any amount exceeding the $100,000 proposed settlement could risk significant financial harm.

7. That said, it does not appear the Company can pay more than $100,000 for the proposed settlement including an initial payment totaling $33,333.33, due and payable within 90 days of the

execution of the settlement agreement, with the remaining $66,666.67 to be paid in two additional equal payments as outlined in the settlement agreement.

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

a. City Private Security, Inc.'s U.S. Income Tax Return for an S Corporation (Form 1120-S) the 12-months ended December 31, 2019.
b. City Private Security, Inc.'s U.S. Income Tax Return for an S Corporation (Form 1120-S) the 12-months ended December 31, 2020.
c. City Private Security, Inc.'s U.S. Income Tax Return for an S Corporation (Form 1120-S) the 12-months ended December 31, 2021.
d. City Private Security, Inc.'s U.S. Income Tax Return for an S Corporation (Form 1120-S) the 12-months ended December 31, 2022.
e. City Private Security, Inc.'s U.S. Income Tax Return for an S Corporation (Form 1120-S) the 12-months ended December 31, 2023.
f. City Private Security, Inc.'s Internal Balance Sheets as of December 31, 2019.
g. City Private Security, Inc.'s Internal Balance Sheets as of December 31, 2020.
h. City Private Security, Inc.'s Internal Balance Sheets as of December 31, 2021.
i. City Private Security, Inc.'s Internal Balance Sheets as of December 31, 2022.
j. City Private Security, Inc.'s Internal Balance Sheets as of December 31, 2023.
k. City Private Security, Inc.'s Internal Profit and Loss Statements for the 12-months ended as of December 31, 2019.
l. City Private Security, Inc.'s Internal Profit and Loss Statements for the 12-months ended as of December 31, 2020.
m. City Private Security, Inc.'s Internal Profit and Loss Statements for the 12-months ended as of December 31, 2021.
n. City Private Security, Inc.'s Internal Profit and Loss Statements for the 12-months ended as of December 31, 2022.
o. City Private Security, Inc.'s Internal Profit and Loss Statements for the 12-months ended as of December 31, 2023.
p. ProPublica Tracking PPP Loans – First Round loan totaling $109,600 which was forgiven on April 28, 2020.
q. ProPublica Tracking PPP Loans – Second Round loan totaling $86,010 which was forgiven on April 3, 2021.

BACKGROUND

9. City Private Security is a security company based in Del Mar, California, specializing in providing private security services to businesses and individuals.

10. With a focus on maintaining safety and security, the company offers a range of security solutions tailored to meet the unique needs of each client.

11. The Company was incorporated on November 20, 2014. Additionally, the Company made S election on January 1, 2016.

12. The Company, like many other small businesses, has not only been severely affected by the global pandemic and a poor economy, but it has also experienced a sharp increase in annual salary and wage expenses.

13. As a result, this sharp increase in annual salary and wages (i.e. as a percentage of annual revenue), cash on hand, working capital, and the current ratio have dramatically impacted the Company's current financial condition. Cash on hand as of December 31, 2023, totals $42,474.47.

14. Although City Private Security did receive two PPP loans totaling $196,610, which were ultimately forgiven, the Company also borrowed $747,463 from the Small Business Administration (i.e. SBA), for disaster loans.

15. As a result, the Company will be required to devise a payment plan in order to fund a class action settlement.

FINANCIAL CONDITION:

16. To evaluate the Company's current financial condition and its ability to pay a substantial settlement without incurring significant financial harm, I analyzed City Private Security's key financial ratios. Analysis of the Company's key financial ratios included the following:

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

17. City Private Security has experienced an increase in the Company's annual revenue, with the exception of a -9.65% decrease as the result of the onset of the global pandemic for the 12 months ending December 31, 2020.

18. Annual revenue totaled $1,488,038 for the 12 months ending December 31, 2019.

19. Annual revenue totaled $1,344,539 for the 12 months ending December 31, 2020, or a -9.65% decrease in annual revenue.

20. City Private Security first started experiencing financial issues in 2020, when the Company's annual revenue fell almost 10% as a result of the global pandemic.

21. In addition, based on my review of the Company's U.S. Income Tax Returns for an S Corporation, the Company also experienced a sharp increase in salaries and wages beginning in the tax year ended December 31, 2020.

22. Salaries and Wages for the tax year ended December 31, 2019, totaled $413,416, or 27.78% of annual revenue.

23. Salaries and Wages for the tax year ended December 31, 2020, totaled $503,610, or 37.46% of annual revenue.

24. Salaries and Wages for the tax year ended December 31, 2021, totaled $815,236 or 46.78% of annual revenue.

25. Salaries and Wages for the tax year ended December 31, 2022, totaled $1,293,387, or 41.21% of annual revenue.

26. Salaries and Wages for the tax year ended December 31, 2023, totaled $1,612,161, or 48.76% of annual revenue.

27. Although City Private Security experienced sharp annual revenue growth for the 12 months ended December 31, 2020, through December 31, 2023, this annual revenue growth was never quite enough to make up for the significant increase in the Company's annual salary and wage expenses.

28. That said, it does not appear the Company can pay more than the $100,000; the amount specified in the Settlement Agreement and release of PAGA claims. Any amount exceeding the $100,000 proposed settlement could risk significant financial harm.

29. Terms for the proposed settlement include an initial payment totaling $33,333.33, due within 90 days of the execution of the settlement agreement, and the remaining $66,666.67 balance to be paid in equal payments, within 30 days of final court approval.

SUMMARY:

30. 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.

31. 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 expenditures or resources.

32. As a result, I have considered the magnitude of the amount set forth in the Settlement Agreement, including the timing of the payments. Based on this review, it is my opinion the financial documents establish that City Private Security cannot pay substantially more than $100,000, 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.

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Executed on September 3, 2025, at Gardena, California.

Keith D. Messerschmidt, CPA/ABV, CGMA