

## SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the Small Business Administration (“SBA”) (collectively the "United States"); Yosef Y. Manela; Yosef Y. Manela, Esq., APC; Yosef Y. Manela, CPA, APC; and Manela and Company, APC (collectively, “Defendants”); and Relator LLC (the “Relator”) (hereafter collectively referred to as "the Parties"), through their authorized representatives.

### RECITALS

A. Yosef Y. Manela owned and operated Yosef Y. Manela, Esq. APC; Yosef Y. Manela, CPA, APC; and Manela and Company, APC, located at 6300 Wilshire Blvd., Suite 2030, Los Angeles, CA 90048. Pursuant to the Paycheck Protection Program (“PPP”), a program established in March 2020 under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), Pub. L. No. 116-136 (March 27, 2020), Defendants received the following first and second draw loans from Community Federal Savings Bank (“Lender”):

<b>BORROWER</b>	<b>LOAN NO.</b>	<b>INITIAL LOAN</b>
Yosef Y. Manela, CPA, APC	6396587203	\$400,000.00
Yosef Y. Manela, CPA, APC	4045158503	\$301,511.67
Manela and Company, APC	4282858505	\$212,855.00
Manela and Company, APC	8413417810	\$704,127.00
Yosef Y. Manela Esq., APC	4308338501	\$476,713.22
Yosef Y. Manela Esq., APC	9235667402	\$607,517.00
<b>TOTAL</b>		<b>\$2,702,723.89</b>

Defendants sought forgiveness of the loans, but the forgiveness applications were denied. Defendants have made payments on the loans, and the total outstanding balance for these loans as of July 24, 2024 is approximately \$728,459.08. The SBA paid the Lender \$241,567.51 on the loan guarantee for Loan 6396587203 and incurred additional costs of \$79,369.05 in processing fees in connection with the other five loans.

B. On or about July 13, 2022, Relator LLC filed a *qui tam* action in the United States District Court for the Central District of California captioned *United States ex rel. Relator LLC v. Manela., et al.*, CV 22-04781-MWF (ASx), pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730(b) (the “Civil Action”), alleging that Defendants were ineligible for PPP loans because they submitted duplicative PPP loan applications on behalf of several different business entities that were essentially the same business; provided false payroll and other business expense information for duplicate employees; violated PPP rules requiring borrowers to exclude from the average monthly payroll calculation any compensation paid to an employee in excess of \$100,000 per annum; and falsely certified to economic need.

C. The United States contends that it has certain civil claims against Defendants for their submission of false loan and forgiveness applications to the PPP program for Loan Nos. 6396587203, 4045158503, 4282858505, 8413417810, 4308338501, and 9235667402 between January 1, 2020 and December 31, 2021. Specifically, the United States contends that Defendants submitted false and fraudulent payroll and other business expense information for non-existent employees, for employees whose wages were counted multiple times in separate loan applications, and for capital distributions of business profits to Defendants’ family members that were falsely characterized as wages in loan applications and forgiveness applications for the above-referenced PPP loans. This conduct is referred to below as the “Covered Conduct.”

D. Defendants deny the United States' allegations in Paragraph C and the Relator's allegations in the Civil Action.

E. This Settlement Agreement is neither an admission of liability by Defendants nor a concession by the United States that its claims are not well founded.

F. Relator claims entitlement under 31 U.S.C. § 3730(d) to a share of the proceeds of this Settlement Agreement and to Relator's reasonable expenses, attorneys' fees and costs.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

#### TERMS AND CONDITIONS

1. Defendants shall pay to the United States \$802,341.40 ("Settlement Amount") of which \$320,936.56 is restitution, and interest on the Settlement Amount at a rate of 4.750% per annum from June 24, 2024, by electronic funds transfer pursuant to written instructions to be provided by the Civil Division of the United States Department of Justice no later than fourteen (14) days after the Effective Date of this Agreement.

2. Defendants agree to extinguish the SBA guarantee on Loan Nos. 4045158503, 4282858505, 8413417810 and 4308338501 by repaying the Lender the outstanding loan balance and accrued interest in full no later than June 17, 2025.

3. In the event that Defendants fail to complete the payments set forth in Paragraphs 1 or 2 by the dates upon which they are due, Defendants shall be in default of their payment obligations ("Default"). Upon Default, the United States will provide Defendants, through their legal counsel or other representative previously designated by Defendants, by electronic mail a written Notice of Default, and Defendants shall have an opportunity to cure such Default within ten (10) business days from the date the Notice of Default is sent by counsel for the United States. If Defendants fail to cure

the Default within ten (10) business days from the date the Notice of Default is sent by the United States, the unpaid balance of the Settlement Amount and accrued interest shall become due and payable, and interest on such amount shall accrue at the rate of 10 percent per annum, compounded daily from the date of Default until payment is made. In addition, the amount of any SBA guarantee paid in connection with the Default of the payment due under Paragraph 2 above shall be trebled and become immediately due and payable to the United States, and interest on such amount shall accrue at the rate of 10 percent per annum, compounded daily from the date the guarantee is paid by the SBA.

4. Upon execution of this Settlement Agreement, Defendants shall enter into a Consent Judgment with the United States in the form attached as Attachment A. The United States shall not file the Consent Judgment unless Defendants are in uncured Default as defined above. Defendants agree not to contest any offset imposed and not to contest the filing of the Consent Judgment and/or collection action undertaken by the United States pursuant to this Paragraph, either administratively or in any state or federal court, except on the ground of actual payment to the United States. At its sole option, in the event of uncured Default as defined above, the United States alternatively may rescind this Agreement as to Defendants and bring any civil and/or administrative claim, action, or proceeding against Defendants for the claims that would otherwise be covered by the releases provided herein. If the United States opts to rescind this Agreement in the event of uncured Default as defined above, Defendants agree not to plead, argue, or otherwise raise any defenses of statute of limitations, laches, estoppel or similar theories, to any civil or administrative claims that are (a) filed by the United States against Defendants within 120 days of written notification to Defendants that this Agreement has been rescinded, and (b) relate to the Covered Conduct, except to the extent these defenses were available on the particular date when the Civil Action referenced in Recital for Paragraph B was filed.

5. Conditioned upon the United States receiving the Settlement Amount and accrued interest and as soon as feasible after receipt, the United States shall pay ten (10) percent of the Settlement Amount and accrued interest to Relator by electronic funds transfer (“Relator’s Share”).

6. Defendants agree to pay a total of \$15,000 to Relator pursuant to 31 U.S.C. §3730(d) in satisfaction of attorneys’ fees, expenses, and costs incurred by the Relator in connection with the Civil Action, no later than forty-five (45) days after the Effective Date. Payment under this Paragraph shall be made by electronic funds transfer pursuant to written instructions provided by Relator’s counsel.

7. Subject to the exceptions in Paragraph 9 (concerning reserved claims) below, and upon the United States’ receipt of the Settlement Amount, plus interest due under Paragraph 1, the United States releases Defendants from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§3801-3812; or the common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

8. Subject to the exceptions in Paragraph 9 below, and upon the United States’ receipt of the Settlement Amount, plus interest due under Paragraph 1, Relator, for itself and for its heirs, successors, attorneys, agents, and assigns, releases Defendants from any civil monetary claim the Relator has on behalf of the United States for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733.

9. Notwithstanding the releases given in Paragraph 7 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;

- c. Except as explicitly stated in the Agreement, any administrative liability or enforcement right, or any administrative remedy, including the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals other than Yosef Y. Manela.

10. Relator and its heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B). Conditioned upon Relator's receipt of the Relator's Share, Relator and its heirs, successors, attorneys, agents, and assigns fully and finally release, waive, and forever discharge the United States, its agencies, officers, agents, employees, and servants, from any claims arising from the filing of the Civil Action or under 31 U.S.C. § 3730, and from any claims to a share of the proceeds of this Agreement and/or the Civil Action.

11. Relator and its owners, for themselves, and for their heirs, successors, attorneys, agents, and assigns, release Defendants, and their officers, agents, and employees, from any liability to Relator arising from the filing of the Civil Action, or under 31 U.S.C. § 3730(d) for expenses or attorneys' fees and costs.

12. Defendants waive and shall not assert any defenses Defendants may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

13. Defendants fully and finally release the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that Defendants have asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct or the United States' investigation or prosecution thereof.

14. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of Defendants, and their present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) Defendants' investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorneys' fees);
- (4) the negotiation and performance of this Agreement;
- (5) the payment Defendants make to the United States pursuant to this Agreement and any payments that Defendants may make to Relator, including costs and attorneys fees,

are unallowable costs for government contracting purposes (hereinafter referred to as "Unallowable Costs").

b. Future Treatment of Unallowable Costs: Unallowable Costs, if any, will be separately determined and accounted for by Defendants, and Defendants shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Within 90 days of the Effective Date of this Agreement, Defendants shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by Defendants or any of their subsidiaries or affiliates from the United States. Defendants agree that the United States, at a minimum, shall be entitled to recoup from Defendants any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine Defendants' books and records and to disagree with any calculations submitted by Defendants or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Defendants, or the effect of any such Unallowable Costs on the amount of such payments.

15. This Agreement is intended to be for the benefit of the Parties only.

16. Upon receipt of the payment described in Paragraph 1, above, the United States and Relator shall promptly sign and file in the Civil Action a Joint Stipulation of Dismissal of the Civil Action pursuant to Rule 41(a)(1). Such dismissal shall be (a) with prejudice to the Relator as to all claims against the Defendants in the Civil Action, (b) with prejudice to the United States as to the Covered Conduct, and (c) without prejudice to the United States as to all other claims or allegations in the Civil Action.

17. Except as provided in Paragraph 6, each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

18. Each Party and signatory to this Agreement represents that it freely and voluntarily enters in to this Agreement without any degree of duress or compulsion.

19. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Central



District of California. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

20. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

21. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

22. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

23. This Agreement is binding on Defendants' successors, transferees, heirs, and assigns.

24. This Agreement is binding on Relator's successors, transferees, heirs, and assigns.

25. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

26. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

THE UNITED STATES OF AMERICA

DATED: 9/10/24

BY: *Allie Pang*  
Allie Pang  
Trial Attorney  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice

DATED: \_\_\_\_\_

BY: PAUL LA SCALA Digitally signed by PAUL LA SCALA  
Date: 2024.09.10 14:57:50 -07'00'  
Paul La Scala  
Assistant United States Attorney  
Central District of Californi

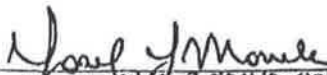
DEFENDANTS:

FOR YOSEF Y. MANELA; YOSEF Y. MANELA, ESQ, APC; YOSEF Y. MANELA, CPA, APC;  
MANELA AND COMPANY, APC

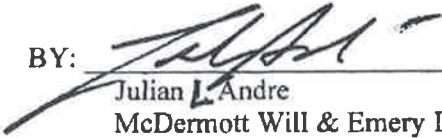
DATED: 9/10/24

BY:   
Yosef Y. Manela


DATED: 9/10/24

BY:   
Yosef Y. Manela, President  
Yosef Y. Manela, Esq., APC  
Yosef Y. Manela, CPA, APC  
Manela and Company, APC

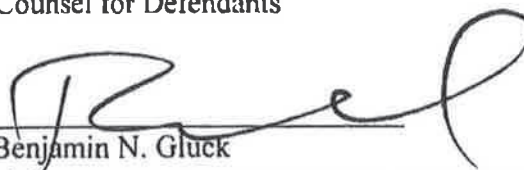
DATED: 9/10/24

BY:   
Julian L. Andre  
McDermott Will & Emery LLP  
Counsel for Defendants

DATED: 9/10/24

BY:   
Sam C. Neel  
McDermott Will & Emery LLP  
Counsel for Defendants

DATED: 9/10/24

BY:   
Benjamin N. Gluck  
Bird, Marella, Rhow, Licenberg, Drooks & Nessim, LLP  
Counsel for Defendants

FOR RELATOR:

DATED: 9/5/2024

*Anoush Hakimi*  
BY: \_\_\_\_\_  
Anoush Hakimi  
Relator LLC

DATED: 9/5/2024

*Peter Shahriari*  
BY: \_\_\_\_\_  
Peter Shahriari  
Relator LLC

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
Julian Brew  
Hecht Partners LLP  
Counsel for Relator LLC

FOR RELATOR:

DATED: \_\_\_\_\_

BY: \_\_\_\_\_


Anoush Hakimi  
Relator LLC

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

Peter Shahriari  
Relator LLC

DATED: 9/3/2014

BY: 

Julian Brew  
Hecht Partners LLP  
Counsel for Relator LLC