

## SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into among the State of California (“California”), the defendants Workrite Ergonomics LLC (“Workrite”) and Knappe & Vogt (“KV”) (together “Defendants”), and Relator Michael Franchek (the “Relator”), each through their authorized representatives. The foregoing parties are hereinafter collectively referred to as “the Parties.”

### PREAMBLE

WHEREAS, on May 23, 2016, Relator filed a *qui tam* action (“Relator’s Complaint”) against Defendants in the United States District Court for the Northern District of California captioned *United States et al. ex rel. Franchek v. Workrite Ergonomics, LLC et al.*, pursuant to the federal False Claims Act and California False Claims Act (“the Action”); and

WHEREAS, California thereafter commenced an investigation in connection with the allegations of the Relator’s Complaint; and

WHEREAS, as a result of that investigation, California contends that it has certain civil claims against Defendants under the California False Claims Act; and

WHEREAS, due to the nature of the California False Claims Act, the Attorney General signs this Agreement on behalf of the State only, and not on behalf of the California local governments and political subdivisions (collectively, the “Political Subdivisions”), whose claims the Attorney General is not legally empowered to release;

WHEREAS, Defendants have agreed to this Agreement in settlement of the Action and the Covered Conduct (defined below) and to avoid the time, expense, and

distraction of litigation, and the State has agreed to accept the terms of the Agreement and discontinue its investigation in connection with the Covered Conduct;

WHEREAS, this Agreement is made in compromise of disputed claims and is neither an admission or denial of liability by Defendants, nor a concession by the State and/or Relator that their claims are not well-founded; and

WHEREAS, Relator claims entitlement under the California False Claims Act to a share of the proceeds of this Agreement and to Relator's reasonable expenses, attorney's fees and costs;

NOW THEREFORE, in consideration of the mutual promises and obligations of the Agreement, the Parties agree fully and finally to settle the Action and the Covered Conduct pursuant to the terms and conditions below:

## **BACKGROUND**

1. Workrite, a Delaware limited liability company, is owned and operated by KV, a Michigan corporation. Workrite provides ergonomic office furniture to the United States under General Services Administration (GSA) contracts and other federal contracts and to California under California Multiple Award Schedules (CMAS) contracts.

2. California contends that it has certain civil claims against Defendants arising from the following conduct between October 1, 2009 and November 6, 2017, which is referred to herein as the Covered Conduct: With respect to CMAS 4-08-01-0067B, CMAS 4-12-71-0129A, and CMAS 4-17-71-0129B (Contracts), Defendants (a) made false disclosures and statements to GSA as to the discounts or prices Workrite was providing to its other customers and as to Workrite's compliance with the Contracts' price reduction clause; (b) caused California to enter into the Contracts based on those

false disclosures and statements; (c) violated the Contracts' price reduction clause by failing to extend the required discounts or prices to California government customers purchasing under the Contracts; and (d) for these reasons, overcharged California and the Political Subdivisions in claims presented under the Contracts.

3. As a result, California contends that claims submitted for payment pursuant to the Contracts were false claims within the meaning of the California False Claims Act.

4. The conduct set forth in Paragraphs 1 through 3 is referred to herein as the "Covered Conduct."

## **TERMS AND CONDITIONS**

### **Payment of the Settlement Amount**

5. Subject to the terms of this Agreement, Defendants will pay the total sum of Four Hundred Eighty-Seven Thousand Six Hundred Thirty-Four U.S. Dollars and 24 Cents (\$487,634.24) (the "Settlement Amount") in the manner described herein. The Settlement Amount resolves claims for damages, restitution, penalties, attorneys' fees and costs made by California, and includes the share to which the Relator is entitled under the California False Claims Act, but expressly does not include any claims of Relator or Relator's counsel under the California False Claims Act for reasonable expenses, including attorneys' fees and costs.

6. Defendants agree that they will not claim, assert, or apply for a tax deduction or tax credit on any State, Commonwealth or District tax return, for any portion of the Settlement Amount.

7. California and Defendants agree that, for purposes of I.R.C. § 162(f), one-third of the total portion of the Settlement Amount paid constitutes restitution within the meaning of I.R.C. § 162(f)(2).

8. California acknowledges that the apportionment of the Settlement Amount among the State of California and the Political Subdivisions reflected herein is correct, and the Parties agree that no dispute between or among California and the Political Subdivisions regarding such apportionment shall be grounds for termination of this Agreement, or shall entitle California or any Political Subdivision to avoid or otherwise fail to perform under this Agreement. The Parties agree that no dispute between California and Relator regarding the apportionment or payment of Relator's Share shall be grounds for termination of this Agreement, or shall entitle California or Relator to avoid or otherwise fail to perform under this Agreement as it relates to Defendants.

#### **Defendants' Payment to California**

9. Defendants shall pay to California the sums specified in Paragraph 10 (collectively, the Settlement Amount) by electronic funds transfer pursuant to written instructions to be provided by the Attorney General's Office, under the terms and conditions specified herein.

10. Defendants shall pay to California the total sum of Four Hundred Eighty-Seven Thousand Six Hundred Thirty-Four U.S. Dollars and 24 Cents (\$487,634.24), plus interest at 2.0% per annum, calculated annually, pursuant to the payment schedule attached as Exhibit A (each a Payment Over Time and collectively the Payments Over Time). The Payments Over Time may be prepaid, in whole or in part, without penalty or premium.

11. The California Attorney General's Office will apportion each of the Payments Over Time, minus the amount payable to the Attorney General pursuant to section 12652(g)(2) of the California False Claims Act and the Relator's Share, between the State and the Political Subdivisions as set out in Exhibit B.

12. Within forty-five (45) calendar days following California's receipt of each Payment Over Time ("Receipt Date"), California agrees to provide checks apportioning the Payment Over Time, minus the amount payable to the Attorney General pursuant to section 12652(g)(2) of the California False Claims Act and the Relator's Share, among the State and each Political Subdivision to which the Payment Over Time is payable ("Political Subdivision Checks"), via delivery (i) in person, (ii) by a nationally recognized next-day courier service, or (iii) by first class, registered or certified mail, postage prepaid. The first check to each Political Subdivision shall include with it a copy of this Agreement and a notice (the "Notification") that includes the following language, to be set in boldface type:

**By accepting and depositing the enclosed check by [DATE 135 DAYS FROM RECEIPT DATE (the "Political Subdivision Check Negotiation Deadline")], you are consenting to and agreeing to be bound by the provisions of the enclosed Settlement Agreement, including the Release of Defendants.**

13. The Parties agree that the Political Subdivisions must intend to be bound by the Agreement in order to be entitled to negotiate the Political Subdivision Checks. The Parties agree that any Political Subdivision that has not negotiated the Political Subdivision Check issued in its name by the Political Subdivision Check Negotiation Deadline is not bound by the Agreement, and is no longer entitled to any payment under this Agreement. The portion of any future Payment Over Time that would have been

paid to that Political Subdivision will be credited to Defendants and reduce the payments reflected in Exhibit A. California will provide notice to Defendants of such reduction within five (5) days of the Political Subdivision Check Negotiation Deadline.

Subsequent payments by Defendants as set forth in Exhibit A will be reduced accordingly, including to account for the amount already paid by Defendant on behalf of Political Subdivisions who opt not to be bound by the Agreement.

14. Defendants agree to provide fifteen (15) business days advance, written notice to California of any sale, transfer, merger, or liquidation of any Qualifying Asset (defined below) that individually or collectively has a fair market value of at least Two Hundred Fifty Thousand Dollars (\$250,000.00) that occurs at any time on or before March 31, 2025 (Sale Event). As referred to herein, a Qualifying Asset is any Defendant, any asset or assets of any Defendant, or any other property, entity, or venture in which any Defendant has an ownership interest, excluding (i) inventory sold in the ordinary course of business, (ii) the factoring or commercial sale of accounts receivable owed to the Defendants in the ordinary course of business, (iii) an asset a Defendant sold, transferred, or liquidated to a wholly-owned subsidiary of the Defendant in the ordinary course of business, and (iv) damaged or obsolete equipment or machinery sold in the ordinary course of business.

15. Upon the occurrence of any Sale Event before April 1, 2021 of any Qualifying Asset that individually or collectively has a fair market value of Ten Million Dollars (\$10,000,000.00) or more, Defendants' Payments Over Time shall be due as provided in the payment schedule attached as Exhibit C until the Settlement Amount is paid in full.

16. Upon the occurrence of any Sale Event on or after April 1, 2021 of any Qualifying Asset that individually or collectively has a fair market value of Ten Million Dollars (\$10,000,000.00) or more, all payments owed by Defendants shall be accelerated to be immediately due and payable within seven (7) days of the closing on the Sale Event.

17. Upon the occurrence of any Sale Event of any Qualifying Asset that individually or collectively has a fair market value of less than Ten Million Dollars (\$10,000,000.00), Defendants shall pay to California as a prepaid Payment Over Time seventy-five percent (75%) of the net amount Defendants received from the Sale Event. All subsequent Payments Over Time shall continue to be due as provided in the applicable payment schedule until the Settlement Amount is paid in full.

#### **Payments to Relator**

18. Within fifteen (15) calendar days following each Receipt Date, California agrees to pay to Relator by check an amount equal to 17.9% of each Payment Over Time, or any other payment recovered from the Defendants or any related entities pursuant to the terms or obligations of this Agreement (“Relator’s Share”).

#### **California’s Release of Defendants**

19. In consideration of and subject to the obligations and representations of Defendants in this Agreement, and conditioned upon the completed payment by Defendants of the Settlement Amount according to the terms herein and subject to Paragraph 20 (concerning reserved claims) Paragraph 21 (concerning disclosure of assets), Paragraph 31 (concerning default), and Paragraph 30 herein (concerning bankruptcy proceedings commenced within ninety-one (91) days of the Effective Date of

this Agreement or any payment to the State under this Agreement, whichever is later), California, together with its agencies, officers, employees, servants, attorneys, and agents, fully and finally release Defendants, together with their current and former parent corporations, direct and indirect subsidiaries, brother or sister corporations, divisions, current or former owners, officers, directors, agents, employees, and affiliates, and the successors and assigns of any of them, from any civil or administrative claims (if applicable) California has asserted, could have asserted, or may assert in the future, whether under the California False Claims Act or any other statutory or common law, arising from the Covered Conduct or the allegations in the Relator's Complaint, provided, however, that (a) California does not release any claims on behalf of the Political Subdivisions; and (b) the State of California's release herein extends only to claims the California Attorney General has the authority to release for the Covered Conduct or the allegations in the Relator's Complaint.

#### **Exceptions to California's Release of Defendants**

20. Notwithstanding any term of this Agreement, California specifically does not release any person or entity from any of the following liabilities:

- a. Any civil, criminal, or administrative liability arising under state or municipal tax laws;
- b. Any criminal liability;
- c. Any liability to California (or its agencies) for any conduct other than that arising from the Covered Conduct or the allegations in Relator's Complaint;



- d. Any liability based upon such obligations as are created by this Agreement;
- e. Any liability not covered by this Agreement for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;
- f. Any liability for personal injury or property damage arising from the Covered Conduct;
- g. Any liability not covered by this Agreement for failure to deliver goods or services due;
- h. Any claims against and liability of individuals, except as provided for herein; and
- i. Except as explicitly stated herein, any administrative liability, including suspension and debarment rights of any state agency.

21. a. Defendants have provided sworn financial disclosure statements (Financial Statements) to the United States and authorized the United States to provide the Financial Statements to California. California has relied on the accuracy and completeness of those Financial Statements in reaching this Agreement. Defendants warrant that the Financial Statements are complete, accurate, and current. If California learns of asset(s) in which Defendants had an interest of any kind at the time of this Agreement (including, but not limited to, promises by insurers or other third parties to satisfy Defendants' obligations under this Agreement) that were not disclosed in the Financial Statements, or if California learns of any false statement or misrepresentation by Defendants on, or in connection with, the Financial Statements, and if such

nondisclosure, false statement, or misrepresentation changes the estimated net worth set forth in the Financial Statements by Five Hundred Thousand Dollars (\$500,000.00) or more, California may at its option: (a) rescind this Agreement and file suit (or reinstate the Action) based on the Covered Conduct; or (b) collect the full Settlement Amount in accordance with the Agreement.

b. From the Effective Date until the Settlement Amount is paid in full to California as provided in Paragraph 10 above, each Defendant agrees not to directly or indirectly, individually or collectively, (i) pay any dividend(s) to any shareholder of KV or K&V GR Holdings, Inc., or (ii) pay any management fees to Wind Point Advisors LLC, Wind Point Investors VI, L.P., and/or any management company of any fund with any ownership interest in one or more of the Defendants. If any Defendant makes a payment in violation of this subparagraph (b), California may at its option: (i) rescind this Agreement and file suit (or reinstate the Action) based on the Covered Conduct; or (ii) immediately collect the entire outstanding Settlement Amount.

c. Defendants agree not to contest any collection action undertaken by California pursuant to Paragraph 21(a) and/or 21(b), and agree to immediately pay California the greater of (i) a ten-percent (10%) surcharge of the amount collected in the collection action, or (ii) California's reasonable attorneys' fees and expenses incurred in such an action. In the event that California, pursuant to Paragraph 21(a) and/or 21(b), rescinds this Agreement, Defendants waive and agree not to plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories, to any civil or administrative claims relating to the Covered Conduct that are

filed by California within one hundred twenty (120) calendar days of California's written notification to Defendants that this Agreement has been rescinded.

### **Relator's Releases**

22. In consideration of and subject to the obligations and representations of Defendants in this Agreement, and conditioned upon Relator's receipt from California of complete payment of the Relator's Share of the full Settlement Amount according to the terms herein, Relator, for himself individually, and for his heirs, personal representatives, legal representatives, successors, attorneys, agents and assigns, fully and finally releases Defendants, together with their current and former parent corporations, direct and indirect subsidiaries, brother or sister corporations, divisions, current or former owners, officers, directors, agents, employees, and affiliates, and the successors and assigns of any of them, from any civil claims Relator has asserted, could have asserted, or may assert in the future, on behalf of himself or California or any of the Political Subdivisions, under the California False Claims Act or any other statutory or common law, arising from the Covered Conduct or the allegations in the Relator's Complaint; provided, however, that nothing in this Agreement shall be deemed to release Relator's claims on behalf of himself and the United States under the federal False Claims Act, which have been resolved via a separate agreement previously executed, nor be deemed to preclude Relator from seeking to recover for any claims based on an alleged breach of this Agreement, or to release any claims under the California False Claims Act for his reasonable expenses, including attorney's fees and costs, from Defendants.

As a further condition for Relator's agreement herein, including dismissal of the Action, Defendants agree that Relator and his attorneys are entitled to reasonable

expenses, attorney's fees and costs pursuant to the California False Claims Act for intervened and non-intervened claims.

23. In consideration of and conditioned upon the mutual releases and upon Relator's receipt from California of complete payment of the Relator's Share of the full Settlement Amount, the Relator, for himself individually, and for his heirs, personal representatives, legal representatives, successors, attorneys, agents and assigns, fully and finally releases California, its agencies, officers, employees, servants, attorneys, agents and any Political Subdivision which pursuant to this Agreement negotiates the Political Subdivision Check issued in its name from any claims (including claims for attorney's fees, costs, and expenses of every kind and however denominated) that Relator has asserted, could have asserted, or may assert in the future against California, arising from Relator's and California's investigations and prosecutions of the Covered Conduct, the allegations in Relator's Complaint, or from any other claim for a share of the Settlement Amount. Relator accepts the payment described in Paragraph 18 in full settlement of any claims Relator may have against California under this Agreement or as a result of the Action.

24. Section 1542 of the California Civil Code provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Relator hereby expressly waives all rights Relator may have by virtue of Section 1542 of the California Civil Code. Relator's releases herein shall be effective whether or not they release claims that are currently known, unknown, foreseen or unforeseen.

### **Relator's Agreement Concerning the Settlement Agreement**

25. Relator, for himself individually, and for his heirs, personal representatives, legal representatives, successors, attorneys, agents and assigns, agrees not to object to this Agreement and agrees and confirms that this Agreement is fair, adequate, and reasonable pursuant to the California False Claims Act.

### **Defendants' Releases of California and Political Subdivisions**

26. Defendants, together with their current and former parent corporations, direct and indirect subsidiaries, brother or sister corporations, divisions, current or former owners, officers, directors, agents, employees, and affiliates, and the successors and assigns of any of them, fully and finally release California, its agencies, officers, employees, servants, attorneys, agents, and only those Political Subdivisions that pursuant to this Agreement negotiate the Political Subdivision Check issued in their names by the Political Subdivision Check Negotiation Deadline from any claims (including claims for attorney's fees, costs, and expenses of every kind and however denominated) that Defendants have asserted, could have asserted, or may assert in the future against California, its agencies, officers, employees, servants, attorneys, agents and assigns, arising from the Covered Conduct, the allegations in the Relator's Complaint, and from Relator's and California's investigation and prosecutions thereof. Nothing in this Agreement shall be deemed to preclude Defendants from pursuing any claims based on California's alleged breach of this Agreement.

### **Defendants' Release of Relator**

27. Defendants, together with their current and former parent corporations, direct and indirect subsidiaries, brother or sister corporations, divisions, current or former

owners, officers, directors, agents, employees, and affiliates, and the successors and assigns of any of them, fully and finally release Relator, his heirs, personal representatives, legal representatives, successors, attorneys, agents and assigns from any claims (including claims for attorney's 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 Relator himself individually, his heirs, personal representatives, legal representatives, successors, attorneys, agents and assigns, arising from the Covered Conduct, the allegations in the Relator's Complaint and from Relator's and California's investigation and prosecutions thereof.

28. Section 1542 of the California Civil Code provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Defendants hereby expressly waive all rights Defendants may have by virtue of Section 1542 of the California Civil Code. Defendants' releases herein shall be effective whether or not they release claims that are currently known, unknown, foreseen or unforeseen.

#### **Notice of Discontinuance**

29. After the Effective Date, California and the Relator shall promptly sign and file in the Action a Joint Stipulation of Dismissal of the Claims Against Defendants in the Action pursuant to Rule 41(a)(1). The Joint Stipulation of Dismissal shall be with prejudice as to California's and the Relator's claims in the Action against Defendants. Notwithstanding the foregoing, the Stipulation shall not dismiss any claims of Relator or

Relator's counsel to reasonable expenses, attorney's fees, or costs pursuant to 31 U.S.C. § 3730(d) or Cal. Gov't Code § 12652(g).

### **Bankruptcy and Non-Payment**

30. If within ninety-one (91) days of the Effective Date of this Agreement or of any payment made under this Agreement, Defendants or a third party commences any case, proceeding, or other action under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors (a) seeking to have any order for relief of its or their debts, or seeking to adjudicate Defendants as bankrupt or insolvent; or (b) seeking appointment of a receiver, trustee, custodian, or other similar official for Defendants or for all or any substantial part of its or their assets, Defendants agree as follows:

- a. Defendants' obligations under this Agreement may not be avoided pursuant to 11 U.S.C. § 547, and Defendants shall not argue or otherwise take the position in any such case, proceeding, or action that: (i) their obligations under this Agreement may be avoided under 11 U.S.C. § 547; (ii) they were insolvent at the time this Agreement was entered into, or became insolvent as a result of the payment of the Settlement Amount; or (iii) the mutual promises, covenants, and obligations set forth in this Agreement do not constitute a contemporaneous exchange for new value given to Defendants.
- b. If Defendants' obligations under this Agreement are avoided for any reason, including, but not limited to, through the exercise of a trustee's avoidance powers under the Bankruptcy Code, California, at its sole option, may rescind the releases in this Agreement insofar as it affects

California 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 above, and Defendants agree that (i) any such claims, actions, or proceedings brought by California are not subject to an “automatic stay” pursuant to 11 U.S.C. § 362(a) as a result of the action, case, or proceedings described in the first clause of this Paragraph, and Defendants shall not argue or otherwise contend that California’s claims, actions, or proceedings are subject to an automatic stay; (ii) Defendants shall not plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories, to any such civil or administrative claims, actions, or proceedings that are brought by California within 60 calendar days following written notification to Defendants that the releases have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on the Effective Date of the Agreement; and (iii) California may pursue its claims against Defendants in the amount of treble damages plus penalties under the California False Claims Act, in the case, action, or proceeding referenced in the first clause of this Paragraph, as well as in any other case, action, or proceeding.

- c. Defendants acknowledge that their agreements in this Paragraph are provided in exchange for valuable consideration provided in this Agreement.



31. In the event of the failure by Defendants to make any or all payments of the Settlement Amount pursuant to the terms herein, California will provide written notice of the non-payment to Defendants (“Non-Payment Notice”). Such Non-Payment Notice shall be given to the persons and at the addresses designated in Paragraph 42 via delivery (i) in person, (ii) by a nationally recognized next-day courier service, or (iii) by first class, registered or certified mail, postage prepaid. Non-Payment Notice so given shall be effective upon (i) receipt, or (ii) on the fifth (5th) day following mailing, whichever occurs first. Defendants shall have an opportunity to pay the unpaid balance that is the subject of such Non-Payment Notice within ten (10) business days from the effective date of the Non-Payment Notice. If Defendants fail to pay the overdue unpaid balance of its payment obligations under this Agreement within ten (10) business days from the effective date of the Non-Payment Notice (such failure referred to herein as “Default”), California, in its sole discretion, may declare or do any or all of the following, or may exercise, without limitation, any remedies available under law, including:

- a. Declare the entire Settlement Amount, less any payments already made, immediately due and payable, with unpaid amounts bearing the default rate of interest at the interest rate set forth in California Civil Code section 3289 beginning as of the date of Default until payment of the remaining Settlement Amount is made in full; and/or
- b. Pursue all available remedies to enforce this Agreement and remedy violations of this Agreement. In the event of a Default as described in this Paragraph, Defendants agree not to contest any action to enforce this

Agreement or any other collection action undertaken by California pursuant to this Paragraph or pursuant to law, provided that Defendants may assert any defense that their failure to make payments results from a breach of the Agreement by any other party to the Agreement, and if California prevails in such action, Defendants agree to pay California, without limitation, all reasonable costs of collection and enforcement of this Agreement, including attorney's fees, expenses and court costs including the costs of contesting any defense that Defendants' failure to make payments results from a breach of the Agreement by any other party to the Agreement; and/or

- c. Rescind this Agreement and reinstitute an action or actions against Defendants in this Court or otherwise. In the event California reinstitutes such an action, Defendants: (1) expressly agree not to plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories, except to the extent such defenses were available on the date the Action was filed, and (2) further waives and will not assert any defenses Defendants may have to any such civil or administrative action filed as a result of Default.

## **ADDITIONAL TERMS**

### **Representations**

- 32. California has agreed to the terms of this Agreement based on, among other things, the representations made to it by Defendants and their counsel.

33. To the extent any material representations are later found to be intentionally inaccurate or intentionally misleading, this Agreement is voidable by California in its sole discretion, and Defendants expressly agree not to plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories, except to the extent such defenses were available on the date the Action was filed, to any civil or administrative claims filed by California as a result of any such finding that a material representation(s) is intentionally inaccurate or intentionally misleading. No representation, inducement, promise, understanding, condition, or warranty not set forth in this Agreement has been made to or relied upon by Defendants in agreeing to this Agreement.

34. Each Party represents and warrants, through the signatures below, that the terms and conditions of this Agreement are duly and fully approved, and that execution of this Agreement by the undersigned counsel and any other signatories on behalf of the persons and entities appearing on their respective signature pages is duly and fully authorized.

### **General Terms**

35. This Agreement is not intended for use by any third party or in any other proceeding.

36. This Agreement and all its terms shall be construed as if mutually drafted with no presumption of any type against any party that may be found to have been the drafter.

37. Except for the provisions herein concerning Relator's right to recover his reasonable expenses and attorney's fees and costs, each Party shall bear its own legal and other costs incurred in connection with this matter.

38. This Agreement constitutes the complete agreement between and among the Parties concerning resolution of the California claims asserted in the Action, and may not be amended except by an instrument in writing signed on behalf of all the Parties to this Agreement. This Agreement does not affect any rights or obligations of Defendants, Relator and the United States with respect to resolution of the federal law claims in the Action.

39. This Agreement shall be binding on and inure to the benefit of the Parties to this Agreement and their respective successors and assigns, provided that Defendants may not assign, delegate, or otherwise transfer any of their rights or obligations under this Agreement without prior notice to California and Relator.

40. In the event that any one or more of the provisions contained in this Agreement, other than provisions concerning payment and release, shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement.

41. Any failure by any Party to insist upon the strict performance by any other Party of any of the provisions of this Agreement shall not be deemed a waiver of any of the provisions hereof, and the Party(ies) concerned, notwithstanding such failure, shall have the right thereafter to insist upon the strict performance of any and all of the provisions of this Agreement to be performed by the other Party(ies).

42. All communications from any Party concerning the subject matter of this Agreement shall be addressed as follows:

If to California: Maria Ellinikos, Esq.  
California Department of Justice  
455 Golden Gate Ave, Suite 11000  
San Francisco, CA 94102  
Tel.: (415) 510-3447  
Email: [Maria.Ellinikos@doj.ca.gov](mailto:Maria.Ellinikos@doj.ca.gov)

If to Relator: Paul D. Scott, Esq.  
Law Offices of Paul D. Scott, P.C.  
435 Pacific Avenue, Suite 200  
San Francisco, CA 94133  
Tel.: (415) 981-1212  
Email: [pdscott@lopds.com](mailto:pdscott@lopds.com)

If to Defendants: Attn: Legal Department  
Workrite Ergonomics, LLC  
2700 Oak Industrial Drive  
Grand Rapids, MI 49505  
Email: [Nathan.VanRyn@kv.com](mailto:Nathan.VanRyn@kv.com)

and

Attn: President  
Workrite Ergonomics, LLC  
2277 Pine View Way  
Petaluma, CA 94954

43. Except for written notices of Defendants' non-payment issued by California, the sending and receipt of which shall be governed by the provisions in Paragraph 31 respectively, and the requirements regarding means of communication specified in Paragraph 42, all communications from any Party to another Party concerning this Agreement shall be sent by United States mail with return receipt requested or overnight delivery service with signature required to the signatory counsel

for each Party, unless such communications are sent by email and a reply is written without objection to the electronic means of communication.

44. In any subsequent investigation, civil action, or proceeding by California or Relator to enforce this Agreement, or for violations of the Agreement, Defendants expressly agree and acknowledge that any statute of limitations or other time-related defenses are tolled from and after the Effective Date of this Agreement, and that California and Relator may use statements, documents or other materials produced or provided by Defendants prior to or after the Effective Date of this Agreement as permitted by applicable rules of civil procedure and evidence.

45. If a court of competent jurisdiction determines that Defendants have breached this Agreement, other than by failing to pay amounts owed under the Agreement, the remedy for which is described in Paragraphs 30 and 31, Defendants shall pay to California, and/or Relator, the cost, if any, of obtaining such determination and of enforcing this Agreement, including, without limitation, legal fees, expenses, and court costs.

46. Any headings, titles and subtitles contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties, and shall not in any way affect the meaning or interpretation of this Agreement.

47. This Agreement shall be governed by the laws of the State of California without regard to any conflict of laws principles. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among the Parties under this Agreement will be the United States District Court for the Northern District of California.

48. This Agreement is effective on the date of signature of the last signatory of the Agreement (the “Effective Date”). Facsimiles and .pdfs of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

49. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

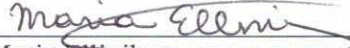
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IN WITNESS WHEREOF, the Agreement is executed by the Parties hereto.

**STATE OF CALIFORNIA**

XAVIER BECERRA,  
Attorney General of California


DATED: 1/7/21

BY:   
Maria Ellinikos  
Deputy Attorney General  
California Department of Justice  
455 Golden Gate Ave, Suite 11000  
San Francisco, CA 94102  
Tel.: (415) 510-3447  
Email: Maria.Ellinikos@doj.ca.gov




**DEFENDANTS**

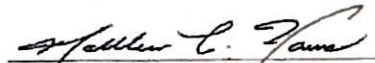
DATED: 1/8/21

BY:   
RICHARD MCQUIGG  
Treasurer  
Workrite Ergonomics, LLC

DATED: 1/13/21

BY:   
JOHN MONTIGNY  
Chief Executive Officer  
Knap & Vogt Manufacturing Co.

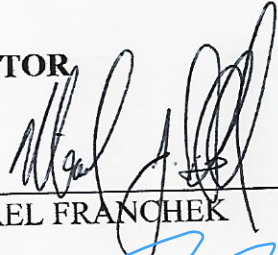
DATED: 1/7/2021

BY:   
MATTHEW L. HAWS  
Jenner & Block LLP  
Counsel for Workrite Ergonomics, LLC and  
Knap & Vogt Manufacturing Co.

**RELATOR**

DATED: 1/6/21

BY:

  
\_\_\_\_\_  
MICHAEL FRANCHEK

DATED: 1/6/21

BY:

  
\_\_\_\_\_  
PAUL D. SCOTT  
Law Offices of Paul D. Scott, P.C.  
Counsel for Michael Franchek

**EXHIBIT A**

**PAYMENT SCHEDULE**

<b>Date</b>	<b>Payment</b>	<b>2% Interest</b>	<b>Principal</b>	<b>Balance</b>
				<b>\$487,634.24</b>
<b>1/8/2020</b>	<b>\$7,500.00</b>		<b>\$7,500.00</b>	<b>\$480,134.24</b>
<b>6/30/2021</b>	<b>\$100,000.00</b>	<b>\$4,801.34</b>	<b>\$95,198.66</b>	<b>\$384,935.58</b>
<b>6/30/2022</b>	<b>\$100,000.00</b>	<b>\$7,698.71</b>	<b>\$92,301.29</b>	<b>\$292,634.29</b>
<b>6/30/2023</b>	<b>\$100,000.00</b>	<b>\$5,852.69</b>	<b>\$94,147.31</b>	<b>\$198,486.98</b>
<b>6/30/2024</b>	<b>\$100,000.00</b>	<b>\$3,969.74</b>	<b>\$96,030.26</b>	<b>\$102,456.72</b>
<b>6/30/2025</b>	<b>\$104,505.85</b>	<b>\$2,049.13</b>	<b>\$102,456.72</b>	<b>\$(0.00)</b>
<b>Total</b>	<b>\$512,005.85</b>	<b>\$24,371.61</b>	<b>\$487,634.24</b>	

**EXHIBIT B**

<b>California Government Entity</b>	<b>Percentage Allocation</b>	<b>California Government Entity</b>	<b>Percentage Allocation</b>	<b>California Government Entity</b>	<b>Percentage Allocation</b>
Alhambra Fire Department	0.05%	City Of Sonoma	0.002%	Los Angeles Department Of Water & Power	0.03%
Butte County Department Behavioral Health	0.01%	City Of Vacaville	0.06%	Legislative Counsel Bureau	6.86%
CA Department Of Veterans Affairs	0.12%	Coast Community College	0.46%	Loma Linda University	0.01%
California Highway Patrol	0.08%	College Of The Desert	0.07%	Los Angeles County Superior Court	1.93%
California Regional Water Quality Control Board	0.35%	Contra Costa County Superior Court	0.38%	Mt. San Antonio College (Mt. Sac)	0.09%
California State University - Long Beach	0.70%	County Of Alameda	2.49%	New Image Office Designs Inc.	0.04%
California State University - Los Angeles	0.79%	County Of Contra Costa	49.00%	Palm Springs Police Department	0.29%
California Department Of Forestry & Fire	0.31%	County Of El Dorado	0.03%	Peralta Community College	1.37%
California Department Of Veterans Affairs	0.01%	County Of Orange	0.58%	Placer County	0.004%
California Health Benefit Exchange – Headquarters	0.03%	County Of Riverside	0.01%	Redding Rancheria	0.003%
California Modular Installation	0.39%	County Of San Mateo	1.22%	Department Of General Services - Real Estate Services Division-Real Estate Leasing	0.39%
Department of Resources Recycling and Recovery (CalRecycle)	0.07%	County Of Santa Clara	0.04%	Sacramento Regional Transit District	0.16%
Chinatown Service Center	0.01%	County Of Shasta	0.81%	San Diego Community College District	0.22%
City Of Anaheim	0.03%	County Of Solano	0.03%	Santa Clarita Community College	0.01%

City Of Brentwood	0.32%	County Of Tehama	0.12%	Santa Rosa Junior College	0.88%
City Of Calistoga Police Department	0.01%	Department Of Community Service	1.11%	Sierra Joint Community College	2.22%
City Of El Segundo	0.05%	Department Of General Services	0.03%	Sacramento Municipal Utility District	0.30%
City Of Glendale	3.70%	Department Of Industrial Relations	0.16%	Solano County Superior	0.19%
City Of Modesto	0.02%	Department Of Rehabilitation	0.02%	State Of California - Office Of Real Estate Appraisers	0.01%
City Of Oakland	0.17%	Department Of Social Services	1.85%	Stockton Unified School District	0.04%
City Of Oxnard-251	0.02%	Department Of Veterans Affairs	0.06%	Supreme Court Of California	5.34%
City Of Palm Desert	0.01%	Downey Unified School District	0.05%	Twin Cities District	0.03%
City Of Petaluma	0.03%	East Bay Municipal Utility District	0.13%	University Of California Los Angeles	0.02%
City Of Pomona	0.003%	Franchise Tax Board	0.22%	Water Resources Control Board	0.32%
City Of San Rafael	0.01%	Humboldt County Superior Court	2.34%	Yuba Community College District	9.80%
City Of Santa Monica	0.76%	Jet Propulsion Laboratory	0.02%	Yuba County Superior Court	0.08%

**Grand Total 100.00%**

**EXHIBIT C**

**PAYMENT SCHEDULE WITH SALE**

<b>Date</b>	<b>Payment</b>	<b>2% Interest</b>	<b>Principal</b>	<b>Balance</b>
				<b>\$487,634.24</b>
<b>1/8/2020</b>	<b>\$7,500.00</b>		<b>\$7,500.00</b>	<b>\$480,134.24</b>
<b>3/31/2021</b>	<b>\$250,000.00</b>	<b>\$2,400.67</b>	<b>\$247,599.33</b>	<b>\$232,534.91</b>
<b>3/31/2022</b>	<b>\$237,185.61</b>	<b>\$4,650.70</b>	<b>\$232,534.91</b>	<b>\$(0.00)</b>
<b>Total</b>	<b>\$494,685.61</b>	<b>\$7,051.37</b>	<b>\$487,634.24</b>	