

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 (collectively the “United States”); Emmanuel David, Unified Care Services, LLC; Casa Montana, LLC; Geri-Care, Inc.; Geri Care V, LLC; Pacific Palms Healthcare, LLC; Foothill Care Center, Inc.; Mount Megiddo, LLC; Canyon Properties III, LLC; Cloverleaf Enterprises, Inc.; Foothill Care Center, LLC; Foothill Care Center II, LLC; David Kleis III, LLC; David Kleis II, LLC; Miramonte Enterprises, LLC; and Washington Enterprises III, LLC (collectively the “Defendants”); and Ashwani Chawla (the “Relator”) (hereafter collectively referred to as “the Parties”), through their authorized representatives.

RECITALS

A. Defendants own and operate several healthcare facilities that provide long term care and assisted living services to patients across California and Arizona.

B. The Paycheck Protection Program (“PPP”) was established pursuant to the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The CARES Act, which was enacted in March 2020, was designed to provide emergency financial assistance to millions of Americans suffering economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of forgivable loans to small businesses for employee payroll and certain other expenses, through the PPP. To obtain a PPP loan, a qualifying business was required submit a PPP loan application, which is signed by an authorized representative of the business. The loan application requires the business, through its authorized representative, to

acknowledge the program rules and make certain affirmative certifications regarding its eligibility to obtain the PPP loan. A PPP loan application must be processed by a participating lender, which receives a processing fee from Small Business Administration (“SBA”). If a loan application is approved, the participating lender funds the loan, which is 100% guaranteed by the SBA.

C. On or about July 22, 2021, Relator filed a *qui tam* action in the United States District Court for the Central District of California captioned *United States ex rel. Ashwani Chawla v. Unified Care Services, et al.*, CV 21-5935-GW, pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730(b) (the “Civil Action”). Relator alleges that Defendants improperly obtained PPP loans because, among other reasons, they were not qualifying small businesses.

D. Defendants applied for and received the following PPP loans:

Defendant	Loan Number	Loan Amount	Lender Processing Fee
David Kleis II, LLC	1742838203	\$688,190.00	\$20,645.70
Cloverleaf Enterprises, Inc.,	1014858200	\$1,411,991.00	\$42,359.73
David Kleis III, LLC	8863508109	\$656,477.00	\$19,694.31
Mount Megiddo, LLC	8863108107	\$693,634.00	20,809.02
Foothill Care Center, Inc.	8846178104	\$1,097,172.00	\$32,915.16
Geri-Care, Inc.	1786847408	\$1,099,458.00	\$32,983.74
Foothill Care Center, LLC	1731727410	\$1,172,418.00	\$35,172.54
Washington Enterprises III, LLC	1573467408	\$598,325.00	\$17,949.75
Foothill Care Center II, LLC	1564657404	\$214,470.00	\$10,723.50
Unified Care Services, LLC	1499127401	\$456,262.00	\$13,687.86
Geri Care V, LLC	1094137406	\$2,435,342.00	\$24,353.42
Pacific Palms Healthcare, LLC	4347407701	\$1,076,659.00	\$32,299.77
Casa Montana, LLC	9469317307	\$48,491.00	\$2,424.55

These thirteen (13) loans total \$11,648,889, accrued \$131,062 in interest, and were associated with \$401,917 in loan processing fees. SBA subsequently forgave the full

amount of each of the PPP Loans, including principal and accrued interest. Collectively, these loans are referred to as the “Forgiven PPP Loans.”

E. Defendants also received the following PPP loans:

Defendant	Loan Number	Loan Amount	Lender Processing Fee
Miramonte Enterprises, LLC	7173978805	\$946,715.00	\$28,401.45
Canyon Properties III, LLC	8614368604	\$1,108,720.00	\$33,261.60
Pacific Palms Healthcare, LLC	8282798607	\$1,141,177.00	\$34,235.31

These three (3) loans total \$3,196,612, have not been forgiven by the SBA, and are being repaid by Defendants according to their terms. Collectively, these loans are referred to as the “Unforgiven PPP Loans.”

F. The United States contends that it has certain civil claims against Defendants arising from their knowing submission of false loan and loan forgiveness applications for the Forgiven PPP Loans and Unforgiven PPP Loans. Specifically, the United States contends that Defendants were too large to qualify for any PPP loan because, when considered collectively as required by the relevant rules and regulations given their affiliations based on common ownership and other factors, Defendants had more than the allowed amount of revenue and employees. The United States further contends that Defendants failed to disclose their true size in their loan and loan forgiveness applications. This conduct is referred to below as the “Covered Conduct.”

G. 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.

H. This Agreement is neither an admission of liability by Defendants nor a concession by the United States and the Relator that their claims are not well founded.

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 \$18,000,000, of which \$12,181,868 is restitution, plus 4 percent simple interest, compounded monthly, from August 1, 2024, through the Effective Date of this Agreement (the “Settlement Amount”). The Settlement Amount shall be paid by electronic funds transfer, pursuant to written instructions to be provided by the Civil Division of the Department of Justice no later than thirty (30) days after the Effective Date of this Agreement.

2. Defendants agree to not seek loan forgiveness for the Unforgiven PPP Loans, and shall extinguish the SBA guarantee on those loans by repaying them according to their terms.

3. Conditioned upon the United States receiving the Settlement Amount, the United States agrees that it shall pay to Relator by electronic funds transfer 11.5 percent of the Settlement Amount (“Relator’s Share”) as soon as feasible after receipt of the payment.

4. Defendants agree to pay a total of \$90,000.00 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 thirty (30) 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.

5. Subject to the exceptions in Paragraph 8 (concerning reserved claims) below, and upon the United States' receipt of the Settlement Amount, 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.

6. Subject to the exceptions in Paragraph 8 (concerning reserved claims) below, and upon the United States' receipt of the Settlement Amount, Relator, for himself and for his heirs, successors, attorneys, agents, and assigns, releases Defendants, together with their current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former owners; and the successors and assigns of any of them; and all of their current and former shareholders, members, directors, officers, employees and other agents, and the predecessors, successors and assigns of each of them, from any civil monetary claim the Relator has on behalf of the United States for the Covered Conduct or any claim asserted in the Civil Action.

7. Subject to the exceptions in Paragraph 8 (concerning reserved claims) below, and upon Relator's receipt of the payment described in Paragraph 4, Relator, for himself, and for his heirs, successors, attorneys, agents, and assigns, releases Defendants, and all of their current and former shareholders, members, directors, officers, employees and other agents, and the predecessors, successors and assigns of each of them, from any liability to Relator arising from the filing of or the conduct alleged in the Civil Action, or under 31 U.S.C. § 3730(d) for expenses or attorneys' fees and costs, and from any other conduct on or before the Effective Date of this Agreement, including any and all causes

of action, in law or in equity, suits, debts, liens, liabilities, obligations, claims, demands, qui tam relator shares, rights of subrogation, contribution and indemnity, damages, losses, costs or expenses, direct or indirect, of any kind or nature whatsoever, whether known prior to or after the Effective Date of this Agreement, fixed or contingent, based on state, or federal, common law, statute or regulation, liquidated or unliquidated, claimed or concealed, including but not limited to claims under the False Claims Act, 31 U.S.C. §§ 3729-3733.

8. Notwithstanding the releases given in Paragraph 5 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;
and
- f. Any liability of individuals other than Emanuel David.

9. Relator and his 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 his 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.

10. 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.

11. 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.

12. 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 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.

13. In the event that Defendants fail to repay the Unforgiven PPP Loans according to their terms, Defendants agree to pay to the United States three times the total amount paid by SBA as a result of that failure, plus interest of 4% per annum, compounded daily from the date SBA makes payment in connection with the Unforgiven PPP Loans.

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

15. Upon receipt of the payment described in Paragraphs 1 and 4, 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). The dismissal shall be (a) with prejudice to Relator as to all claims against the Defendants in the Civil Action, (b) with prejudice to the United States only as to the Covered Conduct, and (c) without prejudice to the United States as to all other claims or allegations in the Civil Action.

16. Subject to Paragraph 4, each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

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

18. 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.

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

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

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

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

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

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

25. 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.

[SIGNATURE PAGES FOLLOW]

THE UNITED STATES OF AMERICA

DATED: 1/14/2025

BY: Benjamin C. Wei
Benjamin Wei
Senior Trial Counsel
Commercial Litigation Branch
Civil Division
United States Department of Justice

DATED: _____

BY: _____
Jack D. Ross
Assistant United States Attorney
Deputy Chief, Civil Fraud Section
Central District of California

THE UNITED STATES OF AMERICA

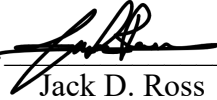
DATED: _____

BY: _____

Benjamin Wei
Senior Trial Counsel
Commercial Litigation Branch
Civil Division
United States Department of Justice

DATED: January 14, 2025

BY: _____



Jack D. Ross
Assistant United States Attorney
Deputy Chief, Civil Fraud Section
Central District of California

DEFENDANTS

DATED: January 13, 2025

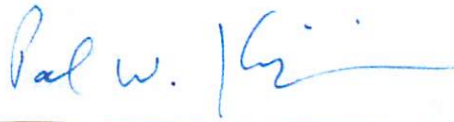
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Emmanuel David, on behalf of himself and Unified Care Services, LLC; Casa Montana, LLC; Geri-Care, Inc.; Geri Care V, LLC; Pacific Palms Healthcare, LLC; Foothill Care Center, Inc.; Mount Megiddo, LLC; Canyon Properties III, LLC; Cloverleaf Enterprises, Inc.; Foothill Care Center, LLC; Foothill Care Center II, LLC; David Kleis III, LLC; David Kleis II, LLC; Miramonte Enterprises, LLC; and Washington Enterprises III, LLC

DATED: January 13, 2025

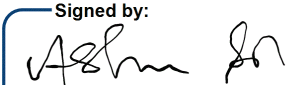
BY:




LEWIS BRISBOIS BISGAARD & SMITH, LLC
Jane C. Luxton
Gary K. Brucker
Paul W. Kisslinger
Counsel for Defendants

RELATOR

DATED: 1/13/2025

Signed by:

BY: F62E737AC2B24E5...
Ashwani Chawla

DATED: January 13, 2025

BY: 
Kelly W. Weil
COTCHETT PITRE & McCARTHY LLP
Counsel for Relator