

## **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”), Cosmax USA, Corporation d/b/a Nu-World and Nu-World Corporation (“Cosmax USA”), Nu-World Corporation (“Nu-World”), and Alexander Novik (“Relator”) (hereafter collectively referred to as the “Parties”), through their authorized representatives.

### **RECITALS**

A. Cosmax USA and Nu-World are cosmetic manufacturer and supply companies. Effective January 1, 2023, Nu-World was merged into Cosmax USA.

B. On December 2, 2022, Relator Alexander Novik filed a qui tam action in the United States District Court for the Northern District of Ohio captioned *United States ex rel. Novik v. Cosmax USA et al.*, docket no. 1:22-cv-2171, pursuant to the qui tam provisions of the False Claims Act, 31 U.S.C. § 3730(b) (the “Civil Action”).

C. The United States contends that it has certain civil claims against Cosmax USA and Nu-World arising from the following alleged conduct:

a. On or about April 17, 2020, Nu-World submitted an application for a federally guaranteed loan under the Payment Protection Program (“PPP”), pursuant to 15 U.S.C. § 636(a)(36). That loan application impermissibly included a requested loan amount that was calculated based, in part, on amounts Nu-World paid to staffing companies for the services of individuals employed by the staffing companies and not employed by Nu-World.

b. On or about July 29, 2021, Nu-World included an application for forgiveness of the entire amount of the PPP loan, even though it had previously been warned by another financial institution that the loan and forgiveness could not include contractors who were not themselves

employees of Nu-World. As a result, Nu-World knowingly submitted, or caused the submission of, a false claim to SBA for payment in connection with its request for loan forgiveness. Based on the false loan forgiveness application, SBA approved the loan forgiveness in full.

c. Cosmax USA submitted an application for a federally guaranteed PPP loan on or about April 5, 2020. Subsequently, on or about March 22, 2021, Cosmax USA submitted an application for a federally guaranteed “second-draw” PPP loan. A second-draw PPP loan was only available to companies with 300 or fewer employees, including the employees of the applicant’s affiliates. 15 U.S.C. § 636(a)(37)(A)(iv)(I)(aa). Cosmax USA was not eligible for the second-draw loan. Cosmax USA and Nu-World were affiliated by common ownership, and collectively the number of their employees exceeded 300. Cosmax USA knew it exceeded the size threshold but nonetheless certified that it met the requirements for the loan.

d. On or about December 24, 2021, Cosmax USA submitted an application for forgiveness of its second-draw loan. Cosmax USA falsely stated on its forgiveness application that it had 244 employees, when, in fact, the number of its employees, combined with the number of Nu-World employees, exceeded the 300-employee limit. As a result of the false statement, SBA approved the forgiveness application. That conduct is referred to below as the “Covered Conduct.”

D. This Settlement Agreement is neither an admission of liability by Cosmax USA and Nu-World nor a concession by the United States that its claims are not well founded.

E. 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. Cosmax USA shall pay to the United States six million dollars (\$6 million), plus interest on the Settlement at a rate of 4% per annum from December 2, 2024 (the “Settlement Amount”), of which \$3 million is restitution, 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 14 days after the Effective Date of this Agreement.

2. Conditioned upon the United States receiving the Settlement Amount and as soon as feasible after receipt, the United States shall pay \$1,110,000.00, plus a proportionate share of any interest paid, to Relator by electronic funds transfer (“Relator’s Share”).

3. Cosmax USA shall pay to Relator’s counsel six hundred and fifty thousand dollars (\$650,000) for expenses, attorneys’ fees, and costs by electronic funds transfer pursuant to written instructions to be provided by Relator’s counsel, no later than 14 days after the Effective Date of this Agreement.

4. Subject to the exceptions in Paragraph 6 (concerning reserved claims) below, and upon the United States’ receipt of the Settlement Amount, the United States releases Cosmax USA and Nu-World, together with their current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them, 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 common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

5. Subject to the exceptions in Paragraph 6 below, and upon the United States' receipt of the Settlement Amount, Relator, for himself and for his heirs, successors, attorneys, agents, and assigns, releases Cosmax USA and Nu-World, their affiliate companies, together with their current and former, direct and indirect parent companies; owners; shareholders; predecessors; direct and indirect subsidiaries; brother or sister companies; divisions; current or former corporate owners; current or former directors, officers, employees, and agents; and the corporate successors and assigns of any of them from any action the Relator has asserted, could have asserted, or could assert in the future in law or equity of any kind whatsoever; and 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.

6. Notwithstanding the releases given in Paragraph 4 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;

- g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;
- h. Any liability for failure to deliver goods or services due; and
- i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct.

7. 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.

8. Relator, for himself, and for his heirs, successors, attorneys, agents, and assigns, releases Cosmax USA and Nu-World, their affiliate companies, together with their current and former, direct and indirect parent companies; owners; shareholders; predecessors; direct and indirect subsidiaries; brother or sister companies; divisions; current or former corporate owners; current or former directors, officers, employees, and agents; and the corporate successors and assigns of any of them, 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.

9. Cosmax USA and Nu-World waive and shall not assert any defenses they 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.

10. Cosmax USA and Nu-World 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 Cosmax USA and Nu-World 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.

11. Cosmax USA and Nu-World fully and finally release the Relator from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that Cosmax USA and Nu-World have asserted, could have asserted, or may assert in the future against the Relator, related to the Civil Action and the Relator's investigation and 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 Cosmax USA or Nu-World, and its 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) Cosmax USA and Nu-World's 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 Cosmax USA and Nu-World make to the United States pursuant to this Agreement and any payments that Cosmax USA or Nu-World 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 Cosmax USA and Nu-World, and Cosmax USA and Nu-World 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, Cosmax USA and Nu-World shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by Cosmax USA and Nu-World or any of their subsidiaries or affiliates from the United States. Cosmax USA and Nu-World agree that the United States, at a minimum, shall be entitled to recoup from Cosmax USA and Nu-World 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 Cosmax USA and Nu-World's books and records and to disagree with any calculations submitted by Cosmax USA and Nu-World or any of their subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Cosmax USA and Nu-World, or the effect of any such Unallowable Costs on the amount of such payments.

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

14. 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). The Stipulation shall state that the action is being dismissed: (a) with prejudice to the United States and Relator as to Cosmax USA and Nu-World with respect to the Covered Conduct; and (b) with prejudice to the Relator and without prejudice to the United States as to all other parties and conduct; and (c) that the dismissal is subject to the terms of the Settlement Agreement.

15. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

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

17. 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 Northern District of Ohio. 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.



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

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

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

21. This Agreement is binding on Cosmax USA and Nu-World's successors, transferees, heirs, and assigns.

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

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

24. 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:

05/05/2025

BY:



Graham D. Welch  
Trial Attorney  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice

DATED:

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BY:

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Jackson Froliklong  
Assistant United States Attorney  
U.S. Attorney's Office, Northern District of  
Ohio

**THE UNITED STATES OF AMERICA**

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Commercial Litigation Branch  
Civil Division  
United States Department of Justice

DATED:

5/5/2025

BY:

Jackson Froliklong  
Jackson Froliklong  
Assistant United States Attorney  
U.S. Attorney's Office, Northern District of  
Ohio

COSMAX USA AND NU-WORLD - DEFENDANTS

DATED:

05/02/2025


BY:

  
\_\_\_\_\_  
Martin Jung  
Chief Executive Officer of Cosmax  
USA

DATED:

5-2-2025

BY:

  
\_\_\_\_\_  
Anne Cortina Perry  
Charles D. Riely  
Jenner & Block LLP  
Counsel for Cosmax USA and Nu-World

**ALEXANDER NOVIK – RELATOR**

DATED:

5/1/2025

BY:



Alexander Novik

DATED: 5/1/2025

BY:



Colin Callahan  
Chris Georgalis  
Gavin Bell  
Flannery | Georgalis LLC  
Counsel for Alexander Novik