

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 U.S. Small Business Administration (collectively the “United States”), American Furniture Rentals, Inc., and Verity Investigations, LLC (hereafter collectively referred to as “the Parties”), through their authorized representatives.

RECITALS

A. American Furniture Rentals, Inc. (“AFR”) is a Pennsylvania corporation with a principal place of business in Pennsauken, New Jersey. AFR is engaged in the business of renting furniture for residential and commercial spaces, as well as for trade shows and special events.

B. On July 2, 2024, Verity Investigations, LLC (“Relator”) filed a *qui tam* action in the United States District Court for the District of New Jersey captioned *United States ex rel. Verity Investigations, LLC v. American Furniture Rentals, Inc.*, Civil Action No. 24-7540 (KMW) (SAK), 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 AFR arising from the following facts and conduct:

- (i) On or about April 6, 2020, AFR applied for a loan pursuant to the federal Paycheck Protection Program (“PPP”), which was

implemented under the federal Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). This is referred to as AFR’s “First Draw PPP Loan.”

- (ii) Based on the PPP rules in effect at the time of AFR’s First Draw PPP Loan, AFR was eligible to participate in the PPP and received a PPP loan totaling approximately \$10 million.
- (iii) AFR applied for and received forgiveness of the First Draw PPP Loan.
- (iv) On or about January 20, 2021, AFR applied for another PPP loan. This is referred to as AFR’s “Second Draw PPP Loan.” A lender approved the loan application and issued a PPP loan to AFR in the amount of \$2,000,000. In connection with AFR’s Second Draw PPP Loan, the SBA paid a processing fee to the lender totaling \$60,000.
- (v) Between the date of AFR’s First Draw PPP Loan and its Second Draw PPP Loan, the rules concerning eligibility for PPP loans changed. Among other changes, and as is relevant here, the total employee limit for an applicant was reduced from 500 or fewer employees in the first round of PPP loans to 300 or fewer employees in the second round of PPP loans. In addition, under the first round of PPP loans, certain companies with more than 500 employees could be eligible

for a PPP loan if they qualified as small under SBA's alternative size standard. However, under the second round of PPP loans, the alternative size standard was no longer a viable basis for eligibility.

- (vi) In applying for its Second Draw PPP Loan, AFR certified that it was eligible to participate in the PPP program under the eligibility rules in effect at that time.
- (vii) AFR was ineligible for its Second Draw PPP Loan because it had more than 300 employees and because the alternative size standard was no longer a viable method to become eligible for a PPP Loan.
- (viii) After receiving its Second Draw PPP Loan, AFR thereafter applied for and received forgiveness of the loan. Based on AFR's application, the SBA forgave the loan, thereby extinguishing AFR's liability for the \$2,000,000 principal loan amount, as well as \$16,931 in accrued interest.

This conduct is referred to below as the Covered Conduct.

D. This Settlement Agreement is neither an admission of liability by AFR 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. AFR shall pay to the United States two million, nine hundred seven thousand, seven hundred and three dollars (\$2,907,703) ("Settlement Amount"), of which two million, seventy-six thousand, seven hundred and three dollars (\$2,076,703) is restitution, by electronic funds transfer pursuant to written instructions to be provided by the United States Attorney's Office for the District of Jersey. The Settlement Amount shall be paid in three installments over a period of 180 days, in accordance with the following schedule:

- (i) Within 30 days of the Effective Date of the Agreement, AFR shall pay one million dollars (\$1,000,000);
- (ii) Within 90 days of the Effective Date of the Agreement, AFR shall pay one million dollars (\$1,000,000); and

(iii) Within 180 days of the Effective Date of the Agreement, AFR shall pay nine hundred seven thousand, seven hundred and three dollars (\$907,703).

2. Within 30 days of the Effective Date of the Agreement, AFR will pay to Relator seven thousand, six hundred and seventy-two dollars and twenty-seven cents (\$7,672.27) for expenses, attorneys' fees, and costs pursuant to 31 U.S.C. § 3730(d). AFR and Relator agree that this amount represents reasonable expenses, attorneys' fees, and costs for the Civil Action.

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

4. Subject to the exceptions in Paragraph 5 below, and upon the United States' receipt of the Settlement Amount, Relator, for itself and for its heirs, successors, attorneys, agents, and assigns, releases AFR 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.

5. Notwithstanding the releases given in Paragraph 3 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 this 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; or
- f. Any liability of individuals.

6. 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). In connection with this Agreement and this Civil Action, Relator and his/her heirs, successors, attorneys, agents, and assigns agree that neither this Agreement, any intervention by the United States in the Civil Action in order to dismiss the Civil Action, nor any dismissal of the

Civil Action, shall waive or otherwise affect the ability of the United States to contend that provisions in the False Claims Act, including 31 U.S.C. §§ 3730(d)(3) and 3730(e), bar Relator from sharing in the proceeds of this Agreement. Moreover, the United States and Relator and his/her heirs, successors, attorneys, agents, and assigns agree that they each retain all of their rights pursuant to the False Claims Act on the issue of the share percentage, if any, that Relator should receive of any proceeds of the settlement of its claims, and that no agreements concerning Relator share have been reached to date.

7. Relator, for itself, and for its heirs, successors, attorneys, agents, and assigns, releases AFR, and its 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.

8. AFR waives and shall not assert any defenses AFR 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.

9. AFR fully and finally releases 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 AFR has 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.

10. AFR fully and finally releases the Relator from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that AFR has asserted, could have asserted, or may assert in the future against the Relator, related to the Covered Conduct and the Relator's investigation and prosecution thereof.

11. 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 AFR, 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) AFR'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 AFR makes to the United States pursuant to this Agreement and any payments that AFR 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 AFR, and AFR 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, AFR shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by AFR or any of its subsidiaries or affiliates from the United States. AFR agrees that the United States, at a minimum, shall be entitled to recoup from AFR 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 AFR's books and records and to disagree with any calculations submitted by AFR or

any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by AFR, or the effect of any such Unallowable Costs on the amount of such payments.

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

13. Upon receipt of the payment described in Paragraph 1, above, the AFR and the United States shall promptly sign and file in the Civil Action a Joint Stipulation of Dismissal of the Civil Action pursuant to Rule 41(a)(1).

14. Except as set forth in Paragraph 2, above, each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

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

16. 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 District of New Jersey. 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.

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

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

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

20. This Agreement is binding on AFR's successors, transferees, heirs, and assigns.

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

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

23. 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: 03/14/2025

BY: David V. Simunovich
David V. Simunovich
Assistant United States Attorney
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U.S. Attorney's Office – District of New Jersey
United States Department of Justice
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AMERICAN FURNITURE RENTALS, INC. - DEFENDANT

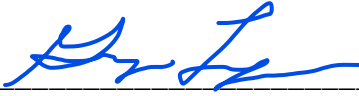
DATED: _____ BY:  _____


John Haener
Chief Executive Officer
American Furniture Rentals, Inc.
720 Hylton Road
Pennsauken, New Jersey 08110

DATED: 3/13/2025 BY:  _____

Brian K. Kidd, Esq.
Morrison Foerster, LLP
2100 L Street, NW, Suite 900
Washington, D.C. 20037
Counsel for American Furniture Rentals, Inc.

VERITY INVESTIGATIONS, LLC - RELATOR

DATED: 3/12/2025 BY: 
Gregory Lynam
Member
Verity Investigations, LLC

DATED: Mar. 12, 2025 BY: 
Steven M. Shepard, Esq.
Susman Godfrey, LLP
One Manhattan West, 50th Floor
New York, New York 10001
Counsel for Relator Verity Investigations, LLC