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 CONSTRUCTION PROTECTIVE SERVICES, INC.

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 Department of Industrial Relations
 8 State of California
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12 SUPERIOR COURT OF THE STATE OF CALIFORNIA
 13 FOR THE COUNTY OF ORANGE

14 CONSTRUCTION PROTECTIVE
 15 SERVICES, INC.

16 Plaintiff,

17 v.

18 ARTHUR LUJAN, STATE LABOR
 19 COMMISSIONER, AND DOES 1 - 10,

20 Defendants.

21 ARTHUR LUJAN, LABOR
 22 COMMISSIONER, DIVISION OF LABOR
 STANDARDS ENFORCEMENT,
 23 DEPARTMENT OF INDUSTRIAL
 RELATIONS, STATE OF CALIFORNIA,

24 Cross-Complainant,

25 v.

26 CONSTRUCTION PROTECTIVE
 SERVICES, INC., and ROES 1 through 20,

27 Cross-Defendants.
 28

CASE NO.: 02CC17330

[Assigned for All Purposes to Judge
 Gerald Johnston
 Dept. C-29]

MEMORANDUM OF
 UNDERSTANDING RE: MUTUAL
 DISMISSAL

DATE: October 14, 2003
 TIME: 9:00 a.m.
 DEPT.: C-29

KNEE, ROSS & SILVERMAN, LLP
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1 Plaintiff and Cross-Defendant Constructive Protective Services, Inc. ("CPS") and
 2 Defendant and Cross-Complainant Arthur Lujan, Labor Commissioner ("Labor
 3 Commissioner or DLSE") hereby agree to the following mutual and voluntary understanding
 4 regarding the mutual dismissal of the referenced action. The provisions of this Agreement
 5 shall inure to the benefit of CPS, and its affiliates, subsidiaries, officers and directors doing
 6 business in the State of California who, in turn, agree to be bound by the terms of this
 7 Agreement.

8 1. The parties agree to mutually dismiss all claims raised in CPS's Complaint and
 9 the DLSE's Cross-Complaint without prejudice, each side to bear its own
 10 attorney's fees and CPS shall pay \$10,000 for costs to DLSE within seven days
 11 of execution of this agreement.

12 2.a. CPS agrees to change the terms of employment for all In-Residence Security
 13 Guards ("Trailer Guards") employed in the State of California in accordance
 14 with the provisions set forth herein, such changes to be implemented on or
 15 before December 31, 2003.

17 2.b. The Labor Commissioner and the DLSE agree that the terms of employment
 18 regarding the "uncontrolled standby plan" agreed to herein comply with all
 19 applicable current IWC Wage Orders and related wage and hour laws and
 20 regulations.

21 2.c.1. CPS will continue to furnish housing on its customers' construction sites to the
 22 Trailer Guards;

24 2.c.2. Trailer Guards will be required to agree that the housing so furnished will be
 25 their residence;

26 2.c.3. During the period between 9:00 p.m. and 5:00 a.m. (herein called "free time")
 27 seven days a week, CPS shall implement a policy that provides the Trailer
 28

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Guards are free to leave the site at will during this free time, subject to the following conditions: (i) that the Trailer Guard will be on "stand-by" and subject to being required to respond to alarms and other recalls to work during those hours; (ii) that, before any Trailer Guard leaves the site, he/she shall call in to a central location and inform CPS that he/she is leaving, how long he/she intends to be gone from the site, and where he/she intends to be; (iii) that the Trailer Guard shall carry a pager or other device that will allow CPS to contact him/her; (iv) that, if paged or otherwise summoned, the Trailer Guard shall answer the page or otherwise contact CPS immediately; and (v) that the Trailer Guard may be required to stay within a radius of distance that will allow him/her to return to the construction site within 30 minutes.

2.c.4. CPS shall pay any Trailer Guard his/her regular rate of pay or overtime rate, if applicable, for any time when, during free time, the Trailer Guard is required to respond to a page by returning to the construction site to take care of a problem and for any free time spent by the Trailer Guard responding to an alarm while on the site. If the free time of any Trailer Guard is interrupted by work in response to pages and/or alarms to such an extent that the Trailer Guard is unable to have at least 5 hours of consecutive, uninterrupted free time, CPS shall pay for the entire 8 hours of free time on any such work day.

2.c.5. CPS may require a Trailer Guard to remain at the site during all or any portion of his/her free time on any given occasion. In such event, the Trailer Guard shall be paid for such time.

2.c.6. Any Trailer Guard who wishes to do so shall be allowed to take off 4 days every month without pay.

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3.a. The DLSE will stay all pending and future wage claims for "sleep time" filed (in which no hearing has been held on or before the date hereof), or that may in the future be filed, in any office of the DLSE, against CPS by current or former Trailer Guards until the settlement, trial court judgment or dismissal of the class action lawsuit entitled Agatep v. CPS, Case No. BC 287840 currently pending in Los Angeles County Superior Court.

3.b. This agreement is entered into by the parties solely for the purpose of compromising and settling the matters in dispute in the referenced litigation. Nothing in this agreement shall constitute an admission of wrongdoing by, or liability of, CPS. Except as provided herein, this agreement does not constitute, nor shall it be construed as, an admission by any party of the truth or validity of any real or potential claims, counterclaims, cross claims, or defenses asserted or which could be asserted by any of the parties.

3.c. The Labor Commissioner agrees that neither he nor the DLSE shall issue any press release or initiate any public statement concerning the subject matter of this agreement.

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3.d. Until October 1, 2007, if either party believes there are any changes in the law that would affect the legality of the "uncontrolled standby plan," as described herein, the parties agree to meet and confer in good faith to determine the effect, if any, of such changes on this agreement before any changes are made.

DATED: October 14, 2003

CONSTRUCTION PROTECTIVE SERVICES, INC


By:


Christopher L. Coffey, President

DATED: October 14, 2003

DIVISION OF LABOR STANDARDS ENFORCEMENT
Department of Industrial Relations
State of California

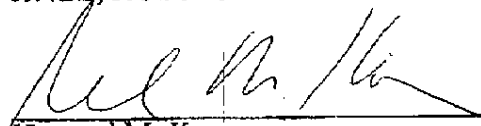
By:


Anne Stevason
Attorneys for Defendant Arthur Lujan, State Labor Commissioner

DATED: October 14, 2003

APPROVED AS TO FORM:
KNEE, ROSS & SILVERMAN

By:


Howard M. Knee
Attorneys for Plaintiff Construction Protective Services, Inc.

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