

SETTLEMENT AGREEMENT

This Settlement Agreement (“Settlement Agreement” or “Settlement”) is made and entered into between Plaintiff Graciela de Cabanas Gonzalez (“Plaintiff”), acting in a private attorney general capacity, and Defendant Michael Stars, Inc. (“Defendant” or “Michael Stars”) (collectively, the “Parties”).

I. DEFINITIONS

The following terms, when used in this Settlement Agreement, shall have the following meanings:

1. “Action” means the matter titled *Graciela de Cabanas Gonzalez v. Michael Stars, Inc., et al.*, Los Angeles Superior Court, Case No. 21STCV02784, and as set forth in Plaintiff’s correspondence to the California Labor and Workforce Development Agency (“LWDA Letter”) dated January 22, 2021.

2. “Aggrieved Employees” consist of all current and former non-exempt employees who worked for Michael Stars in California at any time during the PAGA Period. The number of Aggrieved Employees, including Plaintiff, is estimated to be 101 individuals.

3. “Michael Stars” or “Defendant” means Michael Stars, Inc.

4. “Settlement Administrator” means Phoenix Settlement Administrators.

5. “Complaint” means the operative complaint in the Action, which is the First Amended Complaint filed on March 29, 2021.

6. “Court” means the Superior Court of California for the County of Los Angeles.

7. “Effective Date” means the date the Court enters an Order granting Court approval to the settlement.

8. “Individual PAGA Payment” means the amount to be paid to each Aggrieved Employee based on the formula described herein.

9. “LWDA” means the California Labor and Workforce Development Agency.

10. “Maximum Settlement Amount” is the non-reversionary sum of Two Hundred Forty-Five Thousand Dollars and Zero Cents (\$245,000.00), which represents the total amount payable under this Settlement Agreement by Michael Stars (subject to the Escalator Clause described below), including, without limitation, payments to all Aggrieved Employees, payment to the LWDA, payment of Plaintiff’s attorneys’ fees and costs, payment of Plaintiff’s enhancement payment, and payment to the Settlement Administrator for administration costs.

11. “Net Settlement Amount” is the amount remaining to distribute to the LWDA and Aggrieved Employees after the following amounts, if approved by the Court, are subtracted from the Maximum Settlement Amount: (a) Plaintiff’s attorneys’ fees up to one third of the Maximum

Settlement Amount; (b) Plaintiff's litigation costs up to \$15,000.00; (c) Plaintiff's enhancement payment up to \$5,000.00; and (d) administration costs up to \$5,000.00.

12. "PAGA" means the California Labor Code Private Attorneys General Act, California Labor Code § 2698, *et seq.*

13. "PAGA Period" means the time period from January 22, 2020 through October 31, 2021.

14. "PAGA Released Claims" mean all PAGA claims that were pled in the Action, or which could have been pled in the Action, or which could have been pled under the PAGA based on the factual allegations in the Action, that arose during the PAGA Period. The release of the PAGA Released Claims shall extend for the duration of the PAGA Period.

15. "Parties" means, collectively, Plaintiff and Michael Stars.

16. "Plaintiff's Counsel" means Paul K. Haines, Sean M. Blakely, and Alexandra R. McIntosh of Haines Law Group, APC.

II. RECITALS

1. Plaintiff performed work for Michael Stars as a non-exempt employee in California during the PAGA Period and is therefore an Aggrieved Employee.

2. On January 22, 2021, Plaintiff provided written notice to the LWDA and Michael Stars asserting claims for civil penalties pursuant to PAGA stemming from alleged violations of various Labor Code sections and her intent to file a civil lawsuit under the PAGA.

3. On January 22, 2021, Plaintiff filed a class action complaint titled *Graciela de Cabanas Gonzalez v. Michael Stars, Inc., et al.*, Los Angeles Superior Court, Case No. 21STCV02784, asserting multiple claims against Michael Stars for violations of the Labor Code on a class-wide basis. On March 29, 2021, after exhausting her administrative requirements for bringing a claim under the PAGA, Plaintiff filed a First Amended Complaint, which added a claim for PAGA civil penalties.

4. On May 3, 2021, after the Parties met and conferred regarding the arbitration agreement and class action waiver previously signed by Plaintiff, the Court issued an Order dismissing Plaintiff's individual and class claims without prejudice.

5. In connection with mediation, Michael Stars provided Plaintiff's Counsel with information and documents pertaining to Plaintiff and other Aggrieved Employees in order for Plaintiff's Counsel to investigate Plaintiff's allegations and value the claims prior to mediation.

6. On October 22, 2021 the Parties participated in mediation before mediator Steve G. Pearl, Esq. With the assistance of Mr. Pearl, the Parties agreed to fully and finally resolve the PAGA Released Claims as to Plaintiff and Aggrieved Employees.

III. OPERATIVE TERMS OF SETTLEMENT AGREEMENT

The Parties agree as follows:

1. **Non-Admission.** Nothing in this Settlement Agreement shall be construed to be an admission by Plaintiff that her claims do not have merit, or an admission by Michael Stars of any liability or wrongdoing as to Plaintiff, the Aggrieved Employees or any other person. Michael Stars specifically disclaims and denies any such liability or wrongdoing. The Parties have entered into this Settlement Agreement with the intention to avoid further disputes and litigation with the attendant inconvenience, expenses and risks. This Settlement Agreement and any related court documents or orders are not and may not be cited or admitted as evidence of liability.

2. **Maximum Settlement Amount.** The Parties agree to settle the Action for the non-reversionary Maximum Settlement Amount ("MSA") of \$245,000.00 (subject to the Escalator Provision below). From the MSA, Plaintiff will seek, and Michael Stars shall not oppose: (a) attorneys' fees of one-third of the MSA; (b) attorneys' litigation costs and expenses related to the Action of up to \$15,000.00; (c) settlement administration costs of approximately \$2,950.00; and (d) an enhancement payment to Plaintiff in the amount of \$5,000. After the amounts for attorneys' fees, costs, administration costs, and enhancement payment are deducted from the MSA, the remaining amount shall be known as the "Net Settlement Amount" or "NSA." Michael Stars shall deposit the full amount of the MSA into an account to be established by the Settlement Administrator, within thirty (30) days of Court approval of the Settlement.

3. **Escalator Clause.** Michael Stars represents that there are approximately 3,300 pay periods worked by Aggrieved Employees during the PAGA Period. If the number of pay periods as reported to the Settlement Administrator following the Effective Date is more than 10% greater than this figure (i.e., if there are 3,630 or more pay periods worked during the PAGA Period), Michael Stars shall increase the MSA on a proportional basis (i.e., if there was a 15% increase in the number of pay periods, Defendant shall increase the MSA by 15%).

4. **Net Settlement Amount.** The Parties agree that the following amounts should be subtracted from the Maximum Settlement Amount, if approved by the Court, resulting in a Net Settlement Amount to distribute to the LWDA and Aggrieved Employees:

a. **Plaintiff's Attorneys' Fees and Costs.** Michael Stars will not oppose Plaintiff's request for attorneys' fees in the amount up to one third of the Maximum Settlement Amount (currently estimated to be \$81,666.67) and costs up to \$15,000.00 incurred in prosecuting this Action. In the event the Court approves less than these amounts, the difference will be added to the Net Settlement Amount (although Plaintiff may appeal an order granting less than the full amount sought for attorneys' fees and costs). Michael Stars, via the Settlement Administrator, will report these payments on IRS Form 1099 issued to Plaintiff's Counsel.

b. **Plaintiff's Enhancement Payment.** Michael Stars will not oppose Plaintiff's request for an enhancement payment of up to \$5,000.00 for serving as the representative plaintiff in this Action. In the event the Court approves a payment of less than the requested amount, the difference will be added to the Net Settlement Amount (although Plaintiff may appeal an order granting less than the full amount sought for Plaintiff's enhancement payment). Michael Stars, via the Settlement Administrator, will report this payment on IRS Form 1099 issued to Plaintiff.

c. Administration Costs. Michael Stars will not oppose the Settlement Administrator's costs in the amount up to \$5,000.00 for administering the settlement. In the event the Court approves a payment of less than this amount, the difference will be added to the Net Settlement Amount. Michael Stars, via the Settlement Administrator, will report this payment on IRS Form 1099 issued to the Settlement Administrator.

5. Allocation of Net Settlement Amount. One hundred percent (100%) of the Net Settlement Amount shall be designated as "civil penalties" and shall be distributed 75% to the LWDA and 25% to Aggrieved Employees, pursuant to Labor Code § 2699(i). The 25% portion to be paid to Aggrieved Employees shall be paid to all Aggrieved Employees pro rata, based on the number of pay periods worked by each Aggrieved Employee during the PAGA Period.

a. The parties agree that should the Court deny approval of the Settlement based on the allocation of the Maximum Settlement Amount or the Net Settlement Amount, the parties agree to re-negotiate in good faith in an effort to obtain approval of the Settlement.

6. PAGA Released Claims. Plaintiff agrees that upon entry of an Order approving the Settlement and judgment entered thereon, and upon the Settlement being fully funded, Plaintiff and all Aggrieved Employees will release the PAGA Released Claims against Michael Stars that arose during the PAGA Period. Upon entry of the Order approving the settlement and judgment entered thereon and the Settlement being fully funded, Plaintiff and all Aggrieved Employees will be forever barred from pursuing any and all of the PAGA Released Claims that arose during the PAGA Period against Michael Stars.

7. Covenants and Representations by Plaintiff and Plaintiff's Counsel.

a. Plaintiff represents and warrants that she has not assigned or transferred or purported to assign or transfer to any person or entity, any claim or portion thereof, or interest therein, which is or may be subject to this Settlement Agreement.

b. Plaintiff acknowledges that she has read this Settlement Agreement, that she fully understands her rights, privileges and duties under the Settlement Agreement, and enters into this Settlement Agreement freely and voluntarily. Plaintiff further acknowledges that she has had the opportunity to consult with her attorneys to explain the terms of this Settlement Agreement and the consequences of signing this Settlement Agreement.

8. Confidentiality. Except as provided below to the extent necessary to effectuate the settlement or as required by court or legal process, Plaintiff and Plaintiff's Counsel will keep the terms of this Settlement Agreement confidential. Neither Plaintiff nor Plaintiff's Counsel shall issue a press release, hold a press conference, publish information about the settlement on any website or through any social media or otherwise publicize the settlement or communicate its terms in public or in private, unless ordered by the Court. However, for the limited purpose of establishing adequacy of counsel in future actions, Plaintiff's counsel may reference the Action by name and case number in a declaration establishing adequacy as class or representative counsel.

To permit judicial review and approval of the Settlement, as required by Labor Code section 2698, *et seq.*, Plaintiff's Counsel will file the Settlement Agreement with the Court and

submit the Settlement to the LWDA as part of the parties' seeking Court approval of the Settlement, per Labor Code § 2699(1)(2).

9. **Motion for Approval of PAGA Settlement by Plaintiff's Counsel.** Plaintiff's Counsel shall be responsible for promptly preparing and filing the Motion for Approval of the PAGA Settlement.

10. **Termination of Settlement Agreement.** If the Court does not approve the settlement, if the Court does not enter judgment as provided for in this Settlement Agreement, or if appellate review is sought and, on such review, the Court's decision is materially modified or reversed, or if one or more of the material terms of the Settlement Agreement is not approved or is materially modified or reversed or found to be invalid, then either of the Parties shall have the right within 10 days of written notice thereof to elect to terminate the Settlement Agreement, in which case the Settlement Agreement shall have no force or effect, and the Parties shall be deemed to have reverted to their respective status as of the date and time immediately prior to the execution of this Settlement Agreement.

11. **Judgment.** As part of the Motion to approve the Settlement, Plaintiff shall submit a proposed judgment which enters judgment in the Action in accordance with the terms of the Settlement, retains jurisdiction over the Action under Cal. Code Civ. Proc. § 664.6 for the purpose of enforcing the terms of the Settlement following approval of the Settlement, and enjoins the prosecution of any of the PAGA Released Claims against any of the Released Parties upon the judgment being entered and the Settlement being fully funded. This Settlement Agreement is expressly conditioned upon the Court entering judgment as set forth herein. The judgment will not release or bar any claims other than the PAGA Released Claims as to Plaintiff and the Aggrieved Employees.

IV. ADMINISTRATION OF SETTLEMENT

1. **Settlement Administrator.** The Parties agree to engage Phoenix Settlement Administrators to handle the administration of this settlement.

2. **Provision of Information for Aggrieved Employees.** Within ten (10) business days after entry of an order approving the settlement, Michael Stars shall provide the Settlement Administrator with information for Aggrieved Employees. Michael Stars will in good faith compile from its records a list of Aggrieved Employees that will be in a computer-readable format, such as a Microsoft Excel spreadsheet, and shall include each Aggrieved Employee's full name, last known mailing address, last known telephone number, number of pay periods worked during the PAGA Period, and Social Security numbers to the extent available from Michael Stars' records. Because Social Security numbers are included in the list, the Settlement Administrator will maintain the list in confidence, and access shall be limited to those with a need to use the list as part of the administration of the Settlement. Within 7 calendar days of receiving the Aggrieved Employees' information from Michael Stars, the Settlement Administrator will circulate to counsel for both Parties an anonymized spreadsheet containing the Individual PAGA Payments to each Aggrieved Employee and the data used to calculate said payments. The Settlement Administrator shall obtain approval from all counsel of the calculations before mailing Individual PAGA Payments.

3. **Explanatory Letter and Individual PAGA Payments.** Upon receipt of the information for Aggrieved Employees, the Settlement Administrator will perform a search on the National Change of Address database to update the Aggrieved Employees' addresses. Within ten (10) business days after the Settlement has been fully funded and after receiving approval from Plaintiff's Counsel and Defendant's counsel of the payment calculations as provided above, the Settlement Administrator shall mail copies of the explanatory letter, which has been mutually approved by the Parties and is attached hereto as **Exhibit A**, in English and Spanish, along with Individual PAGA Payments to all Aggrieved Employees via regular First-Class U.S. Mail.

The Settlement Administrator will calculate the amount to be received by each Aggrieved Employee, which will be based on the formula set forth in Section III.5., *supra*. The Settlement Administrator will send each Aggrieved Employee a check for his or her Individual PAGA Payment along with the explanatory letter. Checks will remain negotiable for 180 days. Each Individual PAGA Payment shall be deemed penalties and reported using IRS Form 1099, with no withholdings taken.

4. **Undeliverable Notices.** The Settlement Administrator shall exercise its best judgment to determine the current mailing address for each Aggrieved Employee. The address identified by the Settlement Administrator as the current mailing address shall be presumed to be the best mailing address for each Aggrieved Employee.

Any checks returned as non-deliverable on or before the check cashing deadline will be sent promptly via regular First-Class U.S. Mail to the forwarding address affixed thereto. If no forwarding address is provided, the Settlement Administrator will promptly attempt to determine the correct address using a skip-trace or other reputable search method using the name, address or Social Security number of the Aggrieved Employee involved, and will perform up to a single re-mailing if a new address is located.

Funds represented by checks returned as undeliverable after a re-mailing, checks for whom the Settlement Administrator could not locate an updated address after performing a skip trace, and funds represented by checks remaining un-cashed more than 180 days after issuance (collectively, "Uncashed Checks"), shall escheat to *cy pres* recipient, Central American Resource Center – CARECEN – of California, a 501(c)(3) organization dedicated to providing legal services to children and the indigent.

5. **Distribution of Payments.** Within ten (10) business days of the Settlement being fully funded, the Settlement Administrator shall issue payments to (1) Aggrieved Employees; (2) the LWDA; (3) Plaintiff's Counsel for Plaintiff's Counsel's Court-approved attorneys' fees and litigation costs and expenses; (4) Plaintiff for the Court-approved enhancement payment and (5) the Settlement Administrator for Court-approved Settlement administration costs incurred in connection with the Settlement. Payments made by Michael Stars pursuant to this Settlement shall be held by the Settlement Administrator in an interest-bearing account until they are disbursed, with any accrued interest inuring to the benefit of the Aggrieved Employees in the form of pro rata increases to Aggrieved Employees' Individual PAGA Payments.

6. **Accounting.** Within 45 days after all payments have been made under the Settlement, the Settlement Administrator will provide an accounting under oath to the Parties of the amounts paid from the settlement.

7. **Tax Consequences.** Neither Plaintiff nor Michael Stars, nor counsel for either of the Parties, makes any representations or warranties with respect to tax consequences of any payment under this Settlement Agreement.

V. MISCELLANEOUS PROVISIONS

1. **Drafting.** The Parties agree that the terms and conditions of this Settlement Agreement are the result of lengthy, intensive, arm's-length negotiations between the Parties and that neither Party shall be considered the "drafter" of this Settlement Agreement for purposes of having terms construed against that Party.

2. **Successors.** This Settlement Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, trustees, executors, administrators and successors.

3. **Costs and Fees.** The Parties shall each bear their own costs and attorneys' fees incurred in connection with this Settlement Agreement, the Action and Plaintiff's claims, except as otherwise set forth specifically herein.

4. **Governing Law.** This Settlement Agreement shall be construed under and governed by the laws of the State of California. This Settlement Agreement shall be deemed to have been entered into in Los Angeles, California, and all questions of validity, interpretation or performance of any of its terms or of any rights or obligations of the Parties to this Settlement Agreement shall be governed by California law. If any legal or equitable action is necessary to enforce the terms of this Settlement Agreement, it shall be brought in the State of California, County of Los Angeles.

5. **Complete Agreement.** The Parties each acknowledge and represent that no promise or representation not contained in this Settlement Agreement has been made to them with respect to the subject matter of this Settlement Agreement, and acknowledge and represent that this Settlement Agreement contains the entire understanding between them and contains all terms and conditions pertaining to the compromise and settlement of the PAGA claim in the Action.

6. **Nullification of Settlement Agreement.** In the event that: (i) the Court does not approve the settlement as provided herein; or (ii) the settlement does not become final for any other reason, then this Settlement Agreement and any documents generated to bring it into effect, will be null and void, and the Parties will be returned to their respective positions before the Settlement was executed.

7. **Judgment and Continued Jurisdiction.** As noted above, after approval of this settlement, the Court will have continuing jurisdiction under Cal. Code Civ. Proc. § 664.6 for purposes of addressing: (i) the interpretation and enforcement of the terms of the settlement, (ii) settlement administration matters, and (iii) such post-Judgment matters as may be appropriate under court rules or as set forth in this Settlement Agreement.

8. **Amendment or Modification.** This Settlement Agreement may be amended or modified only by a written instrument, signed by either the Parties or their successors-in-interest, or by counsel for all Parties.

9. **Authorization to Enter into Settlement Agreement.** Counsel for all Parties warrant and represent that they are expressly authorized by the Parties whom they represent to negotiate this Settlement Agreement and to take all appropriate action required or permitted to be taken by such Parties pursuant to this Settlement Agreement to effectuate its terms, and to execute any other documents required to effectuate the terms of this Settlement Agreement. The Parties and their counsel will cooperate with each other and use their best efforts to effect the implementation of the settlement. If the Parties are unable to reach agreement on the form or content of any document needed to implement the settlement, or on any supplemental provisions that may become necessary to effectuate the terms of this settlement, the Parties may seek the assistance of the mediator (Steven G. Pearl, Esq.) or the Court to resolve such disagreement.

10. **Execution and Counterparts.** This Settlement Agreement is subject only to the execution of all Parties. However, the Settlement Agreement may be executed in one or more counterparts. All executed counterparts, and each of them, including facsimile and scanned copies of the signature page, will be deemed to be one and the same instrument provided that counsel for the Parties will exchange among themselves original signed counterparts.

11. **Acknowledgement that the Settlement is Fair and Reasonable.** The Parties believe this Settlement Agreement is a fair, adequate and reasonable settlement of the Action, and have arrived at this settlement after arm's-length negotiations by experienced counsel. The Parties further acknowledge that they are each represented by competent counsel and that they have had an opportunity to consult with their counsel regarding the fairness and reasonableness of this settlement.

12. **Invalidity of Any Provision.** Before declaring any provision of this Settlement Agreement invalid, the Court will first attempt to construe the provision as valid to the fullest extent possible consistent with applicable precedents, so as to define all provisions of this Settlement Agreement valid and enforceable.

13. **Severability.** If any term or provision of this Settlement Agreement is held to be invalid or unenforceable, the remaining portions of this Settlement Agreement will continue to be valid and will be performed, construed and enforced to the fullest extent permitted by law, and the invalid or unenforceable term will be deemed amended and limited in accordance with the intent of the Parties, as determined from the face of the Agreement, to the extent necessary to permit the maximum enforceability or validation of the term or provision.

14. **Waiver.** No waiver of any condition or covenant contained in this Settlement Agreement or failure to exercise a right or remedy by any of the Parties hereto will be considered to imply or constitute a further waiver by such Party of the same or any other condition, covenant, right or remedy.

15. **Enforcement Action.** In the event that one or more of the Parties institutes any legal action or other proceeding against any other Party or Parties to enforce the provisions of this Settlement Agreement or to declare rights and/or obligations under this settlement, the successful Party or Parties will be entitled to recover from the unsuccessful Party or Parties reasonable attorneys' fees and costs, including expert witness fees incurred in connection with any enforcement actions.

16. **Mutual Preparation.** The Parties have had a full opportunity to negotiate the terms and conditions of this Settlement Agreement. Accordingly, this Settlement Agreement will not be construed more strictly against one Party merely by virtue of the fact that it may have been prepared by counsel for one of the Parties, it being recognized that, because of the arm's-length negotiations between the Parties, all Parties have contributed to the preparation of this Settlement Agreement.

17. **Representation by Counsel.** The Parties acknowledge that they have been represented by counsel throughout all negotiations that preceded the execution of this Settlement Agreement, and this Settlement Agreement has been executed with the consent and advice of counsel, and reviewed in full.

18. **Cooperation and Execution of Necessary Documents.** All Parties will cooperate in good faith and execute all documents to the extent reasonably necessary to effectuate the terms of this Settlement Agreement.

19. **Binding Agreement.** The Parties warrant that they understand and have full authority to enter into this settlement, and further intend that this Settlement Agreement will be fully enforceable and binding on all Parties, and agree that it will be admissible and subject to disclosure in any proceeding to enforce its terms, notwithstanding any mediation confidentiality provisions that otherwise might apply under federal or state law.

[SIGNATURES ON FOLLOWING PAGE]

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS THEREOF, the Parties each acknowledge that she/it has read the foregoing Settlement Agreement, accepts and agrees to the provisions contained in this Settlement Agreement and hereby executes it voluntarily and with full understanding of its consequences.

Dated: 02/22, 2022

Signature: Graciela C Gonzalez
Graciela C Gonzalez (Feb 22, 2022 15:47 PST)

Email: reynaflares1826@gmail.com

Graciela de Cabanas Gonzalez, Plaintiff

MICHAEL STARS, INC.

Dated: _____, 2022

By: _____

Its: _____

APPROVED AS TO FORM:

Dated: February 24, 2022

HAINES LAW GROUP, APC

By: Sean Blakely

Sean M. Blakely

Attorneys for Plaintiff,

Graciela de Cabanas Gonzalez

Dated: _____, 2022

HIRSCHFELD KRAMER LLP

By: _____

Daniel H. Handman

Attorneys for Defendant, Michael Stars, Inc.

EXHIBIT A

Re: Payment from Graciela de Cabanas Gonzalez v. Michael Stars, Inc.
Superior Court of California Los Angeles County; Case No. 21STCV02784

Date: [REDACTED]/[REDACTED]/2022

SIMID
Name
Address

Dear Name:

Enclosed, please find a check made payable to you. This is your payment from the settlement of a lawsuit titled *Graciela de Cabanas Gonzalez v. Michael Stars, Inc.*, Los Angeles Superior Court, Case No. 21STCV02784, pending in the Superior Court of the State of California for the County of Los Angeles (the “Action”).

The Action was filed against Michael Stars, Inc. (“Michael Stars”) and includes a claim pursuant to the California Labor Code Private Attorneys General Act of 2004, California Labor Code § 2698, *et seq.* (“PAGA”). The Action was brought by Plaintiff Graciela de Cabanas Gonzalez (“Ms. de Cabanas Gonzalez”), a former employee of Michael Stars, on behalf of the State of California and other alleged aggrieved employees. You have been identified as one of the employees on whose behalf the case was brought.

In the lawsuit, Ms. de Cabanas Gonzalez claimed that Michael Stars violated the California Labor Code by failing to pay all minimum wages, failing to pay all overtime wages, failing to provide meal breaks, failing to provide employees with itemized wage statements, and failing to timely pay final wages. Michael Stars vehemently disputes all of Ms. de Cabanas Gonzalez’s allegations and denies that it engaged in any of the alleged misconduct. The parties have reached a settlement of Ms. de Cabanas Gonzalez’s representative PAGA claims, and on [DATE], the Court approved the settlement, including the amount of civil penalties to be paid under the settlement. A portion of the civil penalty settlement amount goes to the State of California’s Labor and Workforce Development Agency. Another portion of the civil penalty settlement amount goes to employees of Michael Stars who were allegedly affected by the alleged violations of the Labor Code. In agreeing to enter into this settlement, Michael Stars does not admit that it is liable in any way to current or former employees for any violations of the California Labor Code, or any penalties, and has denied and disputed all of Ms. de Cabanas Gonzalez’s contentions. The Court has not decided the merits of Ms. de Cabanas Gonzalez’s claims or Michael Stars’ defenses.

Pursuant to the settlement, enclosed is a check for your share of a portion of the civil penalties. This check will remain valid for 180 days from the date of issuance. Please note that no deductions/withholdings have been made from your settlement payment, and you will be responsible for any tax consequences arising from your receipt of the same (for which an IRS Form 1099 will issue). If you do not cash your check within 180 days of issuance, the funds shall escheat to *cy pres* recipient Central American Resource Center – CARECEN – of California. If you are still employed by Michael Stars, your decision to cash the check will not affect your employment in any way.

While you were not a party to the Action, you and the State of California have been bound by the settlement entered in this matter and approved by the Court, including the release contained in the settlement. The release pertains to civil penalties under PAGA only. The release includes all claims under the PAGA that were alleged in, or could have been alleged based on the facts alleged in, Ms. de Cabanas Gonzalez’s complaint in the Action, including claims for civil penalties, attorneys’ fees, costs, or interest under the PAGA based on Michael Stars’ alleged failure to pay all minimum wages, alleged failure to pay all overtime wages, alleged failure to provide proper meal periods, alleged failure to furnish accurate wage statements, and alleged failure to timely pay final wages, during the time period January 22, 2020 through October 31, 2021 (the “PAGA Period”).

If you have any questions, you can contact Phoenix Settlement Administrators, the Settlement Administrator, at 1-[REDACTED]-[REDACTED].

Questions? Call toll-free () - [REDACTED]

Exhibit 2

HAINES LAW GROUP
EMPLOYMENT ATTORNEYS

January 22, 2021

VIA LWDA WEBSITE

Labor and Workforce Development Agency
Attn. PAGA Administrator
1515 Clay Street, Ste. 801
Oakland, CA 94612

Re: *Graciela de Cabanas Gonzalez v. Michael Stars, Inc.*

To Whom It May Concern:

Please be advised that this law firm represents Graciela de Cabanas Gonzalez (“Ms. de Cabanas”) in claims arising from her employment with Michael Stars, Inc., and Does 1 through 100 (collectively “Michael Stars”). Ms. de Cabanas is an “aggrieved employee” as defined by Labor Code Section 2698 *et seq.*, due to Michael Stars’ numerous violations of the Labor Code as set forth below. The purpose of this letter is to comply with Labor Code Section 2699.3, which requires aggrieved employees to notify their employer and the Labor & Workforce Development Agency (“LWDA”) of the specific provisions of the Labor Code allegedly violated. For purposes of this letter, “aggrieved employees” include all of Michael Stars’ non-exempt employees who worked for Michael Stars in California during the one year immediately preceding the date of this letter through the present.

Ms. de Cabanas was employed by Michael Stars as a non-exempt employee from approximately 2006 until approximately August 2020. Ms. de Cabanas’ job duties included inspecting, washing, folding, and ironing clothing.

During a portion of Ms. de Cabanas’ employment with Michael Stars, Michael Stars utilized a timekeeping system which resulted in Ms. de Cabanas and other aggrieved employees not being compensated for all hours actually worked, whether by rounding, time-shaving, or otherwise. Specifically, upon information and belief, Michael Stars rounded Ms. de Cabanas’ timekeeping entries in an uneven manner to a quarter of an hour increment, so that, over a period of time, Ms. de Cabanas was deprived of all earned minimum and overtime wages. Upon information and belief, Michael Stars’ timekeeping system regularly, systematically, and impermissibly rounded the hours worked by Ms. de Cabanas and other aggrieved employees in Michael Stars’ favor, resulting, over a period of time, in the failure to compensate Ms. de Cabanas and other aggrieved employees for all hours worked. As a result, Ms. de Cabanas and other aggrieved employees were not compensated for all required minimum and overtime wages.

Ms. de Cabanas and other aggrieved employees were not provided with all legally compliant meal periods because Michael Stars’ meal period policies/practices failed to

provide Ms. de Cabanas and other aggrieved employees with a timely, duty-free, and uninterrupted 30-minute meal period commencing before the end of the fifth hour of work. Specifically, upon information and belief, Ms. de Cabanas' and other aggrieved employees' meal periods were frequently "late" (i.e., starting after the completion of fifth hour of work) because Michael Stars' work demands prevented them from taking a meal period until after the completion of the fifth hour of work. On the occasions when Ms. de Cabanas and other aggrieved employees were not provided with all legally-compliant meal periods to which they were entitled, Michael Stars failed to compensate Ms. de Cabanas and other aggrieved employees with the required meal period premium for each workday in which they experienced a meal period violation as mandated by Labor Code § 226.7. Upon information and belief, during at least a portion of the relevant time period, Michael Stars maintained no payroll code or other mechanism for the payment of meal period premiums under Labor Code § 226.7 in the event a legally compliant meal period was not provided to its non-exempt employees.

As a result of Michael Stars' failure to compensate Ms. de Cabanas and other aggrieved employees for all minimum wages, overtime wages, and meal period premium wages earned, Michael Stars maintained inaccurate payroll records and failed to issue accurate, compliant, itemized wage statements. As a further result of Michael Stars' failure to compensate Ms. de Cabanas and other aggrieved employees for all minimum wages, overtime wages, and meal period premium wages earned, Michael Stars failed to pay all wages to Ms. de Cabanas and other formerly employed aggrieved employees at the separation of their employment.

As described above, Michael Stars committed the following violations of the Labor Code, and Industrial Welfare Commission Wage Order 1 ("Wage Order 1"):

Minimum Wage Violations

Michael Stars was required to pay Ms. de Cabanas and other aggrieved employees an hourly rate at least equal to the minimum wage for each hour actually worked. *See* Labor Code §§ 1182.12, 1194, 1194.2, 1197; Wage Order 1, § 4. As alleged above, Michael Stars failed to conform its pay practices to the requirements of the law by failing to pay Ms. de Cabanas and other aggrieved employees for all hours worked including, but not limited to, all hours they were subject to the control of Michael Stars and/or suffered or permitted to work under the California Labor Code and Wage Order 1. As a result of these policies/practices, which fail to compensate for all hours worked, Ms. de Cabanas and other aggrieved employees were deprived of all required minimum wages.

Overtime Wage Violations

Michael Stars was required to pay Ms. de Cabanas and other aggrieved employees overtime wages for all hours worked in excess of eight hours per workday and/or forty hours per workweek. *See* Labor Code §§ 1194(a) and 1198; Wage Order 1, § 3. According to Labor Code § 510(a), "Any work in excess of eight hours in one workday and any work

in excess of 40 hours in any one workweek and the first eight hours worked on the seventh day of work in any one workweek shall be compensated at the rate of no less than one and one-half times the regular rate of pay for an employee.” This Section further provides, “Any work in excess of 12 hours in one day shall be compensated at the rate of no less than twice the regular rate of pay for an employee. In addition, any work in excess of eight hours on any seventh day of a workweek shall be compensated at the rate of no less than twice the regular rate of pay of an employee.” As alleged above, Michael Stars caused Ms. de Cabanas and other aggrieved employees to work overtime hours, but did not compensate Ms. de Cabanas and other aggrieved employees with one and one-half times their regular rate of pay for such hours. As a result of these policies/practices, Ms. de Cabanas and other aggrieved employees were not compensated for all overtime and double-time wages.

Meal Period Violations

As alleged above, Michael Stars failed to provide Ms. de Cabanas and other aggrieved employees with all required and compliant meal periods. *See* Labor Code §§ 226.7 and 512; Wage Order 1, § 11. As a result, Ms. de Cabanas and other aggrieved employees are owed an additional hour of wages at their regular rate of compensation for each workday they experienced a meal period violation. *See* Labor Code § 226.7 (“If an employer fails to provide an employee a meal or rest or recovery period in accordance with ... [an] order of the Industrial Welfare Commission ... the employer shall pay the employee one additional hour of pay at the employee’s regular rate of compensation for each workday that the meal or rest or recovery period is not provided.”).

Wage Statement Violations

Michael Stars was required to furnish Ms. de Cabanas and other aggrieved employees with complete and accurate itemized wage statements that showed, among other things, their rates of pay, corresponding number of hours worked at each rate of pay, total gross wages earned, total net wages earned, and the name of the legal entity that is the employer. *See* Labor Code §§ 226(a) and 1174(d); Wage Order 1, § 7. As a result of Michael Stars’ failure to pay all overtime and minimum wages and failure to pay all required meal period premium wages, Michael Stars maintained inaccurate payroll records and issued inaccurate wage statements to Ms. de Cabanas and other aggrieved employees in violation of Labor Code § 226. Michael Stars’ failure to comply with its wage statement obligations was knowing and intentional, and Ms. de Cabanas and other aggrieved employees have suffered injury as a result.

Waiting Time Penalties

Labor Code §§ 201 and 202 require that employees receive all of their final wages at the time of their separation of employment. Michael Stars failed to timely pay Ms. de Cabanas and other aggrieved employees all of their final wages at the time of separation, which included all overtime, double-time, and minimum wages as well as all meal period premium wages. Pursuant to Labor Code § 203, Michael Stars’ failure to pay all final

wages due to Ms. de Cabanas and other aggrieved employees was willful and, consequently, entitles Ms. de Cabanas and other aggrieved employees to waiting time penalties equal to one day of wages at their standard hourly rate for each day Michael Stars failed to pay their final wages after their separation, up to a maximum of thirty days.

As an “aggrieved employee,” Ms. de Cabanas will initiate a civil action on behalf of herself and other aggrieved employees to recover civil penalties resulting from the wage and hour violations alleged herein. Based on Ms. de Cabanas’ own investigation, and on information and belief, Michael Stars committed and continues to commit the following Labor Code violations:

- a. Michael Stars violated Labor Code §§ 558, 1182.12, 1194, 1194.2, and 1197 by failing to pay Ms. de Cabanas and other aggrieved employees the statutory minimum wage for all hours worked;
- b. Michael Stars violated Labor Code §§ 204, 510, 558, 1194, and 1198 by failing to pay Ms. de Cabanas and other aggrieved employees all overtime compensation earned;
- c. Michael Stars violated Labor Code §§ 226.7, 512, 558, and 1198 by failing to provide meal periods as required by law and failing to pay meal period premiums to Ms. de Cabanas and other aggrieved employees at these employees’ respective regular rates of compensation for meal period violations;
- d. Michael Stars violated Labor Code § 226 by failing to furnish Ms. de Cabanas and other aggrieved employees with accurate and compliant itemized wage statements;
- e. Michael Stars violated Labor Code §§ 201, 202, and 203 by failing to timely pay all final wages due to Ms. de Cabanas and other aggrieved employees;
- f. Michael Stars violated Labor Code § 204 by failing to pay Ms. de Cabanas and other aggrieved employees all wages earned at least twice during each calendar month; and
- g. Michael Stars violated Labor Code §§ 1174 and 1198 by failing to maintain accurate records on behalf of Ms. de Cabanas and other aggrieved employees.

///

///

///

LWDA
January 22, 2021
Page 5 of 5

Pursuant to Labor Code Section § 2699.3(a)(2)(A), please notify us and Michael Stars if the LWDA intends to investigate these alleged violations of the Labor Code. Please contact me should you require additional information.

Very truly yours,
HAINES LAW GROUP, APC



Paul K. Haines

cc: Michael Stars, Inc. (via certified mail)

Date Produced: 02/01/2021

ConnectSuite Inc.:

The following is the delivery information for Certified Mail™/RRE item number 9214 8901 9403 8330 4331 12. Our records indicate that this item was delivered on 01/25/2021 at 10:01 a.m. in LOS ANGELES, CA 90017. The scanned image of the recipient information is provided below.

Signature of Recipient :
(Authorized Agent)

CS 19
CS 19

Address of Recipient :

CS

Thank you for selecting the Postal Service for your mailing needs. If you require additional assistance, please contact your local post office or Postal Service representative.

Sincerely,
United States Postal Service

The customer reference number shown below is not validated or endorsed by the United States Postal Service. It is solely for customer use.

Customer Reference Number: C2480684.14261224

Exhibit 3

Haines Law Group, APC

Expense Summary

Graciela De Cabanas Gonzalez v. Michael Stars, Inc.

EXPENSE	AMOUNT
Mediation Costs	\$7,500.00
Filing, Service, and Messenger Fees	\$2,165.64
Copying and Postage Costs	\$127.15
TOTAL:	\$9,792.79