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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF ORANGE

CYNTHIA A. RAMIREZ, as an individual on
behalf of herself, the State of California, as a
private attorney general, and on behalf of all
others similarly situated,

Plaintiffs,

v.

CAL CLOSETS RETAIL, INC., a Delaware
corporation; and DOES 1 TO 50,

Defendants.

Case Number: 30-2021-01184589-CU-OE-CXC

**SETTLEMENT AGREEMENT AND
RELEASE OF CLASS ACTION**

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SETTLEMENT AGREEMENT AND RELEASE OF CLASS ACTION

This Settlement Agreement and Release of Class Action (“Settlement Agreement”) is made and entered into by: **(1)** Plaintiffs Cynthia A. Ramirez and Quinton Lucero (collectively “Plaintiffs”), individually and in their representative capacity on behalf of the Settlement Class, as defined below, and as private attorneys general on behalf of the State of California; and **(2)** Defendants Cal Closets Retail, Inc. and Lunsford Design, Inc. (collectively, “Defendants”). Plaintiffs and Defendants are collectively referred to herein as the “Parties.” This Settlement Agreement is subject to the approval of the Court, pursuant to California Rules of Court, rule 3.769, subdivisions (c), (d), and (e), and is made for the sole purpose of attempting to consummate settlement of the action on a class-wide basis subject to the following terms and conditions. As detailed below, in the event the Court does not enter an order granting final approval of this Settlement Agreement or the conditions precedent are not met for any reason, this Settlement Agreement is void and of no force or effect whatsoever.

1. DEFINITIONS

As used in this Settlement Agreement, the following terms shall have the meanings specified below. To the extent terms or phrases used in this Settlement Agreement are not specifically defined below, but are defined elsewhere in this Settlement Agreement, they are incorporated by reference into this definition section.

1.1. ACTIONS

“Actions” shall mean the following civil actions: *Cynthia A. Ramirez v. Cal Closets Retail, Inc., et al.*, case number 30-2021-01184589-CU-OE-CXC, filed on February 17, 2021, in the Superior Court of California for the County of Orange; and *Quinton Lucero v. Cal Closets Retail, Inc., et al.*, case number RG21103247, filed on June 30, 2021, in the Superior Court of California for the County of Alameda.

1.2. ADMINISTRATIVE EXPENSES

“Administrative Expenses” shall include all costs and expenses associated with and paid to the third-party settlement administrator, which are estimated not to exceed \$30,000.00.

1 **1.3. APPLICABLE WAGE ORDER**

2 “Applicable Wage Order” shall mean the California Industrial Welfare Commission (“IWC”)
3 Wage Order applicable to the facts of this case, including IWC Wage Order 7-2001 and others that
4 may be applicable. (Cal. Code of Regs., tit. 8, § 11070.)

5 **1.4. CLAIMS**

6 “Claims” shall mean the claims asserted in the Actions.

7 **1.5. CLASS ATTORNEY FEES AND EXPENSES**

8 “Class Attorney Fees and Expenses” shall mean the portion of the Gross Settlement Amount
9 attributable to attorney fees and litigation expenses. The Parties agree that the fee portion of the Class
10 Attorney Fees and Expenses shall be up to one-third of the Gross Settlement Amount (i.e.,
11 \$416,666.67), as approved by the Court, and the award of costs and expenses shall be up to an
12 additional \$20,000.00.

13 **1.6. CLASS COUNSEL**

14 “Class Counsel” shall mean Jonathan Melmed and Laura Supanich of Melmed Law Group P.C.
15 and Leonard Emma of Emma Law, P.C. d/b/a Employment Lawyers.

16 **1.7. CLASS MEMBER**

17 “Class Member” shall mean any person who is a prospective member of the Settlement Class,
18 or, if such person is incompetent or deceased, the person’s legal guardian, executor, heir, or successor-
19 in-interest.

20 **1.8. CLASS NOTICE**

21 “Class Notice” shall mean the *Notice of Proposed Class Action Settlement*, as set forth in the
22 form of **Exhibit 1** attached hereto, or as otherwise approved by the Court, which is to be mailed to
23 Class Members along with the Share Form.

24 **1.9. CLASS PARTICIPANTS**

25 “Class Participants” shall mean all Class Members who do not timely request exclusion from
26 the Class Settlement.

27 **1.10. CLASS PERIOD**

28 “Class Period” shall mean the period from February 17, 2017, through December 31, 2021.

1 **1.11. CLASS REPRESENTATIVES**

2 “Class Representatives” shall mean Plaintiffs Cynthia A. Ramirez and Quinton Lucero.

3 **1.12. CLASS SETTLEMENT**

4 “Class Settlement” shall mean the settlement embodied in this Settlement Agreement, which is
5 subject to Court approval.

6 **1.13. COMPLAINT**

7 “Complaint” shall mean the currently-operative complaints in the Actions.

8 **1.14. COURT**

9 “Court” shall mean the Superior Court of the County of Orange.

10 **1.15. DEFENDANTS**

11 “Defendants” shall mean Defendants Cal Closets Retail, Inc. and Lunsford Design, Inc.

12 **1.16. DEFENSE COUNSEL**

13 “Defense Counsel” shall mean the attorneys representing Defendants.

14 **1.17. EFFECTIVE DATE**

15 “Effective Date” shall be (1) the date of final affirmation of the Final Approval from
16 any appeal, the expiration of the time for, or the denial of, a petition to review the Final Approval, or
17 if review is granted, the date of final affirmation of the Final Approval following review pursuant to
18 that grant; or (2) the date of final dismissal of any appeal from the Final Approval or the final dismissal
19 of any proceeding to review the Final Approval, provided that the Final Approval is affirmed and/or
20 not reversed in any part; or (3) if no putative class members intervene but objections are filed, the
21 expiration date of the time for the filing or noticing of any appeal from the Court’s Final Approval of
22 the Settlement, as determined under Rule 8.104(a)(3) of the California Rules of Court or (4) if no
23 putative class members intervene and there are no objections, the date the Court enters the Final
24 Approval Order and Final Judgment.

25 **1.18. EMPLOYEE’S TAXES AND REQUIRED WITHHOLDING**

26 “Employee’s Taxes and Required Withholding” shall mean the employee’s share of any and all
27 applicable federal, state, or local payroll taxes, including those collected under authority of the Federal
28 Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), and/or the State

1 Unemployment Tax Act (SUTA) on the portion of any Class Participant's Individual Settlement
2 Amount that constitutes wages. The Employee's Taxes and Required Withholdings will be withheld
3 from and paid out of the Net Settlement Amount.

4 **1.19. EMPLOYER'S TAXES**

5 "Employer's Taxes" shall mean and refer to Defendants' share of payroll taxes (e.g.,
6 Unemployment Insurance, Employment Training Tax, Social Security, and Medicare taxes) that is
7 owed on the portion of any Class Participant's Individual Settlement Amount that constitutes wages.
8 The Employer's Taxes shall be separately paid by Defendants and shall not be paid from the Gross
9 Settlement Amount or Net Settlement Amount.

10 **1.20. FINAL APPROVAL AND FAIRNESS HEARING**

11 "Final Approval and Fairness Hearing" shall mean the final hearing held to ascertain the
12 fairness, reasonableness, and adequacy of the Class Settlement.

13 **1.21. GROSS SETTLEMENT AMOUNT**

14 "Gross Settlement Amount" is the agreed upon non-reversionary settlement amount totaling
15 \$1,250,000.00 to be paid by Defendants in full settlement of the Released Claims asserted in this case,
16 inclusive of the Administrative Expenses, the Employee's Taxes and Required Withholdings, the Class
17 Attorney Fees and Expenses, the Incentive Awards, and PAGA Payment. Defendants shall separately
18 pay its share of the Employer's Taxes in addition to the Gross Settlement Amount on the portion of
19 each Individual Settlement Amount allocated as wages.

20 **1.22. HEARING ON PRELIMINARY APPROVAL**

21 "Hearing on Preliminary Approval" shall mean the hearing held on the motion for preliminary
22 approval of the Class Settlement.

23 **1.23. INCENTIVE AWARDS**

24 "Incentive Awards" shall mean any additional monetary payment provided to the Class
25 Representatives for their efforts and risks on behalf of the Settlement Class in these Actions.
26
27
28

1.24. INDIVIDUAL SETTLEMENT AMOUNT

“Individual Settlement Amount” shall mean the amount which is ultimately distributed to each Class Participant, less any Employee’s Taxes and Required Withholdings. The Individual Settlement Amount does not include any portion of the PAGA Payment.

1.25. NET SETTLEMENT AMOUNT

“Net Settlement Amount” shall mean the Gross Settlement Amount minus: Administrative Expenses; Class Attorney Fees and Expenses; 75% of the share of the Gross Settlement Amount allocated toward penalties pursuant to the Labor Code Private Attorney General Act of 2004 (“PAGA”), codified at Labor Code sections 2698 through 2699.6, which are payable to the California Labor and Workforce Development Agency (“LWDA”); and Plaintiffs’ Incentive Awards.

1.26. OPT OUT

“Opt Out” shall refer to the process of submitting a timely and valid request exclusion from the Class Settlement in accordance with the terms of the Class Notice and no later than the Response Deadline.

1.27. OPT-OUTS

“Opt-Outs” shall mean all persons who timely and validly request exclusion from the Class Settlement in accordance with the terms of the Class Notice and no later than the Response Deadline.

1.28. PAGA PAYMENT

“PAGA Payment” means the penalties pursuant to PAGA that the Parties have agreed is a reasonable sum to be paid in settlement of the PAGA claims included in the Actions, which is \$100,000.00. The PAGA Payment is to be approved by the Court pursuant to Labor Code section 2699 and is to be distributed as follows: seventy-five percent (75%) (i.e., \$75,000.00) to the LWDA and twenty-five percent (25%) (i.e., \$25,000.00) to the PAGA Settlement Class. Class Counsel shall give timely notice of this Settlement Agreement to the LWDA pursuant to Labor Code section 2699, subdivision (l)(2).

1.29. PAGA PERIOD

“PAGA Period” shall mean the period from February 17, 2020, through December 31, 2021.

1.30. PAGA SETTLEMENT CLASS

“PAGA Settlement Class” shall mean all individuals who are or were employed by Defendants as non-exempt employees in California during the PAGA Period. Defendants represent that the PAGA Settlement Class consists of approximately 463 employees who worked a total of approximately 11,000 pay periods during the PAGA Period.

1.31. PARTIES

“Parties” shall mean Plaintiffs and Defendants.

1.32. PLAINTIFFS

“Plaintiffs” shall mean Plaintiffs Cynthia A. Ramirez and Quinton Lucero.

1.33. PRELIMINARY APPROVAL DATE

“Preliminary Approval Date” shall mean the date upon which the Court enters an order preliminarily approving this Settlement Agreement.

1.34. RELEASED CLAIMS

“Released Claims” shall mean those claims arising out of or related to the allegations set forth in the operative Complaints and/or PAGA notices to the LWDA, which arose during the Class Period, including claims for: **(1)** failure to pay minimum wage for all hours worked in violation of Labor Code sections 1194 and 1194.2, and the Applicable Wage Order; **(2)** failure to pay proper overtime wages in violation of Labor Code sections 510, 1197, and 1198, and the Applicable Wage Order; **(3)** failure to provide compliant rest periods and pay missed rest break premiums in violation of Labor Code section 226.7 and the Applicable Wage Order; **(4)** failure to provide compliant meal periods and pay missed meal period premiums in violation of Labor Code sections 226.7 and 512, and the Applicable Wage Order; **(5)** failure to maintain accurate employment records in violation of Labor Code section 1174; **(6)** failure to pay timely wages during employment in violation of Labor Code sections 204, 210; **(7)** failure to pay all wages due and owing at separation in violation of Labor Code sections 201, 202, and 203; **(8)** failure to reimburse business expenses in violation of Labor Code sections 2802 and 2804; **(9)** failure to provide complete and accurate wage statements in violation of Labor Code sections 226 and 226.3; **(10)** deceptive, fraudulent, or otherwise unlawful business practices based on the foregoing in violation of California’s Unfair Competition Law (Bus. & Prof. Code, §§ 17200–17210); **(11)** failure

1 to provide or pay California compliant sick leave; (12) statutory penalties based on the foregoing
2 pursuant to PAGA (Lab. Code, §§ 2698-2699.6); and **(13)** all claims for liquidated damages, penalties,
3 interest, fees, costs based on the foregoing.

4 No other claims are released other than those claims specifically plead in the Complaint or
5 otherwise specifically identified herein. This Settlement Agreement will not release any person, party,
6 or entity from claims, if any, by Class Members for workers compensation, unemployment, or disability
7 benefits of any nature. Nor does it release any claims, actions, or causes of action which may be
8 possessed by Class Members under state or federal discrimination statutes, including, without
9 limitation, the California Fair Employment and Housing Act (Gov. Code, §§ 12900–12996); the Unruh
10 Civil Rights Act (Civ. Code, § 51); the California Constitution; Title VII of the Civil Rights Act of
11 1964 (42 U.S.C. § 2000, et seq.); the Americans with Disabilities Act (42 U.S.C. § 12101, et seq.); the
12 Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1001 et seq.); and all of their
13 implementing regulations and interpretive guidelines.

14 **1.35. RELEASED PARTIES**

15 “Released Parties” shall mean Defendants and all of Defendants’ parents, subsidiaries,
16 affiliates, shareholders, members, agents, employees, officers, predecessors, successors, and assigns,
17 including but not limited to SB Closets, Inc.

18 **1.36. RELEASING PARTIES**

19 “Releasing Parties” shall mean every Class Participant and all persons purporting to act on their
20 behalf or purporting to assert a claim under or through them, including, but not limited to, their
21 dependents, heirs, assigns, beneficiaries, devisees, legatees, executors, administrators, agents, trustees,
22 conservators, guardians, personal representatives, and successors-in-interest, whether individual, class,
23 representative, legal, equitable, direct or indirect, or any other type or in any other capacity.

24 **1.37. RESPONSE DEADLINE**

25 “Response Deadline” shall mean the date forty-five (45) days following the date on which the
26 Settlement Administrator first mails Class Notice to the Class Members and the last day on which Class
27 Members may submit a request for exclusion and/or objection to Class Settlement.
28

1.38. SETTLEMENT ADMINISTRATOR

“Settlement Administrator” shall mean ILYM Group, Inc. (or other administrator agreed on by the parties) which the Parties have agreed will be responsible for administration of the Class Settlement and related matters.

1.39. SETTLEMENT CLASS

“Settlement Class” shall mean all individuals who are or were employed by Defendant(s) as non-exempt employees in California during the Class Period. Defendants represent that the Settlement Class consists of approximately 618 Class Members who worked a total of approximately 50,314 workweeks during the Class Period.

1.40. SHARE FORM

“Share Form” shall mean the *Class Action Settlement Share Form*, as set forth in the form of **Exhibit 2** attached hereto, or as otherwise approved by the Court, which is to be mailed to Class Members along with the Class Notice.

2. FACTUAL AND PROCEDURAL BACKGROUND

2.1. PLAINTIFFS’ CLAIMS

Plaintiffs, individually and in their representative capacity on behalf of the Settlement Class, and as private attorneys general on behalf of the State of California, have alleged the following violations: **(1)** failure to pay minimum wage for all hours worked in violation of Labor Code sections 1194 and 1194.2, and the Applicable Wage Order; **(2)** failure to pay proper overtime wages in violation of Labor Code sections 510, 1197, and 1198, and the Applicable Wage Order; **(3)** failure to provide compliant rest periods and pay missed rest break premiums in violation of Labor Code section 226.7 and the Applicable Wage Order; **(4)** failure to provide compliant meal periods and pay missed meal period premiums in violation of Labor Code sections 226.7 and 512, and the Applicable Wage Order; **(5)** failure to maintain accurate employment records in violation of Labor Code section 1174; **(6)** failure to pay timely wages during employment in violation of Labor Code sections 204, 210; **(7)** failure to pay all wages due and owing at separation in violation of Labor Code sections 201, 202, and 203; **(8)** failure to reimburse business expenses in violation of Labor Code sections 2802 and 2804; **(9)** failure to provide complete and accurate wage statements in violation of Labor Code sections 226

1 and 226.3; **(10)** failure to provide California compliant sick leave and/or pay; **(11)** deceptive,
 2 fraudulent, or otherwise unlawful business practices based on the foregoing in violation of California's
 3 Unfair Competition Law (Bus. & Prof. Code, §§ 17200–17210); and **(12)** statutory penalties based on
 4 the foregoing pursuant to PAGA (Lab. Code, §§ 2698-2699.6).

5 **2.2. DISCOVERY, INVESTIGATION, RESEARCH, AND MEDIATION**

6 Class Counsel has conducted significant discovery during the prosecution of the Actions. This
 7 discovery, investigation, and prosecution has included, among other things, **(a)** dozens of telephonic
 8 conferences with Plaintiffs and witnesses; **(b)** inspection and analysis of hundreds of pages of
 9 documents and other information produced by Plaintiffs and Defendants; **(c)** analysis of employment
 10 data from a sample of Class Members; **(d)** an analysis of the legal positions taken by Defendants;
 11 **(d)** investigation into the viability of class treatment of the claims asserted in the Actions; **(e)** analysis
 12 of potential class-wide damages, including information sufficient to understand Defendants' potential
 13 defenses to Plaintiffs' claims; **(f)** research of the applicable law with respect to the claims asserted in
 14 the Complaint and the potential defenses thereto; and **(g)** assembling and analyzing of data for
 15 calculating damages.

16 Class Counsel and the Class Representatives have vigorously prosecuted this case, and
 17 Defendants have vigorously contested it. The Parties have engaged in sufficient investigation and
 18 discovery to assess the relative merits of the claims of the Class Representatives and of the defenses to
 19 them. After such discovery, investigation, and prosecution, the Parties attended a full-day mediation
 20 with an experienced class action employment law mediator, which culminated in a settlement in
 21 principle, the terms of which are elaborated in this Settlement Agreement.

22 **2.3. ALLEGATIONS OF THE CLASS REPRESENTATIVES AND BENEFITS OF** 23 **CLASS SETTLEMENT**

24 The document and data exchange in this matter, as well as discussions between counsel, have
 25 been adequate to give the Class Representatives and Class Counsel a sound understanding of the merits
 26 of their positions and to evaluate the value of the claims of the Settlement Class. The informal discovery
 27 conducted in these Actions and the information exchanged by the Parties through pre-mediation
 28

1 discussions are sufficient to reliably assess the merits of the Parties' respective positions and to
2 compromise the issues on a fair and equitable basis.

3 The Class Representatives and Class Counsel believe that the claims, causes of action,
4 allegations, and contentions asserted in the Actions have merit. However, the Class Representatives
5 and Class Counsel recognize and acknowledge the expense and delay of continued lengthy proceedings
6 necessary to prosecute the Actions against Defendants through trial and through appeals. Class Counsel
7 has taken into account the uncertain outcome of the litigation, the risk of continued litigation in complex
8 actions such as this, as well as the difficulties and delays inherent in such litigation, and the potential
9 difficulty of obtaining certification of the Settlement Class as well as trying the claims of the class.
10 Class Counsel is mindful of the potential problems of proof under, and possible defenses to, the claims
11 alleged in the Actions.

12 The Class Representatives and Class Counsel believe that the settlement set forth in this
13 Settlement Agreement confers substantial benefits upon Plaintiffs and the Settlement Class and that an
14 independent review of this Settlement Agreement by the Court in the approval process will confirm
15 this conclusion. Based on their own independent investigation and evaluation, Class Counsel has
16 determined that the settlement set forth in this Settlement Agreement is in the best interests of Plaintiffs
17 and the Class Members.

18 **2.4. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

19 Defendants have denied and continue to deny all allegations, claims, and contentions alleged
20 by Plaintiffs in the Actions. Defendants have expressly denied and continue to deny all charges of
21 wrongdoing or liability against them arising out of any of the conduct, statements, acts, or omissions
22 alleged in the Actions. Defendants contend that they complied with California and federal wage and
23 hour laws and have dealt legally and fairly with Plaintiffs and the Class Members.

24 Defendants further deny that, for any purpose other than settling these Actions, these claims are
25 appropriate for class or representative treatment. Nonetheless, Defendants have concluded that further
26 proceedings in the Actions would be protracted and expensive and that it is desirable that the Actions
27 be fully and finally settled in the manner and upon the terms and conditions set forth in this Settlement
28 Agreement to dispose of burdensome and protracted litigation, to permit the operation of Defendants'

1 respective businesses without further expensive litigation and the distraction and diversion of their
2 personnel with respect to matters at issue in the Actions. Defendants have also taken into account the
3 uncertainty and risks inherent in any litigation, especially in complex cases such as the Actions.
4 Defendants have, therefore, determined that it is desirable and beneficial to them that the Actions be
5 settled in the manner and upon the terms and conditions set forth in this Settlement Agreement.

6 **2.5. INTENT OF THE CLASS SETTLEMENT**

7 The Class Settlement set forth herein intends to achieve the following: **(1)** entry of an order
8 approving the Class Settlement; **(2)** entry of judgment of the Actions; **(3)** discharge of the Released
9 Parties from liability for any and all of the Released Claims; and **(4)** discharge of Defendants from
10 liability for any and all claims arising out of the Actions.

11 **3. CONDITIONAL CERTIFICATION OF THE SETTLEMENT CLASS**

12 For the purposes of this Settlement Agreement and the Class Settlement of these Actions only,
13 the Parties agree to conditional class certification of the Settlement Class. Defense Counsel believes
14 this conditional certification is appropriate because the Released Claims are being compromised
15 without need to establish the elements of those claims on which liability turns. The certification of the
16 Settlement Class shall not constitute, in this or any other proceeding, an admission of any kind by
17 Defendants, including without limitation, that certification of a class for trial purposes is or would be
18 warranted, appropriate or proper; or that Plaintiffs could establish any of the requisite elements for
19 class treatment of any of the claims in the Actions.

20 In the event that the Settlement Agreement is not finally approved by the Court, a Final
21 Effective Date is not achieved, or the Class Settlement is rejected, terminated, or otherwise rendered
22 null and void as set forth herein, then certification of the Settlement Class shall be automatically
23 vacated, shall be void *ab initio*, of no force or effect, and shall not constitute evidence or a binding
24 determination that the requirements for certification of a class for trial purposes in these Actions or in
25 any other action which have been, are or can be, satisfied. Further, if the Agreement does not reach a
26 Final Effective Date, Plaintiffs agree that Plaintiffs will not argue, claim, reference, or otherwise raise
27 any preliminary approval of the Settlement Class in connection with any later proceeding before the
28 Court.

1 **4. APPOINTMENT OF CLASS COUNSEL**

2 For purposes of this Settlement Agreement and subject to the Court's approval, the Parties agree
3 to the appointment of Class Counsel as counsel for the Settlement Class and the effectuation of the
4 Class Settlement pursuant to this Settlement Agreement.

5 **5. CONSIDERATION**

6 **5.1. SETTLEMENT AMOUNT**

7 The Parties agree to settle these Actions for the Gross Settlement Amount of \$1,250,000.00.
8 There shall be no reversion to Defendants. Defendants shall pay the Gross Settlement Amount in full.
9 The Gross Settlement Amount and other actions and forbearances taken by Defendants shall constitute
10 adequate consideration for the Class Settlement and will be made in full and final settlement of: the
11 Released Claims, the Class Attorney Fees and Expenses, Administrative Expenses, the Incentive
12 Awards, the PAGA Payment (and any payments to individual PAGA Class Members resulting from
13 the PAGA Payment), and any other obligation of Defendants under this Settlement Agreement (other
14 than the Employer's Taxes on the portion of the Net Settlement Amount allocated to the payment of
15 wages).

16 After the Court issues an order preliminarily approving this Class Settlement, the Settlement
17 Administrator will distribute the Class Notice to the Class Members, which shall describe the terms of
18 the Class Settlement and procedures to Opt Out, object, or participate in the Class Settlement as well
19 as the Share Form, which shall identify the Class Member, the number of workweeks worked by each
20 Class Member ("Workweeks"), as well as the estimated amount of the Individual Settlement Amount
21 the Class Member can expect to receive once the Class Settlement becomes effective on the Effective
22 Date. Class Members shall be given the opportunity to challenge their Workweeks information.

23 **5.2. INCENTIVE AWARDS FOR PLAINTIFFS**

24 Plaintiffs may petition the Court to approve Incentive Awards in an amount up to \$7,500.00 for
25 Cynthia A. Ramirez and \$7,500.00 for Quinton Lucero to acknowledge their efforts on behalf of the
26 Settlement Class in these Actions, including assisting in the investigation and consulting with Class
27 Counsel and providing crucial documents to Class Counsel. Defendants shall not oppose any request
28 by Plaintiffs for Incentive Awards in such an amount. Any Incentive Award approved by the Court

1 shall be paid to Plaintiffs from the Gross Settlement Amount and shall be in addition to any distribution
2 to which they may otherwise be entitled as a Class Participants. Any Incentive Award approved by the
3 Court shall not be considered wages, and the Settlement Administrator shall issue to Plaintiffs an IRS
4 Form 1099 reflecting such payment. Plaintiffs shall be responsible for the payment of all taxes with
5 respect to any Incentive Award approved by the Court and shall hold Defendants harmless from all
6 liability with regard thereto.

7 **5.3. PAYMENT TO CLASS PARTICIPANTS**

8 Each Class Participant shall be eligible to receive payment of the Individual Settlement
9 Amount, which is a share of the Net Settlement Amount based on the pro rata number of weeks worked
10 by the Class Members during the Class Period as a proportion of all weeks worked by all Class
11 Members. Each Class Participant, including Plaintiffs, shall be responsible for the payment of the
12 Employee's Taxes and Required Withholding with respect to his or her Individual Settlement Amount
13 and shall hold Defendants harmless from any and all liability with regard thereto.

14 **5.4. PAYMENT TO PAGA SETTLEMENT CLASS**

15 Each member of the PAGA Settlement Class shall be entitled to receive a portion of the PAGA
16 Payment. The PAGA Payment shall consist of the penalties pursuant to PAGA that the Parties have
17 agreed is a reasonable sum to be paid in settlement of the PAGA claims included in the Actions, which
18 is \$100,000.00. The PAGA Payment must be approved by the Court pursuant to Labor Code section
19 2699 and is to be distributed as follows: seventy-five percent (75%) (i.e., \$75,000.00) to the LWDA
20 and twenty-five percent (25%) (i.e., \$25,000.00) to the PAGA Settlement Class. The portion of the
21 PAGA Payment allocated to the PAGA Settlement Class shall be distributed to the PAGA Settlement
22 Class based on the pro rata number of pay periods worked by each particular PAGA Settlement Class
23 member during the PAGA Period as a proportion of all pay periods worked by all members of the
24 PAGA Settlement Class.

25 **5.5. TAX TREATMENT AND PAYMENT**

26 For the purpose of calculating Employee's Taxes and Required Withholding for the Individual
27 Settlement Amounts for Class Participants (including any payments to the Class Representatives but
28 exclusive of their Incentive Award), the Parties agree that 40% of each Individual Settlement Amount

1 shall constitute payment in the form of wages (and each Class Participant will be issued an IRS Form
2 W-2 for such payment to him or her), and 60% of each Individual Settlement Amount shall constitute
3 penalties and interest (and each Class Participant will be issued an IRS Form 1099 for such payment
4 to him or her). Prior to final distribution, the Settlement Administrator shall calculate the total
5 Employee's Taxes and Required Withholding due as a result of the wage portion of Class Participants'
6 anticipated Individual Settlement Amounts and such actual amount will be deducted from the Net
7 Settlement Amount. Additionally, prior to the funding of the Gross Settlement Amount and final
8 distribution, the Settlement Administrator shall calculate the total Employer's Taxes due on the wage
9 portion of the Class Participants' Individual Settlement Amounts and issue instructions to Defendants
10 to separately fund these tax obligations/withholdings. The Parties understand that Plaintiffs and the
11 Class Participants who receive any payment pursuant to this Settlement Agreement shall be solely
12 responsible for all other individual tax obligations.

13 With respect to the PAGA Payment and any payments made to individual members of the
14 PAGA Settlement Class, all such payments shall be treated as payments owing for penalties and interest
15 thereon and shall not be considered wages. The Settlement Administrator shall issue to members of the
16 PAGA Settlement Class an IRS Form 1099 reflecting such payment. Members of the PAGA Settlement
17 Class shall be solely responsible for the payment of all taxes with respect to any PAGA payments made
18 to them.

19 **5.6. NO EFFECT ON EMPLOYEE BENEFIT PLANS**

20 Neither the Class Settlement nor any amounts paid under the Class Settlement will modify any
21 previously credited hours, days, or weeks of service under any employee benefit plan, policy or bonus
22 program sponsored by Defendants. Such amounts will not form the basis for additional contributions
23 to, benefits under, or any other monetary entitlement under Defendants' sponsored benefit plans,
24 policies, or bonus programs. The payments made under the terms of this Settlement Agreement shall
25 not be applied retroactively, currently, or on a going forward basis, as salary, earnings, wages, or any
26 other form of compensation for the purposes of any of Defendants' benefit plan, policy, or bonus
27 program. Defendants retain the right to modify the language of their benefits plans, policies, and bonus
28 programs to reflect this intent and to make clear that any amounts paid pursuant to this Settlement

1 Agreement are not for “weeks worked,” “weeks paid,” “weeks of service,” or any similar measuring
2 term as defined by applicable plans, policies, and bonus programs for purpose of eligibility, vesting,
3 benefit accrual, or any other purpose, and that additional contributions or benefits are not required by
4 this Settlement Agreement. Defendants do not consider the Class Settlement payments “compensation”
5 for purposes of determining eligibility for, or benefit accrual within, any benefit plans, policies, or
6 bonus programs, or any other plan sponsored by Defendants.

7 **5.7. CLASS ATTORNEY FEES AND EXPENSES**

8 As part of the motion for final approval of the Class Settlement, Class Counsel may apply for
9 an award of Class Attorney Fees and Expenses with the fee portion not to exceed one-third of the Gross
10 Settlement Amount (i.e., \$416,666.67) and the award of costs and expenses up to an additional
11 \$20,000.00. Defendants agree to not object to any such fee, cost, or expense application in those
12 amounts.

13 As a condition of this Class Settlement, Class Counsel has agreed to pursue fees only in the
14 manner reflected by this subsection. Any Class Attorney Fees and Expenses awarded by the Court shall
15 be paid from the Gross Settlement Amount prior to arriving at the Net Settlement Amount and shall
16 not constitute payment to any Class Members. If Class Counsel voluntarily reduces the request for
17 Class Attorney Fees and Expenses or the Court’s award of Class Attorney Fees and Expenses is less
18 than set forth above, the Net Settlement Amount shall be recalculated to reflect the actual Class
19 Attorney Fees and Expenses awarded.

20 The Class Attorney Fees and Expenses approved by the Court shall reflect: **(a)** all work
21 performed and costs and expenses incurred by, or at the direction of, any attorney purporting to
22 represent the Settlement Class through the date of this Settlement Agreement; **(b)** all work to be
23 performed and costs to be incurred in connection with approval by the Court of the Class Settlement;
24 **(c)** all work to be performed and costs and expenses, if any, incurred in connection with administering
25 the Class Settlement through the Effective Date and dismissal of the Actions with prejudice; and
26 **(d)** may be based on the “catalyst theory” and/or the “common fund doctrine.”
27
28

1 **6. SETTLEMENT ADMINISTRATION**

2 **6.1. COSTS AND EXPENSES**

3 All costs and expenses due to the Settlement Administrator in connection with its administration
4 of the Class Settlement, including, but not limited to, providing the Class Notice, locating Class
5 Members, processing Opt Out requests and objections, distributing the portion of the PAGA Payment
6 payable to the LWDA, distributing the portion of the PAGA Payment payable to the members of the
7 PAGA Settlement Class, and calculating, administering and distributing Individual Settlement
8 Amounts to the Class Participants and related tax forms, shall be paid from the Gross Settlement
9 Amount, and is not expected to exceed \$30,000.00.

10 **6.2. PAYMENT BY DEFENDANTS**

11 Defendants shall deposit the Gross Settlement Amount in a lump sum payment plus the
12 employer-side payroll taxes to the Settlement Administrator within fifteen (15) days of the Effective
13 Date. In no event shall Defendants be obligated to pay or deposit with the Settlement Administrator
14 more than \$1,250,000.00 plus the Employer's Taxes, except where the Escalator Provision is triggered.

15 **7. NOTICE TO CLASS MEMBERS AND CLAIMS ADMINISTRATION PROCESS**

16 **7.1. THE SETTLEMENT ADMINISTRATOR**

17 The Settlement Administrator will be responsible for: mailing the Class Notice and Share Form
18 (**Exhibit 1** and **Exhibit 2**, respectively) to Class Members; posting notice of entry of final order and
19 judgment certifying the Class Settlement and approving this Settlement Agreement; handling inquiries
20 from Class Members concerning the Class Notice; determining Individual Settlement Amounts;
21 determining individual payments to members of the PAGA Settlement Class; maintaining the
22 settlement funds in an appropriate interest-bearing account; preparing, administering, and distributing
23 Individual Settlement Amounts to Class Participants; preparing, administering, and distributing
24 individual payments to members of the PAGA Settlement Class; distributing the portion of the PAGA
25 Payment payable to the LWDA; issuing a final report and performing such other duties as the Parties
26 may direct. Additionally, the Settlement Administrator will handle all tax document preparation and
27 reporting, including state and federal tax forms, if any.

1 On a weekly basis, the Settlement Administrator will provide reports to Class Counsel and
2 Defense Counsel with summary information updating them as to the number of validated and timely
3 objections and Opt Out requests. The Settlement Administrator will serve on Class Counsel and
4 Defense Counsel via e-mail date-stamped copies of the original Opt Out requests and objections no
5 later than seven (7) days after their receipt. The Settlement Administrator will provide Class Counsel
6 with proof of mailing of the Class Notice, without listing individual Class Member names which the
7 Settlement Administrator will file with the Court at the time Class Counsel files its motion in support
8 of the Court's Final Approval and Fairness Hearing.

9 No later than seven (7) days prior to the Final Approval and Fairness Hearing, the Settlement
10 Administrator will compile and deliver to Class Counsel and Defense Counsel a report with summary
11 information regarding: **(a)** the total amount of final Individual Settlement Amounts of each Class
12 Participant, without any identifying personal information; **(b)** the number of Class Participants to
13 receive such payments, and **(c)** the final number of Opt-Outs and objections.

14 Administrative Expenses are not anticipated to exceed \$30,000.00. Prior to the calculation and
15 distribution of the Individual Settlement Amounts, the Settlement Administrator shall calculate the
16 total Administrative Expenses through the conclusion of their services and such actual amount will be
17 deducted from the Gross Settlement Amount prior to the final calculation of the Individual Settlement
18 Amounts.

19 **7.2. NOTICE TO CLASS MEMBERS**

20 Notice shall be provided to Class Members in the following manner: Within twenty-one (21)
21 days after the Preliminary Approval Date, Defendants shall provide the Settlement Administrator with
22 an updated list of Class Members and members of the PAGA Settlement Class containing names, social
23 security numbers, dates of employment, last-known addresses, and phone numbers (the "Database").
24 The Database shall be marked "Confidential – Settlement Administrator's Eyes Only." Class Counsel
25 shall not receive a copy of this list.

26 Within thirty-five (35) days following the Preliminary Approval Date, the Settlement
27 Administrator shall determine the number of workweeks worked by each Class Member, populate the
28 data for each Class Member accordingly, and send each Class Member the Class Notice via first-class,

1 United States mail. The Class Notice shall also contain an easily-understood statement alerting the
2 Class Members that, unless they elect to Opt Out of the Class Settlement, the Class Member is releasing
3 and waiving all Released Claims against the Released Parties.

4 The Class Notice will inform Class Members of their estimated share of the settlement and the
5 number of workweeks they worked during the Class Period. Class Members may dispute their
6 workweeks if they believe they worked more weeks in the Class Period than Defendants' records show
7 by submitting information to the Settlement Administrator no later than forty-five (45) days after being
8 mailed the Class Notice and Share Form by the Settlement Administrator, which is the defined
9 Response Deadline. The Settlement Administrator will jointly work with Plaintiffs and Defendants to
10 resolve the dispute in good faith. If Plaintiffs and Defendants cannot agree over the workweeks to be
11 credited, the Settlement Administrator shall make the final decision based on the information presented
12 by the Class Member and Defendants.

13 **7.3. OPT OUT PROCEDURE**

14 Class Members who do not timely Opt Out of the Class Settlement will be deemed to participate
15 in the Class Settlement and shall become Class Participants without having to submit a claim form or
16 take any other action. To Opt Out of the Class Settlement, the Class Member must submit a letter or
17 postcard to the Settlement Administrator by the Response Deadline. The Opt Out request must state
18 the Class Member's name, address, telephone number, and signature. The Opt Out request should state
19 something to the effect of:

20 "I WISH TO BE EXCLUDED FROM THE SETTLEMENT CLASS IN THE
21 *CYNTHIA A. RAMIREZ. V. CAL CLOSETS RETAIL, INC., ET AL.* AND THE
22 *QUINTON LUCERO V. CAL CLOSETS RETAIL, INC., ET AL.* LAWSUITS. I
23 UNDERSTAND THAT IF I ASK TO BE EXCLUDED FROM THE SETTLEMENT
24 CLASS, I WILL NOT RECEIVE ANY MONEY FROM THE CLASS SETTLEMENT
25
26
27
28

1 OF THIS LAWSUIT AND WILL NOT BE RELEASING ANY CLAIMS I MIGHT
2 HAVE.”

3 Any Opt Out request that is not postmarked by the Response Deadline will be invalid. In the
4 event that, prior to the Response Deadline, any Class Notice mailed to a Class Member is returned as
5 having been undelivered by the United States Postal Service, the Settlement Administrator shall
6 perform a skip trace search and seek an address correction for such Class Members, and a second Class
7 Notice will be sent to any new or different address obtained. Such Class Members shall have an
8 additional fourteen (14) days from the date of the mailing of the second Class Notice in which to Opt
9 Out if the Response Deadline would have otherwise passed prior to fourteen (14) days from the date
10 of the mailing of the second Class Notice.

11 It will be presumed that, if an envelope containing the Class Notice has not been returned within
12 twenty-eight (28) days of the mailing, the Class Member received the Class Notice. At least seven (7)
13 days prior to the Final Approval and Fairness Hearing, the Settlement Administrator shall provide Class
14 Counsel and Defense Counsel with a Declaration of Due Diligence and Proof of Mailing with regard
15 to the mailing of the Class Notice and its attempts to locate Class Members. The declaration shall
16 specify the number of Class Members to whom the Class Notice was sent and the number of Class
17 Members to whom the Class Notice was not delivered, as well as information relating to the number
18 of Opt-Outs and objectors. Class Counsel shall file this declaration with the Court.

19 If the Settlement Administrator determines that an Opt Out request returned by a Class Member
20 before the Response Deadline is deficient, then the Settlement Administrator shall mail a deficiency
21 letter to that Class Member identifying the problem. If a Class Member submits both a dispute and an
22 Opt Out request, the Settlement Administrator shall make reasonable attempts to clarify as if the Opt
23 Out request was deficient. If the Class Member fails to cure the deficiency, the Opt Out request shall
24 be disregarded and the claim will be paid, and the Class Member will become bound by the judgment.

25 Class Participants will be bound by the Release of Released Claims set forth in the definition
26 of “Released Claims” provided in this Settlement Agreement.
27
28

1 A request to Opt Out of the Class Settlement shall ***not*** serve to exclude the Class Member from
2 participation in the PAGA Settlement Class. Opt-Outs shall still be entitled to their share of the PAGA
3 Payment. Class Members who are also members of the PAGA Settlement Class shall have no right or
4 ability to opt out of the portion of this Settlement Agreement releasing PAGA claims.

5 **7.4. OBJECTION PROCEDURE**

6 The Class Notice shall inform the Class Members of their right to object to the Class Settlement.
7 Any Class Member who wishes to object to the Class Settlement may submit a written objection to the
8 Settlement Administrator no later than the Response Deadline. Only Class Participants may object to
9 the Settlement. A Class Member cannot submit a request to Opt Out of the Settlement and also object
10 to the Settlement. The objection should include the case name and number and must set forth, in clear
11 and concise terms, a statement of the reasons why the objector believes that the Court should find that
12 the proposed Class Settlement is not in the best interest of the Settlement Class and the reasons why
13 the Class Settlement should not be approved. If an objector also wishes to appear at the Final Approval
14 and Fairness Hearing, in person or through an attorney, they may do so. The Settlement Administrator
15 will promptly serve copies of any objection or notice of intention to appear on Class Counsel and
16 Defense Counsel. Class Members wishing to make an objection may appear at the Final Approval and
17 Fairness Hearing, either in person or through a lawyer retained at their own expense.

18 **7.5. NOTICE OF FINAL JUDGMENT**

19 Within ten (10) days after the Court has held a Final and Fairness Approval Hearing and entered
20 a final order certifying the Class for settlement purposes only and approving the Class Settlement, the
21 Settlement Administrator will give notice of judgment to Class Members pursuant to rule 3.771(b) of
22 the California Rules of Court, by posting a copy of said order and final judgment on its website at a
23 web address to be included in the Class Notice.

24 **8. CLASS SETTLEMENT FUNDING AND DISTRIBUTION**

25 **8.1. ALLOCATION OF THE GROSS SETTLEMENT AMOUNT**

26 The claims of all Class Members are settled for the Gross Settlement Amount of \$1,250,000.00,
27 which will be allocated as follows:

- 28 1. The Administrative Expenses, estimated not to exceed \$30,000.00;

2. Class Counsel's attorney fees not to exceed \$416,666.67;
3. Class Counsel's litigation costs and expenses not to exceed \$20,000.00;
4. The Incentive Awards, not to exceed \$15,000.00; and
5. PAGA Payment to LWDA of \$75,000.00.

For purposes of calculating the estimated Individual Settlement Amounts, the Settlement Administrator shall calculate the estimated Net Settlement Amount based on the estimated values provided above prior to sending Notice to the Class Members. Prior to final distribution, the Settlement Administrator shall recalculate the final Net Settlement Amount based on the actual values of the amounts in each category.

8.2. CALCULATION OF THE INDIVIDUAL SETTLEMENT AMOUNTS FOR CLASS PARTICIPANTS

Individual Settlement Amounts to be paid to Class Participants shall be paid from the Net Settlement Amount. The portion of the Net Settlement Amount shall be distributed pro rata on a "checks cashed" basis based on the proportional number of weeks worked by each Class Member during the Class Period.

Defendants will provide the Settlement Administrator with any information reasonably necessary to perform the calculation of number of workweeks for each Class Member, and any other reasonably required information the Settlement Administrator requests to perform the calculations required under this Settlement Agreement. Defendants shall have no responsibility for deciding the validity of the Individual Settlement Amounts or any other payments made pursuant to this Settlement Agreement, shall have no involvement in or responsibility for the determination or payment of Employee's Taxes and Required Withholding, and shall have no liability for any errors made with respect to such Employee's Taxes and Required Withholding. Although the Settlement Administrator will calculate and pay the standard Employee's Taxes and Required Withholding on the portion of the Individual Settlement Amounts constituting wages on their behalf, Plaintiffs and Class Participants represent and understand that they shall be solely responsible for any and all tax obligation associated with their respective Individual Settlement Amounts and Incentive Awards.

**8.3. CALCULATION OF THE PAYMENTS FOR INDIVIDUAL MEMBERS OF
THE PAGA SETTLEMENT CLASS**

Each member of the PAGA Settlement Class shall be entitled to receive a portion of the PAGA Payment. The PAGA Payment shall consist of the penalties pursuant to PAGA that the Parties have agreed is a reasonable sum to be paid in settlement of the PAGA claims included in the Actions, which is \$100,000.00. The PAGA Payment is to be approved by the Court pursuant to Labor Code section 2699 and is to be distributed as follows: seventy-five percent (75%) (i.e., \$75,000.00) to the LWDA and twenty-five percent (25%) (i.e., \$25,000.00) to the PAGA Settlement Class.

The portion of the PAGA Payment allocated to the PAGA Settlement Class shall be distributed to the PAGA Settlement Class based on the pro rata number of pay periods worked by each particular PAGA Settlement Class member during the PAGA Period as a proportion of all pay periods worked by all PAGA Settlement Class members during the PAGA Period. Each member of the PAGA Settlement Class, including Plaintiffs, shall be responsible for the payment of the Employee's Taxes and Required Withholding with respect to their share of the PAGA Payment and shall hold Defendants harmless from any and all liability with regard thereto.

Defendants will provide the Settlement Administrator with any information reasonably necessary to perform the calculation of number of pay periods worked for each PAGA Settlement Class member, and any other reasonably required information the Settlement Administrator requests to perform the calculations required under this Settlement Agreement. Defendants shall have no responsibility for deciding the validity of the individual payment amounts allocated to each member of the PAGA Settlement Class or any other payments made pursuant to this Settlement Agreement, shall have no involvement in or responsibility for the determination or payment of Employee's Taxes and Required Withholding, and shall have no liability for any errors made with respect to such Employee's Taxes and Required Withholding.

The members of the PAGA Settlement Class shall be solely responsible for any and all tax obligation associated with their respective shares of the PAGA Payment.

1 **8.4. TIME FOR PAYMENT OF ATTORNEY FEES AND EXPENSES**

2 The Settlement Administrator shall distribute to Class Counsel any attorney fees and expenses
3 approved by the Court no later than twenty (20) days after the Effective Date.

4 **8.5. TIME FOR PAYMENT OF INCENTIVE AWARD**

5 The Settlement Administrator shall distribute to Plaintiffs the Incentive Award approved by the
6 Court no later than twenty (20) days after the Effective Date.

7 **8.6. TIME FOR PAYMENT OF PAGA PAYMENT TO THE LWDA**

8 The Settlement Administrator shall distribute to the LWDA the portion of the PAGA Payment
9 due to it and approved by the Court no later than twenty (20) days after the Effective Date.

10 **8.7. TIME FOR PAYMENT OF TAXES AND REQUIRED WITHHOLDING AND**
11 **INDIVIDUAL SETTLEMENT AMOUNTS**

12 The Settlement Administrator shall make every effort to pay the Employee's Taxes and
13 Required Withholding associated with each Class Participant's Individual Settlement Amount and mail
14 the Individual Settlement Amount to each Class Participant, by first-class United States mail, to the
15 last-known address no later than twenty (20) days after the Effective Date. If the Settlement
16 Administrator is not able to do so within the time period set forth above, it shall so inform Class Counsel
17 and Defense Counsel and provide an approximate date by which the Employee's Taxes and Required
18 Withholding shall be paid and the Individual Settlement Amounts will be mailed. Under no
19 circumstances shall the Settlement Administrator distribute checks to Class Participants until all
20 Individual Settlement Amounts have been considered, calculated, and accounted for, and all of the
21 remaining monetary obligations have been calculated and accounted for.

22 Within one hundred twenty (120) days of mailing the Individual Settlement Amounts to Class
23 Participants, the Settlement Administrator shall file with the Court and provide to Class Counsel a
24 declaration of payment. In the event that any Class Participant is deceased, payment shall be made
25 payable to the estate of that Class Member and delivered to the executor or administrator of that estate,
26 unless the Settlement Administrator has received an affidavit or declaration pursuant to California
27 Probate Code section 13101, in which case payment shall be made to the affiant(s) or declarant(s).
28

1 **8.8. NON-CASHED SETTLEMENT CHECKS**

2 Any funds associated with checks that have not been cashed within one hundred eighty (180)
3 days, will become void and the Individual Settlement Amount associated with the uncashed check will
4 be remitted pursuant to Code of Civil Procedure section 384 to the California State Controller for
5 deposit in the Unclaimed Property Fund in the name of the individual whose check was uncashed. For
6 the purposes of determining whether Defendants have met their financial obligation to pay the
7 Individual Settlement Payment, Defendants will be deemed to have fulfilled their obligation upon the
8 mailing of the check to the Class Member, regardless of whether such Class Member subsequently
9 negotiates the check.

10 **8.9. DISPUTES REGARDING CLASS MEMBER WORKWEEKS DATA OR**
11 **PAYMENT OF INDIVIDUAL SETTLEMENT SHARES**

12 Class Member Workweeks and the corresponding Individual Settlement Amount shall be
13 calculated using the employment and payroll records of Defendants, which presumptively shall be
14 deemed to be full, complete, and accurate for purposes of this Settlement Agreement. To overcome
15 that presumption, any Class Member objecting to the accuracy of the number of Workweeks or amount
16 of the Individual Settlement Amount must submit documentary evidence, such as pay stubs or other
17 written employment records, to the Settlement Administrator. Each Class Member may dispute the
18 number of Workweeks or their estimated Individual Settlement Amount contained on their Class
19 Notice (“Workweeks Dispute”). Any such Workweeks Dispute must be mailed or faxed to the
20 Settlement Administrator by the Class Member, postmarked or fax-stamped on or before the Response
21 Deadline. The Settlement Administrator shall immediately provide copies of all disputes to counsel for
22 Defendants, shall inform Class Counsel of the dispute without disclosing the identity of the Class
23 Member making the dispute, and shall immediately attempt to resolve all such disputes directly with
24 relevant Class Members with the assistance of Defendants, Defense Counsel, and Class Counsel. If the
25 dispute cannot be resolved, it shall be submitted to the Settlement Administrator for its decision. The
26 Settlement Administrator shall use its best efforts to resolve all such disputes prior to the Effective
27 Date. Plaintiff shall file with the Court all disputes submitted by the Class Members, and all evidence
28 provided by class members in connection with any dispute, and the findings of the Settlement

1 Administrator. The Court shall have the right to review any decision made by the Settlement
2 Administrator.

3 **9. NULLIFICATION OF THIS SETTLEMENT AGREEMENT**

4 **9.1. NON-APPROVAL OF THIS SETTLEMENT AGREEMENT**

5 The Class Settlement and conditional class certification shall be considered null and void, and
6 neither the Class Settlement, conditional class certification, nor any of the related negotiations or
7 proceedings, shall be of any force or effect, and all Parties to the Class Settlement shall stand in the
8 same position, without prejudice, as if the Class Settlement had been neither entered into nor filed with
9 the Court, if any of the following occur: **(a)** the Court should for any reason fail to approve this
10 Settlement Agreement in the form agreed to by the Parties; **(b)** the Court should for any reason fail to
11 enter a judgment with prejudice of the Actions, or **(c)** the approval of the Class Settlement and judgment
12 is reversed, modified, or declared or rendered void. Notwithstanding the foregoing, the Parties may
13 attempt in good faith to cure any perceived defects in this Settlement Agreement to facilitate approval.

14 **9.2. PARTIES' RIGHTS TO VOID CLASS SETTLEMENT; ESCALATOR** 15 **PROVISION**

16 If 10% or more members of the Settlement Class timely submit opt out requests, Defendants
17 shall have the right (but not the obligation) to void the settlement. If the number of workweeks is 10%
18 greater than represented by Defendants, as described above, then the GSA shall be increased
19 proportionately for each additional week worked above the 10% threshold. For example, if the number
20 of workweeks is greater than 55,346, the GSA shall be increased by an additional \$24.84 per workweek
21 over 55,346.

22 **9.3. INVALIDATION**

23 Invalidation of any material portion of this Settlement Agreement shall invalidate the Class
24 Settlement in its entirety, unless the Parties subsequently agree in writing that the remaining provisions
25 of the Class Settlement are to remain in full force and effect.

26 **9.4. STAY ON APPEAL**

27 In the event of a timely appeal from the approval of the Class Settlement and judgment, the
28 judgment shall be stayed, and Defendants shall not be obligated to fund the Gross Settlement Amount

1 or take any other actions required by this Settlement Agreement until all appeal rights have been
2 exhausted by operation of law.

3 **10. MOTIONS FOR COURT APPROVAL**

4 **10.1. PRELIMINARY APPROVAL**

5 As soon as practicable after execution of this Settlement Agreement, Class Counsel will submit
6 this Settlement Agreement to the Court along with a Motion for Preliminary Approval of the Class
7 Settlement. Each party shall cooperate to present the Class Settlement to the Court for preliminary
8 approval in a timely fashion.

9 **10.2. FINAL APPROVAL**

10 The Final Approval and Fairness Hearing shall be held before the Court. At the Final Approval
11 and Fairness Hearing, Plaintiffs shall move the Court for the entry of the final order certifying the
12 Settlement Class for settlement purposes only and approving the Class Settlement as being fair,
13 reasonable, and adequate to the Class Participants within the meaning of California Rules of Court,
14 Rule 3.769, subdivisions (c), (d) and (e), and for the entry of a final judgment of the Actions consistent
15 with the terms of the Class Settlement and rule 3.769, subdivision (h), of the California Rules of Court.
16 Class Counsel and Defense Counsel shall submit to the Court such pleadings and/or evidence as may
17 be required for the Court's determination.

18 **11. RELEASES AND WAIVERS**

19 **11.1. RELEASE OF CLAIMS BY THE SETTLEMENT CLASS**

20 Upon the Effective Date, the Releasing Parties shall be deemed to each release the Released
21 Parties, and each of them, of and from any and all Released Claims arising during the Class Period. It
22 is the desire of the Parties and the Releasing Parties to fully, finally, and forever settle, compromise,
23 and discharge the Released Claims. Each of the Releasing Parties, including each Class Participant,
24 will be bound by the release of Released Claims as a result of the Class Settlement and to the terms of
25 the final judgment and the satisfaction of such judgment.

26 Class Participants will be deemed to have acknowledged and agreed that their claims for wages
27 and/or penalties in the Actions are disputed, and that their Individual Settlement Amount constitutes
28 payment of all sums allegedly due to them. Class Participants will be deemed to have acknowledged

1 and agreed that California Labor Code section 206.5 is not applicable to the Individual Settlement
2 Amount. That section provides in pertinent part as follows:

3 “An employer shall not require the execution of a release of a claim or right on account
4 of wages due, or to become due, or made as an advance on wages to be earned, unless
5 payment of those wages has been made.”
6

7 **11.2. RELEASE OF CLAIMS BY PLAINTIFFS**

8 Plaintiffs, on behalf of themselves and their dependents, heirs and assigns, beneficiaries,
9 devisees, legatees, executors, administrators, agents, trustees, conservators, guardians, personal
10 representatives, and successors-in-interest, whether individual, class, representative, legal, equitable,
11 direct or indirect, or any other type or in any other capacity, shall and does hereby forever release,
12 discharge and agree to hold harmless the Released Parties from any and all charges, complaints, claims,
13 liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits,
14 rights, demands, costs, losses, debts and expenses (including attorney fees and costs), known or
15 unknown, at law or in equity, which they may now have or may have after the signing of this Settlement
16 Agreement, arising out of or in any way connected with their employment with Defendants including,
17 the Released Claims, claims that were asserted or could have been asserted in the Complaint, and any
18 and all transactions, occurrences, or matters between the Parties occurring prior to the date this
19 Settlement Agreement is fully executed. Without limiting the generality of the foregoing, this release
20 shall include, but not be limited to, any and all claims under: **(a)** the Americans with Disabilities Act;
21 **(b)** Title VII of the Civil Rights Act of 1964; **(c)** the Civil Rights Act of 1991; **(d)** 42 U.S.C. § 1981;
22 **(e)** the Age Discrimination in Employment Act; **(f)** the Fair Labor Standards Act; **(g)** the Equal Pay
23 Act; **(h)** the Employee Retirement Income Security Act, as amended; **(i)** the Consolidated Omnibus
24 Budget Reconciliation Act; **(j)** the Rehabilitation Act of 1973; **(k)** the Family and Medical Leave Act;
25 **(l)** the Civil Rights Act of 1966; **(m)** the California Fair Employment and Housing Act; **(n)** the
26 California Constitution; **(o)** the California Labor Code; **(p)** the California Government Code; **(q)** the
27 California Civil Code; and **(r)** any and all other federal, state, and local statutes, ordinances,
28 regulations, rules, and other laws, and any and all claims based on constitutional, statutory, common

1 law, or regulatory grounds as well as any other claims based on theories of wrongful or constructive
2 discharge, breach of contract or implied contract, fraud, misrepresentation, promissory estoppel, or
3 intentional infliction of emotional distress, negligent infliction of emotional distress, or damages under
4 any other federal, state, or local statutes, ordinances, regulations, rules, or laws. This release is for any
5 and all relief, no matter how denominated, including, but not limited to, back pay, front pay, vacation
6 pay, bonuses, compensatory damages, tortious damages, liquidated damages, punitive damages,
7 damages for pain and suffering, and attorney fees and costs, and Plaintiffs hereby forever releases,
8 discharges and agrees to hold harmless Defendants and the Released Parties from any and all claims
9 for attorney fees and costs arising out of the matters released in this Settlement Agreement.

10 Plaintiffs specifically acknowledge that they are aware of and are familiar with the provisions
11 of California Civil Code section 1542, which provides as follows:

12 “A general release does not extend to claims that the creditor or releasing party does not
13 know or suspect to exist in his or her favor at the time of executing the release and that,
14 if known by him or her, would have materially affected his or her settlement with the
15 debtor or released party.”
16

17 Plaintiffs, being aware of California Civil Code section 1542, hereby expressly waive and
18 relinquish all rights and benefits they may have under section 1542 as well as any other statutes or
19 common law principles of a similar effect. Plaintiffs may hereafter discover facts in addition to or
20 different from those which they now know or believe to be true with respect to the subject matter of all
21 the claims referenced herein, but agree that, upon the Effective Date, Plaintiffs shall and hereby do
22 fully, finally, and forever settle and release any and all claims against the Released Parties, known or
23 unknown, suspected or unsuspected, contingent or non-contingent, that were asserted or could have
24 been asserted upon any theory of law or equity without regard to the subsequent discovery of existence
25 of such different or additional facts.

26 **11.3. CIRCULAR 230 DISCLAIMER**

27 Each party to this Settlement Agreement (for purposes of this section, the “Acknowledging
28 Party”; and each party to this Agreement other than the Acknowledging Party, an “Other Party”)

acknowledges and agrees that **(1)** no provision of this Settlement Agreement, and no written communication or disclosure between or among the parties or their attorneys and other advisers, is or was intended to be, nor shall any such communication or disclosure constitute or be construed or be relied upon as, tax advice within the meaning of United States Treasury Department Circular 230 (31 C.F.R. Part 10); **(2)** the Acknowledging Party **(a)** has relied exclusively upon his, her or its own independent legal and tax advisers for advice (including tax advice) in connection with this Settlement Agreement, **(b)** has not entered into this Settlement Agreement based upon the recommendation of any other party or any attorney or advisor to any other party, and **(c)** is not entitled to rely upon any communication or disclosure by any attorney or adviser to any other party to avoid any tax penalty that may be imposed on the Acknowledging Party; and **(3)** no attorney or adviser to any other party has imposed any limitation that protects the confidentiality of any such attorney's or adviser's tax strategies (regardless of whether such limitation is legally binding) upon disclosure by the Acknowledging Party of the tax treatment or tax structure of any transaction, including any transaction contemplated by this Settlement Agreement.

12. DUTIES OF THE PARTIES

12.1. MUTUAL FULL COOPERATION

The Parties agree to cooperate fully with one another to accomplish and implement the terms of this Settlement Agreement. Such cooperation shall include, but not be limited to, execution of such other documents and the taking of such other actions as may reasonably be necessary to fulfill the terms of this Settlement Agreement. The Parties shall use their best efforts, including all efforts contemplated by this Settlement Agreement and any other efforts that may become necessary by court order or otherwise, to effectuate this Settlement Agreement and the terms set forth herein. As soon as practicable after execution of this Settlement Agreement, Class Counsel, with the cooperation of Defendants and Defense Counsel, shall take all necessary and reasonable steps to secure the Court's final approval of this Settlement Agreement.

12.2. DUTY TO SUPPORT AND DEFEND THE CLASS SETTLEMENT

The Parties agree to abide by all of the terms of this Settlement Agreement in good faith and to support the Class Settlement fully and to use their best efforts to defend this Class Settlement from any legal challenge, whether by appeal or collateral attack.

12.3. DUTIES PRIOR TO COURT APPROVAL

Class Counsel shall promptly submit this Settlement Agreement to the Court for preliminary approval and determination by the Court as to its fairness, adequacy, and reasonableness. Promptly upon execution of this Settlement Agreement, Class Counsel shall apply to the Court for the entry of a preliminary order scheduling a hearing on the question of whether the proposed Class Settlement should be approved as fair, reasonable, and adequate as to the Class Members, approving as to form and content the proposed Class Notice and Share Form attached hereto as **Exhibit 1** and **Exhibit 2**, respectively, and directing the mailing of the Class Notice to Class Members. While Defendants can reserve their right to object to facts or assertions made in the moving papers, Defense Counsel shall file a notice of non-opposition to the granting of the motion for preliminary approval or join in the motion.

13. MISCELLANEOUS PROVISIONS

13.1. VOIDING THIS SETTLEMENT AGREEMENT

Pending Court approval and other than as provided herein, if any of the conditions set forth in this Settlement Agreement are not met and satisfied, this Settlement Agreement may, at the option of either Plaintiffs or Defendants, be ineffective, void, and of no further force and effect, and may not be used or be admissible in any subsequent proceeding, either in this Court or in any other court or forum. If either Party decides to void the Settlement Agreement, then the Settlement Agreement and conditional class certification shall be considered void, and neither the Settlement Agreement, conditional class certification, nor any of the related negotiations or proceedings, shall be of any force or effect, and the Parties shall stand in the same position, without prejudice, as if this Settlement Agreement had been neither entered into nor filed with the Court. Should any Party choose to void the Class Settlement under this subsection, such Party shall be responsible for all Settlement Administrator fees and costs actually incurred.

13.2. DIFFERENT FACTS

The Parties acknowledge that, except for matters expressly represented herein, the facts in relation to the dispute and all claims released by the terms of this Settlement Agreement may turn out to be different from the facts now known by each party and/or its counsel, or believed by such Party or counsel to be true, and each Party therefore expressly assumes the risk of the existence of different or presently unknown facts, and agrees that this Settlement Agreement shall be in all respects effective and binding despite such difference.

13.3. NO PRIOR ASSIGNMENTS

The Parties represent, covenant, and warrant that they have not directly or indirectly assigned, transferred, encumbered, or purported to assign, transfer, or encumber to any person or entity any portion of any liability, claim, demand, action, cause of action, or right herein released and discharged except as set forth herein.

13.4. NON-ADMISSION

Nothing in this Settlement Agreement shall be construed as or deemed to be an admission by any Party of any liability, culpability, negligence, or wrongdoing toward any other Party, or any other person, and the Parties specifically disclaim any liability, culpability, negligence, or wrongdoing toward each other or any other person. Each of the Parties has entered into this Settlement Agreement with the intention to avoid further disputes and litigation with the attendant inconvenience, expenses, and contingencies. Nothing herein shall constitute any admission by Defendants of wrongdoing or liability, or of the truth of any factual allegations in the Actions. Nothing herein shall constitute any admission by Defendants regarding the merits of the Claims in these Actions, including but not limited to claims for unpaid wages or violations under California or federal law. Nothing herein shall constitute an admission by Defendants that the Actions was properly brought as a class or representative action other than for settlement purposes. To the contrary, Defendants have denied and continue to deny each and every material factual allegation and all Claims. To this end, the Class Settlement of the Actions, the negotiation and execution of this Settlement Agreement, and all acts performed or documents executed pursuant to or in furtherance of this Settlement Agreement or the Class Settlement are not, shall not be deemed to be, and may not be used as, an admission or evidence of any wrongdoing or

1 liability on the part of Defendants or of the truth of any of the factual allegations in the Complaint in
2 the Actions; and are not, shall not be deemed to be, and may not be used as, an admission or evidence
3 of any fault or omission on the part of Defendants in any civil, criminal, or administrative proceeding
4 in any court, administrative agency, or other tribunal.

5 **13.5. NON-EVIDENTIARY USE**

6 Neither this Agreement nor any of its terms, nor any statements or conduct in the negotiation
7 or drafting of it, shall be offered or used as evidence by Plaintiffs, any Class Member (including any
8 individual who requested to be excluded from the Settlement Class), Defendants, or its, her, his, or
9 their respective counsel, in the Actions, except as is reasonably necessary to effectuate the Settlement
10 Agreement's purpose and terms. This Settlement Agreement may, however, be used by Defendants
11 and the Released Parties to prove or defend against any claim released herein by any Class Member in
12 any judicial, quasi-judicial, administrative, or governmental proceeding.

13 **13.6. MEDIA OR PRESS**

14 Plaintiffs and Defendants, and their respective counsel, recognize, accept, and agree that the
15 Parties to this Settlement Agreement desire that the terms of this Settlement Agreement, the fact of the
16 Class Settlement embodied in this Settlement Agreement, the disposition of the Actions, the Actions,
17 and all matters relating to the litigation of the Actions, including discovery proceedings therein, and
18 evidence obtained during the course of the Actions, shall not be discussed with or presented to the
19 media or press.

20 **13.7. NON-RETALIATION**

21 Defendants understand and acknowledge that they have a legal obligation to not retaliate against
22 any Class Member who elects to participate in the Class Settlement or elects to Opt Out of the Class
23 Settlement. Defendants will refer any inquiries regarding this Class Settlement to the Settlement
24 Administrator or Class Counsel and will not discourage Class Members who are employees, directly
25 or indirectly, from making claims, opting out, or objecting to the Class Settlement. None of the Parties,
26 or their respective attorneys or agents, shall solicit or encourage any Class Members, directly or
27 indirectly, to Opt Out of the Class Settlement.
28

1 **13.8. CONSTRUCTION**

2 The Parties agree that the terms and conditions of this Settlement Agreement are the result of
3 lengthy, intensive, arms-length, non-collusive negotiations between the Parties and that this Settlement
4 Agreement is not to be construed in favor of or against any party by reason of the extent to which any
5 party or its counsel participated in the drafting of this Settlement Agreement. If any of the dates in this
6 Settlement Agreement fall on a weekend, bank or court holiday, the time to act shall be extended to the
7 next business day.

8 **13.9. GOVERNING LAW**

9 This Settlement Agreement is intended to and shall be governed by the laws of the State of
10 California, without regard to conflict of law principles, in all respects, including execution,
11 interpretation, performance, and enforcement.

12 **13.10. NOTICES**

13 Except for Class Member notices required to be made by the Settlement Administrator, all
14 notices or other communications required or permitted under this Settlement Agreement shall be in
15 writing and shall be sufficiently given if delivered in person to the party or their counsel by U.S.
16 certified mail, postage prepaid, e-mail, facsimile, or overnight delivery addressed to the address of the
17 party appearing in this Settlement Agreement.

18 **13.11. CAPTIONS AND INTERPRETATIONS**

19 Section titles or captions contained herein are inserted as a matter of convenience and for
20 reference only and in no way define, limit, extend, or describe the scope of this Settlement Agreement
21 or any provision thereof.

22 **13.12. MODIFICATION**

23 This Settlement Agreement may not be changed, altered, or modified, except in writing signed
24 by the Parties or the Parties' counsel on their behalf. If preliminary or final approval of this Settlement
25 Agreement has been granted by the Court, then any such amendments or modifications to this
26 Settlement Agreement shall be approved by the Court. This Settlement Agreement may not be
27 discharged except by performance in accordance with its terms or by a writing signed by the Parties.
28

1 **13.13. INTEGRATION CLAUSE**

2 This Settlement Agreement contains the entire agreement between the Parties relating to the
3 Class Settlement of the Actions and the transactions contemplated thereby, and all prior or
4 contemporaneous agreements, understandings, representations, and statements, whether oral or written,
5 and whether by a party or such party's legal counsel, are hereby superseded. No rights under this
6 Settlement Agreement may be waived except in writing as provided above.

7 **13.14. SUCCESSORS AND ASSIGNS**

8 This Settlement Agreement shall be binding on and inure to the benefit of the Parties and Class
9 Members (excluding only persons who timely Opt Out) and their respective present and former heirs,
10 trustees, executors, administrators, representatives, officers, directors, shareholders, agents, employees,
11 insurers, attorneys, accountants, auditors, advisors, consultants, pension plans, welfare benefit plans,
12 fiduciaries, parent companies, subsidiaries, affiliates, related companies, joint ventures, predecessors,
13 successors, and assigns.

14 **13.15. CORPORATE SIGNATORIES**

15 Any person executing this Settlement Agreement or any such related document on behalf of a
16 corporate signatory or on behalf of a partnership hereby warrants and promises, for the benefit of all
17 Parties hereto, that such person has been duly authorized by such corporation or partnership to execute
18 this Settlement Agreement or any such related document.

19 **13.16. EXECUTION IN COUNTERPARTS**

20 This Settlement Agreement shall become effective upon its execution by all of the undersigned.
21 The Parties may execute this Settlement Agreement in counterparts, and execution of counterparts shall
22 have the same force and effect as if all Settling Parties had signed the same instrument.

23 **13.17. ATTORNEY FEES, COSTS, AND EXPENSES**

24 Except as otherwise specifically provided for herein, each party shall bear his, her or its own
25 attorney fees, costs, and expenses, taxable or otherwise, incurred by them in or arising out of the
26 Actions and shall not seek reimbursement thereof from any other party to this Settlement Agreement.
27
28

13.18. ACTION TO ENFORCE AGREEMENT

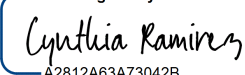
In any suit or court action to enforce the terms of this Agreement, the prevailing party shall be entitled to recover her or its attorney fees and costs.

14. EXECUTION

The Parties and their counsel have executed this Settlement Agreement on the date below their signatures or the signature of their representatives. The date of this Settlement Agreement shall be the date of the latest signature.

APPROVAL AND EXECUTION BY PARTIES**CLASS REPRESENTATIVES:**

Dated: 2/3/2022 _____

DocuSigned by:

 A2812A63A73042B...

Cynthia A. Ramirez
 Plaintiff and Class Representative

Dated: _____

Quinton Lucero
 Plaintiff and Class Representative

DEFENDANTS:

Dated: _____

Cal Closets Retail, Inc.
 Lunsford Design, Inc.

By: _____

Title: _____

13.18. ACTION TO ENFORCE AGREEMENT

In any suit or court action to enforce the terms of this Agreement, the prevailing party shall be entitled to recover her or its attorney fees and costs.

14. EXECUTION

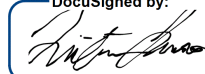
The Parties and their counsel have executed this Settlement Agreement on the date below their signatures or the signature of their representatives. The date of this Settlement Agreement shall be the date of the latest signature.

APPROVAL AND EXECUTION BY PARTIES**CLASS REPRESENTATIVES:**

Dated: _____

Cynthia A. Ramirez
Plaintiff and Class Representative

Dated: 2/4/2022 _____

DocuSigned by:

239A484C88B7452...

Quinton Lucero
Plaintiff and Class Representative

DEFENDANTS:

Dated: _____

Cal Closets Retail, Inc.
Lunsford Design, Inc.

By: _____

Title: _____

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14. EXECUTION

APPROVAL AND EXECUTION BY PARTIES

Dated: _____

Dated: _____

DEFENDANTS:

Dated: March 4, 2022

By: President Charles E. Chase

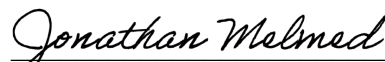
Title: President

APPROVED AS TO FORM BY COUNSEL

CLASS COUNSEL:

Dated: February 3, 2022

Melmed Law Group P.C.


Jonathan Melmed
Attorneys for Plaintiffs

Dated: _____

Employment Lawyers

Leonard Emma
Attorneys for Plaintiffs

DEFENDANTS' COUNSEL:

Dated: _____

LITTLER MENDELSON P.C.

D. Chad Anderton
Attorneys for Defendants

APPROVED AS TO FORM BY COUNSEL

CLASS COUNSEL:

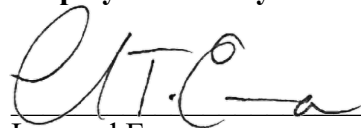
Dated: _____

Melmed Law Group P.C.

Jonathan Melmed
Attorneys for Plaintiffs

Dated: February 4, 2022

Employment Lawyers



Leonard Emma
Attorneys for Plaintiffs

DEFENDANTS' COUNSEL:

Dated: March 10, 2022

LITTLER MENDELSON P.C.



D. Chad Anderton
Attorneys for Defendants

EXHIBIT 1

Notice of Proposed Class Action Settlement

1
2
3 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
4 **FOR THE COUNTY OF ORANGE**

5 CYNTHIA A. RAMIREZ, an individual on
6 behalf of herself, the State of California, as
7 private attorneys general, and on behalf of all
8 others similarly situated,

9 Plaintiffs,

10 v.

11 CAL CLOSETS RETAIL, INC., a Delaware
12 corporation; and DOES 1 TO 50,

13 Defendants.
14

Case Number: 30-2021-01184589-CU-OE-CXC

**NOTICE OF PROPOSED CLASS ACTION
SETTLEMENT**

15 *A court authorized this notice. This is not a solicitation from a lawyer.*
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1 **NOTICE OF PROPOSED CLASS ACTION SETTLEMENT**

2 *You may be eligible to receive a settlement payment. Please read this notice carefully.*

3 A proposed class action settlement agreement (the “Settlement”) has been reached between:
4 **(1)** Plaintiffs Cynthia A. Ramirez and Quinton Lucero (collectively “Plaintiffs”), individually and in
5 their representative capacity on behalf of a group of prospective class members defined below, and as
6 private attorneys general on behalf of the State of California; and **(2)** Defendants Cal Closets Retail,
7 Inc. and Lunsford Design, Inc. (collectively, “Defendants”). The Settlement resolves disputed claims
8 against Defendants arising out of their compensation practices during the period from February 17,
9 2017, through December 31, 2021 (the “Class Period”) as applied to all individuals who are or were
10 employed by Defendant(s) as non-exempt employees in California during the Class Period (“Class
11 Members”).

12 The Court has granted preliminary approval of the Settlement and ordered this notice to be sent
13 to you because you may be entitled to money under the Settlement and because the Settlement affects
14 your legal rights.

15 **NO ACTION NEEDS TO BE TAKEN TO RECEIVE MONEY UNDER THE**
16 **SETTLEMENT:** If you are a Class Member (as defined above) and received this notice, you are
17 automatically included in the Settlement and do not need to take any further action to receive a
18 payment. If you accept your settlement amount, you will release the claims described below.

19 **1. DESCRIPTION OF THE LAWSUIT**

20 On February 17, 2021, Plaintiff Cynthia Ramirez, individually and in her representative
21 capacity on behalf of the Class Members, and as a private attorney general on behalf of the State of
22 California, filed a complaint against Defendants in the Superior Court of California for the County of
23 Orange in the matter of *Cynthia A. Ramirez, et al. v. Cal Closets Retail, Inc., et al.*, case number **30-**
24 **2021-01184589-CU-OE-CXC**. The Action sought recovery for Defendants’ alleged: **(1)** failure to pay
25 minimum wage for all hours worked; **(2)** failure to pay proper overtime wages; **(3)** failure to provide
26 compliant rest periods and pay missed rest break premiums; **(4)** failure to provide compliant meal
27 periods and pay missed meal period premiums; **(5)** failure to reimburse business expenses; **(6)** failure
28 to pay timely wages during employment; **(7)** failure to pay all wages due and owing at separation;

1 (8) failure to provide complete and accurate wage statements; (9) failure to properly pay sick leave;
2 (10) failure to maintain accurate records; (11) deceptive, fraudulent, or otherwise unlawful business
3 practices based on the foregoing in violation of California’s Unfair Competition Law; and
4 (12) statutory penalties based on the foregoing pursuant to the California Labor Code Private Attorneys
5 General Act of 2004 (“PAGA”). (The lawsuit is referred to herein as the “Action”).

6 **Defendants deny all liability, deny all allegations in the Action, and have raised various**
7 **defenses to the claims.** Defendants assert that they fully complied with all applicable wage and hour
8 laws, and contend that civil penalties under PAGA are not warranted. Defendants also deny that the
9 Action is suitable for class certification. Defendants have entered into the Settlement solely for
10 purposes of resolving this dispute to avoid costly, disruptive, and time-consuming litigation and do not
11 admit to any wrongdoing or liability.

12 The Court has not ruled on the merits in the Action. By approving the Settlement and issuing
13 this notice, the Court is *not* suggesting which side would win or lose the case if it went to trial or
14 whether the claims are suitable for class certification. To avoid the additional expense, inconvenience,
15 and risk of continued litigation, however, Plaintiffs and Defendants (the “Parties”) have concluded that
16 it is in their respective best interests and the interests of the Class Members to settle the Action on the
17 terms summarized in this notice. The Settlement was reached after Defendants provided extensive
18 information and documents to Plaintiffs’ counsel, and after lengthy arms-length non-collusive
19 negotiations between the Parties, including mediation with an experienced and well-respected mediator
20 in California. In these negotiations, both sides recognized the substantial risk of the Court deciding
21 against them at trial and determined that the Settlement was a fair, reasonable, and adequate way to
22 resolve the disputed claims.

23 Plaintiffs and Plaintiffs’ counsel—Jonathan Melmed and Laura Supanich of Melmed Law
24 Group P.C. and Leonard Emma of Employment Lawyers (“Class Counsel”)—support the Settlement.
25 Among the reasons for support are the defenses to liability potentially available to Defendants, the risk
26 of denial of class certification, the inherent risk of trial on the merits, and the delays and uncertainties
27 associated with litigation. Plaintiffs and Class Counsel believe that the settlement described in this
28 notice is fair, adequate, reasonable, and in the best interests of Plaintiffs and the Class Members.

Under the Settlement, the following settlement class will be certified under California law: *all individuals who are or were employed by Defendant(s) as non-exempt employees in California during the Class Period*. The “Class Period” is defined as the period from February 17, 2017, through December 31, 2021. The Settlement provides for a gross settlement amount of \$1,250,000.00, a share of which is to be distributed to the Class Members based on the pro rata number of weeks worked by the Class Members during the Class Period as a proportion of all weeks worked by all Class Members. In exchange for their share of the settlement amount, all participating Class Members will be deemed to have released Defendants from liability on the terms described in this notice.

On [date of preliminary approval], the Court preliminarily approved the Settlement and conditionally certified the settlement class. This notice is being sent to you because Defendants’ records indicate that you worked for Defendants during the Class Period and that you meet the definition required to be treated as a Class Member.

2. IF YOU ARE STILL EMPLOYED BY DEFENDANTS, THIS SETTLEMENT WILL NOT AFFECT YOUR EMPLOYMENT.

California law strictly prohibits retaliation. Further, Defendants are prohibited by law from taking any adverse action against or otherwise target, retaliate, or discriminate against any Class Member because of the Class Member’s participation or decision not to participate in the Settlement.

3. TERMS OF THE SETTLEMENT

Defendants have agreed to pay \$1,250,000.00 (the “Gross Settlement Amount”) to resolve the claims in the Action. The Parties agreed to the following payments from the Gross Settlement Amount:

1. **Settlement Administration Costs.** The Court has approved ILYM Group, Inc. to act as the “Settlement Administrator,” who is sending this notice to you and will perform many other duties relating to the Settlement. Under the Settlement, up to \$30,000.00 will be paid from the Gross Settlement Amount to pay the Settlement Administration Costs.
2. **Attorneys’ Fees and Expenses.** Class Counsel have been prosecuting the Action on behalf of the Class Members on a contingency fee basis (that is, without being paid any money to date) and have been paying all litigation costs and expenses. To date, the

Parties have aggressively litigated many aspects of the case including investigation, settlement efforts, and a full-day mediation session. The Court will determine the actual amount awarded to Class Counsel as attorneys' fees, which will be paid from the Gross Settlement Amount. Class Members are not personally responsible for any of Class Counsel's attorneys' fees or expenses. Class Counsel will ask for fees of one-third of the Gross Settlement Amount (i.e., \$416,666.67) as reasonable compensation for the work Class Counsel performed and will continue to perform in the Action. Class Counsel also will ask for reimbursement of up to \$20,000.00 for the costs Class Counsel incurred in connection with the Action.

3. **Service Payment to Class Representatives.** Class Counsel will ask the Court to provide a service payment to Plaintiffs in the amount of \$7,500.00 for Cynthia A. Ramirez and \$7,500.00 for Quinton Lucero to compensate them for their efforts on behalf of the Class Members in the Action, including assisting in the investigation and consulting with Class Counsel and providing crucial documents to Class Counsel. Plaintiffs also may receive a share of the Settlement as a Class Member.

4. **PAGA Payment.** The Parties have agreed on a reasonable sum to be paid in settlement of the PAGA claims included in the Action, which is \$100,000.00. The PAGA Payment is to be approved by the Court pursuant to Labor Code section 2699 and is to be distributed as follows: seventy-five percent (75%) (i.e., \$75,000.00) to the LWDA and twenty-five percent (25%) (i.e., \$25,000.00) to the individuals who come within the definition of an "aggrieved employee" for the purposes of the Settlement (i.e., all individuals who are or were employed by Defendants as non-exempt employees in California during the PAGA Period). The "PAGA Period" is defined for these purposes to mean the period from February 17, 2020, through December 31, 2021.

After deducting the amounts above, the balance of the settlement amount will form the "Net Settlement Amount" for distribution to the Class Members.

1 **4. DISTRIBUTION OF THE SETTLEMENT TO THE CLASS MEMBERS**

2 Each eligible Class Member who does not request exclusion from the Settlement will be deemed
3 a “Class Participant” and will receive a share from the Net Settlement Amount which will be distributed
4 pro rata based on the proportional number of weeks worked by each Class Member during the Class
5 Period (the “Individual Settlement Amount”). If any Class Member requests exclusion from the
6 Settlement, his or her share will be distributed to the remaining Class Participants.

7 Forty percent (40%) of each Individual Settlement Amount will constitute payment in the form
8 of wages (and each Class Participant will be issued an IRS Form W-2 for such payment to him or her),
9 and Sixty percent (60%) of each Individual Settlement Amount will constitute penalties and interest
10 (and each Class Participant will be issued an IRS Form 1099 for such payment to him or her).

11 Defendants, or their proxies, shall take all usual and customary deductions from the Individual
12 Settlement Amount payments that are distributed as wages, including, but not limited to, state and
13 federal tax withholding, disability premiums, and unemployment insurance premiums. There will be
14 no deduction taken from the interest or penalty distribution—it will, however, be reported on IRS Form
15 1099 as income. Class Participants are responsible for the proper income tax treatment of their
16 Individual Settlement Amount. The Settlement Administrator, Defendants and their counsel, and Class
17 Counsel cannot provide tax advice. Accordingly, Class Members should consult with their tax advisors
18 concerning the tax consequences and treatment of payments they receive under the Settlement.

19 The workweeks you worked for Defendants during the Class Period will be calculated based
20 on Defendants’ records. If you feel that you were not credited with the correct number of workweeks
21 worked during the Class Period, you may submit evidence to the Settlement Administrator on or before
22 [Response Deadline] with documentation to establish the number of workweeks you claim to have
23 actually worked during the Class Period. **Documentation sent to the Settlement Administrator will**
24 **not be returned or preserved, so do *not* send originals.** The Parties and the Settlement Administrator
25 will promptly evaluate the evidence submitted and discuss in good faith how many workweeks should
26 be credited. The Settlement Administrator will make the final decision as to how many weeks are
27 credited and report the outcome to the Class Participant. If you are unsatisfied with the decision, you
28 may submit an objection, which is explained below.

1 Settlement checks will be mailed to all Class Participants after the Court grants final approval
2 of the Settlement and judgment is entered.

3 **5. THE RELEASE OF CLAIMS**

4 If the Court approves the Settlement, the Court will enter judgment and the Settlement will bind
5 all Class Participants. The Class Participants will then be barred from bringing any “Released Claims”
6 against the “Released Parties” as those terms are defined below.

7 The “Released Parties” are Defendants and all of Defendants’ parents, subsidiaries, affiliates,
8 shareholders, members, agents, employees, officers, predecessors, successors, and assigns, including
9 but not limited to SB Closets, Inc.

10 The “Released Claims” are those claims arising out of or related to the allegations set forth in
11 the Actions and/or the PAGA notice to the California Labor & Workforce Development Agency, which
12 arose during the Class Period, including claims for: **(1)** failure to pay minimum wage for all hours
13 worked in violation of Labor Code sections 1194 and 1194.2, and the Applicable Wage Order;
14 **(2)** failure to pay proper overtime wages in violation of Labor Code sections 510, 1197, and 1198, and
15 the Applicable Wage Order; **(3)** failure to provide compliant rest periods and pay missed rest break
16 premiums in violation of Labor Code section 226.7 and the Applicable Wage Order; **(4)** failure to
17 provide compliant meal periods and pay missed meal period premiums in violation of Labor Code
18 sections 226.7 and 512, and the Applicable Wage Order; **(5)** failure to maintain accurate employment
19 records in violation of Labor Code section 1174; **(6)** failure to pay timely wages during employment in
20 violation of Labor Code sections 204, 210; **(7)** failure to pay all wages due and owing at separation in
21 violation of Labor Code sections 201, 202, and 203; **(8)** failure to reimburse business expenses in
22 violation of Labor Code sections 2802 and 2804; **(9)** failure to provide complete and accurate wage
23 statements in violation of Labor Code sections 226 and 226.3; **(10)** deceptive, fraudulent, or otherwise
24 unlawful business practices based on the foregoing in violation of California’s Unfair Competition Law
25 (Bus. & Prof. Code, §§ 17200–17210); **(11)** failure to comply with California sick pay requirements;
26 **(12)** statutory penalties based on the foregoing pursuant to PAGA (Lab. Code, §§ 2698-2699.6); and
27 **(13)** all claims for liquidated damages, penalties, interest, fees, costs based on the foregoing. The
28

1 Release Period is the Class Period. No other claims are released other than those claims specifically
2 plead in the operative complaint in the Actions.

3 The Settlement does *not* release Defendants or any person, party, or entity from claims, if any,
4 by Class Members for workers compensation, unemployment, or disability benefits of any nature. Nor
5 does it release any claims, actions, or causes of action which may be possessed by Class Members
6 under state or federal discrimination statutes, including, without limitation, the California Fair
7 Employment and Housing Act (Gov. Code, §§ 12900–12996); the Unruh Civil Rights Act (Civ. Code,
8 § 51); the California Constitution; Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000, et seq.);
9 the Americans with Disabilities Act (42 U.S.C. § 12101, et seq.); the Employee Retirement Income
10 Security Act of 1974 (29 U.S.C. § 1001 et seq.); and all of their implementing regulations and
11 interpretive guidelines.

12 Class Members who do not request exclusion from the Settlement will be deemed to have
13 acknowledged and agreed that their claims for wages and penalties in the Action are disputed, and that
14 the Settlement payments constitute payment of all sums allegedly due to them. Class Members will be
15 deemed to have acknowledged and agreed that California Labor Code section 206.5 is not applicable
16 to the Settlement payments. That section provides in pertinent part as follows:

17 “An employer shall not require the execution of a release of a claim or right on account
18 of wages due, or to become due, or made as an advance on wages to be earned, unless
19 payment of those wages has been made.”
20

21 **6. YOUR OPTIONS**

22 **6.1. DO NOTHING AND RECEIVE YOUR PORTION OF THE SETTLEMENT**

23 If you do nothing, you will be automatically included as a Class Participant in the Settlement
24 and will receive a settlement payment. You do *not* have to take any further action to receive your
25 settlement payment. It is, however, the responsibility of all Class Members to ensure that the Settlement
26 Administrator has your current address on file, or you may not receive important information or a
27 settlement payment. The estimated amount of your settlement payment if you do nothing is included
28 on the attached *Class Action Settlement Share Form*.

6.2. REQUEST EXCLUSION FROM THE CLASS AND THE SETTLEMENT

If you do *not* wish to take part in the class action portion of the Settlement (the “Class Settlement”), you may exclude yourself (i.e., opt out of the Class Settlement) by completed and sending the attached Exclusion Form to the Settlement Administrator.

Send the completed Exclusion Form directly to the Settlement Administrator at the following address **by no later than [Response Deadline]**:

ILYM Group, Inc.
14751 Plaza Drive, Suite J
Tustin, California 92780

Any person who submits a timely request for exclusion from the Class Settlement shall, upon receipt, no longer be a Class Member, shall be barred from participating in the Class Settlement, and shall receive no benefits from the class action portion of the Settlement. If you want confirmation of receipt of your request for exclusion, please send it by United States certified mail, return receipt requested, or contact the Settlement Administrator.

Importantly, Class Members who timely and validly request exclusion from the Class Settlement will *not* be excluded from their share of the PAGA Payment. Requesting exclusion from the Class Settlement applies solely to the Class Members' entitlement to the class action portion of the Settlement and not their entitlement to the PAGA Payment. If you request exclusion from the Class Settlement you will still be entitled to your share, if any, of the PAGA Payment.

6.3. OBJECT TO THE SETTLEMENT

You have the right to object to the terms of the Settlement if you do not request exclusion. If, however, the Court rejects your objection, you will still be bound by the terms of the Settlement. If you wish to object to the Settlement, or any portion of it, you may file with the Settlement Administrator and the Court a written objection stating your name, address, telephone number, dates of employment with Defendants, the case name and number, each specific reason in support of your objection, and any legal support for each objection. Objections in writing must be mailed to the Settlement Administrator—ILYM Group, Inc., 14751 Plaza Drive, Suite J, Tustin, California 92780—by no later

1 than [Response Deadline] to be considered. **Objections that do not include all required**
2 **information, or that are not timely submitted, might not be considered by the court.**

3 If you choose to object to the Settlement, you may also appear to speak at the final approval
4 and fairness hearing scheduled for [Final Approval Hearing Date], at [Final Approval Hearing Time]
5 in Department [Court Department] of the Superior Court of California for the County of Orange,
6 located at [Court Location]. You have the right to appear either in person or through your own attorney
7 at this hearing.

8 If you object to the Settlement, you will remain a Class Member, and if the Court approves the
9 Settlement, you will receive payment and be bound by the terms of the Settlement in the same way as
10 Class Members who do not object. Any Class Member who does not object in the manner provided
11 above shall have waived any objection to the Settlement, whether by appeal or otherwise.

12 The Court may, at the time of the final approval and fairness hearing, have certain social
13 distancing requirements or procedures for attendance at hearings. If you wish to object to the Settlement
14 by speaking at the final approval and fairness hearing, you may contact Class Counsel, whose
15 information is provided below, for more information about the Court's current social distancing
16 procedures. You may also review the Court's website for the most current information.

17 Please note that you MAY NOT BOTH REQUEST TO EXCLUDE YOURSELF FROM THE
18 SETTLEMENT AND OBJECT TO THE SETTLEMENT. Should you both request to exclude
19 yourself from the settlement, as well as object the certification of the settlement, the administrator will
20 contact you and attempt to clarify which one option you intend to select. Should the Administrator be
21 unable to clarify which option you wish to choose, you will be excluded from the settlement, and your
22 objection will be disregarded.

23 **7. HOW TO UPDATE OR CHANGE YOUR ADDRESS**

24 If you move after receiving this notice or if it was misaddressed, please contact the Settlement
25 Administrator, ILYM Group, Inc., at **(888) 250-6810** or by email at
26 **claims@ilymgroupclassaction.com**, as soon as possible. **This is important to ensure that future**
27 **notices and/or the Settlement payment reach you.**
28

1 **8. NOTICE OF FINAL JUDGMENT IF THE SETTLEMENT IS APPROVED**

2 Within ten (10) days after the Court has held a final and fairness approval hearing and entered
3 a final order approving the Settlement, if it chooses to do so, the Settlement Administrator will post a
4 copy of that order and final judgment on its website at the following website address:

5 **[Case-Specific Settlement URL (to be added by Settlement Administrator)]**

6 **9. IF THE SETTLEMENT IS NOT APPROVED**

7 If the Settlement is not approved by the Court, or if any of its conditions are not satisfied, the
8 Settlement may be voided, in which case no money will be paid, and the case will return to litigation.
9 If that happens, there is no assurance: **(1)** that the class will be certified by the Court; **(2)** that any
10 decision at trial would be in favor of Class Members; **(3)** that a trial decision, if any, would be as
11 favorable to the Class Members as the Settlement; or **(4)** that any favorable trial decision would be
12 upheld if an appeal was filed.

13 **10. QUESTIONS OR COMMENTS**

14 **PLEASE DO NOT CALL OR CONTACT THE COURT.** If you have any questions about
15 the settlement, you may contact the Settlement Administrator at: **(888) 250-6810** or by e-mail at
16 **claims@ilymgroupclassaction.com**. You may also contact Class Counsel at the addresses or phone
17 numbers listed below.

18 This Notice is only a summary. For more detailed information, you may review the Settlement
19 Agreement (attached to the Declaration of Jonathan Melmed in Support of Plaintiffs' Motion for
20 Preliminary Approval of Class Action Settlement filed on **INSERT DATE**), containing the complete
21 terms of the proposed Settlement, which is on file with the Court and available online through the
22 Court's online docket: <https://civilwebshopping.occourts.org/Login.do>. Once you accept the terms for
23 accessing the Court's online docket, you can search for this case by identifying the case number (30-
24 2021-01184589-CU-OE-CXC) and year the case was filed (2021).
25
26
27
28

1 **Lawyers Representing Plaintiffs and the Class Members**

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EXHIBIT 2

Class Action Settlement Share Form

CLASS ACTION SETTLEMENT SHARE FORM

Cynthia A. Ramirez, et al. v. Cal Closets Retail, Inc., et al.
Orange County Case Number 30-2021-01184589-CU-OE-CXC

The proposed class action settlement agreement (the “Settlement”) described in the accompanying *Notice of Proposed Class Action Settlement* resolves disputed claims against Defendants Cal Closets Retail, Inc. and Lunsford Design, Inc. (collectively, “Defendants”) arising out of their compensation practices during the period from February 17, 2017, through December 31, 2021 (the “Class Period”) as applied to all individuals who are or were employed by Defendant(s) as non-exempt employees in California during the Class Period (“Class Members”).

You are receiving this form because you are believed to be a Class Member. **According to Defendants’ records, you worked [REDACTED] workweeks for Defendants during the Class Period. Accordingly, your share of the Settlement is currently estimated to be \$[REDACTED]**, which is an estimate of your allocated portion the Net Settlement Amount, as that term is defined in the accompanying *Notice of Proposed Class Action Settlement*. Your estimated share of the Settlement may increase depending on factors such as, but not limited to, the number of Class Members who effectively exclude themselves from the Settlement.

You do not need to do anything to receive money under the Settlement.

If you believe the information provided above as to the number of your workweeks is incorrect and wish to dispute it, please contact the Settlement Administrator no later than **[Response Deadline]** at:

ILYM Group, Inc.
claims@ilymgroupclassaction.com
(888) 250-6810
14751 Plaza Drive, Suite J
Tustin, California 92780

If you dispute the information stated above, the information Defendants provided to the Settlement Administrator will control unless you are able to provide documentation that establishes otherwise. Any disputes, along with supporting documentation, must be postmarked no later than **[Response Deadline]**.

Do not send originals; documentation sent to the claims administrator will not be returned or preserved.