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County of San Diego
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**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN DIEGO**

SEPPER FLORES, individually and on behalf of
all others similarly situated and the State of
California under the Private Attorneys General
Act,

Plaintiffs,

vs.

U GYM, LLC (DBA UFC GYM) and DOES 1
through 50, inclusive,

Defendants.

Case No. 37-2023-00053984-CU-OE-CTL

**REPRESENTATIVE ACTION
COMPLAINT**

1. Civil Penalties under the Private Attorneys
General Act (Labor Code §§ 2698 *et seq.*)

1 Plaintiff SEPPER FLORES, individually and on behalf of all others similarly situated and the
2 State of California under the Private Attorneys General Act (“Plaintiff”) brings this
3 REPRESENTATIVE ACTION COMPLAINT against Defendants U GYM, LLC (DBA UFC GYM)
4 and DOES 1 through 50, inclusive (collectively “Defendants”), alleging as follows:

5 **INTRODUCTION**

6 1. This is a representative action brought under the California Private Attorneys General
7 Act (Labor Code sections 2698 *et seq.*)

8 2. Defendants own and operate UFC Gym and UFC Fit locations.

9 3. Defendants underpaid the aggrieved employees’ wages by failing to include all forms
10 of remuneration, such as commissions and bonuses, into the regular rate of pay calculation for
11 overtime, sick, and premium wages.

12 4. Defendants also failed to compensate Plaintiff and aggrieved employees for all hours
13 worked, resulting in unpaid off-the-clock work.

14 5. Defendants did not reimburse aggrieved employees for necessary expenses incurred in
15 furtherance of the aggrieved employees’ job duties.

16 6. Defendants’ employment policies, practices, and payroll administration systems
17 enabled and facilitated these violations on a company-wide basis with respect to the class members.

18 **JURISDICTION & VENUE**

19 7. Jurisdiction of this action is proper in this Court under Article VI, Section 10 of the
20 California Constitution as the causes of action are premised upon violations of California law.

21 8. The monetary damages and restitution sought exceed the minimal jurisdiction limits of
22 the Superior Court.

23 9. This Court has jurisdiction over Defendants because, upon information and belief,
24 Defendants have sufficient minimum contacts in California, or otherwise intentionally avail
25 themselves to the California economy so as to render the exercise of jurisdiction over them by the
26 California courts consistent with traditional notions of fair play and substantial justice.

10. Venue is proper in this Court under Code of Civil Procedure sections 393(a), 395, and/or 395.5 because, upon information and belief, Defendants conduct business and committed some of the alleged violations in this county.

PARTIES

A. Plaintiff Sopher Flores

11. Plaintiff Flores is an individual over 18 years of age who worked for Defendants in California as a non-exempt employee from about June 2021 to July 2023. Plaintiff worked as a Sales Manager.

12. The State of California, via the Labor and Workforce Development Agency (“LWDA”), is the real party in interest in this action. (*Kim v. Reins Int’l California, Inc.* (2020) 9 Cal. 5th 73, 81 [The “government entity on whose behalf the plaintiff files suit is always the real party in interest.”])

B. Defendants

13. Defendant U Gym, LLC (dba UFC Gym) is a Nevada limited liability company that maintains operations and conducts business throughout the State of California, including in this county.

14. The true names and capacities, whether individual, corporate, or otherwise, of the parties sued as DOES 1 through 50, are presently unknown, unascertainable, or uncertain, and are sued by such fictitious names under Code of Civil Procedure section 474. Upon information and belief, each of DOES 1 through 50 constitutes a legal employer or is otherwise legally responsible in some manner for the acts and omissions alleged herein. This Complaint may be amended to reflect their true names and capacities once ascertained.

15. Upon information and belief, Defendants in this action are employers, co-employers, joint employers, and/or part of an integrated employer enterprise, as each of the Defendants exercised control over the wages, hours, and working conditions of the employees, suffered and permitted them to work, and otherwise engaged them as employees under California law.

16. Upon information and belief, at least some of the Defendants have common ownership, common management, interrelationship of operations, and centralized control over labor relations and

are therefore part of an integrated enterprise and thus jointly and severally responsible for the acts and omissions alleged herein, including pursuant to Labor Code sections 558, 558.1, and 1197.1.

17. Upon information and belief, Defendants acted in all respects pertinent to this action as an alter-ego, agent, servant, joint employer, joint venturer, co-conspirator, partner, in an integrated enterprise, or in some other capacity on behalf of all other co-defendants, such that the acts and omissions of each defendant may be legally attributable to all others.

GENERAL ALLEGATIONS

18. Plaintiff and aggrieved employees worked for Defendants as nonexempt employees and were compensated on an hourly basis with additional income such as commissions and sales production bonuses.

19. Defendants failed to pay Plaintiff and the aggrieved employees at the lawful minimum wage rate for all hours worked. During various gym events and monthly “closeouts,” Defendants expected Plaintiff and aggrieved employees to work and attend these after-hours events, but Defendants did not record or compensate the aggrieved employees’ working hours beyond regularly scheduled shifts on event days. This resulted in off-the-clock, unpaid working hours.

20. To the extent that this unrecorded and uncompensated time resulted in overtime hours worked, Defendants did not compensate Plaintiff and aggrieved employees for their earned, post-shift overtime hours. Plaintiff likewise believes and alleges that Defendants maintained a policy and practice of editing timecards retroactively to reflect less overtime hours than actually worked to avoid paying the aggrieved employees their earned overtime wages.

21. Further, when Plaintiff and aggrieved employees earned other forms of non-discretionary income, like bonuses or sales commissions, and overtime in the same pay period, Defendants underpaid Plaintiff and aggrieved employees’ overtime wages. Instead of paying the regular rate of pay, inclusive of all forms of non-discretionary income, Defendants underpaid Plaintiff and aggrieved employees’ overtime at a depreciated rate of 1.5x the employees’ base hourly rate.

22. For example, in the pay period of April 9, 2023, to April 22, 2023, Plaintiff earned a non-discretionary Sales Production bonus in the same pay period as overtime. However, Defendants

only paid Plaintiff's overtime rate at 1.5x his straight hourly rate, rather than the regular rate of pay, which would have included the extra remuneration in the overtime calculation.

23. Further, due to constant short-staffing, employee responsibilities, and continuous sales pressure from supervisors, Plaintiff and aggrieved members often took breaks late, or worked through all or part of their meal and rest periods.

24. When Plaintiff and aggrieved employees suffered deficient meal and rest periods, Defendants did not consistently pay the employees their due premiums. To the extent Defendants paid any meal or rest period premiums, those amounts were underpaid due to Defendants policy and practice of excluding some forms of non-discretionary remuneration from the regular rate of pay as mentioned above.

25. For example, in the pay period July 31, 2022, to August 13, 2022, Plaintiff earned commissions in the same pay period as a meal period premium. However, Defendants paid Plaintiff's meal period premium at a depreciated rate equal to Plaintiff's base hourly rate instead of the regular rate of pay inclusive of the commission.

26. Likewise, Plaintiff believes and alleges that Defendants similarly underpaid sick leave at only the aggrieved employees' base hourly rate instead of the regular rate of pay inclusive of all non-discretionary income.

27. Because of these violations, Defendants failed to provide accurate, itemized wage statements to aggrieved employees that included the accurate gross or net wages earned, as the employees earned overtime, sick leave, and premiums which were not paid at the lawful rate in light of the regular rate violations.

28. Additionally, in violation of Labor Code section 226(a)(9), Defendants failed to consistently state all applicable hourly rates and hours worked for some wage categories. For example, in the wage statement for pay period October 9, 2022, to October 22, 2022, Defendants did not list the hourly rate or hours worked for the overtime premium wage category despite showing Plaintiff had current earnings in this wage category.

29. Finally, Plaintiff believes and alleges that Defendants requires aggrieved employees to incur necessary, work-related costs, without reimbursement. Plaintiff believes aggrieved employees

1 incurred expenses using their personal cell phones and gas mileage in furtherance of their job duties
2 without reimbursement. Further, Plaintiff believes and alleges that Defendants, through their
3 supervisors, pressured the aggrieved employees to purchase additional merchandise and memberships
4 to make up for shortcomings in monthly sales quotas. Defendants did not reimburse Plaintiff or
5 aggrieved employees for any of these expenses.

6 30. These violations create derivative liability for failure to pay all wages owed each
7 payday or upon separation of employment, as a result of the regular rate underpayments.

8 31. Specifically, though Plaintiff's last day of work was July 6, 2023, Plaintiff did not
9 receive all his due final wages until two weeks later. Defendants did not pay waiting time penalties for
10 the late payments.

11 **FIRST CAUSE OF ACTION**

12 **CIVIL PENALTIES UNDER THE PRIVATE ATTORNEYS GENERAL ACT**

13 **Violation of Labor Code §§ 2698 *et seq.***

14 **(By Plaintiff on Behalf of the State and the Aggrieved Employees Against All Defendants)**

15 32. All outside paragraphs of this Complaint are incorporated into this section.

16 33. Plaintiff brings this cause of action as a proxy for the State of California on behalf of
17 the following "aggrieved employees" pursuant to the Private Attorneys General Act ("PAGA"),
18 codified as Labor Code section 2698 *et seq.*:

- 19 a. All current and former non-exempt employees who worked for Defendants in
20 California at any time from one year prior to the postmark date of the initial
21 PAGA notice through date of trial.

22 34. Plaintiff reserves the right to amend, supplement, or add to this description of the
23 aggrieved employees, according to proof.

24 35. The State of California, via the Labor and Workforce Development Agency
25 ("LWDA"), is the real party in interest in this action with respect to this cause of action. (*Kim v. Reins*
26 *Int'l California, Inc.* (2020) 9 Cal. 5th 73, 81 [The "government entity on whose behalf the plaintiff
27 files suit is always the real party in interest."])

1 36. Labor Code section 2699(a) provides: “Notwithstanding any other provision of law,,
2 any provision of this code that provides for a civil penalty to be assessed and collected by the Labor
3 and Workforce Development Agency or any of its departments, divisions, commissions, boards,
4 agencies, or employees, for a violation of this code, may, as an alternative, be recovered through a civil
5 action brought by an aggrieved employee on behalf of himself or herself and other current or former
6 employees pursuant to the procedures specified in Section 2699.3. “

7 37. Labor Code section 2699(f) provides: “For all provisions of this code except those for
8 which a civil penalty is specifically provided, there is established a civil penalty for a violation of these
9 provisions, as follows: ... (2) If, at the time of the alleged violation, the person employs one or more
10 employees, the civil penalty is one hundred dollars (\$100) for each aggrieved employee per pay period
11 for the initial violation and two hundred dollars (\$200) for each aggrieved employee per pay period for
12 each subsequent violation.”

13 38. Any allegations regarding violations of the IWC Wage Orders are enforceable as
14 violations of Labor Code section 1198, which states: “[t]he employment of any employee for longer
15 hours than those fixed by the order or under conditions of labor prohibited by the order is unlawful.”

16 39. Labor Code section 2699.3 sets forth the procedure for commencing an action for civil
17 penalties under the PAGA.

18 40. On or about **September 21, 2023**, Plaintiff paid the requisite PAGA filing fee and
19 provided written notice (by online electronic filing with the LWDA and by certified mail to
20 Defendants) of Defendants’ alleged Labor Code violations, including the facts and theories to support
21 the alleged violations.

22 41. A true and correct copy of Plaintiff’s written PAGA notice, entitled “Notice of Labor
23 Code Violations” is attached hereto as Exhibit 1 and incorporated by reference as though fully set
24 forth herein (the “PAGA notice”).

25 42. To date, neither Plaintiff nor Plaintiff’s counsel has received a response to Plaintiff’s
26 written PAGA notice from the LWDA.

43. Within 33 calendar days of the postmark date of the notice sent by Plaintiff, neither Plaintiff nor Plaintiff's counsel has received written notice by certified mail from any defendant providing a description of any actions taken to cure the alleged violations.

44. Now that at least 65 days have passed from Plaintiff notifying Defendants of these violations, without notice of cure from Defendants or notice from the LWDA of its intent to investigate the alleged allegations and issue the appropriate citations to Defendants, Plaintiff exhausted all prerequisites and commenced this civil action under Labor Code section 2699 *et seq.*

45. As set forth in the PAGA notice attached as Exhibit 1 and incorporated into this Complaint, Defendants committed the following violations and are liable for all corresponding civil penalties:

- a. ***Unpaid Hours Worked/Minimum Wage.*** Violation of Labor Code §§ 1194, 1197, 1198; IWC Wage Orders.
- b. ***Unpaid Overtime.*** Violation of Labor Code §§ 510, 1194, 1198; IWC Wage Orders.
- c. ***Unpaid Paid Sick Leave.*** Violation of Labor Code §§ 246 through 248.7.
- d. ***Unpaid Meal Period Premium Wages.*** Violation of Labor Code §§ 226.7, 512, 1198; IWC Wage Orders.
- e. ***Unpaid Rest Period Premium Wages.*** Violation of Labor Code §§ 226.7, 516, 1198; IWC Wage Orders.
- f. ***Untimely Payment of Wages During Employment.*** Violation of Labor Code §§ 204, 204b, 210.
- g. ***Untimely Payment of Wages Upon Separation of Employment.*** Violation of Labor Code §§ 201, 202, 203, 256.
- h. ***Non-Compliant Wage Statements.*** Violation of Labor Code §§ 226, 226.3.
- i. ***Unreimbursed Employee Expenses.*** Violation of Labor Code §§ 2802, 2804.
- j. ***Failure to Maintain Accurate Records.*** Violation of Labor Code § 1174; IWC Wage Orders.

46. Plaintiff seeks to collect all recoverable civil penalties for the Labor Code violations alleged in this Complaint and the PAGA notice (including amendments thereto) against Defendants pursuant to Labor Code section 2699(a) and (f), in addition to attorneys' fees, costs, and interest to the extent permitted by law, including under Labor Code section 2699(g).

P R A Y E R

Plaintiff prays for judgment as follows:

- a. For recovery of damages in amount according to proof;
- b. For all recoverable pre- and post-judgment interest;
- c. For recovery of all civil penalties and liquidated damages;
- d. For this action to be maintained as a representative action under the PAGA;
- e. For Plaintiff and counsel of record to be provided with all enforcement capability as if the action were brought by the State of California or the California Division of Labor Enforcement;
- f. For recovery of all civil penalties and other recoverable amounts under the PAGA;
- g. For reasonable attorneys' fees and costs of suit, including expert fees, to the extent permitted by law, including (without limitation) under Labor Code § 2699 and Code of Civil Procedure section 1021.5; and
- h. For such other relief the Court deems just and proper.

Dated: December 8, 2023

Ferraro Vega Employment Lawyers, Inc.

Nicholas J. Ferraro

Nicholas J. Ferraro

Attorneys for Plaintiff Sepher Flores

EXHIBIT 1

Notice of Labor Code Violations

FERRARO VEGA

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September 21, 2023

NOTICE OF LABOR CODE VIOLATIONS CALIFORNIA LABOR CODE SECTIONS 2698 *et seq.*

VIA CERTIFIED U.S. MAIL
- Electronic Return Receipt -

U Gym, LLC (dba UFC Gym)
1501 Quail St. Suite 100
Newport Beach, California 92660

- PAGA Notice & Filing Fee -
Submitted electronically to the Labor and
Workforce Development Agency

Dear LWDA Officer and Company Representatives:

This letter serves as written notice under Labor Code section 2699.3 on behalf of **SEPHER FLORES** (“Plaintiff(s)”) and all other “aggrieved employees” of the following “Defendant(s)”:

U GYM, LLC (dba UFC Gym)

Defendant(s) shall mean and include the foregoing in addition to any other related employer entities, individuals under Labor Code sections 558 and 558.1, and all others who may be later added upon further investigation and discovery as liable employers.

This office serves as legal counsel for Plaintiff. If the California Labor and Workforce Development Agency (“LWDA”) does not investigate the facts, allegations, and violations set forth in this notice within the statutorily prescribed 65-day period under Labor Code section 2699.3, Plaintiff intends to commence a civil action against Defendants as a proxy and agent of the State of California under the Private Attorneys General Act (“PAGA”). “PAGA allows an ‘aggrieved employee’—a person affected by at least one Labor Code violation committed by an employer—to pursue penalties for all the Labor Code violations committed by that employer.” *Huff v. Securitas Security Services USA, Inc.* (2018) 23 Cal. App. 5th 745, 751; *Kim v. Reins International California, Inc.* (2020) 9 Cal. 73, 79. Plaintiff maintains standing to pursue these claims against Defendants, as Plaintiff experienced one or more of the alleged violations during the relevant statutory period, which continue through the present date. *Cf. Johnson v. Maxim Healthcare Servs., Inc.*, 281 Cal. Rptr. 3d 478, 481 (Cal. Ct. App. 2021).

Through this notice, Plaintiff requests that Defendants complete an internal investigation and audit of the wage and hour and employment practices at issue and make a good faith effort to correct any violations. Plaintiff attempts to identify the non-compliant policies and practices affecting the aggrieved employees so that the parties may resolve the underlying damages and penalties in judgment or settlement approved by the Superior Court of California under Labor Code section 2699(k). Defendants are notified that any attempt to resolve this case should be conducted in coordination with Plaintiff's counsel to protect the interests of Plaintiff, the aggrieved employees, and the State of California via the LWDA. Plaintiff advises Defendants this letter should be also considered a reasonable attempt at settlement of this matter, subject to an exchange of additional documents and information. *Graham v. Daimler Chrysler Corp.* (2004) 24 Cal. 4th 553, 561.

- BACKGROUND -

Defendants franchise and operate multiple UFC Fit gyms in California. Defendants employed Plaintiff during the PAGA Period in the position of Sales Manager at the UFC Fit Point Loma from about June 2021 to July 2023. During their employment Plaintiff and the other aggrieved employees were subject to the wage and hour and employment protections set forth in the California Labor Code and IWC Wage Orders.

Through this notice, Plaintiff informs the LWDA of the Labor Code violations set forth herein. The “aggrieved employees” include Plaintiff and the following individuals:

All current and former non-exempt employees who worked for Defendants in the State of California during one-year period preceding the date of this notice through the current date and the date of trial in any pending action (the “aggrieved employees” and the “PAGA Period”).

Plaintiff reserves the right to expand or narrow the definition of the “aggrieved employees” in the forthcoming civil action. Furthermore, Plaintiff seeks all recoverable civil penalties for Defendants’ violations and reserves the right to supplement this notice as further investigation is completed and further facts, witnesses, and violations are uncovered.

- PAGA CLAIMS -

Unpaid Hours Worked/Minimum Wage **Violation of Labor Code §§ 1194, 1197, 1198; IWC Wage Orders**

Defendants violated Labor Code sections 1194, 1197, and 1198, along with the California Minimum Wage Order, the applicable local minimum wage ordinances, and the “Hours and Days of Work” and “Minimum Wages” sections of the applicable IWC Wage Orders with respect to the aggrieved employees.

Labor Code section 1194 renders it unlawful for an employee to receive less than the legal minimum wage for hours worked in California. Labor Code section 1197 further mandates that “[t]he minimum wage for employees fixed by the commission is the minimum wage to be paid to employees, and the payment of a lower wage than the minimum so fixed is unlawful.” Labor Code section 1198 renders “employment of any employee for longer hours than those fixed by the order or under conditions of labor prohibited by the [IWC Wage Orders]” unlawful. The California Minimum Wage Order and the applicable sections of the IWC Wage Orders further require payment of minimum wages for all hours worked. The “Minimum Wages” sections of the applicable IWC Wage Order provide that “[e]very employer shall pay to each employee, on the established payday for the period involved, not less than the applicable minimum wage for all hours worked in the payroll period, whether the remuneration is measured by time, piece, commission, or otherwise.” The foregoing California wage laws require payment of “not less than the applicable minimum wage *for all hours worked* in the payroll period” and California law does not allow averaging of pay over the hours worked in the pay period, even if the total pay results in an average above the minimum wage. *Armenta v. Osmose, Inc.* (2005) 135 Cal. App. 3d 314, 324.

Defendants failed to pay Plaintiff and the aggrieved employees at the lawful minimum wage rate for all hours worked, resulting in unpaid minimum wages. Defendants hosted gym client engagements and other “closeout” end of month events, which Defendants expected Plaintiff and aggrieved employees to attend, on-duty. When Defendants hosted these after-hours events, Defendants did not allow Plaintiff or aggrieved employees’ timesheets to reflect the extra event hours worked beyond their scheduled 8 hours those days. Therefore, Defendants failed to pay at least minimum wage for those hours worked. Additionally, minimum wages at the lawful state or local rate were also not paid for time spent working during uncompensated meal periods.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees, as provided under Labor Code sections 558 (\$50/\$100), 1197.1 (\$100/\$250), 1199 / “Penalties” section of the IWC Wage Orders (\$50/\$100), and 2699 (\$100/\$200) per violation per pay period per employee, along with all other civil penalties permitted by law.

Unpaid Overtime **Violation of Labor Code §§ 510, 1194, 1198; IWC Wage Orders**

Defendants violated Labor Code sections 510, 1194, and 1198, along with the “Hours and Days of Work” sections of the applicable IWC Wage Orders with respect to the aggrieved employees.

Labor Code section 510 requires “[a]ny work in excess of eight hours in one workday and any work in excess of 40 hours in any one workweek and the first eight hours worked on the seventh day of work in any one workweek shall be compensated at the rate of no less than one and one-half times the regular rate of pay for an employee;” and “any work in excess of

12 hours in one day shall be compensated at the rate of no less than twice the regular rate of pay for an employee,” and “any work in excess of eight hours on any seventh day of a workweek shall be compensated at the rate of no less than twice the regular rate of pay of an employee.” Labor Code section 1194 renders it unlawful for an employee to receive less than the legal overtime rate for overtime hours worked in California. Labor Code section 1198 renders “employment of any employee for longer hours than those fixed by the order or under conditions of labor prohibited by the [IWC Wage Orders]” unlawful. The IWC Wage Orders further require payment of overtime wages for all overtime hours worked, including the “Hours and Days of Work” sections.

Defendants failed to pay Plaintiff and the aggrieved employees overtime wages at the lawful rate of pay for overtime hours worked, resulting in unpaid overtime wages. As mentioned above, Plaintiff and aggrieved employees occasionally worked beyond their 8-hour shift to accommodate for special events. During those days, Defendants did not record or compensate the aggrieved employees’ overtime hours. Plaintiff also believes and alleges that Defendants maintained a policy and practice of retroactively adjusting aggrieved employees’ timesheets to reflect less overtime hours recorded than actually worked, resulting in unpaid overtime hours.

Further, in addition to base hourly wages, Plaintiff and aggrieved employees earned supplemental remuneration including commissions and production bonuses. When aggrieved employees earned this supplemental remuneration and overtime in the same pay periods, Defendants only paid overtime at 1.5x plaintiff’s base hourly rate. By failing to factor in some forms of non-discretionary income in the regular rate of pay for overtime pay calculation, Defendants underpaid overtime wages in pay periods that aggrieved employees earned multiple forms of income. An example of Defendants’ underpayment is below.

Earnings	rate	hours	this period	year to date
Regular	18.0000	69.78	1,256.04	11,288.52
Overtime	27.0000	1.52	41.04	463.05
C/B OT Prem	18.0000	5.16	92.88	134.53
Meal Violation	18.0000	2.00	36.00	72.00
Sale Prod Bns			1,262.09	1,876.68
Commission				2,203.22
Gross Pay			\$2,688.05	16,038.00

Plaintiff’s wage statement from pay period 4/9/2023 to 4/22/2023 showing Plaintiff earned overtime and a Sales Production Bonus in the same pay period. However, Defendants only paid Plaintiff’s overtime at 1.5x his base hourly rate of \$18, rather than the regular rate of pay.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees, as provided under Labor Code sections 558 (\$50/\$100), 1199 / “Penalties” section of the IWC Wage Orders) (\$50/\$100), and 2699

(\$100/\$200) per violation per pay period per employee, along with all other civil penalties permitted by law.

Unpaid Paid Sick Leave
Violation of Labor Code §§ 246 through 248.7

Defendants violated Labor Code sections 246 through 248.7 with respect to the aggrieved employees.

Labor Code section 246 requires employers to provide paid sick leave to its workforce on the terms set forth in the statute. Employers must comply with the accrual, use, and notice provisions of Labor Code sections 246, 246.5, 247, and must further ensure that they maintain the paid sick leave records required by Labor Code section 247.5. Employers have the option of providing 24 hours of paid sick leave to employees or to allow employees to accrue paid sick leave each pay period. If an employer chooses the accrual method, employees must accrue sick leave at a rate of one hour for every thirty hours worked in a given pay period as set forth in Labor Code section 246(b)(1). Under the accrual method, employees must begin accruing paid sick leave at the commencement of employment.

Employers must pay sick leave in accordance with one of the three permissible methods provided in Labor Code section 246(l): (1) “the same manner as the regular rate of pay for the workweek;” (2) “by dividing the employee’s total wages, not including overtime premium pay, by the employee’s total hours worked in the full pay periods of the prior 90 days;” or (3) “for exempt employee ... in the same manner as the employer calculates wages for other forms of paid leave time.” Labor Code sections 248.6 and 248.7 similarly require paid sick leave to be paid at a regular rate-based calculation in excess of the base hourly rate and at the lawful accrual rate.

Under Labor Code section 246(i), employers must provide employees “with written notice of the amount of paid sick leave available ... for use on either the employee’s itemized wage statement ... or in a separate writing provided on the designated pay date with the employee’s payment of wages.”

Defendants failed to comply with California’s paid sick leave laws with respect to the aggrieved employees. As mentioned above regarding overtime wage calculation, Defendants maintained a policy and practice of excluding some forms of non-discretionary income, such as commissions and bonuses, from the regular rate of pay. Therefore, Plaintiff believes and alleges that when Defendants paid sick leave, Defendants only did so at the aggrieved employees’ base hourly rate, rather than the regular rate of pay inclusive of all forms of non-discretionary income. This practice resulted in sick leave underpayment for Plaintiff and aggrieved employees.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees as provided under Labor Code section 2699

(\$100/\$200) per violation per pay period per employee, along with all other civil penalties permitted by law.

Unpaid Meal Period Premium Wages
Violation of Labor Code §§ 226.7, 512, 1198; IWC Wage Orders

Defendants violated Labor Code sections 226.7, 512, and 1198, along with the related sections of the IWC Wage Orders with respect to the aggrieved employees.

Labor Code section 512 and the IWC Wage Orders require that employers provide an uninterrupted 30-minute meal period after no more than five hours of work and a second meal period after no more than 10 hours of work. *See Brinker Restaurant Corp. v. Superior Court* (2012) 53 Cal. 4th 1004, 1049. Labor Code section 226.7 requires that if a meal period is late, missed, short, or interrupted, the employer must pay one additional hour of pay at the employee's "regular rate" of compensation. *Ferra v. Loews Hollywood Hotel, LLC* (2021) 11 Cal. 5th 858, 862 ("We hold that the terms are synonymous: "regular rate of compensation" under section 226.7(c), like "regular rate of pay" under section 510(a), encompasses all nondiscretionary payments, not just hourly wages"). "[T]ime records showing noncompliant meal periods raise a rebuttable presumption of meal period violations, including at the summary judgment stage." *Donohue v. AMN Services, LLC* (2021) 11 Cal. 5th 58, 61. Labor Code section 1198 renders "employment of any employee for longer hours than those fixed by the order or under conditions of labor prohibited by the [IWC Wage Orders]" unlawful. The IWC Wage Orders, including Section 11 (Meal Periods), further require one uninterrupted 30-minute meal period after no more than five hours of work and a second meal period after no more than 10 hours of work and an additional hour of pay at the employee's regular rate of compensation for each workday that a compliant meal period is not provided. Pursuant to Section 11(A) of the IWC Wage Orders, the California Supreme Court has held that the on-duty meal period exception is "exceedingly narrow" and applies only when (1) "the nature of the work prevents the employee from being relieved of all duty" and (2) *both* "the employer and employee have agreed, in writing, to the on-duty meal period." *Augustus v. AMB Security Services, Inc.* (2016) 2 Cal. 5th 257, 266-276 (emphasis added). If these two requirements are not met, then the employer owes the employee one hour of premium pay for each non-compliant meal period taken under the purported on-duty meal arrangement. *Naranjo v. Spectrum Security Services, Inc.* (2019) 40 Cal. 5th 444, 459.

Due to customer volume, sales requirements, and the constant flow of business, Plaintiff and aggrieved employees suffered late, short, missed, and/or interrupted first and second meal periods. Defendants, through their supervisors, communicated to Plaintiff that since he was in sales and there were always calls to make or customers to retain, he needed to work through his entire shift and defer his breaks to slower periods. When Plaintiff or aggrieved employees suffered deficient meal periods, Defendants did not consistently pay the employees' due meal period premiums. To the extent Defendants paid meal period premiums, Defendants underpaid the premiums by only paying the employees' base hourly rates instead of the regular rate of pay inclusive of supplemental remuneration. An example of Defendants' meal period premium underpayment is below.

Earnings	rate	hours	this period	year to date	Other Info
Regular	15.0000	78.10	1,171.50	18,152.61	Totl
C/B OT Prem			2.50	22.12	Ytd
Commission			674.11	6,117.75	Ytd
Meal Violation	15.0000	1.00	15.00	195.00	Ytd
Overtime				162.90	Ytd
Comm Bns MP				1.13	Ytd
SICK				405.00	Imp
Gross Pay			\$1,863.11	25,056.51	COM

Plaintiff's wage statement from pay period 7/31/2022 to 8/13/2022 showing Plaintiff earned commission and a meal period premium in the same pay period. However, Defendants only paid Plaintiff's meal period premium at his base hourly rate instead of the regular rate of pay.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees as provided under Labor Code section 2699 (\$100/\$200) per violation per pay period per employee, along with all other civil penalties permitted by law.

Unpaid Rest Period Premium Wages **Violation of Labor Code §§ 226.7, 516, 1198; IWC Wage Orders**

Defendants violated Labor Code sections 226.7, 516, and 1198, and the related sections of the IWC Wage Orders with respect to Plaintiff and the aggrieved employees.

Labor Code sections 226.7 and 516 and the IWC Wage Orders require that employers authorize and permit an uninterrupted 10-minute rest period for each four-hour period (or major fraction thereof) that an employee works. Labor Code section 226.7 requires that if a rest period is non-compliant, the employer must pay one additional hour of pay at the employee's "regular rate" of compensation. *Ferra v. Loews Hollywood Hotel, LLC* (2021) 11 Cal. 5th 858, 862 ("We hold that the terms are synonymous: "regular rate of compensation" under section 226.7(c), like "regular rate of pay" under section 510(a), encompasses all nondiscretionary payments, not just hourly wages"). Labor Code section 1198 renders "employment of any employee for longer hours than those fixed by the order or under conditions of labor prohibited by the [IWC Wage Orders]" unlawful. The IWC Wage Orders, including Section 12 (Rest Periods), further require one uninterrupted 10-minute rest period for each four-hour period (or major fraction thereof) worked and an additional hour of pay at the employee's regular rate of compensation for each workday that a compliant rest period is not authorized or permitted.

For the same reasons stated above regarding meal periods, Plaintiff and aggrieved employees also suffered deficient rest periods. When Plaintiff and aggrieved employees were unable to take their due 10-minute, uninterrupted, off-duty rest periods, Defendants did not pay the

aggrieved employees their due premiums. To the extent paid, Defendants underpaid these premiums because of Defendants' policy and practice of not including some forms of non-discretionary income in the regular rate of pay, as demonstrated above.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees, as provided under Labor Code section 2699 (\$100/\$200) per violation per pay period per employee, along with all other civil penalties permitted by law.

Untimely Payment of Wages During Employment **Violation of Labor Code §§ 204, 204b, 210**

Defendants violated Labor Code sections 204 and/or 204b and 210, as applicable, with respect to Plaintiff and the aggrieved employees.

Labor Code section 204(a) requires payment of "all wages" for non-exempt employees at least twice each calendar month. Labor Code section 204(d) states all wages due must be paid "not more than seven calendar days following the close of the payroll period." Labor Code section 204b applies to employees paid on a weekly basis and also requires the payment for all labor within the required pay periods. Labor Code section 210 provides "every person who fails to pay the wages of an employee as provided in Section ... 204 ... shall be subject to a civil penalty" of \$100 for an initial violation and \$200 plus 25% of the amount unlawfully withheld for a subsequent violation.

Because Defendants failed to pay all wages and premiums in each pay period in which such wages were earned at the lawful rate, Defendants violated Labor Code section 204 and/or 204b (for weekly employees, as applicable). Specifically, Defendants did not include some forms of non-discretionary income in the regular rate of pay for overtime, sick, and premium wages. Further, Defendants did not record, and therefore did not compensate, some of Plaintiff and aggrieved employees' worked hours. Defendants violated Labor Code sections 204 and 204b by failing to pay all wages and premiums owed on the regular pay days scheduled each pay period within seven calendar days of the close of the payroll period, as a result of the policies and practices set forth in this notice.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees as provided under Labor Code section 2699 (\$100/\$200) per violation per pay period per employee, and Labor Code section 210 (\$100/\$200) per violation per pay period, along with all other civil penalties permitted by law.

Untimely Payment of Wages Upon Separation of Employment
Violation of Labor Code §§ 201, 202, 203, 256

Defendants violated Labor Code sections 201, 202, and 203 with respect to the aggrieved employees by failing to pay all wages and premiums owed upon termination of employment.

Labor Code section 201 requires that if an employer fires an employee, the wages must be paid immediately. Labor Code section 202 requires that if an employee quits without providing 72 hours' notice, his or her wages must be paid no later than 72 hours thereafter. Labor Code section 202 states that if an employee provides 72 hours' notice, the final wages are payable upon his or her final day of employment. Labor Code section 203 requires an employer who fails to comply with Labor Code sections 201 or 202 to pay a waiting time penalty for each employee, up to a period of 30 days additional compensation.

Defendants failed to pay all wages and premiums owed to aggrieved employees during their employment as set forth in this notice, and also failed to timely pay those amounts to departing employees upon separation of employment. Specifically, Defendants did not include some forms of non-discretionary income in the regular rate of pay for overtime, sick, and premium wages. Further, Defendants did not record, and therefore did not compensate, some of Plaintiff and aggrieved employees' worked hours. Finally, Defendants also failed to pay Plaintiff his due commission until nearly two weeks after his last day of employment. Defendants did not pay waiting time penalties for the late payments. As a result, Defendants violated Labor Code sections 201, 202, and 203.

As a result, Plaintiff may recover civil penalties on behalf of aggrieved employees and the State of California as provided under Labor Code section 2699 (\$100/\$200) per violation per pay period per employee, along with all other civil penalties permitted by law.

Non-Compliant Wage Statements
Violation of Labor Code §§ 226, 226.3

Defendants violated Labor Code sections 226(a) and 226.3 with respect to the aggrieved employees by failing to furnish itemized wage statements each pay period that accurately list all information required by Labor Code section 226(a)(1) through (9).

Labor Code section 226(a) requires an employer to furnish wage statements to employees semimonthly or at the time of each payment of wages, "an accurate itemized statement in writing showing:" (1) gross wages earned, (2) total hours worked, (3) the number of piece rate units earned and applicable piece-rate in effect, (4) all deductions, (5) net wages earned, (6) the inclusive dates of the pay period, (7) the name of the employee and last four digits of SSN or an EIN, (8) the name and address of the legal name of the employer, and (9) all applicable hourly rates in effect during the pay period and the number of hours worked at each hourly rate by the employee.

Defendants failed to provide accurate itemized wage statements to the aggrieved employees each pay period as a result of the policies and practices set forth in this notice. Defendants violated Labor Code section 226(a)(1) and (5) by not listing the correct “gross wages earned” or “net wages earned,” as the employees earned wages and premiums that were not paid, resulting in an inaccurate reflection, and recording of “gross wages earned” on those wage statements.

Likewise, in violation of Labor Code section 226(a)(9), Defendants failed to state on employee wage statements each pay period the applicable hourly rates in effect and the number of hours worked at that rate, as Defendants failed to pay all wages and premiums owed to employees. The amounts stated are instead depreciated and underpaid, resulting in an inaccurate reflection on the pay stub. In further violation of Labor Code section 226(a)(9), Defendants also did not consistently list the hourly rate or hours worked for all individual wage categories. An example of this deficiency is below.

Earnings	rate	hours	this period	year to date
Regular	15.0000	79.57	1,193.55	23,905.41
C/B OT Prem			9.73	31.85
Commission			1,857.91	8,580.74
Overtime				202.28
Comm Bns MP				1.13
Meal Violation				195.00
SICK				405.00
Gross Pay			\$3,061.19	33,321.41

Plaintiff's wage statement for pay period 10/9/2022 to 10/22/2022, showing an OT premium wage category with current earnings in the pay period, but no hours worked or hourly rate for this wage category.

Plaintiff and other aggrieved employees cannot promptly and easily determine from the wage statement alone the wages paid or earned without reference to other documents or information. Indeed, these wage statement violations are significant because they sow confusion among Plaintiff and other aggrieved employees with respect to what amounts were owed and paid, at what rates, the number of hours worked, and how those amounts were or should be calculated. The wage statements reflect a false statement of earnings and concealed the underlying problems and underpayments of employee wages.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees, as provided under Labor Code sections 226.3 (\$250/\$1,000) and 2699 (\$100/\$200) per violation per pay period per employee, along with all other civil penalties permitted by law.

Unreimbursed Employee Expenses
Violation of Labor Code §§ 2802, 2804

Defendants violated Labor Code section 2802 with respect to the aggrieved employees by failing to reimburse the aggrieved employees for all necessary expenditures or losses incurred as part of their job duties.

Labor Code section 2802 requires an employer to “indemnify his or her employee for all necessary expenditures or losses incurred by the employee in direct consequence of the discharge of his or her duties, or of his or her obedience to the directions of the employer, even though unlawful, unless the employee, at the time of obeying the directions, believed them to be unlawful.” See, e.g., *Espinoza v. West Coast Tomato Growers, LLC*, 2016 WL 4468175 at *4, n.2 (S.D. Cal. Aug. 24, 2016, No. 14-CV-2984 W (KSC)).

Labor Code section 2804 affirms that “[a]ny contract or agreement, express or implied, made by any employee to waive the benefits of this article or any part thereof, is null and void, and this article shall not deprive any employee or his personal representative of any right or remedy to which he is entitled under the laws of this State.”

On information and belief, Defendants required the aggrieved employees to incur costs for work-related purposes without full reimbursement. In direct consequence of their job duties, the aggrieved employees unavoidably and necessarily incurred these losses, expenditures, costs, and as a matter of policy and practice. Plaintiff believes and alleges that aggrieved employees personally incurred expenses for their cell phone data, gas mileage, and required certifications in furtherance of their job duties. Further, Plaintiff believes and alleges that Defendants encouraged some aggrieved employees who did not meet their merchandise and membership sales quotas to personally purchase those items to remedy the deficiency. Defendants did not reimburse any of these necessary expenses.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees, as provided under Labor Code section 2699 (\$100/\$200) per violation per pay period per employee, along with all other civil penalties permitted by law.

Failure to Maintain Accurate Records
Violation of Labor Code § 1174; IWC Wage Orders

Defendants violated Labor Code sections 1174 and the IWC Wage Orders by failing to maintain accurate employee payroll records with respect to Plaintiff and other aggrieved employees.

Labor Code section 1174 requires that employers maintain accurate “payroll records showing the hours worked daily by and the wages paid to, and the number of piece-rate units earned by and any applicable piece rate paid to, employees employed at the respective plants or

establishments.” Section 7(A) of the IWC Wage Orders, which may be enforced through Labor Code section 1198, mandates similar recordkeeping obligations.

Because of the policies and practices set forth in this notice, including the failure to accurately account for wages earned or hours worked, Defendants failed to accurately maintain records in accordance with Labor Code section 1174 and the IWC Wage Orders.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees, as provided under Labor Code section 1174.5 (\$500) and 2699 (\$100/\$200), along with all other civil penalties permitted by law.

Attorneys’ Fees and Costs
Labor Code § 2699(g)

Plaintiff has been compelled to retain the services of counsel to protect the interests of other aggrieved employees and the State of California. Plaintiff continues to incur attorneys’ fees and costs, which are recoverable under California law, including Labor Code section 2699(g).

- LITIGATION HOLD NOTICE -

This letter imposes a duty upon all defendants and their respective employees, officers, directors, executives, attorneys, human resource and payroll personnel, accountants, and other agents to preserve all physical and electronic evidence, including electronically stored information and emails, which relate to the employment of Plaintiff and the aggrieved employees specified in this notice. Evidence includes, but is not limited to, Defendants’ written employment and payroll policies and handbooks; the aggrieved employees’ personnel files and payroll records, such as paystubs, time records, wage statements, compensation reports, as well as the underlying electronically data in Excel or similar format. Memoranda and internal and external correspondence relating to the subject matter of this notice shall also be maintained. Failure to preserve and retain relevant evidence may constitute spoliation of evidence and result in an adverse inference or sanctions.

If you have any questions regarding the scope of your obligations to preserve evidence, please consult your legal counsel and always err on the side of caution. Periodic or regularly scheduled purges or deletions of information covered by this hold must be suspended immediately.

- CONCLUSION -

If the LWDA does not pursue enforcement, Plaintiff intends to bring representative claims on behalf of the State of California and the aggrieved employees seeking civil penalties for violations of the Labor Code and the IWC Wage Orders, along with attorneys’ fees, costs, interest, and other appropriate relief.

Please advise if the LWDA intends to investigate any of the factual or legal allegations set forth in this notice. Defendants may contact Plaintiff's counsel with any questions regarding this letter or the forthcoming lawsuit.

Sincerely,

A handwritten signature in blue ink that reads "Nicholas J. Ferraro". The signature is written in a cursive, flowing style.

Nicholas J. Ferraro

Cc Plaintiff Sepher Flores

Lacey Leon, HR Representative for Defendants
Lacey.leon@ufcgym.com