

Nicholas J. Ferraro (State Bar No. 306528)
Lauren N. Vega (State Bar No. 306525)
Elyssa Martinez (State Bar No. 355589)
Ferraro Vega Employment Lawyers, Inc.
3333 Camino del Rio South, Suite 300
San Diego, California 92108
(619) 693-7727 main / (619) 350-6855 fax
nick@ferrarovega.com / lauren@ferrarovega.com
elyssa@ferrarovega.com

Attorneys for Plaintiff Jesus Benitez

ELECTRONICALLY FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN BERNARDINO
SAN BERNARDINO DISTRICT
1/21/2025 2:08 PM
By: Raymond Rojas, DEPUTY

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO**

JESUS BENITEZ, on behalf of others similarly
situated and the State of California under the
Private Attorneys General Act,

Plaintiffs,

vs.

LES SCHWAB TIRE CENTERS OF CENTRAL
CALIFORNIA, LLC; LES SCHWAB TIRE
CENTERS OF CALIFORNIA, LLC; and DOES
1 through 50, inclusive,

Defendants.

Case No. CIVSB2502096

**REPRESENTATIVE ACTION
COMPLAINT**

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

1 Plaintiff JESUS BENITEZ, on behalf of all others similarly situated and the State of California
2 under the Private Attorneys General Act (“Plaintiff”) brings this REPRESENTATIVE ACTION
3 COMPLAINT against Defendants LES SCHWAB TIRE CENTERS OF CENTRAL CALIFORNIA,
4 LLC; LES SCHWAB TIRE CENTERS OF CALIFORNIA, LLC; and DOES 1 through 50, inclusive
5 (collectively “Defendants”), alleging as follows:

6 **INTRODUCTION**

7 1. This is a representative action brought under the California Labor Code §§ 2698 *et seq.*

8 2. Defendants underpaid overtime, paid sick leave, and premiums by failing to include non-
9 discretionary bonuses and all other forms of non-excludable remuneration into the regular rate of pay
10 calculations.

11 3. Defendants failed to pay Plaintiff and the aggrieved employees all owed minimum and
12 overtime wages as a result of an unlawful editing policy, which resulted in unpaid hours worked.

13 4. Defendants failed to provide, authorize, and/or permit Plaintiff and other aggrieved
14 employees to take all complaint meal periods to which they were entitled. Further, Defendants did not
15 pay Plaintiff and other aggrieved employees all meal premiums.

16 5. Defendants’ employment policies, practices, and payroll administration systems
17 enabled and facilitated these violations on a company-wide basis with respect to the aggrieved
18 employees.

19 6. Defendants are further liable for derivative claims for wage statements, untimely
20 payment, and other associated violations. Plaintiff seeks to recover the underpaid damages, plus
21 associated penalties, interests, attorney’s fees and costs.

22 **JURISDICTION & VENUE**

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

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

27 9. This Court has jurisdiction over Defendants because, upon information and belief,
28 Defendants have sufficient minimum contacts in California, or otherwise intentionally avail

1 themselves to the California economy so as to render the exercise of jurisdiction over them by the
2 California courts consistent with traditional notions of fair play and substantial justice.

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

6 **PARTIES**

7 **A. Plaintiff Jesus Benitez**

8 11. Plaintiff Benitez is an individual over 18 years of age who worked for Defendants in
9 California as a non-exempt employee from about July 2020 to September 2024. Plaintiff worked as a
10 Tire Technician.

11 12. The State of California, via the Labor and Workforce Development Agency
12 (“LWDA”), is the real party in interest in this action. (*Kim v. Reins Int’l California, Inc.* (2020) 9
13 Cal. 5th 73, 81 [The “government entity on whose behalf the plaintiff files suit is always the real party
14 in interest.”]) To the extent permitted by law, including pursuant *Balderas v. Fresh Start Harvesting,*
15 *Inc.*, Court of Appeals Case No. B326759 (2nd App. Dist.) ____ Cal. App. 5th ____ (Mar. 20, 2024,
16 *as modified* Apr. 18, 2024), the PAGA claim is brought exclusively as a representative action and does
17 not include arbitrable claims.

18 **B. Defendants**

19 13. Defendant LES SCHWAB TIRE CENTERS OF CENTRAL CALIFORNIA, LLC is a
20 California limited liability company that maintains operations and conducts business throughout the
21 State of California, including in this county.

22 14. Defendant LES SCHWAB TIRE CENTERS OF CALIFORNIA, LLC is a California
23 limited liability company that maintains operations and conducts business throughout the State of
24 California, including in this county.

25 15. The true names and capacities, whether individual, corporate, or otherwise, of the
26 parties sued as DOES 1 through 50, are presently unknown, unascertainable, or uncertain, and are sued
27 by such fictitious names under Code of Civil Procedure section 474. Upon information and belief,
28 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.

16. 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.

17. 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.

18. 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

19. Defendants failed to pay Plaintiff and the aggrieved employees at the lawful minimum wage rate for all hours worked, resulting in unpaid minimum wages.

20. Defendants engaged in the unlawful practice of editing Plaintiff and the aggrieved employee's timecards to make it appear as if they took a compliant meal period when in reality they often experienced missed meal periods.

21. Each time Plaintiff and the aggrieved employees worked through all or part of their unpaid meal periods, this resulted in unpaid hours worked.

22. Defendants failed to pay Plaintiff and the aggrieved employees overtime wages and the lawful rate of pay for overtime hours worked, resulting in unpaid overtime wages.

23. First, to the extent that Defendants policy and practice of requiring off-the-clock work resulted in unpaid hours worked over 8 hours in a day or 40 hours in a week this resulted in unpaid overtime.

24. Second, Defendants failed to pay overtime at the "regular rate of pay."

1 25. Plaintiff and the aggrieved employees earned non-discretionary quarterly bonuses, shift
2 differentials, incentives, and other forms of additional non-excludable remuneration which Defendants
3 failed to include in the overtime rate calculation.

4 26. Defendants further failed to issue “true-up” payments to all overtime earned for the full
5 quarter. Instead, Defendants unlawfully paid overtime to Plaintiff and the aggrieved employees at 1.5x
6 their base hourly rate.

7 27. To the extent other aggrieved employees earned bonuses or other forms of additional
8 non-excludable remuneration each must be factored into the regular rate of pay during the statutory
9 period, Defendants violated the Labor Code accordingly.

10 28. For each overtime hour worked during the period in which Plaintiff and the aggrieved
11 employees earned the additional forms of remuneration, Defendants should have (but failed to) pay
12 overtime “at a rate no less than one and one-half times the regular rate of pay for an employee” and
13 “twice the regular rate of pay” for double time hours as required by the plain language of Labor Code
14 section 510(a) and the IWC Wage Orders.

15 29. Defendants failed to comply with California’s paid sick leave laws with respect to the
16 aggrieved employees.

17 30. First, due to Defendant’s unlawful time rounding policy, Defendant failed to properly
18 credit Plaintiff and the aggrieved employees with their full accrued sick leave.

19 31. Second, Defendants violated Labor Code section 246(l) because sick leave was not paid
20 at the lawful statutory rate of pay throughout the relevant period.

21 32. The failure to calculate and pay paid sick leave at one of the lawful rates set forth in
22 Labor Code § 246(l)(1)-(3) and 247 *et seq.* was applied as a matter of common policy and practice to
23 aggrieved employees in those periods where they earned additional payments, non-discretionary
24 bonuses, or other forms of non-excludable remuneration and also received paid sick leave.

25 33. Defendant further failed to properly credit Plaintiff and the aggrieved employees with
26 their full accrued sick leave due to their unlawful time editing practice.

27 34. Plaintiff and aggrieved employees routinely experienced missed, late, short, and
28 interrupted meal periods to keep up with the high demands of the job and high-volume workload.

1 35. First, Plaintiff and the aggrieved employees were often required to work through their
2 all or part of their meal periods, resulting in missed or short meal periods. Plaintiff and the aggrieved
3 employees additionally often took late (after the fifth hour) meal periods. However, Defendants
4 actively avoided paying all owed meal period premiums by editing time records to make it appear as
5 if a complete 30-minute or otherwise compliant meal period had been taken.

6 36. Each time Plaintiff and the aggrieved employees experienced a noncompliant meal
7 period, they were owed a meal period premium. However, as a matter of policy and practice,
8 Defendant failed to pay Plaintiff and other aggrieved employees a meal period premium in violation
9 of Labor Code section 226.7.

10 37. To the extent Defendants paid meal period premiums in the same pay period that the
11 aggrieved employees earned bonuses or other forms of non-excludable remuneration, Plaintiff
12 believes and alleges that Defendants underpaid these premiums by failing to factor in all forms of non-
13 discretionary income into the regular rate of pay.

14 38. Similarly, Defendants had a policy and practice of regularly denying these employees
15 from taking compliant, uninterrupted rest periods.

16 39. As stated in the above sections, due to the high demands of the job and the pressure to
17 keep up with the heavy workload Plaintiff and other aggrieved employees were very rarely, if at all,
18 authorized or permitted to take all their rest periods. Further, Defendants had a policy and practice of
19 not paying rest period premiums to employees who were unable to take rest periods.

20 40. To the extent a rest period premium was ever paid, Defendants failed to pay these
21 premiums at the regular rate of compensation.

22 41. As discussed throughout this correspondence, Defendants had a non-compliant policy
23 and practice of miscalculating and underpaying the regular rate of pay applicable to overtime, paid
24 sick leave, and other premiums. Based on this practice, Plaintiff alleges that any rest period premiums
25 were equally deficient with respect to payments made to the aggrieved employees

26 42. Defendants failed to accurately state the “gross wages earned” and “net wages earned”
27 in violation of Labor Code § 226(a)(1) and (5), as Plaintiff and aggrieved employees were underpaid
28

1 for regular and overtime wages, meal and rest period premiums, and paid sick leave, resulting in an
2 inaccurate and depreciated itemization of gross and net wages earned on those wage statements.

3 43. Second, Defendants violated Labor Code section 226(a)(2) by failing to list employees'
4 "total hours worked," as aggrieved employees worked off-the-clock to perform the various work-
5 related tasks described above, rendering the total hours listed as an inaccurate reflection of hours
6 worked.

7 44. Third, in violation of Labor Code section 226(a)(9), the hourly rates and corresponding
8 hours worked at those rates are incorrectly listed on Plaintiff's and aggrieved employees' wage
9 statements. The hourly rates on the wage statement are inaccurate with respect to overtime hours that
10 were not paid at the "regular rate of pay." The hourly rates are also inaccurate with respect to any
11 meal and rest period premiums and paid sick leave hours, if any, as those hours were unpaid and/or
12 paid at the improper base rate and reflected as such on the wage statements of the aggrieved employees.

13 45. Finally, Defendants required that Plaintiff and the aggrieved employees sign non-
14 competition agreements restricting their ability to accept certain work on behalf of themselves or other
15 employers.

16 46. As such, Defendants violated California Labor Code section 432.5 by requiring that
17 Plaintiff and the aggrieved employees sign non-competition agreements prohibited by California law.

18 47. These violations create derivative liability for failure to pay all wages owed each
19 payday or upon separation of employment.

20 **FIRST CAUSE OF ACTION**

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

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

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

24 48. All outside paragraphs of this Complaint are incorporated into this section.

25 49. Plaintiff brings this cause of action as a proxy for the State of California on behalf of
26 the following "aggrieved employees" pursuant to the Private Attorneys General Act ("PAGA"),
27 codified as Labor Code section 2698 *et seq.*:
28

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

4 50. Plaintiff reserves the right to amend, supplement, or add to this description of the
5 aggrieved employees, according to proof.

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

10 52. Labor Code section 2699(a) provides: “Notwithstanding any other provision of law,,
11 any provision of this code that provides for a civil penalty to be assessed and collected by the Labor
12 and Workforce Development Agency or any of its departments, divisions, commissions, boards,
13 agencies, or employees, for a violation of this code, may, as an alternative, be recovered through a civil
14 action brought by an aggrieved employee on behalf of the employee and other current or former
15 employees against whom a violation of the same provision was committed pursuant to the procedures
16 specified in Section 2699.3. “

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

20 54. Labor Code section 2699.3 sets forth the procedure for commencing an action for civil
21 penalties under the PAGA.

22 55. On or about **November 14, 2024**, Plaintiff paid the requisite PAGA filing fee and
23 provided written notice (by online electronic filing with the LWDA and by certified mail to
24 Defendants) of Defendants’ alleged Labor Code violations, including the facts and theories to support
25 the alleged violations.

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

57. To date, neither Plaintiff nor Plaintiff's counsel has received a response to Plaintiff's written PAGA notice from the LWDA.

58. 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.

59. 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.*

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

1 j. ***Unlawful Employment Condition.*** Violation of Labor Code § 432.5.

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

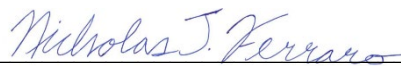
6 **PRAYER**

7 Plaintiff prays for judgment as follows:

- 8 a. For recovery of damages in amount according to proof;
- 9 b. For all recoverable pre- and post-judgment interest;
- 10 c. For this action to be maintained as a representative action under the PAGA;
- 11 d. For Plaintiff and counsel of record to be provided with all enforcement capability as if
12 the action were brought by the State of California or the California Division of Labor
13 Enforcement;
- 14 e. For recovery of all civil penalties and other recoverable amounts under the PAGA;
- 15 f. For reasonable attorneys' fees and costs of suit, including expert fees, to the extent
16 permitted by law, associated with the PAGA claims pursuant to Labor Code § 2699,
17 and Code of Civil Procedure section 1021.5 and any other applicable sections; and
- 18 g. For such other relief the Court deems just and proper.

19
20 Dated: January 19, 2025

Ferraro Vega Employment Lawyers, Inc.

21 

22 Nicholas J. Ferraro

23 Attorneys for Plaintiff Jesus Benitez

EXHIBIT 1

Notice of Labor Code Violations

FERRARO VEGA

SAN DIEGO EMPLOYMENT LAWYERS

Nicholas J. Ferraro
nick@ferrarovega.com
Lauren N. Vega
lauren@ferrarovega.com

ATTORNEYS AT LAW
3333 Camino del Rio South, Suite 300
San Diego, California 92108

619-693-7727
619-350-6855 fax
ferrarovega.com

November 14, 2024

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

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

**LES SCHWAB TIRE CENTERS OF
CENTRAL CALIFORNIA, LLC**
20900 Cooley Rd
Bend, OR 97701

**LES SCHWAB TIRE CENTERS OF
CALIFORNIA, LLC**
20900 Cooley Rd
Bend, OR 97701

- 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 **JESUS BENITEZ** (“Plaintiff(s)”) and all other “aggrieved employees” of the following “Defendant(s)”:

**LES SCHWAB TIRE CENTERS OF CENTRAL CALIFORNIA, LLC;
LES SCHWAB TIRE CENTERS OF CALIFORNIA, LLC**

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 an aggrieved employee.

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(s). 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 employed Plaintiff during the PAGA Period in the position of Tire Technician from about July 2020 to September 2024. 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 engaged in the unlawful practice of editing the aggrieved employee’s timecards to make it appear as if they took a compliant meal period when in reality they missed or took a late (after the fifth hour of work) meal period. This unlawful practice of time editing resulted in unpaid hours worked each time Plaintiff and the aggrieved employees were not paid for each hour worked.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees, up to the maximum amount allowed as set forth under the Labor Code.

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 and the lawful rate of pay for overtime hours worked, resulting in unpaid overtime wages.

First, to the extent that Defendant’s unlawful practice of time editing resulted in unpaid hours over 8 hours in a day or 40 hours in a week, this resulted in unpaid overtime.

Second, Defendants failed to pay overtime at the regular rate of pay. Specifically, Plaintiff and the aggrieved employees earned non-discretionary quarterly bonuses, shift differentials, incentives, and other forms of additional non-excludable remuneration which Defendants failed to include in the overtime rate calculation. Defendants further failed to issue “true-up” payments to all overtime earned for the full quarter. Instead, Defendants paid overtime at an otherwise deficient rate.

For each overtime hour worked during the period in which Plaintiff and the aggrieved employees earned the additional forms of remuneration, Defendants should have (but failed to) pay overtime “at a rate no less than one and one-half times the regular rate of pay for an employee” as required by the plain language of Labor Code section 510(a) 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, up to the maximum amount allowed as set forth under the Labor Code.

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. First, due to Defendant’s unlawful time rounding policy, Defendant failed to properly credit Plaintiff and the aggrieved employees with their full accrued sick leave.

Second, Defendants failed to pay paid sick leave at the lawful statutory rate inclusive of all earnings. The failure to calculate and pay sick leave at one of the lawful rates set forth in Labor Code § 246(l)(1)-(3) and 247 *et seq.* was applied as a matter of common policy and practice to 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, up to the maximum amount allowed as set forth under the Labor Code.

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.

First, Plaintiff and other employees experienced missed, late, short, and interrupted meal periods due to understaffing and in order to keep up with the high demand of the job. However, Defendants avoided paying all owed meal period premiums by making edits to their meal periods in order to make it appear as if they took compliant meal periods. For example, Defendants regularly made edits to the aggrieved employee time records when they took a late meal period or missed one entirely.

Second, to the extent that Defendants ever paid a meal period premium, Defendants failed to pay Plaintiff and other aggrieved employees a meal period premium at the "regular rate of compensation" because premiums paid did not factor in all forms of non-excludable remuneration including non-discretionary bonuses, shift differentials, and incentives.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees, up to the maximum amount allowed as set forth under the Labor Code.

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.

Defendants similarly had a policy and practice of denying these employees their entitled rest periods. Further, Defendants as a matter of common policy and practice failed to pay all owed rest period premiums.

To the extent Defendants ever paid a rest period premium, Defendants violated Labor Code section 226.7 because such premiums were not paid at the correct regular rate of compensation to the aggrieved employees, which would have factored in bonuses. As discussed throughout this correspondence, Defendants had a non-compliant policy and practice of miscalculating and underpaying the regular rate of pay applicable to overtime, paid sick leave, and other premiums. Based on this practice, Plaintiff alleges that any rest period premiums were equally deficient with respect to payments made to the 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, up to the maximum amount allowed as set forth under the Labor Code.

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). 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. Indeed, Defendants failed to pay all premiums, overtime, regular, sick leave, and other earnings on time each payday.

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees, up to the maximum amount allowed as set forth under the Labor Code.

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. 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 as an individual and on behalf of the State of California and the aggrieved employees, up to the maximum amount allowed as set forth under the Labor Code.

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.

Defendant violated Labor Code section 226(a)(2) by failing to accurately include the uncompensated time Plaintiff and other aggrieved employees worked due to Defendant’s unlawful policy and practice of time editing.

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, up to the maximum amount allowed as set forth under the Labor Code.

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, up to the maximum amount allowed as set forth under the Labor Code.

Unlawful Employment Condition
Violation of Labor Code § 432.5

Defendants violated Labor Code section 432.5 with respect to Plaintiff and other aggrieved employees by requiring that they agree to an unlawful term or condition in writing during their employment.

Labor Code section 432.5 states that “[n]o employer, or agent, manager, superintendent, or officer thereof, shall require any employee or applicant for employment to agree, in writing, to any term or condition which is known by such employer, or agent, manager, superintendent, or officer thereof to be prohibited by law.”

Non-competition and non-solicitation agreements are illegal under California law. Business and Professions Code 16600 provides that “every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.” Defendants required that Plaintiff and the aggrieved employees sign non-competition agreements restricting their ability to accept certain work on behalf of themselves or other employers. As such, Defendants violated California Labor Code section 432.5 by requiring that Plaintiff and the aggrieved employees sign non-competition agreements prohibited by California law.

Defendants maintained an unlawful agreement in violation of California law. An illustrative example of this violation is shown below:

goodwill in the industry and Company's rights in the Protected Information. During Employee's employment with Company and for a period of 24 months immediately after the end of Employee's employment with Company ("**Restricted Period**"), regardless of the reason it ends, Employee will not in any manner, directly or indirectly, alone or with others, (a) solicit or accept business competitive with Company from any of Company's customers or active prospects that Employee had contact with while performing job duties for Company, or (b) otherwise attempt to encourage or influence any of Company's customers or active prospects that Employee had contact with while performing job duties for Company to reduce or terminate the business relation's business or relationship with Company. "**Active prospects**" means potential customers Company has specifically targeted to solicit, or has solicited, in the 12 months immediately preceding the end of Employee's employment with Company. "**Business competitive with Company**" includes but is not limited to any tire retailer or distributor located within 100 miles of any Company corporate office, retail store, distribution center or retread facility.

5. **Nonsolicitation of Employees.** During the Restricted Period, Employee will not, in any manner, directly or indirectly, alone or with others, recruit, solicit or encourage any employee, consultant or contractor of Company to terminate his or her employment or other relationship with Company. During the Restricted Period, Employee will not – for Employee or on behalf of any person – hire as an employee or engage as an independent contractor any person who was an employee of the Company at any time during the Restricted Period.

Extract from Plaintiff's "Employee Nondisclosure and Nonsolicitation Agreement"

As a result, Plaintiff may recover civil penalties as an individual and on behalf of the State of California and the aggrieved employees, up to the maximum amount allowed as set forth under the Labor Code.

Attorneys' Fees and Costs **Labor Code § 2699(k)(1)**

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(k)(1).

- 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,


Elyssa Martinez

Cc Plaintiff Jesus Benitez
Carrie Blanchard – Defendant's HR Representative
carrie.l.blanchard@lesschwab.com