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October 1, 2026

VIA ONLINE FILING

California Labor & Workforce Development Agency
Attn: PAGA Administrator
455 Golden Gate Avenue, 9th Floor
San Francisco, California 94102

CC VIA CERTIFIED MAIL

Hooker Furnishings Corporation
Attn: Legal Department / Registered Agent for Service of Process
440 East Commonwealth Boulevard
Martinsville, Virginia 24112

Re: Maryann Merlo v. Hooker Furnishings Corporation

Dear PAGA Administrator:

We represent Maryann Merlo in connection with her claims against Hooker Furnishings Corporation. Pursuant to Labor Code section 2699.3, this letter provides notice that Hooker violated multiple provisions of the California Labor Code. Ms. Merlo intends to seek civil penalties under the Private Attorneys General Act of 2004, Labor Code sections 2698 et seq., on behalf of herself and other aggrieved California employees, including California sales representatives whom Hooker classified as independent contractors during the applicable limitations period.

This is principally a willful-misclassification and expense-reimbursement PAGA case. Hooker may argue that Ms. Merlo was an outside salesperson and that some wage-and-hour consequences are therefore less severe. That argument misses the point. Outside-sales status does not permit a company to call employees contractors, shift ordinary business expenses to them, deny wage statements and payroll records, avoid paid sick leave obligations, require California workers to accept unlawful contract provisions, or escape Labor Code section 226.8. Section 226.8 punishes the willful misclassification itself.

The available facts also suggest that Ms. Merlo was not an isolated classification mistake. Hooker had at least one other California salesperson, [redacted], working in the same territory structure, and Ms. Merlo replaced [redacted] had repeatedly sought

management's help concerning [redacted] before Hooker recruited Ms. Merlo. Discovery will determine which individuals fall within the PAGA period and whether Hooker replicated the same contractor model for sales representatives in California and elsewhere without performing the individualized, state-specific classification analysis required of a multi-state employer.

I. FACTUAL BACKGROUND

Hooker recruited Ms. Merlo from Vanguard Furniture, where she had worked for approximately 20 years and earned approximately $300,000 annually. Hooker knew it was asking her to give up a stable late-career position. Ms. Merlo rejected the opportunity more than once because [redacted] repeatedly told her she would be his '#2' and not an equal partner. Hooker overcame that objection by promising a materially different arrangement: a 50/50 partnership in the California/Nevada/Hawaii territory, no lead representative, management supervision of the account split, a guaranteed monthly commission of approximately $33,228.19 for 12 months, an additional $4,166.67 per month for managing the Las Vegas showroom, reimbursement of Las Vegas travel, and payment of her share of [redacted] administrative support costs for the first year.

Hooker also concealed material facts about the position. When Ms. Merlo asked why [redacted] had left, Hooker told her that [redacted] had married a wealthy doctor, no longer needed to work, and had stopped servicing her accounts. In fact, [redacted] had repeatedly sought senior management's help concerning [redacted]. On information and belief, on or about July 7, 2025, [redacted] sent a written complaint intended for senior executive [redacted] stating that she had asked [redacted] multiple times for advice and wanted the harassment from [redacted] to stop. Hooker did not disclose that history while inducing Ms. Merlo to leave Vanguard.

The job Ms. Merlo received was materially different from the job Hooker sold. [redacted] immediately tried to renegotiate the account split, refused to accept management's direction, withheld information, ignored her, belittled her, and refused to service female designers and customers despite Hooker's stated initiative to grow design business. Ms. Merlo complained during the Las Vegas market. Management told her to work it out with [redacted]. She reasonably understood that she was on her own.

At the High Point market in October 2025, the problem escalated. [redacted] ignored Ms. Merlo for days and then, on the last day of market, led her to an isolated area, patted the seat of a sofa, and told her that he had noticed tension between them, that he had been documenting their conversations, and that she would be fired if she could not get along with him. Ms. Merlo was visibly shaken immediately afterward.

When CEO [redacted] later asked Ms. Merlo how things were going with [redacted], she responded, 'Do you really want to know?' When he said yes, she reported that [redacted] was a misogynist, that he was setting her up to fail, that he withheld information, that he would not work with designers, and that he yelled at and belittled female administrators. According to Ms. Merlo, [redacted] acknowledged that [redacted] was setting her up to fail and said he would fire [redacted] Ms. Merlo asked that Hooker first allow her to identify a replacement so customers would not be disrupted. On November 7, 2025, she told [redacted] that things had gotten worse and

that she had someone in mind to replace [redacted] Three days later, on November 10, 2025, Hooker terminated her without a legitimate performance explanation.

[redacted] communications confirm that Hooker knew [redacted] was not a new problem. On July 25, 2025, [redacted] warned [redacted] that if his expense demand reached 'the legal level,' it could affect her daughter's relationship with the business; he added that he would 'hate to think' that happened but had 'no control over that.' In October 2025, he demanded another $13,509 and threatened other recourse. Ms. Graf told management that [redacted] had unilaterally reduced her share of the territory relationship from 50 percent to 40 percent, costing her approximately $30,000 in the first half of 2025, and that he had bullied her into payments for two years.

> Ms. Graf also reported repeated sex-based conduct during ride-alongs and other work occasions, including comments by Mr. Walsh and senior executive [redacted] about women's breasts. She said such conduct occurred routinely and that she repeatedly asked Mr. Cowan for help without receiving it. In an October 10, 2025 email to [redacted] and [redacted] wrote that her life was 'forever changed,' that she wondered whether [redacted] harassment would ever stop, and that his obsession was not going away. She explained that she paid $5,000 not because she believed it was owed, but because she wanted to be rid of the toxic dynamic.

Hooker terminated the woman who complained and retained [redacted] at that time. Ms. Merlo has suffered severe emotional distress, sought mental-health treatment, and eventually accepted work with expected annual earnings under $100,000. She also learned that [redacted] approached a prospective employer and said not to hire her because she was a liar. After Hooker received a demand letter detailing this history and [redacted] corroborating account, [redacted] abruptly separated from Hooker. That later separation does not cure the Labor Code violations described in this notice.

II. WILLFUL MISCLASSIFICATION - LABOR CODE SECTION 226.8

Hooker classified Ms. Merlo as an independent contractor, but the written agreement and actual relationship establish employee status under California law. Hooker hired Ms. Merlo to sell and service Hooker products in Hooker's assigned territory, to follow Hooker pricing and sales policies, to attend required markets, meetings, design meetings, and training, to use Hooker systems and customer records, to work within Hooker's commission and territory structure, and to manage a Hooker employee in the Las Vegas showroom. Hooker also promised a guaranteed monthly commission for 12 months. These facts are not consistent with an independent business free from Hooker's control.

The ABC test confirms the problem. First, Ms. Merlo was not free from Hooker's control and direction in fact. Hooker controlled the territory, compensation, markets, training, account allocation, pricing, sales policies, reporting, commission structure, and showroom assignment. Second, she performed work squarely within Hooker's usual course of business: selling Hooker furniture through assigned retailers, designers, and showroom channels. Third, during the relevant period she was not operating an independently established furniture-sales business of the same nature as the work performed for Hooker. Hooker induced her to resign from Vanguard and work

for Hooker; it did not retain an independent multi-client business that already existed outside Hooker's control.

The independent-contractor agreement does not cure the problem. The agreement recites that Ms. Merlo is a contractor, shifts expenses to her, requires her to attend meetings and training at her own expense, requires her to follow company policies, reserves to Hooker the right to alter territory, restricts her use of company information and materials, and imposes Virginia law and venue despite her California residence and California work. Labels and recitals do not overcome the operating reality.

Labor Code section 226.8 prohibits willful misclassification. A violation carries civil penalties of $5,000 to $15,000 per violation, and if there is a pattern or practice, $10,000 to $25,000 per violation. The maximum $25,000 penalty is only part of the risk. Through PAGA, Hooker also faces attorney's fees under Labor Code section 2699(g)(1), and those fees can amount to hundreds of thousands of dollars if Hooker forces litigation over a uniform contractor model. If Hooker did not individually analyze California law for Ms. Merlo, [redacted], and other California sales representatives, and instead used a standard sales-representative contractor template, the willfulness and pattern evidence will be substantial.

III. EXPENSE REIMBURSEMENT - LABOR CODE SECTION 2802

Hooker required Ms. Merlo and other aggrieved employees to bear necessary business expenses incurred in discharging their duties. These expenses include, without limitation, automobile mileage and driving expenses for assigned territory work, travel, lodging, Las Vegas showroom travel, cell phone, internet, home office, data, computer and technology costs, samples, catalogs, marketing materials, and other expenses necessary to sell and service Hooker products. To the extent Hooker reimbursed some travel or showroom costs but not the full universe of required expenses, it violated Labor Code section 2802 and is liable for penalties, interest, and attorney's fees.

IV. PAYROLL, WAGE STATEMENT, FINAL PAY, AND RECORDKEEPING VIOLATIONS

Because Hooker misclassified Ms. Merlo and other aggrieved employees, it failed to provide accurate itemized wage statements and failed to maintain payroll records required by Labor Code sections 226, 226.3, 1174, and 1174.5. If Hooker contends it issued vendor statements rather than wage statements, that is evidence of the violation, not a defense. Misclassification also resulted in violations of Labor Code sections 201 through 204 and 210 because Hooker failed to timely pay all wages, commissions, reimbursements, and final pay owed upon termination or on regular paydays.

Hooker also failed to provide paid sick leave notices and accrual information required by Labor Code sections 246, 246.5, and 247, and failed to treat Ms. Merlo and similarly situated California workers as employees for purposes of sick leave and related statutory protections. Hooker's failure to provide compliant wage statements and payroll records has also impeded Ms. Merlo's ability to determine all compensation, commissions, trailing commissions, deductions, and reimbursements owed.

V. UNLAWFUL CONTRACT PROVISIONS

Hooker's agreement contains Virginia choice-of-law and venue provisions that are voidable under Labor Code section 925 as applied to a California resident who primarily worked in California and was not represented by counsel in negotiating the contract. Hooker also required contract provisions that purport to shift expenses and employment obligations to Ms. Merlo, reinforce the independent-contractor label, and restrict her use of information, customer materials, and lines carried. To the extent Hooker contends any provision restrains Ms. Merlo's ability to work for others, represent other lines, or compete after Hooker, those provisions violate Business and Professions Code section 16600 and Labor Code section 432.5.

VI. RETALIATION-RELATED LABOR CODE VIOLATIONS

Ms. Merlo also contends that Hooker terminated her because she complained about unlawful conduct, including gender-based harassment and a hostile work environment, and because she challenged conditions connected to the contractor structure. To the extent her complaints encompassed Labor Code violations, unlawful contract provisions, misclassification, expense shifting, wage-payment practices, or other statutory rights, Hooker's termination violated Labor Code sections 98.6, 1102.5, and related provisions enforceable through PAGA. The timing is especially powerful: on November 7, 2025, Ms. Merlo told the CEO that things with Mr. Walsh had worsened and that she had a replacement candidate; on November 10, 2025, Hooker terminated her.

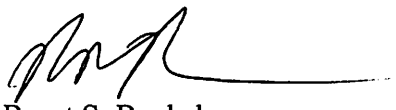
VII. PAGA NOTICE

This notice is intended to satisfy Labor Code section 2699.3. Ms. Merlo intends to seek civil penalties for the Labor Code violations described above, including violations of Labor Code sections 98.6, 1102.5, 201-204, 210, 226, 226.3, 226.8, 246, 246.5, 247, 432.5, 925, 1174, 1174.5, 2698 et seq., and 2802, as well as derivative and related penalties. Ms. Merlo will seek penalties on behalf of herself and all aggrieved California employees within the applicable statutory period.

If the LWDA declines to investigate or does not timely provide notice of intent to investigate, Ms. Merlo intends to file or amend a civil action seeking PAGA penalties. Hooker is hereby placed on notice that it must preserve all documents and electronically stored information relevant to the violations, aggrieved employees, classification decisions, compensation, expenses, payroll records, wage statements, contracts, communications, and defenses described in this notice.

Very truly yours,

Law Offices of Buchsbaum & Haag, LLP



Brent S. Buchsbaum
Attorney