

GRF answers members' inquiries about wage settlement

Message from GRF President, Linda Stone

Last week's announcement that the Golden Rain Foundation settled a lawsuit regarding complicated employee meal and rest-break wage regulations for \$550,000 generated several inquiries from our community that, as promised, we are answering today.

As a reminder, our settlement eliminates a potentially costly and uncertain legal fight and removes financial uncertainty for future budgeting. GRF admitted no wrong-doing in conjunction with the settlement that will be paid from our capital budget and will have **NO** impact on shareholder and member fees or existing projects.

We want to assure you that our payroll and Human Resources department are well-versed in the rules imposed by the California labor code. Unfortunately, as we said last week, court decisions interpreting these rules is an evolving body of law leaving many open questions. There is scant reported case law on the application of so-called "on-duty meal period agreements" under California law.

GRF chose to discontinue the use of on-duty meal period agreements rather than continue to incur significant legal fees and expenses to litigate the vagaries of their application to our operation.

The half-dozen comments we received from shareholders and members included:

- 1) GRF should appoint a committee to review current financial practices and prevent future violations. ANSWER: The wage issue lawsuit began in 2017. Since then, GRF has overhauled its financial and employee policies to comply with and, in most cases, exceed legal and regulatory mandates. The legal agreement about the settlement ensures GRF is legally compliant as we continue to do the right thing for our employees and for our shareholders.
- 2) There were multiple comments expressing skepticism about the settlement not having impact on shareholder and member fees and existing projects: ANSWER: We reiterate that the settlement will have **NO** impact on shareholder and member fees or existing capital projects.

We've updated the frequently asked questions below. If you have any additional questions, please send them to questions@lwsb.com. We will compile all questions received, update the FAQ and post the answers on the GRF website, LW Weekly as well as send a LW Live email.

Typically, we would host a town hall for all shareholders and members to discuss this important issue. Since we remain under a COVID-19 shelter-in-place order we will rely on email, the GRF website (www.lwsb.com) and LW Weekly to provide ongoing information to ensure the well-being of all of us.

Frequently Asked Questions

Q1: Why was the Golden Rain Foundation sued?

A1: The Golden Rain Foundation was sued in October 2017 by a former employee and was joined later by a current employee for what they claimed were wage-and-hour violations. The lawsuit asserted GRF had not provided proper meal and rest breaks to employees and failed to compensate employees for the resulting overtime.

Q2: How did this happen to the Golden Rain Foundation?

A2: Golden Rain Foundation consulted with its previous labor lawyers routinely to ensure its employment procedures were in compliance with California's stringent and ever-changing workplace rules. Evolving judicial interpretations of employee meal and rest-break laws led to the lawsuit against GRF and nearly 8,300 similar wage-and-hour lawsuits against companies big and small in 2017.

Q3: Specifically, what did the lawsuit say the Golden Rain Foundation did wrong?

A3: The primary claim is the Golden Rain Foundation employees periodically did not receive or take mandated meal and rest breaks or worked through them to complete their shifts and leave work early. These are referred to as "on-duty meal period agreements" under California law.

Q4: Why is the Golden Rain Foundation settling this lawsuit now?

A4: In consultation with our attorneys, the Golden Rain Foundation Board concluded that settling the lawsuit would eliminate a potentially costly, uncertain legal fight and remove the financial uncertainty that would complicate its future budgeting. It's important to know that there is scant reported case law on the application of so-called "on-duty meal period agreements" under California law. Recent rulings have held businesses liable for fees and damages even if the employer's mistakes were minor.

Q5: What is the amount of the settlement?

A5: The Golden Rain Foundation will pay a settlement of \$550,000. The plaintiffs' lawyers will receive about \$183,000, the firm administering the settlement will receive about \$20,000, eligible former and current employees will receive estimated payouts ranging from \$100 to \$1,900 and the two named plaintiffs will each receive an additional \$5,000.

Q6: How does the Golden Rain Foundation plan to pay the \$550,000?

A6: The Golden Rain Foundation will use its capital budget to pay the settlement. The use of this fund will have **NO** impact on shareholder and members ship fees or existing projects.

Q7: Will the settlement impact residents' fees?

A7: No, we expect the settlement to have **NO** impact on shareholders and members fees.

Q8: Which employees are eligible for settlement payments?

A8: Approximately 400 hourly employees who worked for the Golden Rain Foundation between Oct. 30, 2013 and July 16, 2019 are eligible for payments ranging from \$100 to \$1,900.

Q9: When will the payments be made?

A9: Once the settlement is finalized, a court appointed Payments Administrator will identify and locate eligible employees and we expect payments to be mailed beginning in late summer.

Q10: Have the underlying wage issues been resolved?

A10: Yes, upon receiving the lawsuit and in consultation with our attorneys, Golden Rain Foundation has ensured compliance with current interpretation of wage regulations for employee meal and rest breaks.

Q11: What did the plaintiffs initially demand in their lawsuit?

A11: The two plaintiffs initially demanded several million dollars to resolve the case. GRF negotiated a much smaller settlement because we have legitimate legal arguments that our pay practices were lawful.

Q12: How does the settlement compare with other companies?

A12: There was a 400 percent increase in lawsuits leading up to 2017 associated with different interpretations of meal and rest-break wages. Nearly 8,300 similar lawsuits were filed against companies big and small with settlements totaling \$2.27 billion in 2017. For comparison, Walmart has paid more than \$1 billion in wage-and-hour cases since 2008; TGI Friday's paid \$19.1 million in a single judgment in 2017. Locally, a Brea-based car-wash company paid \$4.2 million, a Temecula nail spa paid \$1.2 million and an Anaheim auto-towing company paid \$4.9 million.

Q13: Who may I contact if I have further questions?

A13: Please send your questions to questions@lwsb.com. We will respond weekly to questions submitted through May 15, 2020 in the LW Weekly, LW Live and post Q&As on the Leisure World website (LWSB.com). Typically, we would host a town hall for all residents to discuss this important issue. Since we remain under a COVID-19 shelter-in-place order, we are unable to do so at this time.