

## How Did Wage Issue Happen?

### Message from GRF President Linda Stone

The California State Legislature approved language in wage and hour laws that all employees must be paid overtime if an individual works more than eight hours a day. We can all agree that is fair.

What was true before, however, is not true now as the courts have clarified the law in recent rulings. The following three examples now are legally working overtime.

1. If an employee clocks in at 7:55 a.m., takes a mandated half-hour lunch break, then clocks out at 4:30 p.m.
2. A standard practice in the past was to offer a voluntary waiver to employees that wanted to work through lunch so they could leave early for a doctor's appointment.
3. Interrupting an employee's lunch or break to discuss work-related issue or ask a question.

It is the law going forward and retroactively to the years before the courts' ruling. Golden Rain Foundation, along with many other companies, were liable although we acted in good faith with the interpretation of the law at the time.

Several shareholders questioned the impact the \$550,000 settlement will have on GRF. We have been clear that there will be no impact on shareholders' assessment.

The money to pay for the settlement will be taken from the GRF Capital fund. This is money paid solely by **new buyers** through the one-time membership fee all members pay when they first move into their units. This Capital fund typically is used for new projects and assets. It will be replenished as new residents move in.

We have updated the frequently asked questions below. If you have any additional questions, please send them to [questions@lwsb.com](mailto:questions@lwsb.com).

### 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 asserted 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, lengthy legal fight and remove the financial uncertainty that would complicate its future budgeting process. 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 or made with a good faith belief that its practices were legal.

**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 each. 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 fund to pay the settlement.

**Q7: Were there other ways by which the GRF board could have paid the settlement?**

A7: Yes. GRF could have created a special assessment of \$3.50 per apartment, per month, for two years to fund the settlement. Since the board had no immediate plans for additional new projects, it chose to cover the settlement by using the Capital fund. The fund is a dedicated source of predictable revenue and can be systematically replenished.

**Q8: Will the settlement impact residents’ fees?**

A8: We were clear that no assessments, or fees, would be used to pay the settlement. The money to pay for the settlement will be taken from the GRF Capital fund. This is money paid solely by new buyers through the one-time membership fee all members pay when they first move into their units. This Capital fund typically is used for new projects and assets. It will be replenished as new residents move in.

**Q9: Did GRF take other financial steps to ease the economic effects of the judgment?**

A9: Yes. When the GRF learned of the likely settlement amount, it asked all GRF departments to reduce their budgets by 10%.

**Q10: When will the payments be made?**

A10: Once the settlement is finalized, a court appointed Payments Administrator will identify and locate eligible employees. We expect payments to be mailed beginning in late summer.

**Q11: Which employees are eligible for settlement payments?**

A11: Approximately 400 hourly employees who worked for the Golden Rain Foundation between October 30, 2013 and July 16, 2019 are eligible for payments ranging from \$100 to \$1,900 each.

**Q12: Have the underlying wage issues been resolved?**

A12: Yes, upon receiving the lawsuit and in consultation with our attorneys, Golden Rain Foundation undertook to comply with the current interpretation of wage regulations for employee meal and rest breaks.

**Q13: What did the plaintiffs initially demand in their lawsuit?**

A13: 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.

**Q14: How does the settlement compare with other companies?**

A14: In the years leading up to 2017, there was a 400 percent increase in lawsuits associated with different interpretations of meal and rest-break wages. In the year GRF was sued, nearly 8,300 similar lawsuits were filed against companies big and small, with settlements totaling \$2.27 billion. A lawyer described wage violations suits as “cash cows for plaintiffs’ attorneys.” It is not just big, national companies, 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.

**Q15: Will the settlement payment affect the swimming pool construction?**

A15: No, the money for constructing the swimming pool is set aside in this year’s budget. Even after paying for the pool, the Capital fund totals about \$2 million.

**Q16: Are there changes shareholders should make when they engage with employees to comply with the changed meal and break processes?**

A16: In short, please do not interrupt employees who appear to be on a break or eating their lunch.