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SPORT CHALET: Reaches Settlement For CA Labor Violations Lawsuit

Sport Chalet, Inc. reached a settlement for the class action filed in Los Angeles Superior Court in California, against it, styled "Kenneth Henderson on behalf of himself and other similarly situated Plaintiffs v. Sport Chalet, Case No. BC 318081."

Former employee Kenneth Henderson brought this class action on behalf of himself and other similarly situated employees, alleging causes of action for failure to provide required meal periods, failure to authorize or permit rest periods, failure to provide compensation for split shifts, failure to reimburse employees for uniforms, failure to maintain required records, penalties for terminated employees who were not fully compensated, penalties for failure to pay employees all wages at least twice a month, and violation of Business and Professions Code 17200.

Plaintiffs basically allege that hourly employees were regularly denied their required meal periods and rest periods and were not paid premiums for split shifts. They further allege that the company required its employees to wear uniforms but did not pay for the uniforms. Plaintiffs seek a class action in which they demand various wages, premiums, interest, and penalties for these alleged violations. They also seek attorneys' fees and an injunction.

The parties have engaged in significant discovery and Plaintiffs have filed a Motion for Class Certification which was heard on July 13, 2005. The Company opposed the Motion for Class Certification. No trial date has been set. The parties reached a settlement, which is subject to Court approval. The parties are drafting the settlement documents and presented them to the Court by August 15, 2005. Without admitting any liability, the Company has agreed to pay money to a class of hourly employees who allegedly were denied their proper break periods or who were required to comply with the store dress code. The Company has also agreed to spend money to upgrade its labor software system, to provide shirts to its employees, and to improve its lunch/break rooms. The maximum amount of the settlement is \$2,250,000, of which \$1,000,000 has been fully reserved as of June 30, 2005. Over the next six years, the remaining \$1,250,000 is designated for the software system, shirts, and lunch/break rooms and will be expensed or capitalized as incurred following the Company's normal accounting policies.