

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF LOS ANGELES

KENNETH HENDERSON, an individual, on behalf  
of himself and on behalf of other similarly situated,

Plaintiff,

v.

SPORT CHALET, INC., a Delaware corporation  
doing business in California; and DOES 1-50,  
inclusive,

Defendants.

Case No. BC 318081

[Complaint Filed: July 6, 2004]

Assigned to: The Hon. Diane Wayne (Ret.)

**NOTICE OF PENDENCY OF CLASS ACTION,  
PROPOSED SETTLEMENT AND HEARING  
DATE FOR COURT APPROVAL**

TO: ALL CURRENT AND FORMER HOURLY EMPLOYEES OF SPORT CHALET EMPLOYED IN CALIFORNIA AT ANY TIME FROM JULY 6, 2000 TO SEPTEMBER 30, 2005.

PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF CLASS ACTION LITIGATION. IF YOU ARE A CLASS MEMBER, IT CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHT TO MAKE A CLAIM FOR PAYMENT OR TO ELECT NOT TO BE INCLUDED IN THE CLASS AS FURTHER DESCRIBED BELOW.

Pursuant to the order of Judge Diane Wayne (Ret.) entered November 22, 2005, YOU ARE HEREBY NOTIFIED AS FOLLOWS: A settlement has been reached between the parties in the above-captioned lawsuit pending in the Superior Court of the State of California for Los Angeles County on behalf of all individuals employed by Defendant Sport Chalet, Inc. (hereinafter "Sport Chalet" or "Defendant") in a California store in an hourly position at any time between July 6, 2000 and September 30, 2005. You have received this notice because company records indicate that you worked in such a position for Sport Chalet within the stated time period. This notice is designed to advise you of how you can participate in this settlement or how you can be excluded from the settlement.

**I. BACKGROUND OF THE CASE**

On July 6, 2004, Plaintiff Kenneth Henderson filed a proposed class action lawsuit ("Action") in the Los Angeles County Superior Court against Sport Chalet, on behalf of himself and all other employees similarly situated. The Action generally alleges that Sport Chalet (1) failed to provide unpaid meal periods and paid rest periods; (2) failed to provide split shift pay; and (3) failed to reimburse employees for the cost and maintenance of uniforms. The Action alleges causes of action for violations of the California Labor Code, California Business and Professions Code, and the Fair Labor Standards Act ("FLSA").

Sport Chalet disputes all the claims, both legally and factually, and contends that class recovery is inappropriate.

After the case was filed, the parties conducted a significant investigation of the facts. The parties exchanged information under oath, including hundreds of pages of Sport Chalet records, took several depositions and interviewed numerous witnesses. The facts and law were disputed. After an all-day mediation, and numerous additional meetings and conversations between counsel for Plaintiffs and Defendant, the parties reached a full settlement of the case, subject to Court approval. On November 22, 2005, the Hon. Diane Wayne (Ret.) preliminarily approved the settlement, subject to final review at a fairness hearing, as described below.

As a part of the settlement, the parties have entered into a Stipulation and Settlement Agreement of Class Action Claims (hereinafter "Stipulation"). The Class Members consist of those individuals who were employed by Sport Chalet in California in an hourly position between July 6, 2000 and September 30, 2005, and who do not opt out of the settlement as explained herein. The Settlement Class Members consist of all Class Members who submit a Claim Form/FLSA Consent Form ("Claim Form") that is approved for payment under the terms of the Stipulation.

If you are a Class Member as defined above, you have the opportunity to participate in the settlement by submitting the Claim Form.

## **II. SUMMARY OF THE PROPOSED SETTLEMENT**

The settlement provides for the following:

### **Maximum Settlement Amount:**

Sport Chalet has agreed to pay up to the total sum of \$2,250,000 (hereinafter "maximum settlement amount") to settle this case. This sum includes payment of attorney's fees and costs to Class Counsel, an enhancement payment to the named plaintiff, claims administration fees, all Class claims, the payment for required clothing, and for improvements to various company programs and facilities, all of which are further explained below.

### **Settlement Formula For Payments To Settlement Class Members:**

Sport Chalet will pay to each Settlement Class Member (as defined below) who submits a valid and timely Claim Form, the following Settlement Awards:

1. All Class Members who worked fifty or more shifts during the period July 6, 2000 through September 30, 2005, will be eligible to receive a "Settlement Award" (as defined below), except for those Plaintiffs who submit valid and timely requests for exclusion. The Settlement Awards payable to the Class Members will be calculated in the following manner:
2. Sport Chalet will calculate the number of shifts from July 6, 2000 through September 30, 2005 for each Class Member who worked fifty or more shifts ("Individual Shifts"). The sum of each of these Class Members' Individual Shifts shall be referred to as the "Collective Shifts."
3. To obtain the "Payout Ratio" for each Class Member, Sport Chalet will divide the Individual Shifts figure for each Class Member who worked fifty or more shifts by the Collective Shifts figure to obtain a "Payout Ratio" for that Class Member.
4. To determine the amount of each Class Member's "Settlement Award," the Class Member's Payout Ratio will then be multiplied by the amount of the Payout Fund. The Payout Fund is estimated to be \$333,000.

5. Sport Chalet shall deduct normal withholding and payroll taxes from the Settlement Awards.

The actual individual settlement amounts will be calculated once all disputes have been resolved, Class Counsel's attorney's fees and out-of-pocket expenses have been approved by the Court, and the costs of administration have been determined. Any checks not cashed within sixty (60) days of mailing will be voided, and such funds will be given to an appropriate charity selected by Class Counsel and Sport Chalet. Neither Sport Chalet nor Class Counsel shall be responsible for lost or stolen checks. Sport Chalet shall have no obligation to pay any settlement funds to any Class Member who fails or neglects to submit a valid claim form.

**ANY TAX ADVICE HEREIN WAS NOT INTENDED OR WRITTEN BY THE AUTHOR TO BE USED, AND IT CANNOT BE USED BY ANY RECIPIENT, FOR THE PURPOSE OF AVOIDING ANY TAX PENALTIES THAT MAY BE IMPOSED ON ANY PERSON. THERE IS NO LIMITATION IMPOSED ON A RECIPIENT HEREOF BY THE AUTHOR HEREOF ON DISCLOSURE OF THE TAX TREATMENT OR TAX STRUCTURE OF ANY TRANSACTION. EXCEPT WITH PRIOR WRITTEN CONSENT OF THE AUTHOR, NOTHING HEREIN MAY BE USED OR REFERRED TO IN PROMOTING, MARKETING OR RECOMMENDING A PARTNERSHIP OR OTHER ENTITY, INVESTMENT PLAN OR ARRANGEMENT TO ANY PERSON.**

**Settlement Class Member Defined:**

Settlement Class Members will include only those members of the Class who timely submit a Claim Form (included herein), signed under penalty of perjury.

**Calculations Will Be Based on Sport Chalet's Records:**

For each Class Member submitting a claim, the amount payable to the Settlement Class Member will be calculated from Sport Chalet's records. Sport Chalet's records will be determinative with respect to the number of shifts worked from July 6, 2000 through September 30, 2005.

**Sport Chalet's Other Obligations To Class Members:**

Sport Chalet is also obligated to expend the costs of administration (estimated at \$40,000), and the sum of \$1,250,000 over the period of six years from August 15, 2005 for: providing employees with any required shirt or pants of a specific color or design; or purchasing labor scheduling software that assists Sport Chalet in monitoring the scheduling of employees including the installation, implementation, training and required equipment; or improving or upgrading the lunch/break rooms. If any amount out of the \$1,250,000 is not spent within six years after August 15, 2005, it shall be paid to a charity agreed upon by Class Counsel and Sport Chalet.

**Release:**

All Class Members who have not validly requested exclusion will be bound by the terms of the Settlement with respect to their state law claims, even if the Class Member does not submit a Claim Form. The Stipulation and the attached Claim Form both contain a release, which releases defendant Sport Chalet from the "Released Claims" as defined below and all Class Members who do not validly request exclusion will be barred from suing or making a claim that is related to the Released Claims. This release is more fully described below.

A. As of the Effective Date, the Class Members, including the Named Plaintiff, release Sport Chalet and each of its past or present officers, directors, shareholders, employees, agents, principals, heirs, representatives, accountants, auditors, consultants, insurers and reinsurers, and its and their respective successors and predecessors in interest, subsidiaries, affiliates, parent companies and attorneys and each of their company sponsored employee benefit plans, and all of their respective officers, directors, employees, administrators, fiduciaries, trustees and agents (the "Released Parties"), from the "Released Claims." For purposes of this

Stipulation and Settlement, the "Released Claims" are defined as: all claims, demands, rights, liabilities, and causes of action of every nature and description whatsoever, known or unknown, asserted or that might have been asserted, whether in tort, contract, or for violation of any state or federal constitution, statute, rule or regulation, including state wage and hour laws, whether for economic damages, non-economic damages, restitution, penalties or liquidated damages, arising out of, relating to, or in connection with:

(1) any and all facts, transactions, events, policies, occurrences, acts, disclosures, statements, omissions or failures to act, which are or could be the basis of claims: (a) that Sport Chalet failed to properly provide unpaid meal periods and paid rest breaks; (b) that Sport Chalet failed to provide split shift pay; (c) that Sport Chalet failed to reimburse employees for uniforms and their maintenance and cleaning; (d) that Sport Chalet failed to maintain required records as required by the Labor Code; (e) that Sport Chalet owes wages, penalties, interest, attorneys' fees or other damages of any kind based on a failure to comply with any state wage and hour laws, at any times on or before the last day of the Class Period (whether based on California state wage and hour law, federal law, contract, or otherwise), including, but not limited to, penalties based upon Labor Code Sections 203, 210, 226.7, 558, 1174.5, 2699, 2802, and under Wage Order 7 of the Industrial Welfare Commission, and including without limitation, all claims for restitution and other equitable relief, liquidated damages, punitive damages, retirement or deferred compensation benefits claimed on account of payments due for unpaid meal or rest periods, or for the failure to reimburse employees for the uniforms or their maintenance, and attorneys' fees and costs, whether known or unknown, from July 6, 2000 up to the date of preliminary approval of this settlement, arising from employment by Sport Chalet in California; and

(2) the causes of action asserted in the Class Action, including any and all claims for alleged failure to provide unpaid meal periods and paid rest breaks, for alleged failure to provide split shift pay, for alleged failure to keep required records, failure to provide and maintain uniforms, any claim for penalties, interest, attorneys' fees or other damages of any kind, and, as related to the foregoing, for alleged unlawful, unfair and/or fraudulent business practices under California Business and Professions Code § 17200, *et seq.*

B. The Released Claims include any unknown claims that arise out of or relate to violations by Sport Chalet of state or federal wage and hour law that are described above and that the Class Members do not know or suspect to exist in their favor at the time of the release, which, if known by them, might have affected their settlement with, and release of, the Released Parties or might have affected their decision not to object to this Settlement.

C. All Class Members who return a Claim form will be deemed to have consented to release the Released Parties from any claim based on federal wage and hour laws, in addition to the Released Claims outlined in A and B above.

**Enhancements For The Class Representatives:**

Subject to Court approval, Class Representative Kenneth Henderson will be paid an enhancement of \$9,000 for his service as class representative, as well as his willingness to accept the risk of agreeing to advance class counsel's costs and/or paying Defendant's attorneys' fees and costs in the event of an unsuccessful outcome on a motion for summary judgment, a motion for class certification, at trial or on appeal.

**Attorneys' Fees:**

Subject to final approval by the Hon. Diane Wayne (Ret.), Sport Chalet has agreed not to object to the request of Class Counsel for the sum of Six Hundred Eighteen Thousand Dollars (\$618,000) for attorney's fees, and their costs and expenses incurred in prosecuting this action. If all Class Members submit claims, the payment of attorneys' fees to Class Counsel will represent approximately twenty seven percent (27%) of the total amount paid by Sport Chalet under the terms of the parties' settlement.

**Administrative Fees:**

Sport Chalet agrees to pay the reasonable costs of the settlement administrator associated with the administration of this settlement, estimated to be in the sum of Forty Thousand Dollars (\$40,000). If the cost of administration of the settlement exceeds \$40,000, Defendant shall pay the excess outside of this settlement.

**Timing Of Payments To Settlement Class Members:**

The Settlement Awards will be mailed within 10 days of the Effective Date of the Settlement. This date may vary but is likely to be in or after May, 2006.

**III. WHAT ARE YOUR RIGHTS AS A CLASS MEMBER?**

**Submitting A Claim**

If you wish to submit a claim, you must complete and sign the Claim Form and return it, via U.S. Mail, to:

Sport Chalet Claims Administrator  
c/o Desmond, Marcello & Amster  
Post Office Box 451999  
Los Angeles, California 90045  
Phone (310) 216-1400

The Claim Form must be postmarked no later than February 25, 2006. If the Claim Form is sent from within the United States it must be sent through the United States Postal Service via First Class U.S. Mail or the equivalent. Do not use a postage meter as that may not result in a postmark appearing on the envelope containing your Claim Form. If you lose, misplace, or need another Claim Form or a Request for Exclusion, you should contact the attorneys for the plaintiff class listed below or the Settlement Administrator listed above. Sport Chalet will not discourage anyone from making a claim.

**Excluding Yourself From The Settlement**

Any person who does not wish to participate in the settlement may exclude themselves (i.e., "opt out") by sending a Request for Exclusion to the Claims Administrator. The Request for Exclusion must be signed, dated, and returned by First Class U.S. Mail, or the equivalent, to:

Sport Chalet Claims Administrator  
c/o Desmond, Marcello & Amster  
Post Office Box 451999  
Los Angeles, California 90045  
Phone (310) 216-1400

The Request for Exclusion must be postmarked no later than February 25, 2006. If the Request for Exclusion is sent from within the United States it must be sent through the United States Postal Service via First Class U.S. Mail, or the equivalent. Do not use a postage meter as that may not result in a postmark appearing on the envelope containing your Request for Exclusion.

Any person who files a complete and timely Request for Exclusion shall, upon receipt by the claims administrator, no longer be a member of the Class, shall be barred from participating in any portion of the settlement, **and shall receive no benefits from the settlement.** Any such person, at their own expense, may separately pursue any claims he/she may have against Sport Chalet.

**DO NOT SUBMIT BOTH THE CLAIM FORM AND A REQUEST FOR EXCLUSION. IF YOU SUBMIT BOTH, THE REQUEST FOR EXCLUSION WILL BE INVALID, YOU WILL BE INCLUDED IN THE SETTLEMENT CLASS, AND YOU WILL BE BOUND BY THE TERMS OF THE SETTLEMENT.**

**Objection To Settlement**

You can object to the terms of the settlement before final approval. However, if the Court rejects your objection, you will still be bound by the terms of the settlement unless you have submitted a valid and timely Request for Exclusion. To object, you must file a written objection and a notice of intention to appear at the Final Approval hearing as described below in Section IV., and send copies to the following:

**CLASS COUNSEL**

Anthony N. Luti, Esquire  
The Luti Law Firm  
6255 Sunset Boulevard, Suite 714  
Hollywood, California 90028  
Telephone: (323) 960-2600

Stephen A. Swedlow, Esquire  
Swedlow & Associates LLC  
Three First National Plaza  
70 West Madison Street, Suite 660  
Chicago, Illinois 60602  
Telephone: (312) 641-9751

**DEFENDANT'S COUNSEL**

Charles F. Barker, Esquire  
Sheppard Mullin Richter & Hampton LLP  
333 South Hope Street, 48<sup>th</sup> Floor  
Los Angeles, California 90071-1448  
Telephone: (213) 617-4168

Any written objections shall state each specific reason in support of your objection and any legal support for each objection. Your objection must also state your full name, address, date of birth, and the dates of your employment by Sport Chalet. To be valid and effective, any objections to approval of the settlement must be filed with the Hon. Diane Wayne (Ret.) and served upon each of the above-listed attorneys no later than February 25, 2006. **DO NOT TELEPHONE THE COURT OR THE HON. DIANE WAYNE (RET.).** The address is: JAMS, 707 Wilshire Boulevard, 46<sup>th</sup> Floor, Los Angeles, California 90017.

If you choose to file an objection to the terms of this settlement, you may enter an appearance in propria persona (meaning you choose to represent yourself) or through your own attorney. To do so, you must file an Entry of Appearance with the Hon. Diane Wayne (Ret.) at JAMS and deliver copies to each of the attorneys listed above. Such Entry of Appearance must be filed with JAMS and delivered to the above attorneys no later than February 25, 2006. You will then continue as a Class Member either in propria persona or with representation by your own attorney, and you will be solely responsible for the fees and costs of your own attorney. At the Final Approval hearing, the Court will be asked to approve the settlement.

**IF YOU INTEND TO OBJECT TO THE SETTLEMENT, BUT WISH TO RECEIVE YOUR SHARE OF THE SETTLEMENT FUNDS, YOU MUST TIMELY FILE YOUR CLAIM AS STATED ABOVE. IF THE HON. DIANE WAYNE (RET.) APPROVES THE SETTLEMENT DESPITE ANY OBJECTIONS, AND YOU DO NOT HAVE A CLAIM FORM ON FILE, YOU WILL NOT RECEIVE ANY SETTLEMENT PROCEEDS.**

**IV. FINAL SETTLEMENT APPROVAL HEARING**

A hearing will be held before the Hon. Diane Wayne (Ret.) at JAMS, located at 707 Wilshire Boulevard, 46<sup>th</sup> Floor, Los Angeles, California 90017, on March 13, 2006 at 8:00 a.m. to determine whether the settlement should be finally approved as fair, reasonable, and adequate. The Hon. Diane Wayne (Ret.) also will be asked to approve Class Counsel's request for attorneys' fees and reimbursement of costs and expenses and the enhancement paid to the Class Representative. Class Counsel's application for attorneys' fees and reimbursement of expenses will be on file with JAMS no later than March 6, 2006, and will be available for review after that date.

The hearing may be continued without further notice to the settlement class. **It is not necessary for you to appear at this hearing.**

**V. ADDITIONAL INFORMATION**

The above is a summary of the basic terms of the settlement. For the precise terms and conditions of the settlement, you should consult the detailed "Stipulation and Settlement Agreement of Class Action Claim" which is on file with JAMS. The pleadings and other records in this litigation may be examined at any time during regular business hours at the Office of the Clerk of the Los Angeles County Superior Court, 111 North Hill Street, Los Angeles, California 90012.

**PLEASE DO NOT TELEPHONE JAMS, THE COURT OR THE OFFICE OF THE CLERK OR SPORT CHALET FOR INFORMATION REGARDING THIS SETTLEMENT OR THE CLAIM PROCESS!**

**BY ORDER OF THE  
HONORABLE DIANE WAYNE (RET.)**

**DATED: NOVEMBER 22, 2005**

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**HON. DIANE WAYNE (RET.)**