

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

KENNETH JOHN LODGE, JUDSON
LERTZMAN, BARBARA GALARO AND
MICHAEL HOPKINS, individually and on behalf of
all others similarly situated,

Plaintiffs,

vs.

U.S. REMODELERS, INC., a corporation, U.S.
HOME SYSTEMS, INC., a corporation, and DOES
1 through 75, inclusive,

Defendants.

CASE NO.:CV07-05409 CAS (AJWx)

[Honorable Judge Christina A. Snyder]

**NOTICE OF CLASS ACTION SETTLEMENT,
CLAIM FORM AND PROCEDURES,
EXCLUSION PROCEDURES, AND FINAL
APPROVAL OF SETTLEMENT HEARING**

DATE OF MAILING: SEPTMEBER 23, 2009

ATTENTION: CURRENT AND FORMER SALES ASSOCIATES OR MANAGERS OF U.S. REMODELERS, INC. (U.S. HOME SERVICES) AND/OR U.S. HOME SYSTEMS, INC. (HEREAFTER U.S. REMODELERS) WHO WERE EMPLOYED AT ANY TIME BETWEEN THE DATES OF JULY 3, 2003 AND AUGUST 24, 2009;

PLEASE READ THIS NOTICE CAREFULLY:

YOUR RIGHTS MAY BE AFFECTED BY LITIGATION NOW PENDING IN THE ABOVE-ENTITLED COURT.

YOU ARE HEREBY NOTIFIED that there is now pending in the United States District Court for the Central District of California, an action ("the Litigation") on behalf of any persons who sold a contract or job for kitchen refacing or bathroom tub liners on behalf of U.S. Remodelers, at any time between July 3, 2003 and August 24, 2009.

NATURE OF THE LITIGATION:

The Plaintiffs in the Litigation allege that U.S. Remodelers violated provisions of California Wage and Hour Law by improperly calculating the commissions and subtracting fees from jobs, failing to reimburse certain expenses, and for engaging in related unfair business practices or acts. U.S. Remodelers denies all of the allegations made by Plaintiffs in the complaint. U.S. Remodelers specifically denies that it violated California Wage and Hour Law or any related statute, law, or regulation.

PURPOSE OF THIS NOTICE:

This Notice is provided for the purpose of informing you of:

1. The pendency of the Litigation;
2. The proposed settlement of the Litigation in exchange for a release of claims;
3. The conditional certification of a class of plaintiffs of which you may be a member;
4. The procedure for making a claim pursuant to the settlement; and,
5. Your right to, and procedures for, objecting or excluding yourself from the settlement.

PERSONS COVERED BY THE PROPOSED SETTLEMENT:

The class settlement has two subclasses as follows:

1. The Commission Subclass, which is defined to include any current or former employee who worked in California who was paid or should have been paid any commission for any contract or job sold during the Class Period (July 3, 2003 to August 24, 2009) anywhere in California.
2. The Expenses Subclass, which is defined to include any current or former employee who worked in California during the Class Period who claims to have incurred any expenses related to or in connection with the selling of contracts or jobs because he or she purchased items necessary to discharge the duties of the job or because he or she was told, instructed, directed, recommended, suggested, or advised to purchase any item to do his or her job by anyone acting on behalf of the Defendants as an agent, employee, officer, supervisor, or manager..

The class covers anyone, regardless of title, who fits within the definitions noted above. This could include managers who were sales associates for some time and were subsequently promoted, or managers who sold jobs.

TERMS OF SETTLEMENT, INCLUDING CLASS COUNSEL FEES, COSTS, ENHANCEMENT PAYMENTS, AND DISTRIBUTION OF SETTLEMENT FUNDS:

The Court has given preliminary approval to settlement of the Litigation, which provides for a total settlement in the amount of one million five hundred thousand dollars (\$1,500,000.00), referred to as the Gross Settlement Value. The Class agrees to release any and all claims that were or could have been contained in the Complaint. From the Gross Settlement Value, Class Counsel will seek Class Counsel Fees for their services in the amount of seven hundred fifty thousand dollars (\$750,000), Enhancement Payments in the amount of twenty thousand dollars (\$20,000) each for Class Representatives Kenneth John Lodge and Judson Lertzman and two thousand five hundred dollars (\$2,500) each for Class Representatives

Barbara Galaro and Michael Hopkins for their services to the class, and, with respect to Class Representatives Kenneth John Lodge and Judson Lertzman, for their personal release of any and all claims. The Class Counsel Fees and Enhancement Payments are subject to the approval of the Court, and will be ruled upon on the final approval hearing date. In addition, any costs over ten thousand dollars (\$10,000) to administer the settlement will be paid by Class Counsel. U.S. Remodelers will pay class settlement administration costs of up to ten thousand dollars (\$10,000) outside of the Gross Settlement Value. Assuming the Court approves the foregoing, the following formula illustrates and shall be used to determine the amounts to be distributed to the Class:

Settlement Amount:	\$1,500,000.00
Class Counsel Fees (minus):	\$750,000.00
Total Enhancements (minus):	\$45,000.00
Amount Distributable to Class:	\$705,000.00

Hence, of the seven hundred five thousand dollars (\$705,000.00) distributable to the Class, the parties have agreed to direct five hundred sixty four dollars (\$564,000 or 80% of the funds) to the Commission Claims Fund and one hundred forty one thousand dollars (\$141,000 or 20% of the funds) to the Expenses Claims Fund.

The funds will be distributed using the formulas found below.

In order to fairly distribute the settlement funds to Class Members for alleged unlawful deductions that were taken from their commissions during the Class Period, Class Counsel and Defense Counsel, with the assistance of an experienced mediator, arrived at a formula designed to fairly determine each Authorized Claimant's pro-rata payment from the \$564,000 Commission Claim Fund ("CCF"). The formula is based on the relative amount of the Authorized Claimant's total net sales as compared to Defendants' total net sales. Specifically, each Authorized Claimant's pro-rata payment is calculated by multiplying the \$564,000 CCF by the ratio obtained by dividing the total amount of the Authorized Claimant's individual net sales during the Class Period by the total amount of Defendants' net sales in California during the Class Period. Mathematically, the Authorized Claimant's payment is calculated as follows:

Authorized Claimant's payment = \$564,000 (CCF) X (Authorized Claimant's individual net sales during Class Period ÷ Defendants' total net sales in California during Class Period)

For example, if it is determined that the total amount of Defendants' net sales in California during the Class Period was \$120 million and an Authorized Claimant generated \$500,000 in net sales during the Class Period, that Authorized Claimant payment from the Commission Claims Fund would be \$2,350.00. The following illustrates the calculation to determine the payment to the Authorized Claimant:

$$\text{Payment} = \$564,000 \times (\$500,000 \div \$120,000,000) = \$2,350.00$$

In order to fairly distribute the settlement funds to Class Members for alleged reimbursable expenses they incurred during the Class Period, Class Counsel and Defense Counsel, with the assistance of an experienced mediator, arrived at a formula designed to fairly determine each Authorized Claimant's pro-rata payment from the \$141,000 Expenses Claims Fund ("ECF"). The formula is based on the relative amount of the Authorized Claimant's Qualifying Workweeks worked as compared to the total Qualifying Workweeks worked by the Class Members as a whole. Specifically, each Authorized Claimant's pro-rata payment is calculated by multiplying the \$141,000 ECF by the ratio obtained by dividing the total number of the Authorized Claimant's Qualifying Workweeks by the total Qualifying Workweeks worked by the Class Members as a whole during the Class Period. Mathematically, the Authorized Claimant's payment is calculated as follows:

$$\text{Authorized Claimant's payment} = \$141,000 \text{ (ECF)} \times (\text{Authorized Claimant's Qualifying Workweeks} \div \text{Total Qualifying Workweeks worked by the Class})$$

For example, if it is determined that the Class, as a whole, worked 30,000 Qualifying Workweeks and an Authorized Claimant worked 104 Qualifying Workweeks, the Authorized Claimant's payment from the Expenses Claims Fund would be \$488.80. The following illustrates the calculation to determine the payment to the Authorized Claimant:

$$\text{Payment} = \$141,000.00 \times (104 \div 30,000) = \$488.80$$

Members of the Class will not be personally responsible for any Class Counsel Fees or costs of the Litigation unless they retain their own counsel, in which case such Class Members will be responsible for their own attorneys' fees and costs. The summary of the settlement terms is in no way exhaustive and does not in any way limit the terms contained in the Agreement. To review the complete terms, the settlement documents can be reviewed in the Court's file

TO MAKE A CLAIM AND RECEIVE A SETTLEMENT AWARD:

If you have received this Notice, U.S. Remodelers' employment records indicate that you are a Member of the plaintiff class. ***If you wish to remain a member of the Class and receive a settlement award***, you must complete and return the enclosed Claim Form, which must be post-marked no later than **November 7, 2009**. If you fail to complete and return the Claim Form within the foregoing time, you will be barred from participating in the settlement.

Complete and return the Claim Form to the Claims Administrator:

U.S. Remodelers Litigation
c/o CPT Group, Inc.
16630 Aston Street
Irvine, California 92606
Toll free number: (888) 844-3063

TO EXCLUDE YOURSELF FROM THE SETTLEMENT AND CLASS:

You may request to be excluded from the settlement and from the binding effect of the settlement agreement. If ***you request to be excluded from*** the Plaintiff Class, you will ***not*** receive a settlement award. ***To be excluded***, you must timely deliver a written request for exclusion to Claims Administrator no later than **October 23, 2009** to the following:

U.S. Remodelers Litigation
c/o CPT Group, Inc.
16630 Aston Street
Irvine, California 92606
Toll free number: (888) 844-3063

Such request must refer to Lodge, et al. v. U.S. Remodelers, Inc., et al., U.S. District Court, Central District of California, Case No. CV 07-05409 CAS (AJWx), provide the name, address, telephone number and last four social security number digits of the person requesting exclusion, and clearly state that such person requests **exclusion** from the Plaintiff Class.

A request will not be deemed timely, and you will not be excluded from the Plaintiff Class unless the request is actually received and post-marked by the Claims Administrator within 30 days of the date of mailing of this Notice.

If you request exclusion, you will be responsible for handling your own case, and/or securing your own legal representation.

To protect your interests, you must either submit a Claim Form, or request exclusion from the Class. If you do nothing, you will be bound by the settlement agreement (*i.e.*, if you fail to submit a Claim Form, ***and*** fail to exclude yourself from the Classes, you will be barred from participating in the settlement, and you will also lose any right to pursue your claims independently of the Litigation). If you validly and timely request exclusion from the Class, you will be excluded from the Plaintiff Class, **will not receive a settlement award**, and will not be bound by the settlement. If you remain a member of the Class you will be waiving your right to bring further claims against U.S. Remodelers as set forth in the Stipulation and Settlement Agreement, whether or not you submit a Claim Form and receive a monetary payment.

YOU MAY OBJECT TO THE SETTLEMENT:

You may object to this settlement by delivering a written statement objecting to the settlement to **all** of the following to the Claims Administrator at the address noted above. Such objection must be received by the Claims Administrator no later than 30 days from the date of mailing of this Notice. No Class Member shall be entitled to be heard at the Final Settlement Approval Hearing (whether individually or through separate counsel), or to object to the settlement, and no written objections or briefs submitted by any Class Member shall be received or considered by the Court at the Final Settlement Approval Hearing, unless written notice of the Class Member's intention to appear at the hearing, and copies of any written objections or briefs, shall have been delivered to the Claims Administrator no later than **October 23, 2009**. You may not object to this settlement if you exclude yourself from the Class. You must still submit a Claim Form if you wish to participate in the settlement, even if you object.

FINAL APPROVAL HEARING:

A Final Settlement Approval Hearing will be scheduled in Room 5 before the Honorable Christina A. Snyder, U.S. District Judge, U.S. District Court, Central District of California, located at 312 N. Spring Street, Los Angeles, CA 90012, on November 30, 2009, at 10:00_a.m.

ADDITIONAL INFORMATION:

You may direct any questions concerning the matters contained in this Notice to the Claims Administrator or Class Counsel:

CLASS COUNSEL
HELMER • FRIEDMAN, LLP
723 Ocean Front Walk
Venice, California 90291
Telephone: (310) 396-7714
Facsimile: (310) 396-9215

The pleadings and other records in this Litigation may be examined and copied during the regular business hours of the Court between 8:30 a.m. and 4:30 p.m. in the Clerk's Office of the U.S. District Court for the Central District of California, located at 312 N. Spring Street, Los Angeles, CA 90012.

The Employer Will Not Retaliate Against You For Making A Claim Or Otherwise Participating In This Class Action.

PLEASE DO NOT TELEPHONE THE COURT OR THE OFFICE OF THE CLERK.