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Arkansas Mom Takes on Big Government

The Department of Labor's attempt to redefine employees is met with a lawsuit from Cause of Action on behalf of consignment company Rhea Lana's

WASHINGTON – Cause of Action ([CoA](#)), a government accountability organization, filed a lawsuit today against the Department of Labor (DOL) on behalf of Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc. (jointly, "Rhea Lana's"), a national children's consignment event company, over the DOL's attempt to ban volunteers at for-profit enterprises. Should the DOL's actions stand it could cripple not only Rhea Lana's but also the entire consignment industry on which millions of Americans rely.

Cause of Action's Executive Director, Dan Epstein stated, "This illogical move by the Department of Labor demonstrates just how out-of-date their regulations are and how far they are willing to go to shut down free enterprise. We are facing a government that is essentially telling Americans: we want to meddle in the minute details of how and where you volunteer. Thousands of entities operate with willing volunteers and to single out Rhea Lana's is arbitrary, outside the law and damaging to families and entrepreneurs across the country."

Rhea Lana's hosts consignment sales in numerous cities that allow parents and other family members to sell children's clothing and items to other families. Consignors keep approximately 70 percent of the profits generated from their items, and Rhea Lana's keeps 30 percent. The small family business has grown to include sales in 23 states across the country. Consignors assist at sales events in exchange for the option to shop early. Given the tough economic reality facing many parents with young children, shopping for affordable, quality children's items at Rhea Lana's events has led to overwhelmingly positive experiences for many families.

In January of 2013, DOL commenced an investigation and concluded, despite the fact there were no apparent complaints from parents and other participants, that consignment event co-venturers were "employees" under the Fair Labor Standards Act.

The suit, filed in the U.S. District Court for the District of Columbia, argues that the DOL acted arbitrarily and outside the law when it classified Rhea Lana's co-venturers as employees under the Fair Labor Standards Act (FLSA). Cause of Action seeks a declaration that Rhea Lana's volunteers are not employees under the FLSA and an injunction prohibiting the DOL from bringing action against the company.

“For years we have received overwhelming support from the families who are trying to save money and provide for their children through our sales,” said Rhea Lana Riner, the entrepreneur and founder of Rhea Lana, Inc. “Yet now we find ourselves having to defend how moms choose to use their personal time to benefit their families. For the government to step in and overregulate our business and our industry just makes no sense. We’re fighting back to protect our business and the families we serve.”

“DOL erred in applying a categorical ban against volunteerism in this context,” stated Reed Rubinstein, senior vice president of litigation at Cause of Action. “It should have applied the Supreme Court’s ‘economic realities’ test, which requires the agency to consider all relevant facts and circumstances when determining the applicability of the FLSA. The economic realities of Rhea Lana’s consignment events do not create an employee-employer relationship between Rhea Lana’s and its volunteers.”

The Complaint for Declaratory and Injunctive Relief can be read in its entirety at www.causeofaction.org. The government has 60 days to file a response.

About Cause of Action:

Cause of Action is a nonprofit, nonpartisan organization that uses investigative, legal, and communications tools to educate the public on how government accountability and transparency protects taxpayer interests and economic opportunity. For more information, visit www.causeofaction.org.

About Rhea Lana’s:

Founded by Rhea Lana Riner in her living room 16 years ago and headquartered in Conway, Arkansas, Rhea Lana’s Children’s Consignment hosts semi-annual sales. With Arkansas roots, Rhea Lana’s Franchise Systems, Inc. is rapidly growing with 69 locations in 23 states. The company is the first consignment sale business in the country to offer on-line management and real time tracking of merchandise through a computerized inventory system and a convenient mobile application. For more information, visit www.rhealana.com.

To schedule an interview concerning the litigation, contact Adam Temple, temple@jdafrontline.com, 202-630-3532.

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