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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES – COMPLEX CIVIL DEPARTMENT

JOHN ARIAS, individually, and on behalf of all others similarly situated; and JEFFREY HENSLEY, individually, and on behalf of all others similarly situated,

Plaintiffs,

v.

FLOWSERVE US, INC.; and DOES 1 through 10, inclusive,

Defendants.

Case No. 22STCV27829

CLASS ACTION AND REPRESENTATIVE ACTION

[*Assigned for all purposes to:* Hon. Maren E. Nelson, Dept. 17]

PLAINTIFFS' AMENDED NOTICE OF MOTION AND AMENDED MOTION FOR PRELIMINARY APPROVAL OF CLASS ACTION SETTLEMENT; MEMORANDUM OF POINTS AND AUTHORITIES

[*Filed concurrently with*: Amended Declaration of Nicol E. Hajjar in Support of Plaintiffs' Motion for Preliminary Approval of Class Action Settlement; and [Proposed] Order Granting Plaintiffs' Motion for Preliminary Approval of Class Action Settlement]

PRELIMINARY APPROVAL HEARING
Date: February 9, 2024
Time: 9:00 a.m.
Dept: 17

TO THE COURT AND TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

PLEASE TAKE NOTICE that on February 9, 2024, at 9:00 a.m., in Department 17 of the Los Angeles County Superior Court, Spring Street Courthouse, 312 North Spring Street, Los Angeles, California 90012, pursuant to Code of Civil Procedure § 382 and California Rules of Court 3.769, *et seq*., Plaintiffs JOHN ARIAS and JEFFREY HENSLEY of the above-entitled matter and Plaintiff ESTEBAN ROMO of the Related case ("Plaintiffs") will move the Court for an Order granting preliminary approval of the proposed class action settlement between Plaintiffs and Defendant FLOWSERVE US, INC. ("Defendant"). Plaintiffs further move the Court for an Order:

1. Granting preliminary approval of the Stipulation of Settlement;
2. Granting provisional certification for settlement purposes only, of the proposed Settlement Class, defined as follows:

   "All persons employed by Defendant in California as hourly or non-exempt employees from August 25, 2018 through the date of preliminary approval ("Settlement Class Period.").
3. Certifying a Class for settlement purposes;
4. Approving the Notice of Proposed Class Action Settlement ("Notice Packet") and the plan for distribution of the Notice Packet to Settlement Class Members;
5. Appointing Plaintiffs JOHN ARIAS; JEFFREY HENSLEY; and ESTEBAN ROMO as Class Representatives for settlement purposes;
6. Appointing Plaintiffs' Counsel, Wilshire Law Firm, PLC, as Class Counsel for settlement purposes;
7. Appointing CPT Group Inc. as the Settlement Administrator; and
8. Scheduling a Final Approval Hearing.

The Motion will be based upon this Notice, the attached Memorandum of Points and Authorities, the Declaration of Nicol E. Hajjar, filed concurrently herewith, the records and files in this action, and any other further evidence or argument that the Court may properly receive at or before the hearing.

Dated: October 31, 2023

WILSHIRE LAW FIRM

By: ______________________________

Nicol E. Hajjar, Esq.
Elizabeth M. Votra, Esq.
Attorneys for Plaintiffs

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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Plaintiffs JOHN ARIAS, JEFFREY HENSLEY, and ESTEBAN ROMO of the Related[1] case ("Plaintiffs") seeks preliminary approval of a proposed $1,000,000.00 non-reversionary, wage and hour class action and PAGA representative action settlement with Defendant FLOWSERVE US, INC. ("Defendant," and together with Plaintiff, the "Parties"). The Settlement will provide substantial monetary payments to approximately 317 class members. And, as set forth more fully below, the proposed Settlement satisfies all the criteria for settlement approval under California law.

In this action, Plaintiffs' primary allegations are that Defendant failed to provide all required meal periods; failed to authorize and permit all required rest periods; failed to pay all overtime wages owed; and failed to reimburse necessary business expenditures. Based on these alleged wage and hour violations, Plaintiffs also allege derivative claims for Defendant's alleged failure to timely pay all wages at termination, failure to issue accurate itemized wage statements, and seek civil penalties under the Private Attorneys General Act ("PAGA"), Labor Code § 2698 *et seq*. (Hajjar Decl. ¶ 4.)

Plaintiffs now respectfully request that this Court preliminarily approve this non-reversionary, wage and hour class action and PAGA representative action settlement, in which Defendant has agreed to pay a Settlement Amount of $1,000,000.00 to the following Settlement Class, which is estimated to consist of approximately 317 individuals:

> "All persons employed by Defendant in California as hourly or non-exempt employees from August 25, 2018 through the date of preliminary approval("Settlement Class Period.").

The Settlement was reached after extensive investigation, discovery, and negotiations. The negotiations were at arms-length and were facilitated by an experienced class action mediator, Kelly Knight, Esq., over the course of a full day of mediation that was conducted via Zoom. Prior to mediation, the Parties engaged in informal discovery. After extensive research and analysis, including a detailed evaluation of Defendant's potential exposure, the Parties attended a full-day

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[1] On June 13, 2023, the Court in the above-entitled action Related the *Romo v. Flowserve US, Inc.,* Case No. 22STCV27551. (Hajjar Decl. ¶ 13.)

mediation on May 26, 2023, where the Parties were ultimately able to reach a Class-wide settlement. Accordingly, Plaintiffs request that the Court preliminarily approve the proposed Settlement, provisionally certify the proposed settlement class, approve the proposed notice, and set a Final Approval Hearing.

II. SUMMARY OF THE LITIGATION AND SETTLEMENT¶

A. Plaintiffs' Claims

This is a wage and hour class action. Plaintiffs and the putative class members worked in California as non-exempt employees for Defendant during the Settlement Class Period. Defendant manufactures industrial pumps, valves and seals and operates from multiple locations in California. (Amended Declaration of Nicol E. Hajjar in Support of Plaintiffs' Motion for Preliminary Approval of Class Action Settlement (Hajjar Decl. ¶ 2.)

Plaintiffs allege that Defendant's payroll, timekeeping, and wage and hour practices resulted in Labor Code violations. Plaintiffs allege that Defendant failed to include all renumeration in the employees' overtime rate and meal and rest period premiums. Plaintiffs further allege that Defendant failed to provide employees with legally compliant meal and rest periods. Plaintiffs also allege Defendant failed to reimburse necessary business expenses for employees allegedly required to work from home during the pandemic lockdown. Based on these allegations, Plaintiffs assert claims against Defendant for failure to pay minimum and straight time wages, failure to pay overtime wages, failure to provide meal periods, failure to authorize and permit rest periods, failure to timely pay all final wages at termination, failure to provide accurate itemized wage statements, failure to reimburse necessary business expenses, unfair business practices, and civil penalties under PAGA. (*Id.* at ¶ 3.)

On August 24, 2021, Plaintiff Romo filed a representative action against Defendant with a single claim for failure to reimburse all business expenses pursuant to Labor Code § 2802 and PAGA. ("Romo Action").

On August 25, 2022, Plaintiffs Hensley and Arias filed a putative wage-and-hour class action complaint against Defendant for: (1) failure to pay minimum and straight time wages (Cal. Lab. Code §§ 204, 1194, 1194.2, and 1197); (2) failure to pay overtime wages (Cal. Lab.

Code §§ 1194 and 1198); (3) failure to provide meal periods (Cal. Lab. Code §§ 226.7 and 512); (4) failure to authorize and permit rest periods (Cal. Lab. Code §§ 226.7); (5) failure to timely pay final wages at termination (Cal. Lab. Code §§ 201-203); (6) failure to provide accurate itemized wage statements (Cal. Lab. Code § 226); (7) unfair business practices (Cal. Bus. & Prof. Code §§ 17200, *et seq.*); and (8) for civil penalties under PAGA. (*Id.* at ¶ 4.). ("Arias Action").

B. Discovery and Investigation

Following the filing of the complaints, the Parties informally exchanged documents and information before mediating this action. Defendant produced a sampling of timekeeping and payroll records for the class members. Defendant also provided documents of their wage and hour policies and practices during the class period, and information regarding the total number of current and former employees. (*Id.* at ¶ 5.)

After reviewing the documents regarding Defendant's wage and hour policies and practices and analyzing Defendant's timekeeping and payroll records, Class Counsel was able to evaluate the probability of class certification, success on the merits, and Defendant's maximum monetary exposure for all claims. (*Id*. at ¶ 6.) Class Counsel also investigated the applicable law regarding the claims and defenses asserted in the litigation. (*Id*.) Class Counsel reviewed these records and utilized an expert to prepare a damages analysis prior to mediation. (*Id*.)

C. Settlement Negotiations

On May 26, 2023, the Parties participated in private mediation with experienced wage and hour class action mediator, Kelly Knight, Esq. (*Id.* at ¶ 7.) The mediation was conducted via Zoom. The settlement negotiations were at arm's length and, although conducted in a professional manner, were adversarial. The Parties went into the mediation willing to explore the potential for a settlement of the dispute, but each side was also prepared to litigate their position through trial and appeal if a settlement had not been reached. (*Id*.)

After extensive negotiations and discussions regarding the strengths and weaknesses of Plaintiffs' claims and Defendant's defenses, the Parties were able to reach a resolution, the material terms of which are encompassed within the Memorandum of Understanding. (*Id.* at ¶ 8; Ex. 1 [Memorandum of Understanding ("Settlement" or "MOU")].) The parties continued to work together to draft a long-form Settlement Agreement. (*Id.* at ¶ 12; Ex. 3 [CLASS ACTION AND PAGA SETTLEMENT AGREEMENT ("Agreement")].)

Class Counsel has conducted a thorough investigation into the facts of this case. Based on the foregoing informal discovery and their own independent investigation and evaluation, Class Counsel is of the opinion that the Settlement is fair, reasonable, and adequate and is in the best interests of the Settlement Class Members in light of all known facts and circumstances, the risk of significant delay, the defenses that could be asserted by Defendant both to certification and on the merits, trial risk, and appellate risk. (Hajjar Decl., ¶ 14.)

This settlement avoids the risks and the accompanying expense of further litigation. Although the Parties had engaged in a significant amount of investigation, informal discovery and class-wide data analysis, the Parties had not yet completed formal written discovery. Plaintiffs intended to depose corporate officers and managers of Defendant. Moreover, preparation for class certification and a trial remained for the Parties as well as the prospect of appeals in the wake of a disputed class certification ruling for Plaintiffs and/or adverse summary judgment ruling. Had the Court certified any claims, Defendant could move to decertify the claims. As a result, the Parties would incur considerably more attorneys' fees and costs through trial. (Hajjar Decl., ¶ 23.)

Indeed, the $1,000,000.00 Settlement represents approximately **45% of Class Counsel's assessment of the realistic maximum recovery** of $2,210,970. (*Id.* at ¶ 21.) Although Class Counsel estimated that Defendant's maximum potential liability for all claims including penalties was approximately $11,054,850.00, when the risk of prevailing at certification and trial are factored into the equation, Class Counsel believes that Defendant's realistic exposure was **$2,210,970.00**, meaning the Settlement achieves a significant recovery. (*Id.* at ¶¶ 16-21.) Considering the risk and uncertainty of prevailing at class certification and at trial, this is an excellent result for the Class. Indeed, because of the proposed Settlement, class members will receive timely, guaranteed relief and will avoid the risk of an unfavorable judgment.

D. Key Terms of the Proposed Settlement

Under the Settlement, Defendant will pay $1,000,000.00 to resolve this litigation. This amount is all-inclusive. The Settlement's key terms include:

1. Settlement Class: For settlement purposes only, the Parties agree to the certification of a class pursuant to California Code of Civil Procedure § 382 defined as: "All persons employed by Flowserve in California as an hourly paid or non-exempt employee during the Class Period." (Ex. 3: Agreement ¶ 1.42.)

2. Settlement Period: The Settlement Period means the period from August 25, 2018 through the Effective Date. (Ex. 3: Agreement ¶ 1.44.)

3. Settlement Amount: This amount is $1,000,000.00, for all claims, including wages, interest, the Net Settlement Payments, the Class Counsel Award, litigation costs, Administrative Costs, payment to the Labor and Workforce Development Agency ("LWDA") for the alleged PAGA penalties, all other penalties, and the Class Representative Service Award. (Ex. 3: Agreement ¶¶ 1.19, 1.25.)

4. No Reversion: This is a non-reversionary settlement. Settlement checks will be valid for one hundred and eighty (180) days from the date of issuance. Pursuant to California Code of Civil Procedure § 384(a), any unpaid cash residue or unclaimed or abandoned class member funds, plus any accrued interest thereon, will be sent to Legal Aid Foundation of Los Angeles at 1550 W. 8th Street, Los Angeles, CA 90017. (Ex. 3; Agreement ¶¶ 4.4.1, 4.4.3.) Neither Plaintiffs nor Class Counsel have any interest, financial or otherwise, in the proposed *cy pres* recipient. (Ex. 8; Hajjar Decl., ¶¶ 45-46)

5. Release as to All Participating Settlement Class Members: The Settlement Agreement provides that, "All Participating Settlement Class Members … will release all claims that were alleged, or reasonably could have been alleged, based on the [Settlement] Class Period facts stated [in the Arias Action and Romo Action][2] and ascertained in the course of the Action[s]…" (Ex. 3; Agreement ¶ 5.2)

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[2] The Parties refer to both the *Arias* Action and *Romo* Action in their releases.

6. Release as to All Non-Participating Settlement Class Members Who are Aggrieved Employees: The Settlement Agreement provides that, "All Non-Participating Settlement Class Members Who are Aggrieved Employees are deemed to release…all claims for PAGA penalties that were alleged, or reasonably could have been alleged based on the PAGA Period […], and the PAGA Notice and ascertained in the court of the Class Action and PAGA Action …" (Ex. 3; Agreement ¶ 5.3)

7. Release as to All Class Representatives (Arias, Hensley, and Romo): The Settlement Agreement provides that Plaintiffs Arias, Hensley, and Romo agree to a full and complete release pursuant California Civil Code section 1542. (Ex. 3: Agreement ¶ 5.1.1); *See also*, Ex 1: MOU § 8 ("Plaintiffs John Arias, Jeffrey Hensley, and Esteban Romo agree to a full and complete release of any claims that they, and each of them, may have arising out of their employment with Defendant, including a Civil Code section 1542 release"). PAGA Allocation: The settlement includes $50,000.00 allocated to Plaintiffs' claims under PAGA, with 75% ($37,500.00) being paid to the LWDA and 25% ($12,500.00) being paid to the Aggrieved Employees (Ex. 3: Agreement ¶ 3.2.5.1.) Class Counsel submitted the proposed settlement to the LWDA before filing this Motion for Preliminary Approval. (Hajjar Decl., ¶ 9.)

8. Net Settlement Fund: The "Net Settlement Fund" or "Net Settlement Amount" is the amount that remains and that shall be paid to Settlement Class Members after the following amounts are subtracted: (1) attorneys' fees and Litigation costs, (2) Administrative Costs, (3) employer's share of payroll taxes, (4) enhancement to the Named Plaintiffs, and (5) the payment to the Labor and Workforce Developmental Agency. (Ex. 3: Agreement ¶ 1.25.)

9. Distribution Formula: Members of the Settlement Class not opting out will receive a lump sum payment as good and valuable consideration for the waiver and release of claims as set forth in Section D (5), above, in an amount determined by the Settlement Administrator in accordance with the provisions as outlined in section 3.2.4 of the Agreement..

10. Tax Allocation: Any settlement money paid to Settlement Class Members will be allocated as 33.3% wages, 33.3% penalties, and 33.4% interest. (Ex. 3: Agreement ¶ 3.2.4.1.)

11. Class Representative Service Award: Subject to Court approval, Plaintiffs shall be paid an enhancement award not to exceed $5,000.00 each ($15,000 total), which will be paid from the Settlement Amount. (Ex. 3: Agreement ¶ 3.2.1.) This amount is for Plaintiffs' time and effort in bringing and presenting the action.

12. Attorneys' Fees and Costs: The Settlement provides that Defendant will not oppose a fee application of up to 33 1/3% ($333,000.00) of the Settlement Amount, plus actual out-of-pocket Litigation costs not to exceed $20,000.00. (Ex. 3: Agreement ¶ 3.2.2.) At this time, Class Counsel's costs are approximately $15,108.75. (Hajjar Decl., ¶ 30.)

13. Notice of Proposed Class Action Settlement: The Notice sets forth in plain terms, a statement of the case, the terms of the Settlement Agreement, the approximate amount of attorneys' fees, costs, and service award being sought, and an explanation of how the settlement allocations are calculated. (Settlement, Ex. A.) The Notice also sets forth the approximate amount of money the class members would receive in the event all class members participate in the settlement. (*Id.*) The Notice also provides a clear procedure for class members to opt-out in the event they decide to not participate in the settlement. (*Id.*) Class Members will be notified by first class mail of the settlement. (Ex. 3: Agreement ¶ 4.4.1.) CPT Group, the proposed Settlement Administrator, will undertake its best efforts to ensure that the Notice is provided to the current addresses of class members, including conducting a national change of address search and re-mailing the notice to updated addresses. (*Id.*) Notice will be provided in English and Spanish. (Hajjar Decl., ¶ 11; Ex. 2 [Settlement Administrator Bid].)

14. Workweek Disputes: The Notice will set forth each class member's total workweeks and provides a clear procedure for class members to dispute their allocated number of total workweeks in the event they wish to do so.

III. DISCUSSION

To prevent fraud, collusion, or unfairness to the class, the settlement of a class action requires court approval. (*Dunk v. Ford Motor Co.* (1996) 48 Cal.App.4th 1794, 1800-01.) This Court has wide discretion to determine whether the proposed settlement is fair. (*Mallick v. Super. Ct.* (1979) 89 Cal.App.3d 434, 438.) Fairness is presumed when: (1) the settlement is reached through arm's-length bargaining; (2) investigation is sufficient to allow counsel and the court to act intelligently; (3) counsel is experienced in similar litigation; and (4) the percentage of objectors is small. (*Dunk,* 48 Cal.App.4th at p. 1800.)

In considering whether a settlement is reasonable, the trial court should consider relevant factors, which may include the strength of Plaintiffs' case, the risk, expense, complexity and likely duration of further litigation, the risk of maintaining class action status through trial, the amount offered in settlement, the extent of discovery completed and the stage of the proceedings, the experience and views of counsel, the presence of a governmental participant, and the reaction of the class members to the proposed settlement. (*Kullar v. Foot Locker Retail, Inc*., (2008) 168 Cal.App.4th 116, 128.) In order to approve a class action settlement, the court must satisfy itself that the class settlement is within the "ballpark" of reasonableness. (*Id*. at p. 133.) The record need not contain an explicit statement of the maximum theoretical recovery. (*Munoz v. BCI Coca-Cola Bottling Co. of Los Angeles* (2010) 186 Cal.App.4th 399, 408-9 [holding that *Kullar* does not require "an explicit statement of the maximum amount the plaintiff class could recover if it prevailed on all its claims", but instead, only an "understanding of the amount that is in controversy and the realistic range of outcomes of the litigation."].)

As discussed below, Class Counsel has provided information exceeding the threshold required to provide this Court with materials and information necessary to determine that the proposed settlement is fair, adequate, and reasonable.

A. <u>The Settlement Is Fair, Reasonable, Adequate, and the Product of Investigation, Litigation, and Negotiation</u>

1. The Settlement Is the Product of Discovery, Investigation, and Informed and Non-Collusive Arm's-Length Negotiations

Courts presume the absence of fraud or collusion in the negotiation of a settlement, unless evidence to the contrary is offered; thus, there is a presumption here that the negotiations were conducted in good faith. (Conte & Newberg, Newberg on Class Actions (3rd Ed.) § 11.51.) Settlement is favored, and settlement agreements are realistically assessed. (*Stamburgh v. Super. Ct.* (1976) 62 Cal.App.3d 231, 236; *Priddy v. Edelman* (6th Cir. 1989) 883 F.2d 438, 447 ["The fact that a plaintiff might have received more if the case had been fully litigated is no reason not to approve the settlement."].)

The Settlement was reached following extensive negotiations following a full day of mediation with experienced employment mediator Kelly Knight, Esq. (Hajjar Decl., ¶¶ 7-8.) The settlement negotiations were at arm's length and, although conducted in a professional manner, were adversarial. (*Id.*) The Parties went into the mediation willing to explore the potential for a settlement of the dispute, but each side was also prepared to litigate their or its position through trial and appeal if a settlement had not been reached. (*Id.*)

Prior to reaching this settlement, Class Counsel conducted informal discovery concerning the claims set forth in the Litigation, such as a sample of class member timekeeping and payroll records, and information regarding the number of putative class members and the mix of current versus former employees, the wage rates in effect, and the amount of meal and rest period premium wages paid to class members. (*Id.* at ¶¶ 15, 22.) Class Counsel also received Defendant's policies and procedures concerning the payment of wages, the provision of meal and rest breaks, issuance of wage statements, the provision of all wages at separation, and information supporting that Defendant's employees were essential workers and required to report to work at Defendant's facilities – even throughout the pandemic – and therefore did not incur any business-related expenses, and that Plaintiff Romo was the only employee with that job title and duties. (*Id*. at ¶ 18). In conjunction with their extensive factual investigation, Class Counsel investigated the applicable law regarding the claims and defenses asserted in the litigation. (*Id*.) Thus, Plaintiffs and their counsel were able to act intelligently and effectively in negotiating the proposed Settlement. (*Id*.)

Class Counsel also has considerable experience and has demonstrated competence with litigating wage and hour class actions. (*Id.* at ¶¶ 37-44.) Again, this supports the position that the terms of the Settlement are premised on objective evidence that has been considered and weighed in light of the risks, expenses, and time consumption to both sides of continued litigation of this action.

2. The Settlement Is Fair and Reasonable in Light of the Parties' Respective Legal Positions

A settlement is not judged against what Plaintiff might recover had he prevailed at trial, nor does the settlement have to provide 100% of the damages sought to be fair and reasonable. (*Wershba v. Apple Computers, Inc.* (2001) 91 Cal.App.4th 224, 246, 250 ["Compromise is inherent and necessary in the settlement process…even if the relief afforded by the proposed settlement is substantially narrower than it would be if the suits were to be successfully litigated, this is no bar to a class settlement because the public interest may indeed be served by a voluntary settlement in which each side gives ground in the interest of avoiding litigation."].)

This settlement avoids the risks and the accompanying expense of further litigation. (Hajjar Decl., ¶ 21.) While Plaintiffs are confident in the merits of their overall claims, a legitimate controversy exists as to each cause of action. (*Id.* at ¶ 21.) Plaintiffs also recognize that proving the amount of wages due to each class member would be an expensive, time-consuming, and uncertain proposition. (*Id.*)

The proposed settlement of $1,000,000.00 therefore represents a substantial recovery when compared to Plaintiffs' reasonably forecasted recovery. (*Id.* at ¶¶ 15-21.) Because of the proposed Settlement, class members will receive timely, guaranteed relief and will avoid the risk of an unfavorable judgment. When considering the risks of litigation, the uncertainties involved in achieving class certification, the burdens of proof necessary to establish liability, the probability of appeal of a favorable judgment, it is clear that the settlement amount of $1,000,000.00 is within the "ballpark" of reasonableness, and preliminary settlement approval is appropriate. (*Id.*) ***Indeed, each Settlement Class Member is eligible to receive an average net benefit of approximately $1,858.04.*** (*Id.* at ¶ 24.)

3. Class Counsel Has Extensive Experience in Class Action Litigation

The settlement negotiations were conducted by highly capable and experienced counsel. Class Counsel have a strong record of vigorous and effective advocacy for their clients and are experienced in handling complex wage and hour class action litigation. (Hajjar Decl., ¶¶ 37-4.)

Although Plaintiffs and their counsel were prepared to litigate the claims alleged in the litigation, they support the proposed Settlement as being in the best interests of the class.

B. The Proposed Class Notice of Settlement Should Be Approved

The Notice of Proposed Class Action Settlement, which is attached to the Settlement Agreement as Exhibit A, should be approved for dissemination to the class. The Notice sufficiently informs the class of the terms of the settlement and of their rights to be excluded from the settlement. And if there are class members who wish to object to this proposed class action settlement, they will have the opportunity to submit their objections and be heard at the Final Approval Hearing. Accordingly, the proposed Notice meets all the requirements of Rule 3.769(f) of the California Rules of Court.

C. The Proposed Attorneys' Fees and Costs Are Reasonable

Under the Settlement, subject to the Court's approval, Defendant agreed not to oppose Class Counsel's request for reasonable attorneys' fees in amount of $333,000.00 which is 33 1/3% of the gross Settlement Amount, and up to $20,000.00 in costs, to be paid out of the Settlement Amount. These amounts are disclosed to all class members in the Notice of Proposed Class Action Settlement and are reasonable.

1. Class Counsel Request an Award of Fees Based on the "Common Fund" Method

California courts have long awarded attorneys' fees as a percentage of the benefit created by counsel in pursuing claims on behalf of a class. The California Supreme Court held that "when a number of persons is entitled in common to a specific fund, and an action brought by a plaintiff or plaintiffs for the benefit of all results in the creation or preservation of that fund, such plaintiff or plaintiffs may be awarded attorneys' fees out of the fund." (*Serrano v. Priest* (1977) 20 Cal.3d 25, 34, quoting *D'Amico v. Bd. of Medical Examiners* (1974) 11 Cal.3d 1.)

Class Counsel seek an award of attorneys' fees on the "percentage of recovery/common fund" theory. The purpose of this approach is to "spread litigation costs proportionally among all the beneficiaries so that the active beneficiary does not bear the entire burden alone." (*Vincent*, *supra,* 557 F.2d at p. 769.) In *Quinn v. State of California* (1995) 15 Cal.3d 162, the California

Supreme Court stated: "[O]ne who expends attorneys' fees in winning a suit which creates a fund from which others derive benefits may require those passive beneficiaries to bear a fair share of the litigation costs." (*Id.* at p. 167.) Similarly, in *City and County of San Francisco v. Sweet* (1995) 12 Cal.4th 105, the California Supreme Court recognized that the common fund doctrine has been applied "consistently in California when an action brought by one party creates a fund in which other persons are entitled to share." (*Id.* at p. 110.)

The California Supreme Court recently affirmed in *Laffitte v. Robert Half Int'l Inc*. (2016) 1 Cal.5th 480 that, "when class action litigation establishes a monetary fund for the benefit of the class members, and the trial court in its equitable powers awards class counsel a fee out of that fund, the court may determine the amount of a reasonable fee by choosing an appropriate percentage of the fund created." (*Id*. at p. 503.) The court explained: "The recognized advantages of the percentage method—including relative ease of calculation, alignment of incentives between counsel and the class, a better approximation of market conditions in a contingency case, and the encouragement it provides counsel to seek an early settlement and avoid unnecessarily prolonging the litigation—convince us the percentage method is a valuable tool that should not be denied our trial courts." (*Id*. [internal citations omitted].)

2. The Requested Fee Award Is in Line with Typical Cases

According to a leading treatise on class actions, "No general rule can be articulated on what is a reasonable percentage of a common fund. Usually, 50% of the fund is the upper limit on a reasonable fee award from a common fund in order to assure that the fees do not consume a disproportionate part of the recovery obtained for the class, although somewhat larger percentages are not unprecedented." (*See* Conte & Newberg, Newberg on Class Actions (3rd Ed.) § 14.03.) Attorneys' fees that are fifty percent of the fund are typically considered the upper limit, with thirty to forty percent commonly awarded in cases where the settlement is relatively small. (*Id*; see also *Van Vranken v. Atlantic Richfield Company* (N.D. Cal. 1995) 901 F.Supp. 294 [stating that most cases where 30-50 percent was awarded involved "smaller" settlement funds of under $10 million].)

Here, Plaintiffs request attorneys' fees equal to 33 1/3% of the Settlement Amount, which is in line with the prevailing guidelines established in California case law and academic literature and is consistent with awards in California. (*See Chavez v. Netflix, Inc.* (2008) 162 Cal.App.4th 43, 66, n.11 ["Empirical studies show that, regardless whether the percentage method or the lodestar method is used, fee awards in class actions average around one-third of the recovery."].) Accordingly, Plaintiffs respectfully request that the Court approve the attorneys' fees as negotiated by the Parties and requested herein.

3. This Matter Involves A "Fee-Shifting" Provision of the Labor Code

Labor Code § 1194(a) provides for the recovery of "minimum wage or overtime compensation, including interest thereon, reasonable attorney's fees, and costs of suit." Under this section, Plaintiffs would be permitted to recover their actual attorneys' fees, even if those fees were larger than the total class recovery at the conclusion of this case. This settlement is beneficial in that it limits the risk of continued expenses and consumption of time, energy, and resources facing Defendant while at the same time rewarding Class Counsel for their decision to assume risk by taking on this matter. In fact, prosecution of this action involved significant financial risk for Class Counsel. (Hajjar Decl., ¶¶ 22-36.) Class Counsel undertook this matter solely on a contingent basis, with no guarantee of recovery. (*Id.*) Once counsel undertook this litigation on behalf of the Class, Class Counsel committed to pursue it to its conclusion, placing its fiduciary duty to the Class ahead of all other concerns.

4. The Experience, Reputation and Ability of Class Counsel Support the Requested Fee Award

As demonstrated by their past experience in pursuing class actions on behalf of consumers and employees, Class Counsel possess considerable expertise in litigating class actions. (Hajjar Decl., ¶¶ 37-44.) Class Counsel has been involved as lead counsel or co-counsel in several class actions that resulted in millions in recovery. (*Id.*) Because it is reasonable to compensate class counsel commensurate with their skill, reputation and experience, Class Counsel's requested fee award is supported here.

Class Counsel's experience in wage and hour class actions was integral in evaluating the strengths and weaknesses of the case against Defendant and the reasonableness of the settlement. Practice in the narrow field of wage and hour litigation requires skill and knowledge concerning the rapidly evolving substantive law (state and federal), as well as the procedural law of class action litigation. Based on these and other factors, Class Counsel has frequently received fee awards of this percentage from the gross recovery for the class. Therefore, the requested fee award is reasonable and fair.

D. <u>The Service Award to Named Plaintiffs Is Reasonable</u>

Named plaintiffs in class action lawsuits "are eligible for reasonable incentive payments to compensate them for the expense or risk they have incurred in conferring a benefit on other members of the class." (*Munoz, supra,* 86 Cal.App.4th at p. 412.) Courts routinely grant approval of class action settlement agreements containing enhancements for the class representatives, which are necessary to provide incentive to represent the class, and are appropriate given the benefit the class representatives help to bring about for the class. (*See Rodriguez v. W. Publ'g Corp*. (9th Cir. 2009) 563 F.3d 948, 958-59.)

Service awards are particularly important to plaintiffs in wage and hour cases because they promote the important public policies underlying the wage and hour laws. This strong policy is codified in California Labor Code section 90.5, which provides, "it is the policy of this state to vigorously enforce minimum labor standards in order to ensure employees are not required or permitted to work under substandard unlawful conditions…."). Nonetheless, the California Supreme Court has noted that "retaliation against employees for asserting statutory rights under the Labor Code is widespread," despite anti-retaliation statutes designed to protect employees. (*Gentry v. Super. Ct.* (2007) 42 Cal.4th 443, 460-61.) In this context, class representatives should be rewarded for assuming the risk of retaliation for the sake of class members. (*See Frank v. Eastman Kodak Co.* (W.D.N.Y. 2005) 228 F.R.D. 174, 187.)

Under the settlement agreement, subject to the Court's approval, Defendant agreed not to oppose Plaintiffs' request for a Service Award in the amount of $5,000.00 to each of the Plaintiffs (total: $15,000 for ARIAS, HENSLEY, and ROMO), to be paid from the Settlement Amount. This amount is also in exchange for Plaintiffs' general release of all claims against Defendant. Class Counsel represent that Plaintiffs devoted a great deal of time and work assisting counsel in the case, communicated with counsel very frequently for litigation and to prepare for mediation, and were frequently in contact with Class Counsel during the mediation. (Hajjar Decl., ¶¶ 28-32.) This amount is reasonable particularly in light of the substantial benefits Plaintiffs generated for all class members. (*Id.*) Indeed, in *Karl Adams, III, et al. v. MarketStar Corporation, et al.*, No. 2:14-cv-02509-TLN-DB, Class co-Counsel Nicol E. Hajjar helped negotiate a $2.5 million class action settlement for 339 class members, and the court approved a $25,000.00 class representative incentive award for each named plaintiff. (Hajjar Decl., ¶ 29.)

When compared with the amounts awarded in typical class action cases, the amount requested here is particularly reasonable. Indeed, a **2006** study examining the average incentive award given to class action plaintiffs from **1993 to 2002** found that the "average award per class representative was $15,992 and the median award per class representative was $4,357." (Theodore Eisenberg & Jeffrey P. Miller, "Incentive Awards to Class Action Plaintiffs: An Empirical Study", 53 UCLA L. Rev. 1303, 1308 (2006).) That same study found that named plaintiffs in employment discrimination class actions received an average award of $69,850 and a median award of $31,081, while named plaintiffs in other employment class actions received an average award of $12,121 and a median award of $13,059. (*Id.* at p. 1334.) The authors of the study found that higher awards in employment cases reflected the "courts' wish to make representative plaintiffs whole by compensating them for the high costs of their service to the class, including risks of stigmatization or retaliation on the job." (*Id.* at p. 1308.)

E. There is Good Cause for Selecting Legal Aid Foundation of Los Angeles as the *Cy Pres* Recipient.

A *cy pres* award allows for "aggregate calculation of damages, the use of summary claim procedures, and distribution of unclaimed funds to indirectly benefit the entire class." (*Six Mexican Workers v. Arizona Citrus Growers* (9th Cir. 1990) 904 F.2d 1301, 1305.) "To ensure that the settlement retains some connection to the plaintiff class and the underlying claims, however, a *cy pres* award must qualify as 'the next best distribution' to giving the funds directly to class members." (*Dennis v. Kellogg Co.* (9th Cir. 2012) 697 F.3d 858, 865, quoting *Six Mexican Workers,* 904 F.2d at 1308.)

Moreover, in the class action context, California Code of Civil Procedure permits unpaid cash residues in a class action settlement to be distributed to "***nonprofit organizations or foundations to support projects that will benefit the class or similarly situated persons***, or that ***promote the law consistent with the objectives and purposes of the underlying cause of action***, to child advocacy programs, or to ***nonprofit organizations providing civil legal services to the indigent***." (Cal. Civ. Proc. Code § 384(b) (emphasis added).)

Here, under the terms of the settlement agreement, in the event settlement checks remain uncashed after 180 days, those funds shall be donated to Legal Aid Foundation of Los Angeles as a *cy pres* beneficiary. (Ex. 3: Agreement ¶ 4.4.3.) Legal Aid Foundation of Los Angeles is a nonprofit organization that provides legal assistance to low-income, working families throughout California.[3] The organization also frequently represents low-wage workers who are victims of wage violations.[4] Accordingly, Legal Aid Foundation of Los Angeles is a proper recipient of *cy pres* funds for this action. (Declaration of LAFLA President Silvia R. Argueta ["Argueta Decl."], ¶ 5.) "As of the date of this declaration, in 2023, LAFLA has been awarded Cy Pres funds in over 30 cases (both state and federal)." (*Id*. at ¶ 10.) "LAFLA is the first place to which thousands of poor people turn to when they need legal assistance for a crisis that threatens their homes, health and livelihood. In 2022, over 100,000 individuals and families were assisted throughout all of our program areas." (*Id*. at ¶ 6.)

IV. CERTIFICATION FOR SETTLEMENT PURPOSES IS WARRANTED

A. Legal Standard

The proposed Settlement Class is well suited for class certification. All of the claims derive from a core set of alleged violations of California's wage and hour laws and regulations. For the reasons set forth more fully below, for purposes of settlement only, the Class satisfies the

[3] *See* "Our Mission and About Us," Legal Aid Foundation of Los Angeles website, *available at* https:// https://lafla.org/who-we-are/ (September 22, 2023).

prerequisites for certification under Code of Civil Procedure § 382. Section 382 provides: "when the question is one of a common or general interest, of many persons, or when the parties are numerous, and it is impracticable to bring them all before the court, one or more may sue or defend for the benefit of all." (Code Civ. Proc., § 382.) There are two requirements to section 382: "(1) There must be an ascertainable class; and (2) there must be a well-defined community of interest in the questions of law and fact involved affecting the parties to be represented." (*Daar v. Yellow Cab Co*. (1967) 67 Cal. 2d 695, 704 [citations omitted].) To clarify these requirements, the California Supreme Court has looked to Federal Rule of Civil Procedure 23 to explain that the community-of-interest requirement itself embodies three factors: "(1) predominant questions of law or fact; (2) class representatives with claims or defenses typical of the class; and (3) class representatives who can adequately represent the class." (*Richmond v. Dart Indus., Inc*. (1981) 29 Cal. 3d 462, 470.)

California law and policy favor the fullest and most flexible use of the class action device. (*Id.* at pp. 469-73.) Indeed, "Courts long have acknowledged the importance of class actions as a means to prevent a failure of justice in our judicial system" particularly where the rights of consumers are at issue. (*Linder v. Thrifty Oil Co*. (2000) 23 Cal. 4th 429, 434.) Any doubt as to the appropriateness of class treatment should be resolved in favor of certification. (*Richmond*, *supra,* 29 Cal.3d at pp. 473-75.)

B. <u>Plaintiffs Maintain That the Criteria for Class Certification Are Satisfied for Settlement Purposes.</u>

1. The Classes Are Ascertainable and Numerous

The proposed class that Plaintiffs seek to represent is easily ascertainable, and includes approximately 317 employees of Defendant.

Plaintiffs maintain that there is an easily ascertainable class, defined by objective and precise criteria. Because class members are identified using specific criteria in the regular business records of Defendant (i.e., job classification), the class is ascertainable. (*Wilner v. Sunset Life Ins. Co*. (2000) 78 Cal.App.4th 952, 959-60 [class membership defined by ownership of product that is the subject of the lawsuit is sufficient to make the class ascertainable].)

"The requirement of Code of Civil Procedure section 382 that there be 'many' parties to a class action suit is indefinite and has been construed liberally." (*Rose v. City of Hayward* (1981) 126 Cal.App.3d 926, 934.) "Where a question is of common interest to 'many' persons, an action may be maintained as a class action even where the parties are numerous and it is in fact practicable to join them all." (*Id.*) "No set number is required as a matter of law for the maintenance of a class action." (*Id.*) "Thus, our Supreme Court has upheld a class representing the 10 beneficiaries of a trust in an action for removal of the trustees." (*Id.*, citing *Bowles v. Super. Ct.* (1955) 44 Cal.2d 574; see also, *Collins v. Rocha* (1972) 7 Cal.3d 232 [upholding a 35 member class.]) Therefore, Plaintiffs contend that numerosity is plainly satisfied.

2. There are Many Common Issues of Law and Fact Which Predominate

The Court should grant conditional class certification for settlement purposes here on the grounds that questions of law and fact common to all class and subclass predominate over any individual questions. This inquiry tests whether proposed classes are sufficiently cohesive to warrant adjudication by representation. (*See, e.g., Clothesrigger, Inc. v. GTE Corp*. (1987) 191 Cal.App.3d 605.)

Here, the employment practices at issue are: whether Defendant had legally compliant policies and practices for all hours worked, including overtime wages; whether Defendant had legally compliant policies and practices to provide employees with meal periods; whether Defendant had legally compliant policies and practices authorizing and permitting its employees to take rest periods; whether final payment of wages was untimely and excluded unpaid wages, including meal period premium and rest period premium wages; whether the wage statements were consequently non-compliant; and whether Defendant adequately reimbursed employees for business expenditures. Plaintiffs contend that the factual and legal issues are the same for all of the identified class members, including Plaintiffs. Further, Plaintiffs contend that all class members suffered from, and seek redress for, the same alleged injuries.

3. Plaintiffs' Claims Are Typical of the Claims of the Class

The typicality requirement does not focus on the individual characteristics or circumstances of the representative plaintiff compared to those of the remainder of the class, but rather upon the typicality of the proposed representative's claims as they relate to the defendant's conduct and activities. (*Classen v. Weller* (1983) 145 Cal.App.3d 27, 47 ["[t]he only requirements are that common questions of law and fact predominate and that the class representative be similarly situated" vis-à-vis the class.].) A representative plaintiff's claims are typical of the class if they arise from the same event, practice or course of conduct, and if the claims rest on the same legal theories. (*Id*.) That is precisely the case here. Plaintiffs are former employees of Defendant; as such, they allege that they were subject to the same policies and practices as other similarly situated employees.

4. Plaintiffs and Their Counsel Meet the Adequacy Requirement

The adequacy of representation requirement is met by fulfilling two conditions: first, a named plaintiff must be represented by counsel qualified to conduct the pending litigation; second, a named plaintiff's interests cannot be antagonistic to those of the class. (*McGhee v. Bank of America* (1976) 60 Cal.App.3d 442, 451.)

All of these requirements are met here for settlement purposes. Plaintiff retained counsel with extensive experience in prosecuting complex class actions, including similar class actions that previously settled. (Hajjar Decl., ¶¶ 35-43.) Class Counsel unquestionably is "qualified, experienced and generally able to conduct the proposed litigation." (*Miller v. Woods* (1983) 148 Cal.App.3d 862, 875.) In addition, Plaintiffs have no conflicts, and Plaintiffs have, with counsel, litigated this case and diligently reviewed the settlement terms, showing their dedication. Plaintiff's willingness to serve as a representative demonstrates his serious commitment to bringing about the best results possible for the class and subclass. (*McGhee*, *supra,* 60 Cal.App.3d at p. 451.)

5. A Class Action is Superior to a Multiplicity of Litigation

Finally, in making its class certification decision, the Court must determine that a class action would be superior to alternative means for the fair and efficient adjudication of the litigation. By consolidating many potential individual actions into a single proceeding, this Court's use of the class action device enables it to manage this litigation in a manner that serves the economics of time, effort and expense for the litigants and the judicial system. Absent class treatment, similarly-situated employees with small but nevertheless meritorious claims for damages would, as a practical matter, have no means of redress because of the time, effort and expense required to prosecute individual actions. (*Gentry v. Super. Ct*. (2007) 42 Cal. 4th 443, 457-62; *Leyva v. Medline Ind.* (9th Cir. 2013) 716 F.3d 510, 515.) Moreover, in the context of settlement, the superiority concerns are essentially non-existent.

V. THE PROPOSED NOTICE IS CONSTITUTIONALLY SOUND

A. The Proposed Notice Plan Satisfies Due Process

Notice requirements are set forth in the California Rules of Court. (Cal. Rules of Court, Rule 3.766 (e) and (f).) California law vests the Court with broad discretion in fashioning an appropriate notice program. (*Cartt v. Super Ct.* (1975) 50 Cal.App.3d 960, 973-74.) There is no statutory or due process requirement that all class members receive actual notice, but in this matter, the class members will receive direct mailed notice. As the Court of Appeals has explained, "[t]he notice given should have a reasonable chance of reaching a substantial percentage of the Class Members … ." (*Id.* at p. 974.) In this case, notice of the proposed settlement will be provided by direct mailing, the best possible form of notice.

B. The Notice is Accurate and Informative

The Notice of Proposed Class Action Settlement should be approved. It will be disseminated through direct U.S. first class mail to the last known address for each Class Member. It informs the Class Members of the terms of the settlement and their right to be excluded from the Settlement. And if there are Class Members who wish to object to this proposed class action settlement, they will have the opportunity to submit their objections and be heard at the Final Approval Hearing.

The Notice also fulfills the requirement of neutrality in class notices. (Conte & Newberg, Newberg on Class Actions (3rd Ed.) § 8.39.) It summarizes the proceedings to date and the terms and conditions of the settlement agreement, in an informative and coherent manner. It makes clear that the settlement agreement does not constitute an admission of liability by the Defendant, which denies all liability, and it recognizes that this Court has not ruled on the merits of the action. It also states that the final settlement approval decision has yet to be made.

Accordingly, the Notice complies with the standards of fairness, completeness, and neutrality required of a combined settlement-certification class notice.

VI. CONCLUSION

For the foregoing reasons, Plaintiff respectfully requests that the Court grant preliminary approval of the proposed settlement and set a Final Approval Hearing in February 2024, or the first available date thereafter.

Dated: October 31, 2023 **WILSHIRE LAW FIRM**

By: ______________________________
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