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SUPERIOR COURT OF CALIFORNIA

COUNTY OF ORANGE, CIVIL COMPLEX CENTER

JORGE LUIS ESTRADA, et al., Plaintiffs on behalf of themselves and all employees similarly situated, Plaintiffs, vs. ROYALTY CARPET MILLS, INC., Defendant.	Case No.: 30-2013-00692890-CU-OE-CXC CLASS ACTION *Assigned for all purposes to: Hon. William D. Claster, Dept. CX 101* PLAINTIFFS' SUPPLEMENTAL BRIEF IN SUPPORT OF MOTION FOR PRELIMINARY APPROVAL OF CLASS ACTION AND PAGA SETTLEMENT Date: 10/31/2025 Time: 9:00 a.m. Dept: CX101 Action Filed: 12/13/2013 SAC Filed: 10/22/2014 TAC Filed: 11/17/2016

TO THE HONORABLE COURT, ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

Plaintiffs Jorge Luis Estrada, Paulina Nava Medina, Jose A. Garcia, Martin Garcia, Rigoberto Moreno, Cipriano Perez, Salvador Avila, Martha Lara Leon, Maria Suarez, Cindy Cleaver, and Arlette Ramos (collectively, "Plaintiffs") filed their Motion for Preliminary Approval of Class Action and PAGA Settlement on July 14, 2025 (the "Motion"). On September 5, 2025, the Court issued a Minute Order (ROA # 1335) adopting its Tentative Ruling, which identified concerns with the settlement agreement, notice, and proposed order. The Court continued the hearing on Plaintiffs' Motion to October 16, 2025, and subsequently to October 31, 2025, to permit the Parties to respond to the Court's concerns. Plaintiffs submit this Supplement Brief and related settlement documents to address the Court's concerns and provide proposed resolutions.

EXHIBITS IN SUPPORT OF MOTION FOR APPROVAL

1. True and correct copies of the English and Spanish versions of the Amendment to Class Action and PAGA Settlement Agreement (the "Amendment") are attached as **Exhibits 1 and 2**, respectively, to the Supplemental Declaration of Rudy Ginez.

2. A true and correct clean copy of the *revised* proposed Court Approved Notice of Class Action Settlement and Hearing Date for Final Approval (*revised* "Class Notice") is attached as **Exhibit A to Exhibit 1**. A redline of the *revised* Class Notice is attached as **Exhibit A-1** to the Supplemental Declaration of Rudy Ginez.

3. A true and correct copy of the Request for Exclusion (Opt-Out) Form is attached as **Exhibit B to Exhibit 1**.

4. A true and correct copy of the Settlement Payment Dispute Form is attached as **Exhibit C to Exhibit 1**.

5. A true and correct copy of the *revised* [Proposed] Order Granting Plaintiffs' Motion for Approval of Class Action and PAGA Settlement (*revised* "Class Notice") is attached as **Exhibit 3** to the Supplemental Declaration of Rudy Ginez.

The issues raised by the Court are set forth below verbatim and are addressed in the order they appear in the Minute Order.

AS TO THE SETTLEMENT:

ISSUE NO. 1:

Regarding the Dyer/Derian class period, counsel testifies, "the parties have since agreed that the correct class period for that class is October 22, 2010, through November 30, 2013." (Ginez Decl. ¶ 58.) What was wrong with the Dyer/Derian class period before? Does this settlement provide anything for class members from December 2009 to October 2010, who are part of the class as pled in the 3AC?

RESPONSE TO ISSUE NO. 1:

The correct class period for Dyer/Derian Class is from October 22, 2010, through November 30, 2013. There are no class claims for Dyer/Derian Class Members for the period from December 13, 2009, through October 21, 2010, and the Settlement provides no compensation to any Class Members for this period. Earlier pleadings erroneously referenced an earlier start date because Estrada filed his initial individual wage and hour and PAGA action on December 13, 2009. However, the earliest valid start date for class claims is October 22, 2010, based on the four-year statute of limitations under the Unfair Competition Law (Bus. & Prof. Code §17208) measured from the filing of the Second Amended Complaint on October 22, 2014, when class claims were first alleged. Therefore, the Settlement provides no class relief for any Class Members, including the Dyer/Derian Class Members, before October 22, 2010. The November 30, 2013, Class Period end date is supported by Plaintiffs' expert's analysis of 100% of available timekeeping data, which shows a sharp reduction in meal period violation rates at the Dyer and Derian facilities after that date. On this record, the Parties agreed that the Class Period for the Dyer/Derian Class Members is October 22, 2010, through November 30, 2013. (Suppl Decl. of Ginez, ¶¶ 5-6; Agreement, p. 1, ¶ 1.8; *revised* Class Notice p. 1)

ISSUE NO. 2:

The settlement appears to provide no compensation for 111 former Dyer/Derian employees who settled their claims and signed releases pursuant to a Pick-Up Stix campaign. Since they are not receiving any additional compensation, why are they part of the settlement and subject to new releases?

RESPONSE TO ISSUE NO. 2:

The 111 former Dyer/Derian employees who settled their claims and signed releases before class certification are not included in the Settlement Class, are not subject to new releases, and will not receive any portion of the Gross Settlement Amount.

The operative Third Amended Complaint alleged a declaratory relief claim regarding the enforceability of release agreements entered into between Royalty and class members at the Dyer, Derian, and Porterville facilities. In 2018, the Court certified a "release subclass" for the Dyer/Derian and Porterville classes to adjudicate whether those releases were enforceable. The issues presented included: (1) whether the releases were valid and enforceable; (2) whether a bona fide dispute existed as to wages owed; (3) whether Royalty had a good-faith belief in such a dispute; and (4) whether the offer letters contained false or misleading information.

Cindy Cleaver, Martha Lara Leon, and Juan Ortiz Lopez signed pre-certification releases. The Court found Lara Leon and Cleaver suitable class representatives for the release issue for the Porterville Class and Ortiz Lopez for the Dyer/Derian Class. Following a bench trial, the Court decertified the Dyer/Derian Class. The Court also ruled the release signed by Ortiz Lopez barred all of his claims against Royalty. With respect to Porterville, the Court found Royalty's onpremises meal period policy unlawful but concluded Royalty had a good-faith dispute, rendering the releases enforceable. On appeal, the Porterville class members argued that the releases were invalid, but the Court of Appeal upheld their enforceability. (*Estrada v. Royalty Carpet Mills, Inc.* (2022) 76 Cal.App.5th 685, 707–708.)

On remand for retrial, there was no class representative to prosecute any Dyer/Derian class claim regarding the enforceability of the releases. In any event, the releases were likely to be found enforceable.

To eliminate any ambiguity, the Parties submit the Amendment to the Settlement Agreement and *revised* Class Notice. Both documents expressly state that the 111 former Dyer/Derian employees who executed pre-certification releases are not part of the Settlement Class, are not subject to new releases, will not share in the Gross Settlement Amount, and will not be mailed Class Notice of the pending Settlement. (Supp. Decl. of Ginez pp. 3-4, ¶¶ 5-6; *revised* Class Notice p. 1)

<u>ISSUE NO. 3:</u>

Why are employer-side taxes to be paid from the GSA? The Court strongly prefers employer-side taxes be paid separately from the GSA unless there is a compelling reason otherwise.

<u>RESPONSE TO ISSUE NO. 3:</u>

The Parties agreed that the employer-side taxes are to be paid from the Gross Settlement Amount (GSA) for several compelling reasons.

(1) Royalty ceased operations in 2017. Because the company no longer has an ongoing payroll or HR function and has limited remaining assets, the Parties negotiated a fixed GSA that covers both wage payments and employer-side payroll taxes. Paying these taxes from the GSA ensures that the settlement remains fully funded and collectable, allowing the Administrator to

calculate and remit all taxes without requiring additional contributions from a non-operational defendant. (Supp. Decl. of Ginez p. 4, ¶¶ 7-8)

(2) At the time of Settlement, Royalty had been closed for nearly eight years and had no ongoing business income. Royalty and its Counsel stated that they intended to use the remaining available funds to defend the case through a retrial and further appeals until those funds were exhausted, and upon exhaustion, Royalty would likely become insolvent or enter bankruptcy, risking no recovery for the Class. Royalty agreed to the $2.9 million figure only on the condition that all associated obligations, including employer-side payroll taxes, be included within the GSA. Had Royalty been required to pay payroll taxes on top of the GSA, the settlement would likely not have been achieved. (Supp. Decl. of Ginez p. 4, ¶¶ 7-8)

(3) Deducting employer-side payroll taxes from the GSA is appropriate where a defendant has ceased operations, provided the deduction is disclosed and factored into the settlement evaluation. Even with the deduction from the GSA, the net recovery to the Class is fair and reasonable given the litigation risks and collectability concerns.

Accordingly, paying employer-side payroll taxes from the GSA is reasonably justified in light of Royalty's closure, limited funds, and the need to ensure a fully funded, collectible settlement for the Class. The allocation was fully discussed in the Amendment and *revised* Class Notice.

<u>ISSUE NO. 4:</u>

Rest period violations are pled in the 3AC and released by the class and PAGA releases, but counsel doesn't appear to discuss rest periods in his valuation of the case, nor does Plaintiffs' expert. Indeed, the settlement appears to be based entirely on meal period claims. Under these circumstances, what is the basis for releasing the rest break claims?

RESPONSE TO ISSUE NO. 4:

Regarding the second cause of action for failure to provide rest periods, the class issue for the Dyer/Derian and Porterville classes was whether the rest period policies in Royalty's Employer Handbooks were lawful on their face. Plaintiffs no longer have any rest period class claims to resolve in this Settlement because, during trial, the Court granted Royalty's motion to decertify the rest period subclasses.

Additionally, the Court granted judgment in Royalty's favor on Plaintiffs' third cause of action for wage statement penalties, finding the wage statements were accurate as to amounts actually paid, and on the fourth cause of action for waiting time penalties, concluding that Plaintiffs failed to establish Royalty's intentional failure to pay final wages.

To eliminate any ambiguity, the Parties submit the Amendment and *revised* Class Notice for the Court's approval. Both documents expressly exclude any language releasing claims for: (1) failure to provide rest periods or pay rest period premiums (Lab. Code § 226.7); (2) failure to provide accurate wage statements (Lab. Code § 226(a)); and (3) failure to timely pay all wages due upon termination (Lab. Code §§ 201–203). (Supp. Decl. of Ginez p. 5-6, ¶¶ 10-12; *Amendment* p. 2, ¶ 2.6; *revised* Class Notice p. 4, ¶ 2)

ISSUE NO. 5:

Both the class and PAGA releases cover not only claims based on facts alleged in the complaint but also claims based on facts "ascertained in the course of the Action." Please delete this phrase. It is too vague and open-ended to be the basis of a classwide release.

RESPONSE TO ISSUE NO. 5:

The Parties submit the Amendment and *revised* Class Notice for the Court's approval. Both documents exclude the phrase "ascertained in the course of the Action" from both the class and PAGA releases. As amended, the releases are limited to claims based on the facts alleged in the operative complaint (and, for PAGA, the facts and theories alleged in the PAGA Notice(s)) within the applicable periods. (Supp. Decl. of Ginez p. 6, ¶ 13; *See* Amendment pp. 4, ¶ 5.1; *revised* Class Notice p. 7, ¶¶ 9, 10)

<u>ISSUE NO. 10:</u>

The requested attorney fee award in this case amounts to approximately 63% of the gross settlement amount. The Court understands that this request takes into account the unusual length and history of the case and the amount of the lodestar. Although attorney fee awards are not decided at the preliminary approval stage, the parties need to be aware that the Court is inclined at this point to award fees in the 35-50% range.

<u>RESPONSE TO ISSUE NO. 10:</u>

Plaintiffs appreciate the Court's guidance indicating an award of attorneys' fees in the range of 35–50% of the Gross Settlement Amount (GSA)**.** At final approval, Class Counsel will request an award not to exceed 50% of the $2,900,000 GSA ($1,450,000) under the percentage-of-the-fund method, supported by a lodestar cross-check with contemporaneous time records, market rates, and the established enhancement factors (risk, delay, contingency, complexity, and results obtained). (Supp. Decl. of Ginez p. 6, ¶ 14; *See* Amendment p. 3, ¶ 3.2.2*; revised* Class Notice p. 5 ¶ 2A) Royalty takes no position on this request, provided it does not exceed that cap.

This case is exceptional in duration and risk**.** Filed in 2013, it involved extensive discovery and motion practice, two mediations before trial, an 11-day bench trial**,** appeals culminating in the California Supreme Court's decision in *Estrada v. Royalty Carpet Mills, Inc.* (2024) 15 Cal.5th 582, remand for retrial, and a final, arm's-length settlement reached through a third mediation shortly before a second trial. During much of this period, Royalty had ceased operations in 2017, thereby increasing collectability risk and delaying recovery. Despite those obstacles, the settlement provides substantial monetary relief for the remaining Class Members (i.e., excluding the 111 Dyer/Derian employees who executed pre-certification releases) based on the allocation methodology developed and applied by Plaintiffs' expert, Kenneth Creal, CPA**,** which pays 100% of the calculated meal-period premiums for the applicable class periods plus some prejudgment interest. (*See* Decl. of Creal p. 11, ¶ 18; Supp. Decl. of Creal, ¶¶ 1-2, *revised* Exhibit C) At final approval, Plaintiffs will provide the lodestar cross-check demonstrating that the requested percentage yields a reasonable multiplier in light of the twelve years of contingent work, the risks overcome, the quality of the results, and the public impact of the Supreme Court's decision.

The reduction of $287,686.35 from the original fee request has been reallocated to the Class as prejudgment interest on the unpaid meal-period premium wages. As revised, the Settlement now provides that Class Members will receive 100% of their unpaid meal-period premium wages ($861,626.23) plus $287,686.35 in prejudgment interest, for a total payment to the Class of $1,149,312.58. (Supp. Decl. of Ginez, p. 6, ¶ 15; *See* Amendment p. 3, ¶ 3.2.4; *revised* Class Notice p. 5 ¶ 2A.-F). This modification ensures fairness and transparency by reallocating value directly to the Class, consistent with the Court's guidance.

<u>AS TO THE NOTICE:</u>

<u>ISSUE NO. 1:</u>

Please include opt-out and workweek dispute forms with the notice.

<u>RESPONSE TO ISSUE NO. 1:</u>

The Parties submit true and correct copies of the Request for Exclusion (Opt-Out) Form and Settlement Payment Dispute Form for the Court's approval, which are attached as **Exhibits B and C, to Exhibit 1**. Plaintiffs clarify that the method used to calculate Plaintiffs' classwide damages was not based on the number of workweeks worked by each Class Member. Rather, damages for meal period violations were calculated pursuant to Labor Code section 226.7 and IWC Wage Order No. 1-2001, which provides that:

> [i]f an employer fails to provide an employee a meal period … in accordance with state law, … the employer shall pay the employee one additional hour of pay at the employee's regular rate of compensation for each workday that the meal period is not provided.

Accordingly, each Class Member's Individual Class Payment is based on the number of meal period violations and the Class Member's regular hourly rate of pay, and not the number of workweeks. The Settlement Payment Dispute Form allows any Class Member to dispute the calculation of their Individual Class Payment by challenging the number of the meal period violations and or their average hourly rate of pay.

<u>ISSUE NO. 2:</u>

The settlement agreement provides for Spanish translation to all class members and Filipino translation to Porterville class members. Are any other languages needed?

<u>RESPONSE TO ISSUE NO. 2:</u>

No. Based on communications with Class Members (both those who have appeared and those who have not) and the documents and records produced during this case. No additional translations are necessary beyond Spanish for all Class Members and Filipino for Porterville Class Members**.** (Supp. Decl. of Ginez p. 7, ¶ 17)

<u>ISSUE NO. 3:</u>

If any changes are made to the settlement agreement, please make corresponding changes to the notice.

<u>RESPONSE TO ISSUE NO. 3:</u>

The Parties have made corresponding changes to the Class Notice to reflect all revisions to the Settlement Agreement**,** and will continue to do so for any further revisions.

<u>ISSUE NO. 4:</u>

The font size in the actual notice may not be smaller than the font size in the proposed notice provided to the Court.

RESPONSE TO ISSUE NO. 4:

The Parties have amended the Settlement Agreement and the *revised* [Proposed] Order to require that all mailed Class materials, including the *revised* Class Notice, Request for Exclusion Form, and Settlement Payment Dispute Form, shall use body text no smaller than 12-point font. (Supp. Decl. of Ginez p. 8, ¶ 20; *See* Agreement p. 5, ¶ 7.2.4; *revised* Proposed Order p. 5, ¶ 10)

Respectfully submitted,

RUDOLFO GINEZ LAW OFFICE

Dated: 10/20/2025

Rudy Ginez

Rudy Ginez, Attorney for
all Plaintiffs and the Class

CE SMITH LAW FIRM

Dated: 10/20/2025

/s/ Clifton E. Smith

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