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SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN JOAQUIN

JESSE GALINDO, an individual, on behalf of themselves, and on behalf of all persons similarly situated, Plaintiff, v. PAQ, INC., DBA FOOD 4 LESS and/or RANCHO SAN MIGUEL MARKETS; and DOES 1 through 50, Inclusive; Defendants.	Lead Case No. STK-CV-UOE-2022-0000452 *[Consolidated Case No. STK-CV-UOE-2022-0001799]* **MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION FOR FINAL APPROVAL OF CLASS ACTION AND PAGA SETTLEMENT** Date: September 17, 2024 Time: 9:00 a.m. Judge: Hon. Blanca A. Banuelos Dept.: 10B

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I. INTRODUCTION

Plaintiffs JESSE GALINDO ("Plaintiff Galindo") and LAURA SMITH ("Plaintiff Smith") (collectively "Plaintiffs") seek final approval of the Class Action and PAGA Settlement Agreement ("Agreement")[1], which if approved, would provide valuable monetary relief for 7,994 Settlement Class Members employed by Defendants PAQ, INC., DBA FOOD 4 LESS and/or RANCHO SAN MIGUEL MARKETS, (hereinafter "Defendant") during the period from March 9, 2018, through June 28, 2023 ("Class Period").

In an order dated May 14, 2024, this Court preliminarily approved the Agreement and preliminarily certified the Class. Declaration of Jean-Claude Lapuyade ("JCL Dec."), ¶ 4. On June 13, 2024, the Court-approved Class Notice was mailed to each Class Member via U.S. First Class Mail. Declaration of Madely Nava ("Apex Dec."), ¶ 7. ***The Class greeted news of the Settlement with 99.99% approval.***[2] There are zero objections to the Settlement and one request for exclusion. Apex Dec., ¶¶ 11-12. The 99.99% participation rate by the Class evidences the clear fairness and reasonableness of the Settlement. JCL Dec., ¶ 8.

An objective evaluation of the proposed settlement of Four Million Five Hundred Thousand Dollars and Zero Cents ($4,500,000.00) ("Gross Settlement Amount") confirms that the relief negotiated on behalf of the Settlement Class Members is fair, reasonable, and valuable. The Settlement is a product of informed, adversarial, and non-collusive negotiations, between experienced counsel, and presided over by Jeff Ross, Esq. After deducting any Court-approved PAGA Penalty Amount, Class Representative Service Awards, Class Counsel Award, and the Settlement Administration Costs, the Net Settlement Amount shall be distributed to Settlement Class Members based on the number of Workweeks they worked while employed by Defendant during the Class Period. JCL Dec., ¶ 8.

This Settlement provides substantial recovery for Defendant's alleged wage and hour violations. Plaintiff estimates that the Settlement, if approved, would result in a Net Settlement Amount of approximately $2,688,184.90. This will result in an estimated average Individual Settlement Payment

[1] The Agreement is attached as Ex "1" to the Declaration of Jean-Claude Lapuyade ("JCL Dec.") at ¶ 3. All citations to the Agreement incorporate by this reference a citation to the JCL Dec., ¶ 3. Further, unless indicated otherwise, capitalized terms used herein have the same meaning as those defined by the Agreement.

[2] One Hundred Sixty-Three (163) Notices were deemed undeliverable. Apex Dec. at ¶ 10.

of **$336.32,** an estimated highest Individual Settlement Payment of **$1,725.27**, and estimated lowest Individual Settlement Payment of **$6.30**. JCL Dec., ¶ 9; Apex Dec. at ¶ 15.

The relief offered by the Settlement is immediate and is particularly impressive when viewed against the difficulties encountered by Plaintiffs pursuing similar wage and hour cases (*see infra)*. Indeed, by settling now rather than proceeding to trial, the Class will not have to wait (possibly years) for relief, nor will they have to bear the risks associated with prolonged and uncertain litigation. JCL Dec., ¶ 10.

As discussed below, the proposed Settlement satisfies all criteria for final settlement approval under California law and falls well within the range of reasonableness. Accordingly, the Class Representatives and Class Counsel respectfully request this Court grant final approval of the Agreement and, entry of the proposed Final Approval Order and Judgment. JCL Dec., ¶ 11.

II. OVERVIEW OF THE LITIGATION

Defendant owns, operates, and manages twenty-three (23) grocery stores in the State of California, including San Joaquin County, where Plaintiffs worked. Plaintiff Galindo was employed by Defendant in California from April 2, 2019, to September 9, 2021. Plaintiff Smith was employed by Defendant in California from September 13, 2016, to October 29, 2019. Throughout their employment, Plaintiffs were classified as non-exempt employees and were entitled to legally compliant meal and/or rest periods, minimum and regular wages. Additionally, Plaintiffs were subject to Defendant's written policies and procedures contained in, among other documents, the "Employee Handbook." JCL Dec., ¶ 12.; Declaration of Jesse Galindo ("JG Dec.") at ¶ 3.

Generally, Plaintiffs claim that Defendant failed to pay minimum wages and overtime wages, failed to provide compliant meal and rest periods, failed to furnish accurate itemized wages statements, failed to pay all wages when due and failed to reimburse for mandatory business expenses. Defendant forcefully denies liability for each of Plaintiffs' claims. Further, Defendant asserts that it fully complied with all applicable employment laws and raised several other significant defenses to Plaintiffs' claims, including but not limited to, facially compliant meal and rest period policies, compliant wage statements, reimbursement for all required business expenses, and payment of all wages upon separation. JCL Dec., ¶ 13.

On July 9, 2020, Plaintiff Smith filed a Class Action Complaint in San Joaquin Superior Court asserting six separate causes of action against Defendant PAQ, Inc. dba Food 4 Less and/or Rancho San Miguel Markets (hereinafter, "Defendant").The Complaint alleged claims against Defendant for 1) failure to pay wages owed: 2) failure to provide compliant meal breaks;3) failure to provide compliant rest breaks; 4) failure to timely pay wages: 5) failure to provide accurate itemized wage statements and 6) violation of UCL. On July 9, 2020 Plaintiff, also served the Labor and Workforce Development Agency ("LWDA") with a PAGA Notice. Plaintiff's PAGA Notice set forth the facts and theories supporting Defendant's alleged violations of various provisions of the California Labor Code and applicable Industrial Welfare Commissions ("IWC") Wage Order and of her intent to pursue claims under California Labor Code Private Attorneys General Act, Cal. Lab. Code sections 2698 *et seq* ("PAGA"). JCL Dec., ¶ 14.

On or about November 30, 2020, Plaintiff Smith filed a First Amended Complaint in the San Joaquin Superior Court adding an additional cause of action for PAGA. Thereafter, Plaintiff Smith filed a Second Amended Representative Action Complaint. JCL Dec., ¶ 15.

On November 16, 2021, Plaintiff Galindo served the LWDA with a PAGA Notice. Plaintiff's PAGA Notice set forth the facts and theories supporting Defendant's alleged violations of various provisions of the California Labor Code and applicable Industrial Welfare Commissions ("IWC") Wage Order and of his intent to pursue claims under California Labor Code Private Attorneys General Act, Cal. Lab. Code sections 2698 *et seq* ("PAGA"). JCL Dec., ¶ 16. Plaintiff Galindo subsequently filed a Representative Action Complaint in the San Joaquin Superior Court alleging a single cause of action for Violations of the Private Attorney General Act. On May 3, 2022, Plaintiff Galindo filed a First Amended Complaint in the PAGA only action. JCL Dec., ¶ 17.

On March 9, 2022, Plaintiff Galindo filed a Class Action Complaint in the San Joaquin Superior Court asserting eight separate causes of action against Defendant. The Complaint alleged the following: (1) Unfair Competition in violation of Cal. Bus. & Prof. Code §17200; (2) Failure to pay minimum wages; (3) Failure to pay overtime; (4) Failure to provide meal periods; (5) Failure to provide rest periods; (6) Failure to provide accurate itemized statements; (7) Failure to provide wages when due; (8) Failure to reimburse employees for required expenses. On June 20, 2022, the Galindo Class and PAGA actions were consolidated; the PAGA action being the controlling action (STK-CV-UOE-2022-0000452). JCL Dec., ¶ 18.[3]

Through both formal and informal discovery, Plaintiffs and Defendant have exchanged extensive documents and information. To prepare for mediation, the Parties agreed to informally produce additional documents and data points subject to the mediation privilege, including but not limited to, a sample of the Class Members' time data and certain payroll data points. As discussed infra, Plaintiffs' counsel retained the statisticians and economists at Desmond, Marcel and Amster, LLP ("DMA") to evaluate the Settlement Class Members' time and payroll data. DMA provides litigation consulting, business valuation and asset appraisal services and is well regarded in the field of wage and hour data consulting. (See https://www.dmavalue.com/services/class-action-damages.). JCL Dec., ¶ 19.

On June 28, 2023, the Parties participated in a full day mediation with Jeffrey A. Ross, Esq., an experienced mediator of wage and hour class and PAGA actions. Following the mediation, Defendant produced, subject to a confidentiality agreement, several financial documents, including credit agreements with institutional lenders. Plaintiff's counsel then retained Ken Creal, CPA, a forensic accountant at Creal & Creal, An Accountancy Corporation, to review Defendant's financials. Based on Mr. Creal's review of the documents and our communications with Mr. Creal, it was our understanding that generally, these financial documents established a threshold amount that Defendant could pay towards this settlement without breaching debt ratio covenants with its lenders. If Defendant exceeded specified debt ratio limits, it jeopardized Defendant's ability to continue operations. JCL Dec. ¶20.

After arms-length negotiations and bargaining and a thorough investigation and explained in more detail herein, the Parties reached an agreement to settle and signed a Memorandum of Understanding. After reaching an agreement in principle, the Parties drafted and negotiated a long-form settlement agreement, which is the subject of the instant motion. JCL Dec., ¶ 21

[3] On January 22, 2024, Plaintiff Galindo filed a Second Amended Complaint adding Plaintiff Smith and her claims to the Galindo Action.

On May 24, 2024, this Court granted preliminary approval of the Settlement. JCL Dec., ¶ 4. On June 13, 2024, the Settlement Administrator mailed Notice Packets to all 7,994 Class Members. Apex Dec., ¶ 7. The mailing of the Notice Packets triggered a forty-five (45) day Response Deadline for the Class to submit requests for exclusion or objections to the Settlement. The response from the Class to the Settlement was outstanding – 99.99% of the Class Members are participating in the Settlement. Apex received one request for exclusion only. Apex Dec., ¶11 and 13.

III. THE SETTLEMENT BEFORE THE COURT

The Court preliminarily approved an initial Total Settlement Amount of Four Million Five Hundred Thousand Dollars and Zero Cents ($4,500,000.00) based on a total of an estimated 397,138 Workweeks worked by the Class during the Class Period. The Total Settlement Amount shall be used to satisfy: (1) the Individual Settlement Payments; (2) the Class Representative Service Awards; (3) the Class Counsel Award; (4) the PAGA Penalty Amount; and (5) the Settlement Administration Costs incurred in this action. JCL Dec., ¶ 22.

Defendant will fund the Settlement by transferring the Total Settlement Amount into a Qualified Settlement Fund sixty (60) days after notice of entry of an order and judgment by the Court granting final approval of the Settlement, provided no notice of appeal or petition for review is filed by any Class Member or intervenor. Agreement, ¶ I(P). The Settlement Administrator shall mail checks for all of the Individual Settlement Payments to the Settlement Class Member no later than fifteen (15) business days after the Funding Date. Agreement, ¶ III(Q)(7). The Settlement Administrator will calculate Individual Settlement Payments by dividing the respective Workweeks for each Class Member by the total Workweeks for all Class Members, resulting in a Payment Ratio. Agreement, ¶ III(Q)(1). Each Class Member's Payment Ratio will then be multiplied by the Net Settlement Amount to calculate each Class Member's Individual Settlement Payment. *Id.* The estimated average Individual Settlement Payment is approximately **$336.32**. Apex Dec., ¶ 15.

In exchange for the valuable consideration, as of the funding of the Total Settlement Amount, the Settlement Class Member will release the Released Parties from the Released Class Claims as defined in the Agreement. Agreement, ¶ III(B).

Apex Class Action LLC was appointed as the Settlement Administrator for the Class. The Settlement Administration Costs include those expenses of effectuating and administering the Settlement, i.e., the costs incurred to the Settlement Administrator, the costs of giving notice to the Class, the costs of administering and disbursing the Individual Settlement Payments, and the fees of the Settlement Administrator approved for reimbursement by the court. The Settlement Administrator expenses are $54,000.00. Apex Dec., ¶ 18. These expenses shall be paid from the Total Settlement Amount. Agreement, ¶ III(Q)(12).

Subject to Court approval, Class Counsel shall seek a payment of Class Counsel Award in the amount of $1,537,815.11, comprised of attorneys' fees equal to one-third of the Total Settlement Amount estimated to be at least $1,500,00.00 and $37,815.11 for actually incurred litigation expenses. Agreement, ¶ III(Q)(10). Class Counsel is to split the fees 25% to JCL Law Firm, APC, 25% to Zakay Law Group, APLC and 50% to James Hawkins, APLC. Agreement, ¶ I(I). The Agreement also provides for two Class Representative Service Awards in the amount of $10,000 allocated to Plaintiff Jesse Galindo and Plaintiff Laura Smith, in consideration of their time, risk, and efforts as the Class Representatives on behalf of the Class and a general release. Agreement, ¶ III(Q)(9).

As explained in further detail below, the Settlement is fair, adequate, and reasonable to the class and should be granted final approval. This is evidenced by the 99.9% approval of the Settlement by the Class, the absence of any objections to the Settlement and the average Individual Settlement Payment of **$336.32.** Apex Dec., ¶ 15; JCL Dec., ¶ 23.

IV. GENERAL STANDARDS APPLICABLE TO JUDICIAL REVIEW AND APPROVAL OF CLASS ACTION SETTLEMENTS

Settlements of disputed claims are favored by the courts. *Huens v. Tatum* (1997) 52 Cal.App.4th 259, 265. In evaluating settlements, the courts have long recognized that compromise is particularly appropriate since such litigation is difficult and notoriously uncertain. *7-Eleven Owners for Fair Fran. v. Southland Corp.* (2000) 85 Cal.App.4th 1135, 1151 ("voluntary conciliation and settlement are the preferred means of dispute resolution. This is especially true in complex class action litigation").

"[T]o prevent fraud, collusion or unfairness to the class, the settlement or dismissal of a class action requires court approval." *Dunk v. Ford Motor Co.* (1996) 48 Cal.App.4th 1794, 1801 *citing Malibu Outrigger Bd. Of Governors v. Superior Court* (1980) 103 Cal.App.3d 573, 578-579. The court must decide whether the proposed settlement falls within the range of reasonable settlements, considering that settlements are compromises between the parties reflecting subjective, unquantifiable judgments concerning the risks and possible outcomes of litigation. See also *Wershba v. Apple Computer* (2001) 91 Cal.App.4th 224, 2246 (The proposed settlement is not to be judged against a hypothetical or speculative measure of what might have been achieved had plaintiffs prevailed at trial."). In *Wershba*, appellants argued that the settlement was too low given the "clear" liability, however, the Court rejected this argument and held that "the merits of the underlying class claims are not a basis for upsetting the settlement of a class action." *Wershba*, *supra*, at 246; *see also 7-Eleven*, *supra*, at 1150.

In these cases, Courts have repeatedly emphasized that there is a strong initial presumption that the compromise is fair and reasonable. *Wershba*, 91 Cal.App.4th at 245. Courts should not substitute their judgment for that of the parties who negotiated the settlement. *Id.* At 246. The presumption of fairness exists where: (1) investigation and discovery are sufficient to allow counsel and the court to act intelligently; (2) the settlement is reached through arm's-length bargaining; (3) counsel is experienced in similar litigation; and (4) the percentage of objectors is small. *Dunk*, 48 Cal.App.4th at 1801, citing Newberg & Conte, *Newberg on Class Actions*, (3d ed. 1992) §11.41, pp. 11-91. Here, all of these factors support a presumption of fairness.

The essential evaluation is whether, given the risks of litigation and the range of probable results, the settlement, taken as a whole, is fair, reasonable, and adequate to all concerned. Here, the facts and circumstances compel the conclusion that the proposed settlement satisfies that standard.

V. THE SETTLEMENT IS FAIR, REASONABLE, AND ADEQUATE

The court must determine whether the settlement is fair, adequate, and reasonable. *Dunk v. Ford Motor Co.* (1996) 48 Cal.App.4th 1794, 1801; *see also Officers for Justice v. Civil Service Com'n* (9th Cir. 1982) 688 F. 2d 615, 625. The purpose of the requirement is "the protection of those class members, including the named plaintiffs, whose rights may not have been given due regard by the negotiating parties." *Dunk*, *supra*, at 1801.

The trial court has broad discretion to determine whether the settlement is fair. *Rebney v. Wells Fargo Bank* (1990) 220 Cal.App.3d 1117, 1138. "The well-recognized factors that the trial court should consider in evaluating the reasonableness of a class action settlement agreement 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.' [Citations.]" *Kullar v. Foot Locker Retail, Inc.* (2008) 168 Cal.App.4th 116, 128; see also *Munoz v. BCI Coca-Cola Bottling Co. of Los Angeles* (2010) 186 Cal.App.4th 399, 408.

The list of factors is not exhaustive and should be tailored to each case. *Dunk*, *supra*, at 1801. Due regard should be given to what is otherwise a private consensual agreement between the parties. *Id.* The inquiry "must be limited to the extent necessary to reach a reasoned judgment that the agreement is not the product of fraud or overreaching by, or collusion between, the negotiating parties, and that the settlement, taken as a whole, is fair, reasonable and adequate to all concerned." *Id.* "Ultimately, the [trial] court's determination is nothing more than 'an amalgam of delicate balancing, gross approximations and rough justice.' [Citation omitted.]" *Id.*

These factors are analyzed seriatim below and all support final approval of the class action settlement before this Court.

A. <u>Class Counsel Conducted a Thorough Investigation.</u>

As detailed in the motion for preliminary approval, Class Counsel thoroughly investigated the proposed Class Members' claims, applicable law, and potential defenses. Months before filing the Action, Class Counsel began their pre-filing investigation into the Plaintiffs' complaints. Class Counsel's investigation started with several lengthy interviews with Plaintiffs. As part of the interview process, Plaintiffs produced documents related to their employment, including time and payroll records. At the conclusion of the interviews, Class Counsel determined that each of Plaintiffs' complaints appeared to substantiate Plaintiffs' claim that Defendants failed to, among other things, pay for all time worked, failed to provide compliant meal and rest periods, failed to reimburse for all mandatory business expenses, failed to issue accurate itemized wage statements, and failed to pay all wages when due. JCL Dec., ¶ 24.

Upon filing the complaint, Plaintiffs served multiple sets of written discovery, conducted more than one thousand telephonic interviews with Settlement Class Members, and obtained nearly fifty (50) draft declarations from Settlement Class Members in preparation of Plaintiffs' motion for class certification. JCL Dec., ¶ 25.

To prepare for mediation, Class Counsel requested documents and data points to further evaluate Plaintiffs' claims and Defendant's liability exposure to the Class Members. In response to Class Counsel's request, Defendant produced, among other things, the time and payroll records for a representative sampling of the Class Members, aggregate workweek and pay period data, and copies of applicable handbooks, policies, and agreements. In total, Defendant produced thousands of pages of pertinent policy documents, time records, and payroll records for Class Members for Class Counsel to analyze. JCL Dec., ¶ 26.

Class Counsel then retained the statisticians and economists at Desmond, Marcel and Amster, LLP ("DMA") to evaluate the Settlement Class Members' time and payroll data. DMA provides litigation consulting, business valuation and asset appraisal services and is well regarded in the field of wage and hour data consulting. (See https://www.dmavalue.com/services/class-action-damages.). JCL Dec., ¶ 19 and 27.

Prior to mediation, Plaintiffs obtained a random sample of time and payroll data for one-third of the Settlement Class Members. The time and payroll data comprised of nearly 11 million unique cells of time and payroll data for the Settlement Class Members. DMA analyzed this time and payroll data to assist in the development of various damage models. Among other things, DMA's analysis estimated the number of workweeks, pay periods, average rate of pay, the regular rate of pay, average length of shift and average number of hours worked per week. DMA also estimated the amount of unreimbursed business expenses, unpaid wages due to off-the-clock work and regular rate violations, the number of missed, late, or truncated meal and rest periods, number of missed meal and rest period premiums paid during the Class Period and the amount of resulting PAGA penalties for identified Labor Code violations. JCL Dec., ¶ 28.

Following the mediation, Defendant produced, subject to a confidentiality agreement, several financial documents, including credit agreements with institutional lenders. Plaintiff's counsel then retained Ken Creal, CPA, a forensic accountant at Creal & Creal, An Accountancy Corporation, to review Defendant's financials. Based on Mr. Creal's review of the documents and our communications with Mr. Creal, it was our understanding that generally, these financial documents established a threshold amount that Defendant could pay towards this settlement without breaching debt ratio covenants with its lenders. If Defendant exceeded specified debt ratio limits, it jeopardized Defendant's ability to continue operations. JCL Dec. ¶29.

Overall, Class Counsel thoroughly investigated the claims at issue, including: (1) determining Plaintiffs' suitability as a putative class representative through interviews, background investigations, and analysis of his employment files; (2) evaluating all of Plaintiffs' potential claims; (3) researching similar wage and hour class actions as to the claims brought, the nature of the positions, and the type of employer; (4) analyzing 11 million unique cells of the Settlement Class's time and payroll data; (5) analyzing Defendant's labor policies and practices; (6) researching settlements in similar cases as well as outstanding issues which could affect settlement approval; (7) evaluating Plaintiffs' claims and estimating Defendant's liability for purposes of settlement; (8) drafting the mediation brief; (9) reviewing Defendant's financial statements; and (9) participating in the mediation. This investigation allowed Class Counsel to fully assess the nature and magnitude of the claims being settled, as well as the impediments to recovery, such as to make an independent assessment of the reasonableness of the terms to which the Parties have agreed. JCL Dec., ¶ 30.

Class Counsel only agreed to enter the Settlement following this thorough investigation and evaluation of Plaintiffs' claims. Based on its investigation of the facts, applicable law, and marketplace for similar settlements, and considering the risk of significant delay and uncertainty associated with litigation, and the various defenses asserted by Defendant, Class Counsel believes this Agreement to be in the best interest of the Class Members. JCL Dec., ¶ 24-31.

B. <u>The Parties Settled Following Mediation</u>.

On June 28, 2023, the Parties conducted a full day mediation with Jeff Ross, Esq., an experienced wage and hour mediator. Mediator Ross helped to manage the Parties' expectations and provided a useful, neutral analysis of the issues and risks to both sides. The Parties made substantial progress with Mediator Ross's assistance. Namely, the Parties exchanged information regarding their respective claims and defenses, including their respective evaluations of the damages. After arm's length and adversarial negotiations, the mediation concluded with a settlement. The amount of the service awards was not negotiated until after the parties agreed to the Total Settlement Amount and many other terms. JCL Dec., ¶ 32. No action would likely have been taken by Class Members individually, and no compensation would have been recovered for them, but for Plaintiffs' service on behalf of the Class.

C. <u>Class Counsel is Experienced in Similar Litigation.</u>

Class Counsel in this matter has extensive class action experience in multiple fields and has represented tens-of-thousands of persons in class actions. Counsel has previously litigated similar wage and hour class actions involving similar claims. Class Counsel has been approved as class counsel in similar wage and hour class actions throughout the State of California. As such, courts throughout California have deemed Class Counsel experienced and knowledgeable in this area of law. Class Counsel has participated in every aspect of the settlement discussions and has concluded the settlement is fair, adequate, and reasonable and in the best interests of the Class. JCL Dec., ¶¶ 33-39; Declaration of Shani Zakay ("Zakay Dec."), ¶¶ 1-3; Declaration of James R. Hawkins ("Hawkins Dec.") ¶¶ 5-13

D. <u>The Class Responded Positively to the Settlement.</u>

The reaction of the Class unequivocally supports approval of the Settlement. Significantly, after dissemination of the notice to the Class, which provided each Class Member with the terms of the Settlement, including the specific estimated Individual Settlement Payments. To date, **<u>one</u>** person filed a request for exclusion. There are there are ***<u>zero</u>*** objections. Stated differently, **<u>99.99%</u>** of the Class chose to participate in the Settlement. JCL Dec., ¶ 8; Apex Dec., ¶¶ 11-13.

The high participation rate by the Class strongly supports a finding that the Settlement is fair, reasonable, and adequate. *See In re Austrian & German Bank Holocaust Litigation* (S.D.N.Y. 2000)80 F.Supp.2d 164, 175 ("If only a small number of objections are received, that fact can be viewed as indicative of the adequacy of the settlement."); *Stoetzner v. U.S. Steel Corp.* (3d. Cir. 1990) 897 F.2d 115, 118-119 (29 objections out of 281 member class "strongly favors settlement"); *Laskey v. Int'l Union* (6th Cir. 1981) 638 F.2d 954 (The fact that 7 out of 109 class members objected to the proposed settlement should be considered when determining fairness of settlement.). Consequently, Class Counsel respectfully requests the Court to follow the participation rate of the Class and grant final approval of the Settlement.

E. <u>The Total Settlement Amount is Fair and Reasonable.</u>

The Total Settlement Amount of Four Million Five Hundred Dollars and Zero Cents ($4,500,000.00) in this case is fair and well within the range of recognized reasonableness. The *Kullar* court acknowledged that "as the court does when it approves a settlement as in good faith under Code of Civil Procedure section 877.6, the court must at least satisfy itself that the class settlement is within the 'ballpark' of reasonableness." *Kullar*, *supra,* at 129; *See Tech-Bilt, Inc. v. Woodward-Clyde & Associates*, 38 Cal.3d 488, 499-500 (1985).)

Here, the Settlement is clearly within the "ballpark" of reasonableness because the Settlement provides a sizeable recovery to the Settlement Class Member and need not necessarily obtain 100 percent of the damages sought to be fair, reasonable, and ultimately, meaningful. *Wershba*, 91 Cal.App.4th at 250. While the Total Settlement Amount of Four Million Five Hundred Dollars and Zero Cents ($4,500,000.00) represents a discount on Defendant's potential exposure if Plaintiffs established liability on all claims and were awarded the full amount of the estimated damages at trial, this compromise is reasonable because (1) the formidable defenses raised by Defendant presented a risk that could award significantly less in damages than Plaintiffs' estimate and (2) any theoretical post-trial recovery may require many more years of litigation, resulting in added fees and costs without any guarantee of recovery for the Class. JCL Dec., ¶ 40.

As detailed at the time of preliminary approval, the Total Settlement Amount is fair and reasonable considering the nature and magnitude of the claims being settled and the various potential impediments to recovery. Class Counsel developed varied economic damages models measuring Defendant's liability exposure while accounting for the uncertainties of continued litigation. The various models were informed by Class Counsel's investigation, including the analysis of a significant sample of time and payroll data. Detailed in greater depth during the preliminary approval process, Class Counsel projected a range of Defendant's liability exposure for the claims asserted on behalf of the Class. Class Counsel also had to account for Defendant's financial condition. The Total Settlement Amount represents between 13.6% and 40.15% of Defendant's *class-wide* liability exposure as estimated by Class Counsel at the time of mediation. JCL Dec., ¶ 41.

In *Stovall-Gusman v. W.W. Granger, Inc.,* 2015 U.S. Dist. LEXIS 78671, at * 12, the District Court for the Northern District of California granted final approval in a wage and hour misclassification action and found that the Total Settlement Amount representing 10% of the estimated trial award was within the "range of reasonableness." In *Dunleavy v. Nadler (In re Mego Fin. Corp. Sec. Litig.)* (9th Cir. 2000) 213 F.3d 454, 459, the Ninth Circuit approved a settlement representing "roughly one-sixth of the potential recovery." Given the amount of the settlement here as compared to potential value of the claims, particularly the strength of Plaintiffs' action, the settlement is clearly fair and reasonable.[4]

The calculation methodology used to compensate the Settlement Class Member for the alleged damages was negotiated at the time of the Settlement. More importantly, the methodology is fair, objective, and impartial. The calculation methodology is based on the number of Workweeks each Settlement Class Member worked for Defendant during the Class Period. The number of Workweeks for the Settlement Class Member is established through Defendant's data and documented compensation records. The Settlement Administrator is responsible for calculating the Individual Settlement Payments by dividing the respective Workweeks for each Class Member by the total Workweeks for all Class Members, resulting in a Payment Ratio. Agreement, ¶ III(Q)(1). Each Class Member's Payment Ratio will then be multiplied by the Net Settlement Amount to calculate each Class Member's Individual Settlement Payment. *Id*. This process establishes an objectively fair and reasonable procedure to

[4] *See also Viceral v. Mistras Grp., Inc.* (N.D. Cal. Oct. 11, 2016, No. 15-CV-02198) 2016 WL 5907869, at *3, 7 (approving a California wage and hour settlement where the class received 11.6% of the estimated total liability, or approximately $29 per work week); *Leverage v. Traeger Pellet Grills, LLC* (N.D. Cal. June 28, 2017, No. 16-CV-00784) 2017 WL 2797811, at *7 (Approving a California wage and hour settlement where the class received 18% of the estimated total liability); *see also In re Newbridge Networks Sec. Litig.* (D.D.C. Oct. 23, 1998) 1998 WL 765724, at *2 ("Courts have not identified a precise numerical range within which a settlement must fall in order to be deemed reasonable; but an agreement that secures roughly six to twelve percent of a potential trial recovery, while preventing further expenditures and delays and eliminating the risk that no recovery at all will be won, seems to be within the targeted range of reasonableness.").

compensate the Class. JCL Dec., ¶ 42.

The settlement also provides significant relief to the Settlement Class Members. After deductions for the Class Counsel Award, Settlement Administration Costs, the PAGA Penalty Amount, and the Class Representative Service Awards, the Net Settlement Amount is currently estimated to be $2,688,184.90. Apex Dec., ¶ 14. The average individual settlement payment is approximately $336.32, and the highest is approximately $1,25.27. Apex Dec., ¶ 15. This average net recovery is on par with many wage and hour class action settlements approved by California state and federal courts. *See, e.g., Palencia v. 99 Cents Only Stores,* No. 34-2010-00079619 (Sacramento County Super. Ct) (average net recovery of approximately $80); *Fukuchi v. Pizza Hut,* Case No. BC302589 (LA. County Super. Ct.) (average net recovery of approximately $120); *Contreras v. United Food Group, LLC,* Case No. BC389253 (L.A. County Super. Ct.) (average net recovery of approximately $120); *Ressler v. Federated Department Stores, Inc.,* Case No. BC335018 (L.A. County Super. Ct.) (average net recovery of approximately $90); *Doty v. Costco Wholesale Corp.,* Case No. CV05-3241 FMC-JWJx (C.D. Cal. May 14, 2007) (average net recovery of approximately $65); *Sorenson v. PetSmart, Inc.,* Case No. 2:06-CV-02674-JAM-DAD (ED. Cal.) (average net recovery of approximately $60); *Lim v. Victoria's Secret Stores, Inc.,* Case No. 04CC00213 (Orange County Super. Ct.) (average net recovery of approximately $35); and *Gomez v. Amadeus Salon, Inc.,* Case No. BC392297 (L.A. Super. Ct.) (average net recovery of approximately $20). Additionally, Defendant must separately fund its share of any employer side payroll taxes. Agreement, ¶ 3.1.

Clearly the goal of this litigation to obtain redress for the class has been met by this Settlement. Given the amount of the Settlement, the risks of litigation and the arm's length negotiations between experienced counsel, the settlement is fair and reasonable, and is therefore entitled to final approval. JCL Dec., ¶ 43.

F. <u>The Strength of Plaintiff's Case and Risks of Continued Litigation</u>

Although Class Counsel believes strongly in Plaintiffs' claims, it would be misguided to ignore the asserted defenses. If successful on any one of its defenses, Defendant could defend the action or, at least, drastically undercut Plaintiffs' claims. JCL Dec., ¶ 44. As the federal court in *Glass v. UBS*

Fin. Servs., 2007 WL221862 held, where the parties faced uncertainties similar to those in this litigation:

> ***In light of the above-referenced uncertainty in the law, the risk, expense, complexity, and likely duration of further litigation likewise favors the settlement.*** Regardless of how this Court might have ruled on the merits of the legal issues, the losing party likely would have appealed, and the parties would have faced the expense and uncertainty of litigating an appeal. The expense and possible duration of the litigation should be considered in evaluating the reasonableness of [a] settlement.

With respect to the most immediate challenge, i.e., class certification, the risks attendant to the certification of similar wage and hour claims are demonstrated by *Magadia v. Wal-Mart Associates, Inc.* (9th Cir. 2021) 999 F.3d 668. There, the Ninth Circuit, vacated reversed and remanded a $110 million judgement against an employer for, *inter alia*, inaccurately paying overtime, and directed the trial court to enter judgement in favor of the employer. *See also O'Conner v. Uber Technologies, Inc.* (9th Cir. 2018) 904 F.3d 1087 (decertification of wage and hour misclassification action); *see also Duran v. U.S. Bank National Association* (2014) 59 Cal.4th 1, 31 (reversing a trial verdict in favor plaintiffs in a wage and hour class action)); *Tien v. Tenet Healthcare Corp.* (2012) 209 Cal.App.4th 1077, 1088 ("[T]he reason, if any, that employees might not take their breaks were predominantly individualized questions of fact not susceptible to class treatment."); *Ali v. U.S.A. Cab Ltd.* (2009) 176 Cal.App.4th 1333, 1341 (affirming denial of certification because employees' declarations attesting to having taken meal and rest breaks demonstrated that individualized inquiries were required to show harm); *Campbell v. Best Buy Stores, L.P.*, (C.D. Cal. 2013) 2013 WL 5302217 at *11-13 (following *Brinker* and denying certification of proposed off-the-clock and rest and meal break classes due to lack of uniform policy); *Brown v. Fed Express Corp.* (C.D. Cal. 2008) 249 F.R.D. 580, 587-88 (denying certification of driver meal and rest period claims based on the predominance of individual issues). Collectively, the examples cited above illustrate the uncertain nature of class litigation. Consequently, the uncertainty of obtaining certification through a contested motion is a significant risk factor favoring settlement. JCL Dec., ¶ 45.

Although Plaintiffs are confident about the strength of their claims, Plaintiffs nevertheless recognize that Defendant has factual and legal defenses that, if successful, would potentially defeat or impair the value of the lawsuit. Legally, the fast-changing landscape of wage and hour litigation can drastically affect the value of Plaintiffs' claims and, in fact, already has. JCL Dec., ¶ 46.

In a similar wage and hour case, the federal district court in *Hopson v. Hanesbrands Inc.*, 2009 U.S. Dist. LEXIS 33900 at * 19-20 (N.D. Cal. 2009), granted approval of an overtime class action settlement and explained:

> **Plaintiffs may have a strong case, but the risks inherent in continued litigation are great**. Defendants strongly deny liability for Plaintiffs' principal claim that full-time Service Associates were misclassified as exempt. In addition to the uncertainties raised by Defendants at the preliminary stage regarding Plaintiffs' chance of success in this case, Defendants notes that the question of an employer's duty to provide rest and meal periods is an open one, signaling even less certainty for Plaintiffs.....[**T]he Total Settlement amount and the Class Members' expected net recovery, after fees and other costs are deducted, appear to be a reasonable compromise, in light of the risks of litigation**.

See also Browning v. Yahoo!, Inc., 2007 U.S. Dist. LEXIS 86266, at *30 (N.D. Cal. 2007) ("In considering the strength of Plaintiffs' case, legal uncertainties at the time of settlement - particularly those which go to fundamental legal issues - favor approval.").

As recognized in a federal decision approving settlement of an overtime wage class action:

> **The potential complexity and possible duration of trial also weigh in favor of granting final approval**. Plaintiffs acknowledge the difficulties of proving damages, recognize the uncertainty of outcome, and believe defendant would appeal in the event of adverse judgment. A post-judgment appeal would require many years to resolve and delay payment to class members. Plaintiffs believe the benefits of a guaranteed recovery today outweigh an uncertain future result. Accordingly, plaintiffs argue, and the Court agrees, the actual recovery confers substantial benefits on the class that outweigh the potential recovery through full adjudication.

Barcia v. Contain-A-Way, Inc., 2009 U.S. Dist. LEXIS 17118, *9 (S.D. Cal. 2009); see also *Louie v. Kaiser Foundation Health Plan, Inc*., 2008 U.S. Dist. LEXIS 78314, *14 (S.D. Cal. 2008).

In sum, while other cases have approved class certification in wage and hour claims, class certification in this action would have been hotly disputed and was by no means a foregone conclusion. Where both sides face significant uncertainty, as here, the attendant risks favor settlement. *Hanlon v.*

Chrysler Corp. (9th Cir. 1998) 150 F.3d 1011, 1026.)

As demonstrated by the decisions in *Magadia, supra,* 999 F.3d 668, *O'Conner v. Uber Technologies* (N.D. Cal. 2018) 82 F.Supp.3d 1133 and *Duran v. U.S. Bank National Assn.* (2014) 59 Cal.4th 1, the complexities and duration of further litigation cannot be overstated. There is little doubt that if Defendant faced a large adverse judgement, Defendant undoubtedly has the resources to post a bond and appeal. A post-judgment appeal by Defendant would have required many more years to resolve, assuming the judgment was affirmed. If the judgment was not affirmed in total, then the case could have dragged on for years after the appeal. The benefits of a guaranteed recovery today outweigh an uncertain result three or more years in the future. JCL Dec., ¶ 47.

Class Representatives and Class Counsel recognize the expense and length of a trial against Defendant through possible appeals which could take another three years. In arriving at their informed belief that the present settlement is fair and adequate, Class Counsel accounted for the uncertain outcome and risk inherent in complex actions such as this one. Class Counsel is also mindful of and recognizes the inherent problems of proof under, and alleged defenses to, the claims asserted in the litigation. Moreover, post-trial motions and appeals would have been inevitable. Costs would have increased, and recovery would have been delayed if not denied, thereby reducing the benefits of an ultimate victory. Class Representatives and Class Counsel believe that the Settlement confers substantial monetary and non-monetary benefits upon the Class. Based upon their evaluation, Class Representatives and Class Counsel have determined that the Settlement set forth in the Agreement is in the best interest of the Class, is fair, reasonable, and adequate, and should be granted final approval. JCL Dec., ¶ 48.

VI. THE PENALTIES UNDER THE PRIVATE ATTORNEY GENERAL ACT OF 2004 ARE REASONABLE

Where settlements "negotiate a good faith amount" for PAGA penalties and "there is no indication that this amount was the result of self-interest at the expense of class members," such amounts are generally considered reasonable. *Hopson v. Hanesbrands Inc.,* No. CV-08-0844 EDL, 2009 WL 928133, at *9 (N.D. Cal. Apr. 3, 2009). Courts routinely approve of amounts for PAGA penalties in the range of zero to two percent of the settlement. *See id.* at *1, 9 (approving a PAGA payment of 0.3%); *Jack v. Hartford Fire Ins. Co.*, No. 09cv1683 MMA (JMA), 2011 WL 4899942, at *6 (S.D. Cal. Oct. 13, 2011) (approving a PAGA payment of 0.25%); *McKenzie v. Fed. Express Corp.*, No. CV 10-02420 GAF (PLAx), 2012 WL 12882124, at *5 (C.D. Cal. Jan. 23, 2012) (acknowledging that courts approve PAGA claim settlements in the range of zero to two percent of the total settlement).

Here, Plaintiffs and Defendant negotiated a good faith PAGA Penalty Amount in the amount of $200,000 which is 4.4% of the Gross Settlement Amount. As illustrated above, this amount falls well within the range of approved PAGA settlements. Seventy-Five percent (75%) of the PAGA Penalty Amount ($150,000.00) will be paid to the LWDA ("LWDA Payment") with the remaining twenty-five percent (25%) of the PAGA Penalty Amount ($50,000.00) to be distributed to the Aggrieved Employees ("Aggrieved Employee Payment"), which is within the range of PAGA penalties approved by courts and should be approved. JCL Dec., ¶ 49.

Class Counsel gave the LWDA notice of this Settlement and proposed allocation by filing a copy of the Settlement, the Motion for Preliminary Approval, and this motion seeking final approval with the LWDA. JCL Dec., ¶¶ 5-6, 50. By not registering an objection with either Class Counsel or the Court, the LWDA has accepted and approved of the proposed PAGA Penalty Amount.

VII. CONCLUSION

Plaintiffs respectfully submit that the proposed settlement satisfies the standard of fairness established in California law and should therefore be finally approved as fair, reasonable, and adequate and requests entry of the Final Approval Order and Judgment submitted herewith.

Dated: August 22, 2024

JCL LAW FIRM, APC

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