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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

EVELYN THREETS, GARY WHITE, and STEVE VILLALOBOS, on behalf of themselves and all others similarly situated, and the general public, *Plaintiff*, v. URBAN ALCHEMY, a California corporation; and DOES 1 through 50, inclusive, *Defendants*.	Case No. 24STCV08943 [*Assigned for all purposes to the Hon. Stuart M. Rice, Dept. 1*] **MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF PLAINTIFFS' MOTION FOR PRELIMINARY APPROVAL OF CLASS ACTION AND PAGA SETTLEMENT** *[filed concurrently with Plaintiff's Notice of Motion and Motion; Declaration of David Arakelyan; Declaration of Sean Hartranft; Declarations of Evelyn Threets, Gary White, and Steve Villalobos; and [Proposed] Order]* Date: December 18, 2025 Time: 9:00AM Dept.: 1 Complaint Filed: April 9, 2024 FAC Filed: June 13, 2024 Trial Date: None Set

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Cases **Page**

Statutes

Other Authorities

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Plaintiffs EVELYN THREETS, GARY WHITE, and STEVE VILLALOBOS (together referred to as "Plaintiffs" or "Class Representatives") filed a First Amended Class Action Complaint in this Court ("Action") against Defendant URBAN ALCHEMY ("Defendant") (Defendant and Plaintiffs together referred to as the "Parties"). Plaintiffs alleged the following causes of action: (1) Failure to Provide Meal Periods (Lab. Code § 204, 223, 226.7, 512 and 1198); (2) Failure to Provide Rest Periods (Lab. Code §§ 204, 223, 226.7 and 1198); (3) Failure to Pay Hourly Wages and Overtime (Lab. Code §§ 223, 510, 1194, 1194.2, 1197, 1197.1 and 1198); (4) Failure to Provide Accurate Written Wage Statements (Lab. Code §§ 226(a)); (5) Failure to Timely Pay All Final Wages; (6) Failure to Indemnify (Lab. § 2802); (7) Unfair Competition (Bus. & Prof. Code §§ 17200 *et seq.*); and (8) Civil Penalties (Lab. Code § 2698, *et seq.*).

After engaging in substantial investigation and extensive negotiations with the assistance of a respected mediator, Lonnie Giamela, the Parties agreed to settle all claims alleged in the Action on a class-wide, non-reversionary basis for $1,150,000.00, inclusive of all fees and costs. The Parties' Class Action and PAGA Settlement Agreement ("Settlement" or "Settlement Agreement") defines the class as "all persons employed by Defendant, collectively, or separately, and/or any staffing agencies and/or any other third parties in hourly or non-exempt positions in California during the Class Period," which is from July 2, 2022, through July 31, 2025. ("Class" or "Class Members"). All 2,676 Class Members will receive a settlement payment unless they opt out of the Class Settlement.

The proposed settlement reflected in the Settlement Agreement is fair, reasonable, and adequate, and in the best interests of the Class. Consequently, Plaintiffs, with the consent of Defendant, hereby move this Court for an order: (1) granting preliminary approval of the proposed class action settlement, as embodied in the Settlement Agreement filed concurrently herewith; (2) approving the Notice of Class Action Settlement and Hearing Date for Final Court Approval ("Class Notice") to be sent to Class Members; and (3) setting a hearing for final approval of the class action settlement.

II. STATUS OF THE LITIGATION

A. Procedural History

On April 9, 2024, Plaintiffs filed a class action complaint against Defendant alleging seven causes of actions: (1) Failure to Provide Meal Periods (Lab. Code §§ 204, 223, 226.7, 512 and 1198); (2) Failure to Provide Rest Periods (Lab. Code §§ 204, 223, 226.7 and 1198); (3) Failure to Pay Hourly Wages and Overtime (Lab. Code §§ 223, 510, 1194, 1194.2, 1197, 1197.1 and 1198); (4) Failure to Provide Accurate Written Wage Statements (Lab. Code §§ 226(a)); (5) Failure to Timely Pay All Final Wages (Lab. Code §§ 201, 202 and 203); (6) Failure to Indemnify (Lab Code § 2802); and (7) Unfair Competition (Bus. & Prof. Code §§ 17200 *et seq*.) (Declaration of David Arakelyan ("Arakelyan Decl."), filed concurrently herewith, ¶ 12.)

Pursuant to Labor Code section 2699.3, subd. (a), Plaintiffs gave timely written notice to Defendant and the Labor Workforce Development Agency ("LWDA") by sending a Private Attorneys General Act ("PAGA") Notice on April 9, 2024. (Arakelyan Decl., ¶ 13.) The LWDA did not express an interest in investigating Plaintiffs' claims within the 65-day period. (*Id.*) Therefore, on June 13, 2024, Plaintiffs filed a First Amended Complaint ("FAC") adding a cause of action for Civil Penalties under PAGA. (*Id*., ¶ 14.)

B. Investigation

Before filing the lawsuit, Class Counsel investigated and researched the facts and circumstances underlying the pertinent issues and the law applicable thereto. (Arakelyan Decl., ¶ 22.) This required thorough discussions and interviews between Class Counsel and Plaintiffs, as well as preliminary research into the various legal issues involved in the case. (*Id.*) After conducting their initial investigation, Class Counsel determined that Plaintiffs' claims were well-suited for class and representative action adjudication owing to what appeared to be a common course of conduct affecting a similarly situated group of employees. (*Id.*)

After filing the lawsuit, Class Counsel conducted a thorough investigation of the facts and claims giving rise to the action, including: (1) conducting informal and formal discovery and meeting and conferring with defense counsel about the same; (2) reviewing and analyzing a sampling of time and pay records as well as employment handbooks, Plaintiffs' personnel files, relevant policies and other documentation; (3) researching the applicable law and potential defenses; (4) constructing damage models based on interpretations of California law; and (5) reviewing information provided by Defendant at mediation. (Arakelyan Decl., ¶ 23.) The Class enumerated in this action is ascertainable because the Class Members may be readily identified by reference to Defendant's records. (*Id.*) Defendant has agreed to share the information from these records with the Settlement Administrator in order to identify and contact the Class Members. Defendants have represented that there are approximately 2,676 total Class Members, and approximately 1,885 Aggrieved Employees. (*Id.*)

Class Counsel's analysis was informed by a data sample produced by Defendant. The number of employees analyzed by Class Counsel's expert is 671, which represents 25% of the approximate total number of 2,676 Class Members. Accordingly, the data sample is statistically reliable. (Arakelyan Decl., ¶ 24; Gorlick Decl., ¶¶ 6 – 7.)

Defendant, for its part, vigorously contested liability, the amount of claimed damages, and the propriety of class certification. (Arakelyan Decl., ¶ 25.) After Class Counsel analyzed the relevant documents and other gathered data, Class Counsel believed that this case was appropriate for resolution via mediation. (*Id.*) Given the high level of risk present for both sides, the Parties elected to mediate Plaintiffs' claims and explore the possibility of settlement. (*Id.*)

C. Settlement Efforts

On June 16, 2025, the Parties attended mediation with Lonnie Giamela, a respected and highly experienced mediator in wage and hour class actions. (Arakelyan Decl., ¶ 26.) During mediation, Plaintiffs' and Defendant's counsel discussed all aspects of the case, including the risks of litigation and the risks to both parties of proceeding with a motion for class certification as well as the law relating to unpaid wages, meal periods, rest periods, wage statements, and final pay. (*Id.*) As a result of the mediation, the Parties agreed to settle the lawsuit according to the terms set forth in the Settlement Agreement. (Arakelyan Decl., **Exhibit 1**.)

From Class Counsel's review of the strengths and weaknesses of the case and the risks and delays posed by further litigation, Class Counsel believes that the Settlement is fair and reasonable. (Arakelyan Decl., ¶ 27.) Further, and based on the settlement negotiations, which were extensive and conducted in good faith and at arm's length between attorneys with substantial experience litigating class actions and wage and hour cases, the Settlement Agreement was the product of a non-collusive settlement process in which the Parties were forced to make significant compromises in the interest of reaching a full and complete settlement of the lawsuit. (*Id.*)

III. SETTLEMENT AGREEMENT AND ACCOMPANYING DOCUMENTS

Under the terms of the proposed Settlement Agreement, Defendants have agreed to pay $1,150,000.00 as the Gross Settlement Amount on a non-reversionary basis. (Arakelyan Decl., ¶ 28; Exh. 1, §3.1.) The Settlement Agreement defines the "Class" as "all persons employed by Defendant, collectively, or separately, and/or any staffing agencies and/or any other third parties in hourly or non-exempt positions in California during the Class Period," which is from July 2, 2022, through July 31, 2025 (Arakelyan Decl., ¶ 29, Exh. 1 §§ 1.5 and 1.12.). The Settlement Agreement also defines an "Aggrieved Employee" as "a person employed by Defendant, in California, and classified as an hourly, non-exempt employeed who worked for Defendant during the PAGA Period," which is from April 9, 2023, through July 31, 2025. (*Id.*, Exh. 1, §§ 1.4, 1.33.)

"The "Net Settlement Amount," available for distribution to Class Members, shall be the Gross Settlement Amount, less the Individual PAGA Payments, the LWDA PAGA Payment, Class Representatives Service Payments, Class Counsel Fees Payment, Class Counsel Litigation Expenses Payment, interest, and the Administration Expenses Payment. (Arakelyan Decl., ¶ 30, Exh. 1, §1.28.). These amounts are detailed as follows:

- Class Counsel Fees Payment of not more than 33.3%, which is currently estimated to be $383,333.33 and Class Counsel Litigation Expenses Payment of not more than $30,000.00; (Arakelyan Decl., ¶ 30; Exh. 1, §3.2.2);
- Administration Expenses Payment of not more than $30,0000.00; (Arakelyan Decl., ¶ 30; Exh. 1, §3.2.3);
- Class Representative Service Payments of not more than $10,000.00 to each Class

Representative, totaling $30,000.00; (Arakelyan Decl., ¶ 30; Exh. 1, §3.2.1);

- PAGA Penalties in the amount of $100,000.00 for civil penalties under PAGA, with 75% ($75,000.00) paid to the LWDA for the LWDA PAGA Payment and 25% ($25,000.00) paid to Aggrieved Employees for their Individual PAGA Payments. (Arakelyan Decl., ¶ 30; Exh. 1, §3.2.5.)

Defendant shall fully fund the Gross Settlement Amount, and also fund the amounts necessary to fully pay Defendant's share of payroll taxes in four installments. (Arakelyan Decl., ¶ 28; Exh. 1, § 4.3.) The four payments, totaling the Gross Settlement Amount, shall be made as follows:

- The first installment payment in the amount of $287,500.00 shall be made 7 days after the Effective Date;
- The second installment payment in the amount of $287,500 shall be made 6 months after the first installment.
- The third installment payment in the amount of $287,500 shall be made 6 months after the second installment.
- The fourth installment payment in the amount of $287,500 shall be made 6 months after the third installment. (Arakelyan Decl., ¶ 28; Exh. 1, §§ 3.1, 4.3.)

The "Individual Class Payment" is each Participating Class Member's pro rata share of the Net Settlement Amount calculated according to the number of Workweeks worked during the Class Period. (Arakelyan Decl., ¶ 31; Exh. 1, §1.23.) Using a straight average and assuming they worked throughout the Class Period, Plaintiff estimates that each Class Member will receive an average of $211.76 for their Individual Class Payment. (Arakelyan Decl., ¶ 67.) The "Individual PAGA Payment" means the Aggrieved Employee's pro rata share of 25% of the PAGA Penalties calculated according to the number of Pay Periods worked during the PAGA Period. (Arakelyan Decl., ¶ 32; Exh. 1, §1.24.)

Defendant will pay their employer-side payroll tax obligations on the Wage Portion of the Individual Class Payments in addition to the Gross Settlement Amount. (Arakelyan Dec., ¶ 33.Exh. 1, §3.1.) 20% of each Participating Class Member's Individual Class Payment will be allocated to settlement of wage claims (the "Wage Portion"), and are subject to tax withholding and will be reported on an IRS W-2 Form. (*Id.*, Exh. 1, § 3.2.4.1.) The remaining 80% will be allocated to settlement of claims for interest and penalties (the "Non-Wage Portion"). (*Id.*, Exh. 1, § 3.2.4.1.)

Class Members will receive the Class Notice via first class mail (after the Settlement Administrator conducts a national change of address search). (Arakelyan Decl., ¶ 35; Exh. 1, §7.4.2.) If the Class Notice is returned as non-deliverable on or before the Response Deadline and a new address is obtained by way of a returned Class Notice, then the Settlement Administrator will promptly forward the original Class Notice to the updated address via first-class regular U.S. mail, indicating on the original packet the date of such re-mailing. (Exh. 1, § 7.4.2.) Class Members will have an opportunity to dispute the Workweeks and PAGA Pay Period information provided in their Class Notice and produce evidence to support their contentions. (Arakelyan Decl., ¶ 36; Exh. 1, § 7.6) The Settlement Administrator will make the final determination as to any disputes involving Class Members' allocation of Workweeks and Pay Periods. (*Id.*)

Class Members wishing to opt out from the Settlement Agreement must send a signed written request for exclusion to the Settlement Administrator within 60 days from the initial mailing of the Class Notice. (Arakelyan Decl., ¶ 37; Exh. 1, §7.5.1.) Participating Class Members will also have the opportunity to object to the Settlement Agreement by serving a copy of the objection to the Settlement Administrator within 45 days after the mailing of the Class Notice (*Id.*; Exh. 1, §7.7.2.)

The Parties have also selected Apex Class Action LLC ("Apex") to handle the notice and administration of the Settlement. (Arakelyan Decl., Exh. 1, § 7.1.) Apex has procedures in place to protect the security of class data, adequate insurance in the event of a data breach or defalcation of funds, and is qualified to administer the Settlement. (Arakelyan Decl., Exh. 3; see also Hartranft Decl.) The procedures for mailing notice and processing exclusions and objections as well as distribution of the Net Settlement Amount are detailed in the Settlement Agreement. (Arakelyan Decl., Exh. 1, §§ 7, 7.1-7.8.5.)

IV. CERTIFICATION FOR SETTLEMENT PURPOSES ONLY IS APPROPRIATE

Express judicial policy favors maintaining wage and hour actions as class actions. (*Prince v. CLS Transp., Inc.* (2004) 118 Cal. App. 4th 1320, 1328; *Richmond v. Dart Industries, Inc.* (1981) 29 Cal. 3d 462.) Any doubt as to the appropriateness of class treatment should be resolved in favor of class certification, subject to later modification if necessary. (*Richmond*, 29 Cal. 3d at 473-75.) The decision to certify a class is a procedural one, and should be based on the allegations in the operative complaint, and not in the perceived factual or legal merit of the class claims. (*Linder v. Thrifty Oil Co.* (2000) 23 Cal. 4th 429, 439-41.)

To certify a settlement class, the Court must find the two primary requirements for maintaining a class action: (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 involving the parties to be represented. (*See Vasquez v. Superior Court* (1971) 4 Cal. 3d 800, 805-09; *Daar v. Yellow Cab Company* (1967) 67 Cal. 2d 695, 704.) These criteria are met here for the reasons set forth below.

A. There Is A Numerous and Ascertainable Class

Whether a class is ascertainable is determined by examining the class definition, the size of the class and the means available for identifying class members. (*See Vasquez, supra,* 4 Cal. 3d at 821-22; *Reyes v. Board of Supervisors of San Diego County* (1987) 196 Cal. App. 3d 1263, 1271.) Class members are "ascertainable" where they may be readily identified without unreasonable expense or time. *See Rose v. City of Hayward*, 126 Cal. App. 3d 926, 932 (1981) (finding that "class members are 'ascertainable' where they may be readily identified without unreasonable expense or time by reference to official records).

Plaintiffs contend, and Defendant does not dispute for settlement purposes only, this requirement and the requirement of numerosity is met. Class Members are "all persons employed by Defendant, collectively, or separately, and/or any staffing agencies and/or any other third parties in hourly or non-exempt positions in California during the Class Period," which is from July 2, 2022, through July 31, 2025. (Arakelyan Decl., ¶ 84(a).) Documents and information exchanged between the Parties reflect a class of approximately 2,676 Class Members. (Arakelyan Decl., ¶ 84(a).) The Class Members have already been identified by reference to Defendant's payroll and personnel records. (Arakelyan Decl., ¶ 84(b).)

Therefore, and notwithstanding the foregoing, there is a numerous and ascertainable class.

B. There Is A Well-Defined Community of Interest

A community of interest is established by the predominance of common issues of law and fact. *See Vasquez*, 4 Cal. 3d at 811. The requirement of a community of interest:

> [D]oes not depend upon an identical recovery, and the fact that each member of the class must prove his separate claim to a portion of any recovery by the class is only one factor to be considered ... The mere fact that separate transactions are involved does not of itself preclude a finding of the requisite community of interest so long as every member of the alleged class would not be required to litigate numerous and substantial questions to determine his individual right to recover subsequent to the rendering of any class judgment which determined in plaintiff' favor whatever questions were common to the class.

Id. at 809.

Plaintiffs contend, and Defendants do not dispute for settlement purposes only, that common issues of fact and law predominate as to each of the claims alleged by Plaintiffs, and the Class is united in its proof. (Arakelyan Decl., ¶ 84(e).) Because Plaintiffs have alleged a single scheme, "the relevant proof [does] not vary among class members" and "clearly presents a common question fundamental to all class members." (*See In Re NASDAQ Market-Makers Antitrust Litigation* (SDNY 1997) 172 F.R.D. 119, 123 (citing In Re NASDAQ Market-Makers Antitrust Litigation, (SDNY 1997) 169 F.R.D. 493, 518).) California courts show "no hesitancy" in inferring class-wide causation, class-wide injury, and class-wide damages when a common course of action has been shown. (*B.W.I. Custom Kitchen*, 191 Cal. App. 3d at 1350.) This inference "'eliminates the need for each class member to prove individually the consequences of the defendants' actions to him or her.'" (*Id.* at 1351 (quoting *Rosack v. Volvo of America Corp* (1982) 131 Cal. App. 3d 741, 753 [emphasis added]).)

This action involves, *inter alia*, a determination about Defendants' alleged failure to provide meal and rest periods, failure to pay minimum and overtime wages due to allegedly common and unlawful policies, failure to pay final wages when required, failure to provide accurate written wage statements, failure to indemnify for business expenses, and largely derivative claims under the Business & Professions Code and PAGA. (Arakelyan Decl., ¶ 84(e)). Plaintiffs contend these practices affected Class Members in the same way. (*Id.*)

C. The Named Plaintiffs' Claims Are Typical

A class representative's claims are typical when they arise from the same event, practice, or course of conduct that gives rise to the claims of other putative class members, and if their claims rest on the same legal theories. The class representative's claims must be "typical" but not necessarily identical to the claims of other class members. It is sufficient that the representative is similarly situated so that he or she will have the motive to litigate on behalf of all class members. (*Classen v. Weller* (1983) 145 Cal.App.3d 27, 47; *B.W.I. Custom Kitchens v. Owens-Illinois, Inc.* (1987) 191 Cal.App.3d 1341, 1347 ("[I]t has never been the law in California that the class representative must have identical interests with the class members.") Thus it is not necessary that the class representative should have personally incurred all of the damages suffered by each of the other class members. (*Wershba v. Apple Computer, Inc.* (2001) 91 Cal.App.4th 224, 228.)

Plaintiffs contend, and Defendants do not dispute for settlement purposes only, that Plaintiffs' claims are typical of Class Members' claims because they arose from the same factual basis and are based on the same legal theories. (Arakelyan Decl., ¶ 84(c).) Plaintiffs were employed by Defendants during the Class Period and subject to the allegedly unlawful meal and rest break policies and pay practices at issue in this litigation. (*Id.*) Accordingly, Plaintiffs are members of the Class. (*Id.*) The central issues of this litigation (whether Defendant failed to pay all wages, whether Defendant failed to provide meal and rest periods, etc.) which would arise if this were an individual action brought by Plaintiffs, apply to the other Class Members as well. (*Id.*) Thus, the claims of Plaintiffs are typical of the claims of the Class. (*Id.*)

D. Adequacy of Class Counsel and Class Representatives

Class Counsel are experienced in class actions, have represented their clients zealously and have no conflicts of interest. (Arakelyan Decl., ¶¶ 3-9, 84(d).) The Class Representatives' interests are aligned with those of Class Members, they have suffered the same injuries as Class Members, and have no conflicts of interest. (*Id.*) Therefore, Class Counsel and the Class Representatives are adequate.

E. Predominance and Superiority

Individual issues do not predominate over those common to the class. (Arakelyan Decl., ¶84(f).) The class action mechanism is superior to individualized actions because Class Members have little incentive to bring claims that are small. (*Id.*)

V. THE TWO-STEP APPROVAL PROCESS

Any settlement of class action litigation must be reviewed and approved by the Court. This is accomplished in two steps: (1) An early (preliminary) review by the trial court, and (2) a detailed review after the notice has been distributed to the class members for their comments or objections. In this regard, the Manual for Complex Litigation (Second) explains:

> A two-step process is followed when considering class settlements… If the proposed settlement appears to be the product of serious, informed, non-collusive negotiations, has no obvious deficiencies, does not improperly grant preferential treatment to class representative or segments of the class, and falls within the range of possible approval, then the court should direct that notice be given to the class members of a formal fairness hearing, at which evidence may be presented in support of and in opposition to the settlement.

(*Manual for Complex Litigation (Second)* (1985) at § 30.44.) The preliminary approval of the class action settlement by the trial court is simply a conditional finding that the settlement appears to be within the range of acceptable settlements. (*See, e.g., Newberg*, § 11.25; *North County Contractor's Assn., Inc. v. Touchstone Ins. Services* (1994) 27 Cal. App. 4th 1085, 1094-95.) Thus, the preliminary approval of the class action settlement by the trial court is simply a conditional finding that the settlement appears to be within the range of acceptable settlements.

Settlements to resolve PAGA claims also require court approval. (Labor Code § 2699(l)(2).) There is no articulated standard for approving PAGA settlements. PAGA settlements for as little as $0 have been approved. (*See Nordstrom Com'n Cases* (2010) 186 Cal.App.4th 576, 589 (approving PAGA settlement and release that allocated $0 to PAGA claim).) Courts have also approved settlements for $20,000 or less. (*See, e.g., Hicks v. Toys 'R' Us–Delaware, Inc.,* (C.D. Cal. Sept. 2, 2014) 2014 WL 4703915, at *1 (approving $5,000 PAGA payment in $4 million settlement); *Chu v. Wells Fargo Invest. LLC* (N.D. Cal. Feb. 16, 2011) 2011 WL 672645, at *1 (approving PAGA payment of $7,500 in $6.9 million settlement); *Williams v. Brinderson*

Constructors (C.D. Cal. Feb. 6, 2017) 2017 WL 490901, at *5 ($10,000 PAGA settlement in $300,000 settlement).)

A review of the preliminary approval criteria demonstrates a substantial basis for granting the instant Motion and proceeding to a final settlement approval hearing.

VI. THE SETTLEMENT IS FAIR AND ADEQUATE

As a matter of public policy, courts both encourage the use of the class action device and favor settlement over continued litigation. (*See, e.g., Linder v. Thrifty Oil Co.* (2000) 23 Cal. 4th 429, 434 ("Courts have long acknowledged the importance of class actions as a means to prevent a failure of justice in our judicial system."); *Class Plaintiff v. City of Seattle* (1992) 955 F.2d 1268, 1276 ("[S]trong judicial policy . . . favors settlements, particularly where complex class action litigation is concerned.").)

Moreover, courts presume the absence of fraud or collusion in the negotiation of a settlement unless evidence to the contrary is offered. In short, there is a presumption that the negotiations were conducted in good faith. (*Newberg*, §11.51; *Rodriguez v. West Publ. Corp.* (C.D. Cal. August 10, 2007) 2007 U.S. Dist. LEXIS 74767, 24-25 ; *Priddy v. Edelman* (6th Cir. 1989) 883 F.2d 438, 447.) Courts do not substitute their judgment for that of the proponents, particularly when settlement has been reached by experienced counsel familiar with the litigation. (*Rodriguez*, 2007 U.S. Dist. LEXIS 74767 at 24; *Hammon v. Barry* (D.D.C. 1990) 752 F. Supp. 1087.)

In *Kullar v. Foot Locker Retail, Inc.*, 168 Cal. App. 4th 116, 128 (2008), the court laid out several factors that should be analyzed in determining if a class action settlement should be approved. These factors include: (1) the strength of plaintiff's case; (2) the risk, expense, complexity and likely duration of further litigation; (3) the risk of maintaining class action status through trial; (4) the amount offered in settlement; (5) the extent of discovery completed and stage of the proceedings; (6) the experience and views of counsel; (7) the presence of a governmental participant; and (8) the reaction of the Class Members to the proposed settlement.

The Settlement here satisfies each of these factors. Class Counsel conducted extensive informal discovery before entering into meaningful settlement negotiations in this matter, including a detailed analysis of Defendant's policies and a considerable sample of Defendant's time and pay records. (Arakelyan Decl., ¶¶ 22 – 25.) This discovery permitted Class Counsel to fairly evaluate the strengths of the case and the risks associated with ongoing litigation. Class Counsel is very experienced in the handling of wage and hour class actions and supports this Settlement. (Arakelyan Decl., ¶¶ 3 – 9.)

A. The Strength of Plaintiffs' Case.

Plaintiffs allege that Defendant failed to pay minimum wages and overtime, failed to provide proper meal breaks or provide premium pay in lieu thereof, failed to provide proper rest breaks or provide premium pay in lieu thereof, failed to provide accurate wage statements, failed to timely pay all wages upon termination, and failed to reimburse necessary business expenses. (Arakelyan Decl., ¶ 39.) Plaintiffs seek related violations of California's Business & Professions Code, and penalties pursuant to Labor Code § 2699 *et seq.* (*Id.*)

Class Counsel felt confident that the claims in this case would be certified given that Defendant's policies were applicable to all Class Members and unlawful. (Kim Decl., ¶¶ 38 – 61) Defendant contended, however, that their policies complied with California law and denied Plaintiffs' allegations.

B. The Risks Associated with the Merits.

As with all litigation, there are risks that a party will not prevail on the merits. In this case, Plaintiffs contended that Defendants failed to pay Plaintiffs and Class Members proper minimum wages for all hours worked and proper overtime wages for hours worked in excess of eight hours in a day and 40 hours a week, and implemented an unlawful time-rounding policy and practice. (Arakelyan Decl., ¶¶ 42 – 44.)

Specifically, Plaintiffs allege that Plaintiffs and Class Members were required to work prior to clocking in for their scheduled shifts, including putting together schedules for Class Members and altering the clock in/clock out time for employees per management's instructions. (*Id.*, ¶ 42.) Furthermore, Plaintiffs contend that they and Class Members were required to keep their walkie talkies and cellular phones on them, and speak, email or text their supervisors off-the-clock regarding work-related matters, including during meal and rest periods, before and after their shifts, and on their days off. (*Id.*) Additionally, Plaintiffs contend that Defendant required Plaintiffs and Class Members to clock-out at the end of their scheduled shifts, but continue working in order to complete various tasks, including relocating people, delivering the shower truck to a different location, and turning in paperwork regarding work done for the day. (*Id.*) Lastly, Plaintiffs allege that Defendant also had a common policy and practice of altering Plaintiffs' and Class Members' timecards to reflect only the scheduled shift, and not the actual hours worked, even if they worked before and after their scheduled shift. (*Id.*) Plaintiffs also alleged that Defendant also implemented an unlawful time-rounding policy and practice which rounded down and reduced the actual working hours recorded by Plaintiffs and Class Members, and upon which their pay was based, and generally did so to the detriment of the Plaintiffs and Class Members. (*Id.*)

Defendant contends that they paid for all reported hours worked, that Class Members were trained to record all hours worked, and that they paid proper minimum and overtime wages, and that the allegations regarding failure to pay wages for hours worked in excess of eight hours in a day did not constitute a basis for violation of Labor Code § 510. (*Id.,* ¶ 42.) Given the difficulty in certifying this claim, Class Counsel had to apply a significant discount to damages based on this theory. (*Id.*)

Plaintiffs also contended that Defendants did not provide timely and untinterrupted meal breaks to Class Members. (Arakelyan Decl., ¶¶ 45-47.) Sepcifically, Plaintiffs alleged that Plaintiffs and Class Members were required to perform work-related activities, including having to keep and monitor their company radios and/or walkie-talkies as well as cellular phones, during unpaid meal periods. (*Id.*, ¶ 46.) Plaintiffs' and Class Members' meal periods were also constantly interrupted by job assignments and the requirement to address urgent issues related to patrons. (*Id.*) Additionally, Plaintiffs alleged that the uncompensated pre-shift work activities discussed above further delayed Plaintiffs' and Class Members' meal periods to commence after the completion of their fifth hour of work. (*Id.*) Additionally, Defendant neither scheduled nor allowed for a second meal period, even when Plaintiffs and Class Members worked in excess of ten hours per workday due to off-the-clock and/or overtime work. (*Id.*) Plaintiffs also alleged that they were not allowed to leave work premises during meal periods.

Defendant disagreed with Class Counsel's interpretation of the law and facts. (*Id.*) Defendant contended that Class Members were given a reasonable opportunity to take their meal periods including a second meal period, and in fact received their meal periods most of the time and had the ability to leave Defendant's premises during unpaid meal periods. (*Id.*) Defendant argued it has a high meal period compliance rate. (*Id.*) Given Defendant's defenses and potential hurdles facing certification of this claim, Class Counsel had to apply a significant discount on this theory. (*Id.*)

Plaintiffs also contended that the same argument applied to rest breaks. (Arakelyan Decl., ¶¶ 49 – 51.) Plaintiffs contended that Defendants did not provide Class Members with paid 10-minute rest breaks for every four hours or major fraction thereof. (*Id.*, ¶ 49.) Plaintiffs contended that Class Members were not relieved of their duties and were consistently required to work through their rest breaks due to the excessive workloads, including the need to keep and monitor their company radios and/or walkie-talkies during rest breaks and attend to the needs of the patrons. (*Id.*) Plaintiffs also contended that Defendant maintained a policy and practice of interrupting Plaintiffs' and Class Members' meal and rest periods with work assignments. (*Id.*) Plaintiffs also contended that Plaintiffs and Class Members were prohibited from leaving the work premises during rest breaks, when such breaks were taken, despite the language contained in the handbook specifically allowing them to leave. (*Id.*)

Defendant maintained that it did provide the reasonable opportunity for Class Members to take duty-free rest breaks, did not require that Class Member carry radios and/or walkie-talkies during the breaks, and allowed Class Members to leave Defendant's premises. (*Id.*, ¶ 50.) Defendant also pointed out that, unlike meal periods, rest breaks need not be recorded, so any rest break violations would likely be difficult to prove at trial. Defendant disputes all allegations that breaks were not received. (*Id.*) As these considerations would likely depress the damages vel non ultimately awarded, Class Counsel applied significant and appropriate discounts to the rest-break claim. (*Id.*)

Plaintiffs also contended that in the course of performing their job duties, Class Members incurred necessary business-related expense. (Arakelyan Decl., ¶¶ 59 – 60.) Specifically, Plaintiffs allege that Defendant required Plaintiffs and Class Members were required to pay the costs of their personal cellular phones used for work, had to drive their own vehicles for work-related purposes, incurred parking expenses, purchased uniforms and protective gear. (*Id*., ¶ 59.) Plaintiffs allege, however, that Plaintiffs and Class Members were not reimbursed for those business-related expenses. (*Id.*) Class Counsel believes it would be difficult to recover on this claim because Defendants maintain they did not require Class Members to incur the necessary business expenses. (*Id.,* ¶ 60.) Thus, Class Counsel provided significant and appropriate discounts to the unreimbursed business expenses claim. (*Id.*)

C. The Risks Associated with Paystub Violations and Waiting Time Penalties.

In order to establish liability for these penalties, Plaintiffs would first have to establish liability for the underlying claims. Plaintiffs would then have to establish that Defendant's conduct was willful and knowing. (Labor Code §§ 203, 226(e).)

With waiting time penalties, there is always the risk that the trier of fact would not have held that Defendant's actions were done "willfully." A good faith belief in a legal defense can preclude a finding of willfulness. (*Gonzalez v. Downtown LA Motors* (2013) 215 Cal.App.4th 36, 54; 8 C.C.R. § 13520.) As discussed above, Plaintiffs allege that Defendant failed to pay for all hours worked and premiums for non-compliant meal breaks due to the underreporting of hours, rounding and off the clock work. Plaintiffs contend the Class Members are entitled to these wages and premiums, which they allege were not paid at the time of their termination or resignation. If Plaintiffs are successful on their claims, the penalties pursuant to Labor Code § 203 shall attach.

Defendant, however, contends it provided employees with the reasonable opportunity to take meal breaks, asked Class Members to confirm the accuracy of their time records, and therefore had good-faith defenses under *Brinker* and its progeny. Defendant likewise contends that it properly paid all hours worked by its employees. Based upon Defendant's potential success in establishing both that a good faith dispute existed with regard to unpaid wages, and Defendant endeavored in good faith to supply accurate wage statements, Defendant argues the claims for paystub violations and waiting time penalties have little or no value. *See Maldonado v. Epsilon Plastics, Inc.*, 22 Cal. App. 5th 1308, 1336-1337 (2018) (wage statements that accurately report wages paid to employees do not violate Labor Code § 226, even if it is determined that employer did not properly pay all wages due). As such, there was risk associated with wage statement and waiting time penalties that Class Counsel had to consider. (Arakelyan Decl., ¶¶ 52-58.)

D. The Risks Associated with the PAGA Penalties.

Labor Code § 2699.3 gives aggrieved employees the right to recover civil penalties for specific Labor Code violations by way of a civil action. The PAGA provides a penalty amount of one hundred dollars ($100) for each aggrieved employee per pay period for the initial violation and two hundred dollars ($200) for each aggrieved employee per pay period for each subsequent violation. Labor Code § 2699(e)(2). However, if a civil penalty is provided in a specified amount by the Labor Code section relating to the underlying alleged Labor Code violation, that amount shall apply. (*Id*.) The PAGA also gives the Court discretion to award any lesser amount than the maximum civil penalty. (*Id*. ["…a court may award a lesser amount than the maximum civil penalty amount specified by this part if, based on the facts and circumstances of the particular case, to do otherwise would result in an award that is unjust, arbitrary and oppressive, or confiscatory."]); *See, e.g., Lopez v. Friant & Assocs., LLC*, 15 Cal. App. 5th 773, 788 (2017), *rev. denied* (2018), (recognizing court's ability to reduce PAGA penalties). Courts have held that situations similar to the current one (e.g. injuryless violations, technical errors, and substantial compliance) should lead to reductions in penalties. *See Thurman v. Bayshore Transit Management, Inc.*, 203 Cal. App. 4th 1112, 1134-1135 (2012) (holding that reduction was justified when employer "attempted to comply with the law"); *Fleming v. Covdien, Inc.*, No. ED CV10-01487 RGK (OPx), 2011 U.S. Dist. LEXIS 154590 at *8-9 (C.D. Cal. August 12, 2011) (reducing PAGA penalties more than 80% – from $2.8 million to $500,000 – when "employees suffered no injury" employers were "not aware" of the violation and "took prompt steps to correct all violations once notified").

Plaintiffs discounted potential penalties under this claim given this authority, and for reasons already discussed. The PAGA claims are premised on the same underlying unpaid wages, meal and rest break, wage statement, and waiting time claims, and thus subject to the same disputes and defenses. There is also a dispute as to whether violations in later pay periods trigger the $200 penalty under PAGA as a "subsequent violation." (*Amaral v. Cintas Corp. No. 2*, 163 Cal. App. 4th 1157, 1203 (2008).) As such, there is a fair amount of risk associated with PAGA claims makes the settlement's proposed PAGA payment of $100,000 appropriate. (Arakelyan Decl., ¶¶ 61 – 64.)

E. The Risk, Expense, Complexity and Likely Duration of Any Litigation.

Given the risks outlined above, the issues in this case were complex and the risk for Plaintiffs and Class Members associated with this litigation was significant. (Arakelyan Decl., ¶¶ 68 – 71.) A class trial would have required the retention of expensive expert witnesses, the accrual of extensive litigation costs, and the parties would have had to spend a substantial amount of time litigating this matter. (*Id.*)

Finally, given the complexity and unsettled nature of the issues, it is likely that any outcome at trial would have resulted in a lengthy and costly appeal. An appeal would result in further delay for Class Members who will have already waited considerable time for resolution in this matter.

F. The Risk of Maintaining Class Action Status Through Trial.

In class actions, decertification is always a possibility. There is always a risk that a trial of this magnitude can become unmanageable. (Arakelyan Decl., ¶ 68 – 71.) Given cases like *Duran v. U.S. Bank Nat. Assn.*, 59 Cal. 4th 1, 34 (2014) that deal with the complexity of using statistical samples in class actions, decertification is a real risk that Class Counsel must take into account.

G. The Amount Offered in Settlement.

There can be no doubt that this Settlement is the result of vigorous, adversarial, non-collusive, and arms-length negotiations between the parties with an experienced mediator. In order to determine the approximate potential damages which would be owed to each of the Class Members, Class Counsel analyzed the time records for Plaintiffs and Defendant provided Class Counsel with records for a sampling of Class Members. By analyzing this information, Class Counsel was able to estimate the full value of the case if Plaintiffs were to prevail at trial.

(Arakelyan Decl., ¶¶ 22 – 27.)

Based on the data provided, Class Counsel estimated the following maximum exposures: unpaid wage claim at **$803,340** (minimum and overtime wage claims), meal period claim at **$544,419**, rest period claim at **$544,419**, wage statement claim at **$803,340**, waiting time penalties at **$1,769,718.67**, reimbursement of business expenses claim at **$301,205**, and on PAGA at **$377,150**, for a total realistic maximum exposure of **$5,143,591.67**. (Arakelyan Decl., ¶ 40.)

The Gross Settlement Amount of $1,150,000.00 represents a recovery for the Class of approximately 22.4% of the total realistic exposure Plaintiffs estimated that Defendants could face on the primary claims in this case. (Arakelyan Decl., ¶ 67.) Plaintiffs and Class Counsel submit that this is an excellent result in the face of uncertainty and the prospects of protracted and contested litigation through class certification, summary judgment, and trial, and particularly in light of all of the factors described above. (*Id*.) Under the Settlement, each of the approximately 2,676 Class Members will receive, using a straight average and assuming they worked throughout the Class Period, $215.49 for their Individual Class Payment. (*Id*.) These payments will be issued upon the completion of the payment installment plan, which will be 18 months after the Effective Date of the settlement. (see *Id*., Exh. 1, 3.1.)

Additionally, the settlement calls for a payment plan consisting of four equal installment payments due to Defendant's financial circumstances. Defendant is a non-profit organization. During the mediation, Defendant presented information to the mediator regarding their financial circumstances, which the mediator felt justified a payment plan. If the Court requires the submission of such financial documents, Defendant represented that it will comply with that requirement and file any requested documents under seal. (*Id*. ¶ 66.)

Class Counsel believes that the settlement is fair and reasonable and serves the best interests of Class Members. Although the recommendations of counsel proposing the class settlement are not conclusive, the Court can properly take the recommendations into account, particularly if counsel has been involved in litigation for some period of time, appear to be competent, and have experience with this type of litigation, and significant discovery has been completed. *See Newberg,* §11.47.

VII. THE CLASS REPRESENTATIVE ENHANCEMENT PAYMENT IS FAIR AND REASONABLE

It is appropriate to provide a relatively modest additional incentive payment to the class representative. See *Newberg*, § 12.1; *Van Vranken v. Atlantic Richfield Co.* (N.D. Cal. 1995) 901 F.Supp. 294.

Plaintiffs are entitled to a reasonable service payment for their efforts and initiative in bringing and helping to prosecute this class action. (Arakelyan Decl., ¶ 79.) Plaintiffs spent significant time better apprising themselves of their rights, deciding whether remedial action should be taken, how it should be taken, searching for attorneys, and contacting Class Counsel, who spent many hours with Plaintiffs discussing the case and the law. (*Id.*) In the end, Plaintiffs decided to vindicate not only their own rights but also those of their co-workers by filing a class action lawsuit. (*Id.*)

The courage it took to stand up to Defendants by filing and litigating this action in this way should not be underestimated. (Arakelyan Decl., ¶ 80.) By suing Defendant, Plaintiffs increased the risk of retaliation by prospective employers. (*Id.*) But Plaintiffs did not allow their fear of the potential repercussions of being a class representative deter them from acting for the benefit of Class Members. (Arakelyan Decl., ¶ 81.) To the contrary, Plaintiffs have been intimately involved in this case since its inception. (*Id.*) They have devoted a substantial amount of time to helping Class Counsel effectively develop and prosecute this action at every stage of the litigation. (*Id.*) Both before and after the filing of this lawsuit, Plaintiffs conferred with Class Counsel on numerous occasions to discuss every aspect of their case. (*Id.*) Plaintiffs provided Class Counsel with information about Defendant and about the industry generally, reviewed documents, identified witnesses, consulted Class Counsel throughout the litigation repeatedly and at length, participated in the mediation process, monitored the progress of the litigation with Class Counsel, and reviewed and signed the Settlement Agreement. (*Id.*)

In sum, Plaintiffs have diligently, adequately, and fairly represented Class Members, and have not placed their interests above any member of the putative class. (Arakelyan Decl., ¶ 82.) This sort of payment to a class representative has been a common feature of settlements negotiated by Class Counsel and has been routinely approved by trial courts. (*Id.*)

The Settlement allocates an incentive award in the amount of $10,000.00 to each Class Representative, totaling $30,000.00 total. (Arakelyan Decl., ¶ 10.) This amount is a far cry from the $50,000 of enhancement awards to the two named plaintiffs approved by the trial court in *Clark. See Clark v. American Residential Services, LLC* (2009) 175 Cal.App.4th at 807. Although Class Counsel appreciate that the Court has a duty to ensure that class representatives are not overcompensated at the expense of the class, modest incentive awards in employment class actions, such as the one here, are necessary not only to compensate class representatives for the time they spend in the case, but also, and more importantly, to encourage aggrieved employees to challenge questionable employment practices notwithstanding the very real consequences they may face.

In light of the foregoing, Class Counsel believes that the incentive award in the amount of $10,000.00 to each Class Representative is fair and reasonable. (Arakelyan Decl., ¶ 83.)

VIII. THE PROPOSED CLASS NOTICE PROVIDES ADEQUATE NOTICE TO THE CLASS MEMBERS.

Constitutional due process requires that class members be provided with notice sufficient to give them an opportunity to be heard in the proceedings. *Mullane v. Central Hanover Bank & Trust Co.* (1950) 339 U.S. 306. Proper notice must provide the class members with sufficient information to make an informed decision as to whether to accept or object to the settlement. (*Id.* at 314.) The notice must apprise the class members of the pendency of the action; reasonably convey information regarding the settlement and the class members' rights, entitlements, and obligations; and afford class members the opportunity to present their objections. (*Id.*)

The Class Notice meets constitutional standards because it provides all the information a reasonable person would need to make a fully informed decision about the settlement. It will notify all class members of the terms of the settlement, of its effect on their rights, of their options as class members (i.e., participate, object, opt out, do nothing), and of the consequences of exercising those options. (Arakelyan Decl., ¶¶ 72 – 74.) Moreover, the Class Notice will specifically direct any Class Members who have questions or concerns to contact the Settlement

Administrator or Class Counsel. (*Id*.) The Settlement Agreement does not call for a Notice to be provided in Spanish, and Defendant represented that the vast majority of the Class Members speak English. (*Id*. ¶ 73)

The standard for determining the adequacy of notice is whether the notice has "a reasonable chance of reaching a substantial percentage of the class members." (*Cartt v. Superior Court* (1975) 50 Cal.App.3d 960, 974.) The Judicial Council of California's Deskbook on the Management of Complex Civil Litigation (Matthew Bender 2003), § 3.74 notes that individual notice by mail is preferred when possible and dissemination of combined certification/settlement notice is a common and accepted practice. (*In re Vitamin Cases* (2003) 107 Cal.App.4th 820, 828.)

Here, the Class Notice will be sent via first-class mail to each Class Member. (Kim Decl., ¶¶ 35, 72.) If any Class Notices are returned undeliverable without a forwarding address, the Settlement Administrator will use the national change of address database and perform a skip trace to locate the Class Member and mail a new Class Notice to him or her at the correct address. (*Id.*) Thus, most, if not all, Class Members will likely receive the Class Notice.

The settlement checks will remain valid and will not be voided until at least 180 days after the date of mailing (Arakelyan Decl., Exh. 1, § 4.4.1.) The uncashed and cancelled checks will be directed to the named cy pres, Ear Hustle, after the voide date. (*Id*., Exh. 1, § 4.4.3.)

Pursuant to controlling authority, the proposed Class Notice and method of distribution fully comport with due process requirements. Therefore, the Court should approve the Class Notice and direct that it be distributed as proposed herein.

IX. STANDING TO OBJECT TO PROPOSED SETTLEMENT

Non-settling parties and third parties periodically may attempt to object to proposed class action settlements, but the right of non-settling parties to object at the final settlement approval hearing, let alone the preliminary approval hearing, is quite limited. As a general rule, only class members have standing to object to a proposed settlement. "Beginning from the unassailable premise that settlements are to be encouraged, it follows that to routinely allow non-class members to inject their concerns via objection at the settlement stage would tend to frustrate this goal." (*Gould v. Alleco, Inc.* (4th Cir. 1998) 883 F.2d 281, 284.) Since an application is being filed to obtain a good faith determination, no persons other than class members have standing to object to the proposed settlement. (*In re School Asbestos Litigation* (3rd Cir. 1990) 921 F.2d 1330.)

The Settlement Agreement provides that Class Members will have 45 days after the Administrator's mailing of the Class Notice and additional 14 days for those Class Members whose notices have been remailed to send a written objection to the Administrator regarding the settlement. (Arakelyand Decl., Exh. 1, §7.7.2.) Class Members may also appear in Court to present verbal objections during the Final Approval Hearing (*Id*.)

X. THE STIPULATED AWARD OF ATTORNEYS' FEES AND COSTS IS REASONABLE AND SHOULD BE APPROVED.

Under the Settlement Agreement, subject to approval by this Court, Class Counsel will seek an award of fees of no more than $383,333.33, one-third of the Gross Settlement Amount, and actual reasonable litigation costs in an amount not to exceed $30,000.00. (Arakelyan Decl. ¶ 76.) The requested fees are fair compensation for a law firm involved in undertaking complex, risky, expensive, and time-consuming litigation solely on a contingent basis. (Arakelyan Decl. ¶¶ 76 – 78.) Defendant will not oppose Class Counsel's above fees and cost request. (Arakelyan Decl. ¶ 76.)

Here, Class Counsel has borne the entire risk and costs of litigation and will not receive any compensation until recovery is obtained. (Arakelyan Decl., ¶¶ 76 – 78.) The Court should also consider the benefit obtained by Class Counsel on behalf of Class Members. Thus, the requested award for Class Counsel is reasonable.

XI. ACTION REQUESTED AS A PART OF THE MOTION FOR PRELIMINARY APPROVAL

The parties respectfully request this Court, as part of the preliminary approval process, to grant the following relief and make the following orders:

1. Approve the Settlement Agreement;

2. Approve the Class Notice, attached to the Settlement Agreement as **Exhibit A**;

3. Consider and determine that the proposed class action settlement as set forth in the

Settlement Agreement preliminarily appears fair, reasonable, and adequate;

4. Enter an order conditionally certifying the action as a class action for settlement purposes only and preliminarily approving the proposed class action settlement and the Settlement Agreement;

5. Approve and appoint Emil Davtyan, David Yeremian, David Keledjian, David Arakelyan of D.Law, Inc. to serve as Class Counsel for settlement purposes;

6. Approve and appoint Apex Class Action LLC ("Apex") as the Settlement Administrator to handle the notice and claims procedures as set forth in the Settlement Agreement;

7. Approve the proposed settlement's allocation of funds to claims made under PAGA;

8. Order Defendants to disclose to Apex the names, last-known addresses, telephone numbers, Social Security numbers, start and end dates of active employment as a non-exempt employee of Defendant in the State of California, and any other information required by the Settlement Administrator to effectuate the terms of the Settlement;

9. Order that Phoenix mail the Class Notices to Class Members; and

10. Set a date for the Final Approval Hearing.

Dated: December 5, 2025

Respectfully submitted,

D.LAW, INC.

By ______________________________
David Keledjian
David Arakelyan
Attorneys for Plaintiffs on behalf of themselves and others similarly situated