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FILED
Superior Court of California
County of Los Angeles

JUN 03 2021

Sherri R. Carus, Jones Officer/Clerk
By Alfred Mondes deputy
LALFREDO MORALES

SUPERIOR COURT OF CALIFORNIA COUNTY OF LOS ANGELES

PARTY CITY WAGE AND HOUR CASES

Coordinated Actions:

Orphe, et al. v. Party City Corporation, et al., Superior Court of California, Los Angeles County, Case Number BC532030

Rendon, et al. v. Party City Corporation, et al., Superior Court of California, Los Angeles County, Case Number BC534864

Lovato v. Party City Corporation, et al., Superior Court of California, Solano County, Case Number FCS041747 Case No.: JCCP4781

[PROPOSED]-ORDER GRANTING MOTION FOR FINAL APPROVAL OF CLASS ACTION SETTLEMENT

Date: June 3, 2021 Time: 10:00 a.m. Dept.: SSC-7

I. BACKGROUND

Plaintiffs Alicia Lovato, Kristian Orphe, Francisco Perez, and Mario Perez (collectively, "Plaintiffs") are parties to two separate wage and hour actions filed against Defendant Party City Corporation ("Defendant" or "Party City") (collectively

with Plaintiffs, the "Parties") for violations of the California Labor Code and Business and Professions Code. Plaintiffs seek to represent a class comprised of Defendant's current and former non-exempt employees.

On May 28, 2013, Plaintiff Lovato filed a complaint against Defendant under the Private Attorneys General Act ("PAGA") for various violations of the California Labor Code ("Lovato Action"). On June 12, 2013, Plaintiff Lovato filed a First Amended Complaint to assert class action allegations based on the same Labor Code violations. On April 16, 2014, Plaintiff Lovato filed a Second Amended Complaint to amend the class definition to include all non-exempt or hourly employees.

On December 31, 2013, Plaintiffs Orphe, Francisco Perez, and Mario Perez filed a class action complaint against Defendant for Labor Code violations ("Orphe Action"). The Judicial Chair coordinated the Lovato and Orphe Actions on May 30, 2014 (the "Coordinated Action"). (The Lovato and Orphe actions were also coordinated with a third action entitled Rendon v. Party City Corp., LASC No. BC534864, which was dismissed on August 1, 2018.)

On September 23, 2015, the Plaintiffs filed a Consolidated Complaint. The Consolidated Complaint alleged claims for failure to: (1) pay overtime wages, (2) pay minimum wages for work performed off-the-clock, (3) provide meal periods and rest breaks (and to pay required premiums), (4) pay employees all wages due at the time of termination, (5) provide employees with accurate itemized wage statements, (6) reimburse employees for their necessary business expenses, and seeks (7) civil penalties under PAGA for these Labor Code violations, and (8) restitution and injunctive relief for violation of California Business & Professions Code sections 17200, et seq. (unfair and unlawful business practices).

On December 30, 2016, Plaintiffs filed their Motion for Class Certification. On February 26, 2018, the Court certified the following subclasses: Regular Rate Subclass, Loss Prevention Subclass, Meal and Rest Break Subclass, Wage Statement Subclass, and Derivative Claims.

Party City subsequently filed four motions for summary adjudication on the loss prevention, meal period, rest break, and wage statement claims. The Parties then stipulated to stay the action and the Court's ruling on the summary adjudication motions to resume settlement negotiations.

During the pendency of the actions and their subsequent coordination, the Parties participated in four global mediations, the first three with Mark Rudy, and the fourth with Lynn Frank on August 20, 2019. Following the fourth mediation, Ms. Frank gave the Parties a "mediator's proposal," which outlined the principal terms of what would become the Parties' global settlement. The Parties accepted the mediator's proposal, memorialized in the Joint Stipulation of Class Action Settlement and Release ("Settlement Agreement"), a copy of which was filed with the Court.

On September 10, 2020, the Court issued a tentative ruling and checklist of items in need of further briefing. In response, on November 17, 2020, Class Counsel filed supplemental briefing, including the Amended Settlement Agreement.

The settlement was preliminarily approved on December 3, 2020. Notice was given to the Class Members as ordered (see Declaration of Katie Tran ("Tran Decl.")). Now before the Court is Plaintiffs' motion for final approval of the Settlement Agreement, including for payment of fees, costs, and a service award to the named plaintiffs. For the reasons set forth below, the Court grants final approval of the settlement.

II. THE TERMS OF THE SETTLEMENT

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A. SETTLEMENT CLASS DEFINITION

"Class Member(s)" or "Settlement Class" means all current and former nonexempt, hourly-paid employees, including seasonal employees, who worked for Defendant in California during the Class Period. (Settlement Agreement ¶5)

"Class Period" means the period from May 28, 2009 through October 27, 2017.

"Participating Class Members" means all Class Members who do not submit timely and valid Requests for Exclusion. (¶20)

B. THE MONETARY TERMS OF SETTLEMENT

The essential monetary terms are as follows:

- The Class Settlement Amount is \$6,500,000. This includes payment of a PAGA penalty of \$100,000 to be paid 75% to the LWDA (\$75,000) and 25% to the Aggrieved Employees (\$25,000) (¶15);
- The Net Settlement Amount ("Net") (\$2,280,483) is the Class Settlement Amount less:
 - Up to \$2,166,667 (33 1/3%) for attorney fees (¶2);
 - o Up to \$200,000 for attorney costs (Ibid.);
 - Up to \$40,000 total [\$10,000 each] for service awards to the proposed class representatives (¶7);
 - o Estimated \$100,000 for settlement administration costs (¶28); and
 - o \$1,637,850 to be distributed through the Gift Voucher Fund (¶12).

- Employer-side payroll taxes will be paid separately from, and in addition to, the
 Class Settlement Amount. (¶8)
- Assuming the Court approves all maximum requested deductions, approximately \$2,290,908.73 will be available for automatic distribution to participating class members. The average settlement share will be approximately \$82.33.

 (\$2,290,908.73 Net ÷ 27,826 participating class members = \$82.33). In addition, each Participating Class Member is estimated to receive a \$58.86 Gift Voucher.

 (Tran Decl. ¶10.)
- There is no Claim Requirement. (Notice pg. 1)
- The settlement is not reversionary. (¶38)
- Individual Settlement Share Calculation: Individual Settlement Payments will be
 calculated and apportioned from the Net Settlement Amount based on the
 number of Workweeks a Class Member worked during the Class Period.
 Specific calculations of Individual Settlement Payments will be made as follows:
 (¶38)
 - O Defendant will calculate the total number of Workweeks worked by each Class Member during the Class Period and the aggregate total number of Workweeks worked by all Class Members during the Class Period.

 (¶38.a) To determine each Class Member's estimated "Individual Settlement Payment," the Settlement Administrator will use the following formula: The Net Settlement Amount will be divided by the aggregate total number of Workweeks, resulting in the "Workweek Value." Each Class Member's "Individual Settlement Payment" will be calculated by multiplying each individual Class Member's total number of Workweeks by the Workweek Value. (¶38.b)

- "Workweeks" means the number of days of employment for each Class Member during the Class Period, subtracting days on leave of absence (if any), dividing by seven (7), and rounding up to the nearest whole number. All Class Members will be credited with at least one Workweek. (¶30)
- o The entire Net Settlement Amount will be disbursed to all Class Members who do not submit timely and valid Requests for Exclusion. If there are any valid and timely Requests for Exclusion, the Settlement Administrator shall proportionately increase the Individual Settlement Payment for each Participating Class Member according to the number of Workweeks worked, so that the amount actually distributed to the Settlement Class equals 100% of the Net Settlement Amount. (¶38.d)
- O Gift Voucher Fund. Each Participating Class Member's share of the Gift Voucher Fund ("Gift Voucher Payment") will be calculated as follows:

 Share of Gift Voucher Fund = Gift Voucher Fund ÷ Total Number of Participating Class Members. (¶36)
 - All Gift Vouchers issued to Participating Class Members: (1) will not expire and will be fully transferrable, even to individuals who are not Class Members; (2) can be used in tandem with other promotions, discounts (including employee discounts), and rewards deals; (3) Gift Vouchers will be issued in denominations not exceeding ten dollars (\$10.00) and will be for single use; (4) are not redeemable for cash, including no cash back; (5) will not be valid for past purchases; (6) will not be replaced if lost, stolen, expired or damaged; and (7) can be used in-store or online. (¶37)

- Tax withholdings: All Individual Settlement Payments will be allocated as follows: 30% as wages for which IRS Forms W-2 will be issued; 70% as non-wages for which IRS Forms 1099-MISC will be issued. (¶56) All Gift Voucher Payments will be allocated as non-wages for which IRS Forms 1099-MISC will be issued. (¶57)
- Uncashed Settlement Payment Checks: Funds represented by Individual
 Settlement Payment checks returned as undeliverable and Individual Settlement
 Payment checks remaining un-cashed for more than one hundred and eighty
 (180) calendar days after issuance will be tendered to the State Controller's
 Office, Unclaimed Property Division. (¶54)
- Funding of the Settlement: The Settlement Administrator will establish a

 Qualified Settlement Fund ("QSF") into which all settlement funds will be
 deposited. Defendant will deposit the cash component of the Class Settlement

 Amount and the employer's share of payroll taxes in the QSF within thirty (30)
 calendar days after Preliminary Approval or February 2, 2021, whichever is
 later. Defendant will deliver the Gift Vouchers to the Settlement Administrator
 within twenty (20) calendar days after the Effective Date. (¶31)

C. TERMS OF RELEASES

• Releases by Participating Class Members. Upon the date on which Defendant fully funds the Settlement, and except as to such rights or claims as may be created by this Settlement Agreement, each Participating Class Member shall fully and forever release and discharge all of the Released Parties, or any of them, from each of the Released Claims during the Class Period. (¶50)

- "Released Claims" means all claims, rights, demands, liabilities, and causes of action, arising from, or related to, the same set of operative facts as those set forth in the operative complaint, including: (i) all claims for unpaid overtime; (ii) all claims for meal and rest break violations; (iii) all claims for unpaid minimum wages; (iv) all claims for the failure to timely pay wages upon termination based on the preceding claims; (v) all claims for the failure to timely pay wages during employment based on the preceding claims; (vi) all claims for wage statement violations based on the preceding claims; and (vii) all claims asserted through California Business & Professions Code §§ 17200, et seq., and California Labor Code §§ 2698, et seq. (the "PAGA") based on the preceding claims. (¶24)
- "Released Parties" means Party City Corporation, a Delaware corporation, and its past, present and/or indirect former direct and/or indirect officers, directors, shareholders, employees, agents, principals, heirs, representatives, accountants, auditors, consultants, insurers and reinsurers, and its respective successors and predecessors in interest, subsidiaries, affiliates, parents, divisions, related companies, insurance companies, and attorneys, if any. (¶25)
- No Right to Exclusion From the PAGA Settlement. Because this settlement resolves claims and actions brought pursuant to PAGA by Plaintiffs acting as proxies and as a Private Attorneys General of and for the State of California and the LWDA, the Parties agree that no Class Member has the right to exclude himself or herself from the settlement and release of Plaintiffs' claims under the PAGA. Class Members will be bound to the settlement and release of the PAGA claims, regardless whether they opt out, and will all receive their respective shares of the PAGA settlement. (¶49)

- The named Plaintiffs will also provide a general release and a waiver of the protections of Cal. Civ. Code §1542. (¶66)
- The releases are effective upon the date on which Defendant fully funds the Settlement. (¶50) Funding should occur within thirty (30) calendar days after Preliminary Approval or February 2, 2021, whichever is later. (¶31)

III. ANALYSIS OF SETTLEMENT AGREEMENT

"Before final approval, the court must conduct an inquiry into the fairness of the proposed settlement." Cal. Rules of Court, rule 3.769(g). "If the court approves the settlement agreement after the final approval hearing, the court must make and enter judgment. The judgment must include a provision for the retention of the court's jurisdiction over the parties to enforce the terms of the judgment. The court may not enter an order dismissing the action at the same time as, or after, entry of judgment." Cal. Rules of Court, rule 3.769(h).

As discussed more fully in the Order conditionally approving the settlement, "[i]n a class action lawsuit, the court undertakes the responsibility to assess fairness in order to prevent fraud, collusion or unfairness to the class, the settlement or dismissal of a class action. The purpose of the requirement [of court review] is the protection of those class members, including the named plaintiffs, whose rights may not have been given due regard by the negotiating parties." See Consumer Advocacy Group, Inc. v. Kintetsu Enterprises of America (2006) 141 Cal. App.4th 46, 60 [internal quotation marks omitted]; see also Wershba v. Apple Computer, Inc. (2001) 91 Cal.App.4th 224, 245 ("Wershba"), disapproved on another ground in Hernandez v. Restoration Hardware (2018) 4 Cal.5th 260 [Court needs to "scrutinize the proposed settlement agreement 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."] [internal quotation marks omitted].

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"The burden is on the proponent of the settlement to show that it is fair and reasonable. However 'a presumption of fairness exists where: (1) the settlement is reached through arm's-length bargaining; (2) investigation and discovery are sufficient to allow counsel and the court to act intelligently; (3) counsel is experienced in similar litigation; and (4) the percentage of objectors is small." See Wershba, supra, 91 Cal.App.4th at pg. 245, citing Dunk v. Ford Motor Co. (1996) 48 Cal.App.4th 1794, 1802. Notwithstanding an initial presumption of fairness, "the court should not give rubber-stamp approval." See Kullar v. Foot Locker Retail, Inc. (2008) 168 Cal. App.4th 116, 130. "Rather, to protect the interests of absent class members, the court must independently and objectively analyze the evidence and circumstances before it in order to determine whether the settlement is in the best interests of those whose claims will be extinguished." *Ibid.*, citing 4 Newberg on Class Actions (4th ed. 2002) § 11:41, p. 90. In that determination, the court should consider factors such as "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 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." Id. at 128. This "list of factors is not exclusive and the court is free to engage in a balancing and weighing of factors depending on the circumstances of each case." Wershba, supra, 91 Cal.App.4th at pg. 245.)

A. A PRESUMPTION OF FAIRNESS EXISTS

The Court preliminarily found in its Order of December 3, 2020 that the presumption of fairness should be applied. No facts have come to the Court's attention that would alter that preliminary conclusion. Accordingly, the settlement is entitled to a presumption of fairness as set forth in the preliminary approval order.

B. THE SETTLEMENT IS FAIR, ADEQUATE, AND REASONABLE

The settlement was preliminarily found to be fair, adequate and reasonable.

Notice has now been given to the Class and the LWDA. The notice process resulted in the following:

Number of class members: 27,830

Number of notices mailed: 27,830

Number of undeliverable notices: 215

Number of opt-outs: 4

Number of objections: 0

Number of participating class members: 27,826

(Tran Decl. ¶¶ 3-8.)

The Court finds that the notice was given as directed and conforms to due process requirements. Given the reactions of the Class Members and the LWDA to the proposed settlement and for the reasons set for in the Preliminary Approval order, the settlement is found to be fair, adequate, and reasonable.

C. CLASS CERTIFICATION IS PROPER

For the reasons set forth in the preliminary approval order, certification of the Class for purposes of settlement is appropriate.

D. ATTORNEY FEES AND COSTS

Class Counsel requests \$2,166,667 (33 1/3%) for attorney fees and \$189,574.27 for costs. (Motion for Attorneys' Fees at 8:3-5.)

Courts have an independent responsibility to review an attorney fee provision and award only what it determines is reasonable. *Garabedian v. Los Angeles Cellular Telephone Company* (2004) 118 Cal.App.4th 123, 128. A percentage calculation is permitted in common fund cases. *Laffitte v. Robert Half Int'l, Inc.* (2016) 1 Cal.5th 480, 503.

In the instant case, fees are sought pursuant to the percentage method. (Motion for Attorneys' Fees at pgs. 8-11.) The \$2,166,667 fee request is one-third of the Class Settlement Amount.

Here, the \$2,166,667 fee request represents a reasonable percentage of the total funds paid by Defendant. Further, the notice expressly advised class members of the fee request, and no one objected. (Tran Decl. ¶7, Exhibit A thereto.) Accordingly, the Court awards fees in the amount of \$2,166,667.

Fee Split: Class Counsel will divide any fee award as follows: Seventy Percent (70%) to Capstone, fifteen (15%) to Barrera, 10.5% to Slatkin, and 4.5% to Asaf. (Settlement Agreement ¶32) Class Counsel asserted that as a term of the Settlement, Plaintiffs all approved the fee split in writing. (Supplemental Memo ISO Prelim at 3:21.)

Class Counsel requests \$189,574.27 in costs. This is less than the \$200,000 cap provided in the settlement agreement (¶2). The amount was disclosed to Class Members in the Notice, and no objections were received. (Tran Decl. ¶7, Exhibit A thereto.)

Class Counsel represent that they incurred the following amounts of actual costs by firm: Capstone - \$156,728.01; Barrera - \$23,641.78; Slatkin - \$5,332.59; Asaf - \$3,871.89). (Perez Decl. ISO Final ¶20; Barrera Decl. ISO Final ¶34; Slatkin Decl. ISO Final ¶16; Agazanof Decl. ISO Final ¶8.) Costs include: Court Reporters, Transcripts & Depositions (\$33,678.93), Mediation Fees (\$33,150), and Berkeley Research Group (\$27,279.01). (Perez Decl. ISO Final ¶20).

The costs appear to be reasonable and necessary to the litigation, are reasonable in amount, and were not objected to by the class.

For all of the foregoing reasons, costs of \$189,574.27 are approved.

E. SERVICE AWARD TO CLASS REPRESENTATIVES

A service (or incentive) fee award to a named class representative must be supported by evidence that quantifies the time and effort expended by the individual and a reasoned explanation of financial or other risks undertaken by the class representative. See Clark v. American Residential Services LLC (2009) 175 Cal.App.4th 785, 806-807; see also Cellphone Termination Cases (2010) 186 Cal.App.4th 1380, 1394-1395 ["Criteria courts may consider in determining whether to make an incentive award include: (1) the risk to the class representative in commencing suit, both financial and otherwise; (2) the notoriety and personal difficulties encountered by the class representative; (3) the amount of time and effort spent by the class representative; (4) the duration of the litigation and; (5) the personal benefit (or lack thereof) enjoyed by the class representative as a result of the litigation. (Citations.)"].

Here, the Class Representatives request enhancement awards totaling \$40,000 [\$10,000 per Plaintiff]. (Motion for Attorneys' Fees at 17:18-23.) They urge that the awards are appropriate for the following reasons:

Plaintiff Alicia Lovato represents that her contributions to the action included reviewing the complaint, staying in contact with her attorneys about the status of the litigation, working with her attorneys to prepare responses to Defendant's discovery requests, answering her attorneys' questions about Defendant's production of company documents, having her deposition taken by Defendant's counsel on February 9, 2014, reviewing her deposition transcript, assisting her attorneys in preparing the motion for class certification and providing a declaration in support, and reviewing the terms of the

settlement. She estimates spending 60 to 70 hours on this case. (Declaration of Alicia Lovato ISO Final $\P\P$ 3-11.)

Plaintiff Kristian Orphe represents that his contributions to the action included reviewing the complaint, staying in contact with his attorneys about the status of the litigation, working with his attorneys to prepare responses to Defendant's discovery requests, answering his attorneys' questions about Defendant's production of company documents, having his deposition taken by Defendant's counsel on February 4, 2015, reviewing his deposition transcript, assisting his attorneys in preparing the motion for class certification and providing a declaration in support, being available during each mediation session, and reviewing the terms of the settlement. He estimates spending 60 to 70 hours on this case. (Declaration of Kristian Orphe ISO Final ¶ 3-11.)

Plaintiff Francisco Perez represents that his contributions to the action included reviewing the complaint, staying in contact with his attorneys about the status of the litigation, working with his attorneys to prepare responses to Defendant's discovery requests, answering his attorneys' questions about Defendant's production of company documents, having his deposition taken by Defendant's counsel on February 3, 2015, reviewing his deposition transcript, assisting his attorneys in preparing the motion for class certification and providing a declaration in support, being available during each mediation session, and reviewing the terms of the settlement. He estimates spending 40 to 50 hours on this case. (Declaration of Francisco Perez ISO Final ¶¶ 3-11.)

Plaintiff Mario Perez represents that his contributions to the action included reviewing the complaint, staying in contact with his attorneys about the status of the litigation, working with his attorneys to prepare responses to Defendant's discovery requests, answering his attorneys' questions about Defendant's production of company documents, having his deposition taken by Defendant's counsel on February 4, 2015,

reviewing his deposition transcript, assisting his attorneys in preparing the motion for class certification and providing a declaration in support, being available during each mediation session, and reviewing the terms of the settlement. He estimates spending 35 to 45 hours on this case. (Declaration of Mario Perez ISO Final ¶¶ 3-11.)

In light of the above-described contributions to this action, and in acknowledgment of the benefits obtained on behalf of the class, a service award in the reduced amount of \$7,500 to each Plaintiff is reasonable and approved.

F. SETTLEMENT ADMINISTRATION COSTS

The Settlement Administrator, CPT Group, Inc., requests \$100,000 in compensation for its work in administrating this case. (Tran Decl. ¶11.) At the time of preliminary approval, costs of settlement administration were estimated at \$100,000. (Settlement Agreement ¶28.) Class Members were provided with notice of this amount and did not object. (Tran Decl. ¶7, Exhibit A thereto.)

Accordingly, settlement administration costs are approved in the amount of \$100,000.

IV. CONCLUSION AND ORDER

The Court hereby:

- (1) Grants class certification for purposes of settlement;
- (2) Grants final approval of the settlement as fair, adequate, and reasonable:
- (3) Awards \$2,166,667 in attorney fees to Class Counsel, Capstone Law, APC, Barrera & Associates, Asaf Law APC, and Law Offices of Joshua Cohen Slatkin, Inc.;
- (4) Awards \$189,574.27 in litigation costs to Class Counsel;
- (5) Approves payment of \$75,000 (75% of \$100,000 PAGA penalty) to the LWDA;