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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

MICHAEL NOZZI, et al.,
Plaintiff,

v.

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES, et al.,
Defendants.

Case No. CV07-00380-PA (FFMx)
[Honorable Percy Anderson]
SETTLEMENT AGREEMENT

Plaintiff/Class Representative NIDIA PELAEZ (individually and on behalf of the class previously certified by the Court (collectively “Plaintiffs”)), Individual Plaintiff Michael Nozzi and Defendants Housing Authority of the City of Los Angeles (“HACLA”) and Rudolf Montiel (collectively “Defendants”), by and through their respective counsel, hereby submit the following Settlement Agreement (“Settlement Agreement”).

I. RECITALS

WHEREAS, Plaintiffs filed the above referenced action in United States District Court for the Central District of California (“Court”) on January 16, 2007;

WHEREAS, the class of which Plaintiff Pelaez is the class representative consisted of “a group of tenants who receive rent subsidies through the Section 8 Housing Choice Voucher Program [who]... assert[ed] that the Defendants, the local

1 administrators of the Voucher Program, reduced the amount of Section 8
2 beneficiaries' subsidies without providing adequate notice, in violation of federal
3 and state law.” *Nozzi v. Hous. Auth. of City of Los Angeles*, 806 F.3d 1178, 1183
4 (9th Cir. 2015), *as amended on denial of reh'g and reh'g en banc* (Jan. 29, 2016),
5 *cert. denied*, 137 S. Ct. 52, 196 L. Ed. 2d 30 (2016) (“*Nozzi II*”);

6 WHEREAS, Plaintiffs alleged various violations of the Federal and State
7 Constitutions, of 42 U.S.C. § 1983, and of various California statutes;

8 WHEREAS, the Ninth Circuit in *Nozzi II* directed entry of summary
9 judgment in Plaintiffs’ favor on “the merits of the federal and state law” claims
10 before it and remanded “to determine the size and validity of plaintiffs' class and to
11 determine the appropriate remedy.” *Nozzi II*, 806 F.3d at 1204;

12 WHEREAS, the District Court certified the following classes on May 6,
13 2016:

14 Rule 23(b)(2) Class: “All Section 8 beneficiaries whose benefits are
15 administered by the Housing Authority of the City of Los Angeles and who
16 in the past received, or in the future may receive, notices of a Voucher
17 Payment Standard decrease.” (AKA “Injunctive Relief Class”)

18 Rule 23(b)(3) Class: “All Housing Authority of the City of Los
19 Angeles (“HACLA”) Section 8 tenants, between June 1, 2005, and
20 September 30, 2006, whose rental contribution for a period not to exceed
21 eleven months was greater than it would have been but for Defendant
22 HACLA’s 2004 decrease in the Voucher Payment Standard.” (AKA
23 “Damages Class”);

24 WHEREAS, the Parties (collectively Plaintiffs and Defendants entering into
25 this Settlement Agreement) agree, after fully analyzing all the available data, that
26 the earliest start date for class member damages to accrue under this class definition
27 is July 1, 2005 (i.e., the first class member damages began to accrue on that date),
28 the latest start date for class member damages to accrue under this class definition
is June 1, 2006, and the latest possible end date of damages is April 30, 2007 (11

1 months after the latest possible start date of damages), and agree that accordingly,
2 the Damages Class Period from inception to final accrual of damages is July 1,
3 2005 through April 30, 2007;

4 WHEREAS, the Parties agree that this action has been extensively litigated
5 for the past ten years and that they have engaged in extensive settlement
6 negotiations over two full mediation days, and numerous additional
7 communications, with retired United States District Judge Gary A. Feess, who
8 acted as the mediator in the case;

9 WHEREAS, Defendants deny that they have done anything wrong
10 whatsoever, deny all liability to the defined class and do not concede any infirmity
11 in the defenses that they have asserted or intend to assert in these proceedings, but
12 are cognizant of the time and expense of further litigation; and

13 WHEREAS, the Parties believe that settlement is in their best interests and
14 will avoid further lengthy and costly litigation;

15 THEREFORE, the Parties agree as follows:

16 II. DEFINITIONS

17 1. “Administrator” means the Class Administrator, as agreed upon (or to
18 be agreed upon) by the Parties and appointed by the Court to review and determine
19 the validity and amount of claims submitted by Settlement Class Members
20 (“SCM”) (as defined below), according to the procedures set forth herein.

21 2. The “Bar Date” is the date by which any Damages Class Member
22 (defined below) who wishes to receive payment pursuant to the Settlement
23 Agreement and therefore is a SCM (again, defined below), must file his/her Proof
24 of Claim and Release Form (attached as Exhibit B), file objections to this
25 Settlement Agreement, or request to be excluded from the class (opt-out). The Bar
26 Date shall be calculated as the close of business on the 120th day after the last day
27 of mailing of the Class Notice, which is up to two consecutive business days from
28 beginning to end, as is addressed in ¶ 57, i.e., the Class Administrator must mail all
29 notices within a two day period.

1 3. “Class Counsel” means Barrett S. Litt of Kaye, McLane, Bednarski &
2 Litt (“KMBL”), and Anne Richardson and Stephanie Carroll of Public Counsel.

3 4. “Class Counsel Attorneys’ Fees” refers to the amount awarded by the
4 Court as their attorneys’ fees in this case, which amount will not exceed 30% of the
5 Class Fund. Such Class Counsel Attorneys’ Fees are exclusive of, and determined
6 before, the determination and award of the Class Counsel Litigation Costs to be
7 awarded Class Counsel.

8 5. “Class Counsel Litigation Costs” include, but are not limited to all
9 litigation costs, including the following: messenger and other delivery fees;
10 postage; photocopying; printing; scanning; document binding; parking; regular or
11 special postage expenses; travel expenses (including mileage, airfare, lodging,
12 meals, and ground transportation); consultants’ fees (including but not limited to
13 graphics, jury consulting and trial presentation consultants); mediation charges and
14 fees; expert witness fees; regular witness fees; deposition fees; transcript fees;
15 investigation fees; on-line research costs; long-distance telephone charges;
16 facsimile transmissions and other costs or expenses ordinarily charged by attorneys
17 when representing clients, whether or not the costs qualify to be reimbursed in a
18 motion for attorneys’ fees and/or costs under either 28 U.S.C § 1988 or 28 U.S.C. §
19 1920.

20 6. “Class Fund” refers to the amount of up to \$9.4 Million (but no less
21 than \$9 Million) to be paid by HACLA’s insurers to resolve all monetary claims in
22 the case, the precise amount of which will be determined based on a contribution by
23 HACLA’s primary insurer of the amount remaining after payment of HACLA’s
24 litigation costs and attorneys’ fees in this case (estimated to be not less than \$8
25 Million) and a contribution of \$1 Million by HACLA’s excess insurer. The Class
26 Fund, as the term is used herein, is not dependent on the monetary value of claims
27 actually made or paid, but is based on the total amount available for payment to the
28 class plus fees and costs as defined in this Agreement.

 7. A “Class Member” means any member of the Injunctive Relief Class

1 as defined above (which is broader than the Damages Class).

2 8. The “Class Notice” means the notice to the Class regarding settlement,
3 to be sent to Class Members in a form substantially similar to that attached hereto
4 as Exhibit C, or as otherwise approved by the Court, and such other summary
5 notice to be published in accordance with the terms of this Settlement Agreement.

6 9. “Damages Class Member” means any member of the Damages Class
7 as defined above, who is on the Damages Class Member List to be ultimately
8 prepared by Plaintiffs’ expert, Brian Kriegler.

9 10. The “Damages Class Member List” shall consist of those persons for
10 whom a damage amount was able to be calculated based on the information
11 contained in the “Database” (defined below).¹

12 11. The “Damages Class Period” refers to the period July 1, 2005 through
13 April 30, 2007.

14 12. The “Database” is the information provided in electronic form to the
15 Administrator no later than five (5) days from the date the Court grants preliminary
16 approval of the terms of this Settlement Agreement (if the data has not already been
17 provided), which information shall be taken from the available HUD and HACLA
18 electronic data produced in this case up to and including April 15 2017. The
19 Database will include, to the extent available, the name, last known address, date of
20 birth, Social Security Number, unique HACLA client number, and any other
21 identifying information. It will also include the damages period beginning and end
22 date for each Damages Class Member and the amount of Principal Damages
23 (defined below) for each Damages Class Member. Only information contained in

24 ¹ The Parties acknowledge that there may be individuals who, if their individual files were
25 reviewed, would qualify as Damages Class Members (or would be entitled to greater damages
26 than can be determined from the data). Because only the Damages Class Members identified from
27 the Database as having calculable damages will be sent notice of the opportunity to file a claim
28 for monetary compensation, only they will be considered Damages Class Members under this
Settlement Agreement, and only they will be bound by it if they do not opt out. No Injunctive
Relief Class Members, as defined above, may opt out of the injunctive relief portion of this
Settlement Agreement.

1 that Database will be utilized to determine Damages Class membership and the
2 amount of damages. While HUD data will be used where possible, to the extent that
3 there are entries in the HACLA data that do not appear in the HUD data, the
4 HACLA data will be used as a supplement. All such information is subject to the
5 protective order in this action, and a copy of the protective order shall be provided
6 to the Claims Administrator, who shall be required to sign the order. The Class
7 Administrator shall be responsible to ensure complete confidentiality of the
8 information, and shall certify that the database information is properly disposed of
9 once the project is completed.

10 13. The “Effective Date” means thirty days after the date upon which a
11 judgment entered by the Court approving the Settlement Agreement becomes final.
12 The Judgment will be deemed final only upon expiration of the time for a Damages
13 Class member who files an objection to file a notice of appeal (30 days after entry
14 of judgment) or, if a notice of appeal is filed by an objector, upon exhaustion of all
15 appeals and petitions for writs of certiorari. If no Damages Class Member files an
16 objection, then the Judgment shall become final 30 days after entry of the Final
17 Approval Order and Judgment.

18 14. “Gross Rent” is the rent due to the landlord plus utilities.

19 15. The “HAP” (Housing Assistance Payment to which a Section 8 tenant
20 is entitled) is equal to the lesser of Gross Rent (which is rent plus utilities) or the
21 VPS amount, minus the TTP (Total Tenant Payment) (all of which terms are
22 defined herein).

23 16. “HCVP” refers to Housing Choice Voucher Program. The claims in
24 this case only relate to HCVP members (who are colloquially known as “Section 8
25 tenants”).

26 17. “HUD” refers to the U.S. Department of Housing and Urban
27 Development.

28 18. An “Opt-Out” is any Damages Class Member who files a timely
request for exclusion, pursuant to the terms of this Settlement Agreement, to be

1 excluded from the Settlement Class. (If used as a verb, “opt out” refers to the
2 process of filing for such exclusion.)

3 19. “Principal Damages” means the difference between the amount of
4 Tenant Rent to Owner a Damages Class Member would have paid under the “But
5 For” VPS (i.e., before the reduced VPS for that Damages Class Member) and the
6 amount of Tenant Rent to Owner actually paid by the Damages Class Member
7 under the lowered VPS. (VPS is defined below, see ¶ 26.) Said another way,
8 “Principal Damages” means the damages due to a Damages Class Member without
9 interest, equal to the difference between each tenants’ actual rent to his/her landlord
10 and what his/her rent would have been, but for the challenged reduction in that
11 tenant’s subsidy (i.e., the reduction in that tenant’s Voucher Payment Standard).
12 The aggregate Principal Damages for all Damages Class Members amount to
13 \$10,308,774.

14 20. The “Proof of Claim Form” means the Proof of Claim and Release
15 Form required to be used in order to make a claim for payment under this
16 settlement. A copy of the proposed Proof of Claim Form is attached as Exhibit B.
17 The pre-prepared Proof of Claim Forms shall be bar coded to link with each
18 Damages Class Member’s database information and shall contain the damages to
19 which that Class Member is entitled if s/he were to receive the full damages
20 provided for in this agreement.

21 21. “Released Person” means the Defendants and their affiliates,
22 subsidiaries, predecessors, successors, and/or assigns, together with past, present
23 and future officials, employees, representatives, attorneys, and/or agents of the
24 HACLA, including Rudolf Montiel, or any of them. “Released Persons” also
25 includes any and all insurance carriers, and/or their representatives and attorneys,
26 for the Released Persons.

27 22. “Residual Class Fund” refers to the amount remaining in the Class
28 Fund after payment of Class Counsel Attorneys’ Fees, Class Counsel Litigation
Costs, and the costs of the Class Administrator.

1 wrongdoing on the part of any party, except in connection with any action or legal
2 proceeding to enforce this Settlement Agreement. The Parties have reached this
3 settlement through arms-length negotiations and to avoid the costs and delays of
4 further disputes, litigation and negotiations between them with the extensive
5 participation of an independent mediator, subject to approval by the Court. This
6 Settlement Agreement has been entered into without any concession of liability or
7 nonliability whatsoever and has no precedential or evidentiary value whatsoever.

8 **IV. FINANCIAL TERMS OF SETTLEMENT AGREEMENT**

9 28. The “Class Fund” (defined previously) shall be comprised of the
10 maximum remaining on HACLA’s insurance policy with “Westchester Surplus
11 Lines Insurance Company and Chubb North American Financial Lines Claims
12 (“Chubb”) (estimated to be not less than \$8 million), plus \$1 million from
13 HACLA’s RSUI Indemnity Company excess insurance policy. Thus, the Class
14 Fund is estimated to be not less than \$9 Million, but the exact amount will not be
15 determined until the time of the Final Approval Order, when the amount of
16 Defendants’ attorneys’ fees and costs can be finally determined.²

17 29. Each Damages Class Member who makes a claim will be entitled to
18 his or her Principal Damages unless those damages are adjusted as provided in this
19 Agreement.

20 30. The total funds available for distribution to Damages Class Members
21 who make claims shall not exceed the total of the “Residual Class Fund” (defined
22 above).

23 31. In the event that the total claims made do not amount to the funds
24 available for class distribution after payment of the foregoing fees and costs,
25 Defendants shall not pay an amount to any Class Member beyond that person’s
26 Principal Damages.

27 ² The Chubb policy is a \$10 Million policy, from which defense fees and costs are taken. As of
28 the time of the March 23 2017 mediation, at which a settlement was reached in principle,
approximately \$8.5 Million remained available under the Chubb policy.

1 32. In the event that the claims made exceed the amount of the Class Fund
2 available after payment of the foregoing fees and costs, each Damages Class
3 Member shall be paid his/her respective proportion of his/her Principal Damages
4 (e.g., if there is only enough of the available fund to pay 75% of the aggregated
5 claims, each Damages Class Member shall be paid 75% of his/her Principal
6 Damages amount).

7 33. Any funds not distributed shall revert to the funders, beginning with
8 RSUI being completely refunded first, up to \$1 Million. However, to the extent that
9 the claims made by Damages Class Members do not exceed an aggregate amount of
10 \$2 million, the difference between the claims made and \$2 Million will be paid to
11 one or more organizations, to be agreed upon by the Parties, that assist Section 8
12 tenants (hereafter referred to as "Cy Pres Organizations"). The remaining funds will
13 revert to the funders, as set forth at the beginning of this paragraph. Where
14 Damages Class Members make claims, but do not cash their checks, the Class
15 Administrator will make efforts to reach them and assist them to do so; the funds
16 from checks that have not been cashed within one year of issuance shall go to the
17 agreed upon Cy Pres Organizations.

18 34. The HACLA shall treat any payment to Damages Class Members who
19 are current recipients of Section 8 in accordance with HUD regulation 24 C.F.R. §
20 5.609(c)(3), i.e., payments will be treated as a settlement for personal injury. For
21 current Section 8 tenants, HACLA will designate a person to be identified in the
22 Class Notice whom Damages Class Members can contact with questions about the
23 impact of receipt of settlement funds on their Section 8 benefits.

24 35. The Parties agree that this is a claims-made settlement, requiring an
25 SCM to formally submit a valid and complete Proof of Claim Form in order to
26 qualify and receive payment under this Settlement Agreement. In addition to and
27 separate from any other payments called for in this Agreement, the Released Parties
28 agree to pay an SCM who files a timely Proof of Claim Form his/her Principal

1 Damages from the Residual Class Fund (defined previously) to the extent such
2 funds are available, or to the extent claims exceed the Residual Class Fund claims
3 will be paid proportionately as provided in ¶32. To receive payment, an SCM must
4 comply with the requirements set forth in this Settlement Agreement and meet the
5 standards for Damages Class membership set forth the below:

- 6 a. The identity of, and the Principal Damages for, Damages Class
7 Members shall be determined utilizing the methodology employed by
8 Plaintiffs' statistical expert Brian Kriegler (hereafter "Kriegler
9 Methodology") in the reports filed with the court in conjunction with
10 Plaintiffs' motion for summary judgment, as updated by his June 1
11 2017 Memorandum explaining how he has used and integrated the
12 HACLA and HUD data. (Copies of the relevant Kriegler reports will
13 be posted on the Class Administrator's website in order to make them
14 available to interested class members. A copy of the June 1 2017
15 Kriegler Memorandum is attached hereto as Exhibit D)
- 16 b. Identification of Damages Class Members and determination of the
17 amount of Principal Damages due a Damages Class Member is based
18 exclusively on information contained in the Database.
- 19 c. The Kriegler Methodology will utilize the HUD data to the extent
20 available as of April 15, 2017, to determine certain values (the HAP,
21 VPS, TTP, Gross Rent, Tenant Rent to Owner) used in determining
22 class membership and calculating Principal Damages. To the extent
23 HUD data is not available for those calculations, or for other values
24 utilized by Kriegler, he will use the available HACLA data.
- 25 d. People whose address during the Damages Period is outside the City of
26 Los Angeles have been excluded based on the addresses shown in the
27 HACLA data.

1 e. Based on HUD and HACLA criteria, HCVP participants who fit into
2 the following categories were not entitled to the One Year Advance
3 Notice under HUD regulation 24 C.F.R. § 982.505(c)(3) (the defects in
4 which were the basis for Plaintiffs’ claims) and thus were excluded
5 from the Damages Class utilizing available HUD/HACLA data: 1) a
6 new tenant who moved into Section 8 housing after the date April 2,
7 2004; 2) a current HCVP participant who moved into a different
8 Section 8 unit after April 2, 2004 (such tenant is not entitled to the
9 advance notice as of the time s/he moved into a new unit); 3) a current
10 HCVP participant who changed Voucher Bedroom sizes after April 2,
11 2004 (such tenant is not entitled to the advance notice as of the change
12 in voucher bedroom size); 4) a HCVP participant whenever a new
13 Housing Assistance Payment (“HAP”) contract must be executed for
14 that holder’s unit, even if the family is not moving from its current unit
15 (i.e., when the owner and the family enter into a new lease agreement);
16 and 5) an HCVP participant who is allotted an exception VPS amount
17 as a reasonable accommodation for a unit (not to exceed 120% of the
18 Fair Market Rent as determined by HACLA). Such individuals are not
19 members of the Damages Class as of the time they fit into one of these
20 Exclusions.

21 f. Damages Class Principal Damages for each Damages Class Member
22 are based on first identifying those tenants for whom VPS determined
23 the HAP after the VPS went down (even if the VPS did not determine
24 the HAP before the VPS decrease), because all such Damages Class
25 Members’ Tenant Rent to Owner was impacted by the VPS reduction.
26 Those who would have been affected negatively by the VPS decrease
27 are all those for whom the *decreased* VPS was the driver of the HAP,
28

1 and therefore their rental contribution, after the VPS reduction.

2 g. Ultimately, Principal Damages exist when and to the extent a Damages
3 Class Member's Tenant Rent to Owner rose as a result of the VPS
4 reduction. The details of the damages calculation are further explained
5 in the reports of Brian Kriegler, copies of which will be posted on the
6 Administrator's website to be established for this case.

7 36. Notwithstanding the Principal Damages due a Damages Class Member
8 under the Kriegler Methodology, the amounts to be paid Damages Class Members
9 (not including the incentive award for Nidia Pelaez and payment to Michael Nozzi
10 for individualized damages) will be adjusted on a pro rata basis if the Principal
11 Damages amount due to SCMs who have filed claims exceeds the Residual Class
12 Fund so that the total payment to such class members does not exceed the Residual
13 Class Fund.

14 37. The Coalition to End Hunger and Homelessness was an injunctive
15 relief Plaintiff and is no longer an operating entity. Its claims will be dismissed with
16 prejudice.

17 38. Defendants take no position on a fee and costs request by Class
18 Counsel that does not exceed 30% of the total Class Fund.

19 39. The Damages Class Member list will consist of the latest list prepared
20 by Brian Kriegler utilizing the Kriegler Methodology as summarized in Exhibit D
21 (the Kriegler June 1 2017 Memorandum, and will identify Damages Class Members
22 and the Principal Damages for each such Damages Class Member.

23 **V. OTHER SETTLEMENT TERMS**

24 40. The Parties enter into this agreement solely for the purposes of this
25 settlement and implementation of the settlement. If the settlement fails to be
26 approved or otherwise fails consummation, then this Settlement Agreement is
27 hereby withdrawn.

28 41. An SCM who complies with the requirements set forth in this

1 Settlement Agreement and files a timely Proof of Claim Form will be paid specified
2 sums determined by the settlement distribution process set forth herein, which
3 payment shall be in full satisfaction of all claims of that SCM.

4 42. The Settlement Agreement, as of the Effective Date, resolves in full all
5 claims against the Released Persons by all of the SCMs, including the named
6 Plaintiffs, involving violations of law or constitutional rights, including, without
7 limitation, their due process rights under federal and California Constitutions and
8 law, their rights under California Civil Code § 815.6 and for negligence, any other
9 rights under any other federal, state or local law, regulation, duty, or obligation, or
10 any other legal theory, action or cause of action, which are based upon or could be
11 based upon or arise from the facts alleged in the lawsuit (hereafter “Covered
12 Claims”).

13 43. When the Settlement Agreement is final, as of the Effective Date, all
14 SCMs, including the named Plaintiffs, waive all rights to any and all claims relating
15 to damages or reimbursement of any kind for the Covered Claims. This waiver and
16 release shall include a full release and waiver of unknown rights regarding the
17 Covered Claims that may exist as of the Effective Date.

18 44. As of the Effective Date, the SCMs, including the named Plaintiffs,
19 hereby waive any and all rights to pursue, initiate, prosecute, or commence any
20 action or proceeding before any court, administrative agency or other tribunal, or to
21 file any complaint regarding acts or omissions by the Released Persons with respect
22 to the Covered Claims during the Class Period that fit within the definition of the
23 Damages Class; and further, as it relates to this waiver or Release, expressly waive
24 the provisions of California Civil Code § 1542, which provides that “a general
25 release does not extend to claims which the creditor does not know or suspect to
26 exist in his or her favor at the time of executing the release, which if known by him
27 or her must have materially affected his or her settlement with the debtor.”

28 45. This Settlement Agreement, together with its exhibits, contains all the
terms and conditions agreed upon by the Parties regarding the subject matter of the

1 instant proceeding, and no oral agreement entered into at any time nor any written
2 agreement entered into prior to the execution of this Settlement Agreement shall be
3 deemed to exist, or to bind the Parties, or to vary the terms and conditions
4 contained herein, except as expressly provided herein.

5 46. Each SCM shall be deemed to have submitted to the jurisdiction of the
6 Court.

7 47. This Settlement Agreement is subject to and conditioned on final
8 approval by the HACLA Board of Commissioners. This Settlement Agreement is
9 further subject to and conditioned on a Fairness and Final Approval Hearing
10 conducted by the Court, the final approval of this Settlement Agreement and the
11 issuance of the final order and judgment of dismissal by the Court, providing the
12 specified relief as set forth below, which relief shall be pursuant to the terms and
13 conditions of this Settlement Agreement and the Parties' performance of their
14 continuing rights and obligations hereunder. The Order and Judgment shall be
15 deemed final thirty days after entry of the Court's Final Order of Approval and
16 Judgment on the Court's Docket (see definition of "Effective Date," *supra*). Such
17 Final Order and Judgment shall:

- 18 a. Dismiss with prejudice all claims in the action as to the Released Persons
19 including all claims for monetary damages, declaratory relief and
20 injunctive relief, except as to the terms of the injunction to be entered,
21 which terms are set forth *infra*, each side to bear its own costs and fees
22 except as otherwise provided for in this Settlement Agreement;
- 23 b. Order that all SCMs are enjoined from asserting against any Released
24 Person any and all claims that any SCM had, has or may have in the
25 future arising out of the facts alleged in the Complaint;
- 26 c. Release each Released Person from the claims that any SCM has, had or
27 may have in the future against such Released Person arising out of the
28 facts alleged in the Complaint;
- d. Determine that this Settlement Agreement is entered into in good faith, is

1 reasonable, fair and adequate, and in the best interest of the Class; and
2 e. Reserve the Court's continuing and exclusive jurisdiction over the Parties
3 to this Settlement Agreement, including Defendants and SCMs, to
4 administer, supervise, construe and enforce the Settlement Agreement in
5 accordance with its terms for the mutual benefit of all Parties, and to
6 enforce the terms of the injunction described *infra*.

7 The Parties will take all necessary and appropriate steps to obtain preliminary
8 and final approvals of the Settlement Agreement, and dismissal of the action with
9 prejudice, all parties bearing their own fees and costs unless otherwise set forth in
10 this Settlement Agreement. If the Court gives final approval of this Settlement
11 Agreement, and if there is an appeal from such decision, the Parties will defend the
12 Settlement Agreement.

13 **VI. RESOLUTION AND PAYMENT OF CLAIMS**

14 48. Released Parties shall not prefund any settlement fund or proceeds.
15 Instead, funds will be deposited by the Released Parties to the Class Administrator
16 as necessary to pay the class administration costs, and the SCMs who file timely
17 claims (including the Named Plaintiffs' claims). (Attorneys' fees and costs are
18 addressed separately.)

19 49. Defendants' insurers agree to pay Nidia Pelaez \$5,000 (to be paid from
20 the Class Fund) as an incentive award for her service as the sole named Class
21 Representative, in addition to the amount due to her as a member of the Damages
22 Class, subject to approval of the Court, and agree to pay \$1,000 from the Class
23 Fund to Michael Nozzi as an individual plaintiff in exchange for his release of
24 claims, as full payment (including any due him as a Damages Class Member) for
25 his individualized damages.

26 50. Defendants' primary insurer will issue a check payable by overnight
27 mail payable to the Class Administrator for the remainder of the Residual Class
28 Fund to the extent required to comply with this Agreement within thirty (30)
business days of the Effective Date of the Settlement. Defendants' excess insurer

1 will pay its contribution by check sent by overnight mail to the extent such funds
2 are required.

3 51. The Class Representatives and Class Counsel shall provide tax
4 identification information to Defendants and their insurers within 30 days from the
5 date of preliminary approval of the Settlement Agreement.

6 **VII. PAYMENT OF CLASS COUNSEL FEES**

7 52. Defendants' primary insurer shall pay a one-time only lump sum
8 payment of the full amount of the Class Counsel attorneys' fees plus litigation costs
9 awarded by the Court, payable by check sent by overnight mail to the KMBL Client
10 Trust Account within 30 business days after the Effective Date of the Settlement.
11 This payment represents a full and final settlement of all past, present and future
12 attorneys' fees and all past, present and future ordinary and extraordinary costs.
13 (This method of payment means that Defendants' primary insurer will pay the
14 attorney's' fees and costs by check sent by overnight mail, and its excess carrier, to
15 the extent its policy must pay, will also pay the full amount due from it directly to
16 the Class Administrator by check sent by overnight mail.) While this payment
17 comes from the Class Fund estimated at not less than \$9,000,000, it will be made
18 separately from the payments sent to the Class Administrator for Class
19 Administration costs and for disbursement to class members from the Residual
20 Class Fund.

21 **VIII. CLASS ADMINISTRATION COSTS**

22 53. Requests for bids were sent to several established Class
23 Administrators. The Parties have now accepted the bid of JND Legal
24 Administration to act as Class Administrator, based on Class Counsel's assessment
25 of the most reasonable bid, taking into account the combination of the price and
26 scope of the services provided, and the capabilities and reputation of the
27 prospective Administrator. A copy of the accepted JND bid is attached as Exhibit E.
28 It includes a statement of JND's qualifications to act as Class Administrator as well
as the contract to be entered.

1 54. The Released Parties shall directly pay all Class Administration costs,
2 as provided in the contract with the Class Administrator attached as Exhibit E, as
3 well as charges for the services of Brian Kriegler after April 15, 2017.

4 55. The Administrator shall be responsible for providing Class Notice.
5 This duty shall comprise mailing Class Notice and a Proof of Claim Form by
6 regular mail to all Class Members' last known address. The Administrator shall
7 also use normal and customary means to search for a Class Member's last known
8 address, including the use of a postal database, when mail is returned, or do
9 whenever else is appropriate in order to reasonably notify Class Members. Class
10 Counsel may also take whatever steps they deem appropriate to notify the Class
11 Members of their rights to file claims and to assist them in doing so.

12 56. The Class Notice shall describe the particulars of the case, provide the
13 class definition, provide information on how claimants can contact the
14 Administrator for a Proof of Claim Form, notify Damages Class Members of
15 establishment of a case website, and contain other usual and customary information.
16 The proposed Class Notice is attached to this Settlement Agreement as Exhibit C.

17 57. The Administrator shall complete the mailing of Class Notice within
18 two consecutive business days. The second day of such mailing is the first day of
19 the period for calculating the "Bar Date" (defined previously). That mailing shall
20 occur as soon as practicable after the settlement has been preliminarily approved.

21 58. The Administrator shall be responsible for publishing a summary Class
22 Notice for three consecutive weeks in Los Angeles County regional newspapers to
23 be determined. Prices shall be sought for the LA Weekly, the Lang Newspaper
24 Group, the Los Angeles Sentinel, La Opinion and potentially others. The
25 Administrator will propose, to the extent possible, economically viable forms of
26 notice through the use of social and informational media. In addition, HACLA will
27 post the summary notice of settlement at any offices in which it operates where
28 Section 8 tenants may have occasion to visit, which will include a posted notice that
a complete copy of the Class Notice and Proof of Claim Form are available upon

1 request at any HACLA office.

2 **IX. CLASS ADMINISTRATION FOR PROOF OF CLAIM FORMS**

3 59. The Administrator shall be responsible for providing and receiving
4 Proof of Claim Forms. The Administrator shall determine Damages Class
5 membership and the amount of Principal Damages based on the analysis of Brian
6 Kriegler.

7 60. A Proof of Claim Form shall be deemed timely submitted when
8 received by the Administrator, or postmarked, on or before the Bar Date. Facsimile
9 or electronic mail filings are acceptable and timely so long as they clearly indicate
10 the case on which the claim is filed and are received on or before the Bar Date.

11 61. If a Damages Class Member submits a timely Proof of Claim Form
12 that is deficient in some respect, the Administrator shall provide written notice by
13 First Class Mail and a 30-day time limit to provide a proper Proof of Claim form,
14 which notice shall inform the Damages Class Member of what s/he must do in
15 order to submit a proper Proof of Claim Form. Failure to cure the deficiency within
16 the 30-day time limit will bar any further rights for consideration of eligibility. So
17 long as the original claim is received on or before the Bar Date, it shall be
18 considered timely if any deficiency is cured within 30 days of the mailing of a
19 notice of deficiency.

20 62. Untimely filed Proof of Claim Forms shall be rejected by the
21 Administrator and no payment shall be made. The Administrator will notify
22 claimants of the rejection of untimely claims.

23 63. The Administrator shall make payments to SCMs who have filed
24 timely claims in accordance with this Settlement Agreement within a reasonable
25 time not to exceed 120 days after the Effective Date.

26 64. If a check to an SCM is not cashed within three months of its mailing,
27 the Administrator shall hold the funds for nine additional months, during which
28 time it shall make reasonable efforts to contact the person to whom the uncashed
check was written to make arrangements for its cashing or reissuance. Any such

1 funds not cashed within one year of its mailing shall be paid to the Cy Pres
2 Organization(s) referred to in ¶ 33.

3 65. The Administrator shall not make payment to any SCM until all claims
4 have been submitted to the Administrator pursuant to the terms of this Settlement
5 Agreement.

6 **X. EXCLUSION FROM SETTLEMENT CLASS—OPT OUTS**

7 66. Any Damages Class Member who wishes to be excluded from the
8 Settlement Class must submit a request to be excluded from the class, a process
9 defined herein as “Opt-Out.” The request for exclusion must be delivered to the
10 Administrator, or postmarked, on or before the Bar Date or as the Court may
11 otherwise direct.

12 67. Each member of the Settlement Class who chooses to Opt-Out from or
13 object to this settlement shall be deemed to have submitted to the jurisdiction of the
14 Court with respect to his/her claim and to any dispute resolution process conducted
15 by a Special Master as set forth in this Settlement Agreement.

16 68. Any Damages Class Member who does not Opt-Out as set forth in this
17 Settlement Agreement, shall be deemed conclusively to have become an SCM and
18 to be bound by the Settlement Agreement and all subsequent proceedings, orders
19 and judgments herein, regardless of whether s/he files a Proof of Claim Form.

20 69. Any Damages Class Member who exercises an Opt-Out shall not share
21 in any monetary benefits provided by this Settlement Agreement.

22 70. The Administrator will periodically report to Defendants’ counsel and
23 Class Counsel all Opt-Outs received (including providing copies of them), and will
24 determine and report to counsel the total number of Opt-Outs no later than 10 days
25 after the Bar Date. If the total number of Opt-Outs exceeds 5% of the total
26 Damages Class Members as determined by the Damages Class Member List,
27 Defendants and/or their insurers, in their sole discretion, may rescind their
28 acceptance of the Settlement Agreement. Defendants and/or their insurers in
exercising this right of rescission, shall provide the Administrator and Class

1 Counsel with written notice of rescission within 10 days after receipt of the
2 Administrator's report providing the total number of Opt-Outs. In the event
3 Defendants and/or their insurers exercise their right of rescission in accordance with
4 this paragraph, any funds paid or deposited pursuant to this Settlement Agreement
5 shall be returned to Defendants and/or their insurers within 10 days of the exercise
6 of the right to rescind, less any expenses, fees and costs incurred by the
7 Administrator. Such Administrator costs shall be borne exclusively by Defendants
8 and/or their insurers and shall not be chargeable as a collectible cost should
9 Defendants ultimately prevail in this Action.

10 XI. INJUNCTION

11 71. The Final Approval Order shall include an order granting an injunction
12 for a three-year period as follows.

- 13 a. In any future notices to Section 8 tenants, related to the reduction of
14 the Voucher Payment Standard, Defendant HACLA shall simply and
15 plainly communicate the information provided in non-technical,
16 language that would be reasonably understandable to Section 8
17 tenants, at a language level commensurate with the average
18 educational level of Section 8 tenants. The notice shall reasonably
19 explain the known, likely or potential impact on the tenant of the
20 action that is the subject of the notice.
- 21 b. Any notice within the next three years regarding reduction of the
22 Voucher Payment Standard shall be provided to Class counsel before it
23 is sent, and shall be subject to the approval of Class Counsel before it
24 is communicated to Section 8 tenants, which approval shall not be
25 unreasonably withheld.
- 26 c. When communicating any new notices to tenants (other than a notice
27 of reduction of VPS to which ¶ 72(a) of this Agreement applies),
28 HACLA will use language reasonably understandable to Section 8
tenants. For purposes of this Agreement, the parties agree that

1 existing notices that have been historically sent regularly to tenants
2 without challenge, such as the RE 38 notice, notices sent to tenants
3 when HACLA approves a rent increase requested by the landlord, and
4 notices when there is a bedroom downsizing, meet this standard.

5 **XII. APPROVALS**

6 72. All Clients, for both Plaintiffs and Defendants, have approved this
7 settlement. A version of this settlement signed by counsel for all parties shall be
8 submitted for the preliminary approval order, and the parties (other than Rudolph
9 Montiel, who was at the time but no longer is the HACLA Executive Director) shall
10 sign it prior to the final approval order.

11 **XIII. DISPUTE RESOLUTION**

12 73. The Parties agree to the appointment of the Honorable Gary A. Feess
13 (Ret.) as Special Master pursuant to Federal Rule of Civil Procedure 53 to resolve
14 disputes that arise from implementation of the Settlement Agreement as set forth
15 herein. The cost of any such disputes shall be paid from the Class Fund.

16 **XIV. INTEGRATION**

17 74. This Settlement Agreement supersedes all prior communications
18 regarding the matters contained herein between the Parties or their representatives.
19 This Settlement Agreement is an integrated agreement and contains the entire
20 agreement regarding the matters herein between the Parties, and no representations,
21 warranties or promises have been made or relied on by any Party hereto other than
22 as set forth herein. This Settlement Agreement was drafted by counsel for the
23 Parties hereto, and there shall be no presumption or construction against any Party.

24 **XV. FAIRNESS HEARING AND FINAL ORDER OF APPROVAL**

25 75. Before this Settlement Agreement becomes final and binding on the
26 Parties, the Court shall hold a Fairness Hearing to determine whether to enter the
27 Final Order of Approval. A proposed Final Order of Approval shall be submitted to
28 the Court incorporating the terms of this Settlement Agreement and addressing
related information such as Objections and Opt-Outs.

XVI. NO THIRD PARTY BENEFICIARIES INTENDED

1
2 76. This Settlement Agreement does not and is not intended to create any
3 rights with respect to any third parties, except as otherwise provided herein.

XVII. COUNTER PARTS

4 77. This Settlement Agreement may be signed in counter parts.

XVIII. MEANING OF COUNSEL’S SIGNATURES

5
6 78. Counsel for Plaintiffs, Barrett S. Litt, and counsel for Defendants,
7 Brant Dveirin, have signed this Settlement Agreement. Counsel are not parties, and
8 their signatures are solely for the purpose of indicating their approval of the
9 Settlement Agreement as to form and content.

10 /////

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The undersigned have each reviewed and knowingly entered this agreement.
The parties certify that they have fully consulted with their counsel before doing
so.

DATED: 6/9/17

KAYE, MCLANE, BEDNARSKI & LITT
PUBLIC COUNSEL

By: 
Barrett S. Litt
Attorneys for Plaintiffs

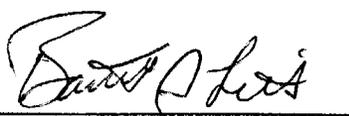
DATED: 6/8/17

LEWIS, BRISBOIS

By: 
Brant Dveirin
Attorneys for Defendants

DATED: 6/9/17

KAYE, MCLANE, BEDNARSKI & LITT
PUBLIC COUNSEL

By: 
Barrett S. Litt
Attorneys for Plaintiffs

DATED: _____

NIDIA PELAEZ

By: _____
Nidia Pelaez

DATED: _____

MICHAEL NOZZI

By: _____
Michael Nozzi

1 The undersigned have each reviewed and knowingly entered this agreement.
2 The parties certify that they have fully consulted with their counsel before doing
3 so.

4 DATED: _____

KAYE, MCLANE, BEDNARSKI &
LITT
PUBLIC COUNSEL

7 By: _____

Barrett S. Litt
Attorneys for Plaintiffs

9 DATED: _____

LEWIS, BRISBOIS

12 By: _____

Brant Dveirin
Attorneys for Defendants

14 DATED: _____

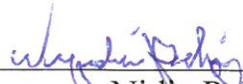
KAYE, MCLANE, BEDNARSKI &
LITT
PUBLIC COUNSEL

18 By: _____

Barrett S. Litt
Attorneys for Plaintiffs

20 DATED: 6-7-17

NIDIA PELAEZ

23 By:  _____

Nidia Pelaez

25 DATED: 6/9/2017

MICHAEL NOZZI

27 By:  _____

Michael Nozzi

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DATED: 6/8/17

HOUSING AUTHORITY FOR THE CITY
OF LOS ANGELES

By: Doug Guthrie

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LIST OF EXHIBITS TO SETTLEMENT AGREEMENT

- Exhibit B Proof of Claim**
- Exhibit C Class Notice**
- Exhibit D June 1 2017 Kriegler Memorandum**
- Exhibit E JND Legal Administration Bid**

Exhibit B

Nozzi v. Housing Authority of the City of Los Angeles

P.O. Box _____

CLASS ACTION CLAIM FORM

||||| Claim #: _____
First Last (pre-print)
c/o (pre-print)
Address (pre-print)
City, ST Zip (pre-print)

Name/Address Changes (if any). Please enter below:

First Name Last Name

Address

City State Zip

Please provide the following personal identification information:

Email address: _____

() Area Code Daytime Telephone Number

() Area Code Evening Telephone Number

Last four digits of Social Security Number: _____

Date of Birth: ___/___/___
Month Day Year

Other names used beginning 2004: _____

I understand my entitlement to compensation will be determined exclusively by records of the Housing Authority of the City of Los Angeles ("HACLA").

I wish to make a claim against HACLA because, as of April 2, 2004, I was a HACLA Section 8 Housing Choice Voucher Program participant, and I received this claim form in the mail advising me that I qualified as a damages class member in this case, or I otherwise believe I may be a Damages Class Member. I understand, as explained in the Class Notice, that qualification as a damages class member is based on technical standards regarding whether and under what circumstances Section 8 Housing Choice Voucher Program participants were entitled to one-year advance notice before a reduced subsidy could be imposed, and that the plaintiffs in this lawsuit claimed the notice given was inadequate. I further understand that not all such individuals were entitled to such advance notice because they were removed from the class if, for example, they moved or changed bedroom size and for other reasons, and that whether a person is in the Damages Class is based solely on HACLA's records (including HACLA records retrieved from HUD (collectively "HACLA records")).

I also understand that, if I received this preprinted form in the mail, the maximum amount of money I can receive is \$_____ (which is the difference between the rent I would have paid absent the reduced subsidy and the rent I actually paid for a period of no more than eleven months (the time period is shorter than eleven months if I moved or other things occurred that took me out of the Damages Class at some point). I also understand that, if I downloaded a claim form from the website, or otherwise obtained a blank form, whether I am a class member and the maximum amount I can receive will be determined from HACLA's electronic records.

I know it is possible that the maximum amount will not be paid to qualifying Damages Class Members if a large percentage of them file claims. If that occurs, each class member will receive a percentage of the damages explained above, and the amount each receives will be determined based on the number of claims filed.

You must mail this Claim Form with a postmark
NO LATER THAN _____,
in order to receive money from the class fund.
ACT NOW

If your Claim Form is not mailed with a postmark no later than _____, you will not be considered a member of the class even if you wish to be, but you still will be bound by the settlement and will not receive any money. DO NOT DELAY.

The information given in this Claim Form is private, and will be held in strictest confidence, except as needed by the Parties and Settlement Administrator. If you have any questions about this lawsuit, write to us at Nozzi v. Housing Authority of the City of Los Angeles Settlement Administrator, P.O. Box _____, _____; contact us by e-mail at _____; or visit our web site at www.HACLAClassAction.com.

YES, I WISH TO MAKE A CLAIM.

By signing this form below, I am confirming that the above information is correct and that:

- 1. I am the person identified above and am over the age of 18.
2. I have not received money or compensation for any of the claims involved in this case.
3. I will abide by, and be limited to, the formula for damages approved by the Court.
4. I will keep the Settlement Administrator informed of my whereabouts at all times.

I declare under penalty of perjury that the information given above is true and correct.

Date: _____ Signature: _____
(mm/dd/yyyy)

Exhibit C

Class and Settlement Notice

NOTICE OF CLASS ACTION, CLASS SETTLEMENT AND HEARING

RE: *Nozzi v. Housing Authority of the City of Los Angeles, et al.*, Case No. CV 07-00380 PA (FFMx).

Esta Notificación de arreglo colectivo está disponible en español. Llame sin cargo: 1-_____o visite el siguiente sitio web: www.HACLAClassAction.com.

There is currently pending a class action lawsuit in the United States District Court, Central District of California. The Court has certified the case as a class action. If the proposed Settlement receives final court approval, CLASS MEMBERS are eligible to receive money.

If, you were a Housing Choice Voucher Payment Section 8 Participant through the Housing Authority of the City of Los Angeles (“HACLA”) on April 2, 2004, and continued to be one, you should have received notice sometime during the year beginning June 1, 2004 that HACLA was going to reduce its contribution to your rent the following year (subject to certain limitations explained further on).

You may be a CLASS MEMBER and entitled to receive MONEY but only if you take action and file a claim.

The class action lawsuit currently pending in the United States District Court, Central District of California, challenged the legality of the reduction in rent subsidy **because HACLA’s notice of the reduced subsidy did not adequately explain what HACLA was doing.**

If you were such a participant, and meet certain other limiting criteria explained further on in this notice, you may be entitled to a payment of funds up to the amount of additional rent you paid your landlord during the period July 1, 2005 through April 30, 2007, for a period of up to 11 months. Depending on your circumstances, you *could be entitled to several hundred dollars* repayment, and in some instances more.

HACLA records show that **you may be a CLASS MEMBER.** Therefore, **you may be eligible to receive MONEY from the Settlement.** In order to receive any money in this Settlement, **you must fill out and mail a Claim Form.**

Your Claim Form

must be **postmarked** or received by the Administrator
no later than _____.

If you wish to “opt out,” or be excluded from the Settlement, your opt-out letter must be postmarked or received by the Administrator by _____.

Even if you do not submit a Claim Form or opt out of the Settlement by the above deadline, you will be bound by the terms of the Settlement.

If You Wish to Claim Your Share of the Settlement Money,

Fill Out and Mail the Enclosed Claim Form Today.

Below are questions and answers designed to explain information about this lawsuit, including how to proceed to file a claim or otherwise participate in the Settlement process.

1. What Is The Class Action Lawsuit About?

This lawsuit challenged the adequacy of HACLA's notice explaining a reduction in its subsidy to Section 8 participants. The lawsuit claimed that the notice, which Section 8 participants were entitled to receive one year before the reduced subsidy took effect as to them, was so deficient in explaining the effect of the reduction that it violated the constitutional right to due process of law and certain California state laws. As a result, according to the lawsuit, the reduction in HACLA's subsidy was unlawful, and the affected tenants are entitled to damages in the amount of the additional rent they paid their landlords that they would not have paid if the subsidy had not been reduced. (The lawsuit also claimed that some participants could be entitled to other types of damages if they could show them, and that all Section 8 participants, present and future, were entitled to an order that HACLA's future notices adequately explain the likely or potential effect of any subsidy reduction.)

2. Who Is A Member Of The Damages Class Entitled To Money?

You are a member of the Damages Class if you were a voucher participant under the HACLA Section 8 Housing Choice Voucher Program (referred to at times as "Voucher Participant") beginning April 2, 2004, and paid a higher rent to your landlord than you otherwise would have paid if not for the reduced subsidy in effect during the period July 1, 2005 through April 30, 2007. Subject to certain limitations, you could receive a reimbursement for up to 11 months that you overpaid your rent.

The limitations on who is a Damages Class member (in other words, those who were not entitled under the U.S. Department of Housing and Urban Development ("HUD") regulations to the benefit of the one year advance notice) are: 1) a new Voucher Participant who moved into Section 8 housing after April 2, 2004; 2) a Voucher Participant on or after April 2, 2004, who moved into a different Section 8 unit after that date (this person is ineligible as of the time he or she moved into a new unit); 3) a Voucher Participant after April 2, 2004 who changed Voucher Bedroom sizes after that date (this person is ineligible as of the change in voucher bedroom size); 4) a Voucher Participant whenever a new Housing Authority Payment ("HAP") contract was executed for that tenant's unit, even if the family did not move from its current unit (i.e., when the owner and the family entered a new lease agreement), and 5) a Voucher Participant allotted a subsidy as a reasonable disability accommodation for a unit. Such tenants are not members of the Damages Class as of the time one of these Exceptions applied.

All other HACLA Section 8 Voucher Participants were entitled to the one-year advance notice for the period they were such tenants, and are entitled to reimbursement of up to eleven months of the additional rent they paid (depending on whether they fit into one of the foregoing exception categories, which cut off their reimbursement period).

Whether you are a class member is determined **solely** from the records of HUD and HACLA.

3. What Is The Purpose Of This Notice?

You have a right to know about a proposed Settlement of this class action lawsuit and about all your options before the Court decides whether to give final approval to the Settlement. Your rights may be affected by this lawsuit.

This information is being sent to everyone who has been determined to be a member of the class based upon the last known address available from HACLA's records, and is otherwise being publicized to reach class members.

This Notice explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible and how to file a claim.

The Court in charge of the case is the United States District Court for the Central District of California, located in Los Angeles, California. The case is known as *Nozzi v. HACLA, et al.*, Case No. CV 07-00380 PA (FFMx). The people who brought the case are called Plaintiffs, and the people they sued are called Defendants. The Judge is The Honorable Percy Anderson.

4. Why Is This A Class Action?

In a class action, one or more persons, called the Class Representative(s), sue on behalf of a group of people who have similar claims – the Class Members. One court then resolves the issues for all Class Members, except for those who exclude themselves from the class.

5. Why Is There A Settlement?

The Court has ruled that some of the claims in this lawsuit are correct, but has not decided what kind of remedy or damages the class members are entitled to. Instead of continuing the litigation, both sides have agreed to a Settlement. That way, both sides are able to avoid the risks and costs of a trial regarding the damages to which class members may be entitled, or an appeal from any such decisions by a court; the case can be resolved immediately; and the benefits of the Settlement can be made immediately available to the Class Members. The Class Representative and her attorneys think that the proposed Settlement is fair to the Class Members and the parties in the case, and think that the terms of the Settlement are a fair, reasonable and adequate resolution of this matter.

6. Are There Lawyers Representing You?

The Court has approved lawyers (called "Class Counsel") to collectively represent you. You will not be asked to pay your own personal money for the services these attorneys and their associates and staff have provided you in litigating this case and negotiating this Settlement. Instead, the lawyers will seek payment from the fund being made available in this Settlement on behalf of the class, as described further below. Only Class Counsel may act on behalf of the class. However, that rule of law does not prevent you from hiring your own lawyer to advise you personally about your rights, options or obligations as a Class Member in this lawsuit. If you want to be represented by your own lawyer, you may hire one at your own expense.

7. What Does The Settlement Provide?

The Settlement provides for payment of a total of estimated to be not less than approximately \$9,000,000 ~~to \$9,400,000~~ (depending on the sum available after payment of insurance policy money for the defense litigation costs and attorney's fees). From that amount, the following awards will be made:

- a. An award of attorneys' fees, in an amount not to exceed 30% of the approximately \$9-9.4 Million total.
- b. Additional payment of class attorney's litigation costs.
- c. Further additional payments of the third party class settlement administration costs.
- d. Payment of \$5,000 to Nidia Pelaez, the designated Class Representative, in addition to her rent reimbursement. Ms. Pelaez will receive this additional amount under the Settlement because of the role that she played in the litigation. Also payment to Named Plaintiff Michael Nozzi of \$1000 (inclusive of his rent reimbursement) as compensation for any individualized damages.
- e. Payment of the remainder, estimated to be approximately in the range of \$5,500,000-6,000,000, to the members of the class who file claims for payment up to the amount of additional rent that each qualifying Damages Class member paid as a result of the reduced HACLA subsidy.
- f. To the extent that the filed claims do not total the amount available for distribution to Damages Class members, the excess funds will not be paid out and will be retained by HACLA's insurers. However, in no event will the total funds paid out to Damages Class members, or organizations that assist Section 8 tenants, be less than \$2,000,000. (This is because, if not enough class members file claims to total \$2,000,000, the difference between the amount claimed and \$2,000,000 will be paid to organizations that help Section 8 tenants.)
- g. If the total claims filed by Damages Class members exceed the funds available for payment to them, the amount paid to them will be proportionately reduced. (For example, if there is only enough of the available fund to pay 75% of the total claims, each class member shall be paid 75% of the damages amount that is due them.)

In addition, the Court will enter an injunction lasting for the next three years ensuring that notices to all Section 8 tenants of any future reduction of the Voucher Payment Standard will be in plain, understandable language requiring no specialized knowledge that the average Section 8 tenant should understand.

8. Does the Settlement Affect Section 8 Or Other Benefits I Receive?

Under the terms of the settlement, HACLA will treat the money to be paid to class members as settlement for personal injury which, under HUD regulation 24 C.F.R. § 5.609(c)(3), is

excluded from any income calculation i.e. the damages payment you receive will not be counted as part of your income when determining whether you still qualify for Section 8 housing assistance at your next reexamination. However, if you have assets, HACLA may count any income earned on those assets. ~~If you have questions about that,~~ HACLA has designated _____ as a point of contact on these treatment of payment matters should you need further clarification.

With regards to other public benefit programs, Class Counsel are not experts in the income and asset policies for all benefits programs. If you are unsure about how the receipt of any money under this settlement will affect other benefits you receive, you should discuss the issue with your caseworkers on those programs or seek other legal advice. (Class counsel are unable to provide such advice.) You should provide them with a copy of this notice, which has been approved by the court, and let them know you are being repaid money that you previously paid towards your rent pursuant to a notice which the court has ruled was illegal.

9. Will I Receive Anything From The Settlement?

If you receive a Claim Form addressed to you, it will state the maximum amount of damages to which you are entitled if there are funds available to pay all claims. As long as you file an approved claim within the time set by the Court, you will be entitled to receive compensation up to the amount stated on your Claim Form, or a reduced amount if the total claims exceed the available funds. In the event the total claims exceed the available funds, you and each class member's recovery will be reduced proportionally.

Based on the terms of this settlement, it is estimated that no Damages Class member will receive less than 50% of the maximum damages to which they are entitled. If you file an approved claim, you will receive somewhere between 50% and 100 % of the amount listed on your individualized claim form, depending on how many claims are filed. If you obtained a claim form from the website, it won't tell you what your maximum recovery is because it is not individualized.

The full description of the proposed system to determine how much each Damages Class member will receive is contained in the parties' Settlement Agreement, which is contained on the website www.HACLAClassAction.com.

10. What Do I Do To Get Money?

If you wish to receive money from the Settlement, you must complete and submit the accompanying Claim Form. Read the instructions on the Claim Form carefully. **All Claim Forms must be completed and postmarked (or received by the Administrator) no later than _____**, but in order not to miss out on this opportunity, you should complete and mail your Claim Form as soon as possible. **If you do not timely and properly submit your Claim Form, you will not receive any money** from the Settlement. If you need a copy of a Claim Form, please call _____ (toll free), or write to the *Nozzi v. HACLA* Settlement Administrator, P.O. Box _____, _____, _____, or download the Form from the Internet at www.HACLAClassAction.com.

11. What If I Still Don't Know If I Am A Class Member?

If you are not sure whether you are included in the class, call 1-_____ or write to:

Nozzi v. HACLA Settlement Administrator

Determinations of whether you are or are not a Class Member will be based exclusively on the records of HUD and HACLA.

12. How Much Will The Lawyers Be Paid?

The Court has not yet decided how much Class Counsel will be paid. However, they will ask the Court for an award of reasonable attorneys' fees of 30% of the total available Class Fund, which is between \$9,000,000 and \$9,400,000, plus litigation costs that they advanced over the course of the lawsuit. The Court can award less than that amount, but not more. You will not be asked personally to pay any attorneys' fees that the Court awards to Class Counsel. Only if you hire your own lawyer to represent you personally would you have to pay an attorney any fees.

13. Can I Exclude Myself From The Settlement?

If you do not want to be a member of the class, or if you want to be able to file your own lawsuit, or be part of a different lawsuit against the Defendants raising the claims involved in this lawsuit, then you must take steps to get out of the class. This is called "excluding yourself" from, and sometimes is referred to as "opting out" of, the class.

14. What Do I Do To Exclude Myself From The Lawsuit?

To exclude yourself, you must send a letter by First-Class mail clearly stating that you want to be excluded from *Nozzi v. HACLA*. Be sure to include your name, address, telephone number and signature. The name and address of your attorney is not sufficient. **You must mail your Exclusion Request, postmarked no later than _____, to:**

Nozzi v. HACLA Settlement Administrator

You cannot exclude yourself on the phone or by email. If you exclude yourself, you will not be entitled to get any money from the Settlement, and you cannot object to the Settlement. Nor will you be legally bound by anything that happens in this lawsuit.

Unless you exclude yourself from the class, you remain in the class and give up all of your rights against the Defendants for the conduct alleged in this complaint, except those available to you under this Settlement. That means that, if you don't exclude yourself and also don't file a claim, you will receive no money but will still lose your rights against the Defendants. **So be sure to file the claim form unless you are going to exclude yourself. (If you do exclude**

yourself, and you want to pursue other damages for the conduct alleged in the complaint, you will need to bring your own complaint against Defendants.)

Anyone filing-submitting an approved claim should receive at least 50% of the amount listed on that Damages Class Member’s Class Form, and may receive more up to the full amount listed on the Claim Form.

15. What Is The Release Of Claims?

As part of the Settlement, you release the claims covered by this lawsuit in exchange for the money you will receive if you do not exclude yourself from the class. The Proposed Final Order of Approval and Settlement (which you may view on the website for this lawsuit at www.HACLAClassAction.com) describes the legal claims against the Defendants you will give up by staying in the class (that is, if you do not exclude yourself as described in the question above entitled “What Do I Do To Exclude Myself From The Lawsuit?”). The Released Claims include all claims, demands, causes of action, whether class, individual or otherwise in nature, damages whenever incurred, liabilities of any nature whatsoever, including costs, expenses, penalties and attorneys’ fees, that were or could have been asserted in the complaint based on the facts alleged, specifically for the increased rent paid as a result of the improperly reduced HACLA subsidy. These Released Claims include any other related complaints, grievances, and/or claims, whether judicial or administrative, and whether actually filed or available. Released Claims do not include any other claim(s) that a Plaintiff or member of the classes may have against HACLA for conduct not covered by this Settlement (for example, a claim for an unlawful eviction unrelated to this suit).

16. If I Do Not Like The Settlement Or Object To The Attorneys’ Fees, How Do I Tell The Court?

If you are and choose to remain a Class Member, you can object to the Settlement if you do not like any part of it, or you may object to the request for attorneys’ fees. You must give the reason why you think that the Court should not approve the Settlement or the requested attorneys’ fees (i.e., a mere statement that “I object” will not be sufficient). Do not contact the Court orally to object. Rather, you must send a written statement with the case name and number (*Nozzi v. HACLA*, Case No. CV 07-00380 PA (FFMx)) at the top of the page. In addition, provide your name, your address (just giving the address of an attorney who represents you is not sufficient), your telephone number, your signature and the reason why you object. If you are represented by a lawyer, you should also give the name, address and telephone number of that lawyer. **You must mail your objections and any supporting papers by First-Class mail, postmarked no later than _____,** to the Court and counsel as follows:

Clerk of the District Court United States District Court Central District of California, First Street Courthouse, 350 W. 1st Street, Courtroom 9A, 9th Floor, Los Angeles, California 90012	Barrett S. Litt Attn: Julia White Kaye McLane, Bednarski & Litt 234 E. Colorado Boulevard, Suite 230 Pasadena, CA 91101	Brant Dveirin Lewis Brisbois 633 W. Fifth St. Suite 4000 Los Angeles, CA 90071
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If you are not filing a pre-prepared claim form, you should provide as much identifying information (such as Driver's License, address while in Section 8, date of birth and last four digits of your Social Security Number) with the copies sent to the counsel listed above, so that your file can be located. To protect your privacy, do not send that information to the Court, as what you file with the Court is a public document.

Submitting an objection will not extend the time within which a Class Member may request exclusion from this Settlement. (If you file an exclusion, you are no longer a member of the Damages Class and any objection will not be considered.)

A full set of the settlement documents, including the Settlement Agreement, a Claim Form, the expert reports explaining how class members were identified, the Proposed Final Order of Approval and Settlement and the Motion For Award of Attorneys' Fees and Costs is available (or will be if the motion for attorneys' fees has not yet been filed) on the case website, www.HACLAClassAction.com.

17. What Is The Difference Between Objecting And Excluding?

Objecting is simply telling the Court that you do not like something about the Settlement. You can object only if you stay in the class. If you object and the Court rejects your objection, you remain a member of the class and will be bound by any outcome of the case, and entitled to payment under the settlement if you make a claim. Excluding yourself is telling the Court that you do not want to be part of the class. If you exclude yourself, you have no basis to object because the case no longer affects you.

18. When And Where Will The Court Decide Whether To Approve The Settlement And Attorneys' Fees?

The Court has scheduled the Fairness Hearing for _____, at _____ in the United States District Courthouse for the Central District of California, First Street Courthouse, 350 W. 1st Street, Courtroom 9A, 9th Floor, Los Angeles, California 90012. At this Hearing, Judge Anderson will consider whether the Settlement is fair, reasonable and adequate, and will determine the amount of attorneys' fees and costs to be awarded. If there are any objections, the Court will consider and rule on them. We do not know how long this process will take. We do not know if the Hearing will be continued. There will not be a new notice if it is. You may speak at the Hearing, but only if you have submitted your comments or objections as provided in the question above entitled "If I Do Not Like The Settlement Or Object To The Attorneys' Fees, How Do I Tell The Court?" (See question no. 16)

19. Do I Have To Come To The Hearing?

No. You may, but need not, attend the Hearing. Class Counsel will answer any questions the Court may have. However, you may come if you choose, but at your own expense. If you sent a written objection, you may, but do not have to, come to Court to talk about it. As long as you properly submitted your written objection, the Court will consider it. You may also pay your own lawyer to attend, but that also is not necessary.

20. May I Speak At The Hearing?

You will not be heard unless you have submitted your comments or objections as provided in the question above entitled “If I Do Not Like The Settlement Or Object To The Attorneys’ Fees, How Do I Tell The Court?” (See question no. 16) and have stated in your submission that you wish to be heard. You cannot speak at the Hearing if you exclude yourself. If you have submitted an objection, the Court will decide whether or not to hear from you verbally as well.

21. What Happens If I Do Nothing At All?

If you do nothing, your rights will be affected. You will be bound by the terms of the Settlement and you will be agreeing to a release of the claims that are contained in the Settlement. However, **if you do not file a claim, you will not be entitled to any money from the Settlement even though you will be bound by it.**

22. When Will I Receive Money From the Settlement?

No money will be paid until 1) after the Settlement Funds are deposited with the Settlement Administrator, which will only occur 30 days after the Settlement is approved and all possibilities of appeal are completed, and 2) until after the date set by the Court as the last day to mail or file a claim. After that, it will take at least two months, and quite possibly more, to process all the claims, calculate the amount due each Class Member and ~~receive-send~~ ~~to send~~ the money to the Class Members. If you file a claim and do not receive money within six months after _____, which is the last day to mail or file a claim, check the website for this case about when payment mailings are expected, or contact the Class Administrator by either calling 1- _____ or writing to:

Nozzi v. HACLA Settlement Administrator

We strongly recommend that you keep a copy of your Claim Form. You may want to send the Form in by certified mail so it can be verified, but you are not required to do so.

23. What Happens If There Is Not A Final Settlement?

Under certain circumstances, it is possible the settlement might not go through (for example, if there are too many people who decide not to participate or if the court for some reason does not approve the settlement). In that situation, the case would go forward and go to trial.

24. Are There More Details About The Settlement?

This Notice merely summarizes the proposed Settlement. You ~~may-can~~ go to the website titled www.HACLAClassAction.com to see the complete Settlement documents in the case and a copy of the Motion for Award of Attorneys’ Fees and Costs when it is filed. That website also contains the reports of the statistical expert who analyzed the HUD and HACLA data to determine who was a member of the Damages Class, and determined the amount of the

members' damages. In the event that any description in this Notice of the terms in the Settlement documents conflict with the actual terms of the Settlement documents, the terms of the Settlement documents control.

Exhibit D

MEMORANDUM

FROM: B. Kriegler

RE: Summary of criteria used to calculate damages for settlement purposes

DATE: June 1, 2017

I. Overview

1. This memo outlines the criteria used to identify tenants who are owed settlement awards and the amounts owed to each tenant. Tenants owed settlement awards were residents of Section 8 housing in the City of Los Angeles. In the mid-2000s, the Housing Authority of the City of Los Angeles (HACLA) reduced tenants' subsidies. Tenants' portion of rent therefore increased because their subsidies decreased. Plaintiffs allege that decreases in subsidies were improper because tenants were not given adequate notice that their subsidy was going to be reduced. Damages are equal to the difference between tenants' portion of rent to their landlords and what their rent would have been, but for the improper reduction in the subsidy.
2. Each tenant's settlement award is determined using two electronic databases. One database is maintained by HACLA, and the other is maintained by HUD.¹ Each of these databases was produced over the course of the *Nozzi v. HACLA* litigation. The criteria applied onto these data are based on numerous documents produced in this litigation, agreements reached between the parties regarding the criteria for damages class membership, and joint discussions that included Plaintiff's counsel and HACLA.
3. Applying a set of criteria (explained below) to the aforementioned data, there are **11,870** tenants owed **\$10,308,774** in rent overcharges. Such criteria are designed to identify which Housing Choice Voucher Program (HCVP) tenants were entitled to

¹ The database maintained by HUD is based on HACLA data. As explained in Section II, monetary values are considered more reliable in HUD, some data are in both databases, and some data are only captured in HACLA's database.

advance notice that their subsidy was going to decrease, under HUD regulations and HACLA policies.

4. The remainder of this memo consists of four sections. Section II describes the aforementioned HACLA and HUD databases. Section III consists of terminology and the derivation of relevant terms (*e.g.*, dates and dollar amounts). Section IV includes the data filters applied to the HACLA and HUD databases. A damages demonstration is provided in Section V. In summary, this memo provides an overview for the parties, the Court and ultimately class members of the standards used to determine which tenants are owed damages and the amounts they are owed.

II. Data Sources

5. Two data sources were used to calculate damages. The relevant pieces of information from these data sources are listed in the table below. Terms that are bolded are derived from these databases and are described or defined in greater detail below.

Table 1: Data Relied Upon to Identify Tenants Owed Damages for Settlement Purposes	
Name Database	Relevant Pieces of Information
Emphasys (HACLA database)	Address/City Lease start date (“Lease Date”) Reexamination Month Pre-reduced VPS (if it does not appear in the HUD database but does in Emphasys)
HUD database	Prior to July 1, 2005: <ul style="list-style-type: none"> • Pre-reduced VPS Dollar Amounts during each tenant’s Damages Period : <ul style="list-style-type: none"> • VPS • Rent to Owner • Utility Allowance • Gross Rent • Total HAP • TTP • HAP to Owner • Tenant Rent to Owner

A. Notes about Emphasys and the HUD database

6. Both Emphasys and the HUD database include the Dollar Amounts listed in Table 1, above. HACLA has indicated that the HUD database is the most reliable data source for these pieces of information. Therefore, the HUD database is used to identify each of the aforementioned monetary amounts for each tenant.
7. For some tenants, there are no data records prior to July 1, 2005 in the HUD data. Therefore, there is no Pre-reduced VPS (a term that is defined below) in the HUD data. In such circumstances, the Pre-reduced VPS is derived using Emphasys (assuming, of course, it appears there).
8. The HUD database does not include the Reexamination Month or Lease Date. Those pieces of information must come from Emphasys.

III. Terminology and Derivations

9. Below are descriptions of the **Dollar Amounts** listed in Table 1. Each of these amounts appear in Section 12 of the Family Reports:²
 - **VPS:** This is an abbreviation for “Voucher Payment Standard.” The VPS is the maximum subsidy the Housing Authority provides to a Housing Choice Voucher Payment holder. (Note that the basis of this lawsuit was Plaintiffs’ contention that HACLA reduced the VPS, thereby decreasing the subsidy for those who are damages class members, without the required constitutionally adequate notice.)
 - **Rent to Owner:** This is the total amount paid to the landlord. The Housing Authority may pay for some of the rent, and the tenant pays the difference.
 - **Utility Allowance:** Allowance for utility charges.
 - **Gross Rent:** Rent due to the landlord, including utilities.
 - **TTP:** This is an abbreviation for Total Tenant Payment. The TTP is derived from the tenant’s income.

² See, e.g., H01667 (family report for Nidia Pelaez).

- **Total HAP:** Abbreviation for the Total “Housing Authority Payment.” The Housing Authority Payment equals Gross Rent minus the Total Tenant Payment.
 - **HAP to Owner:** The Housing Authority Payment cannot exceed the Rent to Owner. The HAP to Owner is the lesser of Rent to Owner and the Total HAP.
 - **Tenant Rent to Owner:** The portion of a tenant's rent determined by the rent due to the landlord minus the Housing Authority Payment.
10. The **Pre-reduced VPS** is each tenant’s VPS prior to July 1, 2005.
11. The **Reexamination Month** refers to the first month and year on or after July 2005. This signifies the month and year that the VPS was first reduced or could have been reduced. The Reexamination Month is derived using the Lease Date in HACLA’s Emphasys database. Specifically:
- If the Lease Date was **on or after** December 2, 1997, then the Reexamination Month was the same month as the lease date month. For example, if the Lease Date was October 14, 2005, then the Reexamination Month was considered to be October of each year.
 - If the Lease Date was **before** December 2, 1997 and on the first of the month, then the Reexamination Month was that same month. For example, if the Lease Date was October 1, 1996, then the estimated Reexamination Month was October of each year.
 - If the Lease Date was **before** December 2, 1997 and after the first of the month, then the Reexamination Month was the following month. For example, if the Lease Date was October 2, 1996, then the estimated Reexamination Month was November of each year.
12. Each tenant’s **Damages Period** starts on the first day of that tenant’s Reexamination Month on or after July 1, 2005. The latest start date of the Damages Period is June 1,

2006. Each tenant's Damages Period has a maximum length of 11 months. Therefore, the last month that any tenant could have damages is April 2007.³

13. Each tenant's Damages Period ends early (*i.e.*, in less than 11 months) if any of the following occur during their maximum 11-month period:
- (i) the tenant moves;
 - (ii) the tenant's lease ends (including if the tenant passes away or when there is a new HAP contract);
 - (iii) the tenant's VPS does not follow the VPS schedule (attached);
 - (iv) the tenant is no longer in HCVP; or
 - (v) the tenant becomes a "\$0 HAP" tenant.

In the items listed above, (i)-(ii) are determined using HACLA's Emphasys database, and (iii)-(v) are determined using the HUD database.

IV. Data Filters

14. Tenants must meet the following criteria in Emphasys:
- The residence must be located within the City of Los Angeles.
 - The tenant must remain at the same residence and under the same lease from April 2, 2004 through the first day of the Reexamination Month (on or after July 1, 2005).

Tenants who do not meet both of these criteria are not eligible to receive a settlement award.

15. The HUD database is analyzed on a month by month basis for each tenant. Each tenant's Damages Period is at most 11 months long; thus, up to 11 months are analyzed per tenant. In a given month during a tenant's Damages Period, the tenant earns a settlement award if the following criteria are met using the HUD database:

³ The maximum 11 months of damages is based on the following: (i) Plaintiffs' contention that notice of reduction was supposed to be 12 months prior to the reduction; and (ii) the actual notice was one month prior to the reduction. The difference between the expected and actual notice is 11 months.

- VPS amounts before and after the reduction must appear on the VPS schedule (H00735) with the same voucher bedroom size, and the VPS must have decreased.
- The tenant is not a “\$0 HAP” tenant. These are tenants for whom the Total HAP is greater than \$0 but their HAP to Owner is \$0.

V. Damages Calculation Demonstration

16. This section provides a demonstration of how a tenant’s monthly damages are calculated, given that the tenant meets all of the criteria listed in Section III.
17. Damages calculations are equal to the actual tenant rent to owner and the tenant rent to owner but for the VPS reduction. The pre-reduced VPS is substituted for the actual VPS. Then, the calculations in Section 12 of the family report are performed.
18. The table below shows how these calculations are performed for each month of each tenant’s Damages Period. Numbers shaded in gray are identical when calculating the actual tenant rent to owner and the tenant rent to owner but for the VPS reduction.

EXAMPLE DAMAGES CALCULATIONS		
Line Item	Actual Section 12 Calculations	Section 12 Calculations Using the Pre-Reduced VPS
12J: VPS	\$1,071	\$1,204
12K: Rent to Owner	\$1,160	\$1,160
12M: Utility Allowance	\$67	\$67
12P: Gross Rent [12K + 12M]	\$1,227	\$1,227
12Q: Lesser of Gross Rent and VPS	\$1,071	\$1,204
12R: TTP	\$63	\$63
12S: Total HAP [12Q - 12R]	\$1,071 - \$63 = \$1,008	\$1,204 - \$63 = \$1,141
12U: HAP to Owner [Lesser of 12K and 12S]	\$1,008	\$1,141
12V: Tenant Rent to Owner [12K - 12U]	\$1,160 - \$1,008 = \$152	\$1,141 - \$1,041 = \$100
Damages [Difference between Actual Tenant Rent to Owner and Tenant Rent to Owner, using Pre-Reduced VPS]	\$152 - \$100 = \$52	

19. Using the data filters and approach for calculating damages, there are **11,870** tenants owed **\$10,308,774** in rent overcharges. To put these numbers in perspective, in the Expert Report of Brian Kriegler, Ph.D., dated February 27, 2017, there were 12,782 tenants owed a total of \$11,052,100 in rent overcharges. Updated damages calculations therefore represent approximately 93 percent of damages calculations listed in the Kriegler Expert Report.