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6 *and the Class*

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8
9 **UNITED STATES DISTRICT COURT**
NORTHERN DISTRICT OF CALIFORNIA

10
11
12 In re DROPBOX, INC. SECURITIES
13 LITIGATION

Case No.: 5:19-cv-06348-BLF

**DECLARATION OF ADAM M. APTON
IN SUPPORT OF: (I) PLAINTIFFS’
MOTION FOR FINAL APPROVAL OF
CLASS ACTION SETTLEMENT AND
PLAN OF ALLOCATION; AND (II) LEAD
COUNSEL’S MOTION FOR AN AWARD
OF ATTORNEYS’ FEES AND
REIMBURSEMENT OF LITIGATION**

Hearing Date: December 2, 2021

Time: 9:00 a.m.

Location: Courtroom 3 – 5th Floor

Judge: Honorable Beth Labson Freeman

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20 This Document Relates To: All Actions

TABLE OF EXHIBITS TO DECLARATION

EXHIBIT	TITLE
1	Declaration of Sarah Evans Concerning: (A) Mailing of Postcard Notice; (B) Publication of the Summary Notice; and (C) Report on Requests for Exclusion and Objections
2	Declaration of Adam Apton, Esq. in Support of Lead Counsel's Motion for an Award of Attorneys' Fee and Reimbursement of Litigation Expenses Filed on Behalf of Levi & Korsinsky, LLP
3	Declaration of Melissa C. Wright, Esq. in Support of Lead Counsel's Motion for an Award of Attorneys' Fee and Reimbursement of Litigation Expenses Filed on Behalf of Glancy Prongay & Murray LLP
4	Declaration of Daniel Tyre-Karp, Esq. in Support of Lead Counsel's Motion for an Award of Attorneys' Fee and Reimbursement of Litigation Expenses Filed on Behalf of The Rosen Law Firm, P.A.
5	Janeen McIntosh and Svetlana Starykh, <i>Recent Trends in Securities Class Action Litigation: 2020 Full-Year Review</i> (NERA Jan. 25, 2021)
6	Table of Law Firm Rates

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1 I, Adam M. Apton, declare under penalty of perjury pursuant to 28 U.S.C. § 1746, as follows:

2 1. Court-appointed Lead Counsel Levi & Korsinsky, LLP (“L&K” or “Lead Counsel”),
3 and additional counsel Glancy Prongay & Murray LLP (“GPM”) and The Rosen Law Firm, P.A.
4 (“Rosen Law” and, together with L&K and GPM, “Plaintiffs’ Counsel”), are counsel of record for
5 Lead Plaintiff Ognjen Kuraica and Named Plaintiff Rick Gammieri (“Plaintiffs”) in the above-
6 captioned action (the “Action”).¹ I oversaw or conducted the day-to-day activities in the Action on
7 behalf of my firms. I am familiar with the proceedings in this litigation, and have personal
8 knowledge of the matters set forth herein based upon supervising and participating in all aspects of
9 the Action.

10 2. I respectfully submit this declaration, together with the attached exhibits, in support
11 of Plaintiffs’ Motion for Final Approval of Class Action Settlement and Plan of Allocation and the
12 concurrently filed memorandum in support thereof (“Final Approval Memorandum”). As set forth
13 in the Final Approval Memorandum, Plaintiffs seek final approval of the \$1,375,000 Settlement for
14 the benefit of the Settlement Class, as well as final approval of the proposed Plan of Allocation of
15 the Net Settlement Fund to eligible Settlement Class Members.

16 3. I also respectfully submit this declaration in support of Lead Counsel’s Motion for
17 an Award of Attorneys’ Fees and Reimbursement of Litigation Expenses and the concurrently filed
18 memorandum in support thereof (“Fee Memorandum”). As set forth in the Fee Memorandum, Lead
19 Counsel, on behalf of Plaintiffs’ Counsel, seeks an award of attorneys’ fees in the amount of 25%
20 of the Settlement Fund (which, by definition, includes interest accrued thereon), and reimbursement
21 of Litigation Expenses in the total amount of \$34,257.30.

22 4. The Court preliminarily approved the proposed Settlement by Order dated August 3,
23 2021 (the “Preliminary Approval Order”), and thereby directed notice of the Settlement to be
24 disseminated to the Settlement Class. *See* ECF No. 121. Pursuant to the Preliminary Approval
25 Order, Strategic Claims Services (“SCS”), the Court-approved Claims Administrator, implemented

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28 ¹ Capitalized terms not otherwise defined herein have the meanings given to them in the Stipulation and Agreement of Settlement, dated May 14, 2021 (the “Stipulation”) (ECF No. 115-2).

1 a comprehensive notice program under the direction of Lead Counsel, whereby notice was given to
2 potential Settlement Class Members by mail and by publication.

3 5. In total, 149,712 copies of the Postcard Notice have been disseminated to potential
4 Settlement Class Members and nominees, and thus far only three requests exclusions were received
5 and no objections have been received.

6 **I. INTRODUCTION**

7 6. This is a class action that asserted claims pursuant to Section 11 of the Securities Act
8 of 1933 (the “Securities Act”) against Dropbox, Inc. (“Dropbox” or the “Company”), the Individual
9 Defendants², and the Underwriter Defendants³, and under Section 15 of the Securities Act against
10 the Individual Defendants and the Sequoia Defendants.⁴ Plaintiffs allege that Dropbox’s
11 Registration Statement was materially false and misleading for failing to disclose the alleged decline
12 of Dropbox’s user conversion rate, which Plaintiffs alleged had caused Dropbox to experience a
13 material decline and/or slowdown in revenue growth.

14 7. The proposed Settlement provides for the resolution of all claims in the Action in
15 exchange for a cash payment of \$1,375,000 (the “Settlement Amount”) for the benefit of the
16 Settlement Class. As detailed herein, Plaintiffs and Plaintiffs’ Counsel submit that the proposed
17 Settlement represents a highly favorable result for the Settlement Class considering the procedural
18 posture of the case as well as the significant risks remaining in the litigation, including the fact that
19 the Court had granted Defendants’ motions to dismiss making proceeding past the pleading stage a
20 potentially insurmountable obstacle.

21 _____
22 ² The “Individual Defendants” are Andrew W. Houston, Ajay V. Vashee, Timothy J. Regan, Arash
23 Ferdowsi, Robert J. Mylod, Jr., Donald W. Blair, Paul E. Jacobs, Condoleezza Rice, R. Bryan
Schreier, and Margaret C. Whitman.

24 ³ The “Underwriter Defendants” are Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC,
25 Deutsche Bank Securities Inc., Allen & Company LLC, BofA Securities, Inc., RBC Capital
26 Markets, LLC, Jefferies LLC, Macquarie Capital (USA) Inc., Canaccord Genuity LLC, JMP
Securities LLC, KeyBanc Capital Markets Inc., and Piper Sandler & Co.

27 ⁴ The “Sequoia Defendants” are Sequoia Capital XII L.P., Sequoia Capital XII Principals Fund,
28 LLC, Sequoia Technology Partners XII, L.P., and SC XII Management, LLC

1 8. Additionally, the \$1,375,000 cash Settlement Amount is within the range of
2 reasonableness under the circumstances to warrant final approval of the Settlement. As discussed
3 more fully below, Plaintiffs’ best-case damages scenario is estimated to be approximately \$35.5
4 million. However, the Court had already: (i) rejected Plaintiffs’ assertions that the Company’s
5 Reinstatement Statement was materially false and misleading for failing to disclose a decline in
6 Dropbox’s conversion rate which caused the Company to experience a decline and/or slowdown in
7 revenue growth; (ii) held that Plaintiffs did not demonstrate Defendants omitted known trends in the
8 Registration Statement; and (iii) found that the claims were time-barred.

9 9. The \$1,375,000 Settlement Amount represents approximately 3.8% of \$35.5 million
10 in damages. This percentage of recovery for a securities litigation matter that has been dismissed, is
11 within the range of reasonableness considering the circumstances.

12 10. Indeed, the Settlement provides a substantial, certain, and immediate recovery, while
13 avoiding the significant risks and expense of continued litigation, including the risk that the
14 Settlement Class could recover less than the Settlement Amount (or nothing) after years of
15 additional litigation and delay.

16 11. The Settlement was reached after two years of contested litigation. Plaintiffs’
17 Counsel’s efforts involved, among other things: (i) conducted a comprehensive investigation prior
18 to the filing of the Consolidated Class Action Complaint for Violations of the Federal Securities
19 Laws (the “First Amended Complaint” or “FAC”); (ii) fully briefed the various motions to dismiss
20 the FAC filed by the Dropbox Defendants and the Sequoia Defendants;⁵ (iii) prepared for and argued
21 the motions to dismiss; (iv) investigated and researched a subsequent amended complaint in light of
22 the Court’s motion to dismiss order; (v) in advance of a mediation session, prepared detailed
23 mediation and reply statements outlining Plaintiffs’ analyses of the claims and defenses in this case,
24 including the additional content that would have been included in the filed amended complaint if
25 the case had not settled; (vi) engaged in arm’s-length negotiations with counsel for Defendants

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27 _____
28 ⁵ “Dropbox Defendants” means Dropbox and the Individual Defendants.

1 during an all-day mediation session on February 11, 2021 which culminated in an agreement in
2 principle to settle the Action; and (vii) negotiated and executed the Stipulation.

3 12. In preparation for the mediation, the Parties provided mediator Judge Gary A. Feess
4 (Ret.) of Philips ADR with detailed mediation statements and reply statements outlining their
5 respective analyses of the claims and defenses in this case. After a full day of negotiation, the Parties
6 reached an agreement in principle to resolve the action. The proposed Settlement is, therefore, the
7 result of arm's-length negotiations between and among well-informed, highly experienced counsel.

8 13. Based on the foregoing efforts, Plaintiffs and Plaintiffs' Counsel are well aware of
9 the strengths and weaknesses of the claims and defenses in the Action, and believe the Settlement
10 represents a favorable outcome for the Settlement Class and is in the best interests of its members.
11 For all the reasons set forth herein and in the accompanying memoranda and declarations, Plaintiffs
12 and Plaintiffs' Counsel respectfully submit that the Settlement is "fair, reasonable, and adequate" in
13 all respects, and that the Court should grant final approval pursuant to Rule 23(e) of the Federal
14 Rules of Civil Procedure.

15 14. In addition, Plaintiffs seek approval of the proposed Plan of Allocation as fair and
16 reasonable. As discussed in further detail below, Lead Counsel developed the Plan of Allocation
17 with the assistance of Plaintiffs' damages consultant. The Plan of Allocation provides for the
18 distribution of the Net Settlement Fund to each Authorized Claimant on a *pro rata* basis based on
19 their Recognized Loss amounts.

20 15. Finally, Lead Counsel, on behalf of Plaintiffs' Counsel, seeks approval of the request
21 for attorneys' fees and reimbursement of Litigation Expenses as set forth in the Fee Memorandum.
22 As discussed in detail in the accompanying Fee Memorandum, the requested 25% fee is within the
23 range of percentage awards granted by courts in comparable securities class actions. Additionally,
24 the fairness and reasonableness of the request is confirmed by a lodestar cross-check and warranted
25 in light of the extent and quality of the work performed and the substantial result achieved.
26 Likewise, the requested out-of-pocket litigation costs of \$34,257.30 is also fair and reasonable.
27 Accordingly, for the reasons set forth in the Fee Memorandum and for the additional reasons set

28

1 forth herein, Lead Counsel respectfully submits that the request for attorneys' fees and
2 reimbursement of Litigation Expenses be approved.

3 **II. PROSECUTION OF THE ACTION**

4 **A. Background**

5 16. Plaintiffs alleged that Dropbox's Registration Statement was materially false and
6 misleading for failing to disclose a decline in Dropbox's conversion rate which caused the Company
7 to experience a decline and/or slowdown in revenue growth in violation of Sections 11 and 15 of
8 the Securities Act.

9 17. Plaintiffs further alleged that the price of Dropbox's common stock was artificially
10 inflated as a result of the Defendants' allegedly false and misleading statements and omissions, and
11 that the price declined when the truth was revealed.

12 **B. Commencement of the Instant Action**

13 18. On October 4, 2019, two class action complaints were filed in the United States
14 District Court for the Northern District of California, styled *Deinnocentis v. Dropbox, Inc., et al.*,
15 Case No. 5:19-cv-06348-BLF (N.D. Cal.) (the "*Deinnocentis* Action") and *Pikal v. Dropbox, Inc.,*
16 *et al.*, Case No. 4:19-cv-06360 (N.D. Cal.) (the "*Pikal* Action").

17 19. On December 3, 2019, several competing motions were filed seeking consolidation
18 and appointment of lead plaintiff and lead counsel. On January 16, 2020, the Court issued an Order:
19 (1) consolidating the *Deinnocentis* and *Pikal* Actions, which were re-captioned as *In re Dropbox,*
20 *Inc. Securities Litigation*, Case No. 5:19-cv-06348-BLF; (2) appointing Mr. Kuraica as Lead
21 Plaintiff for the consolidated action; and (3) approving Lead Plaintiff's selection of L&K as Lead
22 Counsel for the proposed plaintiff class. ECF No. 65

23 **C. The Comprehensive Pre-Filing Investigation, Preparation of the FAC, and 24 Defendants' Motion to Dismiss the FAC**

25 20. In preparation for filing the amended complaint, Plaintiffs' Counsel conducted an
26 extensive factual and legal investigation that included, *inter alia*: (i) detailed review of Dropbox's
27 U.S. Securities and Exchange Commission ("SEC") filings, press releases, conference calls, news
28 reports, blog postings, and other public statements made by Defendants prior to, during, and after

1 the Settlement Class Period; (ii) public documents, reports, announcements, and news articles
2 concerning Dropbox; (iii) research reports by securities and financial analysts; (iv) economic
3 analyses of stock price movement and pricing data; (v) through a private investigator, conducting
4 numerous fact interviews with former employees and other third parties; (vi) review and analysis of
5 other publicly available material and data; and (vii) consultation with a damages expert.

6 21. On March 2, 2020, Plaintiffs and named plaintiff Luis Chavez⁶ filed and served the
7 FAC. ECF No. 68. The FAC asserted claims under Section 11 of the Securities Act against
8 Dropbox, the Individual Defendants, and the Underwriter Defendants, as well as claims under
9 Section 15 of the Securities Act against the Individual Defendants and the Sequoia Defendants. The
10 FAC alleged that Dropbox's Registration Statement was materially false and misleading for failing
11 to disclose a decline in Dropbox's conversion rate which caused the Company to experience a
12 decline and/or slowdown in revenue growth.

13 22. The FAC further alleged that the prices of Dropbox's publicly traded securities were
14 artificially inflated as a result of the Defendants' allegedly false and misleading statements and that
15 the price of Dropbox's common stock declined when the truth was revealed. Plaintiffs asserted
16 these allegations on behalf of themselves and all person who purchased or otherwise acquired
17 Dropbox common stock pursuant and/or traceable to the Registration Statement and Prospectus
18 issued in connection with Dropbox's March 22, 2018 initial public offering (the "IPO").

19 23. On April 16, 2020, the Dropbox Defendants filed and served a motion to dismiss the
20 FAC, which both the Underwriter and Sequoia Defendants joined. ECF Nos. 71, 73-74. That same
21 day, the Sequoia Defendants also filed and served a memorandum of points and authorities in
22 support of dismissal of Count II of the FAC on the grounds that Plaintiffs did not adequately allege
23 a violation of Section 15 of the Securities Act as to the Sequoia Defendants. ECF No. 73. Defendants
24 argued that Plaintiffs: did not plead any facts regarding Dropbox's conversion rates; did not allege
25
26

27 ⁶ On April 8, 2020, additional named plaintiff Luis Chavez moved to voluntarily dismiss his claims
28 without prejudice, which the Court granted the following day. ECF Nos. 69-70.

1 actionable statements; failed to plead that Dropbox violation a disclosure duty under Item 303 of
2 Regulation S-K; and that Plaintiffs' claims were time barred. ECF No. 71.

3 24. On July 13, 2020, Plaintiffs served their papers in opposition and, on August 17,
4 2020, the various defendants served their reply papers. ECF Nos. 80-81, 84-85. On September 8,
5 2020, Dropbox Defendants filed and served a notice of recent authority in support of their motion
6 to dismiss. ECF No. 86. On September 24, 2020, the Court heard oral argument on Defendants'
7 motions to dismiss. ECF No. 95.

8 25. On October 21, 2020, the Court entered an Order granting Defendants' motions to
9 dismiss with leave to amend, which was then corrected on October 28, 2020. ECF Nos. 98, 104.
10 The Court rejecting Lead Plaintiffs' theory that Dropbox's Registration Statement was materially
11 false and misleading for failing to disclose a decline in Dropbox's conversion rate which caused the
12 Company to experience a decline and/or slowdown in revenue growth. ECF No. 98 at 15. The Court
13 also held that Plaintiffs failed to show that Defendants omitted a known material trend from
14 Dropbox's Registration Statement that was not captured in the Company's disclosure of declining
15 revenue and paying user grow rates, dismissing the Section 11 claims premised on Regulation S-K
16 Item 303. Further, the Court dismissed Plaintiffs' Section 15 claims and alternatively found the
17 claims were time-barred.

18 **D. Mediation Efforts, Settlement Negotiations, and the Settlement's Preliminary**
19 **Approval**

20 26. On February 11, 2021, Lead Counsel and counsel for the Dropbox Defendants
21 participated in a full-day mediation session before Judge Feess of Philips ADR. In advance of that
22 session, Plaintiffs and the Dropbox Defendants each submitted and exchanged detailed mediation
23 statements and reply statements outlining their respective analyses of the claims and defenses in this
24 case. The session culminated in reaching an agreement in principle to settle the Action that was
25 memorialized in a term sheet (the "Term Sheet") executed on February 11, 2021.

26 27. Following additional negotiations, the Parties exchanged multiple drafts of—and
27 ultimately executed—the Stipulation dated May 14, 2021. That day, Plaintiffs submitted their
28 Unopposed Motion for Preliminary Approval of Class Action Settlement.

1 28. On August 3, 2021, the Court issued its Preliminary Approval Order. ECF No. 121.

2 **III. THE RISKS OF CONTINUED LITIGATION**

3 29. The Settlement provides an immediate and certain benefit to the Settlement Class in
4 the form of a non-reversionary cash payment of \$1,375,000. As explained more fully below, there
5 were significant risks that the Settlement Class might recover substantially less than the Settlement
6 Amount—or nothing at all—if the case were to proceed through additional litigation to a jury trial,
7 followed by the inevitable appeals. Prior to contemplating a potential trial and likely appeal, the
8 most immediate risk faced by the Settlement Class was the procedural posture of the case—the
9 Court had already granted Defendants’ motions to dismiss and another motion to dismiss was
10 anticipated if Plaintiffs amended the complaint. Thus, there was no guarantee that Plaintiffs and the
11 Settlement Class would later achieve any recovery, let alone one greater than \$1,375,000.

12 **A. Risks to Proving Liability**

13 30. In addition to the hurdles of proceeding past the pleading stage and obtaining class
14 action status (discussed below), Plaintiffs and Lead Counsel faced numerous additional risks at
15 summary judgment and trial, including establishing Defendants’ liability. Defendants forcefully
16 argued in their motions to dismiss (which the Court granted)—and undoubtedly would have
17 continued to argue at summary judgment and/or trial—that Plaintiffs could not establish the
18 elements of their Securities Act claims.

19 31. For instance, Defendants would argue that the Registration Statement was not false
20 or misleading, that Defendants did not violate any duty to disclose known trends under Item 303 of
21 Regulation S-K, and that the claims could not be brought as they were time-barred.

22 **B. Risks to Proving Damages**

23 32. Even assuming that Plaintiffs overcame the above risks and successfully established
24 Defendants’ liability, Plaintiffs would have confronted considerable challenges in establishing
25 class-wide damages. Although Plaintiffs believed that they had meritorious arguments in response
26 to Defendants’ assertions, Defendants’ negative causation defenses, accepted in whole or part,
27 would have dramatically limited or foreclosed any potential recovery.

1 33. Plaintiffs and Defendants almost certainly would have presented their own damages
2 expert(s), who would have no doubt presented conflicting conclusions and theories for negative
3 causation and the true damages. This “battle of the experts” creates an additional litigation risk
4 because the reaction of a trier of fact to such expert testimony is highly unpredictable, creating
5 uncertainty regarding how much weight a judge or jury will accord the analysis of Defendants’
6 competing experts.

7 34. In sum, had any of Defendants’ damages arguments been accepted, they could have
8 dramatically limited—if not eliminated—any potential recovery.

9 **C. Risks Faced in Obtaining and Maintaining Class Certification**

10 35. Defendants likely would have argued against class certification. While Plaintiffs’
11 Counsel analyzed the class question and are confident that all of the Rule 23 requirements would
12 have been met, and that the Court would have certified the proposed class, Plaintiffs bear the burden
13 of proof on class certification, and Defendants would have undoubtedly raised arguments
14 challenging the propriety of class certification. Moreover, even if Plaintiffs successfully obtained
15 class certification, Defendants could have sought permission from the Ninth Circuit to appeal any
16 class certification order under Federal Rule of Civil Procedure 23(f), further delaying or precluding
17 any potential recovery. Class certification was, by no means, a forgone conclusion.

18 36. Additionally, a recent ruling by the United States Supreme Court has made obtaining
19 class certification for Plaintiffs more difficult and could potentially provide additional challenges
20 should the litigation against Defendants proceed. In *Goldman Sachs Grp. v. AR Teacher Ret.*, 141
21 S.Ct. 1951 (June 21, 2021), the Supreme Court held, in part, that when defendants are seeking to
22 rebut the presumption of reliance established under *Basic Inc. v. Levinson*, 485 U.S. 224 (1988), as
23 modified by *Halliburton Co. v. Erica P. John Fund, Inc.*, 573 U.S. 258 (2014), courts may consider
24 the generic nature of an alleged misrepresentation as evidence of lack of price impact. Accordingly,
25 courts are now permitted to assess materiality of an alleged misstatement and consider “all evidence
26 relevant to price impact” at the class certification stage. On the plus side for Plaintiffs, the Supreme
27

1 Court did clarify that defendants bear the burden of persuasion of showing a lack of price impact by
2 a preponderance of the evidence.

3 **D. Other Risks**

4 37. Plaintiffs would have to prevail at several stages of litigation, each of which would
5 have presented significant risks in complex class actions such as this one. Lead Counsel knows
6 from experience that despite the most vigorous and competent efforts, success in complex litigation
7 such as this case is never assured. For example, approximately two years ago, GPM lost a six-week
8 antitrust jury trial in this District after five years of litigation, which included many overseas
9 depositions, the expenditure of millions of dollars of attorney and paralegal time, and the
10 expenditure of more than a million dollars in hard costs. *See In re: Korean Ramen Antitrust*
11 *Litigation*, Case No. 3:13-cv-04115 (N.D. Cal.). Put another way, complex litigation is uncertain,
12 and success in cases like this one is never guaranteed.

13 38. Even if Plaintiffs succeeded in proving all elements of their case at trial and obtained
14 a jury verdict, Defendants almost certainly would have appealed. An appeal not only would have
15 renewed all the risks faced by Plaintiffs—as Defendants would have reasserted all their arguments
16 summarized above—but also would have resulted in significant additional delay. Given these
17 significant litigation risks, Plaintiffs and Lead Counsel believe that the Settlement represents an
18 excellent result for the Settlement Class.

19 **E. The Settlement is Reasonable in Light of the Potential Recovery in the Action**

20 39. In addition to the attendant risks of litigation discussed above, the Settlement is also
21 fair and reasonable in light of the potential recovery of available damages. If Plaintiffs had fully
22 prevailed in each of their claims at both summary judgment and after a jury trial, if the Court
23 certified the Settlement Class, and if the Court and jury accepted Plaintiffs' damages theory, Lead
24 Plaintiffs' best-case scenario—estimated total maximum damages are approximately \$35.5 million.
25 However, the Court has already held that Plaintiffs failed to plead the existence of a single false or
26 misleading statement and found that the claims were time barred.

1 40. Defendants would likely assert a negative causation defense which could have
2 substantially reduced Plaintiffs' maximum damages. In that light, the Settlement amount is even
3 more reasonable.

4 **IV. PLAINTIFFS' COMPLIANCE WITH THE COURT'S PRELIMINARY**
5 **APPROVAL ORDER REGARDING THE NOTICE PROGRAM**

6 41. The Preliminary Approval Order (ECF No. 121) directed that the Postcard Notice of
7 (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Fairness Hearing; and
8 (III) Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses (the
9 "Postcard Notice") be disseminated to the Settlement Class. The Preliminary Approval Order also
10 set a deadline of November 12, 2021 (21 calendar days prior to the final fairness hearing) for
11 Settlement Class Members to submit objections to the Settlement, the Plan of Allocation, and/or the
12 Fee Memorandum or to request exclusion from the Settlement Class and set a final fairness hearing
13 date of December 2, 2021 (the "Settlement Hearing").

14 42. Pursuant to the Preliminary Approval Order, Lead Counsel instructed SCS, the
15 Court-approved Claims Administrator, to begin disseminating copies of the Postcard Notice and to
16 publish the Summary Notice. Contemporaneously with the mailing of the Postcard Notice, Lead
17 Counsel instructed SCS to post downloadable copies of the Notice of (I) Pendency of Class Action
18 and Proposed Settlement; (II) Settlement Fairness Hearing; and (III) Motion for an Award of
19 Attorneys' Fees and Reimbursement of Litigation Expenses (the "Notice") and the Proof of Claim
20 and Release Form ("Claim Form") online at <https://www.strategicclaims.net/dropbox/> (the
21 "Settlement Website"). Upon request, SCS mailed copies of the Notice and/or Claim Form to
22 Settlement Class Members and will continue to do so until the deadline to submit a Claim Form has
23 passed.

24 43. The Postcard Notice directed potential Settlement Class Members to downloadable
25 versions of the Notice and Claim Form posted online on the Settlement Website. The Notice
26 contains, among other things, a description of the Action; the definition of the Settlement Class; a
27 summary of the terms of the Settlement and the proposed Plan of Allocation; and a description of a
28 Settlement Class Member's right to participate in the Settlement, object to the Settlement, the Plan

1 of Allocation and/or the Fee Memorandum, or to exclude themselves from the Settlement Class.
2 The Notice also informs Settlement Class Members of Lead Counsel’s intent to apply for an award
3 of attorneys’ fees in an amount not to exceed 25% of the Settlement Fund, and for reimbursement
4 of Litigation Expenses in an amount not to exceed \$40,000 which may include an application for
5 reimbursement of the reasonable costs and expenses incurred by Plaintiffs directly related to their
6 representation of the Settlement Class.

7 44. To disseminate the Postcard Notice, SCS obtained from Defendants’ Counsel,
8 through Lead Counsel, the names and addresses of 3,331 record holders of Dropbox common stock
9 that are potential Settlement Class Members. To date, SCS mailed 149,712 copies of the Postcard
10 Notice to Settlement Class Members by first-class mail. *See* Declaration of Sarah Evans
11 Concerning: (A) Mailing of Postcard Notice; (B) Publication of the Summary Notice; and (C)
12 Report on Requests for Exclusion and Objections (“Evans Decl.”), ¶6, attached hereto as Exhibit 1.

13 45. In addition, SCS maintains a proprietary database with names and addresses of the
14 largest and most common banks, brokers, and other nominees (the “Nominee Account Holders”) as
15 well as mutual funds, insurance companies, pension funds, and money managers (“Institutional
16 Groups”). *See id.* at ¶5. At the time of the initial mailing, SCS had a list of 703 Nominee Account
17 Holders and 596 Institutional Groups. *Id.* On August 27, 2021, SCS caused a letter to be mailed or
18 e-mailed to these 1,299 Nominee Account Holders and Institutional Groups notifying them of the
19 Settlement and requesting that they, within 7 calendar days from the date of the letter, either send a
20 Postcard Notice to their customers who may be beneficial purchasers/owners; email a link to the
21 location of the Long Notice and Claim Form; or provide SCS with a list of the names, mailing
22 addresses, and email addresses of such beneficial owners so that SCS could promptly mail the
23 Postcard Notice directly to them or email them links to the Long Notice and Claim Form. *Id.*

24 46. As of October 28, 2021, 149,712 Postcard Notices have been sent to potential
25 Settlement Class Members and their nominees. *See id.* at ¶6. SCS was also notified that one of the
26 nominees emailed 73,076 of its customers to notify them of the Settlement and provided direct links
27 to the Long Notice and Claim Form. *Id.*

28

1 47. On September 15, 2021, in accordance with the Preliminary Approval Order, SCS
2 caused the Summary Notice to be transmitted once over the *GlobeNewswire*. *See id.* at ¶9; Ex. C
3 (copy of publication confirmation).

4 48. Lead Counsel also caused SCS to establish the Settlement Website, which became
5 operational on August 24, 2021, to provide Settlement Class Members with information concerning
6 the Settlement, submit a claim online, download copies of the full Notice and Claim Form, as well
7 as copies of the Stipulation, and Preliminary Approval Order. *Evans Decl.* at ¶11.

8 49. The deadline for Settlement Class Members to object to the Settlement, Plan of
9 Allocation, and/or to the Fee Memorandum or to request exclusion from the Settlement Class is
10 November 12, 2021. To date, there have been three requests for exclusion have been received. *Id.*
11 at ¶12. SCS will file a supplemental affidavit after the November 12, 2021 deadline addressing
12 whether any requests for exclusion have been received. To date, no objections to the Settlement or
13 the Plan of Allocation have been entered on this Court's docket or have otherwise been received by
14 Plaintiffs' Counsel. *Id.* at ¶13. Lead Counsel will file reply papers by November 24, 2021 that will
15 address any objections that may be received.

16 **V. ALLOCATION OF THE NET PROCEEDS OF THE SETTLEMENT**

17 50. Pursuant to the Preliminary Approval Order, and as set forth in the Notice, all
18 Settlement Class Members who want to participate in the distribution of the Net Settlement Fund
19 (*i.e.*, the \$1,375,000 Settlement Amount, plus interest earned thereon less: (i) any Taxes; (ii) any
20 Notice and Administration Costs; (iii) any Litigation Expenses awarded by the Court (which may
21 include reimbursement to Plaintiffs for their costs and expenses incurred in representing the
22 Settlement Class); and (iv) any attorneys' fees awarded by the Court) must submit a valid Claim
23 Form with all required information postmarked no later than December 29, 2021. *See Ex. B to Evans*
24 *Decl. (Notice)* at p. 3. As set forth in the Notice, the Net Settlement Fund will be distributed among
25 Settlement Class Members according to the plan of allocation approved by the Court.

26 51. The Plan of Allocation is detailed in the long-form Notice. *See Ex. B to Evans Decl.*
27 (Notice, p. 10). The full Notice is posted online at the Settlement Website, is downloadable, and

1 upon request, will be mailed to any potential Settlement Class Member. The Plan of Allocation's
2 objective is to equitably distribute the Net Settlement Fund to those Settlement Class Members who
3 suffered economic losses as a proximate result of the alleged violations of the Exchange Act, as
4 opposed to losses caused by market, industry, Company-specific factors or factors unrelated to the
5 alleged violations of law, and takes into consideration when each Authorized Claimant purchased
6 and/or sold shares of Dropbox common stock. *See* Ex. B to Evans Decl. (Notice at ¶¶47-49).

7 52. As described in the Notice, calculations under the Plan of Allocation are not intended
8 to be estimates of, nor indicative of, the amounts that Settlement Class Members might have been
9 able to recover after a trial or estimates of the amounts that will be paid to Authorized Claimants
10 pursuant to the Settlement. Instead, the calculations under the Plan of Allocation are a method to
11 weigh the claims of Settlement Class Members against one another for the purposes of making an
12 equitable allocation of the Net Settlement Fund. *Id.*

13 53. The Plan of Allocation is based on an out-of-pocket theory of damages consistent
14 with Section 11 of the Securities Act and reflects an assessment of the damages that Plaintiffs
15 contends could have been recovered under the theories of liability and damages asserted in the
16 Action. The Plan of Allocation is based statutory damages.

17 54. Under the proposed Plan of Allocation, each Authorized Claimant will receive his,
18 her, or its *pro rata* share of the Net Settlement Fund. Specifically, an Authorized Claimant's *pro*
19 *rata* share shall be the Authorized Claimant's Recognized Claim divided by the total of Recognized
20 Claims of all Authorized Claimants, multiplied by the total amount in the Net Settlement Fund. *Id.*
21 at ¶53.

22 55. An individual Claimant's recovery under the Plan of Allocation will depend on
23 several factors, including the number of valid claims filed by other Claimants and how many shares
24 of Dropbox common stock the Claimant purchased, acquired, or sold during the Settlement Class
25 Period and when that Claimant bought, acquired, or sold the shares. If a Claimant has an overall
26 market gain with respect to his, her, or its overall transactions in Dropbox stock during the
27 Settlement Class Period. Lead Counsel believes that the Plan of Allocation will result in a fair and

1 equitable distribution of the Net Settlement Fund among Settlement Class Members who submit
2 valid claims.

3 56. The Net Settlement Fund in its entirety will be distributed to Authorized Claimants
4 and if any funds remain after the initial distribution (for example, due to uncashed or returned
5 checks), further distributions to Authorized Claimants who would receive at least \$10.00 from such
6 a re-distribution will be conducted as long as they are cost effective. If Lead Counsel, in consultation
7 with the Claims Administrator, deems a further distribution not cost effective, Lead Counsel
8 proposes Investor Protection Trust as the *cy pres* recipient of any residual funds that may remain.

9 57. In sum, the Plan of Allocation was designed to allocate the proceeds of the Net
10 Settlement Fund among Settlement Class Members based on the losses they suffered on transactions
11 in Dropbox common stock that were attributable to the conduct alleged in the Complaint.
12 Accordingly, Lead Counsel respectfully submits that the Plan of Allocation is fair and reasonable
13 and should be approved by the Court.

14 58. As noted above, as of October 28, 2021, 149,712 copies of the Postcard Notice which
15 directs Settlement Class Members to the Settlement Website containing the Plan of Allocation and
16 advises Settlement Class Members of their right to object to the proposed Plan of Allocation, have
17 been sent to potential Settlement Class Members. *See* Evans Decl. at ¶6; Ex. B to Evans (Postcard
18 Notice). To date, no objections to the proposed Plan of Allocation have been received or filed on
19 the Court's docket.

20 **VI. LEAD COUNSEL'S REQUEST FOR ATTORNEYS' FEES AND**
21 **REIMBURSEMENT OF LITIGATION EXPENSES**

22 59. In addition to seeking final approval of the Settlement and Plan of Allocation, Lead
23 Counsel is applying to the Court for an award of attorneys' fees of 25% of the Settlement Fund (or
24 \$343,750, plus interest earned at the same rate as the Settlement Fund) on behalf of all Plaintiffs'
25 Counsel. Lead Counsel also requests reimbursement of the out-of-pocket expenses that Plaintiffs'
26 Counsel incurred in connection with the prosecution of the Action from the Settlement Fund in the
27 amount of \$34,257.30. The legal authorities supporting a 25% fee award are set forth in the

1 accompanying Fee Memorandum, which is being filed contemporaneously herewith. The primary
2 factual bases for the requested fee and reimbursement of Litigation Expenses are summarized below.

3 **A. The Fee Application**

4 60. Lead Counsel is applying for a percentage of the common fund fee award to
5 compensate Plaintiffs' Counsel for the services they rendered on behalf of the Settlement Class. As
6 set forth in the accompanying Fee Memorandum, the percentage method is the best method for
7 determining a fair attorneys' fee award, because unlike the lodestar method, it aligns the lawyers'
8 interest with that of the Settlement Class in achieving the maximum recovery. The lawyers are
9 motivated to obtain the maximum recovery in the shortest amount of time required under the
10 circumstances. This paradigm minimizes unnecessary drain on the Court's resources. Notably, the
11 percentage of the fund method has been recognized as appropriate by the Supreme Court and Ninth
12 Circuit for cases of this nature.

13 61. Based on the quality of the result achieved, the extent and quality of the work
14 performed, the significant risks of the litigation, and the fully contingent nature of the representation,
15 Lead Counsel respectfully submit that the requested fee award is fair and reasonable and should be
16 approved. As discussed in the Fee Memorandum, a 25% fee award is well within the range of
17 percentages awarded in securities class actions with comparable settlements.

18 **1. The Excellent Outcome Achieved is the Result of the Significant Time
19 and Labor that Lead Counsel Devoted to the Action**

20 62. Attached hereto as Exhibits 2, 3, and 4 are declarations from L&K, GPM, and Rosen
21 Law in support of an award of attorneys' fees and reimbursement of litigation expenses. In
22 accordance this District's Procedural Guidance for Class Action Settlements, included within each
23 supporting declaration is a schedule summarizing the hours by category⁷ and lodestar of each firm
24 from the inception of the case through and including October 18, 2021 (except Rosen Law who
25 included their time through October 27), summaries of each attorneys' work performed on the

26 ⁷ The five categories of litigation include: (i) Initial Investigation and Lead Plaintiff Appointment;
27 (ii) Preparation of Complaints and Factual Investigation; (iii) Research and Briefing the Motions
28 to Dismiss; (iv) Mediation and Settlement; and (v) Miscellaneous Court Filings, including, but not
limited to, Stipulations, Status Updates, *etc.*

1 Action, a summary of expenses by category, and a firm resume. Time expended in preparing the
 2 application for fees and reimbursement of expenses has not been included. The following is a
 3 summary chart of the hours expended and lodestar amounts for the two firms:

LAW FIRM	LODESTAR
LEVI & KORSINSKY, LLP	\$119,842.50
GLANCY PRONGAY & MURRAY LLP	\$67,470.00
THE ROSEN LAW FIRM, P.A.	\$221,673.00
TOTAL LODESTAR	\$408,985.50

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 6
 7
 8 63. As set forth above and in detail in Exhibits 2, 3, and 4, Plaintiffs' Counsel have
 9 collectively expended over 540 hours in the investigation and prosecution of the Action. The
 10 resulting total lodestar is \$408,985.50. The requested fee of 25% of the Settlement Fund equals
 11 \$343,750 (plus interest earned at the same rate as the Settlement Fund), and therefore represents a
 12 multiplier of less than one (0.84x) to Plaintiffs' Counsel's lodestar, representing a discount in the
 13 hourly fees they incurred.

14 64. As detailed above, throughout this case, Plaintiffs' Counsel devoted substantial time
 15 to the prosecution of the Action. I maintained control of and monitored the work performed by
 16 lawyers and other personnel on this case. I personally devoted substantial time to this case, and was
 17 personally involved in drafting or reviewing and editing all pleadings, court filings, and other
 18 correspondence prepared on behalf of Plaintiffs, communicating with Plaintiffs on a regular basis,
 19 engaging with counsel for Defendants on a variety of matters, and were intimately involved in
 20 Settlement negotiations. Other experienced attorneys at the firms also drafted, reviewed and/or
 21 edited pleadings, court filings, and other correspondence prepared on behalf of Plaintiffs and were
 22 involved in Settlement negotiations and other matters. More junior attorneys and paralegals also
 23 worked on matters appropriate to their skill and experience level. Throughout the litigation,
 24 Plaintiffs' Counsel maintained an appropriate level of staffing that avoided unnecessary duplication
 25 of effort and ensured the efficient prosecution of this litigation.

26 65. As demonstrated by the firm resumes, attached hereto as Exhibits 2, 3, and 4,
 27 Plaintiffs' Counsel are highly experienced and skilled laws firms that focus their practices on
 28

1 securities class action litigation. Indeed, L&K, GPM, and Rosen Law have substantial experience
2 in litigating securities fraud class actions and has negotiated scores of other class settlements, which
3 have been approved in courts throughout the country. I believe Plaintiffs' Counsel's experience
4 added valuable leverage in the settlement negotiations.

5 **2. Standing and Caliber of Opposing Counsel**

6 66. The quality of work performed by Lead Counsel in attaining the Settlement should
7 also be evaluated in light of the quality of the opposition. Here, Defendants were represented by
8 Wilson Sonsini Goodrich & Rosati P.C., O'Melveny & Myers, LLP, and Quinn Emmanuel Urquhart
9 & Sullivan, LLP, three very prominent law firms with a national reputations for the tenacious
10 defense of class actions and other complex civil matters. In the face of this experienced and
11 formidable opposition, Plaintiffs' Counsel were able to develop a case that was sufficiently strong
12 to nonetheless persuade Defendants to settle the case on terms that were highly favorable to the
13 Settlement Class.

14 **3. The Risks of Litigation and the Need to Ensure the Availability of
15 Competent Counsel in High-Risk Contingent Securities Cases**

16 67. This prosecution was undertaken by Plaintiffs' Counsel on an entirely contingent-fee
17 basis. From the outset, this Action was an especially difficult and highly uncertain securities case.
18 There was no guarantee that Plaintiffs' Counsel would ever be compensated for the substantial
19 investment of time and money the case would require. In undertaking that responsibility, Plaintiffs'
20 Counsel were obligated to ensure that sufficient resources were dedicated to the prosecution of the
21 Action, that funds were available to compensate attorneys and staff, and to cover the considerable
22 litigation costs required by a case like this one. With an average lag time of many years for complex
23 cases like this to conclude, the financial burden on contingent-fee counsel is far greater than on a
24 firm that is paid on an ongoing basis. Indeed, Plaintiffs' Counsel received no compensation during
25 the course of the Action and have incurred \$34,257.30 in out-of-pocket litigation-related expenses
26 in prosecuting the Action.

1 68. Additionally, the claims for securities fraud had to be developed solely by Plaintiffs’
2 Counsel and Plaintiffs without subpoena power and were hindered by the PSLRA’s automatic
3 discovery stay.

4 69. Plaintiffs’ Counsel also bore the risk that no recovery would be achieved. As
5 discussed above, from the outset, this case presented multiple risks and uncertainties that could have
6 prevented any recovery whatsoever. Despite the most vigorous and competent of efforts, success
7 in contingent-fee litigation like this is never assured. Plaintiffs’ Counsel knows from personal
8 experience that despite the most vigorous and competent of efforts, success in contingent litigation
9 is never assured. In fact, GPM recently lost a six-week antitrust jury trial in this District after five
10 years of litigation, which included many overseas depositions, the expenditure of millions of dollars
11 of attorney and paralegal time, and the expenditure of more than a million dollars in hard costs. *See*
12 *In re: Korean Ramen Antitrust Litigation*, Case No. 3:13-cv-04115 (N.D. Cal.).

13 70. Moreover, courts have repeatedly recognized having experienced and able counsel
14 enforcing the securities laws and regulations regulating the duties of the officers and directors of
15 public companies is in the public interest. *See Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S.
16 308, 320 n.4 (2007) (“[P]rivate securities litigation is an indispensable tool with which defrauded
17 investors can recover their losses – a matter crucial to the integrity of domestic capital markets.”)
18 (internal quotation marks omitted). As recognized by Congress through the passage of the PSLRA,
19 vigorous private enforcement of the federal securities laws can only occur if private investors take
20 an active role in protecting the interests of shareholders. If this important public policy is to be
21 carried out, the courts should award fees that adequately compensate plaintiffs’ counsel, taking into
22 account the risks undertaken in prosecuting a securities class action.

23 71. Plaintiffs’ Counsel’s extensive efforts in the face of substantial risks and
24 uncertainties have resulted in a significant recovery for the benefit of the Settlement Class. In
25 circumstances such as these, and in consideration of the hard work and the result achieved, I
26 respectfully submit that the requested fee is reasonable and should be approved.

1 **4. The Reaction of the Settlement Class to the Fee Memorandum**

2 72. As noted above, as of October 28, 2021, 149,712 copies of the Postcard Notice were
3 disseminated, which advised potential Settlement Class Members that Lead Counsel would apply
4 for an award of attorneys' fees in an amount not to exceed 25% of the Settlement Fund. Evans Decl.
5 ¶6; Ex. A to Evan Decl. (Postcard Notice). In addition, the Court-approved Summary Notice has
6 been transmitted over the *GlobeNewswire*. Evans Decl. at ¶9; Ex. C to Evans Decl. (confirmation
7 of Summary Notice publication). To date, no objections to the maximum potential attorneys' fees
8 request set forth in the Postcard Notice, Summary Notice, and the long-form Notice have been
9 received or entered on this Court's docket. The deadline to object is November 12, 2021. Any
10 objections received after the date of this filing will be addressed in Lead Counsel's reply papers to
11 be filed by November 24, 2021.

12 73. In sum, Plaintiffs' Counsel accepted this case on a contingency basis, committed
13 significant resources to it, and prosecuted it without any compensation or guarantee of success.

14 74. Based on the result obtained, the quality of the work performed, the risks of the
15 Action, and the contingent nature of the representation, I respectfully submit that a fee award of
16 25% which equates to a fractional multiplier of 0.84x, is fair and reasonable, and is supported by
17 the fee awards courts in this Circuit and others have granted in other comparable cases.

18 **B. Reimbursement of the Requested Litigation Expenses is Fair and Reasonable**

19 75. Plaintiffs' Counsel seek a total of \$34,257.30 in Litigation Expenses to be paid from
20 the Settlement Fund.

21 76. Plaintiffs' Counsel are seeking reimbursement of a total of \$34,257.50 in out-of-
22 pocket costs and expenses.

23 77. A breakdown by category of these expenses is presented in each Plaintiffs' Counsel's
24 respective declarations. *See* Exhibits 2, 3, and 4 at Exhibit C.

25 78. The Postcard Notice, Summary Notice, and long-form Notice informed potential
26 Settlement Class Members that Lead Counsel would be seeking reimbursement of expenses in an
27 amount not to exceed \$40,000. The total amount requested by Plaintiffs' Counsel and Lead Plaintiff,
28

1 \$34,257.50, falls below the \$40,000 cap Settlement Class Members were advised could be sought.
2 To date, no objections have been raised as to the maximum amount of expenses set forth in the
3 Postcard Notice, Summary Notice, and long-form Notice. If any objection to the request for
4 reimbursement of Litigation Expenses is made after the date of this filing, Lead Counsel will address
5 it in their reply papers.

6 79. From the beginning of the case, Plaintiffs' Counsel was aware that they might never
7 recover any of their expenses. Plaintiffs' Counsel also understood that, even assuming the case was
8 ultimately successful, reimbursement for expenses would not compensate them for the lost use of
9 funds advanced to prosecute this Action. Accordingly, Plaintiffs' Counsel were motivated to, and
10 did, take steps to assure that only necessary expenses were incurred for the vigorous and efficient
11 prosecution of the case.

12 80. The large component of expenses, approximately \$10,000 of the total expenses, was
13 expended on the retention of a private investigation firm to assist Plaintiffs' Counsel in their factual
14 investigation into Plaintiffs' claims.

15 81. Another large component of expenses, approximately \$7,500, was expended on the
16 retention of experts in the fields of financial analysis, and damages. The experts were consulted at
17 different points throughout the litigation, including on matters related to the preparation of the
18 amended complaint, on matters relating to the negotiation of the Settlement, and on preparation of
19 the proposed Plan of Allocation.

20 82. Another large component of expenses, \$10,000 of the total expenses, was expended
21 on Plaintiffs' Counsel's share of mediation fees paid to Philips ADR for the services of Judge Feess
22 and his team.

23 83. The other Litigation Expenses for which Plaintiffs' Counsel seek reimbursement are
24 the types of expenses that are necessarily incurred in litigation and routinely charged to clients billed
25 by the hour. These Litigation Expenses include, among others, costs of on-line legal and factual
26 research, court fees, copying costs, and postage and delivery expenses.

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1 84. In my opinion, the Litigation Expenses incurred by Plaintiffs' Counsel and Lead
2 Plaintiff were reasonable and necessary to represent the Settlement Class and achieve the
3 Settlement. Accordingly, Lead Counsel respectfully submit that the Litigation Expenses should be
4 reimbursed in full from the Settlement Fund.

5 **VII. CONCLUSION**

6 85. For all the reasons set forth above, I respectfully submit that the Settlement and Plan
7 of Allocation should be approved as fair, reasonable, and adequate. I further submit that the
8 requested attorneys' fee in the amount of 25% of the Settlement Amount should be approved as fair
9 and reasonable, and the request for reimbursement of \$34,257.50 in Litigation Expenses should also
10 be approved.

11 I declare under penalty of perjury under the laws of the United States of America that the
12 foregoing facts are true and correct.

13 Executed this 28th day of October 2021.

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s/ Adam M. Apton

ADAM M. APTON