

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

IN RE WEATHERFORD INTERNATIONAL  
SECURITIES LITIGATION

11 Civ. 1646 (LAK) (JCF)

CLASS ACTION

**DECLARATION OF ELI R. GREENSTEIN IN SUPPORT OF (A) PLAINTIFFS' MOTION  
FOR FINAL APPROVAL OF CLASS ACTION SETTLEMENT AND APPROVAL OF PLAN  
OF ALLOCATION AND (B) LEAD COUNSEL'S MOTION FOR AN AWARD OF  
ATTORNEY'S FEES AND REIMBURSEMENT OF LITIGATION EXPENSES**

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I, Eli R. Greenstein, declare as follows:

1. I am a partner of the law firm of Kessler Topaz Meltzer & Check, LLP (“Kessler Topaz” or “Lead Counsel”), counsel for the Court-appointed Lead Plaintiff and proposed Settlement Class Representative American Federation of Musicians and Employers’ Pension Fund (“AFME” or “Lead Plaintiff”) and additional named plaintiff and proposed Settlement Class Representative the Georgia Firefighters’ Pension Fund (“GFPF”) (together, “Plaintiffs” or “Settlement Class Representatives”) in the above-captioned action (the “Action”).<sup>1</sup> I submit this declaration in support of (a) Plaintiffs’ Motion for Final Approval of Class Action Settlement and Approval of Plan of Allocation and (b) Lead Counsel’s Motion for an Award of Attorney’s Fees and Reimbursement of Litigation Expenses. I have actively supervised and participated in the prosecution and resolution of this Action since its inception and have personal knowledge of all material matters related to this Action. I have also been kept informed of developments in the Action by other attorneys working with me and under my direction. The statements in this declaration are made based upon my personal knowledge unless otherwise indicated.

2. The Settlement with Defendants<sup>2</sup> provides for the payment of \$52,500,000 in cash, which amount was deposited into an escrow account for the benefit of the Settlement Class on or before April 15, 2014. The Stipulation sets forth the terms of the Settlement, which, if approved, will resolve this Action entirely.

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<sup>1</sup> Unless otherwise defined herein, capitalized terms have the meanings ascribed to them in the Stipulation of Settlement and Release dated as of January 28, 2014 (the “Stipulation”). ECF No. 240-1.

<sup>2</sup> Defendants are Weatherford International Ltd. (“Weatherford” or the “Company”) and the Individual Defendants (*i.e.*, Bernard J. Duroc-Danner (“Duroc-Danner”) (the Company’s Chief Executive Officer (“CEO”), President and Chairman during the relevant period), Andrew P. Becnel (“Becnel”) (the Company’s Senior Vice President and Chief Financial Officer (“CFO”) during the relevant period), Charles E. Geer, Jr. (“Geer”) (the Company’s Vice President and Principal Accounting Officer during the relevant period), and Jessica Abarca (“Abarca”) (the Company’s Chief Accounting Officer and Vice President – Accounting during the relevant period)).

3. This declaration sets forth the nature of the claims asserted in the Action, which involved alleged misrepresentations concerning Weatherford's internal controls over tax accounting and financial reporting. It also details the principal proceedings to date, Plaintiffs' factual investigation and discovery, the extensive efforts undertaken by Lead Plaintiff and Lead Counsel in prosecuting and resolving the Action, the substantial risks of continued litigation and the negotiations resulting in the Settlement. Lastly, it provides background facts supporting Lead Counsel's request for attorneys' fees and reimbursement of expenses, including reimbursement pursuant to the Private Securities Litigation Reform Act of 1995 (the "PSLRA") for costs and expenses of the Settlement Class Representatives.

## **I. INTRODUCTION**

4. This Action has been intensely litigated from its commencement in March 2011 through settlement, which the parties finalized in January 2014. The parties reached the Settlement only after Plaintiffs partially survived Defendants' motion to dismiss, consulted extensively with experts, developed a comprehensive record through substantial fact discovery, moved for class certification and submitted a comprehensive motion to amend the operative complaint to incorporate the fruits of discovery.

5. Specifically, over the course of nearly three years, Lead Plaintiff, through the efforts of Lead Counsel, *inter alia*: (i) thoroughly reviewed and analyzed publicly available information regarding Weatherford including, but not limited to, its Securities and Exchange Commission ("SEC") filings, financial statements, press releases, conference call transcripts, analysts' reports, notes rendered by securities firms, and media coverage; (ii) conducted detailed investigative interviews of former employees of Weatherford; (iii) filed a comprehensive complaint and two proposed amended complaints for violations of the federal securities laws; (iv) conducted extensive research of the applicable law for claims in this Action and the potential

defenses thereto; (v) opposed two motions to dismiss; (vi) consulted with, and obtained reports and analyses from, multiple experts; (vii) researched and filed extensive class certification briefing and expert market efficiency analysis in connection with certification of the below-described class of allegedly damaged investors; (viii) responded to substantial discovery propounded by Defendants and defended the depositions of the Settlement Class Representatives and their expert on market efficiency; (ix) conducted extensive discovery, including issuing substantial party and non-party discovery requests, reviewing and analyzing approximately 2.3 million pages of documents produced by Defendants and various non-party witnesses such as Ernst & Young LLP (“E&Y”), PricewaterhouseCoopers LLP (“PwC”), Deloitte LLP (“Deloitte”), a law firm, former employees, and securities analysts; (x) researched, prepared and briefed seven separate motions to compel discovery, all of which were granted in part; and (xi) conducted, defended, or prepared to take the depositions of 24 witnesses, including some of the most senior officers of the Company such as Weatherford’s CEO, former CFO, former Vice President of Tax and two Directors of Internal Audit.

6. The negotiations leading to the Settlement were also hard-fought, required the parties’ careful analysis of complex factual and legal issues and took an extensive amount of time to complete. The parties’ negotiations were conducted with the assistance of the Hon. Daniel H. Weinstein (Ret.), an experienced and well-respected mediator, and included the preparation and submission of detailed mediation briefs, a formal in-person mediation session in June 2013, numerous follow up discussions with Judge Weinstein and the parties between December 2013 and January 2014 and updated submissions for Judge Weinstein in December 2013 and January 2014. Ultimately, in January 2014, Judge Weinstein’s mediator’s proposal was accepted by the parties. Following their agreement-in-principle to settle the Action, the

parties spent several additional weeks negotiating the specific terms of the Settlement, including without limitation, termination and funding provisions.

7. This Settlement is the product of vigorously contested litigation and arm's-length negotiations by experienced counsel with a firm understanding of both the strengths and weaknesses of their respective cases and takes into consideration the significant risks specific to the Action. Lead Counsel believes that the proposed Settlement represents a significant recovery for the Settlement Class that is fair and reasonable and warrants this Court's approval. The Settlement Class Representatives also believe that the \$52,500,000 Settlement with Defendants represents a just result.

8. Moreover, to Lead Counsel's knowledge, the Settlement represents the *only* recovery for the Settlement Class arising from the claims alleged in the Action. Indeed, despite the fact that the SEC and Department of Justice ("DOJ") have been investigating Defendants' alleged conduct since 2011, neither agency has brought charges or claims against Defendants based on the facts underlying this Action.

9. As set forth below, the Amended Complaint for Violation of the Federal Securities Laws (the "Complaint") (ECF No. 59), filed on August 26, 2011, asserted claims against Defendants and E&Y under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"). Essentially, the Complaint alleged two types of misrepresentations: (1) statements related to Weatherford's tax accounting and effective income tax rate (the "Tax Accounting Misstatements"); and (2) statements related to Weatherford's internal controls over financial reporting of income taxes (the "Internal Controls Misstatements"). The Court granted Defendants' motion to dismiss the Complaint based on the Tax Accounting Misstatements, but

sustained Lead Plaintiff's §10(b) claim against Weatherford and Becnel based on the Internal Controls Misstatements and the related §20(a) claims against the remaining Defendants.

10. Lead Counsel's substantial investigation, comprehensive motion practice and discovery, as well as the Court's ruling on Defendants' motions to dismiss, informed Plaintiffs and Lead Counsel that, while the case against Defendants had merit, it also had significant weaknesses and continued to be subject to substantial risks. These weaknesses and risks, along with a number of external factors, were conscientiously evaluated by Plaintiffs and Lead Counsel in determining the course of action that was in the best interests of the class.

11. Had the Action continued, for example, Defendants would have vigorously attacked Plaintiffs' remaining Internal Controls Misstatements claims on scienter and loss causation grounds, elements that were rendered more vulnerable by the dismissal of the Tax Accounting Misstatement claims. Indeed, these weaknesses were the primary drivers behind Plaintiffs' attempt to amend the Complaint, a motion which was also pending at the time the Settlement was reached. Had Defendants succeeded, either in opposing amendment, securing summary judgment, prevailing at trial and/or succeeding in the inevitable appeals, Plaintiffs and the class would have recovered nothing. Moreover, even if Plaintiffs established liability, Lead Counsel anticipated that Defendants would have tried to establish a "proportional liability" or "good faith" defense that could have dramatically reduced or eliminated Defendants' liability by laying some or all of the blame at the feet of their tax consultants or auditors. Further, Plaintiffs' motion for class certification, which was pending when the parties reached the Settlement, utilized the fraud-on-the-market presumption to demonstrate that common issues of reliance predominate. In November 2013, however, the Supreme Court issued its writ of *certiorari* in *Halliburton Co. v. Erica P. John Fund, Inc.*, No. 13-317, 134 S. Ct. 636 (Mem) (Nov. 15, 2013)

(“*Halliburton II*”) to review the contours and applicability of the fraud-on-the-market presumption recognized in *Basic Inc. v. Levinson*, 485 U.S. 224, 108 S. Ct. 978 (1988), an opinion which is expected to be delivered in the coming months.

12. The Settlement removes the risk that the outcome of *Halliburton II* could adversely affect the Settlement Class Members’ ability to recover from their claims. All of these issues, and the risks attendant to them, were considered by Lead Counsel and Plaintiffs in deciding to settle this Action on the agreed terms.

13. Plaintiffs also seek approval of the proposed plan for allocating the net settlement proceeds to eligible members of the Settlement Class (the “Plan of Allocation” or “Plan”) as fair and reasonable. In developing the Plan of Allocation, Lead Counsel consulted with Plaintiffs’ expert in the areas of economics and damages in an effort to appropriately allocate the proceeds among eligible members of the Settlement Class.

14. Additionally, Lead Counsel is applying for an award of attorneys’ fees and reimbursement of Litigation Expenses (the “Fee and Expense Application”). Specifically, Lead Counsel is applying for attorneys’ fees in the amount of \$12.6 million, an amount which is slightly less than Plaintiffs’ Counsel’s total lodestar of \$12,912,708.50 and which corresponds to the amount to be requested under Lead Counsel’s retainer agreement with Lead Plaintiff AFME, a sophisticated institutional investor. Lead Counsel is also applying for reimbursement of Plaintiffs’ Counsel’s Litigation Expenses in the amount of \$1,401,660.28, an amount which also includes reimbursement to the proposed Settlement Class Representatives in the aggregate amount of \$19,935.69 for their reasonable costs and expenses incurred in connection with representing the Settlement Class. These Litigation Expenses incurred over the nearly three-year duration of this litigation – which covered, among other things, legal research costs, document

management and litigation support, the work of qualified experts, and expenses associated with mediation – were critical to Lead Counsel’s success in achieving the proposed Settlement. Lead Counsel respectfully submits that the Fee and Expense Application is justified in light of the benefits conferred on the Settlement Class, the risks undertaken by Lead Counsel, the quality of representation, and the nature and extent of the legal services performed.

15. The Settlement is also precisely the kind of result envisioned by Congress in enacting the PSLRA. The proposed Settlement Class Representatives are large, sophisticated institutional investors whose active involvement in the prosecution and resolution of this Action, as well as their approval and support of the Settlement and requested award of attorneys’ fees and reimbursement of expenses, are additional factors that should be taken into consideration in the Court’s evaluation of all aspects of the Settlement, Plan of Allocation and the Fee and Expense Application.

16. On behalf of Lead Counsel, I respectfully submit that the Settlement and the Plan of Allocation, for the reasons discussed herein and in the accompanying memoranda, are each “fair, reasonable, and adequate” in all respects, and that the Court should therefore approve them pursuant to Rule 23(e) of the Federal Rules of Civil Procedure. Likewise, I respectfully submit that the Fee and Expense Application is fair and reasonable and should be approved.

## **II. FACTUAL SUMMARY OF THE CLAIMS**

17. The Complaint alleged that between April 25, 2007 and March 1, 2011 (the “Class Period”) Defendants violated the federal securities laws by making materially false and misleading public statements regarding Weatherford’s financial results, its effective tax rate (“ETR”) and the adequacy of its internal controls over tax accounting. ECF No. 59 at ¶¶1, 4-18. Specifically, Plaintiffs alleged that Weatherford understated its ETR largely to increase its net income and earnings per share, thereby creating the illusion of financial success during an

otherwise difficult period for the Company. *Id.* at ¶¶5, 73-133. Plaintiffs further alleged that, for each quarter and year during the Class Period, Defendants Duroc-Danner and Becnel executed certifications pursuant to §§302 and 906 of the Sarbanes-Oxley Act of 2002 (“SOX Certifications”), falsely representing that they had personally “[d]esigned such disclosure controls and procedures” to ensure that Weatherford’s internal controls over tax reporting were effective. *Id.* at ¶¶15, 141-45. Plaintiffs alleged that these false statements artificially inflated the price of Weatherford’s common stock during the Class Period and that members of the proposed Settlement Class, including Plaintiffs, suffered damages when the inflation was removed from the price of Weatherford common stock following adverse news causally connected to Defendants’ prior misrepresentations. *Id.* at ¶¶235-41.

### **III. HISTORY OF THE ACTION**

#### **A. Initial Complaint and Appointment of Lead Plaintiff**

18. On March 4, 2011, the first securities class action complaint captioned *Visut Kanchanapoom, et al. v. Weatherford International Ltd., et al.*, No. 11-cv-01895 (C.D. Cal.), was filed against Weatherford, Duroc-Danner, Becnel, and several Weatherford outside directors. On March 9, 2011, Mike Dobina filed a similar putative class action complaint against Weatherford and the Individual Defendants in the action captioned *Dobina v. Weatherford International Ltd., et al.*, No. 11-cv-01646 (S.D.N.Y.). ECF No. 1. Subsequently, AFME filed motions in both actions requesting its appointment as lead plaintiff and approval of its selection of Kessler Topaz as lead counsel. ECF Nos. 11-13. Two other plaintiffs filed competing motions seeking appointment (ECF Nos. 14-19) which AFME opposed in extensive briefing, declarations, and exhibits (ECF Nos. 24, 27).

19. The Honorable Denise L. Cote held a hearing on June 24, 2011 to consider the competing lead plaintiff motions. At that hearing, Judge Cote appointed AFME as Lead Plaintiff

and approved its selection of Kessler Topaz as Lead Counsel and the Law Offices of Curtis V. Trinko, LLP as Local Counsel. ECF No. 34. Shortly thereafter, the competing movants filed motions for reconsideration, requiring AFME and Kessler Topaz to engage in a second round of briefing. ECF Nos. 35-38, 41. On July 6, 2011, Judge Cote denied the motions for reconsideration and affirmed her prior rulings regarding Lead Plaintiff and its selection of Lead Counsel and Local Counsel. ECF No. 45.

**B. Denial of Defendants' Request to Transfer**

20. On May 2, 2011, Defendants filed a motion with the Judicial Panel on Multidistrict Litigation ("MDL Panel") to transfer this Action, along with related actions, for consolidation and pretrial coordination. *See In re Weatherford International Ltd. Securities and Derivative Litigation*, MDL No. 2255, ECF No. 1. On July 6, 2011, Lead Plaintiff opposed the motion but argued that, if the MDL Panel chose to centralize the actions, it should do so in the Southern District of New York. *See In re Weatherford International Ltd. Securities and Derivative Litigation*, MDL No. 2255, ECF No. 23. On August 8, 2011, the MDL Panel denied the motion to transfer in its entirety. ECF No. 52.

**C. Preparation and Filing of the Consolidated Complaint**

**1. Lead Counsel's Investigation**

21. Prior to filing the Complaint, Lead Counsel conducted an extensive investigation into the facts underlying this Action. As part of this investigation, Lead Counsel reviewed thousands of pages of publicly-available documents, including Weatherford's SEC filings, press releases, conference calls transcripts, and analysts' reports, as well as numerous news media articles. Lead Counsel, through its investigators, also contacted numerous potential witnesses and ultimately interviewed nearly 20 non-party witnesses, which included numerous former Weatherford employees and contractors. Lead Counsel also retained and consulted with forensic

accounting experts to analyze Weatherford's accounting practices and its multiple financial restatements. These experts provided the foundation for the allegations asserted in both the Complaint and subsequent proposed amendments that discussed the extent and impact of Weatherford's accounting practices and its related internal controls over tax accounting.

## **2. The Filing of the Complaint**

22. On August 26, 2011, Lead Counsel filed the consolidated Complaint, incorporating the results of its thorough investigation, including information gleaned from confidential witnesses. ECF No. 59. The Complaint alleged violations of §§10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. The named defendants included Weatherford, Duroc-Danner, Becnel, Abarca, Geer and E&Y (collectively, the "Named Defendants").

23. The Complaint alleged that the Named Defendants violated §10(b) of the Exchange Act and Rule 10b-5 by recklessly making false statements, omitting material facts and engaging in a fraudulent course of conduct to artificially inflate the market price of Weatherford's stock. The Complaint further alleged that the Named Defendants' statements and omissions deceived the investing public, including Lead Plaintiff and members of the class, and caused Lead Plaintiff and other class members to purchase Weatherford common stock at inflated prices. In addition, the Complaint alleged that, as a direct and proximate result of the Named Defendants' conduct, Lead Plaintiff and other members of the class suffered damages in connection with their purchases of Weatherford common stock. The Complaint also alleged that the Individual Defendants violated §20(a) of the Exchange Act based on their direct involvement in the day-to-day operations of the Company.

**D. Motions to Dismiss**

24. On September 30, 2011, Defendants and E&Y filed two separate motions to dismiss the Complaint pursuant to Fed. R. Civ. P. (“Rule”) 12(b)(6) (together, the “Motions to Dismiss”). ECF Nos. 63, 65-69. Defendants argued, *inter alia*, that the Complaint failed to plead facts giving rise to a strong inference of scienter under the PSLRA because Lead Plaintiff failed to show that Defendants had a motive to commit fraud and the Complaint alleged no circumstantial evidence of scienter. More specifically, Defendants attacked the Complaint’s allegations on the grounds that:

- (1) The absence of any suspicious stock sales strongly undermined any motive allegations;
- (2) The motives alleged failed to give rise to a strong inference of scienter because the Complaint alleged no concrete personal benefit for each Defendant;
- (3) The Complaint alleged insufficient facts to establish that Defendants had access to adverse information showing that the Company’s tax accounting was falsely recorded;
- (4) The confidential witnesses offered no credible evidence of scienter because the Complaint failed to allege facts showing that the witnesses were in a position to know adverse information about the Company, that they actually knew such information, or that they communicated that information to the Individual Defendants; and
- (5) The Complaint alleged scienter collectively instead of identifying particularized facts as to the scienter of each Individual Defendant.

25. Similarly, E&Y argued that the Complaint did not adequately allege scienter because:

- (1) The PSLRA’s pleading standards are especially stringent when applied to auditors;
- (2) The Complaint failed to allege facts showing that E&Y benefitted in some concrete and personal way from the purported fraud;
- (3) The Complaint failed to allege that E&Y actually saw any adverse information;

- (4) The fraud did not permeate the Company's accounts such that E&Y might have actually seen the fraud;
- (5) Weatherford's tax returns and low tax rate relative to its competitors were not red flags because E&Y did not prepare the Company's taxes and a host of legitimate reasons could have caused the Company's taxes to drop, especially given the complexity of its tax structure; and
- (6) E&Y's failure to identify problems with the Company's internal controls did not constitute "conscious recklessness" because Weatherford, not E&Y, was responsible for evaluating the Company's internal controls.

26. On October 21, 2011, Lead Plaintiff opposed both Motions to Dismiss. ECF Nos.

71-72. Lead Plaintiff argued that the Complaint adequately pled Defendants' scienter because:

- (1) The magnitude and frequency of Weatherford's misstatements and GAAP violations raised a strong inference of scienter;
- (2) The Individual Defendants' Class Period statements demonstrated that they were deeply involved in Weatherford's tax planning such that they should have known about the Company's inaccurate financial results and lack of internal controls;
- (3) The Defendants' false SOX Certifications juxtaposed with later disclosures regarding inadequate internal controls demonstrated scienter;
- (4) The Complaint adequately pled that the confidential witnesses were in a position to possess the information alleged; and
- (5) The Complaint adequately alleged motive and opportunity based on Weatherford's growth-by-acquisition strategy, capital expenditures, and the Individual Defendants' discretionary bonuses.

27. Additionally, in response to E&Y's motion to dismiss, Lead Plaintiff asserted that the Complaint alleged direct and circumstantial evidence giving rise to a strong inference of E&Y's recklessness. In support of the latter argument, Lead Plaintiff explained that:

- (1) Weatherford's GAAP violations and accounting misstatements were obvious, frequent, and substantial;
- (2) The sudden, unexplained drop in Weatherford's income tax rate, as well as the material discrepancies between Weatherford's GAAP taxes reported and cash taxes paid were red flags;
- (3) E&Y audited and reviewed Weatherford's financial results and foreign tax planning and compliance; and

- (4) Weatherford's lack of documentation for large tax accounting entries and admissions regarding the lack of internal controls was further indicia of scienter.

28. On November 4, 2011, the Defendants and E&Y filed their reply briefs in further support of the Motions to Dismiss. ECF Nos. 74-75. On November 21, 2011, the case was reassigned to this Court (ECF No. 76), which heard extensive oral argument on the Motions to Dismiss on January 17, 2012 (ECF No. 79).

29. On November 7, 2012, the Court issued a Memorandum Opinion that granted E&Y's motion to dismiss in its entirety, and granted in part and denied in part Defendants' motion to dismiss. ECF No. 103. Specifically, the Court upheld the Complaint's §10(b) claims against Weatherford and Becnel for the Internal Controls Misstatements and corresponding §20(a) claims against Duroc-Danner, Abarca, and Geer. The Court dismissed Lead Plaintiff's claims based on the Tax Accounting Misstatements.

**E. E&Y's Motion for Final Judgment**

30. On January 8, 2013, E&Y moved, pursuant to Rule 54(b), for the entry of a final judgment dismissing all claims asserted against E&Y in the Action (the "Motion for Final Judgment"). ECF Nos. 106-107. E&Y argued that it satisfied the three conditions for final judgment under Rule 54(b) because:

- (1) The Complaint alleged multiple claims against multiple parties;
- (2) The Court dismissed the only claim against E&Y and denied Lead Plaintiff's two attempts to amend the Complaint as to E&Y, thereby ending the litigation of the claim against E&Y;
- (3) Delay of the entry of judgment was unwarranted because the dismissed claim against E&Y was separate and distinct from the surviving claims such that it would not interfere with any subsequent appeal; and
- (4) E&Y would suffer undue hardship without final judgment because E&Y could be a potential party to the case for years to come and could face aggressive discovery.

31. On January 25, 2013, Lead Plaintiff filed an opposition to E&Y's Motion for Final Judgment. ECF No. 112. Lead Plaintiff argued that the claims against E&Y were inseparable from the remaining claims because E&Y had opined that Weatherford had maintained effective internal controls. Lead Plaintiff further explained that the remaining claims would necessitate substantial discovery from E&Y irrespective of E&Y's status as a defendant; therefore, a final judgment would not relieve E&Y from discovery obligations.

32. On February 4, 2013, E&Y filed a reply in support of its Motion for Final Judgment (ECF No. 113) and on February 13, 2013, the Court denied E&Y's motion. ECF No. 114.

**F. Lead Plaintiff's Challenges to the Sufficiency of Defendants' Answer**

33. On January 7, 2013, Defendants filed a 38-page answer to the Complaint ("First Answer"), largely denying most allegations and not responding to certain other allegations. ECF No. 105. After reviewing the First Answer, Lead Counsel requested that Defendants amend it to respond to additional allegations. Thereafter, the parties formally met and conferred regarding the adequacy of the First Answer, and during a January 10, 2013 scheduling conference, the parties raised the issue informally before the Court. The Court instructed Defendants to answer each factual allegation in the Complaint within seven days. ECF No. 110 at 3:7-12. On January 17, 2013, Defendants filed a 58-page Amended Answer to Complaint ("Second Answer"). ECF No. 109. During follow-up meet and confers, Lead Counsel advised Defendants that they still believed the Second Answer did not fully respond to certain factual allegations. Accordingly, on February 17, 2013, Defendants filed a third, 125-page answer. ECF No. 115.

**G. Addition of GPPF as a Named Plaintiff**

34. In anticipation of a motion for class certification, Lead Counsel sought to add an additional named plaintiff to further protect the class's interests. GPPF is a client of Kessler

Topaz who agreed to serve in a representative capacity in this Action after due consideration. Accordingly, Lead Counsel conferred with defense counsel regarding adding GPF as a named plaintiff. On March 13, 2013, Lead Plaintiff requested that the Court hold a pre-motion conference for a proposed motion to add GPF as a named plaintiff. On April 1, 2013, the parties stipulated to add GPF as a named plaintiff. The Court entered the proposed order on April 5, 2013. ECF No. 122.

**H. Motion for Class Certification**

35. On April 1, 2013, Plaintiffs moved to (1) certify a class of investors in Weatherford common stock; (2) appoint AFME and GPF as class representatives; and (3) appoint Lead Counsel as class counsel (“Class Certification Motion”). ECF No. 118. The Class Certification Motion sought to certify “a class of all persons who purchased or otherwise acquired Weatherford International Ltd...common stock between April 25, 2007 and March 1, 2011..., inclusive, and who were damaged thereby[,] [but] exclud[ing]...Defendants and Weatherford’s officers, affiliates, and directors, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which a Defendant has a controlling interest.” ECF No. 118 at 1.

36. The Class Certification Motion contended, among other things, that Plaintiffs were entitled to a presumption of reliance pursuant to the fraud-on-the-market theory. In further support of the motion, Plaintiffs submitted the expert report of Chad W. Coffman, C.F.A. and President of Global Economics Group, demonstrating that Weatherford’s common stock traded in an efficient market throughout the Class Period, supporting Plaintiffs’ utilization of the fraud-on-the-market presumption of reliance and satisfying Rule 23’s “predominance” requirement.

37. On April 26, 2013, Defendants deposed Mr. Coffman. Defendants also served extensive document requests on AFME and GPF, as well as their financial advisors and

consultants. On April 17, 2013, Defendants deposed AFME's Rule 30(b)(6) representative, Executive Director, Maureen B. Kilkelly. On April 18, 2013, Defendants deposed GPPF's Rule 30(b)(6) representative, GPPF's Executive Director at that time, James R. Meynard.

38. On May 1, 2013, Defendants filed their response to the Class Certification Motion. ECF No. 127. Defendants did not challenge certification of the class, appointment of Lead Counsel as class counsel, or GPPF's motion to be appointed as a class representative. Defendants opposed the appointment of AFME as a class representative on the grounds that AFME did not meet the typicality and adequacy requirements of Rule 23. On May 22, 2013, Plaintiffs filed their reply in further support of the Class Certification Motion. ECF No. 132. Notwithstanding the fact that Defendants had not challenged many aspects of the Class Certification Motion, it is well-settled that class certification can be revisited either upon a proper motion of a party or by the Court and thus, the macro issue of the continuing validity of the contours of the fraud-on-the-market presumption to be decided by the Supreme Court in *Halliburton II* still had the potential to negatively impact this litigation for Plaintiffs and the Settlement Class. The parties reached the proposed Settlement before the Court had ruled on the Class Certification Motion and before the Supreme Court issued its opinion in *Halliburton II*.

**I. Plaintiffs' Extensive Discovery and Pre-Trial Litigation**

39. Lead Counsel aggressively pursued discovery from Defendants and numerous third parties, conferring at length regarding the scope of discovery, and ultimately filing and arguing seven separate motions to compel the production of various documents and testimony. Through these efforts, Lead Counsel procured approximately 2.3 million pages of discovery from Defendants and third parties. Lead Counsel reviewed and analyzed these documents with the aim of preparing for fact witness depositions, conducting expert discovery, preparing for summary judgment and developing the record for trial.

**1. Rule 26(f) Report, Initial Disclosures, and Protective Order**

40. On December 10, 2012, the parties held their Rule 26(f) conference. On December 26, 2012, the parties submitted to the Court a Joint Rule 26(f) Report and Discovery Plan (“Joint Report”) summarizing the parties’ positions. On January 7, 2013, the parties exchanged initial disclosures pursuant to Rule 26(a)(1). On January 10, 2013, the Court held a scheduling conference regarding the Joint Report. On January 11, 2013, the Court issued a scheduling order, setting April 1, 2013 as the deadline for substantial completion of document production and December 10, 2013 as the deadline to complete all fact discovery. On March 28, 2013, after extensive negotiations, the parties submitted their stipulated Protective Order Governing Confidentiality, which the Court signed on April 5, 2013. ECF No. 123.

**2. Plaintiffs’ Discovery Propounded on Defendants**

41. Lead Counsel pursued multiple avenues of discovery from Defendants, including:

- (1) Document Requests: Lead Counsel served Defendants with a First Set of Requests for Production of Documents on January 11, 2013, and a Second Set of Requests for Production of Documents on April 1, 2013, totaling 85 document requests.
- (2) Interrogatories: Lead Counsel served six sets of interrogatories on Defendants on January 7, 2013, February 15, 2013, May 23, 2013, August 23, 2013, September 13, 2013, and December 23, 2013.
- (3) Requests for Admission: Lead Counsel served multiple sets of Requests for Admission (569 separate requests) on Defendants on January 7, 2013 and December 23, 2013.

42. In response to Lead Counsel’s document requests, Plaintiffs received approximately 2.3 million pages of documents from Defendants. Precision Discovery, a third party discovery vendor, was retained to host this significant volume of information on its sophisticated electronic database and litigation support platform. Lead Counsel utilized this electronic database to organize and search this large volume of documents, which allowed the

reviewing attorneys to categorize the documents by issues and level of relevance, prepare witness files, and to identify the seminal documents supporting Plaintiffs' claims. Many of the documents were complex and technical in nature due to the foreign tax accounting issues in the case and Weatherford's use of countless foreign subsidiaries in different tax jurisdictions to allegedly generate income from intercompany tax transactions. Lead Counsel's discovery efforts provided Plaintiffs with a thorough understanding of the strengths and weaknesses of Plaintiffs' claims and assisted Lead Counsel in its consideration and evaluation of the fairness of the Settlement.

43. As part of the process to efficiently review, analyze and organize documentary evidence in the litigation, Lead Counsel implemented and utilized a thorough document review protocol that included assignment of specific batches and/or categories of evidence (*i.e.*, documents produced to government agencies; custodian files; communications to and from certain targeted individuals; documents supporting discovery disputes and motion practice) to our team of staff attorneys for initial review to weed out irrelevant or immaterial information and to generate priority lists of documents based on multiple tiers of relevance. Meetings with staff attorneys were held frequently to discuss the progress of document review, to develop strategies in locating the most relevant documents to utilize at various stages of the case, and to develop and identify substantive legal and evidentiary issues as the litigation progressed.

44. Our team of staff attorneys was also utilized in drafting evidentiary memos and analyzing substantive issues relating to particular witnesses, topics of importance and areas of renewed evidentiary focus as information was developed in discovery. To prevent duplication, our team of staff attorneys were primarily assigned specific date ranges, custodians, bates ranges, or discrete targeted searches after consulting with more senior attorneys involved in the day-to-

day litigation. Our team of staff attorneys also provided valuable information regarding deficiencies in document productions, including ESI-related issues and substantive gaps in the materials or witness files, that was utilized during meet and confer sessions with Defendants to obtain additional discovery and develop a robust factual record to support Plaintiffs' successful discovery motion practice.

### **3. Plaintiffs' Discovery Propounded on Third Parties**

45. Lead Counsel also obtained documents from various third parties to aid in proving Defendants' scienter and establishing a thorough factual record supporting loss causation and damages. In total, Lead Counsel issued document subpoenas to 25 third parties.

46. In response to these third party subpoenas, Lead Counsel obtained and reviewed relevant documents from Weatherford's auditors, financial advisors, and consultants, including E&Y, Deloitte and PwC. Lead Counsel further obtained and reviewed significant discovery from the law firm representing Weatherford's Audit Committee. Additionally, Lead Counsel obtained and reviewed relevant documents from numerous financial analysts who covered Weatherford, including Credit Suisse, Guggenheim Securities, Morgan Stanley & Co., Pritchard Capital, SG Americas Securities, and Wells Fargo Securities. Lead Counsel also pursued, obtained and reviewed documents from Weatherford's former officers, directors and relevant employees related to Weatherford's internal controls over tax accounting.

47. In total, through its efforts, Lead Counsel obtained, reviewed, and analyzed over 100,000 pages of documents from third parties and was in the process of conferring with these third parties to obtain substantial additional productions when the proposed Settlement was reached.

#### 4. Defendants' Discovery Propounded on Plaintiffs

48. On January 18, 2013, Defendants served their first set of interrogatories on Lead Plaintiff requesting information about confidential witnesses. After conducting thorough legal research on the developing law regarding the disclosure of confidential witness identities, Plaintiffs objected and provided a response on February 20, 2013.

49. On January 29, 2013 and February 26, 2013, Defendants served separate document requests on AFME and GPF seeking 34 categories of documents from each Plaintiff. Plaintiffs served objections and responses to these requests on February 20, 2013 and March 13, 2013, respectively. In conjunction with the discovery requests, Plaintiffs diligently searched their files for potentially responsive documents, including conducting hard copy and electronic searches utilizing search terms and custodians developed and analyzed by Plaintiffs and Lead Counsel. Lead Counsel analyzed and reviewed thousands of pages of documents for responsive material and conducted detailed reviews for relevance, privilege, work product and confidentiality issues. Ultimately, AFME produced over 3,400 pages and GPF produced over 1,300 pages of responsive non-privileged documents. Lead Counsel also prepared and produced privilege logs for Plaintiffs' respective productions.

50. Defendants also subpoenaed documents from several of Plaintiffs' financial advisors and investment consultants, most of whom produced substantial materials. Lead Counsel analyzed and reviewed over 3,200 pages of third-party documents in connection with their production.

51. On December 23, 2013, Defendants served 232 requests for admission on Plaintiffs. Subsequently, Lead Counsel reviewed and began preparing responses thereto. The parties reached the proposed Settlement before the responses were due.

**J. Discovery Motions**

52. Over the course of discovery, numerous disputes arose among the parties regarding the scope of Plaintiffs' document requests and interrogatories, as well as deposition testimony. The parties spent many sessions conferring in good faith to resolve these disputes without Court intervention. Ultimately, however, Lead Counsel filed seven separate motions to compel discovery, each of which was granted, at least in part. As a result of these extensive efforts, Lead Counsel procured substantial additional evidence from Defendants. Lead Counsel believes that the evidence obtained through these hard-fought discovery battles was instrumental in procuring the Settlement.

53. **First Discovery Motion:** On May 20, 2013, Plaintiffs moved to compel Weatherford to testify, pursuant to Rule 30(b)(6), regarding several tax accounting restatements and investigations that occurred after the initial restatement, about which Weatherford had previously refused to testify. ECF No. 129. On May 20, 2013, the Court referred the first discovery motion to the Honorable Magistrate Judge James C. Francis. ECF No. 131. On May 22, 2013, Defendants opposed Plaintiffs' motion, and on May 24, 2013, Plaintiffs filed a reply in support of their motion. ECF. Nos. 134, 137. On May 28, 2013, Judge Francis granted Plaintiffs' motion in full, allowing Plaintiffs to obtain key testimony from Weatherford. ECF No. 138. Moreover, as a result of Judge Francis' decision, Defendants subsequently produced approximately 800,000 pages of documents related to the subsequent financial restatements and investigations, issues which Defendants previously asserted were either irrelevant to the internal control claims remaining in the case or unduly burdensome to produce.

54. **Second Discovery Motion:** During Weatherford's 30(b)(6) deposition, the Company refused to answer numerous questions based on assertions of privilege and attorney work product. On July 15, 2013, Plaintiffs filed a motion to compel responses to 45 of those

questions. ECF No. 147. Defendants opposed the motion on July 17, 2013, and Plaintiffs filed a reply in support of their motion on July 18, 2013. ECF Nos. 150, 152. On August 5, 2013, Judge Francis granted in part and denied in part Plaintiffs' second motion to compel, ordering Weatherford to answer 33 of the 45 questions. ECF No. 159. On August 12, 2013, Weatherford provided Plaintiffs with the additional testimony in the form of sworn written deposition answers. The discovery procured through this motion was essential in developing the underlying factual record that was later utilized to establish that Defendants had waived privilege and work product for certain materials disclosed to the SEC (*see* discussion of Sixth Discovery Motion, *infra*).

55. **Third Discovery Motion:** On September 20, 2013, Plaintiffs sought leave of the Court pursuant to Rule 30(a) to take additional deposition testimony beyond the 10 depositions allowed by the Federal Rules. ECF No. 171. Plaintiffs prepared a detailed chart of key witnesses and evidentiary support for an increase in the deposition limit. On September 24, 2013, Defendants filed their opposition to Plaintiffs' motion. ECF No. 173. On October 24, 2013, Judge Francis granted Plaintiffs eight additional non-expert depositions, without prejudice to considering additional depositions as the case progressed. ECF No. 198.

56. **Fourth Discovery Motion:** On October 4, 2013, Plaintiffs filed a motion to compel Defendants to substantively respond to a disputed interrogatory. ECF No. 184. Defendants opposed the motion on October 8, 2013. ECF No. 186. On October 28, 2013, Judge Francis partially granted Plaintiffs' motion, ordering Defendants to respond to three of the disputed interrogatory's four subparts. ECF No. 206. On November 11, 2013, Defendants provided supplemental responses providing key facts regarding the tax accounting transactions that ultimately led to the financial restatements.

57. **Fifth Discovery Motion:** On September 27, 2013, Plaintiffs filed their fifth discovery motion, arguing that Defendants were required to produce additional documents which had been or would be produced to the SEC and DOJ in the course of their respective investigations. ECF No. 177. Defendants filed their opposition to Plaintiffs' motion on October 1, 2013. ECF No. 179. On October 28, 2013, Judge Francis granted in part and denied in part Plaintiffs' motion, ordering Defendants to produce certain additional documents that had been previously produced to these government agencies and to update that production to the extent additional documents were produced in the future. ECF No. 207.

58. **Sixth Discovery Motion:** On October 15, 2013, utilizing evidence generated through prior motions described *supra*, Plaintiffs filed a motion to compel production of documents withheld by Defendants as privileged or work product related to Weatherford's internal investigations of the tax accounting and internal control issues giving rise to the restatements. Plaintiffs argued that the documents were not protected by the attorney-client privilege or attorney work product doctrine and, in any event, any such protections had been waived by disclosure to third parties. ECF No. 189. On October 17, 2013, counsel for both Defendants and Weatherford's Audit Committee (Davis Polk & Wardwell LLP) filed separate oppositions to Plaintiffs' motion. ECF Nos. 194, 200. On October 24, 2013, Plaintiffs filed a reply in support of their motion. ECF No. 203. On November 5, 2013, Judge Francis granted Plaintiffs' motion in part and denied it in part, holding that Weatherford had waived privilege and work product protections as to some of the requested documents. ECF No. 217. As a result, between November 15, 2013 and December 4, 2013, Defendants made an additional production of over 1,000 pages of presentations and witness interview materials.

59. **Seventh Discovery Motion:** After reviewing Defendants' production in response to Plaintiffs' Sixth Discovery Motion, Lead Counsel believed that Defendants had not fully complied with Judge Francis' November 5, 2013 Order by excluding and/or redacting non-privileged factual materials from the documents ordered produced. As a result, on November 27, 2013, Plaintiffs moved to compel Defendants' compliance with the Court's Order. ECF No. 221. That same day, Defendants submitted a letter motion asking Judge Francis for clarification on the November 5, 2013 Order. ECF No. 220. Before Judge Francis ruled on Plaintiffs' motion to compel, Defendants produced over 400 pages of additional documents. On December 4, 2013, Defendants filed their opposition to Plaintiffs' seventh motion. ECF No. 226. On December 9, 2013, Plaintiffs filed a reply in further support of their motion. ECF No. 232. On December 16, 2013, Judge Francis granted in part and denied in part the seventh discovery motion, ordering Defendants to reveal certain previously redacted material. ECF No. 235. On December 23, 2013, Defendants produced hundreds of pages of additional materials.

60. Lead Counsel subsequently attempted to ask questions during depositions regarding the new materials produced by Defendants in response to Judge Francis' December 16, 2013 Order on Plaintiffs' Seventh Discovery Motion. Counsel for Defendants, however, instructed the witnesses not to answer certain questions, invoking privilege and attorney work product. On December 30, 2013, Lead Counsel submitted a letter brief to Judge Francis requesting a conference concerning Defendants' invocation of privilege and attorney work product. Defendants responded to the letter brief on January 6, 2014. Prior to Judge Francis' ruling on Plaintiffs' letter brief, the parties reached an agreement-in-principle to settle the Action.

61. **Miscellaneous Motion Practice:** In addition to Plaintiffs' seven affirmative discovery motions, they also extensively briefed legal issues pertaining to Defendants' discovery motions and confidentiality designations. For example, on July 31, 2013, Defendants filed a motion pertaining to the use and attachment of written "errata" to prior deposition transcripts to make what Plaintiffs alleged were substantive changes to witnesses' prior testimony. ECF Nos. 153-55. The parties' dispute involved a novel issue of law pertaining to the "read and sign" requirement of Rule 30(e) as it applies to multiple individual witnesses designated by a corporation under Rule 30(b)(6). *See* ECF Nos. 153-58. Although Defendants' motion was ultimately granted, Judge Francis noted the novelty of the issue and the paucity of applicable legal authority on the subject. ECF No. 161.

62. The parties also spent myriad hours conferring on numerous additional discovery disputes which did not ultimately require Court intervention. For example, the parties negotiated at great length regarding Plaintiffs' first and second requests for the production of documents, Plaintiffs' multiple sets of interrogatories, Plaintiffs' requests for admission, the number and scope of custodians and search terms for electronic document productions, and various technical issues with Defendants' electronic productions. The parties also spent substantial time analyzing and conferring regarding the adequacy of Defendants' voluminous privilege logs, which spanned 600 pages and over 3,000 individual document entries. As a result of Lead Counsel's efforts and ongoing challenges to Defendants' invocations of privilege and work product, Defendants produced over 15,000 pages of new documents that had previously been withheld as privileged or protected work product.

#### **K. Depositions**

63. The Settlement with Defendants was reached only after Lead Counsel engaged in significant fact deposition discovery from May 2013 to January 2014, with fact discovery

scheduled to end on January 24, 2014. By the time the negotiations had concluded, Lead Counsel had taken the depositions of 10 individual witnesses and was in the process of preparing to take 10 additional high-level depositions. In addition to the Individual Defendants, Plaintiffs identified through extensive document review and factual research other key witnesses that Plaintiffs believed had first-hand knowledge of the remaining claims in the case. At the time of Settlement, Plaintiffs had prepared and were planning to imminently file, a motion to permit two additional depositions beyond the limit of 18 endorsed by Judge Francis.

64. On March 8, 2013, Lead Counsel noticed the deposition of Weatherford pursuant to Rule 30(b)(6). Over the course of four days in May and June 2013, Lead Counsel deposed four witnesses designated by Weatherford to testify regarding: (1) the Company's corporate organization; (2) the Company's periodic reports and meetings relating to its effective income tax rates and internal controls; (3) the processes related to Defendants' Sarbanes-Oxley compliance and certification of internal controls; (4) the preparation and dissemination of the Company's effective income tax rate and disclosures regarding internal controls over accounting and financial reporting for income taxes; (5) the Company's restatement and corresponding investigations; and (6) document preservation, production, and ESI.

65. On July 2, 2013, Lead Counsel issued a Rule 30(b)(6) deposition subpoena to E&Y, Weatherford's auditor during the relevant time period. The first portion of E&Y's deposition took place on August 20, 2013. Lead Counsel was in the process of preparing for the second day of E&Y's deposition, scheduled to take place on January 15, 2014, when the parties reached an agreement-in-principle to resolve this Action.

66. To learn more about Weatherford's tax accounting process, the intercompany tax transactions that gave rise to the restatements, and the internal control failures at issue, Lead

Counsel also took the depositions of numerous key witnesses, who worked at Weatherford in either the tax department or in internal audit during the Class Period, including domestic and international tax managers, an audit manager and a principal accounting officer.

67. Further, at the time that the proposed Settlement was reached in January 2014, Lead Counsel had noticed and was in the process of preparing for the depositions of: (1) the remaining Individual Defendants; (2) senior tax management employees; (3) the current and former heads of internal audit; and (4) Weatherford's financial consultants and advisors. Many of these depositions were scheduled to take place within a few days of the date the Settlement was reached, and all of the remaining depositions were scheduled for the two-week period prior to the close of fact discovery on January 24, 2014. Accordingly, much of the preparation for the remaining depositions was substantially complete at the time the agreement-in-principle was reached by the parties.

**L. Attempts to Amend or Supplement the Complaint**

68. Lead Counsel also expended significant effort attempting to amend or supplement the Complaint to incorporate important factual developments and evidence obtained in discovery and to revive claims previously dismissed. As described below, amendment (and the significant risk of denial of leave to amend) became a critically important issue for purposes of establishing loss causation and damages.

69. On February 21, 2012, Weatherford announced that it would restate its Class Period results for a second time. Lead Counsel requested leave to amend the Complaint pursuant to Rule 15(a) via a letter brief to the Court on February 27, 2012, to add additional allegations regarding these new facts. ECF No. 85. Defendants and E&Y opposed the request. ECF Nos. 86-87. On March 30, 2012, the Court denied Lead Plaintiff's letter motion, citing Lead Plaintiff's decision at the Motion to Dismiss hearing to stand on the Complaint. ECF No. 88.

70. On March 15, 2012, Weatherford officially filed its second restatement. On March 27, 2012, Lead Plaintiff filed a motion for leave to supplement the Complaint under Rule 15(d), attaching a proposed Supplemental Amended Complaint (“Motion to Supplement”). ECF No. 90. The proposed Supplemental Amended Complaint included newly disclosed facts, including that: (1) Defendant Becnel and Weatherford’s president of tax had resigned; (2) the DOJ was investigating the Company; (3) the Company had restated its results for a second time as a result of tax accounting errors; and (4) its weaknesses in internal controls over tax accounting had not been remediated. Both Defendants and E&Y filed oppositions to the Motion to Supplement on April 13, 2012. ECF Nos. 93-94. Lead Plaintiff filed its reply on April 23, 2012. ECF No. 95. On November 7, 2012, in conjunction with its Order on the Motions to Dismiss, the Court denied the Motion to Supplement as futile. ECF No. 103.

71. By August 2013, Lead Counsel’s discovery efforts had uncovered additional evidence that Lead Counsel believed supported Plaintiffs’ claims. As a result, Lead Counsel drafted Plaintiffs’ Proposed Amended Complaint (“PAC”), a comprehensive pleading which incorporated the extensive fruits of Plaintiffs’ discovery efforts in an attempt to reinstate the prior claims relating to the Tax Accounting Misstatements. In particular, the PAC added allegations outlining the key testimonial evidence obtained from the Rule 30(b)(6) depositions of Weatherford and E&Y, as well as allegations developed from Lead Counsel’s extensive document review and Defendants’ interrogatory responses. In addition, the PAC incorporated admissions from Defendants’ Second Answer as well as their responses to Plaintiffs’ First Set of Requests for Admission.

72. On August 26, 2013, Plaintiffs filed a motion for leave to amend pursuant to Rule 15(a) (“Motion to Amend”), attaching the PAC. ECF Nos. 162-64. On September 12, 2013,

Lead Plaintiff attended a status conference regarding the motion. ECF No. 169. At the conference, the Court granted Plaintiffs two weeks to submit a more refined PAC. On September 26, 2013, Plaintiffs submitted an abridged PAC. In the meantime, on September 16, 2013, Defendants filed an opposition to the Motion to Amend. ECF No. 166. On September 25, 2013, Plaintiffs filed their reply. ECF No. 175. Prior to the Court's ruling on this motion, the parties agreed to the Settlement.

**M. Plaintiffs' Significant Work with Experts**

73. In prosecuting this Action, Lead Counsel consulted with multiple experts and consultants in several fields, including income tax accounting, intercompany dividend eliminations, U.S. tax treatment of foreign transactions, internal controls over income taxes and financial disclosure, forensic accounting, economics, and damages. These experts and consultants assisted Plaintiffs in preparing the Complaint and the PAC, analyzing extensive discovery, preparing for depositions and summary judgment, understanding the complex transactions at issue in this case, preparing a declaration in support of class certification, preparing formal expert reports, analyzing estimated damages in connection with the mediation and further settlement negotiations, and preparing the proposed Plan of Allocation. Below is a description of the significant experts retained by Plaintiffs.

74. At the outset of the Action, Lead Counsel retained Keith Mautner, C.P.A. and principal of FAILSAFE CPA, as a consulting expert to provide forensic accounting and consulting services regarding Weatherford's compliance with GAAP, which Lead Counsel utilized in drafting the Complaint and proposed amended complaints and targeting and analyzing discovery throughout the litigation. Additionally, Lead Counsel retained a tax consulting expert, Professor Michael Vinson—a law school professor at Golden Gate University specializing in tax, and a former tax counsel for one of world's largest companies. Professor Vinson aided Lead

Counsel in understanding the fundamentals of the complex intercompany corporate tax transactions, hybrid instruments and dividend eliminations at issue in this litigation.

75. Lead Counsel retained Chad Coffman as a testifying expert on class certification issues, loss causation and damages. Mr. Coffman is the President of Global Economics Group, a Chicago-based firm that specializes in the application of economics, finance, statistics, and valuation principles to facts that arise in a variety of contexts, including litigation. In support of the Class Certification Motion, Mr. Coffman submitted a 28-page expert report in which he described the efficiency of the market for Weatherford common stock. ECF No. 119-5. Mr. Coffman was also deposed in connection with his expert report. *See* ¶37. Further, Lead Counsel also utilized Mr. Coffman's services in connection with damages and loss causation during mediation and in developing the Plan of Allocation in this matter. Lead Counsel also retained Stanford Consulting, Inc., a firm specializing in valuation and damages issues, as a non-testifying consulting expert during the course of the litigation.

76. In anticipation of summary judgment, Lead Counsel also retained two additional testifying experts, Professor Douglas Carmichael, Ph.D. and Harris Devor, C.P.A. Dr. Carmichael, in conjunction with forensic accountants at ParenteBeard, provided expert consulting services regarding Weatherford's internal controls. Dr. Carmichael was prepared to provide opinions and testimony regarding the internal control issues in the case. Mr. Devor was prepared to provide opinions and eventually testify regarding Weatherford's tax accounting and compliance with GAAP.

#### **IV. THE SETTLEMENT**

77. The Settlement currently before this Court provides for a recovery of \$52,500,000 in cash, plus any interest earned on that amount which was deposited on behalf of the Settlement Class on or before April 15, 2014. As set forth above, the Settlement achieved in this Action is

the result of nearly three years of intensive litigation, as well as arm's-length negotiations by fully informed Plaintiffs and Lead Counsel. The Settlement provides members of the proposed Settlement Class with immediate benefits and eliminates the significant risks of continued litigation under circumstances where a favorable outcome was not guaranteed.

**A. Settlement Negotiations**

78. The Settlement is the result of arm's-length negotiations, following substantial litigation, dispositive and non-dispositive motion practice, extensive discovery, consultation with various experts, and class certification briefing. The parties' on-going settlement efforts included several in-person and telephonic discussions, including formal mediation.

79. On June 27, 2011, Judge Cote referred the case to Judge Francis for purposes of discussing settlement and ordered the parties to contact Judge Francis no later than August 5, 2011 to arrange settlement discussions. ECF Nos. 33, 46. On July 25, 2011, the parties held a telephonic conference with Judge Francis to discuss settlement. At that early stage of the litigation, however, the parties were unable to reach an agreement.

80. Nearly two years later, on June 26, 2013, the parties participated in an in-person mediation session under the auspices of the Hon. Daniel H. Weinstein (Ret.), a former superior court judge for the State of California and associate justice pro tem of the California Supreme Court and of the First District Court of Appeal, and an experienced and highly respected mediator. Prior to the June 2013 mediation, the parties submitted detailed mediation statements setting out their respective positions on the relevant law and facts. During the mediation, the parties made detailed presentations regarding the merits of the Action. While the parties remained too far apart in their respective positions to reach a resolution of the Action at the mediation, the discussions allowed each party to better understand the other's position and the parties continued settlement negotiations thereafter.

81. As the deadline for completion of fact discovery in January 2014 neared, with several critical motions pending (*e.g.*, the Class Certification Motion and Plaintiffs' Motion to Amend the Complaint) and with the Supreme Court reexamining the continuing validity or, at a minimum, the contours of the fraud-on-the-market presumption, the parties began to explore whether a continuation of the mediation would be a worthwhile exercise. After several telephonic and in-person meetings in December 2013 and early January 2014, the parties submitted updated statements to Judge Weinstein regarding their positions on the shift in the litigation and the general securities litigation landscape since June 2013. After extensive discussions with both parties, Judge Weinstein issued a mediator's proposal that both sides accepted, leading the parties to reach an agreement-in-principle to settle the Action for \$52,500,000. Thereafter, it took several more weeks for the parties to negotiate the specific terms of their agreement, including both funding and termination provisions. After the Court was informed that an agreement in principle was reached, the parties executed the Stipulation on January 28, 2014 and requested the Court to allow the parties to send out notice of the Settlement and to schedule a final fairness hearing and related filing dates accordingly.

**B. Terms of the Settlement**

82. Pursuant to the Stipulation, on or before April 15, 2014, Defendants caused \$52,500,000 to be deposited into an escrow account, subject to the terms and conditions of the Stipulation.

83. The Settlement, if approved, will release the Settled Claims (as defined in paragraph 1.ee of the Stipulation) against the Released Parties (as defined in paragraph 1.cc of the Stipulation).

84. For purposes of the Settlement and as agreed to by the parties and ordered by the Court (ECF No. 249), the Settlement Class is defined as:

[A]ll persons who purchased or otherwise acquired Weatherford common stock between April 25, 2007 and March 1, 2011, inclusive, and who were allegedly damaged thereby. Excluded from the Settlement Class are Defendants and Weatherford's officers, affiliates, and directors, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which a Defendant has a controlling interest. Also excluded from the Settlement Class are any persons or entities who exclude themselves from the Settlement Class by filing a timely request for exclusion in accordance with the requirements set forth in the Notice.

**C. Reasons for Settlement**

85. Based on its experience and close knowledge of the facts and applicable law, Lead Counsel—a law firm well versed in the prosecution of complex securities litigation—believes that the Settlement is in the best interest of the Settlement Class. The Settlement Class Representatives, who are both large institutional investors, have also approved the Settlement.

86. Lead Counsel and Defendants could not agree on numerous issues, including whether there were any damages at all in this Action and if so, what were the amount of such damages, either on a per share or aggregate basis. Defendants also took issue with the validity of any particular trading model that would be utilized to calculate aggregate damages.

87. Plaintiffs' damages expert calculated that prior to taking into account Defendants' contentions on, and substantial risks regarding, disaggregation, liability and proportionate fault, likely recoverable aggregate damages were approximately \$500 million.

**1. Risk of Establishing Loss Causation and Damages**

88. Plaintiffs faced significant challenges establishing loss causation and damages for the claims left in the case. First, Plaintiffs faced a substantial risk that they could not disaggregate the portion of losses attributable to the Internal Controls Misstatements from the losses attributable to other "confounding information," *i.e.*, the Tax Accounting Misstatements and financial restatement disclosures. This task was increasingly difficult given that the primary corrective disclosure on March 1, 2011 alleged by Plaintiffs revealed not only Weatherford's

material weakness in internal controls, but also a \$500 million restatement due to tax accounting errors and negative news from the Middle East impacting oil prices. Because the only remaining actionable claims arose from the Internal Controls Misstatements, Plaintiffs faced the very real risk at summary judgment and trial that a significant portion of the alleged losses would be attributable to the Tax Accounting Misstatements and the revelation of the financial restatement, as opposed to revelations regarding the material weakness in Weatherford's internal controls.

89. Second, Defendants also may have challenged whether the Internal Control Misstatements, standing alone, were material. Although Plaintiffs would argue that the Internal Controls Misstatements were inextricably intertwined with, and inseparable from, the Tax Accounting Misstatements such that the former misstatements were still a "substantial cause" of the stock price declines alleged in the Complaint, Plaintiffs still faced a significant risk that such an argument would be rejected during summary judgment, trial, post-trial or appellate proceedings.

90. Third, even if Plaintiffs could establish at summary judgment and trial that the Internal Controls Misstatements were a substantial factor in causing the alleged stock price declines, Plaintiffs still faced a significant risk that the Court and/or a jury would find that only a small fraction of the total damages was attributable to the Internal Controls Misstatements (as opposed to the Tax Accounting Misstatements), thus significantly reducing any recovery for the Settlement Class.

91. Fourth, even if the Court had granted Plaintiffs' Motion to Amend, revived the claims relating to Defendants' Tax Accounting Misstatements, and reduced the risk of demonstrating loss causation, Defendants still contended that separate and distinct calculations were necessary for each type of misrepresentation in the event the jury found that Plaintiffs had

not proven all elements of the Section 10(b) claim for both types of misrepresentation, thereby requiring the jury to disaggregate damages.

92. Fifth, even if the jury did not find it necessary to disaggregate damages, or were able to disaggregate the impact of the Internal Controls Misstatements from that of the Tax Accounting Misstatements, Defendants would have likely asserted a proportional fault defense to reduce or eliminate damages entirely by arguing that the Company relied on others, including Weatherford's auditor who issued opinions on the Company's financial results and internal controls during the Class Period.

93. Accordingly, substantial risks of establishing loss causation and damages still remained in the case at the time the Settlement was reached.

## **2. Risk of Establishing Scienter**

94. Proving scienter also posed considerable risks to Plaintiffs' recovery. One such risk was that Plaintiffs would not be able to show that the single remaining Individual Defendant, CFO Becnel, acted intentionally or recklessly as opposed to negligently or innocently. In particular, Plaintiffs faced the risk that the Court or a jury would find that the complexity of Weatherford's tax accounting, especially the differences between GAAP and tax treatment of foreign intercompany tax and dividend exclusion transactions underlying the restatements at issue, made it less likely that a high-level executive would become aware of any incorrect tax accounting or internal control problems relating to taxes. This risk was made even more acute by the fact that Weatherford operated approximately 100 subsidiaries in vastly different foreign tax jurisdictions, adding multiple layers of accounting and tax reporting complexity that Defendants would seek to emphasize and exploit at summary judgment and trial to establish a competing inference of negligence or mistake.

95. Moreover, Defendants would have argued that Becnel relied heavily on numerous tax executives and accountants, consultants, external auditors and reports from internal audit personnel in certifying the Company's financial results and reaching the conclusion that no material weakness existed in Weatherford's internal controls. Even if Plaintiffs were to prove that a lower-level or mid-level employee in Weatherford's Tax or Internal Audit Department acted with conscious recklessness, there was no guarantee that Plaintiffs could impute that employee's scienter to Weatherford, especially given that Weatherford's Tax and Internal Audit employees neither made statements nor signed any SEC filing. Thus, Plaintiffs faced the risk that they could not prove liability or scienter consistent with *Janus Capital Group, Inc. v. First Derivative Traders*, 131 S. Ct. 2296 (2011).

### **3. Risk of Establishing Reliance**

96. As the Supreme Court reviews the fraud-on-the-market presumption recognized in *Basic Inc. v. Levinson*, 485 U.S. 224, 108 S. Ct. 978 (1988) in its present term, Plaintiffs faced the substantial risk that the Supreme Court's ultimate decision in *Halliburton II* could overturn *Basic* altogether and/or make it more difficult or impossible to establish reliance—at least under the fraud-on-the-market presumption. This risk not only threatened Plaintiffs' ability to satisfy the predominance requirement of Rule 23(b)(3), but also to establish direct or indirect reliance on Defendants' alleged misrepresentations under §10(b).

#### **D. Notice to the Settlement Class Meets the Requirements of Due Process and Rule 23 of the Federal Rules of Civil Procedure**

97. Pursuant to its April 1, 2014 Notice Order, the Court (a) directed that notice be disseminated to the Settlement Class; (b) set June 8, 2014 as the deadline for Settlement Class Members to request exclusion from the Settlement Class; (c) set June 13, 2014, as the deadline for Settlement Class Members to submit objections to the Settlement, the Plan of Allocation,

and/or the Fee and Expense Application; and (d) set a final approval hearing date of July 8, 2014, at 4:00 p.m. ECF No. 249.

98. In accordance with the Notice Order, Lead Counsel instructed The Garden City Group, Inc. (“GCG”), the Court-appointed Claims Administrator for the Settlement, to (1) mail copies of the Notice and Claim Form (together, the “Notice Packet”) by first-class mail, postage prepaid to those members of the Settlement Class who could be identified through reasonable effort, including in the records of Weatherford or its transfer agent provided by Defendants in accordance with the Stipulation; and (2) publish the Summary Notice in accordance with the Notice Order (*i.e.*, in the national edition of *The Wall Street Journal* and *Investor’s Business Daily* and over *PR Newswire*). The Notice Packet contains, among other things, a description of the Settlement, information regarding the lawsuit, the Plan of Allocation, and the right of Settlement Class Members to: (a) participate in the Settlement; (b) object to any aspect of the Settlement, the Plan of Allocation and/or the Fee and Expense Application; or (c) exclude themselves from the Settlement Class. The Notice Packet also informs recipients of Lead Counsel’s intent to apply for an award of attorneys’ fees not to exceed \$12.6 million and for reimbursement of Litigation Expenses in an amount not to exceed \$1.5 million, which amount may include a request for reimbursement to the Settlement Class Representatives for costs and expenses (including lost wages) incurred in connection with their representation of the Settlement Class, in an amount not to exceed \$25,000 in the aggregate.

99. As set forth in the Affidavit of Jose C. Fraga Regarding (A) Mailing of the Notice and Proof of Claim Form; (B) Publication of the Summary Notice; and (C) Requests for Exclusion Received to Date attached hereto as Exhibit 1 (the “Fraga Aff.”), as of May 21, 2014, GCG has disseminated 660,335 copies of the Notice Packet to potential members of the

Settlement Class and nominees in accordance with the Notice Order. *See* Fraga Aff. at ¶10.<sup>3</sup> Moreover, in accordance with the Notice Order, on April 9, 2014, GCG caused the Summary Notice to be published in the national edition of *The Wall Street Journal* and *Investor's Business Daily* and transmitted over *PR Newswire*. *Id.* at ¶11.

100. Lead Counsel also caused GCG to establish a website dedicated to the Settlement (*i.e.*, [www.WeatherfordSecuritiesLitigationSettlement.com](http://www.WeatherfordSecuritiesLitigationSettlement.com)). The website provides members of the Settlement Class with information concerning the Settlement and access to downloadable copies of the Notice, Claim Form, and Summary Notice, as well as a copy of the Stipulation, the Notice Order, and the Complaint. *Id.* at ¶13. Additionally, GCG established and maintains a toll-free telephone number and interactive voice response system to respond to inquiries from Settlement Class Members regarding the Settlement and how to obtain and complete a Claim Form. *Id.* at ¶12.

101. As set forth above, the deadline for members of the Settlement Class to file objections to the Settlement, the Plan of Allocation, and/or the Fee and Expense Application is June 13, 2014. Despite the dissemination of over 660,000 Notice Packets, as of May 21, 2014, only six (6) requests for exclusion from the Settlement Class have been received representing 1,205 shares (*see id.* at ¶14); and only one (1) objection has been received.<sup>4</sup>

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<sup>3</sup> To disseminate the Notice Packets, GCG used shareholder data received from Defendants' Counsel regarding persons and entities who purchased or otherwise acquired Weatherford common stock during the Settlement Class Period (*i.e.*, the period between April 25, 2007 and March 1, 2011, inclusive). *See* Fraga Aff. at ¶¶3-6. GCG also mailed the Notice Packet to the largest and most common U.S. banks, brokerage firms, and nominees ("Nominees") contained in GCG proprietary database, as well as the names and addresses for additional potential Settlement Class Members provided to GCG by Nominees. *Id.* at ¶¶7-9.

<sup>4</sup> The only objection received to date was submitted by Stephen Shoeman. *See* Exhibit 2 attached hereto. Despite Mr. Shoeman's failure to provide documentation to prove his membership in the Settlement Class as required pursuant to the Notice Order and set forth in the Notice, Lead Counsel will address Mr. Shoeman's objection, along with any additional objections and requests for exclusion received following this submission, in Plaintiffs' reply brief to be filed with the Court on June 20, 2014, as provided in the Notice Order.

**E. The Plan of Allocation**

102. Plaintiffs have proposed a plan for allocating the proceeds of the Settlement among members of the Settlement Class who submit timely and valid Claim Forms to the Claims Administrator in connection with this Settlement. As set forth in Appendix A to the Notice, the objective of the proposed Plan of Allocation is to equitably distribute the net proceeds of the Settlement to those members of the Settlement Class who suffered economic losses as a result of the alleged violations of the federal securities laws asserted in the Action, as opposed to losses caused by market or industry factors or company-specific factors unrelated to the alleged violations of law.

103. The Plan was prepared in consultation with Plaintiffs' damages expert. Although the Plan is not a formal damages analysis, it reflects the Plaintiffs' damages expert's analysis, including a review of publicly available information regarding Weatherford and statistical analysis of the price movements of Weatherford common stock and the price performance of relevant market and peer indices during the Settlement Class Period. Lead Counsel believes that the Plan of Allocation is fair, reasonable, and adequate to the Settlement Class.

104. Under the Plan, a "Recognized Loss Amount" will be calculated for each share of Weatherford common stock purchased or otherwise acquired during the Settlement Class Period (*i.e.*, the period between April 25, 2007 and March 1, 2011, inclusive) that is listed in a claimant's Claim Form and for which adequate documentation is provided. A claimant's Recognized Loss Amount will depend upon several facts such as: (1) the amount of Weatherford common stock purchased and/or otherwise acquired during the Settlement Class Period; (2) the timing of such purchases and/or acquisitions of Weatherford common stock; and (3) the timing of sales, if any, of such Weatherford common stock.

105. In order to have a Recognized Loss Amount, the Weatherford common stock purchased or otherwise acquired during the Settlement Class Period must have been held through January 25, 2010 or March 1, 2011.<sup>5</sup> Under the Plan, Recognized Loss Amounts also take into account the PSLRA's statutory limitation on recoverable damages, whereby losses on eligible Weatherford common stock cannot exceed the difference between the purchase price paid for the stock and the average price of the stock during the 90-day period subsequent to the Settlement Class Period if the share was held through May 27, 2011 (*i.e.*, the end of the 90-day period) and losses on eligible Weatherford common stock purchased or otherwise acquired during the Settlement Class Period and sold *during* the 90-day period subsequent to the Settlement Class Period cannot exceed the difference between the purchase price paid for the stock and the average price of the stock during the portion of the 90-day period elapsed as of the date of sale. *See Fraga Aff. Exhibit A at 9.*

106. As further explained in the Plan, the sum of a claimant's Recognized Loss Amounts will be the claimant's Recognized Claim. The Net Settlement Fund will be allocated on a *pro rata* basis to Authorized Claimant's based on each Authorized Claimant's Recognized Claim in comparison to the total Recognized Claims of all Authorized Claimants. Under the Plan, if a claimant's *pro rata* payment calculates to less than \$10.00, no distribution will be made to that claimant. *See Fraga Aff. Exhibit A at 11.*

107. Any remaining funds in the Net Settlement Fund, after subsequent distributions have become economically infeasible and upon motion to the Court, shall be distributed to one or

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<sup>5</sup> In particular, the Complaint alleged that after the close of trading on January 25, 2010, the price of Weatherford common stock declined from a close of \$17.73 per share to close at \$16.39 per share on January 26, 2010, representing a decline of nearly 8%. ECF No. 59 at ¶240. It further alleged that following Weatherford's announcement after the close of trading on March 1, 2011, the price of Weatherford common stock declined from a close of \$23.52 per share to a close of \$21.14 per share on March 2, 2011, representing a decline of nearly 11%. *Id.* at ¶241.

more non-sectarian, not for profit, 501(c)(3) organizations to be selected by one or more of the following individuals: the President of the New York City Bar Association, the President of the New York State Bar Association, and the President of the American Bar Association. The proposed recipients shall not include any organization listed in the preceding sentence and shall be independent of Lead Counsel so that Lead Counsel does not derive a direct or indirect benefit from the selection of such organization as the recipient of a charitable contribution. *See Fraga Aff. Exhibit A at 11.*

108. The structure of the Plan is comparable to plans of allocation that have been used in numerous securities class actions. Lead Counsel submits that the Plan of Allocation is fair and reasonable and should be approved together with the Settlement. In addition, in response to the dissemination of over 660,000 copies of the Notice Packet to potential Settlement Class Members and nominees, there have been no objections to date to the proposed Plan of Allocation.

#### **V. APPLICATION FOR ATTORNEYS' FEES AND LITIGATION EXPENSES**

109. In addition to seeking final approval of the Settlement and Plan of Allocation, Lead Counsel is also making an application to the Court for an award of attorneys' fees and Litigation Expenses incurred during the course of the Action, and for reimbursement of costs and expenses to the Settlement Class Representatives in connection with their representation of the Settlement Class. Specifically, Lead Counsel is applying for attorneys' fees in the amount of \$12.6 million and for reimbursement of Plaintiffs' Counsel's Litigation Expenses in the total amount of \$1,381,724.59, plus interest earned on these amounts at the same rate earned on the Settlement Fund. Lead Counsel also requests reimbursement in the amount of \$19,935.69 in costs and expenses incurred by Plaintiffs directly related to their representation of the Settlement Class pursuant to 15 U.S.C. §78u-4(a)(4).

110. Lead Counsel is submitting its Fee and Expense Application with the prior approval of Plaintiffs and this application is, in all respects, in accordance with the retainer agreements entered into by Plaintiffs and Lead Counsel. *See* Declaration of Maureen B. Kilkelly on behalf of AFME, attached hereto as Exhibit 3 and Declaration of James R. Meynard on behalf of GPPF, attached hereto as Exhibit 4. Under these retainer agreements, Lead Counsel agreed to prosecute the litigation on an entirely contingent basis, meaning that Lead Counsel would not be compensated at all, or reimbursed for any expenses incurred on behalf of the Settlement Class, unless it obtained a recovery for the Settlement Class. The retainer agreements also provided that, if Lead Counsel was successful in obtaining a recovery for the Settlement Class, attorneys' fees would be based on a "fee grid" which scaled attorneys' fees based upon the amount recovered, with the maximum fee for this litigation at 24%. *Id.* While certainly not binding upon the Court, the fact that the fee request is consistent with a retainer agreement entered into by a sophisticated institutional investor at the outset of the Action, should be a consideration in the Court's analysis.

111. Below is a summary of the additional factual bases for Lead Counsel's Fee and Expense Application. The legal authority supporting this application is set forth in the Memorandum of Law in Support of Lead Counsel's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses (the "Fee Memorandum") submitted herewith.

**A. Application for Attorneys' Fees**

**1. The Requested Fee Is Fair and Reasonable<sup>6</sup>**

112. Lead Counsel undertook time-consuming, challenging, and risky work to prosecute the claims against Defendants and to achieve this Settlement. As discussed above,

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<sup>6</sup> As set forth in the Stipulation, approval of the Settlement is independent from the approval of Lead Counsel's Fee and Expense Application. Any determination with respect to Lead Counsel's Fee and Expense Application will not affect the Settlement, if approved.

Plaintiffs were able to settle this Action only after engaging in a thorough investigation into the Settlement Class's claims, substantial motion practice and extensive fact discovery, including review of approximately 2.3 million pages of documents produced by Weatherford and various third parties and participation in and/or preparation for the depositions of 24 individuals. This discovery did not come easily, as Plaintiffs faced vigorous opposition throughout the litigation and filed seven separate discovery motions to obtain key information used throughout the case. In addition, as described throughout, the work involved complex legal and factual issues and, in some instances, novel issues of law in an ever-changing legal landscape.

113. For the extensive efforts expended on behalf of the Settlement Class, Lead Counsel is applying for an award of attorneys' fees in an amount that approximates the total aggregate lodestar incurred by Lead Counsel and Local Counsel for such efforts on behalf of the Settlement Class. As set forth in Exhibits 5 and 6 hereto, from the inception of this case through May 15, 2014, Lead Counsel and Local Counsel have expended a total of 30,325.46 hours to the investigation, prosecution and resolution of the claims against Defendants for an aggregate lodestar value of \$12,912,708.50.<sup>7</sup> Thus, the total requested fee, if awarded, would yield a slightly negative multiplier of 0.98 on the total lodestar.

114. I, along with other partners at my firm, maintained daily control and monitoring of the work that each attorney at the firm performed on this case. Experienced attorneys at the firm undertook particular tasks appropriate to their levels of expertise, skill and experience, and more junior attorneys and paralegals worked on matters appropriate to their experience levels.

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<sup>7</sup> The lodestar and expense submissions of David Kessler (the "Kessler Decl.") and Curtis V. Trinko (the "Trinko Decl."), on behalf of Kessler Topaz and the Law Offices of Curtis V. Trinko, LLP, respectively, are attached as Exhibits 5 and 6 hereto. These declarations set forth the names of the attorneys and professional support staff who worked on the Action, the hourly rates currently chargeable by each such attorney and professional support staff, the lodestar value of the time expended by such attorneys and professional support staff, the unreimbursed expenses of the firms, and the background and experience of the firms.

Throughout the prosecution of the claims against Defendants, work assignments were allocated among the attorneys at my firm in order to avoid unnecessary duplication of effort.

115. Each of the staff attorneys at our firm reviewed and analyzed documents for relevance, participated in the preparation of weekly memoranda that summarized highly relevant documents, and attended weekly conference calls to discuss the status of the document review, deposition preparation, and other tasks. To effectively review the complex tax accounting documents at issue, the staff attorney also received instruction and training on the fundamentals of complex intercompany tax transactions as well as the relevant tax accounting guidance.

116. Moreover, each staff attorney developed specialized areas of expertise and performed discrete tasks to assist in the litigation. For example, our team of staff attorneys, among other tasks: (i) drafted memoranda that were essential to analyzing the evidence and preparing for depositions; (ii) addressed technical issues with the document productions; (iii) drafted factual memoranda summarizing the information gleaned from the hundreds of pages of internal investigation documents that Lead Counsel received approximately a month before the close of fact discovery; and (iv) assisted more senior attorneys in analyzing and determining which witnesses should be deposed.

117. Of the 30,325.46 hours spent by Plaintiffs' Counsel on this matter, approximately 540 hours were incurred on or after January 13, 2014, the date on which an agreement in principle to settle the Action was reached. Such tasks included time spent negotiating the Stipulation and preparing the related Settlement papers, including without limitation all motions and briefing, declarations, notices, documentation for the escrow account, proposed orders and judgments, preparing for and participating in the telephonic conference on February 19, 2014, performing various Settlement administration tasks and preparation of papers in support of the

Settlement and Plan of Allocation. No staff attorney time was incurred in this matter following the reaching of an agreement-in-principle on January 13, 2014.

118. Time incurred in connection with the preparation of any fee or expense reimbursement requests has not been included in the lodestar calculation.

119. As set forth herein and in the accompanying Fee Memorandum, Lead Counsel submits that the requested fee is fair and reasonable and should be approved based on the result achieved for the Settlement Class, the extent and quality of work performed by Lead Counsel over the course of nearly three years, the risks of the litigation and the contingent nature of the representation.

## **2. Standing and Expertise of Plaintiffs' Counsel**

120. The expertise and experience of counsel are other important factors in setting a fair fee. As Lead Counsel's firm resume (*see* Exhibit 3 to the Kessler Declaration) demonstrates, the attorneys at Kessler Topaz are experienced and skilled class action securities litigators and have a successful track record in securities cases throughout the country—including within this Circuit. Local Counsel, the Law Offices of Curtis V. Trinko, LLP, is also highly experienced in complex litigation (*see* Exhibit 3 to the Trinko Declaration).

## **3. Standing and Caliber of Defendants' Counsel**

121. The quality of Lead Counsel's work in achieving the Settlement should also be evaluated in light of the quality of opposing counsel. Here, Latham and Watkins LLP spared no effort or expense in defending its clients. Indeed, Latham demonstrated that it was willing and able to face Plaintiffs through hard-fought discovery disputes, summary judgment and trial. Nonetheless, Lead Counsel was able to develop a case—after extensive discovery and motion practice—that was sufficiently strong to persuade Defendants to settle on terms that are favorable to the Settlement Class.

**4. Risks of Litigation and the Need to Ensure the Availability of Competent Counsel in High-Risk, Contingent Securities Cases**

122. This Action was initiated, and continued against Defendants, on an entirely contingent basis. This case was unquestionably complex—particularly the tax accounting issues underlying Plaintiffs’ claims—and the outcome against Defendants was uncertain. Indeed, the Court dismissed E&Y from the case entirely and all claims related to the Company’s alleged Tax Accounting Misstatements, and sustained only the §10(b) claims against Weatherford and Becnel arising from their Internal Controls Misstatements, and corresponding §20(a) claims against Duroc-Danner, Abarca, and Geer.

123. From the outset, Lead Counsel and Plaintiffs appreciated the significant risks inherent in all securities litigation, including overcoming motions to dismiss, generating a compelling factual record through discovery, obtaining class certification, surviving summary judgment, and prevailing at trial and on any post-trial appeals. As discussed in §IV.C. above, Plaintiffs faced tremendous risks to establishing their case against Defendants, especially proving Defendants’ scienter and loss causation. Plaintiffs also faced hurdles associated with Defendants’ potential proportional fault defenses, which would attempt to shift blame onto third parties, including Weatherford’s former auditor and third-party tax consultants. Likewise, Plaintiffs faced the significant risk associated with the Supreme Court’s pending consideration of the continued viability of the fraud-on-the-market theory of reliance. Lead Counsel and Plaintiffs agreed to settle this Action on the terms of the Stipulation based on their careful investigation and evaluation of the facts and law relating to the allegations in the Complaint and the extensive discovery conducted over the course of the litigation, as well as their evaluation of the significant risks if the Action continued.

124. Lead Counsel assured that sufficient attorney resources were dedicated to prosecuting the claims against Defendants, in particular, to the voluminous document and deposition discovery. Lead Counsel also retained highly competent experts in fields such as tax accounting, intercompany dividend eliminations, internal controls over tax accounting, loss causation, and damages, and ensured that sufficient funds were available to advance the expenses required to pursue and complete such complex litigation. In total, Plaintiffs' Counsel have incurred \$1,381,724.59 in unreimbursed expenses in prosecuting and resolving this Action for the benefit of the Settlement Class.

125. On many occasions, plaintiffs' counsel in contingency-fee cases such as this have worked thousands of hours, only to receive no compensation. Lead Counsel is fully aware—from personal experience—that despite the most vigorous and competent of efforts, a law firm's success in contingent litigation such as this is never guaranteed. Moreover, Lead Counsel knows that many capable plaintiffs' firms have suffered major defeats after years of litigation, and after expending tens of millions of dollars of time, without receiving any compensation for their efforts.

126. Scores of significant cases have been lost after the investment of tens of thousands of hours of attorney time and millions of dollars of litigation costs at summary judgment or after trial. Accordingly, any argument that a large fee is guaranteed by virtue of the commencement of a class action is without merit. Indeed, diligent and intensive work by skilled counsel is required to develop facts and theories that will persuade defendants to enter into serious settlement negotiations and succeed at trial. The only certainty from the outset of this Action was that Lead Counsel would earn no fee without a successful result, and that such a

result would be realized only after a vigilant, strategic, and protracted effort against formidable opponents seasoned in defending complex securities fraud actions.

127. Class actions such as this Action are exceedingly expensive to litigate successfully and the fees awarded are often misunderstood. While outsiders tend to focus on the gross fees awarded, they ignore the realities that those fees are used to fund enormous overhead expenses incurred during the course of many years of litigation. Such a view also ignores the fact that while defense firms are being paid hourly throughout the litigation for their efforts in the same case, the plaintiff contingency firms only get paid upon success much later in the future.

128. As described in our Fee Memorandum, the Supreme Court has long recognized that the public has a strong interest in having capable and experienced attorneys enforce the federal securities laws and regulations intended to safeguard shareholders from the harmful impact of false and misleading statements made in connection with the purchase or sale of publicly traded securities. Moreover, as evidenced by the PSLRA, private securities litigation provides investors an invaluable means to recover their losses without having to rely on government action. These private actions promote public confidence in our capital markets, deter future wrongdoing, and help to guarantee that corporate officers, auditors, directors, and others comply with the law while performing their duties.

129. This public policy is particularly evident in this case. Here, despite more than three years of investigations, the SEC has yet to file a complaint against any of the Defendants for the violations alleged in the Action—yet Lead Counsel has secured a settlement of \$52,500,000 on behalf of investors. Lead Counsel should be adequately compensated with fees commensurate with the magnitude of its successes in order to incentivize it to engage in the work necessary to make such recoveries possible.

**5. Reaction of the Settlement Class to the Fee Application to Date**

130. As set forth above, more than 660,000 Notice Packets have been mailed to potential members of the Settlement Class and nominees. *See* Fraga Aff. at ¶ 10. In addition, the Summary Notice was published in the national edition of *The Wall Street Journal* and *Investor's Business Daily* and transmitted over *PR Newswire*. *Id.* at ¶11. All important documents related to the Action and the Settlement, including the Stipulation, have been posted on the website for this Action, [www.WeatherfordSecuritiesLitigationSettlement.com](http://www.WeatherfordSecuritiesLitigationSettlement.com), for review. *Id.* at ¶13. The Notice explains the Settlement and Lead Counsel's fee request. The deadline to object to Lead Counsel's fee request is June 13, 2014. To date, Lead Counsel is aware of only a single objection to the amount of attorneys' fees set forth in the Notice from an individual investor. Plaintiffs will address all objections received in their reply papers to be filed with the Court on June 20, 2014. No other Settlement Class Members—whether individuals or institutional investors—have submitted any objections to any aspect of the Fee and Expense Application. Moreover, as set forth above, Lead Counsel's Fee and Expense Application has been approved by Plaintiffs.

131. In sum, given the complexity and uncertainty of the claims against Defendants; the efforts undertaken by Lead Counsel on behalf of the Settlement Class; the risks Plaintiffs faced in connection with proving scienter, loss causation, damages, allocation of responsibility, and fraud-on-the-market issues; the experience of Lead Counsel and Defendants' Counsel; and the contingent nature of Lead Counsel's agreement to prosecute the claims against Defendants, Lead Counsel respectfully submits that the requested attorneys' fees (\$12.6 million) are reasonable and should be approved.

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

132. Lead Counsel also requests reimbursement from the Settlement Fund in the amount of \$1,381,724.59 for litigation expenses that were reasonably and necessarily incurred by Plaintiffs' Counsel in connection with commencing, prosecuting, and resolving the claims asserted in the Action against Defendants, with interest thereon, as well as \$19,935.69 for the costs and expenses incurred by the Settlement Class Representatives directly related to their representation of the Settlement Class.

133. Lead Counsel respectfully submits that the request for reimbursement of expenses is appropriate, fair, and reasonable and should be approved in the amounts submitted herein. Lead Counsel was aware that it might not recover any of its expenses incurred in prosecuting the claims against Defendants, and, at a minimum, would not recover them until the claims were successfully resolved. Lead Counsel also understood that, even assuming the case was ultimately successful, an award of expenses would not compensate it for the lost use of funds advanced to prosecute the claims against Defendants. Thus, Lead Counsel was motivated to, and did, take significant steps to minimize expenses whenever practicable without jeopardizing the vigorous and efficient prosecution of the claims against Defendants.

134. The expenses incurred by Plaintiffs' Counsel were necessary and appropriate for the prosecution of the claims against Defendants. These expenses include charges for experts and consultants, computer research devoted to the case, document management and litigation support, costs incurred for out-of-town travel, charges for document reproduction, telephone, postal and express mail charges, and similar case-related costs. Courts have typically found that such expenses are reimbursable from a fund recovered by counsel for the benefit of the class.

135. Included in the amount of expenses is \$786,394.45 paid or payable to Plaintiffs' experts and consultants. This encompasses approximately 57% of Plaintiffs' Counsel's total

expenses. As detailed above, Plaintiffs worked extensively with experts and consultants at the different stages of the litigation. Experts were utilized to draft allegations against Defendants, evaluate Defendants' defenses, analyze documents related to the claims against Defendants, prepare for fact depositions, draft expert reports and prepare for class certification and expert depositions, prepare for settlement negotiations, and to prepare the Plan of Allocation. Experts were retained in the complex and specialized areas of tax accounting, foreign tax reporting, internal controls, loss causation, and damages.

136. In addition, as detailed above, in prosecuting the claims against Defendants Lead Counsel obtained, reviewed, and analyzed approximately 2.3 million pages of documents from Weatherford and various third parties. In order to effectively and efficiently review and analyze the voluminous documents from multiple sources, a document management system was engaged. Plaintiffs retained Precision Discovery to host the database. Copying and organizing many of these documents obtained in discovery was also necessary for the effective prosecution of the claims against Defendants, including, but not limited to, in preparation for the 24 days of depositions that had already been taken or defended, or which were scheduled to take place in January 2014 had the Settlement not been reached. Included in the expense request above is \$204,868.97 for reimbursement of expenses related to the document management system, and \$79,356.39 for reimbursement of internal and external reproduction costs.

137. The expenses also include the costs of online legal and factual research related to the claims against Defendants in the amount of \$60,416.72. These are the charges for computerized factual and legal research services such as LexisNexis and Westlaw. It is now standard practice for attorneys to use LexisNexis and Westlaw to assist them in researching legal

and factual issues, and, indeed, courts recognize that these tools create efficiencies in litigation and ultimately save money for clients and the class.

138. In addition, Lead Counsel was required to travel in connection with prosecuting the claims against Defendants, and thus incurred the related costs of airline tickets, meals and lodging. Included in the expense request above is \$108,151.40 for such travel expenses necessarily incurred by Plaintiffs' Counsel for the prosecution of the claims against Defendants. Further, Lead Counsel paid \$60,573.59 for mediation fees assessed by the neutral in this matter, the Hon. Daniel H. Weinstein (Ret.).

139. Additionally, pursuant to 15 U.S.C. §78u-4(a)(4), Settlement Class Representatives, AFME and GPF seek reimbursement of their reasonable costs and expenses incurred directly in connection with their representation of the Settlement Class in the amounts of \$13,790.58 and \$6,145.11, respectively. The amount of time and effort devoted to this Action by Plaintiffs is detailed in the accompanying declarations of their respective representatives, annexed hereto as Exhibits 3 and 4. Lead Counsel respectfully submits that these requested amounts are fully consistent with Congress's intent, as expressed in the PSLRA, of encouraging institutional and other highly experienced plaintiffs to take an active role in bringing and supervising actions of this type.

140. As set forth in the Fee Memorandum and in the supporting declarations submitted on behalf of the Plaintiffs attached hereto, Plaintiffs have been fully committed to pursuing the Settlement Class's claims since they became involved in the litigation. These large institutions have actively and effectively fulfilled their obligations as representatives of the Settlement Class, complying with all of the many demands placed upon them during the litigation and settlement of this Action, and providing valuable assistance to Lead Counsel. The efforts expended by the

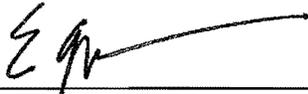
representatives for the Plaintiffs during the course of this Action are precisely the types of activities Courts have found to support reimbursement to class representatives, and fully support Plaintiffs' requests for reimbursement of costs and expenses. *See* Fee Memorandum at §IV.

141. The Notice informed potential Settlement Class Members that Lead Counsel would be seeking reimbursement of expenses in an amount not to exceed \$1.5 million and that the costs and expenses of the Settlement Class Representatives could be sought as part of the request for reimbursement of Litigation Expenses. The present application for expenses is within the upper limit of the \$1.5 million contained in the Notice. In response to the mailing of over 660,000 Notice Packets, as of the date of this declaration, only one objection to the maximum amount of expenses has been received.

142. In view of the complex nature of the Action, as well as the fact that this Action was vigorously prosecuted for nearly three years, the expenses incurred by Plaintiffs' Counsel were reasonable and necessary to pursue the interests of the Settlement Class and achieve the present Settlement. Accordingly, Lead Counsel respectfully submits that the expenses incurred by Plaintiffs' Counsel and Plaintiffs are fair and reasonable and should be reimbursed in full from the Settlement Fund.

I hereby declare that the foregoing is true and correct.

Dated: May 27, 2014

  
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ELI R. GREENSTEIN

CERTIFICATE OF SERVICE

On this 27th day of May, 2014, I hereby caused a true and correct copy of the foregoing document to be served via Overnight Mail upon:

Mr. Stephen Schoeman  
101 Jefferson Avenue  
Westfield, NJ 07090

*s/ Eli R. Greenstein*  
\_\_\_\_\_  
ELI R. GREENSTEIN