ROBBINS GELLER RUDMAN
& DOWD LLP
JAMES I. JACONETTE (179565)
655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

Lead Counsel for Plaintiffs and the Putative Class

[Additional counsel appear on signature page.]

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN MATEO

In re MENLO THERAPEUTICS INC. SECURITIES LITIGATION This Document Relates To: ALL ACTIONS.	Lead Case No. 18CIV06049 CLASS ACTION Assigned for All Purposes to Dept. 16 PLAINTIFFS' MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION FOR FINAL APPROVAL OF CLASS ACTION SETTLEMENT AND APPROVAL OF PLAN OF ALLOCATION Date: August 14, 2020 Time: 2:00 p.m. Judge: Honorable Richard H. DuBois Dept: 16 Date Action Filed: 11/08/18

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Plaintiffs Pavel Silvestrov and Hugh McKay (together, "Plaintiffs") respectfully submit this memorandum in support of their motion for final approval of the settlement of this class action on the terms set forth in the Stipulation of Settlement dated March 26, 2020 (the "Stipulation" or "Settlement"), and for approval of the Plan of Allocation.[1]

I. INTRODUCTION

The Settlement provides for payment by or on behalf of Defendants of $9,500,000 for the benefit of the Class.[2] The Settlement is the culmination of vigorous litigation, and is the product of arm's-length negotiations between the Parties[3] with the substantial assistance of the Honorable Layn R. Phillips (Ret.), one of the nation's most well-respected and effective mediators of securities class actions. The Settlement resolves all claims against Defendants. Lead Counsel believes that the Settlement represents a highly favorable result for the Class and warrants this Court's approval.

As further discussed below, the Settlement should be presumed fair because it was reached through arm's-length bargaining and Lead Counsel's investigation and prosecution of this case assured

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[1] Unless otherwise defined herein, all capitalized terms have the meanings ascribed to them in the Stipulation.

[2] "Class" and "Class Members" means all Persons who purchased or otherwise acquired Menlo Therapeutics Inc.'s common stock pursuant and/or traceable to the Registration Statement and Prospectus issued in connection with Menlo's January 29, 2018 initial public offering. Excluded from the Class are: the Defendants (meaning, the Menlo Defendants and the Underwriter Defendants) and their respective successors and assigns; past and current executive officers and directors of Menlo and the Underwriter Defendants; members of the immediate families of the Menlo Defendants; the legal representatives, heirs, successors, or assigns of the Menlo Defendants; any entity in which any of the above excluded persons have or had a majority ownership interest; and any person who validly requests exclusion from the Class. The foregoing exclusion shall not cover "Investment Vehicles," which for these purposes shall mean any investment company or pooled investment fund, including, but not limited to, mutual fund families, exchange-traded funds, fund of funds, private equity funds, real estate funds, and hedge funds, in which any Underwriter Defendant or any of its affiliates has or may have a direct or indirect interest or as to which any Underwriter Defendant or any of its affiliates may act as an investment advisor, general partner, managing member, or in other similar capacity, other than an investment vehicle of which the Underwriter Defendant or any of its affiliates is a majority owner or holds a majority beneficial interest and only to the extent of such Underwriter Defendant's or affiliate's ownership or interest. Stipulation, ¶1.4.

[3] "Parties" shall mean Plaintiffs, on behalf of themselves and the Class, and Defendants Menlo Therapeutics Inc. ("Menlo" or the "Company"), Steven Basta, Kristine Ball, Paul Berns, Albert Cha, Ted Ebel, David McGirr, Aaron Royston, and Scott Whitcup (the "Individual Defendants" and with Menlo, the "Menlo Defendants"), and Jefferies LLC, Piper Sandler & Co., Guggenheim Securities, LLC, and JPM Securities LLC (the "Underwriter Defendants") (all, collectively, "Defendants").

that Plaintiffs entered into the Settlement on a fully informed basis. Further, Lead Counsel is experienced in securities class action litigation and there have been no objections to the Settlement or Plan of Allocation to date.

Moreover, there is nothing to rebut the presumption of fairness. While Plaintiffs and Lead Counsel believe that the litigation has substantial merit and they would have prevailed at trial, they considered the numerous risks raised by the arguments Defendants made during the case and in settlement negotiations, as well as the risks in establishing liability and damages at trial. At trial, the jury could have sided with Defendants on some or all of the determinative issues, leaving the Class with little or no recovery.

Lead Counsel, who is well-respected and experienced in prosecuting shareholder class actions, has concluded that the Settlement is a highly favorable result and in the best interest of the Class. This conclusion is based on, among other things, the substantial recovery obtained when weighed against the significant risk, expense and delay presented in continuing this litigation through trial and probable appeal; a complete analysis of the evidence obtained; past experience in litigating complex actions similar to the present action; and the serious disputes among the Parties on both merits and damages issues.

For these and other reasons set forth below, as well as those set forth in the previously-filed Declaration of James I. Jaconette in Support of Plaintiffs' Unopposed Motion for Preliminary Approval of Class Action Settlement ("Jaconette Decl."), dated March 27, 2020,[4] Plaintiffs respectfully request that the Court grant final approval to the Settlement and approve the Plan of Allocation as fair, reasonable, and adequate to Class Members.[5]

[4] The Jaconette Declaration details Plaintiffs' claims, the procedural history of the litigation, the efforts of Lead Counsel in prosecuting this case, the risks of continued litigation, and why the Settlement is in the best interests of the Class.

[5] This memorandum focuses primarily upon the legal standards for approving the Settlement, and evaluating the Plan of Allocation. A separate memorandum is being submitted herewith in support of the motion for an award of attorneys' fees and expenses. For a complete factual recitation, Lead Counsel respectfully refers the Court to the Jaconette Declaration, incorporated by reference herein.

II. THE SETTLEMENT IS FAIR, ADEQUATE, AND REASONABLE AND WARRANTS FINAL APPROVAL

A. Standards Governing Final Approval of Class Action Settlements

"A class action shall not be dismissed, settled, or compromised without the approval of the court." Cal. Civ. Code §1781(f). When assessing a proposed class action settlement, the court's inquiry centers on whether the settlement is "'fair, adequate, and reasonable.'" *Dunk v. Ford Motor Co.*, 48 Cal. App. 4th 1794, 1801 (1996). The inquiry "'must be limited to the extent necessary to reach a reasoned judgment that the agreement is not the product of fraud or overreaching by, or collusion between, the negotiating parties, and that the settlement, taken as a whole, is fair, reasonable and adequate to all concerned.'" *Id.*[6]

Accordingly, the Court need not inquire into the result that might have been obtained at trial. *See Wershba v. Apple Comput., Inc.*, 91 Cal. App. 4th 224, 245 (2001), *overruled on other grounds by Hernandez v. Restoration Hardware, Inc.*, 4 Cal. 5th 260 (2018). A review of the likely rewards of settlement and the risks and costs of continued litigation suffices. *See North Cty. Contractor's Ass'n v. Touchstone Ins. Servs.*, 27 Cal. App. 4th 1085, 1091 (1994) (court must determine if settlement is in the "ballpark"). "'In most situations, unless the settlement is clearly inadequate, its acceptance and approval are preferable to lengthy and expensive litigation with uncertain results.'" *Nat'l Rural Telecomms. Coop. v. DIRECTV, Inc.*, 221 F.R.D. 523, 526 (C.D. Cal. 2004).[7] Further, longstanding public policy strongly favors settlements. *See, e.g.*, *Hamilton v. Oakland Sch. Dist.*, 219 Cal. 322, 329 (1933) ("[I]t is the policy of the law to discourage litigation and to favor compromises."). This policy becomes an "overriding public interest" in class actions. *Bell v. Am. Title Ins. Co.*, 226 Cal. App. 3d 1589, 1608 (1991).

In determining whether a settlement is fair, adequate, and reasonable, there is a "presumption of fairness . . . where: (1) the settlement is reached through arm's-length bargaining; (2) investigation and discovery are sufficient to allow counsel and the court to act intelligently; (3) counsel is experienced in

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[6] Unless otherwise noted, citations are omitted and emphasis is added throughout.

[7] California courts also look to the standards developed by federal courts in reviewing and approving class action settlements. *See, e.g.*, *La Sala v. Am. Sav. & Loan Ass'n*, 5 Cal. 3d 864, 872 (1971).

similar litigation; and (4) the percentage of objectors is small." *Dunk*, 48 Cal. App. 4th at 1802; *see also Cellphone Termination Fee Cases*, 186 Cal. App. 4th 1380, 1389 (2010) (same).

The court in *Dunk* set forth additional factors to be considered along with this presumption, including (1) the settlement amount; (2) the risks of continued litigation; (3) the stage of proceedings; (4) the complexity, expense, and likely duration of the litigation absent settlement; (5) the experience and views of class counsel; and (6) the reaction of class members. *Dunk*, 48 Cal. App. 4th at 1801. As discussed below, the Settlement is entitled to a presumption of fairness, and readily satisfies the additional *Dunk* factors.

B. The Settlement Should Be Accorded a Presumption of Fairness

The Settlement is presumptively fair.

First, the Parties negotiated the Settlement at arm's length under the direct supervision of former Judge Layn R. Phillips (Ret.), a highly experienced and effective mediator in cases like this. *See In re Delphi Corp. Sec., Derivative & ERISA Litig.*, 248 F.R.D. 483, 498 (E.D. Mich. 2008) ("[T]he Court and the parties have had the added benefit of the insight and considerable talents of a former federal judge who is one of the most prominent and highly skilled mediators of complex actions."). The negotiations included a day-long mediation session during which the Parties' positions on merits and damages issues were fully vetted and informed by detailed mediation briefs and supporting materials exchanged in advance of the negotiations. *See* Jaconette Decl., ¶¶16-19.

Second, the Parties engaged in extensive pretrial investigation and discovery and other proceedings to evaluate the strengths and weaknesses of the claims and defenses, and therefore entered into the Settlement on a fully informed basis. Lead Counsel, among other things:

(a) conducted an extensive factual investigation of the events underlying Menlo's January 29, 2018 IPO, including ongoing witness investigation and interviews, reviewing and analyzing the representations made by the Company in the Registration Statement, as well as subsequent U.S. Securities and Exchange Commission filings, and reviewing industry and securities analyst reports and comprehensive news reports, press releases and other media files concerning Menlo;

(b) drafted and filed the Complaint;

(c) briefed, argued, and successfully defeated Defendants' demurrers to the Complaint on the §11 claim;

(d) drafted and propounded document requests to all Defendants;

(e) met and conferred extensively with Defendants to resolve disputes about the scope of Defendants' search for and production of documents in response to the document requests, the custodians from whom documents would be produced, the relevant time period and the search terms to be utilized by Defendants to identify and produce relevant and responsive documents, and the collection and processing of attachments to hundreds of emails;

(f) obtained, searched, reviewed, and analyzed over 261,000 documents (over 2 million pages) produced by Defendants;

(g) retained and consulted with a forensic damages consultant regarding the calculation of damages under the Securities Act of 1933 ("Securities Act"); and

(h) analyzed, briefed and presented evidence in support of the claims of the Class at mediation.

Jaconette Decl., ¶15. Given these substantial efforts, Lead Counsel plainly was in a position to negotiate the Settlement based on a fully informed evaluation of the strengths and weaknesses of the claims asserted, the defenses raised, and the risks of continued litigation.

Third, although the Court must independently review the Settlement, the judgment of experienced counsel regarding the Settlement is entitled to great weight and supports a presumption of fairness. *See Nat'l Rural*, 221 F.R.D. at 528 ("'Great weight is accorded to the recommendation of counsel, who are most closely acquainted with the facts of the underlying litigation.'"); *Dunk*, 48 Cal. App. 4th at 1802. Lead Counsel here has extensive experience and expertise in the prosecution of securities class actions in federal and state courts throughout the country. *See* Jaconette Decl., Ex. A (Robbins Geller resume). Lead Counsel fully supports the Settlement, and believes that the substantial and certain recovery of $9,500,000 is a highly favorable result for the Class when weighed against the

uncertainty and substantial risk and expense of continuing this litigation through trial and appeals. *Id*., ¶¶20-25. The fact that qualified and well-informed counsel endorse the Settlement as being fair, adequate, and reasonable favors this Court's approval of the Settlement.

Fourth, the reaction of the Class to the Settlement supports a presumption of fairness. Pursuant to the Court's Notice Order, more than 10,900 copies of the Notice of Proposed Settlement of Class Action ("Notice") were sent to potential Class Members and their nominees. *See* Declaration of Ross D. Murray Regarding Notice Dissemination, Publication, and Requests for Exclusion Received to Date ("Murray Decl."), ¶11, submitted herewith. The Notice described the nature of the litigation, the terms of the Settlement, and the manner in which the Net Settlement Fund will be allocated among Class Members and an estimate of the per share recovery. The Notice also advised Class Members of their right to object and the procedures and deadline for objecting to the Settlement, the Plan of Allocation, and/or counsel's request for an award of attorneys' fees and expenses. In addition, the Summary Notice was transmitted over *Business Wire* and published in *The Wall Street Journal* on May 22, 2020. *Id*., ¶12. The Notice, Stipulation, and other relevant documents and information, including all deadlines, have been made publicly available on a case-dedicated website for the Settlement, www.MenloSecuritiesLitigation.com. *Id*., ¶14.

Although Class Members have until July 24, 2020 to object or exclude themselves from the Class, Lead Counsel is not aware of any objections to the Settlement or the Plan of Allocation as of the date hereof, and no requests for exclusion from the Class have been received. *See id*., ¶16. The lack of objections by the Class to date supports a presumption of fairness.[8] *See 7-Eleven Owners for Fair Franchising v. Southland Corp*., 85 Cal. App. 4th 1135, 1153 (2000) (one factor that "lead[s] to a presumption the settlement was fair" is that only "a small percentage of objectors" came forward); *Nat'l Rural*, 221 F.R.D. at 529 (small number of objections raises strong presumption that settlement is fair).

[8] If any objections are received, Plaintiffs will address them in a reply memorandum to be filed on August 7, 2020, in accordance with this Court's Notice Order.

C. The Settlement Readily Satisfies the Additional *Dunk* Factors

1. The Amount of the Settlement Balanced Against the Strength of Plaintiffs' Case Favors Approval

Each of the additional *Dunk* factors supports final approval. Under the Settlement, the Company and certain of its insurers have paid $9,500,000 in cash for the benefit of the Class, with no right of reversion. This $9,500,000 Settlement, if approved, would be comfortably in the range of court-approved settlements in recent years in class actions asserting federal statutory claims in California Superior Court for alleged material misstatements in the offering documents for a public stock offering.

Based on the assumption that Plaintiffs would meet their burden of proof and persuade the jury at trial as to each element of their *prima facie* claims, and that Plaintiffs would successfully rebut every affirmative defense Defendants intended to establish, maximum estimated damages could reach as high as $75.1 million. Accordingly, the percentage of recovery is approximately 13%, well above the median settlement as a percentage of estimated damages courts have approved in cases only involving §§11 and/or 12(a)(2) claims. *See* Laarni T. Bulan & Laura E. Simmons, *Securities Class Action Settlements – 2019 Review and Analysis* at 7, Fig. 6 (Cornerstone Research 2020) (analyzing 77 class action settlements asserting §§11 and/or 12(a)(2) claims filed between 2010 and 2019, and finding the median settlement as a percentage of "simplified statutory damages" was 7.4%).[9] Not surprisingly, Defendants estimated damages at a fraction of the amount estimated by Plaintiffs' expert, based on expected loss causation affirmative defenses.

Regardless of the specific percentage of recovery yielded by the Settlement, however, the Settlement is unquestionably better than another possibility – little or no recovery at all in view of the risks of continued litigation, discussed below. *See Wershba*, 91 Cal. App. 4th at 250 ("Compromise is inherent and necessary in the settlement process . . . even if 'the relief afforded by the proposed settlement is substantially narrower than it would be if the suits were to be successfully litigated,' this is no bar to a class settlement because 'the public interest may indeed be served by a voluntary settlement

[9] The Cornerstone Research report is available online at: https://www.cornerstone.com/Publications/Reports/Securities-Class-Action-Settlements-2019-Review-and-Analysis.pdf.

in which each side gives ground in the interest of avoiding litigation.'"). This factor supports final approval of the Settlement.

2. The Substantial Risks of Continued Litigation

a. Risks Related to Establishing Liability

While Plaintiffs believe their claims are strong on the merits, success is hardly assured. The Complaint alleges that Menlo's IPO Registration Statement and Prospectus included false and misleading statements regarding clinical studies of Menlo's drug serlopitant as a treatment for pruritus. Jaconette Decl., ¶¶5-6. The Complaint further alleges that the generalized risk disclosures were false and misleading because, as of the IPO, Defendants had the data exposing serlopitant as entirely ineffective (no better than a placebo) for treating pruritus associated with atopic dermatitus. *Id*., ¶7. Defendants have and would continue to maintain that Plaintiffs cannot demonstrate the materiality or falsity of any of the challenged statements in the Registration Statement and Prospectus. *Id*., ¶11. Defendants would also likely argue at the summary judgment stage and at trial that Menlo's price decline after its IPO was not attributable to any omission or misrepresentation in the Registration Statement, but (to the extent Menlo even admits the drop is statistically significant, which it does not) was simply consistent with overall market conditions. *See id.*, ¶23.

While Plaintiffs have substantial responses to these arguments, the uncertainty of continued litigation weighs strongly in favor of approval of the Settlement. As one court has observed:

> It is known from past experience that no matter how confident one may be of the outcome of litigation, such confidence is often misplaced. Merely by way of example, two instances in this Court may be cited where offers of settlement were rejected by some plaintiffs and were disapproved by this Court. The trial in each case then resulted unfavorably for plaintiffs; in one case they recovered nothing and in the other they recovered less than the amount which had been offered in settlement.

State of W. Va. v. Chas. Pfizer & Co., 314 F. Supp. 710, 743-44 (S.D.N.Y. 1970), *aff'd*, 440 F.2d 1079 (2d Cir. 1971); *see also Bellows v. NCO Fin. Sys., Inc.*, No. 3:07-cv-01413-W-AJB, 2008 WL 5458986, at *7 (S.D. Cal. Dec. 10, 2008) ("[W]hile Class Counsel believe strongly in the merit of the class claims, they also recognize that any case encompasses risks and that settlement of contested cases is preferred in this circuit. Indeed, even if Plaintiff were to prevail at trial, risks to the class remain."); *In re Heritage Bond Litig.*, No. 02-ML-1475 DT, 2005 WL 1594403, at *7 (C.D. Cal. June 10, 2005)

("Also favoring approval of the Settlement is the knowledge that, while Plaintiffs are confident of the strength of their case, it is imprudent to presume ultimate success at trial and thereafter.") (both citing *Chas. Pfizer*, 314 F. Supp. at 743-44). The numerous uncertainties and risks of proving liability at and after trial support approval of the Settlement.

b. Risks Relating to Establishing Causation and Damages

Although Plaintiffs were confident that they could establish damages assuming a finding of liability, Plaintiffs faced a risk that the Court or jury would substantially reduce or even eliminate damages. Under §11(e) of the Securities Act, 15 U.S.C. §77k(e), a defendant can reduce or eliminate damages through a showing that the false or misleading statements or omissions alleged were not the cause, in whole or in part, of the loss sustained by the class. As noted above, Defendants were likely to argue "negative causation" at both summary judgment and trial.

The Parties' respective experts would offer sharply divergent testimony concerning damages at both summary judgment and trial, reducing the determination of this element to a "battle of the experts." *See In re Tyco Int'l, Ltd. Multidistrict Litig.*, 535 F. Supp. 2d 249, 260-61 (D.N.H. 2007) (fact that "trial would likely involve a confusing 'battle of the experts' over damages" supported approval of settlement). Plaintiffs faced a substantial risk that the fact finder would credit Defendants' contentions that damages were not linked to the misstatements in the offering documents or that damages were a fraction of the amount Plaintiffs proffered. *See In re Warner Commc'ns Sec. Litig.*, 618 F. Supp. 735, 744-45 (S.D.N.Y. 1985) (approving settlement where "it is virtually impossible to predict with any certainty which testimony would be credited, and ultimately, which damages would be found to have been caused by actionable, rather than the myriad nonactionable factors such as general market conditions"), *aff'd*, 798 F.2d 35 (2d Cir. 1986).

Even if Plaintiffs were to obtain 100% of their damages, the risks would not end there. *See In re Mfrs. Life Ins. Co. Premium Litig.*, No. 96-CV-230 BTM (AJB), 1998 WL 1993385, at *5 (S.D. Cal. Dec. 21, 1998) ("[E]ven if it is assumed that a successful outcome for plaintiffs at summary judgment or at trial would yield a greater recovery than the Settlement – which is not at all apparent – there is easily enough uncertainty in the mix to support settling the dispute rather than risking no recovery in

future proceedings."). There are numerous cases in which a successful verdict has been overturned either by motion after trial or an appeal. In *In re Apple Comput. Sec. Litig.*, No. C-84-20148(A)-JW, 1991 WL 238298, at *1 (N.D. Cal. Sept. 6, 1991), for example, the jury rendered a verdict for plaintiffs after an extended trial. Based upon the jury's findings, recoverable damages would have exceeded $100 million. The court, however, overturned the verdict, entered judgment for the individual defendants, and ordered a new trial with respect to the corporate defendant. *See also, e.g.*, *Glickenhaus & Co. v. Household Int'l, Inc.*, 787 F.3d 408, 433 (7th Cir. 2015) (reversing and remanding jury verdict of $2.46 billion after 13 years of litigation on loss causation grounds and error in jury instruction under *Janus Capital Grp., Inc. v. First Derivative Traders*, 564 U.S. 135 (2011)); *In re BankAtlantic Bancorp, Inc.*, No. 07-61542-CIV, 2011 WL 1585605, at *20 (S.D. Fla. Apr. 25, 2011) (after plaintiffs' jury verdict, court granted defendants' motion for judgment as a matter of law and entered judgment for defendants), *aff'd*, 688 F.3d 713 (11th Cir. 2012) (finding trial court erred, but defendants nevertheless entitled to judgment as a matter of law based on lack of loss causation). Litigation risks on liability and damages support approval of the Settlement.

3. Plaintiffs Had Sufficient Information to Negotiate and Obtain a Fair Settlement

This factor focuses on whether the Parties had sufficient information to conduct an informed negotiation for a settlement that adequately reflects the merits of the case.

As detailed above, when the Parties reached the Settlement, Lead Counsel had sufficiently investigated and researched the merits of their claims and Defendants' potential defenses to determine that the terms of the Settlement are fair, reasonable, and adequate and in the best interests of the Class. Lead Counsel's reasoned judgment was obtained after it briefed Defendants' demurrers; propounded document requests on the Menlo Defendants; reviewed and analyzed over 2 million pages of documents; and participated in mediated settlement negotiations during which the strengths and weaknesses of the Parties' positions were fully explored and debated. Jaconette Decl., ¶¶9-15. The knowledge and insight gained through these activities provided Lead Counsel with sufficient information to evaluate the strengths and weaknesses of the Class' claims and Defendants' defenses, as well as the likelihood of obtaining a larger recovery from Defendants had the litigation continued.

Class action settlements are regularly approved after having completed similar or less discovery than that completed here. *See, e.g.*, *Munoz v. BCI Coca-Cola Bottling Co. of Los Angeles*, 186 Cal. App. 4th 399, 403 (2010) (final approval of class action affirmed when no depositions had been taken, just written discovery). This factor weighs significantly in favor of approval.

4. Balancing the Certainty of an Immediate Recovery Against the Complexity, Expense, and Likely Duration of Continued Litigation and Trial Favors Settlement

The immediacy and certainty of a recovery balanced against the complexity, expense and duration of continued litigation is another factor for the Court to balance in determining whether the Settlement is fair, adequate, and reasonable. *See Wershba*, 91 Cal. App. 4th at 244-45; *Dunk*, 48 Cal. App. 4th at 1801. The benefit of the present settlement must be balanced against the expense of achieving a more favorable result at a trial in the future.

Approval of the Settlement assures a prompt and significant recovery for Class Members. If not for the Settlement, this litigation would continue to proceed through the completion of document and deposition discovery, expert discovery, summary judgment, trial, and likely appeal. A trial would occupy teams of attorneys for weeks and would require substantial and costly expert testimony on both sides. Further, a judgment favorable to the Class, in light of the contested nature of virtually every aspect of this case, would unquestionably be the subject of post-trial motions and appeals, which would prolong the case for several more years. *See Warner Commc'ns*, 618 F. Supp. at 745 (delay from appeals is factor to be considered). Delay, not just at the trial stage, but through post-trial motions and the appellate process as well, could force Class Members to wait many more years for any recovery, further reducing its value. Settlement of this litigation ensures an immediate recovery, and eliminates the risk of no recovery at all.

The essence of a settlement is compromise, "'a yielding of absolutes and an abandoning of highest hopes.'" *Officers for Justice v. Civil Serv. Comm'n*, 688 F.2d 615, 624 (9th Cir. 1982). "'[T]he agreement reached normally embodies a compromise; in exchange for the saving of cost and elimination of risk, the parties each give up something they might have won had they proceeded with

litigation.'" *Id*. The certainty of recovery balanced against the complexity, expense, and duration of continued litigation weighs in favor of approval of the Settlement. *See* Jaconette Decl., ¶27.

5. The Recommendation of Experienced Counsel Favor Approval of the Settlement

The views of the attorneys actively conducting the litigation, while not conclusive, are entitled to weight in the fairness analysis. *Dunk*, 48 Cal. App. 4th at 1802; *see also In re Omnivision Techs., Inc.*, 559 F. Supp. 2d 1036, 1043 (N.D. Cal. 2007) ("'The recommendations of plaintiffs' counsel should be given a presumption of reasonableness.'"). Lead Counsel, who has extensive experience in the prosecution of securities class actions, recommends the Settlement to the Court as in the best interests of the Class.[10] *See* Jaconette Decl., ¶¶26-28 & Ex. A thereto.

In sum, because each of the *Dunk* factors supports a finding that the Settlement is fair, reasonable, and adequate, the Court should approve the Settlement.

III. THE PLAN OF ALLOCATION IS FAIR AND REASONABLE AND SHOULD BE APPROVED

Plaintiffs also seek approval of the Plan of Allocation. The Plan of Allocation is set forth in full in the Notice mailed to potential Class Members. *See* Murray Decl., Ex. A (Notice at 3-4). Assessment of a plan of allocation in a class action is governed by the same standards of review applicable to the settlement as a whole – the plan must be fair and reasonable. *See Class Plaintiffs v. City of Seattle*, 955 F.2d 1268, 1284 (9th Cir. 1992). An allocation formula "'need only have a reasonable, rational basis, particularly if recommended by experienced and competent'" class counsel. *See, e.g.*, *In re Zynga Inc. Sec. Litig.*, No. 12- cv-04007-JSC, 2015 WL 6471171, at *12 (N.D. Cal. Oct. 27, 2015). No objections to the Plan of Allocation have been filed to date.

The Plan of Allocation provides an equitable basis to allocate the Net Settlement Fund among all Class Members who submit an acceptable Proof of Claim. The Plan of Allocation was developed by Lead Counsel with the assistance of their damages consultant, reflects an assessment of the damages that could have been recovered at trial and follows the statutory framework for calculating damages

[10] The reaction of the Class is also relevant to the fairness of the Settlement. *See Dunk*, 48 Cal. App. 4th at 1801. As noted above, there have been no objections or exclusions to date. If any timely objections are submitted, Plaintiffs will address them in a reply memorandum. *See* footnote 8, *supra*.

under §11(e) of the Securities Act. Accordingly, Plaintiffs respectfully submit that the Plan of Allocation is a fair and reasonable method for allocating the Net Settlement Fund among the members of the Class.

IV. THE COURT SHOULD GRANT FINAL CERTIFICATION OF THE CLASS

In its Notice Order, the Court preliminarily certified the Class for settlement purposes, thereby recognizing that Plaintiffs had satisfied the requirements of California Code of Civil Procedure §382. Notice Order at 2. Since the Court's Notice Order, nothing has changed to disturb the Court's conclusion that class treatment is appropriate, and there is good reason and just cause to finally certify the Class, for settlement purposes, under California Code of Civil Procedure §382.

V. CONCLUSION

The Settlement reached by Lead Counsel is a very good one, and for the foregoing reasons, Plaintiffs respectfully request that the Court grant final approval to the Settlement, approve the Plan of Allocation, grant final certification of the Class, and enter the proposed Judgment and Order Granting Final Approval of Class Action Settlement.

DATED: July 10, 2020

Respectfully submitted,

ROBBINS GELLER RUDMAN
& DOWD LLP
JAMES I. JACONETTE

JAMES I. JACONETTE

655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)
jamesj@rgrdlaw.com

ROBBINS GELLER RUDMAN
& DOWD LLP
SAMUEL H. RUDMAN
58 South Service Road, Suite 200
Melville, NY 11743
Telephone: 631/367-7100
631/367-1173 (fax)
srudman@rgrdlaw.com

Lead Counsel for Plaintiffs and the Putative Class

BRONSTEIN, GEWIRTZ & GROSSMAN LLC
PERETZ BRONSTEIN
60 East 42nd Street, Suite 4600
New York, NY 10165
Telephone: 212/697-6484
212/697-7296 (fax)
peretz@bgandg.com

HEDIN HALL LLP
DAVID W. HALL
Four Embarcadero Center, Suite 1400
San Francisco, CA 94104
Telephone: 415/766-3534
415/402-0058 (fax)
dhall@hedinhall.com

Counsel for Plaintiff Pavel Silvestrov

ROBBINS LLP
BRIAN J. ROBBINS
STEPHEN J. ODDO
5040 Shoreham Place
San Diego, CA 92122
Telephone: 619/525-3990
619/525-3991 (fax)
brobbins@robbinsllp.com
soddo@robbinsllp.com

Counsel for Plaintiff Hugh McKay

DECLARATION OF SERVICE BY MAIL & EMAIL

I, June Ito, is and was, at all times herein mentioned, a citizen of the United States and a resident of the County of San Diego, over the age of 18 years, and not a party to or interested party in the within action, and have a business address of 655 West Broadway, Suite 1900, San Diego, California 92101.

I hereby declare that on July 10, 2020, I served:

PLAINTIFFS' MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION FOR FINAL APPROVAL OF CLASS ACTION SETTLEMENT AND APPROVAL OF PLAN OF ALLOCATION

on the parties in the within action by depositing a true and correct copy thereof in a United States mailbox at San Diego, California in a sealed envelope with postage thereon fully prepaid and addressed to the parties listed below. I further certify that a copy was also emailed to the addresses below:

COUNSEL FOR PLAINTIFFS:

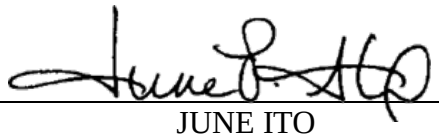
NAME	FIRM	EMAIL
James I. Jaconette	ROBBINS GELLER RUDMAN & DOWD LLP 655 West Broadway, Suite 1900 San Diego, CA 92101 Tel: 619/231-1058 619/231-7423 (fax)	jamesj@rgrdlaw.com
Samuel H. Rudman	ROBBINS GELLER RUDMAN & DOWD LLP 58 South Service Road, Suite 200 Melville, NY 11743 Telephone: 631/367-7100 631/367-1173 (fax)	srudman@rgrdlaw.com
Peretz Bronstein	BRONSTEIN, GEWIRTZ & GROSSMAN LLC 60 East 42nd Street, Suite 4600 New York, NY 10165 Telephone: 212/697-6484 212/697-7296 (fax)	peretz@bgandg.com
Brian J. Robbins Stephen J. Oddo	ROBBINS LLP 5040 Shoreham Place San Diego, CA 92122 Telephone: 619/525-3990 619/525-399 l (fax)	brobbins@robbinsllp.com soddo@robbinsllp.com

NAME	FIRM	EMAIL
David W. Hall	HEDIN HALL LLP Four Embarcadero Center Suite 1400 San Francisco, CA 94104 Telephone: 415/766-3534 415/402-0058 (fax)	dhall@hedinhall.com

COUNSEL FOR DEFENDANTS:

NAME	FIRM	EMAIL
Keith E. Eggleton, Rodney G. Strickland Ryan S. Wolf	WILSON SONSINI GOODRICH & ROSATI Professional Corporation 650 Page Mill Road Palo Alto, CA 94304-1050 Telephone: 650/493-9300 650/565-5100 (fax)	keggleton@wsgr.com rstrickland@wsgr.com rwolf@wsgr.com
Charlene S. Shimada Lucy Wang	MORGAN, LEWIS & BOCKIUS LLP One Market, Spear Street Tower San Francisco, CA 94105-1596 Telephone: 415/442-1000 415/442-1001 (fax)	charlene.shimada@morganlewis.com lucy.wang@morganlewis.com

I declare under penalty of perjury that the foregoing is true and correct. Executed on July 10, 2020, at San Diego, California.



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