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

STEVEN LEVENTHAL, Individually and on  
Behalf of All Others Similarly Situated,

Plaintiff,  
vs.

CHEGG, INC., DANIEL L. ROSENSWEIG,  
ANDREW J. BROWN, and NATHAN  
SCHULTZ,

Defendants.

Case No.: 5:21-cv-09953-PCP

CLASS ACTION

JOINT DECLARATION OF DAVID R.  
KAPLAN AND CHRISTOPHER F.  
MORIARTY IN SUPPORT  
OF: (I) LEAD PLAINTIFFS' MOTION  
FOR FINAL APPROVAL OF  
SETTLEMENT AND PLAN OF  
ALLOCATION; AND (II) LEAD  
COUNSEL'S MOTION FOR AN  
AWARD OF ATTORNEYS' FEES AND  
REIMBURSEMENT OF LITIGATION  
EXPENSES

Date: April 24, 2025  
Time: 10:00 A.M.  
Dept: Courtroom 8  
Judge: Hon. P. Casey Pitts

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**EXHIBIT LIST**

<b>Exhibit</b>	<b>Description</b>
A	Declaration of Bart Elst of KBC Asset Management NV in Support of: (1) Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation, and (2) Lead Counsel's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses ("KBC Declaration" or KBC Decl.)
B	Declaration of Paul O'Connell in Support of: (1) Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation; and (2) Lead Counsel's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses ("Pompano P&F Declaration" or "Pompano P&F Decl.")
C	Declaration of Kathleen Brauns Regarding: (A) Mailing Of The Postcard Notice; (B) Publication Of The Summary Notice; (C) The Settlement Website; (D) Contact Center Services; and (E) Report On Exclusions And Objections ("Brauns Declaration" or "Brauns Decl.")
D	Declaration of Christopher F. Moriarty in Support of Lead Counsel's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses ("Motley Rice Declaration" or "Motley Rice Decl.")
E	Declaration of David R. Kaplan in Support of Lead Counsel's Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses ("Saxena White Declaration" or "Saxena White Decl.")
F	Cornerstone Research, <i>Securities Class Action Settlements: 2023 Review and Analysis</i> ("Cornerstone Report")
G	NERA, <i>Recent Trends In Securities Class Action Litigation: 2024 Full-Year Review</i> ("NERA Report")

1 We, David R. Kaplan and Christopher F. Moriarty, declare as follows:

2 1. David R. Kaplan is an attorney duly licensed to practice in this District and before  
3 all courts of the State of California. Mr. Kaplan is Director of the law firm of Saxena White P.A.  
4 (“Saxena White”), and counsel for Lead Plaintiff Pompano Beach Police and Firefighters’  
5 Retirement System (“Pompano P&F”).<sup>1</sup> Christopher F. Moriarty is an attorney duly licensed to  
6 practice before all courts of the State of South Carolina and has been admitted *pro hac vice* in this  
7 Action. Mr. Moriarty is a Member of the law firm of Motley Rice LLC (“Motley Rice”), and  
8 counsel for Lead Plaintiff KBC Asset Management NV (“KBC,” and together with Pompano P&F,  
9 “Lead Plaintiffs”). Together, Saxena White and Motley Rice have been appointed as Lead Counsel  
10 for Lead Plaintiffs and the Settlement Class. We have been actively involved in the prosecution  
11 and resolution of this Action, are familiar with its proceedings, and have personal knowledge of  
12 the matters set forth herein based on our active participation in and supervision of all material  
13 aspects of the Action.

14 2. We respectfully submit this declaration in support of (I) Lead Plaintiffs’ Notice of  
15 Motion and Motion for Final Approval of Class Action Settlement and Plan of Allocation, and  
16 Memorandum of Law in Support Thereof (the “Final Approval Motion” or “Final Approval  
17 Memorandum”); and (II) Lead Counsel’s Notice of Motion and Motion for An Award Of  
18 Attorneys’ Fees and Reimbursement of Litigation Expenses and Memorandum of Law in Support  
19 Thereof (the “Fee Motion” or “Fee Memorandum”), both filed contemporaneously herewith.

20 3. As set forth in the Final Approval Memorandum, Lead Plaintiffs seek final approval  
21 of the \$55 million Settlement for the benefit of the Settlement Class, as well as final approval of  
22 the proposed Plan of Allocation of the Net Settlement Fund to eligible Settlement Class Members.

23 4. As set forth in the Fee Memorandum, Lead Counsel seek an award of attorneys’  
24 fees in the amount of 25% of the Settlement Fund (i.e., \$13,750,000, plus interest earned at the  
25 same rate as the Settlement Fund), reimbursement of Lead Counsel’s out-of-pocket Litigation  
26

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27 <sup>1</sup> All capitalized terms that are not defined herein have the same meanings as set forth in the  
28 Stipulation of Settlement (ECF No. 189-2) (the “Stipulation” or the “Settlement Agreement”).  
Unless otherwise noted, all emphasis is added, and citations are omitted. All references to “Ex. \_”  
are to the exhibits hereto.

1 Expenses in the total amount of \$261,602.23 (plus interest accrued thereon), and \$4,900 to Lead  
2 Plaintiffs pursuant to the Private Securities Litigation Reform Act of 1995 (“PSLRA”) for costs  
3 incurred in connection with their representation of the Settlement Class.

4 5. On December 19, 2024, the Court granted preliminary approval of the Settlement  
5 and directed notice of the Settlement to be disseminated to the Class. ECF No. 192 (the  
6 “Preliminary Approval Order”).

7 6. Since then, the Court-approved Claims Administrator, A.B. Data Ltd. (“A.B. Data”  
8 or the “Claims Administrator”), has directly notified potential Settlement Class Members of the  
9 Settlement by mail and email in accordance with the Preliminary Approval Order. Summary  
10 Notice was also published through *Investor’s Business Daily*, over *PR Newswire*, and provided via  
11 an official website for the Settlement maintained by the Claims Administrator at  
12 [www.CheggSecuritiesLitigation.com](http://www.CheggSecuritiesLitigation.com) (the “Settlement Website”).

13 7. Between January 9, 2025, and February 6, 2025, Defendants caused the \$55 million  
14 Settlement Amount to be deposited into an escrow account for the benefit of the Settlement Class.  
15 At Lead Counsel’s instruction, the funds deposited in the escrow account have been invested in  
16 Treasury Bills, are earning interest, and will be ready and available for distribution to the  
17 Settlement Class upon the Court’s approval of the Final Approval Motion and the Claims  
18 Administrator’s completion of claims processing and the Court’s entry of a distribution order.

19 8. Given the Court’s familiarity with the litigation, this Declaration does not seek to  
20 detail every event during the Action. Rather, the Declaration provides the Court with a summary  
21 of the prosecution of the Action, highlights of the events leading to the Settlement, and the basis  
22 upon which Lead Counsel and Lead Plaintiffs recommend the approval of the \$55 million  
23 Settlement, as well as the approval of the request for attorneys’ fees and litigation expenses.

24 **I. PRELIMINARY STATEMENT**

25 9. Following nearly three years of extensive investigation and litigation efforts,  
26 culminating in a September 2024 in-person, full-day mediation session conducted by former  
27 United States District Court Judge Layn R. Phillips (“Judge Phillips”) and two of his colleagues,  
28 Lead Counsel secured an outstanding recovery of \$55,000,000 on behalf of a class consisting of

1 all persons or entities who purchased, or otherwise acquired Chegg common stock between May  
2 5, 2020, and November 1, 2021, inclusive, and who were damaged thereby (the “Settlement Class”  
3 or “Class”). The Settlement is an extraordinary result for the Class, which faced the risk of a much  
4 smaller recovery—or no recovery at all—had the case continued through class certification,  
5 summary judgment, trial, and inevitable appeals.

6 10. Under all relevant measures, the \$55 million Settlement Amount greatly exceeds  
7 the typical settlement in securities class action settlements. If approved, the Settlement will exceed  
8 by nearly four times the median \$14 million settlement in securities class actions in 2024, exceed  
9 by over five times the \$10 million median settlement in securities class actions between 2014-  
10 2022, and exceed by nearly seven times the \$9 million median recovery in securities class action  
11 settlements in the Ninth Circuit from 2014-2023. Further, the Settlement would have ranked in  
12 the top 15% of all securities class action settlements between 2014-2022, and the top 20% of all  
13 securities class action settlements in 2023.<sup>2</sup> Similarly, in percentage terms, the Settlement Class’s  
14 recovery of between approximately 4% and 6% of the maximum trial damages is two-to-three  
15 times the median recovery in securities class actions with over \$1 billion in potential damages.<sup>3</sup>  
16 Thus, the Settlement provides an outstanding benefit for the Settlement Class that far surpasses  
17 the normal recovery in similar securities class action cases.

18 11. The size and extent of the recovery is particularly notable given that, when reached,  
19 the Settlement Amount represented over one-third of Chegg’s entire market capitalization, over  
20 twelve times its net cash, and nearly all of the funds available in the Company’s Directors’ and  
21 Officers’ (“D&O Insurers”) liability insurance policies.

22 12. This outstanding benefit for the Settlement Class was the product of extensive work  
23 by Lead Plaintiffs and Lead Counsel. Indeed, before agreeing to settle this Action, Lead Plaintiffs  
24

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25 <sup>2</sup> See Ex. G, NERA Report, at 22, 23 fig.22. These figures exclude settlements of \$1 billion or  
26 higher, merger objections, crypto unregistered securities, and settlements recovering \$0 for the  
27 class.

28 <sup>3</sup> See Ex. F, Cornerstone Report, at 6, 8 (finding that the median recovery for settlements in 2023  
with over \$1 billion in damages was 2.0%, and noting the figure was only slightly higher (2.6%)  
from 2014 to 2022; the median recovery for settlements from 2014 to 2022 with \$500-\$999 million  
in damages was 3.3% and 4.6% in 2023; and median recovery of 4.5%-4.8% of “simplified tiered  
damages” for Rule 10b-5 Class Actions).

1 and Lead Counsel undertook extensive efforts to advance the Class’s claims and ensure that Lead  
2 Plaintiffs were well-positioned to maximize the Class’s recovery. Lead Plaintiffs’ and Lead  
3 Counsel’s litigation efforts included, among other things, conducting a comprehensive legal and  
4 factual investigation into the events underlying the Class’s claims, including, *inter alia*, (i) a  
5 rigorous review and analysis of Chegg’s public securities filings, conference call transcripts, and  
6 other public statements; (ii) review and analysis of over 1,000 pages of documents produced by  
7 multiple prominent institutions of higher learning in response to public records requests; (iii)  
8 review and analysis of news articles, securities analyst reports, and social media posts about  
9 Chegg; (iv) locating and interviewing dozens of former Chegg employees and university deans,  
10 professors, and administrators concerning various topics relating to Chegg’s online platform and  
11 the key issues in this Action; and (v) conducting an empirical analysis of Chegg’s archived “Expert  
12 Q&A” feature (the alleged cheating tool) and historical subscriber levels—which culminated in  
13 the preparation of the highly detailed, 126-page Consolidated Complaint.

14 13. After filing the Complaint, Lead Plaintiffs successfully opposed Defendants’  
15 motion to dismiss and subsequent motion for reconsideration, which challenged all core elements  
16 of Lead Plaintiffs’ securities fraud claims. Thereafter, Lead Plaintiffs aggressively pursued  
17 extensive discovery, including (i) propounding on Defendants multiple sets of document requests,  
18 interrogatories, and requests for admission, and obtaining Defendants’ responses thereto; (ii)  
19 serving and negotiating over 30 non-party subpoenas issued to relevant universities, securities  
20 analysts, and media outlets; and (iii) reviewing and analyzing approximately 124,000 pages of  
21 documents obtained from both Defendants and non-parties. Critically, Defendants’ document  
22 production occurred as part of a highly negotiated pre-mediation process, which targeted the key  
23 issues, metrics, and Chegg personnel (including each of the Individual Defendants) at issue in the  
24 Action so that Lead Plaintiffs could be well-informed of the strengths and weaknesses of their  
25 claims prior to engaging in any mediation/settlement discussions. Accordingly, leading up to the  
26 September 26, 2024 mediation, the Parties each submitted detailed mediation briefs setting forth  
27 their positions on hotly disputed issues in the case, which incorporated numerous highly relevant  
28 documents produced during the pre-mediation discovery process (over 85 exhibits in total).



1 Throughout the case, Lead Plaintiffs consulted with industry and financial experts, including on  
2 issues pertaining to academic integrity, Chegg’s online “learning platform,” market efficiency,  
3 loss causation, and damages.

4 14. Lead Plaintiffs undertook these diligent and extensive efforts against a background  
5 of significant risks, both legal and practical. From a legal standpoint, while Lead Plaintiffs believe  
6 they had credible responses to Defendants’ arguments relating to falsity, scienter, loss causation,  
7 and damages, the risk remained that Defendants’ arguments could have been accepted by the Court  
8 on class certification, summary judgment, or by a jury at trial, which could have reduced or entirely  
9 eliminated the Class’s potential recovery. Furthermore, even a favorable jury verdict would have  
10 been subjected to inevitable appeals, the results of which would have been uncertain and lengthy.  
11 In addition, from a practical standpoint, Chegg’s precarious financial position, operational  
12 challenges, and uncertain future posed a significant collectability risk that operated as an overhang  
13 on the entire Action. For example, on September 26, 2024, the date the Settlement was reached,  
14 Chegg’s stock price closed at only \$1.63 per share, giving the Company a market capitalization of  
15 approximately \$170 million. The Settlement Amount represents nearly one third of the  
16 Company’s entire market capitalization on that date. Moreover, as reported by Chegg on August  
17 5, 2024 (less than two months before the Settlement was reached), the Company ended the second  
18 quarter of 2024 with only approximately \$133 million in cash and cash equivalents and total  
19 outstanding debt of approximately \$601 million—including \$357 million in convertible notes  
20 maturing in 2025. Furthermore, Chegg suffered a net loss of \$617 million in the second quarter  
21 of 2024. As a result, the Company had a net cash balance of only about \$4.5 million heading into  
22 the mediation.<sup>4</sup>

23 15. The Company’s rapidly deteriorating performance and precarious financial position  
24 made it virtually certain that it would be judgment proof if this Action were to proceed to verdict,  
25 even under the most conservative of Lead Plaintiffs’ expert’s damages measures. Accordingly,

26 \_\_\_\_\_  
27 <sup>4</sup> Notably, the Company’s stock price, financial condition, and operational challenges have not  
28 improved since the Settlement was reached. For example, Chegg reported net losses of  
approximately \$213 million and \$6.1 million in the third and fourth quarters of 2024, and as of the  
date of this filing, its stock price trades for around \$1.00 per share.

1 Defendants' D&O Insurers were the only secure source of funding, but they are wasting policies  
2 that would have been steadily depleted as the Action continued, possibly for years.

3 16. Due to their extensive investigatory and litigation efforts, supported by the  
4 evidentiary record at the time of Settlement, Lead Plaintiffs and Lead Counsel had a thorough  
5 understanding of the strengths and weaknesses of the Parties' positions concerning liability and  
6 damages, their respective abilities to prove or defend the claims at trial, and Defendants' ability to  
7 pay a substantial (or any) judgment.

8 17. As set forth in their moving papers, Lead Plaintiffs and Lead Counsel respectfully  
9 submit that the Settlement represents an outstanding recovery for the Class that is supported by  
10 each of the factors that the Ninth Circuit advises courts to consider in the final approval process,  
11 as set forth in Rule 23(e)(2) of the Federal Rules of Civil Procedure, *Hanlon v. Chrysler Corp.*,  
12 150 F.3d 1011, 1026 (9th Cir. 1998), and *In re Bluetooth Headset Products Liability Litigation*,  
13 654 F.3d 935, 946-47 (9th Cir. 2011).

14 18. In addition to seeking the Court's final approval of the Settlement, Lead Plaintiffs  
15 also seek approval of the proposed Plan of Allocation as fair and reasonable. To prepare the Plan  
16 of Allocation, Lead Plaintiffs engaged Dr. Matthew Cain, Ph.D., a highly experienced economic  
17 expert with extensive experience in preparing similar settlement plans of allocation, which have  
18 been accepted by numerous courts. Under the proposed Plan of Allocation, the Net Settlement  
19 Fund will be distributed on a *pro rata* basis to members of the Settlement Class who timely submit  
20 valid proofs of claim based on their "Recognized Loss Amount" as calculated pursuant to the Plan  
21 of Allocation. This methodology is standard in securities fraud class action settlements and has  
22 been approved by courts nationwide.

23 19. Lead Counsel also request an award of attorneys' fees for their extensive efforts  
24 and the extraordinary recovery obtained for the benefit of the Settlement Class, and reimbursement  
25 of their Litigation Expenses. Lead Counsel litigated this Action on a wholly contingent basis,  
26 advancing and incurring litigation expenses, charges, and costs over several years without any  
27 guarantee of recovery. The requested fee of 25% of the Settlement Fund is fair, reasonable, and  
28 warrants the Court's approval. Indeed, the requested fee seeks *no* enhancement on the benchmark

1 fee award established by the Ninth Circuit and is consistent with (or below) fee awards regularly  
2 awarded by courts in comparable securities class action settlements. The reasonableness of Lead  
3 Counsel's request is further supported by a lodestar cross-check, which results in an extremely  
4 modest multiplier of 1.4 on Lead Counsel's lodestar through February 21, 2025.<sup>5</sup>

5 20. Lead Counsel also seek payment of \$261,602.23 (plus interest accrued thereon) for  
6 expenses, costs, and charges reasonably and necessarily committed to the litigation of this Action  
7 over the last three years. These expenses, charges, and costs are the type typically incurred by  
8 plaintiffs in similar cases (and, indeed, virtually any litigation), including online legal and factual  
9 research, e-discovery services, expert witness and consultant fees, travel expenses, and mediation  
10 fees. These expenses were reasonable and necessary in order to achieve the Settlement.

11 21. Both the Settlement and Lead Counsel's fee request have been approved by Lead  
12 Plaintiffs KBC and Pompano P&F, each sophisticated institutional investors with significant  
13 financial interests in the outcome of the case. *See* KBC Decl. at ¶¶ 5-9; and Pompano P&F Decl.  
14 at ¶¶ 7-14. Because institutional investors are precisely the type of lead plaintiff envisioned by  
15 Congress in enacting the PSLRA, Lead Plaintiffs' strong endorsement of the Settlement here is  
16 entitled to significant weight by the Court in considering whether to grant final approval of the  
17 Settlement and Lead Counsel's requested fee and expense award.

18 22. Finally, in accordance with the PSLRA, Lead Plaintiffs seek reimbursement of their  
19 reasonable costs incurred directly in connection with their representation of the Settlement Class.  
20 Collectively, Lead Plaintiffs seek the modest sum of \$4,900, in the amounts of \$3,500 for KBC  
21 and \$1,400 for Pompano P&F. Lead Plaintiffs together expended considerable time and effort in  
22 actively supervising the litigation over a multi-year period, and the requested service awards reflect  
23 only a portion of their time and efforts, as detailed in the accompanying Lead Plaintiff  
24 Declarations. *See* Exs. A & B.

25  
26  
27  
28 <sup>5</sup> Lead Counsel's calculation of the lodestar multiplier excludes time associated with their  
request for an award of attorneys' fees and reimbursement of expenses.

**II. BRIEF SUMMARY OF LEAD PLAINTIFFS' CLAIMS**

23. Lead Plaintiffs' claims in the Action are stated in the Complaint, which alleges, among other things, that Defendants violated Sections 10(b) (and Rule 10b-5 promulgated thereunder), 20(a), and 20A of the Exchange Act.

24. Lead Plaintiffs' claims center on whether Defendants knowingly or recklessly misled investors during the Class Period regarding the extent to which Chegg's growth during the COVID-19 pandemic was driven by students using the Company's platform to cheat during the period of distance learning, as opposed to legitimate educational support services. The Complaint alleges that Chegg misled investors by claiming that the Company's pandemic-era growth was attributable to legitimate and sustainable factors, such as the inevitable adoption of online learning, accelerating expansion into international markets, and the Company's success in limiting account (password) sharing. The Complaint alleges that, contrary to Defendants' representations, Chegg's dramatic growth during the pandemic was driven by students widely using Chegg to cheat on homework, quizzes, and exams during the fleeting period of distance learning.

25. The Complaint further asserts that Defendants' allegedly false and misleading statements artificially inflated and/or maintained the price of Chegg's common stock during the Class Period. As a result, Settlement Class Members that purchased Chegg common stock during the Class Period (including Lead Plaintiffs) suffered damages when that artificial inflation was removed from Chegg's stock price when the truth about Chegg's business was revealed. Specifically, the Complaint alleges that the artificial inflation in the price of Chegg's stock was removed in direct response to information made public on November 1, 2021, when Chegg reported poor Q3 2021 financial results and lowered its full year guidance after students widely returned to campus for in-person classes, making it more difficult to cheat using Chegg, which in turn caused in a sudden decline in Chegg subscribers for the first time in the Class Period.

26. Defendants have denied and continue to deny that they engaged in any wrongdoing or committed any act or omission giving rise to any liability and/or violation of law. Defendants have asserted numerous defenses to liability (which they would likely raise at summary judgment and trial), including, among others, that no material misstatements or omissions were made, that

1 Lead Plaintiffs would not be able to establish that Defendants acted with the requisite scienter, and  
2 that the post-Class Period revelations did not cause the loss. Defendants further assert that Lead  
3 Plaintiffs face particularly significant obstacles in proving damages, and that Defendants would  
4 have vigorously opposed class certification.

### 5 **III. RELEVANT PROCEDURAL HISTORY**

6 27. On December 22, 2021, Steven Leventhal filed the original securities class action  
7 complaint, thereby commencing this Action. ECF No. 1.

#### 8 **A. Commencement of the Action and Appointment of Lead Plaintiffs**

9 28. On February 22, 2022, KBC and Pompano P&F moved for appointment as Lead  
10 Plaintiffs. ECF No. 40. Several other investors also moved for appointment as Lead Plaintiff.  
11 ECF Nos. 60, 84, 87. The Honorable Edward J. Davila heard oral argument on the competing lead  
12 plaintiff motions on August 29, 2022.

13 29. On September 7, 2022, Judge Davila appointed KBC and Pompano P&F as Lead  
14 Plaintiffs and approved Motley Rice and Saxena White as Lead Counsel. ECF No. 105.

#### 15 **B. Lead Counsel's Initial Investigation, Continuing Investigation, and Filing of 16 the Complaint**

17 30. Prior to the filing of the initial complaint, Lead Counsel had begun an exhaustive  
18 investigation into the facts underlying the Action. This investigation included a comprehensive  
19 review and analysis of: (i) Chegg's public filings with the SEC and materials posted on Chegg's  
20 website; (ii) press releases and other public statements issued by Chegg, including during earnings  
21 calls and conference calls with analysts and investors; (iii) research reports by securities analysts  
22 covering Chegg; (iv) publicly available news articles, press releases, documents, and other  
23 information regarding Chegg and the broader industry in which Chegg operates; and (v) data and  
24 other information regarding Chegg securities.

25 31. After KBC and Pompano P&F's appointment as Lead Plaintiffs, Lead Counsel  
26 continued investigating the claims eventually alleged in the Complaint. For instance, Lead  
27 Counsel dedicated substantial time and resources to locating and interviewing numerous former  
28 Chegg employees with potentially relevant information, as well as dozens of university professors,

1 deans, and other faculty who experienced students using Chegg during the pandemic firsthand and  
2 often engaged with the Company about widespread student cheating via Chegg. Lead Counsel  
3 included detailed information provided by eight former Chegg employees in the Complaint, as  
4 well as the accounts of over twenty professors, deans, and university officials, which described in  
5 detail how cheating via Chegg increased exponentially during the Class Period, and that the  
6 explosion in cheating was directly attributable to Chegg. Complaint, ¶¶ 96-145.

7 32. Lead Counsel also obtained, reviewed, and analyzed over 1,000 pages of  
8 documents produced by many of the nation’s most respected institutions of higher learning in  
9 response to public records requests. In particular, Lead Counsel included in the Complaint detailed  
10 information provided by four prominent universities and the United States Air Force Academy.  
11 Based on those productions, the Complaint describes in detail rampant student cheating on Chegg  
12 during the Class Period, as well as pleas from professors and university faculty to Chegg and the  
13 Individual Defendants to eliminate widespread cheating enabled by Chegg. Complaint, ¶¶ 66-91.

14 33. Additionally, Lead Counsel conducted a detailed empirical analysis of Chegg’s  
15 archived Expert Q&A database, which included analyzing thousands of questions and answers  
16 submitted to Chegg’s Expert Q&A before, during, and after the Class Period. Through this  
17 empirical analysis, Lead Counsel were able to confirm that student usage of the tool for  
18 instantaneous answers surged during remote learning, with students submitting twice as many  
19 questions to “Chegg Experts” during key parts of the Class Period (e.g., final exams) as they had  
20 during the same period prior to the pandemic. Lead Counsel’s empirical analysis further showed  
21 that questions submitted to Chegg during remote learning contained clear indicia of student  
22 cheating, and that Chegg failed to implement effective measures to prevent obvious cheating.  
23 Complaint, ¶¶ 146-54.

24 34. In connection with their investigation and in preparing the Complaint, Lead  
25 Counsel also consulted extensively with various financial and industry experts to evaluate, among  
26 other things, academic integrity standards and practices, usage and operation of Chegg’s online  
27 “learning” platform, as well as issues related to market efficiency, loss causation, and damages.  
28

1           35.     Lead Counsel’s investigation significantly bolstered the strength of Lead Plaintiffs’  
2 claims. In our experience litigating securities actions under the federal securities laws, plaintiff’s  
3 counsel typically lacks access to such key documentary evidence until after the complaint survives  
4 dismissal and the PSLRA’s automatic discovery stay is lifted. Here, based on Lead Counsel’s  
5 thorough investigation and research, Lead Plaintiffs filed a 126-page Complaint on December 8,  
6 2022 replete with highly particularized facts supporting the underlying securities fraud claims  
7 drawn from numerous documents and eyewitness accounts. ECF No. 115. The Complaint alleged  
8 in great detail Defendants’ violations of Sections 10(b), 20(a), and 20A of the Exchange Act,  
9 including by making materially false and misleading statements and omissions concerning the  
10 extent of cheating on Chegg’s platform during the pandemic, and the true reasons behind the  
11 Company’s unprecedented subscriber growth.

12           **C.     Defendants’ Repeated Challenges to the Complaint**

13           36.     On February 16, 2023, Defendants moved to dismiss all of Lead Plaintiffs’ claims  
14 (the “Motion to Dismiss”). ECF No. 122. In their Motion to Dismiss, Defendants challenged all  
15 core elements of Lead Plaintiffs’ securities fraud claims, including falsity, scienter, and loss  
16 causation. For example, Defendants argued in the Motion to Dismiss that the Complaint should  
17 be dismissed in its entirety because: (i) it failed to plead any materially false or misleading  
18 statements with particularity under the exacting pleading requirements of the PSRLA and Rule  
19 9(b); (ii) several alleged misstatements were “forward-looking” and thus protected under the  
20 PSLRA’s safe harbor provision; (iii) many of the statements at issue were non-actionable opinions  
21 under the Supreme Court’s decision in *Omnicare, Inc. v. Laborers District Council Construction*  
22 *Industry Pension Fund*, 575 U.S. 175 (2015); (iv) it failed to plead any facts giving rise to the  
23 requisite “strong inference” of scienter for any Defendant; and (v) it failed to plead loss causation  
24 because the Complaint did not adequately allege that information revealed in the November 1,  
25 2021 corrective disclosure related to, or revealed any, relevant truth concealed by the alleged  
26 misstatements. *Id.*

27           37.     Lead Counsel reviewed and analyzed Defendants’ Motion to Dismiss, the legal  
28 authority cited therein, and the thirty-three exhibits attached to the accompanying declaration of

1 Heather Speers (the “Speers Declaration”) ECF No. 122-1. Lead Counsel conducted extensive  
2 legal research into Defendants’ arguments and potential responses thereto. On April 27, 2023,  
3 Lead Plaintiffs filed their opposition to Defendants’ Motion to Dismiss and filed a motion to strike  
4 certain paragraphs of the Speers Declaration (the “Motion to Strike”). ECF Nos. 128, 129.

5 38. The Parties finished fully briefing the Motion to Dismiss and the Motion to Strike  
6 as of June 8, 2023. ECF Nos. 131, 132, 133. On August 18, 2023, with the motions still pending,  
7 this case was reassigned to the Honorable P. Casey Pitts. ECF No. 138.

8 39. On December 7, 2023, the Court heard over an hour of oral argument on the Motion  
9 to Dismiss and the Motion to Strike. On March 4, 2024, the Court issued an Order denying in its  
10 entirety Defendants’ Motion to Dismiss and denying Lead Plaintiffs’ Motion to Strike. ECF No.  
11 150; published at *Leventhal v. Chegg, Inc.*, 721 F. Supp. 3d 1003 (N.D. Cal. 2024) (the “Motion to  
12 Dismiss Order”). In sustaining the sufficiency of Lead Plaintiffs’ allegations, including under the  
13 PSLRA and Rule 9(b), the Court specifically noted in the Motion to Dismiss Order that “the  
14 evidence cited in plaintiffs’ complaint, including plaintiffs’ empirical analysis, former employee  
15 testimony, university interviews, and faculty statements, provides sufficient factual support for  
16 plaintiffs’ allegations of falsity” and “present[ed] compelling empirical evidence of substantial  
17 cheating during the class period.” *Id.* at 1012. The Court also found a strong inference of scienter,  
18 based on allegations regarding “various reports sent to Chegg by universities and faculty members  
19 about rampant cheating on the platform.” *Id.* at 1016. Finally, the Court found that “in light of  
20 the evidence presented” in the Complaint, Lead Plaintiffs adequately alleged loss causation under  
21 the heightened pleading requirements of Rule 9(b). *Id.* at 1017-18 (noting that “Rule 9(b) applies  
22 to all elements of a securities fraud action, including loss causation”). Thus, as exhibited by the  
23 Court’s Motion to Dismiss Order, Lead Counsel’s comprehensive investigation provided highly  
24 valuable benefits to the Class.

25 40. On April 22, 2024, Defendants moved for leave to file a motion for reconsideration  
26 of the Court’s Motion to Dismiss Order, or in the alternative, to certify the order for interlocutory  
27 appeal (the “Motion for Reconsideration”). ECF No. 155. Defendants again challenged falsity,  
28 scienter, and loss causation. Two days later, on April 24, 2024, Defendants filed their Answer to



1 Lead Plaintiffs’ Complaint. ECF No. 156. On April 29, 2024, the Court granted Defendants’  
2 request for leave to seek reconsideration. As of May 20, 2024, the Parties had fully briefed  
3 Defendants’ Motion for Reconsideration. ECF Nos. 158, 160, 163. Additionally, Defendants filed  
4 a statement of recent decision on June 13, 2025, which Lead Plaintiffs moved to strike on  
5 procedural grounds. ECF Nos. 167, 168.

6 41. On July 17, 2024, the Court denied in full Defendants’ Motion for Reconsideration.  
7 ECF No. 172; published at *Leventhal v. Chegg, Inc.*, 2024 WL 3447516 (N.D. Cal. July 17, 2024)  
8 (“Motion for Reconsideration Order”). Specifically citing to the Complaint’s allegations “that  
9 Chegg received a plethora of reports from universities and faculty members about rampant  
10 cheating on the platform”—including, for example, that “one university administrator ‘emailed  
11 Rosensweig directly’ about cheating on Chegg’s platform, after which three high-level Chegg  
12 representatives responded” and that each of the Individual Defendants “attended meetings where  
13 widespread student cheating was discussed”—the Court denied the reconsideration motion thereby  
14 sustaining its earlier ruling denying the Motion to Dismiss. *Id.* at \*2. In light of its ruling, the  
15 Court denied Lead Plaintiffs’ motion to strike as moot. *Id.* at \*3. Thus, as further exhibited by the  
16 Court’s Motion for Reconsideration Order, Lead Counsel’s comprehensive investigation provided  
17 highly valuable benefits to the Class.

#### 18 **D. Lead Plaintiffs’ Extensive Discovery Efforts**

19 42. Following the Court’s Motion to Dismiss Order (and while awaiting the Court’s  
20 ruling on Defendants’ Motion for Reconsideration), Lead Plaintiffs began aggressive discovery  
21 efforts. Among other things, Lead Plaintiffs propounded multiple sets of written discovery on  
22 Defendants, including approximately sixty-three document requests, fifteen interrogatories, and  
23 fifty-nine requests for admission. In addition, Lead Plaintiffs served document subpoenas on over  
24 thirty relevant nonparties, including financial media and market analysts that reported on Chegg,  
25 dozens of universities and colleges that reported systemic cheating on Chegg, and Chegg’s ESI  
26 vendor regarding document preservation issues. In connection with this discovery, and as  
27 discussed in further detail below, the Parties negotiated a protective order to govern the  
28 confidentiality of discovery materials (“Protective Order”) and an order to govern the production

1 of electronically stored information (“ESI Protocol”). Counsel to the Parties also held a lengthy  
2 conference pursuant to Rule 26(f) and engaged in extensive follow-up meet and confer  
3 correspondence over the ensuing weeks—including regarding an apparent failure by Defendants  
4 to preserve relevant emails and other internal communications companywide for nearly all of the  
5 Class Period—thus prompting Lead Plaintiffs to pursue early and extensive discovery from non-  
6 parties (including Chegg’s e-discovery vendor) to avoid the prospect of a total (or near total)  
7 absence of documentary evidence on key issues.

8 43. While Lead Plaintiffs’ written discovery requests to Defendants remained  
9 outstanding, the Parties agreed to engage in mediation. However, as a condition for the mediation,  
10 Lead Plaintiffs required Defendants to provide expedited discovery targeting the principal issues,  
11 individuals, data, and conduct underlying Lead Plaintiffs’ claims. The Parties negotiated the  
12 parameters of such discovery, including search terms, custodians, and time period, as well as  
13 Defendants’ production of specific categories of documents and user engagement and subscriber  
14 metrics for Chegg’s online platform. In total, Defendants produced approximately 21,000  
15 documents spanning over 77,000 pages as part of the agreed-upon pre-mediation discovery. By  
16 employing a technology assisted review platform (“TAR”) that prioritized the documents most  
17 relevant to Lead Plaintiffs’ claims after applying human learning (which was frequently updated  
18 and optimized by Lead Counsel as discovery progressed), Lead Counsel efficiently and effectively  
19 reviewed the overwhelming majority of the pages produced by Defendants and non-parties in the  
20 weeks leading up to the mediation.

21 44. In negotiating pre-mediation discovery, Defendants agreed to respond to Lead  
22 Plaintiffs’ outstanding written discovery. This condition was essential to Lead Plaintiffs’ ability  
23 to continue the effective and efficient prosecution of the Action if the mediation failed.  
24 Accordingly, Lead Counsel carefully reviewed and analyzed all of Defendants’ written discovery  
25 responses and were prepared to meet-and-confer with counsel to Defendants, and file any  
26 necessary motions to compel, if the mediation proved unsuccessful.

27 45. These extensive yet targeted discovery efforts provided Lead Plaintiffs and Lead  
28 Counsel with a thorough understanding of the strengths and weaknesses of their claims and

1 Defendants' defenses and assisted Lead Counsel in engaging in an informed mediation process  
2 with Defendants and evaluating the fairness of the Settlement.

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

4 46. As noted above, on April 23, 2024, after the Court's denial of Defendants' motion  
5 to dismiss, the Parties convened a Rule 26(f) conference. During these discussions, Defendants  
6 disclosed that certain potentially relevant documents may no longer be accessible due to Chegg's  
7 document retention policy and circumstances surrounding the implementation of its litigation hold.  
8 In the weeks and months after the Rule 26(f) conference, Lead Counsel exchanged correspondence  
9 with Defendants concerning the preservation issues.

10 47. Lead Plaintiffs served their Rule 26(a)(1) Initial Disclosures on April 25, 2024, and  
11 Defendants served their Rule 26(a)(1) Initial Disclosures on May 29, 2024.

12 48. On May 7, 2024, the Parties filed a Joint Case Management Statement, advising the  
13 Court that they had been unable to reach agreement on certain fundamental case management  
14 issues, including whether discovery should be further stayed pending Defendants' Motion for  
15 Reconsideration. ECF No. 159. The Parties requested the Court set an initial case management  
16 conference, including to resolve this threshold issue.

17 49. Over the ensuing months, the Parties negotiated the Protective Order and ESI  
18 Protocol. The Parties exchanged multiple rounds of edits to each draft document and met and  
19 conferred on numerous occasions to resolve their disputes on particular terms, provisions, and  
20 concepts. On August 2, 2024, the Parties submitted the agreed-upon Protective Order and ESI  
21 Protocol to the Court. ECF Nos. 173, 174. The Court approved the Protective Order and ESI  
22 Protocol with modifications on August 5, 2024. ECF Nos. 177, 178.

23 **2. Lead Plaintiffs' Discovery Propounded on Defendants**

24 50. On April 25, 2024, Lead Plaintiffs served on Defendants their First Requests for  
25 Production of Documents ("First RFPs"), their First Set of Interrogatories ("First Interrogatories"),  
26 and their Rule 26(a)(1) Initial Disclosures. The First RFPs included sixty-one individual requests.  
27 In general, Lead Plaintiffs requested that Defendants produce documents concerning, among other  
28 things: (i) subscriber and user engagement metrics for Chegg's online "learning" platform and

1 Defendants’ monitoring thereof; (ii) the drivers of Chegg’s subscriber and revenue growth; (iii)  
2 student cheating using Chegg’s platform and the Company’s efforts to mitigate cheating, such as  
3 its Honor Shield” policy; (iv) communications with third parties such as university officials,  
4 professors, media, and analysts concerning cheating, Honor Shield, and other relevant topics; (v)  
5 Chegg’s policies for responding to complaints of cheating on the platform; (vi) Board documents  
6 concerning cheating and other relevant topics; (vii) Defendants’ compensation and trading in  
7 Chegg securities; and (viii) Chegg’s document retention policies.

8 51. The First Interrogatories likewise sought key information concerning the merits of  
9 Lead Plaintiffs’ claims, including, among other things: (i) Chegg’s user engagement data  
10 concerning key metrics indicating legitimate versus illegitimate use of the platform; (ii) allegations  
11 of student cheating using Chegg’s online platform, and any actions taken in response; (iii)  
12 violations of Chegg’s policies regarding the answering of questions containing indicia of cheating;  
13 (iv) violations of Honor Code; and (v) Defendants’ bases for the alleged false and misleading  
14 statements.

15 52. On May 24, 2024, Lead Plaintiffs served their Second Set of Requests for  
16 Production of Documents to Defendants (“Second RFPs”). The Second RFPs focused on  
17 documents concerning Chegg’s communications with the SEC.

18 53. On May 31, 2024, Lead Plaintiffs served on Defendants their Second Set of  
19 Interrogatories (“Second Interrogatories”), their First Set of Requests for Admissions (“First  
20 RFAs”) and Second Sets of Requests for Admissions (“Second RFAs”), and their Third Set of  
21 Requests for Production of Documents (“Third RFPs”).

22 54. The Second Interrogatories focused on facts and information concerning the  
23 potential spoliation of documentary evidence, including, among other things: (i) the litigation hold  
24 implemented in this Action; (ii) communications with Exterro, Inc. (“Exterro”), the e-discovery  
25 vendor Chegg engaged to implement litigation holds in this case and other cases; (iii) sources of  
26 relevant ESI; and (iv) Chegg’s efforts to preserve such information. The Third RFPs likewise  
27 concerned preservation issues, including documents relating to the timing and scope of litigation  
28 hold(s) implemented by Chegg.

1 55. The First RFAs and Second RFAs targeted, respectively, key facts relevant to class  
2 certification and spoliation.

3 56. Given the Parties' dispute regarding whether discovery was stayed pending the  
4 Motion for Reconsideration, Defendants did not timely respond to any of Lead Plaintiffs' written  
5 discovery requests. Defendants did, however, substantively respond to Lead Plaintiffs' written  
6 discovery requests during the heavily negotiated pre-mediation discovery process.

### 7 3. Non-Party Discovery

8 57. Lead Plaintiffs did not sit idle while awaiting the Court's decision on Defendants'  
9 Motion for Reconsideration. In addition to corresponding and meeting-and-conferring with  
10 Defendants regarding the issues raised at the Rule 26(f) conference, including Defendants' firm  
11 position that the PSLRA's discovery stay remained in effect until their Motion for Reconsideration  
12 was decided, Lead Plaintiffs served document subpoenas in May and June 2024 on dozens of non-  
13 parties, including: (i) key media outlets that reported on alleged student cheating using Chegg,  
14 including *The Boston Globe*, *The Washington Post*, *The New York Times*, *The Hechinger Report*,  
15 and *Barron's*; (ii) Exterro; (iii) approximately two dozen colleges, universities, and service  
16 academies across the United States, including universities referenced in the Complaint and other  
17 colleges and universities where extensive student cheating using Chegg was reported to have  
18 occurred; and (iv) certain securities analysts that issued reports on Chegg during the Class Period.

19 58. Lead Plaintiffs met and conferred with many of these non-parties to negotiate,  
20 among other things, the scope of the subpoenas, categories of responsive documents, search  
21 protocols, and claims of privilege over certain of the requested documents.

22 59. Ultimately, after months of meet-and-confers and written correspondence between  
23 Lead Counsel and the subpoenaed non-parties, Lead Plaintiffs obtained over 47,000 pages of  
24 documents pursuant to the non-party subpoenas. Many of these documents proved highly relevant  
25 to Lead Plaintiffs' claims. For instance, documents produced in response to Lead Plaintiffs'  
26 subpoenas to universities showed widespread cheating by students using Chegg, bolstering the  
27 evidence already collected by Lead Plaintiffs in support of their claims, particularly regarding the  
28 falsity of Defendants' statements.

#### 4. Pre-Mediation Discovery

1  
2 60. After the Court denied the Motion for Reconsideration and while Lead Plaintiffs  
3 continued to pursue documents and other written discovery from Defendants, the Parties agreed to  
4 an in-person mediation on September 26, 2024 in San Francisco, California. As discussed above,  
5 the Parties agreed to exchange certain significant and core discovery materials in advance of the  
6 mediation, as part of a pre-mediation discovery process. Over the course of four weeks, Lead  
7 Counsel engaged in extensive negotiations with Defendants' Counsel over the appropriate scope  
8 of pre-mediation document production, including lengthy efforts to reach agreement on search  
9 terms to be employed by Defendants, custodians whose documents would be searched by  
10 Defendants, the applicable timeframe, and the search and production of documents from non-  
11 custodial sources. Ultimately, Lead Plaintiffs required, and Defendants agreed, that relevant  
12 documents from key document custodians—including the Individual Defendants—responsive to  
13 Lead Plaintiffs' document requests be produced on an expedited basis prior to the mediation, as  
14 well as highly relevant non-custodial documents, including Board materials and detailed  
15 subscriber and user engagement metrics. Defendants also agreed to provide substantive responses  
16 to Lead Plaintiffs' Interrogatories and Requests for Admissions. In turn, Lead Plaintiffs agreed to  
17 provide Defendants with certain documents relevant to Lead Plaintiffs' claims, including  
18 documents produced by universities and other institutions of higher learning in response to public  
19 records requests.

20 61. As of the conclusion of the pre-mediation discovery, Defendants had produced  
21 approximately 77,000 pages of documents in separate productions between July and August 2024.  
22 In addition, Chegg served its Responses to Lead Plaintiffs' First RFAs and its Responses to Lead  
23 Plaintiffs' Second RFAs on August 30, 2024.

24 62. In sum, during the pendency of discovery and prior to the mediation, Lead  
25 Plaintiffs: (i) corresponded with Defendants regarding the right to move forward with discovery  
26 pending the Motion for Reconsideration; (ii) corresponded with Defendants on numerous  
27 occasions via written letters and meet-and-confer conferences concerning document preservation  
28 issues; (iii) served dozens of document subpoenas on non-parties and negotiated with those non-

1 parties and their counsel concerning their responses and document productions; (iv) after the  
2 Motion for Reconsideration was denied, met and conferred with Defendants about the search terms  
3 and protocols to be used to collect documents and data responsive to the discovery requests;  
4 (v) received and reviewed over 31,000 documents (totaling over 124,000 pages) from Defendants  
5 and numerous non-parties; (vi) produced to Defendants 6,800 documents, totaling over 40,000  
6 pages; and (vii) engaged and consulted with multiple industry and financial experts.

7 63. To facilitate an economical and time-efficient document review process, the  
8 majority of documents produced in the litigation were stored and organized in the Reveal  
9 electronic database and document review platform. To identify the most relevant documents in  
10 advance of the mediation efficiently, Lead Counsel leveraged the Reveal platform's software and  
11 predictive tools whereby documents predicted via machine learning as potentially important were  
12 ranked and prioritized for review. Attorneys on the litigation team prepared and continuously  
13 updated a highly detailed document review instruction manual and protocol. Document reviewers  
14 were trained to code documents for their level of responsiveness or importance to the case (e.g.,  
15 "Hot," "Highly Relevant," "Relevant," "Irrelevant"), for case issues (for example, internal  
16 assessment of cheating, third-party allegations of cheating, Chegg's Honor Shield initiative, and  
17 scienter), for review by experts, and for potential use with specific deponents. Lead Counsel also  
18 developed and continuously updated reference resources to aid members of the document review  
19 team, including chronologies of significant events, lists of key players, and a glossary of technical  
20 terms and acronyms used by Chegg. Throughout document discovery, senior attorneys monitored  
21 the efficiency and quality of the document review, met regularly with more junior and staff  
22 attorneys, and discussed key facts uncovered by the review. In addition, Lead Counsel held weekly  
23 calls with the supervising attorneys and the document review teams to discuss the status of  
24 discovery, the ongoing document review, and litigation status and strategy. Lead Counsel  
25 discussed important and/or potentially "hot" and "highly relevant" documents, discovery  
26 preparation efforts, and overall strategy for the prosecution of the Action.

1 **IV. MEDIATION AND SETTLEMENT**

2 64. On September 26, 2024, the Parties and Defendants' D&O Insurers participated in  
3 a full-day, in-person mediation in San Francisco, California. Judge Phillips, a former federal judge  
4 with extensive experience mediating complex securities and shareholder litigation, led the  
5 mediation. Judge Phillips was assisted by two of his associates, Michele Yoshida and Caroline  
6 Cheng, both highly accomplished attorneys with decades of experience specific to alternative  
7 dispute resolution in both the public and private sectors. Prior to the mediation, the Parties  
8 submitted comprehensive and detailed mediation statements outlining their respective positions  
9 and supported by voluminous exhibits. Lead Plaintiffs further submitted a response to Defendants'  
10 mediation statement before the session.

11 65. After a full day of negotiations, Judge Phillips issued a mediator's proposal,  
12 accepted by the Parties on a double-blind basis, to settle all claims in the Action for \$55 million in  
13 cash. On that same date, the Parties filed a Joint Case Management Statement to inform the Court  
14 that the Parties had participated in mediation and had reached an agreement in principle to settle  
15 the Action. ECF No. 179.

16 66. Thereafter, the Parties engaged in further negotiations over the non-financial terms  
17 of the Settlement and executed the Stipulation on November 5, 2024. While negotiating the terms  
18 of the Stipulation, Lead Counsel began working on various documents to be submitted with Lead  
19 Plaintiffs' motion for preliminary approval of the Settlement. During this time, Lead Counsel also  
20 requested and reviewed detailed bids from five different firms specializing in class action notice  
21 and claims administration. As a result of this bidding process, Lead Counsel selected A.B. Data  
22 to serve as the claims administrator for the Settlement. Lead Counsel also worked closely with  
23 Lead Plaintiffs' economic expert, Dr. Cain, and his professional staff to develop the proposed Plan  
24 of Allocation.

25 67. On November 6, 2024, Lead Plaintiffs filed the Unopposed Motion for Preliminary  
26 Approval of Class Action Settlement and Memorandum of Points and Authorities in Support  
27 Thereof ("Preliminary Approval Motion"). ECF No. 189. Defendants filed their Non-Opposition  
28 to the Preliminary Approval Motion on November 20, 2024. ECF No. 190.



1           68. On December 19, 2024, the Parties appeared before the Court to answer its  
2 questions about the proposed Settlement, including the scope of release contained in the  
3 Stipulation, the timing of notice to be disseminated to the Settlement Class, and the timeframe for  
4 briefing of the Final Approval Motion and for Settlement Class members to file claims to  
5 participate in, request exclusion from, or object to the Settlement.

6           69. Also on December 19, 2024, the Court entered the Preliminary Approval Order,  
7 preliminarily approving the Stipulation and the Settlement as being fair, reasonable, and adequate  
8 for purposes of Rule 23 of the Federal Rules of Civil Procedure, subject to further consideration  
9 at the Settlement Hearing. ECF No. 192. The Court scheduled the Settlement Hearing for April  
10 24, 2025, at 10:00 a.m., to determine whether: (a) the proposed Settlement on the terms and  
11 conditions provided for in the Stipulation is fair, reasonable, and adequate to the Settlement Class,  
12 and should be approved by the Court; (b) the Judgment attached as Exhibit B to the Stipulation  
13 should be entered dismissing the Action with prejudice against Defendant Releasees; (c) the  
14 proposed Plan of Allocation for the proceeds of the Settlement is fair and reasonable and should  
15 be approved; and (d) the motion by Lead Counsel for an award of attorneys' fees and  
16 reimbursement of Litigation Expenses should be approved.

17 **V. RISKS FACED BY LEAD PLAINTIFFS IN THE ACTION CONFIRM THE**  
18 **SETTLEMENT IS FAIR, REASONABLE, AND ADEQUATE**

19           70. Based on documents obtained through Lead Counsel's extensive informal and  
20 formal discovery, and consultation with industry and economic experts, Lead Plaintiffs believe  
21 that they have gathered substantial evidence to support their claims and, barring settlement, were  
22 preparing to proceed to trial. Lead Plaintiffs also realized, however, that they faced credible  
23 arguments from Defendants which the Court at class certification or summary judgment, a jury  
24 after trial, or an appellate court could have accepted. Likewise, Chegg's precarious financial  
25 condition, uncertain future, and wasting insurance policies presented a severe collectability risk  
26 that further supports approval of the Settlement.  
27  
28

1           **A. Risks Relating to the Class Certification**

2           71. Lead Plaintiffs believed there was credible risk that the Court could narrow the  
3 Class’s claims at a later stage of the case. For example, Lead Plaintiffs had not yet moved for class  
4 certification. In opposition to Lead Plaintiffs’ motion for class certification, Defendants would  
5 likely have argued that the Class Period should have been truncated to begin on February 8, 2021—  
6 nearly one year after the operative Class Period start date of May 5, 2020—when Defendant  
7 Rosensweig directly addressed and refuted media reports about academic cheating fueling Chegg’s  
8 growth. Had the Court accepted Defendants’ argument, the Class Period, and resulting Class  
9 damages, would have been dramatically reduced.

10           72. Also, Defendants would have likely contested “price impact” at the class  
11 certification stage. To show reliance in securities fraud class actions, plaintiffs often rely on the  
12 fraud-on-the-market presumption, which is premised on the notion that because stock prices  
13 incorporate material information, material fraudulent statements will affect stock prices. To  
14 invalidate this presumption, defendants can show that the false statements did not “impact” the  
15 trading price of the relevant stock, including by showing a mismatch between the false statements  
16 and the ultimate disclosure. Here, Defendants had previously argued that the corrective disclosure  
17 did not relate to or otherwise reveal that cheating had occurred on Chegg’s platform and was  
18 therefore disconnected from the allegedly false Class Period statements. *See* ECF No. 122 at 24;  
19 ECF No. 155 at 14. Defendants would have likely argued that this alleged “mismatch” precluded  
20 the class from relying on the fraud-on-the-market presumption, possibly preventing the case from  
21 proceeding as a class action.

22           73. Even if the Court granted class certification after full briefing, there would remain  
23 the risk that the Class could be decertified at a later stage, particularly given that the law in this  
24 area is still developing.

25           **B. Risks Concerning Falsity, Scienter, and Loss Causation / Damages**

26           74. Defendants argued throughout this litigation that Lead Plaintiffs cannot  
27 demonstrate that any of Defendants’ statements were false and misleading or made with scienter.  
28

1 75. For instance, Defendants argued, and likely would continue to argue at summary  
2 judgment or trial, that Lead Plaintiffs could not quantify the extent of cheating that allegedly  
3 occurred on Chegg's platform during the Class Period, much less that such cheating drove Chegg's  
4 subscriber and revenue growth during the Class Period. ECF No. 122 at 11; ECF No. 155 at 6-8.  
5 Indeed, the Court questioned whether there was a "black hole" regarding the quantification of  
6 cheating during the oral argument on the motion to dismiss. *See* Dec. 7, 2023 Hr'g Tr., ECF No.  
7 147 at 41:22-42:16. Defendants would also continue to argue, among other things, that the  
8 Company's growth was due to legitimate business initiatives, such as its expansion to international  
9 markets and its success in curbing account (password) sharing, and that Chegg took significant  
10 steps to prevent cheating on its platform. ECF No. 122 at 15; ECF No. 155 at 8. Defendants also  
11 would have likely introduced their own internal analyses, which found that misuse of the platform  
12 constituted a very small portion of overall subscribers during the Class Period.

13 76. Defendants also maintained that the evidence would demonstrate Chegg's senior  
14 management acted without the required fraudulent intent (*scienter*). Defendants likely would  
15 argue during summary judgment, and again at trial, that the Company implemented measures to  
16 prevent cheating on its platform, such as its "Honor Shield" software aimed at preventing cheating  
17 and supporting academic integrity, and that instances of cheating were not statistically significant  
18 compared to the overall user base, such that Defendants believed their statements were true. *See*  
19 ECF No. 122 at 20; ECF No. 155 at 10. Additionally, Defendants would continue to argue that,  
20 at the time the allegedly false and misleading statements were made, Company executives believed  
21 in good faith that Chegg was providing legitimate academic support to students and the pandemic  
22 had merely accelerated a growing transition to online learning. ECF No. 122 at 24.

23 77. Lead Plaintiffs also faced risks proving loss causation and damages. Defendants  
24 previously argued that Lead Plaintiffs did not demonstrate a causal connection between cheating  
25 and Chegg's reduced FY'21 guidance because the reduced guidance was due to lower university  
26 enrollments rather than any the purported inability to cheat using Chegg once students returned to  
27 campus. ECF No. 122 at 24-25; ECF No. 155 at 12-15. Indeed, Defendants would have asserted  
28 that the market, including most securities analysts, overwhelmingly accepted Chegg's explanation

1 that the earning shortfall and reduced guidance were attributable to industrywide and  
2 macroeconomic factors, rather than cheating becoming more difficult (and Chegg less useful)  
3 when students returned to on-campus learning, as Lead Plaintiffs had alleged. Further, as  
4 Defendants had previously asserted, Lead Plaintiffs' theory that Chegg reported disappointing  
5 financial results, declining subscribership, and reduced guidance because students began to return  
6 to campus in Q3 2021, and could no longer easily use Chegg to cheat on exams, was undermined  
7 by the data showing that: (i) college students began returning to campus over a year earlier without  
8 impacting Chegg's growth, and (ii) Chegg's subscribers and revenues increased after the end of  
9 the Class Period. *See* ECF No. 122 at 24.

10 78. Like loss causation, the issue of damages would have been hotly disputed and the  
11 subject of competing expert testimony. Defendants would have disputed what portion, if any, of  
12 Chegg's stock price decline following the alleged corrective disclosure was attributable to the  
13 alleged fraud, as opposed to other factors affecting the Company's business. This presented a  
14 critical "disaggregation" issue on which Lead Plaintiffs bear the burden of proof. Defendants also  
15 would likely have presented evidence from an expert who would opine that the Settlement Class's  
16 damages were vastly less than what Lead Plaintiffs' expert calculated or were non-existent. This  
17 "battle of the experts" would create an additional litigation risk because the reaction of a trier of  
18 fact to such expert testimony is highly unpredictable, creating uncertainty regarding how much  
19 weight a judge or jury will accord the analysis of the Parties' competing experts. Furthermore,  
20 where, as here, the damage theories rest primarily on the testimony and reports of experts, the  
21 plaintiff faces serious risks of having its damage theories rejected by the court on a *Daubert*  
22 motion.

23 79. In sum, there was distinct possibility that the Court or a jury could have found that  
24 Lead Plaintiffs' inability to quantify the precise level of cheating on Chegg's platform precluded  
25 a finding that the alleged statements were false or misleading, that all or some of the Defendants  
26 lacked scienter, or that the alleged corrective disclosure did not correct the alleged false statements,  
27 such that Lead Plaintiffs could not establish liability, price impact, or damages. Without the  
28 Settlement at this time, the Parties potentially faced years of litigating this Action, including

1 through class certification, further discovery, summary judgment, pre- and post-trial motions, trial,  
2 and likely post-trial appeals.

3 **C. Collectability Risk**

4 80. Even if Lead Plaintiffs had fully prevailed on every issue and secured a judgment  
5 for the full measure of damages calculated by their expert, Lead Plaintiffs recognized a substantial  
6 risk that they would be unable to collect more than the Settlement Amount—and possibly nothing  
7 at all— due to Chegg’s weak financial condition, balance sheet constraints, uncertain future, and  
8 the limitations of its D&O liability insurance.

9 81. On September 26, 2024, the date the Settlement was reached, Chegg’s stock price  
10 closed at only approximately \$1.63 per share (compared to a Class Period-high of over \$110 per  
11 share), giving the Company a market capitalization of approximately \$170 million—a small  
12 fraction of Lead Plaintiffs’ maximum potential damages. The Settlement Amount therefore  
13 represents nearly a third of the Company’s entire market capitalization at the time of the  
14 Settlement.<sup>6</sup> Lead Plaintiffs were and are also cognizant of the fact that the Company has  
15 practically no ability to fund a substantial (or even nominal) settlement or judgment. Indeed, on  
16 June 17, 2024, Chegg announced a restructuring plan that included mass layoffs, the closure of  
17 two offices, and other severe cost-cutting measures. On August 5, 2024, Chegg reported only  
18 approximately \$133 million in cash and cash equivalents as of June 30, 2024, a net loss for the  
19 three months ended June 30, 2024 of approximately \$617 million, and total outstanding debt of  
20 approximately \$601 million (including \$357 million in convertible notes maturing in 2025)—  
21 leaving the Company with a net cash balance of only \$4.5 million. On November 12, 2024, the  
22 Company announced “additional restructuring,” including a further 21% workforce reduction. As  
23 a practical matter, the only funds realistically available to fund the Settlement were therefore the  
24 proceeds from Chegg’s D&O insurance policies—and these funds were all wasting assets which  
25 would be vastly, if not entirely, depleted were the Action to proceed through trial and appeals.

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28 <sup>6</sup> As of February 26, 2025, Chegg’s stock price and market capitalization has further decreased to  
\$1.03 per share and \$108 million, respectively, further highlighting the prudence of the Settlement.

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

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82. In addition to the attendant risks of litigation discussed above, the Settlement is also fair and reasonable in light of the potential recovery of available damages. Indeed, the \$55 million Settlement Amount would have ranked in the top 20% of all securities class action settlements in 2023 and the top 15% of all securities class action settlements between 2014-2022.<sup>7</sup> Moreover, this Settlement far exceeds (i) the median recovery size of \$15.0 million for all securities class action settlements in 2023; (ii) the \$10.4 million median recovery for securities class action settlements between 2014-2022 nationwide; and (iii) the \$9 million median recovery in securities class action settlements in the Ninth Circuit from 2014 through 2023.<sup>8</sup>

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83. Lead Plaintiffs' expert, Dr. Cain, has calculated the maximum possible value of the recovery if Lead Plaintiffs were to prevail fully on all of their claims. Dr. Cain calculated the maximum damages for the full proposed class period and the truncated class period that Defendants likely would have advocated—assuming that Lead Plaintiffs succeed on every issue and offsetting gains on pre-class period holdings sold into the alleged fraud at artificially inflated prices—to range from approximately \$893 million to \$1.4 billion. *See* Cain Decl., ECF No. 189-3 at ¶¶ 6, 17-18.<sup>9</sup> Dr. Cain also estimated that the Settlement Class includes over 84 million damaged shares.

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84. Therefore, the \$55 million recovery is two to three times the 2% median percentage of similar recoveries in cases exceeding \$1 billion in damages (as it represents a recovery of 4% to 6% of maximum damages recoverable at trial), and is consistent with the 4.5% median recovery for all securities fraud class actions.<sup>10</sup> Courts have routinely approved similar settlements as fair and reasonable.

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85. Given the meaningful litigation risks, severe collectability risk, and the immediacy and size of the \$55,000,000 recovery for the Settlement Class, Lead Plaintiffs and Lead Counsel

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26 <sup>7</sup> *See* Ex. F, Cornerstone Report, at 4.

27 <sup>8</sup> *Id.* at 4, 20.

28 <sup>9</sup> *Id.* at 6, 8.

<sup>10</sup> *Id.*

1 believe that the Settlement is fair, reasonable, and adequate, and is in the best interest of the  
2 Settlement Class.

3 **VI. LEAD PLAINTIFFS' COMPLIANCE WITH THE COURT'S PRELIMINARY**  
4 **APPROVAL ORDER**

5 86. Pursuant to the Preliminary Approval Order, the Court approved the form and  
6 content of the Postcard Notice, Notice, and Summary Notice (collectively, the "Settlement  
7 Notices"). The Court also appointed A.B. Data as the claims administrator in the Action and  
8 instructed it to disseminate copies of the Postcard Notice to all Settlement Class Members who  
9 can be identified with reasonable effort, as well as to nearly 5,000 brokerage firms, banks, and  
10 other entities that regularly act as "nominees" for beneficial purchasers of stock. A.B. Data was  
11 also instructed to post the Notice and Claim Form on the Settlement Website and further to publish  
12 Summary Notice in *Investor's Business Daily* and over *PR Newswire*.

13 87. Lead Plaintiffs fully complied with the Court's order. The Summary Notice was  
14 published in *Investor's Business Daily* and transmitted over *PR Newswire* on January 6, 2025.  
15 Beginning on January 8, 2025, the Postcard Notices were emailed or mailed to all known potential  
16 Class Members as well as to the institutions on A.B. Data's proprietary database of over 4,900  
17 banks, brokers, and other nominees who hold shares on behalf of beneficial purchasers. *See* Brauns  
18 Decl. ¶¶ 4-12. The letter sent to the entities on A.B. Data's propriety list of nominees notified the  
19 nominees of the Settlement and requested that within seven days, they either (i) request additional  
20 copies of the Postcard Notice to send to the beneficial owners of the securities (which they would  
21 then provide to the beneficial owners within seven days of receipt), or (ii) provide to A.B. Data  
22 the names and addresses of such beneficial owners so that A.B. Data could provide the Postcard  
23 Notice directly.

24 88. In the aggregate, as of February 26, 2025, A.B. Data has disseminated 91,343  
25 copies of the Postcard Notice to potential Class Members and their nominees. *See* Brauns Decl.  
26 ¶ 11.

27 89. The Settlement Website, which allows for Settlement Class Members to submit  
28 online claim filings, went live on January 6, 2025, and included downloadable copies the

1 Stipulation, the Preliminary Approval Order, the Settlement Notices, the Claim Form, and other  
2 relevant documents. *See* Brauns Decl. ¶ 13-15.

3 90. The Settlement Notices, previously approved by the Court, advise Settlement Class  
4 Members of the essential terms of the Settlement, set forth the procedure for objecting to or opting  
5 out of the Settlement, and provide specifics on the date, time, and place for the Settlement Hearing.  
6 The Settlement Notices also contain information regarding Lead Counsel’s fee and expense  
7 application and the proposed Plan of Allocation. As explained in the Final Approval Memorandum  
8 and as previously noted by the Court, this notice program “is the best notice practicable under the  
9 circumstances,” is “reasonably calculated” to inform Settlement Class Members of their rights,  
10 “constitutes due, adequate, and sufficient notice” and “satisfies the requirements of Rule 23 . . .  
11 the United States Constitution (including the Due Process Clause), [and] the Private Securities  
12 Litigation Reform Act.” *See* Preliminary Approval Order at ¶ 8.

13 91. Pursuant to the terms of the Preliminary Approval Order, the deadline for Class  
14 Members to submit objections to the Settlement, the Plan of Allocation, or the fee and expense  
15 application, or to request exclusion from the Class is March 27, 2025. To date, Lead Counsel have  
16 received no objections to the Settlement and only one request for exclusion from the Class from  
17 an individual claiming to have purchased a *de minimis* number of Chegg shares during the  
18 Settlement Class Period. *See* Brauns Decl. ¶ 19.

19 92. Should any objections to the Settlement or additional requests for exclusion be  
20 received, Lead Plaintiffs will address them in their reply papers, which will be filed on April 10,  
21 2025.

## 22 **VII. PLAN OF ALLOCATION**

23 93. In the Court-approved Notice, Lead Plaintiffs proposed a plan to allocate the Net  
24 Settlement Fund among Settlement Class Members who submit valid proofs of claim. The  
25 objective of the proposed Plan of Allocation is to distribute the Settlement proceeds equitably, on  
26 a *pro rata* basis, to those members of the Settlement Class who suffered economic losses as a result  
27 of Defendants’ alleged misrepresentations and omissions.



1 94. The Plan of Allocation is based on the premise that the decrease in Chegg's  
2 common stock on November 2, 2021—the trading date after the corrective disclosure—may be  
3 used to measure the alleged artificial inflation in the price of Chegg common stock prior to the  
4 disclosure.

5 95. Lead Plaintiffs engaged Dr. Cain to assist in formulating the Plan of Allocation.  
6 Dr. Cain calculated the amount of estimated artificial inflation in the per share closing price of  
7 Chegg common stock that was allegedly proximately caused by Defendants' false and misleading  
8 statements. In so doing, Dr. Cain considered price changes in Chegg common stock in reaction to  
9 the alleged corrective disclosure, adjusting for any price changes attributable to market or industry  
10 forces. Calculations under the Plan of Allocation are not intended to be estimates of, nor indicative  
11 of, the amounts that Settlement Class Members might have been able to recover after a trial or  
12 estimates of the amounts that will be paid to Authorized Claimants pursuant to the Settlement.  
13 Instead, the calculations under the Plan of Allocation are a method to weigh the claims of  
14 Settlement Class Members against one another for the purposes of making an equitable allocation  
15 of the Net Settlement Fund.

16 96. An individual Claimant's recovery under the Plan of Allocation will depend on  
17 several factors, including when the Claimant purchased or acquired Chegg common stock during  
18 the Settlement Class Period, in what amounts, and if any common stock was sold, when it was sold  
19 and in what amounts, as well as the number of valid claims filed by other Claimants.

20 97. If the prorated payment to be distributed to any Authorized Claimant is less than  
21 \$10.00, no distribution will be made to that Claimant. Any prorated amounts of less than \$10.00  
22 will be included in the pool distributed to those Authorized Claimants whose payments are \$10.00  
23 or greater. In Lead Counsel's experience, processing and sending a check for less than \$10.00 is  
24 cost prohibitive.

25 98. The Notice set forth and explained the proposed Plan of Allocation to Settlement  
26 Class Members. It was prepared in consultation with Lead Plaintiffs' expert, tracks a theory of  
27 damages asserted by Lead Plaintiffs, is substantially similar to numerous other plans that have  
28 been approved in this District and around the country, and is fair, reasonable, and adequate to the

1 Class as a whole. To date, there have been no objections to the proposed Plan of Allocation, further  
2 underscoring its fairness.

3 **VIII. LEAD COUNSEL'S APPLICATION FOR AN AWARD OF ATTORNEYS' FEES**  
4 **AND REIMBURSEMENT OF EXPENSES**

5 99. In addition to seeking final approval of the Settlement and Plan of Allocation, Lead  
6 Counsel is applying to the Court for an award of attorneys' fees of 25% the Settlement Fund or  
7 \$13,750,000, plus interest earned at the same rate as the Settlement Fund. Lead Counsel also  
8 requests reimbursement of the out-of-pocket expenses that Lead Counsel incurred in connection  
9 with the prosecution of the Action from the Settlement Fund in the amount of \$261,602.23, plus  
10 interest earned at the same rate as the Settlement Fund. Finally, Lead Counsel requests  
11 reimbursement to Lead Plaintiffs in the amounts of \$3,500 for Lead Plaintiff KBC and \$1,400 for  
12 Lead Plaintiff Pompano P&F, for costs incurred directly related to their representation of the Class  
13 pursuant to 15 U.S.C. § 78u-4(a)(4). The legal authorities supporting a 25% fee award and expense  
14 reimbursement are set forth in the accompanying Fee Memorandum, filed contemporaneously  
15 herewith.

16 **A. The Requested Attorneys' Fees Are Reasonable**

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

18 100. The work undertaken by Lead Counsel in investigating and prosecuting the Action  
19 and arriving at the Settlement in the face of substantial risks has been time-consuming and  
20 challenging. At all times throughout the pendency of the Action, for a period of over three years,  
21 Lead Counsel's efforts were driven and focused on advancing the Action to bring about the most  
22 successful outcome for the Settlement Class.

23 101. Attached hereto as Exhibits D & E are declarations from Motley Rice and Saxena  
24 White, respectively, in support of an award of attorneys' fees and reimbursement of litigation  
25 expenses. The declarations show that Lead Counsel have expended more than 13,110 hours in the  
26 prosecution of this Action and set forth tables reflecting the lodestar of each individual who worked  
27 on this case from its inception and their position, through and including February 21, 2025, a  
28 summary of hours by category, and attaches the firm resumes. The tables in the exhibits to the

1 declarations from Motley Rice and Saxena White were prepared from contemporaneous daily time  
2 records regularly prepared and maintained by Lead Counsel. Time expended in preparing the  
3 application for fees and reimbursement of expenses has been excluded.

4 102. Accordingly, the recovery obtained for the Class was the result of thorough and  
5 diligent prosecutorial and investigative efforts, motion practice, extensive discovery efforts, and  
6 hard-fought settlement negotiations. As a result of this Settlement, thousands of Settlement Class  
7 Members will benefit and receive compensation for their losses and avoid the very substantial risk  
8 of no recovery (or a significantly lower recovery) in the absence of a settlement.

9 103. Aside from showing the significant effort involved in reaching this result, the  
10 exhibits to the declarations from Motley Rice and Saxena White confirm that a lodestar cross-  
11 check fully supports the requested award. A lodestar cross-check can be performed by multiplying  
12 the number of hours expended in the litigation by the hourly rates of the attorneys. While a lodestar  
13 cross-check is often a useful tool in determining the reasonability of a fee request, the decision of  
14 whether or not to perform one is within the Court's discretion.

15 104. Under the lodestar cross-check method, a court engages in a two-step analysis:  
16 first, the court multiplies the number of hours each attorney spent working on the case by each  
17 attorney's reasonable hourly rate to determine the lodestar; and second, the court adjusts that  
18 lodestar figure (by applying a multiplier) to reflect such factors as the risk and contingent nature  
19 of the litigation, the result obtained, and the quality of the attorney's work.

20 105. Lead Counsel believes that the time of Lead Counsel attorneys and staff was  
21 reasonable and necessary for the effective and efficient prosecution and resolution of the Action.  
22 Indeed, the prosecution of this case was undertaken with a focus on efficiency and the avoidance  
23 of duplication. Despite the duration of the case and the time-intensive nature of the work, the  
24 knowledge and experience of the personnel who worked the most on the matter was utilized to  
25 optimize the outcome for the Class. Additionally, numerous attorneys contributed to the successful  
26 prosecution of the case in many significant ways. For example, several senior attorneys at Motley  
27 Rice and Saxena White, including the undersigned, were intimately involved in litigating,  
28 mediating, and ultimately resolving the case. Lead Counsel took steps to avoid duplication of

1 efforts (both as between lawyers at Motley Rice and Saxena White and internally at each firm),  
2 including breaking out specific research and drafting of the Complaint and oppositions to  
3 Defendants' Motion to Dismiss and Motion for Reconsideration to specific attorneys, assigning a  
4 single attorney to negotiate the terms of and preconditions for the mediation (including the  
5 parameters and timeframe of the pre-mediation discovery), and assigning a single attorney from  
6 one firm to handle negotiations with each non-party subpoena recipient.

7 106. The hourly rates of Lead Counsel in this Action are reasonable and have been  
8 approved by numerous courts in the Ninth Circuit in awarding fee requests in other securities class  
9 action settlements. *See, e.g., In re FibroGen, Inc. Sec. Litig.*, No. 3:21-cv-02623-EMC, ECF No.  
10 252, Ex. E-1 (N.D. Cal. Apr. 4, 2024) and ECF No. 259 at 1-2 (N.D. Cal. Aug. 1, 2024) (approving  
11 Saxena White's rates of \$1,085 for shareholders, \$825-\$1,085 for directors, and \$400-\$795 for  
12 attorneys and senior attorneys); *Hayden v. Portola Pharms., Inc.*, No. 3:20-cv-00367-VC, ECF  
13 No. 247 at 18 (N.D. Cal. Jan. 26, 2023) (setting forth Saxena White's then-current rates of \$775-  
14 \$1,065 for partners, \$830-\$890 for of counsel, and \$400-\$680 for other attorneys, including staff  
15 attorneys) and 2023 WL 2375242, at \*1 (N.D. Cal. Mar. 6, 2023) and ECF No. 259 at 2 (N.D. Cal.  
16 Mar. 6, 2023) (approving fee request); *In re Twitter Sec. Litig.*, No. 4:16-cv-05314-JST, ECF No.  
17 664-1 (N.D. Cal. Oct. 13, 2022) (setting forth Motley Rice's then-current rates of \$725-\$1,100 for  
18 member attorneys, \$425-\$600 for associate attorneys, and \$175-\$750 for paralegals and other  
19 litigation support professionals) and ECF No. 670 at 1 (N.D. Cal. Nov. 21, 2022) (approving fee  
20 request).

21 107. Notably, Lead Counsel's rates often fall below those of lawyers employed by  
22 Chegg's counsel, which for the first quarter of 2022 ranged from \$1,180 to \$1,590 for partners,  
23 \$1,165 to \$1,175 for special counsel; and \$720 to \$1,155 for associates. *See* Sixth Interim  
24 Application of Cooley LLP at 4-6, *In re Mallinckrodt PLC*, No. 20-12522 (JTD) (Bankr. D. Del.  
25 May 17, 2022), ECF No. 7392. *See also* Application of the Official Committee of Unsecured  
26 Creditors of AIO US, Inc., et al., for Entry of an Order Authorizing the Employment and Retention  
27 of Cooley LLP as of September 3, 2024 at 6, *In re: AIO US, Inc.*, No. 24-11836 (CTG) (Bankr. D.

1 Del. Oct. 3, 2024), ECF No. 244 (noting hourly rates of \$1,450 to \$2,290 for Cooley’s partners;  
2 \$1,205 to \$2,375 for “counsel”; and \$760 to \$1,395 for associates).

3 108. Accordingly, as set forth above and in detail in Lead Counsel’s Declarations, the  
4 requested fee of 25% of the Settlement Fund equals \$13,750,000 (plus interest earned at the same  
5 rate as the Settlement Fund) and therefore represents an extremely modest multiplier of 1.4 to Lead  
6 Counsel’s lodestar. Lead Counsel collectively spent 13,110 hours in connection with the Litigation  
7 (3,502.75 hours from Motley Rice, see Ex. 1 to Motley Rice Decl.; 9,607.25 hours from Saxena  
8 White (including 25 hours by Gregg Rossman, Pompano P&F’s fiduciary counsel), see Ex. 1 to  
9 Saxena White Decl.), resulting in a total lodestar of \$9,811,027.75.

10 109. Moreover, Lead Counsel will continue to work towards effectuating the Settlement  
11 in the event the Court grants final approval. Among other things, Lead Counsel will continue  
12 working with A.B. Data to resolve any issues with Claims submitted by Settlement Class  
13 Members, will draft and file a motion for distribution, and will oversee the distribution process.  
14 No additional compensation will be sought for this work. Thus, the multiplier will be smaller by  
15 the time the case ultimately concludes. As detailed in the Fee Memorandum, this level of  
16 multiplier is well within the range of multipliers regularly approved in this Circuit and strongly  
17 indicates that the 25% benchmark request is fair and reasonable.

## 18 **2. Lead Plaintiffs Support the Fee Application**

19 110. As set forth in their declarations, Lead Plaintiffs have evaluated the Settlement and  
20 concluded that Lead Counsel’s requested fee is fair and reasonable based on the work performed,  
21 the recovery obtained for the Settlement Class Members, and the risks of the Action. *See* KBC  
22 Decl. ¶ 8; Pompano P&F Decl. ¶ 10. Lead Plaintiffs—both institutional investors—have been  
23 intimately involved in this case since its earliest stages, and their endorsement of Lead Counsel’s  
24 fee request supports its reasonableness and should be given weight in the Court’s consideration of  
25 the fee award.

## 26 **3. The Unique Complexities of the Litigation**

27 111. The risks faced by Lead Counsel in prosecuting this Action are highly pertinent to  
28 the Court’s consideration of an award of attorneys’ fees, as well as its approval of the Settlement.

1 Here, Defendants adamantly deny any wrongdoing and, if the Action had continued, would have  
2 aggressively litigated their defenses through summary judgment, a trial, and the appeals that would  
3 likely follow. As detailed above, Lead Counsel and Lead Plaintiffs faced significant risks to  
4 proving Defendants' liability, loss causation, and damages if the Action continued.

5 112. These case-specific litigation risks addressed above are in addition to the more  
6 typical risks accompanying securities litigation generally, such as the fact that the Action is  
7 governed by stringent PSLRA requirements and case law interpreting the federal securities laws,  
8 and that it was undertaken on a fully contingent basis. Lead Counsel understood from the outset  
9 that they were embarking on a complex, expensive, lengthy, and hard-fought litigation with no  
10 guarantee of ever being compensated for the substantial investment of time and the outlay of  
11 money that vigorous prosecution of this case would require. In undertaking that responsibility,  
12 Lead Counsel were required to ensure that sufficient resources (in terms of attorney and support  
13 staff time) were dedicated to the prosecution of the Action, and that funds were available to  
14 compensate vendors and consultants and to cover the considerable out-of-pocket costs that a case  
15 such as this typically demands. With an average lag time of several years for these cases to  
16 conclude, the financial burden on contingent-fee counsel is far greater than on a firm that is paid  
17 on ongoing basis. Lead Counsel have already dedicated over 13,110 hours in prosecuting this  
18 Action for the benefit of Chegg investors without compensation for their efforts.

19 113. Lead Counsel also bore the risk that no recovery would be achieved (or that a  
20 judgment could not be collected, in whole or in part). Even with the most vigorous and competent  
21 of efforts, success in contingent-fee litigation, such as here, is never assured. Lead Counsel is  
22 cognizant that the commencement and ongoing prosecution of a class action does not guarantee a  
23 settlement.<sup>11</sup> To the contrary, it takes hard work and diligence by skilled counsel to develop the

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24 <sup>11</sup> For example, there are many appellate decisions affirming summary judgments and directed  
25 verdicts for defendants showing that even surviving a motion to dismiss is no guarantee of  
26 recovery. *See, e.g., In re Oracle Corp. Sec. Litig.*, 627 F.3d 376 (9th Cir. 2010) (affirming district  
27 court's grant of summary judgment to defendants after eight years of litigation, and after plaintiff's  
28 counsel incurred over \$6 million in expenses, and worked over 100,000 hours, representing a  
& Wesson Holding Corp. Sec. Litig., 669 F.3d 68 (1st Cir. 2012) (same); *Phillips v. Scientific-*

1 facts and legal theories that are needed to sustain a complaint or win at trial, or to convince  
2 sophisticated defendants to engage in serious settlement negotiations at meaningful levels.

3 114. Successfully opposing a motion for summary judgment is also not a guarantee that  
4 plaintiffs will prevail at trial. Indeed, several securities fraud cases in this Circuit tried to a jury  
5 have been lost in their entirety. *See In re Tesla Inc. Sec. Litig.*, 2023 WL 4032010, at \*1 (N.D.  
6 Cal. June 14, 2023) (although the Court granted partial summary judgment on falsity and scienter  
7 to plaintiff in securities class action, the jury returned a verdict for defendants); *see also In re JDS*  
8 *Uniphase Corp. Sec. Litig.*, 2007 WL 4788556 (N.D. Cal. Nov. 27, 2007) (after a lengthy trial  
9 involving securities claims, the jury reached a verdict in defendants' favor). Additionally, a  
10 plaintiff who succeeds at trial still may find its verdict overturned on appeal. *See, e.g., Glickenhau*  
11 *& Co. v. Household Int'l, Inc.*, 787 F.3d 408 (7th Cir. 2015) (reversing \$2.46 billion jury verdict  
12 in favor of plaintiffs). And, even when a plaintiff obtains a jury verdict, it still may face substantial  
13 challenges in securing a recovery.

14 Additionally, courts have held repeatedly that it is in the public interest to have experienced  
15 and able counsel enforce the securities laws and regulations pertaining to the duties of officers and  
16 directors of public companies. *See, e.g., Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S.  
17 308, 313 (2007) (Supreme Court noting that securities class actions are “an essential supplement  
18 to criminal prosecutions and civil enforcement actions” brought by the SEC); *Cohn v. Nelson*, 375  
19 F. Supp. 2d 844, 865 (E.D. Mo. 2005) (“The Supreme Court has emphasized that while private  
20 actions provide a most effective weapon in the enforcement of the securities laws and are a  
21 necessary supplement to [SEC] action, it is imperative that the filing of contingent class action and  
22 derivative lawsuits not be chilled by the failure to award attorneys fees or by the imposition of fee  
23 awards that fail to adequately compensate counsel for the risks of pursuing such litigation.”  
24 (internal marks omitted)). As recognized by Congress through the passage of the PSLRA,  
25 vigorous private enforcement of the federal securities laws and state corporation laws can occur  
26 only if private investors, particularly institutional investors, take an active role in protecting the

27 \_\_\_\_\_  
28 *Atlanta, Inc.*, 489 F. App'x 339 (11th Cir. 2012) (same); *McCabe v. Ernst & Young, LLP*, 494 F.3d  
418 (3rd Cir. 2007) (same).

1 interests of shareholders. If this important policy is to be carried out, courts should award fees that  
2 will adequately compensate private plaintiff's counsel, considering the enormous risks undertaken  
3 with a clear view of the economics of a securities class action. *See, e.g., In re Hi-Crush Partners*  
4 *L.P. Sec. Litig.*, 2014 WL 7323417, at \*17 n.15 (S.D.N.Y. Dec. 19, 2014) ("Courts have []  
5 recognized that, in addition to providing just compensation, awards of attorneys' fees from a  
6 common fund serve to encourage skilled counsel to represent those who seek redress for damages  
7 inflicted on entire classes of persons, and to discourage future misconduct of a similar nature.").

8 115. Here, Lead Counsel's diligent efforts in the face of substantial risks and  
9 uncertainties have resulted in a significant and immediate recovery for the benefit of the Settlement  
10 Class. In circumstances such as these, and in consideration of Lead Counsel's substantial effort  
11 and the very favorable result achieved, the requested benchmark fee of 25% of the Settlement Fund  
12 is reasonable and should be approved. *See generally* Fee Memorandum.

#### 13 4. Standing and Expertise of Lead Counsel

14 116. The skill and diligence of Lead Counsel also supports the requested fee. Motley  
15 Rice's expertise and experience in securities litigation is set forth in the firm's Shareholder and  
16 Securities Fraud Resume, which is Exhibit 6 to the Motley Rice Declaration. As detailed therein,  
17 Motley Rice has served as lead or co-lead counsel in numerous securities class actions throughout  
18 the United States. Those actions have recovered billions of dollars for investors. In 2022, for  
19 example, Motley Rice was recognized by the Institutional Shareholder Services ("ISS"), in its  
20 "Securities Class Action Services Top 50" report, as having recovered \$809.5 million for  
21 shareholders in 2022, which involved the single largest settlement during the year, and which  
22 remains one of the largest settlements ever achieved within the Ninth Circuit. *See* ISS Securities  
23 Class Action Services, *Top 50 of 2022*, at 4 (Feb. 28, 2023).

24 117. Similarly, the expertise and experience of Saxena White's attorneys are described  
25 in its firm resume, attached as Exhibit 4 to the Saxena White Declaration. As detailed therein,  
26 since its founding in 2006, Saxena White has recovered over \$2 billion on behalf investors in  
27 complex securities and shareholder litigation, and succeeded in changing how companies do  
28 business by requiring the implementation of significant corporate governance changes.



1 Recognized for its “effective representation of institutional investors in securities fraud class  
2 actions, and expertise in shareholder litigation,” Saxena White is one of only a handful of firms  
3 ranked by Chambers USA 2024 in the Nationwide category for Securities: Litigation – Mainly  
4 Plaintiff. Saxena White has achieved this honor for four years in a row, starting in 2020. Saxena  
5 White has also ranked in ISS’s top-five list for three of the last six years, which recognizes  
6 plaintiffs’ firms by the annual aggregate dollar value of securities class action settlements obtained  
7 for investors.

8 118. Lead Counsel believe their extensive experience in the securities field (and the  
9 ability of their attorneys) added valuable leverage during settlement negotiations. Indeed, the  
10 substantial result achieved for the Class here reflects the superior quality of Lead Counsel’s  
11 representation.

12 119. The quality of the work performed by Lead Counsel in attaining the Settlement  
13 should also be evaluated in light of the quality of their opposition. Defendants were represented  
14 by experienced attorneys from Cooley LLP, a global law firm with approximately 1,300 attorneys  
15 and 19 offices worldwide—including over 100 lawyers focused on securities litigation (as  
16 described on the firm website)—with a well-deserved reputation for vigorous advocacy in the  
17 defense of complex civil cases. Despite this formidable opposition, Lead Counsel were  
18 nonetheless able to develop a case that was sufficiently strong to persuade Defendants to settle the  
19 case on terms that will significantly benefit the Settlement Class.

20 **B. Request for Litigation Expenses**

21 120. Lead Counsel also seek payment from the Settlement Fund of \$261,602.23 in  
22 litigation expenses reasonably and necessarily incurred in connection with commencing and  
23 prosecuting the claims against Defendants.

24 121. From the beginning of the case, Lead Counsel were aware that they may not recover  
25 any of their expenses and, at the very least, would not recover anything unless and until the Action  
26 was successfully resolved. Thus, Lead Counsel were motivated to, and did, take steps to reduce  
27 their expenses when practicable without jeopardizing the vigorous and efficient prosecution of the  
28 case.

1 122. Lead Counsel maintained strict control over the litigation expenses incurred in  
2 connection with the Action. For instance, they maintained control over the primary expenses in  
3 the Action by managing a joint litigation fund (“Joint Litigation Expense Fund” or “Litigation  
4 Fund”). A description of the expenses incurred by the Litigation Fund by category is included in  
5 the individual firm declarations submitted on behalf of Lead Counsel. *See* Ex. 4 to Motley Rice  
6 Decl. and Ex. 3 to Saxena White Decl.

7 123. The Motley Rice Declaration and Saxena White Declaration summarize by  
8 category the expenses incurred by Lead Counsel in connection with the prosecution of this Action.  
9 *See generally* Exhibits D & E. The expenses are reflected on the books and records maintained by  
10 Lead Counsel. These books and records are prepared from expense vouchers, check records, and  
11 other source materials, and are an accurate record of the expenses incurred.

12 124. The expenses for which Lead Counsel seek payment are the types of expenses that  
13 are necessarily incurred in complex commercial litigation and routinely paid by non-contingent  
14 clients in the private legal marketplace. Lead Counsel’s expenses include court costs and  
15 mediation fees, process servers, online legal and factual research, expert and consultant fees, costs  
16 related to the document productions and data hosting and analysis on an eDiscovery platform,  
17 printing and reproduction, and postage and delivery expenses.

18 125. Regarding expert expenses, Lead Counsel engaged with academic integrity  
19 consultants to thoroughly understand and investigate the allegations asserted in the Complaint.  
20 Moreover, Lead Counsel worked extensively with Lead Plaintiffs’ economic experts on issues  
21 related to market efficiency, loss causation, and damages. This work was instrumental in Lead  
22 Counsel’s appraisal of the claims, preparing for a likely class certification motion, and ultimately  
23 bringing about the favorable result achieved.

24 126. Lead Counsel also incurred the expense of retaining a database providers to host  
25 and manage the data from the extensive document productions made in the Action, as well as  
26 documents collected for prompt production once Defendants served written discovery.

27 127. Regarding mediation fees, Lead Counsel incurred a total of \$32,500 in connection  
28 with the mediation session with Judge Phillips and his associates.

1 128. Lead Counsel incurred significant costs for online legal and factual research, which  
2 were incurred from vendors such as LexisNexis, PACER, Thomson Reuters, Bloomberg BNA,  
3 and Westlaw. These resources were used to obtain access to SEC filings, factual databases, legal  
4 research, and citation verification.

5 129. All of the litigation expenses for which Lead Counsel seeks reimbursement, which  
6 total \$261,602.23, were necessary to the successful prosecution and resolution of the claims  
7 against Defendants. This total expense amount is well below the \$490,000 maximum expense  
8 amount contained in the Settlement Notices.

9 **C. Lead Plaintiffs Should be Reimbursed Pursuant to the PSLRA**

10 130. The PSLRA limits a class representative's recovery to an amount "equal, on a per  
11 share basis, to the portion of the final judgment or settlement awarded to all other members of the  
12 class," but also provides that "[n]othing in this paragraph shall be construed to limit the award of  
13 reasonable costs and expenses (including lost wages) directly relating to the representation of the  
14 class to any representative party serving on behalf of a class." 15 U.S.C. § 78u-4(a)(4). Here, as  
15 explained in their declarations, Lead Plaintiffs are seeking the modest aggregate amount of \$4,900  
16 (\$3,500 for KBC and \$1,400 for Pompano P&F) related to their active participation in the Action.  
17 *See* KBC Decl. ¶¶ 10-11; Pompano P&F Decl. ¶¶ 3-6; 15.

18 131. As discussed in the accompanying Fee Memorandum, numerous courts have  
19 approved payments to compensate class representatives for their costs and efforts on behalf of a  
20 class.

21 132. As discussed in the Lead Plaintiffs' supporting declarations, each of the Lead  
22 Plaintiffs have been fully committed to pursuing the Class's claims since they became involved in  
23 the litigation over three years ago. Lead Plaintiffs' efforts required their employees to dedicate  
24 time and resources to this Action that would have otherwise been devoted to serving KBC and  
25 Pompano P&F and their beneficiaries. The efforts expended by KBC and Pompano P&F  
26 representatives and employees throughout this Action, as detailed in Exhibits A and B hereto, fully  
27 support the instant request for a service award under the PSLRA in connection with services  
28 rendered in the Action.

**D. The Reaction to Date of the Class to the Fee and Expense Application**

133. As mentioned above, consistent with the Preliminary Approval Order, as of February 26, 2025, a total of 91,343 Postcard Notices have been emailed or mailed to potential Class Members and nominees. *See* Brauns Decl. ¶ 11. The Postcard Notice states that Lead Counsel would seek an award of attorneys' fees not to exceed 25% of the Settlement Fund, plus accrued interest, and payment of expenses in an amount not greater than \$490,000, plus accrued interest. Additionally, the Summary Notice, which also disclosed the fee request, was published in *Investor's Business Daily*, and transmitted over the internet using *PR Newswire*. *Id.* ¶ 12. Since January 6, 2025, the Notice and the Stipulation have been available for download from the settlement website maintained by the Claims Administrator. *Id.* ¶ 13-15. The Notice further discloses that Lead Plaintiffs may seek a reimbursement of the reasonable costs and expenses incurred by Lead Plaintiffs directly related to their representation of the Settlement Class in an amount not to exceed \$20,000. *Id.*

134. The deadline for Class Members to object to the requested fees and expenses is March 27, 2025. Although this deadline has not yet passed, to date, Lead Counsel has received no objections to the requested fee and no objections to the requested expenses. Lead Counsel will respond to any objections that may be received subsequently in its reply papers that are due to be filed with the Court on April 10, 2025.

**IX. CONCLUSION**

135. In view of the significant recovery to the Class and the substantial risks of this litigation, Lead Plaintiffs and Lead Counsel respectfully submit that the Settlement should be approved as fair, reasonable, and adequate, and that the Plan of Allocation should likewise be approved as fair, reasonable, and adequate. In view of the significant recovery in the face of substantial risks, the quality of work performed, the contingent nature of the fee, and the experience of Lead Counsel, Lead Counsel respectfully request that the Court award attorneys' fees in the amount of 25% of the Settlement Fund and expenses in the amount of \$261,602.23, plus the interest earned thereon. In addition, Lead Counsel respectfully submit that Lead Plaintiffs should be awarded the total sum of \$4,900 related to their active participation in the Action.

1 I declare under penalty of perjury that the foregoing is true and correct. Executed on this  
2 27th day of February, 2025, at Solana Beach, California.

3 /s/ David R. Kaplan  
4 DAVID R. KAPLAN

5 I declare under penalty of perjury that the foregoing is true and correct. Executed on this  
6 27th day of February, 2025, at Mount Pleasant, South Carolina.

7 /s/ Christopher F. Moriarty  
8 CHRISTOPHER F. MORIARTY

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