PATRICK COUGHLIN (CA Bar No. 111070)
MAXWELL R. HUFFMAN (CA Bar No. 264687)
SCOTT+SCOTT ATTORNEYS AT LAW LLP
600 W. Broadway, Suite 3300
San Diego, CA 92101
Telephone: (619) 233-4565
pcoughlin@scott-scott.com
mhuffman@scott-scott.com

Lead Attorneys for Co-Lead Plaintiffs

[Additional Counsel on Signature Page.]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

IN RE ALPHABET, INC., SHAREHOLDER DERIVATIVE LITIGATION	CONSOLIDATED Case No.: 3:21-cv-9388-RFL **CO-LEAD PLAINTIFFS' NOTICE OF MOTION AND MOTION FOR FINAL APPROVAL OF SETTLEMENT; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF** DATE: Tuesday, September 30, 2025 TIME: 1:30 p.m. JUDGE: Hon. Rita F. Lin, U.S.D.J. DEPT: Courtroom 15 – 18th Floor

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NOTICE OF MOTION AND MOTION

PLEASE TAKE NOTICE that, pursuant to the Order Preliminarily Approving Settlement and Providing Notice, As Modified (ECF No. 103), on Tuesday, September 30, 2025, at 1:30 p.m., in Courtroom 15, 18th Floor, of the United States District Court for the Northern District of California, located at 450 Golden Gate Avenue, San Francisco, California, Police and Fire Retirement System of the City of Detroit and Bucks County Employees' Retirement System (together, "Co-Lead Plaintiffs") in the above-captioned consolidated shareholder derivative action (the "Action") will appear before the Honorable Rita F. Lin, U.S.D.J., to move (the "Motion"), pursuant to Rule 23.1 of the Federal Rules of Civil Procedure, for entry of an order granting final approval of the Joint Stipulation and Agreement of Settlement (ECF No. 87-1) (the "Settlement," "Stipulation," or "Stip.") entered between and among the parties to the Action.

Co-Lead Plaintiffs hereby apply for entry of the [Proposed] Order and Final Judgment (the "Judgment"), previously submitted to the Court (ECF No. 87-1, Ex. D), and resubmitted here, requesting the Court to determine: (i) whether the proposed Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable, and adequate and in the best interest of Alphabet, Inc. ("Alphabet" or the "Company") and its stockholders; (ii) whether the Court should finally approve the Settlement and enter the Judgment, dismissing the Action with prejudice and extinguishing and releasing the Released Claims; (iii) hear and determine any objections to the proposed Settlement; and (iv) rule on such other matters as the Court may deem appropriate.

This Motion is made pursuant to Rule 23.1 of the Federal Rules of Civil Procedure and is supported by the attached Memorandum of Points and Authorities, the Stipulation and all exhibits thereto, the accompanying declarations and exhibits thereto, the Court's file, and such other matters as may be considered at the hearing.

STATEMENT OF ISSUES TO BE DECIDED

1. Should the Court approve the proposed settlement as fair, reasonable, and in the best interest of the Company and its shareholders, where Alphabet has agreed to adopt and fund significant corporate governance reforms, including a new Board-level Risk & Compliance

Committee, a new RegReady compliance initiative, and $500 million to address past compliance failures and prevent future regulatory harm?

MEMORANDUM OF POINTS & AUTHORITIES

I. INTRODUCTION

After nearly five years of litigation, investigation, and strategic negotiation, Co-Lead Plaintiff—Bucks County Employees' Retirement Fund and the Police and Fire Retirement System of the City of Detroit ("Co-Lead Plaintiffs")—have achieved a groundbreaking governance settlement on behalf of Alphabet, Inc. ("Alphabet" or the "Company"). This Settlement is unprecedented in scope and substance: it delivers structural reforms aimed squarely at Alphabet's most serious legal and regulatory vulnerabilities and secures a $500 million commitment to ensure those reforms are implemented, enforced, and sustained over the next decade. No prior derivative settlement has achieved such an important package of board-level oversight, enterprise-wide compliance reform, and long-term funding—making this result historic by any measure.

At the heart of the Settlement is the creation of a new, independent board-level Risk & Compliance Committee ("RCC"), tasked with overseeing Alphabet's legal, regulatory, and antitrust compliance risks across its expansive business empire. This new committee, empowered with direct reporting lines from the Company's most senior compliance officials, ensures that red flags are surfaced to the Board of Directors ("Board") and addressed with speed, transparency, and accountability. As governance expert Professor Evan Epstein explains, the RCC reflects a "significant" approach that "could set a precedent for the broader industry." Declaration of Evan Epstein in Support of Co-Lead Plaintiffs' Motion for Final Approval of Settlement and Motion for an Award of Attorneys' Fees and Expenses ("Epstein Decl.") ¶34, attached as Exhibit B to the Declaration of Patrick J. Coughlin in Support of Co-Lead Plaintiffs' Motions for Final Approval of Settlement and Attorneys' Fees and Expenses ("Coughlin Decl.").

The Settlement also requires Alphabet to implement Regulatory Readiness Compliance ("RegReady")—a cross-functional, risk-based global compliance initiative. RegReady is designed to enhance the Company's ability to identify and address emerging areas of compliance risk. It

includes the appointment of designated compliance professionals with appropriate expertise, centralized management of compliance functions, collaboration with product teams, and integration with governance bodies such as the Trust & Compliance Council and the Trust & Compliance Steering Committee. Guided by U.S. Department of Justice ("DOJ") principles and global best practices, RegReady encompasses a suite of core compliance elements, including risk assessment, policy development and training, internal reporting mechanisms, control systems, and enhanced risk management. These programmatic elements are designed to provide the RCC with the information and oversight inputs necessary to fulfill its enhanced mandate.

In addition, Alphabet has committed $500 million within 10 years to support the implementation and ongoing operation of the RCC and RegReady initiatives. This commitment—nearly four times the Company's total regulatory readiness spending over the three years preceding the Settlement—is binding, enforceable, and subject to tracking and oversight as part of the new governance framework. As Professor Evan Epstein explains, "the creation of a dedicated board-level compliance committee, the implementation of enhanced management-level compliance controls, and the Company's long-term financial commitment to compliance collectively demonstrate a good faith effort to strengthen the Board's oversight function and mitigate future risks." Epstein Decl. ¶4.

The Court has already recognized the value of this Settlement, noting at the preliminary approval hearing that the reforms—particularly the RCC and executive oversight structures—are substantial and have the potential to "move the needle," with the ability to "raise the alarm when it needs to be raised." *See* Transcript of Preliminary Approval Hearing at 28, Coughlin Decl., Ex. C. The Settlement achieves what Delaware law contemplates as the core purpose of a successful derivative action: meaningful structural reform at the board level, enhanced oversight of legal and regulatory risks, and durable mechanisms to prevent future corporate misconduct. Accordingly, the Settlement should be approved as fair, reasonable, and in the best interests of Alphabet and its shareholders.

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II. BACKGROUND

A. Procedural History

1. Alphabet's Systemic Antitrust Exposure and Resulting Fiduciary Breaches

Co-Lead Plaintiffs allege that for over a decade, Alphabet's Board and senior executives failed to monitor or mitigate Google's escalating exposure to antitrust risk. As set forth in the operative Amended Complaint (ECF No. 84), Google—Alphabet's primary operating subsidiary—engaged in a pattern of anticompetitive conduct across several key business segments, including digital advertising, search, and mobile app distribution through the Google Play Store. These practices triggered high-profile investigations and enforcement actions by the DOJ, state attorneys general, the U.S. House of Representatives, foreign regulators, and private plaintiffs, exposing Alphabet to financial, legal, and reputational risk. Coughlin Decl. ¶¶3–7.

Despite receiving red flags and facing a wave of regulatory scrutiny, Alphabet's Board failed to adopt any structural reforms or establish mechanisms to ensure adequate oversight of competition-related risks. *Id.* ¶5. Co-Lead Plaintiffs contend this constituted a fundamental breach of fiduciary duty that left Alphabet vulnerable to escalating regulatory and litigation exposure, particularly in the fast-moving areas of digital markets and AI.

2. Section 220 Investigation and Filing of Derivative Litigation

Between February and October 2021, Co-Lead Plaintiffs served formal demands under 8 *Del. C.* §220 seeking internal Board-level documents relating to Alphabet's oversight of competition-related compliance. Alphabet produced records on April 28, 2021, and July 12, 2022, including Board materials and committee presentations. *Id.* ¶11. These documents formed the foundation for the filing of two shareholder derivative actions: *Detroit Police & Fire Retirement System v. Alphabet Inc.*, No. 5:21-cv-09388, and *Bucks County Employees Retirement Fund v. Alphabet Inc.*, No. 5:21-cv-09389. *Id.* ¶12.

On December 8, 2021, the cases were consolidated, and Scott+Scott was appointed as Lead Counsel. Co-Lead Plaintiffs subsequently filed a Consolidated Amended Complaint on January 14, 2022, asserting claims for breach of fiduciary duty, unjust enrichment, and corporate waste.

The operative Amended Complaint, filed May 30, 2025 (ECF No. 84), alleges that the Board's failure to oversee compliance created a permissive environment that allowed unlawful anticompetitive conduct to flourish—inflicting enormous harm on Alphabet and its shareholders.

3. Trial Preparation and Review of Extensive Regulatory Materials

Co-Lead Plaintiffs and their counsel undertook extensive efforts to prepare the case for trial. Recognizing that successful prosecution would ultimately require demonstrating the Board's failure to respond to escalating regulatory threats, counsel worked to develop the evidentiary record by thoroughly reviewing an enormous volume of relevant documents and testimony from related enforcement actions. Coughlin Decl. ¶¶13–18. To facilitate this process, Defendants agreed to provide Co-Lead Plaintiffs access to key regulatory materials, including:

- over **1.1 million pages of documents** produced by Google to the Texas Attorney General's office, consisting of internal communications, business strategies, presentations, contracts, and executive-level discussions;
- **deposition transcripts** from antitrust cases brought by federal and state authorities, including testimony by senior Google executives and employees directly involved in the conduct at issue; and
- over **52,000 pages of trial exhibits** from government and private enforcement actions, including demonstrative evidence presented in *United States v. Google LLC* and *Epic Games, Inc. v. Google LLC*.

In addition to reviewing this documentary record, Co-Lead Plaintiffs' counsel monitored and analyzed public trial transcripts, live testimony, judicial findings, and evidentiary rulings from major antitrust proceedings. These included:

- *United States v. Google LLC*, No. 1:20-cv-03010 (D.D.C.);
- *State of Colorado v. Google LLC*, No. 1:20-cv-03715 (D.D.C.);
- *Epic Games, Inc. v. Google LLC*, No. 3:20-cv-05671 (N.D. Cal.);
- *United States v. Google LLC*, No. 1:20-cv-00108 (E.D. Va.).

Counsel also stayed abreast of critical global developments, such as Alphabet's regulatory obligations under the European Union's Digital Markets Act and its competition exposure related to the development and deployment of artificial-intelligence products. The trial teams engaged in strategic review and factual analysis with an eye toward evidentiary presentation—identifying admissions, gaps, and red flags that could establish the Board's failure to act. The materials reviewed were central to framing discovery strategy, trial themes, and potential expert analysis, had the case proceeded to trial. In short, while formal discovery was limited, the Co-Lead Plaintiffs undertook the equivalent of full-scale pretrial preparation using real-world, trial-tested evidence from the most consequential antitrust litigation in the digital economy.

4. Settlement Discussions and the Evolution of the Governance Reforms

After extensive factual development, including multiple mediation sessions and extensive direct negotiations, the Parties reached a preliminary resolution. On April 9, 2025, the Parties executed a Memorandum of Understanding ("MOU") reflecting agreement on the material terms of the Settlement, subject to Alphabet Board approval. A formal Stipulation of Settlement was finalized and executed in May 2025.

The settlement negotiations were protracted, arm's-length, and hard-fought. Co-Lead Plaintiffs, informed by both the Section 220 production and the extensive additional materials, demanded forward-looking governance reforms that could address not just past misconduct, but Alphabet's evolving compliance challenges—including the integration of AI into its core services and its dominance in digital markets. Crucially, the reforms negotiated over this multi-year process include:

- the creation of a new independent RCC, responsible for oversight of regulatory, legal, and competition-related risks;
- the implementation of RegReady, a Company-wide compliance architecture involving cross-functional collaboration, real-time reporting, and integration of compliance into product design; and

- an enforceable $500 million funding commitment within 10 years, dedicated exclusively to building and sustaining the RCC, RegReady, and related compliance infrastructure.

These reforms are not aspirational or discretionary. They are binding, enforceable, and tailored to Alphabet's structural risks. The $500 million commitment—nearly four times Alphabet's prior spending on regulatory readiness—ensures the resources will be in place to embed compliance into day-to-day decision-making across Alphabet's global operations. Following final agreement on the settlement terms, the Parties separately negotiated attorneys' fees, consistent with standard practice in complex derivative actions. On April 16–17, 2025, Alphabet's Board of Directors and both Co-Lead Plaintiffs' Boards of Trustees (Detroit and Bucks County) formally approved the Settlement.

5. Court Approval and Shareholder Notice

On May 30, 2025, Co-Lead Plaintiffs filed their Motion for Preliminary Approval (ECF Nos. 86, 87). At the July 8, 2025 Preliminary Approval Hearing, the Court offered extensive comments on the scope and significance of the proposed Settlement. During the hearing, the Court highlighted the creation of the new RCC as a "standalone board-level entity" with the potential to "raise the alarm when it needs to be raised." Tr. of Prelim. Appr. Hr'g at 28.

Following the hearing, the Court entered its Preliminary Approval Order, as Modified (ECF No. 103). The Court also approved the long-form and short-form notices to stockholders. On July 18, 2025, Alphabet disseminated the notices via Form 8-K, its investor relations website, and through publication in *Investor's Business Daily*. Co-Lead Plaintiffs also launched a dedicated settlement website with access to relevant pleadings and notices.

B. Benefits of the Settlement

1. Creation of a Dedicated Board-Level Oversight Committee: The RCC

At the core of the Settlement is Alphabet's commitment to establish a new, independent RCC of the Board of Directors—an unprecedented structural reform for a major technology company. Previously, oversight of legal and regulatory risk was merely one among many

responsibilities of the Audit and Compliance Committee, competing for attention with financial controls and accounting functions. Under the Settlement, those responsibilities will now be centralized and prioritized within the RCC, which is solely tasked with monitoring Alphabet's legal, regulatory, and competition-related risks across its expansive global operations.

Few public companies—let alone those in the technology sector—have implemented such a focused compliance committee at the board level. Epstein Decl. ¶35. The RCC is unprecedented at technology companies and represents a meaningful shift in board governance. By carving out a distinct and dedicated compliance function at the board level, the Settlement ensures that regulatory risk is surfaced, escalated, and addressed with transparency and accountability. This reform is designed not only to benefit Alphabet but also to serve as a governance model for the broader tech industry.

2. Comprehensive Compliance Infrastructure: The RegReady Architecture

To support the RCC's oversight function, the Settlement also mandates the creation and implementation of a comprehensive internal compliance program known as RegReady. This architecture reflects a modern, risk-based approach to enterprise compliance that meets or exceeds best practices articulated by the DOJ for corporate compliance programs.

Key elements of RegReady include:

- **designating compliance professionals with appropriate subject-matter expertise** to focus on high-risk areas and ensure that compliance considerations are embedded at every stage of product development and business operations;
- **centralizing oversight and management of compliance functions** to allow for consistent standards, coordinated processes, and streamlined reporting across all Alphabet business lines;
- **ensuring ongoing collaboration between compliance staff and product teams**, so that potential risks are surfaced and addressed before new products, services, or features are launched; and

- **integrating compliance functions into Alphabet's highest-level governance bodies**, including the Trust & Compliance Council and the Trust & Compliance Steering Committee, thereby ensuring that compliance insights and risk assessments inform corporate decision-making at the senior executive level.

These reforms integrate compliance into the DNA of product and business operations—ensuring that legal and regulatory risk is not considered after-the-fact, but rather embedded into decision-making at every level.

3. Addressing the Root Causes of Past Misconduct

This systemic compliance overhaul directly targets the internal failures that gave rise to Alphabet's extensive antitrust exposure. As detailed in the underlying antitrust enforcement actions, many of the most damaging violations arose from unchecked product-level decisions that were profitable in the short term but carried significant regulatory risk—risk that was never escalated to or reviewed by legal or compliance professionals.

Examples of these product-driven abuses include:

- **default search contracts** that locked out competing search engines;
- **vertical integration across the ad tech stack**, described by one Google executive as "if Goldman or Citibank owned the NYSE";
- **restricting app developers** from using their own billing systems, combined with scare tactics to deter sideloading of rival apps;
- **manipulation of advertising auction systems** through tactics like "First Look" and "Last Look," along with pricing "knobs" to increase ad rates; and
- **imposing a 30% commission in the Google Play Store**, untethered from market competition.

These practices, while lucrative, emerged in a governance vacuum—one that the RCC and RegReady architecture are specifically designed to close. Moreover, these lessons are especially relevant in the emerging AI era, where Alphabet's market dominance could be leveraged to unfairly promote its own AI products. For example, evidence from the Google Search remedies

trial suggests that Alphabet may already be conditioning access to key distribution channels on adoption of its AI tools. Without meaningful compliance guardrails, these behaviors could once again place the Company at risk.

4. Long-Term Commitment and Dedicated Resources: $500 Million in Enforceable Funding

Importantly, these reforms are fully backed by an enforceable $500 million funding commitment, guaranteed over a ten-year period. This financial guarantee ensures that the RCC and RegReady program are not merely announced, but actually implemented, sustained, and resourced. Alphabet has also committed to centralized tracking and reporting of compliance spending, enabling both internal and external oversight of reform implementation. This level of funding far exceeds Alphabet's historical spending on compliance and stands as the largest governance-focused monetary commitment ever obtained through shareholder derivative litigation.

5. Preservation of Compliance-Related Communications

Alphabet has further agreed to implement policies for the preservation of compliance-related communications, including previously ephemeral or auto-deleting messages. This measure guarantees that whistleblower reports, escalation chains, and compliance concerns are documented and reviewable—protecting the integrity of the new systems and enabling oversight bodies to hold executives accountable for misconduct.

III. THE STANDARDS GOVERNING DERIVATIVE SETTLEMENTS STRONGLY SUPPORT APPROVAL

Under Federal Rule of Civil Procedure 23.1, court approval is required for any settlement, voluntary dismissal, or compromise of the claims by the parties. Fed. R. Civ. P. 23.1(c). While the district court exercises its "sound discretion" in evaluating a settlement, in exercising its discretion "the court's intrusion upon what is otherwise a private consensual agreement negotiated between the parties to a lawsuit must be limited to the extent necessary to reach a reasoned judgment that the agreement is not the product of fraud or overreaching by, or collusion between, the negotiating parties, and that the settlement, taken as a whole, is fair, reasonable and adequate to all concerned." *Officers for Just. v. Civil Serv. Comm'n of City and Cnty. of S.F.*, 688

1 F.2d 615, 625 (9th Cir. 1982); *see also In re Pac. Enter. Sec. Litig.*, 47 F.3d 373, 377-78 (9th Cir.
2 1995) (affirming ruling that shareholder derivative settlement was "fair, reasonable and adequate
3 to [the company]'").

4 It is well settled that "[c]ompromises of disputed claims are favored by the courts."
5 *Williams v. First Nat'l Bank*, 216 U.S. 582, 595 (1910); *Officers for Justice*, 688 F.2d at 635
6 (recognizing that the "settlement process [is] favored in the law"); *U.S. v. McInnes*, 556 F.2d 436,
7 441 (9th Cir. 1977) (explaining that "there is an overriding public interest in settling and quieting
8 litigation"). This is particularly true with respect to shareholder derivative litigation, "because
9 such litigation is notoriously difficult and unpredictable." *Maher v. Zapata Corp.*, 714 F.2d 436,
10 455 (5th Cir. 1983) (citation modified).

11 In reviewing the proposed settlement of derivative litigation, "the district court determines
12 whether a proposed settlement is fundamentally fair, adequate, and reasonable." *Pac. Enters.*, 47
13 F.3d at 377 (citation modified); *In re Rambus Inc. Derivative Litig.*, 2009 WL 166689, at *3 (N.D.
14 Cal. Jan. 20, 2009). "Circuit law teaches that . . . , the Court must balance the following factors
15 to determine whether a settlement is fair, adequate, and reasonable: [1] the strength of the
16 plaintiff's case; [2] the risk, expense, complexity, and likely duration of further litigation; [3] the
17 amount offered in settlement; [4] the extent of discovery completed and the stage of the
18 proceedings; [5] the experience and views of counsel; and [6] the reaction of the [stockholders]
19 to the proposed settlement." *In re MRV Commc'ns, Inc. Derivative Litig.*, 2013 WL 2897874, at
20 *2 (C.D. Cal. June 6, 2013); *see also Churchill Vill., L.L.C. v. Gen. Elec.*, 361 F.3d 566, 575–76
21 (9th Cir. 2004); *Kim v. Allison*, 8 F.4th 1170, 1178–79 (9th Cir. 2021); *Officers for Justice*, 688
22 F.2d at 625. The Ninth Circuit, however, has cautioned that "the settlement or fairness hearing is
23 not to be turned into a trial or rehearsal for trial on the merits." *Id.*

24 The court also "must conclude that the Proposed Settlement is not the product of collusion
25 between the parties." *MRV Commc'ns*, 2013 WL 2897874, at *2 (citation modified). "The
26 involvement of experienced [ ] counsel and the fact that the settlement agreement was reached in
27 arm's length negotiations, after relevant discovery ha[s] taken place create a presumption that the
28

agreement is fair." *Id.* (citation modified). The "principal factor to be considered in determining the fairness of a settlement concluding a shareholders' derivative action is the extent of the benefit to be derived from the proposed settlement by the corporation, the real party in interest." *In re Ceradyne, Inc.*, 2009 WL 10671494, at *2 (C.D. Cal. June 9, 2009) (citation modified).

IV. THE SETTLEMENT IS FAIR, REASONABLE, AND ADEQUATE AND SHOULD BE FINALLY APPROVED

A. The Reforms Confer Substantial Benefits on Alphabet and Alphabet's Shareholders

"As corporate debacles such as Enron, Tyco and WorldCom demonstrate, strong corporate governance is fundamental to the economic well-being and success of a corporation. Indeed, Courts have recognized that corporate governance reforms such as those achieved here provide valuable benefits to public companies." *In re NVIDIA Corp. Derivative Litig.*, 2008 WL 5382544, at *3 (N.D. Cal. Dec. 22, 2008); *see also Rambus Inc.*, 2009 WL 166689, at *3; *In re Hewlett-Packard Co. S'holder Derivative Litig.*, 2015 WL 1153864, at *5 (N.D. Cal. Mar. 13, 2015); *MRV Commc'ns*, 2013 WL 2897874, at *4; *In re OSI Sys., Inc. Derivative Litig.*, 2017 WL 5642304, at *3–4 (C.D. Cal. May 2, 2017).

One of the key problems highlighted by the Action is how Alphabet and Google lacked adequate central oversight or a robust compliance oversight process into business decisions. Each of the practices in the underlying antitrust actions may have appeared to be good business decisions when only profit is considered. From purely that standpoint, Alphabet's directors and officers may even argue that they had the fiduciary duty to acquire companies across the ad tech stack, tie dominant and nascent products together, pay for exclusive default access to various internet access points that then prevents rivals from taking hold, or forcing app developers to use only Google's in-app payment processing and paying a 30% commission. But "Delaware does not charter law breakers." *In re Massey Energy Co.*, 2011 WL 2176479, at *20 (Del. Ch. May 31, 2011). Rather, "Delaware law allows corporations to pursue diverse means to make a profit, subject to a critical statutory floor, which is the requirement that Delaware corporations only pursue 'lawful business' by 'lawful acts.'" *Id*. The flaw in each business decision was that it

violated antitrust laws. Alphabet directors and officers violated their fiduciary duties when they allowed these illegal business practices to take root because "a fiduciary of a Delaware corporation cannot be loyal to a Delaware corporation by knowingly causing it to seek profit by violating the law." *Id.*, at *21.

Creating compliance oversight across business areas helps ensure that otherwise profit-maximizing businesses is lawful, or at least not so obviously unlawful that it would violate a Delaware corporation's fiduciary's duties to engage in it. This is why the RCC and RegReady Reforms are invaluable: by creating a comprehensive, top-to-bottom compliance oversight structure, the Reforms help ensure that each business decision is first, compliant, and that any compliance issues would be raised to and addressed by senior executives and the Board.

At the top of this compliance structure is the Settlement's creation of a new Board-level committee. As Defendants' counsel observed at the preliminary approval hearing, a compliance committee solely devoted to compliance is unprecedented among major technology companies. Tr. of Prelim. Appr. Hr'g at 11. Furthermore, Co-Lead Plaintiffs' Action is the sole cause for the creation of the RCC: Defendants' counsel acknowledged at the preliminary approval hearing that "the committee is a hundred percent this lawsuit, and but for this, I do not believe we could have gotten the company to agree to it." *Id*. at 13.

The Settlement does not only create a Board committee, but rather, also creates the support structure that would enable the committee to conduct effective oversight. Defendants' counsel stated at the preliminary approval hearing that these "enhancements were shaped by what will we need to get the plaintiffs to agree [to settle] and to get the judge to approve [the settlement]." *Id*. This support structure begins with improved officer-level oversight. The Settlement includes two officer-level committees: one consisting of senior vice presidents who report directly to the chief executive officer, and will help set compliance strategy; another committee consists of executives a level below the senior vice presidents, who can implement the Board and senior-executive-level compliance strategies.

1 Furthermore, to ensure that product decisions comply with antitrust and other laws, the
2 Settlement implements an unprecedented wholesale revamp of the compliance system modeled
3 on the DOJ's corporate compliance guidelines. This revamped system centralizes compliance
4 decisions so that they are no longer siloed in individual product areas. The reforms also place
5 compliance professionals in the product areas. This centralization of decision-making and
6 widespread deployment of compliance personnel helps prevent one overarching problem in the
7 underlying antitrust actions: how many decisions made sense from a product standpoint but
8 ultimately violated antitrust laws. These new compliance measures ensure that now there is
9 compliance oversight so that decisions from a product standpoint that make business sense will
10 be blocked if they are not compliant.

11 As Defendants' counsel explained to the Court, the funding commitment in this Settlement
12 is not a "routine operating expense" of $50 million per year over 10 years, but rather, "put[ting]
13 half a billion dollars behind this rollout" of these reforms. *Id*. A $500 million funding commitment
14 is unprecedented. Declaration of Hon. Layn R. Phillips (Fmr.) in Support of Co-Lead Plaintiffs'
15 Motion for Final Approval of Settlement ("Phillips Decl.") ¶18, Coughlin Decl., Ex. A; Epstein
16 Decl. ¶54.

17 Finally, this Settlement will address the concerns of at least three federal courts in the
18 underlying antitrust actions concerning Google's record-keeping practices. The Settlement will
19 memorialize the Company's commitment to ensure the retention of employee Chats beyond the
20 Company's default period of 24 hours, when a litigation hold has been issued for that employee.
21 Google had been sanctioned for its practice of leaving retention up to each individual's discretion
22 by the Northern District of California and that has been criticized by at least three courts, with
23 Google escaping sanctions in the DOJ cases only because the court found sanctions to be
24 unnecessary when it already determined liability.

25 Co-Lead Plaintiffs also retained an expert in corporate governance, Professor Evan
26 Epstein, who is the founding Executive Director of the UC Center for Business Law San Francisco
27 and an Adjunct Professor at the University of California College of the Law in San Francisco.
28

Professor Epstein has reviewed the Settlement and related documents, and he has opined on the significance of these reforms: "[the reforms are] meaningful and material governance reforms that directly address the alleged oversight deficiencies, enhance board-level accountability, and align with best practices in corporate governance. In particular, the creation of a dedicated board-level compliance committee, the implementation of enhanced management-level compliance controls, and the Company's long-term financial commitment to compliance collectively demonstrate a good faith effort to strengthen the Board's oversight function and mitigate future risks." Epstein Decl. ¶4.

Professor Epstein further explains, "Establishing a new dedicated board-level risk and compliance committee should significantly strengthen Board oversight by explicitly assigning responsibility for risk and compliance matters. This structure ensures focused attention on compliance risks, clear oversight responsibilities, and accountability at the highest governance level. . . . Additionally, establishing a dedicated board-level RCC signals the Company's strong and ongoing commitment to effective oversight, reinforcing trust among all its stakeholders. . . . This governance enhancement signals that risk management and regulatory compliance are strategic priorities deserving of the highest level of oversight and accountability." *Id.* ¶¶22, 25.

Epstein further opines, the RCC is not a "trivial" reform because of the underlying antitrust liability, and how "Courts and regulators increasingly expect boards to actively oversee central compliance risks." *Id.* ¶29. Epstein cites how the DOJ has "establish[ed] specific expectations for board oversight" as part of adequate corporate compliance, and how "Federal Sentencing Guidelines[] explicitly require boards to be knowledgeable about and actively oversee compliance programs. This oversight responsibility encompasses ensuring the compliance function receives adequate resources, authority, and direct reporting access to the board or a board committee." *Id.* ¶30. Moreover, the Guidelines indicate "that meaningful board involvement can significantly mitigate penalties and improve outcomes when misconduct occurs." Furthermore, "the DOJ's *Evaluation of Corporate Compliance Programs*, also emphasizes the role of the board." Though how to conduct this oversight "remains a matter of business judgment," having

"a new board-level risk and compliance committee, the RCC reflects an evolving standard and demonstrates a commitment to independent, specialized, and continuous board-level monitoring." *Id*. ¶32.

Professor Epstein opines on how "innovative" and "pioneering" the RCC is for a technology company. He cites a report by Wilson Sonsini (a major law firm well-known for its representation of Silicon Valley companies) on 150 major Silicon Valley companies' corporate governance practices, and how "only one [of these 150 companies] has established a separate, dedicated board-level compliance committee." Professor Epstein states that this Settlement, by establishing this new committee "could set a precedent for the broader industry. As a market leader with substantial market capitalization . . . Alphabet's governance decisions often influence industry-wide practices and standards." *Id*. ¶34. Indeed, while "creating a separate board-level compliance committee is not unprecedented among public companies," they are "relatively rare"—with less than 7% of S&P 500 companies having a separate compliance committee, which tend to be in companies in highly regulated industries. *Id*. ¶35.

Professor Epstein cites an academic study concerning board compliance to outline three factors facing a company that would make it especially a good practice for it to have a board-level compliance committee: "heightened compliance activity, the availability of capacity among board members, and the gradual diffusion of information about Compliance Committees." Applying these factors to Alphabet and the conduct in this Action, Professor Epstein opines:

> These three key factors support establishing a new board-level compliance committee at Alphabet. First, heightened regulatory scrutiny has intensified due to the increasing number and scope of antitrust and competition law enforcement actions and litigation. The regulatory environment may become even more complex with the emerging wave of AI regulations. Given that AI represents the next paradigm shift in the technology industry and Alphabet is widely considered a frontrunner investing billions in this space, establishing robust compliance oversight now is essential for navigating the evolving regulatory landscape and mitigating future enforcement risks. Second, the Company has independent directors available to serve in this capacity, providing the necessary expertise and governance structure. Third, clearer regulatory guidance and industry best practices now exist regarding compliance committee scope and responsibilities, offering a proven framework for effective implementation and operation.

Id. ¶37.

Professor Epstein cites how the board compliance study concluded that a dedicated compliance committee would be expected to engage in much more focused oversight of compliance policies and personnel than typical Audit Committees. *Id.* ¶39. This is because "where a Compliance Committee is established, oversight of compliance is likely to be pursued more vigorously than where this is simply added to the Audit Committee's mandate" and "a Compliance Committee is likely to establish a much clearer, and more tightly controlled, reporting channel to the Board from the company's compliance function than would be the case with an audit committee beyond financial matters." *Id*. ¶40.

Professor Epstein also opined on the value of the management-level oversight reforms. First, for the senior-level Trust and Compliance Council, its support for the RCC "marks a significant advancement in organizational governance. This Council, comprising multiple Senior Vice Presidents who report directly to the CEO, creates a very strong level of executive accountability and engagement in compliance matters." Moreover, "[b]y convening quarterly at a minimum, this leadership body ensures that compliance considerations remain at the forefront of strategic decision-making throughout the year." Furthermore, "[t]he [Trust & Compliance Council] mandate extends beyond mere oversight, it serves as a strategic body for compliance initiatives, recognizing that effective compliance requires comprehensive frameworks that anticipate challenges, prioritize risks intelligently, and allocate resources where they can deliver maximum protective value[.]" *Id*. ¶45(a)(i).

Professor Epstein also opined on the value of the Trust & Compliance Steering Committee, which "represents an additional layer of operational compliance management. By bringing together Vice Presidents from across functional areas and Product Areas ('PAs'), this committee creates essential cross-functional alignment that breaks down traditional silos and ensures that compliance initiatives are integrated seamlessly across Alphabet." By "[m]eeting at least six times annually, the committee demonstrates a dedication to continuous engagement and proactive management of compliance challenges while serving as the vital bridge between operational realities and executive strategy[.]" *Id*. ¶45(a)(ii).

1 Professor Epstein also explained the value of the overhaul of the compliance system
2 because it "seek[s] to bolster the Company's commitment to implementing a risk-based, cross-
3 company, global compliance strategy. This risk-based approach ensures that compliance
4 investments generate maximum value by focusing on areas where regulatory exposure is highest
5 and business impact is most significant." *Id*. ¶45(b). These compliance enhancements include
6 "embed[ding] specialists into its compliance function to proactively identify and address
7 emerging regulatory risks, particularly in competition law[,]" which "creates an early-warning
8 system that transforms compliance from reactive to preventive, ensuring management has
9 dedicated expertise to anticipate regulatory changes and mitigate potential violations before they
10 occur[.]" *Id*. ¶45(b)(i). In addition, the compliance overhaul implements "[a] comprehensive
11 compliance strategy that spans the entire global organization and prioritizes risks based on their
12 potential impact[,]" staffs the compliance function with qualified professionals who will "actively
13 collaborate with [product areas] and other business functions to evaluate existing compliance
14 measures and design new ones as needed[,]" "embed[s] compliance considerations into
15 operational teams rather than keeping them siloed, ensuring regulatory requirements are
16 integrated into actual product development and business processes[,]" and having compliance
17 "collaborate with six specialized teams when addressing regulatory risks[.]" *Id*. ¶45(b)(ii)–(v).
18 This compliance overhaul, especially in the centralization of its personnel functions, "create[s] an
19 integrated approach that spans legal analysis, risk management, policy development, governance
20 oversight, and performance monitoring" and incorporates a "comprehensive risk-based
21 compliance framework that incorporates DOJ guidance and industry best practices[.]" Overall,
22 "[t]he framework requires centralized documentation, oversight throughout all compliance
23 phases, and aims not only to minimize regulatory risk but also to promote transparency, audit
24 effectiveness, and user trust." *Id*. ¶45(b)(v)–(vi).
25 Professor Epstein also opined on the value of the $500 million funding component: "Such
26 a commitment provides critical resources for enhancing compliance programs, hiring specialized
27 compliance personnel, leveraging technological solutions for monitoring and risk detection, and
28

ensuring continuous training and education for employees, management and board-level oversight" and "underscores the Company's seriousness regarding compliance oversight and significantly mitigates future risks by investing proactively rather than reactively." *Id.* ¶¶46, 47. This funding commitment would "rank as the second-largest derivative lawsuit settlement on record"—just smaller than a $735 million settlement involving Tesla Motor Company's board compensation. *Id.* ¶52.

B. The Settlement Appropriately Weighs the Benefits Conferred on Alphabet with the Risk of Continued Litigation

In assessing the fairness, reasonableness, and adequacy of a settlement, the court is also to consider and balance the benefits of the settlement against the continuing risks of litigation. *See generally NVIDIA*, 2008 WL 5382544, at *3. There is no question that derivative actions are complex and fraught with risk. Indeed, the Ninth Circuit, in affirming the district court's approval of a settlement in a derivative action, noted that "the odds of winning [a] derivative lawsuit [are] small" because "derivative lawsuits are rarely successful." *Pac. Enters.*, 47 F.3d at 378.

While Co-Lead Plaintiffs are confident in the strength of their case, they also acknowledge that most *Caremark* cases are dismissed for failure to establish demand futility. Even supposing the case proceeds, the Defendants had another opportunity to shut down the case by forming a Special Litigation Committee ("SLC") which could recommend a motion to terminate, and courts have often been receptive to SLC determinations. *See In re Carvana Co. S'holders Litig.*, 2024 WL 1300199, at *1 (Del. Ch. Mar. 27, 2024) (granting SLC motion to terminate). Surviving that hurdle, damages are uncertain. Furthermore, whether the Corporate Reforms can be achieved in a post-trial judgment is an untested proposition, where the remedy would most likely be damages. For all these reasons, Co-Lead Plaintiffs weighed the risks of litigation against the benefits of the Settlement and determined that the Settlement was the better option rather than continuing with litigation.

C. The Settlement Was Negotiated by the Parties with a Thorough Understanding of the Strengths and Weaknesses of the Case

The stage of proceedings and the amount of discovery completed is another factor that courts consider in determining the fairness, reasonableness, and adequacy of a settlement. *Officers*

for Justice, 688 F.2d at 625; *Boyd v. Bechtel Corp.*, 485 F. Supp. 610, 616-17 (N.D. Cal. 1979). Courts consider the stage of the proceedings to determine whether the parties' decision to settle is well-informed. *Sved v. Chadwick*, 783 F. Supp. 2d 851, 861 (N.D. Tex. 2009) (courts "look[] not to the amount of discovery, but rather to whether the parties have obtained sufficient information about the strengths and weakness of their respective cases to make a reasoned judgment about the desirability of settl[ement]") (citation modified). The Ninth Circuit has noted formal discovery, however, need not have been conducted so long as the parties have sufficient information to make an informed decision about a settlement. *See In re Mego Fin. Corp. Sec. Litig.*, 213 F.3d 454, 459 (9th Cir. 2000) ("formal discovery is not a necessary ticket to the bargaining table where the parties have sufficient information to make an informed decision about settlement") (citation modified).

Here, even before litigation commenced, Co-Lead Plaintiffs made a demand for Board minutes and materials under Section 220 of the Delaware General Corporation Law, and received materials that informed Co-Lead Plaintiffs' ability to write a strong initial complaint. After the case was filed, the parties engaged in extensive, though informal, discovery during the pendency of the case. Approximately six months after the initial consolidated complaint was filed in this case, Defendants produced, under the mediation privilege, to Co-Lead Plaintiffs the production made to the Texas Attorney General during the pendency of its investigation, which totaled more than one million pages of emails, contracts, and other documents, primarily relating to Google's ad tech products. Approximately a year later, again under the mediation privilege, Defendants also produced deposition transcripts and exhibits from the various Google antitrust actions. A year after that, also under the mediation privilege, Defendants produced more than 52,000 pages of trial exhibits, including those not yet made public. Co-Lead Plaintiffs then reviewed and analyzed these productions to assess the strengths of their claims, and developed a thorough understanding of the underlying facts based on their review. Co-Lead Plaintiffs also reviewed the trial transcripts and exhibits, as well as other publicly available materials, to assess the strengths of their claims and to write a comprehensive amended complaint that they filed in May

2025 that reflects the latest developments in the industry, in particular, relating to artificial intelligence, and to Google's anticompetitive conduct and antitrust liability. All of this analysis of both the public record and documents controlled by the Company allowed Co-Lead Plaintiffs to develop a thorough understanding of the claims, and therefore, of the merits of settlement.

D. The Complexity, Expense, and Duration of Continued Litigation Weighs in Favor of Settlement

Another factor weighing in favor of the Settlement is the complexity, expense, and likely duration of the litigation. *Officers for Justice*, 688 F.2d at 625; *Cohn v. Nelson*, 375 F. Supp. 2d 844, 859 (E.D. Mo. 2005). Courts have consistently held that unless the proposed settlement is clearly inadequate, its acceptance and approval are preferable to the continuation of lengthy and expensive litigation with uncertain results. *See TBK Partners, Ltd v. W. Union Corp.*, 675 F.2d 456, 462–63 (2d Cir. 1982).

This was a relatively complex shareholder derivative action because the underlying antitrust actions and anticompetitive conduct were complex and myriad. Google faced multiple antitrust actions against it in numerous areas, including actions brought by coalitions of state attorneys general and the DOJ in three areas: Android app stores and their billing arrangements (specifically, Google Play Store and in-app-payment processing); advertising technologies (e.g., ad servers, ad networks, and ad exchanges); and Google Search. Despite losing at least one trial in each of these areas, and losing an appeal before a Ninth Circuit panel in the *Epic Games* Action, Google, to this day, has not admitted wrongdoing and continues to signal either its intent to appeal or is in the process of appealing each judgment. These actions took multiple years to even reach the trial stage, even in the "rocket docket" Eastern District of Virginia. The long process these antitrust actions has taken also affected Alphabet's timing for resolving this Action. Thus, if this Action had not settled, it likely would have been litigated for at least as long as the antitrust actions, which could take years more to resolve.

E. The Settlement Was Negotiated at Arm's-Length by Experienced and Well-Informed Counsel

Courts also look to the opinions of experienced counsel in assessing the fairness of a

settlement. *Officers for Justice*, 688 F.2d at 625; *In re PaineWebber Ltd. Partnerships Litig.*, 171 F.R.D. 104, 125 (S.D.N.Y. 1997) ("[G]reat weight is accorded to the recommendations of counsel, who are most closely acquainted with the facts of the underlying litigation.") (citation modified); *MRV Commc'ns*, 2013 WL 2897874, at *2 ("The involvement of experienced [] counsel and the fact that the settlement agreement was reached in arm's length negotiations, after relevant discovery ha[s] taken place create a presumption that the agreement is fair.") (citation modified).

Here, Scott+Scott, counsel for Co-Lead Plaintiffs, and Freshfields US LLP, counsel for the Defendants, are both experienced law firms that have extensive experience handling these types of cases. Scott+Scott's experience is illustrated through its résumé, attached as Exhibit 1 to the Declaration of Daryl F. Scott in Support of Co-Lead Plaintiffs' Counsel's Fee Application, Coughlin Decl., Ex. D. This experience includes most of the significant corporate governance settlements with funding commitments in the last five years:

- *Irving Firemen's Relief and Ret. Fund v. Page*, C.A. No. 2019-0355 (Del. Ch.) ("*Alphabet I*") and *In re Alphabet Inc. S'holder Derivative Litig.*, No. 19CV343086 (Cal. Super. Ct.): $310 million in funding for corporate reforms, including improving oversight at the Board level, and numerous reporting enhancements at the managerial and business line level, and an expert advisory council consisting in part of outside experts and in part with Alphabet officers, regarding discrimination, harassment, and retaliation; Alphabet's counsel at the preliminary approval hearing attested that while the spending commitment was over a 10-year period, in actuality, the spending was accelerated so that the full commitment is almost complete;
- *Rudi v. Wexner*, No. 20-cv-03068 (S.D. Oh.): $90 million in funding for corporate reforms, including improved reporting and investigative processes relating to sexual harassment, discrimination, and retaliation, outside experts or consultants to assist with reviewing the Company's harassment, discrimination and retaliation policies, and implementing stand-alone retaliation and anti-sexual harassment policies;

- *In re Altria Group, Inc. Derivative Litig*., No. 20-cv-00772 (E.D. Va.): $117 million in funding for corporate reforms, including improved officer-level oversight in the form of a managerial steering committee, as well as a court-designated corporate monitor, relating to preventing youth vaping.

In addition, Scott+Scott is co-lead counsel in a derivative action involving Meta Platforms' privacy violations, including those relating to the Cambridge Analytica scandal and the following $5 billion settlement with the U.S. Federal Trade Commission over violations of a consent decree concerning privacy practices. Scott+Scott, representing an institutional investor, took and defended numerous depositions, reviewed millions of pages of documents, took the case to trial, and after the first trial day, achieved a settlement. Scott+Scott is also prosecuting an antitrust action against Meta Platforms where some of the facts overlap with the Google Ad Tech cases, which demonstrates how Scott+Scott has the knowledge and experience to have taken this case to trial if that had become necessary.

In addition, the negotiation was conducted under the auspices of an experienced mediator, Hon. Layn R. Phillips, Chief Judge of the Western District of Oklahoma (Ret.), and John Kiernan, former Chair of Litigation at Debevoise & Plimpton LLP, of Phillips ADR. Judge Phillips has attached a declaration stating his grounds for why this settlement is fair, reasonable, and adequate. Judge Phillips has mediated many of the largest shareholder derivative settlements in recent years, including "the Boeing air crash derivative litigation, the United Healthcare derivative litigation, . . . multiple Wells Fargo derivative and class actions, the FirstEnergy derivative litigation, the Fox News and News Corp derivative litigation, the Facebook Cambridge Analytica derivative litigation, and numerous other class action and derivative actions in the high-tech sector." Phillips Decl. ¶6.

Judge Phillips attests to how "hard fought on all sides" the Settlement negotiations were: "this mediation spanned several years and included three formal, in-person all-day mediation sessions, as well as numerous other mediation sessions held by way of teleconferences, virtual joint and separate working group caucus sessions, emails, and written submissions by the Parties." *Id.* ¶¶7–8. Judge Phillips attests, "First, the Parties spent a significant amount of time and effort to negotiate the

1 Corporate Reforms. . . . One particular point of contention was whether the Board needed to create a
2 stand-alone committee devoted to overseeing the Company's regulatory compliance, which took over
3 a year to negotiate." *Id*. ¶16. Judge Phillips then attests, "After the Parties agreed to the substance of
4 the Corporate Reforms, they again negotiated in a civil but adversarial manner, with each side
5 vigorously advocating for its respective position, concerning the level of funding Alphabet needed to
6 commit to effectively implement the Corporate Reforms. After many months of further negotiations,
7 the Parties were finally able to agree to a funding level of $500 million in the spring of 2025." *Id*. ¶17.
8 Judge Phillips declares, "To my knowledge, having mediated many, if not most, of the high-profile
9 derivative cases in the United States in recent years, this is the largest spend commitment ever reached
10 in a Derivative settlement."

11 Judge Phillips concludes, "Understanding that every aspect of the final approval of this
12 Settlement is committed to the sound discretion of the trial court, after presiding over the mediation
13 process concerning the matter, it is my professional opinion that the Settlement, as well as the agreed-
14 upon attorneys' fees and expenses for Co-Lead Plaintiffs' counsel, are fair and reasonable and are the
15 product of vigorous and independent advocacy and of arm's-length negotiations conducted in good
16 faith by the Parties." *Id*. ¶20.

17 **V. CONCLUSION**

18 The Settlement achieved in this Action is both historic and extraordinary. It delivers
19 sweeping governance reforms tailored to Alphabet's unique regulatory risk profile and secures
20 the most well-funded compliance framework ever obtained through shareholder derivative
21 litigation. In light of the magnitude of the relief, the complexity of the underlying issues, and the
22 substantial risks and costs associated with continued litigation, Co-Lead Plaintiffs respectfully
23 request that the Court grant final approval of the Settlement and enter the Final Approval Order.

24 DATED: August 15, 2025

Respectfully submitted,

25 **SCOTT+SCOTT ATTORNEYS AT LAW LLP**

26 *s/ Jing-Li Yu*

Patrick Coughlin (CA Bar No. 111070)
27 Maxwell R. Huffman (CA Bar No. 264687)
600 W. Broadway, Suite 3300
28 San Diego, CA 92101

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Telephone: (619) 233-4565
pcoughlin@scott-scott.com
mhuffman@scott-scott.com

SCOTT+SCOTT ATTORNEYS AT LAW LLP
Geoffrey M. Johnson (*pro hac vice*)
12434 Cedar Road, Suite 12
Cleveland Heights, OH 44106
Telephone: 216-229-6088
gjohnson@scott-scott.com

SCOTT+SCOTT ATTORNEYS AT LAW LLP
Donald A. Broggi (*pro hac vice*)
Jing-Li Yu (CA Bar No. 342985)
The Helmsley Building
230 Park Avenue, 24th Floor
New York, NY 10169
Telephone: 212-223-6444
dbroggi@scott-scott.com
jyu@scott-scott.com

Lead Attorneys for Co-Lead Plaintiff Police and Fire Retirement System of the City of Detroit and Co-Lead Plaintiff Bucks County Employees' Retirement System

BONI, ZACK & SNYDER LLC
Michael J. Boni (*admitted N.D. Cal.*)
Joshua D. Snyder (*pro hac vice*)
15 St. Asaphs Road
Bala Cynwyd, PA 19004
Telephone: (610) 822-0203
mboni@bonizack.com
jsnyder@bonizack.com

Additional Attorneys for Co-Lead Plaintiff Bucks County Employees' Retirement System

CERTIFICATE OF SERVICE

I hereby certify that on August 15, 2025, I authorized the electronic filing of the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to the e-mail addresses denoted on the Electronic Mail Notice List. All parties not so registered will be served via e-mail or U.S. Mail.

Executed on August 15, 2025, at New York, New York.

s/ Jing-Li Yu
JING-LI YU (CA Bar No. 342985)
SCOTT+SCOTT ATTORNEYS AT LAW LLP

Counsel for Co-Lead Plaintiffs