SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

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	:	Index No. 653594/2018
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IN RE RENREN, INC.	:	Hon. Andrew Borrok
DERIVATIVE LITIGATION	:	
	:	Mot. Seq. No. 028
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AFFIRMATION OF WILLIAM T. REID, IV IN SUPPORT OF PLAINTIFFS' MOTION TO RENEW AND, IN THE ALTERNATIVE REARGUE, MOTION TO APPROVE SETTLEMENT

William T. Reid, IV, an attorney duly admitted to practice law in the state of New York, and who is not a party to the above-captioned action (the "**Action**"), hereby affirms the following pursuant to CPLR 2106:

1. I am a Partner in the law firm of Reid Collins & Tsai LLP ("**Reid Collins**"), one of co-lead counsel for Plaintiffs in the Action. I am familiar with the facts asserted herein based on either personal knowledge or from an examination of the documents attached hereto. I submit this Affirmation and the attached exhibits in support of Plaintiffs' Motion to Renew and, in the Alternative Reargue, Motion to Approve Settlement (the "**Motion**").

I. THE NEGOTIATED STRUCTURE OF THE SETTLEMENT PAYMENT

2. As previously set forth in my November 1, 2021 Affirmation filed in support of Plaintiffs' original Motion to Approve Settlement [NYSCEF 760], I personally led the negotiations for Plaintiffs that resulted in the Stipulation of Settlement filed with the Court on October 7, 2021 (the "**Settlement**" or "**Stipulation**").

3. The proposed Settlement provides that settlement proceeds will be deposited into a settlement trust account (the "Settlement Account") overseen by a professional settlement

administrator, Epiq Class Action & Claims Solutions, Inc. ("**Epiq**" or "**Administrator**"). From there, Epiq will make payments to ADS owners by transferring funds to the Depositary and/or the Depositary Trust Clearinghouse & Company ("**DTCC**") for subsequent disbursement, and pay Class A shareholders directly through checks or wire transfers out of the Settlement Account. All current owners of Renren ADSs and Class A ordinary shares, other than Defendants and the D&O Releasees[1] (the "**Renren Shareholders**"), will participate. The structure providing direct benefits to Renren's minority investors is an important feature of the proposed Settlement and was specifically sought by the Plaintiffs to ensure that settlement funds would not fall under the control of Defendants themselves.

4. Given that the Settlement contemplated providing direct benefits to current minority shareholders, we sought to utilize the fairest and most efficient mechanisms to identify then-current shareholders eligible for payment at the appropriate time. One challenge was the recognition that the vast majority of the minority interest in Renren is held in the form of ADSs that are traded on the NYSE. Ownership of these publicly traded ADSs is not static, but constantly changing. Any given ADS might be exchanged multiple times per day.

5. Given that the vast majority of the minority's holdings are held in the form of publicly traded ADSs and the attendant practical realities associated with determining ownership at any given point in time, we believed—and the parties agreed—that identification of eligible current holders and the mechanisms of payment to those holders should utilize the extant infrastructure of public markets.

6. The relevant securities infrastructure already in existence—which includes the DTCC and established broker-dealers—is often used by public corporations to determine present

[1] All capitalized terms not otherwise defined herein are ascribed the meaning attributed to them in the Stipulation, NYSCEF 753.

share ownership when corporate distributions of company assets are made to current shareholders. This infrastructure provides for quick and minimally burdensome identification of ADS holders and delivery of distributions.

7. The parties agreed that the relevant securities infrastructure was better in terms of time-and-effort efficiency than that of typical claims processing in class action litigation involving direct claims. Further, using extant securities industry infrastructure was far more likely to maximize participation than a claims process like in typical class actions because using the securities industry infrastructure should result in almost complete participation (because every ADS is beneficially owned by someone). We negotiated specific terms to make sure that Defendants and the D&O Releasees would be excluded from participating and return any funds they received in error. Stipulation ¶¶1.aa, 7, 9, 10.

8. For the limited number of minority investors who own Class A shares (as opposed to ADSs), it is my understanding that present ownership is determined by Renren's Register, as a matter of Cayman Islands law. And it was my understanding that Class A shares are relatively illiquid. Accordingly, we concluded that the Register under Cayman Islands law could fairly and effectively be consulted to determine shareholder identity. Because Class A share ownership is determined by the Register, we believed that it was more efficient for Epiq to pay Class A owners directly through checks or wire transfers than utilizing a claims process, and that it was more likely to maximize investor participation in the settlement.

9. We negotiated the settlement structure that we believed was most likely to maximize current Renren Shareholder participation. The Settlement utilizes established securities industry and Cayman Islands law mechanisms for ascertaining present ownership, and then provides for fully automatic distributions to both ADS owners (through DTCC) and for

Class A owners (through checks and wire transfers from Epiq). Because all minority-owned ADSs and Class A shares are necessarily owned by someone and the Settlement utilizes established legal mechanisms for making that determination, the initial wave of distributions could potentially accomplish 100% participation of eligible current Renren Shareholders, or very close to it. That was the goal and intent behind the mechanics of the Settlement. We negotiated this structure because we believed that the participation rate was likely to be far higher than if we had used a claims process. We also believed that this process would be more efficient, allow quicker payments to investors, and reduce administrative expenses.

10. Although 100% participation and success of the initial distribution was our aim, we also negotiated for backstops in case there were any hiccups. First, although payments will be sent automatically, it is possible that some checks might go uncashed. Thus, the Settlement contemplates that Epiq will spend at least six months of follow-up effort reaching out to investors to encourage them to cash their checks. Second, in the unlikely event that there are any funds leftover, we negotiated for a second round of equitable distributions to be made to Renren Shareholders before any funds revert. Given the very high likely success rate of the initial distribution mechanisms and these backstops, we believe that any reversion is likely to be de minimus in relation to the overall Settlement consideration of at least $300 million.

II. THE "GREATER OF" AND "TRUE UP" PROVISIONS ARE MATERIAL

11. Two other important features of the proposed Settlement that were specifically negotiated for are its "greater of" and "True Up" protective provisions.

12. Because the minority ADS and share counts might change from the June 2021 figures used in negotiating the Settlement, the Settlement includes a critical protection for minority shareholders through the "greater of" definition of the defined Settlement Amount and the related "True Up" provisions. Specifically, the "Settlement Amount" is defined as the

"greater of" $300 million and a calculated amount determined through multiplying specified per-ADS ($38.6866) and per Class A ordinary share ($0.859701) prices by the number of such securities held by then-current minority shareholders as of a future current ownership determination date following final approval of the Settlement. Stipulation ¶1.ee. The difference between $300 million and that calculated amount is defined as the "True Up." *Id.* ¶1.jj. Defendants are responsible for paying the True Up into the Settlement Account if the "greater of" protection of the Settlement kicks in and the final Settlement Amount exceeds $300 million. *Id.* ¶3.

13. The "greater of" protection and "True Up" ensure that Defendants cannot share in the Settlement proceeds and dilute the Settlement consideration payable to the eligible Renren Shareholders by issuing new shares to cronies or fronts. If, for example, more shares were issued such that the number of participating shares was greater than that estimated when the Stipulation was negotiated, then the "greater of" protection in the Settlement Amount would apply and the total Settlement Amount would exceed $300 million (because the increased number of shares would be multiplied by the per-share floor prices).

14. If the number of ADSs and Class A shares owned by Renren Shareholders as of the Record Date is greater than the estimate, then the "greater of" figure and the Settlement Amount will be $300 million *plus* the additional amount necessary to achieve gross pro rata amounts equal to $38.6866 per ADS and $0.859701 per Class A ordinary share. Any additional amount would be defined as the "True Up." If the True Up is triggered, then the total amount Defendants pay will exceed $300 million.

15. At the time of negotiating the proposed Settlement, we believed that this True Up scenario would likely end up being triggered. We therefore specifically required the "greater of" and "True Up" provisions to be included as part of the Settlement.

III. RE-NEGOTIATIONS REGARDING PARAGRAPH 33 HAVE FAILED

16. At the April 14, 2021 hearing before the Court, the Court provided further clarity on the concerns it had previously raised over the Settlement, and suggested possible ways of addressing the concerns the Court had related to the redistribution and reversion terms of the Settlement (which are set forth in paragraph 33 of the Stipulation).

17. Based on the Court's guidance, Plaintiffs immediately engaged in negotiations with the Defendants in an effort to resolve the issues identified by the Court regarding the reversion provision reflected in paragraph 33 of the Stipulation.

18. Unfortunately, by its own terms, the Stipulation cannot be amended or modified without the agreement of all parties. Stipulation ¶¶35, 41. And Defendants were unwilling to agree to modification of paragraph 33 of the Stipulation on a standalone basis, without also revisiting other terms of the deal, including economics. Although we engaged in good faith efforts to try to compromise and reach a consensual resolution, no agreement was reached.

19. Because the parties have not been able to reach an agreement on a modified settlement agreement, absent further litigation, Plaintiffs' motion for renewal is the only path of holding Defendants to the economic terms of the previously agreed-upon deal (other than allowing Plaintiffs' appeal to run its course). We believe that renewal is appropriate based on the significant and substantial additional information presented to the Court on Plaintiffs' motion that addresses the Court's concerns regarding paragraph 33, and that was not presented to the Court before. Put simply, the prior record before the Court was incomplete.

20. Attached as **Exhibit A** is a true and correct copy of a hyperlinked list of all documents filed in connection with Plaintiffs' November 1, 2021 Motion to Approve the Settlement (Mot. Seq. No. 021) [NYSCEF 758-774, 777-788, 810-840, 842-49, 856-57, 970], incorporated by reference as though fully set forth herein.

21. Except as set forth herein, no prior request has been made for the relief requested herein.

Dated: April 29, 2022

William T. Reid, IV

PRINTING SPECIFICATIONS STATEMENT

Pursuant to N.Y.C.R.R. §202.70(g), Rule 17, I hereby certify that the foregoing Affirmation was prepared on a computer using Microsoft Word. A proportionally spaced typeface was used as follows:

Name of Typeface: Times New Roman
Point Size: 12
Line Spacing: Double

The total number of words in the foregoing Affirmation, inclusive of point headings and exclusive of the caption, the signature block and the certificate of compliance is 1773 words.

Dated: April 29, 2022

William T. Reid, IV