UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OKLAHOMA

IN RE WILLIAMS SECURITIES LITIGATION This Document Relates To: WMB Subclass	Case No. 02-CV-72-SPF-FHM Lead Case Judge Stephen P. Friot

DECLARATION OF CHAD JOHNSON IN SUPPORT OF (1) THE PROPOSED SETTLEMENT AND PLAN OF ALLOCATION, AND (2) AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF EXPENSES

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I, CHAD JOHNSON, hereby declare as follows:

I. OVERVIEW

1. I am a partner with the law firm of Bernstein Litowitz Berger & Grossmann LLP ("BLB&G"). BLB&G is Court-appointed Lead Counsel ("Lead Counsel") for the WMB Subclass in the above-captioned consolidated securities class action and counsel for Court-appointed lead plaintiffs, the Ontario Teachers' Pension Plan Board ("Ontario Teachers") and Arkansas Teachers Retirement System ("Arkansas Teachers" together with Ontario Teachers, "Lead Plaintiffs"). I have personal knowledge of the matters set forth herein based on my participation in the prosecution and settlement of this litigation.

2. I respectfully submit this declaration in support of Lead Plaintiffs' motion to approve the settlement of this action for $311,000,000.00 (three hundred eleven million dollars) in cash. I further make this declaration in support of the approval of (i) the proposed plan of distribution of the settlement proceeds among the Settlement Class Members (the "Plan of Allocation")[1] and (ii) Lead Counsel's application for an award of attorneys' fees and reimbursement of litigation expenses on behalf of all plaintiffs' counsel who contributed to the prosecution of this action, including prior co-lead counsel.

3. On behalf of Lead Plaintiffs, Lead Counsel respectfully submits that this $311 million settlement is an extraordinary result that fully warrants approval by the Court and that more than satisfies the "fair, adequate, and reasonable" standard required for approval. This settlement represents the largest securities class action settlement in the history of Oklahoma, ranks among the top twenty highest securities class action

[1] All capitalized terms not defined herein are ascribed the meaning set forth in the Stipulation of Settlement [Dkt No. 1503-1].

recoveries of all time, and has the approval and full support of Lead Plaintiffs as set forth in Lead Plaintiffs' Declaration filed concurrently herewith.[2]

4. In addition to the size of the settlement, this recovery is also extraordinary in light of the significant risks faced by Plaintiffs in establishing liability and damages. In fact, at the time of settlement, Defendants had filed 13 motions for summary judgment seeking to dismiss the entirety of the Settlement Class's claims. Those motions contended that, although Lead Plaintiffs alleged that the Company's financial statements were false and misleading, there had been no restatement of the Company's financial statements, no government investigation had uncovered any fraud, no one had been fired by the Company, and there had otherwise been no acknowledgement by Defendants that any improper conduct had occurred. As a result, Defendants argued vehemently that there simply had been no wrongdoing and that the Complaint was wholly without merit.

5. Defendants further claimed that, even if Lead Plaintiffs could establish liability, loss causation was still absent. Loss causation refers to the element of a securities claim which requires that the revelation of the fraud cause the drop in the price of Williams' stock alleged to have damaged Plaintiffs. Defendants argued that there were other significant negative market events, unrelated to the alleged fraud, which caused Williams' stock price to plummet. In other words, even if Plaintiffs could establish liability, Defendants contended that Plaintiffs had not been damaged. In short, Defendants had significant arguments that jeopardized the entirety of Plaintiffs' case.

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[2] Joint Declaration of Michael Padfield For The Ontario Teachers' Pension Plan Board And David Malone For the Arkansas Teacher Retirement System In Support Of The Final Approval of The Settlement, The Plan of Allocation, And An Award of Attorneys' Fees And Reimbursement of Expenses ("Lead Plaintiffs' Declaration") (Exhibit 2).

6. The $311 million settlement is also remarkable in light of the complexity of the underlying subject matter of the claims, which concerned energy trading and accounting manipulation among other topics. Lead Plaintiffs' allegations that Williams' financial statements were false and misleading required, among other things, that Plaintiffs prove that Williams' energy trading assets had been improperly inflated and that Williams' accounting for those assets was improper. Lead Counsel had to retain multiple expert witnesses to properly understand and analyze the underlying documents. Among these experts, Lead Plaintiffs retained an energy trading expert who was qualified to recreate Williams' complex mathematical models in order to determine the alleged inflation of the energy assets. This is just one of the many areas of complexity faced by Lead Plaintiffs and Lead Counsel in prosecuting the case.

7. The difficulties faced by Lead Plaintiffs and Lead Counsel due to the complexity of the subject matter were compounded by the volume of discovery produced by Defendants and third parties, which in total produced more than 18 million pages of documents. Based on this massive amount of information, the successful prosecution of the case was nothing short of a Herculean task. Indeed, Lead and Liaison Counsel enlisted a team of dozens of attorneys throughout the country to review the documents, retained an outside vendor to supply and support an electronic database to store the documents, and took and defended 170 depositions in response to the mountain of information that needed to be distilled to its critical elements. To top it all off, the vast majority of Defendants' document production and depositions took place within a significantly compressed discovery schedule of twelve months – from January 2005 through January 2006.

8. In light of the size and complexity of the case, the settlement discussions were also extremely difficult and contentious. The parties agreed to mediate the action and selected the Honorable Layn R. Phillips as the mediator. Judge Phillips was particularly well suited to mediate this case because of his prior service both as a United States Attorney in Oklahoma and as a United States District Judge for the Western District of Oklahoma, as well as the fact that Judge Phillips is an experienced mediator of complex actions like this one and was familiar with counsel for the parties. This is set forth in more detail in Judge Phillips' Declaration (the "Phillips Declaration") attached as Exhibit 1. As discussed in the Phillips Declaration, this was one of the most difficult cases to settle in Judge Phillips' experience as a mediator and as a litigator. *See* Phillips Declaration at ¶2 *et seq*. The mediation took over a year and involved a number of face-to-face sessions as well as innumerable discussions among Judge Phillips, the parties, and counsel. *Id.* at ¶5 *et seq*. Based on his direct involvement in mediating the Settlement of this case, Judge Phillips fully endorses the Settlement and describes it as "an excellent recovery for the class" and one that "represents a fair and reasonable settlement for all parties given the risks involved." *Id.* at ¶17. Among the risks facing Lead Plaintiffs and the class, as identified by Judge Phillips, were:

- the risk of a ruling against plaintiffs on summary judgment;
- the risk that a Tulsa jury would be disinclined to make a finding of liability against Williams in light of its history and role as a major employer in the area;
- the risk that a Tulsa jury would view the lack of any restatement or wrongdoing uncovered by a government agency as an indication that, in fact, there had been no wrongdoing at Williams;
- the risk that the complex fraud alleged would not be compelling to a jury; and

- the risk that, even if liability was established, a Tulsa jury would not award significant damages**.**

Id.

9. As discussed below and in the accompanying declaration of Michael Padfield and David Malone on behalf of Ontario Teachers and Arkansas Teachers (attached as Exhibit 2), Lead Plaintiffs directly oversaw the prosecution, mediation, and settlement of this case. Lead Plaintiffs are both sophisticated institutional investors with significant experience overseeing the prosecution of securities class actions. Lead Plaintiffs were involved in every significant strategic decision made regarding the handling of the case as well as the mediation and settlement of the action. Among other things, Lead Plaintiffs reviewed and commented on the numerous submissions filed with the Court, including summary judgment papers and other motions filed with the Court. Lead Plaintiffs were both in attendance at the mediation session conducted in Judge Phillips' offices in May 2006, and interacted with him directly. Judge Phillips indicates in his declaration that he was "impressed by the deep involvement of the Lead Plaintiffs' representatives in overseeing the prosecution of the case, and with their commitment to that obligation..." *See* Phillips Declaration at ¶14. Judge Phillips further underscores the importance of Lead Plaintiffs in his declaration, noting:

> It is clear to me that the class could not have obtained $311 million earlier than it did or without institutional investors serving as Lead Plaintiffs or without Lead Counsel and Liaison Counsel who were able to go toe-to-toe with [defendants and their counsel]...

Id. at ¶ 19.

10. In short, the obstacles faced by Lead Plaintiffs were substantial. Defendants presented a formidable defense on liability and loss causation. The volume of discovery was massive, and the case was extremely difficult, complex and hard to settle.

Despite these significant hurdles, Lead Plaintiffs obtained a $311 million cash settlement that Lead Counsel respectfully submits is outstanding, easily meets the fair, adequate and reasonable standard, and thus should be approved by the Court.

11. Lead Counsel also respectfully requests that the Court approve the Plan of Allocation, which was prepared by Lead Plaintiffs in conjunction with their damages expert, Dr. Scott Hakala, PhD, CFA. The Plan of Allocation provides for a pro rata distribution of the Net Settlement Funds to each Settlement Class Member who has a Recognized Claim. The Settlement Class received copies of the Plan of Allocation as part of the notice program disseminated pursuant to the Court's October 5, 2006 Order Preliminarily Approving Settlement, Certifying Settlement Class, and Providing For Notice (the "Preliminary Approval Order") [Dkt No. 1550]. As set forth in more detail below, Lead Plaintiffs and Lead Counsel respectfully submit that the Plan of Allocation is fair, adequate and reasonable and should be approved.

12. In addition, Lead and Liaison Counsel, on behalf of all plaintiffs' counsel who have contributed to the prosecution of the case, have requested a fee award of 25% of the Settlement Fund after payment of counsel's out-of-pocket expenses as awarded by the Court. Lead Counsel also requests reimbursement of expenses in the amount of $10,564,124.41. Lead Counsel respectfully submits that the fee award and reimbursement of expenses should be approved by the Court, at least in part, because it is approved and supported by Lead Plaintiffs. *See* Lead Plaintiffs' Declaration at ¶¶ 5, 44. Lead Plaintiffs are sophisticated institutions, have experience in large securities class actions in addition to this one, and take their fiduciary responsibilities with the utmost seriousness and care. Based on their vast experience and deep involvement in the case,

Lead Plaintiffs have concluded that the attorneys' fees and reimbursement of expenses requested are fair, adequate and reasonable.

13. The Court should also approve the request for attorneys' fees of 25% of the Net Settlement Fund because it is well within the fees that courts in this Circuit and across the country award in comparable securities class actions. As set forth more fully below, 25% of a common fund is the "benchmark" award in the Tenth Circuit. In addition, the fee request represents a lodestar multiplier of less than 1.7, which is significantly below the standard range of 3 to 4. The lodestar multiplier is calculated by dividing (i) the fee requested by (ii) the number of hours counsel billed to the case multiplied by each counsel's standard hourly rate. Courts have recognized that a multiplier is appropriate to compensate for the risk inherent in contingency fee arrangements. Accordingly, Lead Counsel respectfully submits that the Court should approve the fees and expense application as fair, adequate and reasonable.

II. THE SETTLEMENT

14. The terms of the settlement are set forth in the Stipulation of Settlement (the "Stipulation"), which was executed on August 28, 2006 between and among all the parties to the action,[3] specifically: (1) Lead Plaintiffs, on behalf of themselves and the members of the WMB Subclass, (2) The Williams Companies, Inc. ("Williams"), (3) the Individual Settling Defendants,[4] (4) the Underwriter Defendants,[5] and (5) Ernst & Young

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[3] Excluding only John C. Bumgarner, who was dismissed without prejudice pursuant to a Stipulation of Dismissal filed with the Court on November 17, 2005 [Dkt. No. 898]. Accordingly, all claims against all Defendants will be settled or dismissed, subject to the Court's approval of the Settlement.

[4] The "Individual Settling Defendants" include: Keith Bailey, Jack McCarthy, Gary Belitz, Steven Malcolm, William E. Hobbs, Hugh M. Chapman, Thomas H. Cruikshank, W.R. Howell,

LLP ("E&Y," together with Williams, the Individual Defendants and Underwriter Defendants, the "Settling Defendants") (the "Settlement").

15. Pursuant to the Settlement, Williams paid or caused to be paid $290,000,000.00 (two hundred ninety million) in cash into an interest-bearing Escrow Account in two installments on November 1 and November 3, 2006. E&Y paid or caused to be paid $10,000,000.00 (ten million) into an interest-bearing Escrow Account on January 10, 2006 and paid or caused to be paid an additional $11,000,000 (eleven million) on November 3, 2006. Collectively, these monies (defined in the Stipulation as the Settlement Fund) will not be distributed to the Settlement Class Members unless the Settlement is approved by the Court, and until claims submitted to the Claims Administrator are fully reviewed and the Court issues an Order authorizing distribution to the Settlement Class.

16. The consideration received by the Settling Defendants is the entry by the Court of an Order and Final Judgment which will dismiss this action against the Settling Defendants, with prejudice, and bar and permanently enjoin Lead Plaintiffs and each member of the Settlement Class (with the exception of those who requested exclusion from the Class by December 22, 2006) from prosecuting the Released Claims. Any such member of the Settlement Class will be conclusively deemed to have fully, finally and

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Charles M. Lillis, Frank T. MacInnis, Peter C. Meinig, Janice D. Stoney, Glenn A. Cox, William E. Green, James C. Lewis, George Lorch, Gordon R. Parker, and Joseph H. Williams.

[5] The "Underwriter Defendants" include: Merrill Lynch & Co., Inc., Salomon Smith Barney Inc. n/k/a Citigroup Global Markets, Inc., Lehman Brothers, Inc., Banc of America Securities LLC, Credit Suisse First Boston Corp. n/k/a Credit Suisse Securities (USA) LLC, CIBC World Markets Corp., Goldman, Sachs & Co., and UBS Warburg, LLC n/k/a UBS Securities LLC.

forever released, relinquished and discharged any and all such Released Claims against each Released Person, as those terms are defined in the Stipulation.

17. The Settlement was preliminarily approved by the Court on October 5, 2006, as set forth in the Preliminary Approval Order. Pursuant to the Preliminary Approval Order, the Court (i) certified the action to proceed as a class action for purposes of settlement pursuant to Rule 23(a) and Rule 23(b)(3) of the Federal Rules of Civil Procedure, (ii) appointed Lead Plaintiffs as class representatives, (iii) preliminarily approved the Settlement, and (iv) authorized Lead Counsel to mail and publish notice to class members informing them of the Settlement. Pursuant to the Preliminary Approval Order certifying the Class, the WMB Subclass consists of all Persons or entities that purchased or otherwise acquired the following Williams securities between July 24, 2000 and July 22, 2002, inclusive, (the "Settlement Class Period"), and were allegedly injured thereby:

(1) Williams common stock in the open market;

(2) Approximately 38,000,000 (thirty eight million) shares of Williams common stock issued pursuant or traceable to a Prospectus, Prospectus Supplement, and Registration Statement declared effective by the SEC on or about January 16, 2001 ("the Stock Offering');

(3) Approximately 30,000,000 (thirty million) shares of Williams common stock issued pursuant or traceable to a Form S-4 Registration Statement declared effective by the SEC on or about June 15, 2001 in connection with the August 2, 2001 merger of Barrett Resources Corporation into Williams (the "Barrett Resources Offering");

(4) Williams 7.125% Notes due 2011 and Williams 7.875% Notes due 2021 (the "Notes") issued pursuant or traceable to a Prospectus, Prospectus Supplement and Registration Statement declared effective by the SEC on or about August 16, 2001 (the "Notes Offering"); and

(5) Approximately 44,000,000 (forty-four million) FELINE PACS issued pursuant or traceable to a Prospectus, Prospectus Supplement, and Registration Statement declared effective by the SEC on or about January 7, 2002 (the "FELINE PACS Offering," collectively with the Stock Offering, the Barrett Resources Offering, and the Notes Offering, the "Offerings").[6]

18. Also pursuant to the Preliminary Approval Order, putative members of the Settlement Class were mailed the following:

(a) Notice of (1) Proposed Settlement of Securities Class Action, (2) Certification of a Settlement Class, (3) Settlement Hearing, (4) Application for Attorneys' Fees and Expenses, and (5) Proposed Plan of Allocation (the "Notice"); and

(b) The Proof of Claim and Release Form ("Proof of Claim").

19. As of January 12, 2007, more than 460,000 Notices have been disseminated to potential members of the Settlement Class. This is discussed further in the accompanying declaration of Jennifer M. Keough of Garden City Group Inc., attached as Exhibit 4. In addition, pursuant to the Preliminary Approval Order, a Summary Notice of Pendency of Class Action and of Proposed Settlement of Class Action ("Summary Notice") was published in *The Tulsa World* and *The Wall Street Journal* on October 26, 2006. *Id.* at Exh. A.

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[6] Excluded from the Settlement Class are: the Settling Defendants; members of the families of each of the Individual Settling Defendants; any parent, subsidiary, affiliate, partner, officer (having a title of senior vice president or above), executive, or director of any Settling Defendant during the Settlement Class Period; any entity in which any such excluded person has a controlling interest; and the legal representatives, heirs, successors and assigns of any such excluded person or entity. Also excluded from the Settlement Class is any Person or entity who or which properly excludes himself, herself or itself by filing a valid and timely request for exclusion in accordance with the requirements set forth in the Notice.

III. HISTORY OF THE LITIGATION

20. Beginning on January 29, 2002, thirty class actions were commenced against Williams and certain of the other Defendants in the United States District Court for the Northern District of Oklahoma.[7] By Order dated April 15, 2002 these actions were consolidated for all purposes and styled *In re Williams Securities Litigation*, 02-CV-72 SPF (FHM) [Dkt. No. 49]. On July 8, 2002 the Court bifurcated the action into the two separate subclasses: purchasers of Williams' securities (the WMB Subclass) and purchasers of Williams Communications Group, Inc.'s securities (the "WCG Subclass") [Dkt. No. 128]. The Settlement only includes the settlement of the WMB Subclass. Also on July 8, 2002, the Court appointed HGK Asset Management ("HGK") as lead plaintiff of the WMB Subclass, and Schoengold & Sporn and the Seymour Law Firm as co-lead counsel for the WMB Subclass. On August 30, 2004, HGK filed a motion to withdraw as lead plaintiff and Schoengold & Sporn as lead counsel, which was subsequently granted [Dkt. No. 518].

21. By Order dated January 18, 2005, the Court appointed Ontario Teachers and Arkansas Teachers as Lead Plaintiffs of the WMB Subclass [Dkt. No. 663]. The Court also appointed Bernstein Litowitz Berger & Grossmann LLP ("Bernstein

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[7] (1) *Cali* v. *Williams et al.*, 02-72; (2) *Weisz v. Williams et al.*, 02-77; (3) *Matcovsky v. Williams et al.*, 02-72; (4) *Hansbro v. Williams et al.*, 02-80; (5) *Rovner v. Williams et al.*, 02-81; (6) *Clavin v. Williams et al.*, 02-83; (7) *Berger v. Williams et al.*, 02-93; (8) *BC Investment Club v. Williams et al.*, 02-95; (9) *Kosseff v. Williams et al.*, 02-97; (10) *Cohen v. Williams et al.*, 02-107; (11) *Shook v. Williams et al.*, 02-113; (12) *Goldstein v. Williams et al.*, 02-120; (13) *Amezzani v. Williams et al.*, 02-124; (14) *Cottrell v. Williams et al.*, 02-130; (15) *Market Street Securities, Inc. v. Williams et al.*, 02-132; (16) *Querci v. Williams et al.*, 02-135; (17) *Ackerman v. Williams et al.*, 02-139; (18) *Sheniak v. Williams et al.*, 02-161; (19) *Miller v. Williams et al.*, 02-162; (20) *Omar v. Williams et al.*, 02-184; (21) *Wilkinson v. Williams et al.*, 02-189; (22) *Jordan v. Williams et al.*, 02-190; (23) *Harman v. Williams et al.*, 02-204; (24) *Teamster 854 Pension Fund v. Williams et al.*, 02-205; (25) *Katz v. Williams et al.*, 02-206; (26) *Watkins v. Williams et al.*, 02-218; (27) *Vaughan v. Williams et al.*, 02-231; (28) *Cohen v. Williams et al.*, 02-235; (29) *Local 710 Pension Fund v. Williams et al.*, 02-303; (30) *Hoffman v. Williams et al.*, 02-319.

Litowitz") as sole Lead Counsel and the Burrage Law Firm as sole Liaison Counsel for the WMB Subclass.

22. The operative complaint in the action was the Consolidated Amended Complaint (the "Complaint") filed on October 7, 2002. The Complaint alleges, among other claims, violations of Sections 11 and 12(a)(2) of the Securities Act of 1933 (the "Securities Act") and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rule 10b-5 promulgated thereunder. More specifically, the Complaint alleges that during the Settlement Class Period, as a result of the Settling Defendants' dissemination of materially false and misleading statements, members of the WMB Subclass purchased or otherwise acquired Williams' common stock, 7.125% Notes due 2011, 7.875% Notes due 2021, and FELINE PACS at prices that were artificially inflated, and were injured thereby.

A. SUMMARY OF THE ALLEGATIONS

23. The allegations of the Complaint primarily related to two distinct sets of facts: (i) the financial guarantee by Williams of certain obligations exceeding $2 billion incurred by the Company's spun-off subsidiary, Williams Communications Group, Inc. ("WCG"), and (ii) Williams' earnings from its energy marketing and trading division.

24. The gravamen of the WCG allegations is that Williams failed to publicly disclose on a timely basis that Williams would incur a charge stemming from the WCG guarantees. The Complaint alleges that Defendants knew, or should have known, that WCG would default on the Williams' guaranteed obligations well before Williams announced on January 29, 2002 that the Company would likely incur a charge of approximately $2 billion. The financial condition of WCG and Williams' knowledge of WCG's financial condition were therefore critical to Plaintiffs' case. In this regard, Lead

Plaintiffs allege that Defendants knew by no later than July 2000 (the beginning of the Settlement Class Period) that WCG was experiencing massive losses, while at the same time falsely assuring the market that WCG was not experiencing the adverse financial conditions encountered by nearly every other telecommunications company in the industry.

25. Lead Plaintiffs further alleged that Williams had to eliminate the massive losses being incurred by WCG from the Company's balance sheet because those losses threatened the much more profitable energy trading business. Indeed, it was the energy trading profits that were supporting the stock price. Accordingly, Lead Plaintiffs alleged that the real – but undisclosed – purpose of the spin-off of WCG on April 23, 2001 was to protect Williams' financial condition and liquidity, which were critical to the success of energy trading.

26. While Williams needed to tout WCG's business and financial prospects in order to successfully spin-off WCG, Lead Plaintiffs alleged that Williams knew that the reality was much different. Specifically, Lead Plaintiffs claimed that Defendants knew that WCG had no chance of survival on its own because WCG lacked sufficient capital to fund its operations and satisfy its already massive debt obligations, including nearly a billion dollars of debt owed to Williams. As a result, according to the Complaint, Williams falsely reported the true extent of its financial exposure to WCG in its financial statements, which constituted a violation of Generally Accepted Accounting Principles ("GAAP").

27. Lead Plaintiffs further alleged that it was not until January 29, 2002 that Williams properly disclosed that it would incur a multi-billion dollar loss stemming from

its guarantees of WCG's financial obligations. In response to this disclosure, Lead Plaintiffs argued that Williams' stock price dropped approximately 20%, from approximately $24 to $18 per share.

28. With respect to the energy trading allegations, Lead Plaintiffs claimed that the Company falsely inflated its reported energy trading profits. Those profits had grown significantly beginning in the late 1990s. Williams' reported profits from energy trading increased ten-fold in one year: from $100 million in 1999 to $1 billion in 2000. Lead Plaintiffs alleged that this rapid increase in earnings, as well as the energy earnings reported in 2001, was the result of earnings manipulation in its energy trading division.

29. In July 2002, Williams reported a massive earnings shortfall in its energy trading unit. As a result of these revelations, Lead Plaintiffs allege that the public learned that Williams had been manipulating its energy profits and that the subsequent drop in Williams' stock price from approximately $5 to under $1 per share was a result of the fraud.

30. Lead Plaintiffs alleged that the Underwriter Defendants knew, or should have known, about Williams' allegedly false and misleading statements, but they still underwrote the Company's public Offerings. Pursuant to the Complaint, the Underwriter Defendants were therefore liable because they either knew of the alleged fraud or failed to conduct adequate due diligence to uncover it in connection with the Offerings. Similarly, the Complaint alleges that Williams' Outside Directors were also liable for Williams' alleged false and misleading statements because they signed the registration statements issued in connection with the Offerings and either knew of the fraud or failed to conduct adequate due diligence.

31. With respect to E&Y, Williams' outside auditors issued clean audit opinions, which, according to the Complaint, falsely stated that Williams' financial statements complied with GAAP. E&Y, however, also was allegedly aware or should have been aware that Williams' energy earnings were manipulated and that Williams'

32. In sum, the Complaint sets forth a multi-faceted alleged fraud, perpetrated principally by Williams and its senior officers, but with the intentional or reckless involvement of the Company's underwriters, outside directors, and external auditors. Because of the intentional or reckless misconduct of these various actors, Lead Plaintiffs alleged that thousands of investors suffered substantial losses.

B. Lead Plaintiffs' Prosecution Of The Action

1. Lead Plaintiffs Closely Coordinated The Prosecution Of The Action With The WCG Subclass, The ERISA Plaintiffs, And Prior Counsel In The WMB Subclass

33. Immediately after the Court appointed Ontario Teachers and Arkansas Teachers as Lead Plaintiffs on January 18, 2005, Lead and Liaison Counsel reached out to counsel for the WCG Subclass, the ERISA plaintiffs, and other counsel who had been involved in the action in order to create efficiencies related to the prosecution of the case. The WCG Subclass, in particular, had been prosecuting certain similar allegations with respect to WCG. Indeed, the WCG Subclass also alleged that their class members had been misled about the financial condition of WCG. Yet, until that point, there had been virtually no coordination between the WMB and WCG Subclasses. Accordingly, Lead and Liaison Counsel proposed that the attorneys coordinate the prosecution of the relevant aspects of those cases. WCG's plaintiffs' counsel agreed, and the WMB and WCG Subclasses subsequently entered into a Joint Prosecution Agreement on March 31,

2005 [Dkt. No. 733]. Plaintiffs in the ERISA Litigation (02-cv-153) were also parties to this agreement. The Court approved the agreement on April 25, 2005 [Dkt. No. 745]

34. The advantages and efficiencies gained from the Joint Prosecution Agreement were substantial. For example, as set forth in more detail below, Lead Plaintiffs uploaded all documents produced by Defendants to an electronic database that enormously facilitated the review and analysis of the documents.

35. Sharing an electronic database further facilitated substantive coordination and cooperation in the prosecution of the case. Indeed, thousands of attorney and paralegal hours were saved as a result of the coordinated document review and deposition strategy. In fact, the attorneys dedicated to prosecuting the WCG-related claims in this action worked closely together with counsel for the WCG Subclass, preparing jointly for depositions, and relying on each other to cover substantive areas of overlap -- even if it required pursuing questions at depositions that were significantly more relevant to the other subclass. Absent this tight coordination, Lead and Liaison Counsel and counsel for the WCG Subclass would have unnecessarily duplicated hundreds of hours of work.

36. In addition to the cooperation with counsel for the WCG Subclass, Lead and Liaison Counsel also sought to work with the several firms that had been involved in the case before HGK withdrew as lead plaintiff in August 2004. Other than one law firm, all of those firms readily agreed to work with Lead and Liaison Counsel to share their prior knowledge of the case and, in many instances, to continue working on the action. For instance, immediately after Lead Plaintiffs were appointed, Lead Counsel met with the attorneys at Schoengold & Sporn (prior lead counsel) numerous times over the course of several days to discuss the facts and background of the case. Lead Counsel and the

lead attorneys at Schoengold & Sporn discussed all the facets of the case, substantive and procedural. This included a review of the status of Defendants' document productions, deposition scheduling, additional discovery that needed to be pursued, the strengths and weaknesses of the case, and many other details. Schoengold & Sporn also made immediately available to Lead and Liaison Counsel dozens of boxes of materials and documents related to the case.

37. The law firms of Murray, Frank & Sailor LLP ("Murray Frank") and Futterman & Howard CHTD ("Futterman") were also extremely cooperative. Murray Frank's and Futterman's attorneys had been involved in the review of documents early in the discovery process in 2003, and possessed a wealth of knowledge that was extremely useful to Lead and Liaison Counsel. Indeed, these attorneys continued to work on the case after Lead Plaintiffs were appointed, reviewed documents, and helped prepare Lead and Liaison Counsel for depositions and discovery throughout the course of the action.

38. In sum, the cooperation of many of the law firms involved prior to the appointment of Lead Plaintiffs, as well as the Joint Prosecution Agreement entered into with the WCG Subclass in the spring of 2005, significantly reduced the expenses incurred and time billed by Lead and Liaison Counsel. This directly benefited the class.

2. LEAD PLAINTIFFS QUICKLY MOVED FOR CLASS CERTIFICATION

39. On January 31, 2005, less than two weeks after being appointed Lead Plaintiffs on January 18, 2005, Ontario Teachers and Arkansas Teachers moved to certify the class and to be appointed class representatives. Lead Plaintiffs also moved for the appointment as class representatives of (i) the Policemen and Firemen Retirement System of the City of Detroit ("Detroit P&F"), (ii) City of Miami General Employees' and Sanitation Employees' Retirement Trust ("Miami"), (iii) Local 710 Pension Fund and

Local 710 Health and Welfare Fund ("Local 710"), (iv) Gary Kosseff ("Kosseff"), (v) City of Westland Police and Fire Retirement System ("Westland P&F"), and (vi) Jeffrey S. Jordan ("Jordan," collectively the "Proposed Class Representatives").

40. Lead Plaintiffs proposed the additional class representatives, in part, because Lead Plaintiffs had not purchased all the securities at issue in the action and had not directly purchased in the Offerings. For example, although Ontario Teachers and Arkansas Teachers had each purchased over one millions shares of Williams' common stock in the open market, it had not purchased common shares in the Stock Offering. Miami, however, had participated in that offering. Similarly, Kosseff had purchased the FELINE PACS, while Lead Plaintiffs had not.

41. Defendants conducted extensive discovery of the Proposed Class Representatives. Defendants served over 20 sets of documents requests and interrogatories and the Proposed Class Representatives produced tens of thousands of pages of documents. Proposed Class Representatives responded to numerous interrogatories and separate demands for documents in connection with class certification discovery. In addition, all Proposed Class Representatives were cross-examined at length at depositions taken by defense counsel. After class certification discovery concluded, Lead Plaintiffs filed a Reply Memorandum of Law in Further Support of Class Certification on August 29, 2005, thereby completing the briefing on class certification.

42. Lead Plaintiffs' motion for class certification was still pending at the time that the parties reached the Settlement. Accordingly, in connection with Lead Plaintiffs' motion to preliminarily approve the Settlement, Lead Plaintiffs also requested that the Court certify the Settlement Class. On October 5, 2006, the Court granted preliminary

approval of the Settlement and certified the Settlement Class for settlement purposes only pursuant to the Preliminary Approval Order [Dkt. No. 1550].

3. THE SUBSTANTIVE CLAIMS WERE VERY COMPLEX, INVOLVED MULTIPLE DEFENDANTS AND CONCERNED TWO DIFFERENT SETS OF FACTS

43. The prosecution of the case was extremely difficult because of the size and scope of the claims, the complexity of the subject matter, and the number of defendants. There were two distinct substantive sets of allegations with very different facts: (i) the energy trading-related allegations, and (ii) the WCG related claims. There also were five separate groups of Defendants: (i) Williams, (ii) the officer Defendants, (iii) the Underwriter Defendants, (iv) E&Y, and (v) the Outside Director Defendants. Each group of Defendants was subject to different standards of liability, with distinct degrees of involvement in the events at issue, and called for different legal and prosecutorial strategies. The prosecution of the case against these many Defendants on multiple fronts was further complicated because of the technical nature of the subject matters, which required that Lead Plaintiffs retain several expert witnesses, as set forth below.

(I) THE ENERGY-TRADING RELATED CLAIMS

44. The energy trading allegations presented the most difficult challenge in terms of complexity. At the core of these allegations were Williams' tolling agreements, which were multi-billion energy contracts that extended approximately 20 years or more into the future. Lead Plaintiffs alleged that Williams improperly manipulated the value of these tolling agreements in order to inflate its financial results. As a result, the value and valuation methodology of the tolling agreements were critical to the case, and Lead Plaintiffs' understanding of all issues concerning these tolling agreements was vital to the successful prosecution of the claims.

45. The tolling agreements were executed between Williams and power plant owners. Specifically, Williams agreed to buy electricity from power plants at set prices over the term of the agreement in return for the right to sell that electricity at market prices. Williams' profits or losses therefore depended on the price of electricity in the future. If the market price in the future was higher than the previously-agreed upon purchase price, Williams made a profit. If the market price was lower, Williams incurred a loss. An added complexity was that Williams could book the profit or loss today from the entire 20-year-plus tolling agreement by estimating the future market price of electricity throughout the life of the contract.

46. Many other variables affected Williams' profit or losses from the tolling agreements. For instance, the price of gas was critical because it was the fuel consumed by power plants to generate electricity. Interest rates were also a major factor given that Williams used present and future interest rates to discount the value of its future profits or losses from the sale and purchase of electricity. Other key variables and assumptions included the predictions about the supply and demand of electricity in the various markets in which Williams had tolling agreements, the volatility of the price of electricity and gas, and the correlation of the prices of electricity and gas.

47. All these variables and assumptions were derived and checked by extremely complicated mathematical models. Williams had created these models internally with the aid of traders with PhDs in physics and mathematics typically found at Wall Street's most prestigious financial engineering firms. Once these models calculated the price of electricity and gas over time, future interest rates, the correlation and volatility of electricity and gas, and many other variables, Williams would input these

variables into yet another mathematical model that would calculate whether Williams had made a profit or a loss on its tolling agreements. The process was so complex, lengthy, and computationally intensive that it would take dozens of computers all night to conduct the valuation process from beginning to end.

48. In order to fully understand these models and effectively prosecute the allegation that Williams had manipulated them to inflate the value of its tolling agreements, Lead Plaintiffs retained one of the pre-eminent consulting firms in the energy sector – The Brattle Group. The Brattle Group is a consulting firm based in Cambridge, Massachusetts that specializes in complex energy, finance and economic issues, and which includes among its members Dr. Daniel McFadden, recipient of the 2000 Nobel Prize in economics. Dr. Richard E. Goldberg, a principal with The Brattle Group, served as Lead Plaintiffs' expert. Dr. Goldberg has a Master's degree and PhD in physics from Stanford University and a Bachelor's degree from Princeton. His expertise is in energy price forecasting, valuation of energy contracts and assets, and risk management. With the assistance of a team of similarly highly educated and skilled professionals, including a Chartered Professional Accountant, Dr. Goldberg provided invaluable assistance to Lead and Liaison Counsel.

49. Lead Counsel retained The Brattle Group shortly after being appointed in early 2005. The Brattle Group conducted a massive analysis of Williams' models and processes involved in the valuation and trading of its energy contracts and tolling agreements. As part of this analysis, The Brattle Group recreated Williams' mathematical models and internal reporting procedures in order to fully trace and explain the alleged manipulation of the value of Williams' tolling agreements. For example, The

Brattle Group recreated Williams' internal projections for electricity and gas prices (a/k/a forward curves) and also the correlation and volatility forward curves for both of these commodities. Lead and Liaison Counsel worked extremely closely with The Brattle Group throughout this process and constantly discussed the review and analysis of the relevant documents. In fact, Dr. Goldberg monitored (either in person or by telephone) numerous energy-related depositions.

50. In addition to providing invaluable advice in the prosecution of the case, Dr. Goldberg submitted three expert reports in support of Lead Plaintiffs' claims: the (i) February 3, 2006 opening expert report, (ii) February 28, 2006 Addendum to the opening report, and (iii) March 10, 2006 rebuttal report. These reports, together, exceed 125 pages without including the hundreds of pages of supporting documentation, spreadsheets and calculations.

51. The Brattle Group was also instrumental in identifying certain key documents which still had not been produced by Defendants shortly before the end of discovery. The fact that those key documents were at the heart of Williams' valuation analysis and Plaintiffs' energy-related claims became obvious, in large part, as Lead Plaintiffs developed the case and further understood Williams' intricate financial and energy documents. After months of discussions with Williams, the Company finally produced these critical documents in February 2006, which was after initial expert reports had been exchanged. Lead Plaintiffs alleged that the documents confirmed their allegations and Dr. Goldberg's opening expert report. Indeed, as a result of these documents, Dr. Goldberg supplemented his opening expert report.

52. Overall, the depth, quality and breadth of Dr. Goldberg's analysis was critical to the prosecution of the action and to demonstrate that Lead Counsel had a sophisticated understanding of the technical issues at the heart of the energy manipulation allegations. Lead Counsel's efforts in developing this technical understanding (with the aid of The Brattle Group) significantly contributed to the result achieved in the action.

53. In connection with the energy allegations, Lead Plaintiffs also claimed that Williams' internal risk controls relating to its energy trading operation were inadequate and ineffective during the Settlement Class Period. Internal risk controls refers to all internal policies, procedures, and systems that are used to prudently monitor compliance with established rules, manage financial risk, and ensure that trading activity remains within the company's risk parameters. To enforce these controls, Williams had established and tasked a group which was appropriately named Risk Control. Some of the principal tasks of Risk Control were to ensure that no one had tampered-with the models and methodologies used to value the tolling agreements, and to check that the models had been properly executed and that the results were reasonable.

54. Lead Plaintiffs focused extensively in discovery on the effectiveness of Risk Control and whether Risk Control, in fact, had reviewed and checked the valuation of the tolling agreements during the Settlement Class Period. Lead Plaintiffs also retained an expert on risk controls who provided invaluable expert consulting advice and testimony, Dunham L. Cobb. Mr. Cobb had significant experience in trading and risk management and had served as a senior risk manager at utilities and trading operations to Williams, including Columbia Energy and Florida Power & Light. Based on this experience and his review of tens of thousands of pages of relevant documents and

deposition testimony, Mr. Cobb analyzed the critical structural and functional characteristics of Risk Control. Ultimately, Mr. Cobb prepared an expert report which provided an in-depth analysis of Risk Control and opined as to the adequacy of Williams' risk controls. Mr. Cobb was also deposed by Defendants.

55. Mr. Cobb's report on Risk Control (the procedural aspects of Williams' energy trading business) complemented Dr. Goldberg's financial and mathematical analysis of Williams' actual valuation of the tolling agreements. Both reports allowed Lead Plaintiffs to support their energy related allegations. Armed with the expert reports of Dr. Goldberg and Mr. Cobb, Lead and Liaison Counsel believe that Lead Plaintiffs were able to mount a strong case with respect to the energy-related allegations, which significantly contributed to the excellent recovery obtained on behalf of the Settlement Class.

(II) THE WCG CLAIMS

56. The essence of Lead Plaintiffs' allegations concerning WCG related to the financial condition and business prospects of WCG, and Williams' guarantee of more than $2 billion of WCG's financial obligations. Accordingly, the WCG allegations also presented an enormous challenge for Lead Plaintiffs because of the vast number of complex technical issues concerning the telecommunications industry, WCG's performance and business model, and the technology required to build a nationwide telecommunications network.

57. To properly analyze these issues, Lead Counsel retained the services of CXO, L.L.C. ("CXO"). CXO is a consulting firm specializing in the technology and telecommunications industry. One of the principals and co-founders of CXO, Dr. Brian G. Kushner, served as an expert on behalf of Lead Plaintiffs. Dr. Kushner received a B.S.

and M.S. degree in Applied & Engineering Physics in 1978 and 1980, respectively, and a PhD in applied Physics with a minor concentration in Electrical Engineering in 1984, all from Cornell University. Dr. Kushner's doctoral thesis and experimental research focused on the theory, design and implementation of high speed modulation techniques for semiconductor lasers in fiber optic communications systems. (WCG's fiber optic network was based on semiconductor lasers.) In addition, Dr. Kushner has significant experience in managing and restructuring telecommunication companies similar to WCG.

58. With this experience and background, Dr. Kushner helped Lead Plaintiffs analyze the state of the telecommunications industry, including the transactional and financing activity in that sector during the Settlement Class Period; WCG's competitive position within the telecommunications market; WCG's historical and operational performance and its level of capitalization, including a specific breakdown and analysis of its debt and financial obligations; WCG's prospects for servicing the indebtedness and other obligations; and WCG's ability access the capital markets to obtain additional liquidity.

59. Dr. Kushner and his team, together with Lead and Liaison Counsel, reviewed hundreds of thousands of pages of documents, prepared written analyses and presentations, and helped Lead and Liaison Counsel prepare for depositions. This analysis of the telecommunications industry and WCG's performance culminated with the preparation by Dr. Kushner of three expert reports exceeding 100 pages of text and opinions: the (i) February 3, 2006 report, (ii) March 10, 2006 rebuttal report, and (iii) April 13, 2006 updated report. In sum, Dr. Kushner provided invaluable advice and excellent expert reports in connection with a very technical subject matter.

(III) THE CLAIMS AGAINST THE UNDERWRITER DEFENDANTS, E&Y AND THE OUTSIDE DIRECTORS

60. In addition to prosecuting the allegations relating to the energy and WCG aspects of the case against Williams and its senior officers, Lead Plaintiffs also pursued those substantive allegations against the Underwriter Defendants, E&Y, and the Outside Directors. These defendants, however, were subject to different standards of liability than the Company and the other Individual Defendants. Indeed, it is not sufficient to establish liability for these defendants merely by showing that Williams and its senior officers perpetrated the alleged fraud – which, as set forth above, already amounted to an extremely complex undertaking. Lead Plaintiffs also had to rebut a showing that the Underwriter Defendants, E&Y, and the Outside Directors conducted a reasonable investigation in connection with their underwriting, auditing and supervisory responsibilities, commonly referred to as a due diligence defense. Indeed, the work, procedures, and industry standards relating to underwriting and auditing became a key part of the case because, in effect, at issue was whether the underwriters and E&Y adequately followed industry practice. Similarly, the due diligence and level of supervision of the Outside Directors over the affairs of the Company were also critical to Plaintiffs' claims.

61. With respect to the Underwriter Defendants, Lead Plaintiffs focused on the Offerings alleged in the Complaint to have included false and misleading statements. Lead Plaintiffs pursued discovery by analyzing in extreme detail the due diligence conducted by the Underwriter Defendants in connection with the Offerings, including, for example, the Underwriter Defendants' review and analysis of Williams' energy trading business, the valuation methodologies of the tolling agreements, WCG's financial

condition, and Williams' financial exposure to WCG. Lead Plaintiffs reviewed documents and conducted depositions in order to determine the level of information and access that the Underwriter Defendants had to the facts which should have put the Underwriter Defendants on notice that, as alleged by Lead Plaintiffs, a fraud was being committed.

62. In support of the case against the Underwriter Defendants, Lead Plaintiffs retained the services of an expert witness, James F. Miller, who analyzed whether the due diligence conducted by the Underwriter Defendants had been adequate and consistent with industry standards. Mr. Miller has nearly 20 years of experience as a senior investment banker and was involved in hundreds of underwritten offerings. In fact, during his career Mr. Miller has served as a member of each of the Deutsche Bank's, Lehman Brothers', Dresdner Kleinwort Wasserstein's respective commitment committees for equity offerings. In addition to providing invaluable advice during the prosecution of the case, Mr. Miller issued two expert reports (a February 3, 2006 opening report and a March 10, 2006 rebuttal report) and was deposed by Defendants.

63. With respect to E&Y, at issue were E&Y's audits of Williams' financial statements for 2000 and 2001. Lead Plaintiffs alleged that Williams' financial statements had falsely inflated the earnings of Williams' energy business and failed to timely and properly account for Williams' guarantees of WCG's financial obligations. Yet, in connection with E&Y's audits, E&Y had issued auditing opinions stating that Williams' financial statements complied with GAAP and that E&Y had conducted the audits pursuant to Generally Accepted Auditing Standards ("GAAS"). Accordingly, to prove

their case against E&Y, Lead Plaintiffs needed to show that E&Y's audit opinions violated GAAP and GAAS.

64. The audit opinions concerning Williams' energy and WCG operations raised intricate accounting questions. For example, on the energy side, the accounting for Williams' tolling agreements was based on mark-to-market accounting. In simplified form, mark-to-market accounting allowed Williams to book today as revenue all the future earnings of each tolling agreement. The future earnings were estimated based on the allegedly manipulated valuation methodology used for the tolling agreements. Accordingly, Lead Plaintiffs had to show that Williams and E&Y improperly valued the tolling agreements in violation of mark-to-market accounting principles. Similarly, the WCG-related allegations were largely dependent on an accounting assessment of the probability that WCG would fail. A specific accounting rule, known as FAS 5, dictated how the timing of that assessment had to be conducted and Lead Plaintiffs needed to demonstrate that E&Y did not properly apply FAS 5.

65. In connection with these accounting issues, Lead Plaintiffs retained Dr. Stephen L. Henning to provide expert testimony. Dr. Henning is a partner with the accounting firm of Marks, Paneth & Shron LLP, which provides litigation and forensic accounting services. Prior to joining Marks, Paneth & Shron, Dr. Henning was an accountant at the Office of Accounting of the Securities & Exchange Commission and an accounting professor for Southern Methodist University. Dr. Henning and his team reviewed hundreds of thousands of pages of documents, including E&Y's audit work papers. The work papers constitute the formal backup of the audit. In connection with Dr. Henning's expert opinion, he provided an expert report and was subject to deposition.

66. With respect to the claims against the Director Defendants pursuant to Section 11 of the Securities Act, Lead Plaintiffs alleged that the Director Defendants had signed the registration statements of the Offerings and were therefore liable for any false and misleading statements in each of those registration statements, subject to a due diligence defense. The industry standard of due diligence required of a Director Defendant is different than the due diligence required of the Underwriter Defendants in light of the different roles that Directors and Underwriters have in terms of supervision of the Company. Accordingly, Lead Plaintiffs also conducted extensive discovery in connection with the Director Defendants' due diligence. Lead Plaintiffs reviewed hundreds of thousands of documents, deposed Director Defendants, and engaged an expert to opine on the adequacy of the Directors due diligence. Specifically, Lead Plaintiffs retained Dr. Ronald G. Fountain a business professor at Walsh University in Canton, Ohio. Dr. Fountain issued two expert reports, an opening report on February 3, 2006 and a rebuttal report on March 10, 2006, and was deposed by Defendants.

67. In short, Plaintiffs' claims against the Underwriter Defendants, E&Y, and the Outside Director Defendants involved intricate financial and accounting issues, and questions concerning due diligence and audit procedures and the industry standards for each group of defendants which conducted due diligence. Nevertheless, these complicated factual and technical issues did not prevent Lead Plaintiffs from prosecuting these claims vigorously and effectively.

(IV) DAMAGES AND LOSS CAUSATION ISSUES

68. Damages and loss causation also presented difficult technical challenges for Lead Plaintiffs. Damages are typically measured based on the inflation per share, which refers to the portion of the price per share attributable to the alleged false and

misleading statements. For example, if on a given day Williams' stock price was $10, but $3 was based on the alleged false energy profits while $7 was based on Williams' true earnings, the inflation per share would have been $3 per share, assuming no other false and misleading statements. Measuring inflation per share for each day in the Class Period, however, is an extremely complex statistical process and usually requires an event study. An event study is a statistical analysis designed to measure whether the stock price responds to specific news and events and the amount by which the stock price is based on the alleged false and misleading statements compared to other news (*i.e.*, the inflation).

69. In light of the technical and complex nature of damages in a securities class action, Lead Plaintiffs retained Dr. Scott D. Hakala to provide expert testimony in connection with damages and loss causation. Dr. Hakala issued an expert report on February 3, 2006 (subsequently revised on March 23, 2006) and a rebuttal report on March 10, 2006. Dr. Hakala received a PhD in economics from the University of Minnesota, is a Chartered Financial Analyst, and has extensive training in statistics. He is currently a director at CBIZ Valuation Group, LLC, a national business valuation and consulting firm. Dr. Hakala has also served as a consultant and expert witness on dozens of occasions regarding damages in securities class actions and has testified multiple times at deposition and trial. As a CFA and an economist, Dr. Hakala has also had broad training and experience in the trading of public securities, including knowledge of market makers, securities markets and the modeling of individual and institutional trading patterns. Dr. Hakala's training and experience also includes determining inflation per share with event studies. Finally, Dr. Hakala has analyzed and evaluated companies in

the telecommunications sector and energy industry similar to Williams, including companies such as Enron, Dynegy, Calpine and Entergy.

70. Based on his experience, Dr. Hakala conducted an extremely detailed and exhaustive event study of Williams' stock price for each day during the Settlement Class Period, which Dr. Hakala included in his expert report. Dr. Hakala's event study was composed of three stages. The first stage identified the material events on each day of the Settlement Class Period that affected the stock price. The information reviewed included analysts' reports, press releases, securities filings, news articles and Internet bulletin board postings, among others. The second stage of the event study involved the identification and analysis of possible market indices and guidelines or peer group companies relative to the returns of Williams' shares. The third stage of the analysis involved analyzing the events identified in stage one in an integrated event study regression that explicitly corrected for changes in volatility during various time periods over the Settlement Class Period. Based on this regression analysis, Dr. Hakala was able to estimate the price effect of each material event and isolate the inflation for each day of the Settlement Class Period.

71. The damages and loss causation issues about which Dr. Hakala opined, in addition to the plethora of other technical matters in the case, such as the valuation of the tolling agreements, the financial condition and business future of WCG, the likelihood that Williams would incur a loss based on its WCG obligations, and the accounting treatment of all these issues, undoubtedly created a level of difficulty and complexity rarely seen in one case. Nevertheless, Lead Plaintiffs rose to the challenge and, as

evidenced by the excellent result achieved, were successful in their prosecution of the action.

4. LEAD PLAINTIFFS CONDUCTED A MASSIVE DISCOVERY EFFORT

(I) DEFENDANTS PRODUCED OVER 18 MILLION PAGES OF DOCUMENTS

72. In addition to facing difficult technical issues, Lead Plaintiffs were confronted with a case massive in scale. Lead Plaintiffs therefore launched a monumental discovery effort that included the review of more than 18 million pages of documents. Also, Lead Plaintiffs had to conduct this review in an extremely short time frame. As of December 2004, only one month prior to the appointment of Ontario Teachers and Arkansas Teachers as Lead Plaintiffs, Defendants had produced approximately 4.85 million pages of documents. Between December 2004 and May 2005, Defendants then produced an additional 9 million pages of documents, with yet another 4 million pages more produced before discovery concluded. In other words, Defendants produced more than twice as many pages of documents in the last year of discovery, when Ontario Teachers and Arkansas Teachers served as Lead Plaintiffs, than in the prior three years of litigation.

73. This 18-million-page document production reflected the vast number of issues and claims in the case. To review, organize and analyze this vast amount of information Lead Plaintiffs dedicated extraordinary resources and technology. The documents were all placed in an electronic database that allowed counsel to search the documents through ‘Boolean’ searches as well as by multiple other categories, such as by author and/or recipients, type of document (i.e., emails, spreadsheets, audit documents), date, producing party, etc. The electronic database was also accessible through the

internet, allowing attorneys under the direction of Lead and Liaison Counsel to review documents and coordinate discovery throughout the country. For example, when attorneys in one location pulled documents and organized them for a deposition in an electronic folder in the electronic database, other attorneys in another location closer to the deposition itself were able to immediately access those documents through the internet and have them ready for a deposition.

74. To review these millions of pages of documents, Lead and Liaison Counsel employed a team of dozens of attorneys. These attorneys were based throughout the country, and were simultaneously reviewing documents, taking depositions and pushing forward with discovery on behalf of Lead Plaintiffs. This many attorneys were necessary because the deposition schedule was extremely compressed and required the constant review, sorting and preparation of documents. In fact, as Defendants were still producing millions of pages of documents in the spring of 2005, Lead Plaintiffs were taking depositions in order to complete the necessary depositions prior to the fact discovery cut-off date of January 13, 2006.

(II) LEAD PLAINTIFFS TOOK OVER 150 DEPOSITIONS

75. Lead Plaintiffs commenced taking depositions in April 2005, only three months after being appointed. By June, Lead Plaintiffs were taking approximately 10 depositions per month, or two per week, and by November Lead Plaintiffs were taking over 20 depositions per month, or approximately 5 per week. To accommodate third-party witnesses who could not appear during the work week, Lead Plaintiffs conducted many depositions on Saturdays. In addition, Lead Plaintiffs flew across the country including travel to Montana, Texas, Illinois, Nebraska, California and New York to take these various depositions. By the conclusion of fact and class certification discovery,

Lead Plaintiffs had conducted well over 150 depositions in the span of approximately six-and-a-half months.

76. The number of depositions was necessary due to the number of issues, and the complexity of the claims, and the number Defendants and other relevant witnesses. For example, with respect to the energy-related allegations, Lead Plaintiffs had to depose a wide number of groups and people within Williams' energy trading division because the trading operation consisted of discrete groups involved in sales, trading, quantitative analysis, risk management, and Risk Control. Each one of these groups had a specific function in the valuation process of the tolling agreements and Lead Plaintiffs deposed a significant number of witnesses from each group.

77. Similarly, with respect to the Underwriter Defendants, a thorough examination of the due diligence was critical to Lead Plaintiffs' case because, effectively, the claims against underwriters ultimately hinge on the quality of the due diligence conducted. Accordingly, to assess the quality of the due diligence, Lead Plaintiffs deposed the lead banker on each offering, members of the due diligence teams and underwriting committee, and members of the loan departments. These loan officers had been responsible for hundreds of millions of dollars of loans to WCG and Williams and, therefore, had relevant information about the companies' financial condition.

78. Lead Plaintiffs also took numerous additional depositions in connection with the WCG-related claims, E&Y and the Outside Director Defendants. For example, Lead Plaintiffs deposed the senior officers at WCG who not only knew about the financial condition of WCG but also knew what financial information about WCG had been relayed to Williams. Lead Plaintiffs also deposed the key members of the auditing

team at E&Y responsible for the audit and review of Williams' financial statements. Because of the size and complexity of Williams, the E&Y team included a relatively large group of auditors. In addition, Lead Plaintiffs deposed the Outside Director Defendants.

79. In sum, fact depositions included a large number of witnesses. The issues were painstakingly complex and technical; and the massive volume of documents significantly augmented the difficulty of the undertaking. Nevertheless, Lead Plaintiffs addressed these massive challenges by assembling a team to depose all necessary witnesses, and, in Lead and Liaison Counsel's view, developed a strong factual record that significantly contributed to this excellent Settlement.

(III) LEAD PLAINTIFFS DEVELOPED CRITICAL CONFIDENTIAL SOURCES

80. In addition to formal discovery, Lead and Liaison Counsel conducted an exhaustive investigation of the allegations in this action. As part of this investigation, Lead and Liaison Counsel contacted dozens of Williams and WCG former employees who Lead and Liaison Counsel had reason to believe knew relevant information based on their former positions. Dozens of individuals around the country were interviewed and certain of them were particularly helpful and willing to cooperate. Indeed, some of the information obtained from at least two confidential informants proved invaluable in the prosecution of the energy related allegations.

81. For example, one confidential informant, hereinafter referred to as Confidential Informant 1, had held a senior position at Williams' energy trading division in 2000 and 2001, was involved in the valuation of the tolling agreements, and worked directly for certain key individuals alleged in this case to have committed wrongdoing.

In addition, Confidential Informant 1 had helped develop some of the key mathematical models which Lead Plaintiffs alleged were at issue and had a deep and personal understanding of the valuation models, methodologies, and operational processes during the Settlement Class Period.

82. Lead and Liaison Counsel contacted Confidential Informant 1 in the spring of 2005. Over the course of the summer, Lead and Liaison Counsel held numerous telephone calls with Confidential Informant 1 who progressively became more comfortable discussing his experience at Williams during the relevant time period. The information obtained from Confidential Informant 1 proved particularly important for Lead Plaintiffs because the documentary record was arguably thin and ambiguous with respect to the valuation models of the tolling agreements. Indeed, while Lead and Liaison Counsel had found certain documents providing clues as to which valuation methodology was in place at the time, the documents were inconclusive. Even after numerous witnesses were deposed in the summer and early fall of 2005, the deposition testimony on this point still remained unclear.

83. Lead and Liaison Counsel therefore decided to subpoena and depose Confidential Informant 1 in order to introduce into the record his involvement and understanding of the valuation of the tolling agreements. Counsel for the parties flew to Montana and conducted the deposition of Confidential Informant 1 there in early December 2005. Confidential Informant 1's testimony proved very significant for Lead Plaintiffs. Confidential Informant 1 testified that he had developed a critical component of the valuation methodology of the tolling agreements, explained how the methodology

worked, as well as its strengths and weaknesses, and confirmed Lead Plaintiffs' understanding of the facts despite the absence of much documentary evidence.

84. Another critical confidential informant located by Lead Plaintiffs was a former employee in the energy trading group responsible for marketing and selling long-term electricity contracts to wholesale users of electricity, hereinafter referred to as Confidential Informant 2. The sale of electricity by Williams was relevant to Lead Plaintiffs' claims because the long term prices for electricity which Williams' customers were willing to pay were integral to the valuation of the tolling agreements. Confidential Informant 2 had information concerning the price of electricity that affected the value of the tolling agreements, which Lead Plaintiffs alleged Williams had inflated.

85. Lead and Liaison Counsel contacted Confidential Informant 2 in the summer of 2005 after reviewing an email produced by Williams in which this Confidential Informant had expressed certain views that were consistent with Lead Plaintiffs' allegations. The initial contact led to numerous telephone conversations. Lead and Liaison Counsel subsequently met with Confidential Informant 2 in Tulsa in the fall of 2005 and, at this meeting, Confidential Informant 2 confirmed the views expressed in the email. Confidential Informant 2 further provided significant details and information about Williams' marketing practices in connection with its sale of electricity, the interaction between the energy marketing force and the group at Williams valuing the tolling agreements, as well as a plethora of information about Lead Plaintiffs' allegations.

86. Lead Plaintiffs deposed Confidential Informant 2 in early December and Lead and Liaison Counsel believe that the testimony significantly contributed to the excellent result achieved by Lead Plaintiffs in this action.

(IV) LEAD PLAINTIFFS MOVED TO LIFT THE CONFIDENTIALITY DESIGNATION OF CERTAIN DOCUMENTS

87. Lead Plaintiffs also vigorously prosecuted the case by moving to lift the confidentiality designation of certain documents in connection with summary judgment. In particular, on March 10, 2006, Lead Plaintiffs filed a motion to that effect [Dkt. No. 962] attaching the documents Lead Plaintiffs thought they would use in connection with their soon-to-be-filed summary judgment submissions. Lead Plaintiffs argued that although Defendants' documents were entitled to remain confidential during discovery, documents relied on by the parties in connection with summary judgment could not remain confidential pursuant to the common-law right of public access to judicial records.

88. Lead Plaintiffs' motion to lift the confidentiality designations was particularly important here because absent class members had not had access to any of the discovery evidence. While in the normal course of litigation all interested parties have access to the information at issue, in the class action context that is not the case. Only Lead Plaintiffs and class representatives involved in the prosecution of the case can see confidential information. Nevertheless, Lead Plaintiffs believed that the absent class members were entitled to review the evidence presented by the parties, particularly in connection with dispositive motions such as summary judgment.

89. On April 11, 2006, however, the Court denied without prejudice Lead Plaintiffs motion to lift the confidentiality designation. The Court based its decision on the fact that the parties had not yet filed their motions for summary judgment and the documents submitted with the confidentiality motion were not necessarily the documents that would be filed in connection with summary judgment. The Court specifically

granted Lead Plaintiffs leave to re-file the motion once the parties had submitted the documents in support of their summary judgment submissions.

90. On May 26, 2006, concurrently with the parties' submission of reply memoranda of law in support of their summary judgment papers, Lead Plaintiffs filed a motion to unseal Lead Plaintiffs' summary judgment submissions including all documents filed by Lead Plaintiffs as exhibits – more than 800 exhibits. The parties reached a settlement before the Court ruled on that motion.

91. Lead Plaintiffs believe that their vigorous efforts to unseal Lead Plaintiffs' summary judgment submissions significantly contributed to the excellent result obtained for the benefit of the Settlement Class.

(V) EXPERT DISCOVERY

92. Expert depositions posed a significant challenge because of the number of experts, the complexity of the subject matters, and the compressed schedule. Indeed, the schedule was extremely tight: initial expert reports were due on February 3, 2006, rebuttal reports on March 10, 2006, and close of expert discovery was scheduled for March 31, 2006. Accordingly, all expert depositions had to occur in a three week period, or 15 workdays, between March 10 and March 31. In light of the amount of work, level of complexity, and travel involved in completing the expert depositions in such a short time, Defendants asked Plaintiffs to agree to an extension of the schedule – including a postponement of trial. Lead Plaintiffs refused to agree to an extension and rebuffed any proposal that jeopardized the then-scheduled August 16, 2006 trial date. In the end, the parties agreed to have a handful of expert depositions extend into early April, but there was no request to the Court to modify the summary judgment schedule or trial date.

93. Expert depositions created a heavy burden on the parties because both sides had numerous expert witnesses. Defendants' nine expert witnesses and corresponding area of testimony are set forth below:

Defendants' Experts	***Area of Testimony***
Eric P. Evans	WCG and telecommunications industry
Michael Gettings	Internal risk control relating to energy trading
Paul A. Gompers	Loss causation re Section 10(b) claims
Alfred E. Osborne	Board of directors' due diligence
Douglas K. Rudley	Underwriters' due diligence
Christopher James	Loss causation re Sections 11 and 12(a)2 claims
Craig Pirrong	Energy trading
John W. Hicks	Outside Directors' due diligence
Williams W. Holder	Financial accounting and reporting issues

In addition to Defendants' nine expert witnesses, Lead Plaintiffs had the seven expert witnesses described in detail above. With sixteen combined expert depositions to be scheduled in a little more than fifteen working days the parties were forced to double-track and, in some cases, even triple-track depositions.

94. As is common in expert depositions, each deposition involved highly technical and specialized information based on hundreds of pages of supporting reports and documentation. For example, as set forth above, Lead Plaintiffs' expert witness on damages, loss causation and market efficiency, Dr. Hakala, presented an extremely thorough statistical analysis of the reaction of Williams' stock price to news and

information released to the public. In connection with this analysis, Dr. Hakala's expert report exceeded 100 pages and included 26 additional exhibits setting forth all the supporting documentation for his opinions and statistical analyses. Indeed, the exhibits exceeded 200 pages of data, charts and reviews of the relevant stock price and information.

95. In response to Dr. Hakala's expert opinion, Defendants submitted the opinion of two expert witnesses, Paul Gompers in connection with Lead Plaintiffs' Section 10(b) claims, and Christopher James, with respect to the Section 11 and 12(a)(2) claims. Their reports were similarly lengthy and detailed. Accordingly, Lead and Liaison Counsel's preparation for these depositions also required an extraordinary amount of work and a deep understanding of statistics and the public securities markets.

96. Other expert depositions were similarly, if not more, technically and mathematically complicated. Indeed, the expert reports on the energy-trading related issues and the valuation of the tolling agreements by Richard Goldberg, for Lead Plaintiffs, and Craig Pirrong, for Defendants, involved highly sophisticated mathematical models. The expert opinions of the accounting experts (Steve Henning and William Holder for Lead Plaintiffs and Defendants, respectively) also raised intricate accounting questions based on arcane rules under GAAP and GAAS. Nevertheless, Lead and Liaison Counsel mastered the subject matter of each one of these experts' areas of testimony and successfully took and defended the relevant depositions.

5. THE PARTIES' SUMMARY JUDGMENT SUBMISSIONS WERE MASSIVE AND DETAILED

97. After an intense, vigorously litigated, and compressed discovery process, the parties faced summary judgment and were again under severe time constraints.

Summary judgment motions were filed on April 14, 2006, opposition papers were submitted four weeks later, on May 12, 2006, and reply papers were filed on May 26, 2006.

98. While in most securities class actions plaintiffs rarely file a motion for summary judgment, Lead Plaintiffs here did exactly that. Lead Plaintiffs' motion for summary judgment related to the Barrett Resources, the Notes and FELINE PACS Offerings. The motion was filed against Williams, the Underwriter Defendants of each of those offerings, and the Individual Defendants who signed the Registration Statements for those Offerings. Lead Plaintiffs' motion for summary judgment was the result of a vigorous and extraordinary discovery effort. Indeed, Lead Plaintiffs submitted over 110 exhibits in support of their motion, despite the mountain of documents produced by Defendants, the number of witnesses that Lead Plaintiffs needed to depose, and the short time frame for discovery. Lead Plaintiffs believed they had developed evidence supporting a viable motion for summary judgment. Lead Plaintiffs believe that this motion significantly contributed to the resolution of the action and the excellent result achieved.

99. Defendants' summary judgment filings were not as surgical as Lead Plaintiffs' motion. Instead, Defendants filed a total of 13 motions and briefs in support thereof, which comprised over 525 pages of briefing and, literally, thousands of pages of exhibits. Defendants' summary judgment motions concerned the adequacy of loss causation, certain of the Individual Defendants' alleged scienter, the materiality of the allegations relating to Williams' exposure to WCG, the standing of certain class

representatives, and the adequacy of the Underwriters' and outside director Defendants' due diligence, among other things.

100. Defendants' summary judgment motions are set forth below:

	Defendants' Motions For Summary Judgment
1.	Motion For Partial Summary Judgment On EM&T Related Loss Causation Issues. [Dkt. No 1067]
2.	Motion For Partial Summary Judgment On WCG Related Loss Causation Issues. [Dkt. No 1038]
3.	Motion For Partial Summary Judgment On The Materiality Of Plaintiffs' Allegations Related To WCG. [Dkt. No 1055]
4.	Motion for Partial Summary Judgment On Certain Claims Brought By Local 710, City of Westland, City of Miami, Jeffrey Jordan and Gary Kosseff. [Dkt. No 1032]
5.	Motion For Partial Summary Judgment For Failure To Prove The Requisite Scienter On Section 10(b) Against Keith E. Bailey. [Dkt. No 1064]
6.	Motion For Partial Summary Judgment For Failure To Prove The Requisite Scienter On Section 10(b) Against Gary R. Belitz. [Dkt. No 1030]
7.	Motion For Partial Summary Judgment For Failure To Prove Control Person Claims Against William E. Hobbs [Dkt. No 1059]
8.	Motion For Partial Summary Judgment For Failure To Prove The Requisite Scienter On Section 10(b) Against Steven J. Malcolm. [Dkt. No 1041]
9.	Motion For Partial Summary Judgment For Failure To Prove The Requisite Scienter On Section 10(b) Against Jack McCarthy. [Dkt. No 1047]
10.	The Notes Offering Underwriters' Motion For Summary Judgment. [Dkt. No 1034]
11.	The Stock Offering Underwriters' Motion For Summary Judgment. [Dkt. No 1048]
12.	The FELINE PACS Underwriters' Motion For Summary Judgment. [Dkt. No 1044]
13.	Williams' Outside Directors' Motion For Summary Judgment. [Dkt. No 1024]

101. Lead and Liaison Counsel responded to the summary judgment motions with an equally thorough and exhaustive set of submissions, and did so in only four

weeks. Lead Plaintiffs' opposition to Defendants' summary judgment motions totaled approximately 500 pages and included more than 690 exhibits. Specifically, Lead Plaintiff made the following filings in response to Defendants' Motions for Summary Judgment:

	Lead Plaintiffs' Briefs In Opposition to Defendants' Motions For Summary Judgment
1.	Consolidated Preliminary Statement In Response To Defendants' Motions For Summary Judgment. [Dkt. No 1252]
2.	Consolidated Statement of Material Disputed Facts and Counterstatement of Material Facts. [Dkt. No 1310]
3.	Consolidated Brief in Opposition to Defendants' Motions for Partial Summary Judgment on Loss Causation. [Dkt. No 1253]
4.	Consolidated Brief in Opposition to Defendants' Motions for Partial Summary Judgment as to Scienter Allegations and Control Person Claims. [Dkt. No 1307]
5.	Opposition to Defendants' Motions for Partial Summary Judgment On the Materiality Allegations Related to WCG. [Dkt. No 1305]
6.	Consolidated Brief in Opposition to the Underwriter Defendants' Motions for Summary Judgment. [Dkt. No 1304]
7.	Opposition to the Director Defendants' Motion for Summary Judgment. [Dkt. No 1308]
8.	Opposition to Defendants' Motion for Summary Judgment Related to Claims Brought by Certain Proposed Class Representatives. [Dkt. No 1306]

6. Lead Plaintiffs Were Prepared To Try The Case

102. Lead Plaintiffs understood very early on that this case had a higher probability than the norm to reach trial. Among other reasons, Williams and the other Defendants vehemently denied all wrongdoing, there had been no restatement of Williams' financial statements, and the damages were significant. Nonetheless, Lead Plaintiffs believed that the claims had substantial merit. A trial in Oklahoma, however, could obviously favor Williams. The Company had deep historic roots established in the state and is a major employer in the Tulsa area.

103. In addition, Defendants were represented by formidable and highly regarded attorneys. The Company and the officer Defendants were represented by Gibson, Dunn & Crutcher LLP and Hall, Estill, Hardwick, Gable, Golden & Nelson LLP. Counsel for the Underwriter Defendants included Fellers, Snyder, Blankenship, Bailey & Tippens and Cadwalder, Wickersham and Taft LLP. The Outside Directors were represented by Weil, Gotshal & Manges LLP and Frederic Dorwart, Lawyers. E&Y was represented by Latham & Watkins LLP and Ryan Whaley. All these firms enjoy excellent reputations, proved to be vigorous and effective litigators, and would have presented an enormous challenge in the courtroom.

104. In light of the formidable opposing counsel, Lead Plaintiffs decided early on to involve the Burrage Law Firm as Liaison Counsel for the class. The Burrage Law Firm provided invaluable advice throughout the litigation, particularly in terms of properly setting up the case for trial. At the time of settlement, Lead and Liaison Counsel were actively preparing for trial. Lead Plaintiffs also retained a highly regarded jury consultant from the region during discovery and well in advance of trial. Lead and Liaison Counsel held a number of strategy sessions with the jury consultant. At these sessions, Lead and Liaison Counsel presented the strengths and weaknesses of the various areas of the case and the jury consultant provided advice and input on how to best present the evidence to the jury. Lead and Liaison Counsel also conducted significant additional work in connection with mock jury exercises organized by the jury consultant.

105. As part of trial preparation, Lead and Liaison Counsel had also retained trial graphics consultants to provide expert advice on demonstratives to be presented at trial. In light of the complexity and plethora of issues in the case, Lead and Liaison

Counsel believed that the ability to persuasively synthesize information in a graphical format would have critical in a jury trial. These consultants also helped Lead Plaintiffs with the creation of the "i-briefs" for Lead Plaintiffs' summary judgment papers. The i-briefs consisted of interactive versions of the briefs which allowed the Court instant access to the exhibits and citations set forth in the text with a click of a button. Considering that Lead Plaintiffs' submissions in opposition to summary judgment included 694 exhibits, Lead and Liaison Counsel believed that the i-briefs would have proven to be an invaluable tool for the Court and the parties.

C. THE MEDIATION PROCESS

106. As set forth in detail in the Phillips Declaration, the settlement negotiations were contentious and arduous and took place within the framework of a mediation process conducted by Judge Phillips. *See* Phillips Declaration at Exhibit 1. The mediation took place over the course of more than a year and included a number of in-person sessions as well as innumerable separate discussions. *Id.* At all times the mediation was carried out at arms-length and was hard-fought by experienced counsel on both sides. *Id.* at ¶19. Throughout the course of the mediation, Lead and Liaison Counsel consulted with Lead Plaintiffs about all settlement proposals and responses. *See* Lead Plaintiffs' Declaration at ¶31 *et seq*. Because of the multiple unsuccessful attempts to settle the action, Lead Plaintiffs and Lead Counsel understood that trial was a very real possibility and were actively preparing to try the case. *Id.* at ¶29 *et seq*. In fact, the parties did not reach a settlement in principle until June 2006, which was only two months prior to the scheduled trial date of August 16, 2006. When the Settlement was reached, it was the result of critical input by Lead Plaintiffs, who enthusiastically endorse the Settlement and believe that it is fair, adequate and reasonable. Id. at ¶¶40-41.

IV. THE RISKS OF FURTHER LITIGATION

107. Lead and Liaison Counsel respectfully submit that the $311 million Settlement represents an outstanding result for the Settlement Class and fully satisfies the requirements for final approval, especially in light of the substantial risks faced by Plaintiffs. Lead and Liaison Counsel were fully aware of the risks of further litigation. This Settlement was reached only after Lead Plaintiffs had completed fact and expert discovery and fully briefed summary judgment motions. There can be no doubt that Lead Plaintiffs were fully aware of the strengths and weaknesses of the case at the time of the Settlement in light of the millions of pages of documents reviewed, the 170 depositions conducted, and the depth and length of the expert reports and summary judgment papers. Based on all this information, Lead Plaintiffs have concluded that the Settlement is fair, adequate and reasonable, and in the best interest of the Settlement Class.

108. In coming to this conclusion, Lead Plaintiffs considered: (i) the substantial and immediate benefits that members of the Settlement Class will receive from the Settlement; (ii) the evidence available to support Plaintiffs' claims; (iii) the risks at summary judgment that the case would be dismissed or materially curtailed; (iv) the risks at trial, especially in a complex action such as this one and in Williams' home town; and (v) the delay from the likely post-trial motions and appeals if the Settlement Class did prevail at trial.

109. The Plaintiffs faced significant risks in establishing Defendants' liability under Section 10(b) of the Exchange Act and Section 11 of the Securities Act. Liability under both sections is predicated on proving that Defendants made false and misleading statements. However, Defendants vehemently denied that any of the statements they made were false or misleading. Defendants first pointed to the lack of restatement as a

fundamental linchpin of their defense, and as a critical weakness in Plaintiffs' case. Lead Plaintiffs' energy and WCG related claims are based on the allegation that Williams' financial statements were false and misleading. If that were the case, Defendants argued, Williams' auditors, E&Y, would have required Williams to restate their financial statements. Yet, despite Lead Plaintiffs' allegations, E&Y stood by its audit and its conclusion that Williams' financial statements were accurate and correct. Defendants' argument was bolstered by the fact that the SEC also had not found any improprieties at Williams and that no governmental agency agreed with Plaintiffs' claims. Indeed, Defendants repeatedly argued in their summary judgment submissions that Lead Plaintiffs were the only ones asserting that Williams' financial statements were false or that Defendants had done anything wrong.

110. The fact that neither E&Y nor the government endorsed Plaintiffs' claim that Williams' financial statements were false and misleading would have been an extremely difficult hurdle to overcome at trial. This would have been especially the case here because Williams and the Defendants already had a strong hometown advantage in light of Williams' long history and high profile in Tulsa. Indeed, Lead Plaintiffs were aware throughout the course of the litigation that trying a case against Williams, in Oklahoma, was a steep uphill battle. Williams is a major employer in the region, and it had managed to stave off bankruptcy in a difficult financial and business environment. Faced with a skeptical jury pool for plaintiffs, Defendants' argument that only Lead Plaintiffs claimed that Williams had committed a fraud while the government and Williams' independent auditors had rejected such claims could have met a very receptive audience.

111. Trial would also have been extremely risky for Plaintiffs because of the complexity of the allegations. Securities class actions, in general, are already difficult cases that involve complicated questions of damages and loss causation. As set forth in detail above, however, this action was exponentially more difficult than the average securities case because of the energy-related allegations and the intricate accounting issues involved. The number of testifying experts alone (sixteen) highlights the technical nature of the subject matter. Thus, Defendants had a persuasive argument for the jury that the complexity of Plaintiffs' argument meant that their claims simply did not add up, especially in light of the lack of restatement and governmental investigation. Moreover, the complexity of the case could have worked against Plaintiffs because Plaintiffs had the burden of proof. While Lead Plaintiffs did not believe that explaining the case at trial was impossible, the risk of losing even with a flawless presentation was substantial.

112. Even if Lead Plaintiffs would have been able to establish that Defendants had made false and misleading statements, Plaintiffs also faced significant risks with respect to their Section 10(b) claims in establishing that Defendants had acted with the requisite scienter, or intent to defraud. Indeed, Defendants vehemently disputed that they had acted with fraudulent intent and argued that E&Y's approval of Williams' financial statements confirmed that no fraudulent intent on the part of the Defendants could be established. Thus, even if Plaintiffs could have proved that the financial statements were false and misleading, Defendants would have argued that they simply did not know and had relied on E&Y approval of the financial statements.

113. To further rebut scienter, the Individual Defendants (particularly the officer Defendants) argued that they lacked any motive to defraud because there was no

insider selling during the two-year Settlement Class Period. In a case in which Plaintiffs would be asking a local jury to return a verdict for at least hundreds of millions of dollars, the lack of insider selling represented a significant weakness in Plaintiffs' case.

114. In addition to the significant risks faced at trial, at the time of settlement, Defendants' motions for summary judgment were *sub judice*. Some of Defendants' motions for summary judgment had the potential to result in a dismissal of the entire case. One of Defendants' primary arguments was the contention that there was no loss causation. In other words, Defendants argued that even if Plaintiffs could prove that Defendants had made false and misleading statements, and establish scienter, the drop in the price of Williams' stock was not the result of Plaintiffs' alleged fraud, and was rather due to other extraneous circumstances. Under the law, without loss causation, Plaintiffs could not have recovered anything. Defendants submitted the reports and testimony of two expert witnesses in support of their argument – Drs. Paul Gompers and Christopher James.

115. Closely related to Defendants' claim that Plaintiffs could not show loss causation, Defendants also contested Plaintiffs' calculation of damages by their expert, Dr. Scott Hakala. Damages in securities class actions is an extremely complex issue because it requires a statistical analysis of the company's stock and its reaction to company-specific and market-wide news. As a result, disputes about damages often involve arcane statistical issues and a battle of the experts. The risks, in turn, are very difficult to assess *a priori* and exposed Plaintiffs to the possibility of establishing liability but recovering only minimal damages.

116. The Underwriter and Outside Director Defendants also filed summary judgment motions that created a significant risk that the claims against them could be dismissed, arguing that the Underwriter and Outside Director Defendants conducted more than adequate due diligence. In this regard, the complexity of Lead Plaintiffs' allegations, again, created significant problems for Plaintiffs. The Underwriter and Outside Director Defendants could credibly argue that even if there had been a fraud, there was no way they could have uncovered such a complex fraud. Moreover, the Underwriter and Outside Director Defendants also pointed to E&Y's clean audit opinions to claim that there was no fraud and that, even if there was, not even E&Y's scrutiny of the Company's books had been able to uncover it. Plaintiffs faced a serious risk that the due diligence defense would prove successful at summary judgment or trial.

117. The risks of continued litigation against E&Y were similarly high. E&Y echoed the Company's argument that there had been no governmental investigation and finding of wrongdoing as an affirmation of E&Y's clean audit opinion. Moreover, E&Y continued to dispute Lead Plaintiffs' arguments that even in retrospect, and based on Lead Plaintiffs' analysis of the evidence, the financial statements were false and misleading. Indeed, E&Y continued to assert throughout the course of the litigation that Williams' financial statements complied with GAAP and that E&Y's audits complied with GAAS. Ultimately, for Plaintiffs to prevail, the jury would have had to disregard E&Y's accounting judgment and the government's lack of finding of wrongdoing, and rely on the opinion of Plaintiff's accounting expert. The risks faced by Plaintiffs in connection with the claims against E&Y were, therefore, extremely high.

118. In short, the risks that Plaintiffs could see their claims dismissed entirely at summary judgment, or rejected at trial, were substantial. Lead Plaintiffs considered these risks, the expense and length of time necessary to prosecute this action through trial and the inevitable subsequent appeals, and the substantial monetary recovery provided by the Settlement. In light these considerations, Lead Plaintiffs, Lead Counsel, and Liaison Counsel all believe that the Settlement is fair, adequate and reasonable, and should be approved.

V. PLAN OF ALLOCATION

119. Pursuant to the Preliminary Approval Order entered by the Court on October 5, 2006, and as set forth in the Notice, all Settlement Class Members who file a valid Proof of Claim and Release Form on or before February 16, 2007 will receive a distribution of the settlement proceeds after deduction of fees and expenses by the Court, including attorneys' fees and taxes incurred on the interest earned by the Settlement Fund. Distribution will be in accordance with the Plan of Allocation set forth and described in detail in the Notice mailed to Settlement Class members, available at the Williams Securities Litigation Website (http://www.wmbsettlement.com), and attached hereto as Exhibit 6.

120. The Plan of Allocation reflects an assessment by Lead Plaintiffs' and Lead Counsel and Plaintiffs' damages expert (Dr. Scott Hakala) of the damages that could have been recovered had Plaintiffs successfully established liability. The Settling Defendants had no input into the Plan of Allocation. Lead Plaintiffs' damages expert calculated damages consistent with the allegations in the Complaint by calculating the inflation per share of Williams common stock purchased or acquired on the open market pursuant to Section 10(b) of the Exchange Act. With respect to the FELINE PACS, the Notes, and

Williams' common stock issued pursuant or traceable to the Barrett Resources Offering or the Stock Offering (the "Section 11 Securities") the inflation was calculated pursuant to Section 11 of the Securities Act.

121. The Plan of Allocation provides that a "Recognized Claim" will be calculated for each purchase or acquisition of the securities listed in the claim form, and for which adequate documentation is provided. Each claimant will receive a *pro rata* distribution of the Net Settlement Fund (*i.e.*, the percentage of the Net Settlement Fund that each claimant's claim bears to the total of the claims of all claimants).

122. The Recognized Claim takes into consideration two distinct time periods:

(i) securities purchased or otherwise acquired during the Settlement Class Period and still held as of July 22, 2002, the last day of the Settlement Class Period; and

(ii) securities purchased or otherwise acquired during the Settlement Class Period and sold during the period December 11, 2001 (the day of the first partial disclosure) through July 22, 2002, the last day of the Settlement Class Period;

123. The reason for these two distinct time periods is that Lead Plaintiffs' damages expert has determined that the first partial disclosure of alleged misrepresentations and/or omissions by Williams occurred no earlier than December 11, 2001. As a result, investors who purchased or acquired the securities listed in the Claim Form during the Settlement Class Period but sold those securities before December 11, 2001, are not entitled to collect damages under the securities laws, and thus their Recognized Claim is $0. Investors who purchased on or after December 11, 2001 and sold those securities prior to July 22, 2002 (the end of the Settlement Class Period), may be entitled to collect damages under the securities laws because Lead Plaintiffs' damages expert has determined that there were numerous partial disclosures of prior alleged

misrepresentations and/or omissions by Defendants between December 11, 2001 and July 22, 2002.

A. RECOGNIZED CLAIMS FOR WILLIAMS COMMON STOCK

124. Recognized Claims for Williams Common Stock are based on the level of alleged artificial inflation in the price of the stock, as determined by Lead Plaintiffs' damages expert. Lead Plaintiffs' damages expert calculated the reasonable percentage of alleged artificial inflation in the daily closing market prices for Williams' Common Stock for each day in the Settlement Class Period that, in his expert opinion, was attributable to the wrongdoing. The alleged artificial inflation was calculated as follows: First, Lead Plaintiffs' damages expert analyzed the market price reaction to public disclosures that revealed or described the alleged misrepresentations or their effects. Then he measured the percentage price decline associated with each particular disclosure, adjusted that price reaction to eliminate the effects, if any, attributable to general market or industry conditions, and used standard statistical techniques to ensure that the price reaction was statistically significant (*i.e.*, greater than the normal variation in price). Lead Plaintiffs' expert thus isolated the price effect that he reasonably believed was caused by inflationary statements that increased the alleged artificial inflation present in the market price of Williams' Common Stock.

125. By accumulating the total isolated market reaction to each public disclosure of the alleged fraud, Lead Plaintiffs' damages expert determined the reasonable amount of total artificial inflation in the market price of Williams' Common Stock, expressed as a percentage of closing market price for each day of the Settlement Class Period. Based on the isolated market reaction attributable to each inflationary statement and public disclosures of the alleged fraud, Lead Plaintiffs' damages expert

determined the reasonable percentage of artificial inflation in the market price of Williams' Common Stock. The percentage of artificial inflation in the closing market price for each day was then applied to the closing market prices for each day during the Settlement Class Period to calculate the dollar artificial inflation on each day during the Settlement Class Period.

B. RECOGNIZED CLAIMS FOR THE SECTION 11 SECURITIES

126. The Recognized Claims for the Section 11 Securities are based on the portion of the decline in their respective prices below the initial public offering prices not explained by market, industry or other facts unrelated to the allegations in the Complaint. The adjustment factors utilized to calculate the Recognized Claims for the Section 11 Securities reflects the portion of the loss in the value of each respective Section 11 Security on that particular day and is attributable to market and industry forces and other factors not alleged in the Complaint against Defendants. The adjustment factors were calculated by Lead Plaintiffs' damages expert.

127. In sum, the Plan of Allocation, developed in consultation with Lead Plaintiffs' damages expert, Dr. Hakala, was designed to fairly and rationally allocate the proceeds of the Settlement among Settlement Class Members based on the resulting damages. Accordingly, Lead and Liaison Counsel respectfully submit that the Plan of Allocation is fair and reasonable and should be approved. Approval of the Plan of Allocation also is supported by Lead Plaintiffs. *See* Lead Plaintiffs' Decl. ¶ 41.

VI. ATTORNEYS' FEES AND EXPENSES

A. THE FEE REQUEST IS FAIR, ADEQUATE AND REASONABLE AND HAS BEEN APPROVED BY LEAD PLAINTIFFS

128. Lead and Liaison Counsel seek an award of attorneys' fees on behalf of all Plaintiffs' counsel who contributed to the prosecution of this case (including prior co-lead counsel) of 25% of the Settlement Fund after deduction of Court-awarded expenses. Lead Plaintiffs have approved this fee and expense reimbursement request, agree that the fee requested is consistent with attorneys' fees awarded in contingent class actions of this size and complexity, and believe that the fees and expenses sought are fair, adequate and reasonable. *See* Lead Plaintiffs' Declaration.

129. In addition, a fee of 25% of the Net Settlement Fund is fair, adequate and reasonable because "the Tenth Circuit has recognized 25% of the fund as the 'benchmark' award in common fund cases." *Millsap v. McDonnell Douglas Corp.*, 94-cv-633 H(M), 2003 WL 21277124, at *6 (N.D. Ok. May 28, 2003) (citing *Gottlieb v. Barry*, 43 F.3d 474, 488 (10th Cir. 1994)). Indeed, fees in the Tenth Circuit typically range from 23.7% to 33.7% of the common fund. *Id.*

130. A fee request of 25% of the common fund is also within the range of fees typically awarded in securities class actions of this type and complexity, and based on approximately similar recoveries. For example, in *In re Oxford Health Plans, Inc.* Securities *Litigation*, MDL 1222, 2003 U.S. Dist. LEXIS 26795, at *13 (S.D.N.Y. 2003, June 12, 2003), the Court approved a settlement of $300 million and a fee award of 28% of the gross settlement fund. Likewise, in *In re Daimler Chrysler A.G. Sec. Litig.*, No. 00-0993 (D. Del. 2004), which settled for $300 million, the Court awarded a 22.5% fee to plaintiffs' counsel.

131. In further support of the fee request, Plaintiffs have submitted the declaration of Emeritus Professor Joseph C. Long of the University of Oklahoma College of Law. Professor Long taught corporate and securities law at the University of Oklahoma for over 30 years, and in his declaration he sets forth a thorough review of the comparable cases and fees. Professor Long's declaration is attached as Exhibit 3. Based on Professor Long's Declaration, it is evident that Plaintiffs' counsel fee request of 25% is well within the ambit of fees awarded in similar cases.

132. Further, the fee requested is fair, adequate and reasonable because of the significant risks faced by Lead Plaintiffs in pursuing this action. Indeed, liability here was far from assured. As set forth above, Defendants argued that they had not issued false and misleading statements and pointed to the absence of a restatement or any findings of wrongdoing by the government. In addition, loss causation and damages were vigorously disputed throughout the course of the litigation, and the case could have been dismissed by the Court at summary judgment or rejected by the jury at trial. Compounding these risks, Plaintiffs' counsel made a very significant financial commitment to the prosecution of the case, including out-of-pocket expenses exceeding $10 million. Plaintiffs' counsel also received no compensation during the almost five years that this litigation has been pending, their fees and expenses being entirely contingent and dependent upon a successful result and an award by this Court.

133. The fee requested is also fair, adequate and reasonable because this exceptional Settlement was in large part the result of Plaintiffs' counsel hard work, persistence and skill. The challenges posed by the massive size of the case and the extreme complexity of the claims and underlying subject matter were enormous. Counsel

for Defendants consisted of the top-tier national and Oklahoma firms and mounted a formidable defense. The short time between the completion of the production of the vast majority of the documents (April 2005) and the end of fact discovery (January 2006) created tremendous pressure on counsel. As a result, this was an extremely hard case for Plaintiffs. Only because of the skill, experience and dedication of Plaintiffs' counsel were Plaintiffs able to mount a strong and vigorous prosecution, which ultimately led to one of the top twenty settlements in the history of securities class actions. Indeed, Plaintiffs' counsel expended 140,483.37 hours in the prosecution and investigation of this litigation, in addition to the time expended by The Seymour Law Firm. The hours invested by counsel are a testament not only to the large scale of the case, but to Plaintiffs' counsel's commitment and professional sacrifice to obtain the best possible result for the class. Having demonstrated exceptional commitment, perseverance and skill, coupled with an outstanding recovery, Lead and Liaison Counsel respectfully submit that Plaintiffs' counsel performed a great service to the Settlement Class. Thus, the fee requested fairly and reasonably rewards Plaintiffs' counsel's performance.

134. The fee is also fair, adequate and reasonable when measured based on a lodestar multiplier. The lodestar multiplier is calculated by (i) dividing the fee requested by (ii) the number of hours counsel billed to the case multiplied by the counsel's standard hourly rate. The lodestar for the services performed by all Plaintiffs' counsel (except the Seymour Law Firm)[8] here was $47,654,162.41.[9] This represents a multiplier of less than

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[8] The Seymour Law Firm did not provide Lead and Liaison Counsel with its lodestar sufficiently in advance of this submission in order to evaluate or incorporate its information. However, the Seymour Law Firm's lodestar will increase the total lodestar and therefore reduce the multiplier.

1.7. The lodestar multiplier serves as a "cross-check" of the reasonableness of a fee award based on the percentage approach. The multiplier also reflects litigation risk, the complexity of the issues, the contingent nature of the engagement, the skill of the attorneys, and other factors. Courts have recognized that a multiplier is appropriate to compensate for the risk inherent in contingency fee arrangements.

135. The lodestar multiplier of less than 1.7 here supports approval of the fee request because it is significantly below the average. Indeed, courts have recognized that multipliers in the range of 3 to 4.5 are common. *See In re NASDAQ Market-Makers Anti-Trust Litigation*, 187 F.R.D. 465, 489 (S.D.N.Y. 1999) (awarding a 3.97 multiplier on a $1.0 billion settlement and finding fee awards of 3 to 4.5 to be "common"); *In re WorldCom, Inc. Sec. Litig.*, 388 F. Supp. 2d 319 (S.D.N.Y. 2005) (awarding a 4.0 multiplier on a $6.1 billion settlement). *See also* Declaration of Joseph C. Long.

136. The low lodestar multiplier here reflects the significant number of hours that needed to be dedicated to this action not only by Lead and Liaison Counsel, but also by several other firms. In fact, in order to maximize the efficiency and effectiveness of the prosecution effort, Lead and Liaison Counsel assigned document review work to be conducted under their supervision to certain experienced firms. Lead and Liaison Counsel strictly supervised the work of all other Plaintiffs' counsel and every aspect of the prosecution of this action to avoid duplication and to ensure its efficient prosecution.

137. A description of the work conducted by other Plaintiffs' Counsel is also set forth in the Compendium Of Exhibits In Support Of Lead Counsel's Motion For An Award Of Attorneys' Fees And Reimbursement Of Expenses And Supporting

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[9] Plaintiffs' counsel compiled the hours reported from contemporaneous time records maintained by each attorney and paralegal affiliated with the firms that participated in the Action.

Memorandum Of Law (the "Compendium") filed concurrently herewith. The first page of the Compendium shows a schedule summarizing the lodestars and expenses of all Plaintiffs' Counsel (except the Seymour Law Firm). It was prepared from the data contained in each of the Plaintiffs' counsel declarations to follow it. The Plaintiffs' counsel declarations outline the experience and qualifications of the attorneys and their respective firms who worked on the action at the request and under the direction of Lead and Liaison Counsel, the services rendered and time expended in rendering those services, and the attorneys' standard hourly rates.

138. In sum, the fee request of 25% of the Net Settlement Fund is fair and reasonable. It equals the 25% benchmark set by the Tenth Circuit. It is comparable to the fee request of cases of similar size, complexity and result, and it fairly compensates Plaintiffs' counsel for an extraordinary result and outstanding effort. The fact that the multiplier is less than 1.7 further confirms that the fee request is reasonable.

B. THE REIMBURSEMENT OF THE REQUESTED LITIGATION EXPENSES IS FAIR, ADEQUATE AND REASONABLE

139. Lead and Liaison Counsel also request reimbursement of the expenses incurred by all Plaintiffs' counsel in connection with this action. Each firm requesting reimbursement of expenses has submitted a Declaration included in the Compendium which states that the expenses are reflected in the books and records maintained by the firm, are an accurate recording of the expenses incurred, and that the expenses incurred are reasonable and were necessary for the successful prosecution of the case. In total, counsel incurred reimbursable expenses in the amount of $10,564,124.41.

140. Included in these expenses are over $4.5 million of fees payable to Plaintiffs' experts. The breakdown of the fees payable to each expert is set forth below:

EXPERT	*FEES PAID*
Dr. Richard E. Goldberg	$1,585,090.31
Dr. Scott D. Hakala	$ 374,735.52
Dr. Stephen L. Henning	$ 1,294,050.26
Dr. Brian G. Kushner	$ 1,093,960.86
Dr. Ronald G. Fountain	$ 74,428.78
Mr. James F. Miller	$ 234,446.57
Mr. Dunham Cobb	$ 147,865.69

141. Lead and Liaison Counsel believe that these experts provided invaluable aid to the attorneys prosecuting the action and significantly enhanced the value of the recovery. The subject matter of the case was extremely technical and required the assistance of experts in the field. Indeed, Lead Plaintiffs could not have properly supported the falsity of many of the alleged false statements (*e.g.,* the financial statements) without the expert opinion of many of these experts, such as, for example, Plaintiffs' accounting expert Dr. Henning statements.

142. Another significant expense incurred by Lead and Liaison Counsel related to the electronic database used to organize and review Defendants document production. Despite the expense, the electronic database proved invaluable. It permitted Plaintiffs' counsel to conduct rapid searches for documents across a massive volume of approximately 18 million pages. It further allowed counsel to work simultaneously and

remotely with the same documents. It also saved hundreds of thousands of dollars in copying costs because a substantial amount of the work was conducted electronically and did not require multiple paper copies. Indeed, Lead and Liaison Counsel believe that the electronic database created significant savings over the traditional paper-based method of document review and discovery. A more detailed breakdown of expenses is set forth in each Plaintiffs' firm's declaration included in the Compendium.

143. Lead Plaintiffs have reviewed the expenses for which plaintiffs' counsel seek reimbursement (except for the Seymour Law Firm expenses) and believe that they are fair, reasonable and adequate and were necessary in connection with the prosecution of this action. *See* Joint Declaration of Lead Plaintiffs ¶43.[10] Accordingly, Lead Plaintiffs also support approval of Plaintiffs' counsel's application for reimbursement of expenses.

VII. CONCLUSION

144. In view of the outstanding recovery for the Settlement Class, the substantial risks of this litigation, the enormous efforts of Lead and Liaison Counsel and other class counsel, the quality of work performed, the contingent nature of the fee, the complexity of the case, and the standing and experience of all Plaintiffs' counsel, Lead and Liaison Counsel respectfully submit that the Settlement should be approved as fair, reasonable and adequate; that the Plan of Allocation should be approved as fair and reasonable; that a fee in the amount of 25% of the Net Settlement Fund (net of attorneys'

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[10] As noted in their declaration, Lead Plaintiffs reserve judgment on expenses for which the Seymour Law Firm may seek reimbursement. Despite requests seeking this information and despite the fact that the Seymour Law Firm represents no client in connection with this case which could have reviewed its purported expenses, the Seymour Law Firm has never provided Lead Plaintiffs or Lead Counsel an opportunity to review the backup, support, or detail for its purported expenses.

fees and Court-awarded litigation expenses) should be awarded to Plaintiffs' counsel; and that the litigation should be reimbursed in full.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on January 12, 2007.

/s/ Chad Johnson
Chad Johnson
BERNSTEIN LITOWITZ
BERGER & GROSSMANN LLP

List of Exhibits

Exhibit 1 – Declaration of Layn R. Phillips

Exhibit 2 – Declaration of Michael Padfield for the Ontario Teachers' Pension Plan Board and David Malone for the Arkansas Teachers Retirement System

Exhibit 3 – Declaration of Joseph C. Long

Exhibit 4 – Declaration of Jennifer M. Keough

Exhibit 5 – Declaration of Scott D. Hakala

Exhibit 6 – Plan of Allocation

Exhibit 7 – Williams Litigation Fund