

Logan v. ProPetro Holding Corp., et al.

COURT: United States District Court for the Western District of Texas
CASE NUMBER: 7:19-cv-217-DC
CLASS PERIOD: 03/17/2017 - 03/13/2020
CASE LEADERS: James A. Harrod

In re ProPetro Holding Corp. Securities Litigation ("ProPetro" or "the Company") is a securities class action lawsuit alleging claims under Sections 10(b) and 20(a) of the Exchange Act and Sections 11 and 15 of the Securities Act on behalf of investors who purchased ProPetro common stock between March 17, 2017 and March 13, 2020, inclusive (the "Class Period"), or purchased ProPetro common stock in or traceable to the Company's March 17, 2017 initial public offering ("IPO"). Defendants are ProPetro and certain of its current/former executives: Dale Redman (CEO), Ian Denholm (former Chief Accounting Officer), Jeffrey Smith (former CFO, now Chief Administrative Officer), Mark Howell (former general counsel), and Spencer Armour (former Chairman of the Board and current Board member) (collectively, "Defendants"). The case was brought in the Western District of Texas before District Judge David Counts.

Plaintiffs Have Settled the Action for \$30 Million

Lead Plaintiffs Nykredit Portefølje Administration A/S, Oklahoma Firefighters Pension and Retirement System, Oklahoma Law Enforcement Retirement System, Oklahoma Police Pension and Retirement System, and Oklahoma City Employee Retirement System (together, "Lead Plaintiffs"), and additional named plaintiff Police and Fire Retirement System of the City of Detroit (together, with Lead Plaintiffs, "Plaintiffs"), on behalf of themselves and the Settlement Class, have settled the Action for \$30,000,000 in cash.

On May 11, 2023, after a hearing, the Court approved the Settlement and Plan of Allocation and approved Lead Counsel's motion for attorney's fees and litigation expenses.

The Settlement Class consists of:

all persons and entities who (a) purchased or otherwise acquired ProPetro common stock on the open market during the period from March 17, 2017 to March 13, 2020, both dates inclusive (the "Class Period"), and were damaged thereby, or (b) purchased ProPetro common stock in or traceable to the Company's March 17, 2017 Initial Public Offering.

Certain persons and entities are excluded from the Settlement Class by definition (see page 7 of the Notice) or if they timely requested exclusion pursuant to the instructions set forth in the Notice.

A copy of the Notice can be found in the **Case Documents** list on the right of this page. You may also visit the case website, ProPetroSecuritiesLitigation.com, for more information about the Settlement.

History of the Litigation

In December 2019, the Court appointed Nykredit as Co-Lead Plaintiff and BLB&G as Co-Lead Counsel. Lead Plaintiffs filed the Amended Complaint on February 13, 2020. Thereafter, in response to additional relevant disclosures from the Company, Lead Plaintiffs filed the Second Amended Complaint on April 14, 2020, and the Third Amended Complaint on July 30, 2020. Pursuant to the schedule entered by the court, Defendants filed their motions to dismiss the Third Amended Complaint on August 31, 2020, and Lead Plaintiffs filed an omnibus opposition to those

motions to dismiss on September 30, 2020. Defendants filed their replies to Lead Plaintiffs' opposition brief on October 30, 2020. On September 13, 2021, the Court substantially denied Defendants' motions to dismiss. On October 22, 2021, Defendants filed a motion to strike. Plaintiffs filed their opposition on November 5, 2021, and Defendants filed their reply on November 12, 2021. On March 18, 2022, the Court granted the motion to strike, striking certain allegations in the Third Amended Complaint. The Court also entered a case schedule in that order. Plaintiffs filed their motion for class certification on May 27, 2022 and Defendants filed their opposition on July 22, 2022. Discovery in the Action commenced in October 2021 and continued until the Parties agreed to stay all discovery on August 22, 2022.

Lead Plaintiffs' complaint alleges that Defendants made representations in their class period SEC filings and IPO offering documents that: (1) all related party transactions were disclosed; (2) particular processes and procedures were followed to review and authorize related party transactions; (3) the Company's internal controls and disclosure controls and procedures were adequate; and (4) pursuant to SOX, any deficiencies or material weaknesses in internal controls were disclosed in the Company's SEC filings. Contrary to these representations, in August 2019, the Company disclosed that it was delaying the filing of its second quarter 2019 Form 10-Q due to a previously undisclosed internal audit committee investigation into expense reimbursements and related party transactions. The audit committee found that certain expenses totaling \$370,000 reimbursed to the CEO and CFO were incorrectly recorded as company expenses and were appropriately allocable to the officers individually. The audit committee found further that the investigation would likely conclude that there were material weaknesses in the Company's internal controls and procedures. Later disclosures confirmed at least two material weaknesses, and one related party transaction involving a real estate deal with the Company's former Chief Accounting Officer valued at approximately \$3.6 million. The Company also disclosed that its former CEO pledged his shares of ProPetro stock as collateral for personal loans in violation of ProPetro's Code of Ethics and Conduct, among other agreements. The CEO and CFO have both departed the Company. In November 2019, the Company confirmed rumors that the SEC had commenced an investigation into the Company arising from its internal financial controls, disclosures, and financial reporting. While there have been no further disclosures concerning the status of the SEC investigation, on June 15, 2020, the Company filed its Form 10-K for the year ended December 31, 2019, which included the final results of the internal investigation. Among other things, the investigation found that ProPetro's internal controls suffered from several material weaknesses during the Class Period which resulted in the concealment of improper related-party transactions and share pledges among other prohibited behavior.

The Parties conducted mediation sessions with Robert A. Meyer, Esq. of JAMS in August 2021 and May 2022. These mediation sessions did not result in a settlement, but the Parties continued to engage in settlement discussions through Mr. Meyer from May 2022 through August 2022. Ultimately, Mr. Meyer made a mediator's proposal that the Parties settle the action for \$30 million, which the Parties considered on a double-blind basis. On August 11, 2022, Mr. Meyer informed the Parties that both sides had accepted the proposal. On August 19, 2022, the Parties entered a term sheet memorializing their agreement in principle to settle the Action for \$30,000,000.

On September 22, 2022, the Parties entered into the Stipulation, which sets forth the full terms and conditions of the Settlement.

On September 27, 2022, the Court preliminarily approved the Settlement, authorized notice of the Settlement to potential Settlement Class Members and scheduled the Settlement Hearing to consider whether to grant final approval of the Settlement and related matters.

On May 11, 2023, the Court held the final hearing to consider approval of the Settlement and related matters. Following the hearing, the Court entered a final Judgment approving the Settlement and orders approving the Plan of Allocation and awarding attorney's fees and litigation expenses.

The deadline for submission of Claim Forms was February 23, 2023, and the processing of claims submitted in the Action has now concluded. On October 17, 2023, Lead Counsel filed the Distribution Motion seeking Court approval to distribute the net settlement fund. On October 18, 2023, the Court approved Counsel's application for the distribution of funds and the initial distribution took place on November 27, 2023. The second distribution will occur in the first half of 2025. Subsequent distributions will occur on a rolling basis, provided that net settlement funds are available.

Case Documents

- Notice of (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Hearing; and (III) Motion for Attorneys' Fees and Litigation Expenses ("Notice")
- October 18, 2023 - Order Approving Distribution Plan
- October 17, 2023 - Plaintiffs' Unopposed Motion Approval of Distribution Plan
- May 12, 2023 - Amended Order Awarding Attorney Fees and Litigation Expenses
- May 11, 2023 - Judgment Approving Class Action Settlement
- May 11, 2023 - Order Approving Plan Of Allocation Of Net Settlement Fund
- April 4, 2023 - Reply Memorandum in Further Support of (I) Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation and (II) Lead Counsel's Motion For Attorneys' Fees and Litigation Expenses and Plaintiffs' Motion For Awards
- April 3, 2023 - Order Resetting Settlement Hearing
- March 7, 2023 - Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation
- March 7, 2023 - Lead Counsel's Motion for Attorneys' Fees and Litigation Expenses and Plaintiffs' Motion for Awards
- March 7, 2023 - Joint Declaration of James A. Harrod and Daniel L. Berger in Support of Motion for Final Approval of Settlement and Motion for Fees & Expenses
- September 27, 2022 - Order Preliminarily Approving Settlement and Providing for Notice
- September 22, 2022 - Stipulation and Agreement of Settlement
- July 30, 2020 - Third Amended Complaint