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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

\$173.8M In Deals OK'd To Settle Cobalt Energy Bribery Claims

By **Rick Archer**

Law360 (February 13, 2019, 7:12 PM EST) -- A Texas federal judge approved \$173.8 million in settlements of investor class action claims on Wednesday stemming from bribery allegations against now-bankrupt Cobalt International Energy Inc., plus \$43.45 million in fees for co-class leads Bernstein Litowitz Berger & Grossmann, Entwistle & Cappucci and others.

U.S. District Court Judge Nancy Atlas said the request for 25 percent of the settlement funds plus just under \$2 million in expenses was reasonable, considering the work they put into the case and the outcome they achieved for the plaintiffs.

"Plaintiffs' counsel conducted the litigation and achieved the settlements with skill, perseverance and diligent advocacy," she said.

Brought in 2014, the suit claimed a class of investors lost "billions of dollars" because Cobalt failed to disclose that it allegedly bribed Angolan officials to gain access to local oil wells in violation of the Foreign Corrupt Practices Act and federal securities laws.

Shares of the company declined when it revealed information about investigations by the U.S. Securities and Exchange Commission and U.S. Department of Justice into the alleged wrongdoing, as well as made disclosures that Cobalt had overstated the amount of oil in certain wells, the complaint said.

The DOJ and SEC have since dropped their investigations, but investors nonetheless reached settlements with three groups of defendants they claimed were involved in the alleged wrongdoing.

The investors in October reached a **\$146.9 million deal** resolving allegations against a group of defendants, including Goldman Sachs Group Inc., that owned significant stakes in Cobalt; a **\$22.75 million settlement** in November with investment banks, including Morgan Stanley & Co. LLC, that underwrote stock and note offerings for Cobalt; and a \$4.2 million settlement with Cobalt and its debtor affiliates.

The three settlement agreements were approved by Judge Atlas on Wednesday, alongside the fee request.

The counsel for the plaintiffs made the 25 percent fee request **last month**, arguing it is in line with what courts in the Fifth Circuit "regularly award" in similar cases and that they had exposed themselves to "substantial risks" to achieve a "significant result."

Counsel was also seeking about \$2 million in reimbursement for litigation expenses, almost half of which they said was spent on experts and consultants.

"We're thrilled the class received the settlement so well that there were no objections to the settlement," class counsel Vincent Cappucci said. "The result is an extraordinary one considering Cobalt's bankruptcy."

The class is represented by Bernstein Litowitz Berger & Grossmann LLP, Entwistle & Cappucci LLP and

Ajamie LLP.

The underwriter defendants are represented by Skadden Arps Slate Meagher & Flom LLP.

The sponsor defendants are represented by Wachtell, Lipton, Rosen & Katz and Williams & Connolly LLP.

The Cobalt defendants were represented by Baker Botts LLP and Greenberg Traurig LLP.

The case is In re: Cobalt International Energy Inc. Securities Litigation, case number 4:14-cv-03428, in the U.S. District Court for the Southern District of Texas.

--Additional reporting by Rachel Graf.. Editing by Michael Watanabe.

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