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16 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
17  
18 **COUNTY OF SANTA CLARA**

19 IN RE YAHOO! INC. SHAREHOLDER  
LITIGATION

Lead Case No. 17-CV-307054

20  
21 This Document Relates To:

**STIPULATION AND AGREEMENT  
OF SETTLEMENT**

22 ALL ACTIONS.

Judge: Hon. Brian C. Walsh  
23 Dep't: 1 (Complex Civil Litigation)  
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**STIPULATION AND AGREEMENT OF SETTLEMENT**

Subject to the approval of the Superior Court of California, County of Santa Clara (“California State Court”), this Stipulation and Agreement of Settlement (“Stipulation”) is made and entered into by and among the following Settling Parties (as defined herein),<sup>1</sup> each by and through his, her, or its respective counsel: (1) Patricia Spain, the LR Trust, Harold Litwin, and Plumbers and Pipefitters National Pension Fund (“California Plaintiffs”), who are plaintiffs in the above-captioned shareholder class and derivative litigation (“California Derivative Action”); (2) Oklahoma Firefighters Pension and Retirement System (“Oklahoma” or “Delaware Plaintiff”), which is the plaintiff in *Oklahoma Firefighters Pension & Retirement System v. Brandt*, C.A. No. 2017-0133-SG (Del. Ch.) (“Delaware Derivative Action”); (3) David Summer, Jay Bowser and Edith Liss (“Federal Plaintiffs”), who are plaintiffs in *In re Yahoo! Inc. Shareholder Derivative Litigation*, Lead Case No. 17-cv-0787-LHK (N.D. Cal.) (“Federal Derivative Action”); (4) Nominal Defendant Altaba Inc., formerly known as Yahoo! Inc. (“Yahoo,” “Altaba,” or the “Company”); (5) Defendants Marissa Mayer, Kenneth A. Goldman, Ronald S. Bell, David Filo, Maynard Webb, Jr., Thomas McInerney, Jane E. Shaw, Susan M. James, H. Lee Scott, Jr., Eric Brandt, Catherine Friedman, Tor Braham, Eddy Hartenstein, Richard Hill, and Jeffrey Smith (“Individual Defendants”); and (6) Defendant Verizon Communications Inc. (“Verizon”).

This Stipulation is intended by the Settling Parties to fully, finally, and forever compromise, resolve, discharge, release, and settle the Released Claims (as defined herein), upon the terms and subject to the conditions set forth herein.

**I. DEFINITIONS**

As used in this Stipulation, the following terms have the meanings specified below:

- (a) “Altaba,” “Yahoo,” or the “Company” means (i) prior to June 16, 2017, Yahoo! Inc., a publicly traded Delaware corporation headquartered in Sunnyvale, California; and (ii) on and after June 16, 2017, Altaba Inc., a publicly-traded, Delaware-incorporated investment company based in New York City that consists of the assets and liabilities of Yahoo! Inc. that were

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<sup>1</sup> All capitalized terms not otherwise defined earlier in this Stipulation shall have the meanings ascribed in the “Definitions” section below.

1 not sold to Verizon.

2 (b) "Altaba's Counsel" means Morrison & Foerster LLP.

3 (c) "Bell's Counsel" means Kecker, Van Nest & Peters LLP.

4 (d) "Board" means the Yahoo board of directors.

5 (e) "California Co-Lead Counsel" means Bottini & Bottini, Inc. and Cotchett,  
6 Pitre & McCarthy LLP.

7 (f) "California Derivative Action" means the actions consolidated as *In re*  
8 *Yahoo! Inc. Shareholder Litigation*, Lead Case No. 17-CV-307054 (Cal. Super Ct., Cnty. of Santa  
9 Clara).

10 (g) "California Plaintiffs" means Plaintiffs Patricia Spain, the LR Trust, Harold  
11 Litwin, and Plumbers and Pipefitters National Pension Fund who are plaintiffs in the California  
12 Derivative Action.

13 (h) "California Plaintiffs' Counsel" means California Co-Lead Counsel and  
14 Bernstein Litowitz Berger & Grossmann LLP, WeissLaw LLP, Cohen Milstein Sellers & Toll  
15 PLLC, Schubert Jonckheer & Kolbe, and O'Donoghue & O'Donoghue LLP.

16 (i) "California State Court" means the Superior Court of California, County of  
17 Santa Clara.

18 (j) "Co-Lead Counsel" means California Co-Lead Counsel and Bernstein  
19 Litowitz Berger & Grossmann LLP.

20 (k) "Current Altaba Shareholders" means, for purposes of this Stipulation, any  
21 Persons who owned Altaba common stock as of the date of this Stipulation.

22 (l) "Defendants' Counsel" means Altaba's Counsel, Bell's Counsel, Mayer's  
23 Counsel, and Verizon's Counsel.

24 (m) "Delaware Derivative Action" means *Oklahoma Firefighters Pension &*  
25 *Retirement System v. Brandt*, C.A. No. 2017-0133-SG (Del. Ch. Ct.).

26 (n) "Delaware Plaintiff" or "Oklahoma" means Plaintiff Oklahoma Firefighters  
27 Pension and Retirement System, which is Plaintiff in the Delaware Derivative Action.

28 (o) "Delaware Plaintiff's Counsel" means Bernstein Litowitz Berger &

1 Grossmann LLP and Friedlander & Gorris, P.A.

2 (p) "Derivative Escrow Account" means the escrow account to be maintained  
3 by the Derivative Escrow Agent, as set forth in Paragraph 2.1 below.

4 (q) "Derivative Escrow Agent" means Citibank, N.A..

5 (r) "Derivative Fee and Expense Award" has the meaning ascribed to it in  
6 Paragraph 5.2 below.

7 (s) "Effective Date" means the date by which all of the events and conditions  
8 specified in Paragraph 7.1 herein have been met and have occurred.

9 (t) "Federal Court" means United States District Court for the Northern District  
10 of California.

11 (u) "Federal Derivative Action" means the actions consolidated as *In re Yahoo!*  
12 *Inc. Shareholder Derivative Litigation*, Lead Case No. 17-cv-0787-LHK (N.D. Cal.).

13 (v) "Federal Plaintiffs" means David Summer, Jay Bowser and Edith Liss who  
14 are plaintiffs in the Federal Derivative Action.

15 (w) "Federal Plaintiffs' Counsel" means Robbins Arroyo LLP.

16 (x) "Final" means the time when a judgment that has not been reversed,  
17 vacated, or modified in any way is no longer subject to appellate review, either because of  
18 disposition on appeal and conclusion of the appellate process (including potential writ  
19 proceedings) or because of passage, without action, of time for seeking appellate or writ review.  
20 More specifically, it is that situation when (i) no appeal or petition for review by writ has been  
21 filed and the time has passed for any notice of appeal or writ petition to be timely filed from the  
22 judgment; or (ii) if an appeal has been filed, the court of appeal has either affirmed the judgment  
23 or dismissed that appeal and the time for any reconsideration or further appellate review has  
24 passed; or (iii) a higher court has granted further appellate review and that court has either affirmed  
25 the underlying judgment or affirmed the court of appeal's decision affirming the judgment or  
26 dismissing the appeal or writ proceeding, and the time for any reconsideration or further appellate  
27 review has passed.

28 (y) "Individual Defendants" means Marissa Mayer, Kenneth A. Goldman,

1 Ronald S. Bell, David Filo, Maynard Webb, Jr., Thomas McNerney, Jane E. Shaw, Susan M.  
2 James, H. Lee Scott, Jr., Eric Brandt, Catherine Friedman, Tor Braham, Eddy Hartenstein, Richard  
3 Hill, and Jeffrey Smith.

4 (z) "Judgment" means the final order and judgment to be rendered by the  
5 California State Court, substantially in the form attached hereto as Exhibit C.

6 (aa) "Mayer's Counsel" means Kramer Levin Naftalis & Frankel LLP.

7 (bb) "Notice" means the Notice of Pendency and Proposed Settlement of  
8 Shareholder and Derivative Actions, substantially in the form of Exhibit B-1 attached hereto.

9 (cc) "Person" or "Persons" means an individual, corporation, limited liability  
10 corporation, professional corporation, partnership, limited partnership, limited liability  
11 partnership, association, joint stock company, estate, legal representative, trust, unincorporated  
12 association, government or any political subdivision or agency thereof, or any business or legal  
13 entity.

14 (dd) "Preliminary Approval Order" means the order to be entered by the  
15 California State Court, substantially in the form of Exhibit A attached hereto, including, *inter alia*,  
16 preliminarily approving the terms and conditions of the Settlement as set forth in this Stipulation,  
17 directing that Notice be provided to Current Altaba Shareholders, and scheduling a Settlement  
18 Hearing to consider whether the Settlement, the Derivative Fee and Expense Award, and the Proxy  
19 Litigation Fee Award should be finally approved and whether the Judgment should be entered.

20 (ee) "Proxy Litigation" means Plaintiff Patricia Spain's direct claims seeking to  
21 preliminarily enjoin the stockholder vote on the sale of Yahoo's operating business to Verizon  
22 (and the litigation effort by the parties related thereto), including Spain's motion for a preliminary  
23 injunction, which the California State Court resolved at a hearing on June 6, 2017.

24 (ff) "Proxy Litigation Fee Award" has the meaning ascribed to it in Paragraph  
25 5.7 below.

26 (gg) "Related Persons" means each of a Person's immediate family members and  
27 current, former, or future parents, subsidiaries, associates, affiliates, partners, joint venturers,  
28 officers, directors, principals, shareholders, members, agents, representatives, employees,

1 attorneys, financial or investment advisors, consultants, accountants, investment bankers,  
2 commercial bankers, trustees, engineers, insurers, co-insurers, reinsurers, heirs, assigns, executors,  
3 general or limited partners or partnerships, personal or legal representatives, estates,  
4 administrators, predecessors, successors, advisors, and/or any other individual or entity in which  
5 a Person has or had a controlling interest or which is or was related to or affiliated with a Person.

6 (hh) "Released Altaba Persons" means Altaba and each and all of its Related  
7 Persons.

8 (ii) "Released Claims" means collectively, the Released Defendant Claims and  
9 the Released Plaintiff Claims.

10 (jj) "Released Defendant Claims" means any and all claims, rights, demands,  
11 obligations, controversies, debts, damages, losses, causes of action, and liabilities of any kind or  
12 nature whatsoever, whether in law or equity, including both known claims and Unknown Claims,  
13 suspected or unsuspected, accrued or unaccrued, that the Settling Defendants or Altaba have or  
14 could have asserted against the Settling Plaintiffs or their counsel, which arise out of or relate to  
15 the institution, prosecution, or settlement of the claims asserted against the Settling Defendants or  
16 Altaba in the Yahoo Shareholder and Derivative Actions; provided, however, that the Released  
17 Defendant Claims shall not include any claims relating to the enforcement of the Settlement or this  
18 Stipulation, any claims by the Individual Defendants relating to insurance coverage, or any claims  
19 that arise out of or are based upon any conduct of the Released Plaintiff Persons after the date of  
20 execution of this Stipulation.

21 (kk) "Released Defendant Persons" means each and all of the Settling  
22 Defendants and their Related Persons.

23 (ll) "Released Persons" means collectively, the Released Defendant Persons,  
24 the Released Plaintiff Persons, and the Released Altaba Persons.

25 (mm) "Released Plaintiff Claims" means any and all claims, rights, demands,  
26 obligations, controversies, debts, damages, losses, causes of action, and liabilities of any kind or  
27 nature whatsoever, whether in law or equity, including both known claims and Unknown Claims,  
28 suspected or unsuspected, accrued or unaccrued, that (i) the Settling Plaintiffs asserted in the

1 complaints filed in the Yahoo Shareholder and Derivative Actions; or (ii) that (a) any of the  
2 Settling Plaintiffs or any other Company shareholder could have asserted derivatively on behalf of  
3 the Company in any court, tribunal, forum, or proceeding, (b) the Company could have asserted  
4 directly in any court, tribunal, forum, or proceeding, or (c) any of the Settling Plaintiffs could have  
5 asserted directly against the Company or any Settling Defendant in any court, tribunal, forum, or  
6 proceeding and relate to a Settling Plaintiff's status as a stockholder of Yahoo, and (for each of  
7 (a), (b) and (c), above) that arise out of or are based upon the facts, matters, transactions, conduct,  
8 actions, failures to act, omissions, or circumstances that were alleged in complaints filed in the  
9 Yahoo Shareholder and Derivative Actions; provided, however, that the Released Plaintiff Claims  
10 shall not include (i) any claims asserted in the related customer class actions pending in Federal  
11 Court and California Superior Court captioned *In re: Yahoo! Inc. Customer Data Security Breach*  
12 *Litigation*, Case No. 16-MD-02752-LHK (N.D. Cal.) and *Yahoo! Inc. Private Information*  
13 *Disclosure Cases*, JCCP 4895 (Cal. Sup. Ct. Orange County), respectively; (ii) any claims asserted  
14 in the recently settled related securities class action in Federal Court captioned *In re Yahoo! Inc.*  
15 *Securities Litigation*, Case No. 17-cv-0373 LHK (N.D. Cal.); (iii) any claims relating to the  
16 enforcement of the Settlement or this Stipulation; or (iv) any claims that arise out of or are based  
17 upon any conduct of the Released Defendant Persons or Released Altaba Persons after the date of  
18 execution of this Stipulation.

19 (nn) "Released Plaintiff Persons" means each and all of the Settling Plaintiffs  
20 and their Related Persons.

21 (oo) "Settlement" means the settlement documented in this Stipulation.

22 (pp) "Settlement Amount" has the meaning ascribed to it in Paragraph 1.1.

23 (qq) "Settlement Hearing" means a hearing to be held by the California State  
24 Court upon duly-given notice to review this Stipulation and determine whether the Settlement  
25 should be finally approved, whether the Derivative Fee and Expense Award and the Proxy  
26 Litigation Fee Award should be finally approved, and whether the Judgment should be entered.

27 (rr) "Settling Defendants" means the Individual Defendants and Verizon.

28 (ss) "Settling Parties" means, collectively, each of the Settling Plaintiffs, the

1 Settling Defendants, and Altaba.

2 (tt) "Settling Plaintiffs" means the California Plaintiffs, Delaware Plaintiff, and  
3 Federal Plaintiffs (on behalf of themselves and derivatively on behalf of the Company).

4 (uu) "Settling Plaintiffs' Counsel" means California Plaintiffs' Counsel,  
5 Delaware Plaintiff's Counsel, and Federal Plaintiffs' Counsel.

6 (vv) "Summary Notice" means the Summary Notice of Pendency and Proposed  
7 Settlement of Shareholder Derivative Actions, substantially in the form of Exhibit B-2 attached  
8 hereto.

9 (ww) "Unknown Claims" means any and all Released Plaintiff Claims that any of  
10 the Settling Plaintiffs or any other Current Altaba Shareholder does not know or suspect to exist  
11 in his, her, or its favor at the time of the release of such claims against the Released Defendant  
12 Persons, and any and all Released Defendant Claims which any of the Settling Defendants does  
13 not know or suspect to exist in his, her, or its favor at the time of the release of such claims against  
14 the Released Plaintiff Persons, including claims which, if known by him, her, or it, might have  
15 affected his, her, or its decision to settle or the terms of his, her, or its settlement with and release  
16 of the Released Defendant Persons or Released Plaintiff Persons, or might have affected his, her,  
17 or its decision not to object to this Settlement. With respect to any and all Released Plaintiff  
18 Claims and Released Defendant Claims, the Settling Parties stipulate and agree that, upon the  
19 Effective Date, the Settling Parties shall expressly waive, and, only with respect to Released  
20 Plaintiff Claims that could have been asserted derivatively on behalf of the Company, all other  
21 Current Altaba Shareholders by operation of the Judgment shall have expressly waived, the  
22 provisions, rights, and benefits of California Civil Code § 1542, which provides:

23 A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE  
24 CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER  
25 FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN  
26 BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER  
27 SETTLEMENT WITH THE DEBTOR.

28 The Settling Parties acknowledge that they may discover facts in addition to or different from those  
now known or believed to be true by them with respect to the Released Plaintiff Claims and



1 Released Defendant Claims, but it is the intention of the Settling Parties to completely, fully,  
2 finally, and forever compromise, settle, release, discharge, and extinguish any and all of the  
3 Released Plaintiff Claims and Released Defendant Claims known or unknown, suspected or  
4 unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, which now  
5 exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery  
6 of additional or different facts.

7 (xx) “Verizon” means Verizon Communications Inc.

8 (yy) “Verizon’s Counsel” means Munger, Tolles & Olson LLP.

9 (zz) “Writ Action” means *Spain v. Altaba Inc.*, No. 18-CV-321765 (Cal. Super.  
10 Ct., Cnty. of Santa Clara).

11 (aaa) “Yahoo Shareholder and Derivative Actions” means, collectively, the  
12 California Derivative Action, the Delaware Derivative Action, the Federal Derivative Action, the  
13 Writ Action, and the Proxy Litigation.

## 14 **II. BACKGROUND**

### 15 **A. Factual Background**

16 The present shareholder derivative and proxy litigation arises out of data breaches  
17 experienced by Yahoo between 2013 and 2016. In late 2014, Yahoo was the subject of a data  
18 breach by Russian state-sponsored actors that affected 500 million Yahoo user accounts (“2014  
19 Security Incident”). In 2015 and 2016, an unauthorized third party accessed the Company’s  
20 proprietary code to forge cookies that could allow an intruder to access users’ accounts without a  
21 password (“Forged Cookies Incident”). The Company believes that some of this activity was  
22 connected to the same state-sponsored actor believed to be responsible for the 2014 Security  
23 Incident. In 2013, Yahoo was a subject of a separate data breach, which collectively affected all  
24 3 billion Yahoo user accounts (“2013 Security Incident” and, together with the 2014 Security  
25 Incident and the Forged Cookies Incident, the “Security Incidents”).

26 On July 22, 2016, Yahoo entered into a Stock Purchase Agreement (“SPA”) with Verizon  
27 for the sale of Yahoo’s operating assets to Verizon for \$4.8 billion (“Verizon Transaction”).

28 On September 22, 2016, Yahoo issued a press release disclosing the 2014 Security

1 Incident. On December 14, 2016, Yahoo disclosed that it was also the subject of a breach in 2013,  
2 affecting 1 billion Yahoo user accounts — the 2013 Security Incident.

3 On February 20, 2017, following Yahoo’s disclosure of the 2013 and 2014 Security  
4 Incidents, Yahoo and Verizon entered into an amendment to the SPA that, among other things,  
5 reduced by \$350 million the consideration to be paid by Verizon to Yahoo.

6 On October 3, 2017, Oath, a subsidiary of Verizon, disclosed that the 2013 Security  
7 Incident affected all 3 billion Yahoo user accounts instead of 1 billion Yahoo user accounts as  
8 initially disclosed.

9 Plaintiffs in the California Derivative Action, Delaware Derivative Action, and Federal  
10 Derivative Action allege that the Individual Defendants breached their fiduciary duties by failing  
11 to timely disclose and concealing the Security Incidents. Plaintiffs further allege that Defendant  
12 Verizon aided and abetted the Individual Defendants’ breaches of fiduciary duties. Defendants  
13 deny the allegations. As set forth in further detail below, on May 24, 2017, and June 6, 2017,  
14 Yahoo made certain supplemental proxy disclosures in response to the Proxy Litigation.

15 **B. The Action in Delaware Chancery Court**

16 In October 2016, Oklahoma made a demand upon Yahoo pursuant to 8 Del. Code § 220 to  
17 inspect Yahoo’s books and records. Oklahoma then filed a derivative complaint on behalf of  
18 Yahoo in the Delaware Chancery Court. On April 10, 2017, Oklahoma notified Defendants that  
19 it agreed to coordinate with counsel for the California Plaintiffs in jointly litigating the action in  
20 California State Court. Thereafter, Oklahoma was appointed lead plaintiff by Delaware Chancery  
21 Court, stayed its action, and obtained Yahoo’s consent to use the documents obtained through the  
22 § 220 inspection demand in California State Court.

23 On April 19, 2017, California Co-Lead Counsel advised the California State Court that  
24 plaintiffs’ counsel in the Delaware Derivative Action had agreed to stay their action and litigate  
25 all derivative claims in California State Court. Delaware Plaintiff’s Counsel submitted notices of  
26 appearance on behalf of the plaintiffs in the California Derivative Action, and the Court approved  
27 their *pro hac vice* applications.  
28

1           **C.     The Actions in Federal Court**

2           On February 16, 2017 and February 17, 2017, two shareholder derivative actions were filed  
3 in the United States District Court for the Northern District of California (“Federal Court”) by  
4 certain of the Federal Plaintiffs. On May 15, 2017, the Federal Court granted the Federal Plaintiffs’  
5 motion to consolidate and appointed lead counsel. The Federal Plaintiffs filed a consolidated  
6 complaint on July 6, 2017, containing confidential information derived from an inspection demand  
7 made by Edith Liss, one of the Federal Plaintiffs. By order dated September 25, 2017, the Federal  
8 Court granted a stipulation entered into by the parties and stayed the Federal Derivative Action.

9           **D.     Actions in California State Court**

10          On February 9, 2017, Plaintiffs LR Trust and Harold Litwin filed the first shareholder  
11 derivative action in the Superior Court of California, Santa Clara County and assigned to the  
12 Honorable Brian C. Walsh (“California State Court” or the “Court”).

13          On March 7, 2017, Plaintiff Patricia Spain filed a shareholder class action and derivative  
14 action in the California State Court, asserting both (1) a direct claim against Yahoo’s officers and  
15 directors for breach of fiduciary duty and a direct claim against Verizon for aiding and abetting  
16 breach of fiduciary duty and (2) derivative claims on behalf of Yahoo against Yahoo’s officers and  
17 directors for breach of fiduciary duty, corporate waste, and violation of California Corporation  
18 Code §§ 25402 and 25403 (insider trading).

19          On May 25, 2017, Plaintiff Plumbers and Pipefitters National Pension Fund (“Plumbers”)  
20 commenced a related shareholder derivative action in the California State Court.

21                   1.     California Plaintiffs Obtain Expedited Discovery and Pursue a Motion for  
22                             Preliminary Injunction in the California State Court Action

23          On March 20, 2017, in furtherance of her direct claims and to protect Yahoo shareholders’  
24 right to vote on the proposed Verizon transaction, Plaintiff Spain moved to lift the discovery stay  
25 and for limited expedited discovery. Defendants opposed the expedited discovery. At a hearing  
26 on March 30, 2017, the California State Court granted Plaintiff Spain’s motion in part and lifted  
27 the discovery stay. After a meet and confer that also took place on March 30, 2017, Yahoo agreed  
28 to produce documents in response to 12 out of 14 requests for production of documents and agreed

1 to produce Defendant McInerney for a deposition. On April 18, 2017, pursuant to Plaintiff Spain's  
2 motion to compel further discovery, the California State Court ordered Yahoo to produce  
3 additional documents and also ordered Yahoo to produce Defendant Brandt for a deposition.

4 In response to the California State Court's orders, Yahoo produced over 33,000 pages of  
5 documents to the California Plaintiffs between April 7, 2017, and April 28, 2017.

6 Plaintiff Spain deposed Defendants McInerney and Brandt on April 28, 2017 and May 9,  
7 2017, respectively. Subsequently, Plaintiff Spain served deposition subpoenas on two additional  
8 percipient fact witnesses, third-parties Alex Stamos and Ramses Martinez. Defendants and Stamos  
9 and Martinez moved to quash the deposition subpoenas. On May 24, 2017, the California State  
10 Court denied the motions to quash. Plaintiff Spain deposed Stamos and Martinez on May 25,  
11 2017.

12 On May 17, 2017, Plaintiff Spain moved for a preliminary injunction, seeking to enjoin  
13 Yahoo shareholders' vote on the transaction until Yahoo made additional disclosures allegedly  
14 relevant to the proxy. The motion identified eight allegedly material omissions from the proxy.  
15 Defendants opposed the motion.

16 On May 24, 2017, Yahoo provided supplemental disclosures, disclosing some of the facts  
17 that Plaintiff Spain contended were material and omitted from the proxy.

18 The California State Court held a hearing on Plaintiff Spain's motion for preliminary  
19 injunction on June 6, 2017. Following the hearing, the California State Court granted in part and  
20 denied in part the motion for preliminary injunction. Among other things, the Court concluded  
21 that Yahoo's May 24, 2017 filing mooted or addressed four out of the eight allegedly material  
22 omissions identified by Plaintiff Spain. The Court further found in Plaintiff Spain's favor as to  
23 one of the remaining four material omissions and ordered Yahoo to provide further supplemental  
24 disclosures, advising the shareholders of the value of the purchase price adjustment. Following  
25 the hearing, these disclosures were provided by Yahoo on June 6, 2017 via the filing of a  
26 supplement to the proxy statement on Schedule 14A. Yahoo's stockholder voted to approve the  
27 sale to Verizon, and the transaction closed on June 13, 2017, as originally scheduled.

28 2. The California State Court Derivative Litigation

1 On July 12, 2017, the California State Court consolidated the three pending actions  
2 (“California Derivative Action”) and appointed Bottini & Bottini, Inc. and Cotchett, Pitre &  
3 McCarthy LLP (“California Co-Lead Counsel”) as co-lead counsel. As set forth below, California  
4 Plaintiffs and their counsel have actively litigated the California Derivative Action.

5 On August 3, 2017, the California Plaintiffs filed a consolidated complaint. The  
6 consolidated complaint contained extensive detail of the underlying factual allegations, including  
7 from both the § 220 document production and the expedited Proxy Litigation, some of which was  
8 designated confidential by Defendants. On September 5, 2017, defendants moved to strike  
9 portions of the consolidated complaint, arguing that the parties’ signed confidentiality agreement  
10 governing the permitted use of confidential discovery material barred the use of the expedited  
11 discovery from the Proxy Litigation in the derivative complaint. On September 19, 2017, the  
12 California Plaintiffs filed their opposition to the motion to strike. After briefing, the California  
13 State Court denied the motion to strike, and allowed the use of the discovery from the Proxy  
14 Litigation in the consolidated complaint.

15 Defendants filed both a demurrer and a motion to stay the California Derivative Action in  
16 favor of the Federal Derivative Action, a related securities class action, and a related customer  
17 class action, each pending at the time in the Federal Court. On November 2, 2017, following  
18 briefing and a hearing, the California State Court held that the causes of action styled as direct  
19 were, in fact, derivative causes of action, sustained Defendants’ demurrer on demand-futility  
20 grounds as to each cause of action in the consolidated complaint, and granted Plaintiffs 60 days’  
21 leave to amend. On November 8, 2017, following briefing and supplemental briefing, the  
22 California State Court denied Defendants’ motion to stay, without prejudice to Defendants’ ability  
23 to renew the motion later if they could identify a specific, developed conflict with one of the related  
24 federal actions.

25 3. California Writ Action

26 By letter dated November 21, 2017, Plaintiff Spain, through her counsel, requested to  
27 inspect certain books and records of Altaba. Altaba responded to Plaintiff Spain’s demand by  
28 letter dated December 5, 2017. The parties met and conferred, and on January 9, 2018, and

1 February 15, 2018, Altaba offered to produce some, but not all, of the documents sought by  
2 Plaintiff Spain, but the parties were unable to resolve their disputes.

3 On January 12, 2018, Plaintiff Spain filed a verified petition for a writ of mandate, seeking  
4 an order pursuant to California Corporations Code § 1601 and the common law compelling Altaba  
5 to produce the books and records sought in Plaintiff Spain's inspection demand ("Writ Action").  
6 Pursuant to Corporations Code §1604, Plaintiff Spain also sought her attorneys' fees and costs  
7 incurred to bring the action.

8 The Writ Action was assigned for all purposes to Judge Walsh, who is presiding over the  
9 California Derivative Action. On February 16, 2018, Altaba filed a demurrer to the Writ Action  
10 petition. On March 21, 2018, Altaba represented that it produced all non-privileged Board and  
11 Board committee minutes and materials in response to Plaintiff Spain's inspection demand that  
12 she had not already received in prior productions. Plaintiff Spain asserted that, under § 1601 and  
13 the common law, she was entitled to receive additional document beyond what had been produced  
14 and indicated an intent to dispute certain of Yahoo's privilege claims. On April 27, 2018, the court  
15 overruled the demurrer. On May 15, 2018, Altaba filed its answer.

#### 16 4. California Plaintiffs' Amended Consolidated Complaint

17 On January 2, 2018, the California Plaintiffs filed an amended consolidated complaint,  
18 alleging six causes of action: (1) derivative claim for breach of fiduciary duty against the  
19 Individual Defendants; (2) derivative claim for corporate waste against the director defendants; (3)  
20 direct claim for breach of fiduciary duty against the Individual Defendants; (4) direct claim for  
21 aiding and abetting breaches of fiduciary duty against Verizon; (5) derivative claim for aiding and  
22 abetting breaches of fiduciary duty against Verizon; and (6) derivative claim for breach of fiduciary  
23 duty for insider trading and misappropriation of information against Defendants Marissa Mayer,  
24 Ronald Bell, Kenneth Goldman, and David Filo.

25 Defendants demurred to the amended complaint on February 22, 2018. Plaintiffs filed  
26 opposition briefs on April 4, 2018, and Defendants filed reply briefs on May 1, 2018. The hearing  
27 on the Defendants' demurrers was scheduled for August 10, 2018.

#### 28 **E. The Litigation Progress and Extensive Settlement Negotiations**

1 As set forth above, California Plaintiffs' Counsel have already reviewed more than 33,000  
2 pages of documents produced by Yahoo in response to the Delaware and California inspection  
3 demands as well as in response to the California State Court's orders allowing expedited discovery  
4 in the Proxy Litigation. These documents included, among other things, minutes, agendas, board  
5 packages, communications, and other materials of the Yahoo board of directors ("Board"),  
6 Yahoo's Audit and Finance Committee ("AFC"), Yahoo's Strategic Review Committee ("SRC"),  
7 and Yahoo's Special Cybersecurity Review Committee ("SCRC" or the "Independent  
8 Committee").

9 California Plaintiffs have also conducted four depositions, as follows:

- 10 • Defendant McInerney was deposed on April 28, 2017. McInerney was a member  
11 of Yahoo's Board and a member of the AFC since April 2012 and until the  
12 completion of the sale of Yahoo's operating assets to Verizon. McInerney also  
13 served as the Chair of the SRC and currently serves as Altaba's CEO.
- 14 • Defendant Brandt was deposed on May 9, 2017. Brandt has served as a member of  
15 the Board since March 2016 and as the Chairman of the Board since January 2017.  
16 Brandt was previously a member and Chair of the AFC, a member of the SRC, and  
17 a member and Chair of the SCRC.
- 18 • Non-party Stamos was deposed on May 25, 2017. Stamos previously served as  
19 Yahoo's Chief Information Security Officer ("CISO").
- 20 • Non-party Martinez was deposed on May 25, 2017. Martinez previously served as  
21 Yahoo's Senior Director of Incident Response. Following Stamos's departure from  
22 Yahoo, Martinez also served as interim CISO at Yahoo.

23 As to the legal merits of California Plaintiffs' claims, the parties have expended significant  
24 time and resources litigating two rounds of demurrers, briefing Yahoo's motion to stay, briefing  
25 several discovery-related motions (including the motion to expedite discovery and motions to  
26 quash), and briefing California Plaintiffs' motion for preliminary injunction.

27 Counsel for certain of the Settling Parties engaged in extensive efforts to resolve the Yahoo  
28 Shareholder and Derivative Actions, including participating in a full-day mediation on April 5,

1 2018, before the Honorable Daniel Weinstein (Ret.) in San Francisco, California. Although the  
2 participants were not able to reach a settlement on the day of the mediation, they continued arm's-  
3 length negotiations in the weeks that followed the mediation, and reached an agreement-in-  
4 principle to resolve the Yahoo Shareholder and Derivative Actions on the terms set out herein.

### 5 **III. PLAINTIFFS' CLAIMS AND THE BENEFITS OF SETTLEMENT**

6 As discussed above, California Plaintiffs' Counsel have reviewed and analyzed more than  
7 33,000 pages of documents and have conducted four depositions. In addition, California Plaintiffs'  
8 Counsel have reviewed and analyzed data from many other sources specific to this matter,  
9 including, but not limited to: (1) Yahoo's public filings with the SEC, press releases,  
10 announcements, transcripts of investor conference calls, and news articles; (2) investigations  
11 conducted by the SEC, the FTC, the DOJ, and other governmental agencies into the Securities  
12 Incidents; (3) securities analyst, business, and financial media reports about Yahoo and the  
13 Security Incidents; and (4) filings in the related securities class action and consumer data privacy  
14 action. California Plaintiffs' Counsel have also (1) researched the applicable law with respect to  
15 the claims asserted (or which could be asserted) in the shareholder derivative actions and the  
16 potential defenses thereto; (2) researched, drafted, and filed complaints, motion for preliminary  
17 injunction, and oppositions to demurrers and motion to stay; (3) prepared a detailed mediation  
18 statement; (4) participated in a full-day mediation; and (5) engaged in months-long settlement  
19 discussions with counsel for Yahoo, Verizon, and the Individual Defendants.

20 Settling Plaintiffs' Counsel believe that the claims asserted in the Yahoo Shareholder and  
21 Derivative Actions have merit and that their investigation of the evidence supports the claims  
22 asserted. Without conceding the merit of any of the Settling Defendants' defenses, and in light of  
23 the benefits of the Settlement as well as to avoid the potentially protracted time, expense, and  
24 uncertainty associated with continued litigation, including potential trial(s) and appeal(s), Settling  
25 Plaintiffs and Settling Plaintiffs' Counsel have concluded that it is desirable that the Yahoo  
26 Shareholder and Derivative Actions be fully and finally settled in the manner and upon the terms  
27 and conditions set forth in this Stipulation. Settling Plaintiffs and Settling Plaintiffs' Counsel  
28 recognize the significant risk, expense, and length of continued proceedings necessary to prosecute



1 the Yahoo Shareholder and Derivative Actions against the Settling Defendants through trial(s) and  
2 through possible appeal(s). Settling Plaintiffs' Counsel have also taken into account the uncertain  
3 outcome and the risk of any litigation, especially complex litigation such as the Yahoo Shareholder  
4 and Derivative Actions, the difficulties and delays inherent in such litigation, the cost to Altaba—  
5 on behalf of which Plaintiffs seek to litigate—and distraction to management of Altaba that would  
6 result from extended litigation. Based on their evaluation, and in light of what Settling Plaintiffs'  
7 Counsel believe to be the significant benefits conferred upon Altaba and Current Altaba  
8 Shareholders as a result of the Settlement, Settling Plaintiffs and Settling Plaintiffs' Counsel have  
9 determined that the Settlement is in the best interests of Settling Plaintiffs, Yahoo, and Current  
10 Altaba Shareholders, and have agreed to settle the Yahoo Shareholder and Derivative Actions upon  
11 the terms and subject to the conditions set forth herein.

12 In addition, Judge Weinstein — the mediator who presided over the parties' extensive  
13 mediation efforts — has concluded that the proposed Settlement is fair and reasonable. Judge  
14 Weinstein is familiar with the claims at issue in this case, as well as the risks to all parties of  
15 continuing to litigate the claims. He also presided over the mediation in the related securities class  
16 action, where a settlement recently received final approval from the Federal Court.

17 Moreover, the Settling Parties (other than Verizon, which takes no position with respect to  
18 the issue) agree that the California Plaintiffs' prosecution of the direct claims and motion for  
19 preliminary injunction conferred substantial benefit to Yahoo and Yahoo shareholders, so as to  
20 justify the Proxy Litigation Fee Award as defined in Paragraph 5.7 below. Specifically, on May  
21 17, 2017, Plaintiff Spain moved for a preliminary injunction, seeking to enjoin Yahoo  
22 shareholders' vote on the transaction until Yahoo disclosed certain material facts relevant to the  
23 proxy. The motion identified eight allegedly material omissions from the proxy.

24 On May 24, 2017, Yahoo provided supplemental proxy disclosures, disclosing some of the  
25 material facts that Plaintiff Spain contended were omitted from the proxy.

26 The California State Court held a hearing on Plaintiff Spain's motion for preliminary  
27 injunction on June 6, 2017. Following the hearing, the California State Court granted in part and  
28 denied in part the motion for preliminary injunction. Among other things, the Court concluded

1 that Yahoo's May 24, 2017 filing mooted or addressed four out of the eight allegedly material  
2 omissions identified by Plaintiff Spain. The Court further found in Plaintiff Spain's favor as to  
3 one of the remaining four material omissions and ordered Yahoo to provide further supplemental  
4 proxy disclosures, advising the shareholders of the value of the purchase price adjustment.  
5 Following the hearing, these disclosures were provided by Yahoo on June 6, 2017 via the filing of  
6 a supplement to the proxy statement on Schedule 14A.

#### 7 **IV. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

8 The Individual Defendants have denied and continue to deny that they have committed or  
9 attempted to commit any violations of law, any breaches of fiduciary duty owed to Yahoo, or any  
10 wrongdoing whatsoever and expressly maintain that they diligently and scrupulously complied  
11 with any and all fiduciary and other legal duties. The Settling Defendants assert, among other  
12 things, that Plaintiffs lack standing to litigate direct claims because all Plaintiffs' claims belong to  
13 Altaba, and that Plaintiffs lack standing to litigate derivatively on behalf of Altaba because the  
14 Settling Plaintiffs have not yet pleaded, and cannot properly plead, that a demand on Altaba's  
15 Board of Directors would be futile. However, to avoid the costs, disruption, and distraction of  
16 further litigation, and without admitting that California Plaintiffs and plaintiffs in the other Yahoo  
17 Shareholder and Derivative Actions have standing to bring any claims in the Yahoo Shareholder  
18 and Derivative Actions, the validity of any allegation made in the Yahoo Shareholder and  
19 Derivative Actions, or any liability with respect thereto, the Individual Defendants have concluded  
20 that it is desirable that the claims against them be settled and dismissed on the terms reflected in  
21 this Stipulation.

22 Verizon denies and continues to deny that it engaged in any actionable misconduct  
23 whatsoever, and disputes the validity of the claims and allegations asserted against it. It has agreed  
24 to waive the costs it incurred in this action as set forth in Paragraph 5.10 below, solely to facilitate  
25 settlement and avoid the expense of further litigation.

26 Altaba denies that Plaintiffs have standing to bring direct claims because all Plaintiffs'  
27 claims belong to Altaba and deny that Plaintiffs have standing to litigate derivatively on behalf of  
28 Altaba because demand on the Altaba Board is not futile. However, to avoid the costs, disruption,

1 and distraction of further litigation, Altaba has concluded that it is desirable that the claims asserted  
2 in the Yahoo Shareholder and Derivative Actions be settled and dismissed on the terms reflected  
3 in this Stipulation.

4 Neither this Stipulation, nor any of its terms or provisions, nor entry of the Judgment, nor  
5 any document or exhibit attached to or referred to in this Stipulation, nor any action taken to carry  
6 out this Stipulation, is or may be construed as, used as, or argued to be evidence of the validity or  
7 merit of any of the Released Claims, or as an admission by or against any Settling Defendant of  
8 any fault, wrongdoing, or concession of liability whatsoever.

9 **V. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT**

10 NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and among  
11 Plaintiffs (for themselves and derivatively on behalf of Altaba), the Settling Defendants, and  
12 Altaba, each by and through their respective attorneys of record, that in exchange for the  
13 consideration set forth below and the benefits flowing to the Settling Parties from the Settlement,  
14 and subject to the approval of the Court, the Yahoo Shareholder and Derivative Actions and the  
15 Released Claims shall be fully, finally, and forever compromised, settled, discharged, relinquished,  
16 and released, and each of the Yahoo Shareholder and Derivative Actions shall be dismissed with  
17 prejudice, with full preclusive effect, as to all Settling Parties, upon and subject to the terms and  
18 conditions of the Stipulation, as set forth below.

19 **1. Terms of the Settlement**

20 1.1 In consideration of the Settlement, and subject to the terms and conditions  
21 of this Stipulation, the Settling Defendants, as separately agreed between them, shall cause their  
22 insurance carriers to pay twenty-nine million dollars (\$29,000,000.00) in cash (“Settlement  
23 Amount”) into a Derivative Escrow Account established for the settlement of the California  
24 Derivative Action, Delaware Derivative Action, and Federal Derivative Action within fifteen (15)  
25 business days after preliminary approval of the Settlement by the California State Court. The  
26 Settlement Amount, plus any interest earned thereon, will be used to pay the Derivative Fee and  
27 Expense Award, Taxes, and Tax Expenses, as provided in Paragraphs 2 and 5 below. The  
28 Settlement Amount, less any amounts used to satisfy the Derivative Fee and Expense Award,

1 Taxes, and Tax Expenses, shall be released and paid to Altaba upon entry of Judgment and the  
2 Judgment becoming Final in accordance with Definitions Paragraph (x) above.

3 1.2 Altaba specifically acknowledges that the Company and its shareholders  
4 received valuable consideration as a direct result of the California Plaintiffs' work on the Proxy  
5 Litigation, that the supplemental proxy disclosures issued by Yahoo on March 24, 2017, and June  
6 6, 2017, were the direct result of the California Plaintiffs' work on the Proxy Litigation, and that  
7 Yahoo's supplemental proxy disclosures provided a substantial benefit to Yahoo's shareholders,  
8 including the Settling Plaintiffs.

9 **2. Derivative Escrow Account**

10 2.1 The Derivative Escrow Agent shall invest amount(s) deposited in the  
11 Derivative Escrow Account pursuant to Paragraph 1.1 above exclusively in United States Treasury  
12 Bills or other instruments backed by the Full Faith & Credit of the United States Government or  
13 an Agency thereof, or fully insured by the United States Government or an Agency thereof, and  
14 shall reinvest the proceeds of these instruments as they mature in similar instruments at their then-  
15 current market rates. All risks related to the investment of funds in the Derivative Escrow Account  
16 in accordance with the investment guidelines set forth in this Paragraph shall be borne by the  
17 Derivative Escrow Account.

18 2.2 The Derivative Escrow Agent shall not disburse any funds in the Derivative  
19 Escrow Account, except (i) as provided in the Stipulation pursuant to Paragraphs 2.4(a)–(c), 2.5,  
20 and 5.3; or (ii) or by an order of the California State Court.

21 2.3 Subject to further order(s) and/or directions as may be made by the  
22 California State Court, or as provided in the Stipulation, the Derivative Escrow Agent is authorized  
23 to execute such transactions as are consistent with the terms of the Stipulation.

24 2.4 All funds held by the Derivative Escrow Agent in the Derivative Escrow  
25 Account shall be deemed and considered to be *in custodia legis* of the California State Court, and  
26 shall remain subject to the jurisdiction of the California State Court, until such time as such funds  
27 shall be distributed as provided in the Stipulation pursuant to Paragraphs 2.4(a)–(c), 2.5, and 5.3  
28 and/or further order(s) of the California State Court.

1                   2.4(a)           The Settling Parties and the Derivative Escrow Agent agree  
2 to treat the funds in the Derivative Escrow Account as being at all times a “qualified settlement  
3 fund” within the meaning of Treas. Reg. § 1.468B-1. In addition, Co-Lead Counsel, as the  
4 “administrators” of the Derivative Escrow Account within the meaning of § 1.468B of the Internal  
5 Revenue Code of 1986, as amended, and the regulations promulgated thereunder, shall timely  
6 make such elections as necessary or advisable to carry out the provisions of this paragraph,  
7 including making the “relation-back election” (as defined in Treas. Reg. § 1.468B-1) back to the  
8 earliest permitted date. Such elections shall be made in compliance with the procedures and  
9 requirements contained in such regulations. It shall be the responsibility of the Derivative Escrow  
10 Agent to timely and properly prepare and deliver the necessary documentation for signature by all  
11 necessary parties, and thereafter to cause the appropriate filing to occur.

12                   2.4(b)           For the purpose of § 1.468B of the Internal Revenue Code of  
13 1986, as amended, and the regulations promulgated thereunder, the “administrators” of the  
14 Derivative Escrow Account shall be Co-Lead Counsel. Co-Lead Counsel shall timely and properly  
15 file all informational and other tax returns necessary or advisable with respect to the funds in the  
16 Derivative Escrow Account (including without limitation the returns described in Treas. Reg. §  
17 1.468B-2(k)). Such returns (as well as the election described in subparagraph 2.4(a) above) shall  
18 be consistent with Paragraph 2.4 above and in all events shall reflect that all Taxes (including any  
19 estimated taxes, interest, or penalties) on the income earned by the funds in the Derivative Escrow  
20 Account shall be paid out of the Derivative Escrow Account.

21                   2.4(c)           All (i) taxes (including any estimated taxes, interest, or  
22 penalties) arising with respect to the income earned by funds in the Derivative Escrow Account  
23 (“Taxes”), and (ii) expenses and costs incurred in connection with the operation and  
24 implementation of Paragraph 2.4 (including, without limitation, expenses of tax attorneys and/or  
25 accountants and mailing and distribution costs and expenses relating to filing the returns described  
26 in Paragraph 2.4(b) above) (“Tax Expenses”), shall be paid out of the Derivative Escrow Account.  
27 Further, Taxes and Tax Expenses shall be timely paid by the Derivative Escrow Agent out of the  
28 funds in the Derivative Escrow Account without prior order from the Court. The Settling

1 Defendants and their counsel agree to cooperate with Co-Lead Counsel and their tax attorneys and  
2 accountants to the extent reasonably necessary to carry out the provisions of this Paragraph.  
3 However, the Settling Parties shall not have any responsibility or liability for any acts or omissions  
4 of the Derivative Escrow Agent or its agents with respect to the obligations and duties of the  
5 Derivative Escrow Agent as described herein.

6           2.5     Any administrative costs incurred in connection with the management of  
7 the Derivative Escrow Account shall be paid by the Derivative Escrow Agent.

### 8           **3.     Procedure for Implementing the Settlement**

9           3.1     Promptly after the execution of this Stipulation, California Plaintiffs'  
10 Counsel shall submit the Stipulation together with its exhibits to the California State Court and file  
11 a Motion for Preliminary Approval of Settlement, substantially in the form of Exhibit A attached  
12 hereto, requesting, *inter alia*: (i) preliminary approval of the Settlement set forth in this  
13 Stipulation; (ii) approval of the method of providing notice of pendency of proposed Settlement to  
14 Current Altaba Shareholders; (iii) approval of the forms of Notice attached hereto as Exhibit B-1  
15 and Exhibit B-2; and (iv) a date for the Settlement Hearing.

16           3.2     Within fourteen (14) calendar days of the California State Court's entry of the  
17 Preliminary Approval Order, Altaba shall: (1) cause a copy of the Summary Notice, substantially  
18 in the form attached hereto as Exhibit B-2, to be published twice in the national edition of the  
19 *Investors' Business Daily*; and (2) post the Notice, substantially in the form attached hereto as  
20 Exhibit B-1, and this Stipulation on the Investor Relations page of Altaba's company website,  
21 which posting shall be maintained through the date of the Settlement Hearing. Altaba shall cause  
22 to be paid all costs of such publishing and posting. Co-Lead Counsel will also post the Notice on  
23 their firms' websites.

24           3.3     The Settling Parties believe the content and manner of the Notice, as set forth  
25 in the prior paragraph, constitutes adequate and reasonable notice to Current Altaba Shareholders  
26 pursuant to applicable law and due process.

27           3.4     The Settling Parties agree to request that the Court hold a hearing in the  
28 California Derivative Action fifty (50) days after Notice is given during which the California State

1 Court will consider and determine whether the Judgment, substantially in the form of Exhibit C  
2 hereto, should be entered: (a) approving the terms of the Settlement as fair, reasonable, and  
3 adequate; and (b) dismissing with prejudice the California Derivative Action against the Settling  
4 Defendants.

5 3.5 Pending the Effective Date, all proceedings and discovery in the Yahoo  
6 Shareholder and Derivative Actions shall be stayed except as otherwise provided herein, and the  
7 Settling Parties shall not file, prosecute, instigate, or in any way participate in the commencement or  
8 prosecution of any of the Released Claims.

9 **4. Dismissal of the Yahoo Shareholder and Derivative Actions**

10 4.1 This Settlement is conditioned on the Delaware Derivative Action, the Federal  
11 Derivative Action, and the Writ Action being dismissed with prejudice.

12 4.2 Within fifteen (15) days after the California State Court grants final approval  
13 of the Settlement, the Settling Plaintiffs shall take, or cause to be taken, all actions, and to do, or cause  
14 to be done, all things necessary, proper, and appropriate to secure dismissal with prejudice of the  
15 Delaware Derivative Action, the Federal Derivative Action, and the Writ Action in their entireties as  
16 to all parties in those actions. In the interim, the Settling Parties shall cooperate to, at a minimum,  
17 secure a postponement of any hearing or trial date(s) while this Settlement is under consideration by  
18 the California State Court.

19 **5. Plaintiffs' Counsel's Separately Negotiated Attorneys' Fees and Expenses**

20 5.1 After negotiating and reaching agreement on the principal terms of the  
21 Settlement, Co-Lead Counsel and Altaba, with the assistance of Judge Weinstein, separately  
22 negotiated an appropriate amount of attorneys' fees and expenses to be paid out of (and not in  
23 addition to) the Settlement Amount, to compensate Plaintiffs' Counsel for their work in the case  
24 and the substantial benefits conferred upon Altaba and its stockholders by the Settlement.

25 5.2 Co-Lead Counsel intend to seek an application for an award amount not to  
26 exceed 30% of the Settlement Amount for attorneys' fees and up to \$250,000 in litigation  
27 expenses. The amount of attorneys' fees and expenses actually awarded by the California State  
28 Court to Co-Lead Counsel shall hereinafter be referred to as the "Derivative Fee and Expense

1 Award.”

2           5.3     The Derivative Fee and Expense Award shall be payable from the  
3 Derivative Escrow Account to a joint-signature account established by Co-Lead Counsel  
4 immediately upon award by the Court, and shall be immediately releasable upon receipt by Co-  
5 Lead Counsel, notwithstanding the existence of any timely-filed objections thereto, or potential  
6 for appeal therefrom, or collateral attack on the Settlement or any part thereof, and subject to  
7 Settling Plaintiffs’ Counsel’s several obligation to make appropriate refunds or repayments to the  
8 Derivative Escrow Account, plus interest earned thereon at the same net rate as earned by the  
9 Derivative Escrow Account, if and when as a result of any appeal and/or further proceedings on  
10 remand, or successful collateral attack, approval of the Settlement is denied or overturned or the  
11 Derivative Fee and Expense Award is reduced or reversed and such order denying or overturning  
12 the Settlement or reducing or reversing the Derivative Fee and Expense Award is Final. In such  
13 event, each of the Settling Plaintiffs’ Counsel shall, within thirty (30) business days from the event  
14 which requires repayment of the Derivative Fee and Expense Award, refund to the Derivative  
15 Escrow Account such portion of the Derivative Fee and Expense Award paid to or received by  
16 each of them, along with interest, as described above.

17           5.4     The Settling Parties further stipulate that Co-Lead Counsel may apply to the  
18 California State Court for service awards of up to \$10,000 for Plaintiff Spain and up to \$5,000 for  
19 each of the other California Plaintiffs, to be paid upon Court approval, in recognition of their  
20 participation and efforts in the prosecution of the California Derivative Action and the Proxy  
21 Litigation (“Service Awards”). The Service Awards, if approved by the California State Court,  
22 shall be paid to the California Plaintiffs out of the Derivative Fee and Expense Award. Altaba  
23 and the Settling Defendants shall not be separately liable for any portion of any Service Award

24           5.5     Co-Lead Counsel shall allocate the Derivative Fee and Expense Award  
25 amongst Settling Plaintiffs’ Counsel in a manner which they, in good faith, believe reflects the  
26 contributions of such counsel to the institution, prosecution, and settlement of the California  
27 Derivative Action, Delaware Derivative Action, and Federal Derivative Action. Altaba and the  
28 Settling Defendants shall have no responsibility or involvement in the allocation of attorneys’ fees



1 or expenses.

2           5.6     Altaba and the Settling Defendants will take no position regarding the  
3 Derivative Fee and Expense Award or the Service Awards.

4           5.7     Also after negotiating and reaching agreement on the principal terms of the  
5 Settlement, Co-Lead Counsel and Altaba, with the assistance of Judge Weinstein, separately  
6 negotiated an appropriate amount of attorneys' fees to be paid directly by Altaba to Co-Lead  
7 Counsel, in recognition of the value conveyed to the Company and its shareholders by the  
8 California Plaintiffs' work on the Proxy Litigation, including as a result of the supplemental proxy  
9 disclosures obtained for the benefit of Yahoo's shareholders, as a result of the California Plaintiffs'  
10 efforts. Altaba has agreed to pay Co-Lead Counsel, subject to the approval of the Court, the  
11 amount of two million dollars (\$2,000,000) to compensate them for the benefits they obtained in  
12 the Proxy Litigation. Each of Altaba and the Settling Defendants (other than Verizon, which takes  
13 no position on the matter) further agrees that a payment in this amount from Altaba to Co-Lead  
14 Counsel is reasonable as compensation for Co-Lead Counsel's work in the Proxy Litigation and  
15 in light of the benefits conferred on Yahoo and its shareholders. The amount of attorneys' fees  
16 awarded by the California State Court pursuant to this paragraph shall hereinafter be referred to as  
17 the "Proxy Litigation Fee Award."

18           5.8     The Proxy Litigation Fee Award shall be payable by Altaba to a joint-  
19 signature account established by Co-Lead Counsel within fifteen (15) business days of any Proxy  
20 Litigation Fee Award being ordered by the Court, and shall be immediately releasable upon receipt  
21 by Co-Lead Counsel, notwithstanding the existence of any timely-filed objections thereto, or  
22 potential for appeal therefrom, or collateral attack on the Settlement or any part thereof, and subject  
23 to Settling Plaintiffs' Counsel's several obligation to make appropriate refunds or repayments to  
24 Altaba, plus interest at the same net rate as earned by the Derivative Escrow Account, if and when  
25 as a result of any appeal and/or further proceedings on remand, or successful collateral attack,  
26 approval of the Settlement is denied or overturned or the Proxy Litigation Fee Award is reduced  
27 or reversed and such order denying or overturning the Settlement or reducing or reversing the  
28 Proxy Litigation Fee Award is Final. In such event, each of the Settling Plaintiffs' Counsel shall,

1 within thirty (30) business days from the event which requires repayment of the Proxy Litigation  
2 Fee Award, refund to Altaba such portion of the Proxy Litigation Fee Award paid to or received  
3 by each of them, along with interest, as described above.

4           5.9 The attorneys' fees and costs approved by the California State Court,  
5 including any Derivative Fee and Expense Award and any Proxy Litigation Fee Award, shall  
6 constitute full satisfaction of the Settling Defendants' and Altaba's obligations to pay amounts to  
7 any person, attorney, or law firm for attorneys' fees, expenses, or costs in the Yahoo Shareholder  
8 and Derivative Actions incurred on behalf of the Settling Plaintiffs, and shall relieve the Settling  
9 Defendants and Altaba from any other claims or liability to any other attorney or law firm for any  
10 attorneys' fees, expenses, or costs to which any of them may claim to be entitled on behalf of  
11 Settling Plaintiffs.

12           5.10 Except as otherwise provided herein or except as provided pursuant to  
13 indemnification or insurance rights, each of the Settling Parties shall bear his, her, or its own costs,  
14 expenses, and attorneys' fees.

15           5.11 The California State Court's decision granting, in whole or in part, the  
16 application by Co-Lead Counsel for a Derivative Fee and Expense Award, a Proxy Litigation Fee  
17 Award, and Service Awards is not a condition of the Stipulation or to entry of the Judgment. The  
18 request by Lead Counsel for a Derivative Fee and Expense Award, for a Proxy Litigation Fee  
19 Award, and for Service Awards is to be considered by the California State Court separately from  
20 the California State Court's consideration of the question whether the Settlement is fair,  
21 reasonable, adequate, and in the best interests of Altaba and Current Altaba Shareholders. Any  
22 orders or proceedings relating to any request by Co-Lead Counsel for a Derivative Fee and  
23 Expense Award, a Proxy Litigation Fee Award, or Service Awards, or any appeal from any order  
24 or proceedings relating thereto, shall not affect the validity or finality of the Settlement, operate to  
25 terminate or cancel the Stipulation, and/or affect or delay either the Effective Date or the finality  
26 of the Judgment approving the Settlement. Settling Plaintiffs and Settling Plaintiffs' Counsel may  
27 not cancel or terminate the Stipulation or the Settlement based on the California State Court's or  
28 any appellate court's ruling with respect to any application for a Derivative Fee and Expense

1 Award, a Proxy Litigation Fee Award, or Service Awards.

2 **6. Releases**

3 6.1 Upon the Effective Date, the Settling Plaintiffs shall be deemed to have  
4 fully, finally, and forever released, relinquished, and discharged the Released Plaintiff Claims  
5 (including Unknown Claims) against the Released Defendant Persons and the Released Altaba  
6 Persons, and shall be forever barred and enjoined from asserting any Released Plaintiff Claims  
7 against any Released Defendant Persons or against any Released Altaba Persons.

8 6.2 Upon the Effective Date, all Current Altaba Shareholders shall be deemed  
9 to have fully, finally, and forever released, relinquished, and discharged the Released Plaintiff  
10 Claims that could have been asserted derivatively on behalf of the Company (including Unknown  
11 Claims) against the Released Defendant Persons, and shall be forever barred and enjoined from  
12 asserting any Released Plaintiff Claims that could have been asserted derivatively on behalf of the  
13 Company against any Released Defendant Persons.

14 6.3 Upon the Effective Date, Altaba shall be deemed to have fully, finally, and  
15 forever released, relinquished, and discharged the Released Plaintiff Claims (including Unknown  
16 Claims) against the Released Defendant Persons, and shall be forever barred and enjoined from  
17 asserting any Released Plaintiff Claims against any Released Defendant Persons.

18 6.4 Upon the Effective Date, each of the Settling Defendants and Altaba shall  
19 be deemed to have fully, finally, and forever released, relinquished, and discharged the Released  
20 Defendant Claims (including Unknown Claims) against the Released Plaintiff Persons, and shall  
21 be forever barred and enjoined from asserting any Released Defendant Claims against any  
22 Released Plaintiff Persons.

23 6.5 Nothing herein shall in any way impair or restrict the rights of any Settling  
24 Party to enforce the terms of the Stipulation.

25 **7. Conditions of Settlement; Effect of Disapproval, Cancellation, or**  
26 **Termination**

27 7.1 The Effective Date of the Settlement shall be the date on which all of the  
28 following events have occurred:

- 1 a. approval of the Settlement at or after the Settlement Hearing following  
2 notice to Current Altaba Shareholders as set forth in Paragraph 3.2;
- 3 b. entry of the Judgment, in all material respects in the form set forth as  
4 Exhibit C annexed hereto, approving the Settlement without awarding costs to any party, except as  
5 provided herein, dismissing the California Derivative Action with prejudice, and releasing the  
6 Released Defendant Persons from the Released Plaintiff Claims;
- 7 c. payment of the Settlement Amount;
- 8 d. the passing of the date upon which the Judgment becomes Final;
- 9 e. dismissal with prejudice of the Delaware Derivative Action, Federal  
10 Derivative Action, and Writ Action; and
- 11 f. the passing of the dates upon which each of the dismissal orders in  
12 each of the Yahoo Shareholder and Derivative Actions become Final.

13 7.2 If any of the conditions specified above in Paragraph 7.1 are not met, then  
14 the Stipulation shall be cancelled and terminated, unless all of the Settling Parties agree in writing  
15 to proceed with the Stipulation. If for any reason the Effective Date of this Stipulation does not  
16 occur, or if this Stipulation is in any way canceled, terminated, or fails to become Final in  
17 accordance with its terms: (i) all Settling Parties and Released Persons shall be restored to their  
18 respective positions prior to execution of this Stipulation; (ii) all releases delivered in connection  
19 with the Stipulation shall be null and void, except as otherwise provided for in the Stipulation;  
20 (iii) the Derivative Fee and Expense Award shall not be paid or, if already paid, shall be refunded  
21 to the Derivative Escrow Account in accordance with Paragraph 5.3; (iv) the Proxy Litigation Fee  
22 Award shall not be paid or, if already paid, shall be refunded to Altaba in accordance with  
23 Paragraph 5.8; and (v) all negotiations, proceedings, documents prepared, and statements made in  
24 connection herewith shall be without prejudice to the Settling Parties, shall not be deemed or  
25 construed to be an admission by any of the Settling Parties of any act, matter, or proposition, and  
26 shall not be used or referred to in any manner for any purpose (other than to enforce the terms  
27 remaining in effect) in any subsequent proceeding in the Yahoo Shareholder and Derivative  
28 Actions or in any other action or proceeding. In such event, the terms and provisions of this

1 Stipulation shall have no further force and effect with respect to the Settling Parties and shall not  
2 be used in the Yahoo Shareholder and Derivative Actions or in any other proceeding for any  
3 purpose.

4 **8. Miscellaneous Provisions**

5 8.1 The Settling Parties (i) acknowledge that it is their intent to consummate the  
6 Settlement; and (ii) agree to act in good faith and cooperate to take all reasonable and necessary  
7 steps to expeditiously implement the terms and conditions of the Settlement set forth in this  
8 Stipulation.

9 8.2 The Settling Parties intend this Settlement to be a final and complete  
10 resolution of all disputes between them arising out of, based upon, or related to the Yahoo  
11 Shareholder and Derivative Actions and the Released Claims. The Settlement compromises claims  
12 that are contested and shall not be deemed an admission by any Settling Party as to the merits of  
13 any claim, allegation, or defense. The Settling Parties and their respective counsel agree that at all  
14 times during the course of the litigation, each has complied with the requirements of the applicable  
15 laws and rules of the Court. The Settling Parties agree that the Released Claims are being settled  
16 voluntarily after consultation with an experienced mediator and competent legal counsel who were  
17 fully competent to assess the strengths and weaknesses of their respective clients' claims or  
18 defenses.

19 8.3 The Settling Parties agree that the terms of the Settlement were negotiated in  
20 good faith by the Settling Parties, and reflect a settlement that was reached voluntarily after  
21 consultation with competent legal counsel. The Settling Parties will request that the Judgment contain  
22 a finding that during the course of the Yahoo Shareholder and Derivative Actions, the Settling Parties  
23 and their respective counsel at all times complied with the requirements of Federal Rule of Civil  
24 Procedure 11, California Code of Civil Procedure § 128.7, and all other similar rules of professional  
25 conduct. The Settling Parties reserve their right to rebut, in a manner that the parties determine to be  
26 appropriate, any contention made in any public forum that the Yahoo Shareholder and Derivative  
27 Actions were brought or defended in bad faith or without a reasonable basis.

28 8.4 The Settling Parties agree Judge Weinstein shall retain jurisdiction over any

1 disputes related to the implementation and enforcement of the terms of this Stipulation and the  
2 Settling Parties agree to attempt to resolve any such disputes with the assistance of Judge  
3 Weinstein. If for any reason Judge Weinstein is unavailable or has a conflict, the Settling Parties  
4 shall agree on a substitute neutral.

5           8.5 Each of the Settling Defendants expressly denies and continues to deny all  
6 allegations of wrongdoing or liability against itself, himself or herself arising out of or relating to any  
7 conduct, statements, acts, or omissions alleged, or which could have been alleged, in the Yahoo  
8 Shareholder and Derivative Actions. Each of the Settling Defendants and Altaba reserves the right to  
9 rebut any and all allegations of breach of fiduciary duty, wrongdoing, or liability, whatsoever, against  
10 himself, herself, or itself. Neither the Stipulation (including any exhibits attached hereto) nor the  
11 Settlement, nor any act performed or document executed pursuant to or in furtherance of the  
12 Stipulation or the Settlement: (i) is or may be deemed to be or may be offered, attempted to be offered,  
13 or used or referred to in any way by the Settling Parties as a presumption, a concession, an admission,  
14 or evidence of any fault, wrongdoing, or liability of any of the Settling Parties or of the validity of  
15 any Released Claims; or (ii) is or may be deemed to be or may be used as a presumption, concession,  
16 admission, or evidence of any liability, fault, or omission of any of the Released Persons in any civil,  
17 criminal, or administrative proceeding in any court, administrative agency, or other tribunal. Neither  
18 this Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in  
19 furtherance of this Stipulation or the Settlement, shall be admissible in any proceeding for any  
20 purpose, except to enforce the terms of the Settlement, and except that the Released Persons may file  
21 the Stipulation and/or the Judgment in any action or proceeding that may be brought against them to  
22 support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, full faith  
23 and credit, release, standing, good faith settlement, judgment bar or reduction, or any other theory of  
24 claim preclusion or issue preclusion or similar defense or counterclaim.

25           8.6 Settling Plaintiffs' Counsel agree that within sixty (60) days of the Effective  
26 Date, they will return to the producing party all documents and other discovery material obtained  
27 from such producing party in any matter, including all documents produced by Yahoo or Altaba,  
28 whether formally or informally in connection with the mediation ("Discovery Material"), or destroy

1 all such Discovery Material and certify to that fact; provided, however that Settling Plaintiffs' Counsel  
2 shall be entitled to retain all filings, court papers, deposition and hearing transcripts, and attorney-  
3 work product containing or reflecting Discovery Materials, subject to the requirement that Settling  
4 Plaintiffs' Counsel shall not disclose any information contained or referenced in the Discovery  
5 Material to any person except pursuant to a validly issued subpoena not subject to a motion to quash,  
6 court order or agreement with Altaba.

7           8.7 All designations and agreements made and orders entered during the course  
8 of the Yahoo Shareholder and Derivative Actions relating to the confidentiality of documents or  
9 information shall survive this Settlement. Nothing in this Stipulation, or the negotiations relating  
10 thereto, is intended to or shall be deemed to constitute a waiver of any applicable privilege or  
11 immunity, including, without limitation, the attorney-client privilege, the joint defense privilege,  
12 or work product protection.

13           8.8 Nothing set forth herein shall constitute a release by the Individual  
14 Defendants of their rights and obligations relating to indemnification or advancement of defense  
15 costs arising from the Company's Certificate of Incorporation or Bylaws, Delaware law, or any  
16 indemnification agreement, undertaking, insurance policy, or similar agreement.

17           8.9 The Stipulation and the exhibits attached hereto constitute the entire  
18 agreement among the Settling Parties with respect to the Settlement, and supersede any and all prior  
19 negotiations, discussions, agreements, or undertakings, whether oral or written, with respect to such  
20 matters.

21           8.10 The exhibits to the Stipulation are material and integral parts hereof and are  
22 fully incorporated herein by this reference.

23           8.11 The headings herein are used for the purpose of convenience only and are not  
24 meant to have legal effect.

25           8.12 The Stipulation may be amended or modified only by a written instrument  
26 signed by or on behalf of all the Settling Parties or their respective successors-in-interest.

27           8.13 This Stipulation shall be deemed drafted equally by all parties hereto.

28           8.14 The Stipulation and the Settlement shall be binding upon, and inure to the

1 benefit of, the Settling Parties and the Released Persons and their respective successors, assigns, heirs,  
2 spouses, marital communities, executors, administrators, trustees in bankruptcy, and legal  
3 representatives. The Settling Parties further agree that any planned, proposed, or actual sale, merger,  
4 or change-in-control of Yahoo shall not void this Stipulation, and that in the event of a planned,  
5 proposed, or actual sale, merger, or change-in-control of Yahoo, they will continue to seek final  
6 approval of this Stipulation expeditiously, including but not limited to the Settlement terms reflected  
7 in this Stipulation and any Fee and Expense Award.

8           8.15 The Stipulation and the exhibits attached hereto shall be considered to have  
9 been negotiated, executed, and delivered, and to be wholly performed, in the State of California, and  
10 the rights and obligations of the Settling Parties to the Stipulation shall be construed and enforced in  
11 accordance with, and governed by, the internal, substantive laws of California without giving effect  
12 to that State's choice-of-law principles.

13           8.16 No representations, warranties, or inducements have been made to any of the  
14 Settling Parties concerning the Stipulation or its exhibits other than the representations, warranties,  
15 and covenants contained and memorialized in such documents.

16           8.17 Settling Plaintiffs represent and warrant that they have not assigned or  
17 transferred or attempted to assign or transfer, to any Person any Released Claim or any portion thereof  
18 or interest therein.

19           8.18 Any failure by any party to this Stipulation to insist upon the strict  
20 performance by any other party of any of the provisions of this Stipulation shall not be deemed a  
21 waiver of any of the provisions, and such party, notwithstanding such failure, shall have the right  
22 thereafter to insist upon the strict performance of any and all of the provisions of this Stipulation to  
23 be performed by such other party.

24           8.19 In the event that any part of the Settlement is found to be unlawful, void,  
25 unconscionable, or against public policy by a court of competent jurisdiction, the remaining terms  
26 and conditions of the Settlement shall remain intact.

27           8.20 In the event that there exists a conflict or inconsistency between the terms of  
28 this Stipulation and the terms of any exhibits hereto, the terms of this Stipulation shall prevail.



1           8.21 Each counsel or other Person executing the Stipulation or its exhibits on behalf  
2 of any of the Settling Parties hereby warrants that such Person has the full authority to do so.

3           8.22 The Stipulation may be executed in one or more counterparts, each of which  
4 so executed shall be deemed to be an original and such counterparts together constitute one and the  
5 same Stipulation. The Settling Parties agree that signatures submitted through facsimile or by e-  
6 mailing .PDF files or signed using DocuSign shall constitute original and valid signatures. A  
7 complete set of executed counterparts shall be filed with the California State Court.

8           8.23 The California State Court shall retain jurisdiction with respect to the  
9 interpretation, implementation, and enforcement of the terms of this Stipulation, and the Settling  
10 Parties and their counsel submit to the jurisdiction of the California State Court solely for purposes of  
11 implementing and enforcing the Settlement embodied in this Stipulation.

12           8.24 Without further order of the California State Court, the Settling Parties may  
13 agree to reasonable extensions of time to carry out any of the provisions of this Stipulation.

14           IN WITNESS WHEREOF, the Settling Parties hereto have caused the Stipulation to be  
15 executed, by their duly authorized attorneys.

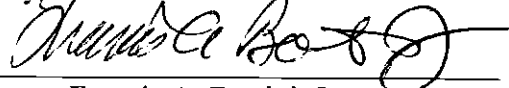
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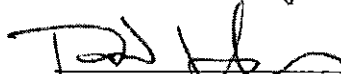
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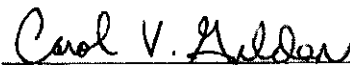
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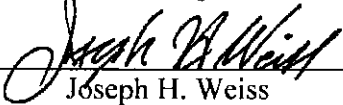
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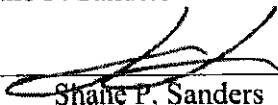
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