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18 UNITED STATES DISTRICT COURT

19 NORTHERN DISTRICT OF CALIFORNIA

20	CITY OF WESTLAND POLICE AND FIRE)	No. C 07-05111-CW
	RETIREMENT SYSTEM and PLYMOUTH)	
21	COUNTY RETIREMENT SYSTEM, On)	<u>CLASS ACTION</u>
	Behalf of Themselves and All Others Similarly)	
22	Situated,)	STIPULATION OF SETTLEMENT
)	
23	Plaintiffs,)	
)	
24	vs.)	
)	
25	SONIC SOLUTIONS, et al.,)	
)	
26	Defendants.)	
)	

27
28

1 This Stipulation of Settlement dated as of October 12, 2009 (the “Stipulation”), is made and
2 entered into by and among the following Settling Parties (as defined further in Section III hereof) to
3 the above-entitled Litigation: (i) the Plaintiffs (on behalf of themselves and each of the Settlement
4 Class Members), by and through their counsel of record in the Litigation; and (ii) the Defendants, by
5 and through their counsel of record in the Litigation. The Stipulation is intended by the Settling
6 Parties to fully, finally and forever resolve, discharge and settle the Released Claims, upon and
7 subject to the terms and conditions hereof.

8 **I. THE LITIGATION**

9 On October 4, 2007, an action was filed in the United States District Court for the Northern
10 District of California as a securities fraud class action on behalf of purchasers of the publicly traded
11 securities of Sonic Solutions (“Sonic”). The action is referred to herein as the “Litigation.”

12 On January 10, 2008, the Court appointed the City of Westland Police and Fire Retirement
13 System and Plymouth County Retirement System as Lead Plaintiffs pursuant to §21D(a)(3)(B) of the
14 Securities Exchange Act of 1934 (the “Exchange Act”) as amended by the Private Securities
15 Litigation Reform Act of 1995, and approved their selection of Coughlin Stoia Geller Rudman &
16 Robbins LLP and Labaton Sucharow LLP as Lead Counsel.

17 The operative complaint in the Litigation is the First Amended Class Action Complaint for
18 Violations of the Federal Securities Laws (the “Complaint”) filed May 8, 2009. The Complaint
19 alleges violations of §§10(b), 14(a), 20(a), and 20A of the Exchange Act of 1934 on behalf of a class
20 of all purchasers of Sonic publicly traded securities between October 23, 2002 and May 17, 2007.

21 **II. ASSERTIONS AND DENIALS OF THE SETTLING PARTIES AND THE**
22 **BENEFITS OF THE SETTLEMENT**

23 Lead Plaintiffs believe that the claims asserted in the Litigation have merit and that the
24 evidence developed to date supports the claims. Lead Plaintiffs recognize and acknowledge the
25 expense and length of continued proceedings necessary to prosecute the Litigation against
26 Defendants through trial and through appeals. Lead Plaintiffs have also taken into account the
27 uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation,
28 as well as the difficulties and delays inherent in such litigation. Lead Plaintiffs are also mindful of

1 the problems of proof, and possible defenses to the securities law violations asserted in the
2 Litigation. Lead Plaintiffs believe that the Settlement set forth in the Stipulation confers substantial
3 benefits upon the Settlement Class Members, is in the best interests of the Lead Plaintiffs and the
4 Settlement Class Members, and is fair, reasonable and adequate.

5 Defendants, individually and collectively, have denied and continue to deny each and all of
6 the claims and contentions alleged by Lead Plaintiffs in the Litigation. Defendants expressly have
7 denied and continue to deny all charges of wrongdoing or liability against them arising out of any of
8 the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation.
9 Defendants further deny that the Lead Plaintiffs or the Settlement Class have suffered damages, that
10 the prices of Sonic securities were artificially inflated during the Settlement Class Period as the
11 result of any alleged misrepresentations, omissions, non-disclosures or otherwise by Defendants, and
12 that the Lead Plaintiffs or the Settlement Class were harmed by the conduct alleged in the
13 Complaint.

14 Nonetheless, Defendants have concluded that further conduct of the Litigation would be
15 protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the
16 manner and upon the terms and conditions set forth in this Stipulation. Defendants also considered
17 the uncertainty and risks inherent in any litigation, especially in complex cases like the Litigation.
18 Defendants have, therefore, determined that it is desirable and beneficial to them to settle the
19 Litigation in the manner and upon the terms and conditions set forth in this Stipulation.

20 **III. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT**

21 NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the
22 Lead Plaintiffs, acting on behalf of themselves and all Settlement Class Members, and Defendants,
23 by and through their respective counsel or attorneys of record, that, subject to the approval of the
24 Court, the Litigation, the Released Claims, and all matters encompassed within the scope of the
25 releases set forth or referenced in this Stipulation shall be finally, fully and forever compromised,
26 settled and released, and the Litigation shall be dismissed with prejudice, as to all Settling Parties,
27 upon and subject to the terms and conditions of the Stipulation, as follows.

28

1 **1. Definitions**

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

3 1.1 “Authorized Claimant” means any Settlement Class Member whose claim for
4 recovery has been allowed pursuant to the terms of the Stipulation.

5 1.2 “Claimant” means any Settlement Class Member who files a Proof of Claim and
6 Release in such form and manner, and within such time, as the Court shall prescribe.

7 1.3 “Claims Administrator” means Gilardi & Co. LLC.

8 1.4 “Complaint” means the First Amended Class Action Complaint for Violations of the
9 Federal Securities Laws, filed in the Litigation on May 8, 2009.

10 1.5 “Court” means the United States District Court for the Northern District of California.

11 1.6 “Defendants” means Sonic and the Individual Defendants.

12 1.7 “Effective Date” means the first date by which all of the events and conditions
13 specified in ¶8.1 of the Stipulation have been met and have occurred.

14 1.8 “Escrow Account” means the interest-bearing account controlled by the Escrow
15 Agent into which the sum of \$5,000,000 shall be deposited by or on behalf of Defendants.

16 1.9 “Escrow Agent” means the law firm of Coughlin Stoia Geller Rudman & Robbins
17 LLP or its successor.

18 1.10 “Final” means when the last of the following with respect to the Judgment approving
19 the Stipulation, substantially in the form of Exhibit B hereto, shall occur: (i) the expiration of the
20 time to file a motion to alter or amend the Judgment under Federal Rule of Civil Procedure 59(e) has
21 passed without any such motion having been filed; (ii) the expiration of the time in which to appeal
22 the Judgment has passed without any appeal having been taken, which date shall be deemed to be
23 thirty (30) days following the entry of the Judgment, unless the date to take such an appeal shall have
24 been extended by Court order or otherwise, or unless the 30th day falls on a weekend or a Court
25 holiday, in which case the date for purposes of this Stipulation shall be deemed to be the next
26 business day after such 30th day; and (iii) if a motion to alter or amend the Judgment under Federal
27 Rule of Civil Procedure 59(e) is filed or if an appeal is taken, immediately after the determination of
28 that motion or appeal so that it is no longer subject to any further judicial review or appeal

1 whatsoever, whether by reason of affirmance by a court of last resort, lapse of time, voluntary
2 dismissal of the appeal or otherwise, and in such a manner as to permit the consummation of the
3 Settlement substantially in accordance with the terms and conditions of this Stipulation. For
4 purposes of this paragraph, an “appeal” shall include any petition for a writ of certiorari or other writ
5 that may be filed in connection with approval or disapproval of this Settlement, but shall not include
6 any appeal that concerns only the issue of attorneys’ fees and reimbursement of costs or the Plan of
7 Allocation of the Settlement Fund.

8 1.11 “Final Approval Hearing” means the hearing to determine whether the proposed
9 Settlement embodied by this Stipulation is fair, reasonable and adequate to the Settlement Class, and
10 whether the Court should enter a Judgment approving the proposed Settlement.

11 1.12 “Individual Defendants” means Robert J. Doris, David C. Habiger, Mary C. Sauer, A.
12 Clay Leighton, Mark Ely, Robert M. Greber, Peter J. Marguglio and R. Warren Langley.

13 1.13 “Judgment” means the judgment to be rendered by the Court, substantially in the
14 form attached hereto as Exhibit B.

15 1.14 “Lead Counsel” means Coughlin Stoia Geller Rudman & Robbins LLP and Labaton
16 Sucharow LLP.

17 1.15 “Lead Plaintiffs” means the City of Westland Police and Fire Retirement System and
18 Plymouth County Retirement System.

19 1.16 “Notice Order” means the preliminary order as approved by the Court for mailing and
20 publication of notice.

21 1.17 “Person” means a natural person, individual, corporation, partnership, limited
22 partnership, association, joint stock company, estate, legal representative, trust, unincorporated
23 association, government or any political subdivision or agency thereof, and any business or legal
24 entity and their spouses, heirs, predecessors, successors, representatives or assignees.

25 1.18 “Plan of Allocation” means a plan or formula of allocation of the Settlement Fund
26 whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses
27 of notice and administration of the Settlement, Taxes and Tax Expenses, and such attorneys’ fees,
28 costs, expenses and interest as may be awarded by the Court. Any Plan of Allocation is not part of

1 the Stipulation and Defendants and their Related Parties shall have no responsibility therefore or
2 liability with respect thereto.

3 1.19 “Related Parties” means each of a Defendant’s past or present directors, officers,
4 employees, partners, insurers, co-insurers, reinsurers, principals, controlling shareholders, attorneys,
5 accountants, auditors, investment advisors, personal or legal representatives, predecessors,
6 successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, estates, related or
7 affiliated entities, any entity in which a Defendant has a controlling interest, any members of an
8 Individual Defendant’s immediate family, any trust of which an Individual Defendant is the settlor or
9 which is for the benefit of an Individual Defendant and/or any member of an Individual Defendant’s
10 immediate family, and any entity in which a Defendant and/or any member of an Individual
11 Defendant’s immediate family has or have a controlling interest (directly or indirectly).

12 1.20 “Released Claims” shall collectively mean all claims (including “Unknown Claims”
13 as defined in ¶1.32 hereof), demands, rights, liabilities and causes of action of every nature and
14 description whatsoever, known or unknown, contingent or absolute, mature or immature,
15 discoverable or undiscoverable, whether concealed or hidden, suspected or unsuspected, which now
16 exist, or heretofore has existed, asserted or that might have been asserted by the Lead Plaintiffs or
17 any Settlement Class Member against the Defendants and their Related Parties based upon or arising
18 out of both the facts, transactions, events, occurrences, disclosures, statements, acts, omissions or
19 failures to act which were or could have been alleged in the Litigation and the purchase or
20 acquisition of Sonic publicly traded securities by the Lead Plaintiffs or any Settlement Class
21 Member during the Settlement Class Period.

22 1.21 “Released Parties” means each and all of the Defendants and each and all of their
23 Related Parties.

24 1.22 “Settlement” means the settlement contemplated by this Stipulation.

25 1.23 “Settlement Class,” “Settlement Class Members,” and “Members of the Settlement
26 Class” mean all Persons who purchased or otherwise acquired Sonic publicly traded securities during
27 the period from and including October 23, 2002 to May 17, 2007. Excluded from the Settlement
28 Class are Defendants, any entity in which any Defendant has or had a controlling interest or that is a

1 parent or subsidiary or is controlled by any Defendant, Defendants’ officers and directors, including
2 any person who was an officer or director during the Settlement Class Period, Defendants’ affiliates,
3 legal representatives, heirs, predecessors, successors or assigns, and members of Defendants’
4 immediate families. Also excluded from the Settlement Class are those Persons who timely and
5 validly request exclusion from the Settlement Class pursuant to the Notice of Pendency and
6 Proposed Settlement of Class Action.

7 1.24 “Settlement Class Period” means the period between and including October 23, 2002
8 and May 17, 2007.

9 1.25 “Settlement Fund” means the principal amount of Five Million Dollars (\$5,000,000),
10 plus any accrued interest earned thereon.

11 1.26 “Settling Parties” means, collectively the Defendants and the Lead Plaintiffs, on
12 behalf of themselves and the Settlement Class Members.

13 1.27 “Sonic” means Sonic Solutions.

14 1.28 “Stipulation” means this Stipulation of Settlement, including the recitals and exhibits
15 hereto.

16 1.29 “Supplemental Agreement” means the agreement described in ¶8.3.

17 1.30 “Taxes” means all taxes (including any estimated taxes, interest or penalties) arising
18 with respect to the income earned by the Settlement Fund.

19 1.31 “Tax Expenses” means expenses and costs incurred in connection with the calculation
20 and payment of taxes or the preparation of tax returns and related documents including, without
21 limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and
22 expenses relating to filing (or failing to file) the returns described in ¶2.9.

23 1.32 “Unknown Claims” means collectively any Released Claims that the Lead Plaintiffs
24 or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time
25 of the release of the Released Parties which, if known by him, her or it, might have affected his, her
26 or its settlement with and release of the Released Parties, or might have affected his, her or its
27 decision not to object to this Settlement. With respect to any and all Released Claims, the Settling
28 Parties stipulate and agree that, upon the Effective Date, Lead Plaintiffs shall expressly waive, and

1 each of the Settlement Class Members shall be deemed to have waived, and by operation of the
2 Judgment shall have waived, the provisions, rights and benefits of California Civil Code §1542,
3 which provides:

4 **A general release does not extend to claims which the creditor does not**
5 **know or suspect to exist in his or her favor at the time of executing the release,**
6 **which if known by him or her must have materially affected his or her**
7 **settlement with the debtor.**

8 Lead Plaintiffs shall expressly and each of the Settlement Class Members shall be deemed to have,
9 and by operation of the Judgment shall have, expressly waived any and all provisions, rights and
10 benefits conferred by any law of any state or territory of the United States, or principle of common
11 law, which is similar, comparable or equivalent to California Civil Code §1542. Lead Plaintiffs and
12 Settlement Class Members may hereafter discover facts in addition to or different from those which
13 he, she or it now knows or believes to be true with respect to the subject matter of the Released
14 Claims, but Lead Plaintiffs shall expressly fully, finally and forever settle and release, and each
15 Settlement Class Member, upon the Effective Date, shall be deemed to have, and by operation of the
16 Judgment shall have, fully, finally, and forever settled and released, any and all Released Claims,
17 known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not
18 concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity
19 now existing or coming into existence in the future, including, but not limited to, conduct which is
20 negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to
21 the subsequent discovery or existence of such different or additional facts. Lead Plaintiffs
22 acknowledge, and the Settlement Class Members shall be deemed by operation of the Judgment to
23 have acknowledged, that the foregoing waiver was separately bargained for and a key element of the
24 Settlement of which this release is a part.

25 **2. The Settlement**

26 **a. The Settlement Fund**

27 2.1 In consideration of the terms of this Stipulation, Defendants shall pay or cause their
28 insurer to pay the sum of \$5,000,000 into the Escrow Account no later than ten (10) business days

1 after the Court's preliminary approval of the Settlement. If the agreed upon sum is not timely
2 transferred to the Escrow Account, the Settlement shall be void.

3 2.2 All fees, costs, and expenses incurred by or on behalf of the Lead Plaintiffs and the
4 Settlement Class associated with this Settlement, including but not limited to Taxes, Tax Expenses,
5 any administrative costs and costs of providing notice of the Settlement to Settlement Class
6 Members, and any award of attorneys' fees and expenses of Lead Counsel shall be paid from the
7 Settlement Fund, and in no event shall Defendants bear any additional responsibility for any such
8 fees, costs or expenses.

9 2.3 The payment described in ¶2.1 is the only payment to be made by or on behalf of
10 Defendants in connection with this Settlement.

11 **b. The Escrow Agent**

12 2.4 The Escrow Agent shall invest the Settlement Fund deposited pursuant to ¶2.1 hereof
13 in instruments backed by the full faith and credit of the United States Government or fully insured by
14 the United States Government or an agency thereof and shall reinvest the proceeds of these
15 instruments as they mature in similar instruments at their then-current market rates. The Escrow
16 Agent shall bear all risks related to its investment and shall indemnify the Released Parties and hold
17 them harmless from and against any losses related to investment of the Settlement Fund caused by
18 the Escrow Agent's willful default or gross negligence.

19 2.5 The Escrow Agent shall not disburse the Settlement Fund except as provided in the
20 Stipulation, by an order of the Court, or with the written agreement of Lead Counsel and
21 Defendants' counsel.

22 2.6 Subject to further order and/or direction as may be made by the Court, the Escrow
23 Agent is authorized to execute such transactions as are consistent with the terms of the Stipulation.

24 2.7 All funds held by the Escrow Agent shall be deemed and considered to be in *custodia*
25 *legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such
26 funds shall be distributed pursuant to this Stipulation and/or further order(s) of the Court.

27 2.8 The Escrow Agent shall establish a "Notice and Administrative Fund," and may
28 deposit up to \$200,000 from the Settlement Fund into it. The Notice and Administration Fund shall

1 be used by Lead Counsel to pay the costs and expenses reasonably and actually incurred in
2 connection with providing notice to the Settlement Class, locating Settlement Class Members,
3 assisting with the filing of claims, administering and distributing the Settlement Fund to Authorized
4 Claimants, processing Proof of Claim and Release forms. The Notice and Administration Fund shall
5 also be invested and earn interest as provided in ¶2.4 above. If the costs of notice and administration
6 do not exceed \$200,000, the balance shall be refunded to the Settlement Fund by the Escrow Agent.

7 **c. Taxes**

8 2.9 (a) The Settling Parties and the Escrow Agent agree to treat the Settlement Fund
9 as being at all times a “qualified settlement fund” within the meaning of Treas. Reg. §1.468B-1. In
10 addition, the Escrow Agent shall timely make such elections as necessary or advisable to carry out
11 the provisions of this ¶2.9, including the “relation-back election” (as defined in Treas. Reg. §1.468B-
12 1) back to the earliest permitted date. Such elections shall be made in compliance with the
13 procedures and requirements contained in such regulations. It shall be the responsibility of the
14 Escrow Agent to timely and properly prepare and deliver the necessary documentation for signature
15 by all necessary parties, and thereafter to cause the appropriate filing to occur.

16 (b) For the purpose of §1.468B of the Internal Revenue Code of 1986, as
17 amended, and the regulations promulgated thereunder, the “administrator” shall be the Escrow
18 Agent. The Escrow Agent shall timely and properly file all informational and other tax returns
19 necessary or advisable with respect to the Settlement Fund (including, without limitation, the returns
20 described in Treas. Reg. §1.468B-2(k)). Such returns (as well as the election described in ¶2.9(a)
21 hereof) shall be consistent with this ¶2.9 and in all events shall reflect that all Taxes (including any
22 estimated Taxes, interest or penalties) on the income earned by the Settlement Fund shall be paid out
23 of the Settlement Fund as provided in ¶2.9(c) hereof.

24 (c) All (i) Taxes (including any estimated Taxes, interest or penalties) arising
25 with respect to the income earned by the Settlement Fund, including any Taxes or tax detriments that
26 may be imposed upon the Defendants or their Related Parties with respect to any income earned by
27 the Settlement Fund for any period during which the Settlement Fund does not qualify as a
28 “qualified settlement fund” for federal or state income tax purposes, and (ii) Tax Expenses shall be

1 paid out of the Settlement Fund; in no event shall Defendants, their Related Parties, or their counsel
2 have any responsibility for or liability with respect to the Taxes or the Tax Expenses. Further, Taxes
3 and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Settlement
4 Fund and shall be timely paid by the Escrow Agent out of the Settlement Fund without prior order
5 from the Court and the Escrow Agent shall be obligated (notwithstanding anything herein to the
6 contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such
7 amounts, including the establishment of adequate reserves for any Taxes and Tax Expenses (as well
8 as any amounts that may be required to be withheld under Treas. Reg. §1.468B-2(1)(2)); neither
9 Defendants, their Related Parties, their counsel, nor their insurers are responsible therefore nor shall
10 they have any liability with respect thereto. The Escrow Agent shall indemnify and hold each of the
11 Defendants and the Released Parties harmless for any Taxes and Tax Expenses (including, without
12 limitation, Taxes payable by reason of any such indemnification). The Settling Parties agree to
13 cooperate with the Escrow Agent, each other, and their tax attorneys and accountants to the extent
14 reasonably necessary to carry out the provisions of this paragraph.

15 **d. Termination of the Settlement**

16 2.10 In the event that the Stipulation is not approved, or is terminated, canceled, or fails to
17 become effective for any reason, the Settlement Fund, including accrued interest, less the expenses
18 and Taxes described in ¶¶2.8 and 2.9 hereof actually incurred or due and owing, shall be refunded to
19 such Persons that paid the Settlement Fund pursuant to written instructions from Defendants'
20 counsel.

21 **3. Certification of the Settlement Class**

22 3.1 Solely for purposes of this Settlement, and subject to approval by the Court, the
23 Settling Parties agree that the Settlement Class shall be certified and Lead Plaintiffs shall be
24 appointed as representatives of the Settlement Class pursuant to Federal Rule of Civil Procedure 23,
25 as set forth in the Order Preliminarily Approving Settlement and Providing for Notice ("Preliminary
26 Approval Order"). Should the Settlement Class not be certified, or should any court attempt to
27 amend the scope of the Settlement Class, each of the Settling Parties reserves the right to void this
28 Stipulation in accordance with ¶8.5 hereof.

1 **4. Preliminary Approval Order and Final Approval Hearing**

2 4.1 Promptly after execution of the Stipulation, Lead Counsel shall submit the Stipulation
3 together with its Exhibits to the Court and shall apply for entry of the Preliminary Approval Order,
4 substantially in the form of Exhibit A hereto, requesting, *inter alia*, the preliminary approval of the
5 Settlement set forth in the Stipulation, and approval for mailing a settlement notice (“Notice”),
6 substantially in the form of Exhibit A-1 hereto and publication of a summary notice (“Summary
7 Notice”), substantially in the form of Exhibit A-3 hereto. The Notice shall include the general terms
8 of the Settlement set forth in the Stipulation, the proposed Plan of Allocation, the general terms of
9 the Fee and Expense Application as defined in ¶7.1 below, and the date of the Final Approval
10 Hearing.

11 4.2 Lead Counsel shall request that after notice is given, the Court hold a Final Approval
12 Hearing and approve the Settlement of the Litigation as set forth herein. Lead Counsel also will
13 request that the Court approve the proposed Plan of Allocation and the Fee and Expense Application.

14 **5. Releases**

15 5.1 Upon the Effective Date, the Lead Plaintiffs, and each of the Settlement Class
16 Members shall be deemed to have, and by operation of the Judgment shall have, fully, finally and
17 forever released, relinquished and discharged all Released Claims against the Released Parties,
18 whether or not such Settlement Class Member executes and delivers a Proof of Claim and Release
19 form. The Settling Parties acknowledge and the Settlement Class Members shall be deemed by
20 operation of law to acknowledge, that the waiver of Unknown Claims, and of the provisions, rights
21 and benefits of Section 1542 of the California Civil Code, was bargained for and is a key element of
22 the Settlement of which the release in this paragraph is a part.

23 5.2 The Proof of Claim and Release to be executed by Settlement Class Members shall
24 release all Released Claims against the Released Parties and shall be substantially in the form
25 contained in Exhibit A-2 hereto.

26 5.3 Upon the Effective Date, the Lead Plaintiffs and all Settlement Class Members and
27 anyone claiming through or on behalf of any of them, are forever barred and enjoined from
28 commencing, instituting, or continuing to prosecute any action or proceeding in any court of law or

1 equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting against any of
2 the Released Parties, and each of them, any of the Released Claims.

3 5.4 Upon the Effective Date, each of the Released Parties shall be deemed to have, and by
4 operation of the Judgment shall have, fully, finally, and forever released, relinquished and
5 discharged the Lead Plaintiffs, Settlement Class Members, and Lead Counsel from all claims
6 (including, without limitation, Unknown Claims) arising out of, relating to, or in connection with the
7 institution, prosecution, assertion, settlement or resolution of the Litigation or the Released Claims.

8 **6. Administration and Calculation of Claims, Final Awards and**
9 **Supervision and Distribution of Settlement Fund**

10 6.1 The Claims Administrator shall administer and calculate the claims submitted by
11 Settlement Class Members. The Claims Administrator will be subject to such supervision and
12 direction from the Court and/or Lead Counsel as may be necessary or as circumstances may require.

13 6.2 The Settlement Fund shall be applied as follows:

14 (a) to pay all the costs and expenses reasonably and actually incurred in
15 connection with providing notice, locating Settlement Class Members, assisting with the filing of
16 claims, administering and distributing the Settlement Fund to Authorized Claimants, processing
17 Proof of Claim and Release forms and paying escrow fees and costs, if any;

18 (b) to pay the Taxes and Tax Expenses described in ¶2.9 hereof;

19 (c) to pay Lead Plaintiffs' attorneys' fees and expenses if and to the extent
20 allowed by the Court (the "Fee and Expense Award"); and

21 (d) after the Effective Date, to distribute the balance of the Settlement Fund (the
22 "Net Settlement Fund") to Authorized Claimants as allowed by the Stipulation, the Plan of
23 Allocation, or the Court.

24 6.3 Upon the Effective Date and thereafter, and in accordance with the terms of the
25 Stipulation, the Plan of Allocation, or such further approval and further order(s) of the Court as may
26 be necessary or as circumstances may require, the Net Settlement Fund shall be distributed to
27 Authorized Claimants, subject to and in accordance with the following.
28

1 6.4 Within ninety (90) days after the mailing of the Notice or such other time as may be
2 set by the Court, each Person claiming to be an Authorized Claimant shall be required to submit to
3 the Claims Administrator a completed Proof of Claim and Release, substantially in the form of
4 Exhibit A-2 hereto, signed under penalty of perjury and supported by such documents as are
5 specified in the Proof of Claim and Release and as are reasonably available to the Authorized
6 Claimant.

7 6.5 Except as otherwise ordered by the Court, all Settlement Class Members who fail to
8 timely submit a Proof of Claim and Release within such period, or such other period as may be
9 ordered by the Court, or otherwise allowed, shall be forever barred from receiving any payments
10 pursuant to the Stipulation and the Settlement set forth herein, but will in all other respects be subject
11 to and bound by the provisions of the Stipulation, the releases contained herein, and the Judgment.
12 Notwithstanding the foregoing, Lead Counsel shall have the discretion to accept late-submitted
13 claims so long as distribution of the Net Settlement Fund is not materially delayed thereby.

14 6.6 The Net Settlement Fund shall be distributed to Authorized Claimants substantially in
15 accordance with a Plan of Allocation to be described in the Notice and approved by the Court. If
16 there is any balance remaining in the Net Settlement Fund after six (6) months from the date of
17 distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or
18 otherwise), Lead Counsel shall, if feasible, reallocate such balance among Authorized Claimants in
19 an equitable and economic fashion. Thereafter, any balance which still remains in the Net
20 Settlement Fund shall be donated to an appropriate, non-profit organization.

21 6.7 This Settlement is not a claims-made settlement and, if all conditions of the
22 Stipulation are satisfied and the Settlement becomes Final, no portion of the Settlement Fund will be
23 returned to the Defendants or their insurer. Defendants and their Related Parties shall have no
24 responsibility for, interest in, or liability whatsoever with respect to the distribution of the Net
25 Settlement Fund, the Plan of Allocation, the determination, administration, or calculation of claims,
26 the payment or withholding of Taxes or Tax Expenses, or any losses incurred in connection
27 therewith.

28

1 6.8 No Person shall have any claim against Lead Counsel, the Claims Administrator or
2 other entity designated by Lead Counsel based on distributions made substantially in accordance
3 with the Stipulation and the Settlement contained herein, the Plan of Allocation, or further order(s)
4 of the Court.

5 6.9 It is understood and agreed by the Settling Parties that any proposed Plan of
6 Allocation of the Net Settlement Fund including, but not limited to, any adjustments to an
7 Authorized Claimant's claim set forth therein, is not a part of this Stipulation and is to be considered
8 by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy
9 of the Settlement set forth in this Stipulation, and any order or proceeding relating to the Plan of
10 Allocation shall not operate to terminate or cancel this Stipulation or affect or delay the finality of
11 the Court's Judgment approving this Stipulation and the Settlement set forth therein (including the
12 releases contained herein), or any other orders entered pursuant to this Stipulation.

13 **7. Lead Plaintiffs' Attorneys' Fees and Expenses**

14 7.1 Counsel for the Lead Plaintiffs may submit an application or applications (the "Fee
15 and Expense Application") for distributions to them from the Settlement Fund for: (a) an award of
16 attorneys' fees; plus (b) payment of expenses, including Plaintiffs' expenses, and the fees of any
17 experts or consultants, incurred in connection with prosecuting the Litigation, as may be awarded by
18 the Court. Lead Counsel reserves the right to make additional applications for fees and expenses
19 incurred.

20 7.2 The attorneys' fees and expenses, as awarded by the Court, shall be paid to Lead
21 Counsel from the Settlement Fund, as ordered, immediately after the Court executes an order
22 awarding such fees and expenses. Lead Counsel may thereafter allocate the attorneys' fees and
23 expenses among counsel for Plaintiffs in a manner in which they in good faith believe reflects the
24 contributions of such counsel to the institution, prosecution and resolution of the Litigation. In the
25 event that the Effective Date does not occur, or the Judgment or the order making the Fee and
26 Expense Award is reversed or modified, or the Stipulation is canceled or terminated for any other
27 reason, and in the event that the Fee and Expense Award has been paid to any extent, then Lead
28 Counsel shall be jointly and severally obligated, within ten (10) business days from receiving notice

1 from Defendants' counsel or from a court of appropriate jurisdiction, to refund to the Settlement
2 Fund the fees and expenses previously paid to them from the Settlement Fund plus interest thereon at
3 the same rate as earned by the Settlement Fund in an amount consistent with such reversal or
4 modification.

5 7.3 The procedure for and the allowance or disallowance by the Court of any applications
6 by counsel for the Plaintiffs for attorneys' fees and expenses, including the fees of experts and
7 consultants, to be paid out of the Settlement Fund, are not part of the Settlement set forth in this
8 Stipulation, and are to be considered by the Court separately from the Court's consideration of the
9 fairness, reasonableness and adequacy of the Settlement set forth in this Stipulation, and any order or
10 proceedings relating to the Fee and Expense Application, or any appeal from any order relating
11 thereto or reversal or modification thereof, shall not operate to terminate or cancel this Stipulation, or
12 affect or delay the finality of the Judgment approving the Stipulation and the Settlement of the
13 Litigation set forth therein (including the releases contained herein).

14 7.4 Defendants and their Related Parties shall have no responsibility for or liability with
15 respect to any payment of attorneys' fees and expenses to any counsel for Plaintiffs over and above
16 payment from the Settlement Fund and shall take no position with respect to Lead Counsel's
17 application for attorneys' fees and expenses.

18 **8. Conditions of Settlement, Effect of Disapproval, Cancellation or**
19 **Termination**

20 8.1 The Effective Date of this Stipulation shall be conditioned on the occurrence of all of
21 the following events:

22 (a) The Settlement Fund has been deposited by Defendants or their insurer into
23 the Escrow Account maintained by the Escrow Agent, as required by ¶2.1 hereof;

24 (b) The Court has entered the Preliminary Approval Order, as required by ¶4.1
25 hereof;

26 (c) Defendants have not exercised their option to terminate the Stipulation
27 pursuant to ¶8.3 hereof;

1 (d) The Court has entered the Judgment, or a judgment substantially in the form
2 of Exhibit B hereto; and

3 (e) The Judgment has become Final, as defined in ¶1.10 hereof.

4 8.2 Upon the occurrence of all of the events referenced in ¶8.1 hereof, any and all
5 remaining interest or right of Defendants or their insurer in or to the Settlement Fund, if any, shall be
6 absolutely and forever extinguished. If all of the conditions specified in ¶8.1 hereof are not met,
7 then the Stipulation shall be canceled and terminated subject to ¶8.5 hereof unless Lead Counsel and
8 counsel for Defendants mutually agree in writing to proceed with the Stipulation.

9 8.3 Defendants shall have the option to terminate the Settlement in the event that Persons
10 who purchased or acquired more than a certain number of shares of Sonic common stock during the
11 Settlement Class Period choose to exclude themselves from the Settlement Class (“Opt-Out
12 Threshold”), as set forth in a separate agreement (the “Supplemental Agreement”) executed between
13 Lead Counsel and Defendants’ counsel, which is incorporated into this Stipulation. The Opt-Out
14 Threshold may be disclosed to the Court for purposes of approval of the Settlement, as may be
15 required by the Court, but such disclosure shall be carried out to the fullest extent possible in
16 accordance with the practices of the Court so as to maintain the Opt-Out Threshold as confidential.
17 In the event of a termination of this Settlement pursuant to the Supplemental Agreement, this
18 Stipulation shall become null and void and of no further force and effect.

19 8.4 Unless otherwise ordered by the Court, in the event the Stipulation shall terminate, or
20 be canceled, or shall not become effective for any reason, then within ten (10) business days after
21 written notification of such event is sent by counsel for Defendants or Lead Counsel to the Escrow
22 Agent, the Settlement Fund (including accrued interest), less any expenses and costs reasonably and
23 actually incurred pursuant to ¶2.8 and paid from the Notice and Administrative Fund and ¶2.9
24 hereof, shall be refunded by the Escrow Agent pursuant to written instructions from counsel for
25 Defendants. At the request of Defendants’ counsel, the Escrow Agent or its designee shall apply for
26 any tax refund owed on the Settlement Fund and pay the proceeds, after deduction of any fees or
27 expenses incurred in connection with such application(s) for refund, pursuant to written direction
28 from Defendants’ counsel.

1 8.5 In the event that the Stipulation is not approved by the Court or the Settlement set
2 forth in the Stipulation is terminated or fails to become effective in accordance with its terms, the
3 Settling Parties shall be restored to their respective positions in the Litigation as of October 12, 2009.
4 In such event, the terms and provisions of the Stipulation, with the exception of §§2.8-2.10, 8.3, 8.4
5 and 8.6 hereof, shall have no further force and effect with respect to the Settling Parties and shall not
6 be used in this Litigation or in any other proceeding for any purpose, and any judgment or order
7 entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated, *nunc*
8 *pro tunc*. No order of the Court or modification or reversal on appeal of any order of the Court
9 concerning the Plan of Allocation or the amount of any attorneys' fees, costs, expenses and interest
10 awarded by the Court to Lead Counsel shall constitute grounds for cancellation or termination of the
11 Stipulation.

12 8.6 If the Effective Date does not occur, or if the Stipulation is terminated pursuant to its
13 terms, neither the Lead Plaintiffs nor Lead Counsel shall have any obligation to repay any amounts
14 actually and properly disbursed for notice costs pursuant to §§2.8-2.9 hereof. In addition, any
15 expenses already incurred and properly chargeable pursuant to §2.8 hereof at the time of such
16 termination or cancellation, but which have not been paid, shall be paid by the Escrow Agent in
17 accordance with the terms of the Stipulation prior to the balance being refunded in accordance with
18 §§2.10 and 8.4 hereof.

19 8.7 If a case is commenced in respect to any Defendant under Title 11 of the United
20 States Code (Bankruptcy), or a trustee, receiver or conservator is appointed under any similar law,
21 and in the event of the entry of a final order of a court of competent jurisdiction determining the
22 transfer of the Settlement Fund, or any portion thereof, by or on behalf of such Defendant to be a
23 preference, voidable transfer, fraudulent transfer or similar transaction, then, at Lead Plaintiffs'
24 option, as to such Defendant, the releases given and Judgment entered in favor of such Defendant
25 pursuant to this Stipulation shall be null and void.

26 **9. Miscellaneous Provisions**

27 9.1 The Settling Parties (a) acknowledge that it is their intent to consummate this
28 Settlement; and (b) agree to cooperate to the extent reasonably necessary to effectuate and

1 implement all terms and conditions of the Stipulation and to exercise their reasonable best efforts to
2 accomplish the foregoing terms and conditions of the Stipulation.

3 9.2 The Settling Parties intend this Settlement to be a final and complete resolution of all
4 disputes between them with respect to the Litigation. The Settlement compromises claims which are
5 contested and shall not be deemed an admission by any Settling Party as to the merits of any claim or
6 defense. While retaining their right to deny liability, Defendants agree that based upon the publicly
7 available information at the time, the Litigation was filed in good faith, was not frivolous and is
8 being settled voluntarily after consultation with competent legal counsel. The Settling Parties
9 reserve their right to rebut, in a manner that such party determines to be appropriate, any contention
10 made in any public forum that the Litigation was brought or defended in bad faith or without a
11 reasonable basis.

12 9.3 Neither the Stipulation nor the Settlement contained therein, nor any act performed or
13 document executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be
14 deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim,
15 or of any wrongdoing or liability of Defendants; or (b) is or may be deemed to be or may be used as
16 an admission of, or evidence of, any fault or omission of any of Defendants in any civil, criminal or
17 administrative proceeding in any court, administrative agency or other tribunal. Defendants may file
18 the Stipulation and/or the Judgment in any action that may be brought against them in order to
19 support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release,
20 good faith settlement, judgment bar or reduction or any other theory of, without limitation, claim
21 preclusion or issue preclusion or similar defense or counterclaim.

22 9.4 All agreements made and orders entered during the course of the Litigation relating to
23 the confidentiality of information shall survive this Stipulation, pursuant to their terms.

24 9.5 All of the Exhibits to the Stipulation are material and integral parts hereof and are
25 fully incorporated herein by this reference.

26 9.6 This Stipulation shall not be construed more strictly against one party than another
27 merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of
28 the parties, it being recognized that it is the result of arm's-length negotiations between the parties

1 and that all parties have contributed substantially and materially to the preparation of this
2 Stipulation.

3 9.7 The Stipulation may be amended or modified only by a written instrument signed by
4 or on behalf of all Settling Parties or their respective successors-in-interest.

5 9.8 The Stipulation and the Exhibits attached hereto and the Supplemental Agreement
6 constitute the entire agreement among the parties hereto and no representations, warranties or
7 inducements have been made to any party concerning the Stipulation or its Exhibits or the
8 Supplemental Agreement other than the representations, warranties and covenants contained and
9 memorialized in such documents. Except as otherwise provided herein, each party shall bear its own
10 costs.

11 9.9 Lead Counsel, on behalf of the Settlement Class, are expressly authorized by the Lead
12 Plaintiffs to take all appropriate action required or permitted to be taken by the Settlement Class
13 pursuant to the Stipulation to effectuate its terms and also are expressly authorized to enter into any
14 modifications or amendments to the Stipulation on behalf of the Settlement Class which they deem
15 appropriate.

16 9.10 Each counsel or other Person executing the Stipulation or any of its Exhibits on
17 behalf of any party hereto hereby warrants that such Person has the full authority to do so.

18 9.11 The Stipulation may be executed in one or more counterparts. All executed
19 counterparts and each of them shall be deemed to be one and the same instrument. A complete set of
20 original executed counterparts shall be filed with the Court.

21 9.12 The Stipulation shall be binding upon, and inure to the benefit of, the successors and
22 assigns of the parties hereto.

23 9.13 The Court shall retain jurisdiction with respect to implementation and enforcement of
24 the terms of the Stipulation, and all Settling Parties submit to the jurisdiction of the Court for
25 purposes of implementing and enforcing the Settlement embodied in the Stipulation.

26 9.14 The Stipulation and the Exhibits hereto shall be considered to have been negotiated,
27 executed and delivered, and to be wholly performed, in the State of California, and the rights and
28 obligations of the parties to the Stipulation shall be construed and enforced in accordance with, and

1 governed by, the internal, substantive laws of the State of California without giving effect to that
2 State's choice-of-law principles.

3 IN WITNESS WHEREOF, the parties hereto have caused the Stipulation to be executed, by
4 their duly authorized attorneys dated as of October 12, 2009.

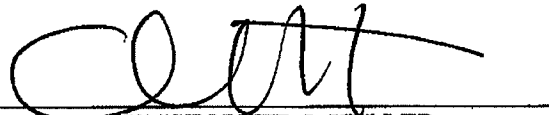
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CERTIFICATE OF SERVICE

I hereby certify that on October 15, 2009, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the e-mail addresses denoted on the attached Electronic Mail Notice List, and I hereby certify that I have mailed the foregoing document or paper via the United States Postal Service to the non-CM/ECF participants indicated on the attached Manual Notice List.

I further certify that I caused this document to be forwarded to the following Designated Internet Site at: <http://securities.stanford.edu>.

I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on October 15, 2009.

s/ JOY ANN BULL
JOY ANN BULL

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Manual Notice List

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