



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

THOMAS SANDYS, Derivatively on
Behalf of ZYNGA INC.,

Plaintiff,

v.

MARK J. PINCUS, REGINALD D.
DAVIS, CADIR B. LEE, JOHN
SCHAPPERT, DAVID M. WEHNER,
MARK VRANESH, WILLIAM
GORDON, REID HOFFMAN,
JEFFREY KATZENBERG,
STANLEY J. MERESMAN, SUNIL
PAUL and OWEN VAN NATTA,

Defendants,

and

ZYNGA INC., a Delaware
corporation,

Nominal Defendant.

C.A. No. 9512-CB

**STIPULATION AND AGREEMENT OF
COMPROMISE, SETTLEMENT AND RELEASE**

This Stipulation and Agreement of Compromise, Settlement, and Release (“Stipulation”), dated February 27, 2018, is entered into, by and through their undersigned attorneys, among and between: (i) defendants Mark Pincus (“Pincus”); (ii) defendants William Gordon, Reid Hoffman (“Hoffman”), Jeffrey Katzenberg, Stanley J. Meresman, and Sunil Paul (collectively, the “Outside

Director Defendants”); and (iii) defendants Reggie Davis, Cadir Lee, John Schappert, Owen Van Natta , Mark Vranesh, and David Wehner (collectively, the “Officer Defendants” and together with Pincus and the Outside Director Defendants, the “Defendants”), on the one hand; and (iv) Nominal Defendant Zynga Inc. (“Zynga” or the “Company”), by and through the Special Litigation Committee of the Board of Directors of Zynga (the “SLC”), on the other hand. Defendants and the Company are collectively referred to herein as the “Parties.” The Parties are parties to the derivative action captioned *Sandys v. Pincus*, C.A. No. 9512-CB (Del. Ch.) (the “Action”), pending before the Court of Chancery of the State of Delaware (the “Court”).

This Stipulation is intended by the Parties to fully, finally, and forever compromise, resolve, discharge, and settle all Released Claims against the Released Persons, to dismiss the Action with prejudice and to extinguish all the claims in, and lead to the dismissal with prejudice of, the California Derivative Actions, upon the terms set forth below and subject to the approval of the Court of Chancery of the State of Delaware pursuant to Court of Chancery Rule 23.1.¹

¹ All capitalized terms not otherwise defined are defined in the “Definitions” Section.

1. Background of the Action and Settlement

1.1. Nominal defendant Zynga is a Delaware corporation headquartered in San Francisco, California. Founded in 2007, Zynga creates and operates online social games. During the period relevant to this case, Zynga offered those games through mobile applications and on social networks such as Facebook. The Company conducted an Initial Public Offering (“IPO”) of its Class A common stock on December 16, 2011 and a Secondary Public Offering (“SPO” or “Secondary Offering”) on March 28, 2012. The shares sold in the SPO were priced at \$12 per share (slightly below the market closing price on March 28, 2012). Pincus, the Officer Defendants and Hoffman (together, the “Selling Defendants”) were selling stockholders in the SPO. The Selling Defendants together sold roughly 20.3 million Zynga Class A common shares in the SPO, for proceeds of approximately \$236 million net of underwriting fees.

1.2. Although the price of Zynga common stock remained at or above the SPO price until approximately mid-April 2012, the price of Zynga common stock began to decline. This price decline extended through the Company’s earnings announcement for the First Quarter of 2012 (released April 26, 2012), and continued through Zynga’s Second Quarter 2012 earnings announcement on July 25, 2012. During this roughly four-month period, the price of Zynga common stock fell more than 70%, to \$3.18 the day following the July earnings

announcement. The stock price decline resulted in the filing of various securities and shareholder derivative lawsuits.

1.3. Following Zynga's July 2012 earnings release, the plaintiff in this Action, Thomas Sandys ("Plaintiff"), served a demand for books and records related to the SPO pursuant to DGCL Section 220. After an initial production of materials and a lawsuit to obtain more, the Company produced to Mr. Sandys some 1,800 pages of documents.

1.4. On April 4, 2014, Plaintiff filed his Verified Shareholder Derivative Complaint in the Action. Plaintiff generally alleges that Defendants breached their fiduciary duties by selling, permitting to be sold, or failing to prevent the sale of Zynga common stock, primarily through the Secondary Offering. Plaintiff asserts that Defendants knew, prior to the Secondary Offering, purportedly negative information concerning the Company's business, including the information that Zynga subsequently announced on its quarterly earnings calls held after the market close on April 26 and July 25, 2012. Among other things, Plaintiff alleges that the Defendants possessed material adverse information in four general areas: 1) that Zynga was purportedly experiencing a "rapid decline" in users and in virtual goods sold through its existing games; 2) that Zynga's performance on Facebook—the primary platform through which Zynga's users could gain access to Zynga games at the time—was trending negatively and that Facebook was poised to make

changes to its platform (including a particular search algorithm) that would have a negative impact on Zynga because the change had the effect of redirecting users to new, often non-Zynga games and made access to the existing games that the users previously had played more difficult; 3) that Defendants concealed material information about Zynga's acquisition of OMGPOP Inc. ("OMGPOP"), which occurred on March 21, 2012, including information about the supposed impending decline in the performance of its game *Draw Something*; and 4) that Zynga's financial performance could not and would not meet internal forecasts established by the Company in January and updated in April 2012 for the reasons noted above and because of the delayed launch of upcoming new games, and in particular a game called *The Ville*.

1.5. Plaintiffs allege that certain Defendants engineered, and sold Zynga stock through, the SPO because of this information and thereby engaged in insider trading and breached their fiduciary duty of loyalty. Plaintiffs further allege breaches of the fiduciary duties of care and loyalty against Defendants on the theories that Defendants intentionally or recklessly disregarded their duties by participating in, or failing to monitor or prevent, the sale of stock by the Selling Defendants and/or by exposing Zynga to liabilities (including for violation of the federal securities laws) for having misrepresented, failed to disclose and/or failed to monitor Zynga's business and operations properly. Plaintiff contends that his

allegations are meritorious and that the profits improperly gained by the Selling Defendants through their alleged misappropriation of confidential Zynga information totals more than \$100 million.

1.6. Prior to Plaintiff's Section 220 demand and his filing of the Action, during August and September 2012, similar derivative actions were filed in the state and federal courts of California: (a) the now-consolidated actions filed in the Superior Court for the State of California, City and County of San Francisco, styled *In re Zynga Shareholder Derivative Litigation*, Lead Case No. CGC-12-522934 (consolidated with *Federspiel v. Pincus*, No. CGC-12-523389 (Cal. Super. Ct. Aug. 17, 2012), and *Schroeder v. Pincus*, No. CGC-12-523816 (Cal. Super. Ct. Aug. 29, 2012)) (the "California State Derivative Action"); and (b) the now-consolidated actions filed in the United States District Court for the Northern District of California, styled *In Re Zynga Inc. Derivative Litigation*, No. 3:12-cv-4327-JSC (N.D. Cal. Aug. 16, 2012) (consolidated with *Albin v. Pincus*, No. 3:12-cv-4330-JSC (N.D. Cal. Aug. 16, 2012), *Barron v. Pincus*, No. 3:12-cv-4547-JSC (N.D. Cal. Aug. 30, 2012) and *Weber v. Pincus*, No. 3:12-cv-4684-JSC (N.D. Cal. Sept. 7, 2012)) (the "California Federal Derivative Action") (as collectively defined below, the "California Derivative Actions"). The California Derivative Actions make substantially similar allegations of breaches of fiduciary duty and insider trading and assert similar claims; in particular the California Derivative

Action plaintiffs allege that Defendants breached their fiduciary duties in connection with the SPO, violated California Corporations Code 25402 (which precludes insider trading) in connection with the SPO, made false and misleading statements in public disclosures regarding Zynga's business and financial projections in early 2012, engaged in waste, unjust enrichment, gross mismanagement and abuse of control, and are liable to Zynga for contribution and indemnity. By agreement of the parties prior to Defendants' deadline to respond to the complaints in the California Derivative Actions, and with the approval of the relevant California courts, the California Derivative Actions were, and continue to be, stayed.

1.7. Defendants have denied and continue to deny the material allegations of Plaintiff's Complaint and the complaints filed in the California Derivative Actions. In particular, Defendants have denied and continue to deny that they were in possession of material, non-public information before or at the time of the Secondary Offering, or that they participated in the Secondary Offering, or permitted the SPO to proceed, based on material non-public information. Without limiting the generality of these denials, Defendants contend that the Company's operating and financial metrics reflected positive—not negative—trends in the lead up to the Secondary Offering; that none of the Defendants had advance knowledge of the Facebook changes to its platform that adversely affected Zynga; that a delay

in launching *The Ville* did not affect Zynga's pre-SPO performance because the Company had never announced a projected release date for *The Ville*, and the game had not been projected to produce any significant First Quarter 2012 bookings; and that Zynga entered into the OMGPOP acquisition believing that *Draw Something* was the blockbuster mobile game that it appeared to be, and with no knowledge that there would be a subsequent decline in the game's popularity or any reasons for such a decline. Defendants contend that the Company's public disclosures, including those in the Registration Statement for the SPO, were complete and accurate in all material respects. In general, then, Defendants have denied and continue to deny that they engaged in insider trading, that any Defendant breached his fiduciary duties to Zynga, or that any Defendant failed to maintain adequate systems and controls with respect to the Company's public disclosures. Defendants similarly deny the allegations in the California Derivative Actions.

1.8. On December 9, 2014, Defendants moved to dismiss the Action under Delaware Court of Chancery Rule 23.1 for Plaintiff's failure to plead demand futility and Delaware Court of Chancery Rule 12(b)(6) for failure to state a claim. On February 29, 2016, the Court dismissed the Action for failure to plead demand futility, without reaching Defendants' Rule 12(b)(6) arguments. Plaintiff appealed. On December 5, 2016, the Delaware Supreme Court reversed the Court's decision dismissing the Action, holding that Plaintiff had adequately pled demand futility.

1.9. On February 3, 2017, Zynga's Board increased its size from eight to ten directors, appointed Carol Mills and Janice Roberts to fill the two new Board seats, and created the SLC after determining that both Ms. Mills and Ms. Roberts were independent directors. The Zynga Board granted the SLC the full and plenary power of the Company to act with respect to the Derivative Lawsuits, including without limitation the full power to investigate the claims alleged, determine whether and to what extent Plaintiff's claims should be pursued, and take all actions that the SLC determined to be necessary and appropriate in the best interests of Zynga and its stockholders in connection with the Derivative Lawsuits (including without limitation settling the Derivative Lawsuits). Among other things, the Board resolution creating the SLC provided that the SLC's decisions would not be reviewable by the full Board; and it empowered the SLC to retain its own, independent, advisors.

1.10. On February 13, 2017, the Outside Director Defendants moved to dismiss the Complaint as to them under Court of Chancery Rule 12(b)(6) for failure to state a claim. On March 6, 2017, the SLC moved to stay the Action until the SLC completed an investigation on the issues raised by Plaintiff, which stay was granted by the Court. A stay was agreed to among the parties, and was formally entered on June 7, 2017, and extended several times by agreement to October 31, 2017.

1.11. As detailed in the SLC Report, filed with this Stipulation, the SLC between February and October 2017 conducted a thorough, independent investigation. The SLC reviewed, with its counsel, the underlying factual and legal merits of each theory of liability advanced in Derivative Lawsuits; obtained expert assistance where it considered it necessary and appropriate; reviewed thousands of relevant documents; conducted interviews of more than 30 persons involved with the relevant events; and met with Plaintiff's counsel in the Action and with counsel to the plaintiffs in the California State Derivative Action.² The Committee's counsel expended more than 3000 hours on the investigative work, and the Committee members personally expended several hundred hours each in connection with the investigation and evaluation of the potential claims. The Committee met regularly during the course of the investigation and, with assistance of counsel, worked towards completing a written report of its investigation by October 31, 2017.

1.12. While the SLC was conducting its investigation, Plaintiff, the Defendants, and Defendants' insurers were engaged in settlement discussions, with the assistance of an experienced JAMS mediator acceptable to all sides, Robert Meyer. On August 15, 2017, the Plaintiff, Defendants, and Defendants' insurers

² Plaintiffs' counsel in the California Federal Derivative Action declined an invitation to meet with the SLC.

engaged in an all-day mediation session, which the SLC attended as well. Although the mediation was unsuccessful, it led to further settlement negotiations with the mediator beginning in the latter part of October 2017. At the request of Plaintiff, Defendants, and the mediator, the SLC agreed to delay finalizing its report pending those negotiations.

1.13. In December 2017, the SLC was advised that the settlement negotiations between Plaintiff and Defendants had reached an impasse. On December 12, 2017, Plaintiff advised the SLC that Plaintiff's rejection of the Defendants' offer did not preclude the SLC from accepting Defendants' offer and Plaintiff recognized the SLC's ability to negotiate a settlement with Defendants, while reserving Plaintiff's right to object to any settlement.

1.14. The SLC determined that it would be in the best interest of Zynga for the SLC to consider a settlement offer presented by Defendants and to attempt to negotiate a reasonable settlement if Defendants' settlement offer suggested that a reasonable settlement could be reached. On January 4, 2018, Defendants, through the mediator, presented the SLC with a formal settlement proposal. Over the next approximately two months, the SLC and Defendants, through their counsel and with the assistance of the mediator, conducted extensive arm's length settlement negotiations that led to this Stipulation and to an ancillary agreement between Zynga (by and through the SLC), Defendants and two of Zynga's D&O carriers

(RSUI Indemnity Company (“RSUI”) and Allied World Insurance Company (U.S.), Inc. (“Allied World”) (RSUI and Allied World, together, the “Insurers”)).

1.15. As part of the related funding agreement with the Insurers (the “Insurer Agreement”), the Insurers have, among other things, agreed to pay Zynga \$12 million in cash (the “Settlement Amount”) on behalf of Defendants. Of the \$12 million Settlement Amount, RSUI will pay \$7.45 million to Zynga on behalf of Defendants and Allied World will pay \$4.55 million to Zynga on behalf of Defendants, with both payments to be made within ten (10) business days after entry of the Judgment, assuming that the Court of Chancery deems it appropriate to approve the Settlement and enter the Judgment. The Settlement contemplated by this Stipulation is to be funded solely by the Insurers’ payment of the Settlement Amount as set forth in this Paragraph 1.15. The Insurers’ failure to pay the Settlement Amount will result in termination of the Stipulation, as set forth in Paragraph 7.2; however, nothing in this Stipulation shall be construed as obligating the Defendants, or any of them, to pay the Settlement Amount or any portion of it not funded by the Insurers.

1.16. RSUI has raised certain coverage defenses under its insurance policy. In compromise of the coverage dispute, Zynga has agreed to pay covered Defense Costs incurred in connection with the claim, up to a total of \$750,000. Such contribution, together with the RSUI settlement payment, shall by agreement of the

Insurers and the Parties, be deemed to exhaust the remaining limits of liability in the RSUI Policy.

1.17. Under the Insurer Agreement, Allied World shall remain liable, subject to the terms and conditions of its insurance policy and the terms of the Insurer Agreement, for covered Loss and covered Defense Costs (above the \$750,000 in covered Defense Costs that are to be paid by Zynga) and for all other obligations under the Allied World policy, including without limitation:

1.17.1. Covered Defense Costs incurred negotiating, documenting and securing Final Approval of the Settlement; and

1.17.2. Any covered Loss and any covered Defense Costs incurred in securing the dismissal, settlement, or final resolution of the California Derivative Actions.

1.18. Pursuant to the Insurer Agreement and upon the dismissal of the California Derivative Actions becoming Final, Zynga and the insured Defendants shall provide a release to Allied World for all claims related to the Derivative Lawsuits, up to the amount of Allied World's contribution to the Settlement, as set forth in Paragraph 1.15, and for Loss and Defense Costs, as set forth in Paragraph 1.17.

1.19. In consideration of its receipt of the Settlement Amount and other terms as detailed below, Zynga (acting by and through the SLC) will grant each of

the Defendants and the Defendants' Released Persons releases from liability for the matters alleged in the Derivative Lawsuits.

1.20. Defendants have not seen the SLC Report and so express no view concerning this paragraph of the Stipulation. With the assistance of its counsel, the SLC summarized its extensive investigation, its findings and its conclusions in a written report (the "SLC Report"). The SLC Report is more than 330 pages long, exclusive of its appendixes and exhibits. Among other things, the SLC Report summarizes the Derivative Lawsuits, their allegations, the applicable legal standards, and the potential recovery to the Company, before it addresses the merits. The balance of the SLC Report—a significant majority of its pages—sets forth the SLC's analysis of the merits of the plaintiffs' claims. After summarizing pertinent information regarding the Company, the public offerings, the parties, and the relevant sales of Zynga shares by the Selling Defendants, the SLC Report analyzes each alleged claim, including that Defendants possessed undisclosed, material adverse information, at and around the time of the Secondary Offering. In addition to explaining why the SLC has determined that the Settlement is fair, reasonable, and adequate to Zynga and its stockholders, the SLC Report summarizes the SLC's other key conclusions—conclusions that informed the SLC's determination concerning the Settlement—including:

1.20.1. Without regard to the merits of the claims or of the Settlement, consideration and approval of the Settlement (and any aspect of the Derivative Lawsuits, were any to proceed) should proceed in Delaware (consistent with the Company's Certificate of Incorporation), rather than in multiple fora;

1.20.2. With respect to plaintiffs' claims for insider trading, whether denominated a breach of the duty of loyalty or a violation of California statutory law, or otherwise, the SLC concludes that the claims are without merit for the reasons set forth in the SLC Report and summarized below:

1.20.2.1. As to the insider trading claims predicated upon the sales by some defendants of Zynga stock through the Secondary Offering, the SLC concludes that the claims are without merit. For the reasons set forth in the body of the SLC Report, plaintiffs' allegations that these selling defendants sold Zynga stock while in possession of or based on material, non-public information are inaccurate. With respect to the four general areas of purportedly negative non-public information identified by plaintiff, whether in their complaints or otherwise (and summarized in paragraph 1.4 above), the SLC concludes that the alleged adverse information did

not exist at the time of the Secondary Offering. Absent the known existence of such information, there could not have been a misappropriation of Company information to support a claim for insider trading. Nor do the facts support the conclusion that any (much less all) Selling Defendant was motivated to sell in the SPO because he possessed non-public information he believed would negatively affect the market price of Zynga's stock when disclosed. Thus, plaintiffs cannot satisfy the scienter elements of their claims.

1.20.2.2. As to insider trading claims asserted in the California State Derivative Action and based on a sale of Zynga stock during the period relevant to the case other than through the Secondary Offering, the SLC concludes that the claims are without merit. In each case, the complained-of trade was an automatic sale pursuant to SEC Rule 16b-3, over which the Selling Defendant had no discretion. There was and could have been no abuse or misappropriation of Company information in connection with such trades.

1.20.3. As to the claims that the defendants breached their duties of loyalty to Zynga by taking action to permit the Secondary Offering to go forward, the SLC concludes that the claims lack merit and that their

pursuit is contrary to the best interests of Zynga and its stockholders. For the reasons set forth in the body of the SLC Report, there were good and substantial reasons to have proceeded with the Secondary Offering. Those defendants who did not sell, who constituted a majority of the Board that authorized proceeding with the Secondary Offering, were not under the control of Mr. Pincus or any other Selling Defendant. The defendants who did not sell were not on both sides of the Secondary Offering transaction. And the defendants in general did not exhibit the wholesale abdication of their responsibilities that would be necessary to support a *Caremark* claim. To the contrary, the Messrs. Pincus and Hoffman and the Outside Director Defendants were engaged in Zynga's business, informed themselves about it and the Secondary Offering transaction, and acted in good faith and in a manner they reasonably could have, and did believe, was in Zynga's best interests.

1.20.4. The SLC concludes that the claims asserted for breach of the duty of care lack merit. Plaintiffs' claims for breach of the duty of care are based on the same underlying facts as are their insider trading and breach of loyalty claims. As already noted, the SLC has concluded that those other claims lack merit. The SLC concludes the same as to plaintiffs' breach of care claims and notes that plaintiffs fail even to

attempt to articulate how the challenged conduct supports a potential claim of gross negligence or waste. In addition, the duty of care claims as to the Outside Director Defendants and Messrs. Pincus and Hoffman are barred to the extent they seek damages for and relate to actions taken in their capacities as directors by the exculpation provision in Zynga's Certificate of Incorporation, which incorporates 8 Del. C. § 102(b)(7).

1.20.5. The SLC believes that the conclusions set forth above dispose of the various plaintiffs' claims in the Derivative Lawsuits. To the extent any Plaintiff contends otherwise, the SLC's conclusions, as set forth in this Section, are that pursuit of any breach of duty claims arguably asserted in plaintiffs' complaints would be contrary to the best interests of Zynga and its stockholders.

The SLC Report will be made available to interested stockholders, consistent with the terms of the Notice and this Stipulation.

1.21. As discussed in the SLC Report, the SLC has determined, after considerable deliberation, that the terms of the Settlement are fair and reasonable to the Company and that it is in the best interest of the Company and its stockholders to enter into the Settlement. In reaching that determination, the SLC considered the facts and circumstances surrounding the proposed settlement,

including among other matters: (i) the strengths and weaknesses in the claims asserted by Plaintiff and the plaintiffs in the California Derivative Actions and Defendants anticipated defenses (including in light of the SLC's view of these strengths and weakness as a result of the SLC's considerable investigation); (ii) the time, expenses, and risks and uncertainties of continued litigation; (iii) the effect on Zynga of continued litigation; and (iv) the benefits this settlement affords Zynga and the desirability of permitting the Settlement to be consummated according to its terms.

1.22. Defendants have denied and continue to deny that they have committed, threatened, or attempted to commit any violations of law or breached any duty owed to Plaintiff, Zynga, or Zynga's stockholders. Defendants maintain that their conduct was at all times proper, compliant with applicable law, and taken in good faith and in a manner Defendants reasonably believed to be in the best interests of Zynga and its stockholders. Nonetheless, Defendants have concluded that further litigation of the Derivative Lawsuits would be protracted and expensive, and that it is desirable and beneficial for the Derivative Lawsuits to be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation.

1.23. It is the intent of the Parties that the Settlement and the entry of the Judgment in connection with the Settlement will, upon the Judgment becoming

Final and the Effective Date of the Settlement, bar, by the doctrine of *res judicata* and otherwise, all of the claims belonging to Zynga that are released as part of the Settlement (defined below), including without limitation all claims asserted in the California Derivative Actions.

2. Definitions

As used in this Stipulation and unless defined elsewhere in the Stipulation, the following terms have the meanings specified below:

2.1. “Action” means the derivative action pending in this Court captioned *Sandys v. Pincus*, C.A. No. 9512-CB (Del. Ch.).

2.2. “Board of Directors” or “Board” means the Board of Directors of Zynga.

2.3. “California Derivative Actions” means (a) the actions filed in the Superior Court for the State of California, City and County of San Francisco, styled *In re Zynga Shareholder Derivative Litigation*, Lead Case No. CGC-12-522934 (consolidated with *Federspiel v. Pincus*, No. CGC-12-523389 (Cal. Super. Ct. Aug. 17, 2012), and *Schroeder v. Pincus*, No. CGC-12-523816 (Cal. Super. Ct. Aug. 29, 2012)); and (b) the actions filed in the United States District Court for the Northern District of California, styled *In Re Zynga Inc. Derivative Litigation*, No. 3:12-cv-4327-JSC (N.D. Cal. Aug. 16, 2012) (consolidated with *Albin v. Pincus*, No. 3:12-cv-4330-JSC (N.D. Cal. Aug. 16, 2012), *Barron v. Pincus*, No. 3:12-cv-

4547-JSC (N.D. Cal. Aug. 30, 2012) and *Weber v. Pincus*, No. 3:12-cv-4684-JSC (N.D. Cal. Sept. 7, 2012)).

2.4. “Complaint” means the Verified Shareholder Derivative Complaint filed by Plaintiff in the Action on or about April 4, 2014.

2.5. “Court” means the Court of Chancery of the State of Delaware.

2.6. “Current Zynga Stockholder(s)” means any Person or Persons who are record holders or beneficial owners of Zynga stock as of the Record Date, excluding the Defendants, the officers and directors of Zynga, members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity (other than Zynga) in which the Defendants have or had a controlling interest.

2.7. “DGCL” means the Delaware General Corporation Law, as amended to the date of this Stipulation.

2.8. “Defendants” means, collectively, Pincus, the Officer Defendants, and the Outside Director Defendants.

2.9. “Defendants’ Related Persons” means (i) any of the Defendants’ respective heirs; assigns; current or former immediate family members; estates; executors; administrators; trusts of which the Defendant is a settlor, beneficiary, or trustee; or other entity controlled by or for the benefit of any Defendant that held Zynga securities for the benefit of the Defendant or members of his family

(together with any officer, director, member, partner, limited partner, manager or other Person who held an analogous position with such entity); or (ii) any adviser, accountant, or attorney who was involved in any respect with the Defendant's involvement with the Released Claims.

2.10. "Derivative Lawsuits" means, collectively, the Action and the California Derivative Actions.

2.11. "Effective Date" means the date as defined in Paragraph 8.1 of this Stipulation.

2.12. "Final" means the expiration of all time to seek appeal or other review of the Judgment, or if any appeal or other review of such Judgment is filed and not dismissed, after such Judgment is upheld on appeal in all material respects and is no longer subject to appeal, reargument, or review by writ of certiorari or otherwise.

2.13. "Final Approval" of the Settlement means that (a) the Court has entered the Judgment—with no material modification to the form of Judgment attached to this Stipulation as Exhibit C—approving the Settlement, dismissing the Defendants from the Action with prejudice on the merits and without costs to any Party (except any costs specifically identified in this Stipulation), and providing for the releases set forth below, and (b) such Judgment is Final; *provided, however*, and notwithstanding any provision to the contrary in this Stipulation, Final Approval

shall not include (and the Settlement is expressly not conditioned on) the award of attorneys' fees or the reimbursement of expenses to counsel to Plaintiff or any other Person who may intervene in the Action, including any appeal related to any such award.

2.14. "Insurers" means, collectively, RSUI and Allied World.

2.15. "Judgment" means the order and final judgment, substantially in the form attached to this Stipulation as Exhibit C, dismissing this Action with prejudice; among other things, finding that (i) the Zynga board vested the SLC with plenary authority with respect to the Derivative Lawsuits, including the authority to settle the Litigation, (ii) the Settlement is fair, reasonable and adequate and in the best interests of Zynga and its stockholders, (iii) the SLC members were independent and conducted a thorough investigation of the claims asserted in the Derivative Lawsuits and came to their conclusion that the Settlement was in the best interests of Zynga and its stockholders reasonably and in good faith; and approving the releases set forth in Paragraph 4 below, which releases are applicable (among other things) to the claims asserted in the Derivative Lawsuits.

2.16. "Notice" means the Notice of Pendency of Settlement of Action, substantially in the form annexed to this Stipulation as Exhibit B.

2.17. "Officer Defendants" means, collectively, Reggie Davis, Cadir Lee, John Schappert, Owen Van Natta, Mark Vranesh, and David Wehner.

2.18. “Outside Director Defendants” means, collectively, William Gordon, Reid Hoffman (“Hoffman”), Jeffrey Katzenberg, Stanley J. Meresman, and Sunil Paul.

2.19. “Parties” means Zynga and Defendants.

2.20. “Person” means any individual, corporation, partnership, limited liability company, association, affiliate, parent, subsidiary, joint stock company, estate, trust, unincorporated association, entity, government and any political subdivision thereof, or any other type of business or legal entity.

2.21. “Pincus” means Mark Pincus.

2.22. “Plaintiff” means Thomas Sandys, individually and derivatively on behalf of Zynga.

2.23. “Plaintiff’s Counsel” means counsel of record for the Plaintiff in the Action.

2.24. “Record Date” means close of business on the date that this Stipulation is filed with the Court.

2.25. “Released Claims” means and includes any and all claims for relief or causes of action, debts, demands, rights, liabilities, losses, and claims whatsoever, known or unknown (including Unknown Claims), fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, that have been or could have been asserted by Zynga or any Current Zynga

Stockholder purporting to act on behalf of Zynga in the Action or in the California Derivative Actions or any other Person purporting to act on behalf of Zynga, and that relate in any way, directly or indirectly, to any of the actual, alleged or attempted actions, inactions, conduct, transactions, occurrences, representations, misrepresentations, omissions, events, or any other matters that were, or could have been, alleged, asserted, or described in the Action or the California Derivative Actions, or that relate in any way to the investigation or resolution of the Action or the California Derivative Actions, including but not limited to claims arising out of or related in any way to (i) the IPO, the SPO, or any other sales of Zynga securities during 2011 or 2012; (ii) Zynga's launch in 2012 of new games (including *The Ville*), any acts or omissions relating to Zynga's relationship with Facebook in 2011 and 2012, or Zynga's acquisition or operation of OMGPOP in 2012; (iii) any public disclosures by Zynga regarding the matters set forth in subparagraphs (i) or (ii) or Zynga's financial condition and prospects during 2011 or 2012; (iv) Zynga's expenditure of Company funds in response to the Derivative Lawsuits or to other legal actions related to the SPO; and (v) any activities, decisions, or investigations by or relating to the SLC; ***provided, however,*** that it is understood that "Released Claims" and any release provided by this Settlement shall not include: (i) any claims to enforce the Settlement; (ii) any claims by Zynga or Defendants or any other insured to enforce their rights under any contract or policy of insurance or the

Insurer Agreement; or (iii) any claims that relate to Defendants' rights to advancement or indemnification pursuant to Zynga's certificate of incorporation, Zynga's bylaws, separate indemnity and/or advancement agreements between Zynga and any of the Defendants, or pursuant to provisions of the Delaware General Corporation Law.

2.26. "Scheduling Order" means an order scheduling a hearing on fairness, reasonableness and adequacy of this Stipulation and approving the form of Notice and method of, and directing the giving of, Notice of the Settlement to Current Zynga Stockholders, substantially in the form annexed to this Stipulation as Exhibit A.

2.27. "Settlement" means the settlement of the Action on the terms set forth in this Stipulation.

2.28. "Settlement Hearing" means the hearing set by the Court in the Scheduling Order to consider final approval of the Settlement, including any continuances or adjournments of the hearing.

2.29. "Unknown Claims" means any claims that a Party does not know or suspect exists in his, her, or its favor at the time of the release of the Released Claims as against any of the Released Parties, including without limitation those which, if known, might have affected the decision to enter into the Settlement and this Stipulation. With respect to any of the Released Claims, the Parties stipulate

and agree that upon Final Approval of the Settlement, the Parties shall be deemed to have, and by operation of the order and final judgment shall have, expressly waived, relinquished, and released any and all provisions, rights, and benefits conferred by or under Cal. Civ. Code § 1542 or any law or principle of common law of the United States or of any state or territory of the United States or other jurisdiction, that is similar, comparable, or equivalent to Cal. Civ. Code § 1542.

Section 1542 provides:

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

The Parties acknowledge that they may hereafter discover facts in addition to or different from those now known or believed to be true by them, with respect to the subject matter of the Released Claims, but it is the intention of the Parties to completely, fully, finally, and forever compromise, settle, release, discharge, and extinguish any and all Released Claims, known or unknown, suspected or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, that now exist or previously existed, without regard to the subsequent discovery of additional or different facts. The Parties acknowledge that the foregoing waiver was separately bargained for and is a key element of this Stipulation and the

releases that are part of the Stipulation, and was relied upon by each and all of the Parties in entering into the Settlement and this Stipulation.

2.30. “Zynga” or the “Company” means Zynga, Inc.

2.31. “Zynga Related Persons” means (i) any predecessor, successor, subsidiary, division, or affiliate of Zynga; (ii) any joint venture, partnership, limited liability company, corporation, or other entity in which Zynga has an ownership interest (together with any officer, director, member, partner, limited partner, manager or other Person who held an analogous position with such entity (other than Defendants); (iii) accountants, auditors, underwriters, bankers, investment bankers, attorneys, consultants, and advisers of or to Zynga or any entity encompassed within subparagraph (ii) (other than Defendants); any current or former officer, director or employee of Zynga (other than the Defendants), together with their respective heirs; assigns; current or former immediate family members; estates; executors; administrators; or trusts of which the Defendant is a settlor, beneficiary, or trustee; and (iv) the SLC and its attorneys and consultants.

3. Settlement Payment

In consideration for the full settlement and release of the Released Claims (as set forth in Section 4 of this Stipulation), and subject to the terms and conditions of this Stipulation, Zynga and the Defendants shall cause the Insurers to

pay, on behalf of the Defendants, the \$12 million Settlement Amount to Zynga within ten (10) days of the entry by the Court of the Judgment.

4. Releases

4.1. Upon the Effective Date (defined below), Zynga, the Zynga Related Persons, and Zynga stockholders to the extent they are acting, or purporting to act, derivatively on behalf of Zynga, shall, or shall be deemed to have and by operation of the Judgment shall have, fully, finally, and forever settled, released, discharged, extinguished, and dismissed with prejudice the Released Claims against the Defendants, Defendants' Related Persons, and any other current or former officer, director or employee of Zynga.

4.2. Upon the latter of the Effective Date or the date on which the dismissal of the California Derivative Actions becomes Final:

4.2.1. Defendants and the Defendants' Related Persons shall, or shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled, released, discharged and extinguished the Released Claims against Zynga and the Zynga Related Persons.

4.2.2. Defendants and the Defendants' Related Persons shall or shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled, released, discharged and extinguished the

Released Claims against the other Defendants and the other Defendants’
Related Persons.

5. Procedure for Approval

5.1. The Parties shall submit this Stipulation together with its exhibits to the Court, and shall apply for entry of the proposed Scheduling Order, requesting: (i) a stay of this Action (other than for proceedings contemplated by the proposed Scheduling Order) pending further order of the Court; (ii) the approval of the form and proposed manner of giving Notice to Current Zynga Stockholders; (iii) that the Court consider the fairness, reasonableness and adequacy of the Settlement at a Settlement Hearing; and (iv) that the Court set a date for the Settlement Hearing to be included in the Scheduling Order and Notice.

5.2. Notice to Zynga stockholders shall consist of the Notice, substantially in the form attached hereto as Exhibit B, and shall be provided to Zynga stockholders as follows: within ten (10) business days after the entry of the Scheduling Order, Zynga shall mail the Notice to all record holders of Zynga stock as of the Record Date. All record holders who are not also the beneficial owners of the shares of Zynga stock held by them of record shall be requested to forward the Notice to the beneficial owners of those shares. The Company shall use reasonable efforts to give notice to such beneficial owners by: (i) making additional copies of the Notice available to any record holder who, before the Settlement Hearing, requests the

same for distribution to beneficial owners, or (ii) mailing additional copies of the Notice to beneficial owners as reasonably requested by record holders who provide names and addresses for such beneficial holders. In addition, Zynga shall, within ten (10) business days after the entry of the Scheduling Order, post a copy of the Notice and of this Stipulation on a website and shall maintain such postings through the date of the Settlement Hearing.

5.3. No later than ten (10) business days before the Settlement Hearing, Zynga's counsel shall serve on counsel in the Action and file with the Court an appropriate affidavit with respect to the preparation and mailing of the Notice and posting of the Notice and Stipulation.

5.4. Zynga shall be responsible for all costs associated with the giving of the Notice as the Court may direct. If additional notice is required by the Court, then the cost and administration of such additional notice will be borne by Zynga.

5.5. The Parties submit that the proposed content and manner of notice constitutes adequate and reasonable notice to Zynga stockholders pursuant to applicable law and due process.

5.6. Pending Final Approval of the Settlement, the Parties agree not to litigate this Action further and not to initiate any other proceedings other than those incident to the Settlement itself; provided, however, that nothing in this Stipulation will prevent the Parties from responding to (or otherwise taking actions that such

Parties deem necessary or advisable to respond to) actions taken by (i) Plaintiff, (ii) the California Plaintiffs, or (iii) any other Current Zynga Stockholder in connection with the Action or the California Derivative Actions.

5.7. The Parties and their counsel agree to use their individual and collective best efforts to obtain entry of the proposed Judgment substantially in the form annexed hereto as Exhibit C and Final Approval of the Settlement. The Parties and their counsel further agree to use their individual and collective best efforts to take all actions and do all things reasonably necessary, proper, or advisable to consummate and make effective, as promptly as practicable, this Stipulation, the dismissal of the Action, and the dismissal of the California Derivative Actions. Nothing in this Paragraph 5.7 shall be construed as requiring any Party to agree to any substantive modification to this Stipulation.

6. Attorneys' Fees and Expenses

6.1. Notwithstanding the releases granted as part of this Stipulation, the Parties understand that Plaintiff and/or the plaintiffs in the California Derivative Actions and/or another Current Zynga Stockholder who may elect to intervene in the process related to the Court's consideration of this Stipulation (and their respective counsel) may apply to the Court for an award of attorneys' fees and expenses (a "Plaintiffs' Fee and Expense Award") based on the benefits conferred to the Company as a result of the Settlement. To the extent the Court makes any

such Plaintiffs' Fee and Expense Award, Zynga shall be solely responsible for its payment, and the Parties agree that no other person or entity shall have any responsibility to contribute to or pay any Plaintiffs' Fee and Expense Award. Any application for a Plaintiffs' Fee and Expense Award will be considered by the Court separately from the Court's consideration of whether to approve the Settlement as between Defendants and Zynga. Any order or proceedings related to any Plaintiffs' Fee and Expense Award or any appeal from any order relating to such order or proceeding or any modification of them shall not operate to terminate or cancel this Stipulation, and shall not affect the Judgment approving this Stipulation or prevent the Settlement from becoming Final.

6.2. Unless otherwise ordered by the Court, Zynga shall not be obliged to pay any portion of any Plaintiffs' Fee and Expense Award before the Judgment in the Action becomes Final.

6.3. Defendants shall have no obligation to pay or reimburse any fees, expenses, costs, or damages alleged or incurred by Plaintiff, by Zynga stockholders, or by their attorneys, experts, advisors, or representatives with respect to the Derivative Lawsuits or the Released Claims.

7. Effectiveness of Settlement; Effect of Disapproval, Cancellation, or Termination

7.1. The Settlement shall become effective on the Effective Date, which shall be the date three (3) business days after the last of all of the following events shall have occurred:

7.1.1. The Court enters the Scheduling Order, approving the form and content of the Notice, which Notice is then given to Current Zynga Stockholders in accordance with the Scheduling Order;

7.1.2. The Court enters the Judgment in the Action substantially in the form attached as Exhibit C;

7.1.3. The Insurers pay to Zynga, on behalf of the Defendants, the Settlement Amount;

7.1.4. The Action is dismissed with prejudice and without the award of any damages, costs, fees, or any further relief, except as may be awarded pursuant to Paragraph 6.1 of this Stipulation;

7.1.5. The Judgment becomes Final.

7.2. If the Settlement does not become effective in accordance with the terms of this Stipulation, this Stipulation and any Settlement documentation shall be terminated and any portion of the Settlement Amount that has been paid shall be returned in accordance with provisions of the Insurer Agreement; *provided, however*, that the provisions of Paragraph 8.2 shall remain in full force and effect. In that event, the releases contemplated by this Stipulation shall be null and void,

and the Parties shall be restored to their litigation positions on the date immediately before the execution date of this Stipulation. This Stipulation shall not be deemed to constitute an admission of fact by Zynga or any Defendant. If the Settlement does not become effective, neither the existence of this Stipulation nor its contents shall be admissible in evidence or be referred to for any purpose in the Action or in any other litigation or proceeding.

8. Miscellaneous Provisions

8.1. The terms of the Settlement were negotiated in good faith and at arms' length by the Parties, with the assistance of a neutral mediator. This Stipulation reflects a Settlement that was reached voluntarily after consultation with competent legal counsel. This Stipulation shall be deemed to have been mutually prepared by the Parties and shall not be construed against any of them by reason of authorship. Defendants reserve their rights to rebut, in a manner that he determines to be appropriate, any contention made in any public forum that the Derivative Lawsuits were defended in bad faith or that Defendants' litigation positions were asserted without a reasonable basis.

8.2. Neither this Stipulation, nor any of its terms or provisions, nor entry of the Judgment, nor any document or exhibit referred to in or attached to this Stipulation or any motion seeking approval of the Settlement contemplated by this Stipulation, nor any action taken to carry out this Stipulation or in connection with

the Settlement, is, may be construed as, or may be used as, evidence of the factual or legal merit of any of the Released Claims or as an admission, in this Action or any other action or proceeding, whether civil, criminal, or administrative, that the Derivative Lawsuits had merit when filed or that they currently have merit..

8.3. This Stipulation may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same document. Any signature to this Stipulation by means of facsimile or electronically scanned and sent by email shall be treated in all manner and respects as an original signature and shall be considered to have the same binding legal effect as if it were the original signed document.

8.4. All Persons executing this Stipulation thereby represent that they have been authorized and empowered to do so.

8.5. This Stipulation, together with the Insurer Agreement, embodies and represents the full agreement of the Parties and supersedes any and all prior agreements and understandings relating to the subject matter of this Stipulation as between or among any of the Parties. This Stipulation shall not be modified or amended, nor shall any provision of this Stipulation be deemed waived, unless such modification, amendment, or waiver is in writing and executed by or on behalf of the Parties. The waiver by any Party of any provision or the breach of

this Stipulation shall not be deemed a waiver of any other provision or breach of this Stipulation.

8.6. This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Parties.

8.7. Notwithstanding the entry of the Judgment, the Court shall retain jurisdiction over all matters relating to the implementation, enforcement, and interpretation of the terms of this Stipulation as well as all matters relating to the administration and consummation of the Settlement and to consider any application for attorneys' fees and expenses made by Plaintiff's counsel or counsel to any of the California Derivative Action plaintiffs, and all Parties submit to the jurisdiction of the Court for purposes of implementing, enforcing, and interpreting this Stipulation.

8.8. The construction and interpretation of this Stipulation shall be governed by and construed in accordance with the laws of the State of Delaware and without regard to the laws that might otherwise govern under principles of conflicts of law applicable hereto. Any action involving this Stipulation shall be brought and maintained solely in the Delaware Court of Chancery, or to the extent the Court of Chancery does not have jurisdiction, any other Delaware state court. The Parties: (a) irrevocably and unconditionally consent and submit to the in personam jurisdiction of such courts in any such action; (b) consent to service of process by

courier or certified mail made upon such party and/or such party's agent at the address(es) set forth in Paragraph 9 of the Scheduling Order; and (c) waive any objection to venue in any such Delaware court and any claim that any such Delaware court is an inconvenient forum.

8.9. Without further order of the Court, the Parties hereto may agree to reasonable extensions of time to carry out any of the provisions of this Stipulation.

8.10. The following exhibits are annexed hereto and incorporated herein by reference:

- (a) Exhibit A: [Proposed] Scheduling Order with Respect to Notice and Settlement Hearing;
- (b) Exhibit B: Notice of Pendency of Settlement of Action; and
- (c) Exhibit C: [Proposed] Order and Final Judgment.

IN WITNESS WHEREOF, IT IS HEREBY AGREED by the undersigned as of the date noted above.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

Of Counsel:

Michael L. Charlson
Jennifer B. Poppe
Laura Lucas Palekar
VINSON & ELKINS LLP
555 Mission Street
Suite 2000
San Francisco, CA 94105
(415) 979-6900

Of Counsel:

LATHAM & WATKINS LLP
140 Scott Drive
Menlo Park, CA 94025
(650) 328-4600

/s/ Kevin R. Shannon

Kevin R. Shannon (#3137)
Matthew F. Davis (#4696)
Frank R. Martin (#5636)
POTTER ANDERSON & CORROON LLP
1313 N. Market Street
Hercules Plaza, 6th Floor
Wilmington, DE 19801
(302) 984-6000

Attorneys for Carol G. Mills and Janice M. Roberts in their capacity as the Special Litigation Committee of Zynga, Inc.

/s/ J. Peter Shindel, Jr.

Kevin G. Abrams (#2375)
J. Peter Shindel, Jr. (#5825)
Daniel J. McBride (#6305)
ABRAMS & BAYLISS LLP
20 Montchanin Road, Suite 200
Wilmington, Delaware 19807
(302) 778-1000

Attorneys for Defendant Mark J. Pincus

Of Counsel:

Bruce A. Ericson
Elyssa J. Romino
PILLSBURY WINTHROP SHAW
PITTMAN LLP
Four Embarcadero Center, 22nd
Floor
San Francisco, CA 94111
(415) 983-1000

Of Counsel:

Steven M. Schatz
Benjamin M. Crosson
WILSON SONSINI GOODRICH &
ROSATI, P.C.
650 Page Mill Road
Palo Alto, CA 94304
(650) 493-9300

Dated: February 27, 2018

5657319

/s/ David J. Teklits

David J. Teklits (#3221)
Kevin M. Coen (#4775)
MORRIS, NICHOLS, ARSHT & TUNNELL LLP
1201 North Market Street, 18th Floor
Wilmington, DE 19899
(302) 658-9200

*Attorneys for Defendants Reggie Davis,
Cadir Lee, John Schappert, Owen Van
Natta, Mark Vranesh, and David Wehner*

/s/ Bradley D. Sorrels

Bradley D. Sorrels (#5223)
Jessica A. Montellese (#5645)
Lindsay M. Kwoka (#5772)
WILSON SONSINI GOODRICH & ROSATI, P.C.
222 Delaware Avenue, Suite 800
Wilmington, DE 19801
(302) 304-7600

*Attorneys for Defendants William Gordon,
Reid Hoffman, Jeffrey Katzenberg, Stanley
J. Meresman, and Sunil Paul*