

1 LYNN LINCOLN SARKO
2 JULI E. FARRIS (CSB No. 141716)
3 ELIZABETH A. LELAND
4 SHANE P. CRAMER
5 KELLER ROHRBACK L.L.P.
6 1201 Third Avenue, Suite 3200
7 Seattle, WA 98101
8 Telephone: (206) 623-1900
9 Facsimile: (206) 623-3384

7 GARY A. GOTTO
8 KELLER ROHRBACK P.L.C.
9 National Bank Plaza
10 3101 North Central Avenue, Suite 1400
11 Phoenix, AZ 85012
12 Telephone: (602) 248-0088
13 Facsimile: (602) 248-2822

11 **Attorneys for Lead Plaintiff Gerald del**
12 **Rosario**

13 **UNITED STATES DISTRICT COURT**
14 **NORTHERN DISTRICT OF CALIFORNIA**
15 **SAN FRANCISCO DIVISION**

16 IN RE ZORAN CORPORATION) Civil Action No. 06-05503-WHA
17 DERIVATIVE LITIGATION)
18 _____) **DECLARATION OF JULI E. FARRIS**
19 This Document Relates to:) **IN SUPPORT OF LEAD PLAINTIFF'S**
20 ALL ACTIONS) **MOTION FOR PRELIMINARY**
21) **APPROVAL OF PROPOSED**
22) **SETTLEMENT**
23)
24)
25)
26)
27)
28)

DECLARATION OF JULI E. FARRIS

I, Juli E. Farris, declare as follows:

1. I am an attorney duly licensed to practice before all of the courts of the State of California. I am a partner with the law firm of Keller Rohrback L.L.P., counsel of record for Lead Plaintiff Gerald del Rosario in the above-entitled action. I submit this declaration in support of Lead Plaintiff's Motion for Preliminary Approval of Proposed Settlement. I have personal knowledge of the matters stated herein and, if called upon, I could and would competently testify thereto.

2. Attached hereto as Exhibit A is a true and correct copy of the Stipulation of Settlement in the above-entitled Action, which was executed by the parties on May 29, 2008.

3. Attached hereto as Exhibit B is a true and correct copy of Zoran's November 7, 2007 Form 8-K, which is available on the SEC website at http://www.sec.gov/Archives/edgar/data/1003022/000110465907080627/a07-28751_18k.htm.

4. Attached hereto as Exhibit C is a true and correct copy of the Notice of Voluntary Dismissal Pursuant to Federal Rule of Civil Procedure 41(a) filed in *NECA-IBEW Pension Fund (The Decatur Plan) v. Galil*, No. C-06-03742-WHA, dated December 4, 2006.

5. Attached hereto as Exhibit D is a true and correct copy of the Notice of Voluntary Dismissal Pursuant to Federal Rule of Civil Procedure 41(a) filed in *In re Zoran Corporation Securities Litigation*, No. C-06-04843-WHA, dated March 20, 2007.

6. On September 11, 2007, the parties conducted Court-ordered mediation proceedings before the Honorable Charles A. Legge of JAMS. All of the parties were represented at the mediation.

7. While we were not able to reach a settlement at the mediation, the parties continued to conduct face-to-face meetings and telephone conferences, both with and without Judge Legge, in an attempt to reach a possible settlement. Among other things, the parties exchanged extensive information relating to the grants challenged in the Derivative Litigation.

1 8. To date Zoran has produced more than 200,000 documents which I believe
2 consist of more than a million and a half pages. These documents include key documents related
3 to re-measured grants, board minutes, unanimous written consents relating to the relevant stock
4 option grants, documents produced to the SEC in connection with its investigation of Zoran's
5 historical stock option granting process, documents reflecting the Company's policies and
6 procedures for stock option grants, the accounting treatment for each re-measured grant, data
7 from the Company's electronic records regarding each grant from 1996 through 2006, the
8 relevant stock option plans, and public filings, including the relevant Form 4s, financial
9 statements and other SEC filings from 1996 through 2006. The parties continue to negotiate
10 regarding additional documents necessary to complete the production.

11 9. The parties have also served and responded to multiple sets of discovery and
12 conducted and/or scheduled party and non-party depositions. These efforts are on-going with a
13 present discovery cut off June 13th.

14 10. All of my negotiations with Defendants' counsel have been conducted in good
15 faith, and at arm's-length.

16 I declare under penalty of perjury under the laws of the State of California that the
17 foregoing is true and correct.

18 Executed this 29th day of May, 2008, at Seattle, Washington.

19
20 /s/ _____
21 Juli E. Farris

EXHIBIT A

1 LYNN LINCOLN SARKO
 JULI E. FARRIS (CSB No. 141716)
 2 ELIZABETH A. LELAND
 SHANE P. CRAMER
 3 KELLER ROHRBACK L.L.P.
 1201 Third Avenue, Suite 3200
 4 Seattle, WA 98101
 Telephone: (206) 623-1900
 5 Facsimile: (206) 623-3384

6 GARY A. GOTTO
 KELLER ROHRBACK P.L.C.
 7 National Bank Plaza
 3101 North Central Avenue, Suite 1400
 8 Phoenix, AZ 85012
 Telephone: (602) 248-0088
 9 Facsimile: (602) 248-2822

10 **Attorneys for Lead Plaintiff Gerald del**
 11 **Rosario**

12
 13 UNITED STATES DISTRICT COURT
 14 NORTHERN DISTRICT OF CALIFORNIA
 15 SAN FRANCISCO DIVISION

16
 17 IN RE ZORAN CORPORATION
 18 DERIVATIVE LITIGATION

No. CV 06-05503 WHA
 DERIVATIVE ACTION

19 This Document Relates To:

STIPULATION OF SETTLEMENT

20
 21 ALL ACTIONS
 22
 23
 24
 25
 26
 27
 28

1 **STIPULATION OF SETTLEMENT**

2 This Stipulation of Settlement dated as of May __, 2008 (the “Stipulation”) is made and
3 entered into by and among the following Settling Parties (as defined further in Section 1.18
4 hereof) by and through their respective counsel of record in the above-captioned action (the
5 “Derivative Litigation”): (i) nominal defendant Zoran Corporation (“Zoran” or the “Company”);
6 (ii) the Individual Defendants (as defined below in 1.5) in the Derivative Litigation; and (iii) Lead
7 Plaintiff Gerald del Rosario, on behalf of himself and derivatively on behalf of Zoran. The
8 Stipulation is intended by the Settling Parties to fully, finally and forever resolve, discharge and
9 settle the Released Claims (as defined below in 1.14), upon and subject to the terms and
10 conditions herein.

11 **I. THE LITIGATION**

12 On May 16, 2006, the Center for Financial Research and Analysis (“CFRA”) issued a
13 report identifying dozens of companies, including Zoran, that were purportedly “at risk” for
14 having backdated stock options. On May 23, 2006, Zoran announced that the Company’s
15 management and its outside counsel had conducted an internal review with respect to the options
16 grants identified by CFRA. On July 3, 2006, Zoran announced that its Board of Directors had
17 formed a Special Committee of outside directors (“Special Committee”) to conduct an
18 independent investigation into whether there had been any improper backdating of stock option
19 grants since Zoran’s initial public offering in 1995. The Special Committee retained independent
20 legal counsel in connection with the investigation.¹

21 In June and September 2006, three shareholder derivative actions alleging claims under
22 federal and state law based on backdating of stock options were filed in the Northern District of
23

24 _____
25 ¹ Zoran also announced that it had received an informal inquiry from the Securities and Exchange
26 Commission (“SEC”) requesting documents related to its stock option granting practices, as well
27 as a grand jury subpoena from the office of the U.S. Attorney for the Northern District of
28 California requesting documents regarding stock options. On November 2, 2007, the SEC
notified Zoran that the Staff’s investigation had been terminated and that no enforcement action
against Zoran or any of its officers, directors or employees has been recommended to the
Commission. Similarly, no action has been taken by the U.S. Attorney’s office with respect to
Zoran or its officers, directors or employees.

1 California against the Individual Defendants and Zoran as a nominal defendant.² On December 8,
2 2006, the Court consolidated the derivative actions into the above-captioned Derivative
3 Litigation, and on January 18, 2007, Mr. del Rosario was appointed Lead Plaintiff.³

4 On February 20, 2007, the Company reported that as a result of the Special Committee
5 investigation, recorded grant dates for a small number of stock option grants would need to be
6 remeasured for financial accounting purposes. The Board also concluded that there was no
7 intentional misconduct by Zoran's senior management. Zoran subsequently restated its historical
8 financial statements to reflect the adjusted measurement dates, taking a non-cash compensation
9 charge of \$11.7 million.

10 Lead Plaintiff filed a Consolidated Verified Derivative Complaint ("Consolidated
11 Complaint") in the Derivative Litigation on March 14, 2007. In the Consolidated Complaint,
12 Lead Plaintiff asserts claims under Section 10(b), Section 14(a) and Section 20(a) of the
13 Securities Exchange Act of 1934, as well as claims under state law for breach of fiduciary duty,
14 constructive fraud, abuse of control, corporate waste and gift, gross mismanagement, unjust
15 enrichment, and rescission. The Complaint alleges, among other things, that from at least 1997
16 through 2005, the Individual Defendants engaged in unlawful or improper practices related to
17 Zoran's granting and accounting for stock options (including, but not limited to, "backdating" or
18 otherwise misdating or improperly timing option grants, and not complying with the Company's
19 option plans); this conduct allegedly resulted in false or misleading financial statements, other
20 statements and proxies, improper and/or additional compensation expenses and tax liabilities, and
21 other expenses, including but not limited to those relating to the Special Committee's
22 investigation and April 20, 2007 restated financials. In addition, Lead Plaintiff has subsequently

23 _____
24 ² One of these actions, *NECA-IBEW v. Galil, et al*, No. 06-cv-3742, was voluntarily dismissed on
25 December 4, 2006. In addition, a putative class action, alleging violations of the Securities
26 Exchange Act, based upon the same facts and circumstances giving rise to the Derivative
27 Litigation, filed in this Court on August 10, 2006, was voluntarily dismissed on March 20, 2007.

28 ³ A nearly identical state court derivative action based upon the same facts and against
substantially the same defendants is currently pending in Santa Clara Superior Court, entitled *In
re Zoran Derivative Litigation*, Case No. 1:06CV073498 (the "State Derivative Litigation"). The
Santa Clara Superior Court has stayed the State Derivative Litigation in light of this action until
further order of the Superior Court.

1 alleged that certain practices and option grants not specifically asserted in the Consolidated
2 Complaint violated the Company's stock option plans or are otherwise actionable.

3 Defendants thereafter moved to dismiss the Derivative Litigation on grounds that Lead
4 Plaintiff had failed to make a pre-suit demand on Zoran's Board of Directors or to allege facts
5 sufficient to establish that such a demand would have been futile. The Court ruled that Lead
6 Plaintiff's Consolidated Complaint alleged facts sufficient to excuse demand at the pleading
7 stage. The Court dismissed certain causes of action, however, on standing, statute of limitations,
8 and other grounds. Thereafter, Defendants filed Answers and Affirmative Defenses, and the
9 parties commenced discovery.

10 On September 11, 2007, the parties participated in Court-ordered mediation proceedings
11 before the Honorable Charles A. Legge of JAMS. Thereafter, the parties continued their
12 settlement discussions and had numerous face-to-face meetings and telephone conferences, with
13 and without Judge Legge, in furtherance of a possible resolution of the Derivative Litigation.
14 Among other things, the parties exchanged extensive information relating to the grants challenged
15 in the Derivative Litigation, and Lead Plaintiff conducted substantial discovery, including, but not
16 limited to, receipt of over one million pages of documents and depositions of key witnesses.

17 By motion dated February 26, 2008, Lead Plaintiff moved for preliminary approval of a
18 proposed stipulation of settlement involving the cancellation or repricing of certain stock options,
19 corporate governance remedial measures and other provisions, including payment of a fee to Lead
20 Plaintiff's Counsel. By Order dated April 7, 2008, the Court denied the motion for preliminary
21 approval.

22 From March through mid-May, the parties completed substantial additional discovery,
23 including depositions by Lead Plaintiff's Counsel of additional party and non-party witnesses and
24 the production to Lead Plaintiff of thousands of additional documents. The parties also engaged
25 in further settlement negotiations, both in person and telephonically. All of the negotiations were
26 conducted in good faith and at arm's length, incorporating the guidance provided by the Court in
27 its April 7, 2008 Order. All parties were represented by counsel experienced in litigation of this
28 type.

1 As a result of these settlement discussions, the parties have agreed to settle the Derivative
2 Litigation jointly on the terms and subject to the conditions set forth below.

3 **II. DEFENDANTS' POSITION WITH RESPECT TO SETTLEMENT**

4 The Individual Defendants expressly have denied and continue to deny all charges of
5 wrongdoing or liability against them arising out of any of the conduct, statements, acts or
6 omissions alleged, or that could have been alleged, in the Derivative Litigation. The Individual
7 Defendants have denied and continue to deny that any of their conduct relating to the granting,
8 exercise or disclosure of options was wrongful. The Individual Defendants have denied and
9 continue to deny that any intentional backdating of stock option grants ever occurred. The
10 Individual Defendants also have denied and continue to deny the allegations that Zoran suffered
11 damages as a result of the conduct alleged in the Derivative Litigation, or that Lead Plaintiff or
12 Zoran have any right of recovery whatsoever. To the contrary, the Individual Defendants have
13 asserted that at all relevant times, they have acted in the utmost good faith and in a manner they
14 reasonably believed to be in the best interests of Zoran and its shareholders.

15 Nonetheless, the Individual Defendants recognize that defense of the Derivative Litigation
16 has usurped—and would continue to usurp—valuable management time and resources, will
17 continue to disrupt Zoran's business, and will continue to impose enormous financial burdens on
18 Zoran. The proposed settlement offers to provide Zoran a substantial amount of cash
19 immediately, which Zoran can use to fund its operations and research and development. The
20 Individual Defendants also have taken into account the uncertainty and risks inherent in any
21 litigation, especially in complex cases such as this one. The Individual Defendants enter into this
22 Stipulation to obtain a full and final release, directly and/or by operation of law, of all claims that
23 are or could have been asserted against them in the Derivative Litigation, in the State Derivative
24 Litigation, or in any other federal or state litigation asserting Released Claims. The Individual
25 Defendants further intend that the Judgment entered in the Derivative Litigation will fully
26 incorporate the terms of this Settlement and will have preclusive effect as to the Released Claims
27 to the fullest extent of any applicable federal or state law. As a result, the Individual Defendants
28 have determined that it is appropriate and desirable that the Derivative Litigation be settled in the

1 manner and upon the terms and conditions set forth in this Stipulation. The Individual
2 Defendants make this decision voluntarily, and under no compulsion to do so.

3 Nominal Defendant Zoran enters into this Stipulation based on its belief that this
4 Settlement provides substantial benefit to the Company and its shareholders. Specifically, the
5 Company will receive a multi-million dollar payment and will also benefit from the cancellation
6 and repricing of certain stock options previously granted to the Individual Defendants. Moreover,
7 the proposed settlement will permit the Company, its Directors, Officers and employees to focus
8 on serving Zoran customers and creating value for Zoran shareholders rather than diverting
9 resources to protracted and costly litigation. Finally, the Company believes that this Settlement is
10 desirable because it provides the Company with a substantial recovery without the risk of an
11 adverse litigation result.

12 **III. LEAD PLAINTIFF'S POSITION WITH RESPECT TO SETTLEMENT**

13 Lead Plaintiff believes that the claims asserted in the Derivative Litigation have merit and
14 that the evidence developed to date, which includes both information developed by Lead
15 Plaintiff's Counsel independently and in the course of extensive discovery in the litigation,
16 supports those claims. Lead Plaintiff and Lead Plaintiff's Counsel recognize, however, the
17 expense and length of continued proceedings necessary to prosecute the Derivative Litigation
18 against the Defendants through trial and, potentially, through appeals. Lead Plaintiff has also
19 taken into account the uncertain outcome and the risk of litigation and inherent delay in resolution
20 of the claims that result from protracted proceedings. Counsel for the Lead Plaintiff are mindful
21 of the inherent problems of proof and possible defenses to the claims asserted in the derivative
22 lawsuit, including, but not limited to statutes of limitation, good faith reliance on outside counsel
23 and auditors, failure to satisfy the demand requirement of Rule 23.1, failure to establish any
24 breach of duty, failure to establish causation, and failure to establish damages.

25 Lead Plaintiff and his Counsel also considered: (1) the arguments and evidence regarding
26 Defendants' good faith reliance on outside counsel and auditors; (2) the size of Zoran's
27 restatement in relation to Zoran's overall revenues and the broad time period covered; (3) the
28 nature of the circumstances giving rise to the measurement date errors; (4) the scope and depth of

1 the investigation conducted by the Special Committee, with the assistance of experienced
2 counsel; (5) the Special Committee's conclusion that no intentional wrongdoing occurred; and (6)
3 the SEC's decision to terminate its investigation without further action. In order to thoroughly
4 evaluate each of these claims, Lead Plaintiff and his Counsel engaged in extensive analysis of
5 evidence produced during the litigation, and the parties exchanged additional information subject
6 to Rule 408, as part of their settlement negotiations. Lead Plaintiff and his Counsel also weighed
7 the potential for denial of insurance coverage on some or all of Lead Plaintiff's claims, the
8 additional costs to the Company were it necessary to litigate those issues, and the uncertainty as
9 to what damages Zoran would ultimately be entitled to recover even if Lead Plaintiff were to
10 prevail on some or all of the asserted claims. In particular, Lead Plaintiff weighed the benefit to
11 Zoran of obtaining nearly \$3.4 million in cash (less awarded attorneys' fees and costs), plus other
12 consideration, as set forth below, against the possibility that the Individual Defendants might
13 prevail on dispositive motions or at trial, in which case Zoran would receive no cash or other
14 consideration from this litigation.

15 Based on Lead Plaintiff's evaluation and the evaluation of his Counsel, Lead Plaintiff has
16 determined that it is desirable to settle the Derivative Litigation on the terms set forth in this
17 Stipulation. Lead Plaintiff believes that the proposed Settlement of the Derivative Litigation will
18 promote the best interests of Zoran and its shareholders and that such terms reflect a fair,
19 reasonable and adequate outcome of the Derivative Litigation.

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

21 NOW, THEREFORE, IT IS HEREBY STIPULATED AND VOLUNTARILY AGREED
22 by and among Lead Plaintiff (for himself and derivatively on behalf of Zoran), Zoran, and
23 Individual Defendants Raymond A. Burgess, Uzia Galil, Levy Gerzberg, Camillo Martino, James
24 D. Meindl, James B. Owens, Jr., Karl Schneider and Arthur B. Stabenow by and through their
25 respective counsel of record, that, subject to the approval of the Court, the Derivative Litigation
26 and the Released Claims shall be finally and fully compromised, settled and released, and the
27 Derivative Litigation shall be dismissed with prejudice, upon and subject to the terms and
28 conditions of the Stipulation, as follows:

1 **1. Definitions**

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

3 1.1 “Defendants” means collectively the Individual Defendants and nominal defendant
4 Zoran Corporation.

5 1.2 “Defendants’ Counsel” means collectively Individual Defendants’ counsel and
6 Zoran’s counsel.

7 1.3 “Effective Date” means the first date by which all of the events and conditions
8 specified in Section 5.1 of the Stipulation have been met and have occurred.

9 1.4 “Final” means the later of: (a) the date of final affirmance on an appeal of the
10 Judgment, the expiration of the time for a petition for or a denial of a writ of review to review the
11 Judgment and, if the writ is granted, the date of final affirmance of the Judgment following
12 review pursuant to that grant; or (b) the date of final dismissal of any appeal from the Judgment
13 or the final dismissal of any proceeding on writ of review to review the Judgment; or (c) if no
14 appeal is filed, the expiration date of the time for the filing or noticing of any appeal from the
15 Court’s Judgment.

16 1.5 “Individual Defendants” means Raymond A. Burgess, Uzia Galil, Levy Gerzberg,
17 Camillo Martino, James D. Meindl, James B. Owens, Jr., Karl Schneider and Arthur B.
18 Stabenow.

19 1.6 “Individual Defendants’ Counsel” means, collectively, Fenwick & West LLP, 555
20 California Street, 12th Floor, San Francisco, CA 94104 (representing Defendants Burgess, Galil,
21 Meindl, Owens, and Stabenow); Cooley Godward Kronish LLP, 5 Palo Alto Square, 3000 El
22 Camino Real, Palo Alto, CA 94306 (representing Defendant Gerzberg); Morgan Lewis &
23 Bockius LLP, One Market, Spear Street Tower, San Francisco, CA 94105 (representing
24 Defendant Schneider); and Heller Ehrman LLP, 275 Middlefield Road, Menlo Park, CA 94025
25 (representing Defendant Martino).

26 1.7 “Judgment” means the judgment in the Derivative Litigation to be rendered by the
27 United States District Court for the Northern District of California.

28

1 1.8 “Lead Plaintiff” means Gerald del Rosario, individually and derivatively on behalf
2 of Zoran.

3 1.9 “Lead Plaintiff’s Counsel” means Keller Rohrback L.L.P., 1201 Third Avenue,
4 Suite 3200, Seattle, WA 98101.

5 1.10 “Notice” means the Notice of Proposed Settlement of Derivative Action and of
6 Settlement Hearing, substantially in the form submitted contemporaneously herewith.

7 1.11 “Person” means an individual, corporation, limited liability corporation,
8 professional corporation, partnership, limited partnership, limited liability partnership,
9 association, joint stock company, estate, legal representative, trust, unincorporated association,
10 government or any political subdivision or agency thereof, and any business or legal entity and
11 their spouses, heirs, predecessors, successors, representatives, or assignees.

12 1.12 “Released Parties” means Zoran and the Individual Defendants Raymond A.
13 Burgess, Uzia Galil, Levy Gerzberg, Camillo Martino, James D. Meindl, James B. Owens, Jr.,
14 Karl Schneider and Arthur B. Stabenow. “Released Parties” also includes the former defendants
15 in this action who were dismissed by the Lead Plaintiff without prejudice, pursuant to a tolling
16 agreement: Aharon Aharon, Paul Goldberg, Isaac Shenberg, and Alex Sinar.

17 1.13 “Related Persons” means each of a Released Party’s present or former spouses,
18 heirs, executors, estates, administrators, any entity in which a Defendant and/or any member(s) of
19 that Defendant’s immediate family has or had a controlling interest, any members of their
20 immediate families, or any trust of which any Defendant is or was the settler or which is or was
21 for the benefit of any Defendant and/or member(s) of his or her family, each of the Defendants’
22 present and former attorneys, legal representatives, and assigns in connection with the Derivative
23 Litigation, and all past and present directors, officers, agents, underwriters, controlling
24 shareholders, investment bankers, advisors, accountants, auditors, servants, employees, affiliates,
25 predecessors, successors, parents, subsidiaries, divisions, joint ventures and joint venturers,
26 related or affiliated entities, assigns and attorneys for nominal defendant Zoran and their counsel.

27 1.14 “Released Claims” means any and all claims, rights, demands, causes of action,
28 suits, accountings, matters, and issues, including, but not limited to, those arising under federal or

1 state contract, statute, or common law, that have been asserted or could have been asserted
2 against the Released Persons by Zoran, or by shareholders suing derivatively on behalf of Zoran,
3 in the Derivative Litigation, or based on or arising from the facts, transactions, events,
4 occurrences, acts, disclosures, statements, omissions or failures to act alleged in the Derivative
5 Litigation or closely related thereto, up to and through the date of the filing of the Consolidated
6 Complaint in the Derivative Litigation on March 14, 2007, including all matters alleged in, or
7 which could have been alleged in, any of the complaints filed in the Derivative Litigation
8 (including “Unknown Claims” as defined in Section 1.19 hereof).

9 1.15 “Released Persons” means each and all of the Released Parties and the Related
10 Persons.

11 1.16 “Settlement” means the settlement and compromise of the Derivative Litigation as
12 provided herein.

13 1.17 “Settlement Hearing” means the hearing or hearings at which this Court will
14 review the adequacy, fairness and reasonableness of the Settlement.

15 1.18 “Settling Parties” means Zoran, the Individual Defendants and Lead Plaintiff on
16 behalf of himself and derivatively on behalf of Zoran.

17 1.19 “Unknown Claims” means any Released Claim which any Settling Party or
18 Related Person does not know or suspect to exist in his, her or its favor at the time of the release
19 of the Released Persons which, if known by him, her or it, might have affected his, her or its
20 Settlement with and release of the Released Persons, or might have affected his, her or its
21 decision not to object to this Settlement. With respect to any and all Released Claims, the
22 Settling Parties stipulate and agree that, upon the Effective Date, the Settling Parties each
23 expressly waive, and by operation of the Judgment shall be deemed to have expressly waived, the
24 provisions, rights and benefits of California Civil Code § 1542, which provides:

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

The Settling Parties each expressly waive, and by operation of the Judgment shall be

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

15 1.20 “Zoran” or the “Company” means nominal defendant Zoran Corporation.

16 1.21 “Zoran’s Counsel” means Akin Gump Strauss Hauer & Feld LLP, 580 California
17 Street, Suite 1500, San Francisco, CA 94104.

18 **2. Settlement of the Derivative Claims**

19 2.1 In September 2006, several months after the filing of the first complaint in the
20 Derivative Litigation, but prior to the filing of the Consolidated Complaint, Zoran through its
21 Board of Directors adopted certain corporate governance measures related to the company’s
22 stock-option grant practices. The measures adopted in September 2006 are those listed in
23 paragraphs A through E of Attachment A, attached hereto.

24 2.2 As consideration for this Settlement, Zoran through its Board of Directors shall
25 adopt the additional corporate governance measures, not previously adopted, identified in
26 paragraphs F through EE of Attachment A to this Stipulation, not less than 30 days after the
27 Judgment has become Final as defined in Section 1.4, above. As additional consideration for this
28 Settlement, the measures previously adopted and the additional measures identified in Attachment

1 A shall continue for a period of at least three years. Defendants acknowledge that these
2 additional measures were negotiated as part of this Settlement.

3 2.3 In December 2006, several months after the filing of the original complaints in the
4 Derivative Litigation, but prior to the filing of the Consolidated Complaint, the Individual
5 Defendants voluntarily repriced the following options:

| <u>Defendant</u> | <u>Grant Date</u> | <u>Exercise Price</u> | <u>Adjusted Price</u> | <u># of Options</u> |
|------------------|-------------------|-----------------------|-----------------------|---------------------|
| Gerzberg, Levy | 8/09/02 | \$12.36 | \$14.69 | 178,125 |
| Schneider, Karl | 9/19/01 | \$11.52 | \$15.47 | 8,437 |
| Schneider, Karl | 8/9/02 | \$12.36 | \$14.69 | 31,250 |

9 2.4 The Individual Defendants, under no obligation to do so but in order to facilitate
10 this Settlement, have voluntarily agreed to take the following actions:

11 (a) *First*, the Individual Defendants shall cause to be paid the amount of
12 \$3,395,000 in cash to Zoran, of which \$296,250 will be paid by Levy Gerzberg, \$98,750 will be
13 paid by Karl Schneider, and the remainder will be paid to the Company through applicable
14 insurance, such payments to be made within fifteen days of notice of the Effective Date;

15 (b) *Second*, the Individual Defendants shall reprice the following options to the
16 adjusted exercise price reflected in the Company's April 20, 2007 restatement of financials:

| <u>Defendant</u> | <u>Grant Date</u> | <u>Exercise Price</u> | <u>Adjusted Price</u> | <u># of Options</u> |
|------------------|-------------------|-----------------------|-----------------------|---------------------|
| Gerzberg, Levy | 8/09/02 | \$12.36 | \$14.69 | 42,375 |
| Schneider, Karl | 9/19/01 | \$11.52 | \$15.47 | 11,563 |
| Schneider, Karl | 8/9/02 | \$12.36 | \$14.69 | 43,750 |
| Stabenow, Arthur | 3/16/01 | \$8.67 | \$11.49 | 3,750 |

17 (c) *Third*, Defendant Gerzberg has agreed to cancel certain options as further
18 consideration. It is the intention of the Settling Parties that the value of the canceled options shall
19 be approximately \$482,310, as calculated using the Black-Scholes methodology with the variable
20 inputs set forth in Exhibit A, which the Settling Parties agree are reasonable. Using such a
21 methodology and the Company's stock price at the close of the markets on May 13, 2008, the
22 Settling Parties agree that that the cancellation of the following options would provide the Black-
23 Scholes value intended:
24
25
26
27
28

| <u>Defendant</u> | <u>Grant Date</u> | <u>Exercise Price</u> | <u># of Options</u> |
|------------------|-------------------|-----------------------|---------------------|
| Gerzberg, Levy | 7/15/03 | \$24.78 | 289,107 |
| Gerzberg, Levy | 7/28/00 | \$27.33 | 135,000 |

In order to eliminate any concern regarding the date on which the Black-Scholes calculations are made, however, the Settling Parties have agreed to perform an identical calculation based on the closing price of the Company's stock on the trading day immediately preceding the date on which the Court signs the Preliminary Approval Order ("Recalculated Cancellations"). If the closing price of the Company's stock on that date is less than the closing price on May 13, 2008, Defendant Gerzberg agrees to cancel that number of options that will provide the agreed upon value, based upon the Recalculated Cancellations.

2.5 Within five (5) Court days of the execution of this Stipulation by all parties hereto, the Settling Parties shall apply for entry of an order (the "Preliminary Approval Order"), substantially in the form of Exhibit B attached hereto, requesting, *inter alia*, preliminary approval of the Settlement set forth in the Stipulation and related documents, such order to:

- (a) approve the Settling Parties' method of Notice to Zoran shareholders of the Settlement and Settlement Hearing as required by Federal Rule of Civil Procedure 23.1 and due process;
- (b) approve the form of Notice, substantially in the form of Exhibit C attached hereto;
- (c) set a date for a Settlement Hearing to determine whether the Settlement should be approved as fair, reasonable, adequate and in the best interests of Zoran and its current and former shareholders;
- (d) provide for the entry of a Final Order approving the Settlement (substantially in the form of Exhibit D attached hereto) and a Judgment (substantially in the form of Exhibit E attached hereto) dismissing the Derivative Litigation with prejudice, provided that the Court determines, at or after the Settlement Hearing, that the Settlement should be approved as fair, reasonable, adequate and in the best interests of Zoran and its current and former shareholders.

2.6 Zoran shall be responsible for dissemination of the Notice to its shareholders of record after approval of the form of Notice by the Court, and also shall be responsible for any other Court-directed notice to be made by publication. Shareholders of record who hold their shares for the benefit of another will be directed to transmit the Notice to the beneficial owner.

1 2.7 Following a determination by the Court at or after the Settlement Hearing that the
2 Settlement should be approved as fair, reasonable, adequate and in the best interests of Zoran and
3 its current and former shareholders, Lead Plaintiff's and Defendants' Counsel shall cooperate
4 with one another and perform any other acts reasonably necessary to effectuate the dismissal with
5 prejudice of the Derivative Litigation. Lead Plaintiff shall not oppose Defendants' efforts to
6 enforce this Settlement or any Judgment or dismissal entered as a result of this Settlement in the
7 State Derivative Litigation or in any other proceeding in any other forum.

8 2.8 Pending the conclusion of the Settlement Hearing, referenced in Section 2.5 above,
9 and the Court's ruling thereon, the Settling Parties agree to cease all proceedings and all further
10 activity regarding or directed towards the Derivative Litigation, including but not limited to all
11 discovery activities, except for those activities relating to this Stipulation and the Settlement.

12 **3. Releases**

13 3.1 Upon the Effective Date, as defined in Section 5.1, (a) Lead Plaintiff, on his own
14 behalf individually, and derivatively on behalf of Zoran and Zoran's shareholders, and (b) Zoran
15 shall have, and by operation of the Judgment shall be deemed to have, fully, finally, and forever
16 released, relinquished and discharged all Released Claims against the Released Persons and all
17 claims that were made or could have been made against the Released Persons arising out of,
18 relating to, or in connection with the prosecution, defense, Settlement or resolution of the
19 Derivative Litigation, including Unknown Claims.

20 3.2 Upon the Effective Date, as defined in Section 5.1, each of the Released Parties
21 shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever
22 released, relinquished and discharged Lead Plaintiff and Lead Plaintiff's Counsel from all claims
23 (including Unknown Claims), arising out of, relating to, or in connection with the institution,
24 prosecution, assertion, Settlement or resolution of the Derivative Litigation or the Released
25 Claims.

26 **4. Plaintiff Counsel's Attorneys' Fees and Reimbursement of Expenses**

27 4.1 The Settling Parties have agreed that Lead Plaintiff's Counsel shall file an
28 application for an award of its actual fees and costs incurred in the Derivative Litigation, subject

1 to approval by the Court. Lead Plaintiff's Counsel agrees to seek only its actual fees and costs
2 incurred in the Derivative Litigation through Final Judgment and any post-Judgment litigation
3 and appeal, based upon its usual and customary fees (*e.g.*, Lead Plaintiff's Counsel will not seek a
4 "fee multiplier"). Defendants shall not be obligated to pay any additional amount beyond the
5 Settlement Amount, subject to approval by this Court, to Lead Plaintiff's Counsel or any other
6 Person for any fees, expenses, costs or other sums incurred in connection with the Derivative
7 Litigation or otherwise conferring any benefit on Zoran or its shareholders for the matters that are
8 the subject of the Derivative Litigation. Such fees and expenses as are approved by the Court
9 shall be paid to Lead Plaintiff's Counsel within ten business days after the Effective Date.

10 4.2 Lead Plaintiff's Counsel shall be solely responsible for allocating the Fee and
11 Expense Amount awarded in the Derivative Litigation, subject to approval and direction of this
12 Court. Defendants and their Related Persons shall have no responsibility for and no liability
13 whatsoever with respect to the allocation of the Fee and Expense Amount awarded to Lead
14 Plaintiff's Counsel to any other person, entity or law firm who may assert some claim thereto.

15 4.3 Disallowance by the Court of any fees and expense or interest that has accrued
16 thereon requested by or awarded to Lead Plaintiff's Counsel, any appeal from any order relating
17 thereto, and any modification or reversal on appeal of any such order, shall not operate to
18 terminate or cancel the Stipulation or affect its other terms, including the Releases, or affect or
19 delay the finality of the Judgment approving the Stipulation.

20 5. Conditions of Settlement, Effect of Disapproval, Cancellation or Termination

21 5.1 The Effective Date of the Stipulation shall be conditioned on the occurrence of all
22 of the following events:

23 (a) the Court has entered the Judgment dismissing with prejudice the
24 Derivative Litigation; and

25 (b) the Judgment has become Final, as defined in Section 1.4, above.

26 5.2 If any of the conditions specified in Section 5.1 are not met, then the Stipulation
27 shall be canceled and terminated, subject to Section 5.3, unless Lead Plaintiff's Counsel and
28 Defendants' Counsel mutually agree in writing to proceed with the Stipulation.

1 5.3 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 Final in accordance with its terms, all
3 parties to the Derivative Litigation (including Lead Plaintiff and all Defendants) shall be restored
4 to their respective positions in the Derivative Litigation as of the date of signing this Stipulation.
5 In such event, all negotiations, proceedings, communications, correspondence and documents
6 prepared and statements made in connection herewith shall be without prejudice to the Settling
7 Parties, shall not be deemed or construed to be an admission by any Settling Party of any act,
8 matter or proposition and shall not be used in any manner for any purpose in any subsequent
9 proceeding in the Derivative Litigation, or in any other action or proceeding and the terms and
10 provisions of the Stipulation, with the exception of this section, shall have no further force and
11 effect with respect to all parties to the Derivative Litigation and shall not be used in the
12 Derivative Litigation, or in any other proceeding for any purpose, and any judgment or order
13 entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated,
14 *nunc pro tunc*.

15 **6. Miscellaneous Provisions**

16 6.1 The Settling Parties, individually and collectively: (a) acknowledge that it is their
17 intent to consummate this Stipulation and each of its terms; and (b) agree to cooperate to the
18 extent reasonably necessary to effectuate and implement all terms and conditions of the
19 Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of
20 the Stipulation.

21 6.2 The Settling Parties intend this Settlement to be a final and complete resolution of
22 all disputes between them with respect to the Derivative Litigation and its underlying facts. The
23 Stipulation compromises claims that are contested and shall not be deemed an admission by any
24 Settling Party as to the merits or lack thereof of any claim, allegation or defense. The Settling
25 Parties agree that during the course of the Derivative Litigation, the parties and their respective
26 counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11.

27 6.3 Neither the Stipulation nor the Settlement, nor any act performed or document
28 executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be

1 deemed to be or may be used as an admission of, or evidence of, the validity of any Released
2 Claim, or of any wrongdoing or liability of the Defendants and the Released Persons; or (b) is or
3 may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of
4 any of the Defendants and the Released Persons in any proceeding of any kind or nature. The
5 Defendants and the Released Persons may file the Stipulation and/or the Judgment in any action
6 that has been or may be brought against them (including the State Derivative Litigation) in order
7 to support a claim or defense based on principles of res judicata, collateral estoppel, release, good
8 faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue
9 preclusion or similar defense or counterclaim.

10 6.4 All of the Attachments and Exhibits to this Stipulation are material and integral
11 parts hereof and are fully incorporated herein by reference.

12 6.5 The Stipulation may be amended or modified only by a written instrument signed
13 by or on behalf of all Settling Parties or their respective successors-in-interest.

14 6.6 The Stipulation constitutes the entire agreement among the Settling Parties and no
15 representations, warranties or inducements have been made to any Settling Party concerning the
16 Stipulation other than the representations, warranties and covenants contained and memorialized
17 in this Stipulation. Except as otherwise provided in this Stipulation, each Settling Party shall bear
18 its own costs.

19 6.7 Counsel for the Settling Parties are expressly authorized by their respective clients
20 to take all appropriate actions required or permitted to be taken pursuant to the Stipulation to
21 effectuate its terms and conditions.

22 6.8 Each counsel or other Person executing the Stipulation on behalf of any party
23 hereto hereby warrants that such person has the full authority to do so.

24 6.9 The Stipulation may be executed in one or more counterparts. All executed
25 counterparts and each of them, including facsimile and .pdf counterparts, shall be deemed to be
26 one and the same instrument. A complete set of original executed counterparts shall be filed with
27 the Court. Facsimile and .pdf signatures shall be effective as though original.
28

1 6.10 The Stipulation shall be binding upon, and inure to the benefit of, the successors
2 and assigns of the Settling Parties.

3 6.11 The United States District Court of the Northern District of California shall retain
4 jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and
5 all of the Settling Parties and their counsel submit to its jurisdiction for purposes of implementing
6 and enforcing the Settlement embodied in the Stipulation.

7 6.12 All agreements made and orders entered during the course of the Derivative
8 Litigation relating to the confidentiality of information shall survive this Stipulation.

9 6.13 If any provision of this Stipulation is held to be illegal, invalid, or unenforceable:
10 (a) such provision will be fully severable; (b) this Stipulation will be construed and enforced as if
11 such illegal, invalid, or unenforceable provision had never comprised a part of this Stipulation;
12 and (c) the remaining provisions of this Stipulation will remain in full force and effect and will
13 not be affected by the illegal, invalid, or unenforceable provision or by its severance from this
14 Stipulation.

15 6.14 All disputes with regard to the terms of this settlement shall be subject to non-
16 binding mediation by the Honorable Charles A. Legge of JAMS, or in the case of his
17 unavailability, by another JAMS neutral agreeable to the parties. Zoran shall bear all costs of the
18 mediation, on behalf of parties to this Stipulation of Settlement only, so long as the request for
19 mediation by another party is not frivolous, as determined by the mediator, in which case the
20 requesting party shall bear all costs.

21 6.15 This Stipulation shall be governed by the laws of the State of California.

22 IN WITNESS WHEREOF, the Settling Parties hereto have caused the Stipulation to be
23 executed, by their duly authorized attorneys, dated as of May ____, 2008.

24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

DATED: May 29, 2008

KELLER ROHRBACK L.L.P.

By [Signature]

Lynn Lincoln Sarko
Juli E. Farris
Elizabeth A. Leland
Shane Cramer
Keller Rohrback L.L.P.
1201 Third Avenue, Suite 3200
Seattle, WA 98101-3052

Gary A. Gotto
Keller Rohrback P.L.C.
National Bank Plaza
3101 North Central Avenue, Suite 1400
Phoenix, AZ 85012

Counsel for Lead Plaintiff

DATED: _____

AKIN GUMP STRAUSS HAUER & FELD
LLP

By _____

Steven Kaufhold
Akin Gump Strauss Hauer & Feld LLP
580 California Street, Suite 1500
San Francisco, CA 94104-1036

*Counsel for Nominal Defendant Zoran
Corporation*

DATED: _____

FENWICK & WEST LLP

By _____

Susan Muck
Fenwick & West LLP
555 California Street, Suite 1200
San Francisco, CA 94104

*Counsel for Aharon Aharon, Raymond A.
Burgess, Uzia Galil, Paul Goldberg, James D.
Meindl, James B. Owens, Jr., Isaac Shenberg,
Alex Sinar, Arthur B. Stabenow.*

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

DATED: _____

KELLER ROHRBACK L.L.P.

By _____

Lynn Lincoln Sarko
Juli E. Farris
Elizabeth A. Leland
Shane Cramer
Keller Rohrback L.L.P.
1201 Third Avenue, Suite 3200
Seattle, WA 98101-3052

Gary A. Gotto
Keller Rohrback P.L.C.
National Bank Plaza
3101 North Central Avenue, Suite 1400
Phoenix, AZ 85012

Counsel for Lead Plaintiff

DATED: May 29, 2008

AKIN GUMP STRAUSS HAUER & FELD
LLP

By Steven Kaufhold ^{AK}

Steven Kaufhold
Akin Gump Strauss Hauer & Feld LLP
580 California Street, Suite 1500
San Francisco, CA 94104-1036

*Counsel for Nominal Defendant Zoran
Corporation*

DATED: MAY 29, 2008

FENWICK & WEST LLP

By Susan Muck / F.L.

Susan Muck
Fenwick & West LLP
555 California Street, Suite 1200
San Francisco, CA 94104

*Counsel for Aharon Aharon, Raymond A.
Burgess, Uzia Galil, Paul Goldberg, James D.
Meindl, James B. Owens, Jr., Isaac Shenberg,
Alex Sinar, Arthur B. Stabenow.*

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

DATED: MAY 29, 2008

COOLEY GODWARD KRONISH LLP

By 

John Dwyer
Cooley Godward Kronish LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306

Counsel for Dr. Levy Gerzberg, Ph.D.

DATED: _____

MORGAN, LEWIS & BOCKIUS LLP

By _____

John Hemann
Morgan, Lewis & Bockius LLP
One Market, Spear Street Tower
San Francisco, CA 95104

Counsel for Karl Schneider

DATED: _____

HELLER EHRMAN LLP

By _____

Sara B. Brody
Heller Ehrman LLP
333 Bush Street
San Francisco, CA 94104

Counsel for Camillo Martino

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

DATED: _____

COOLEY GODWARD KRONISH LLP

By _____

John Dwyer
Cooley Godward Kronish LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306

Counsel for Dr. Levy Gerzberg, Ph.D.

DATED: May 29, 2008

MORGAN, LEWIS & BOCKIUS LLP

By John Hemann LAL

John Hemann
Morgan, Lewis & Bockius LLP
One Market, Spear Street Tower
San Francisco, CA 95104

Counsel for Karl Schneider

DATED: _____

HELLER EHRMAN LLP

By _____

Sara B. Brody
Heller Ehrman LLP
333 Bush Street
San Francisco, CA 94104

Counsel for Camillo Martino

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

DATED: _____

COOLEY GODWARD KRONISH LLP

By _____

John Dwyer
Cooley Godward Kronish LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306

Counsel for Dr. Levy Gerzberg, Ph.D.

DATED: _____

MORGAN, LEWIS & BOCKIUS LLP

By _____

John Hemann
Morgan, Lewis & Bockius LLP
One Market, Spear Street Tower
San Francisco, CA 95104

Counsel for Karl Schneider

DATED: May 29, 2009

HELLER EHRMAN LLP

By Sara B. Brody

Sara B. Brody
Heller Ehrman LLP
333 Bush Street
San Francisco, CA 94104

Counsel for Camillo Martino

ATTACHMENT A

Remedial Measures for Zoran Corporation

- 1
2
3 A. Option grants (including but not limited to executive officer, rank and file, promotion and
4 new hire grants) are generally to be approved only at regular quarterly meetings of the
5 Compensation Committee or the Board of Directors. Grants may only be made effective
6 on the later of: (i) the second trading day following the Company's public announcement
7 of its financial results for the preceding quarter, or (ii) the date of the meeting. If options
8 are awarded at a special board meeting (i.e., other than the regular quarterly meetings), the
9 effective date of the grant will be the date of the meeting.
- 10 B. All option grants must be approved by the Compensation Committee or the Board. The
11 authority to approve option grants may not be delegated.
- 12 C. Grants should be recorded promptly in the Company's electronic data base. Grantees
13 should receive prompt written notification of their grants.
- 14 D. The annual focal review process will identify a specific date to complete the process of
15 generating intended grantees and recommended grant amounts to be submitted to the
16 Compensation Committee and/or Board for approval in accordance with the Company's
17 option grant policy.
- 18 E. Board and Committee minutes must be drafted and circulated to directors as soon as
19 reasonably possible (for example, within one week of the meeting). Directors will have
20 two weeks to comment on minutes. Minutes will be approved at the next scheduled board
21 or committee meeting.
- 22 F. Board shall have written charters for the Audit Committee, Compensation Committee and
23 Nominating Committee, and shall make such charters available on Company website.
- 24 G. The Compensation Committee charter shall include a statement noting that it is the
25 intention of the Committee to award options priced on the grant date and not at a discount,
26 or other language signifying the commitment to transparency and consistency in the
27 approval of equity compensation.
- 28 H. The Audit Committee, Compensation Committee and Nominating Committee shall have
standing authorization, in their discretion, to obtain legal or other advisors of their choice
who shall report directly to that Committee.
- I. The Company shall seek and take steps to appoint a new independent director who would
be qualified to serve on Compensation Committee or Audit Committee.
- J. The Board shall conduct a "self-assessment" of the Board's structure and process and
address the results of that self-assessment, including determination of whether to modify
the Board's current committee structure and/or committee membership.
- K. The Audit Committee and Compensation Committee shall each meet no fewer than four
times per year.

- 1 L. The independent directors shall meet in executive session at each regular quarterly
2 meeting of the Board of Directors.
- 3 M. The Chairman of the Board shall seek input from all directors about agenda items for
4 Board and Committee meetings, including reports on the Company's progress in
implementing these initiatives.
- 5 N. At least once every three years the Compensation Committee shall select and retain an
6 independent consultant to compare the Company's executive compensation policies,
7 practices and procedures with those of other comparable public companies and report to
the Compensation Committee on the results of that study.
- 8 O. The Company's Chief Executive Officer shall not simultaneously serve as the Company's
Chairman of the Board.
- 9 P. At least two-thirds of the Board shall be independent directors as defined in the Nasdaq
10 listing standards. In the event the Board finds itself not in compliance with this
11 commitment, it will take reasonable steps to return to compliance promptly. Each
12 independent director shall confirm his or her status as an independent director annually,
and shall inform the Board promptly of any change in his or her status that would
13 disqualify him or her as an independent director or from serving as a member of the Audit
Committee.
- 14 Q. The Company shall update directors on corporate governance, disclosure, compensation
15 or other regulatory developments annually, by way of outside counsel presentations at
board meetings or reimbursement for directors' attendance at Stanford Directors College
16 or similar programs.
- 17 R. The Company shall provide (in consultation with outside counsel, auditors and/or other
18 advisors, or through reimbursement for attendance at an appropriate certification or
education program) an annual update to appropriate Finance Staff on recent accounting
19 developments or pronouncements, including developments related to accounting and
disclosure for stock options and equity compensation.
- 20 S. It is Company policy that a majority of the members of the Board attend annual
21 shareholder meetings. All independent directors are encouraged to attend; all employee
members of the Board are required to attend except in extraordinary circumstances.
22 Shareholders who attend annual meetings shall have the opportunity to ask questions at
the meeting orally or in writing and to receive answers from management or the directors
23 present.
- 24 T. The Company shall appoint a Disclosure Committee consisting of members of
25 management, which shall have the opportunity to comment on draft earnings
announcements and periodic reports filed with the SEC (Forms 10-K, 10-Q and 8-K).
- 26 U. The Company's General Counsel or other designated compliance officer shall be
27 responsible for monitoring compliance with the Company's insider trading policies and
procedures and shall report to the Board on this subject at least annually.
28

- 1 V. During the first fifteen calendar days of any Company-funded open market stock
2 repurchase program, no director or executive officer shall be permitted to sell shares of
3 Company common stock, except pursuant to a previously-adopted Rule 10b5-1 trading
4 plan.
- 4 W. As soon as practicable before any Compensation Committee or Board meeting at which
5 option grants are to be considered, a list detailing all proposed grantees (by name or by
6 category of employment) and amounts of proposed grants shall be circulated to the
7 Committee or Board, and such list as modified by the Committee or Board shall be
8 appended to the final Minutes for all such meetings.
- 7 X. All future Company stock option plans shall clearly define “exercise price,” “grant date”
8 and “fair market value” of stock. In no event shall the exercise price of an award be
9 determined by reference to the fair market value of stock on a day other than the grant
10 date of the award, except as provided in paragraph A above and except for stock options
11 granted in connection with acquisitions.
- 11 Y. The Company shall comply with all legal and GAAP requirements for proper disclosure
12 and accounting of stock options. At least annually, the Audit Committee shall meet with
13 the Company’s independent auditor to discuss the auditor’s review of all equity
14 compensation granted during the year and related accounting.
- 13 Z. The Company shall assist directors and executive officers with required filings to disclose
14 stock option grants within two business days after grant.
- 15 AA. The Company shall maintain all Board and Compensation Committee minutes reflecting
16 stock option grants and shall maintain stock administration or human resources data
17 sufficient to identify stock option grantees and the date and number of such awards for ten
18 years after the grant date. Such information shall be made available to the Company’s
19 independent auditors as part of their financial review.
- 18 BB. Information regarding the aggregate number of stock options awarded by the Company
19 during the preceding period shall be disclosed in the Company’s Annual Report.
- 20 CC. Each of the preceding measures shall remain in place for at least three years from the date
21 of adoption, unless required to be changed or eliminated to comply with federal or state
22 law, stock exchange listing requirements, or similar circumstances.
- 22 DD. The preceding measures may be changed only with the affirmative vote of a majority of
23 the independent members of the Board of Directors.
- 24 EE. The Company shall submit its selection of auditor for approval by the shareholders within
25 twelve months of final approval of this settlement and annually thereafter.

26 Nothing herein shall be deemed nor is intended to enlarge or alter the obligations of
27 Zoran, its officers, directors or employees, under any federal or state securities or any other law,
28 rule or regulation.

EXHIBIT A

EXHIBIT A**BLACK-SCHOLES VALUATION MODEL**

Inputs consistent with ZRAN Form 10-Q for First Quarter 2008

| GRANT DATE | 7/28/2000 | 7/15/2003 |
|---------------------------------|------------------|------------------|
| INPUT VARIABLES | | |
| Stock price (5/13/08) | \$ 14.01 | \$ 14.01 |
| Exercise price | \$ 27.33 | \$ 24.78 |
| Term in years | 1.30 | 1.30 |
| Volatility | 55.0% | 55.0% |
| Annual dividend rate | 0.0% | 0.0% |
| Discount rate | 2.70% | 2.70% |
| INTERMEDIATE CALCS | | |
| PV of Stock Ex-Div | 14.01 | 14.01 |
| PV of Exercise Price | 26.39 | 23.93 |
| Cumulative Volatility | 62.71% | 62.71% |
| CALL OPTION | | |
| Proportion of Stock PV | 24.31% | 29.45% |
| Proportion of Exercise Price PV | -9.28% | -12.15% |
| Call Option Value | \$ 0.96 | \$ 1.22 |

EXHIBIT B

1 LYNN LINCOLN SARKO
2 JULI E. FARRIS (CSB No. 141716)
3 ELIZABETH A. LELAND
4 SHANE P. CRAMER
5 KELLER ROHRBACK L.L.P.
6 1201 Third Avenue, Suite 3200
7 Seattle, WA 98101
8 Telephone: (206) 623-1900
9 Facsimile: (206) 623-3384

6 GARY A. GOTTO
7 KELLER ROHRBACK P.L.C.
8 National Bank Plaza
9 3101 North Central Avenue, Suite 1400
10 Phoenix, AZ 85012
11 Telephone: (602) 248-0088
12 Facsimile: (602) 248-2822

10 **Attorneys for Lead Plaintiff Gerald del**
11 **Rosario**

12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14 SAN FRANCISCO DIVISION

16 IN RE ZORAN CORPORATION
17 DERIVATIVE LITIGATION

No. CV 06-05503 WHA
DERIVATIVE ACTION

18
19 This Document Relates To:

**[PROPOSED] ORDER PRELIMINARILY
APPROVING SETTLEMENT**

20
21 ALL ACTIONS
22
23
24
25
26
27
28

FENWICK & WEST LLP
ATTORNEYS AT LAW
SAN FRANCISCO

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ORDER PRELIMINARILY APPROVING SETTLEMENT

The motion of derivative plaintiff Gerald del Rosario on behalf of nominal defendant Zoran Corporation (“Zoran”) for preliminary approval of the Stipulation of Settlement (“Stipulation”) and the Settlement contained therein (the “Settlement”) entered into by the Parties on or about May __, 2008, came on regularly for consideration by the Court. The Court having reviewed and considered all documents, evidence, and arguments of counsel presented in support of said motion, and good cause appearing therefor, enters this Order Preliminarily Approving Settlement (the “Order”) as follows:

1. Unless otherwise stated herein, all capitalized terms contained in this Order shall have the same meaning and effect as stated in the Stipulation.

2. The Settlement, and the terms and conditions set forth therein, is preliminarily approved as fair, reasonable and adequate.

3. The Notice specified in the Stipulation constitutes sufficient notice to Zoran’s shareholders pursuant to the requirements of Fed. R. Civ. P. 23.1. Within ten days (10) after entry of this Order, Zoran shall disseminate Notice to registered Zoran shareholders in accordance with the terms of the Stipulation.

4. The Settlement Hearing shall be held by this Court on _____, 2008, at ____:__0 __.m., [60 days after entry of the Preliminary Approval Order] to consider and finally determine whether the Settlement is fair, reasonable and adequate, and to hear objections, if any, made to the Settlement or any of its terms. During the Settlement Hearing, the Court will also rule upon Lead Plaintiff’s petition for an award of his attorney’s fees and reimbursement of his costs. The Settlement Hearing may be postponed, adjourned, or continued by order of the Court without further notice other than announcement at such Settlement Hearing or subsequent adjournment.

5. Lead Plaintiff shall file and serve his Motion for Final Approval of the Stipulation of Settlement (“Final Approval Motion”) and for an award of attorney’s fees and expenses, and any supporting papers, at least thirty (30) days before the Settlement Hearing;

1 LYNN LINCOLN SARKO
 JULI E. FARRIS (CSB No. 141716)
 2 ELIZABETH A. LELAND
 SHANE P. CRAMER
 3 KELLER ROHRBACK L.L.P.
 1201 Third Avenue, Suite 3200
 4 Seattle, WA 98101
 Telephone: (206) 623-1900
 5 Facsimile: (206) 623-3384

6 GARY A. GOTTO
 KELLER ROHRBACK P.L.C.
 7 National Bank Plaza
 3101 North Central Avenue, Suite 1400
 8 Phoenix, AZ 85012
 Telephone: (602) 248-0088
 9 Facsimile: (602) 248-2822

10 **Attorneys for Lead Plaintiff Gerald del**
 11 **Rosario**

12 UNITED STATES DISTRICT COURT
 13 NORTHERN DISTRICT OF CALIFORNIA
 14 SAN FRANCISCO DIVISION

16 IN RE ZORAN CORPORATION
 17 DERIVATIVE LITIGATION

No. CV 06-05503 WHA
 DERIVATIVE ACTION

18 This Document Relates To:

**NOTICE OF PROPOSED SETTLEMENT OF
 19 DERIVATIVE ACTION AND OF
 20 SETTLEMENT HEARING**

21 ALL ACTIONS
 22

1 6. Any Shareholder who wishes to object to the fairness, reasonableness or adequacy
2 of the Settlement, to any term of the Settlement Agreement, or to the proposed award of
3 attorneys' fees and expenses must file an objection no later than twenty-one (21) days prior to the
4 Settlement Hearing by:

5 (a) filing with the Clerk of the Court proof of ownership of Zoran common stock,
6 including the number of shares of Zoran Common Stock held and the date of purchase, and
7 providing a statement that indicates the nature of such objection, any legal support and/or
8 evidence that such shareholder wishes to bring to the Court's attention or introduce in
9 support of such objection, and any documentation in support of any objection; and

10 (b) simultaneously serving copies of such proof, statement and documentation, together
11 with copies of any other papers or briefs such shareholder files with the Court, in person
12 or by mail, upon counsel listed below, provided that if service is made by mail, then
13 service by electronic mail or facsimile also shall be made on counsel listed below, no later
14 than twenty-one (21) days before the date of the Settlement Hearing:

12 Juli E. Farris
13 Keller Rohrback L.L.P.
14 1201 Third Avenue, Suite 3200
15 Seattle, WA 98101-3052
16 *Counsel for Lead Plaintiff*

17 Susan Muck
18 Fenwick & West LLP
19 555 California Street, Suite 1200
20 San Francisco, CA 94104
21 *Counsel for Aharon Aharon, Raymond A. Burgess, Uzia Galil, Paul
22 Goldberg, James D. Meindl, James B. Owens, Jr., Isaac Shenberg,
23 Alex Sinar, and Arthur Stabenow*

24 Steven Kaufhold
25 Akin Gump Strauss Hauer & Feld LLP
26 580 California Street, Suite 1500
27 San Francisco, CA 94104-1036
28 *Counsel for Nominal Defendant Zoran Corporation*

 John Dwyer
 Cooley Godward Kronish LLP
 Five Palo Alto Square
 3000 El Camino Real
 Palo Alto, CA 94306
 Counsel for Dr. Levy Gerzberg, Ph.D.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

John Hemann
Morgan, Lewis & Bockius LLP
One Market, Spear Street Tower
San Francisco, CA 95104
Counsel for Karl Schneider

Sara B. Brody
Heller Ehrman LLP
333 Bush Street
San Francisco, CA 94104
Counsel for Camillo Martino

7. Any shareholder who does not timely make his, her, or its objection to the Settlement shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the proposed Settlement, the Plaintiff's application for attorneys' fees and expenses, and shall otherwise be bound by the Judgment to be entered on the releases given.

8. Lead Plaintiff shall file and serve a reply brief in further support of the Final Approval Motion, which shall include a response to any timely-filed objections, at least seven (7) days before the Settlement Hearing;

9. Defendants shall file and serve any papers in support of the Final Approval Motion, or in response to any timely-filed objections, at least seven (7) days before the Settlement Hearing;

10. Any objector who timely files and serves a written objection in accordance with paragraph 6 above, may also appear at the Settlement Hearing either in person or through counsel retained at the objector's expense. Objectors or their attorneys intending to appear at the Settlement Hearing must effect service of a notice of intention to appear, which sets forth, among other things, the name, address and telephone number of the objector (and, if applicable, the name, address and telephone number of the objector's attorney), and the identities of any witnesses that such shareholder plans to call at the Settlement Hearing, on counsel listed above (at the addresses set out above) and file such notice of intention to appear with the Court by no later than five (5) business days before the date of the Settlement Hearing. Filing and service may be effected on the Court and counsel by mail, provided that service by electronic mail or facsimile

1 also is made on counsel listed above no later than five (5) business days before the date of the
2 Settlement Hearing. Any objector who does not timely file and serve a notice of intention to
3 appear in accordance with this paragraph shall not be permitted to be heard at the Settlement
4 Hearing, except upon a showing of good cause and excusable neglect.

5 11. If the Settlement receives final approval by the Court (“Final Court Approval”),
6 the Court shall enter the Final Order and Judgment in the forms submitted by the parties, or in any
7 other form of Order deemed appropriate by the Court. The Judgment shall be fully binding with
8 respect to all parties in accordance with the terms of the Stipulation.

9 12. The Court adjudges that, if and when the Judgment is entered, upon the Effective
10 Date, (a) Lead Plaintiff on his own behalf individually, and derivatively on behalf of Zoran and
11 Zoran’s shareholders, and (b) Zoran shall have, and by operation of the Judgment shall be deemed
12 to have, fully, finally, and forever released, relinquished and discharged all Released Claims
13 against the Released Persons and all claims that were made or could have been made against the
14 Released Persons arising out of, relating to, or in connection with the prosecution, defense,
15 Settlement or resolution of the Derivative Litigation, including Unknown Claims.

16 13. The Court adjudges that, if and when the Judgment is entered, upon the Effective
17 Date, each of the Released Parties shall be deemed to have, and by operation of the Judgment
18 shall have, fully, finally, and forever released, relinquished and discharged Lead Plaintiff and
19 Lead Plaintiff’s Counsel from all claims (including Unknown Claims), arising out of, relating to,
20 or in connection with the institution, prosecution, assertion, Settlement or resolution of the
21 Derivative Litigation or the Released Claims.

22 14. All proceedings and all further activity regarding or directed towards the
23 Derivative Litigation, including but not limited to all discovery activities, shall be stayed and
24 suspended until further order of this Court, except as to such actions as may be necessary to
25 implement the Settlement or this Order.

26 15. In the event that the Stipulation is not approved by the Court, or the Settlement set
27 forth in the Stipulation is terminated, or fails to become Final in accordance with its terms, all
28 parties to the Derivative Litigation (including Lead Plaintiff and all Defendants) shall be restored

1 to their respective positions in the Derivative Litigation as of the date of signing the Stipulation.
2 In such event, all negotiations, proceedings, communications, correspondence and documents
3 prepared and statements made in connection with the Stipulation shall be without prejudice to the
4 Settling Parties, shall not be deemed or construed to be an admission by any Settling Party of any
5 act, matter or proposition and shall not be used in any manner for any purpose in any subsequent
6 proceeding in the Derivative Litigation, or in any other action or proceeding and the terms and
7 provisions of the Stipulation, except as otherwise provided for in Section 5.3 of the Stipulation,
8 shall have no further force and effect with respect to all parties to the Derivative Litigation and
9 shall not be used in the Derivative Litigation, or in any other proceeding for any purpose, and any
10 judgment or order entered by the Court in accordance with the terms of the Stipulation shall be
11 treated as vacated, *nunc pro tunc*.

12 16. The dates of performance of this Order are as follows:

- 13 (a) Zoran shall cause the Notice to be mailed to its shareholders of record
14 within ten (10) days of the entry of this Order;
- 15 (b) Lead Plaintiff shall file and serve his motion for Final Settlement Approval
16 and for an award of attorney's fees and expenses, and supporting papers, at
17 least thirty (30) days before the Settlement Hearing;
- 18 (c) Objections to the Settlement shall be deemed timely only if filed with the
19 Court and served on the parties at least twenty-one (21) days before the
20 Settlement Hearing;
- 21 (d) Lead Plaintiff shall file and serve a reply in support of Settlement and for
22 an award of attorneys' fees and expenses, which shall include a response to
23 any timely-filed objections, at least seven (7) days before the Settlement
24 Hearing;
- 25 (e) Defendants shall file and serve papers, if any, in support of Final Court
26 Approval at least seven (7) days before the Settlement Hearing,
- 27 (f) Notices of intention to appear at the Settlement Hearing shall be deemed
28 timely only if filed by a shareholder who previously filed a timely
objection and only if filed with the Court and served on the parties at least
five (5) business days before the Settlement Hearing; and

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

(g) The Settlement Hearing shall be held sixty (60) days after entry of the Preliminary Approval Order on __, 2008 at __:__0__m.

IT IS SO ORDERED.

Dated: _____, 2008

The Honorable William Alsup
United States District Court

EXHIBIT C

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

**NOTICE OF PROPOSED SETTLEMENT OF DERIVATIVE ACTION
AND OF SETTLEMENT HEARING**

TO: ALL HOLDERS OF THE COMMON STOCK OF ZORAN CORPORATION (“ZORAN” OR THE “COMPANY”). PLEASE READ THIS NOTICE CAREFULLY AND COMPLETELY. YOUR RIGHTS WILL BE AFFECTED. IF YOU HOLD ZORAN COMMON STOCK FOR THE BENEFIT OF ANOTHER, PLEASE TRANSMIT THIS NOTICE TO SUCH BENEFICIAL OWNER.

I. WHY YOU ARE RECEIVING THIS NOTICE

The purpose of the Notice is to advise you that the above-captioned action relating to Zoran (the “Action”) is now pending in the United States District Court of Northern District of California (the “Court”) and that the parties thereto have entered into a settlement (the “Settlement”), subject to Court approval, which would fully, finally and forever resolve the Action on the terms and conditions summarized in this Notice.

A hearing (the “Settlement Hearing”) will be held on _____, 2008, at _____, before the Honorable William H. Alsup, at the courthouse of the United States District Court of Northern District of California, 450 Golden Gate Avenue, San Francisco, California, CA 94102, for the purpose of considering: (i) whether the Settlement is fair, reasonable, adequate, and in the best interests of the parties, and should be approved by the Court; (ii) whether to enter a Judgment giving final approval to the Settlement (“Judgment”), dismissing the Action with prejudice, and effectuating the releases described below; (iii) whether the Plaintiff’s counsel’s application for attorneys’ fees and expenses should be granted if the Court approves the Settlement; and (iv) such other necessary and proper matters. It is not necessary that any Zoran shareholder appear at the Settlement Hearing.

The parties believe that the terms of the Settlement are fair, reasonable, and adequate. The parties have concluded that further litigation of the Action could be protracted, disruptive and costly, and have taken into account the uncertainty and risks inherent in any litigation, especially in complex shareholder litigation like the Action. The parties therefore believe it is desirable that the Action be fully and finally settled in the manner described in the Stipulation of Settlement signed by the parties on _____ (the “Stipulation of Settlement”).

THE FOLLOWING RECITATION DOES NOT CONSTITUTE THE FINDINGS OF THE COURT. IT IS BASED ON THE STATEMENTS OF THE PARTIES AND SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY OF THE CLAIMS OR DEFENSES ASSERTED BY ANY OF THE PARTIES.

II. WHAT THE ACTION IS ABOUT

The Action is a shareholder derivative case brought derivatively for the benefit of nominal defendant Zoran against certain members of the Company’s board of directors and various of its current and former executive officers (collectively, the “Individual Defendants,” and together with nominal defendant Zoran, the “Defendants”). The Individual Defendants are Uzia Galil, Levy Gerzberg, Karl Schneider, Raymond A. Burgess, James D. Meindl, James B. Owens, Jr., Arthur B. Stabenow and Camillo Martino.

1 On May 16, 2006, the Center for Financial Research and Analysis (“CFRA”) issued a report
2 identifying dozens of companies, including Zoran, that were purportedly “at risk” for having
3 backdated stock options. On May 23, 2006, Zoran announced that the Company’s management
4 and its outside counsel had conducted an internal review with respect to the options grants
5 identified by CFRA. On July 3, 2006, Zoran announced that its Board of Directors had formed a
6 Special Committee of outside directors (“Special Committee”) to conduct an independent
7 investigation into whether there had been any improper backdating of stock option grants since
8 Zoran’s initial public offering in 1995. The Special Committee retained independent legal
9 counsel in connection with the investigation.¹

10 In June and September 2006, three shareholder derivative actions alleging claims under federal
11 and state law based on backdating of stock options were filed in the Northern District of
12 California against the Individual Defendants and Zoran as a nominal defendant.² On December 8,
13 2006, the Court consolidated the derivative actions into the above-captioned Derivative
14 Litigation, and on January 18, 2007, Mr. del Rosario was appointed Lead Plaintiff.³

15 On February 20, 2007, the Company reported that as a result of the Special Committee
16 investigation, recorded grant dates for a small number of stock option grants would need to be
17 remeasured for financial accounting purposes. The Board also concluded that there was no
18 intentional misconduct by Zoran’s senior management. Zoran subsequently restated its historical
19 financial statements to reflect the adjusted measurement dates, taking a non-cash compensation
20 charge of \$11.7 million.

21 Lead Plaintiff filed an Amended Consolidated Complaint in the Derivative Litigation on March
22 14, 2007. In the Amended Consolidated Complaint, Lead Plaintiff asserts claims under Section
23 10(b), Section 14(a) and Section 20(a) of the Securities Exchange Act of 1934, as well as claims
24 under state law for breach of fiduciary duty, constructive fraud, abuse of control, corporate waste
25 and gift, gross mismanagement, unjust enrichment, and rescission. The Complaint alleges, among
26 other things, that from at least 1997 through 2005, the Individual Defendants engaged in unlawful
27 or improper practices related to Zoran’s granting and accounting for stock options (including, but
28 not limited to, “backdating” or otherwise misdating or improperly timing option grants, and not

¹ Zoran also announced that it had received an informal inquiry from the Securities and Exchange Commission (“SEC”) requesting documents related to its stock option granting practices, as well as a grand jury subpoena from the office of the U.S. Attorney for the Northern District of California requesting documents regarding stock options. On November 2, 2007, the SEC notified Zoran that the Staff’s investigation had been terminated and that no enforcement action against Zoran or any of its officers, directors or employees has been recommended to the Commission. Similarly, no action has been taken by the U.S. Attorney’s office with respect to Zoran or its officers, directors or employees.

² One of these actions, *NECA-IBEW v. Galil, et al.*, No. 06-cv-3742, was voluntarily dismissed on December 4, 2006. In addition, a putative class action, alleging violations of the Securities Exchange Act, based upon the same facts and circumstances giving rise to the Derivative Litigation, filed in this Court on August 10, 2006, was voluntarily dismissed on March 20, 2007.

³ A nearly identical state court derivative action based upon the same facts and against substantially the same defendants is currently pending in Santa Clara Superior Court, entitled *In re Zoran Derivative Litigation*, Case No. 1:06CV073498 (the “State Derivative Litigation”). The Santa Clara Superior Court has stayed the State Derivative Litigation in light of this action until further order of the Superior Court.

1 complying with the Company's option plans); this conduct allegedly resulted in false or
2 misleading financial statements, other statements and proxies, improper and/or additional
3 compensation expenses and tax liabilities, and other expenses, including but not limited to those
4 relating to the Special Committee's investigation and April 20, 2007 restated financials. In
5 addition, Lead Plaintiff has subsequently alleged that certain practices and option grants not
6 specifically asserted in the Amended Consolidated Complaint violated the Company's stock
7 option plans or are otherwise actionable.

8 Defendants thereafter moved to dismiss the Derivative Litigation on grounds that Lead Plaintiff
9 had failed to make a pre-suit demand on Zoran's Board of Directors or to allege facts sufficient to
10 establish that such a demand would have been futile. The Court ruled that Lead Plaintiff's
11 Amended Consolidated Complaint alleged facts sufficient to excuse demand at the pleading stage.
12 The Court dismissed certain causes of action, however, on standing, statute of limitations, and
13 other grounds. Thereafter, Defendants filed Answers and Affirmative Defenses, and the parties
14 commenced discovery.

15 On September 11, 2007, the parties participated in Court-ordered mediation proceedings before
16 the Honorable Charles A. Legge of JAMS. Thereafter, the parties continued their settlement
17 discussions and had numerous face-to-face meetings and telephone conferences, with and without
18 Judge Legge, in furtherance of a possible resolution of the Derivative Litigation. Among other
19 things, the parties exchanged extensive information relating to the grants challenged in the
20 Derivative Litigation, and Lead Plaintiff conducted substantial discovery, including, but not
21 limited to, receipt of over one million pages of documents and depositions of key witnesses.

22 By motion dated February 26, 2008, Lead Plaintiff moved for preliminary approval of a proposed
23 stipulation of settlement involving the cancellation or repricing of certain stock options, corporate
24 governance remedial measures and other provisions, including payment of a fee to Lead
25 Plaintiff's Counsel. By Order dated April 7, 2008, the Court denied the motion for preliminary
26 approval.

27 From March through mid-May, the parties completed substantial additional discovery, including
28 depositions by Lead Plaintiff's Counsel of additional party and non-party witnesses and the
production to Lead Plaintiff of thousands of additional documents. Thereafter, the parties
engaged in further settlement negotiations, both in person and telephonically. All of the
negotiations were conducted in good faith and at arm's length, incorporating the guidance
provided by the Court in its April 7 Order. All parties were represented by counsel experienced
in litigation of this type. As a result of these settlement discussions, the parties entered into the
Stipulation of Settlement on May 29, 2008, which provided the terms for settling the Action.

29 **III. DEFENDANTS' POSITION WITH RESPECT TO SETTLEMENT**

30 The Individual Defendants expressly have denied and continue to deny all charges of wrongdoing
31 or liability against them arising out of any of the conduct, statements, acts or omissions alleged,
32 or that could have been alleged, in the Derivative Litigation. The Individual Defendants have
33 denied and continue to deny that any of their conduct relating to the granting, exercise or
34 disclosure of options was wrongful. The Individual Defendants have denied and continue to deny
35 that any intentional backdating of stock option grants ever occurred. The Individual Defendants
36 also have denied and continue to deny the allegations that Zoran suffered damages as a result of

1 the conduct alleged in the Derivative Litigation, or that Lead Plaintiff or Zoran have any right of
2 recovery whatsoever. To the contrary, the Individual Defendants have asserted that at all relevant
3 times, they have acted in the utmost good faith and in a manner they reasonably believed to be in
the best interests of Zoran and its shareholders.

4 Nonetheless, the Individual Defendants recognize that defense of the Derivative Litigation has
5 usurped—and would continue to usurp—valuable management time and resources, will continue
6 to disrupt Zoran’s business, and will continue to impose enormous financial burdens on Zoran.
7 The proposed settlement offers to provide Zoran a substantial amount of cash immediately, which
8 Zoran can use to fund its operations and research and development. The Individual Defendants
9 also have taken into account the uncertainty and risks inherent in any litigation, especially in
10 complex cases such as this one. The Individual Defendants enter into this Stipulation to obtain a
11 full and final release, directly and/or by operation of law, of all claims that are or could have been
12 asserted against them in the Derivative Litigation, in the State Derivative Litigation, or in any
13 other federal or state litigation asserting Released Claims. The Individual Defendants further
14 intend that the Judgment entered in the Derivative Litigation will fully incorporate the terms of
15 this Settlement and will have preclusive effect as to the Released Claims to the fullest extent of
16 any applicable federal or state law. As a result, the Individual Defendants have determined that it
17 is appropriate and desirable that the Derivative Litigation be settled in the manner and upon the
18 terms and conditions set forth in this Stipulation. The Individual Defendants make this decision
voluntarily, and under no compulsion to do so.

19 Nominal Defendant Zoran enters into this Stipulation based on its belief that this Settlement
20 provides substantial benefit to the Company and its shareholders. Specifically, the Company will
21 receive a multi-million dollar payment and will also benefit from the cancellation and repricing of
22 certain stock options previously granted to the Individual Defendants. Moreover, the proposed
23 settlement will permit the Company, its Directors, Officers and employees to focus on serving
24 Zoran customers and creating value for Zoran shareholders rather than diverting resources to
25 protracted and costly litigation. Finally, the Company believes that this Settlement is desirable
26 because it provides the Company with a substantial recovery without the risk of an adverse
27 litigation result.

28 **IV. LEAD PLAINTIFF’S POSITION WITH RESPECT TO SETTLEMENT**

Lead Plaintiff believes that the claims asserted in the Derivative Litigation have merit and that the
evidence developed to date, which includes both information developed by Lead Plaintiff’s
Counsel independently and in the course of extensive discovery in the litigation, supports those
claims. Lead Plaintiff and Lead Plaintiff’s Counsel recognize, however, the expense and length
of continued proceedings necessary to prosecute the Derivative Litigation against the Defendants
through trial and, potentially, through appeals. Lead Plaintiff has also taken into account the
uncertain outcome and the risk of litigation and inherent delay in resolution of the claims that
result from protracted proceedings. Counsel for the Lead Plaintiff are mindful of the inherent
problems of proof and possible defenses to the claims asserted in the derivative lawsuit,
including, but not limited to statutes of limitation, good faith reliance on outside counsel and
auditors, failure to satisfy the demand requirement of Rule 23.1, failure to establish any breach of
duty, failure to establish causation, and failure to establish damages.

1 Lead Plaintiff and his Counsel also considered: (1) the arguments and evidence regarding
2 Defendants' good faith reliance on outside counsel and auditors; (2) the size of Zoran's
3 restatement in relation to Zoran's overall revenues and the broad time period covered; (3) the
4 nature of the circumstances giving rise to the measurement date errors; (4) the scope and depth of
5 the investigation conducted by the Special Committee, with the assistance of experienced
6 counsel; (5) the Special Committee's conclusion that no intentional wrongdoing occurred; and (6)
7 the SEC's decision to terminate its investigation without further action. In order to thoroughly
8 evaluate each of these claims, Lead Plaintiff and his Counsel engaged in extensive analysis of
9 evidence produced during the litigation, and the parties exchanged additional information subject
10 to Rule 408, as part of their settlement negotiations. Lead Plaintiff and his Counsel also weighed
11 the potential for denial of insurance coverage on some or all of Lead Plaintiff's claims, the
12 additional costs to the Company were it necessary to litigate those issues, and the uncertainty as
13 to what damages Zoran would ultimately be entitled to recover even if Lead Plaintiff were to
14 prevail on some or all of the asserted claims. In particular, Lead Plaintiff weighed the benefit to
15 Zoran of obtaining nearly \$3.4 million in cash (less awarded attorneys' fees and costs), plus other
16 consideration, as set forth below, against the possibility that the Individual Defendants might
17 prevail on dispositive motions or at trial, in which case Zoran would receive no cash or other
18 consideration from this litigation.

19 Based on Lead Plaintiff's evaluation and the evaluation of his Counsel, Lead Plaintiff has
20 determined that it is desirable to settle the Derivative Litigation on the terms set forth in this
21 Stipulation. Lead Plaintiff believes that the proposed Settlement of the Derivative Litigation will
22 promote the best interests of Zoran and its shareholders and that such terms reflect a fair,
23 reasonable and adequate outcome of the Derivative Litigation.

24 **V. WHAT THE SETTLEMENT PROVIDES**

25 The terms and conditions of the proposed Settlement are set forth in the Stipulation of Settlement
26 described above. The Stipulation of Settlement has been filed with the Court. The following is
27 only a summary of its terms.

28 Under the proposed Settlement, the Company has agreed to implement and/or continue various
corporate governance measures, including measures related to the granting and administration of
stock option grants. These measures are described in the Stipulation of Settlement and represent
multi-tiered and comprehensive corporate governance practices involving stock option and other
compensation and related disclosure and accounting policies. As additional consideration for this
Settlement, a number of the measures previously adopted and the additional measures, identified
in Attachment A to the Stipulation of Settlement, shall continue for a period of at least three
years.

In addition, (1) the Individual Defendants shall cause to be paid the amount of \$3,395,000 in cash
to Zoran, of which \$296,250 will be paid by Levy Gerzberg, \$98,750 will be paid by Karl
Schneider, and the remainder will be paid to the Company through applicable insurance;
(2) Defendants Gerzberg, Schneider and Stabenow, under no obligation to do so but in order to
facilitate this Settlement, have agreed to reprice 101,438 options to the adjusted exercise price
reflected in the Company's April 20, 2007 restatement of financials; and (3) Defendant Gerzberg
has voluntarily agreed to cancel certain fully vested options, as calculated in the Stipulation of

1 Settlement and using the Black-Scholes methodology with the variable inputs set forth in Exhibit
2 A to the Stipulation.

3 **VI. WHAT CLAIMS THE SETTLEMENT WILL RELEASE**

4 Pursuant to the terms of the Stipulation of Settlement, the Action shall be dismissed with
5 prejudice and Lead Plaintiff, on his own behalf individually and derivatively on behalf of Zoran
6 and Zoran's shareholders, and Zoran shall have, and by operation of the Judgment shall be
7 deemed to have, fully, finally, and forever released, relinquished and discharged all Released
8 Claims against the Released Persons and all claims that were made or could have been made
9 against the Released Persons arising out of, relating to, or in connection with the prosecution,
10 defense, Settlement or resolution of the Action, including Unknown Claims. Each of the
11 Released Parties shall be deemed to have, and by operation of the Judgment shall have, fully,
12 finally, and forever released, relinquished and discharged Lead Plaintiff and Lead Plaintiff's
13 Counsel from all claims (including Unknown Claims), arising out of, relating to, or in connection
14 with the institution, prosecution, assertion, Settlement or resolution of the Action or the Released
15 Claims.

16 "Released Persons" means each and all of the Released Parties and the Related Persons.

17 "Released Parties" means Zoran and the Individual Defendants Raymond A. Burgess, Uzia Galil,
18 Levy Gerzberg, Camillo Martino, James D. Meindl, James B. Owens, Jr., Karl Schneider and
19 Arthur B. Stabenow. "Released Parties" also includes the former defendants in this action who
20 were dismissed by the Lead Plaintiff without prejudice, pursuant to a tolling agreement: Aharon
21 Aharon, Paul Goldberg, Isaac Shenberg, and Alex Sinar.

22 "Related Persons" means each of a Released Party's present or former spouses, heirs, executors,
23 estates, administrators, any entity in which a Defendant and/or any member(s) of that Defendant's
24 immediate family has or had a controlling interest, any members of their immediate families, or
25 any trust of which any Defendant is or was the settler or which is or was for the benefit of any
26 Defendant and/or member(s) of his or her family, each of the Defendants' present and former
27 attorneys, legal representatives, and assigns in connection with the Action, and all past and
28 present directors, officers, agents, underwriters, controlling shareholders, investment bankers,
advisors, accountants, auditors, servants, employees, affiliates, predecessors, successors, parents,
subsidiaries, divisions, joint ventures and joint venturers, related or affiliated entities, assigns and
attorneys for nominal defendant Zoran and their counsel.

"Released Claims" means any and all claims, rights, demands, causes of action, suits, matters,
and issues of every kind and nature whatsoever, including, but not limited to, those arising under
federal or state contract, statute, or common law, that have been asserted or could have been
asserted against the Released Persons by Zoran or by shareholders suing derivatively on behalf of
Zoran, in the Action, or based on or arising from the facts, transactions, events, occurrences, acts,
disclosures, statements, omissions or failures to act alleged in the Action or closely related
thereto, up and through the date of the filing of the Amended Consolidated Complaint in the
Action on March 14, 2007, including all matters alleged in, or which could have been alleged in,
any of the complaints filed in the Action (including Unknown Claims).

1 “Unknown Claims” means any Released Claim which any Settling Party or Related Person does
2 not know or suspect to exist in his, her or its favor at the time of the release of the Released
3 Persons which, if known by him, her or it, might have affected his, her or its Settlement with and
4 release of the Released Persons, or might have affected his, her or its decision not to object to this
5 Settlement.

6 **VII. WHAT ATTORNEYS’ FEES PLAINTIFF’S COUNSEL WILL SEEK**

7 In connection with the Settlement, Plaintiff’s Counsel will apply to the Court for an award of
8 actual attorneys’ fees and costs incurred in prosecuting the Action, through Final Judgment and
9 any post-Judgment litigation, based upon their usual and customary fees. Lead Plaintiff’s
10 Counsel has agreed not to seek a “fee multiplier,” and will seek only his actual costs, estimated to
11 be no more than \$500,000, and will waive any fees that exceed one million dollars.

12 **VIII. WHEN AND WHERE THE SETTLEMENT HEARING WILL BE HELD AND**
13 **HOW TO OBJECT TO THE SETTLEMENT IF YOU WISH TO DO SO**

14 Prior to deciding whether or not to approve the Settlement, the Court will hold a Settlement
15 Hearing, which the Court may adjourn without further notice other than announcement at such
16 Settlement Hearing or subsequent adjournment. The Court may approve the Settlement with or
17 without modification agreed to by the parties, and with or without further notice to Zoran’s
18 shareholders.

19 Zoran shareholders who comply with the procedures set forth below for objecting or making an
20 appearance (personally or through counsel) may be heard to the extent allowed by the Court
21 regarding the fairness, reasonableness, and adequacy of the Settlement at the Settlement Hearing
22 to be held before the Honorable William H. Alsup on _____, 2008, at _____, at
23 the courthouse of the United States District Court of Northern District of California, 450 Golden
24 Gate Avenue, San Francisco, California, CA 94102. You are not required to retain your own
25 counsel, but if you choose to do so it will be at your own expense. A shareholder wishing to
26 assert an objection to the Settlement must, at least twenty-one (21) days prior to the Settlement
27 Hearing:

- 28
- (1) file with the Clerk of the Court proof of ownership of Zoran common stock, including the number of shares of Zoran Common Stock held and the date of purchase, and provide a statement that indicates the nature of such objection, any legal support and/or evidence that such shareholder wishes to bring to the Court’s attention or introduce in support of such objection, and any documentation in support of any objection; and

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

(2) simultaneously serve copies of such notice, proof, statement and documentation, together with copies of any other papers or briefs such shareholder files with the Court, in person or by mail, upon counsel listed below, provided that if service is made by mail, electronic mail and facsimile service shall be made on counsel listed below no later than twenty-one (21) days before the date of the Fairness Hearing:

Juli E. Farris
Keller Rohrback L.L.P.
1201 Third Avenue, Suite 3200
Seattle, WA 98101-3052
Counsel for Lead Plaintiff

Susan Muck
Fenwick & West LLP
555 California Street, Suite 1200
San Francisco, CA 94104
Counsel for Aharon Aharon, Raymond A. Burgess, Uzia Galil, Paul Goldberg, James D. Meindl, James B. Owens, Jr., Isaac Shenberg, Alex Sinar, and Arthur Stabenow

Steven Kaufhold
Akin Gump Strauss Hauer & Feld LLP
580 California Street, Suite 1500
San Francisco, CA 94104-1036
Counsel for Nominal Defendant Zoran Corporation

John Dwyer
Cooley Godward Kronish LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Counsel for Dr. Levy Gerzberg, Ph.D.

John Hemann
Morgan, Lewis & Bockius LLP
One Market, Spear Street Tower
San Francisco, CA 95104
Counsel for Karl Schneider

Sara B. Brody
Heller Ehrman LLP
333 Bush Street
San Francisco, CA 94104
Counsel for Camillo Martino

Any shareholder who does not timely make his, her, or its objection to the Settlement shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the proposed Settlement, the Plaintiff's application

1 for attorneys' fees and expenses, and shall otherwise be bound by the Judgment to be entered on
2 the releases given.

3 Any objector who properly and timely files and serves a written objection may also appear at the
4 Settlement Hearing either in person or through counsel retained at the objector's expense.
5 Objectors or their attorneys intending to appear at the Settlement Hearing must effect service of a
6 notice of intention to appear setting forth, among other things, the name, address and telephone
7 number of the objector (and, if applicable, the name, address and telephone number of the
8 objector's attorney) on counsel listed above (at the addresses set out above), provide a statement
9 that indicates the basis for such appearance, the identities of any witnesses that such shareholder
10 plans to call at the Settlement Hearing, and file it with the Court by no later than five (5) days
11 before the date of the Settlement Hearing. Filing and service may be effected on the Court and
12 counsel by mail, provided facsimile service is made on counsel listed above by no later than five
13 (5) days before the date of the Settlement Hearing. Any objector who does not timely file and
14 serve a notice of intention to appear in accordance with this paragraph shall not be permitted to be
15 heard at the Settlement Hearing, except upon a showing of good cause and excusable neglect.

11 **IX. NOTICE TO BANKS, BROKERS, OR OTHER NOMINEES**

12 If you hold Zoran common stock as a nominee for the benefit of another, you are directed to
13 provide copies of this Notice to such beneficial owners, postmarked no later than ten (10)
14 business days after receipt of this Notice.

14 **X. HOW TO GET FURTHER INFORMATION**

15 Further information regarding the Action and this Notice may be obtained by contacting Lead
16 Plaintiff's Counsel: Juli E. Farris, Keller Rohrbach L.L.P., 1201 Third Avenue, Suite 3200,
17 Seattle, WA 98101-3052, (206) 623-1900.

18 This Notice does not purport to be a comprehensive description of the Action, the terms of the
19 proposed Settlement or the scheduled Settlement Hearing. For more complete information
20 concerning the Action and the proposed Settlement, you may inspect the pleadings, the
21 Stipulation of Settlement, and other papers and documents filed with the Court during regular
22 office hours at the Clerk's Office of the United States District Court of Northern District of
23 California, 450 Golden Gate Avenue, San Francisco, CA 94102.

21 **PLEASE DO NOT TELEPHONE THE COURT OR THE CLERK'S OFFICE
22 REGARDING THIS NOTICE**

23 Dated: _____, 2008

24 BY ORDER OF THE UNITED STATES
25 DISTRICT COURT OF THE NORTHERN
26 DISTRICT OF CALIFORNIA

EXHIBIT D

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

IN RE ZORAN CORPORATION
DERIVATIVE LITIGATION

No. CV 06-05503 WHA
DERIVATIVE ACTION

This Document Relates To:

[PROPOSED] FINAL ORDER

ALL ACTIONS

FINAL ORDER

This matter came before the Court for hearing on _____ on the application of the parties for approval of the Settlement of this shareholder derivative action, as contained in the Stipulation of Settlement, dated as of May 29, 2008 (the "Stipulation").

Due and adequate notice having been given to Zoran Corporation ("Zoran" or "the Company") shareholders, and the Court having considered all papers filed and proceedings in this action and otherwise being fully informed and good cause appearing therefore, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

1. This Court has jurisdiction over the subject matter of this litigation and over all parties to the litigation. This order and the attached final judgment incorporates by reference all defined terms in the Stipulation, and all capitalized terms herein are the same as those used in the Stipulation.

2. Pursuant to Federal Rule Civil Procedure 23.1 ("Rule 23.1"), this Court hereby approves as fair, reasonable and adequate, the settlement of this action, consisting in primary part of:

(i) \$3,395,000 in cash to be paid to Zoran, of which \$296,250 will be paid by Defendant Levy Gerzberg, \$98,750 will be paid by Defendant Karl Schneider, and the remainder will be paid to the Company through applicable insurance, such payments to be made within fifteen days of notice of the Effective Date;

(ii) voluntary repricing of the following options by specified Defendants to the adjusted exercise price reflected in the Company's April 20, 2007 restatement of financials:

| <u>Defendant</u> | <u>Grant Date</u> | <u>Exercise Price</u> | <u>Adjusted Price</u> | <u># of Options</u> |
|------------------|-------------------|-----------------------|-----------------------|---------------------|
| Gerzberg, Levy | 8/09/02 | \$12.36 | \$14.69 | 42,375 |
| Schneider, Karl | 9/19/01 | \$11.52 | \$15.47 | 11,563 |
| Schneider, Karl | 8/9/02 | \$12.36 | \$14.69 | 43,750 |
| Stabenow, Arthur | 3/16/01 | \$8.67 | \$11.49 | 3,750 |

1 (iii) Defendant Gerzberg's voluntary agreement to cancel certain fully vested options,
2 as calculated pursuant to the terms of the Stipulation and using the Black-Scholes
3 methodology with the variable inputs set forth in Exhibit A to the Stipulation; and

4 (iv) the adoption by the Company of the corporate governance measures identified in
5 paragraphs F through EE of Attachment A to the Stipulation, and the Company's
6 agreement that that these measures and the measures previously adopted by the Company,
7 identified in paragraphs A through E of Attachment A to the Stipulation shall continue for
8 a period of at least three years.

9 3. Upon the Effective Date, (a) Lead Plaintiff, on his own behalf individually, and
10 derivatively on behalf of Zoran and Zoran's shareholders, and (b) Zoran shall have, and by
11 operation of the Judgment shall be deemed to have, fully, finally, and forever released,
12 relinquished and discharged all Released Claims against the Released Persons and all claims that
13 were made or could have been made against the Released Persons arising out of, relating to, or in
14 connection with the prosecution, defense, Settlement or resolution of the Derivative Litigation,
15 including Unknown Claims.

16 4. Upon the Effective Date, each of the Released Parties shall be deemed to have, and
17 by operation of the Judgment shall have, fully, finally, and forever released, relinquished and
18 discharged Plaintiff and Plaintiff's Counsel from all claims (including Unknown Claims), arising
19 out of, relating to, or in connection with the institution, prosecution, assertion, Settlement or
20 resolution of the Derivative Litigation or the Released Claims.

21 5. All Zoran shareholders are hereby forever barred and enjoined from prosecuting
22 the Released Claims (including Unknown Claims) against the Released Persons.

23 6. The mailing of the Notice of Proposed Settlement of Derivative Action and of
24 Settlement Hearing to Zoran shareholders constitutes the best notice practicable under the
25 circumstances, and satisfies the requirements of Rule 23.1 and the requirements of due process.

26 7. Neither the settlement of this action nor any act performed or document executed
27 pursuant to or in furtherance thereof:
28

1 (i) is or may be deemed to be or may be used as an admission of, or evidence of, the
2 validity of any Released Claim, or of any wrongdoing or liability of the Released Persons,
3 or,

4 (ii) is or may be deemed to be or may be used as an admission of, or evidence of, any
5 fault or omission of any of the Released Persons in any civil, criminal or administrative
6 proceeding in any court, administrative agency or other tribunal.

7 8. The payment of attorneys' fees and reimbursement of expenses to Lead Plaintiff's
8 Counsel in the aggregate amount of \$ _____ is fair and reasonable.

9 9. The parties are directed to consummate the terms of the Settlement, and
10 jurisdiction over all matters relating to the consummation of the Settlement is reserved in this
11 Court.

12 10. The Court finds that during the course of the litigation, the Settling Parties and
13 their respective counsel at all times complied with the requirements of Federal Rule of Civil
14 Procedure 11.

15 11. In the event that the Settlement does not become Final as that term is defined in
16 the Stipulation, then this Judgment shall be rendered null and void to the extent provided by and
17 in accordance with the Stipulation and shall be vacated and, in such event, all orders entered and
18 releases delivered in connection herewith shall be null and void to the extent provided by and in
19 accordance with the Stipulation.

20 12. There being no reason for delay, the Clerk of the Court is hereby directed,
21 pursuant to Federal Rules of Civil Procedure 54 and 58, to enter this Order and, separately, the
22 final judgment, in the form attached hereto.

23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

13. Pursuant to Federal Rule of Civil Procedure 58 and Federal Rule of Appellate Procedure 4, the time to appeal shall commence immediately upon the entry of the separate judgment in the form attached hereto.

IT IS SO ORDERED.

Dated: _____, 2008

WILLIAM H. ALSUP
UNITED STATES DISTRICT JUDGE

EXHIBIT E

AO450 (Rev. 5/85) Judgment in a Civil Case

UNITED STATES DISTRICT COURT

Northern

DISTRICT OF

California

In re Zoran Corporation Derivative Litigation.

Gerald del Rosario, individually and on behalf of all others similarly situated,

JUDGMENT IN A CIVIL CASE

V.

Case Number: 3:06-CV-05503-WHA

Zoran Corp., Raymond A. Burgess, Uzia Galil, Levy Gerzberg, Camillo Martino, James D. Meindl, James B. Owens, Jr., Karl Schneider and Arthur B. Stabenow.

[] Jury Verdict. This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

[x] Decision by Court. This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED

Pursuant to the terms of the Court's Final Order, dated _____, 2008, and the Stipulation of Settlement, dated _____, 2008, this case and all claims contained therein are hereby DISMISSED WITH PREJUDICE.

Date

Clerk

(By) Deputy Clerk

EXHIBIT B

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 2, 2007**

ZORAN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

0-27246
(Commission File Number)

94-2794449
(IRS Employer Identification No.)

1390 Kifer Road
Sunnyvale, California 94086-5305
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(408) 523-6500

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-
-

Item 8.01. Other Events

The staff of the Securities and Exchange Commission notified Zoran Corporation (“Zoran”) by letter dated November 2, 2007 that the staff’s investigation of Zoran’s historical stock option granting practices has been terminated and that no enforcement action against Zoran has been recommended to the Commission.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ZORAN CORPORATION

Date: November 7, 2007

By: /s/ Karl Schneider

Karl Schneider
Senior Vice President of Finance and
Chief Financial Officer

EXHIBIT C

1 LERACH COUGHLIN STOIA GELLER
 2 RUDMAN & ROBBINS LLP
 3 TRAVIS E. DOWNS III (148274)
 4 BENNY C. GOODMAN III (211302)
 5 THOMAS G. WILHELM (234980)
 6 655 West Broadway, Suite 1900
 7 San Diego, CA 92101
 8 Telephone: 619/231-1058
 9 619/231-7423 (fax)
 10 travisd@lerachlaw.com
 11 bgoodman@lerachlaw.com
 12 twilhelm@lerachlaw.com
 13 - and -
 14 SHAWN A. WILLIAMS (213113)
 15 MONIQUE C. WINKLER (213031)
 16 100 Pine Street, Suite 2600
 17 San Francisco, CA 94111
 18 Telephone: 415/288-4545
 19 415/288-4534 (fax)
 20 swilliams@lerachlaw.com
 21 mwinkler@lerachlaw.com

22 Attorneys for Plaintiff
 23 [Additional counsel appear on signature page.]

24 UNITED STATES DISTRICT COURT
 25 NORTHERN DISTRICT OF CALIFORNIA
 26 SAN JOSE DIVISION

| | | | |
|----|------------------------------------------|---|-------------------------------|
| 27 | NECA-IBEW PENSION FUND (THE |) | No. C-06-03742-WHA |
| 28 | DECATUR PLAN), Derivatively on Behalf of |) | |
| | ZORAN CORPORATION, |) | NOTICE OF VOLUNTARY DISMISSAL |
| | |) | PURSUANT TO FEDERAL RULE OF |
| | Plaintiff, |) | CIVIL PROCEDURE 41(a) |
| | |) | |
| | vs. |) | |
| | |) | |
| | UZIA GALIL, et al., |) | |
| | |) | |
| | Defendants, |) | |
| | |) | |
| | - and - |) | |
| | |) | |
| | ZORAN CORPORATION, a Delaware |) | |
| | corporation, |) | |
| | |) | |
| | Nominal Defendant. |) | |
| | |) | |

26
27
28

1 Plaintiff NECA-IBEW Pension Fund (The Decatur Plan), Derivatively on Behalf of Zoran
2 Corporation, through its counsel of record and pursuant to Fed. R. Civ. P. 41(a), hereby voluntarily
3 dismisses the above-captioned case.

4 DATED: December 4, 2006

Respectfully submitted,

5 LERACH COUGHLIN STOIA GELLER
6 RUDMAN & ROBBINS LLP
7 SHAWN A. WILLIAMS
8 MONIQUE C. WINKLER

/s/

9 SHAWN A. WILLIAMS

10 100 Pine Street, Suite 2600
11 San Francisco, CA 94111
12 Telephone: 415/288-4545
13 415/288-4534 (fax)

14 LERACH COUGHLIN STOIA GELLER
15 RUDMAN & ROBBINS LLP
16 TRAVIS E. DOWNS III
17 BENNY C. GOODMAN III
18 THOMAS G. WILHELM
19 655 West Broadway, Suite 1900
20 San Diego, CA 92101
21 Telephone: 619/231-1058
22 619/231-7423 (fax)

23 CAVANAGH & O'HARA
24 PATRICK O'HARA
25 407 East Adams Street
26 Springfield, IL 62701
27 Telephone: 217/544-1771
28 217/544-9894 (fax)

Attorneys for Plaintiff

T:\CasesSF\Zoran Derivative\NOT00037261.doc

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CERTIFICATE OF SERVICE

I hereby certify that on December 4, 2006, 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.

/s/
SHAWN A. WILLIAMS

LERACH COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP
100 Pine Street, 26th Floor
San Francisco, CA 94111
Telephone: 415/288-4545
415/288-4534 (fax)
E-mail: Shawnw@lerachlaw.com

Mailing Information for a Case 3:06-cv-03742-WHA

Electronic Mail Notice List

The following are those who are currently on the list to receive e-mail notices for this case.

- **Eric J. Ball**
eball@fenwick.com
- **Patrice L. Bishop**
service@ssbla.com
- **Travis E. Downs, III**
travisd@lerachlaw.com e_file_sd@lerachlaw.com
- **Juli E. Farris**
jfarris@kellerrohrback.com mbates@kellerrohrback.com
- **Felix Lee**
flee@fenwick.com
- **William S. Lerach**
e_file_sf@lerachlaw.com
- **Maria V. Morris**
mariam@lerachlaw.com e_file_sf@lerachlaw.com
- **Susan Samuels Muck**
smuck@fenwick.com jwebb@fenwick.com
- **Jay L. Pomerantz**
jpomerantz@fenwick.com slim@fenwick.com
- **Darren J. Robbins**
- **Jedediah Wakefield**
jwakefield@fenwick.com rjones@fenwick.com
- **Shawn A. Williams**
shawnw@lerachlaw.com
e_file_sd@lerachlaw.com;e_file_sf@lerachlaw.com;AelishB@lerachlaw.com;MoniqueW@lerach

Manual Notice List

The following is the list of attorneys who are **not** on the list to receive e-mail notices for this case (who therefore require manual noticing). You may wish to use your mouse to select and copy this list into your word processing program in order to create notices or labels for these recipients.

Patrick O'Hara

Cavanagh & O'Hara
407 East Adams Street
Springfield, IL 62701

EXHIBIT D

1 PETER A. BINKOW #173848
2 **GLANCY BINKOW & GOLDBERG LLP**
3 1801 Avenue of the Stars, Suite 311
4 Los Angeles, California 90067
5 Telephone: (310) 201-9150
6 Facsimile: (310) 201-9160
7 Email: info@glancylaw.com

8 *Local Counsel for Lead Plaintiff and the Class*

9 IRA A. SCHOCHET, *admitted pro hac vice*
10 CHRISTOPHER J. KELLER, *admitted pro hac vice*
11 NICOLE M. ZEISS, *admitted pro hac vice*
12 ANDREI V. RADO, *admitted pro hac vice*
13 ALAN I. ELLMAN, *admitted pro hac vice*
14 **LABATON SUCHAROW & RUDOFF LLP**
15 100 Park Avenue, 12th Floor
16 New York, New York 10017
17 Telephone: (212) 907-0700
18 Facsimile: (212) 818-0477
19 Email: info@labaton.com

20 *Lead Counsel for Lead Plaintiff and the Class*

21 UNITED STATES DISTRICT COURT
22 NORTHERN DISTRICT OF CALIFORNIA
23 SAN FRANCISCO DIVISION

24 _____) Case No.: C 06-04843 WHA
25)
26) CLASS ACTION
27)
28 IN RE ZORAN CORPORATION) Honorable William H. Alsup
SECURITIES LITIGATION)
) NOTICE OF VOLUNTARY DISMISSAL
) PURSUANT TO FED. R. CIV. P. 41(a)(1)
)
)
_____)

1 PLEASE TAKE NOTICE that Middlesex Retirement System (“Lead Plaintiff”), through
2 its counsel of record, hereby voluntarily dismisses the action, pursuant to Fed. R. Civ. P 41(a)(1),
3 as follows:

4 WHEREAS, this action for violations of the Securities Exchange Act of 1934 was filed
5 on August 10, 2006, a Consolidated Amended Class Action Complaint for Violation of the
6 Federal Securities Laws was filed on February 1, 2006 and a Consolidated Second Amended
7 Class Action Complaint for Violation of the Federal Securities Laws (“SAC”) was filed on
8 February 20, 2007;

9 WHEREAS, pursuant to the Court’s orders dated December 11, 2006 and January 4,
10 2007, the Court appointed Middlesex Retirement System as Lead Plaintiff and the undersigned
11 plaintiff’s counsel as Lead Counsel for Lead Plaintiff;

12 WHEREAS, defendants have neither answered nor moved for summary judgment and no
13 class certification motion has been filed;

14 WHEREAS, the parties are in the process of briefing defendants’ motion to dismiss;

15 WHEREAS, the action was filed as a class action but has not been certified as such;

16 WHEREAS, Lead Plaintiff and its counsel have decided to voluntarily dismiss the claims
17 of Lead Plaintiff with prejudice;

18 WHEREAS, Lead Plaintiff and its counsel have entered into no agreement with any
19 defendant in connection with the voluntary dismissal;

20 WHEREAS, under Federal Rule of Civil Procedure 41(a)(1), Lead Plaintiff is entitled to
21 dismiss this action on its own initiative:

22 Subject to the provisions of Rule 23(e), of Rule 66, and of any
23 statute of the United States, an action may be dismissed by the
24 plaintiff without order of the court (i) by filing a notice of
dismissal at any time before service by the adverse party of an
answer or of a motion for summary judgment. . . .

25 WHEREAS, this case involves putative class claims;

26 WHEREAS, neither Lead Plaintiff nor Lead Counsel has received or will receive any
27 consideration for dismissal;

28

1 WHEREAS, Federal Rule of Civil Procedure 23(e)(1)(A) is inapplicable to the instant
2 dismissal as Rule 23(e) was amended in 2003 to resolve the ambiguity in former Rule 23(e)'s
3 reference to dismissal of "a class action," *see* 2003 Advisory Committee Notes, and now
4 provides:

5 The court must approve any settlement, voluntary dismissal, or
6 compromise of the claims, issues, or defenses of a *certified class*.

7 Fed. R. Civ. P. 23(e); *see e.g., Cook v. WMC Mortgage Corp.*, No. 06-535, 2006 WL 2873439, at
8 * 1 (S.D. Ill. Oct. 5, 2006)(permitting voluntarily dismissal of putative class action pursuant to
9 Fed. R. Civ. P 41(a)(1)(i) and discussing Rule 23 amendments);

10 WHEREAS, no prejudice to absent putative class members will result from dismissal of
11 the action, because a class has not been certified and the dismissal will not affect their rights;

12 WHEREAS, Federal Rule of Civil Procedure 23(e)(1)(B) is inapplicable to the instant
13 dismissal as none of the absent putative class members would be bound:

14 The court must direct notice in a reasonable manner to all class
15 members who would be bound by a proposed settlement, voluntary
16 dismissal, or compromise.

17 Fed. R. Civ. P. 23(e)(1)(B); *see also* 2003 Advisory Committee Notes ("notice is not required
18 when the settlement only binds the individual class representatives."); and

19 WHEREAS, no notice need be sent to absent putative class members, because a class has
20 not been certified, the case is in its infancy, the case has not been widely publicized and no
21 absent putative class member will be bound by the voluntary dismissal of Lead Plaintiff's claims.

22 THEREFORE, Lead Plaintiff hereby dismisses the action with prejudice as to the
23 individual claims of Lead Plaintiff.

24 DATED: March 20, 2007

LABATON SUCHAROW & RUDOFF LLP

25 By: /s/ Ira A. Schochet
26 Ira A. Schochet, Esq., *admitted pro hac vice*
27 Christopher J. Keller, Esq., *admitted pro hac vice*
28 Nicole M. Zeiss, Esq., *admitted pro hac vice*
100 Park Avenue, 12th Floor
New York, NY 10017
Telephone: (212) 907-0700
Facsimile: (212) 818-0477

Lead Counsel for Lead Plaintiff and the Class

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

GLANCY BINKOW & GOLDBERG LLP
Peter A. Binkow #173848
1801 Avenue of the Stars, Suite 311
Los Angeles, California 90067
Telephone: (310) 201-9150
Facsimile: (310) 201-9160

Local Counsel for Lead Plaintiff and the Class