

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

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

BARBARA WOLFSON, Derivatively on Behalf of
SNAP INC.,

Plaintiff,

v.

EVAN SPIEGEL, ROBERT MURPHY, MICHAEL
LYNTON, JOANNA COLES, A.G. LAFLEY,
MITCHELL LASKY, STANLEY MERESMAN,
SCOTT D. MILLER, CHRISTOPHER YOUNG,
ANDREW VOLLERO, and IMRAN KHAN,

Defendants,

and

SNAP INC., a Delaware Corporation,

Nominal Defendant.

Case No. BC720152

Judge: Honorable Elihu M. Berle
Department: 6

EXHIBIT B

**NOTICE TO CURRENT SNAP
STOCKHOLDERS**

JUSTIN POKORNEY, Derivatively for the Benefit
of and on Behalf of Nominal Defendant SNAP INC.,

Plaintiff,

v.

EVAN SPIEGEL, ROBERT MURPHY, MICHAEL
LYNTON, JOANNA COLES, A.G. LAFLEY,
STANLEY MERESMAN, SCOTT D. MILLER,
CHRISTOPHER YOUNG, ANDREW VOLLERO,
and IMRAN KHAN,

Defendants,

and

SNAP INC., a Delaware Corporation,

Nominal Defendant

Case No. 18STCV09365

Judge: Honorable Elihu M. Berle
Department: 6

[Caption continued on following page.]

1 DAVID SHABBOUEI and ZALMON UVAYDOV,
2 Derivatively on Behalf of SNAP INC.,

Case No. 19STCV08413

3 Plaintiffs,

4 v.

Judge: Honorable Elihu M. Berle
Department: 6

5 EVAN SPIEGEL, ROBERT MURPHY, MICHAEL
6 LYNTON, STANLEY MERESMAN, A. G.
7 LAFLEY, SCOTT D. MILLER, CHRISTOPHER
8 YOUNG, JOANNA COLES, ANDREW
9 VOLLERO, IMRAN KHAN, MITCHELL LASKY,
10 and DOES 1-25, Inclusive,

11 Defendants,

12 and

13 SNAP INC., a Delaware Corporation,

14 Nominal Defendant.
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 **NOTICE OF PROPOSED SETTLEMENT OF DERIVATIVE ACTIONS**

2 **TO: ALL OWNERS OF SNAP INC. (“SNAP” OR THE “COMPANY”) COMMON**
 3 **STOCK (TICKER SYMBOL: SNAP) AS OF AUGUST 12, 2020, WHO CONTINUE**
 4 **TO OWN SUCH SHARES (“CURRENT SNAP STOCKHOLDERS”).**

5 PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE
 6 RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL OF STOCKHOLDER
 7 DERIVATIVE ACTIONS (THE “DERIVATIVE ACTIONS”) AND CONTAINS IMPORTANT
 8 INFORMATION REGARDING YOUR RIGHTS.

9 IF THE COURT APPROVES THE SETTLEMENT AND DISMISSAL OF THE DERIVATIVE
 10 ACTIONS, STOCKHOLDERS OF SNAP WILL BE FOREVER BARRED FROM
 11 CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND FROM
 12 PURSUING RELEASED CLAIMS.

13 THESE DERIVATIVE ACTIONS ARE NOT “CLASS ACTIONS.” THUS, THERE IS NO
 14 COMMON FUND UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY
 15 PAYMENT.

16 PLEASE TAKE NOTICE that the Derivative Actions are being settled on the terms in a Stipulation
 17 and Agreement of Settlement, dated August 12, 2020 (the “Stipulation”). The purpose of this
 18 Notice¹ is to inform you of:

- 19 • the existence of the Derivative Actions²;
- 20 • the proposed settlement between the Plaintiffs and Defendants reached in these
 21 Derivative Actions (the “Settlement”);
- 22 • the hearing to be held by the Court to consider the fairness, reasonableness, and
 23 adequacy of the Settlement and approval of the agreed-to amount of attorneys’ fees
 24 and expenses (the “Fee and Expense Amount”) and Plaintiffs’ Service Awards.

25 This Notice describes what steps you may take in relation to the Settlement. This Notice is
 26 not an expression of any opinion by the Court about the truth or merits of Plaintiffs’ claims or
 27 Defendants’ defenses. This Notice is solely to advise you of the proposed Settlement of the
 28 Derivative Actions and of your rights in connection with the proposed Settlement.

29 THERE IS NO CLAIMS PROCEDURE. The Derivative Actions were brought to protect
 30 the interests of Snap. The Settlement will result in changes to the Company’s corporate
 31 governance, not in payment to individual stockholders.

32 Summary

33 On August 12, 2020, Snap, in its capacity as a Nominal Defendant, and certain of its current
 34 and former directors and officers (the “Individual Defendants”) (collectively, “Defendants”) entered
 35 into a Stipulation to settle the Derivative Actions filed derivatively on behalf of Snap, in
 36 the Superior Court of the State of California, County of Los Angeles (the “Court”) against the
 37 Individual Defendants.

38 ¹ All capitalized terms used in this notice, unless otherwise defined herein, are defined as set
 39 forth in the Stipulation.

40 ² This Settlement also resolves claims raised in the shareholder demand upon the Snap Inc.
 41 Board of Directors (the “Board”) by shareholder Charles Blackburn, and those raised in *Tseng v.*
 42 *Spiegel, et al.*, C.A. No. 2018-0778-SG (Del. Ch.) (“*Tseng*”), which was filed in the Delaware
 43 Court of Chancery and is stayed in favor of the Derivative Actions pending in this Court.

1 The Settlement is subject to the approval of the Court, and is intended by the Parties to
2 fully, finally, and forever compromise, resolve, discharge, and settle the Released Claims and to
3 result in the dismissal of the Derivative Actions with prejudice, upon the terms and subject to the
4 conditions set forth in the Stipulation. The proposed Settlement requires Snap to adopt or maintain
5 the corporate governance, oversight, and internal controls reforms specified in Exhibit A to the
6 Stipulation, and maintain those reforms for a minimum period of three (3) years, and provides that
7 Snap will pay or cause to be paid attorneys' fees and expenses in the amount of seven million and
8 five hundred thousand dollars (\$7,500,000.00) to Plaintiffs' Counsel for conferring this substantial
9 benefit on the Company, and for a Service Award of two thousand and five hundred dollars
10 (\$2,500.00) to be paid to each Plaintiff from the Fee and Expense Amount, subject to the approval
11 of the Court.

12 This Notice is only a summary and does not describe all of the details of the Stipulation.
13 For full details of the matters discussed in this summary, please see the full Stipulation posted on
14 www.SnapDerivativeSettlement.com, contact Plaintiffs' Counsel at the address listed below, or
15 inspect the full Stipulation filed with the Clerk of the Court.

16 What is the Lawsuit About?

17 The Derivative Actions allege that the Defendants breached their fiduciary duties by, among
18 other things: making or permitting the making of materially false statements or omissions regarding
19 metrics of user activity, or key performance indicators ("KPIs") in the Registration Statement issued
20 in connection with Snap's Initial Public Offering of shares ("IPO"); omitting from its IPO
21 Registration Statement the filing of a complaint by a former employee alleging a lack of internal
22 controls maintained over the calculation and dissemination of Snap's KPIs; and falsely representing
23 that Snap was not engaging in "growth hacking" techniques designed to increase reported user
24 engagement with its platform.

25 Defendants deny each and every allegation of wrongdoing or liability arising out of or
26 relating in any way to the events, conduct, statements, acts, or omissions alleged in the Derivative
27 Actions. The Individual Defendants further assert that, at all times, they acted in good faith, and
28 in a manner they reasonably believed to be and that was in the best interests of Snap and its
29 stockholders. Defendants believe that they have meritorious defenses to the claims in the
30 Derivative Actions. Nonetheless, the Individual Defendants have entered into the Stipulation,
31 without admitting or conceding any fault, liability, wrongdoing, or damage whatsoever, in order to
32 avoid the risks inherent in any lawsuit and the burden and expense of further litigation.

33 Why is there a Settlement and what are the Settlement's terms?

34 The Court has not decided in favor of the Defendants or the Plaintiffs. Instead, both sides
35 agreed to the Settlement because the parties and Snap's Board of Directors believe the Settlement
36 provides substantial benefits to, and is in the best interests of, Snap and Current Snap Stockholders.
37 The Settlement will avoid the distraction, costs, and risks of further litigation.

38 Plaintiffs and Snap have agreed that the Company shall implement within ninety (90) days
39 of final settlement approval, and maintain for a minimum period of three (3) years thereafter, the
40 Corporate Governance Reforms detailed in Exhibit A. The Reforms directly address the alleged
41 wrongdoing by providing for, among other things: (i) annual reviews by an independent third-party
42 auditor (the "Metrics Advisor") of policies and procedures used to calculate Snap's daily active
43 users and two other "top-level" user metrics; (ii) formal reports from the Metrics Advisor to the
44 Disclosure Committee and the Audit Committee containing the results of the annual review and
45 recommendations for improvements; (iii) enhanced and improved internal controls concerning
46 Snap's validation and disclosure of user metrics; (iv) a formal process requiring the Disclosure
47 Committee and Audit Committee to evaluate the Metrics Advisor's report and determine disclosure
48 obligations and appropriate remedial actions; (v) a requirement that management designees and the
49 Disclosure Committee review at least annually whether additional or alternative measures of user
50 activity should be tracked; (vi) substantial enhancements to the duties and responsibilities of the

1 Audit Committee and the Disclosure Committee, including enhancements to ensure sufficient
2 oversight and information flow between the two committees and also with the Metrics Advisor
3 concerning the validation of and disclosures relating to the Company's Top-Level metrics; (vii)
4 defined policies and procedures governing the situation where the Company decides to report a
5 previously unreported user metric; and (viii) enhancements to the Company's Whistleblower
6 Policy. Snap acknowledges that the efforts of the plaintiffs were material factors in the Company's
7 decision to implement and maintain these measures, and that the measures confer substantial
8 benefits on the Company and its stockholders.

9 The Settlement is the product of extensive arm's-length negotiations with the assistance
10 and oversight of the Honorable Howard B. Wiener, former Associate Justice of the California Court
11 of Appeal for the Fourth Appellate District, and former Judge of the Superior Court for San
12 Bernardino County. The negotiations spanned approximately nine months and involved three
13 separate mediations. Following their agreement on the substantive consideration for the settlement,
14 the parties engaged in a process led by Justice Weiner to arrive at an agreement for a fair and
15 reasonable Fee and Expense Amount to be paid to Plaintiffs' Counsel commensurate with the
16 benefits secured through the proposed settlement. Accordingly, in light of the substantial benefits
17 conferred by Plaintiffs' Counsel's efforts, Snap, acting by and through its Board of Directors, has
18 agreed to pay or cause to be paid \$7.5 million, subject to Court approval. To date, Plaintiffs'
19 Counsel have neither received any payment for their services in conducting the Derivative Actions,
20 nor have counsel been reimbursed for their out-of-pocket expenses incurred. Snap shareholders
21 are not personally liable for the payment of any attorneys' fees and expenses.

22 The Settlement was negotiated on an informed basis. Among other things, Plaintiffs and
23 their counsel: (i) reviewed relevant internal books and records of Snap produced in response to
24 inspection demands made pursuant to 8 Del. C. § 220; (ii) reviewed approximately 1.5 million
25 pages of documents that were produced in the factually related securities class action; (iii)
26 interviewed several Snap employees and executives, including Snap's Director of Data, Senior
27 Director of Growth, Associate General Counsel, and Deputy General Counsel and Chief
28 Compliance Officer; and (iv) evaluated the above documents and interviews with the assistance of
an expert consultant familiar with marketing analytics and data analysis.

The proposed settlement was ultimately presented to a committee of the Snap Board of
Directors to which Snap's Board delegated authority to consider the Settlement (the "Committee").
Assisted by independent counsel with substantial experience in Delaware corporate law, the
Committee determined that the Corporate Governance Reforms confer a substantial benefit on the
Company, and approved the Settlement as fair, reasonable, and adequate, and in Snap and its
stockholders' best interests.

Dismissal and Releases

The Settlement is conditioned upon the occurrence of certain events, including: (i) Court
entry of the Judgment, in all material respects in the form set forth as Exhibit to the Stipulation,
dismissing the Derivative Actions with prejudice, following notice to Current Snap Stockholders
and the Settlement Hearing contemplated by the Stipulation; (ii) the passing of the date upon which
the Judgment becomes Final; and (iii) the dismissal of the *Tseng* action with prejudice (the
"Effective Date").

Upon the Effective Date, Snap, Current Snap Stockholders, or any Person acting on behalf
of Snap, and Plaintiffs (acting on their own behalves or derivatively on behalf of Snap) shall be
deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released,
relinquished, and discharged and dismissed with prejudice the Released Claims against the
Released Persons and any and all causes of action or claims (including Unknown Claims) that have
or could have been asserted in the Actions by Plaintiffs, Snap, or any Current Snap Stockholder
derivatively on behalf of Snap, against the Settling Defendants or the Released Persons, based on
the Settling Defendants' or Released Persons' acts and/or omissions in connection with, arising out
of, or relating to, the facts, transactions, events, matters, occurrences, acts, disclosures, statements,

1 omissions, or failures to act that were alleged in the Derivative Actions, through and including the
 2 date of execution of this Stipulation. Moreover, each of the Released Persons and the Related
 3 Parties shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and
 4 forever released, relinquished, and discharged Plaintiffs and Plaintiffs' Counsel from all claims
 5 (including Unknown Claims) arising out of, relating to, or in connection with the institution,
 6 prosecution, assertion, settlement, or resolution of the Actions or the Released Claims.

7 The Settlement Hearing and Your Right to Object to the Settlement

8 On October 2, 2020, the Court entered an order preliminarily approving the Stipulation and
 9 the Settlement contemplated therein (the "Preliminary Approval Order") and providing that not
 10 later than October 15, 2020, Snap shall cause JND Legal Administration (the "Notice
 11 Administrator") to mail, and/or email, the Postcard Notice to those Current Snap Stockholders as
 12 may be identified through reasonable effort. Not later than October 8, 2020, Plaintiffs shall also
 13 cause the Long-Form Notice and Stipulation of Settlement to be posted on a dedicated website,
 14 www.SnapDerivativeSettlement.com. Not later than October 8, 2020 and again by October 15,
 15 2020, Plaintiffs' Counsel will publish the contents of the Postcard Notice in two separate electronic
 16 wire press releases. No later than October 8, 2020, Plaintiffs' Counsel will also post the Long-Form
 17 Notice on each of their respective firm websites. The Preliminary Approval Order further provides
 18 that the Court will hold a hearing (the "Settlement Hearing") on December 16, 2020 at 10:00 a.m.,
 19 at the Superior Court of the State of California, County of Los Angeles, the Honorable Elihu M.
 20 Berle, Department 6, located at the Spring Street Courthouse, 312 North Spring Street, Los
 21 Angeles, California 90012, to among other things: (i) determine whether the terms and conditions
 22 of the proposed Settlement are fair, reasonable, and adequate to Snap and should be finally
 23 approved by the Court; (ii) determine whether the Judgment finally approving the Settlement,
 24 substantially in the form of Exhibit E attached to the Stipulation, should be entered, dismissing the
 25 Derivative Actions with prejudice, and releasing and enjoining the prosecution of any and all
 26 Released Claims; (iii) consider any objections to the Settlement by Current Snap Stockholders; (iv)
 27 consider whether the agreed-to Fee and Expense Amount and Plaintiffs' Service Awards should be
 28 finally approved; and (v) consider any other matters that may properly be brought before the Court
 in connection with the Settlement. The Court may adjourn the date of the Settlement Hearing or
 modify any other dates set forth herein without further notice to Current Snap Stockholders and
 retains jurisdiction to consider all further applications arising out of or connected with the
 Settlement. The Court may approve the Settlement and any of its terms, with such modifications
 as may be agreed to by the Parties, if appropriate, without further notice to Current Snap
 Stockholders.

Any Current Snap Stockholder who wishes to object to the fairness, reasonableness, or
 adequacy of the Settlement as set forth in the Stipulation, or to the agreed-to attorneys' fees and
 expenses, may file a written objection with the Notice Administrator and appear at the Settlement
 Hearing. Stockholder objectors are strongly encouraged to file with the Notice Administrator no
 later than November 16, 2020, who will provide to Counsel for the Parties and will file those
 objections with the Court: (1) a written objection to the Settlement setting forth (a) the objector's
 name, mailing address, daytime telephone number, and e-mail address (if any); (b) the specific
 reason for the objection; (c) any and all documentation or evidence in support of such objection;
 and (d) proof of ownership of Snap common stock as of August 12, 2020 and through the date of
 the Settlement Hearing, including the number of shares of Snap common stock held and the date
 of purchase; and (2) if the stockholder objector intends to appear and request to be heard at the
 Settlement Hearing, a written notice of such stockholder's intention to appear at the Settlement
 Hearing.

*IF YOU MAKE A WRITTEN OBJECTION, IT MUST BE RECEIVED BY THE NOTICE
 ADMINISTRATOR NO LATER THAN NOVEMBER 16, 2020.* The Notice Administrator's address
 is:

JND Legal Administration
 Snap Derivative Settlement

PO Box 91391
Seattle, WA 98111

1
2
3 You may file an objection on your own or through an attorney hired at your own expense.
4 If you hire an attorney to represent your for the purposes of making an objection pursuant to this
5 paragraph, the attorney must effect service of a notice of appearance on the Notice Administrator
6 and file such notice with the Court no later than December 2, 2020. You may appear at the
7 Settlement Hearing either in person or through counsel retained at your expense. However,
8 objectors need not attend the Settlement Hearing in order to have their objections considered by
9 the Court.

10
11 If you are a Current Snap Stockholder and do not take steps to appear in this action and
12 object to the proposed Settlement, you will be bound by the Judgment of the Court, the dismissal
13 of the Derivative Actions with prejudice, and any and all of the releases set forth in the Stipulation
14 and will forever be barred from raising an objection to such settlement in this or any other action
15 or proceeding, and from pursuing any of the Released Claims.

16
17 You may obtain further information by contacting counsel for Plaintiffs: Joshua Rubin,
18 WEISSLAW LLP, 1500 Broadway, 16th Floor, New York, NY 10036, Telephone: (212) 682-3025,
19 Email: jrubin@weisslawllp.com.

20
21
22
23
24
25
26
27
28
Please Do Not Call the Court with Questions About the Settlement.