

1 This Stipulation of Settlement dated as of May 25, 2006 (the "Stipulation"), is made and
2 entered into by and among the following Settling Parties (as defined further in Section IV hereof)
3 to the above-entitled Litigation: (i) the Lead Plaintiff (on behalf of herself and each of the
4 Settlement Class Members), by and through her counsel of record in the Litigation; and (ii) the
5 Defendants, by and through their counsel of record in the Litigation. The Stipulation is intended
6 by the Settling Parties to fully, finally and forever resolve, discharge and settle the Released
7 Claims, upon and subject to the terms and conditions hereof.

8 **I. THE LITIGATION**

9 On November 7, 2002, this action was filed in the United States District Court for the
10 Northern District of California as a securities class action on behalf of purchasers of Genesis
11 Microchip Inc. ("Genesis") common stock on the open market during the period April 29, 2002
12 through June 14, 2002 (the "Litigation").

13 On May 21, 2003, the Court appointed Christine Kuehbeck as Lead Plaintiff pursuant to
14 Section 21D(a)(3)(B) of the Securities Exchange Act of 1934 and approved her selection of Wolf
15 Popper LLP as Lead Counsel.

16 On July 3, 2003, plaintiff filed a First Amended Complaint for Violation of the Federal
17 Securities Laws. On March 29, 2004, the Court dismissed the First Amended Complaint with
18 leave to amend. On May 17, 2004, plaintiff filed the Second Amended Class Action Complaint
19 for Violation of the Federal Securities Laws (the "Complaint"). The Complaint alleged
20 violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule
21 10b-5 promulgated thereunder on behalf of a class of purchasers of Genesis common stock on
22 the open market during the period April 29, 2002 through June 14, 2002. On July 27, 2005, the
23 Court dismissed the Complaint with prejudice. On September 19, 2005, the Court entered Final
24 Judgment in favor of defendants. On October 17, 2005, Lead Plaintiff filed a notice of appeal.

25 **II. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

26 The Defendants have denied and continue to deny each and all of the claims and
27 contentions alleged by the Lead Plaintiff in the Litigation. The Defendants expressly have
28 denied and continue to deny all charges of wrongdoing or liability against them arising out of

1 any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the
2 Litigation. The Defendants also have denied and continue to deny, *inter alia*, the allegations that
3 the Lead Plaintiff or the Settlement Class have suffered damage, that the price of Genesis
4 common stock was artificially inflated by reasons of alleged misrepresentations, non-disclosures
5 or otherwise, and that the Lead Plaintiff or the Settlement Class were harmed by the conduct
6 alleged in the Complaint.

7 Nonetheless, the Defendants have concluded that further conduct of the Litigation would
8 be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled
9 in the manner and upon the terms and conditions set forth in this Stipulation. The Defendants
10 also have taken into account the uncertainty and risks inherent in any litigation, especially in
11 complex cases like this Litigation. The Defendants have, therefore, determined that it is
12 desirable and beneficial to them that the Litigation be settled in the manner and upon the terms
13 and conditions set forth in this Stipulation.

14 **III. CLAIMS OF THE LEAD PLAINTIFF AND BENEFITS OF SETTLEMENT**

15 The Lead Plaintiff believes that the claims asserted in the Litigation have merit and that
16 the evidence developed to date supports the claims. However, the Lead Plaintiff recognizes and
17 acknowledges the expense and length of continued proceedings necessary to prosecute the
18 Litigation against the Defendants through trial and through appeals. The Lead Plaintiff also has
19 taken into account the uncertain outcome and the risk of any litigation, especially in complex
20 actions such as this Litigation, as well as the difficulties and delays inherent in such litigation.
21 Among other things, the Lead Plaintiff has considered the fact that the Complaint was dismissed
22 with prejudice and the possibility that the dismissal could be affirmed on appeal. The Lead
23 Plaintiff also is mindful of the inherent problems of proof under and possible defenses to the
24 securities law violations asserted in the Litigation even if the dismissal were to be reversed in the
25 pending appeal. The Lead Plaintiff believes that the settlement set forth in the Stipulation
26 confers substantial benefits upon the Settlement Class. Based on their evaluation, the Lead
27 Plaintiff and Lead Counsel have determined that the settlement set forth in the Stipulation is in
28 the best interests of the Lead Plaintiff and the Settlement Class.

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

2 NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the
3 Lead Plaintiff (for herself and the Settlement Class Members) and the Defendants, by and
4 through their respective counsel or attorneys of record, that, subject to the approval of the Court,
5 the Litigation and the Released Claims shall be finally and fully compromised, settled and
6 released, and the Litigation shall be dismissed with prejudice, as to all Settling Parties, upon and
7 subject to the terms and conditions of the Stipulation, as follows.

8 **1. Definitions**

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

10 1.1 "Authorized Claimant" means any Settlement Class Member whose claim for
11 recovery has been allowed pursuant to the terms of the Stipulation.

12 1.2 "Claimant" means any Settlement Class Member who files a Proof of Claim in
13 such form and manner, and within such time, as the Court shall prescribe.

14 1.3 "Claims Administrator" means the firm of Garden City Group, Inc.

15 1.4 "Defendants" means Genesis and the Individual Defendants.

16 1.5 "Effective Date" means the first date by which all of the events and conditions
17 specified in ¶7.1 of the Stipulation have been met and have occurred.

18 1.6 "Escrow Agent" means the law firm of Wolf Popper LLP or its successor(s).

19 1.7 "Final" means when the last of the following with respect to the Judgment
20 approving the Stipulation, substantially in the form of Exhibit B hereto, shall occur: (i) the
21 expiration of three (3) business days after the time to file a motion to alter or amend the
22 Judgment under Federal Rule of Civil Procedure 59(e) has passed without any such motion
23 having been filed; (ii) the expiration of three (3) business days after the time in which to appeal
24 the Judgment has passed without any appeal having been taken (which date shall be deemed to
25 be thirty-three (33) days following the entry of the Judgment, unless the date to take such an
26 appeal shall have been extended by Court order or otherwise, or unless the 33rd day falls on a
27 weekend or a Court holiday, in which case the date for purposes of this Stipulation shall be
28 deemed to be the next business day after such 33rd day); and (iii) if such motion to alter or

1 amend is filed or if an appeal is taken, three (3) business days after the determination of that
2 motion or appeal in such a manner as to permit the consummation of the settlement substantially
3 in accordance with the terms and conditions of this Stipulation. For purposes of this paragraph,
4 an “appeal” shall not include any appeal that concerns only the issue of attorneys’ fees and
5 reimbursement of costs or the Plan of Allocation of the Settlement Fund.

6 1.8 “Individual Defendants” means Amnon Fisher, Eric Erdman and Anders Frisk.

7 1.9 “Judgment” means the judgment to be rendered by the Court, substantially in the
8 form attached hereto as Exhibit B.

9 1.10 “Lead Counsel” means Wolf Popper LLP, Robert C. Finkel, Danielle Disporto,
10 845 Third Avenue, New York, New York 10022.

11 1.11 “Lead Plaintiff” means Christine Kuehbeck.

12 1.12 “Person” means an individual, corporation, partnership, limited partnership,
13 association, joint stock company, estate, legal representative, trust, unincorporated association,
14 government or any political subdivision or agency thereof, and any business or legal entity and
15 their spouses, heirs, predecessors, successors, representatives, or assignees.

16 1.13 “Plan of Allocation” means a plan or formula of allocation of the Settlement Fund
17 whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of
18 expenses of notice and administration of the settlement, Taxes and Tax Expenses and such
19 attorneys’ fees, costs, expenses and interest as may be awarded by the Court. Any Plan of
20 Allocation is not part of the Stipulation and Defendants and their Related Parties shall have no
21 responsibility therefore or liability with respect thereto.

22 1.14 “Related Parties” means each of a Defendant’s past or present directors, officers,
23 employees, partners, insurers, co-insurers, reinsurers, agents, controlling shareholders, attorneys,
24 accountants or auditors, advisors, investment advisors, personal or legal representatives,
25 predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs,
26 related or affiliated entities, any entity in which a Defendant has a controlling interest, any
27 members of an Individual Defendant’s immediate family, or any trust of which the Individual
28 Defendant is the settlor or which is for the benefit of the Individual Defendant’s family.

1 1.15 “Released Claims” shall collectively mean all claims (including “Unknown
2 Claims” as defined in ¶1.22 hereof), demands, rights, liabilities and causes of action of every
3 nature and description whatsoever, known or unknown, whether or not concealed or hidden,
4 asserted or that might have been asserted, including, without limitation, claims for negligence,
5 gross negligence, breach of duty of care and/or breach of duty of loyalty, fraud, breach of
6 fiduciary duty, or violations of any state or federal statutes, rules or regulations, by Lead Plaintiff
7 or any Settlement Class Member against the Defendants or their Related Parties arising out of,
8 relating to, or in connection with the purchase or acquisition of Genesis common stock by Lead
9 Plaintiff or any Settlement Class Member during the Settlement Class Period and any and all
10 claims arising out of, relating to, or in connection with the settlement or resolution of this matter.

11 1.16 “Released Persons” means each and all of the Defendants and each and all of their
12 Related Parties.

13 1.17 “Settlement Class” means all Persons who purchased or acquired Genesis
14 common stock on the open market during the period between April 29, 2002 and June 14, 2002,
15 inclusive. Excluded from the Settlement Class are Defendants, members of the immediate
16 families of the Individual Defendants, any entity in which any Defendant has or had a controlling
17 interest, current or former directors and officers of Genesis, and the legal representatives, heirs,
18 successors, or assigns of any such excluded person or entity. Also excluded from the Settlement
19 Class are those Persons who timely and validly request exclusion from the Settlement Class
20 pursuant to the Notice of Pendency and Proposed Settlement of Class Action.

21 1.18 “Settlement Class Member” or “Member of the Settlement Class” mean a Person
22 who falls within the definition of the Settlement Class as set forth in ¶1.17 of the Stipulation.

23 1.19 “Settlement Class Period” means the period commencing on April 29, 2002
24 through June 14, 2002, inclusive.

25 1.20 “Settlement Fund” means the principal amount of \$1,750,000 (one million seven
26 hundred fifty thousand dollars) in cash to be paid to the Escrow Agent pursuant to ¶2.1 of this
27 Stipulation, plus all interest earned thereon pursuant to ¶¶2.1, 2.2 and 2.6.

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1 1.21 “Settling Parties” means, collectively, each of the Defendants and the Lead
2 Plaintiff on behalf of herself and Settlement Class Members.

3 1.22 “Unknown Claims” shall collectively mean all claims, demands, rights, liabilities,
4 and causes of action of every nature and description which any Lead Plaintiff or Settlement Class
5 Member does not know or suspect to exist in his, her or its favor at the time of the release of the
6 Released Persons which, if known by him, her or it, might have affected his, her or its settlement
7 with and release of the Released Persons, or might have affected his, her or its decision not to
8 object to this settlement. With respect to any and all Released Claims, the Settling Parties
9 stipulate and agree that, upon the Effective Date, the Lead Plaintiff shall expressly waive, and
10 each of the Settlement Class Members shall be deemed to have waived, and by operation of the
11 Judgment shall have waived, the provisions, rights and benefits of California Civil Code §1542,
12 which provides:

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

16 The Lead Plaintiff shall expressly and each of the Settlement Class Members shall be
17 deemed to have, and by operation of the Judgment shall have, expressly waived any and all
18 provisions, rights and benefits conferred by any law of any state or territory of the United States,
19 or principle of common law, which is similar, comparable or equivalent to California Civil Code
20 §1542. The Lead Plaintiff and Settlement Class Members may hereafter discover facts in
21 addition to or different from those which he, she or it now knows or believes to be true with
22 respect to the subject matter of the Released Claims, but the Lead Plaintiff shall expressly, fully,
23 finally and forever settle and release, and each Settlement Class Member, upon the Effective
24 Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and
25 forever settled and released, any and all Released Claims, known or unknown, suspected or
26 unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist,
27 or heretofore have existed, upon any theory of law or equity now existing or coming into
28 existence in the future, including, but not limited to, conduct which is negligent, intentional, with

1 or without malice, or a breach of any duty, law or rule, without regard to the subsequent
2 discovery or existence of such different or additional facts. The Lead Plaintiff acknowledges,
3 and the Settlement Class Members shall be deemed by operation of the Judgment to have
4 acknowledged, that the foregoing waiver was separately bargained for and a key element of the
5 settlement of which this release is a part.

6 **2. The Settlement**

7 **a. The Settlement Fund**

8 2.1 The principal amount of \$1,750,000 (one million seven hundred fifty thousand
9 dollars) in cash shall be transferred by or on behalf of Defendants to the Escrow Agent as
10 follows: (a) \$75,000 to establish a "Class Notice and Administration Fund" on the later of June
11 15, 2006 or five (5) business days after entry of the Notice Order (as defined in ¶ 3.1 herein); and
12 (b) \$1,675,000 on the later of 60 days from the signing of the Stipulation or 3 (three) business
13 days after entry of the Notice Order. If the agreed upon sums are not timely transferred to the
14 Escrow Agent, the untransferred portion shall bear interest at 5% per annum from the date due
15 until such amount is transferred to the Escrow Agent. Upon execution of the Stipulation, Lead
16 Counsel shall provide to Genesis' counsel wire transfer instructions for the transfer of the
17 Settlement Fund to the Escrow Agent.

18 **b. The Escrow Agent**

19 2.2 The Escrow Agent may invest the Settlement Fund deposited pursuant to ¶2.1
20 hereof in instruments of no greater than six-months duration backed by the full faith and credit of
21 the United States Government or fully insured by the United States Government or an agency
22 thereof and shall reinvest the proceeds of these instruments as they mature in similar instruments
23 at their then-current market rates. The Settling Parties shall bear no responsibilities or risks
24 related to investment of the Settlement Fund.

25 2.3 The Escrow Agent shall not disburse the Settlement Fund except as provided in
26 the Stipulation, by an order of the Court, or with the written agreement of counsel for
27 Defendants.

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1 2.4 Subject to further order and/or direction as may be made by the Court, the Escrow
2 Agent is authorized to execute such transactions on behalf of the Settlement Class Members as
3 are consistent with the terms of the Stipulation.

4 2.5 All funds held by the Escrow Agent shall be deemed and considered to be in
5 *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such
6 time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the
7 Court.

8 2.6 The Class Notice and Administration Fund may be used by Lead Counsel to pay
9 costs and expenses reasonably and actually incurred in connection with providing notice to the
10 Settlement Class, locating Settlement Class Members, soliciting claims, assisting with the filing
11 of claims, administering and distributing the Settlement Fund to Authorized Claimants,
12 processing Proof of Claim and Release forms and paying escrow fees and costs, if any. The
13 Class Notice and Administration Fund may also be invested and earn interest as provided for in
14 ¶2.2 of this Stipulation. In no event shall Defendants or their Related Parties have any
15 responsibility for or liability with respect to the Escrow Agent or its actions or the Class Notice
16 and Administration Fund. The Escrow Agent may, with the approval of the Court, if necessary,
17 utilize a portion of the balance of the settlement fund for the expenses of class notice and
18 administration.

19 c. **Taxes**

20 2.7 (a) Settling Parties and the Escrow Agent agree to treat the Settlement Fund
21 as being at all times a “qualified settlement fund” within the meaning of Treas. Reg. §1.468B-1.
22 In addition, the Escrow Agent shall timely make such elections as necessary or advisable to carry
23 out the provisions of this ¶2.7, including the “relation-back election” (as defined in Treas. Reg.
24 §1.468B-1) back to the earliest permitted date. Such elections shall be made in compliance with
25 the procedures and requirements contained in such regulations. It shall be the responsibility of
26 the Escrow Agent to timely and properly prepare and deliver the necessary documentation for
27 signature by all necessary parties, and thereafter to cause the appropriate filing to occur.
28

1 (b) For the purpose of §468B of the Internal Revenue Code of 1986, as
2 amended, and the regulations promulgated thereunder, the “administrator” shall be the Escrow
3 Agent. The Escrow Agent shall timely and properly file all informational and other tax returns
4 necessary or advisable with respect to the Settlement Fund (including without limitation the
5 returns described in Treas. Reg. §1.468B-2(k)). Such returns (as well as the election described in
6 ¶2.7(a) hereof) shall be consistent with this ¶2.7 and in all events shall reflect that all Taxes
7 (including any estimated Taxes, interest or penalties) on the income earned by the Settlement
8 Fund shall be paid out of the Settlement Fund as provided in ¶2.7(c) hereof.

9 (c) All (a) Taxes (including any estimated Taxes, interest or penalties) arising
10 with respect to the income earned by the Settlement Fund, including any Taxes or tax detriments
11 that may be imposed upon the Defendants or their Related Parties with respect to any income
12 earned by the Settlement Fund for any period during which the Settlement Fund does not qualify
13 as a “qualified settlement fund” for federal or state income tax purposes (“Taxes”), and (b)
14 expenses and costs incurred in connection with the operation and implementation of this ¶2.7
15 (including, without limitation, expenses of tax attorneys and/or accountants and mailing and
16 distribution costs and expenses relating to filing (or failing to file) the returns described in this
17 ¶2.7 (“Tax Expenses”), shall be paid out of the Settlement Fund; in no event shall the
18 Defendants or their Related Parties have any responsibility for or liability with respect to the
19 Taxes or the Tax Expenses. The Escrow Agent shall indemnify and hold each of the Defendants
20 and their Related Parties harmless for Taxes and Tax Expenses (including, without limitation,
21 Taxes payable by reason of any such indemnification). Further, Taxes and Tax Expenses shall
22 be treated as, and considered to be, a cost of administration of the Settlement Fund and shall be
23 timely paid by the Escrow Agent out of the Settlement Fund without prior order from the Court
24 and the Escrow Agent shall be obligated (notwithstanding anything herein to the contrary) to
25 withhold from distribution to Authorized Claimants any funds necessary to pay such amounts
26 including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any
27 amounts that may be required to be withheld under Treas. Reg. §1.468B-2(1)(2)); neither the
28 Defendants nor their Related Parties are responsible therefore nor shall they have any liability