

1 **PLAN OF ALLOCATION FOR NET SETTLEMENT FUND**

2 **In re PayPal Litigation, Case No. CV-02-01227-JF/PVT**

3 The Net Settlement Fund will be distributed as follows. All defined terms contained and  
4 not otherwise defined herein shall have the same meanings as set forth in the Settlement Agreement  
5 dated June 11, 2004 ("Agreement").

6 1. As used herein, the following terms have the meanings set forth below:

7 (a) "Fund Claimants" are class members who submit timely, valid claims in  
8 accordance with the procedures described in the notice.

9 (b) "Dispute Resolution Claimants" means a Class Member who has contended or  
10 contends that, at any time during the Class Period, such Class Member:

11 (i) experienced or reported to PayPal an unauthorized or incorrect electronic  
12 transfer to or from their PayPal account including, without limitation, electronic transfers initiated by  
13 (a) the Class Member; (b) PayPal in connection with, among other things, chargebacks, refunds,  
14 buyer complaints, PayPal's Seller Protection Policy and/or Buyer Protection Policy; or (c) any third  
15 parties;

16 (ii) had access to their PayPal account improperly, incorrectly or erroneously  
17 limited or restricted, in whole or in part;

18 (iii) made a request for information in connection with PayPal's restriction or  
19 limitation of the Class Member's PayPal account to which PayPal did not respond at all or did not  
20 respond to the Fund Claimant's satisfaction.

21 (c) "Statutory Damage Fund Claimants" means all Class Members who are not  
22 Dispute Resolution Claimants.

23 (d) "Short-Form Claimants" means Dispute Resolution Claimants who make a  
24 claim by submitting the Short Form.

25 (e) "Long-Form Claimants" means Dispute Resolution Claimants who make a  
26 claim by submitting the Long Form.

27 (f) "Statutory Damage Fund" means the sum of \$1,000,000.  
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1 (g) "Compensatory Damage Fund" means the balance of the Net Settlement Fund  
2 remaining after deduction of the Statutory Damage Fund.

3 (h) "Short-Form Fund" means fifty percent of the Compensatory Damage Fund.

4 (i) "Long-Form Fund" means the remaining fifty percent of the Compensatory  
5 Damage Fund.

6 2. The Statutory Damage Fund will be distributed *per capita* among all Statutory  
7 Damage Fund Claimants.

8 3. The Short-Form Fund will be distributed among Short-Form Claimants as follows.

9 (a) The sum of \$50 will be distributed to each Short Form Claimant provided,  
10 however, that if the aggregate amount of all the payments made to the Short-Form Claimants  
11 exceeds the amount of the Short-Form Fund, the Short-Form Fund shall instead be distributed *per*  
12 *capita* among all Short-Form Claimants.

13 (b) If the aggregate amount of all payments made to Short-Form Fund Claimants  
14 is less than the Short-Form Fund, then the balance of the Short-Form Fund remaining after deduction  
15 of the aggregate amount payable to Short-Form Claimants will be added to the Long-Form Fund.

16 4. The Long-Form Fund will be distributed among Long-Form Claimants as follows.

17 (a) Class Counsel will propose for Court approval a Person of appropriate  
18 experience and expertise who will serve as Claims Administrator. After receipt of all claims from  
19 the Short-Form Claimants and the Long-Form Claimants, the Claims Administrator will develop a  
20 proposal for allocation of the Long-Form Fund among Long-Form Claimants who have timely  
21 completed and returned the Claim Form (the "Long-Form Fund Plan of Allocation").

22 (b) In developing the Long-Form Fund Plan of Allocation, the Claims  
23 Administrator will consider, as to each Long-Form Claimant, the amount of damages claimed, the  
24 nature of the injury complained of, the quality of the proof submitted in support of the claim, the  
25 recoverable damages, the relative probability of success on the merits, and such other factors as the  
26 Claims Administrator deems relevant. The parties anticipate that in developing the Long-Form Fund  
27 Plan of Allocation, the Claims Administrator will develop and implement reasonable measures to  
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1 detect claims submitted by Class Members who may have misused the PayPal system or defrauded  
2 PayPal or PayPal users.

3 (c) The Claims Administrator will be authorized to retain one or more former PayPal  
4 employees who are familiar with PayPal's policies, procedures and systems to assist in the  
5 development of the Long-Form Fund Plan of Allocation, including the identification of fraudulent  
6 claims. The Claims Administrator is also authorized to request that PayPal provide copies of records  
7 pertaining to the Class Members. PayPal's obligation to provide such records will be contingent on  
8 PayPal's agreement to the terms and conditions pursuant to which such records will be provided  
9 (such terms and conditions may include payment of an hourly rate to PayPal that includes any and  
10 all costs PayPal may incur including out-of-pocket costs and overhead). The parties recommend that  
11 the Claims Administrator consult with both parties in advance of his or her development of the  
12 Long-Form Fund Plan of Allocation in an effort to avoid any later objections to the proposed plan.

13 (d) The Long-Form Fund will be applied to make payments to all Long-Form  
14 Claimants in the amounts determined by the Claims Administrator pursuant to subparagraph (b) of  
15 this Paragraph 5. If the aggregate amount of all payments made to Long-Form Fund Claimants after  
16 all Long-Form Fund Claimants have been compensated fully is less than the Long-Form Fund, then  
17 the balance of the Long-Form Fund will be added to the Short-Form Fund.

18 (e) If there are sufficient funds to pay all Short Form-Claimants and Long-Form  
19 Claimants in full in accordance with the terms of this Plan of Allocation, any remaining funds will  
20 be divided equally among all Dispute Resolution Claimants to supplement their recoveries.

21 (e) The reasonable fees, expenses, and costs of the Claims Administrator,  
22 including any costs incurred in retaining any former PayPal employee he or she may decide to retain  
23 or in obtaining records from PayPal, are Administrative Costs incurred in connection with the  
24 administration of the Settlement and the Plan of Allocation, and are payable from the Settlement  
25 Fund pursuant to Paragraph 4.6 of the Agreement.

26 5. Following development of the Long-Form Fund Plan of Allocation, the Claims  
27 Administrator shall submit such plan for approval to Magistrate Edward A. Infante, the Special  
28 Master herein. The parties will consent to entry of an order providing that Judge Infante will be

1 authorized to hear and issue a binding ruling upon any matter relating to the Long-Form Fund Plan  
2 of Allocation. PayPal shall be entitled to assert objections to the Claims Administrator's proposed  
3 Long-Form Fund Plan of Allocation, if it deems it necessary to do so. Judge Infante shall take into  
4 consideration any objections asserted by PayPal or any other individual in deciding whether to  
5 approve the Claims' Administrator's proposed Long-Form Fund Plan of Allocation.

6           6.       Subject to subparagraph (b) of this Paragraph 6, each Fund Claimant will be sent a  
7 payment from the Net Settlement Fund in the amount of the distribution to which the Fund Claimant  
8 is entitled under Paragraphs 2-4.

9                   (a)       For each Fund Claimant who has an unrestricted PayPal account at the time  
10 the Fund Claimant's payment is to be sent, the payment will be sent to the Fund Claimant by  
11 electronically transferring the amount of the payment to that account from the Net Settlement Fund,  
12 unless the Claimant requests that payment be made by check as provided in subparagraph (b) below.

13                   (b)       For each Fund Claimant who requests payment by check or who does not  
14 have an unrestricted PayPal account at the time the Fund Claimant's payment is to be sent, the  
15 payment will be sent by first-class mail to the Fund Claimant in the form of a check payable to the  
16 Fund Claimant and drawn on the Net Settlement Fund. A \$1.00 charge will be deducted from  
17 payments made to Fund Claimants by check to cover the cost of issuing and mailing the check. The  
18 Claims Administrator will not issue checks for less than \$1.00. Such amounts will instead be  
19 reallocated to the remaining persons who are entitled to receive a distribution from the Statutory  
20 Damage Fund, the Short-Form Fund or the Long-Form Fund, as the case may be.

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