

SETTLEMENT AGREEMENT AND GENERAL RELEASE

This Confidential Settlement Agreement and General Release ("Agreement") is made and entered into between defendants palmOne, Inc. (formerly known as Palm, Inc.), for itself and its unincorporated department Solutions Group, and PalmSource, Inc. ("Palm"), on the one hand, and plaintiff Chet Taylor ("Class Representative"), individually and as a representative of the Plaintiff Settlement Class (as fully defined in Section II.7 below).

I. RECITALS

These recitals are material terms of this Agreement. This Agreement is made for the following purpose and with reference to the following facts:

1. On July 16, 2003, Chet Taylor, as Class Representative, through his attorneys Gancedo & Nieves LLP and certain other Class Counsel, commenced an action against Palm in the Superior Court of California, County of Los Angeles, styled Taylor v. Palm, Inc., et al., Case No. BC 299134 (the "Action").

2. Class Representative brought the Action as a statewide class action, seeking relief on behalf of himself and a putative class of individuals and asserting claims for violation of Business and Professions Code section 17200, *et seq.*, violation of the Consumers Legal Remedies Act (California Civil Code section 1750, *et seq.*), Breach of Express Warranty, Breach of Implied Warranty, Fraud, and Negligent Misrepresentation.

3. Class Representative alleged in the Action that Palm's handheld personal digital assistant models m100, m105, and m125 were defective in that a user who followed Palm's instructions during the battery change process could lose data in the handheld unit, and that Palm allegedly committed unlawful business practices in the way it communicated and/or omitted to communicate and disclose certain facts and circumstances to its customers in connection therewith. Class Representative made the same allegations with respect to the Palm model m130, but withdrew those allegations upon learning that the model m130 does not contain customer accessible batteries.

4. Palm denies the allegations and contentions asserted in the Action and does not, by this Agreement, admit any liability whatsoever. Palm further denies that any member of the Plaintiff Settlement Class (as defined below) has suffered any harm or damage or is entitled to any monetary or equitable relief in connection therewith.

5. Nevertheless, without admitting or conceding any liability or wrongdoing, the parties desire to settle the Action on the terms and conditions set forth in this Agreement in order to avoid the burden, expense, and uncertainty of continuing litigation, and to put to rest all claims that were, or could have been, asserted in this or any other litigation based upon or arising from the facts alleged in the Action.

6. Plaintiffs' Counsel (as defined below) have conducted a thorough examination and investigation of the facts and law relating to the matters in the Action, including, but not limited to engaging in discovery, both formal and informal, examining Palm documents, requesting and receiving written discovery responses from Palm, and deposing Palm employees and former employees.

