

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA SOUTHERN DIVISION**

IN RE STEC, INC. SECURITIES LITIGATION

This Document Relates To:

ALL ACTIONS

No. SACV 09-01304-JVS (MLGx)

**NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT AND MOTION FOR ATTORNEYS' FEES AND EXPENSES**

Judge: Hon. James V. Selna

**If you purchased or otherwise acquired the publicly traded common stock of STEC, Inc. ("STEC" or the "Company") during the period from June 16, 2009 to February 23, 2010, inclusive (the "Class Period"), and were allegedly damaged thereby, you may be entitled to a payment from this class action settlement.**

*A federal court authorized this Notice. This is not a solicitation from a lawyer.*

The purpose of this Notice is to inform you of (a) the pendency of this class action (the "Action"), (b) the proposed settlement of the Action with Defendants (defined below), (c) the hearing to be held by the Court to consider (i) whether the settlement should be approved, (ii) the application of plaintiffs' counsel for attorneys' fees and expenses, and (iii) certain other matters (the "Settlement Hearing"). This Notice describes important rights you may have and what steps you must take if you wish to participate in the settlement or wish to be excluded from the Class (defined below).<sup>1</sup>

- If approved by the Court, the Settlement will provide a thirty-five million seven hundred fifty thousand (\$35,750,000) cash settlement fund for the benefit of eligible investors (the "Settlement") who purchased or otherwise acquired the publicly traded common stock of STEC during the period from June 16, 2009 to February 23, 2010, inclusive, and were allegedly damaged thereby (the "Class").
- The Settlement resolves claims that Defendants misled investors about STEC's revenue growth and inflated the price of STEC's stock, avoids the costs and risks of continuing the litigation, pays money to investors like you, and releases Defendants from liability.<sup>2</sup>
- Your legal rights are affected whether you act or do not act. Read this Notice carefully.
- The Court will review the Settlement at the Settlement Hearing to be held on May 20, 2013.

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT</b>	
<b>SUBMIT A CLAIM FORM BY JUNE 25, 2013</b>	The only way to get a payment.
<b>EXCLUDE YOURSELF BY APRIL 22, 2013</b>	Get no payment. This is the only option that allows you to ever bring or be part of any <u>other</u> lawsuit about the Released Claims (defined below) against Defendants and the other Released Defendant Parties (defined below).
<b>OBJECT BY APRIL 22, 2013</b>	Write to the Court about why you do not like the Settlement, the proposed Plan of Allocation and/or the requests for attorneys' fees and reimbursement of expenses. You will still be a member of the Class.
<b>GO TO A HEARING ON MAY 20, 2013</b>	Ask to speak in Court about the Settlement at the Settlement Hearing.
<b>DO NOTHING</b>	Get no payment. Give up rights.

- These rights and options—and the deadlines to exercise them—are explained in this Notice.
- The Court in charge of this case still has to decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and after any appeals are resolved. Please be patient.

<sup>1</sup> All capitalized terms not otherwise defined in this Notice have the meanings provided in the Stipulation and Agreement of Settlement ("Stipulation"), as amended, dated as of October 5, 2012.

<sup>2</sup> The Settlement does not release claims in: (i) *In re STEC, Inc. Derivative Litigation*, Master File No. CV 10-00667-JV(MLGx) (C.D. Cal.); (ii) *In re STEC, Inc. Shareholder Derivative Litigation*, No. 30-2009-00320001-CU-SL-CXC (Orange County Super. Ct.); and (iii) the books and records claims set forth in *Berry v. STEC, Inc.*, No. 30-2012-00552385 (Orange County Super. Ct.).

## SUMMARY OF THIS NOTICE

### **(a) Statement of Class Representatives' Recovery**

Pursuant to this proposed Settlement, a Settlement Fund consisting of \$35,750,000 million in cash, plus any accrued interest, has been established. Based on Class Representatives' estimate of the number of shares of common stock entitled to participate in the Settlement, and assuming that all such shares entitled to participate do so, Class Representatives estimate that the average recovery per damaged share of the publicly traded common stock of STEC would be approximately \$0.65 per share, before deduction of Court-approved expenses, such as attorneys' fees and expenses.<sup>3</sup> A Class Member's actual recovery will be a portion of the Net Settlement Fund determined by comparing his or her Recognized Claim to the total Recognized Claims of all Class Members who submit acceptable Proofs of Claim. An individual Class Member's actual recovery will depend on, for example: (1) the total number of claims submitted; (2) when the Class Member purchased or otherwise acquired STEC common stock during the Class Period; (3) the purchase price paid; and (4) whether the STEC common stock was held at the end of the Class Period or sold during the Class Period (and, if sold, when it was sold and the amount received). See the Plan of Allocation beginning on page 10 for more information on your Recognized Claim.

### **(b) Statement of Potential Outcome if the Action Continued to Be Litigated**

The Parties disagree on both liability and damages and do not agree on the average amount of damages, if any, that would be recoverable if Class Representatives were to prevail on each claim alleged. The issues on which the Parties disagree include, but are not limited to: (1) whether Defendants made any material misstatements or omissions; (2) whether Defendants acted with the required state of mind; (3) the amount by which the publicly traded common stock of STEC was allegedly artificially inflated (if at all) during the Class Period; (4) the extent to which the various matters that Class Representatives alleged were false and misleading influenced (if at all) the trading price of STEC publicly traded common stock at various times during the Class Period; (5) whether any purchasers/acquirers of the publicly traded common stock of STEC have suffered damages as a result of the alleged misstatements and omissions in STEC's public statements; (6) the extent of such damages, assuming they exist; (7) the appropriate economic model for measuring damages; and (8) the extent to which external factors, such as general market and industry conditions, influenced the trading price of STEC publicly traded common stock at various times during the Class Period.

Defendants deny that they did anything wrong, deny any liability to Class Representatives, and deny that Class Representatives and the Class have suffered any losses attributable to Defendants' actions. While Class Representatives believe that they have meritorious claims, they recognize that there are significant obstacles in the way to recovery.

### **(c) Statement of Attorneys' Fees and Expenses Sought**

Co-Lead Counsel intend to make a motion, on behalf of Plaintiffs' Counsel, asking the Court for an award of attorneys' fees not to exceed 16.75% of the Settlement Fund and payment of litigation expenses incurred in prosecuting this Action in an amount not to exceed \$2,200,000, plus any interest on such amounts at the same rate and for the same periods as earned by the Settlement Fund ("Fee and Expense Application"). As set forth in detail in question 17 below, the 16.75% cap includes attorneys' fees for Kahn Swick & Foti ("KSF"), one of the former co-lead counsel in this Action. If the Court approves the Fee and Expense Application, the average cost per damaged share of common stock will be approximately \$0.15 per share and the average recovery per damaged share after such fees and expenses will be approximately \$0.50 per share. The average recovery per damaged share will vary depending on the number of acceptable claims submitted. Co-Lead Counsel has expended considerable time and effort in the prosecution of this litigation without receiving any payment, and has advanced the expenses of the litigation, such as the cost of experts, in the expectation that if it were successful in obtaining a recovery for the Class it would be paid from such recovery. In this type of litigation it is customary for counsel to be awarded a percentage of the common fund recovered as attorneys' fees.

Additionally, as set forth in detail in question 17 below, the law firm of Bernstein Litowitz Berger & Grossman LLP ("BLBG") intends to make a motion to the Court for an award of attorneys' fees not to exceed 7.27% of the Settlement Fund and payment of litigation expenses in an amount not to exceed \$80,000, plus any interest on such amounts at the same rate and for the same periods as earned by the Settlement Fund ("BLBG Fee and Expense Application"). If the Court approves BLBG's Fee and Expense Application, the average cost per damaged share of common stock will be approximately \$0.05 per share and the average recovery per damaged share after such fees and expenses will be approximately \$0.60 per share. If the Court approves both BLBG's Fee and Expense Application and Co-Lead Counsel's Fee and Expense Application, the average cost per damaged share of common stock will be approximately \$0.20 per share and the average recovery per damaged share after all fees and expenses requested in this Action will be \$0.45 per share. Other counsel may also make motions to the Court requesting additional awards of attorneys' fees and expenses to be paid from the Settlement Fund.

Pursuant to the Private Securities Litigation Reform Act of 1995 ("PSLRA"), the Fee and Expense Applications may include a request for an award to Class Representatives, former lead plaintiffs Arman Rashtchi and Keith A. Ovitt (as described

---

<sup>3</sup> An allegedly damaged share might have been traded more than once during the Class Period, and the indicated average recovery would be the estimated average for each purchase of a share which allegedly incurred damages.

in question 17), and/or West Virginia Laborers' Pension Trust Fund (as described in question 17) for payment of their reasonable costs and expenses, including lost wages, directly related to their representation of the Class. For example, several of the Class Representatives may seek lost wages for their time being deposited in the case, attending mediations and court hearings, and/or supervising Co-Lead Counsel in the prosecution of this Action. The requests in total will not exceed \$150,000.

**(d) Further Information**

Further information regarding this Action and this Notice may be obtained by contacting the Claims Administrator: The Garden City Group, Inc., 1-855-728-4603, [www.stecsecuritiessettlement.com](http://www.stecsecuritiessettlement.com) or Co-Lead Counsel: Labaton Sucharow LLP, (888) 219-6877, [www.labaton.com](http://www.labaton.com), [settlementquestions@labaton.com](mailto:settlementquestions@labaton.com); and Lite DePalma Greenberg, LLC, (973) 623-3000, [www.litedepalma.com](http://www.litedepalma.com).

**Do Not Call The Court With Questions About The Settlement**

**(e) Reasons for the Settlement**

For Class Representatives, the principal reason for the Settlement is the immediate benefit to the Class. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future.

For Defendants, who deny all allegations of wrongdoing or liability whatsoever, the principal reason for the Settlement is to eliminate the expense, risks, and uncertain outcome of the litigation.

**[END OF COVER PAGE]**

**A. BASIC INFORMATION**

**1. Why did I get this notice package?**

You or someone in your family may have purchased or otherwise acquired the publicly traded common stock of STEC during the period from June 16, 2009 to February 23, 2010, inclusive.

The Court directed that this Notice be sent to Class Members because they have a right to know about a proposed settlement of a class action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement. The Court will review the Settlement at a Settlement Hearing on May 20, 2013, at 1:30 p.m. at the United States District Court for the Central District of California, Southern Division in the Ronald Reagan Federal Building and U.S. Courthouse, Courtroom 10C, 411 West Fourth Street, Santa Ana, CA 92701. If the Court approves the Settlement, and after objections and appeals are resolved, an administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Central District of California. The Action is known as *In re STEC, Inc. Securities Litigation*, No. SACV-09-01304-JVS (MLGx) and is assigned to United States District Judge James V. Selna. The people who sued are called plaintiffs, and the company and the persons they sued are called defendants.

The Lead Plaintiff, the State of New Jersey, Department of Treasury, Division of Investment, along with plaintiffs, International Brotherhood of Electrical Workers, Local 103 ("Local 103") and the Norfolk County Retirement System ("Norfolk County") (together with Lead Plaintiff "Plaintiffs"), and plaintiff Mark Ripperda (collectively, "Class Representatives"), represent the Class. Defendants in this Settlement are STEC and the Individual Defendants, Manouch Moshayedi, Mark Moshayedi, and Raymond Cook.<sup>4</sup>

**2. What is this lawsuit about?**

The operative complaint in the Action is the Third Amended Consolidated Complaint (the "Complaint"). The Complaint generally alleges, among other things, that Defendants violated Sections 10(b), 20(a), and 20A of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder by making alleged misstatements and omissions during the Class Period that created an inflated impression of STEC's revenue growth, and of conditions that supposedly ensured a near and long term continuation and even acceleration of that growth. The Complaint also alleges that Defendants violated Sections 11, 12, and 15 of the Securities Act of 1933 ("Securities Act") by making alleged misstatements and omissions in STEC's registration statement and/or prospectus in connection with the August 3, 2009 secondary offering of STEC stock ("Secondary Offering"). The Complaint

<sup>4</sup> STEC together with the Individual Defendants are the "Defendants" in the Action.

alleges that Plaintiffs and other Class Members purchased or acquired the publicly traded common stock of STEC during the Class Period at artificially inflated prices and were damaged thereby.

On March 22, 2011, Defendants filed motions to dismiss the Second Amended Consolidated Complaint, which Plaintiffs opposed on April 25, 2011. On May 16, 2011, Defendants filed reply briefs in further support of their motions. On June 17, 2011, the Court partially denied and partially granted Defendants' motions to dismiss. The Court denied the motions with respect to the claims under the Exchange Act but granted the motions with respect to the claims under the Securities Act.

Discovery commenced in October 2011, including the production of documents by Defendants and third parties, which resulted in the production of over two million pages of documents. Co-Lead Counsel deposed over twenty-five witnesses including Defendants and certain of their employees, and various third parties, including customers of STEC and securities analysts who covered STEC during the Class Period. Defendants deposed six witnesses, including two of the three Plaintiffs. Additionally, Defendants served Lead Plaintiff with Interrogatory Requests to which Lead Plaintiff responded. The Parties also exchanged expert reports.

On November 21, 2011, Plaintiffs moved to certify a litigation class in the Action which Defendants opposed on January 12, 2012. The Court denied the motion on March 7, 2012 on the ground that Plaintiffs did not have standing to bring claims under the Securities Act. Plaintiffs petitioned the Ninth Circuit pursuant to Rule 23(f) to reverse the denial of class certification, which petition was denied on June 14, 2012. On May 25, 2012, Plaintiffs, with the Court's permission, filed a supplemental memorandum of law in further support of their motion for class certification informing the Court that they could not find a class representative with standing to bring the Securities Act claims. On June 19, 2012, the Court certified the Class for the claims under the Exchange Act and appointed Lead Plaintiff and Local 103 as class representatives. The Court also appointed Co-Lead Counsel and Liaison Counsel as joint lead counsel for the Class pursuant to Rule 23(g). STEC petitioned the Ninth Circuit pursuant to Rule 23(f) to reverse the grant of class certification, which petition was denied on September 6, 2012.

On June 11, 2012, the Court set trial to begin on November 6, 2012.

In January 2012, Plaintiffs and Defendants engaged in a mediation with the assistance of an experienced mediator, the Honorable Layn R. Phillips (Ret.) ("Judge Phillips"). This initial discussion did not result in a resolution of the Action. Later, after the Court's Order certifying the Class for Plaintiffs' claims under the Exchange Act and after the Parties had engaged in extensive discovery, Plaintiffs and Defendants renewed their discussions, with the assistance of Judge Phillips. This discussion did not result in a resolution of the Action. In August 2012, Mark Ripperda, who purchased STEC securities pursuant or traceable to the registration statement and/or the prospectus issued in connection with the Secondary Offering, agreed to serve as a Class Representative and retained separate counsel. In September 2012, the Parties, including Mr. Ripperda's counsel, renewed their discussions, with the assistance of Judge Phillips. Following lengthy, arm's-length, and mediation negotiations, the Parties reached an agreement in principle to settle the claims against Defendants, resulting in the Memorandum of Understanding ("MOU") entered into on September 11, 2012.

The Action seeks money damages against Defendants for violations of the federal securities laws. Defendants deny all allegations of misconduct contained in the Complaint, and deny having engaged in any wrongdoing whatsoever. The Settlement should not be construed or seen as evidence of or an admission or concession on the part of any Defendant with respect to any claim or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity or weakness in the defenses that Defendants have asserted.

### **3. Why is this a class action?**

In a class action, one or more people called class representatives (in this case Lead Plaintiff, Plaintiffs and Mark Ripperda), sue on behalf of people who have similar claims. They are known as class members. Here, the Court certified this as a class action for claims under the Exchange Act in its June 19, 2012 Order and preliminarily certified the claims under the Securities Act for purposes of Settlement only. Bringing a case as a class action allows adjudication of many similar claims of persons and entities that might be economically too small to bring individual actions. One court resolves the issues for all class members, except for those who exclude themselves from the class. At the Settlement Hearing, the Court will decide whether to finally certify the Class for the purposes of Class Representatives' claims under the Securities Act, for purposes of the Settlement only.

### **4. Why is there a settlement?**

The Court did not finally decide in favor of Class Representatives or Defendants. Instead, both sides, with the assistance of Judge Phillips acting as a mediator, agreed to a settlement. That way, they avoid the risks and cost of a trial and the people affected will get compensation immediately, rather than after the time it would take to have a trial and exhaust all appeals. Class Representatives and Plaintiffs' Counsel think the Settlement is in the best interest of all Class Members.

## B. WHO IS IN THE SETTLEMENT

To see if you will get money from this Settlement, you first have to decide if you are a Class Member.

### 5. How do I know if I am part of the Settlement?

The Court has directed that everyone who fits this description is a Class Member, unless they are an excluded person or they take steps to exclude themselves (see below): *all persons and entities, that, between June 16, 2009 and February 23, 2010, inclusive (the "Class Period"), purchased or otherwise acquired the publicly traded common stock of STEC and were damaged thereby.*

### 6. Are there exceptions to being included in the Class?

Excluded from the Class are: Defendants; the members of the immediate families of the Individual Defendants; the subsidiaries and affiliates of Defendants; any person who is an officer, director, partner or controlling person of STEC or any other Defendant; any entity in which any Defendant has a controlling interest; and the legal representatives, heirs, successors and assigns of any such excluded Person or entity. Also excluded from the Class are any Class Members who properly exclude themselves by filing a valid and timely request for exclusion in accordance with the requirements explained below.

If one of your mutual funds purchased or acquired the publicly traded common stock of STEC during the Class Period, that alone does not make you a Class Member. You are only eligible to be a Class Member if you individually purchased or acquired STEC publicly traded common stock during the Class Period. Check your investment records or contact your broker to see if you have eligible purchases/acquisitions.

If you sold the publicly traded common stock of STEC during the Class Period, your sale alone does not make you a Class Member. You are eligible to be a Class Member only if you **purchased or acquired** your publicly traded common stock of STEC during the Class Period.

### 7. What if I am still not sure if I am included?

If you are still not sure whether you are included, you can ask for free help. You can call (855) 728-4603 or visit [www.stecsecuritiessettlement.com](http://www.stecsecuritiessettlement.com) for more information. Or you can fill out and return the Proof of Claim and Release form ("Proof of Claim") described in question 10, to see if you qualify.

## C. THE SETTLEMENT BENEFITS—WHAT YOU GET

### 8. What does the Settlement provide?

In exchange for the Settlement and the release of the Released Claims (defined below) against the Released Defendant Parties (defined below), the Defendants have agreed to create a \$35.75 million cash fund to be divided, after deduction of Court-awarded attorneys' fees and expenses, settlement administration costs, and any applicable taxes, among all Class Members who send in valid and timely Proofs of Claim. Before the Settlement becomes effective, up to \$450,000 may be paid from the Settlement Fund for settlement administration costs, including the costs of mailing this notice.

### 9. How much will my payment be?

Your share of the Net Settlement Fund will depend on several things, including: (1) the total amount of Recognized Claims of other Class Members; (2) how much STEC publicly traded common stock you purchased or acquired; (3) how much you paid for your shares; (4) when you bought your shares; and (5) whether or when you sold your shares (and, if so, for how much).

Your Recognized Claim will be calculated according to the formula shown below in the Plan of Allocation. It is unlikely that you will get a payment for your entire Recognized Claim, given the number of potential Class Members. After all Class Members have sent in their Proofs of Claim, the payment you get will be a portion of the Net Settlement Fund based on your Recognized Claim divided by the total of everyone's Recognized Claims. See the Plan of Allocation beginning on page 10 for more information on your Recognized Claim.

## D. HOW YOU GET A PAYMENT—SUBMITTING A PROOF OF CLAIM

### 10. How can I get a payment?

To qualify for a payment, you must send in a completed Proof of Claim. A Proof of Claim is being circulated with this Notice. You may also get a Proof of Claim on the Internet at the websites for the Claims Administrator or Co-Lead Counsel: [www.stecsecuritiessettlement.com](http://www.stecsecuritiessettlement.com), [www.labaton.com](http://www.labaton.com), or [www.litedepalma.com](http://www.litedepalma.com). The Claims Administrator can also help

you if you have questions about the form. Please read the instructions carefully, fill out the Proof of Claim, include all the documents the form asks for, sign it, and mail it **postmarked no later than June 25, 2013**.

**11. When would I get my payment?**

The Court will hold a Settlement Hearing on **May 20, 2013**, at 1:30 p.m. to decide whether to approve the Settlement. Even if the Court approves the Settlement, there may still be appeals, which can take time to resolve, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed. All Proofs of Claim need to be submitted by **June 25, 2013**.

Once all the Proofs of Claim are processed and claims are calculated, Co-Lead Counsel, without further notice to the Class, will apply to the Court for an order distributing the Net Settlement Fund to the Members of the Class. Co-Lead Counsel will also ask the Court to approve payment of the Claims Administrator's fees and expenses incurred in connection with giving notice and administering the Settlement. Please be patient.

**12. What am I giving up to get a payment and by staying in the Class?**

Unless you exclude yourself, you will stay in the Class, which means that upon the "Effective Date" you will release all "Released Claims" (as defined below) against the "Released Defendant Parties" (as defined below).

"Released Claims" means any and all claims, rights, causes of action, duties, obligations, demands, actions, debts, sums of money, suits, contracts, agreements, promises, damages, and liabilities of every nature and description, including both known and Unknown Claims (defined below), whether arising under federal, state, common or administrative law, or any other law, whether fixed or contingent, liquidated or un-liquidated, at law or in equity, whether class or individual in nature, that Class Representatives or any other Class Member: (i) asserted in the Action; or (ii) could have asserted in the Action or any other action or forum, that arise out of, relate to, or are in connection with the claims, allegations, transactions, facts, events, acts, disclosures, statements, representations or omissions or failures to act involved, set forth, or referred to in the complaints filed in the Action, and that relate to the purchase or acquisition of the publicly traded common stock of STEC during the Class Period. Released Claims include the claims in *West Virginia Laborers' Trust Fund v. STEC, Inc.*, No. 30-2011-00489022-CU-SL-CXC (Orange County Super. Ct.), but do not include: (i) claims to enforce the Settlement; (ii) any governmental or regulatory agency's claims in any criminal or civil action against any of the Released Defendant Parties; (iii) *In re STEC, Inc. Derivative Litigation*, Master File No. CV 10-00667-JVS(MLGx) (C.D. Cal.); (iv) *In re STEC, Inc. Shareholder Derivative Litigation*, No. 30-2009-00320001-CU-SL-CXC (Orange County Super. Ct.); and (v) the books and records claims set forth in *Berry v. STEC, Inc.*, No. 30-2012-00552385 (Orange County Super. Ct.).

"Unknown Claims" means any and all Released Claims, which Class Representatives or any other Class Member do not know or suspect to exist in his, her or its favor at the time of the release of the Released Defendant Parties, and any Released Defendants' Claims that Defendants do not know or suspect to exist in his, her or its favor at the time of the release of the Released Plaintiff Parties, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Released Defendants' Claims, the Parties stipulate and agree that, upon the Effective Date, Class Representatives and Defendants, shall expressly, and each other Class Member shall be deemed to have, and by operation of the Judgment or Alternative Judgment shall have, expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

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

Class Representatives, the other Class Members or Defendants may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Released Claims and the Released Defendants' Claims, but Class Representatives and Defendants shall expressly, fully, finally and forever settle and release, and each other Class Member shall be deemed to have settled and released, and upon the Effective Date and by operation of the Judgment or Alternative Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims and Released Defendants' Claims as applicable, without regard to the subsequent discovery or existence of such different or additional facts. Class Representatives and Defendants acknowledge, and other Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released Claims and Released Defendants' Claims was separately bargained for and was a key element of the Settlement.

"Released Defendant Parties" means Defendants, their past or present subsidiaries, parents, successors and predecessors, officers, directors, shareholders, partners, agents, employees, attorneys, auditors, insurers, underwriters of securities offerings, investment advisors, and their respective employees and agents; the spouses, members of the immediate families, representatives, and heirs of the Individual Defendants, as well as any trust of which any Individual Defendant is the settlor or which is for the benefit of any of their immediate family members; and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants and the legal representatives, heirs, successors in interest or assigns of Defendants.

The "Effective Date" will occur when an Order by the Court approving the Settlement becomes Final and is not subject to appeal as set out more fully in the Stipulation on file with the Court.

If you remain a Member of the Class, all of the Court's orders, whether favorable or unfavorable, will apply to you and legally bind you.

#### **E. EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you do not want a payment from this Settlement, but you want to keep any right you may have to sue or continue to sue Defendants and the other Released Defendant Parties, on your own, about the Released Claims (as explained in Question 12), then you must take steps to get out. This is called excluding yourself from—or "opting out" of—the Class. Defendants may withdraw from and terminate the Settlement if Class Members who purchased or acquired in excess of a certain amount of STEC publicly traded common stock during the Class Period exclude themselves from the Class.

##### **13. How do I get out of the proposed Settlement?**

To exclude yourself from the Class, you must send a signed letter by mail stating that you "request exclusion from the Class in *In re STEC, Inc. Securities Litigation*, No. SACV-09-01304-JVS (MLGx) (C.D. Cal.)." Your letter must state the date(s), price(s), and number(s) of shares of all your purchases, acquisitions, and sales of the publicly traded common stock of STEC during the Class Period. In addition, be sure to include your name, address, telephone number and your signature. You must mail your exclusion request so that it is **received no later than April 22, 2013**, to:

*In re STEC, Inc. Securities Litigation* - EXCLUSIONS  
c/o The Garden City Group, Inc.  
P.O. Box 9949  
Dublin, OH 43017-5949

You cannot exclude yourself by telephone or by email. Your exclusion request must comply with these requirements in order to be valid. If you write to request to be excluded, you will not get any settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit, and you may be able to sue (or continue to sue) Defendants and the other Released Defendant Parties in the future.

##### **14. If I do not exclude myself, can I sue Defendants and the other Released Defendant Parties for the same thing later?**

No. Unless you exclude yourself, you give up any rights to sue Defendants and the other Released Defendant Parties for any and all Released Claims. If you have a pending lawsuit speak to your lawyer in that case immediately. You must exclude yourself from *this* Class to continue your own lawsuit. Remember, the exclusion deadline is **April 22, 2013**.

##### **15. If I exclude myself, can I get money from the proposed Settlement?**

No. If you exclude yourself, do not send in a Proof of Claim to ask for any money. But, you may exercise any right you may have to sue, continue to sue, or be part of a different lawsuit against Defendants and the other Released Defendant Parties.

#### **F. THE LAWYERS REPRESENTING YOU**

##### **16. Do I have a lawyer in this case?**

The Court appointed the law firms of Labaton Sucharow LLP and Lite DePalma Greenberg, LLC to represent all Class Members. These lawyers are called Co-Lead Counsel. In addition, Mr. Ripperda retained the law firms of Bienert, Miller & Katzman and Green & Noblin, P.C. These two law firms, along with Co-Lead Counsel, are referred to as "Plaintiffs' Counsel". You will not be separately charged for these lawyers. The Court will determine the amount of Plaintiffs' Counsel's fees and expenses, which will be paid from the Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

##### **17. How will the lawyers be paid?**

Plaintiffs' Counsel have not received any payment for their services in pursuing the claims against Defendants on behalf of the Class, nor have they been paid for their litigation expenses. At the Settlement Hearing, or at such other time as the Court may order, Co-Lead Counsel will ask the Court, on behalf of Plaintiffs' Counsel, for an award from the Settlement Fund, of attorneys' fees of no more than 16.75% of the Settlement Fund, plus any interest on such amount at the same rate and for the same periods as earned by the Settlement Fund. The fee of no more than 16.75% represents a negative multiplier; that is,

should the Court approve a fee award of 16.75%, Co-Lead Counsel will receive a fee that is substantially less than the amount of time they have spent (their "lodestar") prosecuting the claims against Defendants.

Co-Lead Counsel, on behalf of Plaintiffs' Counsel, will also ask the Court to award Plaintiffs' Counsel their litigation expenses (such as the cost of experts) that have been incurred in pursuing the Action. The request for payment of expenses will not exceed \$2,200,000, plus interest on the expenses at the same rate as may be earned by the Settlement Fund. Pursuant to the PSLRA, Class Representatives may ask the Court for payment of their reasonable costs and expenses, including lost wages, directly related to their representation of the Class.

The law firms of BLBG and KSF served as co-lead counsel for lead plaintiffs Arman Rashtchi and Keith A. Ovitt in this Action until July 4, 2010, when the Court appointed current Lead Plaintiff and approved selection of current Co-Lead Counsel after a second lead plaintiff selection process following an expansion of the Class Period. BLBG and KSF may submit an application for an award of fees and expenses in accordance with the Court's July 14, 2010 minute order which read in relevant part:

"[Former Lead Plaintiffs] Rashtchi & Ovitt have obviously expended significant resources drafting a consolidated complaint and responding to STEC's motion to dismiss. At the appropriate time, Rashtchi & Ovitt may apply for reimbursement of their attorneys' fees and costs incurred as lead plaintiffs."

KSF will request that such attorneys' fees be paid at the same negative multiplier received by current Co-Lead Counsel and will not subject the Class to any additional fees beyond the 16.75% cap set forth in this Notice. KSF will also ask the Court to award them their litigation expenses, which will not exceed \$20,000. These expenses are included in Co-Lead Counsel's Fee and Expense Application.

In addition to serving as former co-lead counsel for the previous lead plaintiffs in this Action, Arman Rashtchi and Keith A. Ovitt, BLBG currently serves as counsel for a putative class of investors who purchased or otherwise acquired STEC common stock pursuant or traceable to STEC's Secondary Offering on or about August 11, 2009 (the "Offering"), and who were damaged thereby, in a separate action currently pending in Orange County Superior Court, in California and captioned *West Virginia Laborers' Trust Fund v. STEC, Inc.*, No. 30-2011-00489022-CU-SL-CXC. BLBG, on behalf of West Virginia Laborers' Pension Trust Fund and the putative class, filed the complaint in that action on July 1, 2011. The complaint alleges violations of the Securities Act based on defendants' alleged false statements and omissions made in connection with the Offering. The settlement proposed in this Action seeks to release the claims in the *West Virginia Laborers* action that have been prosecuted by BLBG on behalf of West Virginia Laborers' Pension Trust Fund and the putative class asserting Securities Act claims.

BLBG has not received any payment for its services in pursuing and preserving the Securities Act claims on behalf of those Class Members who purchased or otherwise acquired STEC common stock pursuant or traceable to the Offering, nor any payment for its services in pursuing the claims under the Exchange Act, when it previously served as co-lead counsel as discussed above. At the Settlement Hearing, or at such other time as the Court may order, BLBG will ask the Court for an award from the Settlement Fund of attorneys' fees in the amount of BLBG's lodestar actually incurred in preserving and pursuing the Securities Act and Exchange Act claims, in a total amount not to exceed \$2.6 million, plus any interest on such amount at the same rate and for the same periods as earned by the Settlement Fund. BLBG will not seek to increase its attorneys' fee award through the application of a multiplier above the amount of its actually incurred lodestar. BLBG will also ask the Court to award BLBG its litigation expenses that have been incurred in preserving and pursuing the Securities Act and Exchange Act claims in a total amount not to exceed \$80,000, plus any interest on such amount at the same rate and for the same periods as earned by the Settlement Fund.

BLBG's request of a \$2.6 million fee would represent approximately 7.27% of the Settlement Fund. Should the Court award BLBG fees of 7.27% of the Settlement Fund and Plaintiffs' Counsel fees of 16.75% of the Settlement Fund, the total fees paid to counsel would not exceed 24.02% of the Settlement Fund.

In addition, other counsel may also make motions to the Court seeking awards of attorneys' fees and expenses to be paid from the Settlement Fund.

Lead Plaintiff, the State of New Jersey, Department of Treasury, Division of Investment, reserves its right to oppose all fee and expense applications made by counsel other than Plaintiffs' Counsel, including but not limited to BLBG's Fee and Expense Application.

#### **G. OBJECTING TO THE SETTLEMENT**

You can tell the Court that you do not agree with the Settlement or some part of it.

<b>18. How do I tell the Court that I do not like the proposed Settlement?</b>
--

If you are a Class Member you can object to the Settlement or any of its terms, the certification of the Class in connection with Class Representatives' claims under the Securities Act for Settlement purposes only, the proposed Plan of

Allocation and/or the applications for attorneys' fees and expenses. You may write to the Court setting out your objection. You must give reasons why you think the Court should not approve any part or all of the Settlement terms or related matters. The Court will consider your views if you file a proper objection within the deadline and according to the following procedures.

To object, you must send a signed letter stating that you object to the proposed settlement in "*In re STEC, Inc. Securities Litigation*, No. SACV-09-01304-JVS (MLGx) (C.D. Cal.)." You must include your name, address, telephone number, and your signature, identify the date(s), price(s) and number(s) of shares of all purchases, acquisitions and sales of STEC common stock you made during the Class Period, and state the reasons why you object to the Settlement. Your objection must be filed with the Court and mailed or delivered to all the following so that it is **received on or before April 22, 2013**:

**COURT:**

Clerk of the Court  
United States District Court for the Central District of California, Southern Division  
Ronald Reagan Federal Building and U.S. Courthouse  
411 West Fourth Street  
Santa Ana, CA 92701

**CO-LEAD COUNSEL:**

Thomas A. Dubbs, Esq.  
James W. Johnson, Esq.  
Labaton Sucharow LLP  
140 Broadway  
New York, NY 10005

Allyn Z. Lite, Esq.  
Bruce D. Greenberg, Esq.  
Lite DePalma Greenberg, LLC  
Two Gateway Center, 12th Floor  
Newark, NJ 07102

**DEFENDANTS' COUNSEL:**

Patrick E. Gibbs, Esq.  
Matthew Rawlinson, Esq.  
Latham & Watkins LLP  
140 Scott Drive  
Menlo Park, CA 94025

**19. What is the difference between objecting and seeking exclusion?**

Objecting is simply telling the Court that you do not like something about the proposed Settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

**H. THE COURT'S SETTLEMENT HEARING**

The Court will hold a hearing to decide whether to approve the proposed Settlement. You may attend, and you may ask to speak, but you do not have to do so.

**20. When and where will the Court decide whether to approve the proposed Settlement?**

The Court will hold a Settlement Hearing at **1:30 p.m. on May 20, 2013**, at the United States District Court for the Central District of California, Southern Division in the Ronald Reagan Federal Building and U.S. Courthouse, Courtroom 10C, 411 West Fourth Street, Santa Ana, CA 92701.

At this hearing the Court will consider whether the Settlement is fair, reasonable and adequate. The Court also will consider the proposed Plan of Allocation for the Net Settlement Fund, the certification of Class Representatives' claims under the Securities Act for purposes of Settlement only, and the applications for attorneys' fees and reimbursement of expenses. The Court will take into consideration any written objections filed in accordance with the instructions set out in question 18 above. The Court also may listen to people who have properly indicated, within the deadline identified above, an intention to speak at the Settlement Hearing, but decisions regarding the conduct of the Settlement Hearing will be made by the Court. See question 22 for more information about speaking at the Settlement Hearing. After the Settlement Hearing, the Court will decide whether to approve the Settlement, and, if the Settlement is approved, how much attorneys' fees and expenses should be awarded. We do not know how long these decisions will take.

You should be aware that the Court may change the date and time of the Settlement Hearing without another notice being sent. If you want to come to the hearing, you should check with Co-Lead Counsel before coming to be sure that the date and/or time has not changed.

**21. Do I have to come to the Settlement Hearing?**

No. Co-Lead Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. Class Members do not need to appear at the Settlement Hearing or take any other action to indicate their approval. If you submit an objection, you do not have to come to Court to talk about it. As long as you filed and sent your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

**22. May I speak at the Settlement Hearing?**

If you object to the Settlement, you may ask the Court for permission to speak at the Settlement Hearing. To do so, you must include with your objection (see question 18 above) a statement stating that it is your "Notice of Intention to Appear in *In re STEC, Inc. Securities Litigation*, No. SACV-09-01304-JVS (MLGx) (C.D. Cal.)." Persons who intend to object to the Settlement, the Plan of Allocation, and/or applications for attorneys' fees and expenses and desire to present evidence at the Settlement Hearing must also include in their written objections the identity of any witness they may call to testify and submit the exhibits they intend to introduce into evidence at the Settlement Hearing. You cannot speak at the Settlement Hearing if you excluded yourself from the Class or if you have not provided written notice of your intention to speak at the Settlement Hearing in accordance with the procedures described in questions 18 and 20.

**I. IF YOU DO NOTHING**

**23. What happens if I do nothing at all?**

If you do nothing, you will get no money from this Settlement and you will be precluded from starting a lawsuit, continuing with a lawsuit, or being part of any other lawsuit against the Defendants and the other Released Defendant Parties about the Released Claims in this case, ever again. To share in the Net Settlement Fund you must submit a Proof of Claim (see question 10). To start, continue or be a part of any **other** lawsuit against the Defendants and the other Released Defendant Parties about the Released Claims in this case you **must** exclude yourself from this Class (see question 13).

**J. GETTING MORE INFORMATION**

**24. Are there more details about the proposed Settlement?**

This Notice summarizes the proposed Settlement. More details are in the Stipulation, dated October 5, 2012. You may review the Stipulation filed with the Court or documents filed during the case during business hours at the Office of the Clerk of the United States District Court for the Central District of California, Ronald Reagan Federal Building and U.S. Courthouse, 411 West Fourth Street, Santa Ana, CA 92701.

You also can call the Claims Administrator toll free at 1-855-728-4603; write to *In re STEC, Inc. Securities Litigation*, c/o The Garden City Group, Inc. P.O. Box 9949, Dublin, OH 43017-5949; or visit the websites of the Claims Administrator or Co-Lead Counsel at [www.stecsecuritiessettlement.com](http://www.stecsecuritiessettlement.com), [www.labaton.com](http://www.labaton.com), or [www.litedepalma.com](http://www.litedepalma.com) where you can find answers to common questions about the Settlement, download copies of the Stipulation or Proof of Claim, and locate other information to help you determine whether you are a Class Member and whether you are eligible for a payment.

**Please Do Not Call The Court With Questions About The Settlement**

**K. PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS**

**25. How will my claim be calculated?**

The purpose of the Plan of Allocation (the "Plan") is to distribute settlement proceeds equitably to those Class Members who suffered economic losses resulting from the alleged misrepresentations and omissions by Defendants during the Class Period. The Court may approve the Plan or modify it without additional notice to the Class. Any order modifying the Plan will be posted on the Claims Administrator's website at [www.stecsecuritiessettlement.com](http://www.stecsecuritiessettlement.com) and the websites of Co-Lead Counsel, [www.labaton.com](http://www.labaton.com) and [www.litedepalma.com](http://www.litedepalma.com).<sup>5</sup>

The Net Settlement Fund will be the gross settlement of \$35.75 million reduced by attorneys' fees and expenses, reduced by Notice and Administration Expenses, reduced by Taxes, and increased by interest earned on the Settlement Amount, as set forth in the Stipulation. The Net Settlement Fund will be distributed among those Class Members who submit timely and valid Proofs of Claim to the Claims Administrator, which are accepted for payment by the Court ("Authorized Claimants"). No distribution of funds among such Authorized Claimants will occur until: (1) the Court has approved the Settlement and the Plan of Allocation; (2) the time has expired for any petition for rehearing or appeal of the Court's order(s) approving the Settlement and Plan of Allocation; and (3) the Court has approved the Claims Administrator's determinations of eligible claims.

After a Proof of Claim with adequate documentation is submitted to the Claims Administrator, a "Recognized Claim," will be calculated by the Claims Administrator using the Recognized Loss formulas set forth below for each purchase or acquisition of publicly traded common stock of STEC during the Class Period. The Recognized Loss amounts are not intended to be an estimate of the amount which might have been recovered after trial, or an estimate of the amount to be paid to an Authorized

<sup>5</sup> Defendants had no involvement in the proposed Plan of Allocation.

Claimant from the Net Settlement Fund. The Recognized Loss per share figures reflect price changes of STEC common stock allegedly in reaction to certain public announcements regarding the Company, adjusting for price changes that were attributable to market and industry influences, or other Company information unrelated to the alleged fraud, based on Plaintiffs' allegations in the Complaint. The method for calculating Recognized Losses is intended to provide a fair basis for allocating the Net Settlement Fund proportionately among Authorized Claimants.

## I. CERTAIN DEFINITIONS

A. The term "market loss" means the amount by which the purchase or acquisition price is greater than the sale or holding price of STEC's common stock.

B. The term "market profit" means the amount by which the purchase or acquisition price is less than the sale or holding price of STEC's common stock.

C. The terms "net market loss" and "net market profit" mean the total market loss or profit that occurs from the trading of STEC's common stock during the Class Period, as discussed in "Computation of Recognized Claim for Each Class Member" below.

D. The term "Recognized Loss," as used herein, is not market loss or net market loss. It is a calculation to arrive at a loss figure for purposes of calculating an Authorized Claimant's Recognized Claim and *pro rata* participation in the Net Settlement Fund as described below.

E. The date of a purchase or sale of STEC's common stock will be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date.

## II. GENERAL PROVISIONS OF THE PLAN

### A. Allocation of Net Settlement Fund

Payment under the Plan of Allocation approved by the Court will be conclusive for all Authorized Claimants. Claimants whose claims are determined to have a value of zero will nevertheless be bound by the Settlement. No person shall have any claim against Class Representatives, Defendants, their respective counsel, the Claims Administrator, or any other agent designated by Co-Lead Counsel, arising from distributions made substantially in accordance with the Plan of Allocation or further orders of the Court. Class Representatives, Defendants, their respective counsel, Class Representatives' consulting damages expert, the Claims Administrator and all other Released Parties shall have no responsibility or liability whatsoever for the investment or distribution of the Settlement Fund consistent with the Plan of Allocation or Stipulation; or the determination, administration, calculation, or payment of any Proof of Claim consistent with the Plan of Allocation or Stipulation; the payment or withholding of Taxes owed by the Settlement Fund, or any losses incurred in connection therewith.

The Recognized Claims of all Authorized Claimants may be greater than the Net Settlement Fund. In such event, each Authorized Claimant shall receive his, her or its *pro rata* share of the Net Settlement Fund, which shall be his, her or its Recognized Claim divided by the total of Recognized Claims for all Authorized Claimants, multiplied by the total amount in the Net Settlement Fund. To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's Recognized Claim.

### B. Use of "FIFO" Methodology for Computation of Recognized Losses for Class Members Who Made Multiple Transactions in STEC's Publicly Traded Common Stock During the Class Period

For Class Members who made multiple purchases, acquisitions or sales of STEC's publicly traded common stock during the Class Period, the earliest subsequent sale shall be matched first against the claimant's closing position on the day before the first day of the Class Period, and then matched chronologically thereafter against each purchase or acquisition made during the Class Period.

### C. No Recognized Losses for Certain Purchases/Acquisitions and Sales

Purchases or acquisitions of STEC's common stock before June 16, 2009 will have a Recognized Loss of zero. This is because any purchases or acquisitions before the first day of the Class Period are not impacted by the alleged wrongdoing.

Any person or entity that sold STEC common stock "short" shall have no Recognized Loss with respect to the related purchase or cover of said short sale during the Class Period. Recognized Loss will be calculated only on purchases of STEC common stock. No Recognized Loss will be calculated on receipt of such securities by gift, grant, inheritance, or operation of law.

Purchases/Acquisitions of STEC common stock during the Class Period that are matched to sales prior to September 17, 2009 will have a Recognized Loss of zero. This is because any losses prior to the first allegedly corrective disclosure cannot be caused by the alleged wrongdoing, but rather by other market forces.

#### D. Payments Less Than \$10

A payment to any Authorized Claimant that would amount to less than \$10.00 in total will not be included in the calculation of the Net Settlement Fund, and no payment will be made to those Authorized Claimants.

### III. CALCULATION OF RECOGNIZED LOSS FOR PUBLICLY TRADED COMMON STOCK OF STEC

#### Publicly Traded STEC Common Stock

For STEC common stock purchased or acquired between June 16, 2009 and July 15, 2009 and:

- a) sold prior to September 17, 2009, the Recognized Loss is zero;
- b) sold between September 17, 2009 and November 3, 2009, the Recognized Loss is the lesser of:
  - 1) \$0.99 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the sales proceeds received per share;
- c) sold between November 4, 2009 and February 23, 2010, the Recognized Loss is the lesser of:
  - 1) \$8.48 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the sales proceeds received per share;
- d) sold between February 24, 2010 and May 24, 2010, the Recognized Loss is the lesser of:
  - 1) \$11.61 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the greater of (i) the sales proceeds received per share, or (ii) the average closing price per share applicable to the date of sales as found in Table A;<sup>6</sup>
- e) held after May 24, 2010, the Recognized Loss is the lesser of:
  - 1) \$11.61 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less \$12.73, the average closing price per share for the 90 days following the end of the Class Period.

For STEC common stock purchased or acquired between July 16, 2009 and August 3, 2009 and:

- a) sold prior to September 17, 2009, the Recognized Loss is zero;
- b) sold between September 17, 2009 and November 3, 2009, the Recognized Loss is the lesser of:
  - 1) \$4.93 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the sales proceeds received per share;
- c) sold between November 4, 2009 and February 23, 2010, the Recognized Loss is the lesser of:
  - 1) \$12.42 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the sales proceeds received per share;
- d) sold between February 24, 2010 and May 24, 2010, the Recognized Loss is the lesser of:
  - 1) \$15.55 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the greater of (i) the sales proceeds received per share, or (ii) the average closing price per share applicable to the date of sales as found in Table A;
- e) held after May 24, 2010, the Recognized Loss is the lesser of:
  - 1) \$15.55 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less \$12.73, the average closing price per share for the 90 days following the end of the Class Period.

For STEC common stock purchased or acquired between August 4, 2009 and September 16, 2009 and:

- a) sold prior to September 17, 2009, the Recognized Loss is zero;
- b) sold between September 17, 2009 and November 3, 2009, the Recognized Loss is the lesser of:
  - 1) \$6.61 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the sales proceeds received per share;
- c) sold between November 4, 2009 and February 23, 2010, the Recognized Loss is the lesser of:
  - 1) \$14.10 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the sales proceeds received per share;
- d) sold between February 24, 2010 and May 24, 2010, the Recognized Loss is the lesser of:
  - 1) \$17.23 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the greater of (i) the sales proceeds received per share, or (ii) the average closing price per share applicable to the date of sales as found in Table A;

---

<sup>6</sup> Pursuant to Section 21(D)(e)(2) of the PSLRA, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, if the plaintiff sells or repurchases the subject security prior to the expiration of the 90-day period described in paragraph (1), the plaintiff's damages shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the security and the mean trading price of the security during the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sells or repurchases the security."

- e) held after May 24, 2010, the Recognized Loss is the lesser of:
  - 1) \$17.23 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less \$12.73, the average closing price per share for the 90 days following the end of the Class Period.

For STEC common stock purchased or acquired between September 17, 2009 and November 3, 2009 and:

- a) sold prior to November 4, 2009, the Recognized Loss is zero;
- b) sold between November 4, 2009 and February 23, 2010, the Recognized Loss is the lesser of:
  - 1) \$7.49 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the sales proceeds received per share;
- c) sold between February 24, 2010 and May 24, 2010, the Recognized Loss is the lesser of:
  - 1) \$10.62 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the greater of (i) the sales proceeds received per share, or (ii) the average closing price per share applicable to the date of sales as found in Table A;
- d) held after May 24, 2010, the Recognized Loss is the lesser of:
  - 1) \$10.62 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less \$12.73, the average closing price per share for the 90 days following the end of the Class Period.

For STEC common stock purchased or acquired between November 4, 2009 and February 23, 2010 and:

- a) sold prior to February 24, 2010, the Recognized Loss is zero;
- b) sold between February 24, 2010 and May 24, 2010, the Recognized Loss is the lesser of:
  - 1) \$3.13 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less the greater of (i) the sales proceeds received per share, or (ii) the average closing price per share applicable to the date of sales as found in Table A;
- c) held after May 24, 2010, the Recognized Loss is the lesser of:
  - 1) \$3.13 per share, which is the maximum damages per share as calculated by Plaintiffs' damages expert; or
  - 2) the purchase price paid per share less \$12.73, the average closing price per share for the 90 days following the end of the Class Period.

## **Section 11 Claims**

For STEC common stock purchased or acquired pursuant to the registration statement filed in connection with STEC's secondary offering on August 6, 2009 (Authorized Claimants must provide documentation showing that they purchased or acquired STEC common stock pursuant to the registration statement, including that those shares were purchased or acquired at the offering price of \$31.00), the Recognized Loss solely with respect to those shares is equal to 125% of the Recognized Loss as calculated above.

## **Calculation of Overall Out-of-Pocket Gain/Loss**

To the extent a claimant had an overall out-of-pocket gain from his, her or its overall transactions in STEC common stock during the Class Period, the value of the Recognized Loss will be zero. To the extent that a claimant suffered an overall out-of-pocket loss on his, her or its overall transactions in STEC common stock during the Class Period, but that out-of-pocket loss was less than the Recognized Loss calculated above, then the Recognized Loss shall be limited to the amount of the out-of-pocket loss.

For purposes of determining whether a claimant had an out-of-pocket gain from his, her or its overall transactions in STEC common stock during the Class Period or suffered an out-of-pocket loss, the Claims Administrator will: (i) total the amount paid for all common stock purchased during the Class Period by the claimant (the "Total Common Stock Purchase Amount"); (ii) match any sales of common stock during the Class Period first against the claimant's opening position in the common stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (iii) total the amount received for sales of the remaining common stock sold on or before May 24, 2010 (the "Common Stock Sales Proceeds"); and (iv) ascribe a \$12.73 per Common Stock holding value for the number of shares of common stock purchased during the Class Period and still held after May 24, 2010 ("Common Stock Holding Value"). The difference between (i) the Total Common Stock Purchase Amount and the (ii) sum of the Common Stock Sales Proceeds and Common Stock Holding Value will be deemed a claimant's out-of-pocket gain or loss on his, her or its overall transactions in STEC common stock during the Class Period.

Table A

<u>Date</u>	<u>Closing Price<sup>[1]</sup></u>	<u>Average Price<sup>[1]</sup></u>	<u>Date</u>	<u>Closing Price<sup>[1]</sup></u>	<u>Average Price<sup>[1]</sup></u>
2/24/2010	\$10.27	\$10.27	4/10/2010	N/A	11.88
2/25/2010	10.48	10.38	4/11/2010	N/A	11.88
2/26/2010	10.28	10.34	4/12/2010	11.88	11.88
2/27/2010	N/A	10.34	4/13/2010	11.82	11.88
2/28/2010	N/A	10.34	4/14/2010	11.9	11.88
3/1/2010	10.7	10.43	4/15/2010	13.69	11.93
3/2/2010	10.9	10.53	4/16/2010	13.32	11.97
3/3/2010	10.55	10.53	4/17/2010	N/A	11.97
3/4/2010	11.14	10.62	4/18/2010	N/A	11.97
3/5/2010	11.9	10.78	4/19/2010	13.72	12.01
3/6/2010	N/A	10.78	4/20/2010	13.97	12.06
3/7/2010	N/A	10.78	4/21/2010	14.17	12.12
3/8/2010	13.32	11.06	4/22/2010	15.15	12.19
3/9/2010	12.75	11.23	4/23/2010	15.88	12.28
3/10/2010	13.18	11.41	4/24/2010	N/A	12.28
3/11/2010	12.92	11.53	4/25/2010	N/A	12.28
3/12/2010	12.89	11.64	4/26/2010	15.4	12.35
3/13/2010	N/A	11.64	4/27/2010	15.36	12.42
3/14/2010	N/A	11.64	4/28/2010	15.45	12.49
3/15/2010	12.6	11.71	4/29/2010	15.32	12.55
3/16/2010	12.22	11.74	4/30/2010	13.9	12.58
3/17/2010	11.97	11.75	5/1/2010	N/A	12.58
3/18/2010	12.33	11.79	5/2/2010	N/A	12.58
3/19/2010	11.96	11.80	5/3/2010	14.76	12.62
3/20/2010	N/A	11.80	5/4/2010	13.99	12.65
3/21/2010	N/A	11.80	5/5/2010	13.83	12.67
3/22/2010	12.12	11.81	5/6/2010	13.23	12.68
3/23/2010	12.37	11.84	5/7/2010	12.87	12.69
3/24/2010	11.99	11.85	5/8/2010	N/A	12.69
3/25/2010	11.85	11.85	5/9/2010	N/A	12.69
3/26/2010	11.87	11.85	5/10/2010	13.54	12.70
3/27/2010	N/A	11.85	5/11/2010	13.49	12.72
3/28/2010	N/A	11.85	5/12/2010	13.77	12.74
3/29/2010	12.03	11.86	5/13/2010	13.38	12.75
3/30/2010	12.06	11.87	5/14/2010	13.31	12.76
3/31/2010	11.98	11.87	5/15/2010	N/A	12.76
4/1/2010	11.97	11.87	5/16/2010	N/A	12.76
4/2/2010	N/A	11.87	5/17/2010	13.24	12.77
4/3/2010	N/A	11.87	5/18/2010	12.73	12.77
4/4/2010	N/A	11.87	5/19/2010	12.41	12.76
4/5/2010	12.13	11.88	5/20/2010	12.03	12.75
4/6/2010	11.97	11.89	5/21/2010	12.26	12.74
4/7/2010	11.76	11.88	5/22/2010	N/A	12.74
4/8/2010	11.87	11.88	5/23/2010	N/A	12.74
4/9/2010	11.85	11.88	5/24/2010	11.96	12.73

Note: <sup>[1]</sup> N/A's represent non-trading days, weekends and holidays, or days for which no pricing data are available and thus are not included in the average calculation.

#### IV. COMPUTATION OF RECOGNIZED CLAIM FOR EACH CLASS MEMBER

The Recognized Loss or Gain with respect to each purchase or acquisition of STEC publicly traded common stock is calculated by multiplying the number of shares by the appropriate Recognized Loss per share, as set forth above in Section III.

The Recognized Claim for each Class Member is calculated by: (1) adding the Recognized Losses for each publicly traded share of STEC common stock purchased or acquired by the Class Member during the Class Period (i.e. adding all Recognized Losses); and (2) subtracting any Recognized Gains for each publicly traded share of STEC common stock purchased or acquired by the Class Member during the Class Period (i.e. subtracting all Recognized Gains).

If, during the Class Period, a Class Member made a net market profit in STEC publicly traded common stock, the amount of the Class Member's Recognized Claim shall be zero.

If, during the Class Period, a Class Member has a net market loss in STEC publicly traded common stock that is less than his, her or its Recognized Claim, the Class Member's Recognized Claim shall be limited to the Class Member's net market loss.

#### **V. DISTRIBUTION OF THE NET SETTLEMENT FUND**

Distributions to Authorized Claimants will be made after all claims have been processed and after the Court has approved the Claims Administrator's determinations. After an initial distribution of the Net Settlement Fund, if there is any balance remaining in the Net Settlement Fund after at least six (6) months from the date of initial distribution (whether by reason of tax refunds, uncashed checks or otherwise), Co-Lead Counsel shall, if feasible and economical, reallocate such balance among Authorized Claimants who have cashed their checks in an equitable and economic fashion. Any balance that still remains in the Net Settlement Fund, after payment of Notice and Administration Expenses, Taxes, and attorneys' fees and expenses, if any, shall be contributed to a non-sectarian not-for-profit charitable organization(s) serving the public interest, designated by Class Representatives.

Each claimant is deemed to have submitted to the jurisdiction of the United States District Court for the Central District of California with respect to his/her/its Proof of Claim.

#### **SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**

If you purchased or acquired publicly traded common stock of STEC (NYSE ticker: STEC; CUSIP 784774101; ISIN US7847741011) during the period between June 16, 2009 and February 23, 2010, inclusive, for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN (7) DAYS OF YOUR RECEIPT OF THIS NOTICE, you either: (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased or acquired publicly traded shares of STEC common stock during such time period or; (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) days mail the Notice and Proof of Claim form directly to the beneficial owners of those STEC shares.

If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

*In re STEC, Inc. Securities Litigation*  
c/o The Garden City Group, Inc.  
P.O. Box 9949  
Dublin, OH 43017-5949  
1-855-728-4603

Dated: February 25, 2013

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA