

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

IN RE BROCADE COMMUNICATIONS,
SYSTEMS, INC. SECURITIES LITIGATION

) Consolidated Case No: 3:05-CV-02042-CRB

) This document relates to: All Actions

) Judge: The Honorable Charles R. Breyer

NOTICE OF CLASS ACTION, PROPOSED SETTLEMENT, MOTION FOR ATTORNEYS' FEES AND FAIRNESS HEARING

If You Purchased Or Otherwise Acquired The Common Stock Of Brocade Communications Systems, Inc. ("Brocade") Between May 18, 2000 And May 15, 2005, Inclusive (the "Class Period"), You May Be A Member Of The Class In This Action And Entitled To Share In A \$160,098,500 Settlement.

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

If you belong to the Class and this Settlement is approved, your legal rights will be affected whether you act or not. Read this Notice carefully to see what your rights and options are in connection with this Settlement.¹

- On _____, 2008, the Court preliminarily approved two settlements in the above-captioned action (the "Action"): (1) a settlement between plaintiffs, Arkansas Public Employees Retirement System and Erie County Public Employees Retirement System (collectively, "Class Representatives"), on behalf of themselves and the Class, and defendant Brocade and its former officers and/or directors Gregory Reyes, Antonio Canova, Larry W. Sonsini, Seth D. Neiman, and Neal Dempsey (collectively, "Individual Defendants"); and (2) a settlement between Class Representatives, on behalf of themselves and the Class, and defendant KPMG LLP ("KPMG") (Brocade, KPMG and the Individual Defendants are collectively referred to herein as "Defendants"; Class Representatives and Defendants are collectively referred to herein as the "Parties"). If finally approved, these settlements will resolve all claims of the Class in this litigation. Both settlements are collectively referred to herein as the "Settlement."
- In exchange for the payment by Brocade of \$160 million in cash ("Brocade Settlement Amount") and the payment by KPMG of up to \$98,500.00 to reimburse the Class for a material portion of the reasonable costs of notice and claims administration (the "KPMG Settlement Amount"), the Class shall release any and all claims it has against the Released Parties (as defined below in the Answer to Question 2). The total cash amount of \$160,098,500.00, plus interest, is referred to herein as the "Settlement Fund." The Settlement Fund, less attorneys' fees, expense reimbursements and other costs approved by the Court ("Net Settlement Fund"), will be distributed solely to Class Members who submit acceptable Proofs of Claim.
- The Class consists of all persons and entities who purchased or otherwise acquired Brocade common stock ("Brocade Securities") during the Class Period, and who were damaged thereby. Excluded from the Class are (i) the Defendants; (ii) all officers, directors, and partners of any Defendant and of any Defendant's partnerships, subsidiaries, or affiliates, at all relevant times; (iii) members of the immediate family of any of the foregoing excluded parties; (iv) the legal representatives, heirs, successors, and assigns of any of the foregoing excluded parties; and (v) any entity in which any of the foregoing excluded parties has or had a controlling interest at all relevant times. Also excluded from the Class are any putative members of the Class who exclude themselves by timely requesting exclusion in accordance with the requirements set forth in this Notice.
- Class Representatives and Defendants disagree on the amount of damages, if any, that could have been recovered if the Class prevailed on each claim at trial. Class Representatives estimate that the approximate average amount of recoverable damages to members of the Class who purchased or acquired Brocade Securities were this case to go to trial would be approximately \$0.808 per share based upon an estimate of 282 million damaged Brocade shares purchased or acquired during the Class Period. Defendants do not believe that they violated the federal securities laws, deny all allegations of wrongdoing asserted against them, and deny that any of Brocade's public statements were materially false or misleading. They have also asserted affirmative defenses to the claims alleged in this case. Accordingly, Defendants assert that they are not liable to the Class for any amount of damages.
- Class Representatives estimate that if all Class Members make a claim against the Settlement Fund, the average payment to Class Members will be \$0.567 per damaged share of Brocade common stock. Of this amount, fees and expenses requested by the attorneys and reimbursement of costs and expenses of Class Representatives will not exceed \$0.144 per damaged share of Brocade common stock. **Please note that these amounts are only estimates.**

¹ This Notice summarizes and is qualified in its entirety by (i) the Stipulation and Agreement of Settlement dated October 23, 2008, by and among Class Representatives, on behalf of themselves and the Class, Brocade and the Individual Defendants (the "Brocade Stipulation"); and (ii) the Stipulation and Agreement of Settlement dated October 23, 2008, by and among Class Representatives, on behalf of themselves and the Class, and KPMG (the "KPMG Stipulation" and, collectively with the Brocade Stipulation, the "Stipulations"). The Stipulations set forth the terms of the Settlement. Please refer to the Stipulations for a complete description of the terms and provisions thereof. A copy of each of the Stipulations is available at www.brocadeclasssettlement.com.

- Counsel for Class Representatives (“Class Counsel”) intend to seek an award of attorneys’ fees of up to 25% of the Settlement Fund after deduction of expenses, plus interest earned at the same rate earned by the Class on the Settlement Fund. Class Counsel have been litigating this case for the past three years without any payment whatsoever, advancing millions of dollars in time and expense. Class Counsel will also request reimbursement of the expenses they have incurred in connection with the prosecution of this Action, which will not exceed \$1,200,000.00. In addition, Class Representatives intend to seek reimbursement of the reasonable costs and expenses they incurred relating to their representation of the Class, which will not exceed \$25,000.00 in the aggregate.
- In reaching the Settlement, Class Representatives and Defendants have avoided the cost, time and uncertainty of a trial, and Class Representatives have agreed to the Settlement to avoid the risk of the dismissal of some or all of the claims of the Class against Defendants.
- Further information regarding the Settlement and this Notice may be obtained by contacting the following Class Counsel: Jeffrey J. Angelovich, Esquire, or Bradley E. Beckworth, Esquire, Nix, Patterson & Roach, LLP, 205 Linda Drive, Daingerfield, Texas 75638, Telephone: 903-645-7333.

| YOUR LEGAL RIGHTS AND OPTIONS | |
|---|---|
| Submit a Proof of Claim Form (by _____, 2009) | If the Settlement is approved and you are a member of the Class, you may be entitled to receive a payment only if you submit a Proof of Claim form. A copy of the Proof of Claim form is enclosed, and is also available at www.brocadeclasssettlement.com . If you remain in the Class, you will be bound by the Settlement and will give up any “Settled Claims” you may have against the “Released Parties” (as more fully described below in Answer to Question No. 2), so it is in your interest to submit a Proof of Claim form. |
| Exclude Yourself (by _____, 2009) | If you do not wish to be a member of the Class, you <i>must</i> exclude yourself (as described below in Answer to Question No. 13) and you will not receive any payment from the Settlement Fund. You cannot bring or be part of another lawsuit or arbitration against any of the Released Parties based on any Settled Claims unless you exclude yourself from the Class. |
| Object (by _____, 2009) | If you do not exclude yourself, but you wish to object to any part of the Settlement, you may (as discussed below in Answer to Question No. 18) write to the Court about your objections. |
| Attend the Fairness Hearing (to be held on _____, 2009) | If you have submitted a written objection to any aspect of the Settlement to the Court, you may (but do not have to) attend the Fairness Hearing and present your objections to the Court at that hearing. |
| Do Nothing | If you are a Class Member and you do not either submit a Proof of Claim form or request exclusion, you will be bound by the Settlement (including the release of the Released Parties), you will receive no payment, and you will not be able to bring or pursue any Settled Claims in any other lawsuit or arbitration. |

- These rights and options – **and the deadlines to exercise them** – are explained in this Notice. Please note the date of the Fairness Hearing – currently scheduled for _____, 2009 – is subject to change without further notice. If you plan to attend the hearing, you should check with the Court and www.brocadeclasssettlement.com to be sure no change to the date and time of the hearing has been made.
- The Court in charge of this case still has to decide whether to approve the Settlement. Payments will be made to Class Members only if the Court approves the Settlement and that approval is upheld in any appeals that may be filed.

WHAT THIS NOTICE CONTAINS

Summary of Settlement.....

Basic Information.....

1. Why did I get this Notice package?
2. What is this lawsuit about?
3. Why is this case a class action?
4. Why is there a Settlement?
5. How do I know whether I am part of the Class?
6. Are there exceptions to being included?
7. I am still not sure whether I am included.

The Settlement Benefits - What You Receive

8. What does the Settlement provide?
9. How much will my payment be?
10. How can I get a payment?
11. When would I get my payment?
12. What is the effect of my remaining in the Class?

- 13. How do I get out of the Settlement?
- 14. If I don't exclude myself from the Class in connection with the Action, can I sue the Released Parties for the same thing later?
- 15. If I exclude myself, can I get money from this Settlement in connection with the Action?

The Lawyers Representing You

- 16. Do I have a lawyer in the case?
- 17. How will the lawyers be paid?

Objecting to the Settlement, Plan of Allocation or the Attorneys' Fees Award

- 18. How do I tell the Court that I do not like any aspect of the Settlement?
- 19. What's the difference between objecting and excluding?
- 20. When and where will the Court decide whether to approve the Settlement?
- 21. Do I have to come to the hearing?
- 22. May I speak at the hearing?

If You Do Nothing

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

Getting More Information

- 24. Are there more details about the Settlement?
- 25. How do I get more information?

Special Notice to Securities Brokers and other Nominees

Basic Information

1. Why did I get this Notice package?

You or someone in your family may have purchased or otherwise acquired Brocade common stock between May 18, 2000 and May 15, 2005, inclusive. The Court caused this Notice to be sent to you because, if you fall within this group and are not otherwise excluded from the Class, your rights will be affected and you have a right to know about the proposed Settlement, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves it, and after any objections and appeals are resolved, the Court-appointed Claims Administrator (Epiq Systems, Inc.) will cause payments to be made to Class Members who submit acceptable Proofs of Claim.

This Notice package describes the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of this Action is the United States District Court for the Northern District of California, San Francisco Division. The people who are prosecuting this action on behalf of the Class are called "Class Representatives" and the people or companies they are suing are called "Defendants." This case, also called the "Action," is known as *In re Brocade Communications Systems, Inc. Securities Litigation*, Consolidated Case No. 3:05-CV-02042-CRB.

2. What is this lawsuit about?

Brocade manufactures, among other things, products designed to help information technology organizations manage and profit from their data assets. Brocade is incorporated under the laws of Delaware with its principal place of business in San Jose, California. KPMG was Brocade's external auditor during a portion of the Class Period.

Beginning on May 19, 2005, six putative class actions alleging securities laws violations were filed against Brocade and its officers and directors. These actions were consolidated before the United States District Court for the Northern District of California, San Francisco Division. In January, 2006, the Court appointed the Arkansas Public Employees Retirement System ("APERS" or "Lead Plaintiff") as Lead Plaintiff and approved APERS' selection of Nix, Patterson & Roach, LLP and Patton Roberts, PLLC as "Lead Counsel" in the Action.

On April 14, 2006, APERS filed a 105-page Consolidated Class Action Complaint (the "Complaint") against Brocade, certain officers and directors of Brocade, and KPMG. APERS alleged that Brocade and certain of its officers and directors made false and misleading public statements and omitted material information about Brocade's finances relating to stock option grants and stock option based compensation in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") during the Class Period. APERS alleged that KPMG misled investors by falsely stating that Brocade's financial statements were prepared according to Generally Accepted Accounting Principles and that KPMG had conducted its audits according to Generally Accepted Auditing Standards. Defendants have denied violating any laws and have raised or could raise numerous defenses, including that the statements were not false and misleading, or even if they were, that Defendants were unaware of their falsity. In addition, Defendants have consistently argued that the Class was not damaged as a result of the challenged statements, but rather, that the alleged misstatements were not material and that other market forces caused the value of Brocade Securities to decline during the Class Period.

The Class Claims Have Been Aggressively Litigated

Before filing the Complaint, APERS undertook an extensive investigation of the events surrounding the alleged fraud, which included the review and analysis of SEC filings, press releases, public statements, news articles and other publications, records of

Brocade's analyst conference calls and securities analysts' reports. The investigation also included in-person and telephonic interviews of former Brocade employees.

APERS filed the Complaint on or about April 14, 2006.

On or about July 14, 2006, Defendants filed numerous Motions to Dismiss the Complaint, primarily asserting that the Complaint failed to sufficiently plead (1) that Defendants' actions were intentional or deliberately reckless; and (2) that Defendants' conduct caused Class members' losses.

On or about September 29, 2006, APERS filed a Motion for Partial Modification of the PSLRA Discovery Stay to obtain certain documents and information from Brocade.

On November 3, 2006, the Court denied the Motions to Dismiss filed by Brocade, Gregory Reyes and Antonio Canova. The Court granted the Motions to Dismiss filed by KPMG, Seth D. Neiman, Neal Dempsey, Mark Leslie, Larry W. Sonsini, Christopher B. Paisley, and Nicholas G. Moore, but permitted APERS the opportunity to re-plead its claims against the dismissed Defendants by January 2, 2007. The Court also granted APERS' Motion for Partial Modification of the PSLRA Discovery Stay.

After the November 3, 2006 hearing, APERS and KPMG entered into settlement discussions. To facilitate these discussions, KPMG agreed that APERS would not be required to file an amended complaint against KPMG by the January 2, 2007 deadline established by the Court. On June 4, 2007, APERS and KPMG reached an agreement in principle to resolve APERS' and the Class' claims against KPMG.

On January 2, 2007, APERS filed its Amended Consolidated Class Action Complaint ("Amended Complaint"). Through the Amended Complaint, APERS asserted additional allegations against Seth D. Neiman, Neal Dempsey and Larry W. Sonsini. APERS did not reassert claims against KPMG, Mark Leslie, Christopher B. Paisley, or Nicholas G. Moore as defendants in the Action. Thereafter, the Parties engaged in substantial discovery.

On March 9, 2007, Defendants Neiman, Dempsey and Sonsini filed a Motion to Dismiss the Amended Complaint, primarily asserting that the Amended Complaint again failed to sufficiently plead that Neiman's, Dempsey's and Sonsini's actions were intentional or deliberately reckless. APERS responded to the Motion to Dismiss.

On June 22, 2007, APERS and the Erie County Pennsylvania Employees Retirement System ("ERIE") filed a motion to certify a class consisting of all persons and entities who purchased or otherwise acquired Brocade Securities during the Class Period, and who were damaged thereby, excluding certain persons and entities affiliated with Defendants.

On August 23, 2007, Brocade filed a motion for summary judgment asserting that, as a matter of law, APERS could not establish the essential element of loss causation. By agreement of the Parties, the briefing on that motion was stayed.

On August 24, 2007, APERS filed its Motion for Partial Summary Judgment against Gregory Reyes. APERS sought a judgment that, as a matter of law, Reyes was liable for the thirty-seven misrepresentations identified in the Amended Complaint. APERS' motion was based on Gregory Reyes' August 7, 2007 criminal conviction for federal securities fraud.

On August 24, 2007, the Court heard oral argument on the Motion to Dismiss filed by Neiman, Dempsey and Sonsini. The Court denied the motion on August 27, 2007.

On October 12, 2007, the Court held oral argument on APERS' and ERIE's Motion for Class Certification. By Order dated October 12, 2007, the Court granted APERS' and ERIE's Motion for Class Certification and certified the Action to proceed as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure, appointed APERS and ERIE "Class Representatives," and appointed the law firms of Nix, Patterson & Roach, LLP and Patton Roberts, PLLC "Class Counsel."

On October 12, 2007, the Court also heard argument on APERS' motion for partial summary judgment as to Gregory Reyes' liability regarding the thirty-seven misrepresentations identified in the Amended Complaint. The Court granted APERS' motion in part and denied it in part. Specifically, the Court found that, as a matter of law, Gregory Reyes (1) made material misrepresentations in Brocade's Forms 10-K filed with the U.S. Securities and Exchange Commission ("SEC") for the 2001, 2002 and 2003 fiscal years, (2) intentionally or with deliberate recklessness, and (3) that the misrepresentations occurred in connection with the purchase or sale of a security.

On January 18, 2008, Class Representatives filed a Motion for Partial Summary Judgment asserting that, as a matter of law, Gregory Reyes was acting within the course and scope of employment at Brocade when he signed Brocade's Forms 10-K filed with the SEC for the 2001, 2002 and 2003 fiscal years. The Court granted Class Representatives' motion on May 13, 2008.

Class Representatives undertook extensive discovery with respect to the merits of the Action. This discovery included the analysis of approximately three million pages of documents produced by Defendants and third parties which related to, among other things, transactions discussed in the Complaint and/or the Amended Complaint, the criminal investigation, trial, and SEC investigation of former Brocade CEO Gregory Reyes and former employee Stephanie Jensen, public disclosures, internal budgets and forecasts, communications with analysts and the public regarding financial prospects, internal policies regarding insider trading transactions, records regarding insider trades and executive compensation. Class Counsel and their accounting and damages consultants have literally spent thousands of hours reviewing, analyzing and summarizing these documents for use in prosecuting the Action. Class Counsel also retained multiple experts to assist in the prosecution of the Action.

During the course of litigation and discovery, Class Representatives and Brocade participated in three formal face to face mediation sessions: twice under the supervision of former United States District Judge Layn R. Phillips and once under the supervision of both Judge Phillips and former United States District Judge Charles Renfrew. Class Representatives and Brocade also participated in numerous mediation sessions via telephone conference with Judge Phillips. The parties and mediator(s) carried out these mediation efforts, unsuccessfully, for over 18 months. Nevertheless, the Parties continued to negotiate in good faith until an agreement in principle was reached on May 30, 2008. The Brocade Settlement is the product of several years of extensive negotiations between Class Representatives and Defendants and their experienced counsel and was achieved through numerous rounds of mediation conducted before Judge Phillips and Judge Renfrew working in conjunction therewith.

Release

If the Court approves the Settlement, all Class Members, on behalf of themselves their personal representatives, heirs, executors, administrators, trustees, successors and assigns, will release any "Settled Claims" they have as against the "Released Parties." This means that if you remain a member of the Class, any and all "Settled Claims" you have against the "Released Parties" will be released and discharged regardless of whether you file a Proof of Claim, and regardless of whether you are found eligible to share in the Settlement Fund.

"Settled Claims" means and includes any and all claims, debts, demands, controversies, obligations, losses, rights or causes of action or liabilities of any kind or nature whatsoever (including, but not limited to, any claims for damages (whether compensatory, special, incidental, consequential, punitive, exemplary or otherwise), injunctive relief, declaratory relief, rescission or rescissionary damages, interest, attorneys' fees, expert or consulting fees, costs, expenses, or any other form of legal or equitable relief whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or un-accrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class or individual in nature, including both known claims and Unknown Claims that: (i) have been asserted in the Action by Class Representatives on behalf of the Class and its Class Members against any of the Released Parties, or (ii) have been or could have been asserted in any forum by Class Representatives, Class Members or any of them against any of the Released Parties, which arise out of, relate to or are based upon the allegations, transactions, facts, matters, occurrences, representations or omissions involved, set forth, or referred to in the Complaint and/or the Amended Complaint. Settled Claims shall also include any claims, debts, demands, controversies, obligations, losses, rights or causes of action that Class Representatives, Class Members or any of them may have against the Released Parties or any of them which involve or relate in any way to the defense of the Action or the Settlement of the Action. Notwithstanding the foregoing, or any other provision contained in the Brocade Stipulation and/or the KPMG Stipulation, Settled Claims shall not include:

- (i) any claims to enforce the Settlement, including, without limitation, any of the terms of the Brocade Stipulation and/or the KPMG Stipulation or orders or judgments issued by the Court in connection with the Settlement;
- (ii) any claims asserted by persons who exclude themselves from the Class by timely requesting exclusion in accordance with the requirements set forth in this Notice;
- (iii) any claims, rights or causes of action that have been or could have been asserted by Brocade or on its behalf in (i) the action styled *Brocade Communications Systems, Inc. v. Reyes et al.*, Case No. 3:05-CV-02233-CRB, pending in the United States District Court, Northern District of California; (ii) the action styled *In re Brocade Communications Systems, Inc. Derivative Litigation*, Case No. 1:05-CV-041683, pending in the Superior Court of California, County of Santa Clara; (iii) the action styled *Barbour et al. v. Reyes et al.*, Case No. 3:08-cv-02029-CRB, pending in the United States District Court, Northern District of California; (iv) the action styled *Jha v. Reyes et al.*, Case No. 3:05-cv-02652-CRB, pending in the United States District Court, Northern District of California; (v) the action styled *Pratt v. Reyes et al.*, Case No. 3:05-cv-02372-CRB, pending in the United States District Court, Northern District of California; and (vi) the action styled *Galluscio v. Reyes et al.*, Case No. 3:05-cv-02235, pending in the United States District Court, Northern District of California; or
- (iv) any and all claims that have been asserted under the Securities Act of 1933 and the Securities Exchange Act of 1934, or any other laws, for the allegedly wrongful conduct complained of in *In re Brocade Communications Systems, Inc. Initial Public Offering Securities Litigation*, 01 CV 6613 (SAS)(BSJ), as coordinated for pretrial purposes in *In re Initial Public Offering Securities Litigation*, Master File No. 21 MC 92 (SAS), pending in the United States District Court for the Southern District of New York.

NOTICE REGARDING OTHER PENDING LITIGATION: If you chose to participate in this Settlement and DO NOT EXCLUDE YOURSELF FROM THIS ACTION, you will give up any rights you may have to relief in any other pending or future action against the Released Parties arising out of the conduct set forth in the Complaint and/or the Amended Complaint. At the time this Notice was issued, the Parties were aware of only one such action, the action styled *Huang et al. v. Reyes et al.*, Case No. 1:07-CV-097163, currently pending in the Superior Court of California, County of Santa Clara (the "Huang Action"). However, there may be other such actions. The Huang Action asserts claims against Gregory Reyes, Stephanie Jensen, Antonio Canova, Nicholas G. Moore, David L. House, Seth D. Neiman, Christopher B. Paisley and Neil Dempsey relating to Brocade's historical stock options practices, and seeks to certify a class consisting of all holders of Brocade common stock who are being and who will be harmed by the conduct alleged in that action. While Class Representatives and Class Counsel take no position regarding the likelihood of success in the Huang Action, Brocade intends to file a demurrer seeking to have the Huang Action dismissed in its entirety and, as with all litigation, significant risks exist. IF YOU DO NOT EXCLUDE YOURSELF FROM THIS ACTION (as described below in Answer to Question No. 13), YOU WILL BE GIVING UP ANY AND ALL RIGHTS TO RELIEF, IF ANY, OBTAINED IN THE HUANG ACTION OR ANY OTHER SUCH ACTIONS.

"Settled Defendants' Claims" means and includes any and all claims, debts, demands, controversies, obligations, losses, costs, rights or causes of action or liabilities of any kind or nature whatsoever (including, but not limited to, any claims for damages (whether compensatory, special, incidental, consequential, punitive, exemplary or otherwise), injunctive relief, declaratory relief, rescission or rescissionary damages, interest, attorneys' fees, expert or consulting fees, costs, expenses, or any other form of legal or equitable relief whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or

contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, including both known claims and Unknown Claims, that have been or could have been asserted in the Action or any forum by the Released Parties against any of the Class Representatives, Class Counsel, Class Members or their attorneys, which arise out of or relate in any way to the institution, prosecution, or settlement of the Action. Notwithstanding the foregoing, or any other provision contained in the Brocade Stipulation and/or the KPMG Stipulation, Settled Defendants' Claims shall not include any claims to enforce the Settlement, including, without limitation, any of the terms of the Stipulations, orders or judgments issued by the Court in connection with the Settlement.

"Unknown Claims" means any and all claims that any Class Representative or Class Member does not know or suspect to exist and any and all claims that Brocade, any Individual Defendant or KPMG does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties which, if known by him, her or it, might have affected his, her or its settlement with and release of, as applicable, the Released Parties, Class Representatives, and Class Members, or might have affected his, her or its decision to object or not to object to the Settlement. The Class Representatives, Class Members, Brocade, the Individual Defendants and KPMG (the "Parties"), and each of them 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 Settled Claims and/or the Settled Defendants' Claims. Nevertheless, with respect to any and all Settled Claims and Settled Defendants' Claims, the Parties have stipulated and agreed that, upon the Effective Date, the Parties shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, waived all provisions, rights and benefits of California Civil Code § 1542 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 California Civil Code § 1542. California Civil Code § 1542 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.

The Parties have expressly acknowledged, and the Class Members shall be deemed to have, and by operation of the Judgment shall have acknowledged, that the waiver and release of Unknown Claims constituting Settled Claims and/or Settled Defendants' Claims was separately bargained for and a material element of the Settlement.

"Released Parties" means Brocade Communications Systems, Inc. and its subsidiaries, affiliates, or successors (collectively "Brocade"); Gregory Reyes, Antonio Canova, Larry W. Sonsini, Seth D. Neiman and Neal Dempsey (collectively "Individual Defendants"); KPMG LLP; and each of Brocade's, the Individual Defendants' and KPMG's past or present directors, officers, employees, partners, principals, members, insurers, co-insurers, re-insurers, controlling shareholders, attorneys, advisors, accountants, auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, any entity in which Brocade, an Individual Defendant or KPMG has a controlling interest, any member of any Individual Defendant's immediate family, or any trust of which any Individual Defendant is the settlor or which is for the benefit of any member of an Individual Defendant's immediate family.

A copy of the each of the Brocade Stipulation and the KPMG Stipulation is available at no charge on the Internet at www.brocadeclasssettlement.com.

3. Why is this case a class action?

In a class action, one or more plaintiffs called class representatives sue on behalf of people who have similar claims. All of the individuals and entities on whose behalf the plaintiffs are suing are class members. One court resolves the issues for all class members, except for those who choose to exclude themselves from the class.

Here, United States District Judge Charles R. Breyer is presiding over the Action. In this Action, the Court appointed the Arkansas Public Employees Retirement System and the Erie County Pennsylvania Employees Retirement System as "Class Representatives."

4. Why is there a Settlement?

The Court has not reached a final judgment as to whether the Class has proved its claims under the Securities Exchange Act of 1934 against Defendants. It would likely take several more years before a trial on the merits is held, final judgment is entered, and appeals are exhausted. Instead, Class Representatives and Defendants have agreed to resolve the lawsuit. In reaching the Settlement, they have avoided the risk, cost and time of a trial, and Class Representatives have avoided any further delay in bringing this Action to a resolution. In addition, as with any litigated case, Class Representatives would face an uncertain outcome if this Action went to trial. On the one hand, a trial could result in a verdict greater than the Settlement. On the other hand, Defendants have many defenses that they can be expected to assert, and a trial could result in a verdict lower than Class Representatives have obtained, or even no recovery at all for Class Representatives and the Class. Based on these factors and others, Class Representatives and their attorneys in this case believe the Settlement is best for all Class Members.

5. How do I know whether I am part of the Class?

To see if you will receive money from the Settlement Fund, you first must determine whether you are a Class Member. The Class consists of the following individuals and entities, subject to certain exceptions (described in the Answer to Question 6): *All persons and entities who purchased or otherwise acquired Brocade common stock during the Class Period and who were damaged thereby.*

6. Are there exceptions to being included?

You are not a Class Member if you are (i) a Defendant; (ii) an officer, director, or partner of any Defendant or of any Defendant's partnerships, subsidiaries, or affiliates at all relevant times; (iii) a member of the immediate family of any of the foregoing excluded parties; (iv) a legal representative, heir, successor, or assign of any of the foregoing excluded parties; or (v) an entity in which any of the foregoing excluded parties has or had a controlling interest.

Also, you are not a Class Member if you exclude yourself from the Class by submitting a valid and timely request for exclusion in accordance with the requirements set forth in this Notice. The procedure for requesting exclusion from the Class is described below in the Answer to Question No. 13, "How do I get out of the Settlement?"

In addition, you are not a Class Member if you previously settled an actual or threatened lawsuit or arbitration with Defendants and released all of Defendants from further claims concerning the purchase or acquisition of Brocade Securities.

If one of your mutual funds owns shares of Brocade, that alone does not make you a Class Member. You may contact your broker to see whether you have purchased or otherwise acquired Brocade Securities during the Class Period.

7. I am still not sure whether I am included.

If you are still not sure whether you are included, you can ask for help, which will be provided to you at no cost. You can call the Claims Administrator at 1-877-507-4370, or write to the following address:

In Re Brocade Securities Litigation Settlement
c/o Epiq Systems, Inc.
Claims Administrator
P.O. Box 3266
Portland, OR 97208

Or you can fill out and return the Proof of Claim form to see whether you qualify.

The Settlement Benefits - What You Receive

8. What does the Settlement provide?

Pursuant to the Brocade Settlement, Brocade deposited \$160,000,000.00 into an interest bearing escrow account on _____, 2008. Pursuant to the KPMG Settlement, KPMG deposited \$98,500.00 into the same interest bearing account on _____, 2008.

The Settlement, if approved, will result in the dismissal of the Amended Complaint as against Brocade and the Individual Defendants and the release by all Class Members of all the Settled Claims against the Released Parties, as defined above in the Answer to Question No. 2. The Net Settlement Fund will be distributed in accordance with the provisions of the Plan of Allocation, which is explained below in the Answer to Question No. 9, to the Class Members who file timely and valid Proof of Claim forms following the procedures set forth in this Notice and on the Proof of Claim form.

9. How much will my payment be?

Your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members submit, how many Brocade Securities you bought during the Class Period, and when you bought and/or sold (or whether you retained) any such Brocade Securities.

Here is how it works:

- Class Representatives and their expert consultants have prepared a Plan of Allocation that provides instructions for the Claims Administrator to determine each Class Member's proportionate share of the Net Settlement Fund.
- The Plan of Allocation provides a mathematical formula for determining the amount of money or "Recognized Claim" that will be paid to "Authorized Claimants."
- The mathematical formula is based in part on the Class's contention that the prices of Brocade common stock were artificially inflated during the Class Period and attempts to approximate the overall amount of damages that a Class Member might have

received had the Action gone to trial and the Class prevailed. It then utilizes that figure as a basis for weighing the claims of one Class Member against another for purposes of determining an appropriate methodology for dividing up the Net Settlement Fund among Class Members.

- To calculate whether you had a net gain or net loss on your transactions in Brocade common stock, four factors are considered: (1) the price you paid for the stock; (2) the price at which you sold the stock if sold during the Class Period or in the 90 days following the end of the Class Period (or the 90 day average closing price for the 90 days following the conclusion of the Class Period if you did not sell); (3) the amount by which Class Representatives' experts have determined the stock was, in their view, "inflated" on the date of your purchase; and (4) the amount by which Class Representatives' experts have determined the stock was, in their view, "inflated" on the date of your sale (that number is \$0 if you did not sell by the end of the Class Period).
- Because you are entitled to make a claim only for losses on Brocade common stock that you may have incurred due to the Defendants' conduct alleged in the Action, you may have a claim for either (a) the change in inflation between your purchase and sale dates (or the end of the Class Period if you did not sell) or (b) the amount you actually lost, whichever is less.
- The Plan of Allocation, which is attached to this Notice as Exhibit A, provides a detailed explanation of how this method works.
- Class Representatives will share in the Net Settlement Fund on the same basis and to the same extent as all other Authorized Claimants, although they will also separately seek reimbursement for the reasonable time and expenses incurred in representing the Class.
- Each valid claim will be allocated a proportionate share of the Net Settlement Fund based on the Authorized Claimant's Recognized Claim compared to the Total Recognized Claims of all Class Members who submit valid Proof of Claim forms.
- Class Members who do not file valid and timely Proof of Claim forms will not share in the Net Settlement Fund.
- Class Members who exclude themselves from the Class will not share in the Net Settlement Fund.
- Distributions will not be sent to Authorized Claimants until after the Fairness Hearing, after all claims have been processed and after the Settlement has become effective in accordance with its terms. It takes a significant amount of time for these events to occur and thus, payments will not be sent until this process is fully completed and approved by the Court.
- In the event that there are un-cashed distribution checks, after efforts authorized by the Court have been made to locate authorized claimants, subsequent redistributions will be calculated and paid to any Authorized Claimant who would receive more than \$10.00 until such time as re-distributions are no longer economically viable. At that time, the remaining funds will be donated to certain non-profit 501(c)(3) entities to be designated by Class Counsel.
- Class Representatives estimate that, if all Class Members make a claim, the average payment will be \$0.567 per damaged share of Brocade common stock purchased or acquired during the Class Period. Of these amounts, fees and expenses will be requested of up to \$0.144 per damaged share of Brocade common stock purchased or acquired the Class Period. **Please note that these amounts are only estimates.**
- The Plan of Allocation may be modified in connection with, among other things, a ruling by the Court.

If you have questions about the tax consequences of participating in the Settlement, you should consult with your own tax advisor.

10. How can I get a payment?

To qualify for a settlement payment, you **must** send in a Proof of Claim form. A Proof of Claim form is attached to this Notice. You also may get a Proof of Claim form on the Internet at www.brocadeclasssettlement.com or by calling the Claims Administrator. Read the instructions carefully, fill out the form, include all the documents the form asks for, sign the form, and mail it postmarked no later than _____, 2009. Please note that all Proof of Claim forms must be signed and returned to the Claims Administrator by the above date in order to receive any payment from the Net Settlement Fund.

11. When would I get my payment?

Payment to Class Members is contingent on the Court's approval of the Settlement and on such approval becoming final and no longer subject to any appeals to any court. If Judge Breyer approves the Settlement, there still might be appeals. Appeals, if any, will take time, perhaps more than a year.

The Net Settlement Fund will be distributed by the Claims Administrator as soon as possible after final approval has been obtained for the Settlement (which includes exhaustion of any appeals). As noted above, the resolution of any appeal of the final approval may take several years. In addition, processing of the Proofs of Claim requires significant time to complete.

Anyone who sends in a Proof of Claim form can receive information about the progress of the Settlement by visiting the website at www.brocadeclasssettlement.com, or by calling 1-877-507-4370 or writing to: In Re Brocade Securities Litigation Settlement, c/o Epiq Systems, Inc., Claims Administrator, P.O. Box 3266, Portland, Oregon 97208-3266.

12. What is the effect of my remaining in the Class?

Unless you exclude yourself from the Class, you will be a Class Member and will be bound by all orders and judgments entered by the Court regarding the Settlement. If the Settlement is approved, you will not be able to sue, continue to sue, or be part of any other lawsuit or arbitration against any of the Released Parties concerning any of the Settled Claims. You will be bound by the Settlement (including the release of the Settled Claims) whether or not you submit a Proof of Claim form and/or receive a payment under the Settlement.

13. How do I get out of the Settlement?

To get out of the Settlement, you must exclude yourself from the Class. To exclude yourself from the Class, you must send a letter by mail to the Claims Administrator saying that you want to be excluded from the Class in *In re Brocade Securities Litigation*. If you wish to exclude yourself, be sure to include in your letter your name, address, telephone number, and signature, and mail your exclusion request postmarked no later than _____, 2008 to:

In Re Brocade Securities Litigation Settlement
c/o Epiq Systems, Inc.
Exclusions
P.O. Box 3266
Portland, Oregon 97208-3266

Requests for exclusion must also list the amount of Brocade common stock purchased, otherwise acquired, or sold during the Class Period, the prices paid or received, the date of each transaction and the amount or number of Brocade Securities held as of the beginning of the Class Period on May 18, 2000.

You cannot exclude yourself on the website, by telephone or by e-mail. **If you do not follow these procedures – including meeting the date for exclusion set out above – you will not be excluded from the Class, and you will be bound by all of the orders and judgments entered by the Court regarding the Settlement.**

If you ask to be excluded, you will not receive a Settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit. You will also not participate in any distribution of the Net Settlement Fund.

14. If I don't exclude myself from the Class in connection with the Action, can I sue the Released Parties for the same thing later?

No. Unless you exclude yourself from the Class in connection with the Action, you give up any right to sue any or all of the Released Parties for any Settled Claims. If you have a pending lawsuit or arbitration against Brocade or any of its officers and directors or any other Released Parties, speak to the lawyer representing you in that case immediately. You must exclude yourself from this Class to continue your own lawsuit or arbitration against any of the Released Parties. Remember, your request for exclusion must be postmarked no later than _____, 2009.

15. If I exclude myself, can I get money from this Settlement in connection with the Action?

No. If you exclude yourself, do not send in a Proof of Claim form to ask for money in connection with the Action. If you exclude yourself from the Class, you may be able to sue, continue to sue, or be part of a different lawsuit or arbitration against the Released Parties.

The Lawyers Representing You

16. Do I have a lawyer in the case?

The Court has appointed the law firms of Nix, Patterson & Roach, LLP and Patton Roberts, PLLC to represent Class Representatives and all other Class Members in the Action. These lawyers are called Class Counsel. You will not be charged directly by these lawyers. 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?

Class Counsel intends to seek an award of attorneys' fees of up to 25% of the Settlement Fund after deduction of expenses. Class Counsel has been litigating this case for the past three years without any payment whatsoever. At the Fairness Hearing, Class Counsel will also seek reimbursement of the expenses incurred in connection with the prosecution of this Action, which amount will not exceed \$1,200,000.00. Class Representatives intend to seek an award of their reasonable costs and expenses (including lost wages) they incurred relating to the representation of the Class, which amount will not exceed \$25,000.00.

Objecting to the Settlement, Plan of Allocation or the Attorneys' Fees Award

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

18. How do I tell the Court that I do not like any aspect of the Settlement?

If you are a Class Member and you do not exclude yourself, you can object to the Settlement if you do not like any part of it. You can give reasons why you think the Court should not approve the Settlement, Plan of Allocation, request for attorneys' fees and reimbursement of expenses, or request for reimbursement of the reasonable costs and expenses of Class Representatives relating to their representation of the Class.

To object, you must send a letter or other filing saying that you object to the proposed Settlement in *In re Brocade Communications Systems, Inc. Securities Litigation*, Consolidated Case No. 3:05-CV-02042-CRB. You must include your name, address, telephone number, signature, and the reasons you object. You must also list the amount of Brocade common stock purchased, otherwise acquired, or sold during the Class Period, the prices paid or received, the date of each transaction and the amount or number of shares of Brocade common stock held as of the beginning of the Class Period on May 18, 2000. Your written objection must be served on one of the Class Counsel and each Defendants' Counsel listed below and **must be received** by them no later than _____, 2009:

Class Counsel

Jeffrey J. Angelovich, Esq.
Bradley E. Beckworth, Esq.
Nix, Patterson & Roach, LLP
205 Linda Drive
Daingerfield, TX 75638

Defendants' Counsel

Counsel for Brocade Communications Systems, Inc.:

John C. Dwyer
Cooley Godward Kronish LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306-2155

Counsel for Gregory Reyes:

Richard Marmaro
Skadden Arps Slate Meagher & Flom L.L.P.
300 S. Grand Ave., Ste. 3400
Los Angeles, CA 90071

Counsel for Larry W. Sonsini:

Evan R. Chesler
Cravath Swaine & Moore, L.L.P.
825 8th Ave.
Worldwide Plaza
New York, NY 10019

Counsel for Antonio Canova:

Norman J. Blears
Hogan & Hartson LLP
525 University Avenue, 2nd Floor
Palo Alto, CA 94301

Counsel for Seth D. Neiman:

Jeffrey Rudman
Wilmer Cutler Pickering Hale & Dorr, L.L.P.
60 State St.
Boston, MA 02109

Counsel for Neal Dempsey:

Richard M. Phillips
Kirkpatrick & Lockhart Preston Gates Ellis, L.L.P.
55 Second St., Ste. 1700
San Francisco, CA 94105

Counsel for KPMG LLP:

Michael C. Kelley
Sidley Austin LLP

555 West Fifth Street
 Los Angeles, California 90013
 (213) 896-6000

You must also file your objection with the Clerk of the United States District Court for the Northern District of California, San Francisco Division. The address is: Clerk of the U.S. District Court for the Northern District of California, San Francisco Division, United States Courthouse, 450 Golden Gate Avenue, 16th Floor, San Francisco, CA 94102. The Clerk **must** receive your objection no later than _____, 2009.

19. What's the difference between objecting and excluding?

Objecting is simply telling the Court that you do not like something about the Settlement. You can object only if you are a Class Member. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself from the Class, you have no basis to object, because the Settlement no longer affects you. If you do not exclude yourself from the Class, you will remain a member of the Class and will be bound by the terms of the Brocade Stipulation and the KPMG Stipulation (including the releases contained therein) and all orders and judgments entered by the Court regarding the Settlement regardless of whether the Court accepts or denies your objection.

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

The Court will hold a Fairness Hearing on _____, 2009 at the United States District Court for the Northern District of California, San Francisco Division, 450 Golden Gate Avenue, 19th Floor, Courtroom 8, San Francisco, CA 94102. At this hearing, the Court will consider whether the Settlement is fair, reasonable and adequate. If there are objections, the Court will consider them. After the Fairness Hearing, the Court will decide whether to approve the Settlement and the Plan of Allocation. The Court will also rule on the request for attorneys' fees and expenses and request for reimbursement of the reasonable costs and expenses of Class Representatives relating to their representation of the Class. We do not know how long these decisions will take.

21. Do I have to come to the hearing?

No. Class Counsel will answer any questions the Court might have. But you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as it is received on time, it will be before the Court when the Court considers whether to approve the Settlement as fair, reasonable and adequate. You also may pay your own lawyer to attend the Fairness Hearing, but attendance is not necessary.

22. May I speak at the hearing?

If you are a Class Member who has not requested to be excluded from the Class, you may ask the Court for permission to speak at the Fairness Hearing. To do so, you must send a letter or other paper called a "Notice of Intention to Appear at Fairness Hearing in *In re Brocade Communications Systems, Inc. Securities Litigation*." Be sure to include your name, address, telephone number, and your signature. Your Notice of Intention to Appear must be served on the counsel listed above and must be filed with the Clerk of the Court at the address in the Answer to Question No. 18 no later than _____, 2009. You cannot speak at the Fairness Hearing if you exclude yourself from the Class.

If You Do Nothing

23. What happens if I do nothing at all?

If you are a Class Member and do nothing, you will not receive any payment in connection with the Settlement. However, you will still be bound by the Settlement. Even if you receive no payment, you will not be able to start a lawsuit or arbitration, continue a lawsuit or arbitration, or be part of any other lawsuit or arbitration against any of the Released Parties based on any Settled Claims unless you exclude yourself.

Getting More Information

24. Are there more details about the Settlement?

This Notice summarizes the Settlement. The complete Settlement is set out in the Stipulations. You may obtain copies of the Stipulations, as well as other relevant documents, from the settlement website for free at www.brocadeclasssettlement.com or you may request copies by writing to *In Re Brocade Securities Litigation Settlement*, c/o Epiq Systems, Inc., Claims Administrator, P.O. Box 3266, Portland, Oregon 97208-3266. If you elect to obtain copies from a source other than the free website, there may be a charge for

copying and mailing such documents. The Stipulations are also filed in *In re Brocade Communications, Inc. Securities Litigation*, Consolidated Case No. 3:05-cv-2042-CRB, with the Clerk of the U.S. District Court for the Northern District of California, San Francisco Division, United States Courthouse, 450 Golden Gate Avenue, 16th Floor, San Francisco, CA 94102, and may be obtained from the Clerk's office directly. Further information regarding the Action and this Notice may be obtained by contacting Class Counsel at the address provided in the Answer to Question 18 above.

25. How do I get more information?

You can visit the website at www.brocadeclasssettlement.com, where you will find answers to common questions about the Settlement, the Proof of Claim form, plus other information to help you determine whether you are a Class Member and whether you are eligible for payment. You can also call 1-877-507-4370 toll free or write to In Re Brocade Securities Litigation Settlement, c/o Epiq Systems, Inc., Claims Administrator, P.O. Box 3266, Portland, Oregon 97208-3266.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

The Court has ordered that if you purchased or otherwise acquired Brocade Securities during the Class Period as nominee for a beneficial owner, then within ten (10) calendar days after you receive this Notice, you must either: (a) send a copy of this Notice and the accompanying Proof of Claim by first class mail to all such beneficial owners; or (b) provide a list of the names and addresses of such beneficial owners to the Claims Administrator so that the Claims Administrator can provide them with a copy of this Notice and a Proof of Claim form.

EXHIBIT A

PLAN OF ALLOCATION

1. The following Plan of Allocation is designed to fairly allocate the proceeds of the \$160,098,500 Gross Settlement Fund,¹ less all taxes, approved costs, fees and expenses (the "Net Settlement Fund"). The Net Settlement Fund shall be distributed to Class Members (or the representative of such Class Members including, without limitation, agents, administrators, executors, heirs, predecessors, successors, affiliates (as defined in 17 C.F.R. Part 210.1-02.b) and assigns) who submit a Proof of Claim in such form and manner, and within such time, as the Court shall prescribe ("Authorized Claimants").

2. This Plan of Allocation reflects the contention of the Class that because of misrepresentations and omissions about Brocade's financial condition and prospects, the price of Brocade common stock was inflated artificially during the Class Period (May 18, 2000 through and including May 15, 2005).

3. The Court has not made any finding that the Settling Defendants are liable to the Class or that the Class has suffered any compensable damages, nor has the Court made any finding that the payments allowed under this Plan of Allocation are an accurate measure of damages. If the Settlement is not approved, the Class Representatives are not bound by the Estimated Inflation amounts utilized in connection with this Plan of Allocation.

4. The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Claim" from transactions in Brocade common stock during the entire Class Period. **The Recognized Claim formulas set forth below are not intended to be an estimate of the amount that a Class Member might have been able to recover after a trial; nor is the Recognized Claim an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement.** The Recognized Claim formulas are the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

5. This Plan of Allocation schedule reflects the declines in the stock price of Brocade Communications Systems, Inc. during the Class Period, that Lead Plaintiffs allege are reasonably attributable to the misstatements alleged in the Amended Consolidated Class Action Complaint and adjusted to reflect the strength of those allegations and the settlement negotiations.

6. The total number of damaged shares (shares purchased on or between May 18, 2000 and May 15, 2005 and held beyond one or more of the following dates: January 6, 2005; January 24, 2005; April 27, 2005; May 15, 2005) is estimated to amount to 282 million shares. The Settlement of \$160,098,500, thus, represents an expected rate of recovery of \$0.567 per damaged share. Net of expected costs, fees and other expenses of \$0.144 per damaged share, the expected net recovery is estimated to be \$0.423 per damaged share.

7. Calculation of Recognized Claims shall be as follows:

For shares purchased on or between May 18, 2000, and May 15, 2005, inclusive, the Recognized Claim shall be calculated as follows:

- a. For shares sold on or before January 6, 2005, no Recognized Claim shall be allowed;
- b. For shares sold between January 7, 2005 and May 15, 2005, inclusive, the Recognized Claim shall be the lesser of (i) the difference between the price paid and the price received (out-of-pocket investment loss); or (ii) the artificial inflation at the date of purchase, as set forth in Table 1 below, less the artificial inflation at the date of sale, as set forth in Table 1 below;
- c. For shares held at the open of trading on May 16, 2005 but sold on or before August 12, 2005, the Recognized Claim shall be the lesser of (i) the artificial inflation at the date of purchase, as set forth in the Table 1 below; or (ii) the difference between the price per share paid and the average closing price from May 16, 2005, and the date of sale, as provided for in Table 2;

¹ Capitalized terms not otherwise defined in this Plan of Allocation shall have the same meaning ascribed to them in the Notice.

- d. For shares still held at the close of trading on August 12, 2005, the Recognized Claim shall be the lesser of (i) the artificial inflation at the date of purchase, as set forth in the Table 1 below; or (ii) the difference between the price per share paid and \$4.06.

Table 1: Dollar Inflation for Specific Dates of Purchase and Sale

| Begin Date | End Date | Dollar Inflation |
|------------|------------|------------------|
| 05/18/2000 | 01/06/2005 | \$1.04 |
| 01/07/2005 | 01/24/2005 | \$0.52 |
| 01/25/2005 | 04/27/2005 | \$0.26 |
| 04/28/2005 | 05/15/2005 | \$0.07 |
| 05/16/2005 | 08/12/2005 | \$0.00 |

Table 2: Average Price Per Share for PSLRA loss limitations

| Sale Date | Closing Price | Avg. Closing Price | Sale Date | Closing Price | Avg. Closing Price |
|------------|---------------|--------------------|------------|---------------|--------------------|
| 05/16/2005 | 4.13 | 4.13 | 06/30/2005 | 3.88 | 4.02 |
| 05/17/2005 | 4.01 | 4.07 | 07/01/2005 | 3.91 | 4.02 |
| 05/18/2005 | 4.21 | 4.12 | 07/05/2005 | 3.90 | 4.01 |
| 05/19/2005 | 4.43 | 4.20 | 07/06/2005 | 3.90 | 4.01 |
| 05/20/2005 | 3.93 | 4.14 | 07/07/2005 | 3.90 | 4.01 |
| 05/23/2005 | 3.93 | 4.11 | 07/08/2005 | 4.00 | 4.01 |
| 05/24/2005 | 3.98 | 4.09 | 07/11/2005 | 4.00 | 4.01 |
| 05/25/2005 | 3.96 | 4.07 | 07/12/2005 | 4.02 | 4.01 |
| 05/26/2005 | 3.98 | 4.06 | 07/13/2005 | 3.99 | 4.01 |
| 05/27/2005 | 3.97 | 4.05 | 07/14/2005 | 3.99 | 4.01 |
| 05/31/2005 | 3.92 | 4.04 | 07/15/2005 | 3.98 | 4.01 |
| 06/01/2005 | 3.98 | 4.04 | 07/18/2005 | 3.90 | 4.00 |
| 06/02/2005 | 4.28 | 4.05 | 07/19/2005 | 3.96 | 4.00 |
| 06/03/2005 | 4.14 | 4.06 | 07/20/2005 | 3.97 | 4.00 |
| 06/06/2005 | 4.17 | 4.07 | 07/21/2005 | 4.13 | 4.00 |
| 06/07/2005 | 4.13 | 4.07 | 07/22/2005 | 4.24 | 4.01 |
| 06/08/2005 | 3.95 | 4.06 | 07/25/2005 | 4.38 | 4.02 |
| 06/09/2005 | 4.03 | 4.06 | 07/26/2005 | 4.49 | 4.03 |
| 06/10/2005 | 4.03 | 4.06 | 07/27/2005 | 4.36 | 4.03 |
| 06/13/2005 | 4.08 | 4.06 | 07/28/2005 | 4.44 | 4.04 |
| 06/14/2005 | 3.98 | 4.06 | 07/29/2005 | 4.48 | 4.05 |
| 06/15/2005 | 3.98 | 4.05 | 08/01/2005 | 4.42 | 4.06 |
| 06/16/2005 | 4.00 | 4.05 | 08/02/2005 | 4.49 | 4.06 |
| 06/17/2005 | 4.01 | 4.05 | 08/03/2005 | 3.96 | 4.06 |
| 06/20/2005 | 4.02 | 4.05 | 08/04/2005 | 3.96 | 4.06 |
| 06/21/2005 | 3.96 | 4.05 | 08/05/2005 | 4.06 | 4.06 |
| 06/22/2005 | 3.92 | 4.04 | 08/08/2005 | 4.07 | 4.06 |
| 06/23/2005 | 4.00 | 4.04 | 08/09/2005 | 4.02 | 4.06 |
| 06/24/2005 | 3.91 | 4.04 | 08/10/2005 | 4.02 | 4.06 |
| 06/27/2005 | 3.91 | 4.03 | 08/11/2005 | 4.07 | 4.06 |
| 06/28/2005 | 3.94 | 4.03 | 08/12/2005 | 4.13 | 4.06 |
| 06/29/2005 | 3.92 | 4.02 | | | |

8. Other Instructions and Guidelines Applicable to All Recognized Claims

- a. For Class Members who held Brocade common stock before the Class Period or made multiple purchases or sales during the Class Period, the first-in, first-out ("FIFO") method will be applied to such holdings, purchases and sales for purposes of calculating a Recognized Claim. Under the FIFO method, for each Brocade share, each sale of that Brocade share during the Class Period will be matched, in chronological order, first against that Brocade share held at the beginning of the Class Period. Such holdings and

sales will be included in the calculation of Recognized Claim as described above. For each Brocade share, the remaining sales of such Brocade shares during the Class Period will then be matched, in chronological order, against purchases of such Brocade shares during the Class Period.

- b. A purchase or sale of Brocade common stock shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date. The receipt or grant by gift, devise or operation of law of Brocade common stock during the Class Period shall not be deemed a purchase, acquisition, disposition or sale of Brocade common stock for the calculation of an Authorized Claimant's Recognized Claim nor shall it be deemed an assignment of any claim relating to the purchase of such security unless specifically provided in the instrument of gift or assignment.
- c. Each Authorized Claimant shall be allocated a *pro rata* share of the Net Settlement Fund based on his, her or its Recognized Claim compared to the Total Recognized Claims of all Authorized Claimants. Each Authorized Claimant shall be paid an amount determined by multiplying the Net Settlement Fund by a fraction the numerator of which shall be his, her or its "Recognized Claim" and the denominator of which shall be the Total Recognized Claims of all Authorized Claimants.
- d. Class Members who do not file acceptable Proofs of Claim will not share in the Net Settlement Fund. Class Members who do not submit acceptable Proofs of Claim will nevertheless be bound by the Brocade Settlement and Final Judgment of the Court dismissing this Action.
- e. Bank drafts will be distributed to Authorized Claimants after the Effective Date of the Settlement and after all claims have been processed. To the extent that any monies remain in the Net Settlement Fund after the Administrator has caused distributions to be made to all Authorized Claimants, whether by reason of un-cashed distributions or otherwise, then, after the Administrator has made reasonable and diligent efforts to have Authorized Claimants cash their distributions, any balance remaining in the Cash Settlement Accounts one (1) year after the initial distribution of such funds shall be re-distributed to Authorized Claimants who have cashed their initial distributions and who would receive at least \$10.00 from such re-distribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution. If six months after such re-distribution, funds remain in the Net Settlement Fund, then such funds shall be further re-distributed to Authorized Claimants who have cashed their most recent re-distribution and who would receive at least \$10.00 from such further re-distribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution. The redistributions shall continue until it becomes economically unfeasible to continue re-distributions based upon the costs associated with such re-distributions, after which such balance shall be contributed to non-sectarian, not-for-profit 501(c)(3) organization(s) to be designated by Class Counsel.
- f. The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds.