

## **PLAN OF ALLOCATION OF THE NET SETTLEMENT FUND**

### **A. Preliminary Matters**

As discussed in this Notice, Lead Plaintiff (“Plaintiff”) has recovered \$3,500,000 in cash for the benefit of the Class (the “Settlement Amount”). The Settlement Amount and the interest earned thereon is the “Gross Settlement Fund.” The Gross Settlement Fund, after deduction of Court-approved attorneys’ fees and expenses, notice and administration expenses, and taxes and tax expenses, is the “Net Settlement Fund.” The Net Settlement Fund will be distributed to Class Members who are entitled to share in the distribution, who submit timely and valid Proofs of Claim (“Authorized Claimants”), and whose payment from the Net Settlement Fund would equal or exceed ten dollars (\$10.00).

The purpose of this Plan of Allocation of the Net Settlement Fund (“Plan of Allocation” or “Plan”) is to establish a reasonable and equitable method of distributing the Net Settlement Fund among Authorized Claimants. For purposes of determining the amount an Authorized Claimant may recover under this Plan, Lead Counsel has consulted with their damages consultants and others. This Plan is intended to be generally consistent with an assessment of, among other things, the damages that Plaintiff and Lead Counsel believe could have been recovered had they prevailed at trial. The Plan is not intended to and does not exactly replicate such assessment of damages, however. Certain Class Members who may not have had recoverable damages at trial may be eligible to receive a distribution under this Plan.

Because the Net Settlement Fund is less than the total losses suffered by Class Members, the formulas described below for calculating Recognized Losses are not intended to estimate the amount that will actually be paid to Authorized Claimants. Rather, these formulas provide the basis on which the Net Settlement Fund will be distributed among Authorized Claimants.

### **B. Additional Definitions**

This Plan is based on the following principles and additional definitions (listed alphabetically), among others:

1. An “Authorized Claimant” is a Class Member who is entitled under this Plan to share in the distribution of the Net Settlement Fund and who submits a timely and valid Proof of Claim.
2. “Inflation” is the amount by which the price of IXIA common stock was overvalued on each day in the Class Period because of the alleged misrepresentations and omissions.
3. “Inflation Loss” is the amount of loss calculated based on the amount of Inflation in the price of IXIA common stock based on the methodology described below.

4. A “Net Trading Loss (Gain)” for each Claimant will be computed by adding up all Trading Losses and subtracting all Trading Gains for all transactions in IXIA common stock by such Claimants that qualify to participate in the Plan as described herein.

5. The “PSLRA 90-Day Lookback Period” is the period of ninety calendar days beginning on the trading day following the end of the Class Period from April 4, 2013 through July 2, 2013.

6. The “PSLRA 90-Day Lookback Price” is the average of the closing prices for IXIA common stock over the PSLRA 90-Day Lookback Period and equals \$16.37 per share.

7. A “purchase” is the acquisition of IXIA common stock by any means other than a gift, inheritance, or operation of law (as discussed below) or a purchase transaction conducted for the purpose of covering a “short sale” transaction.

8. “Purchase Amount” is the Purchase Price Per Share multiplied by the number of shares of IXIA common stock purchased by a Claimant during the Class Period.

9. “Purchase Price Per Share” is the amount paid per share by a Claimant to purchase shares of IXIA common stock.

10. “Recognized Claim” is the amount of the Net Settlement Fund that an Authorized Claimant is entitled to after calculation of the Authorized Claimant’s *pro rata* share of the Net Settlement Fund.

11. “Recognized Loss” is the amount of a claim under this Plan and is the number used to calculate an Authorized Claimant’s Recognized Claim.

12. A “sale” is the disposition of IXIA common stock by any means other than a gift, inheritance or operation of law (as discussed below) or a “short sale” transaction.

13. “Sale Price Per Share” is the amount received per share by a Claimant upon the sale of shares of IXIA common stock.

14. “Sales Proceeds” equals the number of shares of IXIA common stock purchased during the Class Period by a Claimant multiplied by (i) Sale Price Per Share if sold during the Class Period; or (ii) the PSLRA 90-Day Lookback Price of \$16.37 per share, if unsold at the end of the Class Period.

15. A “Total Inflation Loss” for each Claimant will be computed by adding up all Inflation Losses for all transactions in IXIA common stock by such Claimant that qualify to participate in the Plan as described herein.

16. “Trading Gain” means the amount by which the Sales Proceeds exceeds the Purchase Amount for each transaction by a Claimant in IXIA common stock.

17. “Trading Loss” means the amount by which the Purchase Amount exceeds the Sales Proceeds for each transaction by a Claimant in IXIA common stock.

### C. Principles

1. *Authorized Claimants:* Authorized Claimants must have purchased or otherwise acquired shares of IXIA common stock between February 4, 2011 and April 3, 2013, inclusive (the “Class Period”). Further, in order for the Authorized Claimant to share in the distribution of the Net Settlement Fund, the market price of IXIA common stock must have declined due to disclosure of the alleged misrepresentations and omissions. In order for an Authorized Claimant to share in the distribution, the shares of IXIA common stock must have been purchased during the Class Period prior to the close of trading on April 3, 2013 and held until at least until the close of trading on April 3, 2013, and the Authorized Claimant must have suffered a Net Trading Loss as described below.

2. *FIFO Matching:* For purposes of computing Inflation Losses, and Trading Losses (Gains) for a Claimant’s multiple purchases or sales of IXIA common stock, purchases will be matched to sales using the “first-in/first out” (FIFO) inventory method, which matches sales to purchases based on the dates of those transactions. Specifically, when any Proof of Claim includes a sale of shares of IXIA common stock either during the Class Period or the PSLRA 90-Day Lookback Period, the earliest sale will be matched first against the Claimant’s opening position on the first day of the Class Period, if any, and then matched chronologically thereafter against each purchase or acquisition during the Class Period. Sales matched to shares of IXIA common stock from a Claimant’s opening position are excluded from the calculation of Inflation Loss and Net Trading Loss (Gain). In addition, all sales through April 3, 2013 and purchases matched to such sales are excluded from the calculation of Inflation Loss. Note: Short sales and purchases to cover short sales (whether they occurred before, during, or after the Class Period) are not included when calculating Inflation Loss or Net Trading Loss (Gain).

3. *Effect of shares acquired from the exercise of call options:* IXIA common stock acquired during the Class Period through the exercise of an exchange-traded call option shall be treated as a purchase of IXIA common stock on the date of exercise. The purchase price paid for such stock shall be the closing price of IXIA common stock on the date of exercise.

4. *Effect of shares disposed of from the exercise of put options:* IXIA common stock delivered during the Class Period or the PSLRA 90-Day Lookback Period pursuant to the exercise of an exchange-traded put option shall be treated as a sale of IXIA common stock on the date of exercise. The sale price received for such stock shall be the closing price of IXIA common stock on the date of exercise.

5. *Effect of open-market purchases at prices lower than the lowest trading price for the day and open-market sales at prices higher than the highest trading price for the day:* Inflation Loss will be reduced dollar-for-dollar to the extent that (i) shares of IXIA common stock were purchased or acquired at a price below the lowest trading or published price on the date during the Class Period on which the purchase or acquisition was made (e.g., in a private purchase or at a discounted price), or (ii) shares of IXIA common stock were sold at a price

above the highest trading or published price on the date during the Class Period or the PSLRA 90-Day Lookback Period on which the sale was made.

6. *Treatment of acquisition of shares of IXIA common stock by means of a gift, inheritance or operation of law:* If a Claimant acquired shares of IXIA common stock by means of a gift, inheritance or operation of law, the purchase date for that acquisition will be the original date of purchase and not the date of transfer, unless the transfer resulted in a taxable event or other change in the cost basis of those shares of IXIA common stock. To the extent that any share of IXIA common stock that was sold during the Class Period or the PSLRA 90-Day Lookback Period was originally purchased prior to the beginning of or after the end of the Class Period, and there was no taxable event or change in cost basis at the time of transfer during the Class Period, the Class Member's Inflation Loss and Trading Loss for that acquisition shall be zero.

7. *Treatment of disposition of shares of IXIA common stock by means of a gift, inheritance or operation of law:* If a Claimant disposed of shares of IXIA common stock by means of a gift, inheritance or operation of law, the sale date for that disposition will be the date of sale by the Transferee and not the date of transfer, unless the transfer resulted in a taxable event or other change in the cost basis of those shares of IXIA common stock. To the extent that a share of IXIA common stock that was purchased during the Class Period and was disposed of by means of a gift, inheritance or operation of law during the Class Period or the PSLRA 90-Day Lookback Period and the Transferee did not subsequently sell those shares during the Class Period or the PSLRA 90-Day Lookback Period, and there was no taxable event or change in cost basis at the time of transfer during the Class Period, the Class Member's Inflation Loss and Trading Loss for that disposition shall be zero.

#### **D. Computation of Inflation Loss and Trading Loss**

##### **1. Inflation Loss**

For each purchase of IXIA common stock during the Class Period, the Inflation Loss for each purchase transaction will be computed (using FIFO matching of purchases to sales) as follows:

- i) If purchased during the Class Period and:
  - a) *if sold on or before April 3, 2013*, the last trading day before the corrective disclosure that reduced the amount of inflation in IXIA stock price, the Inflation Loss for purchased shares matched to such sales is zero;
  - b) *if held as of the close of trading on April 3, 2013*, the Inflation Loss equals the number of shares purchased matched to such shares held as of the close of trading on April 3, 2013, multiplied by the lesser of: (i) \$1.99 per share, the amount of inflation removed from IXIA stock price on April 4, 2013; or (ii) the difference between the purchase price per share and the PSLRA 90-Day Lookback Price of \$16.37 per share.

If the Inflation Loss is greater than zero, then the Claimant has an Inflation Loss for that purchase transaction.

If the Inflation Loss is less than zero, then the Claimant has no Inflation Loss for that purchase transaction.

Total Inflation Loss for a Claimant is the sum of all Inflation Losses for all transactions in IXIA common stock.

If a Claimant has a Total Inflation Loss for a Claimant's purchases of IXIA common stock, the Claims Administrator will then compute the Net Trading Loss (Gain), as indicated below.

2. Net Trading Loss (Gain)

For each purchase of IXIA common stock during the Class Period, the Trading Loss (Gain) for each purchase transaction (using FIFO matching of purchases to sales) will be computed as follows:

- a) *if sold on or before April 3, 2013*, the Trading Loss (Gain) equals the number of shares purchased matched to such sales in such transaction multiplied by the difference between the purchase price per share and the sale price per share; or
- b) *if held as of the close of trading on April 3, 2013*, the Trading Loss (Gain) equals the number of shares purchased matched to such shares held in such transaction multiplied by the difference between the purchase price per share and the PSLRA 90-Day Lookback Price of \$16.37 per share.

If the Trading Loss is greater than zero, then the Claimant has a Trading Loss for that purchase transaction.

If the Trading Loss is less than zero, then the Claimant has a Trading Gain (negative Trading Loss) for that purchase transaction.

Net Trading Loss (Gain) for each Claimant will be the sum of all Trading Losses and Trading Gains (negative Trading Losses) for all transactions in IXIA common stock for that Claimant.

If a Claimant has a Net Trading Gain (Total Trading Gains exceed or are equal to Total Trading Losses) for the transactions in IXIA common stock, the Claimant will not be eligible to receive a distribution from the Net Settlement Fund.

If there is a Total Inflation Loss and a Net Trading Loss for a Claimant's purchases of IXIA common stock, the Claims Administrator will then compute the Recognized Loss (and Recognized Claim), as indicated below.

## E. Recognized Loss and Recognized Claim

### 1. Recognized Loss

For transactions in IXIA common stock, if a Claimant has a Total Inflation Loss and a Net Trading Loss, the Recognized Loss for each Claimant will be the **lesser** of such Claimant's: (i) Total Inflation Loss; or (ii) Net Trading Loss.

### 2. Recognized Claim

The Recognized Claim for an Authorized Claimant will be based on the Claimant's pro-rata share of the Net Settlement Fund. The Claimant's Recognized Claim will be calculated by multiplying the Net Settlement Fund by a fraction, the numerator of which is the Claimant's Recognized Loss for transactions in IXIA common stock and the denominator of which is the aggregate Recognized Losses of **all** Authorized Claimants for **all** transactions in IXIA common stock.

The Recognized Claim Amount received by an Authorized Claimant will exceed his, her, or its Recognized Loss only in the unlikely event that the Net Settlement Fund exceeds the aggregate Total Recognized Losses of all Authorized Claimants.

Payments made pursuant to this Plan of Allocation above shall be conclusive against all Authorized Claimants. No Person shall have any claim against the Plaintiff, Lead Counsel or any experts and consultants retained by Plaintiff or Lead Counsel, or any claims administrator or defendants (or any person designated by Plaintiff's Lead Counsel or Defendants or Defendants' Counsel) based on distributions made substantially in accordance with this Plan or further orders of the Court. Claimants who fail to complete and file a valid and timely Proof of Claim form shall be barred from participating in distributions from the Net Settlement Fund, unless the Court otherwise orders. Class Members who do not either submit a request for exclusion or submit a valid and timely Proof of Claim will nevertheless be bound by the Settlement and the Order Approving Settlement and Final Judgment dismissing this Litigation.

The Court has reserved jurisdiction to modify, amend or alter the Plan of Allocation without further notice to anyone, and to allow, disallow or adjust any Claimant's claim to ensure a fair and equitable distribution of settlement funds.

Distributions will be made to Authorized Claimants whose claims entitle them to a payment of no less than \$10.00 after all claims have been processed and after the Court has finally approved the Settlement.

***Please note that the term "Recognized Loss" is used solely for calculating the amount of participation by Authorized Claimants in the Net Settlement Fund. It is not the actual amount an Authorized Claimant can expect to recover.***