

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

DR. MAGDY FOUAD, individually and on  
behalf of all others similarly situated,

Plaintiff,

v.

ISILON SYSTEMS, INC., et al.,

Defendants.

No. C07-1764 MJP

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

***IF YOU PURCHASED OR OTHERWISE ACQUIRED COMMON STOCK OF ISILON SYSTEMS, INC. BETWEEN DECEMBER 14, 2006 AND NOVEMBER 8, 2007, INCLUSIVE, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT, AND YOUR RIGHTS WILL BE AFFECTED BY IT.***

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

**Securities and Time Period:** Isilon Systems, Inc. ("Isilon") common stock purchased or otherwise acquired between December 14, 2006 and November 8, 2007 inclusive (the "Class Period"), including shares of Isilon common stock purchased pursuant and/or traceable to Isilon's December 2006 initial public offering.

**Settlement Fund:** \$15,000,000.00 in cash. Your recovery will depend on the number of shares of common stock that you purchased and the timing of your purchases, and any sales. Depending on the number of eligible shares of common stock that participate in the Settlement and when that common stock was purchased and sold, the estimated average recovery per share of common stock will be approximately \$0.67 before deduction of Court-approved fees and expenses.

**The Lawsuit:** The Settlement resolves class action litigation over whether Isilon and certain of its current and former executive officers and directors (Barry J. Fidelman, Elliott H. Jurgensen, Jr., Gregory L. McAdoo, Matthew S. McIlwain, Sujal M. Patel, James G. Richardson, William D. Ruckelshaus, Stuart W. Fuhlendorf and Steven S. Goldman) made false and misleading statements during the Class Period.

**Attorneys' Fees and Expenses:** Plaintiffs' Counsel have litigated this Action on a contingent basis. They have conducted this litigation and advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Settlement Fund. This is customary in this type of litigation. Lead Counsel will apply to the Court for attorneys' fees not to exceed 25% of the \$15 million Settlement Fund and reimbursement of out-of-pocket expenses not to exceed \$225,000 (exclusive of ongoing costs from the administration of the Settlement), plus interest, all to be paid from the Settlement Fund. If the above amounts are requested and approved by the Court, the average cost per share of common stock will be \$0.18.

**Deadlines:**

Submit Claim: Postmarked not later than May 1, 2010  
Request Exclusion: Received no later than February 19, 2010  
File Objection: Received no later than February 19, 2010  
Court Hearing on Fairness of Settlement: March 5, 2010

**For More Information:**

Claims Administrator:  
Isilon Securities Litigation  
c/o Rust Consulting, Inc.  
P.O. Box 24622  
West Palm Beach, FL 33416  
Toll-Free: 800-616-1491

Plaintiffs' Lead Counsel:  
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**Your legal rights are affected whether you act or do not act. Read this Notice carefully.**

**Statement of Recovery**

**Plaintiffs' Expert estimates that approximately 22.5 million shares of Isilon common stock were traded and allegedly damaged during the Class Period.** Plaintiffs estimate that the average recovery per share of Isilon common stock under the Settlement will be \$0.67 per share before the deduction of attorneys' fees, costs, and expenses, as approved by the Court. The actual recovery per share will depend on: (1) the number of claims filed; (2) when Class Members purchased or otherwise acquired their shares during the Class Period; (3) whether Class Members either sold their shares during the Class Period, or held their shares past the end of the Class Period; (4) administrative costs, including the costs of notice; and (5) the amount awarded by the Court for attorneys' fees, costs, and expenses. Distributions to Class Members will be made based on the Plan of Allocation set forth in this Notice. *See* the Plan of Allocation on pages 7-10.

**The Circumstances of the Settlement**

The principal reason for Plaintiffs' consent to the Settlement is to provide a benefit to the Class Members now. This benefit must be compared to the risk that no recovery might be achieved after contested motions, a contested trial, and likely appeals, possibly years into the future. While Lead Counsel were prepared to go to trial and were confident in their ability to present a case, they recognize that a trial is a risky proposition and that Plaintiffs and the Class might not have prevailed. The claims advanced by the Class involve numerous complex legal and factual issues, requiring extensive expert testimony, which would add considerably to the expenses and duration of the litigation. Lead Counsel recognize that there are substantial obstacles that Plaintiffs and the Class would have had to overcome to prevail on their liability claims. For example, Plaintiffs faced a possibility that some or all of Plaintiffs' claims could have been resolved against them before trial. Had the case gone to trial, Defendants would have asserted that Isilon's revenue recognition practices were fully and adequately disclosed and that the statements that Defendants made about Isilon's business were accurate and not false or misleading when made. Defendants also would have

asserted that none of them acted with intent to deceive or recklessness, which is a required element for some of Plaintiffs' claims.

In addition, the parties disagreed on numerous other issues that could affect the outcome of the litigation. The issues on which the parties disagree include: (1) the amount by which any Isilon common stock was allegedly artificially inflated (if at all) during the relevant time period; (2) the extent to which the various statements made by Defendants, which Plaintiffs alleged were materially false or misleading, influenced (if at all) the trading prices of Isilon common stock at various times during the relevant time period; (3) the extent to which the various allegedly adverse material facts that Plaintiffs alleged were not disclosed to the public influenced (if at all) the trading prices of Isilon common stock at various times during the relevant time period; and (4) whether the statements made or facts allegedly omitted were false, misleading, material or otherwise actionable under the federal securities laws.

In the face of these risks, this Settlement enables the Class to recover a substantial amount now. As a result, Plaintiffs and Lead Counsel believe this Settlement is fair and reasonable and provides a reasonable recovery to the Class.

## **YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT**

**SUBMIT A CLAIM FORM** -- The only way to receive a payment.

**EXCLUDE YOURSELF** -- Receive no payment. This is the only option that allows you to participate in another lawsuit against the Defendants or the Released Parties concerning the legal claims being released in this case.

**OBJECT** -- You may write to the Court if you do not like this Settlement, the Plan of Allocation, or the request for attorneys' fees and expenses.

**GO TO A HEARING** -- You may ask to speak in Court about the fairness of the Settlement.

**DO NOTHING** -- Receive no payment.

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

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## **BASIC INFORMATION**

### **1. Why did I receive this Notice package?**

You or someone in your family may have purchased shares of Isilon common stock between December 14, 2006 and November 8, 2007 inclusive (this is the “Class Period”), or shares of Isilon common stock purchased pursuant and/or traceable to Isilon’s December 2006 initial public offering.

If this description applies to you, you have a right to know about a proposed settlement of this class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement and Plan of Allocation. If the Court approves them, and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, the Plan of Allocation, your legal rights, what benefits are available, who is eligible for them, and how to receive them.

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

Isilon is a provider of clustered storage systems for digital content. The Company states that it has designed and developed its clustered storage systems specifically to address the needs of storing and managing digital content. The Consolidated Class Action Complaint (the “Complaint”) alleges that prior to and throughout the Class Period, Defendants engaged in a scheme to artificially inflate Isilon’s revenue and, in turn, Isilon’s financial statements. The Complaint alleges that this scheme enticed investors to purchase Isilon securities, artificially driving up the price of Isilon’s shares. The Complaint further alleges that in the fourth quarter of 2007, Defendants revealed that they could no longer meet the market’s expectations and would be forced to launch an internal investigation into the Company’s revenue recognition practices. This investigation led to

the April 2, 2008 Restatement of Isilon's historic financial statements. The Complaint alleges that as the truth of Defendants' scheme leaked out and the risks associated with this scheme materialized, the artificial inflation of Isilon's share price was removed, damaging investors who had purchased Isilon shares while the price was artificially inflated.

The Complaint alleges that Defendants' misstatements during the Class Period regarding Isilon's revenue recognition were false when made and thus violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Sections 11 and 15 of the Securities Act of 1933.

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

In a class action, one or more people called class representatives sue on behalf of people who have similar claims. All of these people who have similar claims are referred to collectively as a "Class" or individually as "Class Members." One court resolves the issues for all Class Members, except for those who exclude themselves from the Settlement. U.S. District Court Judge Marsha J. Pechman of the United States District Court for the Western District of Washington is in charge of this class action. The case is known as *Dr. Magdy Fouad, individually and on behalf of all others similarly situated v. Isilon Systems, Inc., et al.*, Case No. 07-1764 MJP.

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

The Court did not decide in favor of Plaintiffs or Defendants. Instead, both sides agreed to a settlement. That way, they avoid the cost and risks of further litigation and trial. As explained above, the Plaintiffs and their attorneys think the Settlement is best for all Class Members.

## **WHO IS IN THE SETTLEMENT**

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

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

The Class includes *all persons or entities who purchased or otherwise acquired Isilon common stock between December 14, 2006 and November 8, 2007 inclusive, and all persons or entities who acquired shares of Isilon common stock pursuant and/or traceable to Isilon's December 2006 initial public offering. Excluded from the Class are the persons and entities described immediately below.*

### **6. What are the exceptions to being included?**

You are not a Class Member if you are a Defendant; an officer or director of Isilon during or after the Class Period; a corporation, trust or other entity in which any Defendant has a controlling interest; members of the immediate families of Barry J. Fidelman, Elliott H. Jurgensen, Jr., Gregory L. McAdoo, Matthew S. McIlwain, Sujal M. Patel, James G. Richardson, William D. Ruckelshaus, Stuart W. Fuhlendorf or Steven S. Goldman or their successors, heirs, assigns and legal representatives; Madrona Venture Group, Atlas Venture, Atlas Venture Fund V LP, Atlas Venture Entrepreneurs Fund V LP, Atlas Venture Associates V LP, Sequoia Capital, Sequoia Capital X, Sequoia Technology Partners X LP, Sequoia Capital X Principals Fund LLC, and SC X Management LLC, or any of their principals. Also excluded from the Class are any putative Class Members who exclude themselves by filing a request for exclusion in accordance with the requirements set forth in this Notice.

If you sold Isilon common stock between December 14, 2006 and November 8, 2007, inclusive, that does not make you a Class Member. You are a Class Member only if you purchased Isilon common stock between December 14, 2006 and November 8, 2007, inclusive.

If one of your mutual funds purchased or owns shares of Isilon stock, that alone does not make you a Class Member.

**7. 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. For more information, you can contact the Claims Administrator, Rust Consulting, Inc., by phone at 800-616-1491, by facsimile at 561-651-7788, visit their website at [www.IsilonClassAction.com](http://www.IsilonClassAction.com), or you can fill out and return the Proof of Claim and Release form (“Claim Form”) described in question 11, to see if you qualify.

**THE SETTLEMENT BENEFITS – WHAT YOU RECEIVE**

**8. What does the Settlement provide?**

Isilon and the insurance carriers for Isilon’s directors and officers have agreed to pay \$15 million cash into the Settlement Fund. The balance of this fund, after payment of Court-approved attorneys’ fees and expenses, taxes, and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing newspaper notice (the “Net Settlement Fund”), will be divided among all Class Members who submit valid Claim Forms.

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

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

If you are entitled to a payment, your share of the Net Settlement Fund will depend on the number of valid Claim Forms that Class Members submit, how many shares of Isilon common stock you purchased, and when you bought and sold your Isilon shares. By following the Plan of Allocation described below, you can calculate your “Recognized Claim.” The Claims Administrator will distribute the Net Settlement Fund according to the Plan of Allocation after the deadline for submission of Claim Forms has passed.

The Claims Administrator will determine each Class Member’s *pro rata* share of the Net Settlement Fund based upon each Class Member’s valid “Recognized Claim.” The Recognized Claim formula is not intended to be an estimate of the amount that a Class Member might have been able to recover after a trial; it also is not an estimate of the amount that will be paid to Class Members pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Class Members with valid claims.

**10. The basis for the calculation of your recognized claim.**

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Claim Forms (“Authorized Claimants”) under the following Plan of Allocation proposed by Plaintiffs. This Plan of Allocation reflects Plaintiffs’ contention that because of alleged misrepresentations and omissions about Isilon’s revenue recognition, the price of Isilon’s common stock was artificially inflated during the Class Period until November 8, 2007. Defendants deny that they made any material misrepresentations or failed to disclose any material information, or that Isilon’s stock price was artificially inflated.

**PLAN OF ALLOCATION**

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Lead Counsel has consulted with its damage consultants and developed the Plan of Allocation to calculate how Class Members will share in the Net Settlement Fund. Defendants have had, and will have, no involvement or responsibility for the terms or application of the Plan of Allocation set forth here.

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 approved claim. If, however, as expected, the amount in the Net Settlement Fund is not sufficient to permit payment of the total approved claim of each Authorized Claimant,

then each Authorized Claimant will be paid the percentage of the Net Settlement Fund that each Authorized Claimant's approved claim bears to the total of the approved claims of all Authorized Claimants – *i.e.*, the Class Member's *pro rata* share of the Net Settlement Fund. Receipt of these monies by each Authorized Claimant will be deemed full and complete payment from the Settlement of his/her/its approved claim.

Estimated damages for the Class and this Plan of Allocation were developed based on an event study analysis; this study determines how much artificial inflation was in the stock price on each day during the Class Period by measuring how much the stock price declined as a result of disclosures that corrected the alleged misrepresentations and omissions. Over the course of the Class Period, several corrective disclosures caused Isilon's stock price to fall a total of \$17.22 per share. Therefore, the maximum inflation (and, consequently, the maximum damage) per share is \$17.22 per share. However, because corrective disclosures reduced the artificial inflation in stages over the course of the Class Period, the damage suffered by any particular investor depends on when that investor purchased and sold Isilon shares, or continued to hold shares beyond the end of the Class Period. Based on the foregoing, and for purposes of this Settlement only, "Recognized Loss" will be calculated as follows:

1. For each share of Isilon common stock purchased or otherwise acquired during the period December 14, 2006 through February 7, 2007, and:
  - a. sold prior to February 8, 2007, the Recognized Loss shall be zero.
  - b. sold during the period February 8, 2007 through April 25, 2007, the Recognized Loss will be the lesser of:
    - i. \$4.41 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - c. sold during the period April 26, 2007 through July 26, 2007, the Recognized Loss will be the lesser of:
    - i. \$9.62 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - d. sold during the period July 27, 2007 through October 3, 2007, the Recognized Loss will be the lesser of:
    - i. \$14.87 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - e. sold during the period October 4, 2007 through October 23, 2007, the Recognized Loss will be the lesser of:
    - i. \$16.21 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - f. sold during the period October 24, 2007 through November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$16.54 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - g. retained beyond November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$17.22 per share; or
    - ii. the difference between the purchase price per share and \$5.28.<sup>1</sup>

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<sup>1</sup> Under the federal securities laws (pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995), "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, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90 day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." \$5.28 was the mean (average) daily closing trading price of Isilon's common stock during the 90 day period beginning on November 9, 2007 and ending on February 6, 2008.

2. For each share of Isilon common stock purchased or otherwise acquired during the period February 8, 2007 through April 25, 2007, and:
  - a. sold prior to April 26, 2007, the Recognized Loss will be zero.
  - b. sold during the period April 26, 2007 through July 26, 2007, the Recognized Loss will be the lesser of:
    - i. \$5.21 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - c. sold during the period July 27, 2007 through October 3, 2007, the Recognized Loss will be the lesser of:
    - i. \$10.46 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - d. sold during the period October 4, 2007 through October 23, 2007, the Recognized Loss will be the lesser of:
    - i. \$11.80 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - e. sold during the period October 24, 2007 through November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$12.13 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - f. retained beyond November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$12.81 per share; or
    - ii. the difference between the purchase price per share and \$5.28.
3. For each share of Isilon common stock purchased or otherwise acquired during the period April 26, 2007 through July 26, 2007, and:
  - a. sold prior to July 27, 2007, the Recognized Loss will be zero.
  - b. sold during the period July 27, 2007 through October 3, 2007, the Recognized Loss will be the lesser of:
    - i. \$5.25 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - c. sold during the period October 4, 2007 through October 23, 2007, the Recognized Loss will be the lesser of:
    - i. \$6.59 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - d. sold during the period October 24, 2007 through November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$6.92 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - e. retained beyond November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$7.60 per share; or
    - ii. the difference between the purchase price per share and \$5.28.
4. For each share of Isilon common stock purchased or otherwise acquired during the period July 27, 2007 through October 3, 2007, and:
  - a. sold prior to October 4, 2007, the Recognized Loss will be zero.
  - b. sold during the period October 4, 2007 through October 23, 2007, the Recognized Loss will be the lesser of:
    - i. \$1.34 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.

- c. sold during the period October 24, 2007 through November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$1.67 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - d. retained beyond November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$2.35 per share; or
    - ii. the difference between the purchase price per share and \$5.28.
5. For each share of Isilon common stock purchased or otherwise acquired during the period October 4, 2007 through October 23, 2007, and:
- a. sold prior to October 24, 2007, the Recognized Loss will be zero.
  - b. sold during the period October 24, 2007 through November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$0.33 per share; or
    - ii. the difference between the purchase price per share and the sales price per share.
  - c. retained beyond November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$1.01 per share; or
    - ii. the difference between the purchase price per share and \$5.28.
6. For each share of Isilon common stock purchased or otherwise acquired during the period October 24, 2007 through November 8, 2007, and:
- a. sold prior to November 9, 2007, the Recognized Loss will be zero.
  - b. retained beyond November 8, 2007, the Recognized Loss will be the lesser of:
    - i. \$0.68 per share; or
    - ii. the difference between the purchase price per share and \$5.28.

For Class Members who made multiple purchases, acquisitions or sales during the Class Period, the first-in first-out (“FIFO”) method will be applied to their purchases and sales for purposes of calculating a Recognized Loss. Under the FIFO method, the sale of any shares during the Class Period will be matched in chronological order against shares purchased during the Class Period.

A Class Member will be eligible to receive a distribution from the Net Settlement Fund only if a Class Member had a net loss, after all profits from transactions in Isilon common stock during the Class Period are subtracted from all losses. There will be no Recognized Loss attributable to short sales.

### **Acquisition by Gift, Inheritance or Operation of Law**

If a Class Member acquired Isilon common stock during the Class Period by way of gift, inheritance or operation of law, such a claim will be computed by using the date and price of the original purchase and not the date and price of transfer. In such instances, the recipient must provide documentation of the original purchase in addition to the transfer.

### **Employee Stock Options**

For Class Members who acquired publicly-traded Isilon common stock by exercising employee stock options granted to him or her by Isilon, the purchase price will be the exercise price or strike price that the Class Member actually paid.

### **Payments Less Than \$10.00**

A payment to any Class Member 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 distributed to these Class Members because of the excessive administrative costs that would be incurred.

## HOW YOU RECEIVE A PAYMENT – SUBMITTING A CLAIM FORM

### 11. How will I receive a payment?

To qualify for payment, you must be an eligible Class Member and you must submit a Claim Form. This form is enclosed with this Notice. Read the instructions carefully, fill out the form, include all the documents the form requests, sign it, and mail it in an envelope postmarked not later than May 1, 2010. Retain a copy of everything you mail in case the materials are lost or destroyed during shipping. Do not send originals of your brokerage or other statements.

### 12. When will I receive my payment?

The Court will hold a hearing on March 5, 2010, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether appeals, if any are filed, can be resolved, and resolving them can take time, perhaps several years. In addition, the Claims Administrator must process all of the Claim Forms. The processing is complicated and will take many months. Please be patient.

### 13. What am I giving up by staying in the Class?

Unless you exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants or the Released Parties (defined below) about the claims being released in this Settlement. It also means that all of the Court's orders will apply to you and legally bind you and you will release your claims in this case against the Defendants.

Pursuant to the proposed Settlement, and on the Effective Date, Plaintiffs and other members of the Class who do not exclude themselves will release and forever discharge, and will forever be enjoined from prosecuting, the Released Claims (defined below) against the Released Parties (also defined below).

The "Defendants" include Isilon Systems, Inc., Barry J. Fidelman, Elliott H. Jurgensen, Jr., Gregory L. McAdoo, Matthew S. McIlwain, Sujal M. Patel, James G. Richardson, William D. Ruckelshaus, Stuart W. Fuhendorf, Steven S. Goldman, Morgan Stanley & Co., Incorporated, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, Needham & Company, LLC and RBC Capital Markets Corp., each of whom will be released from all Released Claims. The proposed Settlement will release all Class Members' Released Claims against each Defendant, their past or present subsidiaries, parents, successors and predecessors, officers, directors, shareholders, partners, agents, employees, attorneys, insurers, spouses 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 the Defendants (collectively, the "Released Parties").

"Released Claims" means any and all claims, debts, demands, rights or causes of action or liabilities 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 un-liquidated, at law or in equity, matured or un-matured, whether class and/or individual in nature, including both known claims and "Unknown Claims" (as defined below), (1) that have been asserted in this Action by Plaintiffs against any of the Released Persons, or (2) that could have been asserted in this Action, or in any other action or forum by Plaintiffs and/or the members of the Class or any of them against any of the Released Persons which arise out of or are based upon or relate in any way to the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Action and which are related to the purchase or acquisition of Isilon common stock during the Class Period. Released Claims does not include any claims asserted in the derivative action, *In re Isilon Systems, Inc. Derivative Litigation*, 08-2-09536-3 SEA, pending in Washington Superior Court in and for King County.

"Unknown Claims" means any and all Released Claims which Plaintiffs or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons, and any Settled Defendants' Claims which any Defendant does not know or suspect to exist in his, her or its favor, which if

known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement, including 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.”

If the proposed Settlement is approved by the Court and becomes final, all Released Claims will be dismissed on the merits and with prejudice as to all Class Members who do not exclude themselves from the Class.

If the Settlement becomes final, all Defendants will release all claims they hold against the Plaintiffs and the Class Members.

## **EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you do not want a payment from this Settlement, and you want to keep the right to sue or continue to sue the Defendants on your own about the same claims being released in this Settlement, then you must take steps to exclude yourself from the Settlement. This is referred to as “opting out” of the Class.

### **14. How do I exclude myself from the Settlement?**

To exclude yourself from the Settlement, you must send a letter by mail stating that you want to be excluded from *Dr. Magdy Fouad, individually and on behalf of all others similarly situated v. Isilon Systems, Inc., et al.*, Case No. 07-1764 MJP. You must include your name, address, telephone number, your signature, and the number of shares of Isilon common stock you purchased between December 14, 2006 and November 8, 2007, inclusive, the number sold during this time period, if any, and the dates of such purchases, acquisitions, and sales. Your Request for Exclusion must be sent to:

*Isilon Securities Litigation  
c/o Rust Consulting, Inc.  
P.O. Box 24622  
West Palm Beach, FL 33416*

Please keep a copy of everything you send by mail, in case it is lost or destroyed during shipping.

Your Request for Exclusion must be **received** no later than February 19, 2010. You cannot exclude yourself over the phone or by e-mail. If you ask to be excluded, you are not eligible to receive 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 will be able to pursue the claims that are being released in this Settlement.

### **15. If I do not exclude myself, can I sue the Defendants for the same thing later?**

No. Unless you exclude yourself, you give up any right to sue the Defendants or the Released Parties for the claims being released by this Settlement. If you have a pending lawsuit relating to the claims being released in this case against any of the Defendants, speak to your lawyer in that case immediately and give him/her this packet. Remember, the exclusion deadline is February 19, 2010.

### **16. If I exclude myself, can I receive a payment from this Settlement?**

No. If you exclude yourself, you cannot send in a Claim Form. But, you may sue, continue to sue, or be part of a different lawsuit asserting the claims being released in this Settlement against the Defendants or the Released Parties.

## THE LAWYERS REPRESENTING YOU

### 17. Do I have a lawyer in this case?

The Court appointed the law firm of Cohen Milstein Sellers & Toll PLLC to represent you and the other Class Members. This law firm is called Lead Counsel. You will not be individually charged for the lawyers' work. If you want to be represented by your own lawyer, you may hire one at your own expense.

### 18. How will the lawyers be paid?

Lead Counsel will apply to the Court for attorneys' fees not to exceed 25% of the \$15 million Settlement Fund and for reimbursement of their out-of-pocket expenses up to \$225,000 (collectively, an average of \$0.18 per share of common stock), which they paid or are payable in this litigation, plus interest on these amounts at the same rate as earned by the Settlement Fund. *The amounts approved by the Court will be paid from the Settlement Fund.* Class Members are not personally liable for any fees or expenses of Plaintiffs' Counsel.

The attorneys' fees and expenses requested will be the only payment to Plaintiffs' Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. To date, Plaintiffs' Counsel have not been paid for their services for conducting this litigation on behalf of the Plaintiffs and the Class nor for their substantial out-of-pocket expenses. The request is well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court may, however, award less than this amount.

## OBJECTING TO THE SETTLEMENT

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

### 19. How do I tell the Court that I do not like the Settlement?

If you are a Class Member, you can object to the Settlement if you do not like any part of it. To object, you must send a letter saying that you object to the Settlement in *Dr. Magdy Fouad, individually and on behalf of all others similarly situated v. Isilon Systems, Inc., et al.*, Case No.: 07-1764 MJP. Be sure to include your name, address, telephone number, your signature, the number of shares of Isilon common stock you purchased and sold between December 14, 2006 and November 8, 2007 inclusive, and the reasons you object to the Settlement. Any objection to the Settlement must be mailed or delivered such that it is **received** by each of the following no later than February 19, 2010:

*Court:*

Clerk of the Court  
UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
700 Stewart Street  
Seattle, WA 98101

*Plaintiffs' Lead Counsel:*

Steven J. Toll, Esq.  
Lisa M. Mezzetti, Esq.  
Matthew K. Handley, Esq.  
COHEN MILSTEIN SELLERS & TOLL PLLC  
1100 New York Avenue, N.W.  
West Tower, Suite 500  
Washington, DC 20005

*Counsel for Defendants:*

Barry M. Kaplan, WSBA #8661  
WILSON SONSINI GOODRICH & ROSATI  
Professional Corporation  
701 Fifth Avenue, Suite 5100  
Seattle, WA 98104-7036

**20. What is the difference between objecting to the Settlement and excluding myself from the Class?**

Objecting is simply telling the Court that you do not like something about the Settlement, the Plan of Allocation, or the application for attorneys' fees and expenses. 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 Settlement. If you exclude yourself, you have no basis to object because the case no longer affects you.

**THE COURT'S FAIRNESS HEARING**

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

The Court will hold a hearing at 9:00 a.m. on March 5, 2010, at the United States District Courthouse, Courtroom 14206, 700 Stewart Street, Seattle, Washington 98101. At this hearing the Court will consider whether the Settlement and the Plan of Allocation are fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have requested in writing by February 19, 2010 to speak at the hearing. The Court may also consider Lead Counsel's application for attorneys' fees and reimbursement of expenses.

**22. Do I have to come to the hearing?**

No. Lead Counsel will answer any questions Judge Pechman may 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 your written objection is received on time, the Court will consider it. You may also pay your own lawyer to attend, but this is not necessary.

**23. May I speak at the hearing?**

You may ask the Court for permission to speak at the hearing. To do so, you must send a letter stating your intention to appear in *Dr. Magdy Fouad, individually and on behalf of all others similarly situated v. Isilon Systems, Inc., et al.*, Case No. 07-1764 MJP. Be sure to include your name, address, telephone number, your signature, and the number of shares of Isilon common stock you purchased between December 14, 2006 and November 8, 2007 inclusive. Your notice of intention to appear must be **received** no later than February 19, 2010, and be sent to the Clerk of the Court, Lead Counsel, and Defendants' counsel, at the addresses listed in question 19. You cannot speak at the hearing if you exclude yourself from the Settlement.

**IF YOU DO NOTHING**

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

If you do nothing, you will receive no money from this Settlement. But, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants or the Released Parties about the same claims being released in this Settlement.

**OBTAINING MORE INFORMATION**

**25. Are there more details about the Settlement?**

This Notice summarizes the proposed Settlement. More details are in the Stipulation of Settlement dated October 23, 2009. You can obtain a copy of the Stipulation or more information about the Settlement by contacting the Claims Administrator by facsimile at 561-651-7788, by phone at 800-616-1491, or by visiting [www.IsilonClassAction.com](http://www.IsilonClassAction.com). You can also obtain a copy of the Stipulation from the Clerk's Office at the United States District Court for the Western District of Washington, U.S. Courthouse, 700 Stewart Street, Lobby Level, Seattle, Washington 98101, during regular business hours.

**DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.**

**SPECIAL NOTICE TO NOMINEES**

If you purchased or otherwise acquired Isilon common stock during the period between December 14, 2006 and November 8, 2007 inclusive, for the beneficial interest of a person or organization other than yourself, the Court has directed that within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such persons or entities, or (2) provide a list of the names and addresses of such persons or entities to the Claims Administrator:

***Isilon Securities Litigation  
c/o Rust Consulting, Inc.  
P.O. Box 24622  
West Palm Beach, FL 33416  
Toll-Free: 800-616-1491  
Website: [www.IsilonClassAction.com](http://www.IsilonClassAction.com)  
Email: [info@IsilonClassAction.com](mailto:info@IsilonClassAction.com)***

If you choose to mail the Notice and Claim Form yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

In either case, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: November 2, 2009

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON

Isilon Securities Litigation  
c/o Rust Consulting, Inc.  
P.O. Box 24622  
West Palm Beach, FL 33416

**IMPORTANT COURT DOCUMENTS**