

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

LAWRENCE ROUGIER, *et al.*, Individually and  
on Behalf of All Others Similarly Situated,

Plaintiffs,

v.

APPLIED OPTOELECTRONICS, INC., CHIH-  
HSIANG (THOMPSON) LIN, and STEFAN J.  
MURRY,

Defendants.

Case No. 4:17-cv-2399-VDG-CAB

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

**If you purchased or otherwise acquired publicly traded common stock and/or call options of Applied Optoelectronics, Inc. ("AOI"), or sold put options of AOI, during the period from February 23, 2017 through February 21, 2018, inclusive, (the "Class Period") and were damaged thereby (the "Class"), you may be entitled to a payment from a class action settlement.**

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

- The purpose of this Notice is to inform you of the pendency of this securities class action (the "Action"), the proposed settlement of the Action (the "Settlement"), and a hearing to be held by the Court to consider: (i) whether the Settlement should be approved; (ii) whether the proposed plan for allocating the proceeds of the Settlement (the "Plan of Allocation") should be approved; and (iii) Lead Counsel's application for attorneys' fees and expenses. This Notice describes important rights you may have and what steps you must take if you wish to participate in the Settlement, wish to object, or wish to be excluded from the Class.<sup>1</sup>
- If approved by the Court, the proposed Settlement will create a \$15,500,000 settlement fund, plus earned interest, for the benefit of eligible Class Members, less any attorneys' fees and expenses awarded by the Court, Notice and Administration Expenses, and Taxes.
- The Settlement resolves claims by the Court-Appointed Lead Plaintiff and Class Representative Lawrence Rougier ("Lead Plaintiff") and Court-Appointed Class Representatives Richard Hamilton, Kenneth X. Luthy, Roy H. Cetlin, and John Kugel (collectively, "Plaintiffs") that have been asserted on behalf of the Class against Applied Optoelectronics, Inc. ("AOI" or the "Company"), Chih-Hsiang (Thompson) Lin ("Lin") and Stefan J. Murry ("Murry," collectively the "Defendants"). It releases the Released Defendant Parties (defined below) from liability.

<sup>1</sup> All capitalized terms not otherwise defined in this notice shall have the meaning provided in the Stipulation and Agreement of Settlement, dated August 3, 2020 (the "Stipulation").

**If you are a Class Member, your legal rights will be affected by this Settlement  
whether you act or do not act. Please read this Notice carefully.**

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT</b>	
<b>SUBMIT A CLAIM FORM BY NOVEMBER 19, 2020</b>	The <u>only</u> way to get a payment. <i>See</i> Question 8 below for details.
<b>EXCLUDE YOURSELF FROM THE CLASS BY NOVEMBER 3, 2020</b>	Get no payment. This is the only option that, assuming your claim is timely brought, might allow you to ever bring or be part of any other lawsuit against Defendants or the other Released Defendant Parties concerning the Released Claims. <i>See</i> Question 11 below for details.
<b>OBJECT BY NOVEMBER 3, 2020</b>	Write to the Court about why you do not like the Settlement, the Plan of Allocation, or the Fee and Expense Application. If you object, you will still be a member of the Class. <i>See</i> Question 16 below for details.
<b>GO TO A HEARING ON NOVEMBER 24, 2020 AND FILE A NOTICE OF INTENTION TO APPEAR BY NOVEMBER 3, 2020</b>	Ask to speak in Court at the Settlement Hearing about the Settlement. <i>See</i> Question 18 below for details.
<b>DO NOTHING</b>	Get no payment AND give up your rights to bring your own individual action.

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

### SUMMARY OF THE NOTICE

#### **Statement of the Class’s Recovery**

1. Subject to Court approval, Plaintiffs, on behalf of the Class, have agreed to settle the Action in exchange for a payment of \$15,500,000 (the “Settlement Amount”), which will be deposited into an Escrow Account and may earn interest (the “Settlement Fund”). The Net Settlement Fund (as defined below) will be distributed to Class Members according to the Court-approved plan of allocation (the “Plan of Allocation” or “Plan”). The proposed Plan of Allocation is set forth on pages 10 through 14 below.

#### **Estimate of Average Amount of Recovery Per Share**

2. Based on Plaintiffs’ consulting damages expert’s estimate of potentially damaged shares under the Plan of Allocation described below, Plaintiffs estimate that the average recovery would be approximately \$0.36 per allegedly damaged share (before deduction of any Court-approved fees and expenses, such as attorneys’ fees and expenses, Taxes, and Notice and Administration Expenses). If the Court approves the Fee and Expense Application (discussed below), the average recovery would be approximately \$0.23 per allegedly damaged share. **Please note, however, that these average recovery amounts are only estimates and Class Members may recover more or less than these estimated amounts.** An individual Class Member’s actual recovery will depend on for example: (i) the total number of claims submitted; (ii) the amount of the Net Settlement Fund; (iii) when the Class Member purchased or acquired AOI common stock during the Class Period; and (iv) whether and when the Class Member sold or disposed AOI common stock. *See* the Plan of Allocation beginning on page 10 for information on the calculation of your Recognized Claim.

#### **Statement of Potential Outcome of Case if the Action Continued to be Litigated**

3. The Parties disagree about both liability and damages and do not agree on the damages that would be recoverable if Plaintiffs were to prevail on each claim asserted against Defendants. The issues on which the Parties disagree include, for example: (i) whether Defendants made any statements or omitted any facts that were materially false or misleading, or otherwise actionable under the federal securities laws; (ii) whether any such allegedly materially false or misleading statements or omissions were made with the required level of intent or recklessness; (iii) the amounts by which the prices of AOI securities were allegedly artificially inflated; during the Class Period; (iv) the extent to which factors such as general market, economic and industry conditions, influenced the trading prices of AOI common stock during the Class Period; and (v) whether or not Defendants’ allegedly false and misleading statements proximately caused the losses suffered by the Class.

4. Defendants have denied and continue to deny any and all allegations of wrongdoing or fault asserted in the Action, deny that they have committed any act or omission giving rise to any liability or violation of law, and deny that Plaintiffs and the Class

have suffered any loss attributable to Defendants' actions or omissions. While Plaintiffs believes they has meritorious claims, they recognize that there are significant obstacles in the way to recovery.

#### **Statement of Attorneys' Fees and Expenses Sought**

5. Lead Counsel, on behalf of themselves, and other Plaintiffs' Counsel, will apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not to exceed one-third (33 and 1/3%) of the Settlement Fund, which includes any accrued interest. Lead Counsel will also apply for payment of litigation expenses incurred by Plaintiffs' Counsel in prosecuting the Action in an amount not to exceed \$630,000 plus accrued interest, which may include an application pursuant to the Private Securities Litigation Reform Act of 1995 ("PSLRA") for the reasonable costs and expenses (including lost wages) of Plaintiffs directly related to their representation of the Class. If the Court approves Lead Counsel's Fee and Expense Application, the average amount of fees and expenses, assuming claims are filed for all shares eligible to participate in the Settlement, will be approximately \$0.23 per allegedly damaged share of AOI common stock. A copy of the Fee and Expense Application will be posted on [www.AOISecuritiesSettlement.com](http://www.AOISecuritiesSettlement.com) after it has been filed with the Court.

#### **Reasons for the Settlement**

6. For Plaintiffs, the principal reason for the Settlement is the guaranteed cash benefit to the Class. This benefit must be compared to the uncertainty of being able to prove the allegations in the Complaint; the risk that the Court may grant some or all of the anticipated motions to be filed by Defendants; the risk that the Fifth Circuit Court of Appeals may decertify the class; the risks of litigation, especially in complex securities actions like this; as well as the difficulties and delays inherent in such litigation (including any trial and appeals). For Defendants, who deny all allegations of wrongdoing or liability whatsoever and deny that Class Members were damaged, the principal reasons for entering into the Settlement are to end the burden, expense, uncertainty, and risk of further litigation.

#### **Identification of Attorneys' Representatives**

7. Plaintiffs and the Class are represented by Lead Counsel, Levi & Korsinsky, LLP, Shannon L. Hopkins, 1111 Summer Street, Suite 403, Stamford, CT 06905, [www.zlk.com](http://www.zlk.com), 203-992-4523.

8. Further information regarding the Action, the Settlement, and this Notice may be obtained by contacting the Claims Administrator, RG2 Claims Administration, LLC, at the address below, or Lead Counsel, or visiting the Settlement website at [www.AOISecuritiesSettlement.com](http://www.AOISecuritiesSettlement.com).

AOI Securities Settlement  
c/o RG2 Claims Administration, LLC,  
P.O. Box 59479  
Philadelphia, PA, 19102-9479  
[info@rg2claims.com](mailto:info@rg2claims.com)  
(866) 742-4955  
(215) 979-1620

**Please Do Not Call the Court with Questions About the Settlement.**

## BASIC INFORMATION

### 1. Why did I get this Notice?

9. You or someone in your family, or an investment account for which you serve as a custodian, may have purchased or otherwise acquired shares of common stock and/or call options of AOI, or sold put options of AOI, during the Class Period of February 23, 2017 through February 21, 2018, inclusive, and may be a Class Member. This Notice explains the Action, the Settlement, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them. Receipt of this Notice does not mean that you are a Member of the Class or that you will be entitled to receive a payment. **If you wish to be eligible for a payment, you are required to submit the Claim Form that is being distributed with this Notice. See Question 8 below.**

10. The Court directed that this Notice be sent to Class Members to inform them of the terms of the proposed Settlement and about all of their options, before the Court decides whether to approve the Settlement at the upcoming hearing to consider the fairness, reasonableness, and adequacy of the Settlement, the proposed Plan of Allocation, and Lead Counsel's Fee and Expense Application (the "Settlement Hearing").

11. The Court in charge of the Action is the United States District Court for the Southern District of Texas, and the case is known as *Rougier v. Applied Optoelectronics, Inc., et al.*, Case No. 4:17-cv-2399-VDG-CAB. The Action is assigned to the Honorable Vanessa D. Gilmore, United States District Judge and Magistrate Judge Christina A. Bryan.

### 2. What is this case about and what has happened so far?

12. AOI manufactures and sells fiber-optic networking products. AOI's largest business unit supplies internet data centers and contributed over 75% of AOI's 2016 and 2017 revenues. AOI's main data center product is an optical transceiver, which uses laser chips to transmit data. During the Class Period, AOI's largest data center customers were Amazon.com Inc. ("Amazon"), Microsoft Corporation, and Facebook, Inc. who increasingly sought transceivers capable of faster transmission speeds at lower prices. Plaintiffs allege that Defendants violated the federal securities laws throughout the Class Period by concealing problems with AOI's data center business, its ability to transition from 40G to 100G products, and the demand from its largest customer, Amazon.

13. Plaintiffs allege that the market began to learn of Defendants' alleged misrepresentations and omissions when, on August 3, 2017, Defendants stated that AOI saw "softer than expected demand for our 40G [transceivers] with" Amazon in the third quarter of 2017. On October 12, 2017, Defendants stated that "preliminary results for the third quarter fell short of prior estimated" and that AOI "saw lower demand overall [i.e. 40G and 100G] from" Amazon. Finally, on February 21, 2018, Defendants stated that its fourth quarter revenue was lower than expected.

14. On August 5, 2017, the Action was filed in the United States District Court for the Southern District of Texas on behalf of all investors who purchased or otherwise acquired the publicly traded common stock and/or call options of Applied Optoelectronics, Inc., or sold put options of AOI, during the period from July 13, 2017 through August 3, 2017, inclusive. On August 16, 2017, a similar action captioned *Ludwig v. Applied Optoelectronics, Inc., et al.*, No. 4:17-cv-2512 (the "Related Ludwig Action") was also filed in this Court seeking damages on behalf of all investors other than defendants who purchased or otherwise acquired AOI securities during the same period. On September 11, 2017, a similar action captioned *Rizzo v. Applied Optoelectronics, Inc. et al.*, No. 1:17-cv-5313 (the "Related Rizzo Action") was filed in the Eastern District of New York.

15. On October 18, 2017, the Related Rizzo Action was voluntarily dismissed.

16. On January 22, 2018, the Court issued an Order: (i) appointing Lawrence Rougier as Lead Plaintiff for the proposed class; and (ii) appointing Levi & Korsinsky, LLP as Lead Counsel, and Kendall Law Group, PLLC as Liaison Counsel.

17. On March 6, 2018, Lead Plaintiff filed the First Consolidated Amended Class Action Complaint, alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act"), and United States Securities and Exchange Commission ("SEC") Rule 10b-5 promulgated thereunder, against Defendants, on behalf of himself and all other persons or entities similarly situated who purchased or otherwise acquired publicly traded common stock and/or call options of AOI, or sold put options of AOI between February 23, 2017 through February 21, 2018, inclusive.

18. Defendants filed a motion to dismiss the amended complaint on April 4, 2018, which Lead Plaintiff opposed on May 4, 2018. On May 21, 2018, Defendants filed a reply brief in further support of their motion.

19. On March 27, 2019, the Court denied Defendant's motion to dismiss. On May 8, 2019, Defendants filed their answer to the First Consolidated Amended Class Action Complaint.

20. On May 8, 2019, Defendants filed their Motion to Certify for Immediate Appeal and to Stay Proceedings, seeking permission to file an interlocutory appeal pursuant to 28 U.S.C. § 1292(b), which Lead Plaintiff opposed on May 29, 2019. On June 5, 2019, Defendants filed a reply in brief in further support of their motion. The Court denied this motion on June 10, 2019.

21. On May 24, 2019, the operative pleading, the Second Consolidated Amended Class Action Complaint (the “Complaint”) was filed. The Complaint was identical to First Consolidated Amended Class Action Complaint in all material respects except that it added additional plaintiffs Richard Hamilton, Kenneth X. Luthy, Roy H. Cetlin, and John Kugel (and together with Lead Plaintiff, “Plaintiffs”) and was filed on behalf of the operative class definition of persons or entities who purchased or otherwise acquired publicly-traded common stock and/or call options of AOI, or sold put options of AOI from February 23, 2017 through February 21, 2018 (the “Class Period”), both dates inclusive (the “Class”). On May 30, 2019, Defendants filed their answer to the Complaint.

22. On May 28, 2019, Plaintiffs filed their Motion to Certify the Class, which Defendants opposed on July 12, 2019. On August 26, 2019, Plaintiffs filed a reply brief in further support of their motion.

23. On November 13, 2019, Magistrate Judge Christina A. Bryan recommended that Plaintiffs’ Motion to Certify the Class be granted. On November 27, 2019, Defendants objected to Magistrate Judge Bryan’s recommendations to which Plaintiffs responded on December 11, 2019. On December 16, 2020, Defendants filed a reply brief in further support of their objections. On December 20, 2019, the Court entered Magistrate Judge Bryan’s recommendations over Defendants’ objections, certifying a class of: “[a]ll persons or entities who purchased or otherwise acquired publicly traded common stock and/or call options of Applied Optoelectronics, Inc., or sold put options of Applied Optoelectronics, Inc., during the period from February 23, 2017 through February 21, 2018, inclusive, and were injured thereby,” (the “Class”).

24. On January 3, 2020, Defendants filed an Opposed Petition for Permission to Appeal the Court’s order granting class certification pursuant to Federal Rule of Civil Procedure 23(f) in the U.S. Fifth Circuit Court of Appeals, which Plaintiffs opposed on January 13, 2020. On January 21, 2020, Defendants filed a reply in further support of their petition. On January 24, 2020, Fifth Circuit entered an order staying consideration of Defendants’ 23(f) Petition through April 23, 2020, pending the outcome of settlement negotiations. On April 7, 2020, the Fifth Circuit extended the stay to and including June 2, 2020, pending the outcome of settlement negotiations.

25. On May 21, 2020, Plaintiffs and Defendants engaged in a full-day mediation session before Michelle M. Yoshida, Esq., a well-respected and highly experienced mediator. In advance of that session, the Plaintiffs and Defendants exchanged detailed mediation statements along with supporting exhibits. Plaintiffs and Defendants ended the May 21, 2020 mediation without reaching a resolution of the Action. In the weeks following the mediation, the Plaintiffs and Defendants continued to negotiate a possible settlement and agreed to a mediator’s proposal to resolve the claims in the Action on June 2, 2020.

26. In connection with this Action, Plaintiffs, through Lead Counsel, conducted a thorough investigation relating to the claims, defenses, and underlying events and transactions that are the subject of the Action. This process included reviewing and analyzing: (i) documents filed publicly by the Company with the SEC; (ii) publicly available information, including press releases, news articles, and other public statements issued by or concerning the Company; (iii) research reports issued by financial analysts concerning the Company; (iv) other publicly available information and data concerning the Company and its subsidiaries, including information concerning AOI’s customers; (v) interviews conducted with former employees of AOI; (vi) 54,346 documents (over 300,000 pages) produced by Defendants in response to 89 requests for production of documents served by Plaintiffs over the course of four sets of requests; (vii) Defendants’ responses to 8 interrogatories; (viii) Defendants’ response to a request for admission; (ix) over 34,000 documents produced by third parties in response to 26 validly-issued third party subpoenas; and (x) the applicable law governing the claims and potential defenses. Lead Counsel also consulted with experts on market efficiency, loss causation, and damages issues in advance of moving for class certification and while preparing Plaintiffs’ mediation statement.

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

27. In a class action, one or more persons or entities (in this case, Plaintiffs), sue on behalf of people and entities who or which have similar claims. Together, these people and entities are a “class,” and each is a “class member.” Bringing a case, such as this one, as a class action allows the adjudication of many similar claims of persons and entities who or which might be too small to bring economically as separate actions. One court resolves the issues for all class members at the same time, except for those who exclude themselves, or “opt-out,” from the class.

### **4. What are the reasons for the Settlement?**

28. The Court did not finally decide in favor of Plaintiffs or Defendants. Instead, both sides agreed to a settlement that will end the Action. Plaintiffs and Lead Counsel believe that the claims asserted in the Action have merit, however, Plaintiffs and Lead Counsel recognize the expense and length of continued proceedings necessary to pursue the claims through trial and appeals, as well as the difficulties in establishing liability and damages. In light of the Settlement and the guaranteed cash recovery to the Class, Plaintiffs and Lead Counsel believe that the proposed Settlement is fair, reasonable, and adequate, and in the best interests of the Class.

29. Defendants have denied and continue to deny any allegations of wrongdoing contained in the Complaint and further deny that they did anything wrong, that Plaintiffs or the Class suffered damages or that the price of AOI securities was artificially inflated by reasons of alleged misrepresentations, nondisclosures, or otherwise. The Settlement should not be seen as an admission or concession on the part of Defendants. Defendants have taken into account the burden, expense, uncertainty, distraction, and risks inherent in any litigation and have concluded that it is desirable to settle upon the terms and conditions set forth in the Stipulation.

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

30. The Court granted Plaintiffs' motion for class certification that defines the Class. Everyone who fits the following description is a Class Member and subject to the Settlement unless they are an excluded person (*see* Question 6 below) or take steps to exclude themselves from the Class (*see* Question 11 below): **all investors who purchased or otherwise acquired publicly traded common stock and/or call options of AOI, or sold put options of AOI, during the period from February 23, 2017 through February 21, 2018, inclusive, and were injured thereby.**

31. Receipt of this Notice does not mean that you are a Class Member. The Parties do not have access to your transactions in AOI securities. Please check your records or contact your broker to see if you are a member of the Class. If one of your mutual funds purchased AOI common stock or call options or sold put options during the Class Period, that alone does not make you a Class Member. You are a Class Member only if you individually purchased or otherwise acquired publicly traded common stock and/or call options of AOI, or sold put options of AOI during the Class Period.

#### **6. Are there exceptions to the definition of the Class and to being included?**

32. Yes. There are some individuals and entities who or which are excluded from the Class by definition. Excluded from the Class are: (i) Defendants; (ii) their immediate family members; (iii) any person who was an officer or director of AOI during the Class Period; (iii) any firm, trust, corporation, or other entity in which a Defendant has or had a controlling interest; (iv) the legal representatives, affiliates, heirs, successors in-interest, or assigns of any such excluded person or entity; and (v) anyone who was not damaged.

33. If you sold, closed open option contracts, or otherwise disposed of all of your AOI securities prior to the first alleged corrective disclosure, which occurred after the market closed on August 3, 2017, and made no subsequent purchases from August 4, 2017, through February 21, 2018, you are not a member of the Class because you were not damaged.

34. Also excluded from the Class will be any Person who or which timely and validly seeks exclusion from the Class in accordance with the procedures described in Question 11 below or whose request is otherwise allowed by the Court.

### **THE SETTLEMENT BENEFITS**

#### **7. What does the Settlement provide?**

35. In exchange for the Settlement and the release of the Released Claims against the Released Defendant Parties, AOI, on behalf of itself and the other Defendants, has agreed to create a \$15.5 million cash fund, which may accrue interest, to be distributed, after deduction of Court-awarded attorneys' fees and litigation expenses, Notice and Administration Expenses, Taxes, and any other fees or expenses approved by the Court (the "Net Settlement Fund"), among all Class Members who submit valid Claim Forms and are found to be eligible to receive a distribution from the Net Settlement Fund ("Authorized Claimants").

#### **8. How can I receive a payment?**

36. To qualify for a payment, you must submit a timely and valid Claim Form. A Claim Form is included with this Notice. You can also obtain a Claim Form from the website dedicated to the Settlement: [www.AOISecuritiesSettlement.com](http://www.AOISecuritiesSettlement.com), or from Lead Counsel's website, [www.zlk.com](http://www.zlk.com). You can request that a Claim Form be mailed to you by calling the Claims Administrator toll-free at (866) 742-4955. Please read the instructions contained in the Claim Form carefully, fill out the Claim Form, include all the documents the form requests, sign it, and mail or submit it to the Claims Administrator so that it is **postmarked or received no later than November 19, 2020.**

#### **9. When will I receive my payment?**

37. The Court will hold a Settlement Hearing on **November 24, 2020** to decide, among other things, whether to finally approve the Settlement. Even if the Court approves the Settlement, there may be appeals which can take time to resolve, perhaps more than a year. It also takes a long time for all of the Claim Forms to be accurately reviewed and processed. Please be patient.

## 10. What am I giving up to receive a payment or stay in the Class?

(a) If you are a member of the Class, unless you exclude yourself, you will remain in the class, and that means that, upon the “Effective Date” of the Settlement, you will release all “Released Claims” against the “Released Defendant Parties.” 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 about the Released Claims. It also means that all of the Court’s Orders will apply to you and legally bind you and you will release your claims against Defendants. “**Released Claims**” means any and all claims and causes of action of every nature and description, including both known claims and Unknown Claims (defined below), contingent or absolute, mature or not mature, discoverable or undiscoverable, liquidated or not liquidated, accrued or not accrued, concealed or hidden, regardless of legal or equitable theory and whether arising under federal, state, common or foreign law, or any other law, rule, or regulation, that Plaintiffs or any other Class Member: (i) asserted in the Action against any of the Released Defendant Parties; or (ii) could have asserted in the Action or any forum, domestic or foreign, against any of the Released Defendant Parties that arise out of, are based upon, or relate to, directly or indirectly, in whole or in part, (1) the allegations, transactions, facts, statements, disclosures, matters or occurrences, representations or omissions involved, set forth, or referred to in the Action and the purchase or acquisition of AOI’s publicly traded common stock or call options or the sale of AOI’s put options during the Class Period; or (2) Defendants’ and/or their attorneys’ defense or settlement of the Action and/or claims alleged therein; or both. Released Claims do not include: (i) claims relating to the enforcement of the Settlement; (ii) any claims for breach of fiduciary duty actually asserted on behalf of the Company in the consolidated action captioned *In re Applied Optoelectronics, Inc. Derivative Litig.*, No. 4:18-cv-2713 (S.D. Tex.) as of the date of the filing of this Stipulation with the Court; and (iii) any claims of Persons who submit a request for exclusion that is accepted by the Court.

(b) “**Released Defendant Parties**” means Defendants, Defendants’ Counsel, and each of their respective past, present, or future direct or indirect subsidiaries, parents, affiliates, principals, joint ventures, joint ventures, any other corporate entities, successors and predecessors, assigns, officers, directors, shareholders, trustees, partners, agents, fiduciaries, contractors, employees, attorneys, insurers and reinsurers, auditors, advisors, financial advisors, investment banks, underwriters, accountants; the spouses, members of the families, representatives, and heirs of the Individual Defendants, as well as any trust of which any Individual Defendant is the settlor or which is for the benefit of any of their immediate family members; any firm, trust, corporation, or entity in which any Defendant has a controlling interest; and any of the legal representatives, heirs, successors in interest or assigns of Defendants.

(c) “**Unknown Claims**” means any and all Released Claims that Plaintiffs or any other Class Member do not know or suspect to exist in his, her, or its favor at the time of the release of the Released Defendant Parties, and any and all Released Defendants’ Claims that any Defendant does not know or suspect to exist in his or its favor at the time of the release of the Released Plaintiff Parties, which if known by him, her, or it might have affected his, her, or its decision(s) with respect to the Settlement, including the decision to object to the terms of the Settlement or to exclude himself, herself, or itself from the Class. With respect to any and all Released Claims and Released Defendants’ Claims, the Parties stipulate and agree that, upon the Effective Date, Plaintiffs and Defendants shall expressly, and each other Class Member shall be deemed to have, and by operation of the Judgment shall be deemed to have, to the fullest extent permitted by law, expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States or foreign law, 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 that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

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

38. The “Effective Date” will occur when an Order entered by the Court approving the Settlement becomes Final and is not subject to appeal. If you remain a member of the Class, all of the Court’s orders, whether favorable or unfavorable, will apply to you and legally bind you. Upon the Effective Date, Defendants will also provide a release of any claims against Plaintiffs and the Class arising out of or related to the institution, prosecution, or settlement of the claims in the Action.

## EXCLUDING YOURSELF FROM THE CLASS

39. If you do not want to be eligible to receive a payment from the Settlement but you want to keep any right you may have to sue or continue to sue the Released Defendant Parties on your own about the Released Claims, then you must take steps to remove yourself from the Class. This is called excluding yourself or “opting out.” **Please note: if you bring your own claims, Defendants will have the right to seek their dismissal, including because the suit is not filed within the applicable time periods required for filing suit. Also, Defendants may terminate the Settlement if Class Members who purchased in excess of a certain amount of shares of AOI common stock seek exclusion from the Class.**

### 11. How do I exclude myself from the Class?

40. To exclude yourself from the Class, you must mail a signed letter stating that you “request to be excluded from the Class in *Rougier v. Applied Optoelectronics, Inc., et al.*, Case No. 4:17-cv-2399-VDG-CAB (S.D. Tex).” You cannot exclude yourself by telephone or e-mail. Each request for exclusion must also: (i) state the name, address, and telephone number of the person or entity requesting exclusion; (ii) state the number of shares of AOI common stock or AOI option contracts the person or entity purchased, acquired, and/or sold during the Class Period, as well as the dates and prices of each such purchase, acquisition, and sale; and (iii) be signed by the person or entity requesting exclusion or an authorized representative. A request for exclusion must be mailed, so that it is **received no later than November 3, 2020**, to:

*Applied Optoelectronics Securities Litigation*  
c/o RG2 Claims Administration, LLC,  
P.O. Box 59479  
Philadelphia, PA, 19102-9479  
info@rg2claims.com  
(866) 742-4955  
(215) 979-1620

**Your exclusion request must comply with these requirements in order to be valid, unless it is otherwise accepted by the Court.**

41. If you ask to be excluded, do not submit a Claim Form because you cannot receive any payment from the Net Settlement Fund. Also, you cannot object to the Settlement because you will not be a Class Member. However, if you submit a valid exclusion request, you will not be legally bound by anything that happens in the Action, and you may be able to sue (or continue to sue) Defendants and the other Released Defendant Parties in the future, assuming your claims are timely. If you have a pending lawsuit against any of the Released Defendant Parties, **please speak to your lawyer in the case immediately.**

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

42. No. Unless you properly exclude yourself, you will give up any rights to sue Defendants and the other Released Defendant Parties for any and all Released Claims.

## THE LAWYERS REPRESENTING YOU

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

43. The Court appointed the law firm of Levi & Korsinsky, LLP to represent all Class Members. These lawyers are called “Lead Counsel.” You will not be separately charged for these lawyers. The Court will determine the amount of Plaintiffs’ Counsel’s fees and expenses, which will be paid from the Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

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

44. Plaintiffs’ Counsel have not received any payment for their services in pursuing the claims against Defendants on behalf of the Class, nor have they been paid for their litigation expenses. Lead Counsel will ask the Court to award Plaintiffs’ Counsel attorneys’ fees of no more than one-third (33 and 1/3%) of the Settlement Fund, which will include any accrued interest. Plaintiffs’ Counsel are Levi & Korsinsky, LLP, Kendall Law Group, PLLC, and Bragar Eigel & Squire, P.C. No other attorneys will share in the fee awarded by the Court. Lead Counsel will also seek payment of litigation expenses incurred by Plaintiffs’ Counsel in the prosecution of the Action of no more than \$630,000, plus accrued interest, which may include an application in accordance with the PSLRA for the reasonable costs and expenses of Plaintiffs directly related to its representation of the Class.



**OBJECTING TO THE SETTLEMENT, THE PLAN OF ALLOCATION,  
OR THE FEE AND EXPENSE APPLICATION**

**15. How do I tell the Court that I do not like something about the proposed Settlement?**

45. If you are a Class Member, you can object to the Settlement or any of its terms, the proposed Plan of Allocation, or the Fee and Expense Application. You can ask the Court not to approve the Settlement, however you cannot ask the Court to order a different settlement; the Court can only approve or deny this Settlement. If the Court denies approval of the Settlement, no payments will be made to Class Members, the Parties will return to the position they were in before the Settlement was agreed to, and the Action will continue.

46. To object, you must send a signed letter stating that you object to the proposed Settlement, the proposed Plan of Allocation, or the Fee and Expense Application in “*Rougier v. Applied Optoelectronics, Inc., et al.*, Case No. 4:17-cv-2399-VDG-CAB (S.D. Tex.)” Your objection must state why you are objecting and whether your objection applies only to you, a subset of the Class, or the entire Class. The objection must also: (i) include the name, address, and telephone number of the person or entity objecting; (ii) contain a statement of the objection and the specific reasons for it, including any legal and evidentiary support (including witnesses) the Class Member wishes to bring to the Court’s attention; and (iii) documentation identifying the number of shares of AOI common stock or AOI option contracts the person or entity purchased, acquired, and/or sold during the Class Period, as well as the dates and prices of each such purchase, acquisition, and sale. Unless otherwise ordered by the Court, any Class Member who does not object in the manner described in this Notice will be deemed to have waived any objection and will be forever foreclosed from making any objection to the proposed Settlement, the Plan of Allocation, or Lead Counsel’s Fee and Expense Application. Your objection must be filed with the Court at the address below, either by mail or in person, **no later than November 3, 2020** and be mailed or delivered to each of the following counsel so that it is **received no later than November 3, 2020**:

<u>Court</u>	<u>Lead Counsel</u>	<u>Defendants’ Counsel Representatives</u>
Byron Thomas Clerk of the Court United States District Court Southern District of Texas United States Courthouse 515 Rusk Ave., Room 5300 Houston, TX 77002	Levi & Korsinsky LLP Shannon L. Hopkins 1111 Summer St. Suite 403 Stamford, CT 06905	Vinson & Elkins LLP Michael C. Holmes Jeffrey S. Johnston 1001 Fannin Street, Suite 2500 Houston, TX 77002

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

47. Objecting is telling the Court that you do not like something about the proposed Settlement, Plan of Allocation, or Lead Counsel’s Fee and Expense Application. You can still recover money from the Settlement. You can object *only* if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself from the Class, you have no basis to object because the Settlement and the Action no longer affect you.

**THE SETTLEMENT HEARING**

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

48. The Court will hold the Settlement Hearing on **November 24, 2020 at 9:00 a.m.**, either telephonically and/or in Courtroom 110 of the United States District Court for the Southern District of Texas, United States Courthouse, 515 Rusk Ave., Room 5300, Houston, Texas 77002. At this hearing, the Court will consider, whether: (i) the Settlement is fair, reasonable and adequate, and should be finally approved; (ii) the Plan of Allocation is fair and reasonable, and should be approved; (iii) service awards to the Plaintiffs is reasonable and should be approved; and (iv) Lead Counsel’s Fee and Expense Application is reasonable and should be approved. The Court will take into consideration any written objections filed in accordance with the instructions in Question 15 above. We do not know how long it will take the Court to make these decisions.

49. You should be aware that the Court may change the date and time of the Settlement Hearing, or hold the hearing telephonically, without another notice being sent to Class Members. If you want to attend the hearing, you should check with Lead Counsel beforehand to be sure that the date or time has not changed, periodically check the settlement website at [www.AOISecuritiesSettlement.com](http://www.AOISecuritiesSettlement.com), or periodically check the Court’s website at <https://www.txs.uscourts.gov/> to see if the

Settlement Hearing stays as calendared or is changed. Subscribers to PACER, a fee-based service, can also view the Court's docket for the Action for updates about the Settlement Hearing through the Court's on-line Case Management/Electronic Case Files System at <https://www.pacer.gov>.

#### **18. Do I have to come to the Settlement Hearing?**

50. No. Lead Counsel will answer any questions the Court may have. But, you are welcome to attend at your own expense. If you submit a valid and timely objection, the Court will consider it and you do not have to come to Court to discuss it. You may have your own lawyer attend (at your own expense), but it is not required. If you do hire your own lawyer, he or she must file and serve a Notice of Appearance in the manner described in the answer to Question 19 below **no later than November 3, 2020**.

#### **19. May I speak at the Settlement Hearing?**

51. You may ask the Court for permission to speak at the Settlement Hearing. To do so, you must include with your objection (*see* Question 15), **no later than November 3, 2020** a statement that you, or your attorney, intend to appear in "*Rougier v. Applied Optoelectronics, Inc., et al.*, Case No. 4:17-cv-2399-VDG-CAB (S.D. Tex.)." Persons who intend to present evidence at the Settlement Hearing must also include in their objections the identities of any witnesses they may wish to call to testify and any exhibits they intend to introduce into evidence at the hearing. You may not speak at the Settlement Hearing if you exclude yourself or if you have not provided written notice in accordance with the procedures described in this Question 19 and Question 15 above.

### **IF YOU DO NOTHING**

#### **20. What happens if I do nothing at all?**

52. If you do nothing and you are a member of the Class, you will receive no money from this Settlement and you will be precluded from starting a lawsuit, continuing with a lawsuit, or being part of any other lawsuit against Defendants and the other Released Defendant Parties concerning the Released Claims. To share in the Net Settlement Fund, you must submit a Claim Form (*see* Question 8 above). To start, continue or be part of any other lawsuit against Defendants and the other Released Defendants' Parties concerning the Released Claims in this case, to the extent it is otherwise permissible to do so, you must exclude yourself from the Class (*see* Question 11 above).

### **GETTING MORE INFORMATION**

#### **21. Are there more details about the Settlement?**

53. This Notice summarizes the proposed Settlement. More details are in the Stipulation. Lead Counsel's motions in support of final approval of the Settlement, the request for attorneys' fees and litigation expenses, and approval of the proposed Plan of Allocation will be filed with the Court no later than October 20, 2020 and be available from Lead Counsel, the Claims Administrator, or the Court, pursuant to the instructions below.

54. You may review the Stipulation or documents filed in the case at the Office of the Clerk, United States District Court for the Southern District of Texas, United States Courthouse, 515 Rusk Ave., Room 5300, Houston, Texas 77002, on weekdays (other than court holidays) between 9:00 a.m. and 4:00 p.m. Subscribers to PACER can also view the papers filed publicly in the Action through the Court's on-line Case Management/Electronic Case Files System at <https://www.pacer.gov>.

55. You can also get a copy of the Stipulation and other case documents by calling the Claims Administrator toll free at (866) 742-4955 writing to the Claims Administrator at *Applied Optoelectronics Securities Litigation, c/o* RG2 Claims Administration, LLC, P.O. Box 59479, Philadelphia, PA, 19102-9479, or visiting the website dedicated to the Settlement, [www.AOISecuritiesSettlement.com](http://www.AOISecuritiesSettlement.com), or the website of Lead Counsel, [www.zlk.com](http://www.zlk.com).

**Please do not call the Court with questions about the Settlement.**

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

#### **22. How will my claim be calculated?**

56. As discussed above, the Settlement Amount and any interest it earns constitute the Settlement Fund. The Settlement Fund, after the deduction of Court-approved attorneys' fees and litigation expenses, Notice and Administration Expenses, Taxes, and any other fees or expenses approved by the Court, is the Net Settlement Fund. If the Settlement is approved by the Court, the Net Settlement Fund will be distributed to eligible Authorized Claimants – *i.e.*, members of the Class who timely submit valid Claim Forms that are accepted for payment – in accordance with this proposed Plan of Allocation or such other plan of allocation as the Court may approve. Class Members who do not timely submit valid Claim Forms will not share in the Net

Settlement Fund, but will otherwise be bound by the Settlement. The Court may approve this proposed Plan of Allocation, or modify it, without additional notice to the Class. Any order modifying the Plan of Allocation will be posted on the settlement website: [www.AOISecuritiesSettlement.com](http://www.AOISecuritiesSettlement.com).

57. To design the Plan, Lead Counsel have conferred with Plaintiffs' consulting damages expert. The objective of the Plan of Allocation is to distribute the Net Settlement Fund equitably among those Class Members who suffered economic losses as a proximate result of the alleged wrongdoing. The Plan of Allocation is not intended to estimate, or be indicative of, the amounts that Class Members might have been able to recover after a trial. Because the Net Settlement Fund is less than the total losses alleged to be suffered by Class Members, the formulas described below for calculating Recognized Losses are not intended to estimate the amounts that will actually be paid to Authorized Claimants. The Plan of Allocation measures the amount of loss that a Class Member can claim for purposes of making *pro rata* allocations of the Net Settlement Fund to Authorized Claimants.

58. For losses to be compensable damages under the federal securities laws, the disclosure of the allegedly misrepresented information must be the cause of the change in the price of the securities at issue. In this case, Plaintiffs alleged that Defendants issued false statements and omitted material facts during the Class Period (February 23, 2017 through February 21, 2018, inclusive) that artificially inflated the price of AOI common stock and call options, as well as artificially deflated the price of AOI put options. It is alleged that corrective information released to the market after market close on August 3, 2017, October 12, 2017, and February 21, 2018 impacted the market prices of AOI common stock in a statistically significant manner and removed the alleged artificial inflation from the share prices on those days.<sup>2</sup> Accordingly, in order to have a compensable loss in this Settlement, AOI common stock and call option on such stock must have been purchased or otherwise acquired during the Class Period and held through at least one of the alleged corrective disclosure dates, and put options on AOI common stock must have been written during the Class Period and such written position exist through at least one of the alleged corrective disclosure dates. Therefore, artificial inflation (deflation) only is estimated for call (put) options meeting these criteria.

59. An individual Settlement Class Member's recovery will depend on, for example: (a) the total number and value of claims submitted; (b) when the claimant purchased or acquired AOI common stock (or opened an option position); and (c) whether and when, or if, the claimant sold his, her, or its AOI common stock (or closed out an option position).

#### **CALCULATION OF RECOGNIZED LOSS AMOUNTS**

60. For purposes of determining whether a Claimant has a "Recognized Claim", purchases, acquisitions, and sales of AOI common stock and options will first be matched on a First In/First Out ("FIFO") basis. If a Class Member has more than one purchase/acquisition or sale of AOI common stock or options during the Class Period, Class Period sales will be matched first against any holdings at the beginning of the Class Period and then against purchases/acquisitions in chronological order, beginning with the earliest purchase/acquisition made during the Class Period.

61. A "Recognized Loss Amount" will be calculated as set forth below for each purchase of AOI common stock or opening position of AOI options during the Class Period from February 23, 2017 through February 21, 2018 that is listed in the Claim Form and for which adequate documentation is provided. To the extent that the calculation of a Claimant's Recognized Loss Amount results in a negative number, that number shall be set to zero.

62. A "Recognized Gain Amount" will be calculated as set forth below for each sale of AOI common stock or opening or closing position of AOI options during the Class Period from February 23, 2017 through February 21, 2018 that is listed in the Claim Form and for which adequate documentation is provided. To the extent that the calculation of a Claimant's Recognized Gain Amount results in a negative number, that number shall be set to zero. The sum of a Claimant's Recognized Loss Amounts less the sum of a Claimant's Recognized Gain Amounts across all AOI securities will be the Claimant's "Recognized Claim."

63. For each transaction in AOI common stock or options, an "Investment Loss" and "Investment Gain" will be calculated. Investment Loss is defined as the purchase price (excluding all fees, taxes, and commissions) minus the sale price (excluding all fees, taxes, and commissions). To the extent that the calculation of the Investment Loss results in a negative number, that number will be considered an Investment Gain. Investment Gain and Loss are calculated only for those transactions where both the purchase and sale (or option opening/closing) are within the Class Period.

#### **1. RECOGNIZED LOSS AMOUNT FOR AOI COMMON STOCK:**

**64. For each share of AOI common stock purchased or acquired from February 23, 2017 through and including February 21, 2018, and:**

A. Sold before the opening of trading on August 4, 2017, the Recognized Loss Amount for each such share shall be zero.

<sup>2</sup> In addition, it is alleged that these disclosures removed artificial inflation in call options on AOI common stock and removed artificial deflation in put options on AOI common stock.

- B. Sold after the opening of trading on August 4, 2017 and before the close of trading on February 21, 2018, the Recognized Loss Amount for each such share shall be ***the lesser of (but not less than zero)***:
  1. the artificial inflation applicable to each such share on the date of purchase/acquisition as set forth in **Table 1** minus the artificial inflation applicable to each such share on the date of sale as set forth in **Table 1**;<sup>3</sup>
  2. the loss limitation per share on the date of purchase as set forth in **Table 2** minus the loss limitation per share on the date of sale as set forth in **Table 2**; or
  3. the Investment Loss.
- C. Sold after the opening of trading on February 22, 2018 and before the close of trading on May 22, 2018, the Recognized Loss Amount for each such share shall be ***the lesser of (but not less than zero)***:
  1. the artificial inflation applicable to each such share on the date of purchase/acquisition as set forth in **Table 1**;
  2. the loss limitation per share based on the date of purchase as set forth in **Table 2**; or
  3. the actual purchase/acquisition price of each such share minus the average closing price from February 22, 2018, up to the date of sale as set forth in **Table 3**.
- D. Held as of the close of trading on May 22, 2018, the Recognized Loss Amount for each such share shall be ***the lesser of (but not less than zero)***:
  1. the artificial inflation applicable to each such share on the date of purchase/acquisition as set forth in **Table 1**;
  2. the loss limitation per share based on the date of purchase as set forth in **Table 2**; or
  3. the actual purchase/acquisition price of each such share minus \$29.15.<sup>4</sup>

**2. RECOGNIZED GAIN AMOUNT FOR AOI COMMON STOCK:**

**65. For each share of AOI common stock sold from February 23, 2017 through and including February 21, 2018, and:**

- A. Purchased before the opening of trading on February 23, 2017, the Recognized Gain Amount for each such share shall be the lesser of: (i) the artificial inflation on the date of sale as set forth in **Table 1**; or (ii) the loss limitation per share on the date of sale as set forth in **Table 2**.
- B. Purchased after the opening of trading on February 23, 2017 and before the close of trading on February 21, 2018, the Recognized Gain Amount for each such share shall be ***the lesser of (but not less than zero)***:
  1. the artificial inflation applicable to each such share on the date of sale as set forth in **Table 1** minus the artificial inflation applicable to each such share on the date of purchase as set forth in **Table 1**;
  2. the loss limitation per share based on the date of sale as set forth in **Table 2** minus the loss limitation on the date of purchase as set forth in **Table 2**; or
  3. the Investment Gain.
- C. Sold short and not covered prior to the opening of trading on February 22, 2018, the Recognized Gain Amount for each such share shall be ***the lesser of (but not less than zero)***:
  1. the artificial inflation applicable to each such share on the date of sale as set forth in **Table 2**; or
  2. the loss limitation per share based on the date of sale as set forth in **Table 2**.

**3. RECOGNIZED LOSS AMOUNT FOR AOI CALL OPTIONS:**

**66. For each call option purchased or acquired from February 23, 2017 through and including February 21, 2018 to open a long position, and:**

- A. Closed out before the opening of trading on August 4, 2017, the Recognized Loss Amount for each such option shall be zero.
- B. Sold after the opening of trading on August 4, 2017 and before the close of trading on February 21, 2018, the Recognized Loss Amount for each such option shall be ***the lesser of (but not less than zero)***:
  1. the artificial inflation applicable to each such option on the date of purchase or acquisition as set forth in **Table 4** minus the artificial inflation applicable to each such option on the date of sale as set forth in **Table 4**; or
  2. the Investment Loss.

<sup>3</sup> Due to their voluminous nature, Tables 1 through 5 may be located on the claims administrator's website at: [www.AOISecuritiesSettlement.com](http://www.AOISecuritiesSettlement.com).

<sup>4</sup> Pursuant to Section 21D(e)(1) of the Exchange Act, "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 to the market." Consistent with the requirements of the Exchange Act, Recognized Loss Amounts are reduced to an appropriate extent by taking into account the closing prices of AOI common stock during the "90-day look-back period," February 22, 2018 through May 22, 2018. The mean (average) closing price for AOI common stock during this 90-day look-back period was \$29.15.

<sup>5</sup> Artificial Inflation in Table 4 is on a per underlying share basis. Standard option contracts are for 100 underlying shares.

- C. Still held after the close of trading on February 21, 2018, the Recognized Loss Amount for each such option shall be *the lesser of (but not less than zero)*:
1. the artificial inflation applicable to each such option on the date of purchase/acquisition as set forth in **Table 4**;  
or
  2. the purchase price less the holding value set forth in **Table 4**.<sup>6</sup>

**4. RECOGNIZED GAIN AMOUNT FOR AOI CALL OPTIONS:**

**67. For each call option sold or closed out from February 23, 2017 through and including February 21, 2018 to open a written position or close a long position, and:**

- A. Purchased before the opening of trading on February 23, 2017, the Recognized Gain Amount for each such option shall be the artificial inflation on the date of sale/closing as set forth in **Table 4**.
- B. Purchased/closed out after the opening of trading on February 23, 2017 and before the close of trading on February 21, 2018, the Recognized Gain Amount for each such option shall be *the least of (but not less than zero)*:
1. the artificial inflation applicable to each such option on the date of sale/writing as set forth in **Table 4** *minus* the artificial inflation applicable to each such share on the date of purchase/closing as set forth in **Table 4**; or
  2. the Investment Gain.
- C. For written positions not closed out prior to the opening of trading on February 22, 2018, the Recognized Gain Amount for each such option shall be the artificial inflation applicable to each such option on the date of writing as set forth in **Table 4**.

**5. RECOGNIZED LOSS AMOUNT FOR AOI PUT OPTIONS:**

**68. For each put option sold from February 23, 2017 through and including February 21, 2018 to open a written position, and:**

- A. Closed out before the opening of trading on August 4, 2017, the Recognized Loss Amount for each such option shall be zero.
- B. Closed out after the opening of trading on August 4, 2017 and before the close of trading on February 21, 2018, the Recognized Loss Amount for each such option shall be *the least of (but not less than zero)*:
1. the artificial deflation applicable to each such option on the date of writing as set forth in **Table 5**<sup>7</sup> *minus* the artificial deflation applicable to each such option on the date of closing as set forth in **Table 5**; or
  2. the Investment Loss.
- C. Still not closed out after the close of trading on February 21, 2018, the Recognized Loss Amount for each such option shall be *the least of (but not less than zero)*:
1. the artificial deflation applicable to each such option on the date of writing as set forth in **Table 5**; or
  2. the sale price less the holding value set forth in **Table 5**.<sup>8</sup>

**6. RECOGNIZED GAIN AMOUNT FOR AOI PUT OPTIONS:**

**69. For each put option purchased or closed out from February 23, 2017 through and including February 21, 2018 to open a long position or close a written position, and:**

- A. For written positions opened before the opening of trading on February 23, 2017, the Recognized Gain Amount for each such option shall be the artificial deflation on the date of sale.
- B. Opened (if written) or sold (if a long position) after the opening of trading on February 23, 2017 and before the close of trading on February 21, 2018, the Recognized Gain Amount for each such option shall be *the least of (but not less than zero)*:
1. the artificial deflation applicable to each such option on the date of purchasing (long position)/closing (written position) as set forth in **Table 5** *minus* the artificial inflation applicable to each such option on the date of closing (long position)/opening (written position) as set forth in **Table 5**; or
  2. the Investment Gain.
  3. For long positions not closed out prior to the opening of trading on February 22, the Recognized Gain Amount for each such option shall be the artificial deflation on the date of purchase as set forth in **Table 5**.

<sup>6</sup> The holding value is set equal to the estimated price of the option on February 22, 2018 to reduce the complexity of 90-day average price tables for the multitude of option contracts.

<sup>7</sup> Artificial Inflation in Table 5 is on a per underlying share basis. Standard option contracts are for 100 underlying shares.

<sup>8</sup> The holding value is set equal to the estimated price of the option on February 22, 2018 to reduce the complexity of 90-day average price tables for the multitude of option contracts.

## ADDITIONAL PROVISIONS OF THE PLAN OF ALLOCATION

70. AOI common stock and call options purchased to start a long position and put options sold to start a written position are the only securities eligible for recovery under the Plan of Allocation. Inflation and deflation for options are only measured for those options that were potentially held over an alleged corrective disclosure based on available data. With respect to AOI common stock purchased or sold through the exercise/assignment of an option, the purchase/sale date of the AOI common stock is the exercise date of the option and the purchase/sale price is the exercise price of the option. For exercised/assigned options, the price on closing of such options shall be equal to: (i) for call options, the stock price less the exercise price (but not less than zero); and (ii) for put options, the exercise price less the stock price (but not less than zero).

71. Purchases or acquisitions and sales of AOI common stock and options 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, inheritance or operation of law of AOI common stock or options during the Class Period shall not be deemed a purchase, acquisition, or sale of such securities for the calculation of a claimant’s Recognized Claim, nor shall the receipt or grant be deemed an assignment of any claim relating to the purchase/acquisition/sale of such common stock or option unless (i) the donor or decedent purchased/acquired/sold such common stock or option during the Class Period; (ii) no Claim Form was submitted by or on behalf of the donor, on behalf of the decedent, or by anyone else with respect to such common stock or option; and (iii) it is specifically so provided in the instrument of gift or assignment.

72. In accordance with the Plan of Allocation, the Recognized Loss Amount on any portion of a purchase or acquisition of AOI common stock that matches against (or “covers”) a “short sale” is zero. The Recognized Loss Amount on a “short sale” that is not covered by a purchase or acquisition is also zero. In the event that a claimant has an opening short position in AOI common stock at the start of the Class Period, the earliest Class Period purchases or acquisitions shall be matched against such opening short position in accordance with the FIFO matching described above and any portion of such purchases or acquisition that covers such short sales will not be entitled to recovery, but will be included in the calculation of Recognized Gain Amounts. In the event that a claimant newly established a short position during the Class Period, the earliest subsequent Class Period purchase or acquisition shall be matched against such short position on a FIFO basis and will not be entitled to a recovery. Call options written prior to or during the Class Period shall also not be entitled to recovery but will be included in the calculation of Recognized Gain Amounts. Put options purchased to open a long position prior to or during the Class Period shall also not be entitled to recovery but will be included in the calculation of Recognized Gain Amounts.

73. The Net Settlement Fund will be allocated among all Authorized Claimants whose prorated payment is \$10.00 or greater. If the prorated payment to any Authorized Claimant calculates to less than \$10.00, it will not be included in the calculation and a distribution will not be made to that Authorized Claimant.

74. Payment according to this Plan of Allocation will be deemed conclusive against all Authorized Claimants. Recognized Claims will be calculated as defined herein by the Claims Administrator and cannot be less than zero.

75. Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. If there is any balance remaining in the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or otherwise) after at least six (6) months from the date of initial distribution of the Net Settlement Fund, the Claims Administrator shall, if feasible and economical after payment of Notice and Administration Expenses, Taxes, and Attorneys’ Fees and Expenses, if any, redistribute such balance among Authorized Claimants who have cashed their initial checks in an equitable and economic fashion. Once it is no longer feasible or economical to make further distributions, any balance that still remains in the Net Settlement Fund after such re-distribution(s) and after payment of outstanding Notice and Administration Expenses, Taxes, and Attorneys’ Fees and Expenses, if any, shall be contributed to Lone Star Legal Aid subject to approval by the Court.

76. Payment pursuant to the Plan of Allocation, or such other plan as may be approved by the Court, shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiff, Plaintiff’s Counsel, their damages expert, Claims Administrator, or other agent designated by Lead Counsel, arising from determinations or distributions to claimants made substantially in accordance with the Stipulation, the Plan of Allocation approved by the Court, or further orders of the Court. Lead Plaintiff, Defendants, and all other Released Defendant Parties shall have no responsibility for or liability whatsoever for the investment or distribution of the Settlement Fund or the Net Settlement Fund, the Plan of Allocation or the determination, administration, calculation, or payment of any Claim Form or non-performance of the Claims Administrator, the payment or withholding of Taxes owed by the Settlement Fund or any losses incurred in connection therewith.

**SPECIAL NOTICE TO SECURITIES BROKERS AND NOMINEES**

77. If you purchased or otherwise acquired AOI common stock during the Class Period for the beneficial interest of a person or entity other than yourself, the Court has directed that **WITHIN SEVEN (7) DAYS OF YOUR RECEIPT OF THIS NOTICE, YOU MUST EITHER:** (a) provide to the Claims Administrator the name and last known address of each such person or entity; or (b) request additional copies of this Notice and the Claim Form from the Claims Administrator, which will be provided to you free of charge, and **WITHIN SEVEN (7) DAYS** of receipt, mail the Notice and Claim Form directly to all such persons or entities. If they are available, you must also provide the Claims Administrator with the e-mails of the beneficial owners. If you choose to follow procedure (b), the Court has also directed that, upon making that mailing, **YOU MUST SEND A STATEMENT** to the Claims Administrator confirming that the mailing was made as directed and keep a record of the names and mailing addresses used. Upon full and timely compliance with these directions, you may seek reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, upon request and submission of appropriate documentation. All communications concerning the foregoing should be addressed to the Claims Administrator: *Applied Optoelectronics Securities Litigation*, Claims Administrator, RG2 Claims Administration, LLC, P.O. Box 59479, Philadelphia, PA, 19102-9479, [info@rg2claims.com](mailto:info@rg2claims.com). (866) 742-4955 or (215) 979-1620, [www.AOISecuritiesSettlement.com](http://www.AOISecuritiesSettlement.com).

Dated: August 26, 2020

BY ORDER OF THE UNITED STATES  
DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF TEXAS