

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

IN RE DIAMOND FOODS, INC.,
SECURITIES LITIGATION

Case No.: 11-cv-05386-WHA

This Document Relates to: All Actions

NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION

PLEASE READ THIS ENTIRE NOTICE CAREFULLY. IT CONTAINS IMPORTANT INFORMATION ABOUT YOUR RIGHTS CONCERNING A PROPOSED CLASS ACTION SETTLEMENT.

IF YOU ARE A CLASS MEMBER, YOU MUST SUBMIT A CLAIM FORM TO OBTAIN YOUR SHARE OF THE SETTLEMENT. IF YOU DO NOT SUBMIT A CLAIM, ANY RIGHT TO COMPENSATION WILL BE EXTINGUISHED UNLESS YOU HAVE ELECTED TO OPT OUT OF THE CLASS.

A Federal Court Authorized this Notice. This is not a solicitation from a lawyer.

This Notice concerns a lawsuit that has been previously certified by a federal court as a class action on behalf of investors (individuals and entities) who purchased publicly traded securities of Diamond Foods, Inc. (“Diamond”) during the period from October 5, 2010 through February 8, 2012 (the “Class Period”).¹ The lawsuit is referred to as *In Re Diamond Foods, Inc. Securities Litigation*, Case No. 11-cv-05386-WHA (the “Action”) and is pending before the Honorable William Alsup in the United States District Court for the Northern District of California (the “Court”). You have already received notice, mailed on June 28, 2013, of the Court’s decision certifying the Action as a class action.²

This Notice is to inform you that the Lead Plaintiff in the Action, Mississippi Public Employees’ Retirement System (“Plaintiff”), on behalf of itself and the class consisting of investors who purchased publicly traded securities of Diamond during the Class Period (the “Class”), have reached an agreement to settle the Action (the “Settlement”). If the Settlement is approved by the Court, all claims in the Action against the Defendants and Released Parties (defined in Paragraph 9 below) will be resolved.

Overview of the Action and Settlement: This Action alleges claims on behalf of the Class under the Securities Exchange Act of 1934 (the “Exchange Act”) against Diamond, its former Chief Executive Officer, Michael J. Mendes and its former Chief Financial Officer, Steven M. Neil (collectively, “Defendants”). Plaintiff, on behalf of the Class, alleges that Defendants understated the Company’s cost of goods sold — specifically, the costs of walnuts — and improperly accounted for payments made to walnut growers to increase apparent profits and inflate the price of Diamond’s common stock. Plaintiff alleges that Defendants were motivated to inflate share prices during a period in which Diamond was seeking to use its stock to acquire Pringles, a snack chip brand owned by Procter & Gamble Co. Plaintiff claims that Defendants violated the Exchange Act by making false or misleading statements knowingly or with extreme recklessness which caused the price of Diamond stock to be artificially inflated during the Class Period. Plaintiff further alleges that when the truth became known, Diamond’s stock price declined dramatically, resulting in financial losses to those who purchased the stock at the inflated price. Defendants deny any wrongdoing or liability.

After extensive discovery, and expert analysis by the Plaintiff and Class Counsel, the parties engaged in extensive settlement discussions with the assistance of a magistrate judge in the Northern District of California. As a result of those negotiations, the parties have agreed to the Settlement described below. The Settlement is subject to Court approval. More detailed descriptions of the Action and the Settlement are set forth below.

Statement of the Recovery: The Plaintiff has agreed to settle all claims asserted in the Action and grant Defendants and Released Parties a full and complete release in exchange for the cash payment of \$11,000,000 (“Cash Settlement Amount”) and the issuance of 4.45 million shares (“Settlement Shares”) (collectively, the “Settlement Fund”) to the Class. The “Net Settlement Fund” (the Settlement Fund less any Taxes, attorneys’ fees, expert fees, Notice and Administration Costs, Litigation Expenses, or other costs and expenses approved by the Court) will be distributed in accordance with the plan of allocation that is approved by the Court (the “Plan of Allocation”), which will determine how the Net Settlement Fund will be allocated among members of the Class who become eligible to participate in the distribution of the Net Settlement Fund by submitting a timely and valid Proof of Claim Form. The proposed Plan of Allocation is included in this Notice at page 6 below. Any shares of Diamond issued pursuant to the Settlement, if it is approved by the Court, will not be able to be sold until all Proof of Claim

¹ Any capitalized terms used in this Notice that are not otherwise defined herein shall have the meanings ascribed to them in the Amended Stipulation of Settlement dated as of August 20, 2013 (“Stipulation of Settlement”), which is available on the website established for the Settlement at <http://classaction.kccllc.net/DiamondFoods>.

² A Notice of Pendency of Class Action was mailed to Diamond investors beginning on June 28, 2013, which permitted them to exclude themselves from the Class. The time for such exclusion was scheduled to expire on September 17, 2013, but will be extended to December 20, 2013 as set forth in Paragraph 10 of this Notice of Proposed Settlement.

Forms are processed and the Court orders final distribution of the shares to Class Members. This process could take six months to a year after the Court's approval of the Settlement. During that period, the shares will be held in escrow and cannot be sold, and the value of those shares will fluctuate with the price of Diamond's publicly traded common stock. As a result, at the time of distribution to Class Members who have made claims, the value of the shares may be lower or higher than their value today.

Based on the information currently available to Plaintiff and the analysis performed by its damages expert, the estimated average recovery per share for a Class Member from the Settlement Fund (before the deduction of any Court-approved fees, expenses and costs as described herein) would be approximately \$6.38 per share, using the closing price of Diamond common stock on September 26, 2013. The average recovery per share will vary if the price of Diamond's stock rises or falls. The per share amount also assumes all eligible members of the Class submit valid and timely Proof of Claim Forms. If fewer than all members of the Class submit timely and valid Proof of Claim Forms, which is likely, the distributions per share will be higher. A Class Member's actual recovery will be a proportion of the Net Settlement Fund determined by the number of that Class Member's Eligible Shares (as defined below) as compared to the total Eligible Shares of all Class Members who submit timely and valid Proof of Claim Forms. See the Plan of Allocation beginning on page 6 for details and more information.

Class Counsel intend to seek attorneys' fees not to exceed 14% of the Settlement Fund. In addition, Class Counsel intend to seek reimbursement of costs and expenses incurred in connection with the prosecution of the Action in an amount not to exceed \$700,000. Plaintiff also intends to seek reimbursement of its costs and expenses in an amount not to exceed \$70,000. Such requested attorneys' fees, costs and expenses would amount to an average of approximately \$0.93 per share of Diamond common stock. In addition, the distribution will be reduced by Notice and Administration costs. Please note that these amounts are only estimates and are subject to approval by the Court.

The Parties disagree on both liability and damages and do not agree on the average amount of damages per share of Diamond common stock that would be recoverable if Plaintiff were to prevail in the Action, and Defendants deny liability or wrongdoing. Plaintiff performed a damages analysis in connection with the settlement negotiations and believes the maximum aggregate damages recoverable after trial would be \$430 million, although that amount could be substantially lower if certain arguments by the Defendants were accepted by the Court or a jury. Plaintiff believes that the proposed Settlement represents a fair and reasonable recovery in light of the risks of continued litigation, including the ability of the Company to pay any judgment ultimately obtained in the Action, and is in the best interests of the members of the Class.

Identification of Attorneys' Representatives: Plaintiff and the Class are represented by Class Counsel identified in paragraph 13 in this Notice.

YOUR LEGAL RIGHTS AND OPTIONS WITH REGARD TO THIS SETTLEMENT

<p>SUBMIT A PROOF OF CLAIM FORM POSTMARKED BY JANUARY 9, 2014.</p>	<p>This is the only way to be eligible to get a payment from the Settlement. If you wish to participate in the Settlement, you will need to complete and submit the enclosed Proof of Claim Form. Class Members who do not complete and submit the Proof of Claim Form in accordance with the instructions on the Proof of Claim Form and do not submit it within the time required will be bound by the Settlement but will not participate in any distribution of the Net Settlement Fund.</p>
<p>EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS RECEIVED NO LATER THAN DECEMBER 20, 2013.</p>	<p>You will not be bound by the results of this lawsuit, and you will not receive any payment. This is the only option that allows you to participate potentially in any other lawsuit against Defendants based on the legal claims in this case, should such a lawsuit be filed.</p>
<p>OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS RECEIVED NO LATER THAN DECEMBER 20, 2013.</p>	<p>If you believe that the Settlement is objectionable in any respect, you may submit a written statement explaining your objections to Class Counsel, who will file your statement with the Court. You cannot object to the Settlement unless you are a Class Member and have not excluded yourself from the Class.</p>
<p>ATTEND THE FINAL APPROVAL HEARING ON JANUARY 9, 2014 at 3:00 P.M. AND PROVIDE A NOTICE OF INTENTION TO APPEAR TO CLASS COUNSEL SO THAT IT IS RECEIVED NO LATER THAN DECEMBER 20, 2013.</p>	<p>The hearing on whether to approve the Settlement is scheduled for January 9, 2014 at 3:00 p.m. (the "Final Approval Hearing") and is open to the public. You do not need to attend the hearing unless you wish to speak either in support of the Settlement or in support of any objection you may have submitted, and have submitted to Class Counsel a Notice of Intention to Appear so that it is received no later than December 20, 2013. The Court may postpone the Final Approval Hearing without prior notice on the date scheduled for the hearing.</p>
<p>DO NOTHING.</p>	<p>If you are a Class Member and you do not submit a Proof of Claim Form postmarked by January 9, 2014, you will not be eligible to receive any payment from the Settlement Fund. You will, however, be bound by the Settlement, unless you have requested exclusion from the Action.</p>

These rights and options, and the deadlines to exercise them, are explained in further detail later in this Notice.

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1. Why did I receive this Notice?

You have received this Notice because the parties are seeking approval of a proposed settlement on behalf of the Class in this Action, and you have been identified as a potential Class Member either from the transfer agent’s record of ownership of Diamond common stock or by your broker or custodian if you purchased Diamond stock in “street name.”

The Court has directed us to send you this Notice because, as a potential Class Member, you are entitled to notice of the terms of the proposed Settlement, and of a hearing to be held by the Court to consider the fairness, reasonableness and adequacy of the Settlement and Plan of Allocation among Class Members who make timely claims, as well as Plaintiff’s motion for an award of attorneys’ fees and reimbursement of costs and expenses (the “Final Approval Hearing”).

This Notice also tells you how to submit a Claim Form to obtain a distribution of your share of the Settlement, if it is approved by the Court. That Claim Form must be submitted by January 9, 2014.

The Final Approval Hearing will be held on January 9, 2014 at 3:00 p.m. before the Honorable William Alsup at the United States District Court for the Northern District of California, 450 Golden Gate Avenue, Courtroom 8, San Francisco, CA 94102.

This Notice does not express any opinion by the Court concerning the merits of any claim in the Action, and the Court still has to decide whether to approve the Settlement. If the Court approves the Settlement, payments to members of the Class who submit timely a Proof of Claim will be made after the completion of all claims processing.

2. Why is the Action called a “class action”?

A class action is a type of lawsuit in which similar claims of a large number of individuals or entities are prosecuted together, which allows for the efficient and consistent resolution of common claims among a group of persons in a single proceeding. In a class action, the court appoints one or more people, known as the class representatives, to sue on behalf of all people with similar claims, commonly known as the class members. A class action allows the claims of all class members to be heard even though the amount involved may not be large enough for the individual class member to incur the expense of bringing his or her own action. The Court here has certified the Action as a class action and has appointed Mississippi Public Employees’ Retirement System as the class representative and the law firms of Chitwood Harley Harnes LLP and Lieff Cabraser Heimann & Bernstein, LLP as Class Counsel.

3. What is the Action about and what has happened?

The Action alleges, among other things, that prior to and during the Class Period, Diamond was attempting to acquire the Pringles line of snack foods from the Procter & Gamble Company (“P&G”), using common stock as its primary consideration. Plaintiff further alleges that this acquisition was essential to the growth of the Company and would double its size. To make the deal more attractive to P&G and to increase Diamond’s share of the combined company, Plaintiff alleges that Defendants knowingly understated the costs of the walnuts Diamond purchased in order to inflate artificially the price of the Company’s common stock and concealed this understatement by issuing two make-up payments to its walnut growers, one after the close of Fiscal Year 2010, the “continuity payment,” and the other after the close of Fiscal Year 2011, the “momentum payment.” Plaintiff contends that Defendants falsely accounted for both payments as expenses in the following year, rather than attributing each payment to the prior year’s crop. Plaintiff alleges that the truth about the Company’s actual costs of walnuts for its 2010 and 2011 fiscal years emerged over a period of five months through a series of disclosures about the continuity and momentum payments, culminating with an announcement on February 8, 2012, after the close of business, that Diamond’s Audit Committee had concluded that the “continuity” payment made to growers in August 2010 of approximately \$20 million and the “momentum” payment made to growers in September 2011 of approximately \$60 million were not accounted for in the correct periods. In November 2012, Diamond issued restated financial results for Fiscal Years 2010 and 2011, which confirmed the February 8, 2012 announcement and resulted in the reduction of \$56.5 million in profits over the two years. Defendants have denied and continue to deny Plaintiff’s allegations of liability or wrongdoing.

On November 30, 2012, the Court denied the motions to dismiss the consolidated complaint filed by Diamond, Michael J. Mendes and Steven M. Neil, while granting the motion to dismiss of Diamond’s outside auditor. The parties commenced discovery. Defendants and third parties produced, and Plaintiff reviewed and analyzed, millions of pages of documents, and Plaintiff began taking depositions. Several experts for both Plaintiff and Defendants were retained by the parties.

On May 6, 2013, the Court certified the Action as a class action under Federal Rule of Civil Procedure 23. Beginning on June 28, 2013, the Notice of Pendency of Class Action was sent to potential Class Members, providing them the opportunity to exclude themselves from the Class by September 17, 2013. Only 28 persons have requested exclusion to date, and several of them would not have fit the definition of a Class Member because their purchases fell outside of the Class Period.

To assist the parties in exploring a potential negotiated resolution of the Action, Plaintiff and Defendants agreed to mediate before the Honorable Jacqueline Scott Corley, United States Magistrate Judge for the Northern District of California, the Court-appointed settlement judge for the case. The parties exchanged certain information and met on four separate days for settlement conferences with Magistrate Judge Corley during June, July, and August of 2013. The parties also had numerous telephone conferences with the Magistrate Judge over that period. After vigorous arm’s length negotiations, and an agreement by Diamond’s insurers to contribute the remaining policy limits to fund a portion of the cash component of the settlement, the parties agreed in principle on August 6, 2013 to the Settlement of the Action. On August 20, 2013, the parties signed the Stipulation of Settlement setting forth the terms and conditions of the proposed Settlement.

On September 26, 2013, the Court entered an order preliminarily approving the proposed Settlement, authorizing the mailing of this Notice to potential Class Members, and scheduling the Final Approval hearing to consider whether to grant final approval of the Settlement.

4. What are Plaintiff’s reasons for the Settlement?

Plaintiff and Class Counsel believe that their claims have merit, and that their legal advocacy and diligent factual investigation have led to a fair and reasonable Settlement. Plaintiff and Class Counsel have taken into account the uncertain outcome and the risk of litigation, especially in complex actions such as this one. Plaintiff and Class Counsel also investigated extensively the financial condition of Diamond, its ability to continue to litigate or pay a judgment in the Action, and the likelihood that a favorable judgment at trial ultimately may not be recoverable, as well as the extent of the Company’s applicable insurance and the likely depletion of that insurance as a result of continued litigation. In light of the foregoing, Plaintiff and Class Counsel believe that the Settlement confers substantial benefits upon the Class, and believe that the Settlement is fair, adequate, reasonable, and in the best interests of the Class.

5. Who is included in the Class?

The Class consists of all persons and entities who purchased publicly traded securities of Diamond during the period from October 5, 2010 through and including February 8, 2012, and who suffered damages as a result.

PLEASE NOTE: RECEIPT OF THIS NOTICE DOES NOT MEAN THAT YOU ARE A CLASS MEMBER OR THAT YOU WILL BE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU ARE A CLASS MEMBER AND YOU WISH TO BE ELIGIBLE TO PARTICIPATE IN THE DISTRIBUTION OF PROCEEDS FROM THE SETTLEMENT, YOU ARE REQUIRED TO SUBMIT THE CLAIM FORM THAT IS INCLUDED WITH THIS NOTICE POSTMARKED NO LATER THAN JANUARY 9, 2014.

6. Who is not included in the Class?

Excluded from the Class are (1) Diamond and Individual Defendants Michael J. Mendes and Steven M. Neil; (2) any person who was an officer or director of the Company during the Class Period; (3) members of the immediate families of either Individual Defendant; (4) any firm, trust, corporation, officer or other entity in which any Defendant has a controlling interest; and (5) the legal representatives, heirs, successors or assigns of any such excluded party. The Class also excludes short sales of Diamond stock and subsequent purchases of Diamond stock to cover short sales.

In addition, any Diamond Class Member who submits a written request for exclusion from, or “opts out” of, the Class in accordance with the instructions contained in paragraph 10 below is not included in the Class.

7. If I am not sure whether I’m included in the Class, is there someone I can contact?

You may contact Class Counsel at the address and telephone number listed in paragraph 13 in this Notice if you are uncertain about whether you are included in the Class.

8. What are the Settlement’s benefits?

Pursuant to the Settlement, Defendants will pay or cause to be paid \$11,000,000 in cash and will issue or cause to be issued 4.45 million shares of Diamond common stock into the Settlement Fund. While the Court is considering the Settlement and the claims are being processed by the Claims Administrator, Diamond may market the stock in the Settlement Fund, subject to the consent of the Plaintiff and Plaintiff’s Counsel (not to be unreasonably withheld), and convert those shares into cash for distribution to the Class. Diamond may also conduct an offering of new shares, again subject to the consent of Plaintiff and Plaintiff’s Counsel, and substitute the cash proceeds for the common stock in the Settlement Fund. Finally, the Settlement contains certain provisions to protect the Class from dilution of the common stock during the period that the Settlement is being considered for approval by the Court and the claims are being processed.

After deducting the payment of expenses and fees awarded by the Court, the Net Settlement Fund will be distributed to the members of the Class in accordance with a Plan of Allocation. For a more complete description of the Plan of Allocation, see the section headed “Plan of Allocation” in this Notice.

9. Am I giving up anything in order to participate in the Settlement?

As a Class Member, in consideration for the benefits of the Settlement, you will be bound by the terms of the Settlement, and you will release Defendants and the other Released Parties (collectively, the “Released Parties” as defined below) from the Released Claims as defined below.

“Released Claims” means any and all claims, rights, causes of action, liabilities, actions, suits, damages, or demands (including Unknown Claims as defined in the Stipulation of Settlement), of any kind whatsoever, that Lead Plaintiff or any other Class Member has that either: (a) arise out of or are based upon the claims set forth in the Action (including any claim by a Class Member in his capacity as a holder of Diamond stock); or (b) relate in any way to any violation of the Exchange Act or any other state, federal or foreign jurisdiction’s securities or other laws, any misstatement, omission or disclosure (including in financial statements), any breach of duty, any negligence or fraud, or any other alleged wrongdoing or misconduct by the Released Parties relating in any way to the purchase of shares of Diamond common stock by Class Members during the Class Period. Notwithstanding the foregoing, “Released Claims” does not include claims relating to the enforcement of the Settlement.

“Released Parties” means the Company and their Related Parties, and Individual Defendants.

If the Court approves the Settlement, all Class Members who have not excluded themselves in writing will have fully, finally, and forever settled and released any and all Released Claims, contingent or non-contingent, that now exist, or heretofore have existed, upon any theory of law or equity that were asserted or could have been asserted in the Action.

10. Can I exclude myself from the Class? How do I exclude myself?

Any Class Member wishing to exclude him, her or itself from the Class, or “opt out,” must send a written request for exclusion from the Class addressed to *Diamond Foods, Inc. Securities Litigation, c/o KCC Class Action Services, P.O. Box 43211, Providence, RI 02940-3211*, which request must be received on or before December 20, 2013. In order to be valid, any request for exclusion must set forth the name and address of the person or entity requesting exclusion and must specify the number of Diamond Foods, Inc. shares purchased and sold during the Class Period and the dates of such purchases and sales. The request must also state that such person or entity “requests exclusion from the Class in the Diamond Foods, Inc. Litigation,” and must be signed by such person or entity.

11. How will the Net Settlement Fund be distributed among Class Members? What is the Plan of Allocation?

At this time, it is not possible to make any determination as to how much the members of the Class who make timely approved claims may receive from the Settlement. After approval of the Settlement by the Court and upon satisfaction of the other conditions to the Settlement, the Net Settlement Fund will be distributed to the Authorized Claimants in accordance with the Plan of Allocation approved by the Court. Under the terms of the Settlement and the proposed Plan of Allocation, if you make a timely claim by January 9, 2014, your share of the Net Settlement Fund will depend on: (1) your membership in the Class; (2) the number of Diamond shares you purchased during the Class Period and the timing of such purchases; (3) the expense of administering the claims process; (4) any attorneys' fees and expenses awarded by the Court; (5) interest income received and taxes paid by the Settlement Fund; and (6) the number of Eligible Shares held by other members of the Class who submit timely and valid Proof of Claim Forms.

The Net Settlement Fund will not be distributed until the Court has approved a plan of allocation, and the time for petition for rehearing, appeal or review of an order approving the Settlement, whether by certiorari or otherwise, has expired. The Defendants will not be entitled to get back any portion of the Settlement Fund once the Court's order and Judgment approving the Settlement becomes Final.

The Net Settlement Fund will be distributed in accordance with the Plan of Allocation. The purpose of the Plan of Allocation is to divide the Settlement proceeds equitably among the members of the Class. The Plan of Allocation is described in more detail here:

PLAN OF ALLOCATION

The Plan of Allocation has been prepared by Plaintiff, Class Counsel, and their economic expert. It is based on the opinions of Plaintiff's experts regarding what damages were caused by Defendants' alleged false and misleading statements and omissions. The objective of the Plan of Allocation is to distribute equitably the Settlement proceeds to the members of the Class who suffered alleged losses as a result of the alleged misstatements and omissions.

The \$11,000,000 Cash Settlement Amount and the interest earned thereon, and the 4.45 million Settlement Shares of Diamond common stock, shall be the Settlement Fund. The Settlement Fund, less all Taxes, approved costs, fees and expenses, is the Net Settlement Fund.

- A. Determination of Authorized Claimants:** The Net Settlement Fund shall be distributed to Class Members who submit acceptable Proof of Claim Forms ("Authorized Claimants"). Class Members who submit a Request for Exclusion are *not* Authorized Claimants.
- B. Determination of Eligible Shares:** If there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to his loss, as defined below ("Recognized Loss"). If, however, the amount in the Net Settlement Fund is not sufficient to pay the total Recognized Losses of all Authorized Claimants, then each Authorized Claimant will be paid the percentage of the Net Settlement Fund that his Recognized Loss bears to the total of the Recognized Losses of all Authorized Claimants ("pro rata share"). The Claims Administrator will determine each Authorized Claimant's pro rata share of the Net Settlement Fund based on the per share calculations below multiplied by the number of shares purchased by Class Members. Class Period sales will be first matched with any pre-Class Period holdings and then matched with purchases during the Class Period in chronological order ("FIFO Matching"). Sales matched to pre-Class Period purchases shall have no loss or gain for the purpose of calculating Recognized Loss. The price per share will not include commissions, taxes and fees, and the purchase or sale date is the trade date, not the settlement date. If the Authorized Claimant had a market gain from the total of all transactions in Diamond common stock during the Class Period, the value of the Recognized Claim will be zero.
- C. Allocation of the Settlement Fund:** The proposed Plan of Allocation generally measures the amount of loss that a Class Member can claim under the Settlement for the purpose of making pro-rata allocations of the cash and Settlement Shares in the Net Settlement Fund to Class Members who submit acceptable Proof of Claim Forms. The following proposed Plan of Allocation reflects the dates upon which Plaintiff alleges Class Members suffered economic loss as a result of purchasing Diamond common stock at artificially inflated prices during the Class Period due to alleged misrepresentations regarding Diamond's revenue and earnings.

The Plaintiff's damage expert concluded that the measurable losses on Diamond Foods stock related to the allegations in the lawsuit occurred on three days ("Event Days") during the Class Period. While other event days are referenced in the Complaint in this matter, this Plan of Allocation uses corrective disclosure dates with statistically significant abnormal returns about which there could be little dispute, and which Plaintiff's damage expert was confident would be part of any damage analysis at trial.

- a. September 26, 2011 - First market day after report of momentum payment by Off Wall Street Consulting.
- b. November 2, 2011 - First market day after Pringles acquisition postponed and Audit Committee investigation announced.
- c. February 9, 2012 - First market day after restatement announcement.

Table 1 below provides the recoverable loss amounts per share of stock purchased during the Class Period and held at close of trading prior to each Event Day. If any of the eligible shares held just prior to an Event Day were sold on that Event Day, the recoverable loss for that event on the sold shares is the lesser of (i) the full day recoverable loss listed in Table 1 and (ii) the previous day's close listed in Table 1 minus the sale price received on the Event Day (thus, if you sold eligible shares on an Event Day and avoided some of the full day's loss, then your recoverable-out-of-pocket loss for those shares will be less than the full day recoverable loss listed in Table 1).

Table 1 – Recoverable Loss Calculation Table for Eligible DMND shares – per share loss

<u>Event Number</u>	<u>Event Day</u>	<u>Previous Trading Day</u>	<u>Previous Trading Day Close</u>	<u>Per Share Recoverable Loss</u>	<u>Event Day Close</u>
1	9/26/2011	9/23/2011	\$ 90.37	\$5.11	\$85.26
2	11/2/2011	11/1/2011	\$64.12	\$11.33	\$52.79
3	2/9/2012	2/8/2012	\$36.66	\$13.42	\$23.13

The per share recoverable loss amounts listed in Table 1 are additive for eligible shares held across multiple Event Days; that is, a share purchased during the Class Period prior to 9/26/11 and held through the end of the Class Period can make a claim for the full recoverable losses for all three events.³

- D. Allocation Among Eligible Shares.** A Class Member's actual recovery will be a proportion of the Net Settlement Fund determined by the number of that Class Member's Eligible Shares as compared to the total Eligible Shares of all Class Members who submit timely and valid Proof of Claim Forms. Authorized Claimants will be paid their shares of the Net Settlement Fund in cash and stock in approximately the same proportion as the settlement cash and stock are to the Net Settlement Fund. No fractional shares will be issued.
- E. Minimum Distribution.** No distribution will be made and no distribution check will be sent to any Authorized Claimant for any Eligible Shares in any amount less than \$10. Such Authorized Claimants will be bound by the terms of the Settlement.
- F. Remaining Balance in the Settlement Fund.** Any amounts remaining in the Net Settlement Fund after all distributions of the Net Settlement Fund to Authorized Claimants have been made pursuant to this Plan of Allocation, including without limitation such Authorized Claimants' uncashed or returned distributions, shall be disbursed per Class Counsel's direction, as approved by the Court, in the form of an additional distribution to members of the Class or to an appropriate charitable organization approved by the Court. In the event that an Authorized Claimant does not cash a distribution check within ninety (90) days, any book entry transfer of stock to such Authorized Claimant will be reversed and the stock returned to the Net Settlement Fund for disbursement as approved by the Court. Defendants retain no interest in or right to any residual amount remaining in the Net Settlement Fund.

12. What do I have to do to receive my portion of the Net Settlement Fund?

In order to receive a portion of the Net Settlement Fund, you must complete and return the Proof of Claim Form that accompanied this Notice. Your completed and signed Proof of Claim Form must be mailed to the Claims Administrator at the address indicated on the Proof of Claim Form on or before January 9, 2014. **More complete instructions are included on the Proof of Claim.** Keep in mind that if the portion of the Net Settlement Fund to which you would otherwise be entitled is less than \$10, no distribution will be made due to the cost of distributing and accounting for small settlement amounts. If a Proof of Claim Form did not accompany this Notice, you may obtain a copy by contacting the Claims Administrator at 1-866-889-7090 or on the internet at <http://classaction.kccllc.net/DiamondFoods>.

Any Class Member who fails to submit a Proof of Claim Form by January 9, 2014 shall be forever barred from receiving any payment pursuant to the Settlement (unless, by order of the Court, a later-submitted Proof of Claim Form by such Class Member is approved), but shall in all other respects be bound by all of the terms of the Settlement, including the terms of any order and Judgment entered in the Action, and will be barred from bringing any action against the Released Persons concerning the Released Claims (see paragraph 9).

³ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), damages for Diamond common stock held more than 90 days following the last corrective disclosure on February 9, 2012 are limited to the difference between the purchase price and the closing price on February 9, 2012 of \$23.13.

13. Do I have a lawyer in this case?

Yes. Chitwood Harley Harnes LLP and Lieff Cabraser Heimann & Bernstein, LLP are Class Counsel for Plaintiff and the Class. Class Counsel may be contacted at the address and phone number listed below:

Chitwood Harley Harnes LLP
Meryl W. Roper
Ze'eva Kushner Banks
1230 Peachtree Street, Suite 2300
Atlanta, GA 30309
Telephone: 1-888-873-3999

There is no need to retain your own lawyer. If you want to be represented by your own lawyer, you may hire one at your own expense and your lawyer must file with the Court a Notice of Intention to Appear on or before December 20, 2013, and must serve copies of such Notice of Intention to Appear on the attorney(s) listed in this paragraph.

14. Will being a Class Member cost me anything?

You will not be charged by Class Counsel for representation and will not be asked to pay anything. Class Counsel will ask the Court to award them reasonable attorneys' fees and expenses (described in paragraph 15) which will be deducted from the Settlement Fund.

15. How much will Class Counsel be paid?

Class Counsel intends to ask the Court to approve an award of reasonable attorneys' fees in an amount not to exceed 14% of the Settlement Fund, plus reimbursement of costs and expenses incurred in connection with the prosecution of this Action, and will request that any attorneys' fees awarded be paid in cash and stock in the same proportion as will be distributed to Class Members who make claims. The Court may award less than this amount. Class Counsel also intends to seek reimbursement of its out-of-pocket expenses (including costs of expert consultants and witnesses), in an amount not to exceed \$700,000, from the cash portion of the Settlement. In addition, Plaintiff intends to request reimbursement of expenses in connection with time devoted to the Action in reviewing pleadings, attending depositions of its representatives, attending hearings before the Court, and attending four settlement conferences before Magistrate Judge Corley in an amount not to exceed \$70,000. Defendants will not oppose the award of reasonable attorneys' fees and expenses to Class Counsel and Plaintiff.

16. Can I object to all or part of the Settlement?

If you believe that you have reason to do so, as a Class Member, you may make a written submission setting out the nature of your objection to any aspect of the Settlement or to the Settlement as a whole. Your objection may also address the fees and expenses being requested by Class Counsel. In order for your objection to be considered, you must comply with the following procedures.

On or before December 20, 2013, you must submit to Class Counsel a statement setting forth what you are objecting to and the reasons for your objection, and including copies of any supporting documentation. Your statement should include:

- (a) The case name and number: *In Re Diamond Foods, Inc. Securities Litigation*, Case No. C 11-05386 WHA (N.D. Cal.);
- (b) Your name, address, telephone number and signature;
- (c) The number of shares of Diamond common stock purchased and sold during the Class Period and the dates of such purchases and sales;
- (d) The reason(s) you object to the Settlement or to a particular part of the Settlement; and
- (e) All legal support or documentation you wish to bring to the Court's attention in support of your objection.

Within two business days of receipt of your statement, Class Counsel will file your statement along with any supporting documentation with the Court. If you wish to appear in person at the Final Approval Hearing, you must provide Class Counsel with a Notice of Intention to Appear, also to be filed with the Court by Class Counsel. Counsel for the parties will receive notice of such filing(s) through the Electronic Court Filing notification system.

17. Waiver of objections.

Any person who fails to comply with the requirements for objecting to the Settlement will be deemed to have waived all such objections and will be foreclosed from raising any objection to the proposed Settlement or to any part thereof. Any Class Member may attend the Final Approval Hearing, but only those Class Members who comply with the provisions hereof will be permitted to raise any objection to the proposed Settlement, and only those who have submitted to Class Counsel a Notice of Intention to Appear for filing will be allowed to speak at the Final Approval Hearing.

18. When and where will the Court consider whether to approve the Settlement and the Request for Attorneys' Fees and Expenses?

The Court will hold a Final Approval Hearing on January 9, 2014 at 3:00 p.m. in Courtroom 8, United States District Court for the Northern District of California, 450 Golden Gate Avenue, San Francisco, CA 94102. At the Final Approval Hearing, the Court will consider whether the Settlement, including the Plan of Allocation, is fair, reasonable and adequate. At or after the Final Approval Hearing, the Court will also consider whether to approve the Request for Attorneys' Fees and the Reimbursement of Expenses. If there are objections, the Court will also consider such objections. The Court has discretion to listen to people who have asked to speak at the hearing. The Court may also postpone or reschedule the Final Approval Hearing without prior notice.

19. Do I have to attend the Final Approval Hearing?

No. Class Counsel will answer any questions the Court may have on behalf of Plaintiff and the Class. If you file a timely written objection, it will be considered by the Court. You are also welcome to attend the Final Approval Hearing at your own expense, or to pay your own attorney to attend the Final Approval Hearing on your behalf, but you do not need to attend. If you do hire your own attorney and want your attorney to speak at the Final Approval Hearing, or if you want to speak at the Final Approval Hearing, you must submit to Class Counsel a Notice of Intention to Appear for filing as described above. If you plan to come to the Final Approval Hearing, you may want to contact Class Counsel listed above to make sure that it has not been rescheduled.

20. Are there more details about the Settlement?

Yes. This Notice summarizes the proposed Settlement. More details (including definitions of various terms used in this Notice) are contained in the pleadings and other papers in this Action, including the formal Stipulation of Settlement, which have been filed with the Court. Plaintiff's submissions in support of the Settlement and Class Counsel's fee and expense application will be filed with the Court prior to the Final Approval Hearing. In addition, information about the Settlement may be posted on the website set up for this case, <http://classaction.kccllc.net/DiamondFoods>. If you have any further questions, you may contact Class Counsel identified in paragraph 13 above.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you are a broker or custodian who holds or held securities covered by the Action on behalf of other owners or in "street name," you are directed by the Court to provide this Notice to these other owners. You may obtain additional copies of this Notice by contacting KCC, the Claims Administrator, at the address or telephone number below. As an alternative, you may provide KCC with mailing lists of these other owners. In either case, you must contact the Claims Administrator within ten (10) days of receiving this Notice. **In addition, you must submit a letter, which confirms that you have either provided this Notice to these other owners or provided the Claims Administrator with a mailing list of these other owners, to Class Counsel at the following mailing or email address: Chitwood Harley Harnes LLP, 1230 Peachtree Street, Suite 2300, Atlanta, GA 30309, Attention: Meryl W. Roper or Ze'eva Kushner Banks, mroper@chitwoodlaw.com or zkbanks@chitwoodlaw.com. This letter of broker compliance must be received by October 15, 2013 or you may be subject to further action by the Court. You may contact the above attorneys to obtain an appropriate form for the letter of broker compliance.**

If you verify and provide details about your assistance with either of these options, you may be reimbursed for the actual expense you incur to send the Notices, including postage and/or the reasonable cost of determining the names and addresses of the other owners on whose behalf you hold or held securities covered by the Action. The Claims Administrator will send you a form for the verification. Send any requests for reimbursement, along with appropriate supporting documentation, to:

Diamond Foods, Inc. Securities Litigation
c/o KCC Class Action Services
P.O. Box 43211
Providence, RI 02940-3211

Telephone: 1-866-889-7090
Email: DiamondFoods@kccllc.com
Website: <http://classaction.kccllc.net/DiamondFoods>

PLEASE DO NOT CALL THE COURT OR COURT CLERK FOR INFORMATION

Dated: September 26, 2013

By order of the United States District Court, Northern District of California