

**FalconStor Software Securities Litigation  
Claims Administrator  
c/o Strategic Claims Services  
600 North Jackson Street—Suite 3  
P.O. Box 230  
Media, PA 19063**

**PROOF OF CLAIM AND RELEASE**

**DEADLINE FOR SUBMISSION: JANUARY 20, 2014**

IF YOU PURCHASED THE COMMON STOCK OF FALCONSTOR SOFTWARE, INC. DURING THE PERIOD FROM MARCH 12, 2008 THROUGH SEPTEMBER 29, 2010, INCLUSIVE (THE “CLASS PERIOD”), YOU MAY BE A “CLASS MEMBER” AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT PROCEEDS.

IF YOU ARE A CLASS MEMBER, YOU MUST COMPLETE AND SUBMIT THIS FORM IN ORDER TO BE ELIGIBLE FOR ANY SETTLEMENT BENEFITS. HOWEVER, FILING A PROOF OF CLAIM IS NOT A GUARANTEE THAT YOU WILL SHARE IN THE PROCEEDS OF THE SETTLEMENT.

YOU MUST COMPLETE AND SIGN THIS PROOF OF CLAIM AND RELEASE (“PROOF OF CLAIM”) AND MAIL IT BY FIRST CLASS MAIL, POSTMARKED NO LATER THAN JANUARY 20, 2014 TO STRATEGIC CLAIMS SERVICES, THE CLAIMS ADMINISTRATOR, AT THE FOLLOWING ADDRESS:

FalconStor Software Securities Litigation  
Claims Administrator  
c/o Strategic Claims Services  
600 North Jackson Street—Suite 3  
P.O. Box 230  
Media, PA 19063

YOUR FAILURE TO SUBMIT YOUR CLAIM BY JANUARY 20, 2014 WILL SUBJECT YOUR CLAIM TO REJECTION AND PRECLUDE YOUR RECEIVING ANY MONEY IN CONNECTION WITH THE SETTLEMENT OF THIS LITIGATION. DO NOT MAIL OR DELIVER YOUR CLAIM TO THE COURT OR TO ANY OF THE PARTIES OR THEIR COUNSEL AS ANY SUCH CLAIM WILL BE DEEMED NOT TO HAVE BEEN SUBMITTED. SUBMIT YOUR CLAIM ONLY TO THE CLAIMS ADMINISTRATOR.

IF YOU ARE A CLASS MEMBER AND DO NOT SUBMIT A PROOF OF CLAIM OR REQUEST FOR EXCLUSION FROM THE CLASS, YOU WILL BE BOUND BY THE TERMS OF ANY ORDER AND JUDGMENT ENTERED IN THE LITIGATION.

If you are NOT a member of the Class, as defined in the Notice, DO NOT submit a Proof of Claim.

**DEFINITIONS AND RELEASE**

All capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Stipulation and Agreement of Settlement, dated May 6, 2013.

**INSTRUCTIONS FOR COMPLETING THIS FORM**

1. How to identify yourself for the form:

You are a beneficial and record acquirer if you:

- Purchased FalconStor common stock between March 12, 2008 through September 29, 2010, inclusive, on a national securities exchange or an electronic quotation system, and
- Held the certificate(s) in your name.

You are the beneficial acquirer and a third party is the record acquirer if:

- The certificate(s) were registered in the name of a third party. A third party could be a nominee or brokerage firm.

**Please Note:** This Proof of Claim must be filed by the actual beneficial acquirer(s), or the legal representative of such acquirer(s), of the FalconStor common stock purchased or sold in the Class Period.

2. All joint purchasers of FalconStor common stock must complete and sign this Proof of Claim and Release. Executors, administrators, guardians, conservators and trustees must complete and sign this Proof of Claim on behalf of persons represented by them; a copy of proof of their authority must accompany this Proof of Claim, and their titles or capacities must be stated. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

3. Use Part II, entitled “Schedule of Transactions in FalconStor Securities”, to supply all required information regarding your ownership of and transaction(s) in FalconStor common stock. If you need more space or additional schedules, attach separate sheets with all of the same information. Sign and print or type your name on each additional sheet.

4. List each purchase and sale from March 12, 2008 through and including September 29, 2010, separately and in chronological order, by trade date. Start with the earliest date. You must accurately provide the month, day and year of each transaction you list, along with the quantity and price.

5. Any loans of FalconStor common stock to persons engaged in a “short sale” are not considered a sale.

6. You must attach photocopies of documentation for all of your transactions in FalconStor common stock. This includes any of these documents: broker confirmation slips, broker statements, or other documentation. Failure to provide this documentation will delay verification of your claim and could result in rejection of your claim. Please do not send original documents. Do not highlight the documents.

7. The Claims Administrator may request additional information as required to calculate your claim. If the Claims Administrator cannot perform the calculation accurately or at a reasonable cost to the Class, it may require the production of additional information.

***Notice Regarding Electronic Files:*** Certain claimants with a large number of transactions, such as institutional holders, may ask (or be asked) to submit claim information in an electronic format. The Claims Administrator will decide when electronic filing of information will be authorized. In these cases, all claimants **must also submit** a manually-signed paper Proof of Claim and Release form, listing all transactions in FalconStor common stock. Only electronic files authorized by the Claims Administrator will be considered properly submitted.

#### **CLAIMANT’S STATEMENT**

1. I (we) purchased common stock in FalconStor Software, Inc. (“FalconStor”) and was (were) damaged thereby. (Do not submit this Proof of Claim if you did not purchase FalconStor common stock during the designated Class Period).

2. By submitting this Proof of Claim, I (we) state that I (we) believe in good faith that I am (we are) a Class Member as defined above and in the Notice of Pendency and Proposed Settlement of Class Action (the “Notice”), or am (are) acting for such person(s); that I am (we are) not a Defendant in the Litigation or anyone excluded from the Class; that I (we) have read and understand the Notice; that I (we) believe that I am (we are) entitled to receive a share of the Net Settlement Fund, as defined in the Notice; that I (we) elect to participate in the proposed Settlement described in the Notice; and that I (we) have not filed a request for exclusion. (If you are acting in a representative capacity on behalf of a Class Member [e.g., as an executor, administrator, trustee, or other representative], you must submit evidence of your current authority to act on behalf of that Class Member. Such evidence would include, for example, letters testamentary, letters of administration, or a copy of the trust documents.)

3. I (we) submit this Proof of Claim and Release under the terms of the Stipulation and Agreement of Settlement (“Stipulation”) described in the Notice. I (we) consent to the jurisdiction of the United States District Court for the Eastern District of New York with respect to my claim(s) as a Class Member and for purposes of enforcing the release set forth herein, all questions concerning the validity of this Proof of Claim, and any Judgment which may be entered in the Litigation. I (we) understand and agree that my (our) claim(s) may be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to my (our) status as a Class Member(s) and the validity and amount of my (our) claim. No discovery shall be allowed on the merits of the Litigation or Settlement in connection with processing of the Proof of Claim.

4. I (we) have set forth where requested below all relevant information with respect to each purchase of FalconStor common stock during the Class Period, and each sale, if any, of such securities. I (we) agree to furnish additional information to the Claims Administrator to support this claim if requested to do so.

5. I (we) have enclosed photocopies of the stockbroker’s confirmation slips, stockbroker’s statements, or other documents evidencing each purchase, sale or retention of FalconStor common stock listed below in support of my (our) claim. (IF ANY SUCH DOCUMENTS ARE NOT IN YOUR POSSESSION, PLEASE OBTAIN A COPY OR EQUIVALENT DOCUMENTS FROM YOUR BROKER BECAUSE THESE DOCUMENTS ARE NECESSARY TO PROVE AND PROCESS YOUR CLAIM.)

6. I (we) understand that the information contained in this Proof of Claim is subject to such verification as the Claims Administrator may request or as the Court may direct, and I (we) agree to cooperate in any such verification. (The information requested herein is designed to provide the minimum amount of information necessary to process most simple claims. The Claims Administrator may request additional information as required to efficiently

and reliably calculate your recognized claim. In some cases, the Claims Administrator may condition acceptance of the claim based upon the production of additional information, including, where applicable, information concerning transactions in any derivatives securities such as options.)

7. Upon the occurrence of the Court's approval of the Settlement, as detailed in the Notice, I (we) agree and acknowledge that my (our) signature(s) hereto shall effect and constitute a full and complete release, remise and discharge by me (us) and my (our) heirs, joint tenants, tenants in common, beneficiaries, executors, administrators, predecessors, successors, attorneys, insurers and assigns (or, if I am (we are) submitting this Proof of Claim on behalf of a corporation, a partnership, estate or one or more other persons, by it, him, her or them, and by its, his, her or their heirs, executors, administrators, predecessors, successors, and assigns) of each of the "Released Parties" of all "Settled Claims," as defined in the Notice.

8. The claimant(s) waive(s) the right to trial by jury, to the extent it exists, and agree(s) to the Court's summary disposition of the determination of the validity or amount of claim made by this Claim Form.

9. I (we) acknowledge that the claimant(s) will be bound by and subject to the terms of any judgment(s) that may be entered in the Litigation.

10. I (we) have not submitted any other claim covering the same acquisition or sales of FalconStor common stock. I (we) know of no other Person having done so on my (our) behalf.

11. I (we) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.

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**Sales:**

C. Separately list each and every sale of FalconStor common stock during the period from March 12, 2008 through September 29, 2010 inclusive, and provide the following information (*must be documented*):

Trade Date (List Chronologically) (Month/Day/Year)	Number of Shares Sold	Price per Share	Amount Received (Excluding Commissions, Taxes, and Fees)
/  /		\$ .	\$ .
/  /		\$ .	\$ .
/  /		\$ .	\$ .
/  /		\$ .	\$ .

**Ending Holdings:**

D. State in the box at the right the total number of shares of FalconStor common stock owned at the close of trading on September 29, 2010, long or short (*must be documented*).

**If additional space is needed, attach separate, numbered sheets, giving all required information, substantially in the same format, and print your name and Social Security or Taxpayer Identification number at the top of each sheet.**

**III. SUBSTITUTE FORM W-9**

Request for Taxpayer Identification Number:

Enter taxpayer identification number below for the Beneficial Owner(s). For most individuals, this is your Social Security Number. The Internal Revenue Service ("I.R.S.") requires such taxpayer identification number. If you fail to provide this information, your claim may be rejected.

Social Security Number (for individuals)  
   -   -

OR

Taxpayer Identification Number  
(for estates, trusts, corporations, etc.)  
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**IV. CERTIFICATION**

I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406 (a)(1)(c) of the Internal Revenue Code because: (a) I am (We are) exempt from backup withholding, or (b) I (We) have not been notified by the I.R.S. that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the I.R.S. has notified me (us) that I am (we are) no longer subject to backup withholding.

NOTE: If you have been notified by the I.R.S. that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the certification above.

UNDER THE PENALTIES OF PERJURY, I (WE) CERTIFY THAT ALL OF THE INFORMATION I (WE) PROVIDED ON THIS PROOF OF CLAIM AND RELEASE FORM IS TRUE, CORRECT AND COMPLETE.

Signature of Claimant (If this claim is being made on behalf of Joint Claimants, then each must sign):

\_\_\_\_\_  
 (Signature)

\_\_\_\_\_  
 (Signature)

\_\_\_\_\_  
 (Capacity of person(s) signing, e.g. beneficial purchaser(s), executor, administrator, trustee, etc.)

Check here if proof of authority to file is enclosed.  
 (See Item 2 under Claimant's Statement)

**THIS PROOF OF CLAIM MUST BE SUBMITTED NO LATER THAN JANUARY 20, 2014 AND MUST BE MAILED TO:**

FalconStor Software Securities Litigation  
Claims Administrator  
c/o Strategic Claims Services  
600 North Jackson Street—Suite 3  
P.O. Box 230  
Media, PA 19063

A Proof of Claim received by the Claims Administrator shall be deemed to have been submitted when posted, if a postmark date on or before January 20, 2014, is indicated on the envelope and it is mailed First Class, and addressed in accordance with the Proof of Claim instructions. In all other cases, a Claim Form shall be deemed to have been submitted when actually received by the Claims Administrator.

You should be aware that it will take a significant amount of time to process fully all of the Proofs of Claim and to administer the Settlement. This work will be completed as promptly as time permits, given the need to investigate and tabulate each Proof of Claim. Please notify the Claims Administrator of any change of address.

#### **REMINDER CHECKLIST**

- Please be sure to sign this Proof of Claim on page 14. If this Proof of Claim is submitted on behalf of joint claimants, then both claimants must sign.
- Please remember to attach supporting documents.
- Do NOT send any stock certificates.
- Keep copies of your Proof of Claim and Release form and all copies of all supporting documentation you submit.
- If you desire an acknowledgment of receipt of your claim form, please send it Certified Mail, Return Receipt requested.
- Do NOT use highlighter on the Proof of Claim or any supporting documents.

If you move after submitting this Proof of Claim, please notify the Claims Administrator of the change in your address.

- **These forms and your supporting documentation must be *postmarked* no later than January 20, 2014.**

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**PLEASE FORWARD**

**FIRST CLASS MAIL**

**PLEASE FORWARD—IMPORTANT LEGAL NOTICE**