

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF ORANGE

In re CERADYNE, INC. SHAREHOLDER LITIGATION)	Lead Case No. 30-2012-00604001-CU-BT-CXC
)	(Consolidated with
)	Case No. 30-2012-00604931-CU-SL-CXC)
_____)	
This Document Relates To:)	<u>CLASS ACTION</u>
ALL ACTIONS.)	Assigned to: Judge Thierry P. Colaw
_____)	DEPT: CX105
)	DATE ACTION FILED: 10/09/12

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS OR ENTITIES WHO HELD SHARES OF COMMON STOCK IN CERADYNE, INC. (“CERADYNE”), EITHER OF RECORD OR BENEFICIALLY, AND WHO RECEIVED CONSIDERATION FOR THEIR SHARES IN THE SALE OF CERADYNE TO 3M COMPANY AT THE PRICE OF \$35.00 PER SHARE (THE “CLASS”)¹
PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF THE ACTION REFERRED TO IN THE CAPTION AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS.

THE PURPOSE OF THIS NOTICE

The purpose of this Notice is to inform you of a proposed settlement (the “Settlement”) of the above-captioned action (the “Action”) by and among the parties to the Action pending before the Superior Court of the State of California, County of Orange (the “Court”), and of a hearing to be held before the Court, in Department CX105 of the Complex Civil Division, 751 West Santa Ana Blvd., Santa Ana, California 92701, on May 4, 2018, at 10:30 a.m. (the “Settlement Hearing”). The purpose of the Settlement Hearing is to determine: (a) whether the Court should approve the Settlement of the Action for a total of Eleven Million Three Hundred Thousand Dollars (\$11,300,000.00) on the terms and conditions set forth in the Stipulation of Settlement dated June 14, 2017 and the Notice of Amendments to the Stipulation of Settlement dated June 14, 2017 (together, “Stipulation”);² (b) whether the Court should approve the proposed plan of distribution; (c) whether the Court should grant the application of Class Counsel for an award of attorneys’ fees and expenses and plaintiff service awards; and (d) such other matters as may properly come before the Court.

The Court has the right to adjourn the Settlement Hearing without further notice to the Class. The Court also has the right to approve the Settlement with or without modifications, to enter its final judgment and to order the payment of attorneys’ fees and expenses without further notice to the Class.

WHAT IS THIS LAWSUIT ABOUT?

On October 1, 2012, Ceradyne and 3M Company announced the execution of an agreement and plan of merger, pursuant to which, among other things, 3M Company, through its wholly-owned subsidiary, Cyborg Acquisition Corporation (“Cyborg,” and together with 3M Company, “3M”), would commence a tender offer to acquire all outstanding shares of Ceradyne stock at a price of \$35.00 per share in cash (the “Tender Offer”) and consummate a second-step merger with Ceradyne (the “Merger,” and together with the Tender Offer, the “Transaction”) in which the remainder holders of Ceradyne common stock would receive the same price per share paid in the Tender Offer. The Tender Offer expired on November 27, 2012, and the Transaction was consummated on November 29, 2012, whereby Ceradyne common stock holders received \$35.00 per share.

This Action alleges that members of Ceradyne's Board of Directors, Joel P. Moskowitz, Richard A. Kertson, Richard A. Alliegro, Frank Edelstein, Siegfried Müssig and Milton L. Lohr, breached their fiduciary duties to the Class. Plaintiffs allege that these defendants, among other things, intentionally disregarded Ceradyne’s intrinsic value and agreed to sell the Company to 3M for a knowingly unfair price; made materially misleading disclosures in the Schedule 14D-9 and prevented the Class Members from making an informed decision as to whether Ceradyne would be better off as a standalone company, tender their shares or seek appraisal; and acted in bad faith in selecting and supervising Citigroup Global Markets, approving the Merger to avoid an attack by activist investors, and relying upon illustrative alternative case financial projections to approve the Merger. Defendants deny these allegations. The Stipulation has a detailed procedural history of the Action. The Stipulation can be obtained at www.ceradyneshareholderssettlement.com.

REASONS FOR THE SETTLEMENT

Plaintiffs, through their counsel, have investigated the claims and allegations asserted in the Action, as well as the underlying events and transactions relevant to the Action. In evaluating the Settlement, Plaintiffs and their counsel have considered: (i) the benefits to the members of the Class (as defined above) from the Settlement; (ii) the attendant risks of

¹ Excluded from the Class are the Defendants, their estates, Defendants’ respective successors, heirs and assigns, Defendants’ immediate family members, and any company, trust, or other entity in which a Defendant owned, or beneficially controlled or held, as of November 27, 2012, a fifty percent or more interest. Also excluded from the Class is any Person who exercised their appraisal rights under Section 262 of the General Corporation Law of the State of Delaware or who validly requests exclusion from the Class.

² The Stipulation and other Settlement documents can be obtained on the case dedicated website at www.ceradyneshareholderssettlement.com. All capitalized terms used herein have the same meanings as the terms defined in the Stipulation.

continued litigation and the uncertainty of the outcome of the Action; (iii) the probability of success on the merits and the allegations contained in the Action, including the uncertainty relating to the proof of those allegations; (iv) the desirability of permitting the Settlement to be consummated as provided by the terms of the Stipulation; and (v) the conclusion of Class Counsel that the terms and conditions of the Settlement are fair, reasonable, adequate, and in the best interests of the Class.

Defendants have denied, and continue to deny, that they have committed or aided and abetted in the commission of any violation of law or engaged in any of the other wrongful acts alleged in the Action, and expressly maintain that they have diligently and scrupulously complied with their fiduciary and other legal duties, and are entering into the Stipulation and Settlement solely to eliminate the burden and expense of further litigation.

SUMMARY OF THE SETTLEMENT TERMS

In consideration for the full settlement and release of all Released Plaintiffs' Claims (as defined below), Defendants and their insurers will pay a total of Eleven Million Three Hundred Thousand Dollars (\$11,300,000.00) (the "Settlement Amount"), plus interest, for the benefit of the Class. Based on filings with the Securities and Exchange Commission, it is estimated that if Class Members submit claims for 100% of the shares eligible for distribution, the estimated gross recovery will be approximately \$0.50 per share. Deducting estimated costs for notice and administration of the Settlement of \$315,000, as well as the proposed attorneys' fees, expense awards and incentive awards, which are subject to approval by the Court, the estimated net recovery for Class Members will be approximately \$0.33 per share. Historically, actual claims rates are less than 100% of the shares eligible for distribution, which would result in higher distributions per share. This amount is in addition to the \$35.00 per share consideration Ceradyne common stock holders received in the Transaction.

The full terms of the Settlement are set forth in the Stipulation (for instructions on how to obtain further information about the Settlement or the Action, see "Scope of This Notice" below).

DISTRIBUTION OF THE NET SETTLEMENT FUND

If the Settlement is approved, the Settlement Amount, plus any interest (the "Settlement Fund"), less any Fee and Expense Award and plaintiff service awards approved by the Court, and Administrative Costs (the "Net Settlement Fund"), will be distributed as follows:

(a) Proof of Claim

Any Class Member who wishes to participate in the distribution of the Net Settlement Fund shall submit to the Claims Administrator a completed Proof of Claim, with adequate supporting documentation, in the form enclosed and mail or submit it online so that it is **postmarked (if mailed) or received (if submitted electronically) no later than March 1, 2018**. The Proof of Claim may also be obtained and submitted online at www.ceradyneshareholderssettlement.com. Any Proof of Claim submitted to the Claims Administrator after such date may be rejected as untimely. All Class Members who submit a valid Proof of Claim to the Claims Administrator will be "Settlement Payment Recipients." Notwithstanding the foregoing, Class Counsel shall have the discretion (but not the obligation) to accept for processing late submitted claims so long as the payment to Settlement Payment Recipients is not materially delayed. No Class Member shall have any claim against Plaintiffs, Class Counsel, or the Claims Administrator by reason of the decision to exercise such discretion whether to accept late submitted claims.

(b) Plan of Distribution of the Net Settlement Fund

Following the Effective Date, the Net Settlement Fund will be disbursed by the Claims Administrator to the Settlement Payment Recipients and will be allocated on a per-share basis amongst the Settlement Payment Recipients based on the number of shares of Ceradyne common stock the applicable Settlement Payment Recipient received consideration for in the sale of Ceradyne to 3M Company at the price of \$35.00 per share. No distribution shall be made to Settlement Payment Recipients who would otherwise receive a distribution of less than \$10.00. If there is any balance remaining in the Net Settlement Fund after six (6) months from the date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks, or otherwise), then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, Class Counsel shall, if feasible, reallocate such balance among Settlement Payment Recipients in an equitable and economic fashion. These redistributions shall be repeated until the balance remaining in the Net Settlement Fund is \$10,000 or less. Thereafter, any balance which still remains in the Net Settlement Fund shall be donated to the Orange County Public Law Center.

JUDGMENT AND RELEASE OF CLAIMS

If the Settlement is approved, the Court will enter an order and final judgment (the "Judgment") on the merits against the named Plaintiffs and the Class that will release Released Defendant Parties from all Released Plaintiffs' Claims. Released Plaintiffs' Claims means any and all manner of claims (including Unknown Claims as defined below), which have been or could have been asserted by Plaintiffs or any other Class Member in his, her, or its capacity as a shareholder of Ceradyne against the Released Defendant Parties, and that arise out of or relate to, the Action or the Transaction. Released Plaintiffs' Claims, however, are limited to claims based on a Plaintiff's or Class Member's status as a shareholder of Ceradyne. Non-shareholder claims include, but are not limited to, product liability, employee, contract or vendor claims. For example, if a Class Member sold copy paper or performed a service for any Defendant or Released Defendant Party, those claims would not be released. Released Plaintiffs' Claims also do not include any claims to enforce the Stipulation.

"Unknown Claims," as used in the definition of Released Plaintiffs' Claims, means any and all Released Plaintiffs' Claims (as defined above "which have been or could have been asserted by Plaintiffs or any other Class Member in his, her, or its capacity as a shareholder of Ceradyne against the Released Defendant Parties, and that arise out of or relate to, the Action or the Transaction") which Plaintiffs or any other Class Member does not know to exist in his, her, or its favor at the time of the Released Plaintiffs' Claims against the Released Defendant Parties. The above is specifically limited to a Class Member claim as a shareholder of Ceradyne that relate to the Action or the Transaction and do not include any non-shareholder claims. Non-

shareholder claims include, but are not limited to, product liability, employee, contract or vendor claims. For example, if a Class Member sold copy paper or performed a service for any Defendant or Released Defendant Party, those claims would not be released. Unknown Claims also do not include any claims to enforce the Stipulation.

The Judgment also will include a waiver by the named Plaintiffs and the Class of their rights under Section 1542 of the California Civil Code that with respect to any and all Released Plaintiffs' Claims (defined and limited to claims "which have been or could have been asserted by Plaintiffs or any other Class Member in his, her, or its capacity as a shareholder of Ceradyne against the Released Defendant Parties, and that arise out of or relate to the Action or the Transaction"), the Parties agree that upon the Effective Date, Plaintiffs and each of the Class Members shall as a result of the Judgment have waived, all rights and benefits conferred by Cal. Civ. Code §1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Plaintiffs acknowledge, and the other Class Members by operation of law, acknowledge that they may discover facts different from those now known or believed to be true with respect to the Released Plaintiffs' Claims, but that it is the intention of Plaintiffs and by operation of law the other Class Members to completely release all Released Plaintiffs' Claims.

The above is specifically limited to a Class Member's claim as a shareholder of Ceradyne that relate to the Action or the Transaction and do not include any non-shareholder claims. Non-shareholder claims include, but are not limited to, product liability, employee, contract or vendor claims. For example, if a Class Member sold copy paper or performed a service for any Defendant or Released Defendant Party, those claims would not be released. This provision also does not include any claims to enforce the Stipulation.

THE LAWYERS REPRESENTING THE CLASS

Class Counsel, Robbins Geller Rudman & Dowd LLP and Faruqi & Faruqi, LLP, will represent the interests of all members of the Class. You will not be separately charged for these lawyers. As discussed below, any payment of attorneys' fees and expenses 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.

CLASS COUNSEL'S APPLICATION FOR ATTORNEYS' FEES AND EXPENSES

Concurrently with seeking final approval of the Settlement, Class Counsel will apply to the Court for an award of attorneys' fees of 30% of the Settlement Amount, which is \$3,390,000, plus up to \$220,000 in expenses plus interest on both amounts (the "Fee and Expense Application"). At the same time, Class Counsel may also apply to the Court for service awards to the three Plaintiffs of up to \$5,000 each. Any Fee and Expense Award or plaintiff service awards approved by the Court will be paid from the Settlement Fund. Class Counsel will make the Fee and Expense Application no later than February 15, 2018.

RIGHT TO EXCLUDE YOURSELF FROM THE CLASS

If you want to keep the right to sue or continue to sue Defendants on your own about the legal issues in this case, then you must take steps to get out of the Class. This is called excluding yourself from, or "opting out" of, the Class.

To exclude yourself from the Class, you must send a letter by mail saying that you want to be excluded from the Class in the following action: *In re Ceradyne, Inc. Shareholder Litigation*, Lead Case No. 30-2012-00604001-CU-BT-CXC. Be sure to include your name, address, telephone number, and sign the letter. is there possibly an extra space here? If so, please remove. You should also include the number of shares of Ceradyne common stock you received consideration for in the sale of Ceradyne to 3M Company at the price of \$35.00 per share. Your exclusion request must be **postmarked no later than March 1, 2018**, and sent to the Claims Administrator at:

Ceradyne Shareholder Litigation
Claims Administrator
EXCLUSIONS
c/o Gilardi & Co. LLC
3301 Kerner Blvd.
San Rafael, CA 94901

You cannot exclude yourself by phone or by e-mail. If you make a proper request for exclusion, you will not receive a Settlement payment, you cannot object to the Settlement and you will not be legally bound by anything that happens in this lawsuit.

Pursuant to a separate Supplemental Agreement entered into between Plaintiffs and Defendants, Defendants shall have the option, but does not have to exercise the option, to terminate the Settlement in the event that the number of shares held by persons or entities who would otherwise be members of the Class, but elect to exclude themselves from the Class, exceeds a certain number of shares agreed to by the Parties. The Supplemental Agreement is referenced in ¶9.2 of the Stipulation.

RIGHT TO APPEAR AND OBJECT

If you are a Class Member, you may object to the terms of the Settlement. Whether or not you object to the terms of the Settlement, you may also object to the requested attorneys' fees and expenses, the awards to Plaintiffs and/or the plan of distribution. In order for any objection to be considered, you may file a written statement, accompanied by proof of Class membership, with the Court, and send a copy to Class Counsel **such that it is received by March 1, 2018**, or may appear at the Settlement Hearing to object. If you simply wish to appear at the Settlement Hearing to object, no written objection is

necessary. The Court's address is: Superior Court of Orange County, Civil Complex Center, 751 West Santa Ana Blvd., Santa Ana, CA 92701, and Class Counsel's address is: Robbins Geller Rudman & Dowd LLP, c/o Jeffrey D. Light, 655 West Broadway, Suite 1900, San Diego, CA 92101. If you file a written objection, attendance at the Settlement Hearing is not necessary and the Court will still consider your objection. However, persons who file a written objection and wish to be heard orally at the Settlement Hearing are required to indicate in their written objection their intention to appear at the hearing and identify any witnesses they may call to testify and exhibits, if any, they intend to introduce into evidence. If an objector hires an attorney to represent him, her, or it, the attorney must both effect service of a notice of appearance on Class Counsel listed above and file it with the Court **so that it is received on or before March 1, 2018**. Any person who fails to object in the manner provided above shall be deemed to have waived such objection and shall forever be barred from making any such objection in the Action or in any other action or proceeding.

THE ORDER AND FINAL JUDGMENT OF THE COURT

If the Court determines that the Settlement, as provided for in the Stipulation, is fair, reasonable, and adequate, the parties to the Action will ask the Court to enter an Order and Judgment against the named Plaintiffs and the Class, which will, among other things:

- (a) approve the Settlement as fair, reasonable, and adequate, and direct consummation of the Settlement in accordance with its terms and conditions;
- (b) release the Released Defendant Parties from the Released Plaintiffs' Claims, and release the Released Plaintiff Parties from the Released Defendant Parties' Claims; and
- (c) retain jurisdiction over all matters relating to the administration and consummation of the Settlement described therein.

In the event the Settlement is not approved, or such approval does not become final pursuant to the terms of the Stipulation, the Settlement shall be of no further force and effect and each party shall then be returned to his, her, or its respective position prior to the Settlement without prejudice and as if the Settlement had not been entered into.

SCOPE OF THIS NOTICE

The foregoing description of the Settlement Hearing, the Action, the terms of the proposed Settlement and other matters described herein does not purport to be comprehensive. Accordingly, members of the Class are referred to the documents filed with the Court in the Action. You or your attorney may examine the documents filed in the Action during regular business hours on any business day at the office of the Civil Complex Center, 751 West Santa Ana Blvd., Santa Ana, California 92701 or online at: <http://www.occourts.org/online-services/case-access/>.

If you would like further information, you may contact:

Rick Nelson
Shareholder Relations
ROBBINS GELLER RUDMAN
& DOWD LLP
655 West Broadway, Suite 1900
San Diego, CA 92101
1-800-449-4900

or

the Claims Administrator at
Ceradyne Shareholder Litigation
c/o Gilardi & Co. LLC
P.O. Box 404041
Louisville, KY 40233-4041
1-844-510-5941
www.ceradyneshareholdersettlement.com
info@ceradyneshareholdersettlement.com

NOTICE TO THOSE HOLDING STOCK FOR THE BENEFIT OF OTHERS

Brokerage firms, banks and/or other persons or entities who held shares of Ceradyne's common stock for the benefit of others are directed promptly to (1) provide the Claims Administrator with a list of the names and addresses of such beneficial owners; or (2) forward a copy of the Notice and Proof of Claim to all of their respective beneficial owners. If additional copies of the Notice and Proof of Claim are needed for forwarding to such beneficial owners, they may be obtained from the Claims Administrator by writing to:

Ceradyne Shareholder Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 404041
Louisville, KY 40233-4041

or downloaded from the Internet at www.ceradyneshareholdersettlement.com.

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

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

PLEASE DO NOT WRITE OR CALL THE COURT.

DATED: November 17, 2017

BY ORDER OF THE SUPERIOR COURT
STATE OF CALIFORNIA
COUNTY OF ORANGE