



## **DESCRIPTION OF THE LITIGATION**

4. This action was commenced in the United States District Court for the Southern District of New York (the "Federal Court" or the "Court") on or about March 3, 1993 with the title Jerome Berchin v. General Dynamics Corporation and William A. Anders, 93 Civ. 1325 (JSM) (S.D.N.Y.). The Complaint was filed on behalf of a class consisting of all persons and entities other than the defendants who were the owners of shares of General Dynamics common stock at the close of trading on June 5, 1992 and who sold or tendered all or any portion of their General Dynamics common stock during the period from June 8, 1992 through July 8, 1992, inclusive (the "Class Period"). The Complaint alleges violations of Sections 10(b), 13(e)(1) and 20(a) of the Securities Exchange Act of 1934, Rules 10b-5 and 13e-4(b)(1) promulgated thereunder and under state common law. The named plaintiff and class representative is Jerome Berchin. The defendants are General Dynamics and William A. Anders, who was the Chairman and Chief Executive Officer of General Dynamics at all relevant times.

5. The claims asserted in the Complaint are summarized as follows. On June 10, 1992, General Dynamics issued an offer to purchase from its shareholders approximately 30 percent of the then outstanding shares of General Dynamics' common stock (the "Offer to Purchase"). The Complaint alleges that the defendants made misstatements and omitted material facts in connection with the Offer to Purchase concerning the company's business plan regarding the retention or disposition of its "core" businesses, thereby "artificially depressing" the price of the stock in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, Section 13(e)(1) of the Exchange Act and Rule 13e-4(b)(1) promulgated thereunder, Section 20(a) of the Exchange Act, and the common law. Specifically, plaintiff alleges that defendants' misrepresentations and omissions of material fact enabled the company to complete the Offer to Purchase at \$72.25 per share and additionally resulted in the sale of common stock at artificially depressed prices by Class members in the open market. Plaintiff also alleges that the price of the stock would have been substantially higher than the tender price or the open market price during the Class Period if the defendants had disclosed their alleged intention to dispose of one or more of General Dynamics' core businesses. The alleged misstatements and omissions of material fact were made by defendants in filings with the Securities Exchange Commission and in communications with the company's shareholders.

6. On or about April 26, 1993, defendants served an Answer to the Complaint, denying all the substantive allegations of the Complaint and asserting numerous affirmative defenses to each of the claims. More specifically, defendants alleged that they fully disclosed all material facts in the Offer to Purchase, including that General Dynamics would, if appropriate, sell or merge its core businesses, that the company was currently negotiating a joint venture between one of its core businesses and the similar business of another company, and that competitors had approached the company regarding business combinations with other core businesses. The defendants also denied that they caused the price of General Dynamics' common stock to be artificially depressed, denied that they omitted or misstated any material fact, denied all liability, and denied that plaintiff or the Class suffered any damages.

7. On November 26, 1993, the Court entered an Order certifying that this action may be maintained as a class action on behalf of a Class consisting of the following:

All persons who were the owners of General Dynamics common stock at the close of trading on June 5, 1992, and who sold or tendered all or any portion of their common stock during the period June 8 through July 8, 1992 (the "Class Period"), inclusive. Excluded from the Class are persons who purchased more common stock during the Class Period than they sold and/or tendered; the Defendants herein; members of the immediate family of the individual defendant; any person, firm, trust, corporation, or other entity which is affiliated with, or controlled by, either Defendant or any officer or director of General Dynamics; and the legal representatives, heirs, successors-in-interest or assigns of any such excluded party.

8. On or after June 27, 1994, a Notice of Certification and Pendency of a Class Action ("Notice of Pendency") was mailed to the last known addresses of all identifiable class members. On or about July 7, 1994 a Summary Notice of Certification and Pendency of a Class Action was published in the Wall Street Journal.

## **DECISION TO SETTLE AND BENEFITS OF SETTLEMENT**

9. Class Counsel have extensive experience and particular expertise in the prosecution of securities class actions. Based on their factual and legal investigation of the claims and defenses in this Action and their familiarity with other similar actions, Class Counsel have concluded that the proposed Settlement of this Action is fair, just, and reasonable and is in the best interests of the Class. Class Counsel have made an investigation into the facts and circumstances relevant to the allegations in the Complaint. In connection with that investigation, they have conducted significant discovery.

10. In evaluating the Settlement, Class Counsel have considered the expense and length of continued proceedings necessary to prosecute the Class Claims against the Defendants through trial and through appeals. Class Counsel also have taken into account the uncertain outcome and the risk in any litigation, especially complex actions such as these, as well as the difficulties and delay inherent in litigation. Class Counsel believe that the Settlement of the Action described in this Notice confers substantial benefits to the Class and each of its members without the substantial additional cost, uncertainty, and delay that would result if the Action was to proceed

against the Defendants through trial and appeal. Based upon these considerations, the Plaintiff and Class Counsel have concluded that it is in the best interests of the Class to settle this Action on the terms set forth herein.

11. The Defendants in the Action, while not admitting wrongdoing of any kind whatsoever, or liability to the Class, and without conceding any infirmity in the defenses they have asserted or intend to assert in the Action, consider it desirable that this Action be dismissed on the terms set forth herein in order to avoid further expense, to dispose of this burdensome and protracted litigation and the attendant distractions and diversions.

12. THE FEDERAL COURT HAS NOT RULED ON THE MERITS OF THE CLAIMS AGAINST, OR THE DEFENSES OF, THE DEFENDANTS. THIS NOTICE DOES NOT IMPLY THAT THERE HAS BEEN OR WOULD BE ANY FINDING OF ANY VIOLATIONS OF THE LAW BY ANY DEFENDANT, OR THAT RECOVERY IN ANY AMOUNT COULD OR COULD NOT BE HAD IF THIS ACTION IS NOT SETTLED.

### **SUMMARY OF THE TERMS OF THE PROPOSED SETTLEMENT**

13. The Settlement that has been reached is embodied in a Stipulation of Settlement (the "Stipulation") which is on file with the Federal Court. The following description of the proposed Settlement is only a summary. Reference should be made to the full text of the Stipulation on file with the Federal Court for a full statement of its provisions.

#### **The Settlement Fund**

14. In full settlement of the Action, Defendants shall pay, or cause to be paid, the aggregate sum of Eleven Million Five Hundred Thousand Dollars (\$11,500,000) to the Class. That sum, plus all income, interest, or net gains on such funds, as provided for in the Stipulation, shall be placed into a fund (the "Gross Settlement Fund") for the benefit of the Class. In addition, Defendants shall pay, or cause to be paid, to Class Counsel up to \$350,000 in reimbursement of expenses incurred in prosecution of the Action subject to the approval of the Federal Court.

#### **Claims Barred**

15. Payment in the manner set forth below shall be deemed conclusive against all members of the Class. Each member of the Class who did not previously request exclusion from the Class and who does not file a Proof of Claim, or whose Proof of Claim is disallowed and not subsequently approved by the Federal Court, shall be barred from participating in distributions from the Net Settlement Fund (as described in paragraph 16 of this Notice), but otherwise shall be bound by all the terms of the Stipulation, including the terms of the judgment to be entered in the Actions.

#### **Allocation Among Class Members**

16. The "Net Settlement Fund" shall mean the Gross Settlement Fund, plus interest, less any taxes (and interest and penalties thereon) and any associated costs, less all court-approved attorneys' fees and less certain litigation and settlement expenses that may be payable from the Gross Settlement Fund pursuant to the Stipulation on file with the Federal Court.

17. If the proposed Settlement is approved, the Net Settlement Fund will be distributed to members of the Class who previously did not exclude themselves or their legal representatives (including, without limitation, administrators, executors, heirs, successors and assigns), and who file timely and valid Proofs of Claim. Payments to Authorized Claimants shall be proportional based upon each Authorized Claimant's Recognized Shares (as determined in paragraph 18 of this Notice) as compared to the total Recognized Shares of all Authorized Claimants. Each Authorized Claimant shall be entitled to receive a pro rata share of the Net Settlement Fund computed by multiplying the Net Settlement Fund by a fraction, the numerator of which is the Authorized Claimant's Recognized Shares and the denominator of which is the total Recognized Shares of all Authorized Claimants.

18. In order to receive a payment from the Net Settlement Fund, an Authorized Claimant must have sold or tendered more shares of General Dynamics common stock during the Class Period than the Authorized Claimant purchased during Class Period. An Authorized Claimant's Recognized Shares shall be equal to (i) the number of shares of General Dynamics common stock held as of the close of trading on June 5, 1992 and thereafter sold or tendered during the Class Period less (ii) the number of shares of General Dynamics common stock purchased during the Class Period. If an Authorized Claimant did not purchase any shares of General Dynamics common during the Class Period, that Authorized Claimant's Recognized Shares will equal the number of shares that that Authorized Claimant sold or tendered during the Class Period.

19. The plan of allocation set forth above, which was determined by Class Counsel, may be considered separately and may be modified by the Federal Court without further notice. Defendants take no position with respect to the plan of allocation, how it was calculated, or its effect on or fairness to any Authorized Claimant.

#### **Release Of Claims Against Defendants**

20. If the proposed Settlement is approved by the Federal Court, the Federal Court will enter a final judgment which will dismiss, on the merits and with prejudice as to the Defendants, the Action, and the Complaint and each and every claim set forth therein.

21. Pursuant to the Settlement, the Plaintiff, and all members of the Class, shall have released and forever discharged, pursuant to the Stipulation and the aforementioned final judgment, Defendants and "Releasees" from any and all "Settled Class Claims," which the Plaintiff or any member of the Class had, has, or may have in the future either directly, indirectly, representatively, or in any other capacity. "Settled Class Claims" means any and all direct, representative, individual, and class rights, claims, and causes of action, of any nature whatsoever, whether known or unknown, pleaded or unpleaded, for compensatory damages, punitive damages, or any other relief, monetary or injunctive, which were or might have been brought up to the date of the Stipulation by or on behalf of any member of the Class individually or on behalf of others, whether brought under state or federal law, against the Releasees, as hereinafter defined, based upon, arising out of, or in any way related to acts, omissions, misrepresentations, facts, events, matters, transactions, or occurrences: (i) complained of or raised, or that might or could have been complained of or raised, in the Action or the Complaint; or (ii) in any way relating to the Offer to Purchase or the sale, tender or other disposition of shares of General Dynamics common stock during the Class Period. "Releasees" means General Dynamics and William A. Anders in each and every capacity in which General Dynamics and Anders acted or may have been alleged to have acted, together with their respective past and present directors, officers, employees, agents, accountants, insurers, attorneys, investment advisers, subsidiaries, affiliates, successors, assigns (whether express or by implication or operation of law), heirs, executors, and legal representatives.

22. The final judgment that will be entered upon approval of the Settlement will also permanently bar and enjoin Plaintiff and each and every member of the Class from asserting, directly or indirectly, against any or all of the Releasees, any Settled Class Claims.

### **Termination**

23. The parties may withdraw from the Settlement under certain circumstances described in the Stipulation, in which event the Stipulation and the Settlement will be terminated.

24. If the Federal Court does not approve the proposed Settlement, or if it is terminated or canceled in accordance with its terms, then the rights and duties of the parties will continue as if no Settlement had been reached.

### **COURT HEARING ON THE PROPOSED SETTLEMENT AND RELATED MATTERS**

25. As noted above, pursuant to an Order of the Federal Court entered on April 4, 1996, the Hearing will be held in the Federal Court at the United States Courthouse, 500 Pearl Street, New York, New York on May 31, 1996, at 2:00 p.m.: (i) to consider whether the Settlement is fair, reasonable, adequate, and in the best interests of the Class; (ii) to consider whether to grant final approval of the proposed Settlement; and (iii) to consider the application by Class Counsel for an award of attorneys' fees, costs, and reimbursement of expenses.

26. Any member of the Class who previously did not request exclusion from the Class may appear at the Hearing in person or through counsel and be heard as to why the proposed Settlement of the Action should or should not be approved as fair, reasonable, adequate, and in the best interests of the Class, why a final judgment should or should not be entered thereon, or why Class Counsel should or should not be awarded attorneys' fees, costs, and reimbursement of expenses, as requested; provided, however, that no member of the Class shall be heard or entitled to contest the approval of the terms and conditions of the proposed Settlement, the final judgment to be entered thereon approving the same, or the fees, costs, and disbursements requested, unless on or before May 21, 1996 that person has filed written objections and copies of any supporting papers and briefs with the Clerk of the Federal Court, United States Courthouse, 500 Pearl Street, New York, New York 10007 and has mailed by first class mail, postage prepaid, or otherwise actually delivered by means of hand delivery, a copy of such written objections together with any supporting papers or briefs on or before May 21, 1996 to each of the following attorneys:

Counsel for the Class:

Richard M. Heimann, Esq.  
Lieff, Cabraser, Heimann & Bernstein  
275 Battery Street  
San Francisco, California 94111

-and-

Robert P. Sugarman, Esq.  
Milberg Weiss Bershad Hynes & Lerach  
One Pennsylvania Plaza

New York, New York 10119-0165

and upon the following counsel for Defendants:

Jerold S. Solovy, Esq.  
David C. Bohan, Esq.  
Jenner & Block  
One IBM Plaza, Suite 4700  
Chicago, Illinois 60611

27. Such objections and papers should expressly refer to Berchin v. General Dynamics Corp., 93 Civ. 1325 (JSM) (S.D.N.Y.) and must show proof of service on the above counsel. Any of the parties to the Settlement may file and serve papers in reply to any such objections.

28. Any member of the Class who does not make his, her, or its objection or opposition to the matters set forth herein in the manner provided in this Notice may be deemed to have waived all objections and opposition to any and all matters to be considered at the Hearing and any and all subsequent hearings on these matters.

#### **APPLICATION FOR ATTORNEYS' FEES AND COSTS**

29. As noted above, Defendants have agreed to pay or cause to be paid up to \$350,000 to Class Counsel in reimbursement of expenses incurred in prosecution of the Action subject to Court approval. All petitions for reimbursement of litigation costs and expenses are subject to Court approval. To date, Class Counsel have incurred approximately \$285,000 in unreimbursed out-of-pocket costs to protect and prosecute the claims in this class action. In addition, Class Counsel anticipate that they will incur up to an additional \$30,000 in expenses in connection with the mailing of this Notice, the publication of Summary Notice, the initial administration of the Settlement and their efforts in obtaining approval of this Settlement. Class Counsel will apply to the Federal Court for reimbursement of those costs and expenses from the Defendants.

30. Since March 1993, Class Counsel have invested substantial time, on a priority basis, to protect and prosecute the claims asserted in this Action, without receiving compensation of any kind from any party. In class actions, counsel who generate a monetary recovery for the benefit of the class are entitled to an award of attorneys' fees, which often represents a reasonable percentage of the fund obtained for the benefit of the class in recognition of their efforts, expenses, risks, and performance. Class Counsel will apply to the Federal Court for an award of attorneys' fees in an amount equal to thirty-three and one-third percent (33-1/3%) of the Gross Settlement Fund.

#### **PROOFS OF CLAIM**

31. TO RECEIVE ANY PAYMENTS FROM THE NET SETTLEMENT FUND, YOU MUST COMPLETE, SIGN, AND SUBMIT THE ACCOMPANYING PROOF OF CLAIM AND RELEASE FORM AND SEND IT TOGETHER WITH APPROPRIATE DOCUMENTARY EVIDENCE OF EACH OF YOUR TRANSACTIONS IN GENERAL DYNAMICS COMMON STOCK DURING THE CLASS PERIOD TO: BERCHIN v. GENERAL DYNAMICS CORP., C/O GILARDI & CO., P.O. BOX 8040, SAN RAFAEL, CALIFORNIA 94912-8040. TO BE CONSIDERED, YOUR PROOF OF CLAIM FORM MUST BE MAILED BY FIRST-CLASS MAIL AND POSTMARKED ON OR BEFORE JULY 31, 1996.

32. Any member of the Class who has not received a Proof of Claim or desires additional copies thereof may obtain copies by writing to Berchin v. General Dynamics Corp. at the address given in paragraph 31 above.

33. The Proof of Claim contains a release of the Releasees (as defined in paragraph 21 of this Notice) from all Settled Class Claims (as defined in paragraph 21 of this Notice).

#### **SPECIAL NOTICE TO SECURITIES BROKERS BANKS AND OTHER NOMINEES**

34. If you sold or tendered General Dynamics common stock during the time period from June 8, 1992 to and including July 8, 1992 for the beneficial interest of a person or entity other than yourself, you are requested promptly to provide the name and last known address of each person or organization for whom or which you effected such transactions. The information should be sent to: Berchin v. General Dynamics Corp., c/o Gilardi & Co., P.O. Box 8040, San Rafael, CA 94912-8040. Upon receipt of such information, copies of this Notice will be sent to each beneficial owner so designated. Alternatively, you may request additional copies of this Class Notice and Proof of Claim in writing, and you may mail the Notice directly to the beneficial owners of the securities referred to herein. This Notice and Proof of Claim must be transmitted promptly to all persons who sold or tendered General Dynamics common stock during the Class Period. These persons may be eligible to file a Proof of Claim and share in the Net Settlement Fund. Nominees may request reimbursement of the reasonable costs of forwarding such notices to their beneficiaries.

Nominees should be aware of the dates and deadlines referred to in this Class Notice and should act promptly to accomplish notification to beneficial owners required by this paragraph.

**EXAMINATION OF PAPERS AND INQUIRIES**

35. For a more detailed statement of the matters referred to in this Class Notice, reference is made to the Complaint, the Stipulation and to other papers filed in the Actions, which may be inspected at the Office of the Clerk of the Federal Court during regular business hours of each business day. Any inquiries by members of the Class should be directed to Class Counsel set forth in paragraph 26 of this Notice.

**INQUIRIES SHOULD NOT BE DIRECTED TO THE COURT.**

Dated: April 4, 1996

Clerk of the Court  
United States District Court  
Southern District of New York