

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA

THE CORNELIA I. CROWELL GST TRUST, On behalf of Itself and All Others
Similarly Situated,

Plaintiff,

v.

PEMSTAR, INC., ALLEN BERNING, ROY BAUER and GREGORY LEA,
Defendants.

Case No. 05-CV-01182-JMR-FLN

**NOTICE OF PENDENCY OF PROPOSED SETTLEMENT
OF CLASS ACTION AND SETTLEMENT HEARING**

**TO: ALL PERSONS WHO PURCHASED SHARES OF PEMSTAR, INC. STOCK FROM JANUARY 30, 2003,
THROUGH AND INCLUDING JANUARY 12, 2005**

**THIS NOTICE CONTAINS IMPORTANT INFORMATION ABOUT YOUR RIGHTS
CONCERNING A PROPOSED CLASS ACTION SETTLEMENT**

The Class Action litigation (the "Litigation") was filed by the Plaintiff on behalf of itself and all others who purchased publicly-traded shares of PEMSTAR, Inc. common stock ("Shares") from January 30, 2003 to January 12, 2005, inclusive. Plaintiff claims that Defendants violated federal securities laws. Defendants have denied, and continue to deny, any wrongdoing, and argue that they are not liable to Plaintiff for any damages. The parties have now reached a proposed settlement ("Settlement"), the terms of which are summarized below.

SETTLEMENT SUMMARY

STATEMENT OF CLASS RECOVERY

The Settlement creates a fund in the amount of \$2,875,000 in cash (the "Settlement Fund"). After payment of any Court-awarded attorney's fees and expenses, the Settlement Fund will be distributed to all eligible members of the class ("Settlement Class Members") on the basis of a formula described in the Plan of Allocation below. Based on Plaintiff's Counsel's estimate of the number of Shares affected, the average recovery per Share before deduction of any Court-awarded attorneys' fees and expenses would be approximately \$0.13, depending on, among other things, the number of valid claims submitted by Settlement Class Members, the actual prices paid for Shares, and when such Shares were purchased and sold.

Before entering into the Settlement, Plaintiff's Counsel engaged in extensive analysis of the reasonableness of the Settlement, including: (1) consultation with experts on issues concerning the damages that may have been suffered by Plaintiff and the Settlement Class; (2) consultation with witnesses and potential witnesses concerning the allegations in the Complaint; (3) analysis of analyst reports, newspaper articles, public filings, press releases, and other public statements by and about PEMSTAR; (4) research of the applicable law with respect to the claims asserted against Defendants, and the potential defenses thereto; and (5) review and analysis of internal PEMSTAR documents produced by Defendants to Lead Counsel.

Plaintiff's Counsel has carefully evaluated the benefits of the Settlement against the risk that the Settlement Class would not be successful at trial, and the certainty of very long delays before receiving any recovery from a trial. Depending on the method used to calculate damages – an issue the parties dispute – the amount of the Settlement represents between 17 percent and 48 percent of what the Settlement Class could recover if the case went to trial and Plaintiff fully prevailed on all counts. Since there is a significant possibility that Plaintiff would not prevail on all counts, and might not prevail on any, Plaintiff's Counsel believes that the Settlement is in the best interests of the Settlement Class.

NOTE: The Court has not decided whether the parties' claims or defenses have merit, or whether the Settlement is in the best interests of the Settlement Class.

ATTORNEYS' FEES AND COSTS SOUGHT

Plaintiff's Counsel intends to apply to the Court for an award of attorneys' fees not to exceed 33 1/3 percent of the Settlement Fund, in addition to expert fees and other costs and expenses not to exceed \$60,000. Plaintiff's Counsel also intends to apply for reimbursement of reasonable expenses (including lost wages) directly relating to the Lead Plaintiff's representation of the Settlement Class. If the amounts requested by Plaintiff's Counsel for fees, costs and expenses are approved by the Court, the average cost per share for these amounts will be approximately 4.4 cents.

PLAN OF ALLOCATION

After fees and expenses have been paid, the balance of the Settlement (the "Net Settlement Fund") will be distributed to all Settlement Class Members who submit a valid, timely Proof of Claim and Release ("Authorized Claimants"). To the extent there are

sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to his or her "Recognized Loss" as described below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total Recognized Loss of each Authorized Claimant, then each Authorized Claimant shall receive a pro rata share. For example, if the amount of the Net Settlement Fund is half the total amount of all claims that are filed, each Authorized Claimant will recover half of his or her Recognized Loss.

You cannot recover more from the Settlement than you actually lost, as measured by comparing your purchases of Shares from January 30, 2003 to January 12, 2005 (the "Settlement Class Period"), to your sales of Shares on a first-in, first-out basis. If you still held the Shares on May 23, 2005, your "sales price" will be deemed to be \$1.39 (regardless of whether you ever sold the Shares, or if you subsequently sold them for more or less than \$1.39 per share).

Your "Recognized Loss" is the amount of your actual loss that can be traced to the declines in the price of PEMSTAR shares following disclosures that Plaintiff claimed to be related to Defendants' alleged misconduct – disclosures that took place on June 25, 2004, November 4, 2004, and January 12, 2005.

For Shares *purchased on or after January 30, 2003 but before June 25, 2004*, and

- a. sold before June 25, 2004, there is *no* Recognized Loss;
- b. sold on or after June 25, 2004, but before November 4, 2004, the Recognized Loss per share is the lesser of (i) \$0.27, or (ii) the difference between the purchase price and the sales price.
- c. sold on or after November 4, 2004, but before January 13, 2005, the Recognized Loss per share is the lesser of (i) \$0.59, or (ii) the difference between the purchase price and the sales price.
- d. held as of the close of trading on January 12, 2005, the Recognized Loss per share is the lesser of (i) \$0.86, or (ii) the difference between the purchase price and the sales price (with the "sales price" deemed to be \$1.39 if you did not sell on or before May 23, 2005).

For Shares *purchased on or after June 25, 2004 but before November 4, 2004*, and

- a. Sold before November 4, 2004, there is *no* Recognized Loss.
- b. Sold on or after November 4, 2004 but before January 13, 2005, the Recognized Loss per share is the lesser of (i) \$0.32, or (ii) the difference between the purchase price and the sales price.
- c. held as of the close of trading on January 12, 2005, the Recognized loss per share is the lesser of (i) \$0.59, or (ii) the difference between the purchase price and the sales price (with the "sales price" deemed to be \$1.39 if you did not sell on or before May 23, 2005).

For Shares *purchased on or after November 4, 2004 but before the close of trading on January 12, 2005*, and

- a. Sold before the close of trading on January 12, 2005, there is *no* Recognized Loss;
- b. Held as of the close of trading on January 12, 2005, the Recognized Loss per share is the lesser of (i) \$0.27, or (ii) the difference between the purchase price and the sales price (with the "sales price" deemed to be \$1.39 if you did not sell on or before May 23, 2005).

DISMISSAL AND RELEASE

If the proposed Settlement is approved, the Court will enter a Judgment (the "Judgment"), dismissing all Released Claims against the Released Persons (as defined in the Proof of Claim and Release which accompanies this Notice), and Settlement Class Members may not thereafter assert any of such claims against the Released Persons. The Judgment will provide that the fact of the Settlement or the terms thereof may not be used against Released Persons in any action or proceeding, except to enforce the Judgment. The Judgment will also provide that all Settlement Class Members who do not validly and timely request to be excluded from the Settlement Class shall be deemed to have released and forever discharged all Released Claims against all Released Persons.

CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon, among other things: (1) entry of the Judgment by the Court as provided for in the Settlement Stipulation, and (2) expiration of the time to appeal from the Judgment. If any one of the conditions described in the Settlement Stipulation is not met, the Settlement Stipulation might be terminated and, if terminated, will become null and void, and shall not prejudice the rights, claims, defenses or positions of any Party thereto.

IDENTIFICATION OF PLAINTIFF'S ATTORNEY

Persons who have questions concerning the Settlement may contact Plaintiff's attorney, Jeffrey S. Nobel of Schatz Nobel IZard, P.C., 20 Church Street, Suite 1700, Hartford, CT 06103. Mr. Nobel may be reached at (860) 493-6292, or toll-free at (800) 797-5499. His e-mail address is jnobel@snilaw.com. Additional information concerning the settlement is also available at www.pemstarsettlement.com.

WHO ARE MEMBERS OF THE SETTLEMENT CLASS?

The Court has preliminarily certified a "Settlement Class" – those persons whose rights may be affected by this Settlement. The Settlement Class is composed of all persons who purchased the publicly-traded common stock of PEMSTAR, Inc. during the Settlement Class Period, except for the defendants, members of the defendants' immediate families (spouses and children), any entity in which any defendant has a controlling interest, and the legal representatives, heirs, successors or assigns of any such excluded person.

OPTIONS AVAILABLE TO SETTLEMENT CLASS MEMBERS OBJECTING TO THE SETTLEMENT

Any Settlement Class Member may object to any aspect of the settlement of the Litigation, the Plan of Allocation, the Fee and Expense Application, or the Lead Plaintiff's Expense Application, and present his or her objections to the Court, which ultimately will decide whether to approve or disapprove the Settlement.

The Honorable James M. Rosenbaum, Chief Judge of the United States District Court for the District of Minnesota, will hold a hearing concerning the Settlement in Courtroom 1 5E, 300 South Fourth Street, Minneapolis, Minnesota 55415, on August 1, 2007, at 9:00 a.m. (the "Settlement Hearing") to determine (i) whether the proposed settlement should be approved as fair, reasonable and adequate and in the best interests of the Settlement Class; (ii) whether the Plan of Allocation should be approved; (iii) whether a final judgment should be entered dismissing the litigation with prejudice as required by the Settlement; and (iv) whether the Lead Plaintiff's application for expenses should be approved; and (v) whether Plaintiff's Counsel's application for an award of attorneys' fees, expert fees, costs and expenses should be approved.

At the Settlement Hearing, any Settlement Class Member may object to the Settlement, Plan of Allocation, and/or fee or expense awards. There are several ways to present objections:

a. *In Writing:* Settlement Class Members may file a written Notice of Objection with the Court. The Notice of Objection must demonstrate the objecting Person's membership in the Settlement Class, and contain a statement of the reasons for objection. Such written objections should be **filed with** and **received by** the Clerk of the Court, United States District Court for the District of Minnesota, Room 202, 300 South Fourth Street, Minneapolis, MN 55415, by no later than the close of business on July 31, 2007 (the day before the Settlement Hearing). Copies of such materials should also be sent to and received by the following counsel, either in writing or electronically, **on or before the same date:**

Jeffrey S. Nobel
SCHATZ NOBEL IZARD P.C.
20 Church Street, Suite 1700
Hartford, CT 06103
jnobel@snilaw.com

Peter W. Carter, Esq.
DORSEY & WHITNEY LLP
50 South Sixth Street, Ste. 1500
Minneapolis, MN 5 5402-1498
carter.peter@dorsey.com

b. *Electronically:* Settlement Class Members may fill out a Notice of Objection form at www.pemstarsettlement.com. Such Notices shall be filed and submitted by no later than the close of business on July 31, 2007 (the day before the Settlement Hearing).

c. *In Person:* Settlement Class Members may attend the Settlement Hearing either in person, by conference call or by video conference. To participate by conference call, dial toll-free on the date and at the time of the Settlement Hearing to (888) 801-1512 (from the United States), or (651) 291-7662 (from outside the United States), and, when prompted, enter the following confirmation number: 876550. To participate by video conference, you must contact AT&T Video Conferencing at 1-866-843-3606 at least **five days** prior to the Settlement Hearing and provide technical information about your video conferencing equipment by completing a site registration form, available from AT&T or at www.pemstarsettlement.com. The confirmation number for the video conference is 53292402. Persons participating in the Settlement Hearing by either teleconference or video conference will be able to observe the entire proceeding, and there will be an opportunity for video- and conference-call participants to give the Judge comments.

EXCLUDING YOURSELF FROM THE SETTLEMENT CLASS

You may, if you so desire, request to be excluded from the Settlement Class. Any person who requests to be excluded shall have no rights under the Settlement Stipulation, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Settlement Stipulation or the Judgment.

To exclude yourself from the Settlement Class, you must notify the Claims Administrator, either electronically or in writing.

To notify the Claims Administrator electronically, use the fillable form available at www.pemstarsettlement.com, and submit it, according to the instructions on the website.

To notify the Claims Administrator in writing, mail a written request to:

PEMSTAR Inc. Securities Litigation
Claims Administrator
c/o FRG Information Systems Corp.
P.O. Box 460, Peck Slip Station
New York, NY 10272

The request for exclusion must state: (1) your name, address, and telephone number; (2) the name and address of the Person (or nominee) in whose name the PEMSTAR Shares were registered; (3) your purchases and sales of PEMSTAR Shares made during the Settlement Class Period, including the dates, amounts of Shares and price for each such purchase or sale; and (4) that you wish to be excluded from the Settlement Class.

Your written exclusion request must be postmarked, or your electronic exclusion request must be submitted, on or before July 31, 2007.

PLEASE NOTE: If you want to participate in the Settlement and do not intend to pursue your own action against the Defendants, you should not request to be excluded from the Settlement Class. If you do intend to pursue your own action against the Defendants, you should consult your attorney promptly because the applicable statutes of limitations may bar your claims.

PARTICIPATING IN THE SETTLEMENT

If you are a "Settlement Class Member" and you have not requested to be excluded from the Settlement Class, you will be entitled to participate in the distribution of the Net Settlement fund. You will also be bound by any judgment entered in the Litigation pursuant to the Settlement Stipulation, whether or not you file a Proof of Claim and Release or receive a distribution from the Net Settlement Fund. All Settlement Class Members will be represented by Counsel for the Plaintiff, but you may appear at the Settlement Hearing individually or through your own counsel at your own expense if you wish to do so.

TO BE ELIGIBLE TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY AND VALIDLY COMPLETE AND RETURN A PROOF OF CLAIM AND RELEASE FORM. The Proof of Claim and Release Form must be delivered to the Claims Administrator. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim and Release Form, you will be forever barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the Settlement and the Judgment.

The Proof of Claim and Release Form is enclosed with this Notice, and is also available as a fillable form for electronic submission at www.pemstarsettlement.com. The Proof of Claim and Release Form must be postmarked (if sent by mail), or submitted electronically, by no later than October 20, 2007. **NOTE: Copies of supporting documents must be submitted with your Proof of Claim and Release Form.** Please follow all instructions to ensure that your filing is complete. The instructions are included with the attached Proof of Claim and Release Form, and are available at www.pemstarsettlement.com.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you purchased any PEMSTAR Shares during the Settlement Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must provide a list of the names and addresses of such Persons to the Claims Administrator:

PEMSTAR, Inc. Securities Litigation
Claims Administrator
c/o FRG Information Systems Corp.
P.O. Box 460, Peck Slip Station
New York, NY 10272

EXAMINATION OF PAPERS

This Notice is a summary notice and does not describe all of the details of the Settlement Stipulation. For full details of the matters discussed in this Notice, you may desire to review the documents that were filed with the Court in support of the Settlement. The documents may be inspected at the office of the Clerk of the United States District Court, District of Minnesota, 202 U.S. Courthouse, 300 S. 4th Street, Minneapolis, MN, during business hours, and are also available at www.pemstarsettlement.com. If you have any questions about the settlement of the Litigation, you may contact Counsel for the Plaintiff or your own personal attorney.

INQUIRIES SHOULD NOT BE DIRECTED TO THE COURT OR TO THE CLERK OF THE COURT.

Dated: June 25, 2007

*By Order of the United States District Court,
District of Minnesota*