



4. A detailed explanation of how each Class Member's claim will be calculated is set forth in the proposed Plan of Allocation which appears at page 4 of this Notice.

### **III. Statement of Potential Outcome of Case**

5. The Defendants deny that they are liable to the Plaintiffs or the Class and deny that Plaintiffs or the Class have suffered any damages. The parties disagreed on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include: the appropriate economic model for determining the amount by which IDEXX's common stock was allegedly artificially inflated (if at all) during the Class Period; the amount by which IDEXX's common stock was allegedly artificially inflated (if at all) during the Class Period; the effect of various market forces influencing the trading price of IDEXX's common stock at various times during the Class Period; the extent to which external factors such as general market and industry conditions, influenced the trading price of IDEXX's common stock at various times during the Class Period; the extent to which the various matters that plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of IDEXX's common stock at various times during the Class Period; the extent to which the various allegedly adverse material facts that plaintiffs alleged were omitted influenced (if at all) the trading price of IDEXX's common stock at various times during the Class Period; and whether the statements made or facts allegedly omitted were material or otherwise actionable under the federal securities laws.

6. Plaintiffs consider that there was a substantial risk that Plaintiffs and the Class might not have prevailed on all their claims and that there were risks that the decline in the price of IDEXX common stock could be attributed, in whole or in part, to other factors, therefore Plaintiffs could have received nothing or substantially less than this amount.

7. For example, at the time the agreement in principle to settle the Action was reached, the District Court had dismissed all of the Plaintiffs' claims. While Plaintiffs have filed an Appeal of such dismissal there could be no assurance that such Appeal would be successful.

8. The Defendants deny that they are liable to the Plaintiffs or the Class and deny that Plaintiffs or the Class have suffered any damages.

### **IV. Statement of Attorneys' Fees and Costs Sought**

9. Plaintiffs' counsel intend to apply for fees of up to one-third (33 1/3%) of the Settlement Fund, and for reimbursement of expenses incurred in connection with the prosecution of this litigation in the approximate amount of \$100,000, or an average of 1.4¢ per potentially damaged share.

### **V. Further Information**

10. Further information regarding the litigation and this Notice may be obtained by contacting counsel for Plaintiffs and the Class: Sanford P. Dumain, Esq., Milberg Weiss Bershad Hynes & Lerach LLP, One Pennsylvania Plaza, New York, New York 10119. Telephone (212) 594-5300.

### **VI. Reasons for the Settlement**

11. The principal reason for the Settlement is the benefit to be provided to the Class now. This benefit must be compared to the risk that no recovery might be achieved in view of the District Court's dismissal of the Complaint. Even if Plaintiffs were successful on appeal and the Complaint was upheld, there would be risks that a smaller recovery or no recovery might be obtained after a contested trial and likely appeals, possibly years into the future.

## **NOTICE OF SETTLEMENT HEARING**

12. NOTICE IS HEREBY GIVEN, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the District of Maine (the "Court") dated April 4, 2000, that a hearing will be held before the Honorable D. Brock Hornby at the United States Courthouse, 156 Federal Street, Portland, Maine 04101, at 1:30 p.m., on June 19, 2000 (the "Settlement Hearing") to determine whether a proposed settlement (the "Settlement") of the above-captioned action (the "Action") as set forth in the Stipulation of Settlement dated March 24, 2000 (the "Stipulation"), is fair, reasonable and adequate and to consider the application of class counsel for attorneys' fees and reimbursement of expenses.

13. The Court, by Preliminary Order In Connection With Settlement Proceedings, dated April 4, 2000, has certified a Plaintiff Class consisting of: "all persons who purchased IDEXX common stock during the time period between July 19, 1996 through March 24, 1997, inclusive (the "Class Period")." Excluded from the Class are the Defendants named in the Action, members of their immediate families, any entity in which a Defendant has a controlling interest, and the legal representatives, heirs, successors-in-interest, or assigns of any such excluded person or entity. Also excluded is any person or entity who files a valid request for exclusion from the Class.

## **BACKGROUND OF THE LITIGATION**

14. Throughout the Class Period, IDEXX Laboratories, Inc. ("IDEXX") was engaged in the business of developing, manufacturing, selling, and distributing detection and diagnostic products for animal health, food, hygiene and environmental testing applications; and provides laboratory testing and consulting services to veterinarians. A substantial majority of the Company's revenues are generated from the sale of veterinary diagnostic consumable products.

15. The Complaint filed in the Action generally alleges, among other things, that prior to and during the Class Period, Defendants caused IDEXX to engage in various undisclosed practices to mask the Company's actual growth rate and operating performance to the detriment of unsuspecting investors, in a scheme to artificially inflate the value of IDEXX common stock.

16. The Complaint further alleges that Plaintiffs and other Class Members purchased the common stock of IDEXX during the Class Period, July 19, 1996 through and including March 24, 1997, at prices artificially inflated as a result of the Defendants' dissemination of false and misleading statements regarding IDEXX in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder.

17. The Defendants deny that they have committed any act or omission giving rise to any liability and/or violation of law, and state that they are entering into this Settlement to eliminate the burden and expense of further litigation. This Settlement and any of its terms shall not constitute an admission or finding of wrongful conduct, acts or omissions. Plaintiffs and Defendants agree that the litigation is being voluntarily settled after advice of counsel, and that the terms of the settlement are fair, adequate and reasonable. This Stipulation shall not be construed or deemed to be a concession by any Plaintiff of any infirmity in the claims asserted in the Action. The Defendants deny any wrongdoing whatsoever and the Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any Defendant with respect to any claim or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that Defendants have asserted.

18. During the Class Period, the market price of IDEXX common stock reached a high of \$46.25 per share on September 27, 1996. Plaintiffs allege that IDEXX sought to conceal sales and inventory problems by no later than the beginning of the Class Period, and allege that the market did not begin to learn of IDEXX's severely weakened financial condition and deteriorating value until after the market closed on March 24, 1997. On that date, the Company reported, inter alia, that its anticipated revenues and earnings for the first quarter of 1997 would be lower than analysts' expectations. As a result of this disclosure, the price of IDEXX stock declined from \$32.00 to \$12.00. In the 90-day period (from March 25, 1997 to June 23, 1997) following the end of the Class Period the average trading price of IDEXX common stock was \$13.307 per share.

## **BACKGROUND TO THE SETTLEMENT**

19. The Defendants (as defined below) have denied all averments of wrongdoing or liability in the Actions and all other accusations of wrongdoing or violations of law. The Stipulation is not and shall not be construed or be deemed to be evidence or an admission or a concession on the part of any of the Defendants of any fault or liability or damages whatsoever, and Defendants do not concede any infirmity in the defenses which they have asserted or intended to assert in the Action.

20. In the District Court, Defendants moved to dismiss the Amended Class Action Complaint in July 1998. The United States Magistrate Judge recommended that Defendants' Motion to Dismiss be partially granted and Plaintiffs' request to amend the Complaint be denied. After further briefing, the District Court entered an Order dismissing the Complaint on March 31, 1999. The District Court denied Plaintiffs' motion for leave to file a second amended complaint and dismissed the Complaint on July 21, 1999. Plaintiffs appealed the dismissal on August 11, 1999. During the pendency of the appeal, the parties reached an agreement in principle and jointly moved for a stay of appeal and thereupon a limited remand to the District Court for consideration of this Settlement was granted.

21. In determining to settle the Actions, Plaintiffs and their counsel have evaluated the risks associated with attempting to obtain a reversal on appeal or reconsideration of the Court's dismissal, and the length of time necessary to prosecute the Actions through trial (if successful in reinstating a viable complaint and obtaining class certification), post-trial motions and likely appeals. Taking into consideration the significant uncertainties in predicting the outcome of this complex litigation, counsel for Plaintiffs believe that the Settlement described herein confers substantial benefits upon the Class. Based upon their consideration of all of these factors, Plaintiffs and their counsel have concluded that it is in the best interest of Plaintiffs and the Class to settle the Action on the terms described herein.

22. All of the parties have now agreed to settle all aspects of the Action, subject to approval of the Court.

23. Plaintiffs recognized the uncertainty and the risk of the outcome of any litigation, especially complex litigation such as this, and the difficulties and risks inherent in the trial of such an action. Plaintiffs desired to settle the claims of the Class against Defendants on the terms and conditions described herein, which provide substantial benefits to the Class. Counsel for the Class deem such Settlement to be fair, reasonable and adequate to, and in the best interests of the members of the Class.

24. The Defendants, while continuing to deny all allegations of wrongdoing or liability whatsoever, desired to settle and terminate all existing or potential claims against them, without in any way acknowledging any fault or liability, in order to avoid the costs and uncertainty of continued litigation.

25. The amount of damages, if any, which Plaintiffs could prove was also a matter of serious dispute, and the Settlement's use of a Recognized Claim formula for distributing the Settlement proceeds does not constitute a finding, admission or concession that provable damages could be measured by the Recognized Claim formula. No determination has been made by the Court as to liability or the amount, if any, of damages suffered by the Class, nor on the proper measure of any such damages. The determination of damages, like the determination of liability, is a complicated and uncertain process, typically involving conflicting expert opinions. During the course of the Action, Defendants, in addition to denying any liability, disputed that Plaintiffs and the Class were damaged by any wrongful conduct on Defendants' parts. The Settlement herein is providing an immediate and substantial cash benefit and avoids the risks that liability or damages might not have been proven at trial.

26. THE COURT HAS NOT FINALLY DETERMINED THE MERITS OF THE PLAINTIFFS' CLAIMS OR THE DEFENSES THERETO. THIS NOTICE DOES NOT IMPLY THAT THERE HAS BEEN OR WOULD BE ANY FINDING OF VIOLATION OF THE LAW OR THAT RECOVERY COULD BE HAD IN ANY AMOUNT IF THE ACTION WERE NOT SETTLED.

### **TERMS OF THE SETTLEMENT**

27. In full and complete settlement of the claims which have or could have been asserted in this Action, and subject to the terms and conditions of the Stipulation, Defendants have paid into escrow on behalf of Plaintiffs and the Class \$2,150,000.00 (the "Cash Settlement Amount").

28. Pursuant to the Settlement, and on the Effective Date, Plaintiffs and members of the Class on behalf of themselves, their heirs, executors, administrators, successors and assigns, and any persons they represent, shall release and forever discharge, and shall forever be enjoined from prosecuting the Released Parties (defined below) with respect to each and every Settled Claim (defined below).

29. The "Defendants" include the following, each of whom will be released from all claims relating to the allegations in the Complaint or to any purchase of common stock of IDEXX during the Class Period: IDEXX Laboratories, Inc. ("IDEXX"), David E. Shaw, Erwin F. Workman, and Robert Kinney. The Settlement will release the Class' claims against the Defendants, IDEXX's current and former directors, officers, employees, agents, insurers, co-insurers, and any of their reinsurers, and the heirs, successors and assigns of the foregoing (collectively the "Released Parties").

30. "Settled Claims" means all claims against the Released Parties which arise out of or relate in any way to allegations, transactions, facts, matters, actions, omissions, representations or occurrences which were or could have been set forth or referred to in any complaint or proposed complaint filed in the Action relating in any way to the purchase, sale or holding of IDEXX common stock during the Class Period, and which have been or could have been asserted by any of the Lead Plaintiffs or any member of the Class in the Action.

31. If the Settlement is approved by the Court, all claims which have or could have been asserted in the Action will be dismissed with prejudice as to all Class Members and all Class Members shall be forever barred from prosecuting a class action or any other action raising any Settled Claims against any Released Party.

32. The Stipulation provides that the Defendants may withdraw from and terminate the Settlement in the event that in excess of a certain amount of claimants exclude themselves from the Class.

33. The Settlement will become effective at such time as Orders entered by the Court approving the Settlement shall become final and not subject to appeal (the "Effective Date").

### **PLAN OF ALLOCATION OF SETTLEMENT PROCEEDS AMONG CLASS MEMBERS**

34. The \$2,150,000 Cash Settlement Amount and the interest earned thereon shall be the Gross Settlement Fund. The Gross Settlement Fund, less all taxes, approved costs, fees and expenses (the "Net Settlement Fund") shall be distributed to members of the Class who file acceptable Proofs of Claim ("Authorized Claimants").

35. The Claims Administrator shall determine each Authorized Claimant's pro rata share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Claim."

36. An Authorized Claimant's "Recognized Claim" shall mean: the difference, if any, between the amount paid for IDEXX common stock during the Class Period (including brokerage commissions and transaction charges), and the sum for which said shares were sold at a loss on or before March 24, 1997. As to those shares which an Authorized Claimant continued to hold as of the close of trading on March 24, 1997, Recognized Claim shall mean the difference, if any, between the amount paid for each such share purchased during the Class

Period and \$12.00 per share, the closing price of said shares on March 24, 1997. Transactions resulting in a gain shall not be included for purposes of calculating a Recognized Claim.

37. Each Authorized Claimant shall be allocated a pro rata share of the Net Settlement Fund based on his, her or its Recognized Claim compared to the Total Recognized Claims of all accepted claimants.

38. Class Members who do not file a valid Proof of Claim will not share in the settlement proceeds. Class Members who neither file a request for exclusion nor a valid Proof of Claim will nevertheless be bound by the judgment and the Settlement.

### **THE RIGHTS OF CLASS MEMBERS**

39. The Court has certified this Action to proceed as a class action for purposes of the Settlement. If you purchased common stock of IDEXX during the period from July 19, 1996 through and including March 24, 1997, then you are a Class Member. Class Members have the following options pursuant to Rule 23 (c) (2) of the Federal Rules of Civil Procedure:

(a) If you wish to remain a member of the Class you may share in the proceeds of the Settlement, provided that you submit a valid Proof of Claim. Class Members will be represented by the Plaintiffs and their counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file an appearance on your behalf on or before May 29, 2000, and must serve copies of such appearance on the attorneys listed in ¶ 47 below.

(b) If you do not wish to remain a member of the Class you may exclude yourself from the Class by following the instructions in ¶ 45 below. Persons who exclude themselves from the Class will **NOT** receive any share of the settlement proceeds and will not be bound by the Settlement.

(c) If you object to the Settlement or any of its terms, or to Plaintiffs' Counsel's application for fees and expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in ¶ 47 below.

### **FILING AND PROCESSING OF PROOFS OF CLAIM**

40. IN ORDER TO BE ELIGIBLE TO RECEIVE ANY DISTRIBUTION FROM THE SETTLEMENT FUND, YOU MUST COMPLETE AND SIGN THE ATTACHED PROOF OF CLAIM AND RELEASE FORM AND SEND IT BY PREPAID FIRST CLASS MAIL POST-MARKED ON OR BEFORE AUGUST 16, 2000, ADDRESSED AS FOLLOWS:

In re IDEXX Securities Litigation  
c/o Gilardi & Co. LLC  
Claims Administrator  
Post Office Box 8040  
San Rafael, CA 94912-8040

41. IF YOU DO NOT SUBMIT A VALID PROOF OF CLAIM FORM, YOU WILL NOT BE ENTITLED TO ANY SHARE OF THE SETTLEMENT FUND.

42. IF YOU ARE A CLASS MEMBER AND YOU DO NOT PROPERLY EXCLUDE YOURSELF FROM THE CLASS, YOU WILL BE BOUND BY THE SETTLEMENT AND THE FINAL JUDGMENT OF THE COURT DISMISSING THIS LITIGATION, EVEN IF YOU DO NOT SUBMIT A PROOF OF CLAIM. IF YOU EXCLUDE YOURSELF, YOU WILL NOT BE BOUND BY THE JUDGMENT BUT YOU WILL NOT BE ENTITLED TO ANY SHARE OF THE SETTLEMENT FUND.

43. All Proofs of Claim must be submitted by the date specified in this Notice unless such period is extended by Order of the Court.

44. Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the District of Maine with respect to his, her or its claim.

### **EXCLUSION FROM THE SETTLEMENT**

45. Each member of the Class shall be bound by all determinations and judgments in this Action concerning the Settlement, whether favorable or unfavorable, unless such person shall mail, by first class mail, a written request for exclusion from the Class, postmarked no later than May 29, 2000, addressed to IDEXX Securities Litigation Exclusions, c/o Gilardi & Co. LLC, P. O. Box 8040, San Rafael CA 94912-8040. No person may exclude himself from the Settlement Class after that date. In order to be valid, each such request for exclusion must set forth the name and address of the person or entity requesting exclusion, must state that such person or entity "requests exclusion from the Class in IDEXX Securities Litigation, Master File No. 98-CV-5-P-H" and must be signed by such person or entity. Persons and entities requesting exclusion are requested to also provide the following information: the number of shares of IDEXX common stock owned as of the close of trading on July 18, 1996; the number of shares of IDEXX common stock purchased during the Class Period and price(s) paid therefor; the number of shares of IDEXX common stock sold during the Class Period and the amount(s) received therefor; and the number of shares of IDEXX common stock still owned as of the close of trading on March 24, 1997.

## SETTLEMENT HEARING

46. At the Settlement Hearing, the Court will determine whether to finally approve this Settlement and dismiss the Actions and the claims of the Class. The Court will also determine whether the terms and conditions of the Plan of Allocation are fair and reasonable and in the best interests of the Class, and will consider Plaintiffs' Counsel's application for an award of attorneys' fees and for reimbursement of expenses. The Settlement Hearing may be adjourned from time to time by the Court without further written notice to the Class.

47. At the Settlement Hearing, any Class Member who has not properly filed a Request for Exclusion from the Class may appear in person or by counsel and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness and adequacy of the Settlement, the Plan of Allocation or the application for an award of attorneys' fees and reimbursement of expenses, provided, however, that in no event shall any person be heard in opposition to the Settlement, Plan of Allocation or Plaintiffs' application for attorneys' fees and expenses and in no event shall any paper or brief submitted by any such person be accepted or considered by the Court, unless, on or before May 29, 2000, such person (a) files with the Clerk of the Court notice of such person's intention to appear, together with a statement that indicates the basis for such opposition, along with any documentation in support of such objection, and (b) simultaneously serves copies of such notice, statement and documentation, together with copies of any other papers or briefs such person files with the Court, in person or by mail upon:

Sanford P. Dumain, Esq.  
MILBERG WEISS BERSHAD  
HYNES & LERACH LLP  
One Pennsylvania Plaza  
New York, NY 10119  
(212) 594-5300

Plaintiffs' Lead Counsel

William H. Paine, Esq.  
HALE AND DORR LLP  
60 State Street  
Boston, MA 02109  
(617) 526-6000

Defendants' Counsel

## ATTORNEYS' FEES AND DISBURSEMENTS

48. At the Settlement Hearing or at such other time as the Court may direct, Class Counsel intend to apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not greater than one third (33 1/3%) of the Gross Settlement Fund and for reimbursement of their actual, out-of-pocket expenses in the approximate amount of \$100,000, plus interest at the same rate as earned by the Settlement Fund. Plaintiffs' Counsel, without further notice to the Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the settlement proceeds to the members of the Class.

## FURTHER INFORMATION

49. For a more detailed statement of the matters involved in the Action, reference is made to the pleadings, to the Stipulation, to the Orders entered by the Court and to the other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court for the District of Maine, United States Courthouse, 156 Federal Street, Portland, Maine 04101, during regular business hours.

50. ALL INQUIRIES CONCERNING THIS NOTICE OR THE PROOF OF CLAIM FORM BY CLASS MEMBERS SHOULD BE MADE TO THE CLAIMS ADMINISTRATOR IN WRITING. NO INQUIRIES SHOULD BE DIRECTED TO THE COURT.

## SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

51. If you purchased common stock of IDEXX during the Class Period – July 19, 1996 through and including March 24, 1997 – for the beneficial interest of a person or organization other than yourself, the Court has directed that within seven days of your receipt of this Notice; you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased such stock during such time period or (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven days mail the Notice and Proof of Claim form directly to the beneficial owners of the securities referred to herein. If you choose to follow procedure (b), the Court has ordered that you must, upon such mailing, send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

In re IDEXX Securities Litigation  
c/o Gilardi & Co. LLC  
Claims Administrator

Post Office Box 8040  
San Rafael, CA 94912-8040  
800-447-7657

Dated: Portland, Maine  
April 18, 2000

By Order of the Court  
CLERK OF THE COURT