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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SAN MATEO

**PG&E SAN BRUNO FIRE
DERIVATIVE CASES**

CASE NO. JCCP 4648-C

**NOTICE OF PENDENCY AND
PROPOSED SETTLEMENT OF
SHAREHOLDER DERIVATIVE
ACTION**

Assigned to: Hon. Steven L. Dylina
Department: 7
Complaint Filed: October 18, 2010
Trial Date: None set

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF SHAREHOLDER
DERIVATIVE ACTION**

1 **TO: ALL RECORD OR BENEFICIAL OWNERS OF COMMON STOCK OF PG&E**
2 **CORPORATION AS OF MARCH 10, 2017:**

3 **PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IT CONTAINS**
4 **IMPORTANT INFORMATION ABOUT YOUR LEGAL RIGHTS.**

5 **THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF THE ABOVE-**
6 **CAPTIONED CONSOLIDATED SHAREHOLDER DERIVATIVE ACTION (THE**
7 **“ACTION”) AND CLAIMS ASSERTED ON BEHALF OF PG&E CORPORATION AND**
8 **PACIFIC GAS AND ELECTRIC COMPANY (THE “UTILITY” AND TOGETHER**
9 **WITH PG&E CORPORATION, “PG&E”).**

10 **IF THE COURT APPROVES THE SETTLEMENT AND DISMISSAL OF THE**
11 **ACTION, SHAREHOLDERS OF PG&E CORPORATION WILL BE FOREVER**
12 **BARRED FROM CONTESTING THE APPROVAL OF THE PROPOSED**
13 **SETTLEMENT AND FROM PURSUING THE RELEASED CLAIMS.**

14 **THIS ACTION IS NOT A “CLASS ACTION.” THUS, THERE IS NO COMMON FUND**
15 **UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY PAYMENT.**

16 **PURPOSE OF THIS NOTICE**

17 This Notice of Pendency and Proposed Settlement of Shareholder Derivative Action (the
18 “Notice”) is provided to Current PG&E Shareholders¹ pursuant to an order of the Superior Court
19 of California, San Mateo County (the “Court”). This is not a solicitation from a lawyer.

20 The purpose of this Notice is to advise you that, pursuant to the Court’s Order
21 Concerning Proposed Settlement, a hearing will be held on July 18, 2017 at 10:00 a.m., before
22 the Honorable Steven L. Dylina, Superior Court of California, San Mateo County, 400 County
23 Center, Redwood City, California 94063 (or at such a date and time as the Court may direct
24 without further notice) (the “Settlement Hearing”) for the purpose of determining (i) whether the
25 proposed Settlement of the Action, as set forth in the Stipulation of Settlement dated as of
26 March 10, 2017 (the “Stipulation”) as modified by agreement of PG&E Corporation and Pacific
27 Gas and Electric Company (the “Utility” and together with PG&E Corporation, “PG&E”) on
28 April 21, 2017 (as reflected in the Court’s Order Regarding Proposed Settlement) and described
below, should be approved by the Court as fair, reasonable, adequate, and in the best interests of

¹ All capitalized terms not otherwise defined in this Notice shall have the meanings ascribed in the Definitions Section of the Stipulation.

1 PG&E and the shareholders of PG&E Corporation; (ii) whether this Notice and this Summary
2 Notice of Pendency and Proposed Settlement of Derivative Action (the “Summary Notice”) fully
3 satisfy the requirements of due process and applicable law; (iii) whether, thereafter, Judgment
4 should be entered dismissing the Action with prejudice, and releasing the Released Persons from
5 the Released Claims; (iv) whether Settling Plaintiffs’ Fee and Expense Award should be
6 approved; and (v) any other matters that come before the Court. You have an opportunity to be
7 heard at this hearing.

8 The Court has not determined the merits of Settling Plaintiffs’ claims or Settling
9 Defendants’ defenses. By this Notice, the Court does not express any opinion as to the merits of
10 any claim or defense asserted by any party in the Action.

11 The terms and conditions of the proposed Settlement are summarized in this Notice and
12 set forth in full in the Stipulation.

13 **BACKGROUND OF THE ACTION**

14 **A. The *San Bruno Fire Derivative Cases***

15 Between October 18, 2010 and September 23, 2013, PG&E Corporation shareholders
16 filed the following derivative complaints in the Court, alleging that certain then-current and
17 former PG&E officers and directors breached their fiduciary duties and that those breaches
18 caused the September 9, 2010 pipeline rupture in San Bruno, California: (i) *Wollman v.*
19 *Andrews, et al.*, No. CIV 499832 (Super. Ct. San Mateo Cty.); (ii) *Bou-Salman v. Darbee, et al.*,
20 No. Civ-524283 (Super. Ct. San Mateo Cty.); and (iii) *Potiriades v. Darbee, et al.*, No. Civ-
21 524281 (Super. Ct. San Mateo Cty.). The Court consolidated these actions as *San Bruno Fire*
22 *Derivative Cases*, JCCP No. 4648-C (the “*San Bruno Fire Derivative Cases*” or the “Action”) on
23 September 23, 2013. On November 16, 2013, a Consolidated Derivative Complaint was filed in
24 the *San Bruno Fire Derivative Cases*.

25 On April 22, 2014, another PG&E Corporation shareholder filed a derivative complaint
26 that essentially mirrors the Consolidated Derivative Complaint, instituting the action
27 captioned *Marini v. Darbee, et al.*, No. Civ-528140 (Super. Ct. San Mateo Cty.). This
28 shareholder was added as a plaintiff to the *San Bruno Fire Derivative Cases* on May 7, 2014.

1 On June 10, 2014, plaintiffs in the *San Bruno Fire Derivative Cases* filed an Amended
2 Consolidated Derivative Complaint, adding allegations related to the pending federal indictment
3 against the Utility. *See infra* § C.

4 On September 15, 2014, PG&E and the individual defendants demurred to the Amended
5 Consolidated Derivative Complaint. On January 5, 2015, following motion practice regarding
6 the appropriate board against which to assess demand futility, the Court ordered plaintiffs to
7 amend their complaint to attempt to plead demand futility as of November 2013, the date of the
8 Amended Consolidated Derivative Complaint. On February 9, 2015, plaintiffs filed their Second
9 Amended Consolidated Derivative Complaint; PG&E and the individual defendants demurred on
10 March 11, 2015. The Court overruled those demurrers in an order issued on August 28, 2015.

11 Shortly thereafter, on September 3, 2015, the Court of Appeal temporarily stayed all
12 proceedings in the *San Bruno Fire Derivative Cases* pending consideration of a Petition for Writ
13 of Mandate (the “Petition”) previously filed by PG&E and the individual defendants. The
14 Petition asked the Court of Appeal to overturn the Court’s August 4, 2014 order lifting the stay
15 of the *San Bruno Fire Derivative Cases*. On December 8, 2015, the Court of Appeal granted the
16 Petition, commanding the Court to set aside and vacate its August 4, 2014 order and to enter a
17 new order staying the *San Bruno Fire Derivative Cases* “pending conclusion of the federal
18 criminal proceedings.” The Court ordered the required stay on December 22, 2015, and the
19 Action remains stayed.

20 **B. The SLC Appointment and Investigation**

21 On November 17, 2015, PG&E Corporation’s Board of Directors adopted a resolution
22 appointing a special litigation committee of the Board (the “Special Litigation Committee” or
23 “SLC”) to “(1) review, investigate, analyze, and evaluate the matters raised in the Shareholder
24 Derivative Claims, (2) reach its own conclusions, (3) determine what actions, if any, the
25 Company should take, and (4) commence, prosecute, terminate, and/or compromise, or take any
26 steps the Board could take to cause the Utility to commence, prosecute, terminate, and/or
27 compromise, any pending or future litigation relating to the Shareholder Derivative Claims and
28

1 all related matters[.]” The Special Litigation Committee consists of directors Fred J. Fowler,
2 Richard C. Kelly, and Anne Shen Smith.

3 **C. The Criminal Action**

4 On April 1, 2014, the United States Attorney’s Office for the Northern District of
5 California filed a criminal indictment against the Utility in the United States District Court for
6 the Northern District of California (the “Federal Court”) captioned *United States v. Pacific Gas*
7 *and Electric Company*, No. 3:14-cv-00175 (N.D. Cal.) (the “Criminal Action”), followed by a
8 superseding indictment on July 30, 2014. The superseding indictment alleges twenty-seven
9 counts of knowing and willful violations of the Natural Gas Pipeline Safety Act (49 U.S.C.
10 § 60123), as well as one count for obstruction of an investigation by the National Transportation
11 Safety Board (18 U.S.C. § 1505). The Federal Court dismissed fifteen of these counts prior to
12 trial. The Federal Court dismissed fifteen of these counts prior to trial. The Federal Court also
13 dismissed the Alternative Fines Act allegations related to alleged losses prior to trial. No
14 Settling Defendant is or was a party to the Criminal Action.

15 Trial in the Criminal Action began on June 17, 2016. On July 26, 2016, just before
16 closing arguments, the Government dismissed another count, leaving twelve counts for the jury.
17 The jury began deliberating on July 27, 2016. Before the jury returned its verdict, the Federal
18 Court dismissed the Alternative Fines Act sentencing allegations related to alleged gains on
19 August 2, 2016 on the Government’s motion. On August 9, 2016, the jury returned its verdict,
20 finding the Utility guilty as to six counts and not guilty as to six counts. Specifically, the jury
21 found the Utility guilty of five counts of violating the federal Pipeline Safety Act related to
22 integrity management and one count of obstructing a National Transportation Safety Board
23 proceeding. The jury acquitted the Utility of six counts related to recordkeeping under the
24 Pipeline Safety Act. The Utility filed a motion for a judgment of acquittal pursuant to Rule 29 of
25 the Federal Rules of Criminal Procedure on August 16, 2016 (the “Rule 29 Motion”), requesting
26 that the Federal Court overturn the jury’s verdict as to the six guilty counts. The Government
27 filed an opposition to that motion on September 13, 2016, and the Utility filed its reply on
28 September 27, 2016. The Federal Court denied the Rule 29 Motion in an Order dated

1 November 17, 2016. On November 18, 2016, PG&E announced that the Utility did not intend to
2 appeal the conviction on the five Pipeline Safety Act counts. A sentencing hearing began on
3 January 23, 2017 and was continued to January 26, 2017. During the January 26, 2017
4 sentencing hearing, the Federal Court sentenced the Utility to a five year probation term and
5 ordered the Utility to pay a statutory fine in the amount of three million dollars (\$3,000,000.00),
6 or five hundred thousand dollars (\$500,000) per count of conviction, as well as a special
7 assessment of two thousand four hundred dollars (\$2,400.00). The Federal Court also imposed
8 additional conditions, including the following: (i) the establishment of a third party monitor and
9 development of an effective compliance and ethics program consistent with the goals outlined in
10 United States Sentencing Guidelines Section 8B2.1; (ii) a requirement that the Utility publicize
11 its criminal conviction in newspapers and television advertisements; and (iii) the performance of
12 10,000 hours of community service, including 2,000 hours by high-level personnel, as defined in
13 the commentary of United States Sentencing Guidelines Section 8A1.2. Judgment was entered
14 on January 31, 2017 in the Criminal Action.

15 **D. The Various Regulatory Actions and Investigations**

16 Various regulatory actions have also been initiated against PG&E since the San Bruno
17 rupture. These actions include, but are not limited to, the following:

- 18 • *Order Instituting Investigation on the Commission's Own Motion into the*
19 *Operations and Practices of Pacific Gas and Electric Company to Determine*
20 *Violations of Pub. Util. Code § 451, General Order 112, and Other Applicable*
21 *Standards, Laws, Rules and Regulations in Connection with the San Bruno*
22 *Explosion and Fire on September 9, 2010, Investigation No. 12-01-007 [San*
23 *Bruno OII];*
- 24 • *Order Instituting Investigation on the Commission's Own Motion into the*
25 *Operations and Practices of Pacific Gas and Electric Company with Respect to*
26 *Facilities Records for its Natural Gas Transmission System Pipelines,*
27 *Investigation No. 11-02-016 [Gas Transmission Recordkeeping OII];*
- 28 • *Order Instituting Investigation on the Commission's Own Motion into the*

1 *Operations and Practices of Pacific Gas and Electric Company's Natural Gas*
2 *Transmission Pipeline System in Locations with High Population Density,*
3 Investigation No. 11-11-009 [Class Location OII];

- 4 • *Order Instituting Investigation and Ordering Pacific Gas & Electric Company to*
5 *Appear and Show Cause Why It Should Not Be Sanctioned for Violations of*
6 *Article 8 and Rule 1.1 of the Rules of Practice and Procedure and Public Utilities*
7 *Code Sections 1701.2 and 1701.3, Investigation No. 15-11-015 [Ex Parte OII];*
- 8 • *Order Instituting Investigation And Order to Show Cause on the Commission's*
9 *Own Motion into the Operations and Practices of Pacific Gas and Electric*
10 *Company with Respect to Facilities Records for its Natural Gas Distribution*
11 *System Pipelines, Investigation No. I.14-11-008 [Gas Distribution Recordkeeping*
12 *OII];*
- 13 • *Order Instituting Rulemaking on the Commission's Own Motion to Adopt New*
14 *Safety and Reliability Regulations for Natural Gas Transmission and Distribution*
15 *Pipelines and Related Ratemaking Mechanisms, Rulemaking No. 11-02-019*
16 *[Pipeline Safety Enhancement Plan];*
- 17 • *Application of Pacific Gas and Electric Company Proposing Cost of Service and*
18 *Rates for Gas Transmission and Storage Services for the Period of 2015-2017*
19 *and Related Matter, Application No. 13-12-012 and Investigation No. 14-06-016*
20 *[2015 GT&S Rate Case (ALJ Assignment Fines and Disallowances)];*
- 21 • *Order Instituting Investigation on the Commission's Own Motion to Determine*
22 *Whether Pacific Gas & Electric Company and PG&E Corporation's*
23 *Organizational Culture and Governance Prioritize Safety, Investigation No. 15-*
24 *08-019 [Safety Culture OII];*
- 25 • *Citation No. ALJ-274 2012-01-001 Issued to Pacific Gas and Electric Company*
26 *for Violations of General Order 112-E [Citation for Failure to Conduct Leak*
27 *Surveys on Distribution Mains];*
- 28 • *Citation No. ALJ-274 2014-11-001 Issued by the Safety and Enforcement*

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Division [Carmel-By-The-Sea Explosion Citation];

- *Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2014 (U39M)*, Application 12-11-009 [General Rate Case (GRC), filed November 15, 2012];
- *Application of Pacific Gas and Electric Company to Update Pipeline Safety Enhancement Plan (U39G)*, Application 13-10-017 [PSEP Update Case, filed October 29, 2013]; and
- any other regulatory action, order, investigation or citation related to gas pipeline safety following the San Bruno rupture.

E. The Additional Derivative Cases

Between February 7, 2013 and February 27, 2016, three other PG&E Corporation shareholders filed shareholder derivative complaints alleging similar claims as asserted in the Action, which are captioned as follows: (i) *Iron Workers Mid-South Pension Fund v. Johns, et al.*, No. C 13-00550 SC (N.D. Cal., filed Feb. 7, 2013) (the “*Iron-Workders Federal Derivative Action*”); (ii) *Tellardin v. Earley, et al.*, No. CIV 534119 (Super. Ct. San Mateo Cty., filed June 5, 2015) (the “*Tellardin State Derivative Action*”); and (iii) *Bushkin v. Rambo, et al.*, No. 3:16-CV-00973-JCS (N.D. Cal., filed Feb. 27, 2016) (the “*Bushkin Federal Derivative Action*”).

The same PG&E Corporation shareholder that filed the *Bushkin* Federal Derivative Action also sent a letter to PG&E Corporation requesting an inspection of books and records pursuant to California Corporations Code Section 1601 on May 23, 2016. The stated purpose of Bushkin’s Section 1601 demand was to investigate potential mismanagement and breaches of fiduciary duties at PG&E, including related to the San Bruno rupture. On June 20, 2016, Bushkin filed a Verified Petition for Writ of Mandate seeking to enforce his alleged Section 1601 right to inspect the accounting books and records of PG&E in the Superior Court of California, San Francisco County, instituting the action captioned *Bushkin v. PG&E Corporation*, No. CPF-16-515126 (Super. Ct. San Francisco Cty.) (the “*Bushkin Petition*”).

1 The *Iron-Workers* Federal Derivative Action, the *Bushkin* Federal Derivative Action, the
2 *Tellardin* State Derivative Action, and the *Bushkin* Petition (collectively, the “Additional
3 Derivative Cases”) all remain stayed.

4 THE SETTLEMENT DISCUSSIONS

5 Although this matter has not progressed into formal discovery, Settling Plaintiffs have
6 access to all documents and depositions generated in the consolidated personal injury tort cases,
7 *San Bruno Fire Cases*, JCCP No. 4648 (Super. Ct. San Mateo Cty.) (the “*San Bruno Fire*
8 *Cases*”). In addition, PG&E has voluntarily produced additional documents to the Settling
9 Plaintiffs in connection with the below-described mediation efforts. These documents included
10 documents such as minutes, agendas and other materials of the PG&E boards of directors and
11 their various committees, and other materials responsive to Settling Plaintiffs’ requests.

12 As to the legal merits of Settling Plaintiffs’ claims, the parties have expended significant
13 time and resources litigating two rounds of demurrers, briefing the Court on complex related
14 issues arising under California law, and briefing motions to stay the litigation. Indeed, although
15 the first demurrers were filed on September 15, 2014, because of the extensive briefing the Court
16 received and careful consideration the Court gave, the demurrers were not finally resolved until
17 August 28, 2015.

18 Counsel for the Settling Parties engaged in extensive efforts to resolve the shareholder
19 derivative actions, including three separate mediation sessions. The first mediation was held in
20 May 2014 before the Honorable Zerme P. Haning III (Ret.) and the Honorable Edward A. Panelli
21 (Ret.) in San Francisco, California. The second mediation was held in September 2015 before
22 Justices Haning and Panelli. Neither mediation was successful. In early fall 2016, the parties
23 discussed efforts to reach a global resolution of the shareholder derivative actions, and ultimately
24 agreed to participate in a mediation in San Francisco, California, before the Honorable Daniel R.
25 Weinstein (Ret.), with Justices Haning and Panelli as advisors. The Settling Parties scheduled
26 the mediation before Judge Weinstein and Justices Haning and Panelli for December 8 and 9,
27 2016. Prior to the mediation, the Settling Parties exchanged mediation briefs on December 1,
28 2016.

1 On December 8 and 9, 2016, the Settling Parties participated in a two-day mediation
2 session in San Francisco. Substantial negotiations took place throughout the two days, and
3 numerous settlement offers and counteroffers were exchanged. Although the Settling Parties
4 made substantial progress towards reaching agreement on a number of settlement terms,
5 including a settlement amount to be paid to PG&E Corporation and corporate governance
6 reforms, no settlement was reached at that time. The Settling Parties continued their negotiations
7 in the days and weeks following the mediation and after extensive, arm's-length negotiations
8 reached agreement in principle on material terms for a settlement amount funded by insurers to
9 be paid to PG&E Corporation and corporate governance therapeutics.

10 SUMMARY OF SETTLEMENT TERMS

11 Pursuant to the Settlement, the Settling Defendants shall cause to be paid by their
12 insurance carriers ninety million dollars (\$90,000,000.00) in unrestricted funds (the "Settlement
13 Amount") to PG&E Corporation within eleven (11) business days of the entry of the Judgment in
14 all material respects in the form set forth as Exhibit B annexed to the Stipulation.

15 Additionally, after the Settlement's Effective Date, as defined in paragraph 8.1 of the
16 Stipulation, and in consideration for the Settlement, PG&E shall implement certain corporate
17 governance therapeutics, as set forth in paragraph 2.2 of the Stipulation, and gas operations
18 therapeutics, as set forth in paragraph 2.3 of the Stipulation. The corporate governance
19 therapeutics will be in effect for five years after the Effective Date and, thereafter, PG&E will
20 not make any material changes to the corporate governance therapeutics specified in
21 paragraph 2.2 unless such changes are reported in PG&E Corporation's Corporate Responsibility
22 and Sustainability Report or another suitable report at least three months prior to taking effect.

23 Specifically, PG&E has agreed to:

- 24 i. establish Safety Oversight Committees on the Boards of both PG&E Corporation
25 and the Utility, named Safety and Nuclear Oversight ("SNO") Committees, and
26 each SNO Committee shall oversee and review policies, practices, goals, issues,
27 risks and compliance relating to safety;
- 28 ii. annually disclose the results of API 1173 certification inspection by Lloyd's

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- Register;
- iii. increase the role and involvement of the top 10 largest PG&E Corporation shareholders in corporate governance;
- iv. restate and update Employee and Outside Contractor Codes of Conduct to more fully promote and ensure safety culture and reporting;
- v. develop joint statement consistent with both PG&E Corporation’s and the Utility’s Board-approved Corporate Governance Guidelines and Board committee charters that describes (i) the respective responsibilities of the Chief Safety Officer (“CSO”), the Chief Ethics and Compliance Officer (“CECO”), and the SNO Committees with respect to creation and instillation of safety culture, and (ii) these entities’ reporting and communications among each other and to the Boards and other Board committees regarding such matters;
- vi. incorporate safety, compliance, and ethics into officer compensation;
- vii. provide for regular attendance and reporting by the CECO and CSO at Board and Board committee meetings, and for access by the CECO and the CSO to senior management and employees and relevant performance metrics and records;
- viii. enhance PG&E’s “speak up” program to encourage employees to report safety concerns or violations and instill a reporting culture; and
- ix. provide recurrent safety training for PG&E employees and Board members appropriately tailored to their organizational roles.

As part of the settlement, with respect to the gas operations therapeutics, the cost of the therapeutics will not exceed \$32,050,000 and includes commitments by the Utility to:

- i. maintain compliance with API 1173 (Recommended Practice for Pipeline Safety Management Systems) for three years and, thereafter, the Utility will not make any material changes to this commitment unless such material changes are reported in PG&E Corporation’s Corporate Responsibility and Sustainability Report or another suitable report at least three months prior to taking effect;
- ii. implement the requirement for its inspectors to obtain the Pipeline Construction

1 Inspector certification pursuant to API 1169 for performing inspections of
2 construction work on the Utility's gas transmission and distribution pipelines for a
3 three year period and, thereafter, the Utility will not make any material changes to
4 this commitment unless such material changes are reported in PG&E
5 Corporation's Corporate Responsibility and Sustainability Report or another
6 suitable report at least three months prior to taking effect;

- 7 iii. support and implement improved technology relating to laser-based leak
8 detection, gas transmission pipe data accessibility and traceability, and Tee Cap
9 replacement;
- 10 iv. expand and enhance training curriculum for new and existing gas operations
11 personnel;
- 12 v. develop training for external first responders;
- 13 vi. enhance integrity management programs relating to data collection for threat
14 assessments; and
- 15 vii. enhance the Utility's Methods & Procedures Lab Facility in Dublin, California.

16 **RELEASED CLAIMS**

17 Pursuant to the proposed Judgment, upon the Effective Date, the Releasing Persons
18 (defined below) will release any and all of the Released Claims (defined below) against the
19 Released Persons (defined below). However, notwithstanding anything to the contrary in the
20 below or in paragraph 7.1 of the Stipulation, the release shall not be deemed in any way to impair
21 or restrict the rights of PG&E or any Settling Defendant or their successors or representatives
22 arising under any policy or contract of insurance.

23 • **“Released Claims”** means any and all claims, rights, demands, obligations,
24 controversies, debts, damages, losses, causes of action and liabilities of any kind or nature
25 whatsoever, whether in law or equity, including both known claims and Unknown Claims,
26 suspected or unsuspected, accrued or unaccrued, held at any point from the beginning of time to
27 the Effective Date of the Settlement, which have been or could have been asserted by any
28 Releasing Person, or any PG&E Corporation shareholder on PG&E's behalf, against any

1 Released Person, arising out of or relating in any manner to any facts, matters, transactions,
2 conduct, omissions or circumstances that (1) were or could have been alleged, in the San Bruno
3 Fire Derivative Cases or the Additional Derivative Cases, or (2) were or are the subject of any of
4 the actions or proceedings identified in Section I of the Stipulation or are based in whole or in
5 part on any matter (including without limitation, all actions and proceedings identified in Section
6 I of the Stipulation and any other action or proceeding by any governmental or regulatory body)
7 that has been publicly disclosed by any means, including, but not limited to, by press report,
8 regulatory body or company disclosure, on or before the entry of Judgment in the Action.

9 • **“Released Persons”** means each and all of: (i) the Settling Defendants and their
10 Related Persons; (ii) the current and former officers, directors and employees of PG&E, and each
11 and all of their Related Persons; and (iii) PG&E and its Related Persons.

12 • **“Releasing Persons”** means each and all of: (i) the Settling Plaintiffs, the
13 Plaintiffs in the Additional Derivative Cases and each and all of their Related Persons;
14 (ii) PG&E; (iii) each and all of the past and present shareholders of PG&E in their capacity as
15 shareholders of PG&E or arising from their share ownership; and (iv) the SLC.

16 • **“Unknown Claims”** means any and all claims that were alleged or could have
17 been alleged in the Action or in the Additional Derivative Cases by Settling Plaintiffs or that
18 could potentially have been alleged by the SLC, PG&E, or any PG&E shareholder derivatively
19 on behalf of PG&E, including claims which he, she, or it does not know or suspect to exist in his,
20 her, or its favor at the time of the release of the Released Persons, including claims which, if
21 known by him, her, or it, might have affected his, her, or its decision to settle or the terms of his,
22 her or its settlement with and release of the Released Persons, or might have affected his, her, or
23 its decision not to object to this Settlement. With respect to any and all Released Claims, the
24 Settling Parties stipulate and agree that, upon the Effective Date, the Settling Plaintiffs, PG&E
25 and the SLC shall expressly waive, and all other Releasing Persons by operation of the Judgment
26 shall have expressly waived, the provisions, rights, and benefits of California Civil Code §1542,
27 which provides:

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

7 The Settling Parties acknowledge that they may discover facts in addition to or different from
8 those now known or believed to be true by them with respect to the Released Claims, but it is the
9 intention of the Settling Parties to completely, fully, finally, and forever compromise, settle,
10 release, discharge, and extinguish any and all of the Released Claims known or unknown,
11 suspected or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent,
12 which now exist, or heretofore existed, or may hereafter exist, and without regard to the
13 subsequent discovery of additional or different facts.

14 • **“Related Persons”** means each of a Person’s immediate family members and
15 current, former, or future parents, subsidiaries, associates, affiliates, partners, joint venturers,
16 officers, directors, principals, shareholders, members, agents, representatives, employees,
17 attorneys, financial or investment advisors, consultants, accountants, investment bankers,
18 commercial bankers, trustees, engineers, insurers, co-insurers, reinsurers, heirs, assigns,
19 executors, general or limited partners or partnerships, personal or legal representatives, estates,
20 administrators, predecessors, successors, advisors, and/or any other individual or entity in which
21 a Person has or had a controlling interest or which is or was related to or affiliated with a Person.

22 **SETTLING PLAINTIFFS’ FEES AND COSTS**

23 PG&E agrees that the above settlement terms represent a valuable benefit to PG&E and
24 its shareholders. Settling Plaintiffs intend to seek an award of attorneys’ fees and costs from the
25 Court in an amount not to exceed twenty-five million dollars (\$25,000,000.00) for fees and five
26 hundred thousand dollars (\$500,000.00) in costs. PG&E Corporation agrees that it will pay to
27 Settling Plaintiffs’ Counsel a Fee and Expense Award in an amount up to twenty-five million
28 dollars (\$25,000,000.00) for fees, and up to five hundred thousand dollars (\$500,000.00) in costs,
to be paid from the Settlement Amount, if and as ordered by and subject to the approval of the
Court.

1 Payment of the Fee and Expense Award by PG&E Corporation in the amount approved by
2 the Court shall constitute full, complete and final payment for: (i) all of Settling Plaintiffs'
3 Counsel's services in the *San Bruno Fire Derivative Cases*, including fees and expenses that have
4 been incurred or will be incurred in connection with the filing and prosecution of the *San Bruno*
5 *Fire Derivative Cases* and the resolution of the claims alleged therein; and (ii) all legal fees and
6 expenses for counsel for Plaintiffs in the Additional Derivative Cases. No separate payment shall
7 be made to counsel for Plaintiffs in the Additional Derivative Cases and counsel for Plaintiffs in the
8 Additional Derivative Cases shall have no claim to any such payment. In the event that counsel for
9 Plaintiffs in the Additional Derivative Cases do not voluntarily participate in this settlement,
10 Settling Plaintiffs' Counsel shall be obligated to pay any fees and expenses ultimately due to
11 counsel for Plaintiffs in the Additional Derivative Cases.

12 **SETTLING DEFENDANTS' FEES AND COSTS**

13 PG&E and the Settling Defendants have incurred, are incurring and will incur certain
14 costs, fees, and expenses in investigating, responding to, defending and settling the *San Bruno*
15 *Fire Derivative Cases* and the Additional Derivative Cases (the "Defense Costs"). Pursuant to a
16 separate agreement with the Settling Defendants' insurance carriers, PG&E Corporation and the
17 Utility have agreed under their respective corporate indemnities to pay the Settling Defendants'
18 Defense Costs in an amount up to eighteen million three hundred thousand dollars
19 (\$18,300,000.00), and the insurance carriers have agreed to resolve all defenses to coverage
20 regarding the Action and the Additional Derivative Cases and to fund the Settlement in full by
21 paying PG&E Corporation ninety million dollars (\$90,000,000.00) in unrestricted funds on
22 behalf of the Settling Defendants.

23 **CONDITIONS FOR SETTLEMENT**

24 The Effective Date of the Settlement is conditioned upon the occurrence of certain events
25 described in section 8 of the Stipulation, which requires, among other things:

- 26 • filing of an Amended Complaint in the *San Bruno Fire Derivative Cases*, which
27 shall be brought against all Settling Defendants (including all defendants named in the Additional
28

1 Derivative Cases) and shall include all claims made in the Action and the Additional Derivative
2 Cases, as set forth in paragraph 3.2 of the Stipulation;

- 3 • approval of the Settlement at or after the Settlement Hearing following notice to
4 Current PG&E Shareholders;
- 5 • entry of the Judgment, in all material respects in the form set forth as Exhibit B
6 annexed to the Stipulation, approving the Settlement without awarding costs to any party, except as
7 provided in the Stipulation, dismissing the *San Bruno Fire Derivative Cases* with prejudice, and
8 releasing the Released Persons from the Released Claims;
- 9 • payment of the Settlement Amount (\$90,000,000) by the Settling Defendants’
10 insurance carriers to PG&E Corporation;
- 11 • the passing of the date upon which the Judgment becomes Final;
- 12 • dismissal with prejudice of the Additional Derivative Cases; and
- 13 • the passing of the dates upon which each of the dismissal orders in the Additional
14 Derivative Cases become Final.

15 If for any reason any of the conditions specified above are not met, then the Stipulation
16 shall be cancelled and terminated as described more fully in the Stipulation, unless all of the
17 Settling Parties agree in writing to proceed with the Stipulation; provided however that if the
18 Additional Derivative Cases are not dismissed with prejudice, the Settlement may proceed if, but
19 only if, both PG&E and a majority of the Settling Defendants elect to do so. If the Effective Date
20 has not occurred by January 1, 2019, the Stipulation may be cancelled and terminated by the
21 majority of the Settling Defendants.

22 **THE SETTLING PARTIES’ POSITIONS REGARDING THE SETTLEMENT**

- 23 • **Settling Plaintiffs’ Claims and the Benefits of the Settlement.** Settling
24 Plaintiffs’ Counsel believe that the claims asserted in the *San Bruno Fire Derivative Cases* have
25 merit and that their investigation supports the claims asserted. Without conceding the merit of
26 any of the Settling Defendants’ defenses, and in light of the benefits of the Settlement as well as
27 to avoid the potentially protracted time, expense, and uncertainty associated with continued
28 litigation, including potential trial(s) and appeal(s), Settling Plaintiffs have concluded that it is

1 desirable that the *San Bruno Fire Derivative Cases* be fully and finally settled in the manner and
2 upon the terms and conditions set forth in the Stipulation. Settling Plaintiffs and Settling
3 Plaintiffs' Counsel recognize the significant risk, expense, and length of continued proceedings
4 necessary to prosecute the *San Bruno Fire Derivative Cases* against the Settling Defendants
5 through trial(s) and through possible appeal(s). Settling Plaintiffs' Counsel have also taken into
6 account the uncertain outcome and the risk of any litigation, especially complex litigation such
7 as the *San Bruno Fire Derivative Cases*, as well as the difficulties and delays inherent in such
8 litigation. Settling Plaintiffs have also taken into account the power of the SLC and recognize
9 that the SLC could seek dismissal of the Action. Based on their evaluation, and in light of what
10 Settling Plaintiffs' Counsel believe to be the significant benefits conferred upon PG&E and the
11 Current PG&E Shareholders as a result of the Settlement, Settling Plaintiffs and Settling
12 Plaintiffs' Counsel have determined that the Settlement is in the best interests of Settling
13 Plaintiffs, PG&E, and the Current PG&E Shareholders, and have agreed to settle the *San Bruno*
14 *Fire Derivative Cases* upon the terms and subject to the conditions set forth herein and in the
15 Stipulation.

16 • **Settling Defendants, Denial of Wrongdoing and Liability.** Settling Defendants
17 have denied and continue to deny that they have committed or attempted to commit any
18 violations of law, any breaches of fiduciary duty owed to PG&E, or any wrongdoing whatsoever
19 and expressly maintain that they diligently and scrupulously complied with any and all fiduciary
20 and other legal duties. However, to avoid the costs, disruption and distraction of further
21 litigation, and without admitting that Settling Plaintiffs have standing to bring any claims in the
22 *San Bruno Fire Derivative Cases*, the validity of any allegation made in the *San Bruno Fire*
23 *Derivative Cases*, or any liability with respect thereto, Settling Defendants have concluded that it
24 is desirable that the claims against them be settled and dismissed on the terms reflected herein
25 and in the Stipulation.

26 • **The SLC's Position Regarding the Settlement.** The SLC and its Independent
27 Counsel have in no way endorsed any of the Settling Parties' claims or defenses in the *San*
28 *Bruno Fire Derivative Cases*, and have not participated in or assisted pursuit of the claims or

1 defenses asserted therein, but the SLC has carefully reviewed the merits of such claims and
2 defenses in reaching its decision to unanimously approve the terms of the Settlement as being
3 fair and reasonable and in the best interests of PG&E and its shareholders. In reaching this
4 determination, the SLC and the SLC’s Independent Counsel (1) reviewed and analyzed the
5 filings in the *San Bruno Fire Cases*, the *San Bruno Fire Derivative Cases*, the Criminal Action,
6 the Regulatory Proceedings, and the Additional Derivative Cases; (2) prepared for and conducted
7 multiple meetings to review the facts and evidence underlying the *San Bruno Fire Cases*, the *San*
8 *Bruno Fire Derivative Cases*, the Criminal Action, the Regulatory Proceedings, and the
9 Additional Derivative Cases; (3) reviewed presentations made by counsel to all of the named
10 parties in the *San Bruno Fire Derivative Cases*; (4) researched the applicable law with respect to
11 the claims asserted (or which could be asserted) in the shareholder derivative actions and the
12 potential defenses thereto and considered the costs and risks associated with the pursuit of such
13 claims; (5) researched corporate governance issues; (6) attended the December 8 and 9 mediation
14 session; (7) analyzed the cost benefit of a possible settlement of the claims asserted in the *San*
15 *Bruno Fire Derivative Cases* and the Additional Derivative Cases; and (8) conferred with Judge
16 Weinstein and Justices Haning and Panelli, the Settling Plaintiffs’ Counsel, the Settling
17 Defendants’ Counsel, PG&E’s Counsel, and the Settling Defendants’ insurance carriers in
18 connection with the mediation.

19 • **The Mediators’ Position Regarding the Settlement.** The three mediators who
20 presided over the parties’ extensive mediation efforts—the Honorable Zerne P. Haning III (Ret.),
21 the Honorable Edward A. Panelli (Ret.), and the Honorable Daniel Weinstein (Ret.)—each have
22 concluded that the proposed Settlement is fair and reasonable. Each of these mediators is familiar
23 with the claims at issue in this case, as well as the risks to all parties of continuing to litigate the
24 claims.

25 **NOTICE OF HEARING ON PROPOSED SETTLEMENT**

26 A Settlement Hearing will be held on July 18, 2017 at 10:00 a.m., before the Honorable
27 Steven L. Dylina, Superior Court of California, San Mateo County, 400 County Center,
28 Redwood City, California 94063 (or at such a date and time as the Court may direct without

1 further notice) for the purpose of determining (i) whether the proposed Settlement of the Action,
2 as set forth in the Stipulation and summarized above, should be approved by the Court as fair,
3 reasonable, adequate, and in the best interests of PG&E and the shareholders of PG&E
4 Corporation; (ii) whether this Notice and the Summary Notice fully satisfy the requirements of
5 due process and applicable law; (iii) whether, thereafter, Judgment should be entered dismissing
6 the Action with prejudice, and releasing the Released Persons from the Released Claims;
7 (iv) whether Settling Plaintiffs' Fee and Expense Award should be approved; and (v) any other
8 matters that come before the Court.

9 The Court may adjourn the Settlement Hearing by oral or other announcement at such
10 hearing without further notice of any kind. The Court may approve the Settlement with or
11 without modification, enter the Judgment, and order the payment of the Fee and Expense Award
12 without further notice of any kind.

13 **THE RIGHT TO BE HEARD AT THE SETTLEMENT HEARING**

14 Any Current PG&E Shareholder may appear and show cause, if he, she, or it has any
15 reason why the Settlement of the Action embodied in the Stipulation as modified by agreement
16 of PG&E on April 21, 2017 (as reflected in the Court's Order Regarding Proposed Settlement)
17 should not be approved as fair, reasonable, adequate, and in the best interests of PG&E and the
18 shareholders of PG&E Corporation, or why the Judgment should not be entered, or why the Fee
19 and Expense Award should not be awarded. To object, the shareholder must: (a) file a written
20 objection, stating the case name and number, *PG&E San Bruno Fire Derivative Cases*, Case No.
21 JCCP 4648-C, and stating all reasons for the objection; (b) give proof of current ownership of
22 PG&E stock as well as documentary evidence of when such stock ownership was acquired; (c)
23 clearly identify and provide any and all evidence in support of such objections; and (d) identify
24 any case, by name, court, and docket number, in which the objector or his, her, or its attorney, if
25 any, has objected to a settlement in any shareholder class action or derivative action in the last
26 three years. Any written objections shall be filed with Clerk of the Court at least fourteen (14)
27 days prior to the Settlement Hearing, at the below address:

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CLERK OF THE COURT
Superior Court of California, San Mateo County
400 County Center
Redwood City, California 94063

and copies of such objections shall be served at the same time upon the following by first-class mail:

Counsel for Settling Plaintiffs: **Counsel for Settling Defendants:**

Steve W. Berman
HAGENS BERMAN SOBOL SHAPIRO LLP
1918 Eighth Avenue, Suite 3300
Seattle, WA 98101
Telephone: 206/623-7292
Facsimile: 206/623-0594

James E. Brandt (*pro hac vice*)
James K. Lynch
LATHAM & WATKINS LLP
505 Montgomery Street, Suite 2000
San Francisco, CA 94111-6538
Telephone: 415/391-0600
Facsimile: 415/395-8095

*Co-Lead Counsel for Plaintiffs
derivatively on behalf of Pacific Gas and
Electric Company and PG&E
Corporation*

*Attorneys for Nominal Defendants PG&E
Corporation and Pacific Gas and Electric
Company*

Any Current PG&E Shareholder wishing to be heard at the Settlement Hearing is required to include a notice of intention to appear at the Settlement Hearing together with his, her, or its written objection.

Any Current PG&E Shareholder who does not make his, her, or its objection in the manner provided in the preceding paragraph of this Notice shall be bound by the Judgment entered and the releases to be given as part of the Settlement, and deemed to have waived such objection and shall forever be foreclosed from (i) making any objections to the fairness, reasonableness, or adequacy of the Settlement; and (ii) making any objections to the fairness or reasonableness of the Fee and Expense Award.

FURTHER INFORMATION

Further information regarding the Action and this Notice may be obtained by writing to Settling Plaintiffs' Counsel at the following address:

Joseph W. Cotchett
Frank M. Pitre
Mark C. Molumphy
COTCHETT, PITRE & MCCARTHY LLP
840 Malcolm Road, Suite 200

Burlingame, CA 94010
Telephone: 650/697-6000
Facsimile: 650/697-0577

Steve W. Berman
Sean R. Matt
Peter Borkon

HAGENS BERMAN SOBOL SHAPIRO LLP
1918 Eighth Avenue, Suite 3300
Seattle, WA 98101
Telephone: 206/623-7292
Facsimile: 206/623-0594

The pleadings and other records of the Action as well as the Stipulation filed with the Court may be examined and copied at any time during regular office hours at the Office of the Clerk, Superior Court of California, San Mateo County, 400 County Center, Redwood City, California 94063. Additionally, the Stipulation, and this Notice may be examined at the following website: <http://investor.pgecorp.com/>. This Notice will also be available at Settling Plaintiffs' Counsel's firm websites.

**PLEASE DO NOT TELEPHONE THE COURT OR THE CLERK'S OFFICE
REGARDING THIS NOTICE.**