

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES**

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|--|---|----------------------------------|
| ALAN FIELDS, On Behalf of Himself and All Others |) | Case No. BC174659 |
| Similarly Situated, |) | |
| |) | ASSIGNED TO: Judge Valerie Baker |
| Plaintiff, |) | |
| |) | <u>CLASS ACTION</u> |
| vs. |) | |
| |) | |
| DOVE ENTERTAINMENT INC., et al., |) | |
| |) | |
| Defendants. |) | DEPT: 31 |
| <hr style="width:40%; margin-left:0"/> |) | DATE ACTION FILED: 07/16/97 |

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

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE SECURITIES OF NEWSTAR MEDIA, INC. (FORMERLY KNOWN AS DOVE ENTERTAINMENT, INC. AND DOVE AUDIO, INC.) ("DOVE") DURING THE PERIOD FROM JULY 25, 1995 THROUGH AND INCLUDING OCTOBER 10, 1996

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A SETTLEMENT CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM ON OR BEFORE NOVEMBER 5, 1998.

This Notice has been sent to you pursuant to California Code of Civil Procedure §382 and an Order of the Superior Court of the State of California, County of Los Angeles (the "Court"). The purpose of this Notice is to inform you of the proposed settlement of this class action litigation for \$3,750,000 and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the settlement. This Notice describes the rights you may have in connection with the settlement and what steps you may take in relation to the settlement and this class action litigation.

I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A settlement hearing will be held on October 6, 1998, at 9:30 a.m., before the Honorable Valerie Baker, Superior Court Judge, at the County Courthouse, Dept. 31, 111 North Hill Street, Los Angeles, California 90012 (the "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine: (1) whether the settlement consisting of \$3.75 million in cash plus accrued interest should be approved as fair, just, reasonable and adequate to each of the Settling Parties; (2) whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation") is fair, just, reasonable, and adequate; (3) whether Representative Plaintiffs' Counsel have adequately represented the class; (4) whether the application by plaintiffs' counsel for an award of attorneys' fees and expenses should be approved; and (5) whether the Litigation should be dismissed with prejudice. The Court may adjourn or continue the Settlement Hearing without further notice to the Settlement Class.

II. DEFINITIONS USED IN THIS NOTICE

1. "Defendants" means Dove, Michael Viner and Deborah Raffin Viner.
2. "Related Parties" means each of a Defendant's past or present directors, officers, employees, partners, principals, agents, underwriters, controlling shareholders, any entity in which the Defendants and/or any member(s) of any Defendant's immediate family has a controlling interest, attorneys, accountants, auditors, banks, investment banks or investment bankers, advisors, personal or legal representatives, insurers, co-insurers, reinsurers, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, associates, related or affiliated entities, any members of their immediate families, or any trust of which any Defendant is the trustee or settlor or which is for the benefit of any Defendant and/or member(s) of his or her family.
3. "Released Claims" shall mean and include any and all claims, causes of action, demands, rights, or liabilities, including but not limited to claims for negligence, gross-negligence, professional negligence, breach of duty of care and/or breach of duty of loyalty and/or breach of the duty of candor, fraud, breach of fiduciary duty, mismanagement, corporate waste, malpractice, breach of contract, negligent misrepresentation, violations of any state or federal statutes, rules or regulations, and any Unknown Claims that now exist or heretofore existed as defined below, that have been or could have been asserted in this or any other forum by or on behalf of the Representative Plaintiffs, the Settlement Class, or any Member of the Settlement Class based on or related to their purchase or other acquisition of Dove

common stock during the Settlement Class Period or any loss by reason thereof against any of the Released Persons arising out of or relating to:

(1) any of the facts, circumstances, allegations, claims, causes of action, representations, statements, reports, disclosures, transactions, events, occurrences, acts, omissions or failures to act, of whatever kind or character whatsoever, irrespective of the state of mind of the actor performing or omitting to perform the same that have been or could have been alleged in any pleading, amended pleading, argument, complaint, amended complaint, brief, motion, report or filing in the Litigation;

(2) any matter, cause or thing whatsoever, including but not limited to any action, omission or failure to act of whatever kind or character, irrespective of the state of mind of the actor performing or omitting to perform the same, arising out of or relating to the adequacy, accuracy or completeness of any disclosure or statement made in any filings, reports, press releases, statements, research reports, representations or announcements concerning, without limitation Dove's operations, marketing practices, billing activities, products, sales, income, costs, financial condition or prospects or in any filing with the SEC or any other federal or state governmental agency or regulatory body (collectively referred to as "public statements"), or the preparation or dissemination of, or failure to disseminate, any such public statements, at any time during or concerning the period of July 25, 1995 through and including October 10, 1996; or

(3) any of the facts, circumstances, claims, causes of action, representations, statements, reports, disclosures, transactions, events, occurrences, acts or omissions of whatever kind or character whatsoever, regardless of the state of mind of the actor performing or omitting to perform the same, encompassed by subparagraphs (1) and (2), above, that have been or that could have been alleged or made the subject of any claim or action in state or federal court or otherwise under the law of any state, common law or in equity in any pleading, amended pleading, demand, complaint, amended complaint, motion or filing.

4. "Released Persons" means each and all of the Defendants and their respective Related Parties.

5. "Settlement Class" means all persons and entities who purchased or otherwise acquired Dove securities during the period from July 25, 1995 through October 10, 1996, inclusive and were damaged thereby, excluding the Defendants, their Related Parties, any person who was an officer or director of Dove or its affiliates on or before April 28, 1996, and, as to those excluded, any members of immediate families and their heirs, successors and assigns. Also excluded from the Settlement Class are those persons who timely and validly request exclusion.

6. "Settlement Class Period" or "Class Period" means the period from July 25, 1995 through October 10, 1996, inclusive.

7. "Unknown Claims" means any Released Claims which the Representative Plaintiffs or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to, or opt out of, this settlement. With respect to any and all Released Claims, the parties stipulate and agree that, upon the Effective Date, the Representative Plaintiffs expressly waive and relinquish, and the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of §1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Representative Plaintiffs expressly waive and the Settlement Class Members shall be deemed to, and upon the Effective Date and by operation of the Judgment shall have waived any and all provisions, rights and benefits conferred by any law of the United States or of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to §1542 of the California Civil Code. The Representative Plaintiffs and the Settlement Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each of them hereby stipulate and agree that the Representative Plaintiffs do settle and release, and each Settlement Class Member shall be deemed to have, and upon the Effective Date and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The parties acknowledge that the foregoing waiver was bargained for and a key element of the settlement of which this release is a part.

III. THE LITIGATION AND RELATED LITIGATION

On July 16, 1997, this action was filed in the Superior Court for the State of California, County of Los Angeles as a class action on behalf of those persons who acquired the publicly traded stock of Dove between July 25, 1995 and August 20, 1996. The First Amended Complaint for Violation of §§25400 and 25500 of the California Corporations Code was filed on August 18, 1997.

Subsequently, two class actions were filed in the Central District of California based on the same facts as this action: Global Asset Allocation Consultants, LLC v. Dove Entertainment, Inc., et al., Case No. 97-6253-WDK(ANx) filed August 20, 1997; and George, et al. v. Dove Entertainment, Inc., et al., No. 97-7482-R (AIJx) filed October 10, 1997 (together the "Federal Actions"). The Federal Actions allege violations of §§10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

This action and the Federal Actions are collectively referred to herein as the "Litigation."

During the relevant time period Dove was an independent producer of audio and printed books. In the Litigation, plaintiffs allege that Defendants made false statements about Dove's success with its printed book operations and that these statements inflated the price of Dove stock during the Settlement Class Period. Plaintiffs assert that when the true facts about Dove's book sales were revealed, Dove's stock price dropped resulting in damage to class members.

IV. REASONS FOR SETTLEMENT

The Representative Plaintiffs believe that the claims asserted in the Litigation have merit and that the evidence developed to date in the Litigation supports the claims asserted. The Representative Plaintiffs assert, and believe they would present supporting evidence at trial, that Defendants caused the price of Dove securities to be artificially inflated during the Settlement Class Period by the issuance of materially false statements and by omitting to state material information concerning Dove's printed book operations, sales, growth and profitability, and that as a result Representative Plaintiffs and Settlement Class Members were injured.

However, counsel for the Representative Plaintiffs recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against the Defendants through trial and through appeals. Counsel for the Representative Plaintiffs believe that the settlement set forth in the Stipulation confers substantial benefits upon the Settlement Class (as defined above) and Settlement Class Members. Based on their evaluation, counsel for the Representative Plaintiffs have determined that the settlement set forth in the Stipulation is in the best interests of the Representative Plaintiffs and the Settlement Class.

V. DEFENDANTS' STATEMENT AND DENIALS OF WRONGDOING AND LIABILITY

The Defendants have denied and continue to deny each and all of the claims and contentions alleged by the Representative Plaintiffs on behalf of the Settlement Class. The Defendants also have denied and continue to deny, inter alia, the allegations that the prices of Dove stock were artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Representative Plaintiffs or the Settlement Class were harmed by the conduct alleged in the Litigation. Defendants contend that throughout the Settlement Class Period they fully and adequately disclosed all material facts regarding Dove and made no misrepresentations of material facts regarding Dove.

Nonetheless, the Defendants have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation in order to limit further expense, inconvenience and distraction, to dispose of the burden of protracted litigation, and to permit the operation of the Defendants' business without further distraction and diversion of the Defendants' executive personnel with respect to matters at issue in the Litigation. The Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this Litigation. The Defendants have, therefore, determined that entering into the Stipulation is advisable.

VI. TERMS OF THE PROPOSED SETTLEMENT

The Defendants have paid into an escrow account, pursuant to the terms of the Stipulation of Settlement dated as of July 14, 1998 (the "Stipulation"), cash in the amount of \$3.75 million (the "Settlement Fund") which has been and will continue to earn interest for the benefit of the Settlement Class. A portion of the settlement proceeds will be used for certain administrative expenses, including costs of printing and mailing this Notice, cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to counsel for Representative Plaintiffs as attorneys' fees and for reimbursement of out-of-pocket expenses. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to Settlement Class members who submit valid and timely proof of claim forms.

VII. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Settlement Class Members who submit valid, timely Proof of Claim forms ("Authorized Claimants") under this Plan of Allocation. The Plan of Allocation provides that you will be eligible to participate in the distribution of the Settlement Fund only if you have a net loss on all transactions in Dove securities during the Settlement Class Period.

The Plan of Allocation was developed by plaintiffs' counsel in consultation with a damage consultant. The Plan of Allocation represents plaintiffs' counsel's view of the likely damages that could have been recovered if plaintiffs were successful in establishing liability at trial. In other words, the Plan of Allocation does not provide compensation for all trading losses that may have occurred during the Settlement Class

Period because some trading losses are not related to the alleged wrongful conduct.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to an Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claims of each Authorized Claimant or if the total claims are less than the Net Settlement Fund, then each Authorized Claimant shall be paid the percentage that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

The total of all profits shall be subtracted from the total of all losses to determine if a Settlement Class Member has a claim. Only if a Settlement Class Member had a net loss, after profits from all transactions in Dove securities during the Settlement Class Period are subtracted from the total of losses, will such class member be eligible to receive a distribution from the Net Settlement Fund.

A claim will be calculated as follows:

1. For shares of Dove securities that were purchased or otherwise acquired (other than in the Private Placements in December 1995 and January 1996) on 7/25/95 through 8/19/96, and
 - a. sold on or before 5/1/96, the claim per share is 10% of the amount realized after subtracting the sales price from the purchase price;
 - b. sold from 5/2/96 to and including 8/19/96, the claim per share is 50% of the amount realized after subtracting the sales price from the purchase price;
 - c. sold from 8/20/96 to and including 10/10/96, the claim per share is the purchase price less the sales price;
 - d. retained at the end of trading on 10/10/96, the claim per share is the purchase price less \$2.625.
2. For shares of Dove securities that were purchased or otherwise acquired (other than in the Private Placements in December 1995 and January 1996) on 8/20/96 through 10/10/96, and
 - a. sold on or before 10/10/96, the claim per share is 10% of the amount realized after subtracting the sales price from the purchase price;
 - b. retained at the end of trading on 10/10/96, the claim per share is the purchase price less \$2.625.
3. For shares of Dove common stock that were purchased in the Private Placements in December 1995 and January 1996, and
 - a. sold on or before 5/1/96, the claim per share is 10% of the amount realized after subtracting the sales price from \$8.00;
 - b. sold from 5/2/96 to and including 8/19/96, the claim per share is 50% of the amount realized after subtracting the sales price from \$8.00;
 - c. sold from 8/20/96 to and including 10/10/96, the claim per share is the difference between \$8.00 and the sales price;
 - d. retained at the end of trading on 10/10/96, the claim per share is \$5.375.
4. The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date. The determination of the price paid per share and the price received per share, shall be exclusive of all commissions, taxes, fees and charges.
5. For Settlement Class Members who made multiple purchases or multiple sales during the Settlement Class Period, the earliest subsequent sale shall be matched with the earliest purchase and chronologically thereafter for purposes of the claim calculations.
6. The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Settlement Class Member on equitable grounds.

VIII. ORDER CERTIFYING A CLASS FOR PURPOSES OF SETTLEMENT

On July 16, 1998, the Court certified a class, for settlement purposes only. The Settlement Class is defined above.

IX. PARTICIPATION IN THE CLASS

If you fall within the definition of the Settlement Class, you will remain a Settlement Class Member unless you elect to be excluded from the Settlement Class. If you do not request to be excluded from the Settlement Class, you will be bound by any judgment entered in the Litigation whether or not you file a Proof of Claim.

If you wish to remain a Settlement Class Member, you need do nothing (other than timely file a Proof of Claim and Release if you wish to participate in the distribution of the Net Settlement Fund). Your interests will be represented by Plaintiffs' Settlement Counsel. If you choose, you may enter a legal appearance individually or through your own counsel at your own expense.

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM AND RELEASE FORM THAT ACCOMPANIES THIS NOTICE. The Proof of Claim and Release must be postmarked on or before November 5, 1998, and delivered to the Claims Administrator at the address below. Unless the

Court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

X. EXCLUSION FROM THE CLASS

You may request to be excluded from the Settlement Class. To do so, you must mail a written request to:

Dove Securities Litigation
c/o Claims Administrator
Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040

The request for exclusion must state: (1) your name, address, and telephone number; (2) all purchases and sales of Dove securities made during the Settlement Class Period, including the dates, the number of shares of Dove securities, and price paid or received per share for each such purchase or sale; and (3) that you wish to be excluded from the Settlement Class. TO BE VALID, A REQUEST FOR EXCLUSION MUST STATE ALL OF THE FOREGOING INFORMATION. YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE SEPTEMBER 18, 1998. If you submit a valid and timely request for exclusion, you shall have no rights under the settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation or the Judgment.

XI. DISMISSAL AND RELEASES

If the proposed settlement is approved, the Court will enter a Final Judgment and Order of Dismissal ("Judgment"). The Judgment will dismiss the Released Claims with prejudice as to all Defendants. Thereafter, the Federal Actions will be dismissed.

The Judgment will 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 (to the extent Members of the Settlement Class have such claims) against all Released Persons.

XII. APPLICATION FOR FEES, EXPENSES AND AWARDS

At the Settlement Hearing, counsel for Representative Plaintiffs will request the Court to award attorneys' fees of 30% of the Settlement Fund, plus reimbursement of the expenses which were advanced in connection with the Litigation, plus interest thereon. Settlement Class Members are not personally liable for any fees and expenses.

To date, Representative Plaintiffs' counsel have not received any payment for their services in conducting this Litigation on behalf of plaintiffs and the members of the class, nor have counsel been reimbursed for their out-of-pocket expenses. The fee requested by Representative Plaintiffs' Counsel would compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the class, and for their risk in undertaking this representation on a contingency basis. If approved by the Court, the fee requested would be within the range of fees awarded to plaintiffs' counsel under similar circumstances in litigation of this type.

XIII. CONDITIONS FOR SETTLEMENT

The settlement is conditioned upon the occurrence of certain events. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions as of July 13, 1998.

XIV. THE RIGHT TO BE HEARD AT THE HEARING

Any Settlement Class Member who has not validly and timely requested to be excluded from the Settlement Class, and who objects to any aspect of the settlement, the Plan of Allocation, or the application for attorneys' fees, costs and expenses, may appear and be heard at the Settlement Hearing. Any such person must submit a written notice of objection, postmarked on or before September 18, 1998, to each of the following:

Clerk of the Court
Superior Court of the State of California,
County of Los Angeles
111 North Hill Street
Los Angeles, CA 90012

MILBERG WEISS BERSHAD
HYNES & LERACH LLP
JOY ANN BULL
600 West Broadway, Suite 1800
San Diego, CA 92101

Counsel for Plaintiffs

SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
GARRETT J. WALTZER
300 South Grand Avenue
Suite 3400
Los Angeles, CA 90071

Counsel for Dove

The notice of objection must demonstrate the objecting person's membership in the Settlement Class, including the number of Dove securities purchased and sold during the Settlement Class Period, and contain a statement of the reasons for objection. Only Members of the Settlement Class who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

XV. SPECIAL NOTICE TO NOMINEES

If you hold any Dove securities purchased during the Settlement Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by first class mail to all such persons; or (2) provide a list of the names and addresses of such persons to the Claims Administrator:

Dove Securities Litigation
c/o Claims Administrator
Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040

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

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

XVI. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may desire to review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, Los Angeles County Courthouse, 111 North Hill Street, Los Angeles, California.

If you have any questions about the settlement of the Litigation, you may contact Plaintiffs' Settlement Counsel by writing: MILBERG WEISS BERSHAD HYNES & LERACH LLP, 600 West Broadway, Suite 1800, San Diego, CA 92101; GOODKIND LABATON RUDOFF & SUCHAROW, LLP, 100 Park Avenue, 12th Floor, New York, NY 10017-5563; or LASKY & RIFKIND, LTD., 100 Park Avenue, New York, NY 10017.

DO NOT TELEPHONE THE COURT OR ANY

REPRESENTATIVE OF DOVE REGARDING THIS NOTICE.

DATED: July 16, 1998

BY ORDER OF THE SUPERIOR COURT
FOR THE STATE OF CALIFORNIA,
COUNTY OF LOS ANGELES