



been damaged as a result of the alleged wrongdoing described at paragraphs 12 through 18 below. In addition, TOPRS were traded during the Class Period and plaintiffs contend that they may have been similarly damaged. Because they are not traded on an organized securities exchange, sufficient information concerning the number of TOPRS traded during the Class Period is not available to calculate the number of TOPRS that may have been damaged, and accordingly the per share amounts presented herein are based only upon the number of common shares traded as shown in public records, without adjustment for the TOPRS. On the foregoing basis, Plaintiffs estimate that the average recovery per allegedly damaged share of Golden Books stock under the Settlement is \$0.259, before deduction of Court-awarded attorneys fees and expenses. Depending on the number of claims filed, when during the Class Period a Class Member purchased his or her shares/TOPRS of Golden Books stock, and whether those shares/TOPRS were held at the end of the Class Period or sold during the Class Period, and if sold, when they were sold, an individual Class Member may receive more or less than this average amount.

3. A Class Member's distribution from the Settlement Fund will be governed by the Plan of Allocation, as approved by the Court. Under the relevant securities laws, a claimant's recoverable damages are limited to the losses attributable to the alleged fraud. Losses which resulted from factors other than the alleged fraud are not compensable from the Settlement Fund.

4. A detailed explanation of how each Class Member's claim will be calculated is set forth in the Plan of Allocation which appears at page 5 of this Notice.

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

5. The parties disagreed on both liability and damages and do not agree on the average amount of damages per share/TOPRS that would be recoverable if Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include (1) the appropriate economic model for determining the amount by which Golden Books' shares/TOPRS were allegedly artificially inflated (if at all) during the Class Period; (2) the amount by which Golden Books' shares/TOPRS were allegedly artificially inflated (if at all) during the Class Period; (3) the effect of various market forces influencing the trading price of Golden Books' shares/TOPRS at various times during the Class Period; (4) the extent to which external factors such as general market and industry conditions, influenced the trading price of Golden Books' shares/TOPRS at various times during the Class Period; (5) the extent to which the various matters that Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Golden Books' shares/TOPRS at various times during the Class Period; (6) the extent to which the various allegedly adverse material facts that Plaintiffs alleged were omitted influenced (if at all) the trading price of Golden Books' shares/TOPRS at various times during the Class Period; and (7) 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, that there were risks that the decline in the price of Golden Books shares/TOPRS could be attributed, in whole or in part, to factors other than the misrepresentations alleged, and that, therefore, Plaintiffs could have recovered nothing on their claims.

7. For example, at the time the agreement in principle to settle the litigation was reached, Golden Books had filed in Bankruptcy. In addition, the individual defendants had moved to dismiss the Complaint, which motion was pending when the agreement in principle to settle the litigation was reached.

8. The Defendants (as defined at paragraph 29 below) 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 of the Settlement Fund, and for reimbursement of expenses incurred in connection with the prosecution of this litigation in an amount not to exceed \$40,000, or an average of \$0.088 per share.

### **V. Further Information**

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

### **NOTICE OF SETTLEMENT HEARING**

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 Southern District of New York (the "Court") dated August 20, 1999, that a hearing will be held before the Honorable Allen G. Schwartz in the United States Courthouse, 500 Pearl Street, New York, New York 10007, at 10:00 a.m., on October 12, 1999 (the "Settlement Hearing") to determine whether the proposed settlement as set forth in the Stipulation of Settlement dated August 10, 1999 (the

"Stipulation"), is fair, reasonable and adequate and to consider the application of class counsel for attorneys' fees and reimbursement of expenses.

11. The Court, by Preliminary Order In Connection With Settlement Proceedings, dated August 20, 1999, has certified a plaintiff class consisting of: "all persons who, during the period between May 13, 1997, and August 4, 1998, inclusive, purchased common stock or 8.75% convertible trust originated preferred securities ("TOPRS") of Golden Books." Excluded from the Class are the individual defendants, the officers and directors of Golden Books, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Golden Books or the individual defendants have or had a controlling interest, and Golden Press Holdings, L.L.C. ("GPH") and its investors.

### **BACKGROUND OF THE LITIGATION**

12. The Lead Plaintiffs are persons who, during the Class Period, purchased common stock and/or TOPRS of Golden Books. On May 10, 1999, Lead Plaintiffs filed a Second Amended Consolidated Class Action Complaint (the "Complaint"), in the Action. The Complaint asserts claims for violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act.

13. The Complaint generally alleges that during the relevant time period Golden Books and certain of its directors and/or officers misrepresented and omitted material information regarding, among other things, the Company's restructuring program, and the effect of the restructuring on the Company's financial condition, operations and liquidity.

14. The Complaint alleged that the severe business and financial problems which the Company and the individual defendants claimed the restructuring plan would correct, but which the restructuring plan had failed to correct, impaired the Company's liquidity and strained its resources. The Complaint also alleged that rather than disclose the problems and risks facing Golden Books, throughout the Class Period Golden Books and the individual defendants issued a stream of positive statements, including statements concerning the purported positive effects and prospects of the restructuring plan.

15. As these severe business and liquidity problems eventually became known to the investing public, the price of Golden Books' common stock -- which had reached a high of \$13.38 per share on June 27, 1997 -- fell to \$2.63 per share on August 4, 1998. Similarly, Golden Books TOPRS, which had reached \$66.19 during the Class Period, closed at \$23.50 on August 4, 1998.

16. The Complaint further alleges that plaintiffs and other class members purchased the common stock and TOPRS of Golden Books during the Class Period at artificially inflated prices as a result of the Defendants' alleged dissemination of false and misleading statements regarding Golden Books in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder.

17. By Order dated November 9, 1998, pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. §78u-4, United States District Court Judge Allen Schwartz appointed certain of the class plaintiffs as Lead Plaintiffs and Milberg Weiss Bershad Hynes & Lerach LLP as Plaintiffs' Lead Counsel.

18. The Defendants have moved to dismiss the Complaint. The Lead Plaintiffs have opposed the motion and it is currently pending before the Court.

### **SUBSEQUENT EVENTS**

19. Golden Books originally was named as a defendant in this proceeding. On February 26, 1999, Golden Books filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. As a result of that filing, the litigation as against Golden Books has been stayed pursuant to 11 U.S.C. §362(a).

### **BACKGROUND TO THE SETTLEMENT**

20. The Defendants have denied all averments of wrongdoing or liability in the litigation 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 Litigation.

21. Prior to entering into the Stipulation, plaintiffs' counsel conducted an investigation relating to the events and transactions underlying plaintiffs' claims and conducted pretrial discovery on the merits, including, inter alia, analysis of thousands of pages of documents produced by the Defendants. Plaintiffs' counsel's decision to enter into this Settlement was made with knowledge of the facts and

circumstances underlying plaintiffs' claims and the strengths and weaknesses of those claims. In determining to settle the action, they have evaluated the discovery taken in the litigation and taken into account the financial condition of Golden Books, the effects of Golden Books' Bankruptcy filing and Plan of Reorganization on the ability to secure a recovery against Golden Books, and the substantial expense and length of time necessary to prosecute the litigation through trial, 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 very 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 litigation, 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.

25. The amount of damages, if any, which plaintiffs could prove was also a matter of serious dispute, and the Plan of Allocation'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 litigation the Defendants, in addition to denying any liability, disputed that plaintiffs and the Class were damaged by any allegedly wrongful conduct on Defendants' part. 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, and subject to approval of the Bankruptcy Court, Defendants have agreed to pay into escrow on behalf of Plaintiffs and the Class \$5,250,000 (the "Cash Settlement Amount").

28. Pursuant to the Settlement, and on the Effective Date, plaintiffs and the 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 or TOPRS of Golden Books during the Class Period: Richard Snyder, Philip Rowley, John L. Vogelstein and Eric Ellenbogen (the "Individual Defendants") and Golden Books Family Entertainment, Inc., Golden Books Bankruptcy Estate and any successor entity. In addition the Settlement will release the Class' claims against any and all of the Defendants, their past or present subsidiaries, parents, successors and predecessors, officers, directors, shareholders, agents, employees, attorneys, advisors, and investment advisors, accountants and any person, firm, trust, corporation, officer, director or other individual or entity, in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the legal representatives, heirs, successors in interest or assigns of the Defendants (collectively the "Released Parties").

30. "Settled Claims" means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, including both known and unknown claims, that have been or could have been asserted in any forum by Plaintiffs or Class Members or any of them against any of the Released Parties which arise out of or relate in any way to the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, referred to or that could have been asserted in the Complaint relating to the purchase of Golden Books common shares or TOPRS during the Class Period.

31. If the Settlement is approved by the Court, all claims which have or could have been asserted in the action will be dismissed on the merits and 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 putative Class Members with more than of a certain amount of losses exclude themselves from the Class.

33. The Settlement will become effective (the "Effective Date") at such time as (a) (i) the Bankruptcy Court shall have approved the participation of Golden Books in this Settlement, and shall have confirmed a Plan of Reorganization for Golden Books which expressly provides that its effectiveness is dependent on the Effective Date of this Settlement occurring, and which further expressly provides for the survival of any present or former officer's or director's entitlement to indemnification and advancement of expenses to the fullest extent permitted by the Delaware General Corporation Law, as amended from time to time, with respect to any matter encompassed within the definition of Settled Claims if any such matter is asserted by persons who would otherwise be entitled to participate in this Settlement but who excluded themselves from the Class herein, and (ii) such approval and confirmation shall have become final, that is, no longer subject to modification or reversal on appeal or other judicial review; and (b) the District Court shall have entered an Order and Final Judgment approving the Settlement as provided in the Stipulation, and such Order and Final Judgment shall become final and not subject to appeal.

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

34. The \$5,250,000 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 a loss, between the amount paid for Golden Books common stock or TOPRS during the Class Period (including brokerage commissions and transaction charges), and the sum for which said shares/TOPRS were sold at a loss on or before the close of business on August 4, 1998. As to those common shares which an Authorized Claimant continued to hold as of the close of business on August 4, 1998, Recognized Claim shall mean the difference, if any, between the amount paid for each such common share purchased during the Class Period and \$2.63 per common share, the closing price of said shares on August 4, 1998. As to those TOPRS which an Authorized Claimant continued to hold as of the close of business on August 4, 1998, Recognized Claim shall mean the difference, if any, between the amount paid for each such TOPRS purchased during the Class Period and \$23.50 per TOPRS, the closing price of said TOPRS on August 4, 1998. Transactions resulting in a gain shall be deducted from any losses. In the event a Class Member has more than one purchase or sale, all purchases and sales *within the Class Period* shall be matched on a First In First Out ("FIFO") basis.

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. The Claims Administrator shall pay each Authorized Claimant his, her or its distribution amount.

38. Class Members who do not file acceptable Proofs of Claim will not share in the settlement proceeds. Class Members who do not either file a request for exclusion or file acceptable Proofs of Claim will nevertheless be bound by the judgment and the Settlement.

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

39. The Court has preliminarily certified this action to proceed as a class action. If you purchased common stock and/or TOPRS of Golden Books during the period between May 13, 1997, and August 4, 1998, inclusive, and you are not an excluded person, 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 an acceptable 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 September 24, 1999, and must serve copies of such appearance on the attorneys listed in Paragraph 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 Paragraph 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, the Plan of Allocation, or to Plaintiffs' Counsel's application for an award of fees and expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in paragraph 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 NOVEMBER 12, 1999, ADDRESSED AS FOLLOWS:

Golden Books Securities Litigation

c/o Gilardi & Co. LLC  
Claims Administrator  
Post Office Box 5100  
Larkspur, CA 94977-5100

41. IF YOU DO NOT FILE A PROPER 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 FILE 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 Southern District of New York 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 September 24, 1999, addressed to Golden Books Securities Litigation Exclusions, C/O Gilardi & Co. LLC, Claims Administrator, P.O. Box 5100, Larkspur, CA 94977-5100. 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 the Golden Books Securities Litigation, Case Nos. 98 Civ. 5748 and 98 Civ 7072 (AGS)" and must be signed by such person or entity. Persons and entities requesting exclusion are requested to also provide the following information: Social Security or Taxpayer Identification Number, the number of common shares or TOPRS of Golden Books purchased during the Class Period and the price paid therefor, and the number of shares/TOPRS of Golden Books sold during the class period and the amount received therefor, and the number of shares/TOPRS still owned as of the close of trading on August 4, 1998.

**SETTLEMENT HEARING**

46. At the Settlement Hearing, the Court will determine whether to finally approve this Settlement and dismiss the Litigation and the claims of the Class and whether to approve the terms of the Plan of Allocation. 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, the 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 September 24, 1999, 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 Plaintiffs' Lead Counsel:

Robert A. Wallner, Esq.  
MILBERG WEISS BERSHAD  
HYNES & LERACH LLP  
One Pennsylvania Plaza  
New York, NY 10119  
(212) 594-5300

and upon Defendants' Counsel:

Howard G. Sloane, Esq.  
CAHILL GORDON & REINDEL  
80 Pine Street  
New York, New York 10005

**ATTORNEYS' FEES AND DISBURSEMENTS**

48. Plaintiffs' Counsel, including the firms of Milberg Weiss Bershad Hynes & Lerach LLP, Law Office Of Brian Barry, Law Offices Of Steven E. Cauley, P.A., Lowey Dannenberg Bemporad & Selinger PC, and Robert C. Susser, P.C., intend to apply to the Court at the Settlement Hearing, or at such other time as the Court may direct, for an award of attorneys' fees from the Settlement Fund in an amount not greater than one third of the Gross Settlement Fund and for reimbursement of their actual, out-of-pocket expenses up to a maximum amount of \$40,000, 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 this litigation, reference is made to the pleadings, to the Stipulation, to the Orders entered by the Court and to the other papers filed in the litigation, which may be inspected at the Office of the Clerk of the United States District Court for the Southern District of New York, United States Courthouse, 500 Pearl Street, New York, New York 10007, 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 and/or TOPRS of Golden Books during the Class Period 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/TOPRS 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 this alternative 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:

Golden Books Securities Litigation  
c/o Gilardi & Co. LLC  
Claims Administrator  
P.O. Box 5100  
Larkspur, CA 94977-5100  
(415) 461-0410

Dated: New York, New York  
August 20, 1999

By Order of the Court  
CLERK OF THE COURT