

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

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CAROLYN BANKS, JOHN CRAIG, JAMES MARRS,
MARLYS MILLHISER and JAMES SALLIS, on behalf
of themselves and all others similarly situated,

INDEX NO. 600147/98

Plaintiffs,

-against-

CARROLL & GRAF PUBLISHERS, INC.,

Defendant.
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NOTICE OF PENDENCY OF CLASS ACTION

TO: ALL PERSONS WHO HAVE HAD LITERARY TITLE(S) RELEASED THROUGH CARROLL & GRAF PUBLISHERS, INC. ("CARROLL & GRAF") AFTER JANUARY 1, 1992 TO THE PRESENT ("CLASS PERIOD") BEARING A NEWLY-ISSUED INTERNATIONAL STANDARD BOOK NUMBER ("ISBN") (EVEN IF SUCH TITLE WAS PREVIOUSLY RELEASED BEARING A DIFFERENT ISBN), AND FOR WHICH CARROLL & GRAF STILL OWNS THE EXCLUSIVE RIGHT TO PUBLICATION (HEREINAFTER A "BOOK").

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION.

EXCLUSION DEADLINE: REQUESTS FOR EXCLUSION MUST BE MAILED SO AS TO BE RECEIVED NO LATER THAN OCTOBER 4, 1999.

NOTICE IS HEREBY GIVEN, pursuant to Article 9 of the New York Civil Practice Law and Rules and an Order of the Supreme Court of the State of New York, County of New York, dated May 17, 1999, that a plaintiff class has been certified consisting of all persons who have had literary title(s) released through Carroll & Graf Publishers, Inc. after January 1, 1992 to the present date bearing a newly-issued International Standard Book Number (even if such title was previously released bearing a different ISBN), and for which Carroll & Graf still owns the exclusive right to publication. Excluded from the Class is the Defendant herein, and any person, firm, trust, corporation, or other entity related to or affiliated with the Defendant, including, without limitation, persons who are directors of Carroll & Graf.

The purpose of this Notice is to inform you of the pendency of this Action, how it affects your rights, and what steps you may take in regard to this case. This Notice is not an expression of an opinion by the Court as to the merits of any claims asserted by either side in this litigation.

BACKGROUND OF THE ACTION

1. Defendant Carroll & Graf is a book publisher specializing in fiction and nonfiction hard cover and paperback books.
2. In the Class Action Complaint filed by Plaintiffs' Class Counsel, Plaintiffs allege that the Defendant fails to properly pay royalties due to the Class. These alleged improprieties include Carroll & Graf's failure to pay royalties when due as well as withholding improperly large reserves against future returns. The Complaint further alleges that Defendant maintains royalty account statements that fraudulently and substantially underreport and misrepresent the royalties due plaintiffs and the Class and that Defendant ignores requests for accurate and complete book sales figures.
3. The Complaint states causes of action for Breach of Contract and Conversion and additionally seeks an Accounting for royalties.

THE RIGHTS OF CLASS MEMBERS

4. The Court, by Memorandum Decision dated March 11, 1999 and by Order dated May 17, 1999, has certified this action to proceed as a class action. If you have had literary title(s) released through Carroll & Graf Publishers, Inc. after January 1, 1992 to the present bearing a newly-issued International Standard Book Number (even if such title was previously released bearing a different ISBN), and for which Carroll & Graf still owns the exclusive right to publication, then you are a Class member. Class Members have the following options pursuant to New York Civil Practice Law and Rules Article 9:

- (a) If you are a member of the Class, you do not have to take any further steps at this time. You will automatically be a member of the Class, unless you request exclusion in accordance with the procedures set forth in Paragraph 5 below.

(b) If you wish to remain a member of the Class you will be represented by Plaintiffs and their counsel, and you will be bound by any judgment in the Action, whether favorable or unfavorable. As a member of the Class, you may share in any recovery or relief obtained on behalf of the Class and you will be precluded from prosecuting your claim individually. If a judgment is rendered in favor of Defendant, members of the Class will be denied any recovery or relief.

(c) If you wish to remain a member of the Class you have the right to enter an appearance before the Court. If you chose to appear, you or your counsel must file an appearance on or before October 4, 1999, and mail copies of such appearance to all counsel of record. If you chose to retain separate counsel, you must do so at your own expense.

(d) Counsel of record in this Action are:

Jerome Noll, Esq.
LAX & NOLL
551 Fifth Avenue
New York, New York 10176

-and-

Sanford Dumain, Esq.
MILBERG WEISS BERSHAD HYNES &
LERACH LLP
One Pennsylvania Plaza
New York, New York 10119

on behalf of Plaintiffs, and

Kevin Brennan, Esq.
DWYER & BRENNAN
55 John Street
New York, New York 10038

on behalf of Defendant.

(e) 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 5 below. Persons who exclude themselves from the Class will NOT be bound by any determinations and judgments in this Action, whether favorable or unfavorable.

(f) By remaining in the Class, you will not subject yourself to any obligation to pay the costs of the litigation if you are represented by Plaintiffs' attorneys herein. All costs and expenses, including attorneys' fees, will be paid from any recovery obtained on behalf of the Class, in which case such payment must be approved by the Court.

EXCLUSION FROM THE CLASS

5. Each Class Member shall be bound by all determinations and judgments in this Action, whether favorable or unfavorable, unless such person shall mail, by first class mail, a written and signed request for exclusion from the Class, received no later than October 4, 1999, addressed to Carroll & Graf Litigation Exclusions, c/o Gilardi & Co. LLC, P.O. Box 5100, Larkspur, CA 94977-5100. No person shall be excluded from the Class after that date. In order to be valid, each such request must set forth the following information with respect to the person requesting exclusion: name, address, and the title of each work released during the Class Period. If a request for exclusion does not include all of the foregoing information, it shall not be a valid request for exclusion.

FURTHER INFORMATION

6. For a more detailed statement of the matters involved in this Action, reference is made to the pleadings, to the Orders entered by the Court and to the other papers filed in the Action, which may be inspected at the Office of the Clerk of the New York State Supreme Court, County of New York, 60 Centre Street, New York, New York (under the Index Number listed in the caption above) during regular business hours.

7. ALL INQUIRIES CONCERNING THIS NOTICE SHOULD BE MADE TO PLAINTIFFS' CLASS COUNSEL IN WRITING. NO INQUIRIES SHOULD BE DIRECTED TO THE COURT.

Carroll & Graf Litigation
c/o Gilardi & Co. LLC
P.O. Box 5100
Larkspur, California 94977-5100

First-Class Mail
U.S. Postage
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