

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SANTA CLARA**

JOANNE PASS, et al., On Behalf of Themselves and All Others Similarly Situated,)	Case No. CV758927
)	(Consolidated with CV759012, CV759270 and
)	CV766990)
Plaintiffs,)	
)	<u>CLASS ACTION</u>
vs.)	
)	Assigned To: Judge Conrad Rushing
HYUNG HWE HUH, et al.,)	
)	DEPT: 17
Defendants.)	DATE ACTION FILED: 06/26/96
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)	
THE LAUREN GROUP, Derivatively On Behalf of Nominal Defendant DIAMOND MULTIMEDIA SYSTEMS, INC.,)	Case No. CV760270
)	(Derivative Action)
Plaintiff,)	
)	Assigned To: Judge W. F. Martin
vs.)	
)	
HYUNG HWE HUH, et al.,)	
)	
Defendants.)	
- and -)	
)	
DIAMOND MULTIMEDIA SYSTEMS, INC.,)	
)	DEPT: 15
Nominal Defendant.)	DATE ACTION FILED: 08/23/96
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**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS
AND DERIVATIVE ACTIONS**

TO: ALL PERSONS WHO PURCHASED THE COMMON STOCK AND/OR CALL OPTIONS OF DIAMOND MULTIMEDIA SYSTEMS, INC. ("DIAMOND") DURING THE PERIOD OCTOBER 26, 1995 THROUGH AND INCLUDING JUNE 20, 1996

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THESE ACTIONS. 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 POSTMARKED ON OR BEFORE APRIL 23, 2002.

This Notice has been sent to you pursuant to California Code of Civil Procedure §382 and an Order of the Santa Clara County Superior Court (the "Court"). The purpose of this Notice is to inform you of the proposed settlement of this class action litigation (the "Litigation") and other related litigation (collectively referred to herein as "Actions") 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.

The proposed settlement creates a fund in the amount of \$15,000,000 in cash (the "Gross Settlement Fund") and will include interest that accrues on the fund prior to distribution.

Representative Class Action Plaintiffs and defendants do not agree on the average amount of damages per share that would be recoverable if Representative Class Action Plaintiffs were to have prevailed on each claim asserted. The issues on which the parties disagree include: (1) the appropriate economic model for determining the amount by which Diamond common stock and call options were allegedly artificially inflated (if at all) during the Settlement Class Period; (2) the amount by which Diamond common stock and call options were allegedly artificially inflated (if at all) during the Settlement Class Period; (3) the effect of various market forces influencing the trading price of Diamond common stock and call options at various times during the Settlement Class Period; (4) the extent to which external factors, such as general market conditions, influenced the trading price of Diamond common stock and call options at various times during the Settlement Class Period; (5) the extent to which the various matters that Representative Class Action Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Diamond common stock and call options at various times during the Settlement Class Period; (6) the extent to which the various allegedly adverse material facts that Representative Class Action Plaintiffs alleged were not disclosed influenced (if at all) the trading

price of Diamond common stock and call options at various times during the Settlement Class Period; and (7) whether the statements made or facts allegedly omitted were false, material or otherwise actionable under the state law.

Representative Class Action Plaintiffs believe that the proposed settlement is a good recovery and is in the best interests of the Settlement Class. Because of the risks associated with continuing to litigate and proceeding to trial there was a danger that plaintiffs would not have prevailed on any of their claims, in which case the Settlement Class would receive nothing. In addition, the amount of damages recoverable by the Settlement Class was and is challenged by defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Litigation gone to trial, defendants intended to assert that all or most of the losses of Settlement Class Members were caused by non-actionable market, industry or general economic factors and therefore there were no recoverable damages per share. Defendants would also assert that throughout the Settlement Class Period the uncertainties and risks associated with Diamond's business and financial condition were fully and adequately disclosed.

Plaintiffs' Class Action Settlement Counsel have not received any payment for their services in conducting the Litigation on behalf of the Representative Class Action Plaintiffs and the Members of the Settlement Class, nor have they been reimbursed for their out-of-pocket expenditures. If the settlement is approved by the Court, counsel for the Representative Class Action Plaintiffs will apply to the Court for attorneys' fees of up to 30% of the settlement proceeds and reimbursement of out-of-pocket expenses not to exceed \$1,400,000, to be paid from the settlement proceeds. Additionally, counsel for the plaintiff in the related Derivative Action will apply to the Court for attorneys' fees and expenses from the Gross Settlement Fund in an amount not to exceed \$250,000.

This Notice is not an expression of any opinion by the Court about the merits of any of the claims or defenses asserted by any party in the Actions or the fairness or adequacy of the proposed settlement.

For further information regarding this settlement you may contact: Rick Nelson, Milberg Weiss Bershad Hynes & Lerach LLP, 401 B Street, Suite 1700, San Diego, CA 92101, Telephone: 619/231-1058; Jill S. Abrams, Abbey Gardy, LLP, 212 East 39th Street, New York, NY 10016, Telephone 212/889-3700; or Alan Schulman, Blair A. Nicholas, Bernstein Litowitz Berger & Grossmann LLP, 12544 High Bluff Drive, Suite 150, San Diego, CA 92130, Telephone 858/793-0070. Please do not call any representative of Diamond or the Court.

I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A settlement hearing will be held on April 9, 2002, at 9:00 a.m., before the Honorable Conrad Rushing, Superior Court Judge, Santa Clara County Courthouse, 161 North First Street, San Jose, California (the "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine: (1) whether the settlement consisting of \$15,000,000 in cash plus accrued interest should be approved as fair, just, reasonable and adequate; (2) whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation") is fair, just, reasonable, and adequate; (3) whether Representative Class Action Plaintiffs' counsel have adequately represented the Settlement Class; (4) whether the application by Representative Class Action Plaintiffs' counsel for an award of attorneys' fees and expenses should be approved; (5) whether the application by Representative Derivative Action Plaintiff's counsel for attorneys' fees and expenses of \$250,000 should be approved; and (6) whether the Actions should be dismissed with prejudice. The Court may adjourn or continue the Settlement Hearing without further notice to the Settlement Class.

II. THE ACTIONS

On and after June 26, 1996, four actions were filed in the Superior Court of the State of California for the County of Santa Clara (the "Court"), as securities class actions on behalf of Persons who purchased common stock of Diamond during the period October 26, 1995 through June 20, 1996.

By Order dated August 14, 1996, these actions and certain additional actions subsequently filed were consolidated for all purposes as *Pass v. Huh, et al.*, Case No. CV758927 (the "Litigation"). The operative complaint is the amended complaint, filed November 13, 1997 (the "Complaint").

The Complaint and other related complaints (*i.e.*, *Simon, et al. v. Huh, et al.*, Case No. CV766990), allege violations of California Corporations Code §§25400 and 25500 and California Civil Code §§1709 and 1710. The Litigation was brought on behalf of a class consisting of all Persons who purchased the common stock of Diamond between October 26, 1995 and June 20, 1996. The Complaint alleges that the Class Action Defendants issued a series of positive statements about Diamond products while concealing material adverse information about those products.

On or about August 23, 1996, a derivative action was filed in the Court on behalf of Diamond. This action (the "Derivative Action") is entitled *The Lauren Group v. Huh, et al.*, Case No. CV760270.

On and after October 2, 1996, certain actions were filed in the United States District Court for the Northern District of California as class actions asserting claims under the federal securities laws, including §10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, on behalf of Persons who purchased Diamond common stock during the period from October 26, 1995 through June 20, 1996. These actions were consolidated under the caption *In re Diamond Multimedia Systems, Inc. Securities Litigation.*, Master File No. C96-2644 SBA (the "Federal Court Action"). Plaintiffs in the Federal Court Action moved to voluntarily dismiss that case without prejudice. The motion was granted on March 28, 2000.

The Litigation, the Federal Court Action and the Derivative Action are referred to herein collectively as the "Actions."

III. DEFINITIONS USED IN THIS NOTICE

1. "Class Action Defendants" means Diamond, and any of its subsidiaries, Hyung Hwe Huh, William J. Schroeder, Gary B. Filler and Chong-Moon Lee.

2. "Derivative Action Defendants" means Chong-Moon Lee, William J. Schroeder, Hyung Hwe Huh, Gary B. Filler, Jeffrey Chambers, Bruce Edwards, Walker Kortschak, Gregorio Reyes and Jeffrey Saper.

3. "Related Persons" means each of a defendant's past or present directors, officers, managers, employees, partners, members, principals, agents, underwriters, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, banks or investment banks, associates, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, executors, administrators, related or affiliated entities, any entity in which a defendant has a controlling interest, any members of their immediate families, or any trust of which any defendant is the settlor or which is for the benefit of any defendant and/or member(s) of his family.

4. "Released Claims" shall collectively mean all claims (including "Unknown Claims" as defined below), demands, rights, liabilities and causes of action of every nature and description whatsoever, known or unknown, whether or not concealed or hidden, asserted or that might have been asserted, including, without limitation, claims for negligence, gross negligence, breach of duty of care and/or breach of duty of loyalty, fraud, breach of fiduciary duty, self dealing, misrepresentation, suppression, or violations of any state or federal statutes, rules or regulations, by any plaintiff in the Actions, Settlement Class Member or nominal defendant Diamond against the Released Persons (i) arising out of, based upon or related to both the purchase of Diamond common stock or call options during the Settlement Class Period by any Settlement Class Member and the facts, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act which were, could have been or are based upon or arise out of facts alleged in the Litigation or the Federal Court Action; and (ii) arising out of, based upon or related to the facts, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act which were, could have been or are based upon or arise out of the facts alleged in the Derivative Action provided, however, that the release shall not in any way impair or restrict the right of the Settling Parties to enforce the terms of the settlement as set forth in the Stipulation.

5. "Released Persons" means each and all of the defendants and their Related Persons.

6. "Settlement Class" means a class consisting of all Persons (other than those Persons who timely and validly request exclusion from the class) who purchased the common stock and/or call options of Diamond during the period beginning on October 26, 1995 through and including June 20, 1996 (the "Settlement Class Period"). Excluded from the Settlement Class are defendants and the Released Persons defined above ("Excluded Persons").

7. "Unknown Claims" means any Released Claims which any plaintiff in the Actions, Settlement Class Member or nominal defendant Diamond 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 this settlement or not to exclude himself, herself or itself from the Settlement Class. With respect to any and all Released Claims, the parties to the Actions stipulated and agreed that, upon the Effective Date, each of the plaintiffs in the Actions, Settlement Class Members and nominal defendant Diamond shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights and benefits of California Civil Code §1542, 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.

Each of the plaintiffs in the Actions, Settlement Class Members and nominal defendant Diamond shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. Each of the plaintiffs in the Actions, Settlement Class Members and nominal defendant Diamond 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 such plaintiff, Settlement Class Member and nominal defendant Diamond, upon the Effective Date, shall be deemed to have, 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 to the Actions acknowledge that the foregoing waiver was separately bargained for and is a key element of the settlement of which this release is a part.

IV. PRETRIAL PROCEEDINGS AND DISCOVERY IN THE LITIGATION

Counsel for the Representative Class Action Plaintiffs have conducted a thorough investigation of the claims asserted in the Litigation. This investigation has included, *inter alia*, (i) inspection and analysis of tens of thousands of pages of documents relating to Diamond; (ii) interviews with former employees of Diamond; (iii) consultation with experts in damages and hardware development; and (iv) research of the applicable law with respect to the claims asserted in the Complaint filed in the Litigation and the potential defenses thereto.

V. CLAIMS OF THE REPRESENTATIVE CLASS ACTION PLAINTIFFS AND BENEFITS OF SETTLEMENT

Representative Class Action Plaintiffs believe that the claims asserted in the Litigation have merit. However, counsel for the Representative Class Action 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 Class Action Plaintiffs also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays inherent in such litigation. Counsel for the Representative Class Action Plaintiffs also are mindful of the inherent problems of proof under and possible defenses to the violations asserted in the Litigation. Counsel for the Representative Class Action Plaintiffs believe that the settlement set forth in the Stipulation confers substantial benefits upon the Settlement Class. Based on their evaluation, Representative Class Action Plaintiffs and their counsel have determined that the settlement set forth in the Stipulation is in the best interests of the Representative Class Action Plaintiffs and the Settlement Class.

VI. DEFENDANTS' STATEMENT AND DENIALS OF WRONGDOING AND LIABILITY

Defendants have denied and continue to deny each and all of the claims and contentions alleged by the Representative Plaintiffs in the Actions. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Actions. Defendants also have denied and continue to deny, *inter alia*, the allegations that the Representative Plaintiffs or Settlement Class Members have suffered damage, that the price of Diamond common stock or call options was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Representative Class Action Plaintiffs or Settlement Class Members were harmed by the conduct alleged in the Actions.

Nonetheless, defendants have concluded that further conduct of the Actions would be protracted and expensive, and that it is desirable that the Actions be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Actions. Defendants have, therefore, determined that it is desirable and beneficial to them that the Actions be settled in the manner and upon the terms and conditions set forth in the Stipulation.

VII. TERMS OF THE PROPOSED SETTLEMENT

Defendants have paid or caused to be paid into an escrow account, pursuant to the terms of the Stipulation of Settlement dated as of October 18, 2001 (the "Stipulation"), cash in the amount of \$15 million which has been earning 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, the 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 the Representative Class Action Plaintiffs and counsel for the Representative Derivative Action Plaintiff as attorneys' fees and for reimbursement of out-of-pocket expenses. Upon approval by the Court, the sum of \$250,000 will be paid to plaintiffs' counsel in the Derivative Action 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.

VIII. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Settlement Class Members who submit valid, timely Proof of Claim forms ("Authorized Claimants") pursuant to the terms of the Plan of Allocation described below. The Plan of Allocation provides that a Settlement Class Member will be eligible to participate in the distribution of the Net Settlement Fund only if he, she or it has a net loss on all transactions in Diamond common stock and/or call options during the Settlement Class Period.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the 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 claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund 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 from transactions during the Settlement Class Period to determine if a Settlement Class Member has a claim. Only if a Settlement Class Member had a net loss, after all profits from transactions in Diamond common stock and/or call options during the Settlement Class Period are subtracted from all losses, will such Settlement Class Member be eligible to receive a distribution from the Net Settlement Fund.

A claim will be calculated as follows:

1. For shares of Diamond common stock that were *purchased on October 26, 1995 through and including January 17, 1996*, and
 - a) sold prior to January 18, 1996, the claim per share is \$0;
 - b) sold from January 18, 1996 through May 23, 1996, the claim per share is the lesser of: (i) the purchase price less the sales price, or (ii) \$9.812 (January 18, 1996 price decline);

- c) sold from May 24, 1996 through June 20, 1996, the claim per share is the lesser of: (i) the purchase price less the sales price, or (ii) \$11.562 (the sum of the January 18, 1996 and May 24, 1996 price declines);
 - d) retained at the end of June 20, 1996, the claim per share is \$15.312 (the sum of the January 18, 1996, May 24, 1996 and June 21, 1996 price declines).
2. For shares of Diamond common stock that were ***purchased January 18, 1996 through and including May 23, 1996***, and
 - a) sold prior to May 24, 1996, the claim per share is \$0;
 - b) sold from May 24, 1996 through June 20, 1996, the claim per share is the lesser of: (i) the purchase price less the sales price, or (ii) \$1.750 (May 24, 1996 price decline);
 - c) retained at the end of June 20, 1996, the claim per share is \$5.500 (the sum of the May 24, 1996 and June 21, 1996 price declines).
 3. For shares of Diamond common stock that were ***purchased on May 24, 1996 through and including June 20, 1996***, and
 - a) sold prior to June 21, 1996, the claim per share is \$0;
 - b) retained at the end of June 20, 1996, the claim per share is \$3.750 (June 21, 1996 price decline).

Call Options

1. For Call Options on Diamond common stock that were ***purchased from October 26, 1995 through and including June 17, 1996***, and
 - a) sold or expired prior to January 18, 1996, the claim per option is \$0;
 - b) sold or expired on or after January 18, 1996, the claim per option is the difference between the price paid and the proceeds received.
2. For Call Options on Diamond common stock that were ***purchased on January 18, 1996 through and including May 23, 1996***, and
 - a) sold or expired prior to May 24, 1996, the claim per option is \$0;
 - b) sold or expired on or after May 24, 1996, the claim per option is the difference between the price paid and the proceeds received.
3. For Call Options on Diamond common stock that were ***purchased on May 24, 1996 through and including June 20, 1996***, and
 - a) sold or expired prior to June 21, 1996, the claim per option is \$0;
 - b) sold or expired on or after June 21, 1996, the claim per option is the difference between the price paid and the proceeds received.

In no event shall the total recovery of purchasers of call options on Diamond common stock exceed 5% of the Net Settlement Fund.

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.

For class members who held shares at the beginning of the class period or made multiple purchases or sales during the class period, the first-in, first-out ("FIFO") method will be applied to such holdings, purchases and sales for purposes of calculating a claim. Under the FIFO method, sales of shares during the class period will be matched, in chronological order, first against shares held at the beginning of the class period. The remaining sales of shares during the class period will then be matched, in chronological order, against shares purchased during the class period.

A class member will be eligible to receive a distribution from the Net Settlement Fund only if a class member had a net loss, after all profits from transactions in Diamond Multimedia common stock during the class period are subtracted from all losses. However, the proceeds from sales of shares which have been matched against shares held at the beginning of the class period will not be used in the calculation of such net loss.

The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Settlement Class Member on equitable grounds.

IX. ORDER CERTIFYING A CLASS FOR PURPOSES OF SETTLEMENT

On January 9, 2002, the Court certified the class for settlement purposes only, as defined above.

X. PARTICIPATION IN THE SETTLEMENT 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 Actions 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' Class Action Settlement Counsel. If you choose, you may enter an 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 April 23, 2002, 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 and Release, 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.

XI. EXCLUSION FROM THE SETTLEMENT CLASS

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

Diamond Multimedia Securities Litigation
Claims Administrator
c/o 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 Diamond common stock and/or call options made during the Settlement Class Period, including the dates of purchase or sale, the number of shares or call options purchased and/or sold, and the price paid or received per share or call option for each such purchase or sale; and (3) that you wish to be excluded from the Settlement Class. YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE MARCH 11, 2002. 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.

XII. 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. The related actions will also be dismissed with prejudice.

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 class have such claims) against all Released Persons.

XIII. APPLICATION FOR FEES, EXPENSES AND AWARDS

At the Settlement Hearing, counsel for Representative Class Action Plaintiffs will request the Court to award attorneys' fees of up to 30% of the Settlement Fund, plus reimbursement of the expenses, not to exceed \$1,400,000, which were advanced in connection with the Litigation, plus interest thereon. Settlement Class Members are not personally liable for any such fees or expenses.

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

Counsel for Representative Derivative Action Plaintiff will request the Court to award \$250,000 in attorneys' fees and for reimbursement of expenses which were advanced in connection with the Derivative Action.

XIV. CONDITIONS FOR SETTLEMENT

The settlement is conditioned upon the occurrence of certain events described in the Stipulation. 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 October 31, 2000.

XV. 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, the adequacy of representation by Representative Class Action Plaintiffs' counsel, or the applications 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, received on or before March 11, 2002, by each of the following:

CLERK OF THE COURT
SUPERIOR COURT OF THE
STATE OF CALIFORNIA
SANTA CLARA COUNTY
191 North First Street
San Jose, CA 95113

Plaintiffs' Class Action Settlement Counsel

MILBERG WEISS BERSHAD
HYNES & LERACH LLP
KEITH F. PARK
ELLEN GUSIKOFF STEWART
401 B Street, Suite 1700
San Diego, CA 92101

ABBEY, GARDY, LLP
JILL S. ABRAMS
212 East 39th Street
New York, NY 10016

BERNSTEIN LITOWITZ BERGER &
GROSSMANN LLP
ALAN SCHULMAN
BLAIR A. NICHOLAS
12544 High Bluff Drive, Suite 150
San Diego, CA 92130

Plaintiff's Derivative Action Settlement Counsel

BARRACK, RODOS & BACINE
EDWARD M. GERGOSEAN
402 West Broadway, Suite 850
San Diego, CA 92101

Attorneys for Defendants

WILSON, SONSINI, GOODRICH
& ROSATI
TERRY T. JOHNSON
650 Page Mill Road
Palo Alto, CA 94304-1050

PILLSBURY WINTHROP LLP
WALTER J. ROBINSON, III
2550 Hanover Street
Palo Alto, CA 94304

The notice of objection must demonstrate the objecting Person's membership in the Settlement Class, including the number of Diamond shares and/or call options 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.

XVI. SPECIAL NOTICE TO NOMINEES

If you hold any Diamond common stock and/or call options 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:

Diamond Multimedia Securities Litigation
Claims Administrator
c/o 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 or expected to be 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 to the Claims Administrator.

XVII. 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 review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, Superior Court of the State of California, County of Santa Clara, 191 North First Street, San Jose, California.

If you have any questions about the settlement of the Litigation, you may contact Plaintiffs' Class Action Settlement Counsel by writing:

MILBERG WEISS BERSHAD
HYNES & LERACH LLP
KEITH F. PARK
ELLEN GUSIKOFF STEWART
401 B Street, Suite 1700
San Diego, CA 92101

ABBEY, GARDY, LLP
JILL S. ABRAMS
212 East 39th Street
New York, NY 10016

BERNSTEIN LITOWITZ BERGER &
GROSSMANN LLP
ALAN SCHULMAN
BLAIR A. NICHOLAS
12544 High Bluff Drive, Suite 150
San Diego, CA 92130

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.

DATED: January 9, 2002

BY ORDER OF THE SUPERIOR COURT
STATE OF CALIFORNIA
COUNTY OF SANTA CLARA