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In re ACCLAIM ENTERTAINMENT, INC. SECURITIES : MASTER FILE NO. 2:
LITIGATION : 03-CV-1270 (JS) (ETB)

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This Document Relates To: :
:
:
ALL ACTIONS. :

X

NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION, MOTION FOR ATTORNEYS' FEES AND REIMBURSEMENT OF EXPENSES AND SETTLEMENT FAIRNESS HEARING

IF YOU PURCHASED THE COMMON STOCK OF ACCLAIM FROM OCTOBER 14, 1999 THROUGH JULY 1, 2004, INCLUSIVE, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Securities and Time Period: Acclaim Entertainment, Inc. ("Acclaim" or the "Company") common stock purchased from October 14, 1999 through July 1, 2004, inclusive.

Settlement Fund: \$13,650,000 in cash (the "Settlement Fund"). The Settlement Fund is comprised of payments of: (i) \$10 million on behalf of defendants Gregory Fischbach, Edmond Sanctis, James Scoroposki and Gerard Agolia (the "Individual Defendants"), and (ii) \$3.65 million on behalf of defendant KPMG LLP ("KPMG"). Your recovery will depend on the number of shares of common stock purchased and the timing of your purchases, and any sales. Depending on the number of eligible shares of common stock that participate in the Settlement and when that common stock was purchased and sold, the estimated average recovery per share of common stock will be approximately \$0.14 before deduction of court-approved fees and expenses.

The Lawsuit: The Settlement resolves claims asserted in a class action lawsuit against the Individual Defendants (certain former officers and directors of Acclaim) and KPMG (the accounting firm that audited Acclaim's financial statements during the Class Period) (collectively, the "Defendants") over whether they and Acclaim intentionally or recklessly misrepresented the financial status of the Company to investors. See "The Status of the Lawsuit" and Question 2 below for more information.

Attorneys' Fees and Expenses: Co-Lead Counsel have litigated this Action on a contingent basis and have conducted this litigation and advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Settlement Fund, as is customary in this type of litigation. Court-appointed Co-Lead Counsel will apply to the Court for attorneys' fees not to exceed 30% of the Settlement Fund and reimbursement of out-of-pocket expenses not to exceed \$525,000, plus interest, all to be paid from the Settlement Fund. If the above amounts are requested and approved by the Court, the average cost per share of common stock will be \$0.04. Application will also be made for reimbursement to the Lead Plaintiffs for an amount not to exceed \$45,000 for reimbursement of their reasonable costs and expenses (including lost wages) directly relating to their representation of the Class.

Deadlines:

Submit Claim: November 18, 2007
Request Exclusion: September 10, 2007
File Objection: September 10, 2007

**Court Hearing on
Fairness of Settlement:**

October 2, 2007 at 2:00 pm

More Information:

Claims Administrator:
The Garden City Group, Inc.
P.O. Box 9121
Dublin, OH 43017-4121

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- Your legal rights are affected whether you act or do not act. Read this Notice carefully.

QUESTIONS? CALL 1-888-282-1241

Statement of Recovery

Lead Plaintiffs estimate that approximately 95,000,000 shares of Acclaim common stock were purchased and potentially damaged during the Class Period. Lead Plaintiffs estimate that the average recovery per share of Acclaim common stock under the Settlement will be \$0.14 per share before the deduction of attorneys' fees, costs, and expenses, as approved by the Court. The actual recovery per share will depend on: (1) the number of claims filed; (2) when Class Members purchased their shares during the Class Period; (3) whether Class Members either sold their shares during the Class Period, or held their shares past the end of the Class Period; (4) administrative costs, including the costs of notice, for the Action; and (5) the amount awarded by the Court for attorneys' fees, costs, and expenses. Distributions to Class Members will be made based on the Plan of Allocation set forth in this Notice. See the Plan of Allocation on pages 4-5.

The Circumstances of the Settlement

The principal reason for Lead Plaintiffs' consent to the Settlement is to provide a benefit to the Class. This benefit must be compared to the risk that no recovery might be achieved after contested motions, a contested trial and likely appeals, possibly years into the future. While Co-Lead Counsel believed that the claims asserted in the Complaint have merit, Co-Lead Counsel recognize that success against the Defendants was not assured, and that Lead Plaintiffs and the Class would face all of the risks associated with pursuing the Action to trial against the Defendants if they did not resolve the claims against the Defendants for the Settlement. The claims advanced by the Class involve numerous complex legal and factual issues, requiring extensive expert testimony, which would add considerably to the expenses and duration of the litigation. Furthermore, the alleged corporate wrongdoer, Acclaim, is in bankruptcy and is not a viable source of recovery for the Class. In addition, only a finite amount of insurance is available to resolve the claims against Defendants. This Settlement therefore enables the Class to recover against the Defendants without incurring any additional risk. As a result, Lead Plaintiffs believe this Settlement is a fair, reasonable, and adequate recovery for the Class.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

SUBMIT A CLAIM FORM The only way to receive a payment.

EXCLUDE YOURSELF Receive no payment. This is the only option that allows you to participate in another lawsuit against the Defendants or the Released Parties concerning the legal claims being released in this case.

OBJECT You may write to the Court if you do not like this Settlement, the Plan of Allocation, the request for attorneys' fees and expenses, or the request for reimbursement to Lead Plaintiffs for their reasonable time and expenses.

GO TO A HEARING You may ask to speak in Court about the fairness of the Settlement.

DO NOTHING Receive no payment.

- These rights and options – **and the deadlines to exercise them** – are explained in this Notice.
- The Court in charge of this case must decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and, if there are any appeals, after they are resolved. Please be patient.

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BASIC INFORMATION

1. Why Did I Receive This Notice Package?

You or someone in your family may have purchased shares of Acclaim common stock from October 14, 1999 through July 1, 2004, inclusive (the "Class Period").

If this description applies to you, you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves it and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to receive them.

2. What Is This Lawsuit About?

The lawsuit alleges violations of Sections 10(b) and 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934. The lawsuit claims that Acclaim and the Individual Defendants engaged in a series of accounting manipulations in order to inflate Acclaim's actual financial results and, more specifically, that Acclaim and the Individual Defendants made misstatements and omissions of material fact in press releases and financial statements filed with the SEC concerning Acclaim's financial and operating condition. The lawsuit also alleges that defendant KPMG, the public accounting firm responsible for auditing Acclaim's financial statements during the Class Period, issued materially false and misleading opinions for financial statements from 1999 through 2003 which were filed with the SEC and disseminated to the investing public. The lawsuit alleges that as a result of Acclaim's and the Defendants' conduct, the price of Acclaim common stock was inflated between October 14, 1999 and July 1, 2004, inclusive. Defendants deny that they did anything wrong.

3. Why Is This Action a Class Action?

In a class action, one or more people called class representatives (in this case the court-appointed Lead Plaintiffs, Penn Capital Management, Robert L. Manard and Steve Russo), sue on behalf of people who have similar claims. All of these people who have similar claims are referred to collectively as a Class, or individually as Class Members. One court resolves the issues for all Class Members, except for those who exclude themselves from the Class. The U.S. District Court for the Eastern District of New York, the Honorable Joanna Seybert, is in charge of this class action.

4. Why Is There a Settlement?

The Court did not decide in favor of Lead Plaintiffs or Defendants. Instead, both sides agreed to a settlement. That way, they avoid the cost and risks of further litigation and trial. As explained above, the Lead Plaintiffs and their attorneys think the Settlement is best for all Class Members.

WHO IS IN THE SETTLEMENT

To see if you will receive money from this Settlement, you first have to determine if you are a Class Member.

5. How Do I Know if I Am Part of the Settlement?

The Class includes: ***all persons who purchased the common stock of Acclaim from October 14, 1999 through July 1, 2004, inclusive, except those persons and entities that are excluded, as described below.***

6. What Are the Exceptions to Being Included?

You are not a Class Member if you are: Acclaim, an Individual Defendant, KPMG, a director or officer of Acclaim or KPMG, at all relevant times, a member of any Individual Defendant's immediate family, or the heir, successor or assign of any Defendant or Acclaim, or any entity in which Acclaim or any Defendant has or had a controlling interest.

If you sold Acclaim common stock between October 14, 1999 and July 1, 2004, inclusive, that alone does not make you a Class Member. You are a Class Member only if you purchased Acclaim common stock during the Class Period.

If one of your mutual funds purchased or owns shares of Acclaim common stock, that alone does not make you a Class Member.

7. I Am Still Not Sure if I Am Included.

If you are still not sure whether you are included, you can ask for free help. You can call the Claims Administrator, The Garden City Group, Inc. at 1-888-282-1241, for more information. Or you can fill out and return the claim form described in Question 10, to see if you qualify.

THE SETTLEMENT BENEFITS – WHAT YOU RECEIVE

8. What Does the Settlement Provide?

Defendants have agreed to collectively create a \$13,650,000 cash Settlement Fund, comprised of \$10 million on behalf of the Individual Defendants and \$3.65 million on behalf of KPMG. The balance of this fund, after payment of court-approved attorneys' fees and expenses, any award to the Lead Plaintiffs for reimbursement of their reasonable time and expenses, and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing notice (the "Net Settlement Fund"), will be divided among all Class Members who submit valid claim forms.

PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS

9. How Much Will My Payment Be?

If you are entitled to a payment, your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members submit, how many shares of Acclaim common stock you purchased, and when you bought and sold your shares. By following the Plan of Allocation described here, you can calculate your "Recognized Claim." The Claims Administrator will distribute the Net Settlement Fund, that is, the Settlement Fund, less taxes owed, all administrative costs, including the costs of notice, and attorneys' fees and expenses, as awarded by the Court, according to the Plan of Allocation after the deadline for submission of Proof of Claim and Release forms has passed.

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." The Recognized Claim formula is not intended to be an estimate of the amount a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

RECOGNIZED CLAIMS

Offsetting Gains and Losses

For shares purchased during the Class Period which are sold at a gain during the Class Period, such gains will be used to offset Class Period losses from shares purchased and sold during the Class Period and losses resulting from decline in value from shares purchased during the Class Period and held at the end of the Class Period.

The Basis for the Calculation of Your Recognized Claim

The following proposed Plan of Allocation reflects the proposition that the price of Acclaim common stock was artificially inflated from the beginning of the Class Period on October 14, 1999, through the end of the Class Period on July 1, 2004. In developing this Plan of Allocation for transactions in Acclaim common stock, Co-Lead Counsel have considered, among other things, the impact of the disclosures made by Acclaim on September 19, 2002, October 17, 2002, and July 1, 2004.

Recognized Claims will be calculated as follows

1. For shares of common stock purchased between October 14, 1999 and the opening of trading on September 19, 2002:
 - A. For shares sold between the opening of trading on September 19, 2002 and the close of trading on October 17, 2002, the Recognized Loss shall be the lesser of:
 - (1) \$0.51 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
 - B. For shares sold between the close of trading on October 17, 2002 and July 1, 2004, the Recognized Loss shall be the lesser of:
 - (1) \$1.04 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
 - C. For shares retained at the end of trading on July 1, 2004, the Recognized Loss shall be the lesser of:
 - (1) \$1.11 per share; or

- (2) the difference between the purchase price per share and \$0.12 per share.¹
- D. For shares sold between October 14, 1999 and the opening of trading on September 19, 2002, the Recognized Loss shall be zero.
2. For shares of common stock purchased between the opening of trading on September 19, 2002 and the close of trading on October 17, 2002:
- A. For shares sold between the close of trading on October 17, 2002 and July 1, 2004, the Recognized Loss shall be the lesser of:
- (1) \$0.53 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.
- B. For shares retained at the end of trading on July 1, 2004, the Recognized Loss shall be the lesser of:
- (1) \$0.60 per share; or
- (2) the difference between the purchase price per share and \$0.12 per share.
- C. For shares sold between the opening of trading on September 19, 2002 and the close of trading on October 17, 2002, the Recognized Loss shall be zero.
3. For shares of common stock purchased between the close of trading on October 17, 2002 and July 1, 2004:
- A. For shares retained at the end of trading on July 1, 2004, the Recognized Loss shall be the lesser of:
- (1) \$0.07 per share; or
- (2) the difference between the purchase price per share and \$0.12 per share.
- B. For shares sold between the close of trading on October 17, 2002 and July 1, 2004, the Recognized Loss shall be zero.

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. No distribution will be made on a claim where the potential distribution amount is less than \$10.00. The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds. Each Claimant is deemed to have submitted to the jurisdiction of the Court with respect to the Claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that Claimant's status as a Class Member and the validity and amount of that Claimant's claim. No discovery shall be allowed on the merits of the Action.

The date of purchase or sale is the "contract" or "trade" date and not the "settlement" date. All profits will be subtracted from all losses to determine the net recognized loss of each Class Member. Therefore, you need to list all purchases and sales of Acclaim common stock during the relevant time period. Brokerage commissions and transfer taxes paid by you in connection with your purchase and sale of Acclaim common stock should be included in the "total purchase price" and net of the "total proceeds". In processing claims, sales will be matched in chronological order, by trade date, first against the common stock held as of the close of trading on October 13, 1999 (the last day before the Class Period begins) and then against the purchases during the Class Period.

Payments will be final and conclusive against all Class Members. All Class Members whose claims are not approved by the Court will be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of the Settlement, including the terms of the Order and Final Judgment to be entered in the Action and will be barred from bringing any Settled Claim against any Released Parties (as those terms are defined in the Proof of Claim and Release form enclosed with this Notice and in the Stipulation and Agreement of Settlement (the "Stipulation"), which is available on the Internet at www.gardencitygroup.com, or through the mail upon request).

HOW YOU RECEIVE A PAYMENT – SUBMITTING A CLAIM FORM

10. How Will I Receive a Payment?

To qualify for payment, you must be an eligible Class Member and you must submit a claim form. A claim form is enclosed with this Notice. Read the instructions carefully, fill out the form, include all the documents the form requests, sign it, and mail it in an

¹ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." \$0.12 is the mean trading price of Acclaim common stock during the 90-day period beginning on July 1, 2004 and ending on September 29, 2004.

envelope postmarked no later than **November 18, 2007**. Retain a copy of everything you mail, in case the materials are lost or destroyed during shipping.

11. When Will I Receive My Payment?

The court will hold a hearing on **October 2, 2007**, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether appeals, if any, can be resolved, and resolving them can take time, perhaps several years. In addition, the Claims Administrator must process all of the Proof of Claim and Release forms. The processing is complicated and will take many months. Please be patient.

12. What Am I Giving Up By Staying in the Class?

Unless you exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants or the Released Parties about the claims being released in this Settlement. It also means that all of the Court's orders will apply to you and legally bind you and you will release your claims in this case against the Defendants. The terms of the release are included in the claim form that is enclosed.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this Settlement, but you want to keep the right to sue or continue to sue the Defendants or Released Parties on your own about the same claims being released in this Settlement, then you must take steps to exclude yourself from the Settlement. This is referred to as opting out of the Class.

13. How Do I Exclude Myself from the Settlement?

To exclude yourself from the Settlement, you must send a letter by mail stating that you want to be excluded from *In re Acclaim Entertainment, Inc. Sec. Litig.*, Master File No. 03-CV-1270 (JS)(ETB). You must include your name, address, telephone number, your signature, and the number of shares of Acclaim common stock you purchased from October 14, 1999 through July 1, 2004, inclusive, the number of shares sold during this time period, if any, and the dates of such purchases and sales. You must mail your exclusion request so that it is received no later than **September 10, 2007** to:

**Acclaim Entertainment, Inc. Securities Litigation
Exclusions
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box 9121
Dublin, OH 43017-4121**

*Please keep a copy of everything you send by mail, in case it is lost or destroyed during shipping.

You cannot exclude yourself over the phone or by e-mail. If you ask to be excluded, you are not eligible to receive any settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit and you will be unable to pursue the claims that are being released in this Settlement.

14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?

No. Unless you exclude yourself, you give up any right to sue the Defendants or the Released Parties for the claims being released by this Settlement. If you have a pending lawsuit relating to the claims being released in this case against any of the Defendants or Released Parties, speak to your lawyer in that case immediately. Remember, the exclusion deadline is **September 10, 2007**.

15. If I Exclude Myself, Can I Receive a Payment from This Settlement?

No. If you exclude yourself, do not send in a claim form. But, you may sue, continue to sue, or be part of a different lawsuit asserting the claims being released in this Settlement against the Defendants or the Released Parties.

THE LAWYERS REPRESENTING YOU

16. Do I Have a Lawyer in This Case?

The Court appointed the law firm of Schiffrin & Barroway, LLP,² Lerach Coughlin Stoia Geller Rudman & Robbins LLP and Wolf Haldenstein Adler Freeman & Herz LLP to represent you and the other Class Members. These lawyers are called Co-Lead Counsel. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

² Schiffrin & Barroway, LLP has since changed its name to Schiffrin Barroway Topaz & Kessler, LLP.

17. How Will the Lawyers Be Paid?

Co-Lead Counsel will apply to the Court for attorneys' fees not to exceed 30% of the Settlement Fund and for reimbursement of their out-of-pocket expenses up to \$525,000 (collectively, an average of \$0.04 per share of common stock), which were advanced in connection with the Action, plus interest on such fees and expenses at the same rate as earned by the Settlement Fund. *Such sums as may be approved by the Court will be paid from the Settlement Fund.* Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Co-Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. To date, Co-Lead Counsel have not been paid for their services for conducting this litigation on behalf of the Lead Plaintiffs and the Class nor for their substantial out-of-pocket expenses. The fee requested will compensate Co-Lead Counsel for their work in achieving the Settlement Fund and is well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court may, however, award less than this amount.

Lead Plaintiffs are also moving the Court to award a payment of up to \$45,000 to Lead Plaintiffs for their reasonable costs and expenses (including lost wages) directly relating to their representation of the Class.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it.

18. How Do I Tell the Court that I Do Not Like the Settlement?

If you are a Class Member, you can object to the Settlement if you do not like any part of it. To object, you must send a letter saying that you object to the Settlement in *In re Acclaim Entertainment, Inc. Sec. Litig.*, Master File No. 03-CV-1270 (JS)(ETB) and you must state the basis for your objection. Be sure to include your name, address, telephone number, your signature, the number of shares of Acclaim common stock purchased and sold from October 14, 1999 through July 1, 2004, inclusive, and the reasons you object to the Settlement. Any objection to the Settlement must be mailed or delivered such that it is received by *each of the following* no later than **September 10, 2007**:

Court:

Clerk of the Court
UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
Long Island Courthouse
100 Federal Plaza
Central Islip, NY 11722-4438

Co-Lead Counsel for Plaintiffs:

Katharine M. Ryan, Esq.
Kay E. Sickles, Esq.
Schiffirin Barroway
Topaz & Kessler, LLP
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Radnor, PA 19087

Samuel H. Rudman, Esq.
Russell J. Gunyan, Esq.
Lerach Coughlin Stoia Geller
Rudman & Robbins LLP
58 South Service Road, Suite 200
Melville, NY 11747

Mark C. Rifkin, Esq.
Wolf Haldenstein Adler Freeman & Herz LLP
270 Madison Avenue
New York, NY 10016

Counsel for Defendants Gregory Fischbach, Edmond Sanctis, and James Scroposki

Jack C. Auspitz, Esq.
Ronald G. White, Esq.
Morrison & Foerster, LLP
1290 Avenue of the Americas
New York, NY 10104-0050

Counsel for Defendant Gerard Agoglia

Richard Levine, Esq.
Paul A. Ferrillo, Esq.
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153

Counsel for KPMG LLP

Joseph T. Baio, Esq.
Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, NY 10019

19. What is the Difference Between Objecting and Excluding?

Objecting is simply telling the Court that you do not like something about the Settlement, the Plan of Allocation, the application for attorneys' fees and expenses or the request for an award to the Lead Plaintiffs. You can object **only if** you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S SETTLEMENT FAIRNESS HEARING

20. When and Where Will the Court Decide Whether to Approve the Settlement?

The Court will hold a fairness hearing at **2:00 p.m., on October 2, 2007**, at the Long Island Courthouse, 100 Federal Plaza, Central Islip, NY 11722-4438. At this hearing the Court will consider whether the Settlement and the Plan of Allocation are fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have requested in writing by **September 10, 2007** to speak at the hearing. The Court may also consider Co-Lead Counsel's application for attorneys' fees and reimbursement of expenses and whether to make an award to the Lead Plaintiffs.

21. Do I Have to Come to the Hearing?

No. Co-Lead Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

22. May I Speak at the Hearing?

You may ask the Court for permission to speak at the Fairness Hearing. To do so, you must send a letter stating your intention to appear in *In re Acclaim Entertainment, Inc. Sec. Litig.*, Master File No. 03-CV-1270 (JS)(ETB). Be sure to include your name, address, telephone number, your signature, and the number of shares of Acclaim common stock purchased from October 14, 1999 through July 1, 2004, inclusive. Your notice of intention to appear must be received no later than **September 10, 2007**, and be sent to the Clerk of the Court, Co-Lead Counsel, and Defendants' Counsel, at the addresses listed in Question 18. You cannot speak at the hearing if you exclude yourself from the Settlement.

IF YOU DO NOTHING

23. What Happens if I Do Nothing at All?

If you do nothing, you will receive no money from this Settlement. But, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants or the Released Parties about the same claims being released in this Settlement.

OBTAINING MORE INFORMATION

24. Are There More Details About the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation dated as of May 8, 2007. You can obtain a copy of the Stipulation or more information about the Settlement by visiting www.gardencitygroup.com or by writing to one of Co-Lead Counsel listed above in Question 18. You can also obtain a copy of the Stipulation from the Clerk's office at the United States District Court for the Eastern District of New York, Long Island Courthouse, 100 Federal Plaza, Central Islip, NY 11722-4438, during regular business hours.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

SPECIAL NOTICE TO NOMINEES

If you hold shares of any Acclaim common stock purchased from October 14, 1999 through July 1, 2004, inclusive, as nominee for a beneficial owner, then, the Court has Ordered that within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such Persons; or (2) provide a list of the name and addresses of such Persons to the Claim Administrator:

**Acclaim Entertainment, Inc. Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box 9121
Dublin, OH 43017-4121**

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claim 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 which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: July 20, 2007

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF
NEW YORK

QUESTIONS? CALL 1-888-282-1241