

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK**

BARRY BLANK, on behalf of himself and
all others similarly situated,

Plaintiff,

-against-

VICTOR JACOBS, et. al,

Defendants.

Civil Action No. 03-C V-2353
(Consolidated No. 03-C V-2111)

**NOTICE OF PENDENCY OF CLASS ACTION, PROPOSED SETTLEMENTS,
MOTION FOR ATTORNEYS' FEES AND EXPENSES AND LEAD PLAINTIFFS'
COSTS AND EXPENSES AND SETTLEMENT FAIRNESS HEARING**

**TO: ALL PERSONS WHO PURCHASED OR ACQUIRED CLASS A COMMON STOCK
OF ALLOU HEALTH & BEAUTY CARE, INC. ("ALLOU") BETWEEN JUNE 22,
1998 AND APRIL 9, 2003, INCLUSIVE**

This Notice of Pendency of Class Action, Proposed Settlements, Motion for Attorneys' Fees and Expenses and Lead Plaintiffs' Costs and Expenses and Settlement Fairness Hearing (the "Notice") is given pursuant to Rule 23 of the Federal Rules of Civil Procedure to inform you of (1) the proposed settlements with the last remaining defendants Arthur Andersen LLP ("Arthur Andersen") and KPMG LLP ("KPMG"); (2) the proposed claims administration process in regard to the aggregate amount of \$1,750,000 from all settlements in this Action less court awarded litigation expenses of Lead Plaintiffs; (3) the application by Counsel for Lead Plaintiffs for an award of attorneys' fees and reimbursement of litigation expenses; and (4) the hearing (the "Settlement Hearing") to be held by United States District Court for the Eastern District of New York (the "Court") to consider the fairness, reasonableness and adequacy to the Settlement Class of the proposed settlements with defendants Arthur Andersen and KPMG and the application of Counsel for Lead Plaintiffs for an award of attorneys' fees and expenses, and award of costs and expenses to Lead Plaintiffs, and the allocation of the settlement fund among Settlement Class Members. All capitalized terms not defined prior to their use in this Notice have the meanings set forth in Section IX, below.

I. STATEMENT OF PLAINTIFFS' RECOVERY

The Andersen Settlement will result in the creation of a cash settlement fund in the aggregate principal amount of Five Hundred Thousand Dollars (\$500,000) and the KPMG Settlement will result in the creation of a cash settlement fund in the aggregate principal amount of Seven Hundred Thousand Dollars (\$700,000) plus interest that may accrue thereon (the "Gross Settlement Fund"), which, subject to deduction for attorneys' fees, costs and expenses as approved by the Court. The amounts to be paid by Arthur Andersen and KPMG are in addition to the \$550,000 paid as a result of previous settlements with Allou's outside directors and Mayer Rispler & Company P.C. (the "Prior Settlements"), notices of which were previously sent to members of the Class.

Pursuant to the Andersen Settlement, the KPMG Settlement and the Prior Settlements, the Gross Settlement Fund totaling \$1,750,000 in cash, plus interest, has been established. Lead Plaintiffs estimate that there were approximately 6.25 million shares of Allou common stock that may have been damaged. A Settlement Class Member's actual recovery will be a proportion of the Gross Settlement Fund determined by that Claimant's Recognized Claim as compared to the total Recognized Claims (defined below) of all Settlement Class Members who submit valid Proofs of Claim. An individual Settlement Class Member's

payment may vary depending on the number of shares represented by the claims submitted, the purchase price for common stock purchased by the Settlement Class Member, and whether that stock was held at the end of the Settlement Class Period or sold during the Settlement Class Period.

II. STATEMENT OF POTENTIAL OUTCOME

The parties disagree on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiffs were to have prevailed on each claim alleged. Both Arthur Andersen and KPMG, as well as the other defendants that have settled claims against them, deny that they are liable to Lead Plaintiffs or the Class and deny that Lead Plaintiffs or the Class have suffered any damages. The parties also disagree about the reasons Allou's stock price declined during the Class Period.

The issues on which the parties disagree include: (1) whether Arthur Andersen and KPMG engaged in conduct that would give rise to any liability to the Settlement Class under the federal securities laws, New York common law, or any other laws; (2) whether Arthur Andersen and KPMG have valid defenses to any such claims of liability; (3) the appropriate economic model for determining the amount by which the Class A Common Stock was allegedly artificially inflated (if at all) during the Settlement Class Period; (4) the amount by which the Class A Common Stock was allegedly artificially inflated (if at all) during the Settlement Class Period; (5) the effect of various market forces influencing the trading price of Class A Common Stock at various times during the Settlement Class Period; (6) the extent to which external factors, such as general market conditions, influenced the trading price of Class A Common Stock at various times during the Settlement Class Period; (7) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Class A Common Stock at various times during the Settlement Class Period; (8) the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of the Class A Common Stock at various times during the Settlement Class Period; and (9) whether the statements made or facts allegedly omitted were false, material or otherwise actionable under the federal securities or other laws.

III. STATEMENT OF ATTORNEYS' FEES AND COSTS SOUGHT

Counsel for Lead Plaintiffs are moving the Court to award attorneys' fees not to exceed 30% of the Gross Settlement Fund, with interest, and for reimbursement of expenses incurred in connection with the prosecution of this Action, in an amount not to exceed \$150,000. Counsel for Lead Plaintiffs have expended considerable time and effort in the prosecution of this litigation on a contingent fee basis, and have advanced the expenses of the litigation, in the expectation that if they were successful in obtaining a recovery for the Class, they would be paid from such recovery. Lead Plaintiffs are also seeking reimbursement for reasonable costs and expenses directly relating to the representation of the Class in this action in an aggregate amount not to exceed \$25,000.

IV. REASONS FOR SETTLEMENT

Lead Plaintiffs believe that the Settlement is fair, reasonable, and adequate to the Members of the Settlement Class. Lead Plaintiffs and their counsel have reached this conclusion after investigating and considering, among other things, the strengths and weaknesses of the Lead Plaintiffs' claims against Arthur Andersen and KPMG, Arthur Andersen's and KPMG's defenses to those claims, the uncertainties of this complex litigation, and the benefit provided by the Settlement to the Members of the Settlement Class. Lead Plaintiffs also are mindful of the inherent problems of proof under, and possible defenses to, the violations asserted in the Action. Lead Plaintiffs have also taken into account that other plaintiffs and creditors that are parties to or beneficiaries of the Bankruptcy Stipulation have asserted claims for monetary damages and repayment of debt in amounts substantially in excess of the damages claimed by Lead Plaintiffs and the Class and that the funds available to pay such claims or respond to judgments in those actions are limited. *See* Section VII.

V. IDENTIFICATION OF ATTORNEYS' REPRESENTATIVES

Any questions regarding the proposed settlements should be directed to Counsel for Lead Plaintiffs:

Stephen T. Rodd
Stephanie Amin-Giwner
Abbey Spanier Rodd & Abrams, LLP
212 East 39th Street
New York, NY 10016
(212) 889-3700

PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE RELATES TO THE PROPOSED SETTLEMENT OF THIS ACTION AND, IF YOU ARE A SETTLEMENT CLASS MEMBER, CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHTS CONCERNING THE SETTLEMENTS AS FURTHER DESCRIBED BELOW.

EXCLUSION DEADLINE: REQUESTS FOR EXCLUSION MUST BE POSTMARKED NO LATER THAN NOVEMBER 5, 2010.

SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE THE INSTRUCTIONS IN SECTION XV BELOW.

VI. WHY YOU RECEIVED THIS PACKAGE

You may have purchased or otherwise acquired, for yourself or on behalf of someone else, the common stock of Allou between June 22, 1998 and April 9, 2003, inclusive.

The Court directed that this Notice be sent to Settlement Class Members because they have a right to know about proposed settlements of a class action lawsuit, and about all of their options, before the Court decides whether to approve the settlements. If the Court approves the settlements, and after objections and appeals are resolved, an administrator appointed by the Court will make the payments that these settlements and the Prior Settlements allow. This package explains the lawsuit, the settlements, Settlement Class Members' legal rights, what benefits are available, who is eligible for them and how to get them.

The Court in charge of the case is the United States District Court for the Eastern District of New York and the case is captioned *Blank v. Jacobs, et al.*, Civil Action No. 03 Civ. 2111 (CONSOLIDATED). This case was assigned to United States District Judge Joanna Seybert.

The parties to the settlements described herein are Lead Plaintiffs and Defendants Arthur Andersen and KPMG, two of Allou's external auditors during the Class Period. In the event that the settlements are approved, Arthur Andersen and KPMG will be released from all Released Claims, as defined below.

VII. BACKGROUND OF THE LITIGATION

Arthur Andersen and KPMG were named as two of several defendants in the Action. Both Arthur Andersen and KPMG moved to dismiss the Consolidated Amended Class Action Complaint on the grounds that it failed to allege facts that would sustain a claim that they engaged in any actionable conduct. On September 20, 2004, the Court granted the motions to dismiss but granted Plaintiffs leave to file a Second Consolidated Amended Class Action Complaint. On October 18, 2004, Plaintiffs filed the Second Consolidated Amended Class Action Complaint which Arthur Andersen and KPMG moved to dismiss. In an Order dated September 30, 2005, the Court granted, in part, and denied, in part, the motions to dismiss and ordered Plaintiffs to file a Third Consolidated Amended Class Action Complaint. On September 18, 2006, Plaintiffs filed the Third Consolidated Amended Class Action Complaint (the "Third Amended Complaint") which both Arthur Andersen and KPMG, again, moved to dismiss. On September 30, 2007, the Court granted, in part, and denied, in part, the motions. On September 30, 2009, the Court denied Lead Plaintiffs' motion for class certification without prejudice and with leave to renew. Such renewed motion has been made.

VIII. BACKGROUND OF THE SETTLEMENT

Counsel for Lead Plaintiffs have conducted an investigation relating to the claims and underlying events alleged in the complaint. Lead Plaintiffs, by their counsel, have conducted arm's-length negotiations with counsel for Arthur Andersen and counsel for KPMG with a view toward settling the issues in dispute and achieving the best result possible consistent with the interests of the Settlement Class.

Based upon their investigation, Lead Plaintiffs have concluded that the terms of both the Andersen and KPMG Settlements as set forth in the respective stipulations are fair, reasonable, and adequate to Lead Plaintiffs and the Settlement Class, and in the best interest of Lead Plaintiffs and the Settlement Class, and have agreed to settle the Action pursuant to the terms and provisions of the Andersen Stipulation and the KPMG Stipulation, after considering (1) the benefits that Lead Plaintiffs and the Settlement Class will receive from the settlements; (2) the attendant risks of litigation; and (3) the desirability of permitting the settlements to be consummated as provided by the terms of the stipulations.

Both Arthur Andersen and KPMG have denied and continue to deny each and all of the claims and allegations of wrongdoing made by the Lead Plaintiffs in the Action and maintain furthermore that they have meritorious defenses. Arthur Andersen and KPMG have expressly 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 Action, and vigorously contend that many of the factual allegations relating to them are materially inaccurate. Arthur Andersen and KPMG also have denied and continue to deny, *inter alia*, the allegations that Lead Plaintiffs or the Settlement Class Members were harmed by their conduct. The Andersen Stipulation and the KPMG Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession by Arthur Andersen or KPMG with respect to any claim of any fault or liability or wrongdoing or damage whatsoever.

Nonetheless, Arthur Andersen and KPMG have concluded that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Andersen and KPMG Stipulations. Arthur Andersen and KPMG also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Action. Arthur Andersen and KPMG have, therefore, determined that it is desirable and beneficial to them that the Action be settled in the manner and upon the terms and conditions set forth in the respective stipulations.

THIS NOTICE IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, AN EXPRESSION OF ANY OPINION BY THE COURT WITH RESPECT TO THE TRUTH OF THE ALLEGATIONS IN THE ACTION OR THE MERITS OF THE CLAIMS OR DEFENSES ASSERTED. THIS NOTICE IS SOLELY TO ADVISE YOU OF THE PENDENCY OF THE ACTION AND THE PROPOSED SETTLEMENTS THEREOF AND OF YOUR RIGHTS IN CONNECTION THEREWITH.

IX. DEFINITIONS

As used in this Notice, the following terms have the meanings specified below. Any capitalized terms not specifically defined in this Notice shall have the meanings set forth for such terms in the Andersen Stipulation and the KPMG Stipulation. In the event of any inconsistency between any definition set forth below or elsewhere in this Notice and any definition set forth in the Stipulations, the definition set forth in the Stipulations shall control.

A. "Action" means the actions brought on behalf of all purchasers (and their beneficiaries) of Class A Common Stock of Allou from June 22, 1998 through April 9, 2003, inclusive (excluding Defendants, the officers and directors of Allou, and members of their immediate families or their successors, heirs, and legal representatives), proceeding as a consolidated action captioned Blank v. Jacobs, et al., No. 03-CV-2111 (E.D.N.Y.).

B. "Allou" means Allou Health & Beauty Care, Inc. and all of its past and present parents, subsidiaries, divisions, joint ventures, predecessors, successors, assigns, related or affiliated entities, and any entity in which any of them has a controlling interest.

C. "Andersen Releasees" means (i) Arthur Andersen; (ii) AWSC Société Cooperative, en liquidation; (iii) the respective past and present subsidiaries, parents, successors, and predecessors, member firms, affiliates, related entities, and divisions of the entities described in (i) and (ii) hereinabove; (iv) the respective past and present shareholders, members, partners and employees, principals, participating principals, national directors, managing or other agents, management personnel, advisors, officers, directors, administrators, attorneys, consultants, accountants, servants, and representatives of any other kind (and any officers, directors, members or shareholders of any of the foregoing which are not natural persons) of the entities described in (i), (ii) and (iii) hereinabove, in their capacities as such; (v) all heirs, spouses, estates, executors, administrators, successors, and assigns of the persons described in (iv) hereinabove; and (vi) insurers and reinsurers of those persons and entities identified in (i), (ii) and (iii) hereinabove, in their capacities as insurers or reinsurers of those identified in such paragraphs.

D "Authorized Claimant" means any Settlement Class Member who is entitled to a distribution from the Gross Settlement Fund pursuant to the terms of the Stipulation, any Plan of Allocation, or any order of the Court.

E. "Counsel for Lead Plaintiffs" means Abbey Spanier Rodd & Abrams, LLP (and any successors thereof), 212 East 39th Street, New York, New York 10016, Telephone (212) 889-3700.

F. "Court" means the United States District Court for the Eastern District of New York.

G. "Defendants" means each and all of the defendants that have been or may be named in the complaint in the Action.

H. "Effective Date" means the first date by which all of the events and conditions specified in ¶7.1 of the Stipulation have occurred and have been met, respectively.

I. "Final" means, with respect to any order of court, including, without limitation, the Judgment, that such order represents a final and binding determination of all issues within its scope and is not subject to further review on appeal or otherwise. Without limitation, an order becomes "Final" when: (1) where no appeal has been filed and the prescribed time for taking any appeal has expired; or (2) where an appeal has been filed, either (a) the appeal has been dismissed and the prescribed time, if any, for taking any further appeal has expired, or (b) the order has been affirmed in its entirety and the prescribed time, if any, for taking any further appeal has expired. For purposes of this paragraph, an "appeal" includes appeals as of right, discretionary appeals, interlocutory appeals, proceedings involving writs of certiorari or mandamus, and any other proceedings of like kind. Any appeal pertaining solely to any Plan of Allocation, or to any application for attorneys' fees and expenses, shall not in any way delay or preclude the Judgment from becoming Final.

J. "Gross Settlement Fund" means the Settlement Amount.

K. "Judgment" means a judgment to be rendered by the Court, substantially in the form attached to the Stipulation as Exhibit A.

L. "Lead Plaintiffs" means Lead Plaintiffs REG Partners, LP and Robert Herpst and Proposed Lead Plaintiffs and Class Representatives Charles Coco, Jr. and Edward J. Desautels.

M. "Notice and Claims Administrator" means Berdon Claims Administration, LLC, P.O. Box 9014, Jericho, New York 11753-8914.

N. "Person" means an individual, corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof,

and any business or legal entity and any spouses, heirs, predecessors, successors, representatives, or assignees of any of the foregoing.

O. “Plan of Allocation” means the plan or formula of allocation of the Gross Settlement Fund (as defined above), to be approved by the Court, whereby the Net Settlement Fund shall in the future be distributed to Authorized Claimants. The Plan of Allocation is not part of either the Andersen Stipulation or the KPMG Stipulation and Arthur Andersen and KPMG shall have no responsibility or liability with respect thereto. The Plan of Allocation is attached as an exhibit hereto.

P. “Proof of Claim and Release” means the form included herewith, by which Settlement Class Members may make claims against the Settlement Fund for damages allegedly incurred by reason of their investment(s) in Class A Common Stock.

Q. “Released Claims” means all claims, actions, causes of action, suits, debts, dues, accounts, disputes, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions and demands whatsoever arising out of or in any way relating to purchases or other acquisitions of Class A Common Stock of Allou during the Settlement Class Period, or Allou, or any work performed for or with respect to Allou (including but not limited to acts, omissions, opinions, statements, dealings, or conduct) by Arthur Andersen, KPMG or any of Arthur Andersen’s or KPMG’s affiliates, predecessors, successors, assigns, agents, employees, former agents or employees, partners, principals, former partners or principals, or any other persons or entities controlled by, or under common control with, Arthur Andersen or KPMG, whether or not those claims were referred to or asserted in the Class Action, and whether they arise in tort, contract, or any other legal theory, and whether based on federal, state, local, statutory, or common law, or any other law, rule or regulation, including without limitation claims under the Securities Exchange Act of 1934 and the Securities Act of 1933, including both known and Unknown Claims, which the Lead Plaintiff or Settlement Class Member ever had, now have, or hereafter can, shall or may have, whether in their own right or by assignment, transfer or grant from any other person, thing or entity, upon or by reason of any matter, cause or thing whatsoever from the beginning of time through and including the date of execution of this Stipulation.

R. “Aggregate Settlement Amount” means the principal amount of \$1,750,000 as a result of the Prior Settlements, the Andersen Settlement and the KPMG Settlement.

S. “Settlement Class” means all Persons (and their beneficiaries) who purchased or acquired Class A Common Stock of Allou between June 22, 1998 and April 9, 2003, inclusive (“Class A Common Stock”). Excluded from the Settlement Class are Defendants, the officers and directors of Allou, and members of their immediate families or their successors, heirs, and legal representatives. Also excluded from the Settlement Class are those Persons who timely and validly request exclusion from the Settlement Class, to the extent that they are able to do so under Rule 23 of the Federal Rules of Civil Procedure, pursuant to this Notice.

T. “Settlement Class Member” or “Member of the Settlement Class” means a Person who falls within the definition of the Settlement Class, together with all of their respective past and present officers, directors, partners, principals, shareholders, members, employees, managing or other agents, insurers, attorneys, and other representatives, and each of their respective heirs, executors, predecessors, successors, and assigns.

U. “Settlement Class Period” means the period commencing on June 22, 1998 through April 9, 2003, inclusive.

V. “Unknown Claims” means any Released Claim that any Lead Plaintiff or Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of Arthur Andersen and/or KPMG that if known by him, her or it, might have affected his, her or its settlement with and release of Arthur Andersen and/or KPMG, 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 Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiffs shall expressly waive, and each of the Settlement Class Members shall be deemed to have waived and by operation of the Judgment shall have 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.

Upon the Effective Date, Lead Plaintiffs shall expressly waive, and each of the Settlement Class Members shall be deemed to have waived and by operation of the Judgment shall have 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, that is similar, comparable or equivalent to California Civil Code §1542. Lead Plaintiffs and Settlement Class Members may hereafter discover facts in addition to or different from those that any of them now knows or believes to be true with respect to the subject matter of the Released Claims, but each Lead Plaintiff shall expressly have, and each Settlement Class Member 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, that 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 that is negligent, reckless, 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. Lead Plaintiffs acknowledge, and the Settlement Class Members shall be deemed to have acknowledged, and by operation of the Judgment shall have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

X. RECEIVING YOUR SHARE OF THE SETTLEMENTS

To be eligible to receive money from the Andersen Settlement, the KPMG Settlement and the Prior Settlements, you must be a Settlement Class Member who has a recognized loss.

The Court directed that, for purposes of the proposed settlements, everyone who fits this description is a Settlement Class Member: *All persons who purchased or acquired Class A common stock of Allou Health & Beauty Care, Inc. between June 22, 1998 and April 9, 2003, inclusive.* Excluded from the Settlement Class are Defendants, the officers and directors of Allou, members of their immediate families or their successors, heirs and legal representatives. Also excluded from the Settlement Class are those persons who timely and validly request exclusion from the Settlement Class, to the extent that they are able to do so under Rule 23 of the Federal Rules of Civil Procedure pursuant to the Notice.

If you are still not sure whether you are included, you can ask for free help. You can contact the Claims Administrator at (800) 766-3330, you can visit www.berdonclaims.com for more information, or you can fill out and return the Proof of Claim form attached to this Notice to see if you qualify.

XI. THE SETTLEMENT CLASS

By Order dated August 18, 2010, preliminarily approving the Andersen Settlement and the KPMG Settlement, the Court certified the Settlement Class pursuant to Rule 23(b)(3) of the Federal Rules of Civil Procedure, for the purpose of the settlements only, and directed that this Notice be given to Members of the Settlement Class. If you fall within the definition of the Settlement Class set forth above at Section IX, S., then you are a Settlement Class Member.

XII. THE RIGHTS OF SETTLEMENT CLASS MEMBERS

If you are a Settlement Class Member, you may receive the benefit of, and you will be bound by, the terms of the Andersen Settlement and the KPMG Settlement as described in Section XIII of this Notice, upon final approval of the settlements by the Court.

Your share of the Gross Settlement Fund will depend on the total value of the Recognized Claims (defined below) represented by the valid Proof of Claim forms that Settlement Class Members send in, how many shares of Allou common stock you bought, how much you paid for them, and whether that stock was held at the end of the Settlement Class Period or sold during the Settlement Class Period. Your payment will be your Recognized Claim divided by the total of everyone's Recognized Claims.

To qualify for payment, you must submit a completed, signed and documented Proof of Claim form to the Claims Administrator. You may use the Proof of Claim form that accompanies this Notice, or you may download a Proof of Claim form from the Claims Administrator's website at www.berdonclaims.com. Read the instructions carefully, fill out the Proof of Claim form, include all the required documents, sign it, and mail it **postmarked no later than January 12, 2011**.

If you are a Member of the Settlement Class and if you do not wish to be included in the Settlement Class and do not wish to participate in the Prior Settlements, the Andersen Settlement and the KPMG Settlement, you may request to be excluded with respect to all Released Claims. If you do not exclude yourself in the manner described below, you will remain in the Settlement Class and upon the Effective Date, you will release all Released Claims against Arthur Andersen and KPMG.

To request to be excluded in accordance with the preceding paragraph, you must send a signed, written request to be excluded, **postmarked no later than November 5, 2010**, and addressed to the Claims Administrator as follows:

Allou Securities Litigation
c/o Berdon Claims Administration LLC – EXCLUSIONS
P.O. Box 9014
Jericho, NY 11753-8914

you must set forth the name of this Action (*Blank v. Jacobs, et al.*, No. 03-CV-2111 (Consolidated)), your name, address and telephone number, and state that you "request exclusion from the Settlement Class in *Blank v. Jacobs, et al.*, No. 03-CV-2111 (Consolidated)." You must also set forth the number and type of shares of Class A Common Stock that you purchased and sold during the Settlement Class Period and the prices at which the shares were purchased and sold, along with the name and address of the record owner of such shares if different from your own. **NO PERSON OR ENTITY MAY EXCLUDE HIMSELF, HERSELF, OR ITSELF FROM THE SETTLEMENT CLASS AFTER NOVEMBER 5, 2010.**

If you validly request exclusion from the Settlement Class: (1) you will be excluded from the Settlement Class; (2) you will not share in the proceeds of the Andersen Settlement or the KPMG Settlement as described herein; (3) you will not be bound by any judgment entered in the Action insofar as such judgment relates to the Action; and (4) you will not be precluded, by reason of your decision to request exclusion from the Settlement Class, from otherwise prosecuting an individual claim, if timely and otherwise valid, against Arthur Andersen and/or KPMG based on the matters complained of in the Action.

XIII. THE PROPOSED SETTLEMENTS

Settlements have been reached in the Action between Lead Plaintiffs and Arthur Andersen and Lead Plaintiffs and KPMG, the terms and conditions of which are set forth in the Andersen Stipulation, the KPMG Stipulation and the Exhibits thereto. The following description of the settlements is only a summary, and reference is made to the text of the respective stipulations, on file with the Court, for a full statement of their provisions.

A. The Settlement Fund

The Gross Settlement Fund consists of the aggregate principal amount of One Million, Seven Hundred Fifty Thousand Dollars (\$1,750,000) in cash, plus interest thereon, to be placed into an interest-bearing account. Reasonable costs of this Notice (“Notice and Administrative Costs”) will be paid from funds made available pursuant to the Stipulations of Settlement in the bankruptcy proceeding entitled *In re Allou Distributors, Inc., et al.*, Case No. 03-82321-511 (ESS) (Bankr. E.D.N.Y.), in connection with the Prior Settlements, the Andersen Settlement and the KPMG Settlement.

B. Counsel for Lead Plaintiffs and the Class

The Court has ordered that the law firm of Abbey Spanier Rodd & Abrams, LLP will represent all Class Members as Lead Counsel. You will not be separately charged for these lawyers. The Court will determine the amount of Counsel for Lead Plaintiffs’ fees and expenses, which will be paid from the Gross Settlement Fund to Abbey Spanier Rodd & Abrams, LLP. Counsel for Lead Plaintiffs are asking the Court to award attorneys’ fees in an amount not greater than 30% of the Aggregate Settlement Amount and for reimbursement of their expenses of up to \$150,000, plus interest at the same rate as earned by the Gross Settlement Fund.

C. Objecting to the Settlements

If you are a Class Member, you can object to the Andersen Settlement and/or the KPMG Settlement or any of the terms therein, the proposed Plan of Allocation, (see Plan of Allocation attached hereto) and/or the motion by Counsel for Lead Plaintiffs for an award of attorneys’ fees and expenses, and/or the award to the Lead Plaintiffs of their costs and expenses.

To object, you must send a signed letter stating the name of the case *Blank v. Jacobs et al.*, Civil Action No. 03-CV-2111 (CONSOLIDATED), and that you object to the settlements, the proposed Plan of Allocation or the motion for attorneys’ fees and expenses. You must include your name, address, telephone number, your signature, identify the date(s), price(s), and number(s) of share of Allou common stock, and, all purchases and sales of the Allou common stock that you made during the Class Period. State the reasons why you object. Your objection must be filed with the Court and served on all the following on or before November 5, 2010:

The Court:

Clerk of the Court
United States District Court
for the Eastern District of New York
100 Federal Plaza
Central Islip, NY 11722-4438

Counsel for Arthur Andersen:

Christopher Harris, Esq.
Latham & Watkins LLP
885 Third Avenue
New York, NY 10022

Counsel for Lead Plaintiffs:

Stephen T. Rodd, Esq.
Stephanie Amin-Giwner, Esq.
Abbey Spanier Rodd & Abrams, LLP
212 East 39th Street
New York, NY 10016

Counsel for KPMG:

Gary F. Bedinger, Esq.
Kevin A. Burke, Esq.
Howrey LLP
601 Lexington Avenue, 54th Floor
New York, NY 10022

D. If You Do Nothing

If you do nothing, you will get no money from these settlements and you will be precluded from starting a lawsuit, continuing with a lawsuit, or begin part of any other lawsuit against the Defendants about the Released Claims in this case ever again. You will also be deemed to have waived your right to be excluded from the settlements and will be forever barred from requesting exclusion from the settlements. To share in the Gross Settlement Fund you must submit a Proof of Claim form. To start, continue or be a part of any other lawsuit against Defendants about the Released Claims in this case, you must exclude yourself from the Settlement Class.

E. Releases

If the proposed Settlements are approved by the Court, the Court will enter an order (the “Order of Final Judgment and Dismissal”) that will dismiss the Action with prejudice. In addition, upon the Effective Date, Lead Plaintiffs and each of the Settlement Class Members, and regardless of whether any such Lead Plaintiff or Settlement Class Member ever seeks or obtains by any means, including, without limitation, by submitting a Proof of Claim and Release, any distribution from the Gross Settlement Fund, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims against the Andersen Releasees and KPMG and shall have covenanted not to sue the Andersen Releasees and KPMG with respect to all such Released Claims, and shall be permanently barred and enjoined from instituting, commencing, or prosecuting any such Released Claim against the Andersen Releasees and KPMG. In addition, subject to certain limitations set forth in the respective Stipulations, Arthur Andersen and KPMG will release Lead Plaintiffs, the Settlement Class Members and Counsel for Lead Plaintiffs from any claims relating to the prosecution of the Action. The Court shall retain jurisdiction over the Action, including, without limitation, all matters with respect to implementation and enforcement of the terms of the Andersen Stipulation and the KPMG Stipulation.

F. Settlement Fairness Hearing

A hearing (the “Settlement Hearing”) will be held on November 19, 2010 at 11:30 a.m. before the Honorable Joanna Seybert, United States District Judge, at the United States District Court for the Eastern District of New York, Long Island Courthouse, 100 Federal Plaza, Central Islip, New York 11722-4438, for the purpose of determining (1) whether the Andersen Settlement and the KPMG Settlement are fair, reasonable and adequate and should be approved by the Court and (2) whether an Order of Final Judgment and Dismissal, substantially in the form of Exhibit A to both Stipulations, should be entered herein. The Court may adjourn the Settlement Hearing from time to time and without further notice to the Settlement Class.

Any Settlement Class Member who has not requested exclusion may appear at the Settlement Hearing and be heard on, or object to, any of the foregoing matters. You may, but you are not required to, enter an appearance through counsel of your own choosing and at your own expense. However, such counsel must file his or her appearance on your behalf with the Court on or before November 5, 2010 and serve copies of such appearance on all counsel at the addresses set forth below, together with copies of all other papers and briefs to be submitted to the Court by him or her at the Settlement Hearing. If you do not enter an appearance through counsel of your own choosing, you will be represented by Counsel for Lead Plaintiffs.

The Court:

Clerk of the Court
United States District Court
for the Eastern District of New York
100 Federal Plaza
Central Islip, NY 11722-4438

Counsel for Lead Plaintiffs:

Stephen T. Rodd, Esq.
Stephanie Amin-Giwner, Esq.
Abbey Spanier Rodd & Abrams, LLP
212 East 39th Street
New York, NY 10016

Counsel for Arthur Andersen:

Christopher Harris, Esq.
Latham & Watkins LLP
885 Third Avenue
New York, NY 10022

Counsel for KPMG:

Gary F. Bedinger, Esq.
Kevin A. Burke, Esq.
Howrey LLP
601 Lexington Avenue, 54th Floor
New York, NY 10022

Unless otherwise ordered by the Court, any Settlement Class Member who does not make his, her or its objection in the manner provided shall be deemed to have waived all objections to the foregoing matters.

You do not need to go to the Fairness Hearing to have your written objection considered by the Court. At the Fairness Hearing, any Settlement Class Member who has not previously submitted a request for exclusion from the Settlement Class and who has complied with the procedures submitting an objection, may also appear and be heard, to the extent allowed by the Court. Any such objector may appear in person or arrange, at that objector's expenses, for a lawyer to represent the objector at the Hearing.

XIV. PLAN OF ALLOCATION

A. Plan of Allocation of Gross Settlement Fund

The Gross Settlement Fund (\$1,750,000 in cash plus interest earned thereon less taxes, approved costs, fees and expenses) shall be distributed to members of the Settlement Class who submit valid Proofs of Claim.

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Gross Settlement Fund based upon each Authorized Claimant's Recognized Claim. The Recognized Claim formula is not intended to be an estimate of the amount of what a Settlement Class Member lost or 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 settlements. The Recognized Claim formula is simply the basis upon which the Gross Settlement Fund will be proportionately allocated to the Authorized Claimants.

For the purposes of the distributing the Gross Settlement Fund, the Recognized Claims shall be calculated as follows:

1. For each share of Allou Class A common stock purchased between June 22, 1998 and November 7, 2002, inclusive and:
 - a. Sold prior to the close of trading on November 7, 2002, the Recognized Loss is \$0.00;
 - b. Sold at a loss between November 8, 2002 and April 8, 2003, the Recognized Loss shall be the lesser of (i) \$1.75 per share; or (ii) the difference between the purchase price per share and the sales price per share;
 - c. Sold at a loss on April 9, 2003, the Recognized Loss shall be the lesser of: (i) \$2.12 per share; or (ii) the difference between the purchase price per share and the sales price per share;
 - d. Held as of the close of trading on April 9, 2003, the Recognized Loss shall be the lesser of (i) \$3.19 per share; or (ii) the difference between the purchase price and \$0.10 per share, if greater than zero.¹
2. For each share of Allou Class A common stock purchased between November 8, 2002 and April 8, 2003, inclusive and:
 - a. Sold prior to the close of trading on April 8, 2003, the Recognized Loss is \$0.00;
 - b. Sold at a loss on April 9, 2003, the Recognized Loss shall be the lesser of: (i) \$0.37 per share; or (ii) the difference between the purchase price per share and the sales price per share;
 - c. Held as of the close of trading on April 9, 2003, the Recognized Loss shall be the lesser of (i) \$1.44 per share; or (ii) the difference between the purchase price and \$0.10 per share, if greater than zero.

¹ The closing price for Allou on August 6, 2003, was \$0.10. That date is the first day for which there is trading data for Allou following the April 9, 2003 Chapter 11 announcement.

3. For each share of Allou Class A common stock purchased on April 9, 2003 and:
 - a. Sold prior to the close of trading on April 9, 2003, the Recognized Loss is \$0.00;
 - b. Held as of the close of trading on April 9, 2003, the Recognized Loss shall be the lesser of (i) \$1.07 per share; or (ii) the difference between the purchase price and \$0.10 per share, if greater than zero.

B. General Provisions

1. The date of a purchase or sale of Allou Class A common stock is the trade date, and not the settlement date.

2. The first-in, first-out basis (“FIFO”) will be applied to both purchases and sales.

3. Exercises of options contracts will be considered purchases or sales of Allou Class A common stock. Option premiums will be incorporated into the final purchase/sale price of Allou Class A common stock accordingly.

4. The price per share, paid or received, should exclude all commissions, taxes and fees.

5. The date of covering a “short sale” is deemed to be the date of purchase of Allou Class A common stock; and the date of a “short sale” is deemed to be the date of sale of Allou Class A common stock. For the shares of Allou Class A common stock originally sold short prior to the Settlement Class Period here shall be no Recognized Claim.

6. The receipt or grant of an *inter vivos* gift or a distribution from an estate of Allou Class A common stock during the Settlement Class Period shall not be deemed to be a purchase of Allou Class A common stock for purposes of submitting a claim. However, the recipient of a gift or distribution from an estate of Allou Class A common stock shall be eligible to file a Proof of Claim and participate in the Settlements to the extent the particular donor or decedent as the actual purchaser of such Allou Class A common stock would have been eligible, and based upon the circumstances of such purchase within the Settlement Class Period; however, donee and donor may not both claim with regard to the same Allou Class A common stock. If both donor and donee make such a claim, only the claim filed by the donor will be honored.

7. No cash payment will be made on a claim where the potential distribution amount is \$10 or less.

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

9. No person shall have any claim against Counsel for Lead Plaintiffs, the Claims Administrator or other agent designated by Counsel for Lead Plaintiffs, or any Released Person or their counsel based on the distribution made substantially in accordance with the Andersen Stipulation, the KPMG Stipulation and/or this Plan of Allocation, or further orders of the Court.

10. Settlement Class Members who do not submit valid Proofs of Claim will not share in the settlement proceeds. Settlement Class Members who do not either submit a request for exclusion or submit a valid Proof of Claim will nevertheless be bound by the settlements and the Order and Final Judgment of the Court dismissing the Action.

11. Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the settlements. If any funds remain in the Gross Settlement Fund by reason of un-cashed checks or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Settlement Class Members who are entitled to participate in the distribution of the Gross Settlement Fund cash their distributions, any balance remaining in the Gross Settlement Fund one (1) year after the initial

distribution of such funds shall be re-distributed to Settlement Class Members who have cashed their initial distributions and who would receive at least \$10 from such re-distribution, after payment of any unpaid costs or fees incurred in administering the Gross Settlement Fund for such re-distribution. If six months after such re-distribution, any funds shall remain in the Gross Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Counsel for Lead Plaintiffs.

XV. NOTICE TO BANKS, BROKERS AND OTHER NOMINEES

Pursuant to an Order of the Court, Banks, brokerage firms, institutions, and other persons who are nominees that purchased Allou Class A Common Stock, CUSIP # 01978210 I, for the beneficial interest of other persons as of any date from June 22, 1998 through and including April 9, 2003 are to, within ten (10) calendar days of receipt of this Notice, (1) provide the Notice and Claims Administrator with the names and addresses of such beneficial owners, **preferably in an MS Excel data table setting forth: (a) title/registration; (b) street address; (c) city/state/zip; electronically in MS Word or WordPerfect files (label size Avery 5162); or on computer-generated mailing labels;** or (2) forward a copy of this Notice to each such beneficial owner and provide the Notice and Claims Administrator with written confirmation that the Notice has been so forwarded. After submission of appropriate documentation to the Notice and Claims Administrator, your reasonable costs and expenses of complying with this provision will be reimbursed from funds made available pursuant to the Bankruptcy Stipulation. You may submit beneficial owner mailing records or requests for additional copies of this Notice by contacting the Notice and Claims Administrator at:

Allou Securities Litigation
c/o Berdon Claims Administration LLC
P.O. Box 9014
Jericho, NY 11753-8914
Toll-Free Phone: (800) 766-3330
Fax: (516) 931-0810
Website: www.berdonclaims.com

XVI. EXAMINATION OF PAPERS AND INQUIRIES

This Notice contains only a summary of the terms of the Andersen Settlement and the KPMG Settlement. For a more detailed statement of the matters involved in the Action, reference is made to the pleadings, to the Andersen Stipulation, the KPMG Stipulation and other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court, at the United States District Court for the Eastern District of New York, Long Island Courthouse, 100 Federal Plaza, Central Islip, New York 11722-4438, during business hours of any business day.

The Notice and the Stipulation can also be viewed on the Notice and Claims Administrator's website at www.berdonclaims.com.

Inquiries regarding the Action should be addressed to Counsel for Lead Plaintiffs at the address set forth above.

DO NOT CONTACT THE COURT REGARDING THIS NOTICE

Dated: September 3, 2010

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