

On September 29, 2003, the parties participated in voluntary mediation of the Lawsuit, overseen by a mediator, and reached the Settlement summarized in Section IV below. After extensive investigation and discovery of, and research into, the facts and the law relating to the subject matter of the Lawsuit and any potential award, the attorneys for Named Plaintiffs and the Class ("Class Counsel") have concluded that the Settlement is in the best interest of the Class. Among the reasons for Class Counsel's support of the Settlement are the risk of denial of class certification, the inherent risks of a trial on the merits and the delay and expense associated with litigation and/or any appeals. CEC, while contending that it acted properly and lawfully at all times, recognizes that further litigation of the Lawsuit could be protracted, burdensome, and expensive, and that it is desirable to settle and terminate the claims asserted in the Lawsuit.

On _____, 200_, the Superior Court preliminarily approved the Settlement. The Superior Court will decide whether to give final approval to the Settlement at a Final Settlement Hearing scheduled for _____, 2004.

II. PURPOSE OF THIS NOTICE

The sole purpose of this Notice is to advise you of the Settlement and to describe important legal rights you may have which may be affected by the Settlement so that you can make an informed decision regarding any participation by you in the Settlement.

III. YOUR OPTIONS

If you were employed by CEC in California as a salaried Senior Manager, Manager or Technical Manager at any time during the Class Period, you fit the description of the Class. If you fit the description of the Class, you have four options. Each option will have its consequences, which you should understand before making your decision. Your rights regarding each option, and the procedure you must follow to select each option, are explained below.

Option A: You Can Participate in the Settlement.

If you want to participate in the Settlement (become a "Settlement Class Member"), you must complete and return a Claim Form to the Claims Administrator at the following address either (1) by first class U.S. Mail postmarked no later than _____ (the "Claim Response Deadline"), or (2) if not by first class mail, by a means to ensure receipt by no later than the Claim Response Deadline:

CEC Claims Administrator
c/o Rosenthal & Company LLC
35 Leveroni Court, Suite 150
Novato, CA 94948-6177
Tel: (800) 211-5201 or (415) 382-6996
Fax: (415) 382-6565

A copy of your Claim Form is attached (if you need another copy, contact the Claims Administrator). The Claim Form has been specifically prepared for you. It sets forth the number of weeks that, according to CEC's records, you worked in California as a salaried Senior Manager, Manager or Technical Manager at any time during the Class Period. If any information on the Claim Form is incorrect, please state what you believe is the correct information directly on the Claim Form. Also, please provide your telephone number and any other indicated information referred to on your Claim Form. If you want confirmation that the Claims Administrator has received your Claim Form, then you may send your Claim Form by certified U.S. Mail with a return-receipt request.

If you disagree with the number of weeks listed on the Claim Form, you may provide on the Claim Form the number of weeks that you believe is correct, together with any records or other supporting information. The Claims Administrator will review any objection filed to the number of weeks listed. Following that review, the Claims Administrator will make a determination as to the number of weeks to be used in your settlement calculation, which will be final, binding and unappealable. *Your share may be increased or decreased as a result of this process.*

CEC does not discourage you from submitting a Claim Form and will not retaliate against you for participating in the Settlement.

If you choose to participate in the Settlement, you will be bound by all the terms of the Settlement Agreement, including a full release of claims that will prevent you from separately suing CEC, its employees or any other related persons or entities for the

matters being settled in the Lawsuit. Any Class Member who does not timely submit a Claim Form, properly completed, will not receive a share of the Settlement Sum and his or her claim will be barred.

Option B: You Can Do Nothing.

If you do nothing--that is, if you do not send a timely and properly completed Claim Form--you will not be entitled to a share of the Settlement Sum. However, you will be a Class Member and bound by the terms of the Settlement Agreement, including the release of claims, even though you did not receive any money or benefits from the Settlement Sum. Therefore, you will not have the right to pursue your own claims, if any, against CEC or other related entities or persons if you do nothing.

Option C: You Can "Opt Out" or Exclude Yourself from the Class.

If you do not want to participate in the Settlement or to be a Class Member, you can exclude yourself by "opting out." To opt out, you must send a written notice containing your printed name, address, telephone number and social security number and mail the written notice to the Claims Administrator at the address listed above so that it is postmarked or actually received no later than thirty (30) days from the postmark date of this Notice (the "Opt-Out Deadline"). In the written notice, you must specifically state that you wish to be excluded from the Class in the Lawsuit entitled *Gavarrete v. CEC*, Los Angeles Superior Court, Case No. BC231226. You must personally sign the written notice. By electing to opt out of this Settlement, you will not receive the benefits of any judgment or settlement in the Lawsuit. Rather, you will remain free to pursue individually any legal rights you may have against CEC by (i) retaining your own counsel to file an individual action or (ii) filing a claim with the California Labor Commissioner. Alternatively, you may choose not to pursue any claim against CEC.

YOU SHOULD NOT OPT OUT IF YOU WISH TO PARTICIPATE IN THE SETTLEMENT OR MAKE A CLAIM IN THE SETTLEMENT, EVEN IF YOU DISPUTE THE NUMBER OF WEEKS STATED IN YOUR CLAIM FORM.

Option D: You Can Object to the Settlement.

You may object to the Settlement, personally or through an attorney, by mailing or delivering a copy of your objection to the Superior Court's clerk for filing *and* by mailing a copy of your objection to both Class Counsel and CEC's counsel at the following addresses:

Superior Court's Clerk:

111 North Hill Street
Room 224
Department 3
Los Angeles, CA 90012
Tel: 213-974-5583

Class Counsel:

Edward J. Wynne, Esq.
Edward J. Wynne, L.L.P.
456 Montgomery Street, Suite 1400
San Francisco, CA 94104
Tel: 415-983-0900

Counsel for CEC:

Mark D. Taylor, Esq.
Baker & McKenzie
2001 Ross Avenue, Suite 2300
Dallas, Texas 75201
Tel: 214-978-3000

All objections must be signed and should contain your address, telephone number, social security number and the name and number of the Lawsuit (*Gavarrete v. CEC*, Los Angeles Superior Court, Case No. BC231226). Objections must be filed with the Superior Court's Clerk in writing no later than the Claim Response Deadline. Objections mailed to Class Counsel and CEC's Counsel must be postmarked no later than the Claim Response Deadline. If you submit an objection, you may appear, personally or through an attorney, at your own expense, at the Final Settlement Hearing to present your objection directly to the Superior Court. Your objection should clearly explain why you object to the Settlement and must state whether you (or someone on your behalf) intend to appear at the Final Settlement Hearing. If you object to the Settlement and, if the Superior Court approves the Settlement, you will be bound by the terms of the Settlement in the same way as a Class Member who does not object.

If you intend to object to the Settlement, but wish to receive your share of the Settlement Sum should the Settlement be finally approved, you must also timely file a valid Claim Form. If the Superior Court approves the Settlement, despite any objections, and you do not have a Claim Form on file, you will not receive any settlement proceeds.

IV. SUMMARY OF TERMS OF SETTLEMENT AGREEMENT

The principal terms of the Settlement Agreement are summarized in this Notice. If you would like to review the Settlement Agreement in its entirety, or any other documents on file with the Superior Court, you may inspect and review the complete court files at the Office of the Clerk, Los Angeles Superior Court, 111 North Hill Street, Los Angeles, California 90012.

A. The Total Settlement Value. The "Total Settlement Value" is comprised of the monetary and non-monetary total value of the Settlement, including \$4,240,000 (the "Settlement Sum"), the \$50,000 payment towards administrative fees and costs, and the \$250,000 valuation of the Reclassification.

B. The Settlement Sum Disbursement. The Settlement Sum will be applied as follows:

1. Incentive Awards to Named Plaintiffs David Johnson and Ignacio Mendoza. Under the terms of the Settlement Agreement, Named Plaintiffs will request that the Court approve a provision that Named Plaintiffs David Johnson and Ignacio Mendoza receive up to \$5,000 each for their services as Class Representatives. If approved, the Incentive Awards will be paid from the Settlement Sum and will be in addition to any amounts that may be paid pursuant to Named Plaintiffs' submission of timely and valid Claim Forms.

2. Fees and Costs Award. Under the terms of the Settlement Agreement, Named Plaintiffs and Class Counsel will request that the Superior Court approve a provision that Class Counsel receive from the Settlement Sum an award of (1) \$1,679,800 in attorneys' fees, constituting 37% of the Total Settlement Value, and (2) costs (collectively referred to as "Fees and Costs Award"). Class Members will not be required to pay any additional fees or costs. The request for fees and costs must be approved by the Superior Court.

3. Distribution to Settlement Class Members. After payment of items 1 and 2 above, the remainder of the Settlement Sum ("the Payout Sum") will be distributed to Settlement Class Members. Each Settlement Class Member's distribution from the Payout Sum will be based on the number of weeks each Settlement Class Member worked as a salaried Senior Manager, Manager or Technical Manager in a CEC facility in California during the Class Period ("Weeks Worked"), according to each Settlement Class Member's Claim Form and as finally determined by the Claims Administrator. Deductions will be made for any and all withholdings required to be paid by an employee or employer under California or federal law.

4. Potential Redistribution. Should the Payout Sum have an outstanding balance greater than \$25,000 after payment of all Settlement Amounts to Settlement Class Members, any remaining amounts in the Payout Sum shall be redistributed to the Settlement Class Members who did timely cash their Settlement Amounts, in proportion to their respective Gross Settlement Amounts, and amended tax forms will be issued if necessary.

B. Reclassification. The Settlement Agreement provides that CEC will convert its salaried Senior Managers, Managers and Technical Managers in its California locations to non-exempt positions so that they are compensated on an hourly basis. The Reclassification has been assigned a valuation of \$250,000.

C. Release. The Settlement Agreement provides that Class Members release any claims against CEC Entertainment, Inc., its current or former subsidiaries and affiliates and each of their respective present and former officers, directors, controlling stockholders, agents, employees, insurers, co-insurers, reinsurers, attorneys, accountants, auditors, advisors, representatives, consultants, pension and welfare benefit plans, plan fiduciaries, administrators, trustees, general and limited partners, predecessors, successors and assigns (the "Released Parties") that have been asserted in the Lawsuit or that might have been asserted in the Lawsuit for any acts or omissions during the Settlement Period related to claims that CEC misclassified its salaried managers in California, including any claims that CEC did not comply with federal, state and/or local wage and hour laws.

D. Conditions of the Settlement. This Settlement is conditioned upon the Superior Court entering a Final Judgment and Order of Dismissal with Prejudice of the Lawsuit at or following the Final Settlement Hearing approving the Settlement as fair, reasonable, and adequate and in the best interests of the Class.

E. No Admission of Liability. Although CEC agrees to settle the Lawsuit, CEC does not admit any wrongdoing or liability; the Settlement is a compromise of disputed claims and does not mean that CEC violated any state or federal wage requirements, or is liable for any of the claims made by Plaintiffs.

V. FINAL SETTLEMENT HEARING

You are not required to attend the Final Settlement Hearing or to file an objection, although you may do both. The Final Settlement Hearing on the fairness and adequacy of the Settlement, the plan of distribution, Class Counsel's Fees and Costs Award and the Incentive Awards will be held on _____ at 8:30 a.m. in Department 3 of the Los Angeles Superior Court, located at 111 North Hill Street Avenue, Los Angeles, California 90012. The Final Settlement Hearing may be continued without further notice. If you plan to attend the Final Settlement Hearing, you may contact Rosenthal & Company before _____ to confirm the date and time.

You may object, personally or through an attorney, to the Settlement by following the procedures outlined in Section III, Option D above. Any Class Member who does not object in the manner provided for above, will be considered to have approved the Settlement, to have waived any objections, and shall be forever prevented from objecting to the fairness or adequacy of the Settlement, the plan of distribution of Settlement Class Members, Class Counsel's Fees and Costs Award, the Incentive Awards, the claims process or any other aspect of the Settlement. If the Settlement is not approved, the Lawsuit will continue to be prepared for a class certification hearing and trial or other judicial resolution.

VI. ADDITIONAL INFORMATION

This Notice only summarizes the Lawsuit, the Settlement Agreement and related matters. For more information, you may inspect the Superior Court files at the Office of the County Clerk, 111 North Hill Street, Los Angeles, CA 90012, from 9:00 a.m. to 4:30 p.m., Monday through Friday. Any questions regarding this Notice or Lawsuit should be sent to Rosenthal & Company at the above address and telephone number. A joint committee of Class Counsel and CEC's Counsel will respond to your questions within ten (10) days of its receipt. Alternatively, you may contact your own attorney, at your own expense, to advise you, or you may contact Class Counsel at the address and telephone number set forth above. If your address changes, or is different from the address on the envelope enclosing this Notice, please promptly notify Rosenthal & Company. It is very important that you give Rosenthal & Company your current address and that you notify them of any changes of address. If you do not do so, you may miss future payments.

VII. REMINDER AS TO TIME LIMITS

If you wish to opt-out of the proposed Settlement, you must submit a written statement requesting exclusion from the Class and return it to Rosenthal & Company by mail postmarked no later than the Opt-Out Deadline or by other means to ensure actual receipt by the Opt-Out Deadline. If you wish to submit a claim and participate in the proposed Settlement, you must complete and return the enclosed Claim Form to Rosenthal & Company by mail postmarked on or before the Claim Response Deadline or by other means to ensure actual receipt on or before the Claim Response Deadline. If you wish to object to the Settlement, you must file your objection with the Court and send a copy to Class Counsel *and* Counsel for CEC postmarked on or before the Claim Response Deadline.

**PLEASE DO NOT CONTACT THE SUPERIOR COURT WITH
INQUIRIES ABOUT THIS NOTICE OR THE SETTLEMENT.**

Dated: _____

BY ORDER OF THE COURT

THE HON. EMILIE H. ELIAS
Judge of the Superior Court