

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

JIHONG WANG, QI LI, LES AKIO OMORI, and  
ALAN BECK, individually and on behalf of all others  
similarly situated,

Plaintiffs,

v.

CHINA FINANCE ONLINE CO. LIMITED,

Defendant.

Case No.: 1-15-CV-07894-RMB

*Document Electronically Filed*

Motion Date: February 21, 2017

**DECLARATION OF JONATHAN HORNE IN SUPPORT OF MOTION FOR (A) FINAL  
APPROVAL OF SETTLEMENT AND (B) APPROVAL OF PLAN OF ALLOCATION**

I, Jonathan Horne, hereby declare as follows:

1. I am an attorney at The Rosen Law Firm, P.A., the Court-appointed Lead Counsel in this Action. I am admitted to practice law before this Court. I have personal knowledge of the facts set out below.

2. I make this Declaration solely to provide the Court with facts not available elsewhere on the docket. For a fuller account of this litigation and the reasons for Settlement, I refer the Court to Plaintiffs' Memorandum of Law In Support of Motion For (A) Final Approval of Settlement and (B) Approval of Plan of Allocation (the "Final Approval Brief") and Memorandum of Law in Support of Motion for An Award of Attorneys' Fees and Reimbursement of Expenses (the "Fee Brief").

***Facts Concerning Plaintiffs' Investigation***

3. Plaintiffs' investigation revealed approximately 20 sources who potentially might have knowledge relevant to Plaintiffs' case whom Plaintiffs' agent could approach consistent

with professional responsibility.

4. Of these witnesses, 10 responded to Plaintiffs' investigator's queries.

5. The witnesses showed varying levels of cooperation, but none were both willing and able to discuss the Strawmen.

6. Plaintiffs have not otherwise been able to locate cooperating witnesses.

7. Plaintiffs thoroughly reviewed Chinese corporate filings for information connected to the Strawmen. This involved obtaining corporate records for more than a dozen companies. The process was iterative; from reviewing corporate records, Plaintiffs would discover that other Chinese companies were relevant to the Strawmen.

8. Eventually, based on extensive and exhaustive review, Plaintiffs were able to create a reasonably complete list of relationships between the Strawmen, Wang, and Zhao.

9. Plaintiffs also obtained travel records for Zhao.

10. Plaintiffs also discussed the case, and obtained a report, from an auditing expert.

***Facts concerning obstacles to the litigation***

11. Based on my review of transcripts and recordings, Defendant Zhao does not appear to speak English during investor conference calls. Instead, he speaks through a translator.

12. Based on my experience and discussions with a Chinese and English speaking attorney, Chinese-to-English translations are very frequently disputed in litigation.

13. Because Chinese State Secrets laws generally prohibit export of documents, attorneys from my firm have, at times, been forced to fly to China to inspect documents in person at a defendant's counsel's Chinese offices.

14. Defendant's attorney Ralph Ferrara served as the SEC's general counsel and was named one of the U.S.'s leading lawyers in nine categories by *Best Lawyers*.

15. Plaintiffs reviewed approximately 49 documents in the course of confirmatory discovery, which were contracts related to several transactions involving Beijing Bluestone and other companies. The documents did not reveal any related-party transactions.

***Facts concerning damages***

16. Plaintiffs anticipate that expert testimony would be required to establish loss causation and damages.

17. Plaintiffs retained a damages expert to assist them in negotiating a settlement.

18. The damages expert created a model that estimated damages if Plaintiffs could establish that the entirety of the stock drop following each of the four corrective disclosures pled in the Complaint was attributable to revelation of Defendants' fraud. Under that assumption, total damages were \$60.9 million, or \$42.6 million after applying an offset for gains from Class Period sales.

19. I was told by Defendant's counsel and believe that Defendant also retained an expert to calculate damages under these same assumptions, and arrived at a number that was considerably lower than Plaintiffs'.

20. The damages expert also provided an estimate assuming that Plaintiffs could only recover for the drop following the December 12, 2014 Chinese media article allegedly revealing that Beijing Bluestone was a related party. This model, however, also assumed that the entirety of the ensuing drop was attributable to revelation of the fraud, rather than some other news revealed in the December 12 article. Under those assumptions, total damages were \$14.2 million, or \$9.9 million after accounting for offsetting gains. We believe this represents the most likely damages scenario provable at trial.

21. The earnings releases issued on September 24, 2014, and March 23, 2015

contained confounding information. Disaggregating the fraud-related news from the non-fraud news would prove require an expert, would be risky, and would reduce damages considerably.

***Plan of allocation***

22. The Plan of Allocation requires any gains from Class Period transactions to be netted with losses from Class Period transactions, which is rational and reasonable. Once these considerations are taken into account, the Plan of Allocation provides that each authorized claimant will receive a *pro rata* share of the Net Settlement Fund (*i.e.*, Settlement Amount less attorneys' fees and expenses, and award to Lead Plaintiff).

***Summary***

23. In my opinion, the Settlement is fair, reasonable, and adequate.

***Exhibits***

24. Attached to this Declaration are true and correct copies of the following documents:

- Exhibit 1. Supplemental Declaration of Josephine Bravata Concerning the Mailing of Notice and Claim Form, Requests for Exclusion and Objections
- Exhibit 2. Declaration of Jonathan Horne Concerning Fees
- Exhibit 3. Declaration of Hon. Faith S. Hochberg (Ret.) In Support of Proposed Settlement
- Exhibit 4. *Securities Class Action Settlements: 2015 Review and Analysis* (Cornerstone Research 2016)
- Exhibit 5. Order re Motion for Final Approval of Class Action Settlement, Class Certification and Plan of Allocation *et seq*, in *Wingerden v. Cadiz, Inc.*, 15-cv-3080-JAK-JEM, dkt. # 92 (C.D. Cal. 2017)
- Exhibit 6. Sara Randazzo and Jacqueline Palank, *Legal Fees Cross New Mark: \$1,500 an Hour*, WSJ Feb. 9, 2016.
- Exhibit 7. First and Final Fee Application of Proskauer Rose LLP For Compensation *et seq*, in *In re: Light Tower Rentals, Inc.*, Case No. 16-34284 (DRJ), dkt. # 206 (Bankr. S.D. Tex.)
- Exhibit 8. Stefan Boettrich and Svetlana Starykh, Recent Trends in Securities Class Action Litigation: 2016 Full-Year Review (NERA Economic Consulting January 2017)

Dated: February 21, 2017

/S/ JONATHAN HORNE

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Jonathan Horne

**CERTIFICATE OF SERVICE**

I hereby certify that on this on the 21st day of February, 2017, a true and correct copy of the foregoing document was served by CM/ECF to the parties registered to the Court's CM/ECF system.

/s/ Jonathan Horne