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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

In re China Education Alliance, Inc.
Securities Litigation

Master File No.: 2:10-CV-09239 CAS
(JCx)

**ORDER
PRELIMINARILY APPROVING
SETTLEMENT AND PROVIDING
FOR NOTICE**

This Document Relates to: All
Actions

CLASS ACTION

1 WHEREAS, (i) Lead Plaintiffs Keith Troxler, Brian Landrum, and Robert
2 Schilling (“Lead Plaintiffs”), on behalf of themselves and the putative Class, and
3 (ii) defendants China Education Alliance, Inc. (“CEU”), James Hsu, and Yizhao
4 Zhang (collectively the “Settling Defendants”) have entered, by and through their
5 respective counsel, into a settlement of the claims asserted in the Litigation, the
6 terms of which are set forth in a Stipulation and Agreement of Settlement, dated
7 October 3, 2012 (the “Stipulation”), which is subject to review under Rule 23 of
8 the Federal Rules of Civil Procedure and which, together with the exhibits thereto,
9 sets forth the terms and conditions for the proposed settlement of the claims
10 alleged in the Consolidated Second Amended Class Action Complaint (the
11 “Complaint”) filed in the Litigation; and the Court having read and considered the
12 Stipulation, the proposed “Notice of Pendency and Proposed Settlement of Class
13 Action” (“Notice”), the proposed “Summary Notice of Pendency and Proposed
14 Class Action Settlement” (“Summary Notice”), the proposed Plan of Allocation of
15 the Net Settlement Fund among Class Members, the proposed form of the Proof of
16 Claim and Release (“Proof of Claim”), the proposed form of Order and Final
17 Judgment, and submissions made relating thereto, and finding that substantial and
18 sufficient grounds exist for entering this Order;

19 NOW, THEREFORE, IT IS HEREBY ORDERED, this 19th day of November,
20 2012, that:

21 1. Capitalized terms used herein have the meanings defined in the
22 Stipulation.

23 2. Pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil
24 Procedure and for the purposes of the Settlement only, the Litigation is hereby
25 preliminarily certified as a class action on behalf of all persons who purchased the
26 publicly-traded common stock of CEU from May 15, 2008 through December 7,
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1 2010. Excluded from the Class are:

- 2 a. Defendants, and the members of their immediate families and
3 Defendants' legal representatives, heirs, successors and assigns,
4 any entity in which any Defendant has or had a controlling interest,
5 and CEU's predecessors;
6 b. Present and former officers and/or directors of CEU;
7 c. Those persons who file valid and timely requests for exclusion in
8 accordance with this Order.

9 3. The Court finds, preliminarily and for purposes of the Settlement
10 only, that the prerequisites for a class action under Rules 23(a) and (b)(3) of the
11 Federal Rules of Civil Procedure have been satisfied in that: (a) the number of
12 Class Members is so numerous that joinder of all members of the Class is
13 impracticable; (b) there are questions of law and fact common to the Class
14 Members; (c) the claims of the Lead Plaintiffs are typical of the claims of the Class
15 they seek to represent; (d) the Lead Plaintiffs will fairly and adequately represent
16 the interests of the Class; (e) the questions of law and fact common to the members
17 of the Class predominate over any questions affecting only individual members of
18 the Class; and (f) a class action is superior to other available methods for the fair
19 and efficient adjudication of the Litigation.

20 4. Pursuant to Rule 23 of the Federal Rules of Civil Procedure,
21 preliminarily and for the purposes of the Settlement only, Lead Plaintiffs are
22 certified as the class representative on behalf of the Class and the Lead Plaintiffs'
23 Counsel previously selected by Lead Plaintiffs and appointed by the Court is
24 hereby appointed as Lead Counsel for the Class.

25 5. A hearing (the "Final Settlement Hearing") pursuant to Federal Rule
26 of Civil Procedure 23(e) is hereby scheduled to be held before the Court on
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1 March 11, 2013 at 10:00 a.m. for the following purposes:

2 (a) to finally determine whether the Litigation satisfies the
3 applicable prerequisites for class action treatment under Federal Rules of Civil
4 Procedure 23(a) and (b);

5 (b) to finally determine whether the Settlement is fair, reasonable,
6 and adequate, and should be approved by the Court;

7 (c) to finally determine whether the Order and Final Judgment as
8 provided under the Stipulation should be entered, dismissing the Complaint on the
9 merits and with prejudice, and to determine whether the release by the Class of the
10 Released Parties as set forth in the Stipulation, should be ordered, along with a
11 permanent injunction barring efforts to bring any claims extinguished by the
12 release;

13 (d) to finally determine whether the proposed Plan of Allocation
14 for the distribution of the Net Settlement Fund is fair and reasonable and should be
15 approved by the Court;

16 (e) to consider the application of Lead Plaintiffs' Counsel for an
17 award of Attorneys' Fees and Expenses;

18 (f) to consider any Class Members' objections to the Settlement,
19 whether submitted previously in writing or presented orally at the Final Settlement
20 Hearing by Class Members (or by counsel on their behalf); and

21 (g) to rule upon such other matters as the Court may deem
22 appropriate.

23 6. The Court reserves the right to adjourn the Final Settlement Hearing
24 to a later date and to approve the Settlement with or without modification and with
25 or without further notice of any kind. The Court further reserves the right to enter
26 its Order and Final Judgment approving the Settlement and dismissing the
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1 Complaint, on the merits and with prejudice, regardless of whether it has approved
2 the Plan of Allocation or awarded Attorneys' Fees and Expenses.

3 7. The Court reserves the right to approve the Settlement with such
4 modifications as may be agreed upon or consented to by the Settling Parties and
5 without further notice to the Class where to do so would not impair Class
6 Members' rights in a manner inconsistent with Rule 23 and due process of law.

7 8. The Court approves the form, substance and requirements of (a) the
8 Notice, (b) the Summary Notice and (c) the Proof of Claim, all of which are
9 exhibits to the Stipulation.

10 9. Lead Plaintiffs' Counsel has the authority to enter into the Stipulation
11 on behalf of the Class and is authorized to act on behalf of the Class Members with
12 respect to all acts or consents required by or that may be given pursuant to the
13 Stipulation or such other acts that are reasonably necessary to consummate the
14 Settlement.

15 10. Strategic Claims Services is appointed and approved as the Claims
16 Administrator for the Settlement.

17 11. Lead Plaintiffs' Counsel, through the Claims Administrator, shall
18 cause the Notice and the Proof of Claim, substantially in the forms annexed hereto,
19 to be mailed, by first class mail, postage prepaid, within fourteen (14) calendar
20 days of the entry of this Order, to all Class Members who can be identified with
21 reasonable effort by the Claims Administrator.

22 12. Lead Plaintiffs' Counsel are authorized to establish an Escrow
23 Account and to pay all Notice and Administration Expenses from it, both before
24 and after the Effective Date of the Settlement.

25 13. The Settling Defendants and any and all issuers, securities firms or
26 transfer agents holding transfer records which indicate the legal owners of CEU
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1 common stock currently or during the Class Period are hereby ordered to produce
2 such transfer records in a usable electronic format to Lead Plaintiffs' Counsel or
3 the Claims Administrator within fourteen (14) calendar days of receipt of a copy of
4 this Order.

5 14. Lead Plaintiffs' Counsel, through the Claims Administrator, shall also
6 make all reasonable efforts to give notice to nominee owners such as brokerage
7 firms and other persons or entities who purchased CEU common stock during the
8 Class Period. Such nominee purchasers are directed to forward copies of the
9 Notice and Proof of Claim to their beneficial owners or to provide the Claims
10 Administrator with lists of the names and addresses of the beneficial owners and
11 the Claims Administrator is ordered to send the Notice and Proof of Claim
12 promptly to such beneficial owners. Additional copies of the Notice shall be made
13 available to any record holder requesting same for the purpose of distribution to
14 beneficial owners, and such record holders shall be reimbursed from the Settlement
15 Fund, upon receipt by the Claims Administrator of proper documentation, for the
16 reasonable expense of sending the Notice and Proof of Claim to beneficial owners.

17 15. Lead Plaintiffs' Counsel shall, at or before the Final Settlement
18 Hearing, serve upon Defendants' Counsel, and file with the Court, proof of mailing
19 of the Notice and Proof of Claim, both to Class Members and to nominees.

20 16. Lead Plaintiffs' Counsel, through the Claims Administrator, shall
21 cause the Summary Notice to be published electronically once on the
22 *GlobeNewswire* and in print once in the *Investor's Business Daily* within twenty
23 one (21) calendar days after the entry of this Order. Lead Plaintiffs' Counsel shall,
24 at or before the Final Settlement Hearing, serve upon Defendants' Counsel and file
25 with the Court proof of publication of the Summary Notice.

26 17. The forms and methods set forth herein of notifying the Class of the
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1 Settlement and its terms and conditions meet the requirements of due process and
2 Rule 23 of the Federal Rules of Civil Procedure, Section 21D(a)(7) of the
3 Exchange Act, 15 U.S.C. 78u-4(a)(7), as amended by the Private Securities
4 Litigation Reform Act of 1995; constitute the best notice practicable under the
5 circumstances; and constitute due and sufficient notice to all persons and entities
6 entitled thereto. No Class Member will be relieved from the terms of the
7 Settlement, including the releases provided for therein, based upon the contention
8 or proof that such Class Member failed to receive actual or adequate notice.

9 18. In order to be entitled to participate in recovery from the Net
10 Settlement Fund after the Effective Date, each Class Member shall take the
11 following action and be subject to the following conditions:

12 (a) A properly completed and executed Proof of Claim must be
13 submitted to the Claims Administrator, at the Post Office Box indicated in the
14 Notice, postmarked not later than sixty (60) calendar days from entry of this Order.
15 Such deadline may be further extended by Order of the Court. Each Proof of
16 Claim shall be deemed to have been submitted when legibly postmarked (if
17 properly addressed and mailed by first-class mail) provided such Proof of Claim is
18 actually received before the filing of a motion for an Order of the Court approving
19 distribution of the Net Settlement Fund. Any Proof of Claim submitted in any
20 other manner shall be deemed to have been submitted when it was actually
21 received by the Administrator at the address designated in the Notice.

22 (b) The Proof of Claim submitted by each Class Member must
23 satisfy the following conditions: (i) it must be properly filled out, signed and
24 submitted in a timely manner in accordance with the provisions of the preceding
25 subparagraph; (ii) it must be accompanied by adequate supporting documentation
26 for the transactions reported therein, in the form of broker confirmation slips,
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1 broker account statements, an authorized statement from the broker containing the
2 transactional information found in a broker confirmation slip, or such other
3 documentation as is deemed adequate by the Claims Administrator or Lead
4 Plaintiffs' Counsel; (iii) if the person executing the Proof of Claim is acting in a
5 representative capacity, a certification of his current authority to act on behalf of
6 the Class Member must be provided with the Proof of Claim; and (iv) the Proof of
7 Claim must be complete and contain no material deletions or modifications of any
8 of the printed matter contained therein and must be signed under penalty of
9 perjury.

10 (c) Once the Claims Administrator has considered a timely-
11 submitted Proof of Claim, it shall determine whether such claim is valid, deficient
12 or rejected. For each claim determined to be either deficient or rejected, the Claims
13 Administrator shall send a deficiency letter or rejection letter as appropriate,
14 describing the basis on which the claim was so determined. Persons who timely
15 submit a Proof of Claim that is deficient or otherwise rejected shall be afforded a
16 reasonable time (at least ten (10) calendar days) to cure such deficiency if it shall
17 appear that such deficiency may be cured.

18 (d) For the filing of and all determinations concerning their Proof
19 of Claim, each Class Member shall submit to the jurisdiction of the Court.

20 19. All Class Members who do not submit valid and timely Proofs of
21 Claim will be forever barred from receiving any payments from the Net Settlement
22 Fund, but will in all other respects be subject to and bound by the provisions of the
23 Stipulation and the Order and Final Judgment, if entered.

24 20. Class Members shall be bound by all determinations and judgments in
25 the Litigation, whether favorable or unfavorable, unless such persons request
26 exclusion from the Class in a timely and proper manner, as hereinafter provided. A
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1 Class Member wishing to make such request shall mail it, in written form, by first
2 class mail, postage prepaid, or otherwise deliver it, so that it is received no later
3 than twenty eight (28) calendar days prior to the Final Settlement Hearing to the
4 addresses listed in the Notice. Such request for exclusion shall clearly indicate the
5 name and address and phone number and e-mail contact information (if any) of the
6 person seeking exclusion, state that the sender specifically requests to be excluded
7 from the Class, and must be signed by such person. Such persons requesting
8 exclusion are also required to specify all their purchases and sales of CEU common
9 stock during the Class Period, including the date, number of shares and price of the
10 shares purchased or sold. The request for exclusion shall not be effective unless it
11 provides the required information, is legible, and is made within the time stated
12 above, or the exclusion is otherwise accepted by the Court. Lead Plaintiffs'
13 Counsel may contact any person or entity filing a request for exclusion, or their
14 attorney if one is designated, to discuss the exclusion.

15 21. Class Members requesting exclusion from the Class shall not be
16 entitled to receive any payment out of the Net Settlement Fund.

17 22. The Court will consider comments and/or objections to the
18 Settlement, the Plan of Allocation, or the application for Attorneys' Fees and
19 Expenses and any payment to Lead Plaintiff, only if such comments or objections
20 and any supporting papers are served to be received at least twenty one days (21)
21 calendar days prior to the Final Settlement Hearing, upon each of the following:
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CLASS COUNSEL

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and the objector has (by that same date) filed said objections, papers and briefs, showing due proof of service upon counsel identified above, with the Clerk of the Court, U.S. District Court, Central District of California, 312 North Spring Street, Los Angeles, California 90012. Attendance at the Final Settlement Hearing is not necessary but persons wishing to be heard orally in opposition to the Settlement, the Plan of Allocation, and/or the application for Attorneys' Fees and Expenses are required to indicate in their written objection (or in a separate writing that is submitted in accordance with the deadline and after instruction pertinent to the submission of a written objection) that they intend to appear at the Final Settlement

1 Hearing and identify any witnesses they may call to testify or exhibits they intend
2 to introduce into evidence at the Final Settlement Hearing. Class Members do not
3 need to appear at the Final Settlement Hearing or take any other action to indicate
4 their approval.

5 23. Any Class Member who does not object in the manner prescribed
6 above shall be deemed to have waived all such objections and shall forever be
7 foreclosed from making any objection to the fairness, adequacy or reasonableness
8 of the Settlement, the Order and Final Judgment to be entered approving the
9 Settlement, the Plan of Allocation, or the application for an award of Attorneys'
10 Fees and Expenses and a payment to Lead Plaintiffs.

11 24. The Court reserves the right to adjourn the Final Settlement Hearing
12 or any adjournment thereof without any further notice other than entry of an Order
13 on the Court's docket, and to approve the Settlement without further notice to the
14 Class.

15 25. All papers in support of the Settlement, the Plan of Allocation and any
16 application for Attorneys' Fees or Expenses or a payment to Lead Plaintiffs shall
17 be filed and served thirty five (35) calendar days before the Final Settlement
18 Hearing.

19 26. Any submissions filed in response to any objections or in further
20 support of the Settlement, the Plan of Allocation and any application for Attorneys'
21 Fees or Expenses or a payment to Lead Plaintiffs shall be filed no later than seven
22 (7) calendar days prior to the Final Settlement Hearing.

23 28. Pending final determination of whether the Settlement should be
24 approved, all Class Members, and each of them, and anyone acting or purporting to
25 act for any of them, shall be enjoined from prosecuting, attempting to prosecute, or
26 assisting others in the prosecution of, any Settled Claims. In addition, the
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1 Litigation is stayed.

2 29. In the event the Settlement is not consummated pursuant to its terms,
3 the Stipulation, except as otherwise provided therein, including any amendment(s)
4 thereto, and this Order, shall be null and void, of no further force or effect, and
5 without prejudice to any Settling Party, and may not be introduced as evidence or
6 referred to in any action or proceedings by any person or entity, and each party
7 shall be restored to his, her or its respective position as it existed before the
8 execution of the Stipulation, pursuant to the terms of the Stipulation.

9 30. The Court retains exclusive jurisdiction over the action to consider all
10 further matters arising out of, or relating to, the Settlement, including by way of
11 illustration and not limitation, any dispute concerning any Proof of Claim filed by
12 any Class Member and any future requests by one or more of the Parties that the
13 Final Order and Judgment, the Release and/or the permanent injunction set forth in
14 the Stipulation be enforced.

15 Dated: November.19, 2012



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18 HON. CHRISTINA A. SNYDER
19 UNITED STATES DISTRICT JUDGE
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