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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

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MIKE MCGEE, BANKIM GOPANI,  
NIRANJAN KUMAR DAS, MARK  
STEPHENSON, MELVIN YOUNKER,  
VICTOR BRANCACIO, and ROBERT  
WALSH, Individually and On Behalf of All  
Others Similarly Situated,

Plaintiffs,

vs.

CHINA ELECTRIC MOTOR, INC., YUE  
WANG, HAIXIA ZHANG, HEUNG SANG  
"DEXTER" FONG, FUGUI WANG,  
GUOQIANG ZHANG, LIANG TANG,  
SHUIPING WANG, WESTPARK  
CAPITAL, INC., ROTH CAPITAL  
PARTNERS, LLC, RICHARD  
RAPPAPORT, PHILIP KEMPISTY,  
KEMPISTY & COMPANY CPAS, P.C., and  
MALONEBAILEY, LLP,

Defendants.

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No. CV 11-2794-R (AGR<sub>x</sub>)

CLASS ACTION

**STIPULATION AND  
AGREEMENT OF  
SETTLEMENT**

Hon. Manuel L. Real

Hearing Date: June 3, 2013

Time: 10 AM

Judge: Hon Manuel L. Real

Courtroom: 8 -- 2nd floor

**STIPULATION AND AGREEMENT OF SETTLEMENT**

This Stipulation and Agreement of Settlement (the "Stipulation") dated  
March 18, 2013 is hereby submitted to the Court pursuant to Rule 23 of the Federal

1 Rules of Civil Procedure. Subject to the approval of the Court, this Stipulation is  
2 entered into between Lead Plaintiff Mike McGee, on behalf of himself and the  
3 putative class (collectively, "Plaintiffs"); and defendant China Electric Motor, Inc.  
4 ("China Electric"), by and through their respective counsel.

5 1. WHEREAS a class action complaint styled *Stanger v. China Electric*  
6 *Motor, Inc.*, 11-CV-2794-R-AGRx alleging violations of federal securities laws  
7 against: China Electric, Liang Tang ("Tang"), Fugui Wang ("F. Wang"), Shuiping  
8 Wang ("S. Wang"), Yue Wang ("Y. Wang"), Guoqiang Zhang ("G. Zhang"), and  
9 Haixia Zhang ("H. Zhang"), and Heung Sang "Dexter" Fong ("Fong")  
10 (collectively, the "China Electric Defendants"), WestPark Capital, Inc.  
11 ("WestPark"), WestPark's CEO Richard Rappaport ("Rappaport"), Roth Capital  
12 Partners ("Roth"), Kempisty & Company CPAs, P.C. ("Kempisty"), Kempisty's  
13 CEO Phillip Kempisty, and MaloneBailey LLP ("MaloneBailey"), was filed in the  
14 United States District Court for the Central District of California (the "Court"), and  
15 later consolidated with a related action, styled *DeSantis v. China Electric Motor,*  
16 *Inc. et al.*, 11-CV-3483-R-AGR, on July 26, 2011 (collectively, the "Litigation").

17 2. WHEREAS, by Order dated July 26, 2011, the Court appointed Mike  
18 McGee as Lead Plaintiff and The Rosen Law Firm, P.A. as Lead Counsel;

19 3. WHEREAS, on September 2, 2011, the Lead Plaintiff filed the  
20 operative Consolidated Amended Complaint alleging: (Count 1) violations of  
21 Section 11 of the Securities Act of 1933 (the "Securities Act") against the China  
22 Electric Defendants, Kempisty, and MaloneBailey; (Count 2) violations of Section  
23 11 of the Securities Act against WestPark and Roth; and (Count 3) violations of  
24 Section 15 of the Securities Act against Tang, F. Wang, S. Wang, Y. Wang, G.  
25 Zhang, H. Zhang, Fong, Rappaport, Phillip Kempisty, and MaloneBailey;

1 4. WHEREAS, on October 31, 2011, Defendants China Electric,  
2 WestPark, Rappaport, Roth, and MaloneBailey filed motions to dismiss the  
3 Consolidated Amended Complaint;

4 5. WHEREAS, by order dated March 26, 2012, the Court denied the  
5 motions to dismiss filed by Defendants China Electric, WestPark, Rappaport, Roth,  
6 and MaloneBailey;

7 6. WHEREAS, in recognition of the inherent risks and costs of  
8 continued litigation and the benefits of resolving this litigation, the parties to this  
9 Stipulation (the "Settling Parties") desire to settle and resolve any and all actual or  
10 potential claims by, between, or among Plaintiffs, on the one hand, and the China  
11 Electric Defendants, on the other hand, arising out of or relating to the subject  
12 matter of the Litigation;

13 7. WHEREAS China Electric denies any wrongdoing whatsoever, and  
14 this Stipulation shall in no event be construed as, or deemed to be evidence of, an  
15 admission or concession on the part of China Electric with respect to any actual or  
16 potential claim, liability, wrongdoing, or damage whatsoever, or any infirmity in  
17 the defenses that China Electric has asserted; nor shall this Stipulation be construed  
18 as or deemed to be evidence of an admission or concession by the Lead Plaintiff of  
19 any infirmity in the claims asserted in the Litigation;

20 8. WHEREAS the Settling Parties wish to settle and compromise any  
21 dispute regarding the Litigation or its subject matter, including but not limited to  
22 whether the Litigation was filed by the Lead Plaintiff and defended by China  
23 Electric in good faith and with adequate basis in fact under Rule 11 of the Federal  
24 Rules of Civil Procedure, and agree that the Litigation is being voluntarily settled  
25 after work with a mediator and on advice of counsel, and that the terms of the  
26 Settlement are fair, adequate, and reasonable;

1           9.     WHEREAS Lead Plaintiff's Counsel has conducted an investigation  
2 relating to the claims and the underlying events and transactions alleged in the  
3 Litigation and has analyzed the facts and the applicable law with respect to the  
4 claims of the Lead Plaintiff against Defendants and the potential defenses thereto,  
5 which in the Lead Plaintiff's judgment have provided an adequate and satisfactory  
6 basis for the evaluation of an agreement to settle, as described herein;

7           10.    WHEREAS the Settling Parties participated in a full-day mediation  
8 conference with Roger M. Deitz, Esq. and, at and following the mediation,  
9 engaged in extensive arm's-length negotiations with each other, such negotiations  
10 bearing fruit in this Stipulation;

11           11.    WHEREAS, based upon the investigation conducted by Lead  
12 Plaintiff's Counsel, Lead Plaintiff's Counsel has concluded that the terms and  
13 conditions of this Stipulation are fair, reasonable, and adequate to Plaintiffs, and in  
14 their best interests, and Lead Plaintiff has agreed to settle the claims asserted in the  
15 Litigation pursuant to the terms and conditions of this Stipulation, after considering:  
16 (a) the substantial benefits that Plaintiffs will receive from settlement of the  
17 Litigation; (b) the inherent risks of litigation; and (c) the desirability of permitting  
18 the Settlement to be consummated as provided by the terms of this Stipulation;

19           12.    AND WHEREAS China Electric conditionally stipulates, subject to  
20 the terms of this Stipulation and for the limited purpose of creating a settlement  
21 class, that the Litigation shall be certified for class treatment under Rule 23 of the  
22 Federal Rules of Civil Procedure and that the stipulated settlement class consists of  
23 Settlement Class Members, as defined below:

24           NOW THEREFORE, without any admission or concession on the part of the  
25 Lead Plaintiff of any lack of merit in the Litigation whatsoever, and without any  
26 admission or concession on the part of China Electric of any liability, wrongdoing,  
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1 or lack of merit in the defenses asserted in the Litigation whatsoever, it is hereby  
2 STIPULATED AND AGREED, by and among the Settling Parties, through their  
3 respective attorneys, subject to approval of the Court pursuant to Rule 23(e) of the  
4 Federal Rules of Civil Procedure, in consideration of the benefits flowing to the  
5 Settling Parties from the Settlement, that any and all claims made or that could  
6 have been made in the Litigation, including all Settled Claims (as defined below)  
7 asserted by Plaintiffs against the Released Parties (as defined below), shall be  
8 compromised, settled, released, and dismissed with prejudice as provided in this  
9 Stipulation and Agreement of Settlement, without costs as to Plaintiffs or  
10 Defendants or any of the Released Parties, subject to the approval of the Court,  
11 upon and subject to the following terms and conditions:

12 A. CERTAIN DEFINITIONS

13 As used in this Stipulation, the following terms have the meanings  
14 specified below:

15 1. "Attorneys' Fees and Expenses" means the portion of the Gross  
16 Settlement Fund approved by the Court for payment to Lead Plaintiff's Counsel,  
17 including attorneys' fees, costs, litigation expenses, and fees and expenses of  
18 experts (excluding Notice and Administration Expenses).

19 2. "Authorized Claimant" means any Claimant (as defined below)  
20 whose claim for recovery has been allowed pursuant to the terms of the Stipulation  
21 or by order of the Court.

22 3. "Award to Lead Plaintiff" means any award by the Court to  
23 Lead Plaintiff of reasonable costs and expenses (including lost wages) directly  
24 relating to the representation of the Settlement Class pursuant to 15 U.S.C. §  
25 78u-4(a)(4).

1 4. "China Electric Defendants" means China Electric Motor, Inc.,  
2 Heung Sang "Dexter" Fong, Liang Tang, Fugui Wang, Shuiping Wang, Yue Wang,  
3 Guoqiang Zhang, and Haixia Zhang.

4 5. "Claimant" means any Settlement Class Member who files a  
5 Proof of Claim and Release (as defined below) in such form and manner, and  
6 within such time, as set forth in this Stipulation, or as the Court shall prescribe.

7 6. "Claims Administrator" means the accounting and claims  
8 administration firm, Strategic Claims Services, Inc., that Lead Plaintiff's Counsel  
9 requests be appointed by the Court to administer the Settlement and disseminate  
10 notice to the Settlement Class.

11 7. "Court" means the United States District Court for the Central  
12 District of California.

13 8. "Defendants" means China Electric Motor, Inc., Heung Sang  
14 "Dexter" Fong, Liang Tang, Fugui Wang, Shuiping Wang, Yue Wang, Guoqiang  
15 Zhang, Haixia Zhang, WestPark Capital, Inc., Richard Rappaport, Roth Capital  
16 Partners LLC, Kempisty & Company CPAs, P.C., Phillip Kempisty, and  
17 MaloneBailey LLP.

18 9. "Effective Date" means the date on which all of the conditions  
19 set forth below in subparagraph K.1. shall have been satisfied and the Court's  
20 Order and Final Judgment, substantially in the form of Exhibit B hereto, becomes  
21 "Final." The Court's Order and Final Judgment shall be deemed to be "Final"  
22 when either of the following has occurred: (a) if an appeal or review is not  
23 sought by any person from the Order and Final Judgment, the day following the  
24 expiration of the time to appeal or petition from the Order and Final Judgment; or  
25 (b) if an appeal or review is sought from the Order and Final Judgment, the day  
26 after such Order and Final Judgment is affirmed or the appeal or review is  
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1 dismissed or denied and such Order and Final Judgment is no longer subject to  
2 further judicial review.

3 10. "Escrow Account" means the interest-bearing account selected  
4 by the Escrow Agent. The Escrow Account shall be managed by the Escrow  
5 Agent for the benefit of Lead Plaintiffs and the Settlement Class until the Effective  
6 Date of the Settlement.

7 11. "Escrow Agent" means the Claims Administrator or its duly  
8 appointed agent(s). The Escrow Agent shall perform the duties set forth in this  
9 Stipulation.

10 12. "Gross Settlement Fund" means the Settlement Amount plus all  
11 interest earned thereon.

12 13. "Lead Plaintiff" means Mike McGee.

13 14. "Lead Plaintiff's Counsel" means The Rosen Law Firm, P.A.

14 15. "Net Settlement Fund" means the Gross Settlement Fund, less:  
15 (i) Attorneys' Fees and Expenses; (ii) Notice and Administration Expenses; (iii)  
16 Taxes and Tax Expenses (as defined below); (iv) any Award to Lead Plaintiff; and  
17 (v) other fees and expenses authorized by the Court.

18 16. "Notice and Administration Account" means the account to be  
19 established from the Gross Settlement Fund and maintained by Lead Plaintiff's  
20 Counsel. The Notice and Administration Account may be drawn upon by Lead  
21 Plaintiff's Counsel for Notice and Administration Expenses without further order  
22 of the Court.

23 17. "Notice and Administration Expenses" means all expenses  
24 incurred (whether or not paid) in connection with the preparation, printing, mailing,  
25 and publication of the Notice to the Settlement Class of the proposed settlement,  
26 and all expenses of Settlement administration; provided, however, that none of  
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1 these expenses shall be deemed to include Attorneys' Fees and Expenses through  
2 the Effective Date. All such Notice and Administration Expenses shall be paid  
3 from the Gross Settlement Fund.

4 18. "Order and Final Judgment" means the order and judgment  
5 entered by the Court, including the "Bar Order" provision barring certain claims  
6 for contribution and indemnification (among others), approving the Settlement and  
7 dismissing the Litigation as against the China Electric Defendants with prejudice  
8 and without costs to any party, and releasing the Settled Claims against the  
9 Released Parties as provided herein, substantially in the form set forth hereto as  
10 Exhibit B.

11 19. "Person" means any individual, corporation, partnership,  
12 limited liability company or partnership, limited partnership, professional  
13 corporation, association, affiliate, joint stock company, trust, estate, unincorporated  
14 association, government, or any political subdivision or agency thereof, any other  
15 type of legal or political entity, any legal representative, and, as applicable, their  
16 respective spouses, heirs, predecessors, successors, representatives, and assigns.

17 20. "Plaintiffs" means the Lead Plaintiff and the Settlement Class.

18 21. "Plan of Allocation" means the plan for allocating the Net  
19 Settlement Fund (as set forth in the Notice of Pendency and Settlement of Class  
20 Action (the "Notice"), attached as Exhibit A-1 to the Order of Preliminary  
21 Approval of Settlement) to Authorized Claimants after payment of Notice and  
22 Administration Expenses, Taxes and Tax Expenses, and Attorneys' Fees and  
23 Expenses. Any Plan of Allocation is not part of the Stipulation and the Released  
24 Parties shall have no liability with respect thereto.

25 22. "Released Parties" means each of the China Electric Defendants  
26 and any of their current, former, or future parents, subsidiaries, affiliates, partners,  
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1 joint venturers, officers, directors, principals, shareholders, members, employees,  
2 attorneys, trustees, insurers (including each of the China Electric Defendants'  
3 insurers' respective businesses, affiliates, subsidiaries, parents and affiliated  
4 corporations, divisions, predecessors, shareholders, partners, joint venturers,  
5 principals, insurers, reinsurers, successors and assigns, and their respective past,  
6 present and future employees, officers, directors, attorneys, and representatives, if  
7 any, and all of them), reinsurers, advisors, accountants, associates, and/or any other  
8 individual or entity in which any China Electric Defendant has or had a controlling  
9 interest or which is or was related to or affiliated with any China Electric  
10 Defendant, and the current, former, and future legal representatives, heirs,  
11 successors-in-interest, or assigns of any China Electric Defendant. The  
12 Defendants in this Litigation, other than the China Electric Defendants, are not  
13 Released Parties, and this Stipulation shall not release any Defendants, other than  
14 the China Electric Defendants, from the claims in this Litigation.

15           23. "Settled Claims" means any and all claims, debts, demands,  
16 liabilities, rights, and causes of action of every nature and description whatsoever  
17 (including, but not limited to, any claims for damages, interest, attorneys' fees,  
18 expert or consulting fees, and any other costs, expenses, or liabilities whatsoever),  
19 whether based on federal, state, local, statutory or common law, or any other law,  
20 rule, or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or  
21 unliquidated, at law or in equity, matured or unmatured, whether class or  
22 individual in nature, including both known claims and Unknown Claims (as  
23 defined below): (i) that have been or could have been asserted in the Litigation by  
24 the Lead Plaintiff and/or Settlement Class Members or any of them against any of  
25 the Released Parties, including, without limitation, those concerning any  
26 statements made by any of the China Electric Defendants that Plaintiffs allege in

1 the Litigation were false or misleading, or any of the alleged acts, omissions,  
2 representations, facts, events, matters, transactions, or occurrences asserted in or  
3 relating to the Litigation, or otherwise alleged, asserted, or contended in the  
4 Litigation; or (ii) that relate to the purchase, acquisition, or sale of China Electric  
5 securities during the Settlement Class Period by the Lead Plaintiff or any  
6 Settlement Class Member, that were or might have been asserted on behalf of  
7 themselves, their heirs, executors, administrators, successors, and assigns against  
8 the Released Parties or any of them; provided, however, that Settled Claims do not  
9 include any pending shareholder derivative litigation. Settled Claims also include  
10 any and all claims arising out of, relating to, or in connection with the Settlement  
11 or resolution of the Litigation against the Released Parties (including Unknown  
12 Claims that arise out of, relate to, or are in connection with the Settlement or  
13 resolution of the Litigation against the Released Parties), except claims to enforce  
14 any of the terms of this Stipulation.

15           24. "Settled Defendant's Claims" means all claims, demands, rights,  
16 remedies, liabilities, and causes of action of every nature and description  
17 whatsoever, whether based on federal, state, local, statutory, or common law, or  
18 any other law, rule, or regulation, including both known and Unknown Claims, that  
19 (i) have been or could have been asserted in the Litigation by China Electric, or its  
20 successors and assigns, against the Lead Plaintiff, Settlement Class Members, or  
21 any of their attorneys, and (ii) arise out of or relate in any way to the institution,  
22 prosecution, or Settlement of this Litigation or the Settled Claims, including but  
23 not limited to all claims for malicious prosecution or sanctions; provided, however,  
24 that "Settled Defendant's Claims" does not include (i) any claims that could be  
25 asserted against the Lead Plaintiff, Settlement Class Members, or any of their  
26 attorneys in response to a claim excluded from the definition of "Settled Claims" in

1 subparagraph A.23., above; (ii) any claims against the Lead Plaintiff, Settlement  
2 Class Members, or any of their attorneys to enforce any of the terms of this  
3 Stipulation or of the Order and Final Judgment, and any claims that could be  
4 asserted in response to such a claim to enforce; or (iii) any claims arising out of,  
5 based upon, or related to any indemnification and/or advancement of attorneys'  
6 fees by China Electric relating to or arising out of the subject matter of the  
7 Litigation, or claims by any of the China Electric Defendants for insurance  
8 coverage relating to or arising out of the Litigation.

9           25. "Settlement Class" and "Settlement Class Members" mean, for  
10 purposes of this Settlement, all persons who purchased or otherwise acquired any  
11 common stock of China Electric during the period from January 29, 2010 through  
12 and including March 30, 2011, and were allegedly damaged thereby. Excluded  
13 from the Settlement Class are Defendants and all former officers and directors of  
14 China Electric, and all such excluded persons' immediate families, legal  
15 representatives, heirs, predecessors, successors, and assigns, and any entity in  
16 which any excluded person has or had a controlling interest, and any persons who  
17 have separately filed actions against one or more of Defendants, based in whole or  
18 in part on any claim arising out of or relating to any of the alleged acts, omissions,  
19 misrepresentations, facts, events, matters, transactions, or occurrences referred to  
20 in the Litigation or otherwise alleged, asserted, or contended in the Litigation.  
21 Also excluded from the Settlement Class are those persons who file valid and  
22 timely requests for exclusion in accordance with the Court's Order of Preliminary  
23 Approval of Settlement ("Preliminary Approval Order") concerning this  
24 Stipulation as set forth in Exhibit A.

25           26. "Settlement Class Distribution Order" means the order entered  
26 by the Court, upon application of Lead Plaintiff's Counsel following the occurrence  
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1 of the events identified in subparagraph D.13. below, which authorizes the Claims  
2 Administrator to distribute the Net Settlement Fund to the Settlement Class.

3 27. "Settlement Class Period" means the period from January 29,  
4 2010 through March 30, 2011, inclusive.

5 28. "Settlement" means the settlement contemplated by this  
6 Stipulation.

7 29. "Settlement Amount" means a fund in the amount of  
8 \$2,750,000.00 (Two Million Seven Hundred Fifty Thousand Dollars).

9 30. "Settlement Hearing" means the final hearing to be held by the  
10 Court to determine: (1) whether the proposed Settlement should be approved as  
11 fair, reasonable, and adequate; (2) whether all Settled Claims should be dismissed  
12 with prejudice; (3) whether an order approving the Settlement should be entered  
13 thereon; (4) whether the allocation of the Settlement Fund should be approved; and  
14 (5) whether the application for an award of Attorneys' Fees and Expenses and an  
15 Award to Lead Plaintiff should be approved.

16 31. "Unknown Claims" means (a) any Settled Claim that the Lead  
17 Plaintiff or any Settlement Class Member does not know or suspect to exist in his,  
18 her, or its favor at the time of the release of the Released Parties, which if known  
19 by him, her, or it might have affected his, her, or its decision(s) with respect to the  
20 Settlement, including, but not limited to, the decision not to object to the  
21 Settlement, provided such claim arises out of or relates to the purchase or sale of  
22 China Electric securities, and (b) any Settled Defendant's Claims that China  
23 Electric does not know or expect to exist in its favor, which if known by it might  
24 have affected its decision(s) with respect to the Settlement. With respect to any  
25 and all Settled Claims and Settled Defendant's Claims, the Settling Parties  
26 stipulate and agree that upon the Effective Date, the Settling Parties shall expressly  
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1 waive, and each of the Settlement Class Members shall be deemed to have waived  
2 and by operation of the Order and Final Judgment shall have waived, any and all  
3 provisions, rights, and benefits conferred by any law of any state or territory of the  
4 United States, or principle of common law that is similar, comparable, or  
5 equivalent to Cal. Civ. Code § 1542, which provides: "A general release does not  
6 extend to claims which the creditor does not know or suspect to exist in his or her  
7 favor at the time of executing the release, which if known by him or her must have  
8 materially affected his or her settlement with the debtor."

9 **B. SCOPE AND EFFECT OF SETTLEMENT AND RELEASES**

10 1. The obligations incurred pursuant to this Stipulation shall be in full  
11 and final disposition of the Litigation and any and all Settled Claims as against all  
12 Released Parties and any and all Settled Defendant's Claims as against the Lead  
13 Plaintiff, the Settlement Class Members, and their attorneys.

14 2. Pursuant to the Order and Final Judgment, upon the Effective Date  
15 of this Settlement, the Settlement Class Members on behalf of themselves, their  
16 current and future heirs, executors, administrators, successors, attorneys, insurers,  
17 agents, representatives, and assigns, and any person they represent, shall, with  
18 respect to each and every Settled Claim, be deemed to have released and forever  
19 relinquished and discharged, and shall forever be enjoined from prosecuting, all  
20 Settled Claims and any and all claims arising out of, relating to, or in connection  
21 with the Settlement, the Litigation, or the resolution of the Litigation against the  
22 Released Parties, whether or not such Settlement Class Member executes and  
23 delivers the Proof of Claim and Release, except claims to enforce any of the terms  
24 of this Stipulation. Further, all Settlement Class Members on behalf of  
25 themselves, their current and future heirs, executors, administrators, successors,  
26 attorneys, insurers, agents, representatives, and assigns, expressly covenant not to

1 assert, or suggest or assist in the assertion of, any claim or action against any of the  
2 Released Parties that: (i) arises out of or relates to the purchase or sale of China  
3 Electric securities, or (ii) that could have been alleged, asserted, or contended in  
4 any forum by the Settlement Class Members or any of them against any of the  
5 Released Parties, arising out of or relating to the purchase or sale of China Electric  
6 securities, and shall forever be enjoined from commencing, instituting, or  
7 prosecuting, or suggesting or assisting in commencing, instituting, or prosecuting,  
8 any such claim, so long as such claim relates to the purchase or sale of China  
9 Electric securities. The Defendants, other than the China Electric Defendants,  
10 shall not be released by this Stipulation and shall continue to be defendants in this  
11 Litigation.

12           3. The Proof of Claim and Release to be executed by the Settlement  
13 Class Members shall be substantially in the form and content contained in Exhibit  
14 A-3 to the Preliminary Approval Order attached hereto as Exhibit A.

15           4. Pursuant to the Order and Final Judgment, upon the Effective Date  
16 of this Settlement, China Electric shall be deemed to have released and forever  
17 discharged each and every one of the Settled Defendant's Claims, and shall forever  
18 be enjoined from prosecuting the Settled Defendant's Claims as against the Lead  
19 Plaintiff, Settlement Class Members, or their attorneys, including but not limited to  
20 claims for malicious prosecution or sanctions.

21           C.     THE SETTLEMENT CONSIDERATION

22           1. Subject to the terms of this Stipulation, the sum of \$2,750,000  
23 (Two Million Seven Hundred Fifty Thousand Dollars) shall be paid on behalf of  
24 China Electric into the Escrow Account within ten (10) business days after the  
25 Court issues the Preliminary Approval Order. That payment shall constitute the  
26 Settlement Amount. None of the Released Parties, other than China Electric itself,  
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1 shall be liable (in their personal or corporate capacity) for any payment of the  
2 Settlement Amount.

3           2. The Gross Settlement Fund, net of any Taxes (as defined below)  
4 on the income thereof and any Tax Expenses (as defined below), shall be used to  
5 pay: (i) the Notice and Administration Expenses as authorized by this Stipulation;  
6 (ii) Attorneys' Fees and Expenses authorized by the Court; (iii) any Award to Lead  
7 Plaintiff authorized by the Court; and (iv) other fees and expenses authorized by  
8 the Court. The balance of the Gross Settlement Fund remaining after the above  
9 payments shall be the Net Settlement Fund, which shall be distributed to the  
10 Authorized Claimants in accordance with this Stipulation.

11           3. Any sums required to be held in escrow hereunder shall be held by  
12 the Escrow Agent for the benefit of the Lead Plaintiff and the Settlement Class  
13 until the Effective Date. Until the date the Order and Final Judgment is entered,  
14 all payments made from the Settlement Fund shall require the signature of an  
15 authorized representative of both the Escrow Agent and China Electric's counsel.  
16 After the Order and Final Judgment is entered, payments made from the Settlement  
17 Fund shall require only the signature of an authorized representative of the Escrow  
18 Agent and shall not require the signature of China Electric's counsel. All funds  
19 held by the Escrow Agent shall be deemed to be in custodia legis and shall remain  
20 subject to the jurisdiction of the Court until such time as the funds shall be  
21 distributed or returned pursuant to this Stipulation and/or further order of the Court.  
22 Other than amounts disbursed for providing notice to the Settlement Class,  
23 customary administration costs, and Taxes and Tax Expenses, and the Attorneys'  
24 Fee and Expenses (which shall be paid to Lead Plaintiff's Counsel within two  
25 business days after the Court enters an order awarding such fees and expenses), the  
26 Settlement Fund shall not be distributed until the Effective Date. The Escrow  
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1 Agent shall not disburse the Gross Settlement Fund, or any portion thereof, except  
2 as provided in this Stipulation, or upon Order of the Court.

3 4. The Escrow Agent shall invest any funds in excess of \$150,000 in  
4 short-term United States Treasury Securities (or a mutual fund invested solely in  
5 such instruments), and shall collect and reinvest all interest accrued thereon. Any  
6 funds held in escrow in an amount of less than \$150,000 may be held in a bank  
7 account insured to the extent possible by the Federal Deposit Insurance  
8 Corporation. Interest earned on the money deposited into the Escrow Account  
9 shall be part of the Gross Settlement Fund.

10 5. The Notice and Administration Expenses shall be paid from the  
11 Gross Settlement Fund. In order to pay Notice and Administration Expenses,  
12 \$100,000 shall be withdrawn from the Gross Settlement Fund and deposited into a  
13 Notice and Administration Account upon the entry of the Preliminary Approval  
14 Order. Any monies from the Notice and Administration Fund that remain after  
15 administration shall be returned to the Net Settlement Fund. The Notice and  
16 Administration Account may be drawn upon by Lead Plaintiff's Counsel for  
17 Notice and Administration Expenses only after Court approval for each specific  
18 payment. The Notice and Administration Account shall be administered solely  
19 by the Escrow Agent. Any taxes or other expenses incurred in connection with  
20 the Notice and Administration Account shall be paid from the Notice and  
21 Administration Account or from the remainder of the Gross Settlement Fund.  
22 The Released Parties shall not have any obligation for payment of taxes or other  
23 expenses associated with the Notice and Administration Account. Notice and  
24 Administration Expenses in excess of \$100,000 shall not be paid out of the Gross  
25 Settlement Fund until after the Effective Date. In no event shall an amount more  
26 than the Settlement Amount be paid for Notice and Administration Expenses, and  
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1 in no event shall the Released Parties be responsible to pay any amount for Notice  
2 and Administration Expenses.

3 6. China Electric shall have access to all records of the Escrow  
4 Account, and upon request made to the Escrow Agent shall receive copies of all  
5 records of disbursements, deposits, and statements of accounts.

6 7. After the Effective Date, the Released Parties shall have no interest  
7 in the Gross Settlement Fund or in the Net Settlement Fund. The Released Parties  
8 shall not be liable for the loss of any portion of the Settlement Fund, nor have any  
9 liability, obligation, or responsibility for the payment of claims, taxes, legal fees, or  
10 any other expenses payable from the Gross Settlement Fund.

11 D. ADMINISTRATION AND CALCULATION OF CLAIMS, FINAL  
12 AWARDS, AND DISTRIBUTION OF NET SETTLEMENT FUND

13 1. The Claims Administrator shall administer and calculate the  
14 claims that shall be allowed and oversee distribution of the Net Settlement Fund,  
15 under the supervision of Lead Plaintiff's Counsel, and subject to appeal to, and  
16 jurisdiction of, the Court. The Released Parties shall have no liability, obligation,  
17 or responsibility for the administration of the Gross Settlement Fund or Net  
18 Settlement Fund, or for the distribution of the Net Settlement Fund.

19 2. Except as otherwise provided below, on and after the Effective  
20 Date, the Gross Settlement Fund shall be applied as follows:

21 a. To the extent not paid from the Notice and  
22 Administration Account, to pay, following an order of the Court approving any  
23 such payment, Notice and Administration Expenses and Taxes and Tax Expenses;

24 b. Subject to the approval and further order(s) of the  
25 Court, the Net Settlement Fund shall be allocated to Authorized Claimants as set  
26 forth in paragraph F. below.

1 c. After the Claims Administrator calculates the  
2 recognized losses of each Authorized Claimant, Lead Plaintiff's Counsel shall file a  
3 motion for distribution of the Settlement Fund with the Court listing each  
4 Authorized Claimant, the amount of each claim that Lead Plaintiff's Counsel  
5 believes should be allocated and distributed to each such Authorized Claimant,  
6 accounting for all Notice and Administration Expenses, and requesting Court  
7 approval to distribute the Settlement Fund to the Authorized Claimants and pay  
8 any further Notice and Administration expenses.

9 3. Each Settlement Class Member wishing to participate in the  
10 Settlement shall be required to submit a Proof of Claim and Release (in  
11 substantially the form set forth in Exhibit A-3 hereto, which *inter alia* releases all  
12 Settled Claims against all Released Parties), signed under penalty of perjury by the  
13 beneficial owner(s) of the securities that are the subject of the Proof of Claim and  
14 Release, or by someone with documented authority to sign for the beneficial  
15 owners and supported by such documents as specified in the instructions  
16 accompanying the Proof of Claim and Release.

17 4. All Proofs of Claim must be postmarked or received within the  
18 time prescribed in the Preliminary Approval Order unless otherwise ordered by the  
19 Court. Any Settlement Class Member who fails to submit a properly completed  
20 Proof of Claim within such period as shall be authorized by the Court shall be  
21 forever barred from receiving any payments pursuant to this Stipulation or from  
22 the Net Settlement Fund (unless Lead Plaintiff's Counsel in its discretion deems  
23 such late filing to be a formal or technical defect, or unless by Order of the Court a  
24 later-submitted Proof of Claim by such Settlement Class Member is approved), but  
25 will in all other respects be subject to the provisions of this Stipulation and Order  
26 and Final Judgment, including, without limitation, the release of the Settled Claims  
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1 and dismissal of the Litigation. Provided that it is received before the motion for  
2 the Settlement Class Distribution Order is filed, a Proof of Claim shall be deemed  
3 to have been submitted when posted if received with a postmark indicated on the  
4 envelope and if mailed by first-class mail and addressed in accordance with the  
5 instructions thereon. In all other cases, the Proof of Claim shall be deemed to  
6 have been submitted when actually received by the Claims Administrator.

7           5. Each Proof of Claim shall be submitted to the Claims  
8 Administrator who shall determine, under the supervision of Lead Plaintiff's  
9 Counsel, in accordance with this Stipulation and any applicable orders of the Court,  
10 the extent, if any, to which each claim shall be allowed, subject to appeal to the  
11 Court. No later than seven (7) days prior to disbursement of the Net Settlement  
12 Fund, Lead Plaintiff's Counsel shall provide China Electric's counsel with a list of  
13 Proofs of Claim received by the Claims Administrator indicating which Proofs of  
14 Claim have been allowed by the Claims Administrator.

15           6. Following notice to China Electric's counsel, Lead Plaintiff's  
16 Counsel shall have the right, but not the obligation, to waive what they deem to be  
17 formal or technical defects in any Proofs of Claim filed, where doing so is in the  
18 interest of achieving substantial justice.

19           7. Proofs of Claim that do not meet the filing requirements may  
20 be rejected. Prior to rejection of a Proof of Claim, the Claims Administrator shall  
21 communicate with the Claimant in order to remedy curable deficiencies in the  
22 Proof of Claim submitted. The Claims Administrator, under the supervision of  
23 Lead Plaintiff's Counsel, shall notify, in a timely fashion and in writing, all  
24 Claimants whose Proofs of Claim they propose to reject in whole or in part, setting  
25 forth the reasons therefor, and shall indicate in such notice that the Claimant whose  
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1 claims are to be rejected has the right to review by the Court if the Claimant so  
2 desires and complies with the requirement of subparagraph D.8. below.

3 8. If any Claimant whose claim has been rejected in whole or in  
4 part desires to contest such rejection, the Claimant must, within twenty (20) days  
5 after the date of mailing of the notice required by subparagraph D.7. above, serve  
6 upon the Claims Administrator a notice and statement of reasons indicating the  
7 Claimant's ground for contesting the rejection along with any supporting  
8 documentation, and requesting a review thereof by the Court. If a dispute  
9 concerning a claim cannot be otherwise resolved, Lead Plaintiff's Counsel shall  
10 thereafter present the request for review to the Court.

11 9. The administrative determination of the Claims Administrator  
12 accepting and rejecting claims shall be presented to the Court, on notice to China  
13 Electric's counsel, for approval by the Court in the Settlement Class Distribution  
14 Order.

15 10. Each Claimant shall be deemed to have submitted to the  
16 jurisdiction of the Court with respect to the Claimant's claim, and the claim will be  
17 subject to investigation and discovery under the Federal Rules of Civil Procedure,  
18 provided that such investigation and discovery shall be limited to that Claimant's  
19 status as a Settlement Class Member and the validity and amount of the Claimant's  
20 claim. No discovery shall be allowed on the merits of the Litigation or Settlement  
21 in connection with the processing of the Proofs of Claim.

22 11. Payment pursuant to this Stipulation shall be deemed final and  
23 conclusive against all Settlement Class Members. All Settlement Class Members  
24 whose claims are not approved by the Court shall be barred from participating in  
25 distributions from the Net Settlement Fund, but are otherwise bound by all of the  
26 terms of the Order and Final Judgment to be entered in the Litigation and the  
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1 releases provided for herein, and will be barred from bringing any action against  
2 the Released Parties arising out of or relating to the Settled Claims.

3           12. All proceedings with respect to the administration, processing,  
4 and determination of claims described by this paragraph of this Stipulation and the  
5 determination of all controversies relating thereto, including disputed questions of  
6 law and fact with respect to the validity of claims, shall be subject to the  
7 jurisdiction of the Court.

8           13. The Net Settlement Fund shall be distributed to Authorized  
9 Claimants by the Claims Administrator upon application to the Court by Lead  
10 Plaintiff's Counsel for a Settlement Class Distribution Order only after all of the  
11 following having occurred: (i) the Effective Date; (ii) all claims have been  
12 processed, and all Claimants whose claims have been rejected or disallowed, in  
13 whole or in part, have been notified and provided the opportunity to be heard  
14 concerning such rejection or disallowance; (iii) all objections with respect to all  
15 rejected or disallowed claims have been resolved by the Court, and all appeals  
16 therefrom have been resolved or the time therefor has expired; (iv) all matters with  
17 respect to Attorneys' Fees and Expenses, costs, and disbursements have been  
18 resolved by the Court, and all appeals therefrom have been resolved or the time  
19 therefor has expired; and (v) all Notice and Administration Expenses have been  
20 paid.

21           14. If any funds remain in the Net Settlement Fund by reason of  
22 uncashed checks or otherwise, then, after the Claims Administrator has made  
23 reasonable and diligent efforts to have Settlement Class Members who are entitled  
24 to participate in the distribution of the Net Settlement Fund cash their distribution  
25 checks, any balance remaining in the Net Settlement Fund one (1) year after the  
26 initial distribution of such funds shall be re-distributed, after payment of any

1 unpaid costs or fees incurred in administering the Net Settlement Fund for such  
2 re-distribution, to Settlement Class Members who have cashed their checks and  
3 who would receive at least \$10.00 from such re-distribution. If any funds shall  
4 remain in the Net Settlement Fund six months after such re-distribution, then such  
5 balance shall be contributed to the Legal Aid Foundation of Los Angeles or any  
6 not-for-profit successor of it.

7 15. Before the Effective Date, Lead Plaintiff's Counsel shall file  
8 with the Court a declaration under penalty of perjury describing how notice of the  
9 Settlement was given to the Settlement Class and listing the names and addresses  
10 of all persons to whom individual notice of the Settlement was mailed.

11 E. TAX TREATMENT

12 1. The Parties agree to treat the Gross Settlement Fund as being  
13 at all times a qualified settlement fund within the meaning of Treasury Regulation  
14 § 1.468B-1 and Section 468B of the Internal Revenue Code, as amended, for the  
15 taxable years of the Gross Settlement Fund, beginning with the date it is created.  
16 In addition, the Escrow Agent and, as required, the Settling Parties, shall jointly  
17 and timely make such elections as are necessary or advisable to carry out the  
18 provisions of this paragraph, including the "relation-back election" (as defined in  
19 Treas. Reg. § 1.468B-1(j)(2)) back to the earliest permitted date. Such elections  
20 shall be made in compliance with the procedures and requirements contained in  
21 such regulations. It shall be the responsibility of Lead Plaintiff's Counsel to  
22 timely and properly prepare and deliver the necessary documentation for signature  
23 by all necessary parties, and thereafter to cause the appropriate filing to occur.

24 2. For purposes of Section 468B of the Internal Revenue Code, as  
25 amended, and the regulations promulgated thereunder, the "administrator" shall be  
26 Lead Plaintiff's Counsel. Lead Plaintiff's Counsel shall timely and properly file  
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1 all tax returns necessary or advisable with respect to the Gross Settlement Fund,  
2 and make all required tax payments, including deposits of estimated tax payments  
3 in accordance with Treas. Reg. § 1.468B-2(k). Such returns (as well as the  
4 election described in subparagraph E.1. hereof) shall be consistent with this  
5 paragraph and reflect that all taxes (including any interest or penalties) on the  
6 income earned by the Gross Settlement Fund shall be paid out of the Gross  
7 Settlement Fund as provided in subparagraph E.3. hereof.

8           3. All (i) taxes (including any interest or penalties) arising with  
9 respect to the income earned by the Gross Settlement Fund, including any taxes or  
10 tax detriments that may be imposed upon China Electric with respect to any  
11 income earned by the Gross Settlement Fund for any period during which the  
12 Gross Settlement Fund does not qualify as a qualified settlement fund for Federal  
13 or state income tax purposes ("Taxes"); and (ii) expenses and costs incurred in  
14 connection with the operation and implementation of this paragraph (including,  
15 without limitation, expenses of tax attorneys and/or accountants, and mailing and  
16 distribution costs and expenses relating to filing (or failing to file) the returns  
17 described in this paragraph) ("Tax Expenses"), shall be paid out of the Gross  
18 Settlement Fund. In all events, the Released Parties shall have no liability for  
19 Taxes or the Tax Expenses, and Lead Plaintiff and Lead Plaintiff's Counsel agree  
20 to indemnify and hold the Released Parties harmless for Taxes and Tax Expenses.  
21 Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of  
22 administration of the Settlement and shall be timely paid by the Escrow Agent out  
23 of the Gross Settlement Fund without prior order from the Court. The Escrow  
24 Agent shall be obligated (notwithstanding anything herein to the contrary) to  
25 withhold from distribution to the Settlement Class Members any funds necessary to  
26 pay such Taxes and Tax Expenses, including the establishment of adequate

1 reserves for any Taxes and Tax Expenses (as well as any amounts that may be  
2 required to be withheld under Treas. Reg. § 1468B-2(1)(2)). The Released Parties  
3 shall have no responsibility or liability therefor. The Settling Parties hereto agree  
4 to cooperate with the Escrow Agent, each other, and their tax attorneys and  
5 accountants to the extent reasonably necessary to carry out the provisions of this  
6 paragraph.

7 F. ALLOCATION OF NET SETTLEMENT FUND

8 1. The Plan of Allocation is based upon Lead Plaintiff's  
9 Counsel's assessment of the merits and the relative strengths and weaknesses,  
10 including recoverable damages, of the claims of the Settlement Class Members.

11 2. China Electric does not and shall not take any position as to the  
12 proposed Plan of Allocation.

13 3. The Released Parties shall have no responsibility for and no  
14 obligations or liabilities of any kind whatsoever in connection with the  
15 determination, administration, calculation, or payment of claims to Settlement  
16 Class Members.

17 4. China Electric shall have no involvement in the solicitation of,  
18 or review of Proofs of Claim, or involvement in the administration process itself,  
19 which shall be conducted by the Claims Administrator in accordance with this  
20 Stipulation and the Order and Final Judgment to be entered by the Court. No  
21 Claimant or Authorized Claimant shall have any claim against the Released Parties  
22 or their counsel based on, or in any way relating to, the distributions from either  
23 the Gross Settlement Fund or the Net Settlement Fund, the solicitation or review of  
24 Proofs of Claim, or the administration process itself.

25 5. No Authorized Claimant shall have any claim against Lead  
26 Plaintiff's Counsel or the Claims Administrator based on, or in any way relating to,



1 the distributions from the Net Settlement Fund that have been made substantially  
2 in accordance with this Stipulation and any applicable orders of the Court.

3 6. Any change in the allocation of the Net Settlement Fund  
4 ordered by the Court shall not affect the validity or finality of this Settlement.

5 G. OBLIGATIONS OF AND LIMITATIONS OF LIABILITY OF  
6 ESCROW AGENT

7 The Escrow Agent shall not be responsible for the payment of any  
8 sums due to Authorized Claimants or other Persons, except to the extent of  
9 maintaining account of and properly paying sums as required by this Stipulation to  
10 the limited extent that such sums have been delivered into the Escrow Account or  
11 Notice and Administration Account as required by this Stipulation. The Escrow  
12 Agent shall be liable only for acts of gross negligence or willful misconduct.

13 H. LEAD PLAINTIFF'S COUNSEL'S REQUEST FOR AN AWARD  
14 OF ATTORNEYS' FEES AND EXPENSES

15 1. Lead Plaintiff's Counsel intends to submit an application to the  
16 Court, on notice to China Electric's counsel, for the payment of Attorneys' Fees  
17 and Expenses, including: (i) an award of attorneys' fees up to 1/3 of the Settlement  
18 Amount; (ii) reimbursement of litigation costs and expenses, plus interest,  
19 including fees and expenses of experts, incurred in connection with the prosecution  
20 of the Litigation; and (iii) an Award to Lead Plaintiff (for reimbursement of time  
21 and expenses).

22 2. Any attorneys' fees and costs and Award to Lead Plaintiff  
23 awarded by the Court shall be paid from the Gross Settlement Fund within two  
24 business days after the Court executes an order awarding such fees and expenses.  
25 Lead Plaintiff's Counsel may thereafter allocate the attorneys' fees among other  
26 Plaintiffs' counsel in a manner that Lead Plaintiff's Counsel in good faith believe

1 reflects the contributions of such counsel to the initiation, prosecution, and  
2 resolution of the Litigation. Each such Plaintiffs' counsel's law firm receiving  
3 fees and expenses, as a condition of receiving such fees and expenses, on behalf of  
4 itself and each partner and/or shareholder of it, agrees that the law firm and its  
5 partners and/or shareholders are subject to the jurisdiction of the Court for the  
6 purpose of enforcing the provisions of this paragraph. If, and when, as a result of  
7 any appeal and/or further proceedings on remand, or successful collateral attack,  
8 the Attorneys' Fee and Expense award is overturned or lowered, or if the settlement  
9 is terminated or is not approved by the Court, or if there is an appeal and any order  
10 approving the settlement does not become final and binding upon the Class, then,  
11 within five (5) business days from receiving notice from China Electric's counsel  
12 or from a court of appropriate jurisdiction, Lead Plaintiff's Counsel shall refund to  
13 the Settlement Fund such fees and expenses previously paid to them from the  
14 Settlement Fund plus interest thereon at the same rate as earned on the Settlement  
15 Fund in an amount consistent with such reversal or modification.

16           3. Lead Plaintiff's Counsel waives the right to make an additional  
17 application or applications for payment from the Gross Settlement Fund for fees  
18 and expenses incurred after the Settlement Hearing. China Electric shall take no  
19 position on any application concerning Lead Plaintiff's Counsel's request or award  
20 of attorneys' fees and reimbursement of expenses, or Award to Lead Plaintiff.

21           4. It is agreed that the procedure for and the allowance or  
22 disallowance by the Court of any applications by Lead Plaintiff's Counsel for  
23 Attorneys' Fees and Expenses, including fees for experts and consultants to be paid  
24 out of the Gross Settlement Fund, and any order or proceeding relating thereto,  
25 shall not operate to terminate or cancel this Stipulation or affect its finality, and

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1 shall have no effect on the terms of this Stipulation or on the enforceability of this  
2 Settlement.

3 I. THE PRELIMINARY APPROVAL ORDER

4 1. Promptly after execution of this Stipulation, the Settling  
5 Parties shall submit the Stipulation together with its exhibits to the Court and shall  
6 jointly apply for entry of a Preliminary Approval Order in connection with  
7 settlement proceedings substantially in the form annexed hereto as Exhibit A,  
8 providing for, among other things, preliminary approval of the Settlement and  
9 notice to the Settlement Class of the Settlement Hearing. The Preliminary  
10 Approval Order (Exhibit A hereto) to be submitted to the Court shall contain  
11 exhibits substantially in the form set forth in: (i) the Notice of Pendency and  
12 Settlement of Class Action (the "Notice") (Exhibit A-1 to the Preliminary  
13 Approval Order); (ii) the Summary Notice of Pendency and Settlement of Class  
14 Action ("Summary Notice") (Exhibit A-2 to the Preliminary Approval Order); and  
15 (iii) the Proof of Claim and Release (Exhibit A-3 to the Preliminary Approval  
16 Order).

17 2. The Released Parties are not liable or responsible for the  
18 method of, or representations made in, the Notice or the Summary Notice.

19 J. ORDER AND FINAL JUDGMENT TO BE ENTERED BY THE  
20 COURT APPROVING THE SETTLEMENT

21 1. The Settling Parties shall seek to have the Court enter an Order  
22 and Final Judgment substantially in the form of Exhibit B hereto.

23 K. CONDITIONS OF SETTLEMENT

24 1. The Effective Date of the Settlement shall be conditioned upon the  
25 occurrence of all of the following events:

1 a. The Court shall enter the Preliminary Approval Order in all  
2 material respects, as required by paragraph I. above;

3 b. No party shall have exercised within the required time  
4 period any right to terminate the Settlement as permitted by paragraph L. below;

5 c. The Court shall enter the Order and Final Judgment in all  
6 material respects, as required by paragraph J. above;

7 d. The Court's Order and Final Judgment, substantially in the  
8 form of Exhibit B, shall have become "Final," as defined in subparagraph A.9.; and

9 e. The sum of \$2,750,000 (Two Million Seven Hundred Fifty  
10 Dollars) shall have been paid, as set forth in subparagraph C.1. above.

11 2. Upon occurrence of all of the events referenced in subparagraph  
12 K.1. above, Lead Plaintiff shall have, and each and all of the members of the  
13 Settlement Class shall hereby be deemed to have, and by operation of the Order  
14 and Final Judgment shall have, fully, finally, and forever, released, settled, and  
15 discharged, in accordance with the terms of paragraph B. above, the Released  
16 Parties from and with respect to the Settled Claims, whether or not such members  
17 of the Settlement Class execute and deliver a Proof of Claim.

18 3. Upon occurrence of all of the events referenced in subparagraph  
19 K.1. above, the obligation of the Escrow Agent to return funds from the Gross  
20 Settlement Fund to China Electric pursuant to subparagraph L.4. or any other  
21 provision hereof shall be absolutely and forever extinguished.

22 L. RIGHTS OF TERMINATION AND EFFECTS THEREOF

23 1. China Electric and Lead Plaintiff shall each have the right to  
24 terminate the Settlement and this Stipulation by providing written notice of their  
25 election to do so ("Termination Notice") to counsel for the other within thirty (30)  
26 days after the date on which any of the following occurs:

1 a. the Court issues an order declining to enter the Preliminary  
2 Approval Order in any material respect;

3 b. the Court issues an order declining to approve this  
4 Stipulation or any material part of it;

5 c. the Court declines to enter the Order and Final Judgment in  
6 all material respects as required by paragraph J. above;

7 d. the Order and Final Judgment is modified or reversed in any  
8 material respect by a Court of Appeals or the United States Supreme Court; or

9 e. in the event that the Court enters an order and final judgment  
10 in a form other than that provided above (an "Alternative Judgment") and neither  
11 of the Settling Parties elects to terminate this Settlement, the date that such  
12 Alternative Judgment is modified or reversed in any material respect by a Court of  
13 Appeals or the Supreme Court.

14 2. If prior to the Settlement Hearing, Persons who otherwise would  
15 be Settlement Class Members have (i) filed with the Court valid and timely  
16 requests for exclusion ("Requests for Exclusion") from the Settlement Class in  
17 accordance with the provisions of the Preliminary Approval Order and the notice  
18 given pursuant thereto, or (ii) filed lawsuits alleging violations of the securities  
19 laws in connection with the purchase of China Electric shares, and such Persons in  
20 the aggregate purchased stock during the Settlement Class Period in an amount  
21 greater than the amounts specified in a separate Supplemental Agreement between  
22 the parties (the "Supplemental Agreement"), then China Electric shall have the  
23 option to terminate this Stipulation and Settlement in strict accordance with the  
24 requirements and procedures set forth in the Supplemental Agreement ("Opt-out  
25 Termination Option"). The Supplemental Agreement shall not be filed with the  
26 Court unless and until a dispute among the parties concerning its interpretation or  
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1 application arises. Copies of all Requests for Exclusion received, together with  
2 copies of all written revocations of Requests for Exclusion, shall be delivered to  
3 China Electric's counsel no later than fourteen (14) days prior to the Settlement  
4 Hearing. The required procedure for and consequences of exercising an Opt-out  
5 Termination Option are as follows:

6 a. To exercise the Opt-out Termination Option, China Electric  
7 must serve written notice, signed by its counsel, upon Lead Plaintiff's Counsel not  
8 less than seven (7) days before the Settlement Hearing;

9 b. If China Electric exercises the Opt-out Termination Option  
10 as provided herein, this Stipulation shall be null and void, and the provisions of  
11 subparagraph L.6. hereof shall apply.

12 3. If the Settlement Amount payable pursuant to subparagraph C.1. of  
13 this Stipulation is not paid, then the Lead Plaintiff, in his sole discretion, may elect,  
14 at any time prior to the Court's entering the Order and Final Judgment, (a) to  
15 terminate the Settlement by providing written notice to China Electric; or (b) to  
16 enforce the terms of the Settlement and this Stipulation and seek a judgment  
17 effecting the terms herein.

18 4. Upon termination of the Stipulation pursuant to the terms of the  
19 Stipulation, the Escrow Agent shall refund the Gross Settlement Fund, less  
20 amounts already expended for notice to the Settlement Class pursuant to the terms  
21 of the Stipulation, to China Electric within ten (10) business days thereafter (the  
22 "Returned Settlement Amount").

23 5. If this Stipulation is terminated pursuant to its terms, and at the  
24 request of China Electric or the Lead Plaintiff, the Escrow Agent or his designee  
25 shall apply for any tax refund owed to the Gross Settlement Fund and pay the  
26 percentage of the proceeds of the tax refund, after deduction of any fees and  
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1 expenses incurred in connection with such application(s) for refund, to China  
2 Electric.

3           6. If this Stipulation is terminated pursuant to its terms, each of the  
4 Settling Parties shall be deemed to have reverted to their respective status prior to  
5 the execution of this Stipulation, and they shall proceed in all respects as if this  
6 Stipulation had not been executed and the related orders had not been entered,  
7 preserving in that event all of their respective claims and defenses in the Litigation,  
8 and shall revert to their respective positions in the Litigation, except that the  
9 provisions of paragraph G and subparagraphs E.1.-3., L.4.-7., M.3.-10., M.12.-15.,  
10 and M.17.-19. shall survive termination.

11           7. China Electric's conditional stipulation as to the creation of a  
12 settlement class is contingent upon the execution of this Stipulation by the Settling  
13 Parties and its final approval by the Court. If this Stipulation is for any reason not  
14 finally approved, or is otherwise terminated, China Electric reserves its rights to  
15 assert any and all available objections and defenses to certification of any class,  
16 and Lead Plaintiffs will not offer China Electric's conditional stipulation to  
17 certification as any evidence in support of a motion to certify a class for trial  
18 purposes.

19           8. No order of the Court or modification or reversal of any order of  
20 the Court concerning the Plan of Allocation or the amount of any attorneys' fees,  
21 costs, and expenses awarded by the Court shall constitute grounds for cancellation  
22 or termination of the Stipulation.

23           **M. MISCELLANEOUS PROVISIONS**

24           1. China Electric agrees to provide to Lead Plaintiff's Counsel  
25 those documents in its possession that (i) have been, or will be, provided by China  
26 Electric to the U.S. Securities and Exchange Commission, and (ii) either (a) refer

1 or relate to defendants WestPark, Roth, or Rappaport, or (b) were created on or  
2 before January 29, 2010.

3           2.       The Settling Parties: (a) acknowledge that it is their intent to  
4 consummate the Settlement contemplated by this Stipulation; (b) agree to  
5 cooperate to the extent necessary to effectuate and implement all terms and  
6 conditions of this Stipulation; and (c) agree to exercise their best efforts and to act  
7 in good faith to accomplish the foregoing terms and conditions of the Stipulation.

8           3.       The Settling Parties acknowledge and warrant as follows:

9                   a. By executing this Stipulation, each of the Settling Parties  
10 represents that they have carefully read and fully understand this Stipulation and its  
11 final and binding effect;

12                   b. By executing this Stipulation, each of the Settling Parties  
13 represents that they have the right, legal capacity, power and authority to enter into  
14 this Stipulation and to perform their obligations hereunder, without the consent,  
15 approval, or authorization of any person, board, entity, tribunal, or other regulatory  
16 or governmental authority;

17                   c. By executing this Stipulation, each of the Settling Parties  
18 represents that the execution and delivery of this Stipulation and the performance  
19 of each and every obligation in this Stipulation do not and will not result in a  
20 breach of or constitute a default under, or require any consent under, any duty,  
21 relationship, contract, agreement, covenant, promise, guarantee, obligation or  
22 instrument to which the executing Settling Party is a party or by which the  
23 executing Settling Party is bound or affected.

24                   d. By executing this Stipulation, each of the Settling Parties  
25 represents that there is no demand for monetary, non-monetary, or injunctive relief,  
26 or any civil, criminal, administrative, or arbitration proceeding for monetary,  
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1 non-monetary, or injunctive relief known or suspected to exist against them that  
2 would affect this Stipulation or their ability to enter into, execute or perform each  
3 and every obligation in this Stipulation.

4 e. By executing this Stipulation, each of the Settling Parties  
5 represents that no representations or promises of any kind or character have been  
6 made by any other Settling Party, Released Party, or anyone else to induce the  
7 execution of this Stipulation except as expressly provided herein.

8 f. By executing this Stipulation, each of the Settling Parties  
9 represents that this Stipulation is fair and is executed voluntarily, with full  
10 knowledge of the consequences and implications of the obligations contained  
11 herein.

12 g. By executing this Stipulation, each of the Settling Parties  
13 represents that this Stipulation is not the result of any fraud, duress, or undue  
14 influence, and that they have not assigned, transferred, or conveyed or purported to  
15 assign, transfer, or convey, voluntarily, involuntarily or by operation of law, any or  
16 all of their respective rights and claims.

17 h. By executing this Stipulation, each of the Settling Parties  
18 represents that they have had the opportunity to be represented by counsel of their  
19 choice that is duly licensed to practice in the State of California throughout the  
20 negotiations which preceded the execution of this Stipulation and in connection  
21 with the preparation and execution of this Stipulation.

22 i. By executing this Stipulation, each of the Settling Parties  
23 represents that they have been afforded sufficient time and opportunity to review  
24 this Stipulation with advisors and counsel of their choice.

25 4. All of the exhibits attached hereto are hereby incorporated by  
26 reference as though fully set forth herein.

1           5.     No amendment or modification of this Stipulation shall be  
2 effective unless in writing and signed by the Settling Parties or their  
3 successors-in-interest.

4           6.     This Stipulation, and the exhibits attached hereto, constitute  
5 the entire agreement among the Settling Parties, and no representations, warranties,  
6 or inducements have been made to either Settling Party concerning this Stipulation  
7 or its exhibits, other than the representations, warranties, and covenants contained  
8 and memorialized in such documents.

9           7.     Except as otherwise provided herein, each of the Settling  
10 Parties shall bear its own costs. Lead Plaintiff's Counsel's Attorneys' Fees and  
11 Expenses, subject to Court approval, shall be paid only out of the Gross Settlement  
12 Fund, and the Released Parties shall have no obligation with respect to the  
13 payment of said Attorneys' Fees and Expenses.

14           8.     Lead Plaintiff's Counsel, on behalf of the Settlement Class, is  
15 expressly authorized to take all appropriate action required or permitted to be taken  
16 by the Settlement Class pursuant to this Stipulation to effectuate its terms and is  
17 also expressly authorized to enter into any modifications or amendments to this  
18 Stipulation on behalf of the Settlement Class.

19           9.     The persons signing this Stipulation represent that they are  
20 authorized to do so on behalf of their respective clients.

21           10.    This Stipulation may be executed in one or more original,  
22 photocopied, or facsimile counterparts. All executed counterparts and each of  
23 them shall be deemed to be one and the same instrument. The Settling Parties  
24 shall exchange among themselves original signed counterparts of this Stipulation,  
25 and a complete set of executed counterparts of this Stipulation shall be filed with  
26 the Court.

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1           11. This Stipulation shall be binding upon, and inure to the benefit  
2 of, the successors, assigns, executors, administrators, heirs, and legal  
3 representatives of the Settling Parties. No assignment shall relieve any party  
4 hereto of any obligations hereunder.

5           12. All terms of this Stipulation and all exhibits hereto shall be  
6 governed and interpreted according to the laws of the State of California without  
7 regard to its rules of conflicts of law, except to the extent that federal law requires  
8 that federal law governs, and in accordance with the laws of the United States.

9           13. The Lead Plaintiff, on behalf of himself and each member of  
10 the Settlement Class, and China Electric hereby irrevocably submit to the  
11 jurisdiction of the Court for any suit, action, proceeding, or dispute arising out of  
12 or relating to this Stipulation, the applicability of this Stipulation, or the  
13 enforcement of this Stipulation. The administration and consummation of the  
14 Settlement as embodied in this Stipulation shall be under the authority of the Court,  
15 and the Court shall retain jurisdiction for the purpose of entering orders providing  
16 for awards of Attorneys' Fees and Expenses to Lead Plaintiff's Counsel, Awards to  
17 Lead Plaintiff, and enforcing the terms of this Stipulation.

18           14. Neither of the Settling Parties shall be considered to be the  
19 drafter of this Stipulation or any provision hereof for purposes of any statute, case  
20 law, or rule of interpretation or construction that would or might cause any  
21 provision to be construed against the drafter hereof.

22           15. Neither this Stipulation, nor the fact of the Settlement, is an  
23 admission or concession by any China Electric Defendant of any liability or  
24 wrongdoing whatsoever. This Stipulation shall not constitute a finding of the  
25 validity or invalidity of any claims in the Litigation or of any wrongdoing by any  
26 of the Released Parties. This Stipulation, the fact of settlement, the settlement  
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1 proceedings, the settlement negotiations, and any related documents, shall not be  
2 used or construed as an admission of any fault, liability, or wrongdoing by any  
3 person or entity.

4           16. The Settling Parties intend the Settlement to be a final and  
5 complete resolution of all claims and disputes asserted or that could be asserted by  
6 the Settlement Class Members against the Released Parties with respect to the  
7 Settled Claims. Accordingly, unless the Court's Order and Final Judgment  
8 approving the Settlement does not become Final, the Settling Parties agree not to  
9 assert in any forum that the Litigation was brought by Lead Plaintiff or defended  
10 by any of the China Electric Defendants in bad faith or without a reasonable basis.  
11 Additionally, the Settling Parties shall not assert any claims of any violation of  
12 Rule 11 of the Federal Rules of Civil Procedure relating to the prosecution, defense,  
13 or settlement of the Litigation. The Settling Parties agree that the amount paid  
14 and the other terms of the Settlement were negotiated at arm's-length in good faith  
15 by the Settling Parties, and reflect a settlement that was reached voluntarily after  
16 consultation with experienced legal counsel.

17           17. The headings in this Stipulation are used for purposes of  
18 convenience and ease of reference only and are not meant to have any legal effect,  
19 nor are they intended to influence the construction of this Stipulation in any way.

20           18. The waiver of one Settling Party of any breach of this  
21 Stipulation by the other Settling Party shall not be deemed a waiver of any other  
22 breach of this Stipulation. The provisions of this Stipulation may not be waived  
23 except by a writing signed by the affected Settling Party or counsel for that  
24 Settling Party. No failure or delay on the part of either Settling Party in exercising  
25 any right, remedy, power, or privilege under this Stipulation shall operate as a  
26 waiver thereof or of any other right, remedy, power, or privilege of such Settling  
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1 Party under this Stipulation; nor shall any single or partial exercise of any right,  
2 remedy, power, or privilege under this Stipulation on the part of either Settling  
3 Party operate as a waiver thereof or of any other right, remedy, power, or privilege  
4 of such Settling Party under this Stipulation, or preclude further exercise thereof or  
5 the exercise of any other right, remedy, power, or privilege.

6           19. The Settling Parties agree that nothing contained in this  
7 Stipulation shall cause either Settling Party to be the agent or legal representative  
8 of the other Settling Party for any purpose whatsoever, nor shall this Stipulation be  
9 deemed to create any form of business organization between the Settling Parties,  
10 nor is either Settling Party granted any right or authority to assume or create any  
11 obligation or responsibility on behalf of the other Settling Party, nor shall either  
12 Settling Party be in any way liable for any debt of the other Settling Party as a  
13 result of this Stipulation except as explicitly set forth herein.

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15 THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK

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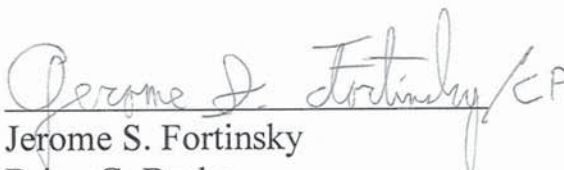
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1 IN WITNESS WHEREOF, the Settling Parties hereto, intending to be legally  
2 bound hereby, have caused this Stipulation to be executed, by their duly authorized  
3 attorneys, as of the day and year first above written.

4  
5 THE ROSEN LAW FIRM, P.A.

SHEARMAN & STERLING LLP

6  
7 /s/ 



8 Laurence M. Rosen, Esq.  
9 Phillip Kim, Esq.  
10 355 South Grand Avenue, Suite 2450  
11 Los Angeles, CA 90071  
12 (213) 785-2610

Jerome S. Fortinsky  
Brian G. Burke  
Christopher J. Ponoroff  
599 Lexington Avenue  
New York, New York 10022  
(212) 848-4000

13 *Attorneys for Plaintiffs*

Stephen Hibbard  
Four Embarcadero Center, Suite 3800  
San Francisco, CA 94111  
(415) 616-1100

*Attorneys for China Electric Motor,  
Inc.*