

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

-----X

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.

-----X

No. CV 11-2794-R (AGR_x)

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 among Lead Plaintiff Mike McGee, on behalf of himself and the
3 putative class (collectively, "Plaintiffs"); and defendant MaloneBailey LLP
4 ("MaloneBailey" or "Settling Defendant") 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-AGR_x alleging violations of federal securities laws
7 against: defendants China Electric Motor, Inc. ("China Electric"), Liang Tang
8 ("Tang"), Fugui Wang ("F. Wang"), Shuiping Wang ("S. Wang"), Yue Wang ("Y.
9 Wang"), Guoqiang Zhang ("G. Zhang"), and Haixia Zhang ("H. Zhang")
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;

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 Heung Sang "Dexter" Fong, Tang, F.

1 Wang, S. Wang, Y. Wang, G. Zhang, H. Zhang, Rappaport, Phillip Kempisty, and
2 MaloneBailey;

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

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

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

15 7. WHEREAS, MaloneBailey denies any wrongdoing whatsoever, and
16 this Stipulation shall in no event be construed as, or be deemed to be evidence of,
17 an admission or concession on the part of MaloneBailey with respect to any actual
18 or potential claim, liability, wrongdoing, or damage whatsoever, or any infirmity in
19 the defenses that MaloneBailey has asserted. This Stipulation also shall not be
20 construed as or be deemed to be a concession by the Plaintiffs of any infirmity in
21 the claims asserted in the Litigation.

22 8. WHEREAS the Settling Parties wish to settle and compromise any
23 dispute regarding the Litigation or its subject matter, including but not limited to
24 whether the Litigation was filed by the Lead Plaintiff and defended by the Settling
25

1 Defendant in good faith and with adequate basis in fact under Rule 11 of the
2 Federal Rules of Civil Procedure, and agree that the Litigation is being voluntarily
3 settled after work with a mediator and on advice of counsel, and that the terms of
4 the Settlement are fair, adequate, and reasonable;

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

11 10. WHEREAS, counsel for the Plaintiffs and counsel for MaloneBailey
12 engaged in extensive arm's-length negotiations with each other, such negotiations
13 bearing fruit in this Stipulation;

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

22 NOW THEREFORE, without any admission or concession on the part of the
23 Plaintiff of any lack of merit in the Litigation whatsoever, and without any
24
25

26
27
28

1 admission or concession on the part of MaloneBailey of any liability, wrongdoing,
2 or lack of merit in the defenses asserted in the Litigation whatsoever,

3 It is hereby STIPULATED AND AGREED, by and among the Settling
4 Parties, through their respective attorneys, subject to approval of the Court
5 pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, in consideration of
6 the benefits flowing to the Settling Parties hereto from the Settlement, that any and
7 all claims made, or that could have been made, including all Settled Claims (as
8 defined below), by Plaintiff against the Released Parties (as defined below) shall
9 be compromised, settled, released, and dismissed with prejudice as provided in this
10 Stipulation and Agreement of Settlement, to the extent as hereafter provided,
11 without costs as to the Settling Parties, subject to the approval of the Court, upon
12 and subject to the following terms and conditions:

13 A. CERTAIN DEFINITIONS

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

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

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

23 3. "Award to Lead Plaintiffs" means any award by the Court to
24 Lead Plaintiffs of reasonable costs and expenses (including lost wages) directly
25

1 relating to the representation of the Settlement Class pursuant to 15 U.S.C. § 78u-
2 4(a)(4).

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

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

10 6. "Court" means the United States District Court for the Central
11 District of California District.

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

17 8. "Effective Date" means the date on which all of the conditions
18 set forth below in paragraph K.1. shall have been satisfied and the Court's Order
19 and Final Judgment, substantially in the form of Exhibit B hereto, becomes
20 "Final." The Court's Order and Final Judgment shall be deemed to be "Final"
21 when either of the following has occurred: (a) if an appeal or review is not sought
22 by any person from the Order and Final Judgment, the day following the expiration
23 of the time to appeal or petition from the Order and Final Judgment; or (b) if an
24 appeal or review is sought from the Order and Final Judgment, the day after such

1 Order and Final Judgment is affirmed or the appeal or review is dismissed or
2 denied and such Order and Final Judgment is no longer subject to further judicial
3 review.

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

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

11 11. "Gross Settlement Fund" means the Settlement Amount plus all
12 interest earned thereon, less the Settlement Holdback.

13 1. "Lead Plaintiff" means Mike McGee.

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

15 13. "Net Settlement Fund" means the Gross Settlement Fund, less:
16 (i) Attorneys' Fees and Expenses; (ii) Notice and Administration Expenses; (iii)
17 taxes; (iv) any Award to Lead Plaintiffs; and (v) other fees and expenses
18 authorized by the Court.

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

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

8 16. "Order and Final Judgment" means the order and judgment
9 entered by the Court, including a Bar Order, approving the Settlement and
10 dismissing the Litigation as against MaloneBailey with prejudice and without costs
11 to any party.

12 18. "Other Actions" means: (i) the securities class action styled
13 *Katz v. China Century Dragon Media, Inc et al.*, 11-CV-2769-JAK-SSx alleging
14 violations of federal securities laws against: China Century Dragon Media, Inc.,
15 Hai Ming Fu, Dapeng Duan, HuiHua Li, Zhifeng Yan, David De Campo, Yue Lu,
16 Fang Yuan; WestPark Capital, Inc., Joseph Gunnar & Co., LLC, I-Bankers
17 Securities, Inc., Aegis Capital Corporation, Richard Rappaport and MaloneBailey,
18 pending in the United States District Court for the Central District of California;
19 and (ii) the proposed securities class action styled *In re China Intelligent Lighting*
20 *and Electronics, Inc. Securities Litigation*, 11-CV-02768-PSG-SSx alleging
21 violations of federal securities laws against: China Intelligent Lighting and
22 Electronics, Inc., Li Xuemei, Kui Jiang, Wu Shiliang, Michael Askew, Su Yang,
23 Zhang Hongfeng, WestPark Capital, Inc., Richard A. Rappaport, Rodman &
24 Renshaw LLC, Kempisty & Company, P.C., and MaloneBailey;

1 17. "Person" means any individual, corporation, partnership,
2 limited liability company or partnership, limited partnership, professional
3 corporation, association, affiliate, joint stock company, trust, estate, unincorporated
4 association, government, or any political subdivision or agency thereof, any other
5 type of legal or political entity, any legal representative, and, as applicable, their
6 respective spouses, heirs, predecessors, successors, representatives, and assigns.

7 18. "Plaintiffs" means Lead Plaintiff and the Settlement Class.

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

15 20. "Released Parties" means MaloneBailey and any of its current,
16 former, or future parents, subsidiaries, affiliates, partners, joint venturers, officers,
17 directors, principals, shareholders, members, agents (acting in their capacity as
18 agents), employees, attorneys, trustees, insurers (and their respective businesses,
19 affiliates, subsidiaries, parents and affiliated corporations, divisions, predecessors,
20 shareholders, partners, joint venturers, principals, insurers, reinsurers, successors
21 and assigns, and their respective past, present and future employees, officers,
22 directors, attorneys, accountants, auditors, agents and representatives), reinsurers,
23 advisors, accountants, associates, and/or any other individual or entity in which
24 MaloneBailey has or had a controlling interest or which is or was related to or

1 affiliated with MaloneBailey, and the current, former, and future legal
2 representatives, heirs, successors-in-interest, or assigns of MaloneBailey.
3 Specifically excluded from the definition of Released Parties are China Electric
4 Defendants, Roth, WestPark, Richard Rappaport, Phillip Kempisty, John Anthony
5 Rubino, Kempisty & Company CPAs, P.C. and any entity (with the exception of
6 MaloneBailey) through which Phillip C. Kempisty or John Anthony Rubino
7 engaged in the practice of accountancy (the "Kempisty Accountants"). The
8 Defendants in this Litigation, other than MaloneBailey, are not Released Parties
9 and this Stipulation shall not release any Defendants other than MaloneBailey,
10 from claims in this Litigation.

11 21. "Settled Claims" means any and all claims, debts, demands,
12 liabilities, rights, and causes of action of every nature and description whatsoever
13 (including, but not limited to, any claims for damages, interest, attorneys' fees,
14 expert or consulting fees, and any other costs, expenses, or liabilities whatsoever),
15 whether based on federal, state, local, statutory or common law, or any other law,
16 rule, or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or
17 unliquidated, at law or in equity, matured or unmatured, whether class or
18 individual in nature, including both known claims and Unknown Claims (as
19 defined below): (i) that have been asserted in the Litigation by the Plaintiff and/or
20 Settlement Class Members or any of them against any of the Released Parties,
21 including, without limitation, all statements made by MaloneBailey that Plaintiffs
22 allege in the Litigation were false or misleading, or any of the alleged acts,
23 omissions, representations, facts, events, matters, transactions, or occurrences
24 asserted in or relating to the Litigation, or otherwise alleged, asserted, or contended

1 in the Litigation; or (ii) that relate to the purchase of China Electric securities,
2 including, without limitation, claims for fraud, negligent misrepresentation, or
3 claims based upon or related in any way to the purchase, acquisition, or sale of
4 China Electric securities during the Class Period by the Plaintiffs their heirs,
5 executors, administrators, successors, and assigns against the Released Parties or
6 any of them. Settled Claims also include any and all claims arising out of, relating
7 to, or in connection with the Settlement or resolution of the Litigation against the
8 Released Parties (including Unknown Claims that arise out of, relate to, or are in
9 connection with the Settlement or resolution of the Litigation against the Released
10 Parties), except claims to enforce any of the terms of this Stipulation.

11 22. "Settled Defendant's Claims" means all claims, demands, rights,
12 remedies, liabilities, and causes of action of every nature and description
13 whatsoever, whether based on federal, state, local, statutory, or common law, or
14 any other law, rule, or regulation, including both known and Unknown Claims, that
15 (i) have been or could have been asserted in the Litigation by MaloneBailey, or any
16 of them, or the successors and assigns of any of them, against any of the Plaintiffs
17 or any of their attorneys, and (ii) arise out of or relate in any way to the institution,
18 prosecution, or Settlement of this Litigation or the Settled Claims, including but
19 not limited to all claims for malicious prosecution or sanctions. "Settled
20 Defendant's Claims" does not include claims to enforce any of the terms of this
21 Stipulation.

22 23. "Settlement Class" and "Settlement Class Members" mean, for
23 purposes of this Settlement, all persons who purchased or otherwise acquired any
24 common stock of China Electric during the period from January 29, 2010 through
25

26
27
28

1 and including March 30, 2011, and were allegedly damaged thereby. Excluded
2 from the Settlement Class are Defendants and all former officers and directors of
3 China Electric, and all such excluded persons' immediate families, legal
4 representatives, heirs, predecessors, successors, and assigns, and any entity in
5 which any excluded person has or had a controlling interest, and any persons who
6 have separately filed actions against one or more of Defendants, based in whole or
7 in part on any claim arising out of or relating to any of the alleged acts, omissions,
8 misrepresentations, facts, events, matters, transactions, or occurrences referred to
9 in the Litigation or otherwise alleged, asserted, or contended in the Litigation.
10 Also excluded from the Settlement Class are those persons who file valid and
11 timely requests for exclusion in accordance with the Court's Order of Preliminary
12 Approval of Settlement ("Preliminary Approval Order") concerning this
13 Stipulation as set forth in Exhibit A.

14 24. "Settlement Class Distribution Order" means the order entered
15 by the Court, upon application of Lead Plaintiff's Counsel following the
16 occurrence of the events identified in paragraph D.13. below, which authorizes the
17 Claims Administrator to distribute the Net Settlement Fund to the Settlement
18 Class.

19 25. "Settlement Class Period" means the period from January 29,
20 2010 through March 30, 2011, inclusive.

21 26. "Settlement" means the settlement contemplated by this
22 Stipulation.

23 27. "Settlement Amount" means a fund in the amount of 1/3 of the
24 amount remaining on the insurance policy applicable to this claim (the other 2/3

1 being paid in settlement of the Other Actions) less a Settlement Holdback amount
2 as defined below. This amount is currently approximately \$583,333.33 (Five
3 Hundred Eighty-Three Thousand Three Hundred Thirty-Three Dollars and Thirty-
4 Three Cents), but the final amount will not be determined until the settlement is
5 approved such that further defense costs are no longer incurred, which reduce the
6 Settlement Amount available.

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

14 30. "Settlement Holdback" means a sum of \$65,000 (Sixty-Five
15 Thousand Dollars) to be taken from the Settlement Amount for the satisfaction of
16 MaloneBailey's future legal fees related to this Litigation. MaloneBailey may use
17 the Settlement Holdback funds only for the future legal fees related to this
18 Litigation and for no other purpose. Any funds remaining from the Settlement
19 Holdback when the litigation is concluded in its entirety (except for claims
20 administration) will be distributed to the Claims Administrator for distribution to
21 the Settlement Class in accordance with this agreement and the claims distribution
22 process.

23 31. "Unknown Claims" means (a) any Settled Claim that the
24 Plaintiffs or any Settlement Class Member does not know or suspect to exist in his,

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

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

20 1. The obligations incurred pursuant to this Stipulation shall be in full
21 and final disposition of the Litigation and any and all Settled Claims as against all
22 Released Parties and any and all Settled Defendant's Claims as against the
23 Plaintiffs, the Settlement Class Members, and their attorneys.

1 2. Pursuant to the Order and Final Judgment, upon the Effective Date
2 of this Settlement, the Settlement Class Members on behalf of themselves, their
3 current and future heirs, executors, administrators, successors, attorneys, insurers,
4 agents, representatives, and assigns, and any person they represent, shall, with
5 respect to each and every Settled Claim, release and forever relinquish and
6 discharge, and shall forever be enjoined from prosecuting, all Settled Claims and
7 any and all claims arising out of, relating to, or in connection with the Settlement,
8 the Litigation, or the resolution of the Litigation against the Released Parties,
9 whether or not such Settlement Class Member executes and delivers the Proof of
10 Claim and Release, except claims to enforce any of the terms of this Stipulation.
11 Further, all Settlement Class Members on behalf of themselves, their current and
12 future heirs, executors, administrators, successors, attorneys, insurers, agents,
13 representatives, and assigns, expressly covenant not to assert any claim or action
14 against any of the Released Parties that: (i) arises out of or relates to the purchase
15 or sale of China Electric securities, or (ii) that could have been alleged, asserted, or
16 contended in any forum by the Settlement Class Members or any of them against
17 any of the Released Parties, arising out of or relating to the purchase or sale of
18 China Electric securities, and shall forever be enjoined from commencing,
19 instituting, or prosecuting any such claim, so long as such claim relates to the
20 purchase or sale of China Electric securities.

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

24
25
26
27
28

1 4. Pursuant to the Order and Final Judgment, upon the Effective Date
2 of this Settlement, Defendants shall release and forever discharge each and every
3 one of the Settled Defendant's Claims, and shall forever be enjoined from
4 prosecuting the Settled Defendant's Claims as against the Plaintiffs, Settlement
5 Class Members, or their attorneys, including but not limited to claims for malicious
6 prosecution or sanctions.

7 C. THE SETTLEMENT CONSIDERATION

8 1. Subject to the terms of this Stipulation, the sum of 1/3 of the
9 amount remaining on the insurance policy applicable to this claim (the other 2/3
10 being paid in settlement of the Other Actions) less a Settlement Holdback amount
11 as defined above (This amount is currently approximately \$583,333.33 (Five
12 Hundred Eighty-Three Thousand Three Hundred Thirty-Three Dollars and Thirty-
13 Three Cents), but the final amount will not be determined until the settlement is
14 approved such that further defense costs are no longer incurred) shall be paid into
15 the Escrow Account within twenty (20) business days after the Court issues the
16 Preliminary Approval Order. This Gross Settlement Fund shall be paid exclusively
17 by MaloneBailey or on its behalf. After the three actions have reached final
18 conclusion (except for claims administration), any remaining amount in the
19 Settlement Holdback shall be tendered to the claims administrator to be distributed
20 to the Settlement Class in accordance with the procedures established and
21 approved by the Court.

22 2. The Gross Settlement Fund, net of any Taxes (as defined below)
23 on the income thereof and any Tax Expenses (as defined below), shall be used to
24 pay: (i) the Notice and Administration Expenses as authorized by this
25

1 Stipulation;(ii) Attorneys' Fees and Expenses authorized by the Court; (iii) any
2 Award to Lead Plaintiffs authorized by the Court; and (iv) other fees and expenses
3 authorized by the Court. The balance of the Gross Settlement Fund remaining
4 after the above payments shall be the Net Settlement Fund, which shall be
5 distributed to the Authorized Claimants in accordance with this Stipulation.

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

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

7 5. The Notice and Administration Expenses shall be paid from the
8 Gross Settlement Fund. In order to pay Notice and Administration Expenses,
9 \$100,000 shall be withdrawn from the Gross Settlement Fund and deposited into a
10 Notice and Administration Account upon the entry of the Preliminary Approval
11 Order. Any monies from the Notice and Administration Fund that remain after
12 administration shall be returned to the Net Settlement Fund. The Notice and
13 Administration Account may be drawn upon by Lead Plaintiff's Counsel for
14 Notice and Administration Expenses only after Court approval for each specific
15 payment. The Notice and Administration Account shall be administered solely by
16 the Escrow Agent. Any taxes or other expenses incurred in connection with the
17 Notice and Administration Account shall be paid from the Notice and
18 Administration Account or from the remainder of the Gross Settlement Fund. The
19 Released Parties shall not have any obligation for payment of taxes or other
20 expenses associated with the Notice and Administration Account. Notice and
21 Administration Expenses in excess of \$100,000 shall not be paid out of the Gross
22 Settlement Fund until after the Effective Date. In no event shall an amount more
23 than the Settlement Amount be paid for Notice and Administration Expenses, and

1 in no event shall the Released Parties be responsible to pay any amount for Notice
2 and Administration Expenses.

3 6. MaloneBailey 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, the expenses incurred in connection with providing notice to
24 Settlement Class Members, administering and distributing the Net Settlement Fund

1 to Settlement Class Members, processing Proofs of Claim, processing requests for
2 exclusion, escrow fees and costs, and any applicable taxes;

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

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

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

22 4. All Proofs of Claim must be postmarked or received within the
23 time prescribed in the Preliminary Approval Order unless otherwise ordered by the
24 Court. Any Settlement Class Member who fails to submit a properly completed

1 Proof of Claim within such period as shall be authorized by the Court shall be
2 forever barred from receiving any payments pursuant to this Stipulation or from
3 the Net Settlement Fund (unless Lead Plaintiff's Counsel in its discretion deems
4 such late filing to be a formal or technical defect, or unless by Order of the Court a
5 later submitted Proof of Claim by such Settlement Class Member is approved), but
6 will in all other respects be subject to the provisions of this Stipulation and Order
7 and Final Judgment, including, without limitation, the release of the Settled Claims
8 and dismissal of the Litigation. Provided that it is received before the motion for
9 the Settlement Class Distribution Order is filed, a Proof of Claim shall be deemed
10 to have been submitted when posted if received with a postmark indicated on the
11 envelope and if mailed by first-class mail and addressed in accordance with the
12 instructions thereon. In all other cases, the Proof of Claim shall be deemed to have
13 been submitted when actually received by the Claims Administrator.

14 5. Each Proof of Claim shall be submitted to the Claims
15 Administrator who shall determine, under the supervision of Lead Plaintiff's
16 Counsel, in accordance with this Stipulation and any applicable orders of the
17 Court, the extent, if any, to which each claim shall be allowed, subject to appeal to
18 the Court. No later than seven (7) days prior to disbursement of the Net Settlement
19 Fund, Lead Plaintiff's Counsel shall provide MaloneBailey with a list of Proofs of
20 Claim received by the Claims Administrator indicating which Proofs of Claim
21 have been allowed by the Claims Administrator.

22 6. Following notice to MaloneBailey's Counsel, Lead Plaintiff's
23 Counsel shall have the right, but not the obligation, to waive what they deem to be
24

1 formal or technical defects in any Proofs of Claim filed, where doing so is in the
2 interest of achieving substantial justice.

3 7. Proofs of Claim that do not meet the filing requirements may
4 be rejected. Prior to rejection of a Proof of Claim, the Claims Administrator shall
5 communicate with the Claimant in order to remedy curable deficiencies in the
6 Proof of Claim submitted. The Claims Administrator, under the supervision of
7 Lead Plaintiff's Counsel, shall notify in a timely fashion and in writing, all
8 Claimants whose Proofs of Claim they propose to reject in whole or in part, setting
9 forth the reasons thereof, and shall indicate in such notice that the Claimant whose
10 claims are to be rejected has the right to review by the Court if the Claimant so
11 desires and complies with the requirement of paragraph D.8.below.

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

20 9. The administrative determination of the Claims Administrator
21 accepting and rejecting claims shall be presented to the Court, on notice to
22 MaloneBailey's Counsel, for approval by the Court in the Settlement Class
23 Distribution Order.

1 10. Each Claimant shall be deemed to have submitted to the
2 jurisdiction of the Court with respect to the Claimant's claim, and the claim will be
3 subject to investigation and discovery under the Federal Rules of Civil Procedure,
4 provided that such investigation and discovery shall be limited to that Claimant's
5 status as a Settlement Class Member and the validity and amount of the Claimant's
6 claim. No discovery shall be allowed on the merits of the Litigation or Settlement
7 in connection with processing of the Proofs of Claim.

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

15 12. All proceedings with respect to the administration, processing,
16 and determination of claims described by this paragraph of this Stipulation and the
17 determination of all controversies relating thereto, including disputed questions of
18 law and fact with respect to the validity of claims, shall be subject to the
19 jurisdiction of the Court.

20 13. The Net Settlement Fund shall be distributed to Authorized
21 Claimants by the Claims Administrator upon application to the Court by Lead
22 Plaintiff's Counsel for a Settlement Class Distribution Order only after all of the
23 following having occurred: (i) the Effective Date; (ii) all claims have been
24 processed, and all Claimants whose claims have been rejected or disallowed, in
25

26
27
28

1 whole or in part, have been notified and provided the opportunity to be heard
2 concerning such rejection or disallowance; (iii) all objections with respect to all
3 rejected or disallowed claims have been resolved by the Court, and all appeals
4 therefrom have been resolved or the time therefor has expired; (iv) all matters with
5 respect to Attorneys' Fees and Expenses, costs, and disbursements have been
6 resolved by the Court, and all appeals therefrom have been resolved or the time
7 therefor has expired; and (v) all costs of administration have been paid.

8 14. If any funds remain in the Net Settlement Fund by reason of
9 uncashed checks or otherwise, then, after the Claims Administrator has made
10 reasonable and diligent efforts to have Settlement Class Members who are entitled
11 to participate in the distribution of the Net Settlement Fund cash their distribution
12 checks, any balance remaining in the Net Settlement Fund one (1) year after the
13 initial distribution of such funds shall be re-distributed, after payment of any
14 unpaid costs or fees incurred in administering the Net Settlement Fund for such re-
15 distribution, to Settlement Class Members who have cashed their checks and who
16 would receive at least \$10.00 from such re-distribution. If any funds shall remain
17 in the Net Settlement Fund six months after such re-distribution, then such balance
18 shall be contributed to the Legal Aid Foundation of Los Angeles or any not-for-
19 profit successor of it.

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

1 E. TAX TREATMENT

2 1. The Parties agree to treat the Gross Settlement Fund as being
3 at all times a qualified settlement fund within the meaning of Treasury Regulation
4 § 1.468B-1 and Section 468B of the Internal Revenue Code, as amended, for the
5 taxable years of the Gross Settlement Fund, beginning with the date it is created.
6 In addition, the Escrow Agent and, as required, the Settling Parties, shall jointly
7 and timely make such elections as are necessary or advisable to carry out the
8 provisions of this paragraph, including the "relation-back election" (as defined in
9 Treas. Reg. § 1.468B-1(j)(2)) back to the earliest permitted date. Such elections
10 shall be made in compliance with the procedures and requirements contained in
11 such regulations. It shall be the responsibility of Lead Plaintiff's Counsel to timely
12 and properly prepare and deliver the necessary documentation for signature by all
13 necessary parties, and thereafter to cause the appropriate filing to occur.

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

1 3. All (i) taxes (including any interest or penalties) arising with
2 respect to the income earned by the Gross Settlement Fund, including any taxes or
3 tax detriments that may be imposed upon MaloneBailey with respect to any
4 income earned by the Gross Settlement Fund for any period during which the
5 Gross Settlement Fund does not qualify as a qualified settlement fund for Federal
6 or state income tax purposes ("Taxes"); and (ii) expenses and costs incurred in
7 connection with the operation and implementation of this paragraph (including,
8 without limitation, expenses of tax attorneys and/or accountants, and mailing and
9 distribution costs and expenses relating to filing (or failing to file) the returns
10 described in this paragraph) ("Tax Expenses"), shall be paid out of the Gross
11 Settlement Fund. In all events, the Released Parties shall have no liability for
12 Taxes or the Tax Expenses, and Plaintiffs and Lead Plaintiff's Counsel agree to
13 indemnify and hold the Released Parties harmless for Taxes and Tax Expenses.
14 Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of
15 administration of the Settlement and shall be timely paid by the Escrow Agent out
16 of the Gross Settlement Fund without prior order from the Court. The Escrow
17 Agent shall be obligated (notwithstanding anything herein to the contrary) to
18 withhold from distribution to the Settlement Class Members any funds necessary to
19 pay such Taxes and Tax Expenses, including the establishment of adequate
20 reserves for any Taxes and Tax Expenses (as well as any amounts that may be
21 required to be withheld under Treas. Reg. § 1468B-2(1)(2)). The Released Parties
22 shall have no responsibility or liability therefor. The Settling Parties hereto agree
23 to cooperate with the Escrow Agent, each other, and their tax attorneys and

1 accountants to the extent reasonably necessary to carry out the provisions of this
2 paragraph.

3 F. ALLOCATION OF NET SETTLEMENT FUND

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

7 2. MaloneBailey does not and shall not take any position as to the
8 proposed Plan of Allocation.

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

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

20 5. No Authorized Claimant shall have any claim against Lead
21 Plaintiff's Counsel or the Claims Administrator based on, or in any way relating to,
22 the distributions from the Net Settlement Fund that have been made substantially
23 in accordance with this Stipulation and any applicable orders of the Court.

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

3 **G. OBLIGATIONS OF AND LIMITATIONS OF LIABILITY OF**
4 **ESCROW AGENT**

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

11 **H. LEAD PLAINTIFF'S COUNSEL'S REQUEST FOR AN AWARD**
12 **OF ATTORNEYS' FEES AND EXPENSES**

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

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

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

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

23 4. It is agreed that the procedure for and the allowance or
24 disallowance by the Court of any applications by Lead Plaintiff's Counsel for

1 Attorneys' Fees and Expenses, including fees for experts and consultants to be paid
2 out of the Gross Settlement Fund, and any order or proceeding relating thereto,
3 shall not operate to terminate or cancel this Stipulation or affect its finality, and
4 shall have no effect on the terms of this Stipulation or on the enforceability of this
5 Settlement.

6 I. THE PRELIMINARY APPROVAL ORDER

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

20 2. The Released Parties are not liable or responsible for the
21 method of, or representations made in, the Notice or the Summary Notice.
22
23
24
25

1 J. ORDER AND FINAL JUDGMENT TO BE ENTERED BY THE
2 COURT APPROVING THE SETTLEMENT

3 1. MaloneBailey and Plaintiffs shall seek to have the Court enter
4 an Order and Final Judgment substantially in the form of Exhibit B hereto.

5 K. CONDITIONS OF SETTLEMENT

6 1. The Effective Date of the Settlement shall be conditioned upon the
7 occurrence of ALL of the following events:

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

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

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

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

16 e. The Settlement Amount shall have been paid, as set forth in
17 paragraph C.1. above;

18 f. The final approval of settlements between plaintiffs and
19 MaloneBailey in the two Other Actions currently pending in the United States
20 District Court for the Central District of California: *Katz v. China Century Dragon*
21 *Media, Inc et al.*, Case No. 11-CV-2769-JAK(SSx), and *In re China Intelligent*
22 *Lighting and Electronics, Inc.*, Case No. 11-cv-2768-PSG (SSx); and

1 g. The entry of a bar order or other order terminating any and
2 all claims or cross-claims actually asserted or that could be asserted by any co-
3 defendant in this or a related action against MaloneBailey.

4 2. Upon occurrence of ALL of the events referenced in paragraph K.1
5 above, Plaintiffs shall have, and each and all of the members of the Settlement
6 Class shall hereby be deemed to have, and by operation of the Order and Final
7 Judgment shall have, fully, finally, and forever, released, settled, and discharged,
8 in accordance with the terms of paragraph B above, the Released Parties from and
9 with respect to the Settled Claims, whether or not such members of the Settlement
10 Class execute and deliver a Proof of Claim.

11 3. Upon occurrence of ALL of the events referenced in paragraph K.1
12 above, the obligation of the Escrow Agent to return funds from the Gross
13 Settlement Fund to MaloneBailey pursuant to paragraph L.4 or any other provision
14 hereof shall be absolutely and forever extinguished.

15 L. RIGHTS OF TERMINATION AND EFFECTS THEREOF

16 1. MaloneBailey and the Lead Plaintiff shall each have the right to
17 terminate the Settlement and this Stipulation by providing written notice of their
18 election to do so ("Termination Notice") to all other counsel of the Settling Parties
19 within thirty (30) days after the date on which any of the following occurs:

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

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

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

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

5 e. in the event that the Court enters an order and final judgment
6 in a form other than that provided above (an "Alternative Judgment") and none of
7 the Settling Parties elects to terminate this Settlement, the date that such
8 Alternative Judgment is modified or reversed in any material respect by a Court of
9 Appeals or the Supreme Court;

10 f. either or both of the courts handling the other two actions
11 does a, b, c, d or e; or

12 g. a new action, proceeding, claim or complaint is filed in any
13 forum relating to the subject matter of this litigation prior to the Court entering an
14 Order and Final Judgment.

15 2. If prior to the Settlement Hearing, (i) Persons who otherwise
16 would be Settlement Class Members have filed with the Court valid and timely
17 requests for exclusion ("Requests for Exclusion") from the Settlement Class in
18 accordance with the provisions of the Preliminary Approval Order and the notice
19 given pursuant thereto, and such Persons in the aggregate purchased stock during
20 the Settlement Class Period in an amount greater than the amounts specified in a
21 separate Supplemental Agreement between the parties (the "Supplemental
22 Agreement"), or (ii) Persons file lawsuits alleging fraud in connection with the
23 purchase of more than the number of China Electric shares specified in the
24 Supplemental Agreement, then MaloneBailey shall have the option to terminate

1 this Stipulation and Settlement in strict accordance with the requirements and
2 procedures set forth in the Supplemental Agreement ("Opt-out Termination
3 Option"). The Supplemental Agreement shall not be filed with the Court unless
4 and until a dispute among the parties concerning its interpretation or application
5 arises. Copies of all Requests for Exclusion received, together with copies of all
6 written revocations of Requests for Exclusion, shall be delivered to the
7 MaloneBailey no later than fourteen (14) days prior to the Settlement Hearing.
8 The required procedure for and consequences of exercising an Opt-out
9 Termination Option are as follows:

10 a. To exercise the Opt-out Termination Option, MaloneBailey
11 must serve written notice, signed by its counsel, upon counsel for the other Settling
12 Parties, not less than seven (7) days before the Settlement Hearing;

13 b. If MaloneBailey exercises the Opt-out Termination Option
14 as provided herein, this Stipulation shall be null and void, and the provisions of
15 paragraph L hereof shall apply.

16 3. If the Gross Settlement Amount payable pursuant to paragraph C.1
17 of this Stipulation is not paid, then the Lead Plaintiff, in his sole discretion, may
18 elect, at any time prior to the Court's entering the Order and Final Judgment, (a) to
19 terminate the Settlement by providing written notice to the Settling Parties; or (b)
20 to enforce the terms of the Settlement and this Stipulation and seek a judgment
21 effecting the terms herein.

22 4. Upon termination of the Stipulation pursuant to the terms of the
23 Stipulation, the Escrow Agent shall refund the Gross Settlement Fund, less
24 amounts already expended for notice to the Settlement Class pursuant to the terms
25

1 of the Stipulation, to MaloneBailey within ten (10) business days thereafter (the
2 "Returned Settlement Amount").

3 5. If this Stipulation is terminated pursuant to its terms, and at the
4 request of any Settling Defendant or the Lead Plaintiff, the Escrow Agent or his
5 designee shall apply for any tax refund owed to the Gross Settlement Fund and pay
6 the percentage of the proceeds of the tax refund, after deduction of any fees and
7 expenses incurred in connection with such application(s) for refund, to
8 MaloneBailey.

9 6. If this Stipulation is terminated pursuant to its terms, all of the
10 Settling Parties shall be deemed to have reverted to their respective status prior to
11 the execution of this Stipulation, and they shall proceed in all respects as if this
12 Stipulation had not been executed and the related orders had not been entered,
13 preserving in that event all of their respective claims and defenses in the Litigation,
14 and shall revert to their respective positions in the Litigation, except that the
15 provisions of paragraphs E.1-3, G, L.5-7, M.10-11, and M.13 shall survive
16 termination.

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

21 M. MISCELLANEOUS PROVISIONS

22 1. The Settling Parties: (a) acknowledge that it is their intent to
23 consummate the Settlement contemplated by this Stipulation; (b) understand and
24 agree that the settlement of this action is dependent on the settlement of the Other
25

1 Actions referenced above and vice versa such that if one settlement fails or is not
2 effective as intended, then all of the settlements fail; (c) agree to cooperate to the
3 extent necessary to effectuate and implement all terms and conditions of this
4 Stipulation; and (d) agree to exercise their best efforts and to act in good faith to
5 accomplish the foregoing terms and conditions of the Stipulation.

6 2. The Settling Parties agree that this settlement is dependent upon
7 the final approval of the proposed settlements in the Other Actions and that such
8 final approvals must include bar orders or other orders terminating any and all
9 claims or cross-claims actually asserted or could be asserted by any co-defendant
10 in that or a related action against MaloneBailey.

11 3. Immediately upon preliminary approval by the Court of the
12 settlement of the Litigation as to MaloneBailey, MaloneBailey will begin to
13 cooperate in the discovery process. This cooperation will include but will not be
14 limited to providing, without objection, relevant documents upon receipt of a valid
15 subpoena, and asserting no objections to the reasonable depositions Plaintiffs may
16 seek to take. The Plaintiffs agree to make the depositions convenient to
17 MaloneBailey, and MaloneBailey will agree to reasonable interviews of its
18 personnel in order to minimize deposition time. Plaintiffs will not schedule any
19 depositions until after each of the settlements is finally approved by the respective
20 courts overseeing the cases. Any discovery obtained from Malone Bailey will only
21 be used in connection with the Litigation and be subject to a protective order in
22 each case to be prepared at a later time. It is agreed that MaloneBailey may pay its
23 attorneys' fees and expenses in connection with this cooperative discovery out of
24 the Holdback Amount.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

4. The Settling Parties acknowledge and warrant as follows:

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

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

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

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

e. By executing this Stipulation, each of the Settling Parties represents that no representations or promises of any kind or character have been

1 made by any other Settling Party, Released Party, or anyone else to induce the
2 execution of this Stipulation except as expressly provided herein.

3 f. By executing this Stipulation, each of the Settling Parties
4 represents that this Stipulation is fair and is executed voluntarily, with full
5 knowledge of the consequences and implications of the obligations contained
6 herein.

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

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

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

20 5. All of the exhibits attached hereto are hereby incorporated by
21 reference as though fully set forth herein.

22 6. No amendment or modification of this Stipulation shall be
23 effective unless in writing and signed by the Settling Parties or their successors-in-
24 interest.

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

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

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

16 10. The persons signing this Stipulation represent that they are
17 authorized to do so on behalf of their respective clients.

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

1 12. 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 13. 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 14. The Plaintiffs, on behalf of himself and each member of the
10 Settlement Class, and the other Settling Parties 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
15 Court, and the Court shall retain jurisdiction for the purpose of entering orders
16 providing for awards of Attorneys' Fees and Expenses to Lead Plaintiff's Counsel,
17 Awards to Lead Plaintiff, and enforcing the terms of this Stipulation.

18 15. None 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. Because of the arm's-length
22 negotiations that preceded the execution of this Stipulation, all Settling Parties
23 have contributed substantially and materially to the preparation of this Stipulation.

1 16. Neither this Stipulation, nor the fact of the Settlement, is an
2 admission or concession by MaloneBailey of any liability or wrongdoing
3 whatsoever. This Stipulation shall not constitute a finding of the validity or
4 invalidity of any claims in the Litigation or of any wrongdoing by any Defendant
5 named therein. This Stipulation, the fact of settlement, the settlement proceedings,
6 the settlement negotiations, and any related documents, shall not be used or
7 construed as an admission of any fault, liability, or wrongdoing by any person or
8 entity.

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

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

1 19. The waiver of one Settling Party of any breach of this
2 Stipulation by any other Settling Party shall not be deemed a waiver of any other
3 breach of this Stipulation. The provisions of this Stipulation may not be waived
4 except by a writing signed by the affected Settling Party or counsel for that Settling
5 Party. No failure or delay on the part of any Settling Party in exercising any right,
6 remedy, power, or privilege under this Stipulation shall operate as a waiver thereof
7 or of any other right, remedy, power, or privilege of such Settling Party under this
8 Stipulation; nor shall any single or partial exercise of any right, remedy, power, or
9 privilege under this Stipulation on the part of any Settling Party operate as a waiver
10 thereof or of any other right, remedy, power, or privilege of such Settling Party
11 under this Stipulation, or preclude further exercise thereof or the exercise of any
12 other right, remedy, power, or privilege.

13 20. The Settling Parties agree that nothing contained in this
14 Stipulation shall cause any Settling Party to be the agent or legal representative of
15 another Settling Party for any purpose whatsoever, nor shall this Stipulation be
16 deemed to create any form of business organization between the Settling Parties,
17 nor is any Settling Party granted any right or authority to assume or create any
18 obligation or responsibility on behalf of any other Settling Party, nor shall any
19 Settling Party be in any way liable for any debt of another Settling Party as a result
20 of this Stipulation except as explicitly set forth herein.

21
22
23 THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK

24
25
26
27
28

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.

6
7 /s/ Laurence M. Rosen
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

13 *Attorneys for Plaintiffs*

14 WILSON ELSER MOSKOWITZ
15 EDELMAN & DICKER LLP

16
17 /s/ Patrick M. Kelly
18 Patrick M. Kelly
19 David S. Eisen
20 Patricia Ann Golson
21 555 South Flower Street, Suite 2900
22 Los Angeles, California 90071
23 (213) 443-5100

24 *Attorneys for MaloneBailey LLP*