UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA—WESTERN DIVISION

IN RE CHINA EDUCATION ALLIANCE, INC. SECURITIES LTIGATION	)	Master File No. 2:10-CV-09239 CAS (JCx)
	)	CLASS ACTION
THIS DOCUMENT RELATES TO: ALL ACTIONS	)	

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

IF YOU PURCHASED THE PUBLICLY-TRADED COMMON STOCK ("STOCK") OF CHINA EDUCATION ALLIANCE, INC. ("CEU") DURING THE PERIOD FROM MAY 15, 2008 THROUGH AND INCLUDING DECEMBER 7, 2010, YOU COULD GET A PAYMENT FROM A CLASS ACTION SETTLEMENT (THE "SETTLEMENT").

A federal court has authorized this notice.

Exclusion Deadline: February 11, 2013

Objection Deadline: February 18, 2013

Claims Deadline: January 25, 2013

- If approved by the Court, the settlement will provide $2,425,000 in cash, plus interest (the "Settlement Amount"), to pay claims of investors who purchased CEU Stock during the period from May 15, 2008 through and including December 7, 2010 (the "Class Period").
- The Settlement represents an average recovery of $.2425 per share of CEU Stock for the ten million CEU shares that Lead Plaintiffs' expert estimates were traded and damaged as a result of the alleged misconduct during the Class Period. This estimate solely reflects the average recovery per damaged share of CEU Stock. Some shares may be eligible to claim more than once. This is not an estimate of the actual recovery per share you should expect from the Settlement. Your actual recovery will be lower, and will depend on the aggregate losses of all Class Members, the date(s) you purchased and sold CEU Stock, the amounts and prices of those transactions, the total number of claims filed, and the administrative costs for completion of the Settlement and distribution of the Settlement Amount.
- Attorneys for the Lead Plaintiffs ("Class Counsel") intend to ask the Court to award them fees of up to 25% of the Settlement Amount, and reimbursement of litigation expenses not to exceed $100,000. Class Counsel also intends to ask the Court to grant each Lead Plaintiff an award of $1,500, for a total award of $4,500. Collectively, the attorneys' fees, litigation expenses, and awards to Lead Plaintiffs are estimated to average $.0711 per damaged share of CEU Stock. If approved by the Court, these amounts will be paid from the Settlement Fund.
- The Class Members' approximate recovery from the Settlement, following deduction of attorneys' fees and expenses and award to Lead Plaintiffs approved by the Court, is an average of $.1714 per damaged share of CEU Stock. This estimate is based on the assumptions set forth in the preceding paragraphs. Your actual recovery, if any, will vary depending on the dates of your transactions, your purchase and sales price(s) and the number of claims filed.
- In this case Lead Plaintiffs contended that CEU and members of its senior management team violated the federal securities laws by providing investors with allegedly false or misleading information about its business and financial condition. However, the defendants that have appeared in this case denied that there was anything improper about the information CEU or members of its senior management team provided to investors, and deny any wrongdoing whatsoever. Based on their experts' analysis, Lead Plaintiffs believe that, if they prevailed on all the claims on behalf of the Class and the Court accepted their theory of damages, the Class would recover approximately $2.41 per damaged CEU share, before deductions for fees and expenses and assuming that the full amount of the judgment was collectable. The defendants appearing in this case believe that, if this case proceeded they would win every claim, and Lead Plaintiff and the Class would recover nothing. These defendants (as described below) deny the allegations in the lawsuit and deny any wrongdoing
- Your legal rights will be affected whether you act or do not act. If you do not act, you may permanently forfeit your right to recover on this claim. Therefore, *please read this notice carefully*.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A CLAIM FORM NO LATER THAN JANUARY 25, 2013	Remain in the Class, be bound by the Court Order and Final Judgment (including the Release) and receive settlement benefits. This is the only way to get a payment.
EXCLUDE YOURSELF NO LATER THAN FEBRUARY 11, 2013	Get no payment. This is the only option that allows you to be part of any other lawsuit against Defendants and related parties with respect to the "Settled Claims" (as defined below).
OBJECT NO LATER THAN FEBRUARY 18, 2013	Write to the Court about why you do not like the Settlement, the proposed Plan of Allocation or the request for payment of attorney's fees and expenses or a payment to the Lead Plaintiffs.
GO TO A HEARING ON MARCH 11, 2013	Speak in Court about the fairness of the Settlement.
DO NOTHING	Remain in the Class, be bound by the Court's Order and Final Judgment (including the Release) but without receiving any payment. Give up your rights to sue Defendants and related parties on the claims in this case.

INQUIRIES

Please do not contact the Court regarding this notice. All inquiries concerning this Notice, the Proof of Claim form, or any other questions by Class members should be directed to:

China Education Alliance Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063
Tel: (866) 274-4004
www.strategicclaims.net

or

Class Counsel:
Laurence M. Rosen, Esq.
Phillip Kim, Esq.
The Rosen Law Firm, P.A.
275 Madison Avenue, 34th Floor
New York, NY 10016
Tel.: (212) 686-1060
www.rosenlegal.com

COMMON QUESTIONS AND ANSWERS CONCERNING THIS CASE AND THE SETTLEMENT

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BASIC INFORMATION

1. Why did I get this Notice?

You or someone in your family or household may have purchased CEU Stock during the Class Period.

2. What is this lawsuit about?

The case is known as *In re China Education Alliance, Inc. Securities Litigation*, Case No. 2:10-CV-09239 (CAS) (the "Litigation"), and the Court in charge of the case is the Honorable Christina A. Snyder of the United States District Court for the Central District of California.

In this class action, Keith Troxler, Brian Landrum, and Robert Schilling were appointed by the Court to represent all Class Members and were designated as the "Lead Plaintiffs" for the case and The Rosen Law Firm, P.A. ("The Rosen Law Firm") was appointed by the Court to serve as "Lead Counsel."

Defendants in this case are CEU and certain of its current and former officers and directors – Xiqun Yu, Zibing Pan, Susan Liu, Chunqing Wang, James Hsu, Liansheng Zhang, and Yizhao Zhang (the "Defendants"). Lead Plaintiffs purchased CEU Stock during the Class Period, like all Class Members. Lead Plaintiffs allege that the Defendants violated the federal securities laws during the Class Period by issuing or approving materially false and misleading financial statements and information to investors about CEU's business and financial condition.

CEU is a NYSE-listed for-profit educational company that purports to offer on-line education services and on-site tutoring in China.

On November 29, 2010, the analyst firm Kerrisdale Capital published a report alleging that CEU was a fraudulent company. Specifically, the Kerrisdale Report claimed that CEU filed inflated earnings figures with the Securities Exchange Commission ("SEC"), and that many of CEU's business operations were either non-existent or non-operational.

When this adverse information hit the market, CEU's stocks lost nearly half of its value, falling from $4.41 per share on November 29, 2010 to $2.34 by December 7, 2010.

Lead Plaintiffs filed their initial complaint in December 2010 and a second amended complaint ("Complaint") on December 5, 2011. In their Complaint, Lead Plaintiffs allege that CEU fraudulently maintained two sets of books: a set of accurate financial records filed with Chinese regulatory and tax authorities showing little to no revenue and earnings; and a false set of financial records filed with the SEC showing a growing and thriving business. The Complaint allegedly corroborated the findings of the Kerrisdale Report.

The class action has proceeded against CEU, James Hsu, and Yizhao Zhang (the "Settling Defendants"), who deny that they or anyone acting on behalf of CEU engaged in any wrongdoing, and emphatically disagree with any claim that they in any respect misled investors, violated the securities laws, or otherwise acted improperly.

Lead Plaintiff and the Settling Defendants also disagree on the existence and amount of damages.

The Settlement resolves all of the claims in the Class Action.

3. Why is this a class action?

In a class action, one or more people or entities, called a class representative or Lead Plaintiffs, sue on behalf of all persons and/or entities who have similar claims. All of these people and entities are called the "Class". These individual persons and/or entities are known as "Class Members". One court resolves all of the issues for all Class Members, except for those Class Members who exclude themselves from the Class.

4. Why is there a Settlement?

As noted, Lead Plaintiffs and the Settling Defendants do not agree on the merits of Lead Plaintiffs' allegations with respect to liability or the average amount of damages per share that would be recoverable if Lead Plaintiffs were to prevail at trial on each claim. This case has not gone to trial and the Court did not decide in favor of Lead Plaintiffs or the Settling Defendants. Instead, both sides agreed to a settlement. That way, everyone avoids the cost and risks of further litigation and trial. Given the risks involved in this litigation, Lead Plaintiffs and their attorneys think the Settlement is best for all Class Members. Even if the Settling Defendants' potential motions for summary judgment were denied and Lead Plaintiffs won at trial, and also prevailed on any appeal, Lead Plaintiffs might not be able to collect some, or all, of any judgment awarded to the Class. Consequently, Class Counsel is concerned that, if this matter is not settled, the Class Members may receive little or nothing even if the Lead Plaintiffs win the case.

Thus, the principal reason Lead Plaintiffs have agreed to the Settlement is to provide a benefit to the Class Members now. This benefit must be compared to the risk that no recovery might be achieved. Although Class Counsel were prepared to move forward in the case, and ultimately go to trial, and were confident in their ability to present a case, they recognize that such motions and trial are risky propositions and that Lead Plaintiffs and the Class might not have prevailed. The claims advanced by the Class involve numerous complex legal and factual issues, requiring extensive witness and expert testimony, which would add considerably to the expenses and duration of the litigation, which would have gone on for some years. In addition, had the case proceeded, the Settling Defendants would assert that their statements were not false or misleading, and certainly not intentionally false or misleading, when made. The Settling Defendants would have further asserted that none of them acted with an intent to deceive or recklessness, which is a required element of Lead Plaintiffs' claims.

In addition, if this case were to proceed, the parties would disagree on numerous other issues that could affect the outcome of the litigation and, if resolved in favor of the Settling Defendants, could result in Class Members receiving little or even nothing. The issues include: (1) the amount by which any CEU Stock was allegedly artificially inflated (if at all) during the relevant time period; (2) the extent to which the various allegedly materially false and misleading statements made by Defendants influenced (if at all) the trading prices of CEU Stock; (3) the extent to which the various allegedly adverse material facts that Lead Plaintiff alleged were not disclosed to the public influenced (if at all) the trading prices of CEU Stock; and (4) whether the statements made or facts allegedly omitted were false, misleading, material, or otherwise actionable under the federal securities laws.

Despite these issues and risks, this Settlement enables the Class to recover a substantial amount now. As a result, Lead Plaintiffs and Lead Counsel believe this Settlement is fair and reasonable and provides a reasonable recovery to the Class.

WHO IS IN THE SETTLEMENT

5. How do I know if I am part of the Class settlement?

To be a Class Member, you must have purchased CEU Stock during the period from May 15, 2008 through and including December 7, 2010, and suffered losses on your investment as a result of the decline in the value of CEU Stock, which Lead Plaintiffs allege occurred because of Defendants' misconduct.

6. Are there exceptions to being included?

Yes. You are not a Class Member if you are:

a Defendant, a member of a Defendant's immediate family, a Defendant's heir, successor or assign, any entity in which any Defendant has or had a controlling interest, or a predecessor of CEU; or

a present or former officer or director of CEU; or

if you exclude yourself from the Class, as described below.

If you sold CEU Stock during the Class Period, that does not make you a Class Member. You are a Class Member only if you purchased CEU Stock from May 15, 2008 through and including December 7, 2010.

If one of your mutual funds purchased or owns shares of CEU Stock, that alone does not make you a Class Member.

7. I am still not sure whether I am included.

If you are still not sure whether you are included, you can ask for free help. For more information, you can contact the Claims Administrator, Strategic Claims Services, by phone at (866) 274-4004, by facsimile at (610) 565-7985, visit the website at www.strategicclaims.net or you can fill out and return the claim form described in Question 9, to see if you qualify.

THE SETTLEMENT BENEFITS—WHAT YOU RECEIVE

8. What does the Settlement provide?

a. What is the Settlement Fund?

The proposed Settlement calls for the creation of a "Settlement Fund" in the amount of $2,425,000 in cash. The Settlement will not become effective unless it is approved by the Court. Subject to the Court's approval, a portion of the Settlement Fund will be used to pay Class Counsel's attorneys' fees and reasonable litigation expenses. A portion of the Settlement Fund will also be used to pay taxes due on interest earned by the Settlement Fund, if necessary, and any notice costs and claims administration expenses incurred in the case. After these deductions from the Settlement Fund have been made, the amount remaining (the "Net Settlement Fund") will be distributed to Class Members who submit valid claim forms.

b. What can you expect to receive under the proposed Settlement?

If you are entitled to a payment, your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members submit, how many shares of CEU Stock you purchased, and when you bought and sold your CEU Stock. By following the Plan of Allocation described below, you can calculate your "Recognized Loss." The Claims Administrator will distribute the Net Settlement Fund according to the Plan of Allocation after the deadline for submission of Proof of Claim forms has passed.

The Claims Administrator will determine each Class Member's *pro rata* share of the Net Settlement Fund based upon each Class Member's valid "Recognized Loss." **The Recognized Loss formula is not intended to be an estimate of the amount that a Class Member might have been able to recover after a trial; it also is not an estimate of the amount that will be paid to Class Members pursuant to the Settlement.** The Recognized Loss formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Class Members with valid claims.

The Net Settlement Fund will be distributed to Class Members who submit valid, timely claim forms ("Authorized Claimants") under the following Plan of Allocation, which reflects Lead Plaintiffs' contention that because of alleged misrepresentations and omissions contained in CEU's financial results and other public statements, the price of CEU Stock was artificially inflated during the Class Period and that disclosures of the true facts caused changes in the inflated stock price.

PLAN OF ALLOCATION

1. For purposes of determining the amount an Authorized Claimant will recover from the Settlement, Lead Counsel has consulted with a damages consultant who has developed the Plan of Allocation. It is designed to fairly allocate the proceeds of the Net Settlement Fund to Authorized Claimants.
2. The Court has not made any finding that the Released Parties are liable to the Class or that the Class has suffered any compensable damages, nor has the Court made any finding that the payments allowed under this Plan of Allocation are an accurate measure of damages.
3. The Claims Administrator will determine each Class Member's *pro rata* share of the Net Settlement Fund based upon each claimant's "Recognized Claim" from transactions in CEU common stock during the entire Class Period.

    I. For shares purchased between May 15, 2008 and November 28, 2010, and held on March 6, 2011, recognized loss per share is the lesser of:

        A. The price paid less $2.34.

        B. $2.07.

    II. For shares purchased between May 15, 2008 and November 28, 2010, and sold between December 7, 2010 and March 6, 2011, recognized loss per share is the lesser of:

        A. The price paid less $2.34.

        B. $2.07.

        C. The price paid less the price received.

        D. The price paid less the amount in Table A (set forth below) on the date of sale.

    III. For shares purchased between May 15, 2008 and November 28, 2010, and sold between November 29, 2010 and December 6, 2010, recognized loss per share is the lesser of:

        A. $1.48.

        B. The price paid less the price received.

    IV. For shares purchased and sold between May 15, 2008 and November 28, 2010, the recognized loss per share is $0.00.

    V. For shares purchased between November 29, 2010 and December 7, 2010 and held on March 6, 2011, recognized loss per share is the lesser of:

        A The price paid less $2.34.

        B. $.91.

VI. For shares purchased between November 29, 2010 and December 7, 2010 and sold between December 7, 2010 and March 6, 2011, recognized loss per share is the lesser of:

A. The price paid less the price received.

B. The price paid less $2.34.

C. $.91.

D. The price paid less the amount in Table A (set forth below) on the date of sale.

VII. For shares purchased and sold between November 29, 2010 and December 7, 2010, the recognized loss per share is $0.00.

TABLE A

Date	Amount	Date	Amount	Date	Amount	Date	Amount
12/7/2010	$ 2.34	12/30/2010	$ 2.49	1/24/2011	$ 2.46	2/10/2011	$ 2.40
12/8/2010	$ 2.52	12/31/2010	$ 2.49	1/25/2011	$ 2.45	2/11/2011	$ 2.39
12/9/2010	$ 2.61	1/3/2011	$ 2.49	1/26/2011	$ 2.45	2/14/2011	$ 2.39
12/10/2010	$ 2.63	1/4/2011	$ 2.49	1/27/2011	$ 2.45	2/15/2011	$ 2.39
12/13/2010	$ 2.63	1/5/2011	$ 2.49	1/28/2011	$ 2.44	2/16/2011	$ 2.38
12/14/2010	$ 2.61	1/6/2011	$ 2.50	1/31/2011	$ 2.44	2/17/2011	$ 2.38
12/15/2010	$ 2.59	1/7/2011	$ 2.50	2/1/2011	$ 2.43	2/18/2011	$ 2.38
12/16/2010	$ 2.56	1/10/2011	$ 2.50	2/2/2011	$ 2.43	2/22/2011	$ 2.37
12/17/2010	$ 2.56	1/11/2011	$ 2.50	2/3/2011	$ 2.42	2/23/2011	$ 2.37
12/20/2010	$ 2.55	1/12/2011	$ 2.49	2/4/2011	$ 2.42	2/24/2011	$ 2.36
12/21/2010	$ 2.53	1/13/2011	$ 2.49	2/7/2011	$ 2.41	2/25/2011	$ 2.36
12/22/2010	$ 2.52	1/14/2011	$ 2.48	2/8/2011	$ 2.41	2/28/2011	$ 2.36
12/23/2010	$ 2.50	1/18/2011	$ 2.47	2/9/2011	$ 2.40	3/1/2011	$ 2.35
12/27/2010	$ 2.50	1/19/2011	$ 2.47	3/2/2011	$ 2.35		
12/28/2010	$ 2.49	1/20/2011	$ 2.46	3/3/2011	$ 2.34		
12/29/2010	$ 2.49	1/21/2011	$ 2.46	3/4/2011	$ 2.34		

How You Receive a Payment—Submitting A Claim

9. How can I get a payment?

To qualify for a payment, you must be an eligible Class Member and must send in a form entitled "Proof of Claim and Release". This Claim Form was mailed with this Notice. You may also obtain a Claim Form at www.strategicclaims.net. Read the instructions carefully, fill out the form, sign it in the location indicated, and mail the Claim Form together with all required documentation, postmarked no later than January 25, 2013, to:

China Education Alliance Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063
Tel: (866) 274-4004
www.strategicclaims.net

The Claims Administrator will process your claim and determine whether you are an "Authorized Claimant."

10. What am I giving up to get a payment or stay in the Class?

If you are a member of the Class, and do not exclude yourself, you will give up and release any claims you might have against the Defendants relating to the "Settled Claims," as described more fully below. All of the Court's orders will apply to you and legally bind you. ***If you are a Class Member, this will be true even if you do not submit or sign a Proof of Claim and Release form, unless you exclude yourself from the Class (in which case you will not receive any payment).***

If the proposed Settlement is approved, the Court will enter an Order and Final Judgment of Dismissal with prejudice. The Judgment will dismiss the "Settled Claims" with prejudice as to all "Released Parties". The Judgment will provide that all Class Members on behalf of themselves, their current and former heirs, executors, administrators, successors, attorneys, legal representatives, and assigns, shall be deemed to have released and to have forever relinquished and discharged all Settled Claims against all Released Parties. Each of the Defendants will also release all claims they may have against any Class Member, to the extent set forth in the Stipulation of Settlement.

"Released Parties" means the Defendants, and any of their current, former or future parents, subsidiaries, affiliates, partners, joint venturers, officers, directors, principals, shareholders, members, agents (acting in their capacity as agents), employees, attorneys, insurers, reinsurers, advisors, accountants, associates and/or any other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants and the current, former and future legal representatives, heirs, successors in interest or assigns of the Defendants.

"Settled Claims" means any and all claims, debts, demands, liabilities, rights and causes of action of every nature and description whatsoever (including but not limited to any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class or individual in nature, including both known claims and Unknown Claims, (i) that have been alleged or asserted in the Litigation by the Lead Plaintiffs and/or Class Members or any of them against any of the Defendants; or (ii) that could have been alleged or asserted in the Litigation, including but not limited to any claim arising out of or relating to any of the acts, omissions, misrepresentations, facts, events, matters, transactions or occurrences referred to in the Litigation or otherwise alleged or asserted in the Litigation; provided, however, that Settled Claims do not include any pending shareholder derivative litigation; and provided, further, that Settled Claims do not include any claims to enforce any of the terms of the Stipulation or of the Order and Final Judgment.

"Unknown Claims" means any Settled Claim which Lead Plaintiffs or any member of the Class does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, which if known by him, her or it, might have affected his, her or its decision with respect to the Settlement, including, but not limited to, the decision not to object to the Settlement, and any Settled Defendants' Claims which any Defendant does not know or expect to exist in his or its favor, which if known by him or it might have affected his or its decision(s) with respect to the Settlement. With respect to any and all Settled Claims and Settled Defendants' Claims, the Parties stipulate and agree that upon the Effective Date, the Lead Plaintiffs and Defendants shall expressly waive, and each Class Member shall be deemed to have and by operation of the Order and Final Judgment shall have expressly waived, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Cal. Civ. Code § 1542 which provides: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

If you desire, please read the Stipulation of Settlement at the website (or call for a copy of it) for a fuller explanation of the definition of "Settled Claims," all of which you will be deemed to release if the Settlement is approved by the Court.

If you do not exclude yourself, you may sign and submit a Claim Form to claim a share in the Net Settlement Fund and this will be the only compensation from the Settlement you will receive for any losses you may have incurred from purchases of CEU stock during the Class Period.

EXCLUDING YOURSELF FROM THE SETTLEMENT

11. How do I get out of the Settlement?

If you do not want to receive a payment from this Settlement, and you want to keep the right to sue or continue to sue the Defendants with respect to the Settled Claims, then you must take steps to get out of the Settlement. This is called excluding yourself from — or "opting out" of — the Settlement. To exclude yourself from the Settlement, you must mail a letter stating you want to be excluded as a Class Member from *In re China Education Alliance, Inc. Securities Litigation*, Case No. 2:10-CV-09239 (CAS). You must include your name, address, telephone number, e-mail address and your signature, along with an accurate list of all of your purchases and sales of CEU Stock in the Class Period, including the dates of each purchase and sale, the number of shares in each transaction, and the amounts paid or received in each transaction (excluding commissions, taxes and other

charges). You must mail your exclusion request, so that it is received no later than February 11, 2013, to the following three addresses:

China Education Alliance Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063
Tel: (866) 274-4004
www.strategicclaims.net

CLASS COUNSEL	DEFENSE COUNSEL
Laurence M. Rosen, Esq. Phillip Kim, Esq. The Rosen Law Firm, P.A. 275 Madison Avenue, 34th Floor New York, NY 10016 212-686-1060	Jerome S. Fortinsky, Esq. Brian G. Burke, Esq. Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 212-848-4000

You cannot exclude yourself by telephone or by e-mail or at the wesbite.

If you properly exclude yourself, you will not receive a settlement payment, you cannot object to the Settlement, and you will not be legally bound by anything that happens in this case.

12. If I do not exclude myself, can I later sue Defendants on the same claims?

No. Unless you exclude yourself, you give up any right to sue Defendants or the Released Parties for the Settled Claims. If you have a pending lawsuit, speak to your lawyer in that case immediately, since you may have to exclude yourself from this Class to continue your own lawsuit.

THE LAWYERS REPRESENTING YOU

13. Do I have a lawyer in this case?

The Court appointed The Rosen Law Firm, P.A. to represent you and the other Class Members. These lawyers are called Lead Plaintiffs' Counsel or Class Counsel. You will not be individually charged for the work of these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense. Contact information for The Rosen Law Firm, P.A. is provided above.

14. How will the lawyers be paid?

Class Counsel and counsel working under their direction have expended considerable time litigating this action on a contingent fee basis, and have paid for the expenses of the litigation themselves. As is customary in this type of litigation, they did so with the expectation that if they were successful in recovering money for the Class, they would receive attorneys' fees and be reimbursed for their litigation expenses from the Settlement Fund. Class Counsel will not receive attorneys' fees or be reimbursed for their litigation expenses otherwise. Therefore, Class Counsel will file a motion asking the Court to make a payment of attorneys' fees in an amount not to exceed 25% of the $2,425,000 Settlement Amount and for reimbursement of their already paid or incurred litigation expenses not to exceed $100,000. Class Counsel also intends to ask the Court to grant each Lead Plaintiff and award of $1,500, for a total award of $4,500. This request is in the range of fees awarded to counsel in other cases of this type. The Court may award less than these amounts. *Any amounts awarded by the Court will come out of the Settlement Fund.*

If the above amounts for fees, expenses, and award to Lead Plaintiffs are requested and approved by the Court, the average cost per share of CEU Stock will be $.1714.

On or before February 4, 2013 the filed copy of Class Counsel's request for attorneys' fees and expenses will be available on the settlement website, www.strategicclaims.net.

OBJECTING TO THE SETTLEMENT

15. How do I tell the Court that I do not like the Settlement or any part of it?

If you are a Class Member, you can tell the Court you do not agree with the Settlement or any part of it, including the proposed Plan of Allocation, or the request for attorneys' fees and expenses to Class Counsel, or the request for payment to Lead Plaintiff. You must mail a letter stating that you object to the Settlement in *In re China Education Alliance, Inc. Securities Litigation*, Case No. 2:10-CV-09239 (CAS) and must include your name, address, telephone number, e-mail address, signature, a list of your purchases and sales of CEU Stock in the Class Period in order to show your membership in the Class, and all of the reasons you object to the Settlement or any part of it or any request for payment. Be sure to mail the letter to the following three addresses, so that it is received no later than February 18, 2013, so the Court will consider your views:

COURT	CLASS COUNSEL	DEFENSE COUNSEL
Clerk of the Court United States District Court Central District of California 312 North Spring Street Los Angeles, CA 90012-4701	Laurence M. Rosen, Esq. Phillip Kim, Esq. THE ROSEN LAW FIRM, P.A. 275 Madison Avenue, 34th Floor New York, NY 10016	Jerome S. Fortinsky, Esq. Brian G. Burke, Esq. SHEARMAN & STERLING LLP 599 Lexington Avenue New York, NY 10022

16. What is the difference between objecting and requesting exclusion?

Objecting is telling the Court you do not like something about the Settlement, the proposed Plan of Allocation, or the requests for attorneys' fees or similar payments. You can object only if you stay in the Class. By contrast, requesting exclusion is telling the Court that you do not want to be part of the Class and Settlement. If you exclude yourself, you cannot object to the Settlement because it no longer affects you.

THE COURT'S FINAL SETTLEMENT HEARING

17. When and where will the Court decide whether to approve the Settlement?

The Court will hold a Final Settlement Hearing on March 11, 2013, at 10:00 a.m., at the United States District Court for the Central District of California, Courtroom 5, 312 North Spring Street, Los Angeles, CA 90012.

At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate and whether to approve the Settlement. If there are objections, the Court will consider them, and the Court will listen to people who have asked to speak at the hearing. The Court may also decide how much to pay Class Counsel for attorneys' fees and expenses. The Court may adjourn or postpone the date of the hearing without further notice to the Class.

18. Do I have to come to the hearing?

No, although you are welcome to attend at your own expense. If you object to the Settlement in writing, and do so in compliance with the instructions set forth in this Notice, the Court will consider it, and you do not have to come to Court to talk about it. If, however, you, or an attorney you hire at your own cost, intend to appear and speak at the hearing, you must indicate that you will do so in the letter containing your objections or in a separate letter which must be sent to the same persons by the same deadline as noted in Question No. 15 above. You must indicate who will speak, any witnesses you will question and all evidence you will ask the Court to consider.

IF YOU DO NOTHING

19. What happens if I do nothing at all?

If you do nothing, you will not receive a payment from the Settlement. However, unless you exclude yourself, if the Settlement is approved, you or anyone acting or purporting to act on your behalf will be permanently and forever enjoined from prosecuting, attempting to prosecute, or assisting others in the prosecution of any Settled Claims against the Released Parties.

20. How can I get more information about the Settlement and Class Counsel's request for attorneys' fees and expenses or Lead Plaintiff's request for a payment?

This is only a summary of the Settlement and the other matters discussed here. You can get more information about the Settlement by contacting the Claims Administrator or Class Counsel at the addresses and numbers noted above. A copy of the full Stipulation and Agreement of Settlement, which has been filed with the Court, and all related documents can be found on the Claims Administrator's web site at www.strategicclaims.net.

The papers submitted in support of the Settlement and Class Counsel's request for the Court's approval of an award of fees and expenses, and Lead Plaintiffs' request for a case contribution payment, will be filed by February 4, 2013 and posted on this website.

PLEASE DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

SPECIAL NOTICE TO NOMINEES

If you purchased or otherwise acquired CEU Stock during the Class Period for the beneficial interest of a person or organization other than yourself, the Court has directed that within fourteen (14) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim form by first class mail to all such persons or entities, or (2) provide a list of the names and addresses of such persons or entities to the Claims Administrator.

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

In either case, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: NOVEMBER 19, 2012.

BY ORDER OF THE UNITED STATES
DISTRICT COURT FOR THE
CENTRAL DISTRICT OF CALIFORNIA

China Education Alliance, Inc. Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063
Tel: (866) 274-4004
www.strategicclaims.net

PROOF OF CLAIM AND RELEASE

MUST BE POSTMARKED BY JANUARY 25, 2013

IF YOU PURCHASED THE PUBLICLY-TRADED COMMON STOCK OF CHINA EDUCATION ALLIANCE, INC. ("CEU") DURING THE PERIOD FROM MAY 15, 2008 THROUGH AND INCLUDING DECEMBER 7, 2010 (THE "CLASS PERIOD"), YOU MAY BE A "CLASS MEMBER" AND THEREFORE ENTITLED TO SHARE IN THE SETTLEMENT PROCEEDS.

IF YOU ARE A CLASS MEMBER, YOU MUST COMPLETE AND SUBMIT THIS FORM IN ORDER TO BE ELIGIBLE FOR ANY SETTLEMENT BENEFITS. HOWEVER, FILING A PROOF OF CLAIM IS NOT A GUARANTEE THAT YOU WILL SHARE IN THE PROCEEDS OF THE SETTLEMENT.

YOU MUST COMPLETE AND SIGN THIS PROOF OF CLAIM AND RELEASE ("PROOF OF CLAIM") AND MAIL IT BY FIRST CLASS MAIL, POSTMARKED NO LATER THAN JANUARY 25, 2013 TO STRATEGIC CLAIMS SERVICES, THE CLAIMS ADMINISTRATOR, AT THE FOLLOWING ADDRESS:

China Education Alliance, Inc. Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063
Tel: (866) 274-4004
www.strategicclaims.net

YOUR FAILURE TO SUBMIT YOUR CLAIM BY JANUARY 25, 2013 WILL SUBJECT YOUR CLAIM TO REJECTION AND PRECLUDE YOUR RECEIVING ANY MONEY FROM THE SETTLEMENT OF THIS ACTION. DO NOT MAIL OR DELIVER YOUR CLAIM TO THE COURT OR TO ANY OF THE PARTIES OR THEIR COUNSEL; SUBMIT YOUR CLAIM ONLY TO THE CLAIMS ADMINISTRATOR.

IF YOU ARE A CLASS MEMBER AND DO NOT SUBMIT A PROOF OF CLAIM OR REQUEST EXCLUSION FROM THE CLASS, YOU WILL BE BOUND BY THE TERMS OF ANY ORDER AND JUDGMENT ENTERED IN THE LITIGATION.

DEFINITIONS AND INSTRUCTIONS

1. All capitalized terms used in this Proof of Claim and Release are defined in the Notice.

2. How To Identify Yourself For the Form:

   You are a beneficial and record acquirer if you:

   - Acquired China Education Alliance common stock from May 15, 2008 through and including December 7, 2010 on a national securities exchange or an electronic quotation system, and
   - Held the certificate(s) in your name.

   You are the beneficial acquirer and a third party is the record acquirer if:

   - The certificate(s) were registered in the name of a third party. A third party could be a nominee or brokerage firm.

Please Note: This Proof of Claim must be filed by the actual beneficial acquirer(s), or the legal representative of such acquirer(s), of the China Education Alliance common stock purchased or sold in the Class Period.

3. All joint purchasers of China Education Alliance common stock must sign this Proof of Claim and Release. Executors, administrators, guardians, conservators and trustees must complete and sign this Proof of Claim on behalf of persons represented by them; a copy of proof of their authority must accompany this Proof of Claim, and their titles or capacities must be stated. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

4. Use Part II, entitled "Schedule of Transactions in China Education Alliance, Inc. Common Stock", to supply all required information regarding your ownership of and transaction(s) in China Education Alliance common stock. If you need more space or additional schedules, attach separate sheets with all of the same information. Sign and print or type your name on each additional sheet.

5. List each purchase and sale from May 15, 2008 through and including March 6, 2011, separately and in chronological order, by trade date. Start with the earliest date. You must accurately provide the month, day and year of each transaction you list, along with the quantity and selling price.

6. Any loans of China Education Alliance common stock to persons engaged in a "short sale" are not considered a sale.

7. You must attach photocopies of the documentation of all your transactions in China Education Alliance common stock. This includes any one of these documents: broker confirmation slips, broker statements, or other documentation. Failure to provide this documentation will delay verification of your claim and could result in rejection of your claim. Please do not send original documents.

8. The Claims Administrator may request additional information as required to calculate your claim. If the Claims Administrator cannot perform the calculation accurately or at a reasonable cost to the Class, it may require the production of additional information.

Notice Regarding Electronic Files: Certain claimants with a large number of transactions, such as institutional holders, may ask (or be asked) to submit claim information in an electronic format. The Claims Administrator will decide when electronic filing of information will be authorized. In these cases, all claimants must also submit a manually-signed paper Proof of Claim and Release form, listing all transactions in China Education Alliance common stock. Only electronic files authorized by the Claims Administrator will be considered properly submitted.

CLAIMANT'S STATEMENT

1. I (we) purchased the publicly-traded common stock of China Education Alliance, Inc. ("CEU") and was (were) damaged thereby.

2. By submitting this Proof of Claim, I (we) state that I (we) believe in good faith that I am (we are) a Class Member(s) as defined above and in the Notice, or am (are) acting for such person(s); that I am (we are) not a Defendant in the Litigation; that I am (we are) not excluded from the Class; that I (we) have read and understand the Notice; that I (we) believe that I am (we are) entitled to receive a share of the Net Settlement Fund; that I (we) elect to participate in the proposed Settlement described in the Notice; and that I (we) have not filed a request for exclusion.

3. I (we) consent to the jurisdiction of the Court with respect to this Claim, the enforcement of all related releases, and all questions concerning the validity of this Claim. I (we) understand and agree that my (our) claim may be subject to verification on all issues, including investigation and discovery to determine my (our) status as a Class Member(s) and the validity and amount of my (our) claim.

4. I (we) have set forth where requested below all relevant information with respect to each purchase of CEU common stock during the Class Period, and each sale, if any, of such securities. I (we) agree to furnish additional information to the Claims Administrator to support this claim if requested to do so.

5. I (we) have enclosed photocopies of the stockbroker's confirmation slips, stockbroker's statements, or other documents evidencing each purchase, sale or retention of CEU common stock listed below in support of my (our) claim.

6. Upon the occurrence of the Court's approval of the Settlement and its Effective Date, as detailed in the Notice, I (we) agree and acknowledge that I (we) am (are) bound by the terms of any judgment in the Litigation, and my (our) signature(s) on this document will effect and constitute a full and complete release, remise and discharge by me (us) and my (our) current and former heirs, executors, administrators, successors, attorneys, legal representatives, and assigns of each of the "Released Parties" of all "Settled Claims," as defined in the Notice. If I am (we are) submitting this Proof of Claim on behalf of a corporation, a partnership, estate or one or more other persons, this release is made by it, him, her or them, and by its, his, her or their current and former heirs, executors, administrators, successors, attorneys, legal representatives, and assigns. Note: This means that you are giving up all rights to sue concerning the claims in this Litigation and all related claims, defined as the "Settled Claims". The "Released Parties" are CEU, James Hsu, Yizhao Zhang, Xiqun Yu, Zibing Pan, Susan Liu, Chunqing Wang, Liansheng Zhang, and any of their current, former or future parents, subsidiaries, affiliates, partners, joint venturers, officers, directors, principals, shareholders, members, agents (acting in their capacity as agents), employees, attorneys, insurers, reinsurers, advisors, accountants, associates and/or any other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants and the current, former and future legal representatives, heirs, successors in interest or assigns of the Defendants. "Settled Claims" means any and all claims, debts, demands, liabilities, rights and causes of action of every nature and description whatsoever (including but not limited to any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class or individual in nature, including both known claims and Unknown Claims, (i) that have been asserted in the Litigation by the Lead Plaintiffs and/or Class Members or any of them against any of the Defendants; or (ii) that could have been alleged, asserted or contended in the Litigation, including but not limited to any claim arising out of or relating to any of the acts, omissions, misrepresentations, facts, events, matters, transactions or occurrences referred to in the Litigation or otherwise alleged, asserted or contended in the Litigation; provided, however, that with respect to (ii), Settled Claims do not include those wholly unrelated to the purchase, acquisition or holding of CEU common stock; and provided, further, that Settled Claims do not include any claims to enforce any of the terms of this Stipulation or of the Order and Final Judgment. ***Please read the Notice for a much more complete definition of these terms.***

7. I (we) have not submitted any other claim covering the same acquisitions or sales of CEU common stock. I (we) know of no other Person having done so on my (our) behalf.

I. CLAIMANT INFORMATION

Name

Street Address

City: State: Zip Code: –

Foreign Province and Postal Code: Foreign Country:

Social Security Number or Taxpayer Identification Number (if U.S. Citizen/Resident)

Social Security Number (for individuals) – –

Taxpayer Identification Number (for estates, trusts, corporations, etc.) –

(used only to verify claim, and failure to provide could delay same or result in rejection of claim)

Area Code Telephone No. (Day) – Area Code Telephone No. (Night) – Area Code Facsimile Number –

Email Address

Check One: ☐ Individual ☐ Joint Owners (if any, identify here): _____

☐ IRA ☐ Estate ☐ Corporation ☐ Other: _____

II. SCHEDULE OF TRANSACTIONS IN CHINA EDUCATION ALLIANCE, INC. COMMON STOCK

Opening Holdings:

State the total number of shares of CEU common stock owned at the close of trading on May 14, 2008, long or short (*must be documented*).

Purchases:

Separately list each and every open market purchase of CEU common stock during the period from May 15, 2008 through and including March 6, 2011 and provide the following information (*must be documented):*

Trade Date (List Chronologically) (Month/Day/Year)	Number of Shares Purchased	Price Per Share	Total Cost (excluding commissions, taxes and fees)
/ /		$.	$.
/ /		$.	$.
/ /		$.	$.
/ /		$.	$.

Sales:

Separately list each and every sale of CEU common stock during the period from May 15, 2008 through and including March 6, 2011 and provide the following information (*must be documented*):

Trade Date (List Chronologically) (Month/Day/Year)	Number of Shares Sold	Price Per Share	Amount Received (excluding commissions, taxes and fees)
/ /		$.	$.
/ /		$.	$.
/ /		$.	$.
/ /		$.	$.

Ending Holdings:

State the total number of shares of CEU common stock owned at the close of trading on March 6, 2011, long or short (*must be documented).*

If additional space is needed, attach separate, numbered sheets, giving all required information, substantially in the same format, and print your name and Social Security or Taxpayer Identification number at the top of each sheet.

III. SUBSTITUTE FORM W-9

Request for Taxpayer Identification Number:

Enter taxpayer identification number below for the Beneficial Owner(s). For most individuals, this is your Social Security Number. The Internal Revenue Service ("I.R.S.") requires such taxpayer identification number. If you fail to provide this information, your claim may be rejected.

Social Security Number
(for individuals)
☐☐☐ – ☐☐ – ☐☐☐☐

or

Taxpayer Identification Number
(for estates, trusts, corporations, etc.)
☐☐ – ☐☐☐☐☐☐☐

IV. CERTIFICATION

I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406 (a)(1)(c) of the Internal Revenue Code because: (a) I am (We are) exempt from backup withholding, or (b) I (We) have not been notified by the I.R.S. that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the I.R.S. has notified me (us) that I am (we are) no longer subject to backup withholding.

NOTE: If you have been notified by the I.R.S. that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the certification above.

UNDER THE PENALTIES OF PERJURY, I (WE) CERTIFY THAT ALL OF THE INFORMATION I (WE) PROVIDED ON THIS PROOF OF CLAIM AND RELEASE FORM IS TRUE, CORRECT AND COMPLETE.

Signature of Claimant (If this claim is being made on behalf of Joint Claimants, then each must sign):

_____
(Signature)

_____
(Signature)

_____
(Capacity of person(s) signing, e.g. beneficial purchaser(s), executor, administrator, trustee, etc.)
Please enclose proof of authority to file.

Date: _____

THIS PROOF OF CLAIM MUST BE POSTMARKED NO LATER THAN JANUARY 25, 2013 AND MUST BE MAILED TO:

China Education Alliance, Inc. Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063
Tel: (866) 274-4004
www.strategicclaims.net

A Proof of Claim received by the Claims Administrator will be deemed to have been submitted when posted, if mailed by first-class mail by January 25, 2013 and if a postmark is indicated on the envelope. In all other cases, a Proof of Claim will be deemed to have been submitted when actually received by the Claims Administrator.

You should be aware that it will take a significant amount of time to process fully all of the Proofs of Claim and to administer the Settlement. This work will be completed as promptly as time permits, given the need to investigate and tabulate each Proof of Claim. Please be patient.

REMINDER CHECKLIST

- Please be sure to sign this Proof of Claim on page 14. If this Proof of Claim is submitted on behalf of joint claimants, then both claimants must sign.
- Please remember to attach copies of supporting documents. Do NOT send any stock certificates. Keep copies of everything you submit.
- Do NOT use highlighter on the Proof of Claim or any supporting documents.
- If you move after submitting this Proof of Claim, please notify the Claims Administrator of the change in your address.

China Education Alliance, Inc. Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063

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PLEASE FORWARD

FIRST CLASS MAIL

PLEASE FORWARD—IMPORTANT LEGAL NOTICE