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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

IN RE CHINA INTELLIGENT
LIGHTING AND ELECTRONICS, INC.
SECURITIES LITIGATION,

No. 2:11-CV-2768 (PSG) (SSx)

CLASS ACTION

Hon. Philip S. Gutierrez
Courtroom: 880

THIS DOCUMENT RELATES TO:
ALL ACTIONS

STIPULATION AND AGREEMENT OF SETTLEMENT

This Stipulation and Agreement of Settlement (the "Stipulation") dated June 26, 2014 is hereby submitted to the Court pursuant to Rule 23 of the Federal Rules of Civil Procedure.¹ Subject to the approval of the Court, this Stipulation is entered into among Lead Plaintiffs Perritt Emerging Opportunities Fund, Universal Invest Quality SICAV, Acerco SA, and Antoine de Sejournet, on behalf of themselves and the putative class (collectively, "Plaintiffs"); and defendant MaloneBailey LLP ("MaloneBailey" or "Settling Defendant"), by and through their respective counsel.

1. WHEREAS, on April 1, 2011, a class action complaint styled *Michael Stern v. China Intelligent Lighting and Electronics, Inc. et al.*, 11-CV-2768-PSG-SSx ("*Stern Action*") alleging violations of federal securities laws against: a) China Intelligent Lighting and Electronics, Inc., ("China Intelligent"), Li Xuemei, Kui

¹ All capitalized terms not otherwise defined shall have the meanings set forth in section A below.

1 Kevin Jiang, Wu Shiliang, Michael Askew, Su Yang, Ruxiang Niu, Zhang
2 Hongfeng (collectively the “China Intelligent Defendants”); and b) WestPark
3 Capital, Inc., (“WestPark”), Rodman & Renshaw LLC (“Rodman”) (collectively,
4 the “Underwriters” or “Underwriter Defendants”), was filed in the United States
5 District Court for the Central District of California (the "Court");

6 2. WHEREAS, on April 20, 2011, a related action captioned *Colonel*
7 *Nunzio Marabella v. China Intelligent Lighting and Electronics, Inc. et al.*, 11-CV-
8 3390-PSG-SSx (“*Nunzio Action*”) was filed in this Court;

9 3. WHEREAS, by Order dated July 7, 2011, the *Stern Action* and the
10 *Nunzio Action* were consolidated by the Court into the instant action and styled *In*
11 *re China Intelligent Lighting and Electronics, Inc. Securities Litigation*, 2:11-CV-
12 2768 PSG (SSx) (the “*Litigation*”);

13 4. WHEREAS, by the same July 7, 2011 Order, Judge Gutierrez
14 appointed the Perritt Emerging Opportunities Fund, Universal Invest Quality
15 SICAV, Acerco SA, and Antoine de Sejournet as Lead Plaintiffs, and Gold Bennett
16 Cera & Sidener LLP and The Rosen Law Firm, P.A. as Lead Counsel;

17 5. WHEREAS, on September 6, 2011, Lead Plaintiffs filed a
18 Consolidated Class Action Complaint, which added as defendants: a) WestPark’s
19 CEO Richard Rappaport (“Rappaport”) and CFO Anthony Pintsopoulos; b)
20 Rodman’s CEO Edward Rubin (“Rubin”), CFO David Horin (“Horin”), and Senior
21 Managing Director John Borer (“Borer”); c) MaloneBailey; d) Kempisty &
22 Company, P.C.;

23 6. WHEREAS, on March 16, 2012, Lead Plaintiffs filed the operative
24 First Amended Consolidated Class Action Complaint alleging: (Count 1) violations
25 of Section 11 of the Securities Act of 1933 (the "Securities Act") against all
26 Defendants except Rappaport, Rubin, and Borer; (Count 2) violations of Section
27 12(a)(2) of the Securities Act against Rodman and WestPark; (Count 3) violations

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1 of Section 15 of the Securities Act against Li Xuemei, Kui Kevin Jiang, Rappaport,
2 Rubin, and Borer.

3 7. WHEREAS, on May 7, 2012, MaloneBailey filed an Answer to the
4 First Amended Consolidated Class Action Complaint;

5 8. WHEREAS, in recognition of the attendant risks and costs of
6 continued litigation and the benefits of resolving this litigation, the parties hereto
7 desire to settle and resolve any and all actual or potential claims by, between, or
8 among Plaintiffs, on the one hand, and MaloneBailey, on the other hand, arising
9 out of or relating to the subject matter of the Litigation;

10 9. MaloneBailey denies any wrongdoing whatsoever, and this
11 Stipulation shall in no event be construed as, or be deemed to be evidence of, an
12 admission or concession on the part of MaloneBailey with respect to any actual or
13 potential claim, liability, wrongdoing, or damage whatsoever, or any infirmity in
14 the defenses that MaloneBailey has asserted. This Stipulation also shall not be
15 construed as or be deemed to be a concession by the Lead Plaintiffs of any
16 infirmity in the claims asserted in the Litigation. The parties to this Stipulation
17 (the "Settling Parties") wish to settle and compromise any dispute regarding the
18 Litigation or its subject matter, including but not limited to whether the Litigation
19 was filed by the Lead Plaintiffs and defended by MaloneBailey in good faith and
20 with adequate basis in fact under Rule 11 of the Federal Rules of Civil Procedure.
21 The Settling Parties agree that the Litigation is being voluntarily settled after
22 advice of counsel and that the terms of the Settlement are fair, adequate, and
23 reasonable;

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

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

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

16 NOW THEREFORE, without any admission or concession on the part of the
17 Lead Plaintiffs of any lack of merit in the Litigation whatsoever, and without any
18 admission or concession on the part of MaloneBailey of any liability, wrongdoing,
19 or lack of merit in the defenses asserted in the Litigation whatsoever,

20 It is hereby STIPULATED AND AGREED, by and among the Settling
21 Parties, through their respective attorneys, subject to approval of the Court
22 pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, in consideration of
23 the benefits flowing to the Settling Parties hereto from the Settlement, that any and
24 all claims made, or that could have been made, including all Settled Claims (as
25 defined below), by Plaintiffs against the Released Parties (as defined below) shall
26 be compromised, settled, released, and dismissed with prejudice as provided in the
27 Stipulation, to the extent as hereafter provided, without costs as to Plaintiffs or
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1 Settling Defendant, subject to the approval of the Court, upon and subject to the
2 following terms and conditions:

3 **A. CERTAIN DEFINITIONS**

4 As used in this Stipulation, the following terms have the meanings specified
5 below:

6 1. "Attorneys' Fees and Expenses" means the portion of the Gross
7 Settlement Fund approved by the Court for payment to Lead Plaintiffs' Counsel,
8 including attorneys' fees, costs, litigation expenses, including fees and expenses of
9 experts (excluding Notice and Administration Expenses).

10 2. "Authorized Claimant" means any Claimant (as defined below)
11 whose claim for recovery has been allowed pursuant to the terms of the Plan of
12 Allocation or by order of the Court.

13 3. "Award to Lead Plaintiffs" means any award by the Court to
14 Lead Plaintiffs of reasonable costs and expenses (including lost wages) directly
15 relating to the representation of the Settlement Class pursuant to 15 U.S.C. § 78u-
16 4(a)(4).

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

20 5. "Claims Administrator" means the accounting and claims
21 administration firm, Gilardi & Co LLC, that Lead Plaintiffs' Counsel requests be
22 appointed by the Court to administer the Settlement and disseminate notice to the
23 Settlement Class.

24 6. "Court" means the United States District Court for the Central
25 District of California District.

26 7. "Defendants" means China Intelligent Lighting and Electronics,
27 Inc., Li Xuemei, Kui Kevin Jiang, Wu Shiliang, Michael Askew, Su Yang, Zhang
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1 Hongfeng, WestPark Capital, Inc., Richard Rappaport, Rodman & Renshaw LLC,
2 John Borer, Edward Rubin, MaloneBailey LLP, and Kempisty and Company
3 CPAs, P.C.

4 8. "Effective Date" means the date on which all of the conditions
5 set forth below in paragraph K.1 shall have been satisfied and the Court's Order
6 and Final Judgment, substantially in the form of Exhibit B hereto, becomes
7 "Final."

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

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

15 11. "Final" means that either of the following has occurred: (a) if
16 an appeal or review is not sought by any Person from the Order and Final
17 Judgment, the day following the expiration of the time to appeal or petition from
18 the Order and Final Judgment; or (b) if an appeal or review is sought from the
19 Order and Final Judgment, the day after such Order and Final Judgment is affirmed
20 or the appeal or review is dismissed or denied and such Order and Final Judgment
21 is no longer subject to further judicial review. For purposes of the definition of
22 "Final" under this stipulation, an Appeal shall not include any Appeal pertaining
23 solely to any Plan of Allocation or application for an award of attorneys' fees or
24 expenses.

25 12. "Gross Settlement Fund" means the Settlement Amount from
26 this Settlement, as well as the Settlement Amounts from the Settlements with (i)
27 Kempisty and (ii) Westpark and Rappaport, plus all interest earned thereon.

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1 13. "Lead Plaintiffs" means Perritt Emerging Opportunities Fund,
2 Universal Invest Quality SICAV, Acerco SA, and Antoine de Sejournet.

3 14. "Lead Plaintiffs' Counsel" means Gold Bennett Cera & Sidener
4 LLP and The Rosen Law Firm, P.A.

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

9 16. "Notice and Administration Expenses" means all expenses
10 incurred (whether or not paid) in connection with the preparation, printing,
11 mailing, and publication of the Notice to the Settlement Class of the proposed
12 settlement, and all expenses of Settlement administration; provided, however, that
13 none of these expenses shall be deemed to include Attorneys' Fees and Expenses
14 through the Effective Date. All such Notice and Administration Expenses shall be
15 paid from the Gross Settlement Fund.

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

20 18. "Other Actions" means: (i) the securities class action styled
21 *Katz v. China Century Dragon Media, Inc et al.*, 11-CV-2769-JAK-SSx alleging
22 violations of federal securities laws against: China Century Dragon Media, Inc.,
23 Hai Ming Fu, Dapeng Duan, HuiHua Li, Zhifeng Yan, David De Campo, Yue Lu,
24 Fang Yuan; WestPark Capital, Inc., Joseph Gunnar & Co., LLC, I-Bankers
25 Securities, Inc., Aegis Capital Corporation, Richard Rappaport and MaloneBailey,
26 pending in the United States District Court for the Central District of California;
27 and (ii) the proposed securities class action styled *Stanger v. China Electric Motor*,

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1 *Inc.*, 11-CV-02794-R-AGRx alleging violations of federal securities laws against:
2 China Electric Motor, Inc., Liang Tang, Fugui Wang, Shuiping Wang, Yue Wang,
3 Guoqiang Zhang, and Haixia Zhang, WestPark Capital, Inc., Richard Rappaport,
4 Roth Capital Partners, Kempisty & Company CPAs, P.C., Phillip Kempisty, and
5 MaloneBailey LLP.

6 19. "Person" means any individual, corporation, partnership,
7 limited liability corporation, limited liability partnership, joint venture, limited
8 partnership, professional corporation, association, affiliate, joint stock company,
9 trust, estate, unincorporated association, government, or any political subdivision
10 or agency thereof, any other type of legal, business, or political entity, any legal
11 representative, together with, as applicable, their respective domestic partners,
12 spouses, heirs, executors, administrators, predecessors, successors, representatives,
13 or assignees of any of the foregoing.

14 20. "Plaintiffs" means the Lead Plaintiffs and the Settlement Class.

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

22 22. "Released Parties" means MaloneBailey and any of its current,
23 former, or future parents, subsidiaries, affiliates, partners, joint venturers, officers,
24 directors, principals, shareholders, members, agents (acting in their capacity as
25 agents), employees, attorneys, trustees, insurers (and their respective businesses,
26 affiliates, subsidiaries, parents and affiliated corporations, divisions, predecessors,
27 shareholders, partners, joint venturers, principals, insurers, reinsurers, successors

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1 and assigns, and their respective past, present and future employees, officers,
2 directors, attorneys, accountants, auditors, agents and representatives), reinsurers,
3 advisors, accountants, associates, and/or any other individual or entity in which
4 MaloneBailey has or had a controlling interest or which is or was related to or
5 affiliated with MaloneBailey, and the current, former, and future legal
6 representatives, heirs, successors-in-interest, or assigns of MaloneBailey.
7 Specifically excluded from the definition of Released Parties are the China
8 Intelligent Defendants, Rodman, WestPark, Richard Rappaport, Phillip Kempisty,
9 John Anthony Rubino, Kempisty & Company CPAs, P.C. and any entity (with the
10 exception of MaloneBailey) through which Phillip C. Kempisty or John Anthony
11 Rubino engaged in the practice of accountancy (the "Kempisty Accountants").
12 The Defendants in this Litigation, other than MaloneBailey, are not Released
13 Parties and this Stipulation shall not release any Defendants other than
14 MaloneBailey, from claims in this Litigation.

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

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

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

24 25. "Settlement" means the settlement contemplated by this
25 Stipulation.

26 26. "Settlement Amount" means a fund in the amount of 1/3 of the
27 amount remaining on the insurance policy applicable to this claim (the other 2/3
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1 being paid in settlement of the Other Actions). Currently, the amount remaining
2 on the insurance policy is approximately \$1,582,350.40. One-third of that policy is
3 \$527,450.13. The final amount of the Settlement will not be determined until the
4 Settlement is approved such that further defense costs are no longer incurred,
5 which reduce the Settlement Amount available.

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

22 28. "Settlement Class Period" means the period from June 18, 2010
23 to March 24, 2011, inclusive.

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

4 30. "Settling Defendant's Counsel" means counsel of Settling
5 Defendant, which is Wilson Elser Moskowitz Edelman & Dicker LLP.

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

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

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

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

4 4. Pursuant to the Order and Final Judgment, upon the Effective
5 Date of this Settlement, Released Parties shall be deemed to have, and by operation
6 of the Order and Final Judgment entered in the Litigation, shall have, fully, finally,
7 and forever released, relinquished, and discharged each and all of the Settlement
8 Class Members, Lead Plaintiffs, Lead Plaintiffs' Counsel, including their
9 respective successors, assigns, heirs, domestic partners, spouses, marital
10 communities, executors, administrators, attorneys and legal representatives, from
11 all Settled Defendant's Claims.

12 **C. THE SETTLEMENT CONSIDERATION**

13 1. Subject to the terms of this Stipulation, the Settlement Amount
14 shall be paid into the Escrow Account within ten (10) calendar days after the Court
15 issues the Preliminary Approval Order. This Gross Settlement Fund shall be paid
16 exclusively by MaloneBailey.

17 2. The Gross Settlement Fund, net of any Taxes (as defined
18 below) on the income thereof and any Tax Expenses (as defined below), shall be
19 used to pay: (i) the Notice and Administration Expenses as authorized by this
20 Stipulation; (ii) Attorneys' Fees and Expenses authorized by the Court; (iii) any
21 Award to Lead Plaintiffs authorized by the Court; and (iv) other fees and expenses
22 authorized by the Court. The balance of the Gross Settlement Fund remaining
23 after the above payments shall be the Net Settlement Fund, which shall be
24 distributed to the Authorized Claimants in accordance with this Stipulation.

25 3. Any sums required to be held in escrow hereunder shall be held
26 by the Escrow Agent for the benefit of the Lead Plaintiffs and the Settlement Class
27 until the Effective Date. The Escrow Agent shall not disburse the Settlement Fund
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1 except as provided in this Stipulation, by an order of the Court, or with the written
2 agreement of Lead Plaintiffs' Counsel and Settling Defendant's Counsel. Subject
3 to further order or direction as may be made by the Court, the Escrow Agent is
4 authorized to execute such transactions as are consistent with the terms of the
5 Stipulation. After the Order and Final Judgment is entered, payments made from
6 the Settlement Fund shall require only the signature of an authorized representative
7 of the Escrow Agent and shall not require the signature of Settling Defendant's
8 Counsel's authorized representative.

9 4. All funds held by the Escrow Agent shall be deemed to be in
10 custodia legis and shall remain subject to the jurisdiction of the Court until such
11 time as the funds shall be distributed or returned pursuant to this Stipulation and/or
12 further order of the Court. Other than amounts disbursed for providing notice to
13 the Settlement Class, customary administration costs, and Taxes and Tax
14 Expenses, and the Attorneys' Fees and Expenses (which shall be paid to Lead
15 Plaintiffs' Counsel within two business days after the Court executes an order
16 awarding such fees and expenses), the Settlement Fund shall not be distributed
17 until the Effective Date. The Escrow Agent shall not disburse the Gross
18 Settlement Fund, or any portion thereof, except as provided in this Stipulation, or
19 upon Order of the Court.

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

26 6. Notwithstanding the fact that the Effective Date has not yet
27 occurred, Lead Counsel, subject to entry of an order preliminarily approving the
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1 Settlement, may pay from the total Settlement Fund, without further approval from
2 Settling Defendant, all reasonable Notice and Administration Expenses actually
3 incurred, up to a maximum aggregate total of \$100,000.00. Such costs and
4 expenses shall include, without limitation, the actual costs of printing and mailing
5 the Notice and Proof of Claim Form, reimbursements to nominee owners for
6 forwarding the Notice and Proof of Claim Form to the beneficial owners of China
7 Intelligent common stock, publication of the Summary Notice, the administrative
8 expenses incurred and fees charged by the Claims Administrator in connection
9 with providing Notice and processing the submitted Claims, and the fees, if any, of
10 the Escrow Agent. In the event that the Settlement is terminated pursuant to the
11 terms of this Stipulation, all Notice and Administration Expenses reasonably paid
12 or reasonably incurred, including any related fees, shall not be returned or repaid to
13 the Settling Defendant or to any person or entity who or which paid any portion of
14 the Settlement Amount on their behalf. Notice and Administration Expenses in
15 excess of \$100,000 shall not be paid out of the Gross Settlement Fund until after
16 the Effective Date. In no event shall an amount more than the Settlement Amount
17 be paid for Notice and Administration Expenses, and in no event shall the Released
18 Parties be responsible to pay any amount for Notice and Administration Expenses.

19 7. Before the Effective Date, Lead Plaintiffs' Counsel shall
20 provide counsel for MaloneBailey with copies of all records of the Settlement
21 Fund, including all records of disbursements, deposits, and statements of account.

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

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1 **D. ADMINISTRATION AND CALCULATION OF CLAIMS,**
2 **FINAL AWARDS AND SUPERVISION AND DISTRIBUTION**
3 **OF THE SETTLEMENT FUND**

4 1. The Claims Administrator shall administer and calculate the
5 claims that shall be allowed and oversee distribution of the Net Settlement Fund,
6 under the supervision of Lead Plaintiffs' Counsel, and subject to appeal to, and
7 jurisdiction of, the Court. The Released Parties shall have no liability, obligation,
8 or responsibility for the administration of the Gross Settlement Fund or Net
9 Settlement Fund, or for the distribution of the Net Settlement Fund.

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

12 a. To pay the expenses incurred in connection with
13 providing notice to Settlement Class Members, administering and distributing the
14 Net Settlement Fund to Settlement Class Members, processing Proofs of Claim,
15 processing requests for exclusion, escrow fees and costs, and any applicable taxes;

16 b. Subject to the approval and further order(s) of the
17 Court, the Net Settlement Fund shall be allocated to Authorized Claimants as set
18 forth in the Plan of Allocation.

19 c. The Net Settlement Fund shall be distributed to
20 Settlement Class Member by the Claims Administrator only after the Effective
21 Date and after: (i) any disputes regarding recognized claim amounts are finally
22 decided by the Court; (ii) all matters with respect to attorneys' fees, costs, and
23 disbursements have been resolved by the Court, all appeals from such matters have
24 been resolved or the time for such appeals has expired; and (iii) all costs of
25 administration have been paid.

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

7 4. All Proofs of Claim must be postmarked or received within the
8 time prescribed in the Preliminary Approval Order unless otherwise ordered by the
9 Court. Any Settlement Class Member who fails to submit a properly completed
10 Proof of Claim within such period as shall be authorized by the Court shall be
11 forever barred from receiving any payments pursuant to this Stipulation or from
12 the Net Settlement Fund (unless Lead Plaintiffs' Counsel in its discretion deems
13 such late filing to be a formal or technical defect, or unless by Order of the Court a
14 later submitted Proof of Claim by such Settlement Class Member is approved), but
15 will in all other respects be subject to the provisions of this Stipulation and Order
16 and Final Judgment, including, without limitation, the release of the Settled Claims
17 and dismissal of the Litigation. A Proof of Claim shall be deemed to have been
18 submitted when posted if received with a postmark indicated on the envelope and
19 if mailed by first-class mail and addressed in accordance with the instructions
20 thereon. In all other cases, the Proof of Claim shall be deemed to have been
21 submitted when actually received by the Claims Administrator.

22 5. Each Proof of Claim shall be submitted to the Claims
23 Administrator who shall determine, under the supervision of Lead Plaintiffs'
24 Counsel, in accordance with this Stipulation and any applicable orders of the
25 Court, the extent, if any, to which each claim shall be allowed, subject to appeal to
26 the Court. No later than seven (7) days prior to disbursement of the Net Settlement
27 Fund, Lead Plaintiffs' Counsel shall provide MaloneBailey with a list of Proofs of
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1 Claim received by the Claims Administrator indicating which Proofs of Claim
2 have been allowed by the Claims Administrator.

3 6. Lead Plaintiffs' Counsel shall have the right, but not the
4 obligation, to waive what they deem to be formal or technical defects in any Proofs
5 of Claim filed, where doing so is in the interest of achieving substantial justice.

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

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

23 9. The administrative determination of the Claims Administrator
24 accepting and rejecting claims shall be presented to the Court, on notice to Settling
25 Defendant's Counsel, for approval by the Court at the Settlement Hearing.

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

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

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

18 13. The Net Settlement Fund shall be distributed to Authorized
19 Claimants by the Claims Administrator only after all of the following having
20 occurred: (i) the Effective Date; (ii) all claims have been processed, and all
21 Claimants whose claims have been rejected or disallowed, in whole or in part, have
22 been notified and provided the opportunity to be heard concerning such rejection
23 or disallowance; (iii) all objections with respect to all rejected or disallowed claims
24 have been resolved by the Court, and all appeals therefrom have been resolved or
25 the time therefor has expired; (iv) all matters with respect to Attorneys' Fees and
26 Expenses, costs, and disbursements have been resolved by the Court, and all

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1 appeals therefrom have been resolved or the time therefor has expired; and (v) all
2 costs of administration have been paid.

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

15 15. No later than seven (7) calendar days prior to the Settlement
16 Hearing, Lead Plaintiffs' Counsel shall serve on Settling Defendant's Counsel and
17 file with the Court proof, by affidavit or declaration describing how notice of the
18 Settlement was given to the Settlement Class.

19 **E. TAX TREATMENT**

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

5 2. For purposes of Section 468B of the Internal Revenue Code, as
6 amended, and the regulations promulgated thereunder, the "administrator" shall be
7 Escrow Agent. The Claims Administrator shall timely and properly file all tax
8 returns necessary or advisable with respect to the Gross Settlement Fund, and make
9 all required tax payments, including deposits of estimated tax payments in
10 accordance with Treas. Reg. § 1.468B-2(k). Such returns (as well as the election
11 described in paragraph E.1. hereof) shall be consistent with this paragraph and
12 reflect that all taxes (including any interest or penalties) on the income earned by
13 the Gross Settlement Fund shall be paid out of the Gross Settlement Fund as
14 provided in paragraph E.3. hereof.

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

13 **F. ALLOCATION OF NET SETTLEMENT FUND**

14 1. Upon the Effective Date and thereafter, and in accordance with
15 the terms of the Stipulation, the Plan of Allocation, or such further approval and
16 further order(s) of the Court as may be necessary or as circumstances may require,
17 the Net Settlement Fund shall be distributed to Authorized Claimants, subject to
18 and in accordance with the following:

19 (a) Within one hundred and twenty (120) days after the
20 dissemination of the Notice or such other time as may be set by the Court, each
21 Person claiming to be a Settlement Class Member shall be required to submit to the
22 Claims Administrator a completed Proof of Claim, signed under penalty of perjury
23 and supported by such documents as specified in the Proof of Claim or such
24 substitute documentation as otherwise permitted by Lead Plaintiff's Counsel.

25 (b) Except as otherwise ordered by the Court, all Settlement Class
26 Members who fail to timely submit a Proof of Claim within such period, or such
27 other period as may be ordered by the Court, shall be forever barred from receiving
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1 any payment pursuant to this Stipulation and the Settlement set forth herein, but
2 will in all other respects be subject to and bound by the provisions of this
3 Stipulation, the releases contained herein, and the Class Judgment and be enjoined
4 and barred from bringing any action against any of the Released Parties asserting
5 any of the Released Claims.

6 2. The Plan of Allocation is based upon Lead Plaintiffs'
7 Counsel's assessment of the merits and the relative strengths and weaknesses,
8 including recoverable damages, of the claims of the Settlement Class Members.

9 3. MaloneBailey does not and shall not take any position as to the
10 proposed Plan of Allocation.

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

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

22 6. No Person shall have any claim against Lead Plaintiffs, Lead
23 Plaintiffs' Counsel, the Claims Administrator, the Escrow Agent or any agent
24 designated by MaloneBailey, its counsel or any of their respective counsel, based
25 on, or in any way relating to, the investment or distributions from the Settlement
26 Fund that have been made substantially in accordance with this Stipulation and any
27 applicable orders of the Court.

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1 7. It is understood and agreed by the Settling Parties that the
2 proposed Plan of Allocation including, but not limited to, any adjustments to an
3 Authorized Claimant's claim set forth therein, is not a part of this Stipulation and is
4 to be considered by the Court separately from the Court's consideration of the
5 fairness, reasonableness and adequacy of the Settlement set forth in this
6 Stipulation, and any order or proceeding relating to the Plan of Allocation shall not
7 operate to terminate or cancel this Stipulation or affect the finality of the Order and
8 Final Judgment approving this Stipulation and the Settlement set forth therein, or
9 any other orders entered pursuant to this Stipulation.

10 8. Any change in the allocation of the Net Settlement Fund
11 ordered by the Court shall not affect the validity or finality of this Settlement.

12 **G. OBLIGATIONS OF AND LIMITATIONS OF LIABILITY OF**
13 **ESCROW AGENT**

14 The Escrow Agent shall not be responsible for the payment of any
15 sums due to Authorized Claimants or other Persons, except to the extent of
16 maintaining account of and properly paying sums as required by this Stipulation to
17 the limited extent that such sums have been delivered into the Escrow Account as
18 required by this Stipulation. The Escrow Agent shall be liable only for acts of
19 gross negligence or willful misconduct.

20 **H. LEAD PLAINTIFFS' COUNSEL'S REQUEST FOR AN**
21 **AWARD OF ATTORNEYS' FEES AND EXPENSES AND AN**
22 **AWARD TO LEAD PLAINTIFFS**

23 1. Lead Plaintiffs' Counsel may submit one or more applications
24 to the Court, on notice to counsel for MaloneBailey, for the payment of Attorneys'
25 Fees and Expenses, including: (i) an award of attorneys' fees up to one-third of the
26 Settlement Amount; (ii) reimbursement of litigation costs and expenses, plus
27 interest, including fees and expenses of experts, incurred in connection with the
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1 prosecution of the Litigation not to exceed one hundred thousand (\$100,000) ; (iii)
2 reimbursement of fees and expenses incurred by Lead Plaintiffs' Counsel in
3 administering the Settlement, including hourly attorneys' fees incurred by Lead
4 Plaintiffs' Counsel solely in connection with the administration of the Settlement.
5 and (iv) an Award to Lead Plaintiffs (for reimbursement of time and expenses).
6 MaloneBailey agrees not to oppose any such application by Lead Plaintiffs'
7 Counsel on the terms set forth above.

8 2. Any attorneys' fees and costs and Award to Lead Plaintiffs
9 awarded by the Court shall be paid from the Gross Settlement Fund within two
10 business days after the Court executes an order awarding such fees and expenses
11 and Award to Lead Plaintiffs. If, and when, as a result of any appeal and/or further
12 proceedings on remand, or successful collateral attack, the Attorneys' Fees and
13 Expenses award is overturned or lowered, or if the Settlement is terminated or is
14 not approved by the Court, or if there is an appeal and any order approving the
15 Settlement does not become Final and binding upon the Class, then, within ten (10)
16 business days from receiving notice from MaloneBailey's counsel or from a court
17 of appropriate jurisdiction, Lead Plaintiffs' Counsel shall refund to the Settlement
18 Fund such fees and expenses previously paid to them from the Settlement Fund
19 plus interest thereon at the same rate as earned on the Settlement Fund in an
20 amount consistent with such reversal or modification. Each such Plaintiffs'
21 counsel's law firm receiving fees and expenses, as a condition of receiving such
22 fees and expenses, on behalf of itself and each partner and/or shareholder of it,
23 agrees that the law firm and its partners and/or shareholders are subject to the
24 jurisdiction of the Court for the purpose of enforcing the provisions of this
25 paragraph.

26 3. It is agreed that the procedure for and the allowance or
27 disallowance by the Court of any applications by Lead Plaintiffs' Counsel for
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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 Lead Plaintiffs shall submit the Stipulation together with its exhibits to the Court
9 and shall jointly apply for entry of a Preliminary Approval Order in connection
10 with 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 **J. ORDER AND FINAL JUDGMENT TO BE ENTERED BY THE**
23 **COURT APPROVING THE SETTLEMENT**

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

26 2. At or after the Settlement Hearing, Lead Plaintiffs' Counsel
27 also will request that the Court approve the Plan of Allocation of the Net
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1 Settlement Fund and Authorized Claimants and Lead Plaintiffs' Counsel may
2 request an award of attorneys' fees and reimbursement of expenses incurred in the
3 prosecution of the Litigation and an award for Lead Plaintiffs.

4 **K. CONDITIONS OF SETTLEMENT**

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

7 a. The Court shall enter the Preliminary Approval Order in
8 all material respects, as required by paragraph I above substantially in the form of
9 Exhibit A attached hereto;

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 has approved the Settlement as described
13 herein, following notice to the Settlement Class and a hearing, as prescribed by
14 Rule 23 of the Federal Rules of Civil Procedure;

15 d. Court has entered the Order and Final Judgment in all
16 material respects, as required by paragraph J above;

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

19 f. The Settlement Amount shall have been paid, as set forth
20 in paragraph C.1. above;

21 g. The final approval of settlements between Plaintiffs and
22 MaloneBailey in the two Other Actions currently pending in the United States
23 District Court for the Central District of California: *McGee v China Electric*
24 *Motors, Inc.*, Case No. 11-cv-2794-R (AGRx), and *Katz v. China Century Dragon*
25 *Media, Inc.*, Case No. 11-cv-2769-JAK (SSx).

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

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

10 **L. RIGHTS OF TERMINATION AND EFFECTS THEREOF**

11 1. MaloneBailey and Lead Plaintiffs shall each have the right to
12 terminate the Settlement and this Stipulation by providing written notice of their
13 election to do so ("Termination Notice") to all other counsel of the Settling Parties
14 within thirty (30) days after the date on which any of the following occurs (except
15 that MaloneBailey may not terminate the Settlement or the Stipulation if any of the
16 following occurs due to MaloneBailey's non-payment of the Settlement Amount):

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

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

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

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

25 e. the Order and Final Judgment in a form other than that
26 provided above (an "Alternative Judgment") is modified or reversed in any
27 material respect by a Court of Appeals or the United States Supreme Court, if none
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1 of the Settling Parties elects to terminate this Settlement upon the Court's entering
2 the Alternative Judgment.

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

23 3. If the Settlement Amount payable pursuant to paragraph C.1 of
24 this Stipulation is not paid, then the Lead Plaintiffs, in their sole discretion, may
25 elect, at any time prior to the Court's entering the Order and Final Judgment, (a) to
26 terminate the Settlement by providing written notice to MaloneBailey; or (b) to
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1 enforce the terms of the Settlement and this Stipulation and seek a judgment
2 effecting the terms herein.

3 4. Upon termination of the Stipulation pursuant to the terms of the
4 Stipulation, the Escrow Agent shall refund the portion of Gross Settlement Fund
5 paid by MaloneBailey, less amounts already expended for notice to the Settlement
6 Class pursuant to the terms of the Stipulation, to MaloneBailey within ten (10)
7 business days thereafter (the "Returned Settlement Amount"). Under no
8 circumstances shall Lead Plaintiffs or Lead Plaintiffs' Counsel be responsible for,
9 or required to reimburse or return any amounts disbursed or incurred for notice to
10 Settlement Class Members, administration of the Settlement, payment of Taxes or
11 payment of Tax Expenses, whether such amounts are paid before or after the
12 Settlement Hearing from the Settlement Fund or as part of a reimbursement of
13 expenses to Lead Plaintiffs' Counsel at or after the Settlement Hearing. At the
14 request of counsel for MaloneBailey, the Escrow Agent or its designee shall apply
15 for any tax refund owed to the Settlement Fund and pay the proceeds, after
16 payment by MaloneBailey of any reasonable fees or expenses incurred by Lead
17 Plaintiffs' Counsel and the Escrow Agent in connection with such application(s)
18 for refund, to counsel for MaloneBailey who shall, in turn, refund such amounts to
19 MaloneBailey or its insurers in proportion to their respective contributions to the
20 Settlement Fund.

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

3 6. No order of the Court or modification or reversal of any order
4 of the Court concerning the Plan of Allocation or the amount of any attorneys' fees,
5 costs, and expenses awarded by the Court shall constitute grounds for cancellation
6 or termination of the Stipulation.

7 **M. MISCELLANEOUS PROVISIONS**

8 1. The Settling Parties: (a) acknowledge that it is their intent to
9 consummate the Settlement contemplated by this Stipulation; (b) agree to
10 cooperate to the extent necessary to effectuate and implement all terms and
11 conditions of this Stipulation; and (c) agree to exercise their best efforts and to act
12 in good faith to accomplish the foregoing terms and conditions of the Stipulation.

13 2. The Settling Parties agree that this Settlement is dependent
14 upon the final approval of the proposed settlements in the Other Actions and that
15 such final approvals must include bar orders or other orders terminating any and all
16 claims or cross-claims actually asserted or could be asserted by any co-defendant
17 in that or a related action against MaloneBailey.

18 3. Immediately upon preliminary approval by the Court of the
19 Settlement of the Litigation as to MaloneBailey, MaloneBailey will begin to
20 cooperate in the discovery process. This cooperation will include but will not be
21 limited to providing, without objection, relevant documents upon receipt of a valid
22 subpoena, agreeing to accept service of the subpoena, and asserting no objections
23 to the reasonable depositions Plaintiffs may seek to take. The Plaintiffs agree to
24 make the depositions convenient to MaloneBailey, and MaloneBailey will agree to
25 reasonable interviews of its personnel in order to minimize deposition time.
26 Plaintiffs will not schedule any depositions until after each of the settlements is
27 finally approved by the respective courts overseeing the cases. Any discovery
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1 obtained from Malone Bailey will only be used in connection with the Litigation
2 and be subject to a protective order in each case to be prepared at a later time.

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

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

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

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

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

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

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

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

8 9. Counsel for the Settling Parties are expressly authorized by
9 their respective clients to take all appropriate action required or permitted to be
10 taken pursuant to this Stipulation to effectuate its terms and conditions.

11 10. This Stipulation may be executed in one or more original,
12 photocopied, or facsimile counterparts. All executed counterparts and each of
13 them shall be deemed to be one and the same instrument. The Settling Parties shall
14 exchange among themselves original signed counterparts of this Stipulation, and a
15 complete set of executed counterparts of this Stipulation shall be filed with the
16 Court.

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

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

25 13. The Lead Plaintiffs, on behalf of himself and each member of
26 the Settlement Class, and the other Settling Parties hereby irrevocably submit to
27 the jurisdiction of the Court for any suit, action, proceeding, or dispute arising out
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1 of or relating to this Stipulation, the applicability of this Stipulation, or the
2 enforcement of this Stipulation. The administration and consummation of the
3 Settlement as embodied in this Stipulation shall be under the authority of the
4 Court, and the Court shall retain jurisdiction for the purpose of entering orders
5 providing for awards of Attorneys' Fees and Expenses to Lead Plaintiffs' Counsel,
6 Awards to Lead Plaintiffs, and enforcing the terms of this Stipulation.

7 14. None of the Settling Parties shall be considered to be the
8 drafter of this Stipulation or any provision hereof for purposes of any statute, case
9 law, or rule of interpretation or construction that would or might cause any
10 provision to be construed against the drafter hereof. Because of the arm's-length
11 negotiations that preceded the execution of this Stipulation, all Settling Parties
12 have contributed substantially and materially to the preparation of this Stipulation.

13 15. Neither this Stipulation, nor the fact of the Settlement, is an
14 admission or concession by MaloneBailey of any liability or wrongdoing
15 whatsoever. This Stipulation shall not constitute a finding of the validity or
16 invalidity of any claims in the Litigation or of any wrongdoing by any Settling
17 Defendant named therein. This Stipulation, the fact of settlement, the settlement
18 proceedings, the settlement negotiations, and any related documents, shall not be
19 used or construed as an admission of any fault, liability, or wrongdoing by any
20 Person.

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

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


10 18. The waiver of one Settling Party of any breach of this
11 Stipulation by any other Settling Party shall not be deemed a waiver of any other
12 breach of this Stipulation. The provisions of this Stipulation may not be waived
13 except by a writing signed by the affected Settling Party or counsel for that Settling
14 Party. No failure or delay on the part of any Settling Party in exercising any right,
15 remedy, power, or privilege under this Stipulation shall operate as a waiver thereof
16 or of any other right, remedy, power, or privilege of such Settling Party under this
17 Stipulation; nor shall any single or partial exercise of any right, remedy, power, or
18 privilege under this Stipulation on the part of any Settling Party operate as a waiver
19 thereof or of any other right, remedy, power, or privilege of such Settling Party
20 under this Stipulation, or preclude further exercise thereof or the exercise of any
21 other right, remedy, power, or privilege.

22 19. The Settling Parties agree that nothing contained in this
23 Stipulation shall cause any Settling Party to be the agent or legal representative of
24 another Settling Party for any purpose whatsoever, nor shall this Stipulation be
25 deemed to create any form of business organization between the Settling Parties,
26 nor is any Settling Party granted any right or authority to assume or create any
27 obligation or responsibility on behalf of any other Settling Party, nor shall any
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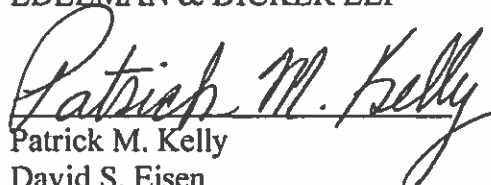
1 IN WITNESS WHEREOF, the Settling Parties hereto, intending to be legally
2 bound hereby, have caused this Stipulation to be executed, by their duly authorized
3 attorneys, as of the day and year first above written.

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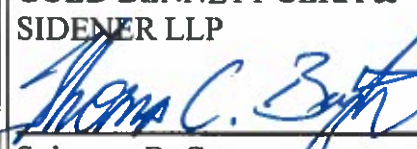
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