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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

In re China Education Alliance, Inc.
Securities Litigation

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

**STIPULATION AND
AGREEMENT OF SETTLEMENT**

This Document Relates to: All
Actions

CLASS ACTION

Judge: Hon. Christina A. Snyder
Courtroom: 5

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1 This Stipulation and Agreement of Settlement (the “Stipulation”) dated
2 October 3, 2012 will be submitted to the Court pursuant to Rule 23 of the Federal
3 Rules of Civil Procedure. Subject to the approval of the Court, this Stipulation is
4 entered into between (i) Lead Plaintiffs Keith Troxler, Brian Landrum, and Robert
5 Schilling (“Lead Plaintiffs”), on behalf of Lead Plaintiffs and the Class, and (ii)
6 China Education Alliance, Inc. (“CEU”), James Hsu (“Hsu”), and Yizhao Zhang
7 (“Zhang”) (CEU, Hsu and Zhang are collectively the “Settling Defendants”), by
8 and through their respective counsel.

9 WHEREAS, on December 2, 2010, a class action complaint alleging
10 violations of federal securities laws, styled *Vinnie Apicella v. China Education*
11 *Alliance, Inc., et al.*, was filed in the United States District Court for the Central
12 District of California against CEU and certain of its officers and directors (the
13 “First Action”), and on December 28, 2010, a “Related Action” was filed in the
14 same court and captioned as *Walter C. Clemens, Jr. v. China Education Alliance,*
15 *Inc., et al.*, 10-CV-09987(CAS).

16 WHEREAS, on January 31, 2011, several class members filed a motion with
17 this Court seeking to consolidate the Related Action with the First Action and for
18 appointment as Lead Plaintiffs and for approval of Lead Counsel.

19 WHEREAS, on March 1, 2011, the Court consolidated the Related Action
20 and the First Action (together, the “Litigation”) and appointed: (i) Keith Troxler,
21 Brian Landrum, and Robert Schilling as Lead Plaintiffs; and (ii) The Rosen Law
22 Firm, P.A, as Lead Counsel for Lead Plaintiffs.

23 WHEREAS, on December 5, 2011, Lead Plaintiffs filed the operative
24 consolidated second amended class action complaint (“Complaint”) in the United
25 States District Court for the Central District of California, which alleges (as its first
26 claim) violation of Section 10(b) of the Securities Exchange Act of 1934 (the
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1 “Exchange Act”) and Rule 10b-5 promulgated thereunder and (as its second claim)
2 violation of Section 20(a) of the Exchange Act.

3 WHEREAS the Settling Defendants deny any wrongdoing whatsoever, and
4 this Stipulation shall in no event be construed or deemed to be evidence of or an
5 admission or concession on the part of any Defendant with respect to any claim or
6 of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in
7 the defenses that the Settling Defendants have asserted.

8 WHEREAS the parties to this Stipulation recognize and acknowledge that
9 the Litigation has been filed by Lead Plaintiffs and defended by the Settling
10 Defendants in good faith and with adequate basis in fact under Federal Rule of
11 Civil Procedure 11, and that the Litigation is being voluntarily settled after work
12 with a mediator and on advice of counsel.

13 WHEREAS Lead Plaintiffs’ Counsel has conducted an investigation relating
14 to the claims alleged in the Litigation and has analyzed the facts and the law
15 applicable to the claims of the Lead Plaintiffs against Defendants and the potential
16 defenses thereto, which in the Lead Plaintiffs’ judgment has provided an adequate
17 and satisfactory basis for the evaluation of an agreement to settle, as described
18 herein.

19 WHEREAS Lead Plaintiffs’ Counsel, Defendants’ Counsel, and CEU’s
20 directors’ and officers’ liability insurer, Liberty International Underwriters, Inc.
21 (“CEU’s Insurer”), engaged in an all-day mediation before Michael Young of
22 JAMS after exchanging written mediation statements, and then engaged in further
23 negotiations with the aid of Mr. Young for several weeks thereafter, and have
24 conducted extensive discussions and arm’s-length negotiations with each other in
25 an attempt to reach a compromise and settlement of the Litigation.

26 WHEREAS, based upon their investigation, Lead Plaintiffs, with the advice
27 of Lead Plaintiffs’ Counsel, have concluded that the terms and conditions of this
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1 Stipulation are fair, reasonable and adequate as to the Class, and in the Class
2 Members' best interests, and have agreed to settle the claims raised in the
3 Litigation pursuant to the terms and provisions of this Stipulation, after
4 considering: (i) the substantial benefits that the members of the Class will receive
5 from settlement of the Litigation, (ii) the attendant risks of going forward with
6 Litigation, and (iii) the desirability of permitting the Settlement to be consummated
7 as provided by the terms of this Stipulation.

8 AND WHEREAS the Settling Parties stipulate, subject to the terms of this
9 Stipulation, and for the sole purpose of creating a settlement class, that the
10 Litigation shall be certified for class treatment under Rule 23 of the Federal Rules
11 of Civil Procedure.

12 NOW THEREFORE, without any admission or concession on the part of the
13 Lead Plaintiffs of any lack of merit of the Litigation whatsoever, and without any
14 admission or concession on the part of Defendants of any liability or wrongdoing
15 or lack of merit in their defenses whatsoever, it is hereby

16 STIPULATED AND AGREED, by and among the Settling Parties, through
17 their respective attorneys, subject to approval of the Court pursuant to Rule 23(e)
18 of the Federal Rules of Civil Procedure, in consideration of the benefits flowing to
19 the Settling Parties from the Settlement, that this case shall be settled, and
20 dismissed with prejudice and (except as hereafter provided) without costs as to
21 Lead Plaintiffs or Defendants, subject to the approval of the Court, upon and
22 subject to the following terms and conditions:

23 A. CERTAIN DEFINITIONS

24 As used in this Stipulation, the following terms have these meanings:

25 1. "Attorneys' Fees and Expenses" means the portion of the Gross
26 Settlement Fund approved by the Court for payment to Lead Plaintiffs' Counsel,
27 including attorneys' fees, costs, litigation expenses, fees and expenses of experts
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1 (excluding Notice and Administration Expenses), and such attorneys' fees and
2 expenses expended or incurred by counsel working under the direction of Lead
3 Plaintiffs' Counsel.

4 2. "Authorized Claimant" means any Claimant whose claim for recovery
5 has been allowed by the Claims Administrator pursuant to the terms of this
6 Stipulation or by order of the Court.

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

10 4. "Claims Administrator" means the claims administration firm
11 appointed by the Court to administer the Settlement, disseminate notice to the
12 Class, and review and make decisions on approvals of Proofs of Claim, among
13 other work.

14 5. "Class" and "Class Members" mean, for purposes of this Settlement,
15 all persons or entities who purchased the publicly traded common stock of CEU
16 from May 15, 2008 through December 7, 2010, and who were damaged thereby.
17 Excluded from the Class are:

18 a. Defendants, and the members of their immediate families and
19 Defendants' heirs, successors and assigns, any entity in which any
20 Defendant has or had a controlling interest, and CEU's predecessors;

21 b. Present and former officers and/or directors of CEU;

22 c. Those persons who file valid and timely requests for exclusion
23 in accordance with the Court's Order Preliminarily Approving Settlement
24 and Providing For Notice ("Preliminary Approval Order") concerning this
25 Stipulation as set forth in Exhibit A.

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

3 7. “Class Period” means the period from May 15, 2008 through
4 December 7, 2010.

5 8. “Court” means the Honorable Christina A. Snyder, United States
6 District Judge for the Central District of California, or any successor judge
7 appointed to this case.

8 9. “Defendants” means, collectively, the Settling Defendants, Xiqun Yu,
9 Zibing Pan, Susan Liu, Chunqing Wang, and Liansheng Zhang.

10 10. “Defendants’ Counsel” means the law firm of Shearman & Sterling
11 LLP.

12 11. “Effective Date” means the date on which all of the conditions set
13 forth below in subparagraph K.1 shall have been satisfied and the Court’s Order
14 and Final Judgment, substantially in the form of Exhibit B hereto, becomes
15 “Final,” which shall be deemed to be when either of the following has occurred: (i)
16 if 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 from or petition
18 for review of the Order and Final Judgment (including any extension of time under
19 FRAP 4(a)(5) plus three days for mailing); or (ii) if an appeal or review is sought
20 from the Order and Final Judgment, the day after such Order and Final Judgment is
21 affirmed, or the appeal or review is dismissed or denied, and such Order and Final
22 Judgment is no longer subject to further judicial review (including the expiry of
23 any extension of time under FRAP 4(a)(5) plus three days for mailing).

24 12. “Escrow Account” means the bank account maintained by the Escrow
25 Agent. The Escrow Account will be managed by the Escrow Agent for the benefit
26 of Lead Plaintiffs and the Class until the Effective Date of the Settlement.
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1 13. “Escrow Agent” means The Rosen Law Firm, P.A., or its duly
2 appointed agent(s).

3 14. “Gross Settlement Fund” means the Settlement Amount plus all
4 interest earned thereon.

5 15. “Individual Defendants” means Xiqun Yu, Zibing Pan, Susan Liu,
6 Chunqing Wang, James Hsu, Liansheng Zhang, and Yizhao Zhang.

7 16. “Lead Plaintiffs” means Keith Troxler, Brian Landrum, and Robert
8 Schilling.

9 17. “Lead Plaintiffs’ Counsel” means The Rosen Law Firm, P.A.

10 18. “Net Settlement Fund” means the Gross Settlement Fund, less:
11 (i) Attorneys’ Fees and Expenses and awards to Lead Plaintiffs; and (ii) Notice and
12 Administration Expenses.

13 19. “CEU’s Insurer” means Defendants’ directors’ and officers’ liability
14 insurer, Liberty International Underwriters, Inc.

15 20. “Notice and Administration Account” means the account to be
16 established by an advance of \$100,000 from the Gross Settlement Fund, which will
17 be paid by CEU’s Insurer within five (5) business days of the date the Court orders
18 the preliminary approval of the Settlement, into an escrow account established and
19 maintained by Lead Plaintiff’s Counsel. The Notice and Administration Account
20 may be drawn upon by Lead Plaintiff’s Counsel for Notice and Administration
21 Expenses without further order of the Court. Any part of the \$100,000 paid into
22 the Notice and Administration Account not used for the payment of such expenses
23 shall be returned to the Net Settlement Fund for distribution.

24 21. “Notice and Administration Expenses” means all expenses incurred
25 (whether or not yet paid) in connection with the preparation, printing, mailing, and
26 publication of the Notice to the Class of the proposed Settlement; all of the Claims
27 Administrator’s fees and expenses including those for determination of the
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1 amounts payable to Class Members and distribution of such amounts to Class
2 Members; all Taxes and Tax Expenses (including any indemnification for any
3 Taxes and Tax Expenses); and all other expenses of the Settlement; provided,
4 however, that none of these expenses shall be deemed to include Attorneys' Fees
5 and Expenses. The sum of \$100,000 paid into the Notice and Administration
6 Account in accordance with subparagraph A.20, above, shall be used to pay for
7 Notice and Administration Expenses. Any deficiency in the payment of Notice
8 and Administration Expenses from the \$100,000 paid into the Notice and
9 Administration Account shall be paid from the Gross Settlement Fund.

10 22. "Order and Final Judgment" means the Order and Final Judgment
11 entered by the Court, finally approving the Settlement and dismissing the
12 Litigation as against all Defendants with prejudice and without costs to any party
13 substantially in the form set forth hereto as Exhibit B.

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

20 24. "Plan of Allocation" means the plan for allocating the Net Settlement
21 Fund (as set forth in Exhibit C, the Notice of Pendency and Proposed Settlement of
22 Class Action (the "Notice")).

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

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

21 27. “Settled Defendants’ Claims” means all claims, demands, rights,
22 duties, remedies, liabilities and causes of action of every nature and description
23 whatsoever, whether based on federal, state, local, statutory or common law or any
24 other law, rule or regulation, including both known and Unknown Claims, that
25 have been or could have been asserted in the Litigation by Defendants or the
26 successors and assigns of any of them against the Lead Plaintiffs, any Class
27 Member or any of their attorneys, which arise out of or relate in any way to the
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1 institution, prosecution or Settlement of this Litigation or the Settled Claims,
2 including but not limited to all claims for malicious prosecution or sanctions;
3 provided, however, that Settled Defendants' Claims do not include (i) any claims
4 that could be asserted in response to a claim excluded from the definition of
5 "Settled Claims" in subparagraph A.26 above; (ii) any claims to enforce any of the
6 terms of this Stipulation or of the Order and Final Judgment, and any claims that
7 could be asserted in response to such a claim to enforce; or (iii) any claims arising
8 out of, based upon, or related to CEU's indemnification and/or advancement of
9 attorneys' fees and expenses relating to or arising out of the subject matter of the
10 Action, or claims by CEU or any Individual Defendant for insurance coverage
11 against CEU's insurers relating to or arising out of the subject matter of the Action.

12 28. "Settlement" means the settlement contemplated by this Stipulation.

13 29. "Settlement Amount" means \$2,425,000 in cash.

14 30. "Settlement Hearing" means the hearing to be held by the Court to
15 determine: (i) whether the proposed Settlement should be approved as fair,
16 reasonable and adequate; (ii) whether all Settled Claims should be dismissed with
17 prejudice; (iii) whether an order approving the Settlement should be entered
18 thereon; (iv) whether the Plan of Allocation of the Net Settlement Fund should be
19 approved; and (v) whether the application for an award of Attorneys' Fees and
20 Expenses and award to Lead Plaintiffs should be approved.

21 31. "Settling Defendants" means CEU, James Hsu, and Yizhao Zhang.

22 32. "Settling Parties" means the Lead Plaintiffs, Class Members and the
23 Settling Defendants.

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

15 **B. SCOPE AND EFFECT OF SETTLEMENT**

16 1. The obligations incurred pursuant to this Stipulation shall be in full
17 and final disposition of the Litigation and any and all Settled Claims as against all
18 Released Parties and any and all Settled Defendants' Claims as against the Lead
19 Plaintiffs, the Class Members, or their attorneys.

20 2. Pursuant to the Order and Final Judgment, upon the Effective Date of
21 this Settlement, the Lead Plaintiffs and all Class Members, on behalf of
22 themselves, their current and former heirs, executors, administrators, successors,
23 attorneys, legal representatives, and assigns, shall be deemed to have released and
24 to have forever relinquished and discharged the Released Parties from and with
25 respect to the Settled Claims, whether or not such Class Members execute and
26 deliver a Proof of Claim.
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1 3. Pursuant to the Order and Final Judgment, upon the Effective Date of
2 this Settlement, each of the Defendants, on behalf of themselves and the Released
3 Parties, shall be deemed to have released and to have forever relinquished and
4 discharged each and every one of the Settled Defendants' Claims as against the
5 Lead Plaintiffs, any of the Class Members, or their attorneys.

6 4. Pursuant to the Order and Final Judgment, upon the Effective Date of
7 this Settlement, the Settling Parties, and anyone acting or purporting to act for any
8 of them, shall be permanently and forever enjoined from prosecuting, attempting to
9 prosecute, or assisting others in the prosecution of, any Settled Claims and Settled
10 Defendants' Claims.

11 **C. THE SETTLEMENT CONSIDERATION**

12 1. Subject to the terms of this Stipulation, the Settlement Amount shall
13 be paid by CEU's Insurer as follows: (a) \$100,000 shall be paid into an escrow
14 account established by Lead Plaintiffs' Counsel as the Notice and Administration
15 Account within five (5) business days after the Court issues the Preliminary
16 Approval Order; and (b) \$2,325,000 shall be paid into the Escrow Account within
17 ten (10) calendar days after the Effective Date. The Defendants shall not be
18 personally liable for any payment of the Settlement Amount.

19 2. After all administrative determinations are made by the Claims
20 Administrator with regard to the filings made by Class Members, the Net
21 Settlement Fund shall be distributed to the Authorized Claimants.

22 3. Any sums required to be held in escrow hereunder shall be held by the
23 Escrow Agent for the benefit of the Lead Plaintiffs and the Class. All funds held
24 by the Escrow Agent shall be deemed to be in custodia legis and shall remain
25 subject to the jurisdiction of the Court until such time as the funds are distributed
26 or returned pursuant to this Stipulation and/or further order of the Court. The
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1 Escrow Agent shall not disburse the Gross Settlement Fund, or any portion thereof,
2 except as provided in this Stipulation, or upon Order of the Court.

3 4. The Escrow Agent shall invest the Settlement Amount in an
4 investment that is secured by the full faith and credit of the United States (whether
5 in direct investments or a mutual fund, money market fund, or other fund of such
6 federally-guaranteed investments) or is collateralized by investment securities
7 including United States government securities, United States government agency
8 securities or United States agency mortgage-backed securities, and shall collect
9 and reinvest all interest accrued thereon. The Defendants, Defendants' Counsel
10 and CEU's Insurer will take no position on and will have no rights with regard to
11 or liability for the management, investment or distribution of the Gross Settlement
12 Fund or Net Settlement Fund or any losses suffered by, or fluctuations in the value
13 of them; provided, however, that nothing herein limits CEU's Insurer's rights to
14 receive repayment of the Gross Settlement Fund if there is not an Effective Date
15 and the Settlement does not become Final. Lead Plaintiffs' Counsel will maintain
16 in liquid investments such amounts of the Gross Settlement Fund as it deems
17 necessary to pay the Notice and Administration Expenses. Interest earned on the
18 money deposited into the Escrow Account will be part of the Gross Settlement
19 Fund.

20 5. The Notice and Administration Expenses shall be paid from the
21 \$100,000 advanced by CEU's Insurer from the Gross Settlement Fund and
22 deposited in the Notice and Administration Account. The Notice and
23 Administration Account may be drawn upon for payment of Notice and
24 Administration Expenses upon Lead Plaintiffs' Counsel's review and approval and
25 without prior Court approval.

26 6. After the Effective Date, Defendants and CEU's Insurer shall have no
27 interest in the Gross Settlement Fund or in the Net Settlement Fund and no funds
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1 will be returned to Defendants or CEU's Insurer. The Settlement is non-recapture,
2 *i.e.*, it is not a claims-made settlement.

3 D. ADMINISTRATION AND CALCULATION OF CLAIMS, FINAL
4 AWARDS AND DISTRIBUTION OF NET SETTLEMENT FUND

5 1. The Claims Administrator shall administer and calculate the claims of
6 Class Members that it determines should be allowed and oversee distribution of the
7 Net Settlement Fund, under the supervision of Lead Plaintiffs' Counsel, and
8 subject to appeal to, and jurisdiction of, the Court. Neither Defendants nor
9 Defendants' Counsel nor CEU's Insurer shall have any rights with regard to, or
10 liability, obligation or responsibility for, the administration of the Gross Settlement
11 Fund or Net Settlement Fund or the distribution of the Net Settlement Fund, and
12 shall not comment thereon or on the Claims Administrator's determinations on
13 Proofs of Claim.

14 2. Except as otherwise provided below, the Gross Settlement Fund shall
15 be applied as follows:

16 a. To the extent not already paid, to pay, without prior order of the
17 Court, the Notice and Administration Expenses;

18 b. To pay any award of Attorneys' Fees and Expenses; and then

19 c. Subject to the approval and further order(s) of the Court, the
20 Net Settlement Fund shall be allocated to Authorized Claimants as set forth
21 in paragraph F below.

22 3. Each Class Member wishing to participate in the Settlement shall be
23 required to submit a Proof of Claim and Release (in substantially the form set forth
24 in Exhibit D, which *inter alia* releases all Settled Claims against all Released
25 Parties) (the "Proof of Claim"), signed under penalty of perjury by the beneficial
26 owner(s) of the CEU securities that are the subject of the Proof of Claim or by
27 someone with documented authority to sign for the beneficial owners as specified
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1 in the instructions accompanying the Proof of Claim (which will not require
2 notarization).

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

17 5. Each Proof of Claim shall be submitted to the Claims Administrator
18 who shall determine, in accordance with this Stipulation and any applicable orders
19 of the Court, the extent, if any, to which each claim should be allowed, subject to
20 appeal to the Court.

21 6. Lead Plaintiffs' Counsel shall have the right, but not the obligation, to
22 waive what they deem to be formal or technical defects in any Proofs of Claim, in
23 the interest of achieving substantial justice.

24 7. Proofs of Claim that do not meet the filing requirements may be
25 rejected. Prior to rejection of a Proof of Claim, the Claims Administrator shall
26 communicate with the Claimant in order to allow him/her/it to remedy curable
27 deficiencies in the Proof of Claim submitted. The Claims Administrator shall
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1 notify, in a timely fashion and in writing, all Claimants whose Proofs of Claim it
2 proposes to reject in whole or in part, setting forth the reasons therefor, and shall
3 indicate in such notice that the Claimant whose claims are to be rejected has the
4 right to review by the Court if the Claimant so desires and complies with the
5 requirement of subparagraph D.8 below.

6 8. If any Claimant whose claim has been rejected in whole or in part
7 wishes to contest such rejection, the Claimant must, within thirty (30) calendar
8 days after the date of mailing of the notice required by subparagraph D.7 above,
9 serve upon the Claims Administrator a notice and statement of reasons indicating
10 the Claimant's ground for contesting the rejection along with any supporting
11 documentation, and requesting a review thereof by the Court. If a dispute
12 concerning a claim cannot be otherwise resolved, Lead Plaintiffs' Counsel shall
13 thereafter present the request for review to the Court.

14 9. The administrative determinations of the Claims Administrator
15 accepting and rejecting claims shall be presented to the Court for its approval.

16 10. Each Claimant shall be deemed to have submitted to the jurisdiction
17 of the Court with respect to the Claimant's claim, and the claim will be subject to
18 investigation and discovery under the Federal Rules of Civil Procedure. No
19 discovery shall be allowed on the merits of the Litigation or Settlement in
20 connection with processing of the Proofs of Claim, nor shall any discovery from or
21 of Defendants or CEU's Insurer be allowed on any topic.

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

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

8 13. The Net Settlement Fund shall be distributed to Authorized Claimants
9 only after: (i) all claims have been processed, and all Claimants whose claims have
10 been rejected or disallowed, in whole or in part, have been notified and provided
11 the opportunity to appeal to the Court such rejection or disallowance; (ii) all
12 objections with respect to all rejected or disallowed claims have been resolved by
13 the Court, and all appeals therefrom have been resolved or the time therefor has
14 expired; and (iii) all matters with respect to Attorneys' Fees and Expenses, awards
15 to Lead Plaintiffs, and Notice and Administration Expenses have been resolved by
16 the Court, and all appeals therefrom have been resolved or the time therefor has
17 expired; and (iv) all Notice and Administration Expenses have been paid or set
18 aside.

19 14. If any funds remain in the Net Settlement Fund by reason of uncashed
20 checks or otherwise, then, after the Claims Administrator has made reasonable and
21 diligent efforts to have Class Members who are entitled to participate in the
22 distribution of the Net Settlement Fund cash their distribution checks and in no
23 event earlier than one (1) year after the initial distribution of such funds, Lead
24 Plaintiffs may file a motion with the Court, with notice to all Parties, seeking
25 permission to contribute any balance remaining in the Net Settlement Fund to one
26 or more non-sectarian, not-for-profit organization(s) exempt under Section
27 501(c)(3) of the Internal Revenue Code designated by Lead Plaintiffs' Counsel.
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1 E. TAX TREATMENT AND PAYMENTS

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

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

25 3. All (i) taxes (including any interest or penalties) arising with respect
26 to the income earned by the Gross Settlement Fund, and (ii) expenses and costs
27 incurred in connection with the operation and implementation of this paragraph
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1 (including without limitation, expenses of tax attorneys and/or accountants and
2 mailing and distribution costs and expenses relating to filing, or failing to file, the
3 returns described in this paragraph) (“Taxes and Tax Expenses”), shall be paid out
4 of the Gross Settlement Fund without prior approval of the Court, because they are
5 (as noted above) a Notice and Administration Expense. The Escrow Agent shall
6 be obligated to withhold from distribution to Class Members any funds necessary
7 to pay such amounts including the establishment of adequate reserves for any
8 Taxes and Tax Expenses (as well as any amounts that may be required to be
9 withheld under Treas. Reg. § 1468B-2(1)(2)). The Settling Parties agree to
10 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 4. The Defendants shall have no liability for or obligations with regard
14 to Taxes and Tax Expenses. The Gross Settlement Fund shall indemnify and hold
15 each of the Defendants, CEU’s Insurer, and each of their Released Parties harmless
16 for any Taxes and Tax Expenses (including, without limitation, taxes payable by
17 reason of such indemnification).

18 5. Lead Plaintiffs and Lead Plaintiffs’ Counsel shall have no liability for
19 or obligations with regard to Taxes and Tax Expenses. The Gross Settlement Fund
20 shall indemnify and hold each of the Lead Plaintiffs and Lead Plaintiffs’ Counsel,
21 and each of their Released Parties harmless for any Taxes and Tax Expenses
22 (including, without limitation, taxes payable by reason of such indemnification).

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

24 1. The Plan of Allocation is based upon Lead Plaintiffs’ Counsel’s and
25 its expert’s assessment of the merits and the relative strengths and weaknesses,
26 including recoverable damages, of the claims of the Class Members.
27
28

1 2. Defendants do not take any position as to the proposed Plan of
2 Allocation and shall have no responsibility for and no obligations or liabilities of
3 any kind whatsoever in connection with the Plan of Allocation or the determination
4 of or administration and calculations under that Plan.

5 3. The Defendants shall have no involvement in the solicitation, or
6 review, of Proofs of Claim, or involvement in the administration process itself,
7 which will be conducted by the Claims Administrator in accordance with this
8 Stipulation and the orders entered by the Court.

9 4. No Class Member shall have any claim against Lead Plaintiffs, Lead
10 Plaintiffs' Counsel or the Claims Administrator based on, or in any way relating to,
11 the distributions from the Net Settlement Fund that have been made substantially
12 in accordance with this Stipulation and any applicable orders of the Court.

13 5. No Class Member shall have any claim against Defendants,
14 Defendants' Counsel or any of the Released Parties based on, or in any way
15 relating to, the administration of or distributions from the Net Settlement Fund.

16 6. Any Plan of Allocation is neither part of this Stipulation nor a
17 necessary term or condition of the Settlement. For this reason, the approval of, or
18 any change in, any Plan of Allocation or the allocation of the Net Settlement Fund
19 ordered by the Court shall be deemed severable from, and shall not affect, the
20 validity or finality of this Settlement.

21 **G. OBLIGATIONS OF AND LIMITATIONS OF LIABILITY OF ESCROW**
22 **AGENT**

23 1. The Escrow Agent shall not be responsible for the payment of any
24 sums due to Authorized Claimants except to the extent of maintaining account of
25 and appropriately paying sums as required by this Stipulation, but only to the
26 limited extent that such sums have been delivered into the Escrow Account as
27 required by this Stipulation. The assumption of duties as Escrow Agent shall not
28

1 preclude Lead Plaintiff's Counsel from continuing to represent, as the case may be,
2 Lead Plaintiffs or Class Members.

3 H. LEAD PLAINTIFFS' COUNSEL'S REQUEST FOR AN AWARD
4 OF ATTORNEYS' FEES AND EXPENSES

5 1. Lead Plaintiffs' Counsel intends to submit an application to the Court
6 for the payment of Attorneys' Fees and Expenses, including (i) an award of
7 attorneys' fees up to 25% of the Gross Settlement Fund; and (ii) reimbursement of
8 litigation costs and expenses, plus interest, including fees and expenses of experts,
9 incurred in connection with the prosecution of the Litigation. Lead Plaintiffs'
10 Counsel also intends to seek awards to Lead Plaintiffs in the amount of \$1,500
11 each for their contributions to the Litigation. All such amounts shall be paid from
12 the Gross Settlement Fund. Lead Plaintiffs' Counsel reserves the right to make
13 additional application or applications for payment from the Gross Settlement Fund
14 for fees and expenses incurred after the Settlement Hearing. Defendants now take
15 and will take no position on any application concerning Lead Plaintiffs' Counsel's
16 request for Attorneys' Fees and Expenses and awards to Lead Plaintiffs.

17 2. Such Attorneys' Fees and Expenses and awards to Lead Plaintiffs as
18 are awarded by the Court shall be paid from the Gross Settlement Fund to Lead
19 Plaintiffs' Counsel upon (a) entry of the Court's order awarding Attorneys' Fees
20 and Expenses and awards to Lead Plaintiffs (which order will be separate from the
21 Order and Final Judgment), and (b) payment by CEU's Insurer of \$2,325,000 into
22 the Escrow Account within ten (10) business days of the Effective Date, in
23 accordance with subparagraph C.1. In the event that the Effective Date does not
24 occur, or the Order and Final Judgment is reversed or modified in any way that
25 affects the award of Attorneys' Fees and Expenses, or the Stipulation is terminated
26 for any other reason, then Lead Plaintiffs' Counsel and each plaintiff's counsel law
27 firm receiving fees or expenses under this provision shall, within ten (10) business
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1 days of receiving notice from Defendants' Counsel or from a court of appropriate
2 jurisdiction, refund to the Escrow Account, Defendants, and/or CEU's Insurer, as
3 appropriate, either the full amount of the fees and expenses previously received by
4 it pursuant to these provisions or an amount consistent with any modification of the
5 order with respect to Attorneys' Fees and Expenses. Lead Plaintiffs' Counsel and
6 any other plaintiff's counsel's law firm that receives fees and expenses, on behalf
7 of itself and each partner and/or shareholder of it, agrees that the law firm and its
8 partners and/or shareholders are subject to jurisdiction of the Court for the purpose
9 of enforcing the provisions of this paragraph, and each shall be jointly and
10 severally liable for repayment of all Attorneys' Fees and Expenses awarded by the
11 Court.

12 3. It is agreed that the procedure for, and the allowance or disallowance
13 by the Court of, any applications by Lead Plaintiffs' Counsel for the Attorneys'
14 Fees and Expenses and awards to Lead Plaintiffs, including fees for experts and
15 consultants to be paid out of the Gross Settlement Fund, and any order or
16 proceeding relating thereto, are not terms of nor a condition of this Settlement. For
17 this reason, the allowance, disallowance, or any other Court order with respect to,
18 Attorneys' Fees and Expenses and awards to Lead Plaintiffs (and any appeal from,
19 or any other form of review of, any order with respect to Attorneys' Fees and
20 Expenses) shall not operate to terminate or cancel this Stipulation or affect its
21 finality, and shall have no effect on the terms of this Stipulation or on the
22 enforceability of this Settlement or of the Order and Final Judgment (including,
23 without limitation, the releases contained therein).

24 I. THE PRELIMINARY APPROVAL ORDER

25
26 1. Promptly after execution of this Stipulation, Lead Plaintiffs' Counsel
27 shall submit the Stipulation and its exhibits to the Court and shall apply for entry of
28 a Preliminary Approval Order substantially in the form annexed hereto as Exhibit

1 A, providing for, among other things, preliminary approval of the Settlement and
2 notice to the Class of the Settlement Hearing. The Preliminary Approval Order
3 shall contain exhibits substantially in the form set forth in (i) the Notice of
4 Pendency and Proposed Settlement of Class Action (the “Notice”) (Exhibit C); (ii)
5 the Summary Notice of Pendency and Proposed Class Action Settlement (the
6 “Summary Notice”) (Exhibit E); and (iii) the Proof of Claim.

7 2. Defendants and any and all issuers, securities firms or transfer agents
8 holding transfer records which indicate the legal owners of CEU common stock
9 currently or during the Class Period will produce such transfer records in a usable
10 electronic format to Lead Plaintiffs’ Counsel or the Claims Administrator within
11 fourteen (14) calendar days of entry of the Preliminary Approval Order.

12 J. ORDER AND FINAL JUDGMENT TO BE ENTERED BY THE
13 COURT APPROVING THE SETTLEMENT

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

16 K. CONDITIONS OF SETTLEMENT

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

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

21 b. The Defendants shall not have exercised within the required
22 time period their right to terminate the Settlement as permitted by paragraph
23 L below;

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

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1 d. The Court’s Order and Final Judgment, substantially in the
2 form of Exhibit B, shall have become “Final,” as defined in subparagraph
3 A.11; and

4 e. CEU’s Insurer shall pay the sum of \$2,425,000 (Two Million,
5 Four Hundred Twenty-Five Thousand Dollars) in accordance with
6 subparagraph C.1 above.

7 2. Upon occurrence of all of the events set forth in subparagraph K.1
8 above, the obligation of the Escrow Agent to return funds from the Gross
9 Settlement Fund to Defendants and/or CEU’s Insurer pursuant to paragraph L or
10 any other provision hereof shall be absolutely and forever extinguished.

11 L. RIGHTS OF TERMINATION AND EFFECTS THEREOF

12 1. Counsel for each of the Defendants and Lead Plaintiffs’ Counsel each
13 shall have the right to terminate the Settlement and this Stipulation by providing
14 written notice of their election to do so (“Termination Notice”) to all other counsel
15 of the Settling Parties hereto within thirty days of any of these events:

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

18 b. the Court issues an order refusing to approve this Stipulation or
19 any material part of it (except as respect to any decision by the Court
20 concerning Attorneys’ Fees and Expenses and award to Lead Plaintiffs);

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

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

25 e. the Court having entered an Order and Final Judgment in a
26 form other than that provided above (an “Alternative Judgment”) and none
27 of the Parties hereto having elected to terminate this Settlement, such
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1 Alternative Judgment is modified or reversed in any material respect by the
2 Court of Appeals or the Supreme Court.

3 2. If CEU's Insurer fails to pay the Settlement Amount pursuant to the
4 terms of this Stipulation, then the Defendants shall not be permitted to terminate
5 the Settlement and this Stipulation pursuant to preceding subparagraphs L.1.c or
6 L.1.d.

7 3. If prior to the Settlement Hearing, Persons who otherwise would be
8 Class Members have filed with the Court valid and timely requests for exclusion
9 ("Requests for Exclusion") from the Class (excluding any Requests for Exclusion
10 that may have been validly retracted) in accordance with the provisions of the
11 Preliminary Approval Order and the notice given pursuant thereto, and such
12 Persons in the aggregate purchased CEU stock during the Class Period in an
13 amount greater than the amounts specified in a separate Supplemental Exclusion
14 Agreement between the parties (the "Supplemental Exclusion Agreement"), CEU,
15 in its sole and absolute discretion, shall have the option to terminate this
16 Stipulation and the Settlement in strict accordance with the requirements and
17 procedures set forth in the Supplemental Exclusion Agreement ("Opt-out
18 Termination Option"). Unless the Court orders otherwise, the Supplemental
19 Exclusion Agreement will not be filed with the Court unless and until a dispute
20 among the parties concerning its interpretation or application arises, and then will
21 be filed under seal. If required by the Court, the Supplemental Exclusion
22 Agreement and/or any of its terms may be disclosed *in camera* to the Court for
23 purposes of approval of the Settlement. Any filing or such disclosure of the
24 Supplemental Exclusion Agreement shall be carried out to the fullest extent
25 possible in accordance with the practices of the Court so as to preserve the
26 confidentiality of the Supplemental Exclusion Agreement, particularly the
27 threshold aggregate number of shares discussed therein. The Lead Plaintiffs and
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1 Lead Plaintiffs' Counsel shall have the right to seek a retraction of any Request for
2 Exclusion. Copies of all Requests for Exclusion received, together with copies of
3 all written revocations of Requests for Exclusion, shall be delivered to Defendants'
4 Counsel as soon as possible after receipt and no less than twenty-eight calendar
5 days prior to the Settlement Hearing. The required procedure for and consequences
6 of making such an election are as follows:

7 a. CEU must exercise its Opt-out Termination Option by serving
8 written notice, signed by Defendants' Counsel, upon Lead Plaintiffs'
9 Counsel, not less than seven calendar days before the Settlement Hearing;

10 b. If CEU exercises its Opt-out Termination Option as provided
11 herein, this Stipulation will be null and void, and the provisions of
12 subparagraphs L.5, 6, 7 and 8 hereof will apply.

13 4. If the Settlement Amount payable pursuant to subparagraph C.1 of
14 this Stipulation is not paid, then the Lead Plaintiffs, in their sole discretion, may
15 elect, at any time prior to the Court's entering the Final Judgment, (a) to terminate
16 the Settlement by providing written notice to all Settling Parties; or (b) to enforce
17 the terms of the Stipulation and seek a judgment effecting the terms herein. Failure
18 of CEU's Insurer to pay the sum of \$2,425,000 (Two Million, Four Hundred
19 Twenty-Five Thousand Dollars), as set forth in subparagraph C.1, above, shall
20 neither serve as a basis for any Defendant or CEU's Insurer to terminate the
21 Settlement, nor alter the requirements of subparagraph C.1 that in no event shall
22 the Defendants be responsible to pay any amount under this Stipulation of
23 Settlement, or pursuant to any proceeding to enforce this Settlement. If Lead
24 Plaintiff elect to terminate the Settlement pursuant to this paragraph, the
25 subparagraphs L.5, 6, and 7 hereof will apply.

26 5. If this Stipulation is terminated pursuant to its terms, all of the Settling
27 Parties shall be deemed to have reverted to their respective status prior to the
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1 execution of this Stipulation, and they shall proceed in all respects as if this
2 Stipulation had not been executed and the related orders had not been entered,
3 preserving in that event all of their respective claims and defenses in the Litigation,
4 and shall revert to their respective positions in the Litigation.

5 6. The Settling Defendants' conditional stipulation to the creation of a
6 settlement class is contingent upon the completion of all terms of this Stipulation.
7 If this Stipulation is for any reason not finally approved, or is otherwise terminated,
8 the Settling Defendants reserve the right to reassert all of their objections and
9 defenses to certification of any class, and Lead Plaintiffs will not offer the Settling
10 Defendants' conditional stipulation to certification of a class as any evidence in
11 support of a motion to certify any class for trial purposes.

12 7. Upon termination of this Stipulation pursuant to its terms, the Gross
13 Settlement Fund, less Notice and Administration Expenses including Taxes and
14 Tax Expenses (whether already paid or incurred but not yet paid), shall be
15 refunded to CEU's Insurer by the Escrow Agent within ten calendar days.

16 8. If this Stipulation is terminated pursuant to its terms, and at the
17 request of any of the Defendants or CEU's Insurer, the Escrow Agent or his
18 designee shall apply for any tax refund owed to the Gross Settlement Fund and pay
19 any appropriate part of the proceeds of the tax refund, after deduction of any fees
20 and expenses incurred in connection with such application(s) for refund, to the
21 Defendants.

22 9. No order of the Court or modification or reversal of any order of the
23 Court concerning the Plan of Allocation, the amount of any Attorneys' Fees and
24 Expenses awarded by the Court, or the distribution of the Net Settlement Fund
25 shall constitute grounds for cancellation or termination of the Stipulation.
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1 M. MISCELLANEOUS PROVISIONS

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

8 2. This Stipulation may be amended or modified only by a written
9 instrument signed by Defendants' Counsel and by Lead Plaintiffs' Counsel or their
10 successors-in-interest.

11 3. This Stipulation and the exhibits attached hereto constitute the entire
12 agreement among the Settling Parties, and no representations, warranties or
13 inducements have been made to any Settling Party concerning this Stipulation or
14 its exhibits other than the representations, warranties and covenants contained and
15 memorialized in such documents. All of the exhibits attached hereto are hereby
16 incorporated by reference as though fully set forth herein.

17 4. Whenever this Stipulation requires or contemplates that a Settling
18 Party shall or may give notice to the other, unless otherwise specified, notice shall
19 be provided by email and/or next-day (excluding Saturday and Sunday) express
20 delivery service as follows, and shall be deemed effective upon delivery to the
21 indicated electronic or physical address, as the case may be, below:

22 (i) If to Plaintiffs:

23
24 Laurence M. Rosen, Esq.
25 Phillip Kim, Esq.
26 The Rosen Law Firm, P.A.
27 275 Madison Avenue, 34th Floor
28 New York, NY 10016
lrosen@rosenlegal.com

1 pkim@rosenlegal.com

2 (ii) If to CEU, Hsu or Zhang:

3 Jerome S. Fortinsky, Esq.
4 Brian G. Burke, Esq.
5 Shearman & Sterling LLP
6 599 Lexington Avenue
7 New York, NY 10022
8 jfortinsky@shearman.com
9 brian.burke@shearman.com

10 5. Except as otherwise provided herein, each Settling Party shall bear his
11 or its own costs. The Attorneys' Fees and Expenses and awards to Lead Plaintiffs,
12 subject to Court approval, shall be paid only out of the Gross Settlement Fund and
13 the Defendants have no obligation with respect to the payment of said Attorneys'
14 Fees and Expenses.

15 6. By the Preliminary Approval Order, Lead Plaintiffs' Counsel, on
16 behalf of the Class, is expressly authorized to take all appropriate action required
17 or permitted to be taken by the Class pursuant to this Stipulation to effectuate its
18 terms.

19 7. Defendants' Counsel and Lead Plaintiffs' Counsel represent that they
20 are authorized to sign this Stipulation on behalf of their respective clients.

21 8. This Stipulation may be executed in one or more original,
22 photocopied or facsimile counterparts. All executed counterparts and each of them
23 shall be deemed to be one and the same instrument. Defendants' Counsel and
24 Lead Plaintiffs' Counsel shall exchange among themselves original signed
25 counterparts of this Stipulation.

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

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

7 11. Defendants and Lead Plaintiffs, on behalf of themselves and each
8 member of the Class, hereby irrevocably submit to the jurisdiction of the Court for
9 any suit, action, proceeding or dispute arising out of or relating to this Stipulation
10 or the applicability of this Stipulation. The administration and consummation of
11 the Settlement as embodied in this Stipulation shall be made under the authority of
12 the Court and the Court shall retain exclusive jurisdiction for the purpose of
13 entering orders providing for awards of Attorneys' Fees and Expenses or a
14 payment to the Lead Plaintiffs, and enforcing the terms of this Stipulation,
15 including with regard to any actions required of CEU's Insurer.

16 12. None of the Settling Parties shall be considered to be the drafter of
17 this Stipulation or any provision hereof for purposes of any statute, case law or rule
18 of interpretation or construction that would or might cause any provision to be
19 construed against the drafter hereof.

20 13. Neither this Stipulation, nor the fact of the Settlement, is an admission
21 or concession by any Defendant of any liability or wrongdoing whatsoever. This
22 Stipulation is not a finding of the validity or invalidity of any claims in the
23 Litigation or of any wrongdoing by any of the Defendants named therein. Neither
24 this Stipulation, nor the fact of settlement, nor the settlement proceedings and
25 negotiations, nor any related documents, shall be used or construed as an
26 admission of any fault, liability or wrongdoing by any person or entity, or shall be
27 offered or received in evidence as an admission, concession, presumption or
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1 inference against any Settling Party in any proceeding other than such proceedings
2 as may be necessary to consummate or enforce this Stipulation, or the Order and
3 Final Judgment.

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

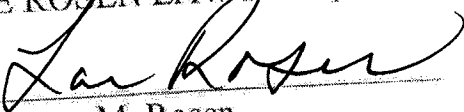
16 15. The Settling Parties agree that the mediator for the Litigation, Michael
17 Young, may assist them with any disputes on the terms of the Settlement until such
18 time as there is an Effective Date.

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

22 17. The waiver of one Settling Party of any breach of this Stipulation by
23 any other Settling Party shall not be deemed a waiver of any other breach of this
24 Stipulation. The provisions of this Stipulation may not be waived except by a
25 writing signed by the affected Settling Party, or counsel for that Settling Party.
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27
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IN WITNESS WHEREOF, the Settling Parties hereto, intending to be legally bound hereby, have caused this Stipulation to be executed, by their duly authorized attorneys, as of the day and year first above written.

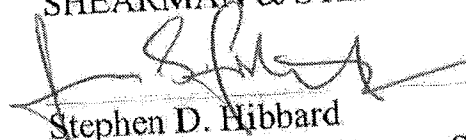
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*Lead Counsel for Lead Plaintiffs
and the Class*

SHEARMAN & STERLING LLP

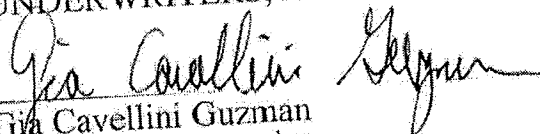


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