

ZUNGUI HAIXI CORPORATION CLASS ACTION SETTLEMENT AGREEMENT

Made as of February 13, 2013

B E T W E E N:

Jerzy Robert Zaniewicz and Edward C. Clarke and any other proposed representative plaintiffs in
Ontario Superior Court Action No. CV-11-436360-00CP
in their personal and proposed representative capacities

(the "Plaintiffs")

-and-

Ernst & Young LLP

(the "Settling Defendant")

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SETTLEMENT AGREEMENT

Subject to the approval of the Court as provided herein, the Plaintiffs and the Settling Defendant hereby stipulate and agree that, in consideration of the promises and covenants set forth in this Agreement and upon the Approval Order approving the Settlement and directing the implementation of the terms and conditions of the Settlement as set forth in this Agreement becoming final, this Action as against the Settling Defendant will be settled and compromised on the terms and conditions contained herein.

SECTION 1 - RECITALS

1.1 WHEREAS:

1. The Plaintiffs commenced the Action in Ontario alleging, among other things,
 - (a) that Zungui's IPO Prospectus dated December 11, 2009 and other disclosure documents released by Zungui including its audited and unaudited financial statements contained representations that were untrue, including that its financial statements were prepared in accordance with generally accepted accounting principles;
 - (b) that the Settling Defendant was negligent in failing to carry out its audits of Zungui's financial statements in a manner that complied with Canadian generally accepted auditing standards ("GAAS");
 - (c) that the Settling Defendant misrepresented that it had conducted its audits in accordance with GAAS; and
 - (d) that purchasers of shares of Zungui were harmed as a result of the foregoing.

2. The Southern Zungui Acquirors, who acquired a legal and/or beneficial interest in shares of Zungui pursuant to a share exchange agreement completed on or about December 21, 2009 between Zungui and Southern Trends, have asserted that they have claims and causes of action against the Settling Defendant arising out of their acquisition of shares of Zungui, which claims and causes of action are not pleaded in the Action or in any other action.

3. The Settling Defendant expressly denies and does not admit, through the execution of this Agreement or otherwise, all allegations of breach of duty and wrongdoing made in the Action or otherwise asserted, including by the Southern Zungui Acquirors, and any liability of any kind to the Class and to the Southern Zungui Acquirors.

4. The Parties and Class Counsel agree that neither this Settlement Agreement nor any statement made in the negotiation thereof shall be deemed or construed to be an admission by or evidence against the Settling Defendant or evidence of the truth of any of the allegations made by the Plaintiffs and the Southern Zungui Acquirors against the Settling Defendant, which the Settling Defendant expressly denies.

5. Protracted, arm's length settlement negotiations have occurred between Class Counsel, on behalf of the Class (including the Southern Zungui Acquirors), and counsel for the Settling Defendant, resulting in this Settlement Agreement.

6. The Plaintiffs and Class Counsel have reviewed and fully understand the terms of this Settlement Agreement and, based on their analyses of the facts and law applicable to the claims, demands and causes of action of the Plaintiffs and of the Southern Zungui Acquirors, both asserted and unasserted, whether pleaded in the Action or not, and having regard to the extensive burdens, risks and expense of litigation, including the risks and uncertainties associated with trials and appeals, the Plaintiffs, with the benefit of advice from Class Counsel, and the Southern

Zungui Acquirors have concluded that this Settlement Agreement is fair, reasonable and in their best interest and the best interest of the Class that the Plaintiffs seek to represent.

7. The Settling Defendant is entering into this Settlement Agreement in order to achieve a final resolution of all Released Claims and the Action, and to avoid further expense, inconvenience and the distraction of burdensome and protracted litigation.

8. The Parties therefore wish to, and hereby do, finally resolve, without admission of liability, the Action as against the Settling Defendant and all Released Claims of the Releasers.

9. For the purposes of settlement only and contingent upon approval by the Court as provided for in this Settlement Agreement, the Parties have consented to certification of the Action as a class proceeding on the terms provided herein;

10. The Plaintiffs assert that they are adequate class representatives for the Class and will seek to be appointed representative plaintiffs in the Action;

NOW THEREFORE, in consideration of the covenants, agreements and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties stipulate and agree that these Minutes of Settlement represent the agreement between the Parties reached on February 13, 2013 to resolve and release, fully and finally, in accordance with the terms more particularly set out herein, all Released Claims, and subject to the approval of the Court as provided herein, to obtain an Approval Order that is a Final Order dismissing the Action as against the Settling Defendant with prejudice and without costs.

SECTION 2 - DEFINITIONS

2.1 In this Settlement Agreement, including the Recitals and Schedules hereto:

1. **Action** means the action styled *Zaniewicz et al. v. Zungui Haixi Corporation et al.* filed in the Ontario Superior Court of Justice (Toronto Registry), and bearing Court File. No. CV-11-436360-00CP.
2. **Administration Expenses** means all fees, disbursements, expenses, costs, taxes and any other amounts incurred or payable in relation to the notice, approval, implementation and administration of the Settlement, including the costs of publishing and delivery of notices, fees, disbursements and taxes paid to the Notice Advisor and to the Administrator, and any other expenses approved by the Court which shall be paid from the Settlement Amount. For greater certainty, Administration Expenses do not include Class Counsel Fees.
3. **Administrator** means the third party professional firm selected at arm's length by Class Counsel and appointed by the Court to administer this Settlement Agreement in accordance with the Plan of Allocation, and any employees of such firm.
4. **Agreement** means this settlement agreement, including the recitals and schedules.
5. **Approval Motion** means a motion to be brought by the Plaintiffs in the Court for the Approval Order.
6. **Approval Order** means an order made by the Court:
 - (a) approving this Settlement;
 - (b) appointing the Administrator;
 - (c) approving the form of the Second Notice;

- (d) approving the Plan of Notice for the purpose of the publication of the Second Notice; and
- (e) approving the Plan of Allocation;

in a form satisfactory to the Settling Defendant or as fixed by the Court.

7. *Auditors' Reports* means:

- (a) the Settling Defendant's audit report to the board of directors of Zungui and to the board of directors of Southern Trends identified in the Settling Defendant's Consent at page A-1 of the long form prospectus of Zungui dated December 11, 2009 issued in connection with the IPO;
- (b) the Settling Defendant's audit report to the shareholders of Zungui, dated September 29, 2010, in respect of the consolidated balance sheets of Zungui as at June 30, 2010 and 2009 and the consolidated statements of income and comprehensive income, shareholders' equity and cash flows for the years then ended; and
- (c) unsigned audit reports contained in Zungui's preliminary long form prospectus dated November 2, 2009 attached as Appendix A to the Share Exchange Agreement.

8. *Authorized Claimant* means any Class Member who has submitted a completed Claim Form which, pursuant to the terms of the Agreement, has been approved for compensation by the Administrator in accordance with the Plan of Allocation.

9. ***Bardi Action*** means the action styled *Luigi Bardi v. Zungui Haixi Corporation*, filed in the Ontario Superior Court of Justice (Windsor Registry), and bearing Court File No. CV-11-16764.
10. ***Certification and First Notice Motion*** means a motion brought before the Court for an order in a form satisfactory to the Settling Defendant or as fixed by the Court.
11. ***Claim Form*** means the form to be approved by the Court which, when completed and submitted in a timely manner to the Administrator, constitutes a Class Member's claim for compensation pursuant to the settlement.
12. ***Claims Bar Deadline*** means the date by which each Class Member must file a Claim form and all supporting documentation with the Administrator; which date shall be one hundred and twenty (120) days after the date on which the Second Notice is first published.
13. ***Class* or *Class Members*** means all persons or entities wherever they may reside or be domiciled, other than Excluded Persons and Opt-Out Parties, who acquired Eligible Shares.
14. ***Class Counsel*** means Siskinds LLP.
15. ***Class Counsel Fees*** means the fees, disbursements, costs, interest, HST and other applicable taxes or charges of Class Counsel as approved by the Court.
16. ***Class Period*** means the period from and including August 11, 2009 to and including August 22, 2011.
17. ***Common Issue*** means: Did the Auditors' Reports contain one or more misrepresentations within the meaning of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, or at common law?

18. ***Counsel for the Settling Defendant*** means Lenczner Slaght Royce Smith Griffin LLP.
19. ***Court*** means the Ontario Superior Court of Justice.
20. ***CPA*** means the *Class Proceeding Act, 1992*, S.O. 1992, c. 6, as amended.
21. ***Defendant*** means any Defendant named as a defendant in the Action.
22. ***Effective Date*** means the date on which all of the following occur or have occurred:
 - a) the Settling Defendant has paid the Settlement Amount into the Escrow Account; and
 - b) the Settling Defendant's right to terminate the Settlement Agreement has expired and the Approval Order becomes a Final Order.
23. ***Eligible Shares*** means the Shares acquired by a Class Member or Opt-Out Party during the Class Period.
24. ***Escrow Account*** means an interest bearing trust account at a Canadian Schedule 1 bank in Ontario initially under the control of Class Counsel and then transferred to the control of the Administrator not later than ten (10) days after the Effective Date.
25. ***Escrow Settlement Amount*** means the Settlement Amount plus any interest accruing thereon.
26. ***Excluded Persons*** means each Defendant, the past or present subsidiaries or affiliates, officers, directors, partners, legal representatives, consultants, agents, successors and assigns of Zungui and any member of each Defendant's families, their heirs, successors or assigns, and

includes any Southern Zungui Acquirers who acted as a consultant or provided other professional services to Zungui or its subsidiaries in connection with the IPO.

27. *Final Order* means any order of the Court contemplated by this Settlement Agreement from which no appeal lies or in respect of which any right of appeal has expired without the initiation of proceedings in respect of that appeal such as the delivery of a notice of motion for leave to appeal or a notice of appeal.

28. *First Notice* means the Notice of Certification and Notice of Court Hearing for Settlement Approval.

29. *IPO* means the initial public offering of securities of Zungui pursuant to a long form prospectus of Zungui dated on or about December 11, 2009 and filed with SEDAR on or about that date, offering 11,500,000 common shares for gross proceeds of \$37,375,000, plus an additional 759,500 shares via an over-allotment option, for total proceeds of \$39,843,375.

30. *Long Form Notice of Settlement* means notice to the Class of the Approval Order in a form satisfactory to the Settling Defendant or as fixed by the Court.

31. *Mengshida* means Mengshida Shoes Co., Ltd. Shishi City, also known as Shishi Mengshida Shoes Co., Ltd.

32. *Newspapers* means the following newspaper publications:

(a) in Canada: National Post, Globe & Mail and La Presse; and

(b) in the People's Republic of China: South China Morning Post (Hong Kong).

33. *Non-Settling Defendant* means a Defendant that is neither a Settling Defendant nor an Other Settling Defendant.

34. *Notice Advisor* means the third party professional firm selected at arm's length by Class Counsel to effect the publication of the First Notice.

35. *Notice of Certification and Notice of Court Hearing for Settlement Approval* means notice to the Class of:

- (a) the certification of the Action as against the Settling Defendant and, as may be the case, any Other Settling Defendant, for settlement purposes only;
- (b) the procedure to obtain an Opt-Out Form and become an Opt-Out Party; and
- (c) the Approval Motion;

in a form satisfactory to the Settling Defendant.

36. *Opt-Out Deadline* means the date sixty (60) days after the date on which the First Notice is first published in the Newspapers.

37. *Opt-Out Form* means the document in a form to be approved by the Court that if validly completed and submitted by a Class Member to Class Counsel before the expiry of the Opt-Out Deadline, excludes that Class Member from the Class and participation in the Settlement.

38. *Opt-Out Party* means any person who would otherwise be a Class Member and who submits a valid Opt-Out Form to Class Counsel by the Opt-Out Deadline.

39. ***Opt-Out Period*** means the period up to and including the Opt-Out Deadline, during which Opt-Out Forms may be submitted by persons who fall within the Class and wish to opt-out of the Proceeding.

40. ***Opt-Out Threshold*** means the total number of Eligible Shares required to be held by all Opt-Out Parties in order to trigger the Settling Defendant's right to terminate this Agreement in accordance with Sections 10.5 to 10.7 hereof, as particularized in the Collateral Agreement.

41. ***Other Actions*** means any action or proceeding relating to the Released Claims, other than the Action, commenced by a Class Member or Southern Zungui Acquiror either before or after the Effective Date, including the Bardi Action.

42. ***Other Settlement Agreement*** means a settlement agreement that the Plaintiffs have entered into with any other Defendant(s) as at the date of execution of this Agreement, within 7 days thereof, or as extended by agreement of the Parties, to finally settle the Action and achieve a final resolution of, *inter alia*, the Plaintiff's claims and those of the Class Members as against those other Defendant(s).

43. ***Other Settling Defendant*** means any Defendant other than the Settling Defendant that has entered into an Other Settlement Agreement that results in an order from which no appeal lies or in respect of which any right of appeal has expired without the initiation of proceedings in respect of that appeal such as the delivery of a notice of motion for leave to appeal or notice of appeal, approving the Other Settlement Agreement and directing that it be consummated and implemented in accordance with its terms, and directing that the Action be dismissed with prejudice and without costs as against the Other Settling Defendant.

44. *Parties* mean the Plaintiffs and the Settling Defendant.
45. *Plaintiffs* mean Jerzy Robert Zaniewicz and Edward C. Clarke, individually and collectively.
46. *Plan of Allocation* means the distribution plan stipulating the proposed distribution of the net settlement amount, in a form satisfactory to the Settling Defendant or as fixed by the Court.
47. *Plan of Notice* means the plan for disseminating the First Notice and disseminating the Second Notice to the Class in a form satisfactory to the Settling Defendant or as fixed by the Court.
48. *Proportionate Liability* means the proportion of liability to the Class that, had the Settling Defendant not settled the Action, the Court would have apportioned to the Settling Defendant at trial of the Action.
49. *Released Claims* (or Released Claim) mean any and all manner of claims, demands, actions, suits, proceedings, causes of action, whether class, individual derivative or otherwise in nature, whether personal or subrogated, damages whenever incurred, liabilities of any nature whatsoever, including interest, costs, expenses, Administration Expenses, penalties, and Class Counsel Fees and lawyers' fees known or unknown, suspected or unsuspected, actual or contingent, liquidated or unliquidated, whether pleaded in the Action or not, in law, under statute or in equity, in any jurisdiction, that the Releasers, or any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall, or may have as against the Releasees or any one or more of them relating in any way to or arising out, of the purchase, sale, acquisition, exchange, pricing, marketing or distribution of Eligible Shares during

the Class Period, the Releasees' relationship with Zungui, audit opinions rendered to Zungui, Southern Trends or Mengshida by the Releasees, the Auditors' Reports, or any acts or omissions of, or representations made by the Releasees, directly or indirectly, to anyone about or relating to Zungui or Southern Trends or their subsidiaries, including Mengshida, or in respect of their operations, bank accounts and records, their consolidated or unconsolidated financial results, or the Eligible Shares, or relating to any conduct alleged or which could have been asserted in this Action, or in an action by the Southern Zungui Acquirors as a result of the purchase or acquisition of the Eligible Shares or the receipt of Eligible Shares under the Share Exchange Agreement in the Class Period, and any claims of a derivative nature that could have been brought by Zungui.

50. *Releasees* mean, jointly and severally, individually and collectively, the Settling Defendant and Ernst & Young Global Limited and all member firms thereof, and all present and former affiliated entities, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns of each.

51. *Releasers* mean, jointly and severally, individually and collectively, the Plaintiffs, the Class Members, and any person having a legal and/or beneficial interest in the Eligible Shares purchased or acquired by the Class Members, and each of their respective past and present directors, officers, employees, agents, trustees, servants, consultants, underwriters, advisors, representatives, heirs, executors, attorneys, administrators, guardians, estate trustees, successors and assigns, as the case may be, but excluding Opt-Out Parties.

52. *Second Notice* means the Short Form Notice of Settlement and the Long Form Notice of Settlement.

53. **Settlement** means the settlement provided for in this Settlement Agreement.
54. **Settlement Amount** means \$2,000,000 in Canadian currency to be paid by the Settling Defendant, inclusive of Administration Expenses, Class Counsel Fees, and any other costs or expenses otherwise related to the Action.
55. **Settling Defendant** means Ernst & Young LLP.
56. **Share Exchange Agreement** means the Securities Exchange Agreement among Southern Trends, Zungui, Haixi Holding Company Inc., Fengyi Cai and the other Southern Zungui Acquirors, dated November 2, 2009 and completed December 21, 2009.
57. **Shares** means common shares of Zungui, including shares in the capital of Southern Trends that were converted to shares of Zungui under the Share Exchange Agreement.
58. **Short Form Notice of Settlement** means notice to the Class of the Approval Order in a form satisfactory to the Settling Defendant or as fixed by the Court.
59. **Southern Trends** means Southern Trends International Holding Company Limited, a corporation incorporated under the laws of the British Virgin Islands.
60. **Southern Zungui Acquirors** means persons who acquired a legal or beneficial interest in Shares pursuant to the Share Exchange Agreement. For greater certainty, Southern Zungui Acquirors include Haixi Holding Company Inc., Legendary Trends Limited, Ou Yang Siu Sum, Choi Ching Lau, HaiXin Capital Group, Seshadri Chari, Avinder Grewal, The Winnington Capital Group Inc., The O'Sullivan Family Trust, Challisbury Developments Limited, Kinghall

Limited, Blue Heron Ventures Inc., France Crawford, Randall Smallbone, Morganbridge Communications Inc., and Michelle Gobin.

61. *Zungui* means Zungui Haixi Corporation, a corporation incorporated under the laws of the Province of Ontario, and all of its predecessors, successors, affiliates, parent companies, subsidiary companies and assigns.

SECTION 3 – APPROVAL AND NOTICE PROCESS

Best Efforts

3.1 The Parties shall use their best efforts to effectuate this Settlement and to secure the Approval Order.

3.2 If the Plaintiffs have entered into any Other Settlement Agreement(s), the Parties shall take steps to effectuate this Settlement as contemplated herein and to secure the Approval Order in conjunction with, and at the same time as, steps taken to effectuate the Other Settlement Agreement(s) including the scheduling of motions and publication of notices, and to avoid unnecessary duplication of costs, legal fees, disbursements and Administration Expenses to the extent reasonably practicable and as agreed by the Parties.

3.3 Until the Approval Order becomes a Final Order or the termination of the Settlement Agreement, whichever occurs first, the Parties agree to hold in abeyance all other steps in the Proceeding as they relate to the Settling Defendant, other than the motions provided for in this Settlement Agreement and such other matters required to implement the terms of this Agreement.

Certification and First Notice Motion

3.4 Prior to the Certification and First Notice Motion and as soon as reasonably possible following the execution of this Agreement, and solely for the purpose of implementing this Settlement Agreement, the Plaintiffs shall amend the Amended Fresh As Amended Statement of Claim in a form satisfactory to the Settling Defendant to:

- (a) define “Class” or “Class Members” as meaning all persons or entities (other than Excluded Persons) wherever they may reside or be domiciled who acquired securities of Zungui during the Class Period; and
- (b) plead the claims asserted by the Southern Zungui Acquirors against the Settling Defendant on behalf of any person who acquired shares of Zungui in the Share Exchange Agreement.

3.5 The amendments contemplated in section 3.4 and all other provisions of this Settlement Agreement are entirely without prejudice to the Settling Defendant’s right to challenge the definition of “Class”, “Class Member”, and “Class Period”, and any claims asserted by the Plaintiffs and Southern Zungui Acquirors for any reason if this Agreement is terminated.

3.6 The Plaintiffs will, as soon as is reasonably practicable following the execution of this Agreement, and the amendments contemplated in Section 3.4, bring the Certification and First Notice Motion. Subject to the content of the First Notice and the order sought in the Certification and First Notice Motion being satisfactory to the Settling Defendant, and for the purpose of this Agreement only, the Settling Defendant will consent to the order being sought.

3.7 The Notice Advisor shall cause the First Notice to be published in accordance with the Plan of Notice and the directions of the Court and the costs of so doing shall be paid from the Escrow Account by Class Counsel as and when incurred, except where coordination of the provision of the First Notice pertaining to this Settlement with the provision of a first notice for any other settlements memorialized in any Other Settlement Agreement would be desirable, in which case the costs of providing the First Notice shall be allocated proportionally among the settlements based on their respective values.

Approval Motion and Notice

3.8 The Plaintiffs will thereafter bring the Approval Motion before the Court in accordance with the Court's directions. The Settling Defendant will consent to the Approval Order, subject to the content of the Approval Order sought at the Approval Motion being satisfactory to the Settling Defendant, and for the purposes of the Settlement Agreement only.

3.9 Upon the granting of the Approval Order, Class Counsel or the Administrator, as the case may be, shall cause the Second Notice to be published and disseminated in accordance with the Plan of Notice as approved by the Court and the costs of so doing shall be paid from the Escrow Account as and when incurred, except where coordination of the provision of the Second Notice pertaining to this Settlement with the provision of a second notice for any Other Settlement Agreement that may have been or may be reached in the Proceeding would be desirable, in which case the costs of providing the Second Notice shall be allocated proportionally among the settlements based on their respective values.

Notice of Termination

3.10 If this Agreement is terminated after the First Notice has been published and disseminated, a notice of the termination will be given to the Class. Class Counsel will cause the notice of termination, in a form approved by the Court, to be published and disseminated as the Court directs.

Report to the Court

3.11 After publication and dissemination of each of the notices required by this Section, Class Counsel, the Notice Advisor or the Administrator, as the case may be, shall file with the Court an affidavit confirming publication and dissemination.

SECTION 4 – SETTLEMENT BENEFIT

Payment of Settlement Amount

4.1 Within fourteen (14) business days after execution of this Settlement Agreement, the Settling Defendant shall pay the Settlement Amount to Class Counsel for deposit into the Escrow Account, in full satisfaction of the Released Claims against the Releasees.

4.2 The Settling Defendant shall have no obligation to pay any amount in addition to the Settlement Amount for any reason whatsoever, including any amount for interest, legal fees (including Class Counsel fees), disbursements, taxes of any kind, costs and expenses relating in any way to the Action, including as described in sections 3.4 to 3.10, the Released Claims, the Settlement, and Administration Expenses.

4.3 If any Other Settlement Agreement is entered into, the Administration Expenses charged to the Escrow Account shall be a percentage of the total of all administrative expenses relating to

all settlements in proportion to the Settlement Amount divided by the total of all settlement amounts paid to Class Counsel for the benefit of the Class Members.

4.4 In no event shall the total Administrative Expenses relating to this Settlement and any Other Settlement Agreement exceed \$150,000 prior to the Effective Date.

4.5 Class Counsel shall account to the Court and the Settling Defendant for all payments it makes from the Escrow Account. In the event this Agreement is terminated, this accounting shall be delivered no later than ten (10) days after the termination.

4.6 Any dispute concerning the entitlement to or quantum of expense incurred by Class Counsel and/or the Administrator shall be dealt with by a motion to the Court on notice to the Parties.

Settlement Amount to be Held in Trust

4.7 Class Counsel, and then the Administrator after the Settlement becomes final, shall maintain the Escrow Account and hold the Settlement Amount in trust in the Escrow Account as provided for in this Settlement Agreement. No amount shall be paid out from the Escrow Account, except in accordance with this Settlement Agreement, or in accordance with an order of the Court obtained on notice to the Parties.

Taxes on Interest

4.8 Except as expressly provided herein all interest earned on the Settlement Amount shall accrue to the benefit of the Class and shall become and remain part of the Escrow Account.

4.9 Subject to section 4.10, all taxes payable on any interest which accrues on or otherwise in relation to the Settlement Amount in the Escrow Account shall be the responsibility of the Class. Class Counsel or the Administrator, as appropriate, shall be solely responsible to fulfil all tax reporting and payment requirements arising from the Settlement Amount in the Escrow Account, including any obligation to report taxable income and make tax payments. All taxes (including interest and penalties) due with respect to the income earned by the Settlement Amount shall be paid from the Escrow Account.

4.10 The Settling Defendant shall have no responsibility to make any filings relating to the Escrow Account, to pay tax on any income earned by the Settlement Amount, or to pay any taxes on the monies in the Escrow Account, unless this Settlement Agreement is terminated, in which case any interest earned on the Settlement Amount in the Escrow Account shall be paid to the Settling Defendant who, in such case, shall be responsible for the payment of any taxes on such interest not previously paid by Class Counsel.

SECTION 5 – NO REVERSION

5.1 Unless this Agreement is terminated as provided herein, the Settling Defendant shall not be entitled to the repayment of any portion of the Settlement Amount and then only to the extent of and in accordance with the terms provided herein.

SECTION 6 – DISTRIBUTION OF THE SETTLEMENT AMOUNT

6.1 On or after the Effective Date, the Administrator shall distribute the balance of the Settlement Amount remaining in the Escrow Account in accordance with the following priorities:

- (a) to pay Class Counsel Fees;
- (b) to pay all of the costs and expenses reasonably and actually incurred in connection with the provision of the Second Notice, locating Class Members for the sole purpose of providing notice to them, soliciting Class Members to submit a Claim Form, including the notice expenses reasonably and actually incurred by the Administrator and brokerage firms in connection with the provision of the Second Notice to Class Members (provided, however, that the Administrator shall not pay in excess of fifteen thousand Canadian dollars (CAD\$15,000.00) in the aggregate to all brokerage firms and, if the aggregate amount claimed by such brokerage firms exceeds fifteen thousand Canadian dollars (CAD\$15,000.00), then the Administrator shall distribute the sum of fifteen thousand Canadian dollars (CAD\$15,000.00) to such brokerage firms on a *pro rata* basis). The Settling Defendant is specifically excluded from eligibility for any payment of notice expenses under this subsection;
- (c) to pay all of the Administration Expenses except that part paid by Class Counsel pursuant to Section 3.7. For greater certainty, the Settling Defendant and the Class are specifically excluded from eligibility for any payment of costs and expenses under this subsection;
- (d) to pay any taxes required by law to be paid to any governmental authority; and
- (e) to pay a *pro rata* share of the balance of the Settlement Amount to each Authorized Claimant in proportion to his, her or its claim as recognized in accordance with the Plan of Allocation.

SECTION 7 – EFFECT OF SETTLEMENT

No admission of Liability

7.1 Whether or not this Settlement Agreement is terminated, this Settlement Agreement, anything contained in it, any and all negotiations, discussions, and communications associated with this Settlement Agreement, shall not be deemed, construed or interpreted to be an admission by the Releasees of any fault, omission, wrongdoing or liability by the Releasees, or of the truth of any of the claims or allegations made in the Proceeding or otherwise asserted by the Plaintiffs and the Southern Zungui Acquirors. Without limiting the generality of the foregoing, nothing in this Settlement Agreement or the negotiation of it shall be used or construed as any admission by the Releasees:

- (a) of any fault, omission, liability or wrongdoing in connection with the purchase, sale, acquisition, exchange or distribution of securities of Zungui, or associated with any work performed by the Releasees or any of them for Zungui, Southern Trends and Mengshida; and
- (b) of any misrepresentation made directly or indirectly, concerning Zungui, Southern Trends and Mengshida, their operations, financial statements or financial results,

and in fact the Releasees continue to vigorously dispute, deny and contest the allegations made in the Proceeding and otherwise by the Plaintiffs and the Southern Zungui Acquirors.

Agreement Not Evidence

7.2 The Parties agree that, whether or not it is terminated, this Agreement and anything contained herein, any and all negotiations, documents, discussions and proceedings associated

with this Agreement, and any action taken to implement this Agreement, shall not be referred to, offered as evidence or received in evidence in any pending or future civil, criminal, quasi-criminal, administrative action or disciplinary investigation or proceeding.

7.3 Notwithstanding section 7.2 this Agreement may be referred to or offered as evidence in order to obtain the orders or directions from the Court contemplated by this Agreement, in a proceeding to approve or enforce this Agreement, to defend against the assertion of Released Claims, or as otherwise required by law.

Restrictions On Further Litigation

7.4 Class Counsel, and anyone currently or hereafter employed by, associated with, or a partner with Class Counsel may not, directly or indirectly participate or be involved in, or in any way assist with respect to any claim made by any person in relation to the purchase, sale, acquisition, exchange or distribution of securities of Zungui, any representations made directly or indirectly, concerning Zungui, Southern Trends and Mengshida, their operations, financial statements or financial results, or any services rendered by the Releasees to Zungui, Southern Trends and Mengshida, except in relation to the continued prosecution of the Action against any Non-Settling Defendant and any proceeding relating to the approval of any Other Settlement Agreement.

7.5 Class Counsel also is prohibited from divulging to anyone for any purpose any information obtained in the course of the negotiation, preparation or execution of this Settlement Agreement, without the prior written consent of the Settling Defendant or unless ordered to do so by a court.

SECTION 8 – CERTIFICATION FOR SETTLEMENT ONLY

Consent to Certification

8.1 The Settling Defendant will consent to certification of the Action as a class proceeding, pursuant to Sections 2, 5 and 6 of the CPA, solely for the purpose of effecting this Agreement.

8.2 The Parties agree that the only common issue that the Plaintiffs will seek to define is the Common Issue and the only class that they will assert is the Class.

Certification Without Prejudice

8.3 The Parties agree that the certification of the Action as a class proceeding in accordance with Sections 8.1 and 8.2 hereof is for the sole purpose of effecting the Settlement. In the event that this Agreement is terminated as provided herein, the Certification Order shall be vacated or set aside as set out herein, and shall be without prejudice to any position that any of the Parties may later take on any issue in the Action including in a subsequent certification motion. In particular, the fact of the Settling Defendant's consent to certification for settlement purposes shall not be referenced in any way in the further prosecution of the Action, nor shall such consent be deemed to be an admission by the Settling Defendant that the Plaintiffs have met any of the requisite criteria for certification of the Action as a class proceeding.

SECTION 9 - OPTING OUT

Awareness of any Potential Opt-Outs

9.1 The Plaintiffs and Class Counsel represent and warrant that:

- (a) they are unaware of any Class Member who has expressed an intention to opt out of the Class; and

- (b) they will not encourage or solicit any Class Member to opt out of the Class.

Opt-Out Procedure

9.2 Each Class Member who wishes to exclude themselves from the Class must submit a properly completed Opt-Out Form along with all required supporting documents to Class Counsel on or before the Opt-Out Deadline.

9.3 In order to remedy any deficiency in the completion of the Opt-Out Form, Class Counsel may require and request that additional information be submitted by a Class Member who submits an Opt-Out Form.

9.4 If a Class Member fails to submit a properly completed Opt-Out Form and/or all required supporting documents to Class Counsel or fails to remedy any deficiency by the Opt-Out Deadline, the Class Member shall not have opted out of the Proceeding, subject to any order of the Court to the contrary, and will in all other respects to be subject to, and bound by, the provisions of this Agreement and the releases contained herein.

9.5 The Opt-Out Deadline will not be extended unless the Court orders otherwise.

9.6 Opt-Out Parties will be excluded from any and all rights and obligations arising from the Settlement. Class Members who do not opt out shall be bound by the Settlement and the terms of this Settlement Agreement regardless of whether the Class Member files a Claim Form or receives compensation from the Settlement.

Notification of Number of Opt-Outs

9.7 Within fifteen (15) days after the Opt-Out Deadline, Class Counsel shall report to the Court and the Parties the number of Eligible Shares held by each Opt-Out Party, a summary of the information delivered by each Opt-Out Party, and the total number of Eligible Shares held by the Opt-Out Parties.

9.8 Class Counsel shall also provide to the Settling Defendant copies of all of the Opt-Out Forms submitted by Opt-Out Parties at the same time as the report in section 9.7.

SECTION 10 – TERMINATION OF THE AGREEMENT

General

10.1 This Agreement shall, without notice, be automatically terminated if:

- (a) An order substantially in the form of the Approval Order satisfactory to the Settling Defendant is not granted by the Court; or
- (b) the Approval Order is reversed on appeal and the reversal becomes a Final Order.

10.2 This Agreement shall be terminated if the Settling Defendant elects to terminate the Agreement in accordance with section 10.5 forthwith upon delivery to Class Counsel of the notice of election to terminate contemplated by that section.

10.3 In the event this Agreement is terminated in accordance with its terms:

- (a) the Parties will be restored to their respective positions prior to the execution of this Agreement;

- (b) the Plaintiffs and the Settling Defendant will consent to an Order vacating or setting aside of any order certifying this Action as a class proceeding for the purposes of implementing this Agreement and such order shall include a declaration that the prior consent certification of this Action for settlement purposes shall not be deemed to be an admission by the Settling Defendant that the Action met any of the criteria for certification as a class action, and no Party to this Action and that no other person may rely upon the fact of the prior consent certification order for any purpose whatsoever;
- (c) the Escrow Settlement Amount will be returned to the Settling Defendant in accordance with section 10.9(d) hereof;
- (d) this Agreement will have no further force and effect and no effect on the rights of the Parties except as specifically provided for herein;
- (e) all statutes of limitation applicable to the claims asserted in the Proceeding shall be deemed to have been tolled during the period beginning with the execution of this Agreement and ending with the day on which the orders contemplated by section 10.9 are entered;
- (f) any costs reasonably incurred by the Administrator and paid out of the Escrow Account for performing the services required to prepare to implement this Settlement, and amounts paid for the publication and dissemination of notices are non-recoverable from the Plaintiffs, the Class Members, the Administrator or Class Counsel;

- (g) this Agreement and the consent certification order will not be introduced into evidence or otherwise referred to in any litigation against the Settling Defendant.

10.4 Notwithstanding the provisions of section 10.3(d), if this Agreement is terminated, the provisions of this section 10 and sections 1, 2, 3.5, 3.10, 4.2, 4.9, 4.10, 5.1, 7.1, 7.2, 7.3, 7.5, 8.3, 10.8, 10.9, 10.10, 10.11 and 17 shall survive termination and shall continue in full force and effect.

Effect of Exceeding the Opt-Out Threshold, Conditions Precedent and Right to Terminate

10.5 Notwithstanding any other provision in this Agreement, the Settling Defendant may, in its sole discretion, elect to terminate the Agreement if the total number of Eligible Shares held by Opt-Out Parties exceeds the Opt-Out Threshold, provided that notice of the election to terminate is provided to Class Counsel within twenty (20) days of Class Counsel notifying the Settling Defendant of the number of Opt-Outs pursuant to section 9.7, after which date its right to terminate the Agreement will have expired.

10.6 If the Opt-Out Threshold is not exceeded, the Settling Defendant's right to terminate this Agreement pursuant to the provisions of this Section is inoperative and of no force and effect.

10.7 The Opt-Out Threshold shall be stated in the Collateral Agreement signed contemporaneously with the execution of this Agreement. The Collateral Agreement will state the Opt-Out Threshold shall be kept confidential by the Parties and their counsel, and may be shown to the Court solely for purposes of the Settlement Approval Hearing but shall not be otherwise disclosed by the Parties and their counsel, unless disclosure is ordered by the Court or the Settling Defendant provides prior written consent to disclosure.

Allocation of Monies in the Escrow Account Following Termination

10.8 The Administrator and/or Class Counsel shall account to the Court and the Parties for the amounts maintained in and disbursed from the Escrow Account. If this Agreement is terminated, this accounting shall be delivered no later than ten (10) days after such termination.

10.9 If this Settlement Agreement is terminated, the Settling Defendant shall, within thirty (30) days after termination, apply to the appropriate Court, on notice to the Plaintiffs and the Administrator, as may be necessary, for an order:

- (a) declaring this Settlement Agreement null and void and of no force or effect except for the provisions of those sections listed in section 10.4;
- (b) determining whether a notice of termination shall be sent out to the Class Members and, if so, the form and method of disseminating such a notice;
- (c) requesting an order setting aside, *nunc pro tunc*, all prior orders or judgments entered by the Court in accordance with the terms of this Agreement, including any order certifying the Action as a class proceedings for the purposes of implementing this Agreement; and
- (d) authorizing the payment of all remaining funds in the Escrow Account, including accrued interest, to the Settling Defendant.

10.10 Subject to section 10.11, the Parties shall consent to the orders sought in any motion made by the Settling Defendant pursuant to section 10.9.

Disputes Relating to Termination

10.11 If there is any dispute about the termination of this Agreement, the Court shall determine any dispute by motion made by a Party on notice to the other Parties.

No Right to Terminate

10.12 For greater certainty, no dispute or disagreement among the Plaintiffs and/or members of the Class or any of them about the proposed distribution of the Settlement Amount or the Plan of Allocation shall give rise to a right to terminate this Agreement.

SECTION 11 – DETERMINATION THAT THE SETTLEMENT IS FINAL

11.1 The Settlement shall be considered final on the Effective Date.

11.2 Within ten (10) days after the Effective Date, Siskinds LLP shall transfer the Escrow Account to the Administrator.

SECTION 12 – RELEASES AND JURISDICTION OF THE COURT

Release of Releasees

12.1 As of the Effective Date the Releasors forever and absolutely release, waive and forever discharge the Releasees from the Released Claims.

12.2 The Releasors acknowledge that they are aware that they may hereafter discover facts in addition to, or different from, those facts which they know or believe to be true with respect to the Action and the subject matter of the Settlement Agreement, and that it is their intention to release fully, finally and forever all Released Claims, and in furtherance of such intention, this release and, subject to the provisions of section 10, this Settlement Agreement, shall be and

remain in effect notwithstanding the discovery or existence of any such additional or different facts.

Covenant Not to Sue

12.3 Notwithstanding Section 12.1, for any Class Members resident in any province or territory where the release of one tortfeasor in an action is a release of all other tortfeasors in the same action, the Releasers do not release the Releasees but instead covenant and undertake not to make any claim in any way or to threaten, commence, participate in, or continue any proceeding in any jurisdiction against the Releasees in respect of or in relation to the Released Claims.

No Further Claims

12.4 As of the Effective Date, the Releasers and Class Counsel shall not now or hereafter institute, continue, maintain or assert, either directly or indirectly, whether in Ontario or elsewhere, on their own behalf or on behalf of any class or any other person, any action, suit, cause of action, claim or demand against any of the Releasees or any other person who may claim contribution or indemnity from any of the Releasees in respect of any Released Claim or any matter related thereto, except for the continuation of the Action against any Non-Settling Defendant.

12.5 Should any such claim be commenced between the date of this Agreement and the Effective Date, the Plaintiffs shall support a motion by the Settling Defendant to dismiss or permanently stay such proceedings.

Dismissal of the Action

12.6 Except as otherwise provided in this Agreement and the Approval Order, this Action shall be dismissed as against the Settling Defendant without costs and with prejudice no earlier than the Effective Date.

12.7 On or as soon as practicable after the Effective Date, the Plaintiffs shall amend the Statement of Claim as amended pursuant to section 3.4 to give effect to this Settlement and the Approval Order, and in particular to limit the scope of the Action to claims against the Non-Settling Defendants related to their own negligent and proportionate liability.

12.8 The Settling Defendants shall, by motion on notice to the Plaintiffs, seek directions of the Court in the event of a disagreement between the Parties as to the sufficiency of the amendment to be issued under Section 12.7.

Dismissal of the Bardi Action

12.9 The Plaintiffs shall seek the dismissal of the Bardi Action as part of the Approval Order.

No Claims in Interim

12.10 As of the date of this Agreement, Class Counsel do not represent plaintiffs in any other proceeding related to any matter at issue in this Action.

SECTION 13 – BAR ORDER, OTHER CLAIMS AND DISCOVERY

13.1 The Releasers shall exclude from any of their claims which continue against any Defendant that is not a Settling Defendant that portion of any damages that corresponds to the proportional share of liability of the Settling Defendant, proven at trial or otherwise.

13.2 The Plaintiffs shall, in the Approval Motion, seek a bar order from the Court providing for the following:

- (i) all claims against the Releasees for contribution, indemnity or other relief, whether direct or indirect, by statute or at common law, asserted or unasserted or asserted in a representative capacity, inclusive of interest, taxes and costs, that could have been asserted by any Non-Settling Defendant, any Other Settling Defendant, Haixi Holding Company Inc., Challisbury Developments Limited or Wesbridge Capital Corporation (collectively the “Related Defendants”), or by any person or company owned or controlled (within the meaning of Section 89(3) of the *Securities Act*, R.S.O. 1990, c. S.5 as amended) by any of the Related Defendants, by crossclaim, third party claim, or otherwise, arising from or relating in any way to the events, actions, and omissions underlying or matters in issue in the Action, are barred, prohibited and enjoined in accordance with the terms of this section;
- (ii) If the Court ultimately determines there is a right of contribution and indemnity or other claim over, whether in equity or in law, by statute or otherwise between any or all of the Defendants:
 - (A) the Class Members shall not be entitled to claim or recover from any Non-Settling Defendant or other Settling Defendant, that portion of any damages (including punitive damages, if any), restitution, disgorgement, interest and costs that corresponds to the

Proportionate Liability of the Releasees proven at trial or otherwise; and

- (B) the Court shall have full authority to determine the Proportionate Liability of the Releasees at the trial or other disposition of the Action, whether or not the Releasees appear at the trial or other disposition and the Proportionate Liability of the Releasees shall be determined as if the Releasees are parties to the Action and any determination by the Court in respect of the Proportionate Liability shall only apply in the Action and shall not be binding on the Releasees in any other proceedings.

13.3 The form and content of the bar order contemplated in this Section shall be considered a material term of the Agreement and the failure of the Court to approve the bar order contemplated herein shall give rise to a right of termination by the Settling Defendant pursuant to Section 10 of this Settlement Agreement.

Non-Settling Defendants' Discovery Rights Preserved

13.4 A Non-Settling Defendant may, upon motion on at least thirty (30) days notice to Counsel for the Settling Defendant and not to be brought unless and until the Action against the Non-Settling Defendants has been certified under the CPA by the Court and all appeals or times to appeal from such certification orders have been exhausted, seek an order from the Court for the following:

- (A) documentary discovery and an affidavit of documents in accordance with the relevant rules of civil procedure from the Settling Defendant;
- (B) oral discovery of a single representative of the Settling Defendant, the transcript of which may be read in at trial;
- (C) leave to serve a request to admit on the Settling Defendant in respect of factual matters; and/or
- (D) the production of a single representative of the Settling Defendant to testify at trial, with such witness to be subject to cross-examination by counsel for the Non-Settling Defendants.

13.5 The Settling Defendant retains all rights to oppose any such motion(s) brought under 13.4, and shall not by the terms hereof be deemed to have agreed to or acknowledged that any Non-Settling Defendant is entitled to such relief and in fact it is denied.

13.6 A Non-Settling Defendant may effect service of the motion(s) referred to in Section 13.4 on the Settling Defendant by service on Counsel for the Settling Defendant.

13.7 To the extent that an order is granted on a motion brought pursuant to Section 13.4 and discovery is provided to a Non-Settling Defendant, a copy of all documentary discovery provided shall be delivered by the Non-Settling Defendant to Class Counsel at the Plaintiffs' expense, and if the Non-Settling Defendant fails to provide to the Settling Defendant forthwith a copy of the transcript of any examination for discovery of the Settling Defendant, then the Plaintiffs shall do so, at no cost to the Settling Defendant.

13.8 If the court grants an order as the result of a motion brought pursuant to section 13.4 in favour of a Non-Settling Defendant, the Settling Defendant shall consent to an order on substantially the same terms in favour of the Plaintiffs.

SECTION 14 – PRODUCTION

Production

14.1 Within 30 days of the Effective Date, the Settling Defendant shall provide to Class Counsel,

- (i) a copy of all correspondence that it exchanged with the underwriters named as Defendants (“the underwriters”) and any notes or record of its communications with the underwriters in relation to Zungui and its subsidiaries; and
- (ii) a copy of all audit summary review memoranda and documents delivered to the board of directors of Zungui or to any committee of the board in relation to the Auditors’ Reports described in section 2.1.7(a) of this Settlement Agreement.

14.2 Any documents or information produced pursuant to sections 13 and 14 shall be subject to Rule 30.1.01 of the Ontario *Rules of Civil Procedure* and the implied undertaking rule.

14.3 Nothing in this Settlement Agreement shall be construed to require the Settling Defendant to perform any act, including the transmittal or disclosure of any information, which would violate any federal, provincial, or local privacy law, or any other law of any jurisdiction.

14.4 Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any documents or information prepared by or for Counsel for the Settling Defendant, or to disclose or produce any documents or information in breach of any order, regulatory directive, rule or law of this or any jurisdiction, or subject to solicitor-client privilege, litigation privilege, or any other privilege, or to disclose or produce any information or documents they obtained on a privileged or co-operative basis from any party to any action or proceeding who is not the Settling Defendant.

14.5 The Settling Defendant's obligations to produce documents as particularized in this Section shall not be affected by the release provisions contained in section 12 of this Agreement.

Limits on Use of Documents

14.6 The Parties agree that all documents provided by the Settling Defendant to the Plaintiffs and Class Counsel under this Agreement shall be used only in connection with the prosecution of the claims in the Action against Non-Settling Defendants, and shall not be used directly or indirectly for any other purpose. The Plaintiffs and Class Counsel agree they will not publicize the documents and information provided by the Settling Defendant beyond what is reasonably necessary for the prosecution of the Action against any Non-Settling Defendant or as otherwise required by law.

SECTION 15 – ADMINISTRATION

Appointment of the Administrator

15.1 The Court will appoint the Administrator to serve until such time as the Settlement Amount is distributed in accordance with the Plan of Allocation, to implement the Agreement

and the Plan of Allocation, on the terms and conditions and with the powers, rights, duties and responsibilities set out in this Agreement and in the Plan of Allocation.

15.3 If the approval of the Settlement becomes final as contemplated by section 11.1 the Court will fix the Administrator's compensation and payment schedule.

Claims Process

15.4 In order to seek payment from the Settlement Amount, a Class Member must submit a completed Claim Form to the Administrator, in accordance with the provisions of the Plan of Allocation, on or before the Claims Bar Deadline. Class Members shall be bound by the terms of the Settlement regardless of whether they submit a completed Claim Form or receive payment from the Settlement Amount.

15.5 In order to remedy any deficiency in the completion of a Claim Form, the Administrator may require and request that additional information be submitted by a Class Member who submits a Claim Form. Such Class Members shall have until the later of thirty (30) days from the date of the request from the Administrator or the Claims Bar Deadline to rectify the deficiency. Any person who does not respond to such a request for information within this period shall be forever barred from receiving any payments pursuant to the Settlement, subject to any order of the Court to the contrary, but will in all other respects be subject to, and bound by, the provisions of this Agreement and the releases contained herein.

15.6 By agreement between the Administrator and Class Counsel, and on Notice to Counsel for the Settling Defendant, the Claims Bar Deadline may be extended. Class Counsel and the Administrator shall agree to extend the Claims Bar Deadline if, in their opinions, doing so will

not adversely affect the efficient administration of the Settlement and it is in the best interests of the Class to do so.

Disputes Concerning the Decisions of the Administrator

15.7 In the event that a Class Member disputes the Administrator's decision, whether in whole or in part, the Class Member may appeal the decision to the Court in accordance with the provisions in the Plan of Allocation. The decision of the Court will be final with no right of appeal.

15.8 No action shall lie against Class Counsel or the Administrator for any decision made in the administration of the Settlement Agreement and Plan of Allocation without an order from the Court authorizing such an action.

Conclusion of the Administration

15.9 Following the Claims Bar Deadline, and in accordance with the terms of this Settlement Agreement, the Plan of Allocation, and such further approval or order of the Court as may be necessary, or as circumstances may require, the Administrator shall distribute net Escrow Settlement Amount to Authorized Claimants.

15.10 No claims or appeals shall lie against Class Counsel or the Administrator based on distributions made substantially in accordance with the Settlement Agreement, the Plan of Allocation, or with any other order or judgment of the Court.

15.11 If the Escrow Account is in a positive balance (whether by reason of tax refunds, uncashed cheques or otherwise) after one hundred eighty (180) days from the date of distribution of

the Escrow Settlement Amount to the Authorized Claimants, the Administrator shall donate such balance to the Small Investor Protection Association (Canada), *cypres*.

15.12 Upon the conclusion of the administration, and before distribution of the Escrow Settlement Amount to the Authorized Claimants, the Administrator shall report to the Court on the administration and shall account for all monies it has received, administered and proposes to distribute in accordance with this Agreement and the Plan of Allocation.

SECTION 16 – THE FEE AGREEMENT AND CLASS COUNSEL FEES

Motion for Approval of Class Counsel Fees

16.1 At the Approval Hearing Class Counsel may seek the approval of Class Counsel Fees to be paid as a first charge on the Settlement Amount. Class Counsel are not precluded from making additional applications to the Court for expenses incurred as a result of implementing the terms of the Agreement. All amounts awarded on account of Class Counsel Fees shall be paid from the Settlement Amount.

16.2 The Settling Defendant acknowledges that it is not a party to the motion concerning the approval of Class Counsel Fees, they will have no involvement in the approval process to determine the amount of Class Counsel Fees and they will not take any position or make any submissions to the Court concerning Class Counsel Fees, except as requested and required by the Court.

16.3 The procedure for, and the allowance or disallowance by the Court of any requests for Class Counsel Fees to be paid out of the Settlement Amount are not part of the Settlement provided for herein, except as expressly provided in section 6.1, and are to be considered by the

Court separately from its consideration of the fairness, reasonableness, and adequacy of the Settlement provided for herein.

16.4 Any order or proceeding relating to Class Counsel Fees, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel this Settlement Agreement or affect or delay the finality of the Approval Order and the Settlement of this Action provided herein.

Payment of Class Counsel Fees

16.5 Forthwith after the Settlement becomes final, as contemplated in section 11.1, and the time for the Settling Defendant to elect to terminate pursuant to section 10.5 has expired or the Settling Defendant has waived its right to elect to terminate the Agreement, the Administrator shall pay to Class Counsel in trust the Class Counsel Fees approved by the Court from the Escrow Account.

SECTION 17 – MISCELLANEOUS

Motions for Directions

17.1 Any one or more of the Parties, Class Counsel, or the Administrator may apply to the Court for directions in respect of any matter in relation to this Agreement and Plan of Allocation.

17.2 All motions contemplated by this Agreement shall be on notice to the Parties.

Settling Defendant Has No Responsibility or Liability for Administration

17.3 Except for the obligations in respect of the performance of the obligations under Sections 4.1 and 14, the Settling Defendant shall have no responsibility for and no liability whatsoever

with respect to the administration or implementation of this Agreement and Plan of Allocation, including, without limitation, the processing and payment of claims by the Administrator.

Headings, etc.

17.4 In this Agreement:

- (a) the division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
- (b) the terms “the Settlement Agreement”, “this Agreement”, “herein”, “hereto” and similar expressions refer to this Settlement Agreement and not to any particular section or other portion of the Agreement;
- (c) all amounts referred to are in lawful money of Canada; and
- (e) “person” means any legal entity including, but not limited to, individuals, corporations, sole proprietorships, general or limited partnerships, limited liability partnerships or limited liability companies.

17.5 In the computation of time in this Agreement, except where a contrary intention appears:

- (a) where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
- (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

Governing Law

17.6 The Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario.

17.7 The Parties agree that the Court shall retain exclusive and continuing jurisdiction over this Proceeding, the Parties and Class Members to interpret and enforce the terms, conditions and obligations under this Agreement and the Approval Order.

Severability

17.8 Any provision hereof that is held to be inoperative, unenforceable or invalid in any jurisdiction shall be severable from the remaining provisions which shall continue to be valid and enforceable to the fullest extent permitted by law.

Entire Agreement

17.9 This Agreement constitutes the entire agreement among the Parties and supersedes all prior and contemporaneous understandings, undertakings, negotiations, representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. None of the Parties will be bound by any prior obligations, conditions or representations with respect to the subject matter of this Agreement, unless expressly incorporated herein. This Agreement may not be modified or amended except in writing and on consent of all Parties and any such modification or amendment must be approved by the Court.

Binding Effect

17.10 If the Settlement is approved by the Court and becomes final as contemplated in section 11, this Agreement shall be binding upon, and enure to the benefit of, the Plaintiffs, the Class Members, the Settling Defendant, Class Counsel, the Releasees and the Releasors or, any of them, and all of their respective heirs, executors, predecessors, successors and assigns. Without limiting the generality of the foregoing, each and every covenant and agreement made herein by the Plaintiffs shall be binding upon all Releasors and each and every covenant and agreement made herein by the Settling Defendant shall be binding upon all of the Releasees.

Survival

17.11 The representations and warranties contained in this Agreement shall survive its execution and implementation.

Negotiated Agreement

17.12 This Agreement and the underlying settlement have been the subject of arm's-length negotiations and many discussions among the undersigned and counsel. Each of the undersigned has been represented and advised by competent counsel, so that any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafters of this Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in previous drafts of the Agreement, or any agreement in principle, shall have no bearing upon the proper interpretation of this Agreement.

Recitals

17.13 The recitals to this Agreement are true, constitute material and integral parts hereof and are fully incorporated into, and form part of, this Agreement.

Acknowledgements

17.14 Each Party hereby affirms and acknowledges that:

- (a) its signatory has the authority to bind the Party for which it is signing with respect to the matters set forth herein and has reviewed this Agreement; and
- (b) the terms of this Agreement and the effects thereof have been fully explained to it by his or its counsel;
- (c) he, she or its representative fully understands each term of this Agreement and its effect.

Counterparts

17.15 This Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same agreement, and a facsimile signature shall be deemed an original signature for purposes of executing this Agreement.

Confidentiality and Communications

17.16 In any public discussion of, comment on, press release or other communication of any kind (with the media or otherwise) about this Agreement and the Plan of Allocation, the

Plaintiffs and Class Counsel agree and undertake to describe the Settlement and the terms of this Agreement as fair, reasonable and in the best interests of the Class.

17.17 Nothing in this section shall prevent the Parties or their counsel, or any of them, from reporting to their clients, from complying with any order of the Court, or from making any disclosure or comment required by this Agreement, or from making any necessary disclosure or comment for the purposes of any applicable securities or tax legislation or from making any disclosure or comment to Class Members or the Court or for the purposes of any proceedings as between the Defendants.

17.18 Without limiting the generality of the foregoing, the Parties specifically agree that the Parties will not make any public statements, comment or any communication of any kind about any negotiations or information exchanged as part of the settlement process. In addition, to the extent that there is public discussion of, comment on or communication of any kind about this Agreement, the Parties and their counsel agree and undertake to make no statement or comment that the Agreement is other than fair, reasonable and in the best interests of the Class.

Notice

17.19 Any notice, instruction, motion for Court approval or motion for directions or Court orders sought in connection with this Agreement or any other report or document to be given by any party to any other party shall be in writing and delivered personally, by facsimile or e-mail during normal business hours, or sent by registered or certified mail, or courier postage paid:

For Plaintiffs and for Class Counsel:

Charles Wright
Siskinds LLP
100 Lombard Street
Suite 302
Toronto, ON M5C 1M3

Telephone: 416-362-8334
Facsimile: 416-362-2610
Email:

For the Settling Defendant:

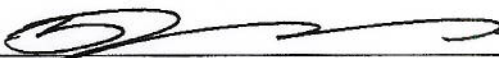
Peter Griffin and Linda Fuerst
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130 Adelaide Street West
Suite 2600
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Telephone: 416-865-3091
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Email: lfuerst@litigate.com

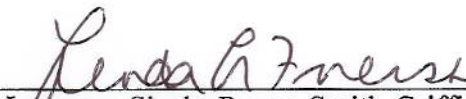
Date of Execution

17.20 The Parties have executed this Settlement Agreement as of the date on the cover page.

04/26/2013
Date


Siskinds LLP on their own behalf, as Class Counsel
and as counsel for Jerzy Robert Zaniewicz and Edward
C. Clarke

April 30, 2013
Date


Lenczner Slaght Royce Smith Griffin LLP as Counsel
for Ernst & Young LLP, and Ernst & Young Global
Limited and all member firms thereof