

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

IN RE ACTRADE FINANCIAL  
TECHNOLOGIES, LTD. SECURITIES  
LITIGATION

Civil Action No.  
02-CV-1263 (RMB)(HBP)

**NOTICE OF SETTLEMENT OF CLASS ACTION**

**TO: ALL PERSONS WHO PURCHASED THE COMMON STOCK OF ACTRADE FINANCIAL TECHNOLOGIES LTD. (“ACTRADE”) DURING THE PERIOD MARCH 11, 1999 THROUGH AUGUST 22, 2002, INCLUSIVE, AND WERE DAMAGED THEREBY**

- **PLEASE READ THIS NOTICE CAREFULLY.**
- **IF YOU WISH TO COMMENT IN FAVOR OF THE SETTLEMENT OR OBJECT TO THE SETTLEMENT, YOU MUST FOLLOW THE DIRECTIONS IN THIS NOTICE.**
- **YOU MAY BE ELIGIBLE TO RECEIVE MONEY FROM THE SETTLEMENT OF THIS CASE.**
- **YOUR LEGAL RIGHTS MAY BE AFFECTED BY THIS LAWSUIT.**
- **TO RECEIVE MONEY FROM THIS SETTLEMENT, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE FORM (“PROOF OF CLAIM”) POSTMARKED ON OR BEFORE MAY 21, 2013.**
- **IF YOU DO NOT WISH TO PARTICIPATE IN THE SETTLEMENT, YOU MAY REQUEST TO BE EXCLUDED BY SENDING A WRITTEN REQUEST FOR EXCLUSION THAT MUST BE POSTMARKED ON OR BEFORE MAY 21, 2013.**
- **IF YOU RECEIVED THIS NOTICE ON BEHALF OF A SETTLEMENT CLASS MEMBER WHO IS DECEASED, YOU SHOULD PROVIDE THE NOTICE TO THE AUTHORIZED LEGAL REPRESENTATIVE OF THAT SETTLEMENT CLASS MEMBER.**

YOU ARE HEREBY NOTIFIED AS FOLLOWS:<sup>1</sup>

A proposed settlement (the “Settlement”) has been reached between the parties in this class action pending in the United States District Court for the Southern District of New York (the “Court”) brought on behalf of all individuals and entities described above (the “Settlement Class”). The Court has preliminarily approved the Settlement, whose terms are set forth in a Stipulation of Settlement dated as of February 20, 2013 (the “Stipulation”), which is available at [www.ActradeSecuritiesLitigation.com](http://www.ActradeSecuritiesLitigation.com), and has conditionally certified the Settlement Class for purposes of Settlement only. You have received this Notice because the parties’ records indicate that you are a member of the Settlement Class. This Notice is designed to inform you of your rights, how you can submit a claim and how you can comment in favor of the Settlement or object to the Settlement. If the Settlement is finally approved by the Court, the Settlement will be binding upon you, unless you exclude yourself, even if you do not submit a claim to obtain money from the Settlement Fund and even if you object to the Settlement.

There will be a hearing on the Settlement (“Settlement Hearing”) at **10:00 a.m. on Tuesday, June 11, 2013** in Courtroom 12D of the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, New York.

<sup>1</sup> A summary of this notice may be found at [www.ActradeSecuritiesLitigation.com](http://www.ActradeSecuritiesLitigation.com).

## I. BACKGROUND OF THE CASE

On and after February 15, 2002, eight complaints were filed as a putative class action asserting violations of federal securities laws. These cases were consolidated into a single proceeding on May 8, 2002, and captioned as *In re Actrade Financial Technologies Ltd. Securities Litigation* under the case number 02-CV-1263 (RMB). In a May 8, 2002 Order, the Court: (i) appointed plaintiffs Kenneth Qi Ge, Peter Lupo, Zeng Hui Wang, James E. McGrew and Gregory W. Tramontin to represent the class as Lead Plaintiffs, and (ii) designated the law firms of Milberg LLP and Shapiro Haber & Urmy LLP as Plaintiffs' Co-Lead Counsel.

On February 20, 2003, a Second Amended Complaint was filed in this Action, asserting claims against Amos Aharoni ("Aharoni"), Alexander C. Stonkus ("Stonkus"), Joseph P. D'Alessandris ("D'Alessandris"), David J. Askin ("Askin") and Actrade's independent auditor, Deloitte & Touche LLP ("Deloitte"), arising from alleged material misstatements and omissions regarding the purported growth in Actrade's revenues and earnings. The complaint alleged that the Individual Defendants and Askin violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder. As to Deloitte, the complaint alleged a violation under Section 10(b) and Rule 10b-5. Actrade was not named as a defendant in the complaint as a result of its having filed a petition for relief under Chapter 11 of the Bankruptcy Code on December 12, 2002. Plaintiffs filed a class proof of claim in the bankruptcy proceeding, asserting against Actrade the claims asserted in the complaint.

On December 15, 2010, a Third Amended Complaint was filed asserting claims against Aharoni, Stonkus, D'Alessandris, and Deloitte (collectively, "Defendants") alleging, among other things, that Actrade's financial statements overstated Actrade's revenue and earnings and that the transactions reported in Actrade's international trade financing business were fictitious.

Defendants have denied and continue to deny all charges of wrongdoing or liability associated with the claims alleged, but wish to resolve and settle the lawsuit. The Court has not ruled on the merits of whether Defendants violated the securities laws.

Plaintiffs and Defendants, and their counsel, have concluded that the Settlement is advantageous, considering the risks and uncertainties to each side of continued litigation. The parties and their counsel have determined that the Settlement is fair, reasonable and adequate and is in the best interests of the members of the Settlement Class.

The Settlement creates a fund in the amount of \$5,250,000 in cash and will include interest that accrues on the fund prior to distribution. Your recovery from the Settlement Fund will depend on a number of variables, including the number of shares of Actrade common stock you purchased during the period from March 11, 1999 through and including August 22, 2002, and the timing of your purchases and any sales. Plaintiffs' Co-Lead Counsel estimate that if everyone eligible submits a valid claim, the average distribution per damaged share will be approximately 40.9¢ before deduction of Court-approved fees and expenses.<sup>2</sup>

Plaintiffs and the Defendants do not agree on the average amount of damages per share that would be recoverable if the Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include: (1) the amount by which shares of Actrade common stock were allegedly artificially inflated (if at all) during the Class Period; (2) the effect of various market forces influencing the trading price of shares of Actrade common stock at various times during the Class Period; (3) the extent to which external factors, such as general market and industry conditions, influenced the trading price of Actrade common stock at various times during the Class Period; (4) the extent to which the various matters that Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Actrade common stock at various times during the Class Period; (5) the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of Actrade common stock at various times during the Class Period; and (6) whether the statements made or facts allegedly omitted were material, false, misleading or otherwise actionable under the securities laws of the United States.

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<sup>2</sup> An allegedly damaged share might have been traded more than once during the Class Period, and the indicated average recovery would be the total for all purchasers of that share.

## II. TERMS OF THE SETTLEMENT

The Stipulation of Settlement setting forth the terms of the Settlement provides for the following:

### A. What Does the Settlement Provide?

#### Creation of the Settlement Fund

Defendants shall pay or cause to be paid \$5,250,000 in cash, which will earn interest for the benefit of the Settlement Class (the "Settlement Fund").

### B. Am I included in the Settlement?

You are included in the Settlement if you purchased shares of common stock of Actrade during the period March 11, 1999 through August 22, 2002, inclusive, and were damaged thereby.

### C. What is the legal effect of the Settlement on my rights?

If you are a member of the Settlement Class, the Settlement will affect you. If the Court grants final approval of the Settlement, this action will be dismissed with prejudice and all Settlement Class members will fully release and discharge Defendants and the Actrade Liquidation Trust, which is the successor in interest to Actrade, from all claims for relief for claims arising out of or based on Plaintiffs' allegations. When a person "releases" claims, that means that person cannot sue the defendants for any of the claims covered by the release. If you are a Settlement Class member and you submit a valid and timely Proof of Claim form, you will receive a payment based upon the distribution formula described below.

### D. What will I receive from the Settlement?

The total Settlement Fund is \$5,250,000 plus interest. That consists of: (i) certain administrative expenses, including costs of printing and mailing this notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund, and costs associated with the processing of claims submitted; these administrative expenses are estimated to be \$100,000 to \$150,000; (ii) subject to Court approval, up to one-third (33 $\frac{1}{3}$ %) of the Settlement Fund to plaintiffs' counsel for their attorneys' fees and up to \$125,000 as a reimbursement for plaintiffs' counsel's expenses; and (iii) the remaining balance or the "Net Settlement Fund" will be distributed to Settlement Class members who submit valid and timely Proofs of Claim. The Net Settlement Fund is estimated to be a minimum of \$3,225,000 to compensate the class claims.

If you are a Settlement Class member, you will receive a share of the Net Settlement Fund (an amount of at least \$3,225,000) unless you request exclusion from the Settlement Class or fail to submit a valid and timely Proof of Claim form. Although we cannot determine the exact amount of your individual payment at this time, your payment will be based on the formula described below.

The Net Settlement Fund of a minimum of \$3,225,000 will be distributed to Settlement Class members who submit valid, timely Proofs of Claim ("Authorized Claimants"). If you have a net loss on all transactions in Actrade common stock during the Class Period, you will be paid the percentage of the Net Settlement Fund that your Recognized Loss bears to the total of the Recognized Losses of all Authorized Claimants.

1. For each share of Actrade stock purchased during the period from March 11, 1999 through February 8, 2002 and still held at the close of trading on February 8, 2002, the Recognized Loss is:
  - a. For such shares that were sold during the period from February 11, 2002 through July 3, 2002, the Recognized Loss is \$5.57 per share;
  - b. For such shares that were sold during the period from July 5, 2002 through August 22, 2002, the Recognized Loss is \$11.93 per share;
  - c. For such shares that were still held at the close of trading on August 22, 2002, the Recognized Loss is \$14.25 per share.
2. For each share of Actrade stock purchased during the period from February 11, 2002 through July 3, 2002 and still held at the close of trading on July 3, 2002, the Recognized Loss is:

- a. For such shares that were sold during the period from July 5, 2002 through August 22, 2002, the Recognized Loss is \$6.36 per share;
  - b. For such shares that were still held at the close of trading on August 22, 2002, the Recognized Loss is \$8.68 per share.
3. For each share of Actrade stock purchased during the period from July 5, 2002 through August 22, 2002, and still held at the close of trading on August 22, 2002, the Recognized Loss is \$2.32 per share.

The date of purchase or sale is the “contract” or “trade” date as distinguished from the “settlement” date.

For Authorized Claimants who held shares at the beginning of the Class Period or made multiple purchases or sales during the Class Period, the first-in, first-out (“FIFO”) method will be applied to such holdings, purchases and sales for purposes of calculating a Recognized Loss. Under the FIFO method, sales of shares during the Class Period will be matched, in chronological order, first against shares held at the beginning of the Class Period, and any remaining shares sold during the Class Period will then be matched, in chronological order, against shares purchased during the Class Period.

An Authorized Claimant will be eligible to receive a distribution from the Net Settlement Fund only if the Authorized Claimant had a net loss, after all profits from transactions in Actrade common stock during the Class Period are subtracted from all losses. However, the proceeds from sales of stock which have been matched against stock held at the beginning of the Class Period will not be used in the calculation of such net loss. Every Authorized Claimant with a valid Recognized Loss shall receive a distribution amount of at least \$10.00.

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the settlement. If any funds remain in the Net Settlement Fund by reason of un-cashed distributions or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Settlement Class members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be re-distributed to Settlement Class members who have cashed their initial distributions and who would receive at least \$10.00 from such re-distribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution. If any funds shall remain in the Net Settlement Fund six months after such re-distribution, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Plaintiffs’ Co-Lead Counsel.

#### **E. Can I decide to opt out of this Settlement?**

Yes. If you do not wish to be included in the Settlement Class and you do not wish to participate in the Settlement, you may request to be excluded. To do so, you must submit a written request for exclusion that must be signed by you or your authorized representative and postmarked on or before **May 21, 2013**. You must set forth: (a) your name, address, and telephone number; (b) the number of shares of Actrade common stock purchased during the Class Period along with the dates and prices of such purchase(s), and the number of shares sold during the Class Period along with the dates and prices of such sales; and (c) that you wish to be excluded from the Settlement Class. The exclusion request should be addressed as follows:

Actrade Securities Litigation EXCLUSION REQUEST Claims Administrator  
c/o KCC Class Action Services  
P.O. Box 43153  
Providence, RI 02940-3153

**NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST.**

If you timely and validly request exclusion from the Settlement Class, (a) you will be excluded from the Settlement Class, (b) you will not share in the proceeds of the Settlement described herein, (c) you will not be bound by any judgment entered in the case, and (d) you will not be precluded, by reason of your decision to request exclusion from the Settlement Class, from otherwise prosecuting an individual claim, if timely, against Defendants based on the matters complained of in the

litigation. If putative Settlement Class members who purchased in excess of a certain amount of Actrade common stock excluded themselves from the Settlement Class, then the Defendants may withdraw from and terminate the Settlement.

**F. What if a Settlement Class member is deceased?**

The authorized legal representative(s) of a Settlement Class member may receive a recovery on behalf of the Settlement Class member.

**G. How and what do I do to make sure the claims administrator has my correct address?**

If your address changes from the address to which this Notice was directed, you must notify the Claims Administrator of your new address as soon as possible. Failure to keep the Claims Administrator informed of your address may result in the loss of any monetary award you might be eligible to receive. Please send your new contact information to the Claims Administrator at the address listed below and include your old address, new address, new telephone number, date of birth and Social Security number. These last two items are required so that the Claims Administrator can verify the address change is from an actual Settlement Class member.

Actrade Securities Litigation ADDRESS CHANGE Claims Administrator  
c/o KCC Class Action Services  
P.O. Box 43153  
Providence, RI 02940-3153

**H. What are the Lead Plaintiffs being paid?**

Lead Plaintiffs Gregory W. Tramontin, Kenneth Qi Ge, Peter Lupo and Zeng Hui Wang will receive only their proportionate share of the recovery, the same as all other Settlement Class members.

**I. What are the Plaintiffs' Counsels' fees and costs?**

At the Settlement Hearing, Plaintiffs' Co-Lead Counsel will request the Court to award attorneys' fees not to exceed one-third (33⅓%) of the Settlement Fund, plus expenses not to exceed \$125,000, which were incurred in connection with the action, plus interest thereon. Whatever amount is approved by the Court as legal fees and expenses will be paid from the Settlement Fund.

To date, Plaintiffs' Co-Lead Counsel has not received any payment for its services in conducting this action, nor has counsel been reimbursed for their substantial expenses. The fee requested by Plaintiffs' Co-Lead Counsel will compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Settlement Class, and for their risk in undertaking this representation on a wholly contingent basis. If the amount requested is approved by the Court, the average cost per damaged share will be 14.6¢. The motion for attorneys' fees and expenses will be posted at [www.ActradeSecuritiesLitigation.com](http://www.ActradeSecuritiesLitigation.com) when it is submitted to the Court.

**III. LEAD PLAINTIFFS' AND PLAINTIFFS' CO-LEAD COUNSEL'S SUPPORT OF THE SETTLEMENT**

The Lead Plaintiffs and Plaintiffs' Co-Lead Counsel support this Settlement. Their reasons include the inherent risks of denial of class certification in the non-settlement context (which has not been ruled upon by the Court), the risk of no recovery or limited recovery if the Court were to rule in favor of Defendants' motions to dismiss, which were pending at the time settlement was agreed upon, if the Court were to grant summary judgment to one or more defendants after discovery, or if a trial proceeded on the merits, and the inherent delays and uncertainties associated with the litigation. Based on their experience litigating similar cases, Plaintiffs' Co-Lead Counsel believe that further proceedings in this case, including a summary judgment motion, a trial and probable appeals, would be very expensive and protracted. No one can confidently predict how the various legal questions at issue, including the amount of damages, would ultimately be resolved. Therefore, upon careful consideration of all of the facts and circumstances of this case, Plaintiffs' Co-Lead Counsel believe the Settlement is fair, reasonable and adequate.

#### **IV. WHAT OPPORTUNITY WILL I HAVE TO GIVE MY OPINION ABOUT THE SETTLEMENT?**

If you wish to object to the Settlement, you may submit a written statement of the objection to the Claims Administrator at the address in the following paragraph. Your written objection should include all reasons for the objection. The objection must also include your name and the number of shares of Actrade common stock you purchased during the Class Period.

To be considered, your objection must be mailed, postmarked no later than **May 21, 2013**, to:

Actrade Securities Litigation OBJECTIONS Claims Administrator  
c/o KCC Class Action Services  
P.O. Box 43153  
Providence, RI 02940-3153

If you file an objection to the Settlement, you also have a right to appear at the Settlement Hearing either in person or through counsel hired by you at your own expense. If you wish to appear at the Settlement Hearing, you should state your intention to do so in writing on your objection at the time you submit your written objection.

#### **V. SETTLEMENT HEARING**

The Court will hold a Settlement Hearing at **10:00 a.m.** on **Tuesday, June 11, 2013** in Courtroom 12D of the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007 to determine whether the settlement should be finally approved as fair, reasonable, and adequate. The Court will also be asked to approve Class Counsel's request for attorneys' fees and expenses. The Court may adjourn or continue the Settlement Hearing without further notice to the Settlement Class. You are not obligated to attend this hearing.

#### **VI. GETTING MORE INFORMATION**

This Notice is a summary and does not describe all of the details of the Stipulation. For precise terms and conditions of the Settlement, you may review the Stipulation filed with the Court, as well as the other pleadings and records of this litigation, which may be inspected during business hours, at the office of the Clerk of the Court, United States District Court, Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007 or at [www.ActradeSecuritiesLitigation.com](http://www.ActradeSecuritiesLitigation.com). Settlement Class members without access to the internet may be able to review this document on-line at locations such as a public library.

If you have any questions about the settlement of the Action, you may contact Plaintiffs' Co-Lead Counsel:

Thomas G. Shapiro  
SHAPIRO HABER & URMY LLP  
Exchange Place  
53 State Street  
Boston, MA 02109  
(617) 439-3939  
cases@shulaw.com

Brad N. Friedman  
MILBERG LLP  
One Penn Plaza  
New York, NY 10119-0265  
(212) 594-5300  
actradesettlement@milberg.com

You may also call or write to the Claims Administrator at Actrade Securities Litigation, c/o KCC Class Action Services, Claims Administrator, P.O. Box 43153, Providence, RI 02940-3153 or call 1-888-344-6713, stating that you are requesting assistance regarding the Actrade litigation.

**DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.**

DATED: March 18, 2013

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK