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8 **UNITED STATES DISTRICT COURT**  
9 **SOUTHERN DISTRICT OF CALIFORNIA**

10 IN RE MAXWELL TECHNOLOGIES ) Lead Case No. 13-CV-966-BEN (RBB)  
11 INC., DERIVATIVE LITIGATION, )  
12 This Document Relates To: ) (Derivative Action)  
13 ALL ACTIONS. ) Hon. Roger T. Benitez  
14

15 **NOTICE OF PENDENCY AND PROPOSED**  
16 **SETTLEMENT OF SHAREHOLDER DERIVATIVE ACTIONS**

17 **TO: ALL RECORD OR BENEFICIAL OWNERS OF COMMON STOCK OF**  
18 **MAXWELL TECHNOLOGIES, INC. AS OF DECEMBER 10, 2014:**

19 **PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IT**  
20 **CONTAINS IMPORTANT INFORMATION ABOUT YOUR LEGAL RIGHTS.**

21 **THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF**  
22 **SHAREHOLDER DERIVATIVE AND OTHER ACTIONS (THE “ACTIONS”)**  
23 **AND CLAIMS ASSERTED ON BEHALF OF MAXWELL TECHNOLOGIES,**  
24 **INC. (“MAXWELL” OR THE “COMPANY”).**

25 **IF THE COURT APPROVES THE SETTLEMENT AND DISMISSAL OF THE**  
26 **ACTIONS, SHAREHOLDERS OF MAXWELL WILL BE FOREVER BARRED**  
27 **FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT**  
28 **AND FROM PURSUING THE RELEASED CLAIMS.**

29 **THESE ACTIONS ARE NOT “CLASS ACTIONS.” THUS, THERE IS NO**  
30 **COMMON FUND UPON WHICH YOU CAN MAKE A CLAIM FOR A**  
31 **MONETARY PAYMENT.**

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**PURPOSE OF THIS NOTICE**

This Notice of Pendency and Proposed Settlement of Shareholder Derivative and Other Actions (the “Notice”) is provided to Maxwell stockholders pursuant to an order of the United States District Court for the Southern District of California (the “Court”). This is not a solicitation from a lawyer.

The purpose of this Notice is to advise you that, pursuant to the Court’s Preliminary Approval and Scheduling Order, a hearing will be held on March 16, 2015 at 10:30 a.m., before the Honorable Roger T. Benitez, Edward J. Schwartz United States Courthouse, Courtroom 5A, Suite 5135, 221 West Broadway, San Diego, CA 92101, (or at such a date and time as the Court may direct without further notice) (the “Settlement Hearing”) to determine whether: (i) the terms of a proposed settlement (the “Settlement”) of the Actions as described below are fair, reasonable, and adequate, and in the best interests of Maxwell; (ii) Plaintiffs’ motion for an award of attorneys’ fees and expenses should be approved; and (iii) the service awards to Plaintiffs, as described below, should be approved.

The terms and conditions of the proposed Settlement are summarized in this Notice and set forth in full in the Stipulation. You have an opportunity to be heard at this hearing.

The Court has not determined the merits of Plaintiffs’ claims or Defendants’ defenses. By this Notice, the Court does not express any opinion as to the merits of any claim or defense asserted by any party in the Actions.

**BACKGROUND OF THE ACTIONS**

On April 11, 2013, Plaintiff Evan Warsh filed *Warsh v. Schramm*, Case No. 37-2013-00043884-CU-BT-CTL, a shareholder derivative action, in the Superior Court of California, San Diego County (the “State Court”). On April 18, 2013, Plaintiff Stephen Neville filed a substantially similar shareholder derivative complaint on behalf of Maxwell in the State Court, *Neville v. Cortes*, Case No. 37-2013-00044911-CU-CT-CTL. These two actions were consolidated by the State Court (the “State Derivative Action”). On April 23, 2013, Plaintiff Walter Kienzle filed *Kienzle v. Schramm et al.*, Case No. 13-CV-966, a substantially similar derivative action on behalf of Maxwell. On May 7, 2013, Plaintiff Sameer Agrawal filed *Agrawal v. Cortes et al.*, Case No. 13-CV-1084, another substantially similar derivative action on behalf of Maxwell. The *Kienzle* and *Agrawal* cases were consolidated as *In re Maxwell Technologies, Inc. Derivative Litigation*, Case No. 13-CV-966 (the “Federal Derivative Action”). Ultimately, the State

1 Derivative Action was stayed in favor of the Federal Derivative Action by order of the  
2 State Court dated November 1, 2013. On November 14, 2013, Plaintiff Neville sued in  
3 the State Court for a writ of mandamus to force Maxwell to produce documents in  
4 response to his demand to inspect the Company's books and records pursuant to Cal.  
Corp. Code § 1601 (the "Cal. Corp. Code § 1601 Action").

5 The Actions alleged, among other things, that since April 28, 2011 and/or  
6 thereafter, the individual defendants breached their fiduciary duties as directors and/or  
7 officers of Maxwell by causing the Company to violate federal and state law regarding  
8 the representations made by Maxwell to the public regarding its consolidated financial  
9 statements as they related to the recognition of certain of the Company's revenues, and  
10 by knowingly or recklessly failing to implement or maintain effective internal controls to  
11 ensure that the Company complied with applicable laws and regulations. The State and  
Federal Derivative Actions asserted claims for, among other things, breach of fiduciary  
duty and unjust enrichment under Delaware law. The Actions sought damages and  
injunctive relief.

12 On January 30, 2014, the Plaintiffs filed a Verified Consolidated Shareholder  
13 Derivative Complaint in the Federal Derivative Action. Defendants in the Federal  
14 Derivative Action filed motions to dismiss on March 6, 2014, which Plaintiffs opposed  
15 on April 4, 2014. The Federal Court granted Maxwell's motion to dismiss for failure to  
16 plead demand futility on May 28, 2014, and denied the Individual Defendants' motions  
17 to dismiss as moot. Plaintiffs in the Federal Derivative Action then filed a Verified  
18 Amended Consolidated Shareholder Derivative Complaint ("Amended Consolidated  
19 Complaint") on July 10, 2014. Maxwell and the Individual Defendants filed motions to  
20 dismiss on August 18, 2014 which have not yet been adjudicated. On November 1,  
21 2013, the State Derivative Action was stayed in favor of the Federal Derivative Action  
by Court order. On January 25, 2014, Maxwell filed a demurrer seeking dismissal of the  
Cal. Corp. Code § 1601 Action. On July 18, 2014, Maxwell's demurrer was denied and  
a trial date was scheduled for April 10, 2015.

22 The Individual Defendants have denied and continue to deny each and all of the  
23 claims alleged or asserted in the Actions. The Individual Defendants have expressly  
24 denied and continue to deny all charges of wrongdoing or liability against them and  
25 maintain that at all times they appropriately and in good faith fulfilled their fiduciary  
26 duties to the Company and its shareholders and complied with all applicable laws and  
27 regulations.  
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1 **THE SETTLEMENT DISCUSSIONS**

2 In July 2014, Plaintiffs, Maxwell, and the Individual Defendants first discussed the  
3 possibility of reaching an informal resolution of the cases through mediation, and  
4 ultimately agreed to participate in a mediation in New York, New York before JAMS  
5 mediator Jed D. Melnick, Esq. In advance of the mediation, Plaintiffs’ Counsel  
6 submitted a detailed settlement demand on July 21, 2014, which outlined a proposal for  
7 informal resolution of the matter. Maxwell responded to this settlement demand on  
8 August 8, 2014. Plaintiffs, Maxwell, and the Individual Defendants also exchanged  
9 confidential mediation briefs on August 7, 2014.

10 Plaintiffs, Maxwell, and the Individual Defendants participated in an all-day  
11 mediation before Mr. Melnick on August 21, 2014. Substantial negotiations took place  
12 throughout the day, extensive drafts of settlement offers and counteroffers were  
13 exchanged, and the mediation continued well into the evening. At the end of the  
14 mediation, Plaintiffs, Maxwell, and the Individual Defendants reached agreement on the  
15 substantive terms of the settlement. Plaintiffs, Maxwell, and the Individual Defendants  
16 continued their negotiations in the weeks following the mediation and reached agreement  
17 on other terms concerning the settlement, but never reached any agreement regarding any  
18 attorneys’ fees or costs to Plaintiffs’ counsel for the benefits procured by the Settlement.

19 On September 19, 2014, the Plaintiffs, Maxwell, and the Individual Defendants  
20 signed a Memorandum of Understanding (“MOU”) to settle the Actions. As  
21 indicated above, Plaintiffs, Maxwell, and the Individual Defendants have not yet  
22 reached an agreement on attorneys’ fees to be paid to Plaintiffs’ Counsel for the  
23 benefit conferred upon Maxwell through the settlement. Plaintiffs intend to seek an  
24 award of attorneys’ fees and costs from the Court in an amount not to exceed \$1.5  
25 million, and Maxwell and the Individual Defendants have the right to oppose the  
26 amount of the fees and costs sought. In addition, Plaintiffs’ Counsel may apply to the  
27 Court for a service award of up to \$2,500 for each of the four Plaintiffs, only to be  
28 paid upon Court approval, in recognition of those Plaintiffs’ participation and effort  
in the prosecution of the Actions (the “Service Awards”). The Service Awards, if  
approved by the Court, shall be paid to Plaintiffs from the Fee and Expense Amount.

**SUMMARY OF SETTLEMENT TERMS**

Pursuant to the settlement of the Actions, after the Judgment becomes final,  
Maxwell will implement the corporate governance terms identified in Exhibit A to the  
Stipulation (the “Corporate Governance Reforms”) in accordance with the terms of  
Exhibit A. The full text of the Corporate Governance Terms may be found at

1 <http://investors.maxwell.com/phoenix.zhtml?c=94560&p=irol-IRHome> and at  
2 [www.johnsonandweaver.com](http://www.johnsonandweaver.com), [www.bottinilaw.com](http://www.bottinilaw.com), and [www.hfesq.com](http://www.hfesq.com). Specifically,  
3 Maxwell has made improvements to the Company’s policies and procedures concerning  
4 the Company’s compliance with applicable laws and regulations, as well as enhancing  
5 Board oversight of the Company’s compliance function. These changes and  
6 enhancements were made, in part, to address the allegations in the Actions.

7 The Settlement calls for Plaintiffs (on behalf of themselves and derivatively, on  
8 behalf of Maxwell) to release all Released Claims against the Released Persons, as  
9 defined in the Stipulation. The term “Released Claims” collectively means any and all  
10 claims for relief (including “Unknown Claims” as defined in the Stipulation), rights,  
11 demands, causes of action, liabilities, debts, obligations, matters, issues, and suits of  
12 every nature and description whatsoever, including without limitation, claims for  
13 negligence, gross negligence, breach of fiduciary duty or corporate waste, whether  
14 known or unknown, contingent or absolute, matured or unmatured, discoverable or  
15 undiscoverable, whether or not concealed or hidden, whether based on federal, state,  
16 local, statutory, foreign, or common law or any other law, rule, or regulation, including  
17 Unknown Claims, that have been alleged or asserted or could have been alleged or  
18 asserted in any pleading or forum by Plaintiffs, or any other shareholder of Maxwell,  
19 derivatively on behalf of Maxwell against any Released Persons (as defined in the  
20 Stipulation) arising from or relating to the facts, events, transactions, acts, disclosures,  
21 statements, alleged omissions or failures to act, or any other circumstance alleged, set  
22 forth or referred to by Plaintiffs in the Actions. Excluded from the term “Released  
23 Claims” are all claims alleged in the Federal Securities Class Action and claims to  
24 enforce the Settlement.

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**PLAINTIFFS’ COUNSEL’S POSITION CONCERNING SETTLEMENT**

29 Plaintiffs’ Counsel believe that the Actions have substantial merit, and Plaintiffs’  
30 entry into the Stipulation is not intended to be and shall not be construed as an admission  
31 or concession concerning the relative strength or merit of the claims alleged in the  
32 Actions. However, Plaintiffs and their counsel recognize and acknowledge the  
33 significant risk, expense, and length of continued proceedings necessary to prosecute the  
34 Actions against the Individual Defendants through trial and through possible appeals.  
35 Plaintiffs’ Counsel also have taken into account the uncertain outcome and the risk of  
36 any litigation, especially in complex cases such as the Actions, as well as the difficulties  
37 and delays inherent in such litigation.

38 Plaintiffs’ Counsel have conducted an extensive investigation including reviewing  
and analyzing numerous corporate filings by the Company with the SEC, other related

1 publicly available information, and thousands of pages of non-public confirmatory  
2 discovery documents from Defendants. Plaintiffs' Counsel also analyzed the Company's  
3 corporate governance practices. Based on their thorough review and analysis of the  
4 relevant facts, allegations, defenses, and controlling legal principles, Plaintiffs' Counsel  
5 believe that the Settlement set forth in the Stipulation is fair, reasonable, and adequate,  
6 and confers substantial benefits upon Maxwell and its shareholders. Based upon  
7 Plaintiffs' Counsel's evaluation, the Plaintiffs have determined that the Settlement is in  
8 the best interests of Maxwell and its shareholders and have agreed to settle the Actions  
9 upon the terms and subject to the conditions set forth in the Stipulation.

### 8 **DEFENDANTS' POSITION CONCERNING SETTLEMENT**

9 The Individual Defendants have denied and continue to deny that they have  
10 committed, threatened, or attempted to commit, any violations of law, or breached any  
11 duty owed to Plaintiffs, Maxwell, or its shareholders. Without admitting the validity of  
12 any allegations or assertions made in any of the Actions, or any liability with respect  
13 thereto, however, the Individual Defendants have concluded that it is desirable that the  
14 claims against them be settled on the terms reflected in the Stipulation. Further, the  
15 Individual Defendants and Maxwell are entering into this Settlement because it will  
16 eliminate the uncertainty, distraction, disruption, burden, risk, and expense of further  
17 litigation. In addition, Maxwell acknowledges that the Settlement confers benefits on  
18 Maxwell.

### 16 **NOTICE OF HEARING ON PROPOSED SETTLEMENT**

18 A Settlement Hearing will be held on March 16, 2015 at 10:30 a.m., before the  
19 Honorable Roger T. Benitez, Edward J. Schwartz United States Courthouse, Courtroom  
20 5A, Suite 5135, 221 West Broadway, San Diego, CA 92101 (or at such a date and time  
21 as the Court may direct without further notice), for the purpose of determining: (a)  
22 whether the proposed Settlement, as set forth in the Stipulation, should be approved by  
23 the Court as fair, reasonable, and adequate to Maxwell and its shareholders, including  
24 Plaintiffs; (b) whether the Notice fully satisfied the requirements of F.R.C.P. 23.1 and  
25 due process; (c) whether the Judgment should be entered dismissing the Federal  
26 Derivative Action with prejudice and directing Plaintiffs to file dismissals with prejudice  
27 of the State Derivative Action and Cal. Corp. Code § 1601 Action as against the  
28 Individual Defendants and the Company pursuant to the Stipulation and releasing the  
Released Persons from the Released Claims; (d) whether the payment of the Fee and  
Expense Award and Service Awards should be approved; and (e) any other matters that  
come before the Court.

1 The Court may adjourn the Settlement Hearing by oral or other announcement at  
2 such hearing or any adjournment without further notice of any kind. The Court may  
3 approve the Settlement with or without modification, enter the Judgment, and order the  
4 payment of the Fee and Expense Amount without further notice of any kind.

5 **THE RIGHT TO BE HEARD AT THE SETTLEMENT HEARING**

6 Any Maxwell shareholder may appear and show cause, if he, she, or it has any  
7 reason why the Settlement of the Actions embodied in the Stipulation should not be  
8 approved as fair, reasonable, and adequate, or why the Judgment should or should not be  
9 entered hereon, or why the Fee and Expense Amount or Service Awards should not be  
10 awarded. To object, the shareholder must: (a) file a written objection, stating the case  
11 name and number, *In re Maxwell Technologies, Inc. Derivative Litigation*, Case No. 13-  
12 CV-966, and stating all reasons for the objection; (b) give proof of current ownership of  
13 Maxwell stock as well as documentary evidence of when such stock ownership was  
14 acquired; (c) clearly identify any and all evidence that would be presented at the  
15 Settlement Hearing in connection with such objections; and (d) identify any case, by  
16 name, court, and docket number, in which the objector or his, her, or its attorney, if any,  
17 has objected to a settlement in the last three years. Any written objections shall be filed  
18 with Clerk of the Court at least fourteen (14) days prior to the Settlement Hearing, at the  
19 below address:

20 **CLERK OF THE COURT**

21 Edward J. Schwartz United States Courthouse  
22 Courtroom 5A, Suite 5135  
23 221 West Broadway  
24 San Diego, CA 92101

25 and copies of such objections shall be served at the same time upon the following by  
26 first-class mail:

27 **Counsel for Plaintiffs:**

28 Frank J. Johnson  
JOHNSON & WEAVER, LLP  
110 West A Street, Suite 750  
San Diego, California 92101  
Telephone: (619) 230-0063  
Facsimile: (619) 255-1856

**Counsel for Defendants:**

Jerome F. Birn, Jr.  
WILSON, SONSINI, GOODRICH & ROSATI  
650 Page Mill Road  
Palo Alto, California 94304  
Telephone: (650) 493-9300  
Facsimile: (650) 493-6811

1 Francis A. Bottini, Jr.  
2 BOTTINI & BOTTINI, INC.  
3 7817 Ivanhoe Ave., Suite 102  
4 La Jolla, California 92037  
5 Telephone: (858) 914-2001  
6 Facsimile: (858) 914-2002

*Counsel for Nominal Defendant Maxwell  
Technologies, Inc., Jose L. Cortes, Roger  
Howson, Burkhard Goeschel, Jean Lavigne,  
Mark Rossi, Robert Guyett, Yon Yoon Jordan,  
David J. Schramm, Kevin S. Royal, and  
George Kreigler III*

5 Shirli Fabbri Weiss  
6 DLA PIPER LLP (US)  
7 401 B Street, Suite 1700  
8 San Diego, California 92101-4297  
9 Telephone: (619) 699-2700  
10 Facsimile: (619) 699-2701

*Counsel for Defendant Van Andrews*

11 Any Maxwell shareholder wishing to be heard at the Settlement Hearing is  
12 required to include a notice of intention to appear at the Settlement Hearing together with  
13 his, her, or its written objection.

14 Any Maxwell shareholder who does not make his, her, or its objection in the  
15 manner provided in the preceding paragraph of this Notice shall be deemed to have  
16 waived such objection and shall forever be foreclosed from: (a) making any objections to  
17 the fairness, adequacy, or reasonableness of the Settlement; or (b) making any objections  
18 to the fairness and reasonableness of the Fee and Expense Amount or Service Awards.

### 17 FURTHER INFORMATION

18 Further information regarding the Actions and this Notice may be obtained by  
19 writing Plaintiffs' Counsel at the following address: Francis A. Bottini, Jr., Bottini &  
20 Bottini, Inc., 7817 Ivanhoe Ave., Suite 102, La Jolla, California 92037.

21 The pleadings and other records of the Actions as well as the Stipulation filed with  
22 the Court may be examined and copied at any time during regular office hours at the  
23 Office of the Clerk, Edward J. Schwartz United States Courthouse, Courtroom 5A, Suite  
24 5135, 221 West Broadway, San Diego, CA 92101. Additionally, the Stipulation, this  
25 Notice and certain other settlement related documents may be examined at  
26 <http://investors.maxwell.com/phoenix.zhtml?c=94560&p=irol-IRHome>,  
27 [www.johnsonandweaver.com](http://www.johnsonandweaver.com), [www.bottinilaw.com](http://www.bottinilaw.com), and [www.hfesq.com](http://www.hfesq.com).

28 **PLEASE DO NOT TELEPHONE THE COURT OR THE CLERK'S OFFICE  
REGARDING THIS NOTICE.**



1 Subject to the approval of this Federal Court, this Stipulation and Agreement of  
2 Settlement (the “Stipulation”), is made and entered into by and among the following  
3 Settling Parties (as defined herein), each by and through its/his respective counsel: (i)  
4 Plaintiffs Walter Kienzle (“Kienzle”) and Sameer Agrawal (“Agrawal”) (collectively, the  
5 “Federal Derivative Plaintiffs”) in the above-captioned consolidated shareholder  
6 derivative action (the “Federal Derivative Action”), and plaintiffs Evan Warsh (“Warsh”)  
7 and Stephen Neville (“Neville”) (collectively, the “State Derivative Plaintiffs”)<sup>1</sup> in the  
8 State Derivative Action, defined below; (ii) Nominal Defendant Maxwell Technologies,  
9 Inc. (“Maxwell” or “Company”); (iii) Jose L. Cortes, Roger Howsmon, Burkhard  
10 Goeschel, Jean Lavigne, Mark Rossi, Robert Guyett, Yon Yoon Jordan, David J.  
11 Schramm, Kevin S. Royal, George Kreigler III and Van M. Andrews, all of whom are  
12 current or former members of the Board and/or senior officers of Maxwell (the  
13 “Individual Defendants”); and (iv) McGladrey LLP (“McGladrey”). This Stipulation is  
14 intended by the Settling Parties to fully, finally, and forever compromise, resolve,  
15 discharge, and settle the Released Claims (as defined herein), upon the terms and subject  
16 to the conditions set forth herein.

## 17 **I. BACKGROUND**

### 18 **A. Factual Background**

19 Maxwell is a Delaware corporation headquartered in San Diego, California.  
20 Maxwell develops, manufactures, and markets: (a) energy-storage and power delivery  
21 products for transportation, industrial use, telecommunications, and (b) microelectronic  
22 products for space and satellite applications.

23 On March 7, 2013, Maxwell issued a press release disclosing that the Company  
24 would be restating previously-issued financial statements for fiscal year 2011 and the  
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26 <sup>1</sup> Neville also made a petition for a writ of mandamus in connection with his  
27 demand on the Company for inspection of the Company’s books and records pursuant to  
28 California Corporations Code §1601 (“Cal. Corp. Code Section 1601 Action”), which  
petition was filed with the Superior Court of California, County of San Diego, discussed  
*infra*. Neville shall therefore also be referred to as the “Section 1601 Plaintiff.”

1 first three quarters of fiscal year 2012 due to errors related to the timing of recognition of  
2 revenue from sales to certain distributors. Maxwell further disclosed that the financial  
3 statements for those periods should no longer be relied upon. More specifically, the  
4 Company conducted an investigation which revealed that arrangements with certain  
5 distributors had been made where a fixed or determinable sales price did not exist at the  
6 time of shipment to these distributors, nor was collection reasonably assured, at least  
7 with respect to certain transactions. On March 19, 2013, Maxwell filed a Form 8-K with  
8 the SEC in which it disclosed that the Company's auditor McGladrey had resigned,  
9 indicating at the time of its resignation that: (i) information had come to McGladrey's  
10 attention that led it to conclude that it could no longer rely on management's  
11 representations, (ii) there were material weaknesses in Maxwell's internal control over  
12 revenue recognition and potentially, more broadly, in Maxwell's overall control  
13 environment and (iii) they were unable to rely on information obtained directly from  
14 certain third parties.

15 On August 1, 2013, Maxwell restated its financial results for fiscal years 2011 and  
16 2012, disclosing that the Company had overstated its revenues by \$19.3 million: \$10.1  
17 million in 2011 and \$9.2 million for the first three quarters of 2012.

## 18 **B. Procedural Background**

### 19 **1. The Derivative Actions**

20 On April 11, 2013, Plaintiff Warsh filed *Warsh v. Schramm*, Case No. 37-2013-  
21 00043884-CU-BT-CTL, a shareholder derivative action, in the Superior Court of  
22 California, San Diego County (the "State Court"), alleging claims for, *inter alia*, breach  
23 of fiduciary duty and unjust enrichment under Delaware law. The complaint asserted  
24 claims against officers and directors of Maxwell. Plaintiff Neville filed a related  
25 shareholder derivative complaint on behalf of Maxwell in the State Court on April 18,  
26 2013 captioned: *Neville v. Cortes*, Case No. 37-2013-00044911-CU-CT-CTL. The  
27 *Neville* complaint asserted claims against officers and directors of Maxwell and also  
28 named Maxwell's auditor, McGladrey, as a defendant. On May 3, 2013, the State Court

1 entered an order consolidating these derivative cases (the “State Derivative Action”). In  
2 addition, the State Court appointed Bottini & Bottini, Inc. and Harwood Feffer LLP as  
3 Co-Lead Counsel (“State Derivative Co-Lead Counsel”).

4 On April 23, 2013, Kienzle filed *Kienzle v. Schramm*, Case No. 13-CV-966 -BEN  
5 (RBB), also a derivative action on behalf of Maxwell, against similar defendants for  
6 redress substantially similar to that sought in the State Derivative Action. On May 7,  
7 2013, Agrawal filed *Agrawal v. Cortes*, Case No. 13-CV-1084-BEN (RBB), another  
8 derivative action on behalf of Maxwell asserting similar causes actions against similar  
9 defendants for similar redress as that sought in the State Derivative Action. On October  
10 30, 2013, this Court consolidated the *Kienzle* and *Agrawal* actions as *In re Maxwell*  
11 *Technologies, Inc. Derivative Litigation*, Case No. 13-CV-966-BEN (RBB), the Federal  
12 Derivative Action. The Court appointed Johnson & Weaver LLP Lead Counsel (“Federal  
13 Lead Counsel”).

14 On July 3, 2013, Maxwell filed a motion to stay the State Derivative Action in  
15 favor of the Federal Derivative Action. Warsh and Neville opposed that motion. On  
16 September 26, 2013, Kienzle and Agrawal filed a motion to stay the Federal Derivative  
17 Action. Maxwell and the Individual Defendants opposed that motion. On October 30,  
18 2013, this Court denied Kienzle and Agrawal’s motion to stay the Federal Derivative  
19 Action. On November 1, 2013, Judge Joel R. Wohlfeil granted Maxwell’s motion to  
20 stay the State Derivative Action in favor of the Federal Derivative Action. Thereafter,  
21 counsel in the Federal Derivative Action and State Derivative Action agreed to  
22 coordinate their efforts, and Plaintiffs’ counsel in the State Derivative Action were  
23 associated in as additional counsel of record in the Federal Derivative Action beginning  
24 on November 22, 2013.

25 On January 30, 2014, the Plaintiffs filed a Verified Consolidated Shareholder  
26 Derivative Complaint in the Federal Derivative Action. Defendants in the Federal  
27 Derivative Action filed motions to dismiss on March 6, 2014, which Plaintiffs opposed  
28 on April 4, 2014. The Federal Court granted Maxwell’s motion to dismiss for failure to

1 plead demand futility on May 28, 2014, and denied the Individual Defendants' motions  
2 to dismiss as moot. Plaintiffs in the Federal Derivative Action then filed a Verified  
3 Amended Consolidated Shareholder Derivative Complaint ("Amended Consolidated  
4 Complaint") on July 10, 2014. Maxwell and the Individual Defendants filed motions to  
5 dismiss on August 18, 2014. Plaintiffs, Maxwell, and the Individual Defendants later  
6 participated in an all-day mediation in New York, and settled the Actions.

## 7 **2. The California Corporations Code Section 1601 Action**

8 On November 14, 2013, Plaintiff Neville filed the Cal. Corp. Code Section 1601  
9 Action, *Neville v. Maxwell Technologies, Inc.*, Case No. 37-2013-00075582-CU-WM-  
10 CTL, in which Mr. Neville sought an order compelling Maxwell to allow him to inspect  
11 certain books and records of the Company. Maxwell filed an answer to the Petition on  
12 January 25, 2014. Maxwell also filed a demurrer to the Petition, which was denied by  
13 order dated July 18, 2014. The case is currently set for trial on April 10, 2015.

## 14 **3. Settlement Negotiations**

15 Counsel for the Settling Parties engaged in extensive efforts to resolve this matter.  
16 In July 2014, Plaintiffs, Maxwell, and the Individual Defendants first discussed the  
17 possibility of reaching an informal resolution of this matter through mediation, and  
18 ultimately agreed to participate in a mediation in New York, New York before JAMS  
19 mediator Jed D. Melnick, Esq. In advance of the mediation, Plaintiffs' Counsel  
20 submitted a detailed settlement demand on July 21, 2014, which outlined a proposal for  
21 informal resolution of the matter. Maxwell responded to this settlement demand on  
22 August 8, 2014. Plaintiffs, Maxwell, and the Individual Defendants also exchanged  
23 confidential mediation briefs on August 7, 2014.

24 Plaintiffs, Maxwell, and the Individual Defendants participated in an all-day  
25 mediation before Mr. Melnick on August 21, 2014. Substantial negotiations took place  
26 throughout the day, extensive drafts of settlement offers and counteroffers were  
27 exchanged, and the mediation continued well into the evening. Plaintiffs, Maxwell, and  
28 the Individual Defendants reached agreement on terms for corporate governance reforms

1 and began negotiations on an appropriate fee award. Plaintiffs, Maxwell, and the  
2 Individual Defendants continued their negotiations in the weeks following the mediation  
3 and reached agreement on other material terms concerning the settlement.

4 On September 19, 2014, the Plaintiffs, Maxwell, and the Individual Defendants  
5 signed a Memorandum of Understanding (“MOU”) to settle the Actions. Plaintiffs,  
6 Maxwell, and the Individual Defendants have not yet reached an agreement on attorneys’  
7 fees to be paid to Plaintiffs’ Counsel for the benefit conferred upon Maxwell through the  
8 settlement. Plaintiffs, Maxwell, and the Individual Defendants continue to negotiate in  
9 good faith over an appropriate award of attorneys’ fees, but the Settlement is not  
10 contingent on reaching an agreement on such term. Pursuant to the MOU, if Plaintiffs,  
11 Maxwell, and the Individual Defendants cannot reach an agreement on an award of fees  
12 and expenses to Plaintiffs’ Counsel, then Plaintiffs will submit the settlement to the  
13 Court for approval and will apply for a fee and expense award.

14 **II. PLAINTIFFS’ CLAIMS AND THE BENEFITS OF SETTLEMENT**

15 Plaintiffs’ Counsel conducted an investigation relating to the claims and the  
16 underlying events alleged in the respective components to the Shareholder Derivative  
17 Litigation to which their clients are parties, including, but not limited to: (1) reviewing  
18 and analyzing the Company’s public filings with the SEC, press releases,  
19 announcements, transcripts of investor conference calls, and news articles; (2) reviewing  
20 securities analyst, business and financial media reports about the Company; (3)  
21 researching the applicable law with respect to the claims asserted (or which could be  
22 asserted) in the Shareholder Derivative Litigation and the potential defenses thereto; (4)  
23 researching corporate governance issues; (5) researching, drafting, and filing complaints,  
24 motions to stay, and oppositions to motions to dismiss; (6) preparing settlement demands  
25 and a mediation statement; (7) participating in an all-day mediation; and (8) engaging in  
26 settlement discussions with counsel for the Defendants.

27 Plaintiffs believe that Plaintiffs’ Counsel have engaged in substantial litigation  
28 efforts regarding the claims asserted in the Derivative Actions and Cal. Corp. Code

1 Section 1601 Action. Plaintiffs believe that substantial amendments were made to the  
2 complaints in both the State Derivative Action and the Federal Derivative Action. In  
3 addition, motions to stay were fully briefed and litigated in both the Derivative Actions,  
4 and a demurrer to the Cal. Corp. Code Section 1601 Action was fully litigated and  
5 denied. Plaintiffs in the State Derivative Action also propounded discovery requests and  
6 moved to compel compliance therewith, which motion was ultimately denied as moot in  
7 light of the stay of the action. Plaintiffs' Counsel have also made numerous court  
8 appearances in connection with these prosecution efforts in the State Derivative Action,  
9 including hearings on various motions. Plaintiffs' Counsel also negotiated with  
10 Defendants' Counsel to procure confirmatory discovery, which entailed the review and  
11 analysis of over a thousand pages of documents.

12 Plaintiffs' Counsel believe that the claims asserted in the Actions have merit and  
13 that their investigation supports the claims asserted. Without conceding the merit of any  
14 of Defendants' defenses or the lack of merit of any of their own allegations, and in light  
15 of the benefits of the settlement as well as to avoid the potentially protracted time,  
16 expense, and uncertainty associated with continued litigation, including potential trial(s)  
17 and appeal(s), the Plaintiffs have concluded that it is desirable that the Actions be fully  
18 and finally settled in the manner and upon the terms and conditions set forth in this  
19 Stipulation. Plaintiffs and Plaintiffs' Counsel recognize the significant risk, expense, and  
20 length of continued proceedings necessary to prosecute the Actions against the  
21 Individual Defendants through trial(s) and through possible appeal(s). Plaintiffs'  
22 Counsel also have taken into account the uncertain outcome and the risk of any litigation,  
23 especially complex litigation such as the Actions, as well as the difficulties and delays  
24 inherent in such litigation. Based on their evaluation, and in light of what Plaintiffs'  
25 Counsel believe to be the significant benefits conferred upon the Company and its  
26 shareholders as a result of the Settlement, the Plaintiffs and Plaintiffs' Counsel have  
27 determined that the Settlement is in the best interests of the Plaintiffs, Maxwell, and  
28

1 Current Maxwell Shareholders (as defined herein), and have agreed to settle the Actions  
2 upon the terms and subject to the conditions set forth herein.

3 **III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

4 The Individual Defendants have denied and continue to deny that they have  
5 committed or attempted to commit any violations of law, any breach of fiduciary duty  
6 owed to Maxwell, or any wrongdoing whatsoever. Plaintiffs have not made a litigation  
7 demand on Maxwell's Board and Maxwell believes the Amended Consolidated  
8 Complaint does not contain allegations demonstrating that such demand would be futile.  
9 However, without admitting that Plaintiffs have standing to bring any claims in any of  
10 these Actions, the validity of any of the claims the Plaintiffs have asserted in the Actions,  
11 or any liability with respect thereto, Defendants have concluded that it is desirable that  
12 the claims be settled on the terms and subject to the conditions set forth herein.  
13 Defendants are entering into this Settlement because it will eliminate the uncertainty,  
14 distraction, disruption, burden, and expense of further litigation. Further, Maxwell and  
15 the current Board acknowledge that the Settlement is fair, reasonable, adequate and in  
16 the best interests of Maxwell and Current Maxwell Shareholders.

17 Neither this Stipulation, nor any of its terms or provisions, nor entry of the  
18 Judgment, nor any document or exhibit referred or attached to this Stipulation, nor any  
19 action taken to carry out this Stipulation, is or may be construed or used as evidence of  
20 the validity of any of the Released Claims (defined herein), or as an admission by or  
21 against Defendants of any fault, wrongdoing, or concession of liability whatsoever.

22 **IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT**

23 The Plaintiffs (on behalf of themselves and derivatively on behalf of Maxwell),  
24 the Individual Defendants, and nominal defendant Maxwell, by and through their  
25 respective counsel or attorneys of record, hereby stipulate and agree that, subject to  
26 approval by the Court, pursuant to Fed. R. Civ. P. 23.1, the Actions and the Released  
27 Claims shall be finally and fully compromised, settled, and released, and the Actions  
28

1 shall be dismissed with prejudice, as to all Settling Parties, upon the terms and subject to  
2 the conditions set forth herein as follows:

3 **1. Definitions**

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

6 1.1 “Actions” shall mean the Federal Derivative, State Derivative, and Cal.  
7 Corp. Code Section 1601 Action defined herein.

8 1.2 “Audit Committee” means the Audit Committee of the Board of Directors  
9 of Maxwell.

10 1.3 “Board” means the Maxwell Board of Directors.

11 1.4 “Current Maxwell Shareholders” means, for purposes of this Stipulation,  
12 any Persons (defined below) who owned Maxwell common stock as of the date of this  
13 Stipulation and who continue to hold their Maxwell common stock as of the date of the  
14 Settlement Hearing, excluding the Individual Defendants (defined below), the officers  
15 and directors of Maxwell, members of their immediate families, and their legal  
16 representatives, heirs, successors, or assigns, and any entity in which Individual  
17 Defendants have or had a controlling interest.

18 1.5 “Defendants” means (i) Nominal Defendant Maxwell Technologies, Inc.  
19 (“Maxwell” or “Company”); (ii) Jose L. Cortes, Roger Howsmon, Burkhard Goeschel,  
20 Jean Lavigne, Mark Rossi, Robert Guyett, Yon Yoon Jorden, David J. Schramm, Kevin  
21 S. Royal, George Kreigler III and Van M. Andrews, all of whom are current or former  
22 members of the Board and/or senior officers of Maxwell (the “Individual Defendants”);  
23 and (iii) McGladrey LLP (“McGladrey”).

24 1.6 “Defendants’ Counsel” means: (i) Wilson Sonsini Goodrich & Rosati, 650  
25 Page Mill Road, Palo Alto, CA 94304; (ii) Bergeson LLP, 2033 Gateway Place, Suite  
26 300, San Jose, CA 95110; (iii) DLA Piper LLP (US), 555 Mission Street, 24<sup>th</sup> Floor, San  
27 Francisco, CA 94105; and (iv) Skadden, Arps, Slate, Meagher & Flom LLP, 300 South  
28 Grand Avenue, Suite 3400, Los Angeles, California 90071.

1           1.7 “Effective Date” means the first date by which all of the events and  
2 conditions specified in ¶6.1 herein have been met and have occurred.

3           1.8 “Fee and Expense Award” means any sum paid to Plaintiffs’ Counsel for  
4 their attorneys’ fees and expenses as an award by the Federal Court in recognition of the  
5 benefits conferred upon Maxwell and Current Maxwell Shareholders via the Actions.

6           1.9 “Federal Securities Class Action” means *In re Maxwell Technologies, Inc.*  
7 *Securities Litigation*, Case No. 3:13-cv-580-BEN-RBB (S.D. Cal.).

8           1.10 “Final” means the time when a judgment that has not been reversed,  
9 vacated, or modified in any way is no longer subject to appellate review, either because  
10 of disposition on appeal and conclusion of the appellate process (including potential writ  
11 proceedings) or because of passage, without action, of time for seeking appellate or writ  
12 review. More specifically, it is that situation when (1) either no appeal or petition for  
13 review by writ has been filed and the time has passed for any notice of appeal or writ  
14 petition to be timely filed from the Judgment; or (2) if an appeal has been filed, the court  
15 of appeals has either affirmed the judgment or dismissed that appeal and the time for any  
16 reconsideration or further appellate review has passed; or (3) a higher court has granted  
17 further appellate review and that court has either affirmed the underlying judgment or  
18 affirmed the court of appeals’ decision affirming the judgment or dismissing the appeal  
19 or writ proceeding.

20           1.11 “Judgment” means the final order and judgment to be rendered by this  
21 Court, substantially in the form attached hereto as Exhibit C.

22           1.12 “Maxwell,” the “Company” or “Nominal Defendant” means Maxwell  
23 Technologies, Inc. and includes all of its subsidiaries, predecessors, successors, affiliates,  
24 officers, directors, employees, and agents.

25           1.13 “Notice” means the Notice of Pendency and Proposed Settlement of  
26 Shareholder Actions, substantially in the form of Exhibit B-1 attached hereto.

27           1.14 “Person” or “Persons” means an individual, corporation, limited liability  
28 corporation, professional corporation, partnership, limited partnership, limited liability

1 partnership, association, joint stock company, estate, legal representative, trust,  
2 unincorporated association, government or any political subdivision or agency thereof,  
3 and any business or legal entity, and their spouses, heirs, predecessors, successors,  
4 representatives, or assignees.

5 1.15 “Plaintiffs” means, collectively, Walter Kienzle, Sameer Agrawal, Evan  
6 Warsh and Stephen Neville.

7 1.16 “Plaintiffs’ Counsel” means: (i) Johnson & Weaver LLP, 110 West A  
8 Street, Suite 750, San Diego CA 92101; (ii) Bottini & Bottini, Inc., 7817 Ivanhoe  
9 Avenue, Suite 102, La Jolla, CA 92037; (iii) Harwood Feffer LLP, 488 Madison  
10 Avenue, New York, NY 10022; and (iv) Faruqi & Faruqi LLP, 10866 Wilshire Blvd.,  
11 Ste. 1470, Los Angeles, California 90024.

12 1.17 “Preliminary Approval Order” means the Order to be entered by this Court,  
13 substantially in the form of Exhibit B attached hereto, including, *inter alia*, preliminarily  
14 approving the terms and conditions of the Settlement as set forth in this Stipulation,  
15 directing that Notice be provided to Current Maxwell Shareholders, and scheduling a  
16 Settlement Hearing to consider whether the Stipulation and Fee Award should be finally  
17 approved.

18 1.18 “Related Persons” means each of a Person’s immediate family members and  
19 current, former, or future parents, subsidiaries, associates, affiliates, partners, joint  
20 venturers, officers, directors, principals, shareholders, members, agents, representatives,  
21 employees, attorneys, financial or investment advisors, consultants, accountants,  
22 investment bankers, commercial bankers, trustees, engineers, insurers, co-insurers,  
23 reinsurers, heirs, assigns, executors, general or limited partners or partnerships, personal  
24 or legal representatives, estates, administrators, predecessors, successors, advisors,  
25 and/or any other individual or entity in which a Person has or had a controlling interest  
26 or which is or was related to or affiliated with a Person.

27 1.19 “Released Claims” means collectively all actions, suits, claims, demands,  
28 rights, liabilities, and causes of action, including both known claims and Unknown

1 Claims (as defined herein), that have been or that might have been asserted by Plaintiffs,  
2 Maxwell, and/or any Maxwell shareholder derivatively on behalf of Maxwell against any  
3 Released Persons that are based upon or related to: (i) the facts, transactions, events,  
4 occurrences, acts, disclosures, statements, omissions or failures to act which were alleged  
5 in the Actions; (ii) the restatement filed by Maxwell on Form 10-K on August 1, 2013;  
6 (iii) any claims based upon any of the Company's public disclosures that were the  
7 subject of the restatement up to the effective date of the Settlement; and/or (iv) the  
8 settlement of the Actions, including the payments provided for in this Stipulation, and  
9 the reasonable attorneys' fees, costs, and expenses incurred in defense thereof. Released  
10 Claims shall not include claims to enforce the Settlement, claims or causes of action  
11 asserted in the Federal Securities Class Action, or any claims or causes of action  
12 described in ¶4.4.

13 1.20 "Released Persons" means the Defendants and their Related Persons.

14 1.21 "Settling Parties" means, collectively, each of the Plaintiffs (on behalf of  
15 themselves and derivatively on behalf of Maxwell), each of the Individual Defendants,  
16 Nominal Defendant Maxwell, and McGladrey.

17 1.22 "Settlement" means the settlement documented in this Stipulation.

18 1.23 "Settlement Hearing" means a hearing by this Court to review this  
19 Stipulation and determine: (i) whether to enter the Judgment; and (ii) all other matters  
20 properly before the Federal Court.

21 1.24 "Unknown Claims" means any and all claims that were alleged or could  
22 have been alleged in the Derivative Actions by the Plaintiffs, Maxwell or any Maxwell  
23 stockholder derivatively on behalf of Maxwell, which any Settling Shareholder,  
24 Maxwell, or Maxwell shareholders derivatively on behalf of Maxwell do not know or  
25 suspect to exist in his, her or its favor at the time of the release of the Released Persons,  
26 including claims which, if known by him, her or it, might have affected his, her or its  
27 settlement with and release of the Released Persons, or might have affected his, her or its  
28 decision not to object to this Settlement. With respect to any and all Released Claims,

1 the Settling Parties stipulate and agree that, upon the Effective Date, the Plaintiffs and  
2 Maxwell shall expressly waive, and each of Maxwell's' shareholders by operation of the  
3 Judgment shall have, expressly waived, the provisions, rights and benefits of California  
4 Civil Code §1542, which provides:

5 A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH  
6 THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS  
7 OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE,  
8 WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY  
9 AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

10 The Settling Parties acknowledge that they may discover facts in addition to or different  
11 from those now known or believed to be true by them with respect to the Released  
12 Claims, but it is the intention of the Settling Parties to completely, fully, finally, and  
13 forever compromise, settle, release, discharge, and extinguish any and all of the Released  
14 Claims known or unknown, suspect or unsuspected, contingent or absolute, accrued or  
15 unaccrued, apparent or unapparent, which now exist, or heretofore existed, or may  
16 hereafter exist, and without regard to the subsequent discovery of additional or different  
17 facts.

## 18 **2. Terms of the Settlement**

### 19 **2.1 Corporate Governance Reforms**

20 Maxwell and the Board agree that the initiation, prosecution, pendency, and  
21 settlement of the Actions were a substantial cause of the Company's adoption and/or  
22 enactment of the Corporate Governance Reforms (the "Reforms") set forth at Exhibit A  
23 hereto. Following the Federal Court's final approval of the Settlement, the Board shall  
24 take all necessary steps to adopt and implement the Reforms, to the extent that such  
25 Reforms have not already been adopted and implemented. The Reforms shall remain in  
26 place for no less than four years.

### 27 **2.2 Benefit to Maxwell and current Maxwell Shareholders**

28 The Settling Parties agree that the Reforms have provided and will provide  
benefits to Maxwell and Current Maxwell Shareholders. In addition, the Board,

1 exercising its independent business judgment, believes that the Settlement is in the best  
2 interests of Maxwell and Current Maxwell Shareholders.

### 3 **3. Procedure for Implementing the Settlement**

4 3.1 Within fourteen (14) calendar days after the execution of this Stipulation,  
5 Plaintiffs' Counsel shall submit the Stipulation together with its exhibits to the Federal  
6 Court and shall apply for entry of the Preliminary Approval Order, substantially in the  
7 form of Exhibit B attached hereto, requesting, *inter alia*: (i) preliminary approval of the  
8 settlement set forth in this Stipulation; (ii) approval of the method of providing notice of  
9 pendency and proposed Settlement to Current Maxwell Shareholders; (iii) approval of  
10 the form of Notice attached hereto as Exhibit B-1; and (iv) a date for the Settlement  
11 Hearing.

12 3.2 Within fifteen (15) business days of the Court's entry of the Preliminary  
13 Approval Order, Maxwell shall: (i) cause a copy of the Notice to be filed with the SEC  
14 via a Current Report on Form 8-K; (ii) cause the Notice to be published once in  
15 *Investors' Business Daily*; and (iii) post a link to the Stipulation and the Notice on the  
16 Investor Relations portion of Maxwell's website, which posting shall be maintained  
17 through the date of the Settlement Hearing. Within fourteen (14) calendar days of the  
18 Court's entry of the Preliminary Approval Order, Plaintiffs' Counsel will post copies of  
19 the Notice and Stipulation on their respective websites. All costs of such Notice and the  
20 filing, publishing and posting set forth above shall be paid by Maxwell and/or its  
21 insurers. The Settling Parties believe the content and manner of such procedure  
22 constitutes adequate and reasonable notice to Current Maxwell Shareholders pursuant to  
23 applicable law.

24 3.3 Plaintiffs' Counsel shall request that the Federal Court hold the Settlement  
25 Hearing after the Notice described above is given to Current Maxwell Shareholders to  
26 approve the Settlement and any Fee Award.

27 3.4 Within fifteen (15) business days of the date that the Judgment becomes  
28 Final, the State Derivative Plaintiffs shall file a dismissal with prejudice of the State

1 Derivative Action and Cal. Corp. Code Section 1601 Action with respect to Defendants  
2 (as defined herein) and shall otherwise use their reasonable best efforts to take, or cause  
3 to be taken, all actions, and to do, or cause to be done, all things reasonably necessary,  
4 proper and appropriate to secure dismissal with prejudice of those actions with respect to  
5 Defendants (as defined herein). In addition, the Settling Parties shall cooperate to secure  
6 the dismissal with prejudice of the Derivative Actions with respect to Defendants (as  
7 defined herein). The Settling Parties shall cooperate to secure or maintain a stay of all  
8 action in the State Derivative Action and Cal. Corp. Code Section 1601 Action,  
9 including, but not limited to, securing a postponement of any hearing or trial date(s)  
10 while this Settlement is under consideration by this Court.

11 **4. Releases**

12 4.1 Upon the Effective Date, Maxwell and Plaintiffs (acting on their own behalf  
13 and derivatively on behalf of Maxwell) shall be deemed to have, and by operation of the  
14 Judgment shall have, fully, finally, and forever released, relinquished and discharged the  
15 Released Claims (including Unknown Claims) against the Released Persons and any and  
16 all claims arising out of, relating to, or in connection with, the defense, settlement or  
17 resolution of the Actions against the Released Persons. Maxwell and Plaintiffs(acting on  
18 their own behalf and derivatively on behalf of Maxwell) shall be deemed to have, and by  
19 operation of the Judgment shall have, covenanted not to sue any Released Person with  
20 respect to such Released Claims, and shall be permanently barred and enjoined from  
21 instituting, commencing or prosecuting the Released Claims against the Released  
22 Persons except to enforce the releases and other terms and conditions contained in this  
23 Stipulation and/or Judgment entered pursuant thereto.

24 4.2 Upon the Effective Date, each of the Released Persons shall be deemed to  
25 have, and by operation of the Judgment shall have, fully, finally, and forever released,  
26 relinquished and discharged each and all of Maxwell, Plaintiffs and Plaintiffs' Counsel  
27 from all claims (including Unknown Claims) arising out of, relating to, or in connection  
28 with, the institution, prosecution, assertion, settlement or resolution of the Actions or the

1 Released Claims; provided, however, that nothing herein is intended to release any  
2 indemnification, advancement or insurance rights that any Individual Defendant has or  
3 may have under any contract, bylaw or charter provision, or under Delaware law,  
4 including but not limited to any rights any Individual Defendant has or may have related  
5 to any pending or threatened civil or government proceedings, or any rights or claims the  
6 Plaintiffs and other shareholders of Maxwell have with respect to the Federal Securities  
7 Class Action, including the right to make any claim relating to the settlement of the  
8 Federal Securities Class Action.

9       4.3 Nothing herein shall in any way impair or restrict the rights of any Settling  
10 Party to enforce the terms of the Stipulation.

11       4.4 Nothing in this Stipulation constitutes or reflects a waiver or release of: (i)  
12 any rights or claims of the Company pursuant to any contract(s) or agreement(s) with  
13 any Individual Defendant or McGladrey, including but not limited to, any rights or  
14 claims pertaining to claw backs; (ii) any rights or claims of the Individual Defendants or  
15 McGladrey pursuant to any contract(s) or agreement(s) with the Company, including, but  
16 not limited to, any rights or claims pertaining to indemnification or advancement of  
17 expenses; (iii) any rights or claims of the Individual Defendants or McGladrey to  
18 indemnification or advancement of expenses arising from the Company's articles of  
19 incorporation, bylaws or applicable law; and (iv) any rights or claims of Defendants with  
20 respect to their insurers and/or the insurers' Related Persons, including, but not limited  
21 to, any rights or claims under any directors' and officers' liability insurance or other  
22 applicable insurance coverage maintained by the Company.

## 23                   **5. Plaintiffs' Counsel's Attorneys' Fees and Expenses**

24       5.1 Plaintiffs, Maxwell, and the Individual Defendants have yet to agree upon  
25 the amount of any Fee and Expense Award to Plaintiffs' Counsel in recognition of the  
26 benefits provided to Maxwell and Current Maxwell Shareholders as a result of the  
27 initiation, prosecution, pendency and settlement of the Actions. Plaintiffs intend to make  
28

1 an omnibus application for fees and expenses before this Court. Maxwell and the  
2 Individual Defendants may oppose the amount of any attorney fees and expenses sought,  
3 but shall not dispute the fact that Plaintiffs' Counsel are entitled to a reasonable award of  
4 fees and expenses for the benefits provided to Maxwell and its shareholders by the  
5 Settlement. The Individual Defendants or their insurance carrier(s) shall pay whatever  
6 Fee and Expense Award is approved by the Federal Court.

7       5.2 The Individual Defendants shall cause their insurance carrier(s) to transfer  
8 an amount set out in the Fee and Expense Award to a joint escrow account (the "Escrow  
9 Account") held by the Plaintiffs' Counsel no later than ten (10) business days after the  
10 Judgment becomes Final, and shall be immediately releasable to Plaintiffs' Counsel.

11       5.3 Payment of the Fee and Expense Award in the amount approved by the  
12 Federal Court shall constitute final and complete payment for Plaintiffs' Counsel's fees  
13 and expenses that have been incurred or will be incurred in connection with the filing  
14 and prosecution of the Actions and the resolution of the claims alleged therein.  
15 Defendants and Defendants' Counsel shall have no responsibility for the allocation of the  
16 Fee and Expense Award among Plaintiffs' Counsel.

17       5.4 If for any reason the Effective Date of the Stipulation (as defined herein)  
18 does not occur or if the Stipulation is in any way canceled or terminated, each Plaintiffs'  
19 Counsel and their successors shall be obligated to repay, within fifteen (15) business  
20 days, the amount of any Fee and Expense Award each may have received from the  
21 amount paid by the Individual Defendants and/or their successor(s) or insurer(s). Each  
22 Plaintiffs' Counsel which receives any portion of any Fee and Expense Award is subject  
23 to the Federal Court's jurisdiction for the purposes of enforcing this paragraph or the  
24 provisions related to any Fee and Expense Award.

25       5.5 Except as otherwise provided herein or except as provided pursuant to  
26 indemnification or insurance rights, each of the Settling Parties shall bear his, her, or its  
27 own costs, expenses, and attorneys' fees.  
28

1           5.6 Plaintiffs' Counsel may apply for a proposed incentive award of two  
2 thousand, five hundred dollars (\$2,500) for each named plaintiff in recognition of the  
3 benefits they have helped to create for all Current Maxwell Shareholders (the "Service  
4 Awards"). Any Service Awards approved by the Federal Court shall be funded from the  
5 portion of the Fee and Expense Award distributed to the Plaintiffs' Counsel. Maxwell  
6 and the Individual Defendants shall take no position on the Service Awards and shall  
7 have no obligation to pay them.

8                   **6. Conditions of Settlement, Effect of Disapproval,  
9 Cancellation, or Termination**

10           6.1 The Effective Date of the Stipulation shall be conditioned on the occurrence  
11 of all of the following events:

- 12                   (a) the Board has approved the Settlement and each of its terms as in the  
13 best interest of Maxwell;
- 14                   (b) preliminary approval of the Settlement;
- 15                   (c) dissemination of the Notice as set forth above;
- 16                   (d) the entry by the Federal Court of the Judgment;
- 17                   (e) the payment of any Fee and Expense Award in accordance with  
18 ¶¶5.1-5.2 hereof;
- 19                   (f) the Judgment has become Final; and
- 20                   (g) Dismissal with prejudice of the State Derivative Action and Cal.  
21 Corp. Code Section 1601 Action with respect to Defendants (as  
22 defined herein).

23           6.2 If any of the conditions specified in ¶6.1 are not met, then the Stipulation  
24 shall be canceled and terminated subject to ¶6.3, and the Settling Parties shall be restored  
25 to their respective positions in the Actions as of the date of this Stipulation, unless  
26 Plaintiffs' Counsel and counsel for the Defendants mutually agree in writing to proceed  
27 with the Stipulation.  
28

1           6.3    In the event that the Stipulation is not approved by the Federal Court, or the  
2 Settlement is terminated for any reason, the Settling Parties shall be restored to their  
3 respective positions as of the date of this Stipulation, and all negotiations, proceedings,  
4 documents prepared and statements made in connection herewith shall be without  
5 prejudice to the Settling Parties, shall not be deemed or construed to be an admission by  
6 any of the Settling Parties of any act, matter, or proposition, and shall not be used in any  
7 manner for any purpose in any subsequent proceeding in the Derivative Actions or in any  
8 other action or proceeding.

9                           **7.    Miscellaneous Provisions**

10           7.1    The Settling Parties: (i) acknowledge that it is their intent to consummate  
11 this Stipulation; and (ii) agree to cooperate to the extent reasonably necessary to  
12 effectuate and implement all terms and conditions of the Stipulation and to exercise their  
13 best efforts to accomplish the foregoing terms and conditions of the Stipulation.

14           7.2    The Settling Parties agree that the terms of the Settlement were negotiated  
15 in good faith by the Settling Parties, and reflect a settlement that was reached voluntarily  
16 after consultation with competent legal counsel. The Settling Parties will request that the  
17 Judgment will contain a finding that during the course of the Actions, the Settling Parties  
18 and their respective counsel at all times complied with the requirements of F.R.C.P. 11,  
19 California Code of Civil Procedure §128.7, and all other similar rules of professional  
20 conduct. The Settling Parties reserve their right to rebut, in a manner that the parties  
21 determine to be appropriate, any contention made in any public forum that the Actions  
22 were brought or defended in bad faith or without a reasonable basis.

23           7.3    Neither the Stipulation (including any exhibits attached hereto) nor the  
24 Settlement, nor any act performed or document executed pursuant to or in furtherance of  
25 the Stipulation or the Settlement: (a) is or may be deemed to be or may be offered,  
26 attempted to be offered or used in any way by the Settling Parties as a presumption, a  
27 concession or an admission of, or evidence of, any fault, wrongdoing or liability of the  
28 Settling Parties or of the validity of any Released Claims; or (b) is or may be deemed to

1 be or may be used as a presumption, concession, admission or evidence of any liability,  
2 fault, or omission of any of the Released Persons in any civil, criminal, or administrative  
3 proceeding in any court, administrative agency, or other tribunal. Neither this  
4 Stipulation nor the Settlement, nor any act performed or document executed pursuant to  
5 or in furtherance of this Stipulation, or the Settlement, shall be admissible in any  
6 proceeding for any purpose, except to enforce the terms of the Settlement, and except  
7 that the Released Persons may file the Stipulation and/or the Judgment in any action that  
8 may be brought against them to support a defense or counterclaim based on principles of  
9 *res judicata*, collateral estoppel, full faith and credit, release, standing, good faith  
10 settlement, judgment bar or reduction or any other theory of claim preclusion or issue  
11 preclusion or similar defense or counterclaim.

12       7.4 The exhibits to the Stipulation are material and integral parts hereof and are  
13 fully incorporated herein by this reference.

14       7.5 The Stipulation may be amended or modified only by a written instrument  
15 signed by or on behalf of all the Settling Parties or their respective successors-in-interest.

16       7.6 The Stipulation and the exhibits attached hereto represent the complete and  
17 final resolution of all disputes among the Settling Parties with respect to the Actions,  
18 constitute the entire agreement among the Settling Parties, and supersede any and all  
19 prior negotiations, discussions, agreements, or undertakings, whether oral or written,  
20 with respect to such matters.

21       7.7 The Stipulation and the Settlement shall be binding upon, and inure to the  
22 benefit of, the successors and assigns of the Settling Parties and the Released Persons.  
23 The Settling Parties agree that this Stipulation will run to their respective successors-in-  
24 interest, and they further agree that any planned, proposed or actual sale, merger or  
25 change-in-control of Maxwell shall not void this Stipulation, and that in the event of a  
26 planned, proposed or actual sale, merger or change-in-control of Maxwell they will  
27 continue to seek final approval of this Stipulation expeditiously, including but not limited  
28 to the Settlement terms reflected in this Stipulation and any Fee and Expense Award.

1 Maxwell and the current Board also agree that the Settlement as reflected in this  
2 Stipulation provides for adequate consideration for the payment of any Fee and Expense  
3 Award.

4       7.8 The Stipulation and the exhibits attached hereto shall be considered to have  
5 been negotiated, executed, and delivered, and to be wholly performed, in the State of  
6 California and the rights and obligations of the Settling Parties to the Stipulation shall be  
7 construed and enforced in accordance with, and governed by, the internal, substantive  
8 laws of the State of California without giving effect to that State's choice of law  
9 principles. No representations, warranties, or inducements have been made to any party  
10 concerning the Stipulation or its exhibits other than the representations, warranties, and  
11 covenants contained and memorialized in such documents.

12       7.9 All agreements made and orders entered during the course of the Actions  
13 relating to the confidentiality of information and documents shall survive this  
14 Stipulation.

15       7.10 Each counsel or other Person executing the Stipulation or its exhibits on  
16 behalf of any of the Settling Parties hereby warrants that such Person has the full  
17 authority to do so. The Stipulation shall be binding upon, and inure to the benefit of, the  
18 successors and assigns of the Settling Parties and their Released Persons.

19       7.11 The Stipulation may be executed by facsimile and in one or more  
20 counterparts. All executed counterparts and each of them shall be deemed to be one and  
21 the same instrument. A complete set of original executed counterparts shall be filed with  
22 the Federal Court.

23       7.12 This Court shall retain jurisdiction with respect to implementation and  
24 enforcement of the terms of this Stipulation, and the Settling Parties and their counsel  
25 submit to the jurisdiction of this Court solely for purposes of implementing and  
26 enforcing this Stipulation and related Settlement.

27  
28

1 IN WITNESS WHEREOF, the Settling Parties hereto have caused the Stipulation  
2 to be executed, by their duly authorized attorneys, dated as of December 10, 2014.

3 DATED: December 10, 2014

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Shawn E. Fields (SBN 255267)



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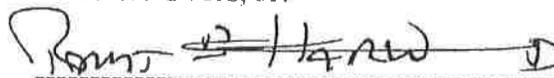
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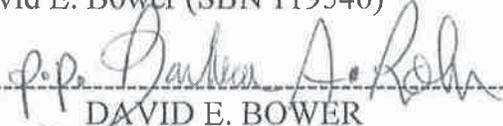
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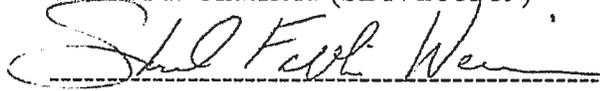
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1 DATED: December 10, 2014

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## CORPORATE GOVERNANCE REFORMS

- Defendants agree that the provisions detailed herein shall remain in effect for no less than four (4) years.
- Maxwell agrees that the filing and prosecution of the derivative actions were a substantial cause of the following reforms.

### **I. REVISIONS TO MAXWELL’S INTERNAL CONTROLS**

On August 1, 2013, Maxwell disclosed that as of December 31, 2012:

- 1) “We did not maintain adequately designed controls to ensure accurate recognition of revenue in accordance with GAAP. Specifically, controls were not effective to ensure that deviations from contractually established sales terms were authorized, communicated, identified, and evaluated for their potential effect on revenue recognition. Further, we did not adequately train and supervise sales personnel to ensure that such personnel were appropriately conscious of the requirement to communicate deviations from contractually established sales terms to finance and accounting personnel in order for revenue recognition in our financial statements to be accurately recorded”; and
- 2) “We did not perform a robust fraud risk assessment taking into consideration the various ways that fraud may be perpetrated to misappropriate assets or facilitate fraudulent financial reporting. We failed to identify controls specifically designed to prevent and detect fraud risks relating to revenue recognition.”

After the filing of the Actions, during the quarter ended December 31, 2013, Maxwell implemented the following remediation measures to address the material weaknesses listed above:

- 3) “We implemented a formal revenue recognition policy and provided training on the policy to sales personnel and others involved in negotiating contractual sales terms in order to improve awareness and understanding of revenue recognition principles under GAAP. Further, we implemented a formal order deviation approval process whereby deviations from established customer sales terms are approved by the finance and accounting department, in order to ensure that such deviations are accurately reflected in our financial statements”; and
- 4) “We implemented a more robust fraud risk assessment process considering specific ways in which asset misappropriation or fraudulent financial reporting might occur and ensured controls were identified to address the risk of fraud.”

Maxwell agrees that its Audit Committee shall monitor these internal controls, implement any changes that require further implementation or augmentation, and assess the internal controls on an annual basis to determine if further improvements are necessary.

## **II. BOARD OF DIRECTORS**

### **A. Board Independence**

Two-thirds (2/3) of the members of the Board shall be independent within the meaning of the NASDAQ Global Market (“NASDAQ”) listing standards, as well as the following additional requirements for independence, for a period of four (4) years:

1. has not been employed by the Company or its subsidiaries or affiliates (defined for purposes of this demand as any individual or business entity that owns at least five percent (5%) of the securities of the Company having ordinary voting power) within the last five (5) calendar years;

2. does not own or control, directly or indirectly, five percent (5%) or more of the voting power of the Company;

3. has not received, during the current calendar year or any of the three (3) immediately preceding calendar years, remuneration, directly or indirectly, other than *de minimus* remuneration, as a result of service as, or compensation paid to, an entity affiliated in which the individual serves as (i) an advisor, consultant or legal counsel to the Company or to a member of the Company’s senior management; or (ii) a significant customer or supplier of the Company;

4. has no personal services contract(s) with the Company or any member of the Company’s senior management;

5. is not a director, officer, or employee of a not-for-profit entity that receives significant contributions from the Company;

6. during the current calendar year or any of the three (3) immediately preceding calendar years, has not had any business relationship with the Company for which the Company has been required to make disclosure under Regulation S-K of the SEC, other than for service as a director or for which relationship no more than *de minimus* remuneration was received in any one such year; provided, however, that the need to disclose any relationship that existed prior to a director joining the Board shall not in and of itself render the director non-independent;

7. is not employed by a public company at which an executive officer of the Company serves as a director;

8. has not had any of the relationships described above with any affiliate of the Company for at least the three (3) preceding years; and

9. is not a member of the immediate family of any person who fails to satisfy the qualifications described above.

**B. Meetings in Executive Session**

The Board shall hold an executive session at least quarterly at which employee directors are not present.

**C. Director Education**

Each member of the Board shall attend one training course provided by a nationally-recognized corporate director education provider within one year of court approval of the settlement, at Maxwell's expense. Each director will share with the full board the substance of each training session.

**D. Committee Chairs**

No individual member of the Board shall chair more than one standing committee of the Board.

**E. Governance Committee**

The Chair of the Governance Committee will communicate with the Chief Compliance Officer on a quarterly basis to discuss the governance checklist and assist the Chair of the Governance Committee for preparation of the agenda and compilation of applicable governance concepts and materials to be reviewed. The governance checklist will be circulated to the governance committee in advance and reviewed at each meeting. All directors will be invited to join the governance committee meetings for education topics and periodically for topics to be highlighted to the full board.

**III. AUDIT COMMITTEE**

**A. Audit Committee Charter**

Maxwell's Audit Committee Charter shall be amended as necessary to reflect the following policies and procedures:

The Audit Committee shall continue to consist of at least three members who meet the NASDAQ independence requirements, as well as the independence standards. One member of the Audit Committee shall have a financial background that would qualify them as financial experts under section 407 of Sarbanes-Oxley of 2002 and rules promulgated thereunder, 15 U.S.C.A. §7265.

## **B. Audit Committee Chair**

The Chairman of the Audit Committee shall be elected by the Independent directors of the Board taking into due consideration the recommendation of the Governance & Nominating Committee.

## **C. Audit Committee**

The Audit Committee shall meet with the Company's legal, internal audit, and regulatory operations departments on an ad hoc basis to exercise meaningful oversight over financial risks arising out of significant new capital expenditures, including the Board's authorization of Company stock repurchases. The Audit Committee shall meet at least four times during each calendar year.

1. The Audit Committee shall keep the Board apprised of its activities and shall directly advise the Board in detail of its material findings on a periodic basis.

2. The Audit Committee shall meet separately with and receive reports from the Company's independent auditors, and the Chief Compliance Officer at least once per quarter, and more often as may be necessary, regarding significant internal controls issues and material enterprise, operational, financial, legal/regulatory, and reputational risks. The risk review must include identification and evaluation of risks arising from new business initiatives, assessments of significant developments affecting recognized risks arising out of established business segments and strategies, and evaluation of the Company's disclosure obligations arising from these risks.

3. The Audit Committee shall ensure that the Company maintains an internal audit department, which is adequately staffed, trained, and supervised, and is independent of the accounting department.

4. The Audit Committee shall review and discuss with the appropriate members of management, the independent auditors, and internal auditors:

i. Management's assessment of internal control over financial reporting and the related report and attestation on internal control over financial reporting.

5. The Audit Committee will report to the full board at each regularly scheduled board meeting. The Audit Committee report will be a standing item on the board agenda and will be reflected in the board minutes.

## **IV. DUTIES OF AUDIT AND GOVERNANCE COMMITTEES**

The Company will review its audit and governance committee charters to ensure that these committee charters include in substance the suggested responsibilities of Plaintiffs' Proposed RCGA Committee at V.A. Nos. 1-12.

## **V. EMPLOYEE COMPLIANCE TRAINING**

The Company shall mandate a Compliance Management Program to be headed by the Chief Compliance Officer. The training program shall be comprehensive and shall cover all matters of compliance with Company policies and United States as well as international laws. Specifically, the Company shall mandate that the training program include:

1. Training concerning compliance with GAAP, revenue recognition, and other financial reporting regulations and policies shall be annual for all appropriate Maxwell employees, Board members, and independent contractors. In the event that a person is appointed or hired after the annual training for a particular year, a special training session shall be held for such individual as soon as reasonably practicable after his or her appointment or hiring;

2. Training shall include coverage of the Company's Code of Conduct and shall also discuss recent developments regarding GAAP, revenue recognition and other financial reporting regulations and policies including changes in the law and convictions/settlements;

3. Training shall be in person where practicable;

4. Upon completion of training, the person receiving the training shall provide a written certification as to his or her receipt and understanding of the obligations under the Company's policies and the law; and

5. Training to teach employees about the Company's Non-Retaliation (Whistleblower) Policy and encourage employees to report any wrongdoing as soon as it is detected. The Company will amend its current Whistleblower policy to provide that all complaints will be routed to persons not employed by the company.

6. The company will maintain in substance its current anti-corruption training manual and related training program for new employees, including employee certification that they have completed the program and agree to abide by the company's anti-corruption policies.

## **VI. INTERNAL AUDIT FUNCTION**

After the restatement, the Company implemented an internal audit function . This internal audit function shall remain in place for four (4) years after implementation. After the expiration of this four-year period, the Board shall evaluate the strengths and weaknesses of the implemented internal audit function and make appropriate changes in the best interest of the Company.

The Internal Auditor has been appointed by the Board and reports to the Audit Committee quarterly. The responsibilities of the Internal Auditor include:

1. Devising an Internal Audit Plan for each fiscal year which will be presented to the Audit Committee. The Internal Audit Plan shall include an annual or on-going assessment of the system of internal control in order to ensure that (i) appropriate financial reporting procedures are in place and being followed by the Company's employees to minimize the risk of non-compliance with financial reporting rules and regulations, and (ii) the risk of overstatement of asset value is minimized. Appropriate Company operations as dictated by the Internal Audit Plan shall be subject to an internal audit review each year; and

2. Preparing a written report for each internal audit performed describing the internal audit's findings, opinions and recommendations, if any. As appropriate, after review and comment from potentially impacted operational departments, these written reports (together with any response from potentially affected departments) shall be directed to the CEO, CFO, Chief Compliance Officer, General Counsel, and the Audit Committee for their review and, if necessary, remedial action.

## **VII. EXECUTIVE REPORTS**

Absent extraordinary circumstances, at each regularly scheduled Board meeting, the Company's CFO (or his or her designee) shall provide a report as to the Company's financial condition and prospects.