

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

In re:

ENER1, INC. SECURITIES LITIGATION

No. 1:11-CV-05794 (PAC)

**NOTICE OF (I) PENDENCY OF CLASS ACTION AND PROPOSED
SETTLEMENT, (II) SETTLEMENT HEARING, AND (III) MOTION FOR INCENTIVE
AWARD, ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES**

A Federal Court Authorized this Notice. This is not a solicitation from a lawyer.¹

NOTICE OF PENDENCY OF CLASS ACTION: Please be advised that your rights may be affected by a class action lawsuit (the "Action") pending in the United States District Court for the Southern District of New York (the "Court") if, during the period from November 4, 2010 through August 15, 2011, inclusive (the "Class Period"), you purchased or otherwise acquired common stock in Ener1, Inc. ("Ener1").

NOTICE OF SETTLEMENT: Please also be advised that the Court-appointed Lead Plaintiffs, Junie L. Morris and Lisa G. Morris, on behalf of themselves and the Class (defined in paragraph 22 below), have reached a proposed all-cash settlement of the Action with Defendants in the amount of \$4.2 million. If the Settlement is approved by the Court, it will resolve all claims in the Action by Class Members against the Defendants as well as other Released Parties as defined in paragraph 42 below.

PLEASE READ THIS NOTICE CAREFULLY. This Notice explains important rights you may have, including the possible receipt of cash from the Settlement if it is approved by the Court. If you are a Class Member, your legal rights will be affected whether or not you act.

1. **Overview of the Action and the Class:** This Notice relates to a proposed Settlement of claims in a pending class action brought by investors alleging that the prices of Ener1's common stock were artificially inflated during the Class Period as a result of false statements, non-disclosures, and fraudulent conduct by the Defendants in violation of the federal securities laws. A more detailed description of the Action is set forth in paragraphs 14-21 below. The Defendants are: Charles Gassenheimer, Jeffrey Seidel, Robert R. Kamischke, Kenneth Baker, Elliot Fuhr, Nora Brownell and Thomas Snyder.

The proposed Settlement provides for the release of claims against the Defendants and others as specified in the Stipulation and Agreement of Settlement, dated January 11, 2013 (the "Stipulation"). All persons and entities who purchased or otherwise acquired Ener1 common stock during the Class Period and were damaged thereby, except for certain persons and entities who are excluded from the Class by definition (see paragraph 22 below) or persons and entities who validly elect to exclude themselves from the Class (see paragraphs 50-53 below), will be affected by the Settlement, if it is approved by the Court, and may be eligible to receive a payment from the Settlement.

2. **The Class's Recovery:** Subject to approval by the Court and such order becoming Final (as discussed in paragraph 12-13 below) and as described more fully below, Lead Plaintiffs, on behalf of

¹ All capitalized terms that are not defined in this Notice have the meaning ascribed to them in the Stipulation and Agreement of Settlement (the "Stipulation").

themselves and the Class, have agreed to settle all claims based on the allegations asserted in the Action that were or could have been asserted against the Defendants and other Released Parties and/or that relate to the purchase, acquisition or holding during the Class Period of Ener1 common stock, in exchange for a total of \$4.2 million in cash (the "Settlement Amount"). The Settlement Amount will be deposited into an interest-bearing escrow account for the benefit of Class Members (the "Settlement Fund"). The Net Settlement Fund (the Settlement Fund less any Taxes, any Notice and Administration Costs, any Incentive Award, and any attorneys' fees and Litigation Expenses awarded by the Court) will be distributed in accordance with the Plan of Allocation that is approved by the Court, which will determine how the Net Settlement Fund shall be allocated among members of the Class who, by virtue of the claims they could assert, are eligible to participate in the distribution of the Net Settlement Fund and who submit timely and valid Proof of Claim and Release Forms (a "Claim Form"). The proposed Plan of Allocation (the "Plan of Allocation") is included in this Notice at pages 7 to 12.

3. **Reasons for the Settlement:** The Settlement resolves claims against Defendants in the Class Action regarding alleged violations of the federal securities laws. The Defendants deny all allegations of wrongdoing. In light of the amount of the Settlement and the immediacy of recovery to the Class Members, Lead Plaintiffs believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Class. The Settlement provides a substantial benefit, namely \$4.2 million in cash, plus interest (less certain deductions described in this Notice), as compared to the risk that a similar, a smaller, or no recovery would be achieved after a trial and appeals, possibly years in the future, in which the Defendants would have the opportunity to assert defenses to the claims asserted against them.

4. **Estimate of Average Amount of Recovery Per Share:** The Settlement Fund consists of \$4.2 million plus interest earned. Your recovery will depend on the number of shares of Ener1 common stock that you purchased or otherwise acquired, and the timing of those transactions. It will also depend on the number of valid claim forms that members of the Class submit and the amount of such claims. Plaintiffs' expert estimates the total net number of Ener1 shares damaged is no greater than 46.8 million shares. Assuming that all of the investors who purchased or otherwise acquired Ener1 common stock during the Class Period and were damaged thereby participate in the Settlement, Lead Counsel estimates that the estimated average distribution will be approximately \$0.090 per damaged share of Ener1 common stock before the deduction of Court-approved awards, fees and Litigation Expenses, as described below, and the cost of notice and claims administration. Historically, less than all eligible investors submit claims, resulting in higher average distributions per security.

5. **Statement of the Parties' Position on Damages:** The parties do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiffs were to prevail in the Action. The parties disagree on, among other things: (a) the amount of inflation, if any, allegedly caused by the alleged misrepresentations and omissions; and (b) whether the misrepresentations and omissions were material to investors. The Defendants do not agree with the assertion that they engaged in any actionable conduct under the federal securities laws or that any damages were suffered by any members of the Class as a result of their conduct.

6. **Litigation Fees and Expenses Sought:** Lead Counsel have been prosecuting this Action on a wholly contingent basis since its inception in 2011, have not received any payment of attorneys' fees for their representation of the Class and they have advanced the funds to pay expenses necessarily incurred to prosecute the Action. Lead Counsel will apply to the Court for an award of attorneys' fees for Lead Counsel in an amount no greater than 25% of the Settlement Fund and for reimbursement of Litigation Expenses incurred in connection with the prosecution and resolution of the claims against the Defendants, in an amount not to exceed \$90,000.00 (which may include an application for reimbursement of the reasonable costs and expenses incurred by Plaintiffs directly related to their representation of the Class) to be paid from the Settlement Fund. Lead Counsel will also apply to the Court for an incentive award for Lead Plaintiffs, who have overseen the litigation on behalf of all Class Members, in the amount of \$1,500.00 to be paid from the Settlement Fund (the "Incentive Award"). Any fees and expenses, or any Incentive Award, awarded by the Court will be paid from

the Settlement Fund. Class Members are not personally liable for any such fees, expenses or Incentive Award(s). If the Settlement is approved, and Lead Counsel’s fee and expense application and Incentive Award application for Lead Plaintiffs is granted, the average cost of these fees, expenses, and awards will be approximately \$0.025 per share of common stock.

7. **Identification of Attorneys’ Representatives:** Lead Plaintiffs and the Class are being represented by William B. Federman, Esq. of Federman & Sherwood. Any questions regarding the Action or the Settlement should be directed to Mr. Federman at Federman & Sherwood, 10205 N. Pennsylvania Avenue, Oklahoma City, Oklahoma, 73120, (405) 235-1560.

YOUR LEGAL RIGHTS AND OPTIONS IN THESE SETTLEMENT:	
SUBMIT A CLAIM FORM BY JUNE 29, 2013.	This is the only way to be eligible to get a payment from the Settlement. If you are a Class Member and you remain in the Class, you will be bound by the Settlement as approved by the Court and you will give up any “Released Claims” (as defined below) that you have against the Defendants and the other “Released Parties” (as defined below), so, if you remain in the Class, it is in your interest to submit a Claim Form.
EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS RECEIVED NO LATER THAN APRIL 15, 2013.	If you exclude yourself from the Class, you will not be eligible to get any payment from the Settlement Fund. This is the only option that allows you ever to be part of any other lawsuit against any of the Defendants or the other Released Parties concerning the Released Claims.
OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS RECEIVED NO LATER THAN APRIL 15, 2013.	If you do not like the proposed Settlement, you may write to the Court and explain why you do not like the Settlement. You cannot object to the Settlement, unless you are a Class Member and do not exclude yourself.
GO TO A HEARING ON MAY 9, 2013 AT 4:30 P.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS RECEIVED NO LATER THAN APRIL 19, 2013.	Filing a written objection and notice of intention to appear by April 15, 2013 and April 19, 2013, respectively, allows you to speak in Court about the fairness of the Settlement.
DO NOTHING.	If you are a member of the Class and you do not submit a Claim Form by June 29, 2013, you will not be eligible to receive any payment from the Settlement. You will, however, remain a member of the Class, which means that you give up your right to sue about the claims that are resolved by the Settlement and you will be bound by any Judgment or Orders entered by the Court in this Action.

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WHY DID I GET THIS NOTICE?

8. This Notice is being sent to you pursuant to an Order of the United States District Court for the Southern District of New York because you or someone in your family or an investment account for which you serve as a custodian may have purchased or otherwise acquired Ener1 common stock during the Class Period. The Court has directed us to send you this Notice because, as a potential Class Member, you have a right to know about your options before the Court rules on the proposed Settlement. Additionally, you have the right to understand how a class action lawsuit may generally affect your legal rights. If the Court approves the Settlement and the Plan of Allocation (or some other plan of allocation), the claims administrator selected by Lead Plaintiffs and approved by the Court will make payments pursuant to the Settlement and the Court-approved Plan of Allocation after any objections and appeals are resolved.

9. In a class action lawsuit, the court selects one or more people, known as class representatives, to sue on behalf of all people with similar claims, commonly known as the class or the class members. A class action is a type of lawsuit in which the claims of a number of individuals are resolved together, thus providing the class members with both consistency and efficiency. Once the class is certified, the court must resolve all issues on behalf of the class members, except for any persons who choose to exclude themselves from the class. In this Action, the Court appointed Junie L. Morris and Lisa G. Morris to serve as Lead Plaintiffs under a federal law governing lawsuits such as this one, and approved Lead Plaintiffs' selection of the law firm of Federman & Sherwood ("Lead Counsel") to serve as Lead Counsel in the Action. In the *Order Preliminarily Approving Proposed Settlement, Certifying Class, Providing for Notice and Scheduling Settlement Hearing*, the Court certified the Action to proceed as a class action and certified Lead Plaintiffs as representatives for

the Class, for settlement purposes only. (For more information on excluding yourself from the Class, please read “What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?” below.)

10. The court in charge of this case is the United States District Court for the Southern District of New York, and the case is known as *In re Ener1, Inc. Securities Litigation*, No. 1:11-CV-05794 (PAC). The Judge presiding over this case is the Honorable Paul A. Crotty, United States District Judge. The persons or entities that are suing are called plaintiffs, and those who are being sued are called defendants. If the Settlement is approved, it will resolve all claims in the Action by Class Members against the Defendants and will bring the Action to an end.

11. This Notice explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you of this case, that it is a class action, how you might be affected, and how to exclude yourself from the Class if you wish to so do. It is also being sent to inform you of the terms of the proposed Settlement, and of a hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement, the proposed Plan of Allocation and the motion by Lead Counsel for attorneys’ fees, reimbursement of Litigation Expenses, and an Incentive Award for Lead Plaintiffs (the “Settlement Hearing”).

12. The Settlement Hearing will be held on May 9, 2013 at 4:30 p.m., before the Honorable Paul A. Crotty at the United States District Court for the Southern District of New York, United States Courthouse, Courtroom 11D, 500 Pearl Street, New York, NY 10007 to determine:

- (a) whether the Court should grant final certification of the Class solely for the purposes of the Settlement;
- (b) whether the proposed Settlement is fair, reasonable and adequate and should be approved by the Court;
- (c) whether all claims asserted in the Action against the Defendants should be dismissed with prejudice and all Released Claims against the Defendants and the other Released Parties should be released as set forth in the Stipulation;
- (d) whether the proposed Plan of Allocation is fair and reasonable, and should be approved by the Court;
- (e) whether Lead Counsel’s motion for an award of attorneys’ fees and reimbursement of Litigation Expenses should be approved by the Court; and
- (f) whether an Incentive Award to Lead Plaintiffs should be approved by the Court.

13. This Notice does not express any opinion by the Court concerning the merits of any claim in the Action, and the Court still has to decide whether to approve the Settlement. If the Court approves the Settlement and a plan of allocation, payments to Authorized Claimants will be made after any appeals are resolved, and after the completion of all claims processing. Please be patient.

WHAT IS THE CASE ABOUT? WHAT HAS HAPPENED SO FAR?

14. The Action is a class action alleging violations of the federal securities laws by the Defendants.

15. In August 2011, three securities class actions - *Beckman v. Ener1, Inc., et al.*, Case No. 1:11-CV-05794, *Neufeld v. Ener1, Inc., et al.*, Case No. 1:11-CV-05795, and *Foster v. Ener1, Inc., et al.*, Case No. 1:11-CV-06030 - were commenced in the District Court against Ener1, Inc. and certain of its officers and directors (collectively, the “Securities Actions”). The Securities Actions alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and Rule 10b-5 promulgated thereunder, arising from, *inter alia*, Ener1’s public disclosures concerning Ener1’s investment in Think Holdings, AS and Ener1’s

accounts and loans receivable from Think Global, AS and Ener1's announcement, in August 2011, that it intended to restate its financial results for fiscal year 2010 and the first quarter of 2011 in order to reflect certain impairments as of December 31, 2010.

16. By order dated February 15, 2012, the Honorable Paul A. Crotty ordered that the Securities Actions be consolidated with and into the Action (the "Consolidation Order"). In the Consolidation Order, Judge Crotty appointed Junie L. Morris and Lisa G. Morris as Lead Plaintiffs and Federman & Sherwood as Lead Counsel.

17. The Lead Plaintiffs filed a Consolidated Amended Class Action Complaint on April 9, 2012 (the "Consolidated Complaint") against Defendants, which superseded all prior complaints filed in the Action and alleged claims on behalf of all investors who purchased or otherwise acquired Ener1 common stock during the period from November 4, 2010 through August 15, 2011. The Consolidated Complaint did not name Ener1 as a defendant because it had filed for "financial restructuring under Chapter 11 of the Bankruptcy Code."

18. On June 15, 2012, Defendants moved to dismiss the Consolidated Complaint. Lead Plaintiffs filed their memorandum of law in opposition to the motion to dismiss on August 8, 2012, and Defendants filed their reply memorandum of law on August 24, 2012. The motion to dismiss has been and remains ripe for determination by the Court.

19. Lead Counsel and Defendants' Counsel subsequently engaged in substantial arm's-length negotiations in an effort to resolve the Action, which included a meeting at the New York offices of JAMS for mediation before mediator Jed Melnick, Esq. on November 20, 2012 and subsequent communications among the parties and the mediator, during which settlement terms and conditions were proposed and negotiated.

20. Before agreeing to the Settlement, Lead Counsel had conducted an investigation into the events and transactions underlying the claims alleged in the Consolidated Complaint, had analyzed the evidence adduced during this investigation, had consulted with damages experts, and had researched the applicable law with respect to the claims of Lead Plaintiffs and the Class against Defendants and the potential defenses thereto. At the time the agreements to settle were reached, Lead Counsel had an understanding of the strengths and weaknesses of Lead Plaintiffs' and the Defendants' positions based on their investigation, the briefing of the motion to dismiss, and the preparation of a mediation statement as well as the review of the mediation statements prepared by Defendants. Lead Counsel and Lead Plaintiffs believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Class.

21. On February 8, 2013, the Court entered an *Order Preliminarily Approving Proposed Settlement, Certifying Class, Providing for Notice and Scheduling Settlement Hearing*, which preliminarily approved the Settlement, preliminarily certified the Class, authorized this Notice be sent to potential Class Members, and scheduled the Settlement Hearing to consider whether to grant final approval of the Settlement.

HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT?

22. If you are a member of the Class, you are subject to the Settlement, unless you timely request to be excluded. The Class consists of:

All persons and/or entities who purchased or otherwise acquired common stock in Ener1, Inc. during the period from November 4, 2010 through August 15, 2011 and were damaged thereby.

Excluded from the Class are: (i) Defendants; (ii) members of the Immediate Family of each Defendant; (iii) Ener1; (iv) any firm, trust, corporation or other entity in which any Defendant has or had a controlling interest; and (v) those persons or entities who exclude themselves by filing a request for exclusion in accordance with the requirements set forth in the Notice. (*See* "What if I Do Not Want to Participate in the Settlement? How Do I Exclude Myself," on page 14 below).

PLEASE NOTE: RECEIPT OF THIS NOTICE DOES NOT MEAN THAT YOU ARE A CLASS MEMBER OR THAT YOU WILL BE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU ARE A CLASS MEMBER AND YOU WISH TO BE ELIGIBLE TO PARTICIPATE IN THE DISTRIBUTION OF PROCEEDS FROM THE SETTLEMENT, YOU ARE REQUIRED TO SUBMIT THE CLAIM FORM THAT IS BEING DISTRIBUTED WITH THIS NOTICE AND THE REQUIRED SUPPORTING DOCUMENTATION AS SET FORTH THEREIN POSTMARKED NO LATER THAN JUNE 29, 2013.

WHAT ARE LEAD PLAINTIFFS' REASONS FOR THE SETTLEMENT?

23. Lead Plaintiffs and Lead Counsel believe that the claims asserted against the Defendants have merit. Lead Plaintiffs and Lead Counsel recognize, however, the expense and length of continued proceedings necessary to pursue their claims against Defendants through trial and appeals, as well as the difficulties in establishing liability and damages at trial. Lead Plaintiffs and Lead Counsel have also taken into account the possibility that the claims asserted in the Consolidated Complaint might have been dismissed in response to the Defendants' pending motion to dismiss and, in the event the motion was denied, Defendants' anticipated motion for summary judgment. Lead Plaintiffs and Lead Counsel have also considered issues that would have been decided by a jury in the event of a trial of the Action, including whether certain of the Defendants acted with an intent to mislead investors, whether all of Class Members' losses were caused by the alleged misrepresentations or omissions and the amount of damages. Lead Plaintiffs and Lead Counsel have considered the uncertain outcome and trial risk in complex lawsuits like this one, and that, even if they were successful, after the resolution of the appeals that were certain to be taken (which could take years to resolve), certain of the Defendants may not have been able to pay an amount significantly larger than their respective Settlement Amount or even as much as the Settlement Amount.

24. In light of the amount of the Settlement and the immediacy of recovery to the Class, Lead Plaintiffs and Lead Counsel believe that the proposed Settlement is fair, reasonable and adequate. Indeed, Lead Plaintiffs and Lead Counsel believe that the Settlement achieved excellent results and is in the best interests of the Class. The Settlement, which totals \$4.2 million in cash (less the various deductions described in this Notice), provides substantial benefits now as compared to the risk that a similar, a smaller, or no recovery would be achieved after a trial and appeals, possibly years in the future.

25. The Defendants have denied, and continue to deny, the claims asserted against them in the Action and deny having engaged in any wrongdoing or violation of law of any kind whatsoever. The Defendants have agreed to the Settlement solely to eliminate the burden and expense of continued litigation. Accordingly, the Settlement may not be construed as an admission of any wrongdoing by any of the Defendants.

WHAT MIGHT HAPPEN IF THERE WAS NO SETTLEMENT?

26. If there was no Settlement and Plaintiffs failed to establish any essential legal or factual element of their claims against the Defendants, neither they nor the Class would recover anything from the Defendants. Also, if the Defendants were successful in proving any of their defenses, the Class could recover substantially less than the amounts provided in the Settlement, or nothing at all.

HOW MUCH WILL MY PAYMENT BE? WHAT IS THE PLAN OF ALLOCATION?

27. At this time, it is not possible to make any determination as to how much a Class Member may receive from the Settlement. Your share (if any) of the recovery will depend on the number of valid Proofs of Claim and Releases that Class Members send in, how many shares of Ener1 stock you bought, and when you bought and sold your shares.

28. Pursuant to the Settlement, the Contributing Insurer has agreed to pay \$4.2 million in cash. The Settlement Amount will be deposited into an interest-bearing escrow account (the "Settlement Fund"). If the Settlement is approved by the Court, the Net Settlement Fund (i.e., the Settlement Fund less (a) all federal, state and local taxes on any income earned by the Settlement Fund and the reasonable costs incurred in connection with determining the amount of and paying taxes owed by the Settlement Fund (including reasonable expenses of tax attorneys and accountants); (b) the costs and expenses incurred in connection with providing Notice to Class Members and administering the Settlement on behalf of Class Members; and (c) any attorneys' fees and expenses and incentive awards awarded by the Court will be distributed to Class Members as set forth in the proposed Plan of Allocation (the "Plan of Allocation") or such other plan as the Court may approve.

29. After approval of the Settlement by the Court and upon satisfaction of the other conditions to the Settlement, the Net Settlement Fund will be distributed to Authorized Claimants in accordance with the Plan of Allocation approved by the Court (the "Plan of Allocation"). The Net Settlement Fund will not be distributed until the Court has approved the Plan of Allocation, and the time for any petition for rehearing, appeal or review, whether by certiorari or otherwise, has expired.

30. Neither Defendants nor any other person or entity that paid any portion of the Settlement Amounts on any of their behalves are entitled to get back any portion of the respective Settlement Fund once the Court's Order or Judgment approving the relevant Settlement becomes Final. Defendants shall not have any liability, obligation or responsibility for the administration of the Settlement or disbursement of the Net Settlement Fund or the Plan of Allocation.

31. Approval of the Settlement is independent from approval of the Plan of Allocation. Any determination with respect to the Plan of Allocation will not affect the Settlement, if approved.

32. Only those Class Members who purchased or otherwise acquired Ener1 common stock during the Class Period **AND WERE DAMAGED AS A RESULT OF SUCH PURCHASES OR ACQUISITIONS**, will be eligible to share in the distribution of the Net Settlement Fund. Each person wishing to participate in the distribution must timely submit a valid Claim Form establishing membership in the Class, and including all required documentation, postmarked on or before **JUNE 29, 2013** to the address set forth in the Claim Form that accompanies this Notice.

33. Unless the Court otherwise orders, any Class Member who fails to submit a Claim Form postmarked on or before **JUNE 29, 2013** shall be fully and forever barred from receiving payments pursuant to the Settlement but will in all other respects remain a Class Member and be subject to the provisions of the Stipulation and Settlement that is approved, including the terms of any Judgment entered and releases given. This means that each Class Member releases the Released Claims (as defined in paragraph 42 below) against the Released Parties (as defined in paragraph 42 below) and will be enjoined and prohibited from filing, prosecuting, or pursuing any of the Released Claims against any of the Released Parties regardless of whether or not such Class Member submits a Claim Form.

34. Information required on the Claim Form: Among other things, each Claim Form must state and provide sufficient documentation for each Claimant's position in Ener1 common stock as of the beginning of the Class Period, their transactions during the Class Period, and their closing positions on the dates specified in the Claim Form.

35. The following Plan of Allocation is designed to fairly allocate the proceeds of the Settlement Fund, less all taxes, approved costs, fees and expenses and incentive awards (the "Net Settlement Fund"), to the members of the Class who submit timely and valid Proofs of Claim ("Authorized Claimants"). The Claims Administrator shall determine each Authorized Claimant's pro rata share of the Net Settlement Fund based upon each Authorized Claimant's Recognized Claim. This Plan of Allocation schedule reflects the declines in

the stock price of Ener1, Inc. during the Class Period from November 4, 2010 through August 15, 2011, inclusive that were found to be reasonably attributable to the misstatements alleged in the Consolidated Class Action Complaint.²

36. For shares purchased on or between November 5, 2010 and August 15, 2011, such shares shall be eligible for damages if sold on or after May 11, 2011 or continued to be held. The following summarizes the method for determining Recognized Loss for damage claims per share:

A. For each share purchased on or between November 5, 2010 and August 15, 2011, and sold on or after May 11, 2005 and on or before August 15, 2011, the Recognized Loss for each such share shall be ***the lesser of:***

- (i) the dollar inflation applicable to each share purchased on the date of purchase (trade date, not settlement date) as set forth in Table 1 minus the dollar inflation on the date of sale (trade date, not settlement date) as set forth in Table 1, or
- (ii) the actual purchase price of each such share (excluding all fees and commissions) minus the actual sale price (excluding all fees and commissions).

B. For each share purchased on or between November 5, 2010 and August 15, 2011, and sold on or after August 16, 2011 and on or before November 14, 2011, the Recognized Loss for each such share shall be ***the lesser of:***

- (i) the dollar inflation applicable to each share purchased on the date of purchase (trade date, not settlement date) as set forth in Table 1 minus the dollar inflation on the date of sale (trade date, not settlement date) as set forth in Table 1, or
- (ii) the actual purchase price of each such share (excluding all fees and commissions) minus the actual sale price (excluding all fees and commissions), or
- (iii) the actual purchase price of each such share (excluding all fees and commissions) minus the 90-day lookback price as set forth in Table 2 on the date of sale.

C. For each share purchased on or between November 5, 2010 and August 15, 2011, and sold or held after November 14, 2011, the Recognized Loss for each such share shall be ***the lesser of:***

- (i) the dollar inflation applicable to each share purchased on the date of purchase (trade date, not settlement date) as set forth in Table 1, or
- (ii) the actual purchase price of each such share (excluding all fees and commissions) minus the 90-day lookback price of \$0.25 per share.

² The Defendants take no position on the Plan of Allocation and, as stated above, continue to deny that Ener1's common stock was ever artificially inflated in price, or that any Class Members suffered any damage.

Table 1: Inflation per Share Table

Period	Begin Date	End Date	Inflation per Share
1	11/5/2010	12/30/2010	\$ 0.77
2	12/31/2010	3/9/2011	\$ 1.54
3	3/10/2011	3/10/2011	\$ 1.42
4	3/11/2011	3/11/2011	\$ 1.65
5	3/12/2011	5/10/2011	\$ 1.35
6	5/11/2011	6/22/2011	\$ 0.73
7	6/23/2011	8/9/2011	\$ 0.57
8	8/10/2011	8/11/2011	\$ 0.53
9	8/12/2011	8/15/2011	\$ 0.47
10	8/16/2011	8/16/2011	\$ 0.16
11	8/17/2011	9/16/2011	\$ 0.14
12	9/19/2011	9/27/2011	\$ 0.12
13	9/28/2011	10/25/2011	\$ 0.10
14	10/26/2011	10/26/2011	\$ 0.04
15	10/27/2011	Current	\$ 0.00

Table 2: Closing Price and 90-Day Lookback Prices

Date	ENER1 Closing Price	ENER1 90-Day Lookback Price
8/16/2011	0.45	0.45
8/17/2011	0.43	0.44
8/18/2011	0.40	0.42
8/19/2011	0.37	0.41
8/22/2011	0.35	0.40
8/23/2011	0.39	0.40
8/24/2011	0.36	0.39
8/25/2011	0.35	0.39
8/26/2011	0.36	0.38
8/29/2011	0.42	0.39
8/30/2011	0.40	0.39
8/31/2011	0.39	0.39
9/1/2011	0.36	0.39
9/2/2011	0.35	0.38
9/6/2011	0.35	0.38
9/7/2011	0.36	0.38
9/8/2011	0.37	0.38
9/9/2011	0.36	0.38
9/12/2011	0.35	0.38
9/13/2011	0.35	0.38
9/14/2011	0.33	0.37

9/15/2011	0.32	0.37
9/16/2011	0.29	0.37
9/19/2011	0.24	0.36
9/20/2011	0.20	0.36
9/21/2011	0.17	0.35
9/22/2011	0.19	0.34
9/23/2011	0.20	0.34
9/26/2011	0.20	0.33
9/27/2011	0.19	0.33
9/28/2011	0.15	0.32
9/29/2011	0.09	0.31
9/30/2011	0.14	0.31
10/3/2011	0.19	0.31
10/4/2011	0.24	0.30
10/5/2011	0.37	0.31
10/6/2011	0.39	0.31
10/7/2011	0.36	0.31
10/10/2011	0.32	0.31
10/11/2011	0.27	0.31
10/12/2011	0.29	0.31
10/13/2011	0.28	0.31
10/14/2011	0.29	0.31
10/17/2011	0.27	0.31
10/18/2011	0.27	0.31
10/19/2011	0.28	0.31
10/20/2011	0.27	0.30
10/21/2011	0.27	0.30
10/24/2011	0.27	0.30
10/25/2011	0.26	0.30
10/26/2011	0.15	0.30
10/27/2011	0.09	0.30
10/28/2011	0.10	0.29
10/31/2011	0.12	0.29
11/1/2011	0.15	0.29
11/2/2011	0.16	0.28
11/3/2011	0.14	0.28
11/4/2011	0.14	0.28
11/7/2011	0.13	0.28
11/8/2011	0.13	0.27
11/9/2011	0.12	0.27
11/10/2011	0.12	0.27
11/11/2011	0.12	0.27
11/14/2011	0.12	0.26

37. For all purposes, the transaction date and not the settlement date shall be used as the date for determining inflation per share, eligibility to file a claim, and the calculation of Recognized Losses. All purchases and sales of Ener1 common shares shall be accounted for and matched using the first-in-first-out (FIFO) method of accounting.

38. The Court has reserved jurisdiction to allow, disallow or adjust the Claim of any Class Member on equitable grounds.

39. Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Southern District of New York with respect to his, her or its Claim Form.

40. Persons and entities that are excluded from the Class by definition or that exclude themselves from the Class will not be eligible to receive a distribution from the Net Settlement Fund and should not submit Claim Forms.

WHAT RIGHTS AM I GIVING UP BY REMAINING IN THE CLASS?

41. If you remain in the Class, you will be bound by any orders issued by the Court. For example, if the Settlement that is approved, the Court will enter a judgment (the “Judgment”). The Judgment will dismiss with prejudice the claims against the Defendants and will provide that, upon the Effective Date of the Settlement, Lead Plaintiffs and each of the other members of the Class on behalf of themselves, their respective heirs, executors, administrators, predecessors, successors and assigns, shall be deemed by operation of law to have released, waived, discharged and dismissed each and every Released Claim (as defined in paragraph 42 below) as against all of the Released Parties (as defined in paragraph 42 below) and shall forever be enjoined from prosecuting any or all Released Claims against any Released Parties.

42. The Released Claims are defined as follows:

“Released Claims” means any and all claims (including “Unknown Claims” as defined below), debts, demands, controversies, obligations, losses, rights, liabilities and/or causes of action of any kind or nature whatsoever - including, but not limited to, any claims for damages (whether compensatory, special, incidental, consequential, punitive, exemplary or otherwise), injunctive relief, declaratory relief, rescission or rescissionary damages, interest, attorneys’ fees, expert or consulting fees, costs, expenses, or any other form of legal or equitable relief whatsoever whether based on federal, state, local, foreign, statutory or common law or regulation, class or individual in nature, known or unknown, fixed or contingent, direct or derivative, suspected or unsuspected, concealed or hidden, accrued or un-accrued, liquidated or un-liquidated, at law or in equity, matured or un-matured, that either have been or could have been asserted in this Action by or any behalf of the Lead Plaintiffs or any other Class Member against any of the Released Parties, which (i) arise out of or are based upon or related in any way to the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Action or the Consolidated Complaint, and/or (ii) arise out of or are based upon or related in any way to Lead Plaintiffs’ or any other Class Member’s purchase, acquisition or holding of Ener1 common stock during the Class Period insofar as it relates in any way to any other matter covered in this definition of Released Claims (except for claims to enforce the Settlement).

“Unknown Claims” means any and all Released Claims which Lead Plaintiffs or other Class Members do not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, and any Released Claims by Defendants as to Plaintiffs which any Released Party does not know or suspect to exist in his, her, or its favor at the time of the release of Lead Plaintiffs or Lead Counsel, which, if known by him, her or it, might have affected his, her or its decision(s) with respect to this Settlement. With respect to any and all Settled Claims and Released Claims by Defendants as to Plaintiffs, the Settling Parties stipulate and agree that, upon the Effective Date, Lead

Plaintiffs and each of the Settling Defendants shall expressly waive, and each of the other Class Members and each of the other Released Parties shall be deemed to have waived, and by operation of the Judgment shall have expressly waived, any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable, or equivalent to California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiffs shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. Lead Plaintiffs and each of the Defendants acknowledge, and each of the other Class Members and each of the other Released Parties shall be deemed by operation of law to have acknowledged, that the foregoing waiver was separately bargained for as a key element of the Settlement.

“Released Parties” means each and all of Defendants and each and all of their Related Parties.

“Related Parties” means each of a Defendants’ past, present or future assigns, attorneys, advisors, representatives, members of his or her Immediate Family, heirs, executors, estates, administrators, insurers (including, without limitation the Contributing Insurer), and any firm, trust, corporation, or other entity in which any of the Defendants has or had a controlling interest; provided, however, that Ener1 shall in no event be deemed a Related Party.

43. The Judgment will also provide that, upon the Effective Date of the Settlement, each of the Defendants and each of the Released Parties, on behalf of themselves, their respective heirs, executors, administrators, predecessors, successors and assigns, shall be deemed by operation of law to have released, waived, discharged and dismissed any and all claims, rights, demands, liabilities or causes of action of every nature and description whatsoever (including, but not limited to, any claims for damages, interest, attorney’s fees, expert or consulting fees, and any other costs, expenses or liabilities whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, including both known claims and Unknown Claims, that have been or could have been asserted in the Action or in this or any other forum against Lead Plaintiffs or Lead Counsel, which arise out of or relate in any way to the institution, prosecution, or settlement of the Action (except for claims to enforce the Settlement), and shall forever be enjoined from prosecuting any such claims against Lead Plaintiffs or Lead Counsel.

**WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING?
HOW WILL THE LAWYERS BE PAID?**

44. Lead Counsel have not received any payment for their services in pursuing claims against the Defendants on behalf of the Class, nor have they been reimbursed for their out-of-pocket expenses. Before final approval of the Settlement, Lead Counsel will apply to the Court for an award of attorneys’ fees on behalf of all Lead Counsel in the amount no greater than 25% of the Settlement Fund. At the same time, Lead Counsel also intend to apply for reimbursement of Litigation Expenses to be paid proportionately from the Settlement Fund in an amount not to exceed \$90,000.00 (which may include an application for reimbursement of the reasonable costs and expenses incurred by Plaintiffs directly related to their representation of the Class). Should the Court approve less than all the Settlement, attorneys’ fees will be paid only with respect to the part of the Settlement that is approved and the Litigation Expenses approved by the Court will be paid proportionately from the Settlement Fund created by the Settlement.

WHAT IS THE PROPOSED INCENTIVE AWARD FOR LEAD PLAINTIFFS?

45. Lead Plaintiffs have overseen the litigation on behalf of the Class Members and have not received any payment for their services on behalf of the Class. Before final approval of the Settlement, Lead Counsel will apply to the Court for an Incentive Award in the amount of \$1,500.00 to be paid to Lead Plaintiffs from the Settlement Fund. Should the Court approve less than all of the proposed \$1,500.00 award, the Incentive Award will be paid only to the extent approved by the Court.

HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

46. To be eligible for a payment from the proceeds of the Settlement, you must be a member of the Class and you must timely complete and return the Claim Form with adequate supporting documentation **postmarked no later than June 29, 2013**. A Claim Form is included with this Notice, or you may obtain one from the website maintained by the Claims Administrator for the Settlement, www.Ener1Settlement.com, or from Lead Counsel's website, www.federmanlaw.com, or you may request that a Claim Form be mailed to you by calling the Claims Administrator toll free at 1-888-963-2898. If you request exclusion from the Class or do not submit a timely and valid Claim Form, you will not be eligible to share in any of the Net Settlement Fund. Please retain all records of your ownership of and transactions in Ener1 common stock, as they may be needed to document your Claim.

47. As a Class Member you are represented by Lead Plaintiffs and Lead Counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file a notice of appearance on your behalf and must serve copies of his or her appearance on the attorneys listed in the section entitled, "When and Where Will the Court Decide Whether to Approve the Settlement," below.

48. If you are a Class Member and do not wish to remain a Class Member, you may exclude yourself from the Class by following the instructions in the section entitled, "What If I Do Not Want to Participate in the Settlement? How Do I Exclude Myself?," below.

49. If you are a Class Member and you wish to object to the Settlement, to the Plan of Allocation, or to Lead Counsel's application for attorneys' fees and reimbursement of Litigation Expenses and an Incentive Award for Lead Plaintiffs, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in the section entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?," below.

WHAT IF I DO NOT WANT TO PARTICIPATE IN THE SETTLEMENT? HOW DO I EXCLUDE MYSELF?

50. Each Class Member will be bound by all determinations and judgments in this lawsuit, whether favorable or unfavorable, unless such person or entity mails or delivers a written Request for Exclusion from the Class, addressed to *In re Ener1, Inc. Securities Litigation*, EXCLUSIONS, Ener1 Securities Litigation, c/o Heffler Claims Administration, P.O. Box 58908, Philadelphia, PA 19102. The exclusion request must be *received* no later than April 15, 2013. You will not be able to exclude yourself from the Class after that date. Each Request for Exclusion must (a) state the name, address and telephone number of the person or entity requesting exclusion; (b) state that such person or entity "requests exclusion from the Class in *In re Ener1, Inc. Securities Litigation*, No. 1:11-CV-05794 (PAC)"; (c) state the number of shares of Ener1 common stock that the person or entity requesting exclusion purchased and/or sold during the Class Period, as well as the dates and prices of each such purchase and sale; and (d) be signed by such person or entity requesting exclusion or

an authorized representative. A Request for Exclusion shall not be effective unless it provides all the information called for in this paragraph and is received within the time stated above, or is otherwise accepted by the Court.

51. If you do not want to be part of the Class, you must follow these instructions for exclusion even if you have pending, or later file, another lawsuit, arbitration, or other proceeding relating to any Released Claim against any of the Released Parties.

52. If you ask to be excluded from the Class, you will not be eligible to receive any payment out of any of the Net Settlement Fund, or any other benefit provided for in the Stipulation.

53. The Defendants have the right to terminate the Settlement if valid requests for exclusion are received from persons and entities entitled to be members of the Class in an amount that exceeds an amount agreed to by Lead Plaintiffs and the Defendants.

WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT?

54. The Settlement Hearing will be held on May 9, 2013 at 4:30 p.m. before the Honorable Paul A. Crotty, at the United States District Court for the Southern District of New York, United States Courthouse, Courtroom 11D, 500 Pearl Street, New York, NY 10007. The Court reserves the right to approve the Settlement at or after the Settlement Hearing without further notice to the members of the Class.

DO I HAVE TO COME TO THE HEARING?

55. Class Members do not need to attend the Settlement Hearing. The Court will consider any submission made in accordance with the provisions below even if the Class Member does not attend the hearing. You can participate in the Settlement without attending the Settlement Hearing.

MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?

56. Any Class Member who does not request exclusion may object to the Settlement, the proposed Plan of Allocation or Lead Counsel's request for an Incentive Award for Lead Plaintiff and an award of attorneys' fees and reimbursement of Litigation Expenses. Objections must be in writing. You must file any written objection, together with copies of all other papers and briefs supporting the objection, with the Clerk's Office at the United States District Court for the Southern District of New York at the address set forth below on or before April 15, 2013. You must also serve the papers on Lead Counsel for the Class and on counsel for the Defendants at the addresses set forth below for their respective counsel so that the papers are received on or before April 15, 2013.

Clerk's Office

United States District Court for the
Southern District of New York
Clerk of the Court
United States Courthouse
500 Pearl Street
New York, NY 10007

Lead Counsel for the Class

William B. Federman, Esq.
FEDERMAN & SHERWOOD
10205 N. Pennsylvania Avenue
Oklahoma City, OK 73120
Tel: (405) 235-1560
Facsimile: (405) 239-2112

Counsel for Defendants

Jonathan C. Dickey, Esq.
GIBSON, DUNN &
CRUTCHER LLP
200 Park Avenue
New York, NY 10166
Tel: (212) 351-4000
Facsimile: (212) 351-4035

57. Any objection to the Settlement (a) must contain a statement of the Class Member's objection or objections, and the specific reasons for each objection, including any legal and evidentiary support the Class Member wishes to bring to the Court's attention; and (b) must include documents sufficient to prove the number of shares of Ener1 common stock that the objecting Class Member purchased and sold during the Class Period, as well as the dates and prices of each such purchase and/or sale. You may not object to the Settlement, the Plan of Allocation or the motion for an Incentive Award, attorneys' fees and reimbursement of expenses if you excluded yourself from the Class or if you are not a member of the Class.

58. You may file a written objection without having to appear at the Settlement Hearing. You may not, however, appear at the Settlement Hearing to present your objection unless you first filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.

59. If you wish to be heard orally at the hearing in opposition to the approval of the Settlement, the Plan of Allocation or Lead Counsel's request for an award of attorneys' fees and reimbursement of expenses and an Incentive Award for Lead Plaintiffs, and if you file and serve a timely written objection as described above, you must also file a notice of appearance with the Clerk's Office and serve it on Lead Counsel and counsel for the Defendants at the addresses set forth above so that it is *received* on or before April 19, 2013. Persons who intend to object and desire to present evidence at the Settlement Hearing must include in their written objection or notice of appearance the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing.

60. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Hearing. If you decide to hire an attorney, which will be at your own expense, however, he or she must file a notice of appearance with the Court and serve it on Lead Counsel and Counsel for the Defendants at the set forth addresses above so that the notice is *received* on or before April 19, 2013.

61. The Settlement Hearing may be adjourned by the Court without further written notice to the Class. If you intend to attend the Settlement Hearing, you should confirm the date and time with Lead Counsel.

Unless the Court orders otherwise, any Class Member who does not object in the manner described above will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the proposed Settlement, the proposed Plan of Allocation or Lead Counsel's request for an award of attorneys' fees and reimbursement of expenses and an Incentive Award for Lead Plaintiffs. Class Members do not need to appear at the Settlement Hearing or take any other action to indicate their approval.

WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF?

62. If you purchased or otherwise acquired Ener1 common stock during the Class Period for the beneficial interest of persons or organizations other than yourself, you must either (a) send a copy of this Notice and the enclosed Claim Form to the beneficial owners of such securities, postmarked no later than fourteen (14) days after you receive this Notice, or (b) provide the names and addresses of such persons or entities no later than fourteen (14) days after you receive this Notice to *In re Ener1, Inc. Securities Litigation*, c/o Heffler Claims Administration, P.O. Box 58908, Philadelphia, PA 19102. If you choose the second option, the Claims Administrator will send a copy of the Notice and the Claim Form to the beneficial owners. Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred, by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice and the Claim Form can be obtained from the website maintained by the Claims Administrator for the Settlement, www.Ener1Settlement.com, or from Lead Counsel's website, www.federmanlaw.com, or you may request that a Claim Form be mailed to you by calling the Claims Administrator toll free at 1-888-963-2898.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

63. This Notice contains only a summary of the terms of the proposed Settlement. For more detailed information about the matters involved in this Action, you are referred to the papers on file in the Action, including the Stipulation, which may be inspected during regular office hours at the Office of the Clerk, United States District Court, Southern District of New York, United States Courthouse, 500 Pearl Street, New York, NY 10007. Additionally, copies of the Stipulation and any related orders entered by the Court will be posted on the website maintained by the Claims Administrator, www.Ener1Settlement.com. All inquiries concerning this Notice should be directed to:

In re Ener1, Inc. Securities Litigation
c/o Heffler Claims Administration
P.O. Box 58908
Philadelphia, PA 19102
Tel: 1-888-963-2892

and

William B. Federman, Esq.
FEDERMAN & SHERWOOD
10205 N. Pennsylvania Avenue
Oklahoma City, OK 73120
Tel: (405) 235-1560
Facsimile: (405) 239-2112

DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF THE COURT REGARDING THIS NOTICE.

Dated: February 22, 2013

By Order of the Clerk of the Court
United States District Court
Southern District of New York