

EXHIBIT

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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

IN RE: ELECTRICAL CARBON : **MDL NO. 1514**
PRODUCTS ANTITRUST LITIGATION : **MASTER CIVIL NO: 03 2182**

**SETTLEMENT AGREEMENT BETWEEN
CLASS PLAINTIFFS AND DEFENDANT SGL CARBON, LLC**

This settlement agreement, dated February 25th, 2005 (the "Settlement Agreement"), is made and entered into by and between: (a) the proposed class representative plaintiffs, on behalf of themselves and on behalf of the Class, by and through their respective counsel of record; and (b) defendant SGL Carbon, LLC ("SGL Carbon") (collectively, the "Settling Parties"). Throughout this Settlement Agreement, any capitalized term not immediately defined is defined in accordance with Paragraphs 1 through 15.

WHEREAS the proposed class representative plaintiffs, on behalf of themselves and the Class they seek to represent, have filed putative class actions alleging that various manufacturers or sellers of Electrical Carbon Products, including SGL Carbon, engaged in an unlawful conspiracy to fix, raise, maintain and stabilize the prices of Electrical Carbon Products in the United States; and

WHEREAS SGL Carbon denies each and every allegation of wrongdoing and disclaims any and all wrongdoing or liability whatsoever, and has asserted various defenses to the claims asserted in the Litigation; and

WHEREAS arm's-length settlement negotiations have taken place between the Class Executive Committee and counsel for SGL Carbon, and this Settlement Agreement between Plaintiffs and SGL Carbon has been reached, subject to Final Approval; and

WHEREAS the Class Executive Committee has concluded, after investigation of the facts and after considering the circumstances of the case and the applicable law, that it would be in the best interests of the Class to enter into this Settlement Agreement in order to avoid the uncertainties of litigation, and, further, considers the settlement set forth herein to be fair, reasonable and adequate; and

WHEREAS SGL Carbon has concluded that it will enter into this Settlement Agreement solely to avoid the further expense, inconvenience and burden of this Litigation, and the distraction and diversion of its personnel and resources, and to put to rest this controversy with valued business customers, and to avoid the risks inherent in uncertain complex litigation;

IT IS THEREFORE STIPULATED AND AGREED, by and between the class representative plaintiffs (on behalf of themselves and the Class they seek to represent) and SGL Carbon, that the Litigation shall be compromised, resolved, discharged, settled and dismissed on the merits and with prejudice as to the Releasees, subject to approval of the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure and subject to the following terms and conditions:

DEFINITIONS

1. "Class Executive Committee" shall refer to Steven A. Asher of Fox Rothschild LLP; Melissa H. Maxman of Duane Morris LLP; Warren Rubin of Law Offices Bernard M. Gross, P.C.; and Howard J. Sedran of Levin, Fishbein, Sedran and Berman.

2. "Class" or "Plaintiffs" means all Persons (excluding federal government entities, Defendants, and their respective parents, subsidiaries and affiliates) who purchased Electrical Carbon Products in the United States, or from a facility located in the United States,

directly from Defendants, their parents, affiliates, subsidiaries or alleged co-conspirators, during the period January 1, 1990, through December 31, 1999.

3. "Class Member" means each member of the Class who does not timely and validly elect to opt out or be excluded from the Class.
4. "Class Period" means the period from January 1, 1990 through December 31, 1999.
5. "Defendant" or "Defendants" means any Person or Persons named as a defendant in the Litigation.
6. "District Court" means the court of the Honorable Jerome B. Simandle of the United States District Court for the District of New Jersey, or such other judge sitting in his place and stead.
7. "Electrical Carbon Products" means: (1) carbon brushes used in consumer products, including fractional horsepower brushes; (2) carbon brushes and current collectors (including pantographs but excluding brush holders and commutators) for automotive and traction-transit applications; (3) carbon brushes used in battery-operated vehicles; and (4) mechanical carbon products for use in pump and compressor industries.
8. "Final Approval" means, with respect to any Judgment of the District Court or any other Court, that such order represents a final and binding determination of all issues within its scope and is not subject to further review on appeal or otherwise. A Judgment or other order becomes "Final" when: (a) if no appeal has been filed, the prescribed time for commencing an appeal has expired; or (b) if an appeal is filed, either (i) the appeal has been dismissed and the prescribed time, if any, for commencing any further appeal has expired, or (ii)

the order has been affirmed in its entirety and the prescribed time, if any, for commencing any further appeal has expired.

9. "Judgment" means the order entered by the District Court in this Litigation pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, finally (a) approving certification of the Class pursuant to Rule 23 of the Federal Rules of Civil Procedure, solely for settlement purposes; (b) approving the settlement as fair, reasonable and adequate within the meaning of Rule 23; (c) dismissing the Litigation as to the Releasees without costs, with prejudice and on the merits; (d) approving the release of the Released Claims against the Releasees; (e) reserving jurisdiction over the settlement, including all further proceedings concerning the administration, consummation and enforcement of the Settlement Agreement; (f) determining under Rule 54(b) of the Federal Rules of Civil Procedure that there is no just reason for delay and directing that the judgment as to the Releasees be deemed final; and (g) requiring the Class Executive Committee to file with the Clerk of the District Court a record of any Class Members that have elected to exclude themselves from (or "opt out" of) the Class, with a copy to SGL Carbon, and direct the Clerk to maintain the record for a period of five (5) years.

10. "Litigation" means the various actions consolidated by Order of the District Court dated June 25, 2003 and captioned collectively as In re Electrical Carbon Products Antitrust Litigation, MDL No. 1514, Master Civil No. 03-2182 (JBS), pending in the United States District Court for the District of New Jersey.

11. "Notice" means a notice of settlement pursuant to this Settlement Agreement that shall include, in a form agreed upon by the Settling Parties and approved by the District Court in the Preliminary Approval Order, the material terms of the settlement.

12. "Person" means any individual, corporation, partnership, association, affiliate, joint stock company, estate, trust, unincorporated association, or any other type of business or legal entity.

13. "Preliminary Approval Order" means the order entered by the District Court (a) preliminarily approving certification of the Class pursuant to Rule 23 of the Federal Rules of Civil Procedure, solely for settlement purposes; (b) preliminarily approving this settlement between the Class and SGL Carbon in accordance with the terms and conditions of this Settlement Agreement; (c) approving the mailing of the Notice; (d) approving the publication of a summary Notice of the settlement; (e) setting a time during which Plaintiffs may serve written objections to the Settlement Agreement or any provision thereof; and (f) setting a hearing date to consider approval of the Settlement Agreement by the District Court.

14. "Releasees" shall refer jointly and severally, and individually and collectively, to SGL Carbon, its respective present and former parents (including without limitation SGL Carbon AG), subsidiaries, divisions, affiliates, predecessors (including without limitation SGL Carbon Corporation), successors and assigns and all of their respective present and former officers, directors, managers, employees, partners, limited partners, agents, heirs, and their personal representatives, executors, administrators, transfers and assigns.

15. "Releasers" shall refer jointly and severally, and individually and collectively, to the Class Members and to their respective present and former parents, subsidiaries, divisions, affiliates, predecessors, successors and assigns and all of their respective present and former officers, directors, managers, employees, partners, limited partners, agents, heirs, and their personal representatives, executors, administrators, transfers and assigns.

AUTHORIZATION AND BEST EFFORTS

16. Each person executing this Settlement Agreement represents that he or she is fully authorized to enter into the terms and conditions of, and to execute, this Settlement Agreement. Specifically, the members of the Class Executive Committee represent that they have the authority to execute this Settlement Agreement, and that they are executing this Settlement Agreement, on behalf of each Plaintiff and each Class Member.

17. The Settling Parties agree to undertake their best efforts, including all steps and efforts contemplated by this Settlement Agreement and any other steps and efforts that may become necessary by order of the District Court or otherwise, to effectuate this Settlement Agreement, including cooperating in seeking to secure within a reasonable time the entry of the Preliminary Approval Order and, subsequently, Final Approval and the complete and final dismissal with prejudice of the Litigation as to the Releasees. To that end, the Settling Parties shall use their best efforts to obtain Court approval of the settlement.

SETTLEMENT CLASS

18. For purposes of settlement only, the Settling Parties agree that the Litigation shall be certified as a class action pursuant to the requirements of Rule 23 of the Federal Rules of Civil Procedure.

19. Within twenty (20) business days after the execution of this Settlement Agreement, Plaintiffs shall submit to the District Court a motion (the "Motion for Preliminary Approval"), to be joined in or stipulated to by SGL Carbon, requesting the Court to enter a Preliminary Approval Order, preliminarily certifying the Class pursuant to Rule 23 of the Federal Rules of Civil Procedure, solely for settlement purposes; preliminarily approving this Settlement Agreement; authorizing dissemination of Notice to the Class; setting forth a schedule for filing a

motion for Final Approval (the "Motion for Final Approval"); scheduling a hearing to consider Final Approval of this Settlement Agreement; and staying the Litigation against the Releasees, except as required by the terms of this Settlement Agreement. The text of the Motion for Preliminary Approval (including without limitation all exhibits and attachments thereto) shall be acceptable to SGL Carbon in form and content.

20. The Motion for Final Approval submitted by the Plaintiffs shall include a proposed Judgment, which shall finally:

(a) Approve certification of the Class pursuant to Rule 23 of the Federal Rules of Civil Procedure, solely for settlement purposes;

(b) Approve the settlement as fair, reasonable and adequate within the meaning of Rule 23;

(c) Dismiss the Litigation as to the Releasees without costs, with prejudice and on the merits;

(d) Approve the release of the Released Claims against the Releasees;

(e) Reserve jurisdiction over the settlement, including all further proceedings concerning the administration, consummation and enforcement of the Settlement Agreement;

(f) Determine under Rule 54(b) of the Federal Rules of Civil Procedure that there is no just reason for delay and direct that the judgment as to the Releasees be deemed final; and

(g) Require the Class Executive Committee to file with the Clerk of the District Court a record of any Class Members that have elected to exclude themselves from (or "opt out" of) the Class, with a copy to SGL Carbon, and direct the Clerk to maintain the record for a period of five (5) years.

SETTLEMENT SUM

21. (a) In exchange for the release of all Releasees, as set forth herein, SGL Carbon agrees that, within five (5) business days after the date of Final Approval, it will pay or cause to be paid into an escrow account (“Escrow Account”) maintained by the Class Executive Committee at Wachovia Bank in Philadelphia, Pennsylvania, as escrow agent (“Escrow Agent”), the sum of \$225,000 (the “Settlement Sum”), together with accrued interest calculated at the rate of 2.5% from five (5) business days after the date of the Preliminary Approval Order (“Accrued Interest”).

(b) The Escrow Agent shall invest the Settlement Sum and Accrued Interest in instruments backed by the full faith and credit of the United States Government or any agency thereof and shall reinvest the proceeds of those instruments as they mature in similar instruments at their then-current market rates.

(c) The Settlement Sum, Accrued Interest and any income earned thereon shall hereinafter be referred to as the “Settlement Fund.” SGL Carbon shall not be liable for any expenses, costs (including the costs of any Notice pursuant to this Settlement Agreement) or attorneys’ fees paid or incurred by or on behalf of the Class Executive Committee or any other counsel of any Plaintiff, but all such expenses, costs and attorneys’ fees as approved by the District Court shall be paid out of the Settlement Fund upon Final Approval.

(d) The Settlement Fund shall be deemed and considered to be *in custodia legis* of the District Court and shall remain subject to the jurisdiction of that Court until such time as the Settlement Fund shall be fully distributed pursuant to the terms approved by the Court.

RELEASE TERMS

22. Effective on the date of Final Approval, each of the Releasees shall be completely and forever released, acquitted and discharged of all further liability to the Releasers, or any of them, from all manner of claims, demands, actions, rights, suits and causes of action, of any kind whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, accrued or not accrued, concealed or hidden, whether in law or in equity, arising under the laws of the United States or of any state or other jurisdiction, or under any similar statutory or common law, whether sounding in antitrust, unfair or deceptive trade practices or unfair competition or otherwise, through the date on which this Settlement Agreement receives Final Approval, which have been, might have been, are now or could be asserted and which relate to or arise out of any alleged unlawful conspiracy to fix, raise, maintain or stabilize the prices of Electrical Carbon Products in the United States or that are in any way connected with any fact, circumstance, statement, event or matter of any kind that was raised or referred to or could have been raised or referred to in this Litigation or in any of the complaints filed therein. Nothing in this Settlement Agreement shall: (a) limit the right of any Plaintiff to submit a claim and participate in the settlement or to exercise its right to exclude itself from the Class; (b) constitute a release of any commercial claim arising out of an alleged product defect or breach of contract relating to Electrical Carbon Products; or (c) limit the right of any Plaintiff to bring a claim with respect to his, her or its indirect purchases of Electrical Carbon Products. The claims covered pursuant to this Paragraph and those released pursuant to Paragraph 23 are referred to collectively as "Released Claims."

23. In addition to the provisions of Paragraph 22, upon Final Approval, each Class Member hereby expressly waives and releases any and all provisions, rights and benefits conferred by §1542 of the California Civil Code, which provides:

Section 1542. Certain Claims Not Affected by General Release. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor;

or by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to §1542 of the California Civil Code. Each Class Member may hereafter discover facts in addition to, other than or different from those that he, she or it knows or believes to be true with respect to the claims that are the subject matter of the provisions of Paragraph 22, but each Class Member hereby expressly waives and fully, finally and forever settles and releases, upon Final Approval, any claim, whether known or unknown, suspected or unsuspected, fixed or contingent, accrued or not accrued, concealed or hidden, that now exists or heretofore has existed upon any theory of law or equity, which is the subject matter of Paragraph 22, without regard to the subsequent discovery or existence of such different or other facts. The Settling Parties acknowledge and/or shall be deemed to have acknowledged, and by operation of the Judgment shall have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

INVESTMENT AND USE OF THE SETTLEMENT FUNDS

24. The payment set forth in Paragraph 21(a) shall be the only payment that SGL Carbon or any Releasee shall be required to make or cause to be made in connection with the Settlement Agreement. SGL Carbon and the Releasees shall have no responsibility for, no interest in and no liability with respect to the investment of the Settlement Fund, the

determination or calculation of any claim or payment from or distribution of the Settlement Fund, the administration of the Settlement Fund, or any losses incurred in connection with such matters.

QUALIFIED SETTLEMENT FUND

25. The Settlement Fund is intended by the Settling Parties and the Escrow Agent to be treated as a “qualified settlement fund” for federal income tax purposes pursuant to Treas. Reg. § 1.468B-1, and to that end the Settling Parties shall cooperate with each other and shall not take a position in any filing or before any tax authority that is inconsistent with such treatment. At the request of the Settling Parties and the Escrow Agent, a “relation back election” as described in Treas. Reg. § 1.468B-1(j) shall be made so as to enable the Settlement Fund to be treated as a qualified settlement fund from the earliest date possible, and the parties hereto shall take all actions as may be necessary or appropriate to this end. The Class Executive Committee, upon advice of its accountants or tax advisers, shall file all tax returns and pay from the Settlement Fund all taxes (including estimated taxes, interest or penalties) due with respect to the Settlement Fund. After the entry of the Preliminary Approval Order and whether or not Final Approval has occurred, the Class Executive Committee shall pay all other related costs and expenses from the Settlement Fund. Under no circumstances will SGL Carbon or any of the Releasees have any responsibility or liability for the payment of any taxes or tax expenses in connection with the Settlement Fund. In the event that federal or state income tax liability, including interest and penalties, is finally assessed against and paid by SGL Carbon or any Releasee as a result of any income earned on the Settlement Fund, SGL Carbon and the Releasees shall be entitled to reimbursement of such payment from the Settlement Fund, after approval by the Court. SGL Carbon and the Releasees will use their best efforts to resist any

such assessment or payment. SGL Carbon and the Releasees shall have no responsibility or liability for the acts or omissions of the Escrow Agent.

FINAL APPROVAL

26. This Settlement Agreement shall not be final, and no distribution from the Settlement Fund shall be made, until Final Approval. It is agreed that neither the provisions of Rule 60 of the Federal Rules of Civil Procedure nor the All Writs Act, 28 U.S.C. §1651, shall be taken into account in determining the above dates. Appeals relating solely to attorneys' fees, costs and/or the plan of distribution shall not delay Final Approval, provided, however, that any such appeals do not challenge the validity, fairness or adequacy of the settlement or this Settlement Agreement.

RIGHT OF TERMINATION

27. Notwithstanding any other provision of this Settlement Agreement, SGL Carbon shall have the option to terminate the Settlement Agreement if: (i) the District Court refuses or fails to grant the Motion for Preliminary Approval; (ii) the District Court refuses or fails to approve this settlement; (iii) the District Court refuses or fails to enter a Judgment in accordance with this Settlement Agreement; or (iv) the District Court enters the Judgment, and appellate review is sought, and on such review such Judgment is not affirmed in its entirety by the highest court to which any appeal is taken.

CLASS LIST

28. SGL Carbon will provide to the Class Executive Committee, subject to the Protective Order entered by the District Court on or about March 4, 2004, lists of the names and addresses of customers who purchased Electrical Carbon Products in the United States directly from it or directly from its facilities located in the United States during the Class Period, to the

extent that such lists are available. Such lists shall be provided by SGL Carbon in computer readable and mailing label formats, if available, no later than fifteen (15) days after the entry of the Preliminary Approval Order. The Class Executive Committee will send a Notice, approved by the Court pursuant to Rule 23 of the Federal Rules of Civil Procedure, to the Class shown on such lists provided by SGL Carbon and all other defendants.

MISCELLANEOUS PROVISIONS

29. Except as specified in this paragraph, the fact of this settlement shall not be construed to affect, in any manner whatsoever, any joint and several liability of any non-settling defendants for the alleged conspiracy and other acts alleged in the Third Consolidated Amended Complaint in the Litigation, any putative common law rule or practice or state or local statute to the contrary notwithstanding. Class Members shall not exclude from the dollar amount claimed against any other defendant in the Litigation any damages based upon any Releasee's sales of Electrical Carbon Products in the United States to such members during the Class Period except those sales, if any, that would be excluded by operation of applicable law.

30. Whether or not Final Approval occurs, this Settlement Agreement, and any and all negotiations, documents and discussions associated with it, shall not under any circumstances be construed or deemed to be an admission or evidence of any violation of any statute or law by SGL Carbon or any other Releasee, or of any liability on the part of or wrongdoing by SGL Carbon or any other Releasee, or of the validity of any of the claims asserted in the Litigation.

31. This Settlement Agreement constitutes the entire agreement and understanding of the parties relating to the subject matter contained herein and shall supersede any prior agreements, whether written or oral, between the Settling Parties. Neither of the

Settling Parties has made any representation to the other concerning the subject matter of this Settlement Agreement except as expressly set forth herein. This Settlement Agreement may not be altered, amended or modified except by a writing duly executed by the parties hereto. Notwithstanding anything to the contrary in this paragraph, all agreements made during the course of the Litigation relating to the confidentiality of information and documents, or the requirements for the return and destruction of documents produced in the Litigation, shall survive this Settlement Agreement and remain binding on the parties hereto.

32. Nothing in this Settlement Agreement shall be construed to subject any Releasee to the jurisdiction or application of any laws of the United States.

33. The District Court shall retain jurisdiction over the implementation and enforcement of this Settlement Agreement.

34. This Settlement Agreement may be executed in several counterparts, including pages sent by facsimile, all of which shall constitute one and the same instrument.

35. The headings set forth herein have been inserted for convenience only. They should not be considered a part of this Settlement Agreement and shall not limit, modify or affect the meaning or interpretation of this Settlement Agreement.

36. This Settlement Agreement shall become effective, upon execution by all parties hereto, as of February 25, 2005.

FOR SGL CARBON, LLC:

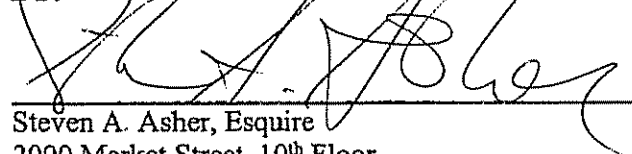
BY: 

Its: V. P. FINANCE

FOR PLAINTIFFS:

FOX ROTHSCHILD LLP

BY:



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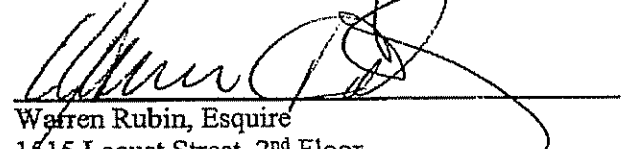
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