

THE PROPOSED PLAN OF ALLOCATION FOR THE CLASS ACTION

The Claims Administrator shall determine each Authorized Claimant's pro rata share of the Net Settlement Fund based upon each Authorized Claimant's Recognized Loss calculated using the Court-approved Plan of Allocation (the "Plan"). The Recognized Loss formula below is not intended to estimate the amount a Settlement Class Member might have been able to recover after a trial; nor to estimate the amount that will be paid to Authorized Claimants pursuant to the Settlements, but rather is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

Any authorized Claimant who receives any funds from the Fair Fund shall have their Recognized Loss reduced by the amount of money received from the Fair Fund.

If, as expected, the amount in the Net Settlement Fund is not sufficient to permit payment of the total Recognized Loss of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's Recognized Loss bears to the total of the Recognized Losses of all Authorized Claimants — i.e., the Authorized Claimant's pro rata share of the Net Settlement Fund. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

Based on the foregoing, each Authorized Claimant's Recognized Loss will be calculated as follows:

Puda Coal Common Stock

For each share of Puda Coal common stock purchased or otherwise acquired during the period December 8, 2010 through April 11, 2011, and:

- a. sold prior to April 8, the Recognized Loss per share is zero.
- b. sold within the period April 8, 2011 through and including September 2, 2011, the Recognized Loss per share is the lesser of:
 - i. \$12.04 per share; or
 - ii. the purchase price per share less the sales price per share.
- c. retained beyond September 2, 2011 but sold before November 30, 2011, the Recognized Loss per share is the lesser of:
 - i. \$12.04 per share;
 - ii. the difference between the purchase price and the sales price; or
 - iii. the purchase price per share less the price per share identified in Table-1 for the date the share(s) were sold.¹ Table-1 is available for review at www.pudacoalfund.com.
- d. retained on November 30, 2011, the Recognized Loss per share is the lesser of:
 - i. the difference between the purchase price per share and \$0.59 per share.

Call Options

For call options on Puda Coal common stock purchased or otherwise acquired from December 8, 2010 to April 11, 2011, inclusive, and:

- a. closed (through sale, exercise or expiration) before the close of trading on April 7, 2011, the Recognized Loss per call option is zero.
- b. sold after the close of trading on April 11, 2011 but before the close of trading on November 30, 2011, the Recognized Loss per call option is the difference between the price paid for the call option less the proceeds received from the sale of the call option contract;

¹ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this chapter in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated to the market." \$0.59 was the mean (average) daily closing trading price of Puda Coal common stock during the 90-day period beginning on September 2, 2011 and ending on November 30, 2011.

- c. expired after the close of trading on April 7, 2011 but before the close of trading on November 30, 2011, the Recognized Loss per call option is the purchase price of the call option minus the value of the call option on the date of expiration. The value of the call option on the date of expiration will be the closing stock price at date of expiration (or next available trading date), minus the strike price (if less than 0 the value is 0); or
- d. if the call option was held unexpired at least through November 30, 2011, the Recognized Loss will be the purchase price minus the holding value of the call option. The holding value of the call option will be \$0.59 minus the strike price (if less than 0 the value is 0).

For call options on Puda Coal common stock written (sold) from December 8, 2010 to April 11, 2011, inclusive, the claim per call option is zero.

Put Options

For put options on Puda Coal common stock written from December 8, 2010 to April 11, 2011,² inclusive, and:

- a. closed (through purchase, assignment or expiration) before the close of trading on April 7, 2011, the Recognized Loss per put option is zero;
- b. purchased after the close of trading on April 11, 2011 but before the close of trading on November 30, 2011, the Recognized Loss per put option is the difference between the sale price for the put option less the purchase price of the put option contract;
- c. expired after the close of trading on April 7, 2011 but before the close of trading on November 30, 2011, the Recognized Loss per put option is the value of the put option on the date of expiration minus the sale price of the put option. The value of the put option on the date of expiration will be the closing stock price at date of expiration (or next available trading date), minus the strike price (if less than 0 the value is 0); or
- d. if the put option was held unexpired at least through November 30, 2011, the Recognized Loss will be the holding value of the put option minus the sale price of the put option. The holding value of the put option will be \$0.59 minus the strike price (if less than 0 the value is 0).

For put options on Puda Coal common stock purchased or otherwise acquired from December 8, 2010 to April 11, 2011, inclusive, the claim per put option is zero.

In the event a Settlement Class Member has more than one purchase or sale of Puda common stock during the Settlement Class Period, all purchases and sales within the Settlement Class Period shall be matched on a First-In, First-Out (“FIFO”) basis. Settlement Class Period sales will be matched first against any holdings at the beginning of the Settlement Class Period, and then against purchases in chronological order, beginning with the earliest purchase made during the Settlement Class Period.

A purchase or sale of Puda common stock will be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date. All purchase and sale prices shall exclude any fees and commissions. The receipt or grant by gift, devise, or operation of law of Puda securities during the Settlement Class Period will not be deemed a purchase or sale for the calculation of a claimant’s Recognized Loss, nor will it be deemed an assignment of any claim relating to the purchase of such shares unless specifically provided in the instrument of gift or assignment. The receipt of Puda common stock during the Settlement Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of Puda common stock.

To the extent that a claimant had a gain from his, her, or its overall transactions in Puda securities during the Settlement Class Period, the value of the claim will be zero. Shares held before the beginning of the Settlement Class Period and uncovered short sales are excluded from the calculation of overall gain or loss. For shares purchased during the Settlement Class Period and held through November 30, 2011, a value of \$0.59 will be applied as the holding value for the purpose of calculating an overall loss or gain. If a Settlement Class Member had a net market loss in his, her or its trading in Puda securities during the Settlement Class Period, the Settlement Class Member’s net Recognized Loss shall be limited to the Settlement Class Member’s net market loss. The date of covering a “short sale” is deemed to be the date of purchase of shares. The date of a “short sale” is deemed to be the date of sale of shares. The Recognized Loss on “short sales” is zero. In the event that a claimant has an opening short position in Puda common stock, the earliest Settlement Class Period purchases shall be matched against such opening short position and not be entitled to a recovery until that short position is fully covered.

Payment under this Plan of Allocation will be considered conclusive against the Authorized Claimant.

² Excludes those options that expired before April 7, 2011, the date of the first price reaction to the alleged corrective disclosure.