

THE PLAN OF ALLOCATION FOR THE FAIR FUND

Calculation of Eligible Loss Amount per Share

For shares of Puda Coal common stock not purchased in the Secondary Offering, the Eligible Loss Amount per share is \$0.00.

For shares of Puda Coal common stock purchased in the Secondary Offering and:

- a. Sold before the close of trading on April 7, 2011, the Eligible Loss Amount per share is \$0.00;
- b. Sold between the opening of trading on April 8, 2011 and the close of trading on April 30, 2012, the Eligible Loss Amount per share is \$12.00 minus the sales price per share;
- c. Held as of the close of trading on April 30, 2012, the Eligible Loss Amount per share is \$12.00.

Pro Rata Calculation

Should the Total Eligible Loss Amount of all Eligible Claimants exceed the Net Fair Fund, the Distribution Agent will distribute funds to the Eligible Claimants based upon a pro rata distribution formula. The Distribution Agent shall determine each Eligible Claimant's pro rata share of the Fair Fund based upon each Eligible Claimant's Total Eligible Loss Amount divided by the Total Eligible Loss Amounts of all Eligible Claimants.

Use of "FIFO" Methodology for Computation of Eligible Losses for Eligible Claimants Who Made Multiple Transactions in Eligible Securities

For Potentially Eligible Claimants who held shares before the Secondary Offering and/or made multiple purchases, acquisitions or sales of the Eligible Securities after the Secondary Offering, the sales of shares after the Secondary Offering will be matched in chronological order first against the claimant's closing position on the day before the Secondary Offering, until that day's closing position has been exhausted; then remaining sales after the Secondary Offering will be matched in chronological order against purchases or acquisitions made in the Secondary Offering until all such shares have been exhausted. Purchases and sales of eligible securities shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date.

Computation of the Eligible Loss Amount for Each Eligible Claimant

The Eligible Loss Amount will be calculated for each Eligible Security that was purchased in the Secondary Offering, listed in the Proof of Claim Form, and for which adequate documentation is provided. The Total Eligible Loss Amount for each Eligible Security is calculated by multiplying the number of shares by the appropriate Eligible Loss Amount per share as calculated in the formula above. An Eligible Claimant's Total Eligible Loss Amount equals the sum of Eligible Loss Amounts for all shares purchased in the Secondary Offering.