

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

**In re: PUDA COAL SECURITIES INC.
LITIGATION**

11cv2598 (DLC)

NOTICE OF SETTLEMENT

PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE SUPPLEMENTS THE JOINT NOTICE SENT TO CERTAIN INVESTORS OF PUDA COAL COMMON STOCK AND OPTIONS REGARDING THE FAIR FUND AND CLASS ACTION SETTLEMENTS

A FEDERAL COURT AUTHORIZED THIS NOTICE.

Plaintiffs in the above-captioned class action (the “Action”) have requested approval of a settlement with Defendant MSPC Certified Public Accountants and Advisors, P.C. sued as Moore Stephens, P.C. (“MSPC” or “Defendant”) that provides for MSPC to pay \$125,000 for the benefit of the Settlement Class (the “MSPC Settlement”). The Settlement Class consists of those persons or entities that purchased Puda Coal, Inc. (“Puda”) common stock or call options or sold Puda put options during the period from December 8, 2010, through and including April 11, 2011 (the “Settlement Class Period”).

The MSPC Settlement is in addition to (1) the \$7.4 million settlement with Defendant Macquarie Capital (USA) Inc.; (2) the \$1.2 million settlement with Defendant Brean Murray, Carret & Co.; (3) the settlement with Defendants Lawrence S. Wizel and C. Mark Tang that provided for payment of \$100,000 and assignment of certain claims for the benefit of the Settlement Class (collectively the “Class Action Settlements”); and (4) the \$15 million made available to purchasers of Puda common stock in Puda’s December 2010 Offering through the Securities and Exchange Commission Fair Fund process relating to Macquarie (the “Fair Fund Settlement”).

A detailed explanation of the litigation and the settlements is set forth in the Joint Notice of the Class Action Settlements and the Fair Fund Settlement issued in February 2016. PLEASE VISIT www.pudacoalfund.com, EMAIL info@pudacoalfund.com OR CALL 877-276-7324 TO OBTAIN MORE INFORMATION OR A COPY OF THE JOINT NOTICE.

Background to MSPC Settlement

This Action alleged a fraudulent scheme orchestrated by Puda’s former Chairman, Ming Zhao (“Zhao”). Plaintiffs initially asserted claims against MSPC and Moore Stephens Hong Kong (“MSHK” and together with MSPC, the “Auditor Defendants”) arising from their audit of Puda’s financial statements. Following extensive discovery, the Auditor Defendants filed motions for summary judgment. On June 8, 2015, the Court entered a final order of dismissal as to the Auditor Defendants.

The Plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the Second Circuit (the “Auditor Appeal”).¹ While the Auditor Appeal was still pending with the Second Circuit, Plaintiffs and MSPC agreed in principle to settle this Action. The appeal went forward as to MSHK only. On May 20, 2016, the Second Circuit affirmed the Court’s grant of summary judgment and dismissal of all claims against MSHK. Because the theory of liability against MSPC was identical to that against MSHK, MSPC would likely have prevailed on appeal as well. However, MSPC has agreed that it will proceed with the settlement of Plaintiffs’ claims against it on the terms and conditions set forth herein. MSPC is entering into this Settlement without admitting any liability to the Plaintiffs or the other Settlement Class Members.

Plaintiffs recommend acceptance of the Settlement. Absent this Settlement, there will be no recovery in this Action from MSPC.

¹ For purposes of this Notice, “Plaintiffs” means, collectively, Salomón Querub, Howard Pritchard, Hotel Ventures LLC, Steven Weissmann and Trelus Management Company LLC.

WHAT WILL THE \$125,000 BE USED FOR?

The Plaintiffs will request the Court to permit the entirety of the \$125,000 in MSPC Settlement funds be used to reimburse Plaintiffs' Counsel and to pay the cost of pursuing assigned claims against Puda's insurance company, PICC, for the benefit of the Settlement Class. Plaintiffs intend to request that the Court apply the \$125,000 settlement proceeds as follows:

- \$40,715.60 to reimburse Plaintiffs' Counsel for the costs that were taxed by the District Court Clerk in favor of MSHK and paid by Plaintiffs' Counsel.
- \$84,284.40 to pay the Jun He Law Firm, a China-based law firm, to initiate litigation against PICC to enforce a judgment against the U.S. directors that is payable by PICC, as well as to pursue claims against PICC that the U.S. Directors have assigned to the Settlement Class. The nominal amount of the claims against PICC is at least \$1.8 million.

If the efforts in China are successful in recovering funds for the Settlement Class, such funds shall be distributed to Authorized Claimants, as defined in the Joint Notice, at a later date. For complete information on how payments will be calculated for those who have filed Claim Forms, please review the Plan of Allocation for the Class Action available in the Joint Notice.

If the Court denies the application to use the \$125,000 Settlement proceeds to reimburse Plaintiffs' Counsel and to fund the litigation against PICC in China, Plaintiffs' Counsel will request that the balance of the \$125,000 Settlement proceeds be added to the Net Settlement Funds for distribution to the Settlement Class in accordance with the Plan of Allocation described in the Joint Notice.

YOUR LEGAL RIGHTS AND OPTIONS IN THE MSPC SETTLEMENT

Object to the MSPC Settlement no later than April 19, 2017 .	Write to the Court about why you do not like the MSPC Settlement.
Exclude yourself from the MSPC Settlement no later than April 19, 2017 .	Send a letter to the Claims Administrator stating that you do not want to participate in the MSPC Settlement, nor be bound by its releases of MSPC, its employees, agents and similarly situated persons.
Attend the Hearing on May 10, 2017 at 10:30 a.m.	Speak in Court about the fairness of the Settlement.
Do Nothing.	Be bound by the MSPC Settlement.

The Hearing Regarding the MSPC Settlement

A hearing has been scheduled on the proposed MSPC Settlement for **May 10, 2017 at 10:30 a.m.**, before the Honorable Denise Cote in the United States District Court for the Southern District of New York, United States Courthouse, 500 Pearl Street, New York, New York 10007 (the "Settlement Hearing"). At the Settlement Hearing, the Court will determine whether: (a) the MSPC Settlement is fair, reasonable, and adequate; and (b) whether it is fair and reasonable to allocate the MSPC Settlement funds to reimburse Plaintiffs' Counsel and to pursue claims against PICC in China. The Court can also consider any other matters that it may wish to address. If there are objections, the Court will consider them.

Please note that the date of the Settlement Hearing is subject to change without further notice. If you plan to attend the hearing, you should check with Plaintiffs' Counsel. The Court has the authority to make certain modifications to the Settlement without further notice to Class Members.

How Do I Tell the Court That I Don't Like the MSPC Settlement?

If you are a Settlement Class Member and do not exclude yourself, you can object to the MSPC Settlement and give reasons why you think the Court should not approve it. Objections must be in writing. To object, you must file a written objection with the Court saying that you object to the proposed MSPC Settlement, or the specific portion thereof to which you are objecting, in the case captioned, *In re Puda Coal Securities, Inc., Litig.*, No. 11cv2598 (S.D.N.Y.) (DLC).

Your written objection must be sent to both the Court and to Plaintiffs' Counsel and must be received by them no later than **April 19, 2017**.

Clerk of the U.S. District Court for the Southern District of New York
Daniel Patrick Moynihan United States Courthouse
500 Pearl Street
New York, NY 10007-1312
Attn. *In re Puda Coal Securities Litigation*, 11cv2598

Lionel Z. Glancy
Glancy Prongay & Murray LLP
1925 Century Park East, Ste. 2100
Los Angeles, CA 90067
Attn. *In re Puda Coal Securities Litigation*, 11cv2598

Counsel for Plaintiffs will forward your objection to the lawyers for MSPC.

Any objection must include: (a) the full name, address and telephone number of the objecting Settlement Class Member; (b) a list and documentation of all of the Settlement Class Member's transactions involving Puda common stock (or put/call options) during the Settlement Class Period; (c) a written statement of all grounds for the objection; (d) copies of any documents upon which the objection is based; (e) a statement of whether you intend to appear at the Settlement Hearing; (f) a list of other cases in which you or your counsel have appeared either as settlement objectors or as counsel for objectors in the preceding five years; and (g) the objector's signature, even if represented by counsel. If you intend to appear at the Settlement Hearing through counsel, the objection must also state the identity of all attorneys who will appear at the Settlement Hearing.

If you submit an objection, you are submitting yourself to the jurisdiction of the Court with respect to the subject matter of the Settlement, including, but not limited to, the release that will be contained in the final judgment. Any member of the Settlement Class who does not object in the manner provided above will be deemed to have waived all objections.

How Do I Get Out of the Settlement?

If you do not want to be bound by this Settlement, and you want to keep the right to sue or continue to sue MSPC with respect to the Settled Claims, then you must take steps to get out of the Settlement. This is called excluding yourself from -- or "opting out" of -- the Settlement.

To exclude yourself from the Settlement, you must mail a letter stating you want to be excluded as a Class Member from *In re Puda Coal Securities Litigation*, Case No. 11cv2598 (DLC). You must include your name, address, telephone number, e-mail address and your signature, along with an accurate list of all of your purchases and sales of Puda securities in the Class Period, including the dates of each purchase and sale, the number of shares in each transaction, and the amounts paid or received in each transaction (excluding commissions, taxes and other charges). You must mail your exclusion request so that it is postmarked or received no later than **April 19, 2017**, to the following two addresses:

Lionel Z. Glancy
Glancy Prongay & Murray LLP
1925 Century Park East, Ste. 2100
Los Angeles, CA 90067

In re Puda Coal Securities Litigation, 11cv2598
P.O. Box 2838
Portland, OR 97208-2838

If you do not timely exclude yourself from the Settlement, you will be bound by the Settlement and will release all claims against MSPC concerning your ownership of Puda Securities, as set forth in the Stipulation of Settlement. You may review the Stipulation at www.pudacoalfund.com.

The Lawyers Representing You in the MSPC Settlement

The Court has appointed the law firms The Rosen Law Firm P.A. and Glancy Prongay & Murray LLP as Plaintiffs' Counsel to represent Plaintiffs and all other Settlement Class Members in the Class Action. If you have any questions about the proposed MSPC Settlement, you may contact Plaintiffs' Counsel using the contact information at the end of this Notice.

Plaintiffs' Counsel have already received \$1.5 million for their services in pursuing the claims asserted in the Class Action in respect of the prior Class Action Settlements, and have been reimbursed for their out-of-pocket expenses. Plaintiffs' Counsel are not requesting any legal fees in connection with this MSPC Settlement. They are requesting, however, reimbursement of the \$40,715.60 they paid for costs taxed in favor of MSHK, as described above.

Do I Have to Come to the Class Action Settlement Hearing?

No. Plaintiffs' Counsel will answer any questions the Court might have. But you are welcome to come at your own expense. If you send an objection, you do not have to come to the Court to talk about it. As long as you mailed your written objection so that it was received by the deadline, the Court will consider it when it considers whether to approve the Settlement.

CONCLUSION

This Notice contains only a summary of the proposed MSPC Settlement. You may obtain a complete copy of the Stipulation of Settlement, as well information related to the Class Action Settlements and the Fair Fund Settlement at www.pudacoalfund.com. You can also call the Claims Administrator at 877-276-7324.

You may also contact representatives of Class Action Plaintiffs' Counsel: Lionel Z. Glancy, Glancy Prongay & Murray LLP, 1925 Century Park East, Suite 2100, Los Angeles, CA 90067, (T) (310) 201-9150, (F) (310) 432-1495, info@glancylaw.com.

This Notice does not express any opinion by the Court concerning the merits of the claims and defenses of the parties to the Class Action.

PLEASE DO NOT CALL OR WRITE THE COURT REGARDING THIS NOTICE.

BY ORDER OF THE COURT

Hon. Denise Cote
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Dated: February 17, 2017