

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

FRANK SIMMONS, Individually and on Behalf of
all Others Similarly Situated,

Plaintiff,

v.

CHRISTOPHER J. SPENCER, JOHN
BUSSHAUS, and FAB UNIVERSAL CORP.,

Defendants.

Case No.: 13-CV-8216 (RWS)

NOTICE OF PENDENCY AND SETTLEMENT OF CLASS ACTION

If you purchased the common stock and/or call option contracts of FAB Universal Corp. (“FAB”), or sold (wrote) put option contracts of FAB during the period between June 15, 2012 and November 21, 2013, both dates inclusive, you could get a payment from a class action settlement (the “Settlement”).

Under law, a federal court has authorized this notice.

- If approved by the Court, the Settlement will provide \$1,500,000, plus interest earned thereon (the “Settlement Amount”), to pay claims of investors who purchased the common stock, call options, or sold put options of FAB during the period between June 15, 2012 and November 21, 2013, both dates inclusive (the “Class Period”), and were damaged thereby.
- The Settlement represents an average recovery of \$0.04 per damaged share of FAB common stock. This estimate solely reflects the average recovery per damaged share of FAB. This is not an estimate of the actual recovery per share or options contract you should expect. Your actual recovery will depend on the aggregate losses of all Class Members, the date(s) you purchased and sold FAB common stock or options and the total number of claims filed.
- Attorneys for the Lead Plaintiffs (“Lead Counsel”) intend to ask the Court to award them fees of up to one-third of the Settlement Amount, and reimbursement of litigation expenses not to exceed \$90,000. Lead Counsel also intends to ask the Court to grant Lead Plaintiffs awards not to exceed \$10,000 in total. Collectively, the attorneys’ fees and litigation expenses and the award to Lead Plaintiffs are estimated to average \$0.016 per damaged share of FAB common stock. If approved by the Court, these amounts will be paid from the Settlement Fund.

- The approximate recovery, after deduction of attorneys’ fees and expenses and awards to Lead Plaintiffs approved by the Court, is an average of \$0.024 per damaged share of FAB common stock. This estimate is based on the assumptions set forth in the preceding paragraph. Your actual recovery, if any, will vary depending on the prices at which you purchased and sold FAB common stock or options and the number of Proof of Claim forms filed.
- The Settlement resolves the lawsuit as to whether FAB, Christopher J. Spencer, and John Busshaus (collectively, “Defendants”) or Zhang Hongcheng violated the federal securities laws by misrepresenting the true financial condition of FAB. The Defendants deny the allegations in the lawsuit and deny any wrongdoing. The Defendants and Lead Plaintiffs disagree on liability and damages. Lead Plaintiffs believe that, if they prevailed on all their claims and the Court accepted their theory of damages, they would recover approximately \$1.81 per share, before deductions for fees and expenses and assuming that the full amount of the judgment was collectable. Defendants believe that, if this matter is litigated, Plaintiffs are likely to recover nothing.
- Your legal rights will be affected whether you act or do not act. If you do not act, you may permanently forfeit your right to recover on this claim. Therefore, you should read this notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

SUBMIT A CLAIM FORM NO LATER THAN JANUARY 18 , 2016	The only way to get a payment.
EXCLUDE YOURSELF NO LATER THAN JANUARY 6, 2016	Get no payment. This is the only option that allows you to be part of any other lawsuit against Settling Defendants about the legal claims in this case.
OBJECT NO LATER THAN JANUARY 6, 2016	Write to the Court about why you do not like the Settlement.
GO TO A HEARING ON JANUARY 27, 2016	Speak in Court about the fairness of the Settlement.
DO NOTHING	Get no payment. Give up rights.

INQUIRIES

Please do not contact the Court regarding this Notice. All inquiries concerning this Notice, the Proof of Claim form, or any other questions by Class members should be directed to:

FAB UNIVERSAL CORP. SECURITIES LITIGATION
 c/o Heffler Claims Group
 P.O. Box 58970
 Philadelphia, PA 19102-8970
www.FABUniversalSecuritiesLitigation.com
 Toll Free: 844-491-5738

COMMON QUESTIONS AND ANSWERS CONCERNING THE SETTLEMENT

1. Why did I get this Notice?

You or someone in your family may have purchased the common stock, call options, or sold put options of FAB during the Class Period.

2. What is this lawsuit about?

The case is known as *Simmons v. Spencer, et al.*, Case No. 13-CV-8216 (RWS) and the Court in charge of the case is the United States District Court for the Southern District of New York.

Defendants in this case are FAB and its officers Christopher J. Spencer and John Busshaus. Lead Plaintiffs allege that the Defendants violated the federal securities laws by issuing materially false and misleading financial statements filed with the Securities and Exchange Commission. The Defendants and Lead Plaintiffs disagree on liability and damages. The Defendants deny any wrongdoing and deny that they can be held liable under the federal securities laws. The Settlement resolves all of the claims against the Defendants in the Class Action.

3. What is a class action?

In a class action, one or more persons and/or entities, called Lead Plaintiffs, sue on behalf of all persons and/or entities that have similar claims. All of these persons and/or entities are referred to collectively as a Class, and these individual persons and/or entities are known as Class Members. One court resolves all of the issues for all Class Members, except for those Class Members who exclude themselves from the Class.

4. Why is there a Settlement?

Lead Plaintiffs and Defendants do not agree regarding the merits of Lead Plaintiffs' allegations with respect to liability or the average amount of damages per share that would be recoverable if Lead Plaintiffs were to prevail at trial on each claim. The issues on which the Lead Plaintiffs and Defendants disagree include: (1) whether Defendants issued materially false and misleading financial statements for FAB filed with the Securities and Exchange Commission during the Class Period; (2) whether the alleged materially false and misleading financial statements were made with fraudulent intent; (3) whether the alleged materially false and misleading financial statements were the cause of the Class Members' alleged damages; and (4) the amount of damages, if any, suffered by the Class Members.

This matter has not gone to trial and the Court has not decided in favor of either Lead Plaintiffs or Defendants. Instead, Lead Plaintiffs and Defendants have agreed to settle the Class Action. The Lead Plaintiffs and Lead Counsel believe the Settlement is best for all Class Members because of the risks associated with continued litigation and the nature of the defenses raised by the Defendants. Among the reasons that Lead Plaintiffs and Lead Counsel believe the Settlement is fair are that there were risks in proving that Defendants' financial statements were both materially false and misleading and made with fraudulent intent, there were risks in proving damages, and Defendants' insurance coverage was being depleted due to ongoing litigation. Because of the potential difficulty in enforcing and being able to collect from a judgment, even if Plaintiffs win at trial, and also prevail on any

on appeal, Plaintiffs might not be able to collect some, or all, of any judgment they are awarded. Moreover, while litigation of this type is usually expensive, it appears that, even if Plaintiffs' allegations are eventually found to be true, the total amount of damages to which Class Members are entitled could be substantially reduced as the Plaintiffs and Defendants vastly differed on their view of damages.

5. How do I know if I am part of the Settlement?

To be part of the Settlement, you must be a Class Member, which means that you must have purchased the common stock, call options or sold put options of FAB during the period between June 15, 2012 and November 21, 2013, inclusive, and suffered losses in your investment as a result of the decline in the value of FAB securities.

6. Are there exceptions to being included?

Yes. You are not part of the Class if you are a Defendant, a member of any Defendant's immediate family, any entity in which any Defendant has a controlling interest, directors and officers of FAB, and the affiliates, legal representatives, heirs, predecessors, successors and assignees of any such excluded party. Also, you are excluded from the Class if you suffered no compensable losses (such as persons who bought FAB securities during the Class Period but sold prior to any partial corrective disclosure).

7. What does the Settlement provide?

a. What is the Settlement Fund?

The proposed Settlement calls for Defendants to create a Settlement Fund (the "Settlement Fund") in the amount of \$1,500,000. The Settlement will not become effective unless it is approved by the Court. Subject to the Court's approval, a portion of the Settlement Fund will be used to pay Lead Plaintiffs' attorneys' fees and reasonable litigation expenses and an award to the Lead Plaintiffs. A portion of the Settlement Fund will also be used to pay taxes due on interest earned by the Settlement Fund, if necessary, and any notice and claims administration expenses permitted by the Court. After these deductions from the Settlement Fund have been made, the amount remaining (the "Net Settlement Fund") will be distributed to Class Members who submit valid claims.

b. What can you expect to receive under the proposed Settlement?

Your share of the Net Settlement Fund will or may depend on: (i) the number of claims filed; (ii) the dates on which you purchased and sold FAB common stock and/or options; (iii) the prices of your purchases and sales; (iv) the amount of administrative costs, including the costs of notice; and (v) the amounts awarded by the Court to Lead Counsel for attorneys' fees, costs, and expenses and to Lead Plaintiffs.

The Plan of Allocation is a matter separate and apart from the proposed Settlement, and any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlement. The Plan of Allocation may be modified in connection with, among other things, a ruling by the Court on an objection filed by a Class Member, without further notice to the Class.

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's compensable loss per share ("Recognized Claim"). The Recognized Claim formula is not intended to be an estimate of the amount a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

The date of purchases or sale is the "contract" or "trade" date as distinguished from the "settlement" date. Therefore, you need to list all of the purchases and sales of FAB common stock and options that you made during the period between June 15, 2012 and November 21, 2013, inclusive. Each claimant is deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that claimant's status as a Class Member and the validity and amount of that claimant's claim. No discovery shall be allowed on the merits of the Litigation.

Payments will be final and conclusive against all Class Members. All Class Members whose claims are not approved by the Court will be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of the Settlement, including the terms of the Order and Final Judgment to be entered in the Litigation and will be barred from bringing any Released Claim against any Released Party, including Unknown Claims (as those terms are defined in the Proof of Claim enclosed with this Notice and in the Stipulation of Settlement, which is available on the Internet at www.FABUniversalSecuritiesLitigation.com, or through the mail upon request to the Claims Administrator).

To the extent a claimant had a trading gain or "broke even" from his, her or its overall transactions in FAB during the Class Period, the value of the Recognized Claim will be zero and the claimant will not be entitled to a share of the Net Settlement Fund. To the extent that a claimant suffered a trading loss on his, her or its overall transactions in FAB during the Class Period, but that trading loss was less than the Recognized Claim calculated above, then the Recognized Claim shall be limited to the amount of the claimant's actual trading loss.

For purposes of calculating your Recognized Claim, all purchases, acquisitions and sales shall be matched on a First In First Out ("FIFO") basis in chronological order. Therefore, on the Proof of Claim enclosed with this Notice, you must list all of the purchases and sales of FAB common stock and options that you made during the time period from June 15, 2012 through and including November 21, 2013.

Payment pursuant to the Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Defendants, Defendants' Counsel, Lead Plaintiffs, Lead Counsel or the Claims Administrator or other agent designated by Lead Counsel based on the distributions made substantially in accordance with the Stipulation of Settlement and the Settlement contained therein, the Plan of Allocation, or further orders of the Court. Each claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to the claimant's

claim. All persons involved in the review, verification, calculation, tabulation, or any other aspect of the processing of the claims submitted in connection with the Settlement, or otherwise involved in the administration or taxation of the Settlement Fund or the Net Settlement Fund shall be released and discharged from any and all claims arising out of such involvement, and all Settlement Class Members, whether or not they are to receive payment from the Net Settlement Fund, will be barred from making any further claim against the Net Settlement Fund beyond the amount allocated to them as provided in any distribution orders entered by the Court.

c. Are there any further limitations on the amount I may receive?

- i) An Authorized Claimant will receive an amount equal to the Authorized Claimant's Recognized Claim described above. If, however, as expected, the amount in the Net Settlement Fund is not sufficient to permit payment of the total Recognized Claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's Recognized Claim bears to the total of the Recognized Claim of all Authorized Claimants.
- ii) For Class Members who conducted multiple transactions in FAB during the Class Period, the earliest subsequent sale shall be matched first against those shares in the Claimant's opening position on the first day of the Class Period, and then matched chronologically thereafter against each purchase made during the Class Period.
- iii) The purchase and sales prices exclude any brokerage commissions, transfer taxes or other fees.
- iv) The covering purchase of a short sale is not an eligible purchase.
- v) Claims calculating to an award amount less than \$10.00 will **NOT** be paid.

8. How can I get a payment?

To qualify for a payment, you must send in a form entitled "Proof of Claim and Release" ("Proof of Claim") form. The Proof of Claim form accompanies this Notice. You may also obtain a Proof of Claim form on the Internet at www.FABUniversalSecuritiesLitigation.com. Read the instructions carefully, fill out the Proof of Claim form, sign it in the location indicated, and mail it together with all documentation requested therein, postmarked no later than January 18, 2016, to:

FAB UNIVERSAL CORP. SECURITIES LITIGATION
c/o Heffler Claims Group
P.O. Box 58970
Philadelphia, PA 19102-8970

The Claims Administrator will process your claim and determine whether you are an "Authorized Claimant." Note that claims calculating to an award less than \$10.00 will **NOT** be paid.

9. What is the Plan of Allocation?

The Plan of Allocation was developed by Lead Counsel with an expert who estimated the amount of inflation per share of common stock in the daily closing market prices for FAB common stock for each day of the Class Period based on Lead Plaintiffs' allegations. In computing the inflation per share, Lead Plaintiffs' expert considered price changes of FAB common stock in reaction to certain public announcements regarding FAB and adjusted the price changes in FAB for changes that were attributable to market and industry forces.

PLAN OF ALLOCATION

I. GENERAL PROVISIONS

A. DEFINITIONS

1. The term "market loss" means the amount by which the actual purchase price is greater than the actual sale or holding price of FAB common stock or call options. For put options, "market loss" means the amount by which the price to close the position or holding price is greater than the actual sale price.
2. The term "market profit" means the amount by which the actual purchase price is less than the actual sale or holding price of FAB common stock or call options. For put options, "market profit" means the amount by which the price to close the position or holding price is less than the actual sale price.
3. The terms "net market loss" and "net market profit" mean any market loss or profit that occurs from the trading of FAB common stock or options during the Class Period, as discussed in "Computation of Net Recognized Loss For Each Class Member" below.
4. The term "Recognized Loss," as used herein, is not market loss or net market loss. Rather, it is a calculation to arrive at a loss figure for purposes of calculating an Authorized Claimant's pro rata participation in the Net Settlement Fund as described below.
5. The term "Net Settlement Fund" means the Settlement Fund less (i) Court awarded attorney's fees and expenses; (ii) Notice and Administration Expenses; (iii) any required Taxes; and (iv) any other fees or expenses approved by the Court.
6. Any capitalized terms not defined herein shall have the definitions assigned in the Stipulation of Settlement.

B. CLASS DEFINITION

The Class includes all persons and entities who purchased FAB common stock or call options or sold put options between June 15, 2012 and

November 21, 2013, both dates inclusive, and who were damaged thereby. The Class does not include:

- a. Defendants, members of any Defendant's immediate family, any entity in which any Defendant has a controlling interest, directors and officers of FAB, and the affiliates, legal representatives, heirs, predecessors, successors and assignees of any such excluded party;
- b. Short sellers; or
- c. Any person or entity who or which properly excludes himself, herself, or itself by filing a valid and timely request for exclusion in accordance with the requirements to be set forth in the Notice.

C. TO RECEIVE A DISTRIBUTION FROM THE NET SETTLEMENT FUND, A CLASS MEMBER MUST:

1. Establish membership in the Class; that is, have purchased FAB common stock or call options or sold put options during the Class Period and have sustained damages as a result of those transactions;
2. Have a Recognized Loss as calculated by the Claims Administrator;
3. Complete and sign the Proof of Claim form and supply all required documentation; and
4. Submit the completed and signed Proof of Claim form and all required documentation to the Claims Administrator so that it is postmarked on or before: January 18, 2016.

D. EACH PROOF OF CLAIM MUST SEPARATELY SET FORTH

1. The claimant's position in FAB common stock or options as of the close of trading on June 14, 2012, the day before the first day of the Class Period; and
2. Each transaction, *i.e.*, purchase or sale of FAB common stock or options, during the Class Period and through November 21, 2013.

II. BASIS FOR RECOGNIZED LOSS FOR CLAIMS

A "Recognized Loss" will be calculated for each purchase of FAB common stock or call options or sale of put options that occurred during the Class Period, is listed on the Proof of Claim form, and for which adequate documentation is provided.

The Recognized Loss for each claimant's transactions will be calculated by the Claims Administrator in consultation with Lead Counsel and in accordance with the provisions of this Plan of Allocation.

A. COMPUTATION OF RECOGNIZED LOSSES FOR CLASS PERIOD TRANSACTIONS

For purposes of developing the Plan of Allocation, Lead Counsel relied on an expert who estimated the amount of inflation per share of common stock in the daily closing market prices for FAB common stock for each day of the Class Period based on Lead Plaintiffs' allegations. In computing the inflation per share, Lead Plaintiffs' expert considered price changes of FAB common stock in reaction to certain public announcements regarding FAB and adjusted the price changes in FAB for changes that were attributable to market and industry forces.

B. USE OF "FIFO" METHODOLOGY FOR COMPUTATION OF RECOGNIZED LOSSES FOR CLASS MEMBERS WHO MADE MULTIPLE TRANSACTIONS IN FAB COMMON STOCK OR OPTIONS DURING THE CLASS PERIOD

For Class Members who made multiple purchases and/or sales of FAB common stock or options during the Class Period, the earliest subsequent sale shall be matched first against the claimant's closing position the day before the first day of the Class Period, and then matched chronologically thereafter against each purchase or acquisition made during the Class Period.

C. PAYMENTS LESS THAN \$10

A payment to a Class Member that would amount to less than \$10.00 in total will not be paid and will not be included in the calculation of the Net Settlement Fund.

III. RECOGNIZED LOSS FOR COMMON STOCK

A. For each share of FAB common stock purchased during the Class Period, the Recognized Loss per share will be computed as follows:

1. If sold on or before September 30, 2013, the Recognized Loss per share is \$0.
2. If sold between October 1, 2013 (the first alleged corrective disclosure), and November 21, 2013 (the end of the Class Period), the Recognized Loss per share is the lesser of (but not less than zero): (i) the artificial inflation at purchase (as shown in Table 1 below) minus the artificial inflation at sale (as shown in Table 1); or (ii) the purchase price minus the sale price.

If still held as of the close of trading on November 21, 2013, the Recognized Loss per share is the lesser of (but not less than zero): (i) the artificial inflation at purchase (as shown in Table 1 below); or (ii) the purchase price minus \$3.07 (the closing price on November 21, 2013).

TABLE 1
Transaction Period

<u>Start Date</u>	<u>End Date</u>	<u>Artificial Inflation</u>
Fri, Jun 15, 2012	Tue, Oct 01, 2013	\$5.16
Wed, Oct 02, 2013	Fri, Oct 04, 2013	\$3.78
Mon, Oct 07, 2013	Wed, Nov 13, 2013	\$3.25
Thu, Nov 14, 2013	Thu, Nov 14, 2013	\$2.74
Fri, Nov 15, 2013	Mon, Nov 18, 2013	\$2.48
Tue, Nov 19, 2013	Tue, Nov 19, 2013	\$1.58
Wed, Nov 20, 2013	Thu, Nov 21, 2013	\$1.11
Fri, Nov 22, 2013	Fri, Nov 22, 2013	\$0.00

IV. RECOGNIZED LOSS FOR OPTIONS CONTRACTS

Exchange-traded options are typically traded in units called contracts. Each contract entitles the option buyer/owner to 100 shares of the underlying stock upon exercise or expiration. For FAB options, a unit is an option with one hundred shares of FAB common stock as the underlying security.

For call and put options held through at least one corrective disclosure date, the Recognized Loss (Gain) shall be calculated as follows:

A. Calculation of Recognized Loss Per Call Option Contract

For publicly traded call options of FAB common stock purchased during the Class Period (and not purchased to close a written call), and held open through at least one corrective disclosure date, the Recognized Loss for each purchase transaction will be computed (using FIFO matching) as follows (but not less than zero):

1. If closed (through sale, exercise or expiration) on or before September 30, 2013, the day before the first alleged corrective disclosure, the Recognized Loss for call options matched to such sales is zero.
2. If closed (through sale, exercise or expiration) between October 1, 2013 and November 21, 2013 (the end of the Class Period), both dates inclusive, the Recognized Loss per call option is the lesser of: (i) the Recognized Loss at purchase (as shown in Table 2 below) minus the Recognized Loss at sale (as shown in Table 2); or (ii) the purchase price minus the price on closing.

3. If open as of the close of trading on November 21, 2013, the Recognized Loss equals the number of call options purchased multiplied by the lesser of: (i) the purchase price per call option minus the Holding Price (as shown in Table 2) multiplied by 100; or (ii) the Recognized Loss per call option still held over an alleged corrective disclosure day (as shown in Table 2) multiplied by 100.

Table 2

Recognized Loss and Holding Prices for FAB Call Options

Expiration Date	Exercise Price	Holding Price	Recognized Loss								
			Jun 15, 2012	Oct 2, 2013	Oct 7, 2013	Nov 14, 2013	Nov 15, 2013	Nov 19, 2013	Nov 20, 2013	Nov 22, 2013	
			to Oct 1, 2013	to Oct 4, 2013	to Nov 13, 2013	to Nov 14, 2013	to Nov 18, 2013	to Nov 19, 2013	to Nov 21, 2013	to Nov 22, 2013	
10/19/13	\$2.50	---	\$1.70	\$0.42	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10/19/13	\$5.00	---	\$1.52	\$0.34	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10/19/13	\$7.50	---	\$0.43	\$0.05	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10/19/13	\$10.00	---	\$0.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10/19/13	\$12.50	---	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10/19/13	\$15.00	---	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$2.50	---	\$2.43	\$1.18	\$0.65	\$0.24	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$5.00	---	\$1.89	\$0.72	\$0.40	\$0.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$7.50	---	\$0.89	\$0.29	\$0.18	\$0.18	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$10.00	---	\$0.46	\$0.16	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$12.50	---	\$0.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$15.00	---	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
12/21/13	\$2.50	\$0.57	\$2.81	\$2.81	\$2.81	\$2.44	\$2.18	\$1.40	\$0.93	\$0.00	\$0.00
12/21/13	\$5.00	\$0.00	\$1.19	\$1.19	\$1.19	\$1.19	\$0.94	\$0.56	\$0.25	\$0.00	\$0.00
12/21/13	\$7.50	\$0.00	\$0.56	\$0.56	\$0.56	\$0.56	\$0.30	\$0.20	\$0.08	\$0.00	\$0.00
12/21/13	\$10.00	\$0.00	\$0.20	\$0.20	\$0.20	\$0.20	\$0.08	\$0.08	\$0.00	\$0.00	\$0.00
12/21/13	\$12.50	\$0.00	\$0.03	\$0.03	\$0.03	\$0.03	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1/18/14	\$2.50	\$0.57	\$4.18	\$2.96	\$2.56	\$2.21	\$2.00	\$1.27	\$0.80	\$0.00	\$0.00
1/18/14	\$5.00	\$0.00	\$2.40	\$1.49	\$1.26	\$1.26	\$1.01	\$0.66	\$0.33	\$0.00	\$0.00
1/18/14	\$7.50	\$0.00	\$1.24	\$0.69	\$0.53	\$0.53	\$0.38	\$0.18	\$0.08	\$0.00	\$0.00
1/18/14	\$10.00	\$0.00	\$0.92	\$0.52	\$0.39	\$0.39	\$0.33	\$0.20	\$0.08	\$0.00	\$0.00
1/18/14	\$12.50	\$0.00	\$0.47	\$0.27	\$0.22	\$0.22	\$0.13	\$0.08	\$0.00	\$0.00	\$0.00
1/18/14	\$15.00	\$0.00	\$0.15	\$0.05	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4/19/14	\$2.50	\$0.57	\$3.74	\$2.54	\$2.30	\$1.91	\$1.91	\$1.30	\$0.83	\$0.00	\$0.00
4/19/14	\$5.00	\$0.00	\$2.79	\$1.76	\$1.42	\$1.33	\$1.30	\$0.82	\$0.35	\$0.00	\$0.00
4/19/14	\$7.50	\$0.00	\$1.59	\$1.01	\$0.88	\$0.88	\$0.76	\$0.45	\$0.20	\$0.00	\$0.00
4/19/14	\$10.00	\$0.00	\$0.99	\$0.52	\$0.44	\$0.44	\$0.41	\$0.28	\$0.05	\$0.00	\$0.00
4/19/14	\$12.50	\$0.00	\$0.92	\$0.56	\$0.51	\$0.51	\$0.48	\$0.35	\$0.10	\$0.00	\$0.00
4/19/14	\$15.00	\$0.00	\$0.51	\$0.28	\$0.28	\$0.28	\$0.25	\$0.18	\$0.03	\$0.00	\$0.00
7/19/14	\$2.50	\$0.57	\$1.22	\$1.22	\$1.22	\$1.22	\$1.22	\$1.22	\$0.75	\$0.00	\$0.00
7/19/14	\$5.00	\$0.00	\$0.82	\$0.82	\$0.82	\$0.82	\$0.82	\$0.82	\$0.35	\$0.00	\$0.00
7/19/14	\$7.50	\$0.00	\$0.48	\$0.48	\$0.48	\$0.48	\$0.48	\$0.48	\$0.28	\$0.00	\$0.00
7/19/14	\$10.00	\$0.00	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.15	\$0.00	\$0.00

B. CALCULATION OF RECOGNIZED LOSS PER PUT OPTION CONTRACT

For publicly traded put options of FAB common stock written during the Class Period, the Recognized Loss for each transaction will be computed (using FIFO matching) as follows (but not less than zero):

1. If closed (through purchase, exercise or expiration) on or before September 30, 2013, the day before the first alleged corrective disclosure, the Recognized Loss for put options matched to such sales is zero.
2. If closed (through purchase, exercise or expiration) between October 1, 2013 and November 21, 2013 (the end of the Class Period), both dates inclusive, the Recognized Loss per put option is the lesser of: (i) the Recognized Loss on the date of sale (as shown in Table 3 below) minus the Recognized Loss on the date closed (as shown in Table 3); or (ii) the price per put option on closing minus the price per put option on sale.
3. If open as of the close of trading on November 21, 2013, the Recognized Loss equals the number of put options written multiplied by the lesser of: (i) the Holding Price per put option (as shown in Table 3) minus the sale price per put option multiplied by 100; or (ii) the Recognized Loss per put option held open over an alleged corrective disclosure date (as shown in Table 3) multiplied by 100.

Table 3

Recognized Loss and Holding Prices for FAB Put Options

Expiration Date	Exercise Price	Holding Price	Recognized Loss								
			Jun 15, 2012	Oct 2, 2013	Oct 7, 2013	Nov 14, 2013	Nov 15, 2013	Nov 19, 2013	Nov 20, 2013	Nov 22, 2013	
			to Oct 1, 2013	to Oct 4, 2013	to Nov 13, 2013	to Nov 14, 2013	to Nov 18, 2013	to Nov 19, 2013	to Nov 21, 2013	to Nov 22, 2013	
10/19/13	\$2.50	---	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10/19/13	\$5.00	---	\$0.21	\$0.11	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10/19/13	\$7.50	---	\$1.38	\$0.48	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10/19/13	\$10.00	---	\$1.59	\$0.51	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10/19/13	\$12.50	---	\$1.67	\$0.51	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10/19/13	\$15.00	---	\$1.72	\$0.51	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$2.50	---	\$0.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$5.00	---	\$0.59	\$0.39	\$0.23	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$7.50	---	\$1.54	\$0.91	\$0.54	\$0.03	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$10.00	---	\$1.95	\$1.05	\$0.64	\$0.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$12.50	---	\$2.26	\$1.16	\$0.76	\$0.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/16/13	\$15.00	---	\$2.42	\$1.27	\$0.76	\$0.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
12/21/13	\$2.50	\$0.00	\$0.53	\$0.53	\$0.53	\$0.28	\$0.28	\$0.20	\$0.15	\$0.00	\$0.00
12/21/13	\$5.00	\$1.93	\$2.03	\$2.03	\$2.03	\$1.52	\$1.52	\$1.13	\$0.75	\$0.00	\$0.00
12/21/13	\$7.50	\$4.43	\$2.62	\$2.62	\$2.62	\$2.11	\$2.11	\$1.42	\$0.96	\$0.00	\$0.00
12/21/13	\$10.00	\$6.93	\$2.79	\$2.79	\$2.79	\$2.27	\$2.27	\$1.46	\$1.01	\$0.00	\$0.00
12/21/13	\$12.50	\$9.43	\$2.97	\$2.97	\$2.97	\$2.46	\$2.33	\$1.52	\$1.06	\$0.00	\$0.00
1/18/14	\$2.50	\$0.00	\$0.82	\$0.69	\$0.69	\$0.38	\$0.38	\$0.30	\$0.23	\$0.00	\$0.00
1/18/14	\$5.00	\$1.93	\$2.13	\$1.86	\$1.72	\$1.21	\$1.21	\$0.83	\$0.63	\$0.00	\$0.00
1/18/14	\$7.50	\$4.43	\$3.22	\$2.62	\$2.30	\$1.79	\$1.79	\$1.26	\$0.85	\$0.00	\$0.00
1/18/14	\$10.00	\$6.93	\$3.76	\$2.96	\$2.64	\$2.13	\$2.13	\$1.42	\$0.96	\$0.00	\$0.00
1/18/14	\$12.50	\$9.43	\$3.83	\$3.03	\$2.77	\$2.25	\$2.13	\$1.42	\$0.96	\$0.00	\$0.00
1/18/14	\$15.00	\$11.93	\$4.25	\$3.15	\$2.83	\$2.32	\$2.13	\$1.42	\$0.96	\$0.00	\$0.00
4/19/14	\$2.50	\$0.00	\$0.67	\$0.67	\$0.67	\$0.56	\$0.40	\$0.28	\$0.20	\$0.00	\$0.00
4/19/14	\$5.00	\$1.93	\$2.07	\$1.80	\$1.64	\$1.18	\$1.06	\$0.71	\$0.43	\$0.00	\$0.00
4/19/14	\$7.50	\$4.43	\$2.63	\$2.13	\$2.03	\$1.52	\$1.36	\$0.91	\$0.60	\$0.00	\$0.00
4/19/14	\$10.00	\$6.93	\$3.12	\$2.47	\$2.36	\$1.85	\$1.67	\$1.06	\$0.65	\$0.00	\$0.00
4/19/14	\$12.50	\$9.43	\$3.57	\$2.72	\$2.57	\$2.05	\$1.87	\$1.21	\$0.75	\$0.00	\$0.00
4/19/14	\$15.00	\$11.93	\$3.85	\$2.85	\$2.64	\$2.13	\$1.88	\$1.22	\$0.75	\$0.00	\$0.00
7/19/14	\$2.50	\$0.00	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23	\$0.18	\$0.00	\$0.00
7/19/14	\$5.00	\$1.93	\$0.61	\$0.61	\$0.61	\$0.61	\$0.61	\$0.61	\$0.38	\$0.00	\$0.00
7/19/14	\$7.50	\$4.43	\$0.81	\$0.81	\$0.81	\$0.81	\$0.81	\$0.81	\$0.50	\$0.00	\$0.00
7/19/14	\$10.00	\$6.93	\$0.71	\$0.71	\$0.71	\$0.71	\$0.71	\$0.71	\$0.35	\$0.00	\$0.00

C. COMPUTATION OF NET RECOGNIZED OPTIONS LOSS

The Recognized Loss for each Class member with respect to the purchase of a FAB call option or the sale of a FAB put option is calculated by multiplying the number of options contracts by the appropriate Recognized Loss per option contract, as set forth above. The Net Recognized Options Loss (Gain) equals the sum of all Recognized Losses and all Recognized Gains for all transactions in FAB options contracts.

V. COMPUTATION OF NET RECOGNIZED LOSS FOR EACH AUTHORIZED CLAIMANT

The Net Recognized Loss (Gain) equals the sum of the Net Recognized Common Stock Loss (Gains) and the Net Recognized Options Loss (Gains), each separately calculated as set forth above.

If there is a Net Recognized Loss for all of a Claimant's transactions in the eligible securities, the Claims Administrator will then compute the Recognized Claim for each Authorized Claimant. The Recognized Claim for an Authorized Claimant will be based on the Claimant's pro-rata share of the Net Settlement Fund. The Claimant's Recognized Claim will be calculated by multiplying the Net Settlement Fund by a fraction, the numerator of which is the Claimant's Recognized Loss and the denominator of which is the aggregate Recognized Losses of all Authorized Claimants.

The Recognized Claim Amount received by an Authorized Claimant will exceed his, her, or its Recognized Loss only in the unlikely event that the Net Settlement Fund exceeds the aggregate Total Recognized Losses of all Authorized Claimants.

VI. DISTRIBUTION OF THE NET SETTLEMENT FUND

The Net Recognized Loss will be used for calculating the relative amount of participation by Authorized Claimants in the Net Settlement Fund and does not reflect the actual amount an Authorized Claimant can expect to recover from the Net Settlement Fund. In such event, each Authorized Claimant shall receive his, her, or its, pro rata share of the Net Settlement Fund, which shall be his, her, or its Net Recognized Loss divided by the total of all Net Recognized Losses, multiplied by the total amount in the Settlement Fund.

10. How can I get more information?

You can get more information by contacting the Claims Administrator at 1-844-491-5738. A copy of the Stipulation of Settlement that has been filed with the Court and related documents can be found on the Litigation's website at www.FABUniversalSecuritiesLitigation.com. Copies of Lead Plaintiffs' motions for final approval of the Settlement and Lead Counsel's motion for an award of attorneys' fees and expenses will be posted on the Litigation's website promptly after they have been filed with the Court.

11. What am I giving up to get a payment or stay in the Class?

Unless you exclude yourself, you will remain in the Class. That means that if the Settlement is approved, you and all Class Members will release (agreeing never to sue, continue to sue, or be part of any other lawsuit) all Released Claims against the Released Parties.

“Released Claims” means any and all claims, debts, demands, rights, liabilities and causes of action of every nature and description, known or unknown, contingent or absolute, mature or immature, discoverable or undiscoverable, whether concealed or hidden, suspected or unsuspected, whether arising under federal, state, common or foreign law, which now exist or heretofore have existed, arising from or relating in any manner to (i) the purchase or acquisition of FAB common stock or other FAB securities during the Class Period, and (ii) the allegations, transactions, facts, matters, occurrences, events, acts, disclosures, statements, representations or omissions alleged, asserted, set forth, or referred to in the Litigation or any pleadings or briefs filed therein, including, without limitation, all claims arising out of or relating to any disclosures, public filings or statements by any of the Defendants or Zhang Hongcheng during the Class Period, or relating to the Class Period and the allegations in this Action (including the disclosures set forth in FAB’s reports on Form 8-K dated August 12, 2014 and February 10, 2015).

“Released Parties” means Defendants and Zhang Hongcheng and (i) members of their immediate families, including without limitation marital communities and spouses, and their respective heirs, executors, estates, and administrators; (ii) any of their current, former, or future parents, subsidiaries, affiliates, divisions, partners, joint venturers, officers, directors, principals, shareholders, members, employees, predecessors, successors, assigns and agents (acting in their capacity as agents); and (iii) attorneys, accountants, advisors, insurers (including but not limited to XL Specialty Insurance Company or its successors and assigns (“XL”)), reinsurers, agents (acting in their capacity as agents), associates; and (iv) any other individual or entity in which any Defendant or Zhang Hongcheng has a controlling interest or which is related to or affiliated with any of the Defendants or their current, former, and future legal representatives, heirs, successors in interest or assigns.

“Unknown Claims” means any and all Released Claims that Lead Plaintiffs or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties which, if known by such party, might have affected such party’s decision(s) with respect to this Settlement. With respect to any and all Released Claims, the parties stipulate and agree that upon the Effective Date, Lead Plaintiffs shall expressly, and each Class Member shall be deemed to have, and by operation of the Order and Final 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 Cal. Civ. 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 Plaintiff and the Class Members may hereafter discover facts in addition to or different from this which such party now knows or believes to be true with respect to the subject matter of the Released Claims, but the Lead Plaintiff and the Class Members, upon the Effective Date, by operation of the Order and Final Judgment, shall have fully, finally, and forever settled and released any and all Released Claims, known or Unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, that now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including but not limited to conduct that is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiffs and Defendants acknowledge, and Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Claims was separately bargained for and was a key element of the Settlement.

If you do not exclude yourself from the Settlement, you will be considered to have agreed to the Release unless you exclude yourself from the Settlement by following the instructions in the answer to the following question.

12. How do I get out of the Settlement?

If you do not want to receive a payment from this Settlement, and you want to keep the right to sue or continue to sue Defendants on your own based on the legal claims raised in this Class Action, 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 *Simmons v. Spencer, et al.*, Case No. 13-CV-8216 (RWS). Be sure to include your name, address, telephone number and your signature, along with an accurate list of all of your purchases and sales of FAB common stock and options and supporting account documentation (e.g., brokerage account statements and trade confirmations) showing proof of your purchases and sales during the Class Period. You must mail your exclusion request, so that it is **received** no later than January 6, 2016, to:

FAB UNIVERSAL CORP. SECURITIES LITIGATION
c/o Heffler Claims Group
P.O. Box 58970
Philadelphia, PA 19102-8970

You cannot exclude yourself by telephone or by e-mail. If you properly exclude yourself, you will not receive a payment from the Settlement, you cannot object to the Settlement and, you will not be legally bound by anything that happens in this Class Action.

13. If I do not exclude myself, can I sue Defendants for the same thing later?

No. Unless you exclude yourself, you give up any right to sue Defendants for the claims that this Settlement resolves. If you have a pending lawsuit, speak to your lawyer in that case immediately, since you may have to exclude yourself from this Class to continue your own lawsuit.

14. Do I have a lawyer in this case?

The Court appointed Faruqi & Faruqi, LLP and The Rosen Law Firm, P.A. to represent you and the other Class Members. These lawyers are called Lead Counsel. If you want to be represented by your own lawyer, you may hire one at your own expense. Contact information for Lead Counsel is provided in the response to question 16, below.

15. How will the lawyers be paid?

Lead Counsel and counsel working under their direction have expended considerable time litigating this action on a contingent fee basis, and have paid for the expenses of the litigation themselves with the expectation that if they are successful in recovering money for the Class, they will receive attorneys' fees and be reimbursed for their litigation expenses from the Settlement Fund, as is customary in this type of litigation. Lead Counsel will not receive attorneys' fees or be reimbursed for their litigation expenses except from the Settlement Fund. Therefore, Lead Counsel will file a motion asking the Court at the Settlement Hearing to make an award of attorneys' fees in an amount not to exceed one-third of the Settlement Amount, and for reimbursement of reasonable litigation expenses not to exceed \$90,000. The Court may award less than these amounts. Any amounts awarded by the Court will come out of the Settlement Fund.

16. How do I tell the Court that I do not like the Settlement or any part of it?

You can tell the Court you do not agree with the Settlement, or any part of it, including the proposed Plan of Allocation or the proposed award of attorneys' fees to Lead Counsel by mailing a letter stating that you object to the Settlement in: *Simmons v. Spencer, et al.*, Case No. 13-cv-8216 (RWS). Be sure to include your name, address, telephone number, your signature, a list of your purchases and sales of FAB common stock and options in order to show your membership in the Class, and all of the reasons you object to the Settlement. For the Court to consider your views, you must mail your objections to each of the addresses listed below so that they are **received** no later than January 6, 2016:

COURT	PLAINTIFFS' COUNSEL	DEFENSE COUNSEL
Clerk of the Court United States District Court Southern District of New York 500 Pearl Street New York, NY 10007	Richard W. Gonnello Faruqi & Faruqi, LLP 369 Lexington Avenue, 10th Floor New York, NY 10017 <i>Lead Counsel for Class</i> Phillip Kim The Rosen Law Firm, P.A. 275 Madison Ave., 34th Fl New York, NY 10016 <i>Lead Counsel for Class</i>	Eugene Licker Loeb & Loeb LLP 345 Park Avenue New York, NY 10154 <i>Counsel for FAB, Christopher J. Spencer, and John Busshaus</i>

17. What is the difference between objecting and requesting exclusion?

Objecting is simply telling the Court you do not like something about the Settlement. You can object only if you stay in the Class. Requesting exclusion is telling the Court you do not want to be part of the Class and Settlement. If you exclude yourself, you cannot object to the Settlement because it no longer concerns you.

18. When and where will the Court decide whether to approve the Settlement?

The Court will hold a Settlement Hearing on January 27, 2016, at 12:00 p.m., at the United States District Court for the Southern District of New York, 500 Pearl Street, Courtroom 18C, New York, New York 10007.

At the Settlement Hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate and whether to approve the Settlement. If there are objections, the Court will consider them, and the Court will listen to people who have asked to speak at the Settlement Hearing. The Court may also decide how much money to award Lead Counsel for attorneys' fees and expenses and how much money to award Lead Plaintiffs. The Court may adjourn or postpone the date of the Settlement Hearing without further notice to the Class.

19. Do I have to come to the Settlement Hearing?

No. Class Counsel will answer any questions the Court may have. However, you are welcome to attend at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mail your written objection on time, the Court will consider it. If, however, you, or an attorney you hire, intend to appear at the Settlement Hearing, you must indicate that you will do so in the letter containing your objections or in a separate letter which must be sent to the same persons by the same deadline as in question 16 above.

20. What happens if I do nothing at all?

If you do nothing, you will not receive a payment from the Settlement. However, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against Defendants about the claims made in this case ever again if the Settlement is approved.

DATED: October 16, 2015.

BY ORDER OF THE UNITED STATES
DISTRICT COURT FOR THE SOUTHERN
DISTRICT OF NEW YORK

