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In re SHENGDATECH, INC. SECURITIES :  
LITIGATION : Master No. 1:11-cv-01918-LGS  
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: : CLASS ACTION  
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This Document Relates To: :  
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ALL ACTIONS. :  
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**AMENDED NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION**

**TO: ALL PERSONS WHO PURCHASED THE COMMON STOCK OF SHENGDATECH, INC. (“SHENGDATECH” OR THE “COMPANY”) BETWEEN MAY 6, 2008 AND MARCH 15, 2011, INCLUSIVE.**

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS ACTION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST MAIL OR SUBMIT ONLINE A COMPLETED AND SIGNED PROOF OF CLAIM, ACCOMPANIED BY COPIES OF THE DOCUMENTS REQUESTED HEREIN, NO LATER THAN SEPTEMBER 7, 2015.

**A federal court authorized this Notice. This is not a solicitation from a lawyer.**

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of New York (the “Court”). The purpose of this Amended Notice of Pendency and Proposed Settlement of Class Action (“Notice”) is to inform you of the proposed settlement of this securities class action litigation (the “Settlement”) and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement. The Settlement resolves the Class’s claims asserted against the Released Persons.<sup>1</sup> This Notice describes the rights you may have in connection with the Settlement and what steps you may take in relation to the Settlement and this class action litigation.

The proposed Settlement creates a fund in the amount of One Million Nine Hundred Thousand Dollars (\$1,900,000.00) in cash and will include interest that accrues on the fund prior to distribution. Based on the information currently available to Lead Plaintiffs and the analysis performed by their damages consultant, it is estimated that if Class Members submit claims for 100% of the shares eligible for distribution, the estimated average distribution per share will be approximately \$0.07 before deduction of Court-approved fees and expenses. Historically, actual claims rates are less than 100%, which result in higher distributions per share. Your actual recovery from this fund will depend on a number of variables, including the number of claimants, the number of ShengdaTech common stock you and they purchased, the number of ShengdaTech common stock you and they sold, the expense of administering the claims process, and the timing of your purchases and sales, if any (see the Plan of Distribution below for a more detailed description of how the settlement proceeds will be allocated among Class Members).

KPMG, a Hong Kong partnership (“KPMG HK” or the “Settling Defendant”), has denied and continues to deny each and all of the claims and contentions alleged in the Action. The issues on which the parties disagree include: (1) whether the statements made or facts allegedly omitted were false, material, or otherwise actionable under the federal securities laws; (2) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of ShengdaTech common stock; (3) the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of ShengdaTech common stock; (4) the extent to which external factors, such as general market conditions, influenced the trading price of ShengdaTech common stock; (5) the effect of various market forces influencing the trading price of ShengdaTech common stock; (6) the amount by which the price of ShengdaTech common stock was allegedly artificially inflated (if at all); and (7) the appropriate economic model for determining the amount by which the price of ShengdaTech common stock was allegedly artificially inflated (if at all). Lead Plaintiffs and the Settling Defendant do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiffs were to have prevailed on each claim asserted. The Settling Defendant denies that it has violated federal securities or other laws.

Lead Plaintiffs believe that the proposed Settlement is a very good recovery and is in the best interests of the Class. There were significant risks associated with continuing to litigate and proceeding through motions to dismiss and for summary judgment and trial, and if the Settling Defendant prevailed at any of those stages, the Class would receive nothing. In addition, the amount of damages recoverable by the Class was and is challenged by the Settling Defendant. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law, and had the Action gone to trial, the Settling Defendant intended to assert that all of the losses of Class Members were caused by non-

<sup>1</sup> Capitalized terms not defined here shall have the meaning assigned to them in the Amended Stipulation and Agreement of Settlement dated June 10, 2015 (the “Stipulation” or “Settlement Agreement”), which may be viewed at [www.shengdatechsecuritieslitigation.com](http://www.shengdatechsecuritieslitigation.com). Additional information about the Settlement Agreement may be obtained by calling the toll free number, 1-888-561-8981.

actionable market, industry, general economic or company-specific factors, other than the revelation of the facts alleged to be misleadingly stated or omitted.

Lead Counsel has not received any payment for its services in conducting this Action on behalf of Lead Plaintiffs and the members of the Class, nor have they been paid its litigation expenses. If the Settlement is approved by the Court, Lead Counsel will apply to the Court for attorneys' fees of 25% of the settlement proceeds plus its expenses not to exceed \$80,000.00, plus interest on such amounts, all of which shall be paid from the Settlement Fund. If the amounts requested by counsel are approved by the Court, the average cost per share would be approximately \$0.03.<sup>2</sup> This Notice is not an expression of any opinion by the Court about the merits of any of the claims or defenses asserted by any party in this Action or the fairness or adequacy of the proposed Settlement.

For further information regarding this Settlement you may contact: Rick Nelson, c/o Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, California 92101, Telephone: 800/449-4900. Please do not call any representative of the Settling Defendant or the Court.

## I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A hearing (the "Settlement Hearing") will be held on September 17, 2015, at 10:30 a.m., before the Honorable Lorna G. Schofield, United States District Judge, at the Thurgood Marshall United States Courthouse, 40 Foley Square, Courtroom: 1106, New York, NY 10007. The purpose of the Settlement Hearing will be to determine: (1) whether the Settlement consisting of One Million Nine Hundred Thousand Dollars (\$1,900,000.00) in cash plus accrued interest on the Settlement Fund should be approved as fair, reasonable, and adequate to the Class; (2) whether the proposed plan to distribute the settlement proceeds (the "Plan of Distribution") is fair, reasonable, and adequate; (3) whether the application by Lead Counsel for an award of attorneys' fees and expenses should be approved; and (4) whether the Action against the Released Persons should be dismissed with prejudice, and whether the Judgment, as defined in the Settlement Agreement, and an appropriate Bar Order should be entered. The Court may adjourn or continue the Settlement Hearing without further notice to the Class.

## II. DEFINITIONS USED IN THIS NOTICE

1. "Authorized Claimant" means any member of the Class who submits a timely and valid Proof of Claim and Release form and whose claim for recovery has been allowed pursuant to the terms of the Settlement Agreement.
2. "Claims Administrator" means Gilardi & Co. LLC.
3. "Class" means all Persons (defined below) who purchased common stock of ShengdaTech between May 6, 2008 and March 15, 2011, inclusive. Excluded from the Class are any Defendant in this Action, the officers and directors of ShengdaTech during the Class Period, members of their immediate families, and their legal representatives, heirs, successors or assigns, and any entity in which any Defendant, or any officer or director of ShengdaTech, has or had a controlling interest. Also excluded from the Class are those Persons who timely and validly exclude themselves therefrom.
4. "Class Member" means a Person who falls within the definition of the Class as set forth above.
5. "Class Period" means the period from May 6, 2008 to March 15, 2011, inclusive.
6. "Effective Date" means the first date by which all of the events and conditions specified in ¶7.1 of the Settlement Agreement have been met and have occurred.
7. "Escrow Agent" means BNY Mellon, N.A. or its respective successor(s).
8. "Final" means, with respect to any order of court, including, without limitation, the Judgment, that such order represents a final and binding determination of all issues within its scope and has not been reversed, vacated, or modified in any way and is no longer subject to appellate review, either because of disposition on appeal and conclusion of the appellate process or because of passage, without action, of time for seeking appellate review. Without limitation, an order becomes Final when: (a) either no appeal has been filed and the time has passed for any notice of appeal to be timely filed; or (b) an appeal has been filed and either (i) the court of appeals has affirmed the judgment or dismissed that appeal and the time for any reconsideration or further appellate review has passed; or (ii) a higher court has granted further appellate review and that court has affirmed the underlying judgment or affirmed the court of appeals' decision affirming the judgment or dismissing the appeal. For purposes of this paragraph, an "appeal" shall include any petition for a writ of certiorari or other writ that may be filed in connection with approval or disapproval of this Settlement, but shall not include any appeal which concerns only the issue of attorneys' fees and expenses or any Plan of Distribution of the Settlement Fund.
9. "Judgment" means the judgment and order of dismissal with prejudice to be rendered by the Court upon approval of the Settlement, in the form attached to the Stipulation as Exhibit B.

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<sup>2</sup> The average cost per share of approximately \$0.03 per share assumes Class Notice and Administration costs of \$150,000.00, Lead Plaintiffs' counsel's attorneys' fees of \$475,000.00 (or 25% of the Settlement), Lead Plaintiffs' counsel's costs and expenses of \$80,000.00, and Taxes and Tax Expenses of \$4,000.00.

10. "KPMG Entities" means the Settling Defendant, KPMG International Cooperative, and all other KPMG member firms and affiliates.

11. "Lead Counsel" means Robbins Geller Rudman & Dowd LLP, 58 South Service Road, Suite 200, Melville, NY 11747.

12. "Lead Plaintiffs" mean Edward Schaul and Donald Yaw.

13. "Net Settlement Fund" means the portion of the Settlement Fund that shall be distributed to Authorized Claimants as allowed by the Stipulation, the Plan of Distribution, or the Court.

14. "Person" means an individual, corporation, partnership, limited partnership, limited liability company, joint venture, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and his, her or its spouses, heirs, predecessors, successors, representatives, or assignees.

15. "Plaintiffs' Counsel" means any counsel who filed a complaint in the Action or any action that has been consolidated with the Action.

16. "Plan of Distribution," as further defined in Section VII of this Notice, means a plan or formula of allocation of the Net Settlement Fund whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the Settlement, Taxes and Tax Expenses, and such attorneys' fees, costs, expenses, and interest, and other expenses as may be awarded by the Court. Any Plan of Distribution is not part of the Settlement Agreement and the Released Persons shall have no responsibility or liability with respect thereto.

17. "Related Persons" means, with respect to the KPMG Entities, each and all of their respective present or former parents, subsidiaries, affiliates, successors and assigns, and each and all of their respective present or former officers, directors, employees, employers, attorneys, accountants, financial advisors, commercial bank lenders, insurers, investment bankers, representatives, general and limited partners and partnerships, heirs, administrators, successors, affiliates, agents, spouses, associates, and assigns of each of them, or any trust of which any Related Person is the settlor or which is for the benefit of any Related Person and/or member(s) of its, his or her family and any entity in which any such Related Person has a controlling interest.

18. "Released Claims" means any and all claims and causes of action of every nature and description whether known or unknown, whether arising under federal, state, common or foreign law, arising from either: (i) the purchase of ShengdaTech common stock during the Class Period, or (ii) acts, statements or omissions that were or could have been alleged by Lead Plaintiffs in the Action against the Released Persons. Released Claims include Unknown Claims but do not include and specifically exclude claims to enforce the Stipulation.

19. "Released Persons" means the KPMG Entities, and each and all of their Related Persons.

20. "Settlement Fund" means One Million Nine Hundred Thousand Dollars (\$1,900,000.00) in cash paid by or on behalf of the Settling Defendant pursuant to ¶2.1 of the Settlement Agreement, together with all interest and income earned thereon. Such amount is paid in full and complete settlement of all the Released Claims.

21. "Settling Parties" means Lead Plaintiffs on behalf of themselves and the Class Members, and the Settling Defendant.

22. "Unknown Claims" means any Released Claims which Lead Plaintiffs or any Class Members do not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons, and any claims that the Released Persons do not know or suspect to exist in his, her, or its favor at the time of the release of the Lead Plaintiffs, each and all of the Class Members and Plaintiffs' Counsel, which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons or Lead Plaintiffs, each and all of the Class Members and Plaintiffs' Counsel, or might have affected his, her or its decision not to object to this Settlement or seek exclusion. Unknown Claims include those Released Claims in which some or all of the facts compromising the claim may be suspected, or even undisclosed or hidden. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Lead Plaintiffs and the Settling Defendant shall expressly, and each of the Class Members and Released Persons shall be deemed to have, and by operation of the Judgment shall have, expressly waived to the fullest extent permitted by law the provisions, rights, and benefits of California Civil 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 Plaintiffs and the Settling Defendant shall expressly, and each of the Class Members and Released Persons shall be deemed to have, and by operation of the 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 or foreign or international law, which is similar, comparable, or equivalent to California Civil Code §1542. Lead Plaintiffs, Class Members, and any Released Person may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims and the claims released by the Released Persons, but Lead Plaintiffs and the Settling Defendant shall expressly, and each Class Member and Released Person, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and

forever settled and released any and all Released Claims, or the claims released by the Released Persons, as the case may be, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which 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, whether or not previously or currently asserted in any action. Lead Plaintiffs and the Settling Defendant acknowledge, and the Class Members and Released Persons shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and an essential term of the Settlement of which this release is a part.

### III. THE LITIGATION

This case is currently pending before the Honorable Lorna G. Schofield in the United States District Court for the Southern District of New York. Beginning on March 18, 2011, four putative class action complaints were filed in the Southern District of New York and assigned to the Honorable Thomas P. Griesa.<sup>3</sup> On December 6, 2011, Judge Griesa consolidated the four actions under the caption: *In re ShengdaTech, Inc. Securities Litigation*, Master No. 1:11-cv-01918-LGS (the "Action") and appointed Donald D. Yaw and Edward J. Schaul as lead plaintiffs and approved their selection of Robbins Geller Rudman & Dowd LLP as Lead Counsel for Lead Plaintiffs and the putative class.

Lead Plaintiffs filed their Consolidated Amended Class Action Complaint for Violations of the Federal Securities Laws (the "AC") on October 15, 2012 (Dkt. #23). In the AC, Lead Plaintiffs mistakenly named KPMG LLP, rather than the Settling Defendant, as a defendant. Upon learning of this mistake, Lead Plaintiffs conferred with the Settling Defendant's counsel and entered into a tolling agreement which would allow Lead Plaintiffs to amend the AC to assert claims against the Settling Defendant for its role as ShengdaTech's auditor. On March 8, 2013, Lead Plaintiffs moved to amend the AC (Dkt. #53-55) in order to, among other things, add the Settling Defendant as a party.

On August 6, 2013, in order to preserve their claims against the Settling Defendant since the tolling agreement with the Settling Defendant was due to expire and the Court had not yet ruled on Lead Plaintiffs' motion to amend, Lead Plaintiffs filed their Second Consolidated Amended Class Action Complaint for Violations of the Federal Securities Laws (the "SAC") (Dkt. #65). On August 22, 2013, Judge Griesa issued an opinion dismissing the AC as to Defendants Mudd and Saidman (the "Opinion") (Dkt. #67). However, the Opinion only addressed the allegations of the AC and not the additional allegations of the SAC. See *id.*

On September 3, 2013, this Action was reassigned to Judge Schofield. On September 5, 2013, Lead Plaintiffs moved for reconsideration of the Opinion on the basis that Judge Griesa did not consider the additional allegations included in the SAC (Dkt. #70-71). On October 4, 2013, the Court held a status conference and granted Lead Plaintiffs' motion for reconsideration and their motion for leave to amend the AC to, among other things, add the Settling Defendant as a party (Dkt. #83). On October 28, 2013, Lead Plaintiffs filed their Third Consolidated Amended Class Action Complaint for Violations of the Federal Securities Laws ("TAC") (Dkt. #85).

The TAC generally alleges that the Settling Defendant (i) acted recklessly in conducting its audit of the Company's 2008 and 2009 financial statements; (ii) violated its obligations under Generally Accepted Accounting Standards ("GAAS"); (iii) failed to investigate certain red flags that should have notified it of ShengdaTech's true business operations; and (iv) as a result, ShengdaTech's common stock traded at artificially inflated prices. The TAC asserts claims against the Settling Defendant under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

The Settling Defendant denies each and all of the allegations of wrongdoing made by Lead Plaintiffs in the litigation. The Settling Defendant contends that the TAC does not plead with particularity facts showing the required "strong inference" that the Settling Defendant acted with fraudulent intent. Nor does the TAC properly allege that the Settling Defendant's audit opinions were even false.

On November 25, 2013, the Settling Defendant filed its motion to dismiss the TAC (Dkt. #91-93). The motion was fully briefed by January 13, 2014 (Dkt. #96, #101). While the Settling Defendant's motion to dismiss was *sub judice*, the parties engaged in preliminary settlement discussions. The Settling Defendant responded to Lead Plaintiffs' settlement demand by agreeing to mediate. Thereafter, the parties asked the Court to stay adjudication of the Settling Defendant's motion to dismiss, pending completion of the mediation. Rather than stay adjudication of the Settling Defendant's motion to dismiss as the parties requested, the Court denied the motion without reaching its merits, but with leave for the Settling Defendant to refile if the mediation were not successful.

On September 10, 2014, the Settling Parties participated in a full-day mediation session with David Geronemus, Esq., a respected mediator, who has extensive experience mediating complex class action litigations such as this Action. After a full day of mediation, the Settling Parties executed a Settlement Term Sheet. After further negotiations, on March 27, 2015, the parties executed a Stipulation and Agreement of Settlement.

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<sup>3</sup> The four actions are: (1) *James Thomas Turner v. ShengdaTech, Inc., et al.*, No. 1:11-cv-01918-TPG (filed March 18, 2011); (2) *Marlon Fund SICAV PLC v. ShengdaTech, Inc.*, No. 1:11-cv-01996-RJH (filed March 22, 2011); (3) *Erik S. Mathes v. ShengdaTech, Inc.*, No. 1:11-cv-02064-TPG (filed March 24, 2011); and (4) *Donald D. Yaw and Edward J. Schaul v. ShengdaTech, Inc.*, No. 1:11-cv-03325-TPG (filed May 16, 2011).

#### **IV. CLAIMS OF THE LEAD PLAINTIFFS AND BENEFITS OF SETTLEMENT**

Lead Plaintiffs and Lead Counsel believe that the claims asserted in the Action have merit. However, Lead Plaintiffs and Lead Counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Action against the Settling Defendant through discovery and trial. Lead Plaintiffs and Lead Counsel also have taken into account the uncertain outcome and the risks of any litigation, especially in complex actions such as this Action, as well as the risks posed by the difficulties and delays inherent in such litigation. Lead Plaintiffs and Lead Counsel also are aware of the defenses to the securities law violations asserted in the Action. Lead Plaintiffs and Lead Counsel believe that the Settlement set forth in the Stipulation confers substantial benefits upon the Class in light of the circumstances present here. Based on their evaluation, Lead Plaintiffs and Lead Counsel have determined that the Settlement set forth in the Stipulation is in the best interests of Lead Plaintiff and the Class.

#### **V. THE SETTLING DEFENDANT'S DENIAL OF WRONGDOING AND LIABILITY**

The Settling Defendant has denied and continues to deny that it has violated the federal securities laws or any laws, and maintains that its conduct was at all times proper and in compliance with all applicable provisions of law. The Settling Defendant has denied and continues to deny each and all of the allegations of wrongful conduct contained in the Action, along with all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Action. The Settling Defendant also has denied and continues to deny, *inter alia*, the allegations that the Settling Defendant made any material misstatements or omissions; that any Class Member has suffered any damages; that the price of ShengdaTech common stock was artificially inflated by reason of the alleged misrepresentations, omissions, or otherwise; and that the members of the Class were harmed by the conduct alleged in the Action or that could have been alleged as part of the Action. In addition, the Settling Defendant maintains that it has meritorious defenses to all claims alleged in the Action.

Nonetheless, taking into account the uncertainty, risks, and costs inherent in any litigation, especially in complex cases such as this Action, the Settling Defendant has concluded that further conduct of the Action could be protracted and distracting. The Settling Defendant has, therefore, determined that it is desirable and beneficial to them that the Action be settled in the manner and upon the terms and conditions set forth in the Stipulation. As set forth in ¶¶8.2-8.3 of the Stipulation, the Stipulation shall in no event be construed as or deemed to be evidence of an admission or concession by the Settling Defendant or any of the Released Persons with respect to any claim of any fault or liability or wrongdoing or damage whatsoever, or of any infirmity in the defenses that the Settling Defendant has, or could have, asserted.

#### **VI. TERMS OF THE PROPOSED SETTLEMENT**

The sum of One Million Nine Hundred Thousand Dollars (\$1,900,000.00) has been transferred to the Escrow Agent. The principal amount of \$1,900,000.00, plus any accrued interest, constitutes the Settlement Fund. A portion of the settlement proceeds will be used for certain administrative expenses, including costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund, escrow fees, and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to Lead Counsel as attorneys' fees and for expenses in litigating the case. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Distribution described below to Class Members who submit valid and timely Proof of Claim and Release forms.

#### **VII. PLAN OF DISTRIBUTION**

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Proof of Claim and Release forms ("Authorized Claimants") under the Plan of Distribution described below. The Plan of Distribution provides that you will be eligible to participate in the distribution of the Net Settlement Fund if you have a net loss arising out of all transactions involving ShengdaTech common stock purchased during the Class Period. No distributions will be made to Authorized Claimants who would otherwise receive a distribution of less than \$5.00.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Distribution, Lead Plaintiffs' counsel have consulted with their damages consultant. The Plan of Distribution does not reflect an assessment of the damages that could have been recovered at trial or Lead Plaintiffs' counsel's assessment of the likelihood of establishing liability.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, and as is more likely, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

The total of all profits shall be subtracted from the total of all losses from transactions involving ShengdaTech common stock purchased during the Class Period to determine if a Class Member has a claim. Only if a Class Member had a net loss from the ShengdaTech common stock purchased during the Class Period will such Class Member be eligible to receive a distribution from the Net Settlement Fund.

**PLAN OF DISTRIBUTION**  
**CUSIP: 823213103**

The Plan of Distribution is based on Settling Defendant's alleged misrepresentations during the Class Period; the March 15, 2011 disclosure of these alleged misrepresentations; and other misconduct alleged by Lead Plaintiffs in their TAC. Lead Plaintiffs allege that the March 15, 2011 disclosure that the Company had commenced an internal investigation into "potentially serious discrepancies and unexplained issues" relating to the Company's consolidated financial statements caused the trading of the Company's shares to be halted until June 10, 2011. On the first day the shares resumed trading, they closed at \$0.25 per share, representing a loss of \$3.30 per share from the previous closing price of \$3.55 per share on March 15, 2011. This \$3.30 per share price decline represents Lead Plaintiffs' claimed economic loss, *i.e.*, damages allegedly suffered by Class Members as a result of Settling Defendant's alleged scheme to inflate the prices of ShengdaTech common stock during the Class Period. The Plan of Distribution further limits allowed claims in the event a Class Member had an actual market loss that was less than \$3.30 per share. The Plan of Distribution does not distribute funds to anyone who purchased ShengdaTech shares as a result of the trading halt on that date.

Thus, for shares of ShengdaTech common stock purchased on or between May 6, 2008 and March 14, 2011, the claim per share shall be as follows (but no less than zero):

- A. If sold prior to March 15, 2011, the claim per share is zero.
- B. If retained, or sold, on or after March 15, 2011, the claim per share shall be the lesser of:
  - (i) \$3.30 (June 10, 2011 price decline), or
  - (ii) the difference between the purchase price per share and the sales price per share, or
  - (iii) the difference between the purchase price per share and \$0.25 per share (June 10, 2011 closing price).

For shares of ShengdaTech common stock purchased, or acquired, on March 15, 2011, the claim per share shall be \$0.00.<sup>4</sup> In other words, only Class Members who held or sold shares on or after the March 15, 2011 disclosure were allegedly injured and thus entitled to a recovery. Shareholders who purchased during the Class Period and then sold shares prior to March 15, 2011 disclosure, also known as "in-and-out" traders, also have no damages and thus receive no recovery.

Your share of the Net Settlement Fund will depend on the number of valid Proofs of Claim and Release that Class Members send in and how many shares of ShengdaTech common stock you purchased or acquired during the relevant period and when you bought and sold them.

In the unlikely event there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

For Class Members who held ShengdaTech common stock at the beginning of the Class Period or made multiple purchases, acquisitions or sales during the Class Period, the first-in, first-out ("FIFO") method will be applied to such holdings, purchases, acquisitions and sales for purposes of calculating a claim. Under the FIFO method, sales of ShengdaTech common stock during the Class Period will be matched against purchases or acquisitions of ShengdaTech common stock, in chronological order, first against common stock held at the beginning of the Class Period. The remaining sales of ShengdaTech common stock during the Class Period will then be matched, in chronological order, against ShengdaTech common stock purchased or acquired during the Class Period.

An Authorized Claimant will be eligible to receive a distribution from the Net Settlement Fund only if a Class Member had a net loss, after all profits from transactions in ShengdaTech common stock during the Class Period are subtracted from all losses. However, the proceeds from sales of ShengdaTech common stock which have been matched against ShengdaTech common stock held at the beginning of the Class Period will not be used in the calculation of such net loss.

Any reservation of jurisdiction by the Court to allow, disallow or adjust the claim of any Class Member on equitable grounds is subject to the Court's grant of final approval of the Settlement Agreement.

Payment pursuant to the Plan of Distribution set forth above shall be conclusive against all Authorized Claimants. No Person shall have any claim against Lead Plaintiffs, any Plaintiffs' Counsel, any claims administrator or other Person designated by Lead Plaintiffs' counsel or the Settling Defendant or the Related Persons or the Released Persons or their counsel based on distributions made substantially in accordance with the Stipulation and the settlement contained therein, the Plan of Distribution, or further orders of the Court. All Class Members who fail to complete and file a valid and timely Proof of Claim and Release shall be barred from participating in distributions from the Net Settlement Fund (unless

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<sup>4</sup> Please note that although the Class Period includes March 15, 2011, trading for the shares of ShengdaTech common stock was halted on March 15, 2011, as a result of the disclosure regarding the alleged misrepresentations and omissions cited in the TAC. June 10, 2011 is the date ShengdaTech's shares resumed trading after being halted on March 15, 2011.

otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

#### **VIII. PARTICIPATION IN THE CLASS**

If you fall within the definition of the Class, you are a Class Member unless you elect to be excluded from the Class pursuant to this Notice. If you do not request to be excluded from the Class, you will be bound by any judgment entered with respect to the Settlement in the litigation against the Settling Defendant whether or not you file a Proof of Claim and Release form.

***If you are a Class Member, you need do nothing (other than timely file a Proof of Claim and Release if you wish to participate in the distribution of the Net Settlement Fund). Your interests will be represented by Lead Counsel.*** If you choose, you may enter an appearance individually or through your own counsel at your own expense.

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY MAIL TO THE ADDRESS BELOW OR SUBMIT ONLINE A COMPLETED AND SIGNED PROOF OF CLAIM, ACCOMPANIED BY COPIES OF THE DOCUMENTS REQUESTED HEREIN, NO LATER THAN SEPTEMBER 7, 2015. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim and Release, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Settlement Agreement and the Final Judgment.

#### **IX. EXCLUSION FROM THE CLASS**

You may request to be excluded from the Class. To do so, you must mail a signed written request stating that you wish to be excluded from the Class to:

*ShengdaTech Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 990  
Corte Madera, CA 94976-0990

The request for exclusion must state: (1) your name, address, and telephone number; and (2) all purchases and sales of ShengdaTech common stock made from May 6, 2008 through March 15, 2011, inclusive, including the dates and prices of each purchase or sale, and the number of shares purchased or sold. YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE AUGUST 3, 2015. If you submit a valid and timely request for exclusion, you shall have no rights under the Settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Settlement Agreement or the Judgment.

#### **X. DISMISSAL AND RELEASES**

If the proposed Settlement is approved, the Court will enter a Judgment that will dismiss the Released Claims with prejudice as to all Released Persons as provided in the Settlement Agreement.

The Judgment will provide, among other things, that all Class Members who have not validly and timely requested to be excluded from the Class shall be deemed to have released and forever discharged all Released Claims (to the extent members of the Class have such claims) against all Released Persons as provided in the Settlement Agreement.

#### **XI. APPLICATION FOR ATTORNEYS' FEES AND EXPENSES**

At the Settlement Hearing, Lead Counsel will request the Court to award attorneys' fees of 25% of the Settlement Fund, plus litigation expenses not to exceed \$80,000.00, plus interest thereon. Class Members are not personally liable for any such fees, expenses, or compensation.

To date, Lead Counsel has not received any payment for its services in conducting this Action on behalf of Lead Plaintiffs and the members of the Class, nor have counsel been paid for its expenses. The fee requested by Lead Counsel would compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a contingency basis. The fee requested is within the range of fees awarded to plaintiffs' counsel under similar circumstances in litigation of this type.

#### **XII. CONDITIONS FOR SETTLEMENT**

The Settlement is conditioned upon the occurrence of certain events described in the Settlement Agreement. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Settlement Agreement; and (2) expiration of the time to appeal from or alter or amend the Judgment. Pending the Court's consideration of this Settlement, the Court has stayed all proceedings pertaining to the Settling Defendant, and Class Members are precluded from bringing or pursuing any litigation that seeks to prosecute the Released Claims.

If, for any reason, any one of the conditions described in the Settlement Agreement is not met, the Settlement Agreement might be terminated and, if terminated, will become null and void, and the Settling Parties to the Settlement Agreement will be restored to their respective positions as of September 9, 2014.

### **XIII. THE RIGHT TO BE HEARD AT THE SETTLEMENT HEARING**

Any Class Member who has not validly and timely requested to be excluded from the Class, and who objects to any aspect of the Settlement, the Plan of Distribution, or the application for attorneys' fees and expenses may appear and be heard at the Settlement Hearing.<sup>5</sup> Any such Person must submit and serve a written notice of objection, to be received on or before August 3, 2015 (two weeks prior to the Settlement Hearing), by each of the following:

CLERK OF THE COURT  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK  
Daniel Patrick Moynihan United States Courthouse  
500 Pearl Street  
New York, NY 10007

ROBBINS GELLER RUDMAN  
& DOWD LLP  
SAMUEL H. RUDMAN  
MARIO ALBA JR.  
58 South Service Road, Suite 200  
Melville, NY 11747

ROBBINS GELLER RUDMAN  
& DOWD LLP  
JEFFREY D. LIGHT  
655 West Broadway, Suite 1900  
San Diego, CA 92101

MORGAN, LEWIS & BOCKIUS LLP  
JEFFREY Q. SMITH  
ARI M. SELMAN  
101 Park Avenue  
New York, NY 10178

*Counsel for Lead Plaintiffs*

*Counsel for Defendant KPMG HK*

The notice of objection must demonstrate the objecting Person's membership in the Class, including the number of ShengdaTech common stock purchased and sold from May 6, 2008 through March 15, 2011, inclusive, and contain a statement of the reasons for objection. Only Class Members who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

### **XIV. SPECIAL NOTICE TO BANKS, BROKERS AND OTHER NOMINEES**

If you hold or held any ShengdaTech common stock purchased between May 6, 2008 and March 15, 2011 as nominee for a beneficial owner, then, within ten (10) calendar days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim and Release by First-Class Mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

*ShengdaTech Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 990  
Corte Madera, CA 94976-0990

If you choose to mail the Notice and Proof of Claim and Release yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for, or advancement of, reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and Release and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim and Release, upon submission of appropriate documentation to the Claims Administrator.

### **XV. EXAMINATION OF PAPERS**

This Notice is a summary and does not describe all of the details of the Settlement Agreement. For full details of the matters discussed in this Notice, you may review the Settlement Agreement filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States District Court, Southern District of New York, 500 Pearl Street, New York, NY 10007. The motion papers, with exhibits, including the Settlement Agreement, are also available on the Court's ECF website [www.pacer.gov](http://www.pacer.gov) (for a fee). Certain papers relating to the Settlement, including the Settlement Agreement, are also available at the Claims Administrator's website, [www.shengdatechsecuritieslitigation.com](http://www.shengdatechsecuritieslitigation.com), and additional information may be obtained at the toll free number, 1-888-561-8981.

If you have any questions about the settlement of the Action, you may contact a representative of Lead Counsel: Rick Nelson, c/o Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, Telephone: 1-800-449-4900.

### **DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE**

DATED: June 8, 2015

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

<sup>5</sup> Lead Counsel's pleadings in support of these matters will be filed with the Court on or before September 7, 2015.