UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re SHENGDATECH, INC. SECURITIES LITIGATION	x	Master No. 1:11-cv-01918-LGS
This Document Relates To: ALL ACTIONS.	x	CLASS ACTION

AMENDED NOTICE OF PARTIAL CLASS ACTION SETTLEMENT

In addition to the $1.9 million settlement proceeds from the settlement set forth in the enclosed notice, Lead Plaintiffs also obtained an additional $250,000 in ShengdaTech's bankruptcy proceeding. A brief summary of the proceedings is described below.

As part of the ShengdaTech's bankruptcy proceedings, Lead Plaintiffs filed an objection to a proposed settlement between (i) Zurich – the Company's primary Directors & Officers Liability Insurance ("D&O") carrier, (ii) ShengdaTech, and (iii) ShengdaTech's outside directors (Defendants Mudd and Saidman). In the proposed settlement, Zurich sought to reduce its insurance liability from a maximum of $5 million and pay approximately $3.875 million. Of the $3.875 million, $1 million would be paid to counsel for Mudd and Saidman, and $2.975 million would be paid to the bankrupt estate of ShengdaTech. In attempting to reach this settlement, Zurich argued that, due to the misconduct at the Company during the Class Period, no coverage existed for the Company. Lead Plaintiffs objected to the proposed settlement and argued that the proposed settlement prejudices their rights and that the bankrupt estate of ShengdaTech had no right to this payment.

As a result of Lead Plaintiffs' objection, Lead Plaintiffs obtained a payment of $250,000 from ShengdaTech for the benefit of the Class. Moreover, in addition to the payment, Lead Plaintiffs expressly retained any and all rights against ShengdaTech and the Individual Defendants named in the Third Consolidated Amended Class Action Complaint for Violations of the Federal Securities Laws, provided that Lead Plaintiffs shall have no right to pursue Claims against Zurich or the Zurich policy.[1] The Order can be viewed at www.shengdatechsecuritieslitigation.com.

Thus, the total amount recovered for the class to date is $2,150,000. Lead Counsel intends to apply for an award of 25% of the total recovery of $2,150,000. After the Effective Date, Lead Counsel will transfer the $250,000 (less any attorneys' fees approved by the Court) to the Claims Administrator for distribution to Authorized Claimants.

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 for the combined settlement will be approximately $0.08 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.

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.

DATED: April 20, 2015

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[1] Zurich issued D&O insurance to ShengdaTech for the period March 13, 2010 through March 13, 2012 in the amount of $5 million. In addition to the Zurich policy, ShengdaTech and/or its officers and directors have additional excess policies totaling $15 million for officer and director insurance coverage and related claims.