

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

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PUERTO RICO GOVERNMENT JUDICIARY :  
EMPLOYEES RETIREMENT SYSTEM :  
ADMINISTRATION, CRAIG B. LAUB, J.D. :  
PISUT and SANDRA REDFERN, : 15 Civ. 01938 (DAB)  
 :  
Plaintiffs, :  
 :  
-against- :  
 :  
 :  
MARCUM, LLP, as successor to STONEFIELD :  
JOSEPHSON, INC., :  
 :  
Defendant. :  
-----X

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION, MOTION FOR ATTORNEYS' FEES  
AND SETTLEMENT FAIRNESS HEARING**

**IF YOU PURCHASED OR ACQUIRED FUQI INTERNATIONAL, INC. COMMON STOCK BETWEEN MAY 15, 2009 AND MARCH 27, 2011, INCLUSIVE, AND/OR PURCHASED OR ACQUIRED FUQI INTERNATIONAL, INC. COMMON STOCK PURSUANT TO OR TRACEABLE TO THE SECONDARY OFFERING ON OR ABOUT JULY 22, 2009, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT, AS DESCRIBED IN THIS NOTICE.**

**IF YOU PREVIOUSLY SUBMITTED A PROOF OF CLAIM AND RELEASE FORM (“PROOF OF CLAIM”) IN CONNECTION WITH THE SETTLEMENT OF THE RELATED CLASS ACTION LITIGATION *IN RE FUQI INTERNATIONAL, INC. SECURITIES LITIGATION*, 10 Civ. 2515 (DAB) (THE “FUQI LITIGATION”), AND YOU WISH TO PARTICPATE IN THIS SETTLEMENT, YOU DO NOT NEED TO SUBMIT AN ADDITIONAL PROOF OF CLAIM.**

**IF YOU HAVE NOT PREVIOUSLY SUBMITTED A PROOF OF CLAIM, TO CLAIM YOUR SHARE OF THE SETTLEMENT FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM POSTMARKED ON OR BEFORE NOVEMBER 24, 2017.**

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

Your legal rights are affected whether you act, or don't act.  
Read this Notice carefully.

The purpose of this Notice is to inform you of the pendency and proposed settlement of this class action litigation (the “Action”) and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the settlement. This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the truth of the allegations in the Action or the merits of the claims or

defenses asserted. 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 Action.

**Security and Time Period:** Fuqi International, Inc. (“Fuqi”) common stock (stock symbol: FUQI; cusip no: 36102A207) purchased or acquired between May 15, 2009 and March 27, 2011, inclusive (the “Class Period”). During the Class Period, the stock symbol for Fuqi on the Nasdaq Stock Market was “FUQI”.

**Settlement Fund:** If the settlement is approved, a fund of \$1,100,000 in cash will be established. Your recovery will depend on the number of shares of Fuqi common stock you, and other Class Members who file claims, purchased and sold and the prices at which you, and the other Class Members who file claims, purchased and sold those shares. On February 19, 2016, the Court granted final approval of a settlement involving Fuqi International, Inc. (“Fuqi”), which provided a settlement fund of \$7,500,000 in cash. For the Fuqi settlement – as is the case with the current settlement with Defendant – your recovery will depend on the number of shares of Fuqi common stock you, and other Class Members who file claims, purchased and sold, and the prices at which you, and the other Class Members who file claims, purchased and sold those shares. For the Fuqi settlement, if claims are submitted for 100% of the eligible shares of Fuqi common stock, the estimated average recovery per share of common stock will be approximately \$0.30 per share for shares traceable to the Secondary Offering on or about July 22, 2009 and \$0.12 per share for those who do not have such claims, before deduction of Court-approved fees and expenses and costs of notice and claims administration. This settlement will provide an additional recovery to the Fuqi settlement as explained herein. If claims are submitted for 100% of the eligible shares of Fuqi common stock, the estimated average recovery per share of common stock for this settlement will be an additional approximately \$0.044 per share for shares traceable to the Secondary Offering on or about July 22, 2009 and an additional \$0.018 per share for those who do not have such claims before deduction of Court-approved fees and expenses and costs of notice and claims administration. The actual amount per share you could receive will depend on a number of factors that are explained in the Plan of Allocation and in Question 9 below. The number of shares submitted to share in the Settlement Fund is likely to be different than the total number of shares eligible to participate because some Class Members may not file claims on shares they purchased during the Class Period, and certain shares may have traded more than once during the Class Period and more than one Class Member may file claims on those shares.

**Class:** The Class includes all persons or entities who purchased or acquired shares of Fuqi common stock between May 15, 2009 and March 27, 2011, inclusive, and a Subclass of all persons or entities who purchased or acquired Fuqi common stock pursuant to or traceable to the Secondary Offering on or about July 22, 2009, and who were damaged thereby. Excluded from the Class are Defendant, its agents, representatives, predecessors, successors, subsidiaries, affiliated entities, partners, limited liability partners or members, shareholders, directors, officers, at all relevant times, members of the immediate families of the partners, limited liability partners or members, shareholders, directors, officers of Defendant, any entity in which the Defendant has or had a legal controlling interest, and the legal representatives, heirs, successors, or assigns of Defendant. Also excluded from the Class are the Defendants in the Fuqi Litigation (the “Fuqi Defendants”), Fuqi’s officers and directors, at all relevant times, members of their immediate families, any entity in which any of the Fuqi Defendants has or had a legal controlling interest, and the legal representatives, heirs, successors, or assigns of any of the Fuqi Defendants, and those Persons who timely and validly request exclusion from the Class pursuant to this Notice. References herein to the Class include the Subclass unless stated otherwise.

**Reasons for Settlement:** This Action arises from allegations that during the Class Period, Fuqi suffered from inadequate internal financial controls and accounting errors which resulted in Fuqi’s stock price being artificially inflated as a result of untrue or materially misleading statements concerning the Company’s financial results. Plaintiffs further contend that Fuqi’s independent auditor, Stonefield Josephson, Inc. (the alleged predecessor of Defendant Marcum), made certain statements in connection with Fuqi’s financial results knowing them to be false or misleading, or recklessly disregarding their false or misleading nature, and that investors suffered injury as a result of the alleged inflation in Fuqi’s stock price. Lead Plaintiffs and Lead Counsel believe that the Settlement provides the Class with a benefit now instead of years of further uncertain

litigation, including motions to dismiss, disposition of summary judgment motions, a contested trial and likely appeals, with the possibility of no recovery at all.

The Defendant has denied and continues to deny each and all of the claims and contentions alleged in the Amended Class Action Complaint and believes that it has meritorious defenses to those claims and contentions. The Settlement shall in no event be construed as, or deemed to be evidence of, an admission or concession by the Defendant with respect to any claim of any fault or liability or wrongdoing or damage to the Class Members in this Action.

Nevertheless, Defendant has concluded that further defense of the Action would be protracted and expensive, and also has taken into account the uncertainty, risks and distractions inherent in any litigation.

**If the Case Had Not Settled:** The Settlement must be compared to the risk of no recovery after contested dispositive motions, trial and likely appeals. A trial is a risky proposition and Lead Plaintiffs may not prevail. The claims in the Action involve numerous complex legal and factual issues, many of which would require extensive and costly expert testimony. The Parties disagree on both liability and damages and do not agree on the average amount of damages per share, if any, that would be recoverable if Plaintiffs were to have prevailed on each claim alleged. Among the many key issues about which Lead Plaintiffs and the Defendant do not agree are: (1) whether the Defendant is a successor to Stonefield Josephson, Inc.; (2) whether the Defendant violated the securities laws or otherwise engaged in any wrongdoing; (3) whether the misrepresentations and omissions alleged by the Lead Plaintiffs were material, false, misleading or otherwise actionable under the securities laws; (4) the extent (if any) that the alleged misrepresentations and omissions influenced the trading prices of Fuqi common stock during the relevant period; and (5) the method for determining whether, and the extent to which, purchasers of Fuqi stock suffered injury and damages that could be recovered at trial.

**Statement of the Parties' Position on Damages:** The parties do not agree on the average amount of damages per share that would be recoverable if Plaintiffs were to prevail in the Action. The parties disagree on, among other things: (a) the amount of inflation, if any, allegedly caused by the alleged misrepresentations and omissions; (b) to what extent Class Members' losses were caused by the alleged misconduct; and (c) whether Defendant made a materially false statement or had any intent to make one.

**Attorneys' Fees and Expenses:** Neither Lead Counsel for Plaintiffs, nor Plaintiffs' Additional Counsel have received any payment for their work or reimbursement for expenses incurred in investigating the facts, conducting this litigation and negotiating the Settlement on behalf of the Lead Plaintiff and the Class. Lead Counsel will ask the Court for attorneys' fees not to exceed one-third of the Settlement Fund and expenses not to exceed \$100,000.00 to be paid from the Settlement Fund.

If the above amounts are requested and approved by the Court, the average cost per share of common stock (based on all eligible Class Members submitting valid claims) will be approximately \$0.008 per share, making the estimated recovery per share after fees and expenses of approximately \$0.025 for shares traceable to the Secondary Offering on July 22, 2009 and \$0.010 for those who do not have such claims. The only additional expenses charged against the Net Settlement Fund will be the costs of administration of settlement by the Claims Administrator and any Lead Plaintiff awards.

**Dismissal and Releases:** If the proposed Settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice (the "Judgment"). The Judgment will dismiss the Released Claims with prejudice as to the Released Persons, which include the Defendant, its past, present and future partners, limited liability partners, members, directors, officers, employees, shareholders, present and former attorneys, consultants, financial or investment advisors, commercial bankers, underwriters, banks or investment banks, advisors, engineers, principals or agents (including, without limitation, those acting on behalf of or at the direction of Defendant), personal or legal representatives, insurers, reinsurers, predecessors, successors, parent entities, affiliates, subsidiaries, divisions, assigns, any partnership in which Defendant is a general or limited partner, any entity in which Defendant has a controlling interest, any member of the immediate family of any partner, limited liability partner or member, or any trust or foundation of which Defendant is the settlor. Insurers providing insurance coverage to Defendant and present and former partners, limited liability partners or members of Defendant, are expressly included in the definition of Released Persons. The Judgment will

provide that all Class Members shall be deemed to have released and forever discharged all Released Claims (to the extent Class Members have such claims) against all Released Persons. The terms of the releases, including the meaning of the term “Released Claims,” are set forth in the Proof of Claim and Release form that is enclosed.

**Deadlines:**

Submit Claim: November 24, 2017

File Objection: December 18, 2017

Request Exclusion: December 18, 2017

**Court Hearing on Fairness of Settlement:** January 8, 2018; 11:00 a.m.

**More Information:** [www.fuqiclasssettlement.com](http://www.fuqiclasssettlement.com)

Claims Administrator:

*In re Fuqi International, Inc. Securities*

*Litigation – Marcum Litigation*

Claims Administrator

c/o Angeion Group

1801 Market Street, Suite 660

Philadelphia, PA 19103

1-877-351-0335

Lead Counsel:

Abraham, Fruchter & Twersky, LLP

One Penn Plaza, Suite 2805

New York, NY 10119

212-279-5050

Your legal rights are affected whether you act, or don't act. Read this Notice carefully.

**YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:**

**SUBMIT A CLAIM**

The only way to receive a payment – unless you previously submitted a claim in connection with the Fuqi Litigation.

**OBJECT**

You may write to the Court if you do not like this Settlement.

**EXCLUDE YOURSELF**

Receive no payment. This is the only option that allows you to participate in another lawsuit against the Defendant relating to the Class claims being released in this case.

**GO TO A HEARING**

You may ask to speak in Court about the fairness of the Settlement.

**DO NOTHING**

Receive no payment – unless you previously submitted a claim in connection with the Fuqi Litigation.

- Unless you timely request exclusion from the Class, or unless the Court rejects the proposed Settlement, you are bound by the Settlement Agreement and its Release, whether or not you submit a claim.

- These rights and options — *and the deadlines to exercise them* — are explained in this Notice.
- The Court presiding over this case must decide whether to approve the Settlement. Payments will be made only if the Court approves the Settlement and, if there are any appeals, after appeals are resolved. Please be patient.

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## UNDERSTANDING YOUR PAYMENT

### BASIC INFORMATION

#### **1. Why Did I Receive This Notice Package?**

You or someone in your family may have purchased or acquired Fuqi common stock between May 15, 2009 and March 27, 2011, and/or purchased or acquired Fuqi common stock pursuant to or traceable to the Secondary Offering on or about July 22, 2009.

This Notice was sent because you have a right to know about a proposed Settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments to those persons who timely submit claims in the manner described below.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Southern District of New York, and the case is known as *Puerto Rico Government Judiciary Employees Retirement Sys., et al. v. Marcum, LLP*, Case No. 15 Civ. 01938 (DAB). Puerto Rico Government Employees and Judiciary Retirement Systems Administration, Craig B. Laub, J.D. Pisut, and Sandra Redfern, who brought this action, are called Lead Plaintiffs, and the company they sued, Marcum (as alleged successor to Stonefield Josephson, Inc.) is called the Defendant. The Parties include Lead Plaintiffs and the Defendant.

#### **2. What Is This Action About?**

This Action alleges violations of the Federal Securities Laws (specifically, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and Section 11 of the Securities Act of 1933) against Defendant.

Fuqi was a publicly traded company based in China. Fuqi is a designer of high quality precious metal jewelry and deals in developing, promoting, and selling a broad range of products to the luxury goods market in China. During the Class Period, Fuqi common stock traded on the Nasdaq Stock Market under the ticker symbol "FUQI."

The Plaintiffs allege that, during the Class Period, Fuqi's stock price was artificially inflated as a result of untrue or materially misleading statements concerning the Company's financial results. Plaintiffs further contend that Fuqi's independent auditor, Stonefield Josephson, Inc. (the alleged predecessor of Defendant Marcum), made certain statements in connection with Fuqi's financial results knowing them to be false or misleading, or recklessly disregarding their false or misleading nature, and that investors suffered injury as a result of the alleged inflation in Fuqi's stock price.

#### **3. Why Is This a Class Action?**

Class actions are generally used in lawsuits that affect a large number of individuals; in effect, the class action operates to consolidate into a single action all of the claims of individuals allegedly harmed by the same conduct or course of conduct, thus alleviating the need for members of the class to file their own individual lawsuits to recover for the harm alleged. Once the class is certified, the Court is empowered to resolve all issues on behalf of members of the class, except for those members of the class, if any, who specifically choose to exclude themselves from the class.

All Class Period purchasers of Fuqi common stock are Class Members, except those persons who timely file a request for exclusion by December 18, 2017. All persons who do not timely exclude themselves from the Class will be bound by the proposed Settlement and its accompanying Release.

#### **4. Why Is There a Settlement?**

The Court did not decide in favor of Plaintiffs or Defendant. Instead, both sides agreed to a Settlement after conducting mediation. This permits them to avoid the cost and uncertainty of a trial, and permits eligible Class Members who submit valid claims to receive compensation. The Lead Plaintiffs and their attorneys believe the Settlement is best for all Class Members, and avoids the possibility of being unsuccessful at trial or

during the course of the litigation. The Defendant has concluded that further defense of the Action would be protracted and expensive, and also has taken into account the uncertainty, risks and distractions inherent in any litigation, especially in a complex case such as the Action.

#### **WHO IS IN THE SETTLEMENT**

To see if you will receive money from this Settlement, you first have to determine if you are a Class Member.

#### **5. How Do I Know if I Am Part of the Settlement?**

The Class includes all persons or entities who purchased or acquired shares of Fuqi common stock between May 15, 2009 and March 27, 2011, inclusive, and/or purchased or acquired Fuqi common stock pursuant to or traceable to the Secondary Offering on or about July 22, 2009.

#### **6. What Are the Exceptions to Being Included?**

You are not a Class Member if you are an agent, representative, predecessor, successor, subsidiary, affiliated entity, partner, limited liability partner or member, shareholder, director, officer of Defendant, or, at all relevant times, a member of the immediate families of the partners, limited liability partners or members, shareholders, directors, officers of Defendant, any entity in which any Defendant has or had a legal controlling interest, and the legal representatives, heirs, successors, or assigns of Defendant. Also excluded from the Class are the Fuqi Defendants, the officers and directors of Fuqi, at all relevant times, members of their immediate families, any entity in which any Fuqi Defendant has or had a legal controlling interest, and the legal representatives, heirs, successors, or assigns of any Fuqi Defendant.

#### **7. I'm Still Not Sure if I Am Included.**

If you are still not sure whether you are included, you can ask for free help. You can call the Claims Administrator at 1-877-351-0335 or Abraham, Fruchter & Twersky, LLP at 212-279-5050 for more information. Or you can fill out and return the claim form described below to see if you qualify. If you previously submitted a claim form in connection with the Fuqi Litigation, you do not need to submit another claim form.

### **THE SETTLEMENT BENEFITS — WHAT YOU GET**

#### **8. What Does the Settlement Provide?**

The Settlement will result in a fund of \$1.1 million in cash. The balance of this fund after payment of Court-approved attorneys' fees and expenses, any awards to Lead Plaintiffs, and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing the newspaper notice, and taxes (the "Net Settlement Fund") will be divided, pursuant to the Plan of Allocation described below, among all eligible Class Members who send in valid claim forms or who previously sent in a claim form in the Fuqi Litigation.

#### **9. How Much Will My Payment Be?**

Your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members send in, the number of Fuqi common shares you purchased or acquired during the relevant period, and the timing of your purchases and sales.

You can calculate your Recognized Claim in accordance with the formula shown below in the Plan of Allocation. After all Class Members have sent in their Proof of Claim and Release forms, the payment you receive will reflect your Recognized Claim in relation to the Recognized Claims of all persons submitting Claim Forms. The Recognized Claim is not the amount of the payment that you can expect, but is used to determine how the Net Settlement Fund is allocated among all persons submitting claims.

### **HOW YOU OBTAIN A PAYMENT — SUBMITTING A CLAIM FORM**

#### **10. How Will I Obtain a Payment?**

To qualify for payment, you must be an eligible Class Member, send in a timely and valid Proof of Claim, and properly document your claim as requested in the Claim Form. A Proof of Claim is enclosed with this Notice. You may also get a Proof of Claim on the internet at [www.fuqiclasssettlement.com](http://www.fuqiclasssettlement.com). Read the

instructions carefully, fill out the Proof of Claim, include all the documents the form requires, sign it, and mail it in the enclosed envelope postmarked no later than November 24, 2017 for delivery to the Claims Administrator at the address listed below.

However, if you previously submitted a timely Proof of Claim in connection with the Fuqi Litigation, you do not need to submit an additional Proof of Claim to participate in this Settlement and qualify for payment.

**11. When Will I Receive My Payment?**

The Court will hold a hearing on January 8, 2018, at 11:00 a.m., to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. Even if no appeals are filed, it will take several months for the Claims Administrator to process all of the Proof of Claims and determine the ultimate distribution amounts. Each person or entity that sends in a claim form will be informed of the determination with respect to his, her, or its claim. Please be patient.

**12. What Am I Giving Up to Receive a Payment?**

As a Class Member, you will not be giving up any rights that you currently have by submitting a Proof of Claim to receive a payment. Unless you timely and validly exclude yourself from the Class by the December 18, 2017 deadline, you are a Class Member and will be bound by the Release of claims against the Defendant. That means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendant about the Released Claims in this case. It also means that all of the Court's Orders will apply to you and legally bind you and you will release your claims in this case against the Defendant whether or not you submit a valid Proof of Claim. The terms of the Release are included in the claim form that is enclosed. If the Court approves the Settlement, a Judgment will be entered, dismissing the Released Claims with prejudice against Defendant as to all Class Members.

**EXCLUDING YOURSELF FROM THE CLASS ACTION SETTLEMENT**

If you do not want a payment from the class action Settlement, but you want to keep the right to sue or continue to sue the Defendant on your own for the Released Claims in the class action, then you must take steps to get out of the Class. This is called excluding yourself or is sometimes referred to as opting out of the Class.

**13. How Do I Get Out of the Class?**

To exclude yourself from the Class, you must send a letter by mail stating that you want to be "excluded from the Class in *Puerto Rico Government Judiciary Employees Retirement Sys., et al. v. Marcum, LLP*, Case No. 15 Civ. 01938 (DAB)." You must include your name, address, telephone number, your signature, and the number of shares of Fuqi common stock you purchased between May 15, 2009 and March 27, 2011, inclusive, and/or the number of shares you purchased or acquired pursuant to or traceable to the Secondary Offering on or about July 22, 2009, the number of shares sold during this time period, if any, and the dates and prices of such purchases and/or sales. A request for exclusion shall not be effective unless it provides all the information called for in this paragraph and is postmarked within the time stated below, or is otherwise accepted by the Court. You must mail your exclusion request postmarked no later than December 18, 2017 to:

*In re Fuqi Securities Litigation – Marcum Litigation*  
EXCLUSION REQUEST  
Claims Administrator  
c/o Angeion Group  
1801 Market Street, Suite 660  
Philadelphia, PA 19103

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to receive any Settlement payment, and you cannot object to the class action Settlement. You will not be legally bound by anything that happens in the class action lawsuit.



**14. If I Do Not Exclude Myself, Can I Sue the Defendant for the Same Thing Later?**

No. Unless you timely and validly exclude yourself from the Class, you give up any right to sue the Defendant for the Released Claims in the class action Settlement. If you have a pending lawsuit against the Defendant, speak to your lawyer in that case immediately. Remember, the exclusion deadline is December 18, 2017.

**15. If I Exclude Myself, Can I Receive Money from the Class Action Settlement?**

No. If you exclude yourself, do not send in a Claim Form. But, you may be able to sue, continue to sue, or be part of a different lawsuit involving the Released Claims against the Defendant.

**THE LAWYERS REPRESENTING YOU**

**16. Do I Have a Lawyer in This Case?**

The Court appointed the law firm of Abraham, Fruchter & Twersky, LLP to represent you and other Class Members. These lawyers are called Lead Counsel for Plaintiffs. There are also Additional Counsel for Plaintiffs who have worked on the case. You will not be directly charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

**17. How Will the Lawyers Be Paid?**

Lead Counsel will ask the Court for attorneys' fees of one-third of the Settlement Fund and for expenses up to \$100,000.00, which were advanced in connection with the Action. Such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Plaintiffs' Lead Counsel and Additional Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. Lead Counsel for Plaintiffs and Additional Counsel have committed significant time and expenses in litigating this case for the benefit of the Class. To date, Lead Counsel and Additional Counsel have not been paid for their services in conducting this litigation on behalf of Lead Plaintiffs and the Class, nor for their expenses. The fee requested will compensate Lead Counsel and Additional Counsel for their work in achieving the Settlement Fund.

Lead Counsel shall file a formal motion with the District Court for approval of the Settlement, the Plan of Allocation, and the request for attorneys' fees and reimbursement of expenses not later than 35 days prior to the Settlement Hearing. That motion will argue that Lead Counsel's requested fees are well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court determines what counsel should receive from the Settlement Fund for fees and expenses, and may award less than this amount.

**OBJECTING TO THE SETTLEMENT**

You can tell the Court that you do not agree with the Settlement or some part of it.

**18. How Do I Tell the Court that I Do Not Like the Settlement?**

If you are a Class Member, you can object to the Settlement if you do not like any part of it, including the Plan of Allocation and the request for attorneys' fees or expenses. To object, you must file a written objection, together with copies of all other papers and briefs supporting the objection, with the Clerk's Office, as stated below, saying that you object to the Settlement in *Puerto Rico Government Judiciary Employees Retirement Sys., et al. v. Marcum, LLP*, Case No. 15 Civ. 01938 (DAB). Be sure to include your name, address, telephone number, your signature, documents sufficient to prove the number of shares of Fuqi common stock purchased and/or acquired between May 15, 2009 and March 27, 2011, inclusive, and/or the number of shares you purchased or acquired pursuant to or traceable to the Secondary Offering on or about July 22, 2009, the dates and prices of each such purchase and/or each sale, and the reasons for each objection, including the legal and evidentiary support you wish to bring to the Court's attention. Any objection must be mailed or delivered such that it is received by *each* of the following no later than December 18, 2017:

*Court:*

Clerk of the Court  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK  
Daniel Patrick Moynihan U.S. Courthouse  
500 Pearl Street  
New York, NY 10007-1312

*Lead Counsel Designee:*

Mitchell M.Z. Twersky  
Lawrence D. Levit  
Abraham, Fruchter & Twersky, LLP  
One Penn Plaza, Suite 2805  
New York, NY 10119  
212-279-5050

*Defendant's Counsel Designee:*

Stephen J. Tully  
Garrett & Tully, P.C.  
4615 E. Thousand Oaks Blvd., Suite 201  
Westlake Village, CA 91362  
805-446-4141

## THE COURT'S SETTLEMENT HEARING

The Court will hold a hearing to decide whether to approve the Settlement. You may attend and you may ask to speak, but you do not have to do either.

### **19. When and Where Will the Court Decide Whether to Approve the Settlement?**

The Court will hold a Settlement Hearing on January 8, 2018, at 11:00 a.m., at the Daniel Patrick Moynihan U.S. Courthouse, 500 Pearl Street, Courtroom 24B, New York, New York, 10007. At this hearing the Court will consider whether the Settlement is fair, reasonable and adequate. The Court may move the date or time of the Settlement Hearing to a later date and/or time without further written notice to you. If the date or time of the Settlement Hearing is changed, the new date and/or time will be posted at [www.fuqiclasssettlement.com](http://www.fuqiclasssettlement.com). If there are objections, the Court will consider them. The Court will also consider how much to pay to Lead Counsel and Additional Counsel for Plaintiffs and the Lead Plaintiffs, and whether the Plan of Allocation is fair, reasonable and adequate. The Court may decide these issues at the hearing or take them under consideration for a later decision. We do not know how long these decisions will take.

### **20. Do I Have to Come to the Hearing?**

No. Lead Counsel will answer questions the Court may have. But, you are welcome to come 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 mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

### **21. May I Speak at the Hearing?**

You may ask the Court for permission to speak at the Settlement Hearing. To do so, you must send a letter saying that it is your intention to appear in *Puerto Rico Government Judiciary Employees Retirement Sys.*

*et al. v. Marcum, LLP*, Case No. 15 Civ. 01938 (DAB). Be sure to include your name, address, telephone number, your signature, and the number of shares of Fuqi common stock purchased or acquired, and sold, between May 15, 2009 and March 27, 2011, inclusive, and/or the number of shares you purchased or acquired pursuant to or traceable to the Secondary Offering on or about July 22, 2009. Your notice of intention to appear must be received no later than December 18, 2017, by the Clerk of the Court, Lead Counsel Designee and Defendant's Counsel Designee, at the addresses listed above. If you intend to present evidence or witnesses, you must disclose that information and explain it in your letter. You cannot speak at the hearing if you exclude yourself from the Class.

## **IF YOU DO NOTHING**

### **22. What Happens if I Do Nothing at All?**

If you do nothing, all of your claims against the Defendant will be released, but you will not receive any money from this Settlement because it is necessary to submit a Proof of Claim to receive a distribution from the Settlement Fund unless you previously submitted a Proof of Claim in the Fuqi Litigation. You will still be bound by any judgment entered by the Court if you do nothing.

## **GETTING MORE INFORMATION**

### **23. Are There More Details About the Settlement?**

This Notice summarizes the proposed Settlement. More details are in the Stipulation of Settlement dated as of October 6, 2016. You can obtain a copy of the Stipulation of Settlement or more information about the Settlement by contacting Lead Counsel:

Abraham, Fruchter & Twersky, LLP  
One Penn Plaza, Suite 2805  
New York, NY 10119  
212-279-5050

or the Claims Administrator:

Claims Administrator  
c/o Angeion Group  
1801 Market Street, Suite 660  
Philadelphia, PA 19103

or by visiting [www.fuqiclasssettlement.com](http://www.fuqiclasssettlement.com)

You can also obtain a copy from the Clerk's office during regular business hours:

Clerk of the Court  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK  
Daniel P. Moynihan U.S. Courthouse  
500 Pearl Street  
New York, New York 10007-1312

## 24. How Do I Get More Information?

All inquiries concerning this Notice should be directed to:

<b>Claims Administrator:</b>  Fuqi Securities Litigation – Marcum Litigation c/o Angeion Group 1801 Market Street, Suite 660 Philadelphia, PA 19103 www.fuqiclasssettlement.com	<b>Lead Counsel:</b>  Abraham, Fruchter & Twersky, LLP One Penn Plaza, Suite 2805 New York, NY 10119
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### UNDERSTANDING YOUR PAYMENT

The Net Settlement Fund shall be distributed to Class Members who submit acceptable Proofs of Claim, or have previously submitted acceptable Proofs of Claim in connection with the Fuqi Litigation (“Authorized Claimants”) in the following manner:

a. The Claims Administrator shall determine each Authorized Claimant’s share of the Net Settlement Fund based upon the recognized loss formula (the “Recognized Loss”) described below. The Recognized Loss formula is intended to equitably apportion the Net Settlement Fund among Class Members. The Recognized Loss formula is not an estimate of what a Class Member would have recovered after trial; nor is it the amount that the Authorized Claimant will be paid pursuant to the Settlement.

b. A Class Member’s actual share of the Net Settlement Fund will be determined by the ratio of the Class Member’s Recognized Loss divided by the aggregate of the Recognized Losses of all Class Members.

c. This Plan of Allocation is based on the following principles applicable to Class Members if the Action had gone to trial:

- i. Lead Plaintiff asserted claims pursuant to Section 10(b) of the Securities Exchange Act of 1934 (“Section 10(b)"). Damages under Section 10(b) are calculated, among other things, by determining the stock price drop caused by the disclosure of information correcting prior materially false and misleading statements or reflecting materializations of risks which were a foreseeable consequence of the alleged concealment.
  - ii. Lead Plaintiff also asserted claims pursuant to Section 11 of the Securities Act of 1933 (“Section 11”). Damages under Section 11 are calculated based on, among other things, the price of the shares in the Secondary Offering, the price of the shares when the first complaint was filed in this Action and the price of the shares when they were sold.
- d. Accordingly, a Class Member’s Recognized Loss shall be calculated as follows:

### GENERAL PROVISIONS

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 (or gain) figure for purposes of calculating an Authorized Claimant’s pro rata participation in the Net Settlement Fund as described below.

The term “Net Settlement Fund” has the same meaning as in the Stipulation of Settlement.

## **BASIS FOR RECOGNIZED LOSS FOR CLAIMS**

A “Recognized Loss” will be calculated for each acquisition/purchase of Fuqi common stock made during the Class Period as listed in the Proof of Claim and for which adequate documentation is provided.

The Recognized Losses for a claimant’s transactions will be calculated by the Claims Administrator in consultation with Lead Plaintiff’s Counsel in accordance with the provisions of this Plan of Allocation.

### **A. Computation of Loss Per Share for Common Stock Purchases/Acquisitions**

Computation of the Loss Per Share reflects price changes of Fuqi common stock in reaction to certain public announcements regarding Fuqi or other Company information related to the alleged fraud, based on the allegations in the Amended Class Action Complaint filed on October 27, 2016 and the evidence developed in support thereof.

### **B. Use of “FIFO” Methodology for Computation of Recognized Losses for Class Members Who Made Multiple Transactions in Fuqi Common Stock**

For claimants who made multiple purchases, acquisitions or sales of Fuqi common stock, purchases will be matched to sales using the “first-in/first out” (FIFO) inventory method, which matches sales to purchases during the Class Period or the PSLRA 90-Day Lookback Period. Specifically, the earliest sale will be matched first against the claimant’s opening position on the first day of the Class Period, if any, and then matched chronologically thereafter against each purchase or acquisition during the Class Period. Sales matched to shares of Fuqi common stock from a claimant’s opening position or matched to shares purchased during the PSLRA 90-Day Lookback Period are excluded from the calculation of Recognized Loss and market loss (or gain).

Short sales and purchases to cover short sales (whether they occurred before, during, or after the Class Period) are not included when calculating Recognized Loss or market loss (or gain).

If a claimant had a market gain from his, her, or its overall transactions in Fuqi common stock during the Class Period, the value of his, her, or its Net Recognized Loss will be \$0.00. To the extent a claimant suffered an overall market loss on his, her, or its overall transactions in Fuqi common stock during the Class Period, but that market loss was less than the Net Recognized Loss as calculated by this Plan of Allocation, then the claimant’s Net Recognized Loss shall be limited to the amount of the actual market loss.

### **C. Acquisition by Gift, Inheritance or Operation of Law**

If a claimant acquired Fuqi common stock by way of gift, inheritance or operation of law, such a claim will be computed by using the date and price of the original purchase and not the date and price of transfer. The grantor of the gift or devise, who purchased Fuqi common stock during the Class Period, shall retain the right to file a claim in this Action unless that right to file a claim was specifically transferred in the instrument of gift or assignment.

### **D. Payments Less Than \$20**

No Authorized Claimant whose proportionate share of the Net Settlement Fund is less than \$20.00 shall receive a distribution from the Net Settlement Fund. Rather, that claimant’s proportionate share of the Net Settlement Fund shall be redistributed among all remaining Authorized Claimants.

## **CALCULATION OF RECOGNIZED LOSS PER SHARE**

- A. For each share of Fuqi common stock purchased or otherwise acquired during the Class Period (excluding shares acquired in the July 2009 Offering), Recognized Loss Per Share will be computed as follows:**
- i. If sold on or before November 8, 2009, the Recognized Loss Per Share is \$0.
  - ii. If sold on or after November 9, 2009, but on or before June 24, 2011 (the end of the PSLRA 90-Day Lookback Period), the Recognized Loss Per Share is the lower of (but not less than zero): (a) artificial inflation at purchase (as shown in Table 1) minus artificial inflation at sale (as shown in Table 1); or (b) purchase price minus sale price.
  - iii. If still held as of the close of trading on June 24, 2011, the Recognized Loss Per Share is the lower of (but not less than zero): (a) artificial inflation at purchase as shown in Table 1; or (b) purchase price minus \$3.23 (the average closing price during the PSLRA 90-Day Lookback Period).

**Table 1**

<b>Transaction Period</b>			
<b>Start Date</b>	<b>End Date</b>		<b>Artificial Inflation</b>
May 15, 2009	to	May 15, 2009	\$7.61
May 18, 2009	to	May 18, 2009	\$9.05
May 19, 2009	to	May 19, 2009	\$10.07
May 20, 2009	to	May 20, 2009	\$10.00
May 21, 2009	to	May 21, 2009	\$10.42
May 22, 2009	to	May 25, 2009	\$10.28
May 26, 2009	to	May 26, 2009	\$11.41
May 27, 2009	to	August 5, 2009	\$11.44
August 6, 2009	to	November 8, 2009	\$14.71
November 9, 2009	to	March 16, 2010	\$10.04
March 17, 2010	to	September 8, 2010	\$2.75
September 9, 2010	to	March 16, 2011	\$1.22
March 17, 2011	to	March 27, 2011	\$0.60
March 28, 2011	to	June 24, 2011	\$0.00

- B. For each share of Fuqi common stock purchased or otherwise acquired in the July 2009 Offering, the Recognized Loss Per Share will be calculated as follows:**
- i. If sold on or before November 8, 2009, the Recognized Loss per share is \$0;

- ii. If sold on or after November 9, 2009, but on or before March 19, 2010 (the lawsuit filing date), the Recognized Loss per share is the lesser of (but not less than zero) (i) the purchase price minus the sale price; or (ii) \$21.50 (the Offering price) minus the sale price;
- iii. If still held as of the close of trading on March 19, 2010, the Recognized Loss per share is the lower of (i) the purchase price or \$21.50 (the Offering price) minus (ii) the greater of the sale price or \$7.55 (the value on March 19, 2010).
- iv. The Recognized Loss Per Share (as calculated in B. ii or iii above) is then multiplied by 2.5.

### **COMPUTATION OF NET RECOGNIZED LOSS FOR EACH CLASS MEMBER**

The Net Recognized Loss is calculated by: (i) multiplying the number of shares from each transaction of Fuqi common stock purchased or otherwise acquired during the Class Period (excluding shares acquired in the July 2009 Offering) times the appropriate Recognized Loss Per Share, as described in Section A. above; plus (ii) multiplying the number of shares from each transaction of Fuqi common stock purchased or otherwise acquired in the July 2009 Offering times the appropriate Recognized Loss Per Share, as described in Section B. above.

Any gains that result from the calculation of Recognized Loss in Section A. and B. will offset losses in calculating each Authorized Claimant's Net Recognized Loss.

If an Authorized Claimant had a market gain from his, her, or its overall transactions in Fuqi common stock during the Class Period, the resulting Net Recognized Loss will be \$0.00. If an Authorized Claimant had an overall market loss on the total of the Authorized Claimant's overall transactions in Fuqi common stock during the Class Period, the resulting Net Recognized Loss is the lower of the Net Recognized Loss as calculated above or the actual market loss.

### **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. The Net Recognized Losses of all Authorized Claimants may be greater than the Net Settlement Fund. In such event, each Authorized Claimant shall receive his, her or its *pro rata*, or proportionate, share of the Net Settlement Fund, which shall be his, her or its Net Recognized Loss divided by the total of Net Recognized Losses for all Authorized Claimants, multiplied by the total amount in the Net Settlement Fund.

If there is any balance remaining in the Net Settlement Fund after at least six (6) months from the date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or otherwise), Lead Plaintiff's Counsel shall, if feasible and economical, reallocate such balance among Authorized Claimants who have cashed their checks in an equitable and economic fashion. Any balance that still remains in the Net Settlement Fund, after payment of Notice and Administration Expenses, Taxes, and attorneys' fees and expenses and Lead Plaintiff awards, if any, shall be contributed to nonsectarian, not-for-profit organization(s) selected by Class Counsel.

A purchase or sale of Fuqi common stock shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date.

The receipt of Fuqi common stock during the Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of Fuqi common stock.

Class Members who do not submit a timely request for exclusion, do not submit an acceptable Proof of Claim by the deadline for submitting claims will not share in the recovery, or who did not submit an acceptable Proof of Claim in connection with the Fuqi Litigation, will, nevertheless, be bound by the Settlement and the Judgment of the Court dismissing this Action.

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement.

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

**SPECIAL NOTICE TO BANKS, BROKERS, AND OTHER NOMINEES**

1. The Court has ordered that if you held any Fuqi common stock purchased or acquired between May 15, 2009 and March 27, 2011, inclusive, and/or purchased or acquired Fuqi common stock pursuant to or traceable to the Secondary Offering on or about July 22, 2009, as nominee for a beneficial owner, then, within twenty (20) days after you receive this Notice, you must either: (1) send a copy of this Notice 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:

*In re Fuqi International, Inc. Securities Litigation – Marcum Litigation*  
Claims Administrator  
c/o Angeion Group  
1801 Market Street, Suite 660  
Philadelphia, PA 19103

**NOTE:** If you previously provided a list of names and addresses of potential Class Members to the Claims Administrator in connection with the initial Fuqi Litigation, you do not need to re-submit those same names and addresses for this Marcum Litigation, as they will automatically be mailed a copy of this Notice. If you have any additional potential Class Members to whom you would like the Claims Administrator to send this Marcum Litigation Notice, please provide those names and addresses to the Claims Administrator.

2. 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. If you do not intend to comply with the provisions of this section you are to notify the Claims Administrator of that fact at the address listed above.

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

DATED: June 27, 2017

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