

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

**In re Lihua International, Inc. Shareholder
Derivative Action**

Case No. 1:14-cv-03543-RA-RLE

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF
SHAREHOLDER DERIVATIVE ACTION**

TO: ALL HOLDERS OF LIHUA INTERNATIONAL, INC. (“LIHUA” OR “THE COMPANY”) COMMON STOCK AS OF MARCH 22, 2017 (“CURRENT LIHUA SHAREHOLDERS”).

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL OF SHAREHOLDER DERIVATIVE LITIGATION AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. YOUR RIGHTS MAY BE AFFECTED BY LEGAL PROCEEDINGS IN THE ACTION.

IF THE COURT APPROVES THE SETTLEMENT AND DISMISSAL OF THE ACTION, YOU WILL BE FOREVER BARRED FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND FROM PURSUING THE SETTLED CLAIMS. THE ACTION IS NOT A “CLASS ACTION.” THUS, THERE IS NO COMMON FUND UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY PAYMENT.

THE COURT HAS MADE NO FINDINGS OR DETERMINATIONS RESPECTING THE MERITS OF THE ACTION. THE RECITATION OF THE BACKGROUND AND CIRCUMSTANCES OF THE SETTLEMENT CONTAINED HEREIN DO NOT CONSTITUTE THE FINDINGS OF THE COURT. IT IS BASED ON REPRESENTATIONS MADE TO THE COURT BY COUNSEL FOR THE PARTIES.

This Notice is given pursuant to the Preliminary Approval Order of the United States District Court for the Southern District of New York (the “Court”). The purpose of the Notice is to advise you that the parties in the lawsuit captioned *In re Lihua Internaiional, Inc. Shareholder Derivative Action*, Case No. 1:14-cv-03543-RA-RLE (S.D.N.Y filed May 16, 2014) (the “Action”), have agreed to settle the Action on the terms and conditions set forth in the Stipulation of Settlement dated March 22, 2017 (the “Stipulation”). A copy of the Stipulation may be inspected at the office of the Clerk of the Court for the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, New York 10007-1312. The Stipulation also is available for viewing and/or downloading at the respective websites of Faruqi & Faruqi, LLP at

<http://www.faruqilaw.com/settlement-notice> and The Brown Law Firm, P.C. at <http://www.thebrownlawfirm.net>. All capitalized terms used herein, unless otherwise defined, shall have the same meanings as set forth in the Stipulation.

As explained below, the Court will hold a Settlement Hearing on October 5, 2017 at 10:00 a.m., before the Honorable Ronnie Abrams, United States District Judge of the Southern District of New York, located at the Thurgood Marshall United States Courthouse, 40 Foley Square, New York, New York, 10007, to determine whether to approve the Settlement. You have the right to object to the Settlement in the manner provided herein. If you fail to object in the manner provided herein at least fourteen calendar days prior to the Settlement Hearing, you will be deemed to have waived your objections and will be bound by the Judgment to be entered and the releases as provided in the Stipulation, unless otherwise ordered by the Court.

This Notice is not an expression of any opinion by the Court with respect to the merits of the allegations or claims made in the Action, the merits of the defenses asserted, or the fairness or adequacy of the proposed Settlement. This Notice is merely to advise you of the pendency and terms of the proposed Settlement, and your rights thereto.

I. SUMMARY OF THE SHAREHOLDER DERIVATIVE ACTION AND SETTLEMENT NEGOTIATIONS

The Action was filed by Plaintiffs solely on behalf of and for the benefit of Lihua and Current Lihua Shareholders and against the Defendants. Plaintiffs generally allege, among other things, that certain of the Company's current and former officers and directors breached their fiduciary duties, wasted corporate assets, and made false and misleading statements and omissions to shareholders.

After extensively litigating their respective claims and/or defenses, counsel for the Settling Parties engaged in arm's-length negotiations concerning the terms and conditions of a potential resolution of the Action, including a contested mediation before neutral mediators, the Hon. Daniel H. Weinstein (ret.) and Lizbeth Hasse, Esq. Following the mediation and

negotiations, counsel for the Settling Parties reached an agreement providing for the settlement of the Action as documented by the Stipulation.

II. THE SETTLEMENT TERMS

The terms and conditions of the proposed Settlement are set forth in the Stipulation. Upon receipt from Plaintiffs' Counsel of wiring instructions and a completed Form W-9, Lihua's insurers, on behalf of the Individual Settling Defendants shall, within the latter of fifteen business days after Preliminary Approval of the Shareholder Derivative Action Settlement, or fifteen business days after preliminary approval of the settlement of a related securities class action pending against Lihua in the U.S. District Court for the Southern District of New York, captioned *In re Lihua International, Inc. Securities Litigation*, Case No. 14-cv-05037-RA-RLE ("Securities Class Action") pay \$1,200,000 into escrow for the benefit of the Company's shareholders, in order to settle the Securities Class Action ("Settlement Payment"). The Settling Parties acknowledge and agree that resolution and settlement of the Securities Class Action, and thus the settlement of this Action – given the fact that the settlement of this Action enabled the settlement of the Securities Class Action, confer substantial benefits upon Lihua's shareholders. As the Company's insurers will pay \$1,200,000 for the settlement of the Securities Class Action, (i) the Company does not have to exhaust its own funds to resolve the Securities Class Action, and (ii) the Company's shareholders will directly benefit by receipt of the Settlement Payment.

In recognition of the substantial benefits conferred upon Lihua's shareholders as a direct result of the prosecution and Settlement of the Action, and subject to Court approval, Lihua's insurer, on behalf of the Individual Settling Defendants, shall pay Plaintiffs' Counsel attorneys' fees and expenses in the agreed-to amount of \$480,000 (the "Fee and Expense Amount"). Plaintiffs' Counsel have been retained by their clients on a contingent fee basis and, thus, to date Plaintiffs' Counsel have not been paid for their legal services or reimbursed for the expenses they have incurred in connection with the litigation of the Action. The Fee and Expense Amount was negotiated with the help of the Mediators after the Settling Parties had substantially

negotiated the material terms of the Settlement and was the result of arm's-length negotiations between the Settling Parties.

Further, Plaintiffs will seek Court approval of service awards of up to \$2,000 each for their participation and efforts in the Action ("Service Awards"). The Service Awards shall be paid from the Fee and Expense Amount awarded by the Court.

III. RELEASES

Upon the Effective Date, Plaintiffs, Lihua, and Current Lihua Shareholders shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled, released, discharged, extinguished, and dismissed with prejudice the Released Claims; provided, however, that such release shall not affect any claims to enforce the terms of this Stipulation or the Settlement.

Also upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled, released, discharged, extinguished, and dismissed with prejudice all claims (including Unknown Claims), arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Action or the Released Claims against Plaintiffs and Plaintiffs' Counsel; provided, however, that such release shall not affect any claims to enforce the terms of this Stipulation or the Settlement.

IV. PLAINTIFFS' COUNSEL'S INVESTIGATION AND RESEARCH, PLAINTIFFS' CLAIMS, AND THE BENEFITS OF SETTLEMENT

Plaintiffs' Counsel conducted an extensive investigation relating to the claims and the underlying events alleged in the Action. Plaintiffs' Counsel has, among other things: (1) inspected, analyzed, and reviewed Lihua's public filings with the U.S. Securities and Exchange Commission, press releases, announcements, transcripts of investor conference calls, securities analysts' reports, advisories, media reports, and news articles; (2) researched the applicable law with respect to the claims asserted in the Shareholder Derivative Action and the potential defenses thereto; (3) conducted comprehensive damages analyses; (4) drafted and filed the

various complaints and amended complaints in the Action; (5) reviewed and analyzed the relevant pleadings in the Securities Class Action; (6) performed extensive research in connection to, and drafted briefs in opposition to, motions to dismiss and for clarification, and for a brief objecting to a request for judicial notice; (7) researched corporate governance issues and best practices, in particular issues relating to companies listed on U.S. stock exchanges whose primary operations are located in China, and compared such to Lihua's governance structures and policies; (8) prepared mediation briefs; (9) propounded and obtained extensive discovery materials from Lihua and the Individual Settling Defendants, and reviewed the discovery materials as they relate to the claims asserted in the Action; and (10) participated in extensive settlement discussions with the Mediators and Lihua's and the Individual Settling Defendants' Counsel. Plaintiffs' Counsel thus have carefully evaluated the merits of this case. As a result of these efforts, Plaintiffs believe the Action has substantial merit.

Nonetheless, Plaintiffs and Plaintiffs' Counsel also recognize and acknowledge the significant risk, expense, and length of continued proceedings necessary to prosecute the Action against the Individual Settling Defendants through trial and through possible appeals. Plaintiffs' Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex cases such as the Action, as well as the difficulties and delays inherent in such litigation. This matter poses additional risks associated with the Individual Settling Defendants' limited insurance, which was depleted by the ongoing cost of defending the Action and Securities Class Action, and which may be limited by the insurers' partial disclaimers of applicable coverage. Plaintiffs' Counsel also are mindful of the inherent problems of proof and possible defenses to the claims alleged in such actions. Plaintiffs' Counsel have conducted a thorough review and analysis of the relevant facts, allegations, defenses, and controlling legal principles, and believe that the Settlement set forth in the Stipulation is fair, reasonable, and adequate, and confers substantial benefits upon Lihua's shareholders. Based upon Plaintiffs' Counsel's evaluation, Plaintiffs have determined that the Settlement is in the best interests of

Lihua's shareholders and have agreed to settle the Action upon the terms and subject to the conditions set forth in the Stipulation.

V. INDIVIDUAL SETTling DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

The Individual Settling Defendants have denied and continue to deny they have committed, threatened, or attempted to commit any violations of law or breached any duty owed to Plaintiffs, Lihua, or its shareholders. Nonetheless, the Individual Settling Defendants have concluded that further litigation of the Shareholder Derivative Action would be protracted and expensive, and that it is desirable for the Shareholder Derivative Action to be fully and finally settled in the matter and upon the terms and conditions set forth in the Stipulation. The Individual Settling Defendants have also taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Shareholder Derivative Action. The Individual Settling Defendants have, therefore, determined that it is desirable and beneficial that the Shareholder Derivative Action be settled in the manner and upon the terms and conditions set forth in the Stipulation. Further, the Individual Settling Defendants acknowledge that the Settlement is fair, reasonable, adequate, and in the best interests of Lihua's shareholders.

Neither the Stipulation, nor any of its terms or provisions, nor entry of the Judgment, nor any document or exhibit referred or attached to the Stipulation, nor any action taken to carry out the Stipulation, is, may be construed as, or may be used as evidence of the validity of any of the Released Claims or an admission by or against the Individual Settling Defendants of any fault, wrongdoing, or concession of liability whatsoever.

VI. THE SETTLEMENT HEARING

On October 5, 2017 at 10:00 a.m., the Court will hold the Settlement Hearing before the Honorable Ronnie Abrams, United States District Judge of the Southern District of New York, located at the Thurgood Marshall United States Courthouse, 40 Foley Square, New York, New York, 10007. At the Settlement Hearing, the Court will consider among other issues, whether to: (i) approve the Settlement as fair, reasonable, adequate, and in the best interests of

Lihua's Shareholders; (ii) dismiss the Action with prejudice and extinguish and release any and all Released Claims as against the Released Persons; (iii) approve the Fee and Expense Amount to Plaintiffs' Counsel; (iv) approve the Service Awards to Plaintiffs; and (v) consider such other matters as may properly come before the Court.

VII. YOUR RIGHT TO BE HEARD AT THE SETTLEMENT HEARING

Any Current Lihua Shareholder may, but is not required to, appear in person at the Settlement Hearing if you have any reasons why the Settlement should not be finally approved as fair, reasonable, and adequate, or why the Judgment should not be entered thereon, or why the Fee and Expense Amount should not be finally approved, or why the Service Awards should not be approved. If you want to be heard at the Settlement Hearing, then you must first comply with the procedures for objecting, which are set forth below. The Court has the right to change the date or time of the Settlement Hearing without further notice. Thus, if you are planning to attend the Settlement Hearing, you should confirm the date and time before going to the Court. CURRENT LIHUA SHAREHOLDERS WHO HAVE NO OBJECTION TO THE SETTLEMENT DO NOT NEED TO APPEAR AT THE SETTLEMENT HEARING OR TAKE ANY OTHER ACTION.

VIII. PROCEDURES FOR OBJECTING TO THE SETTLEMENT

Current Lihua Shareholders have the right to object to any aspect of the Settlement. You must object in writing, and you may request to be heard at the Settlement Hearing. If you choose to object, then you must follow these procedures.

A. You Must Make Detailed Objections in Writing

Any objection must be presented in writing and must contain the following information:

1. Your name, legal address, and telephone number;
2. Proof of being a Current Lihua Shareholder as of March 22, 2017, the date of execution of the Stipulation, as well as through the date of the Settlement Hearing, including the number of shares owned;
3. The date(s) you purchased your Lihua shares;
4. A statement of your position with respect to the matters to be heard at the Settlement Hearing, including a statement of each objection being made;
5. The grounds for each objection or the reasons for your desiring to appear and to be heard;
6. Any and all documentation or evidence in support of such objection;
7. The identities of any cases, by name, court, and docket number, in which you or your attorney has objected to a settlement in the last three years;
8. Notice of whether you intend to appear at the Settlement Hearing (attendance is not required if you timely have lodged your objection with the Court); and
9. Copies of any papers you intend to submit to the Court, along with the names of any witness(es) you intend to call to testify at the Settlement Hearing and the subject(s) of their testimony.

The Court may not consider any objection that does not comply with these requirements.

B. You Must Timely Deliver Written Objections to the Court, Plaintiffs' Counsel, and Individual Settling Defendants' Counsel

YOUR WRITTEN OBJECTIONS MUST BE ON FILE WITH THE CLERK OF THE COURT NO LATER THAN FOURTEEN CALENDAR DAYS BEFORE THE SETTLEMENT HEARING. The Court Clerk's address is:

Clerk of the Court
United States District Court, Southern District of New York
Daniel Patrick Moynihan United States Courthouse
500 Pearl Street
New York, New York 10007-1312

YOU MUST ALSO DELIVER COPIES OF THE MATERIALS TO PLAINTIFFS' COUNSEL AND INDIVIDUAL SETTLING DEFENDANTS' COUNSEL SO THEY ARE RECEIVED NO LATER THAN FOURTEEN CALENDAR DAYS BEFORE THE SETTLEMENT HEARING.

Counsel's addresses are:

Plaintiffs' Counsel:

FARUQI & FARUQI, LLP
Stuart J. Guber, Esq.
101 Greenwood Avenue, Suite 600
Jenkintown, PA 19046

THE BROWN LAW FIRM, P.C.
Timothy W. Brown, Esq.
240 Townsend Square
Oyster Bay, NY 11771

Counsel for Individual Settling Defendants:

LANE POWELL PC
Douglas W. Greene, Esq.
1420 Fifth Avenue, Suite 4200
P.O. Box 91302
Seattle, WA 98111-9402

Any Current Lihua Shareholder who fails to object or otherwise request to be heard in the manner prescribed above will be deemed to have waived the right to object to any aspect of the Settlement or otherwise request to be heard (including the right to appeal) and will be forever barred from raising such objection to the Settlement or request to be heard regarding the Settlement in this or any other action or proceeding, and shall be bound by the Settlement, the Judgment, and the releases given.

IX. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation, which requires, among other things: (i) Court approval of the Settlement following notice to Current Lihua Shareholders and the Settlement Hearing; (ii) entry of the Judgment in the Securities Class Action; (iii) payment to Plaintiffs' Counsel of the Fee and Expense Amount, as approved by the Court; and (iv) the passing of the date upon which the Judgment becomes

Final. If, for any reason, any one of the conditions described in the Stipulation are not met and the entry of the Judgment does not occur, the Stipulation might be terminated and, if terminated, will become null and void; and the Settling Parties shall be restored to their positions on the date immediately prior to the execution date of the Stipulation.

X. HOW TO OBTAIN ADDITIONAL INFORMATION

This Notice summarizes the Stipulation. It is not a complete statement of the events of the Shareholder Derivative Action or the Stipulation. There is additional information concerning the Settlement available in the Stipulation, which may be inspected during business hours at the office of the Clerk of the Court for the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, New York 10007-1312. The Stipulation also is available for viewing and/or downloading at the websites of The Brown Law Firm, P.C. at <http://www.thebrownlawfirm.net> and Faruqi & Faruqi, LLP at <http://www.faruqilaw.com/settlement-notices>.

PLEASE DO NOT CALL, WRITE, OR OTHERWISE DIRECT QUESTIONS TO THE COURT, THE CLERK'S OFFICE, OR LIHUA REGARDING THIS NOTICE. For more information concerning the Settlement, you may also call or write to The Brown Law Firm, P.C., c/o Timothy W. Brown, 240 Townsend Square, Oyster Bay, NY 11771, Telephone: (516) 922-5427 or Faruqi & Faruqi LLP, c/o Stuart J. Guber, 101 Greenwood Avenue, Suite 600, Jenkintown, PA 19046, Telephone: (215) 277-5770, Ext. 413.