

**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

**STIPULATION OF SETTLEMENT**

This Stipulation of Settlement (“Stipulation”),<sup>1</sup> dated March 22, 2017, is entered into, by and through their respective undersigned counsel, among and between: (i) Plaintiffs Sreeram Arshanapally (“Arshanapally”) and Eric Morrison (“Morrison,” collectively with Arshanapally, “Plaintiffs”), each individually and derivatively on behalf of Lihua International, Inc. (“Lihua” or the “Company”); (ii) Daphne Yan Huang, Robert C. Bruce, “Kelvin” Siu Ki Lau, Jonathan P. Serbin, Tianbao Wang, and Ming Zhang (collectively, “Individual Settling Defendants”); and (iii) nominal defendant Lihua. Plaintiffs, Individual Settling Defendants, and Lihua are referred to collectively as the “Settling Parties.” Defendants Jianhua Zhu and Yaying Wang, who have not been served or appeared in the Shareholder Derivative Action, are not parties to this Stipulation. This Stipulation is intended by the Settling Parties to fully, finally, and forever compromise, resolve, discharge, and settle the Released Claims against the Released Persons and dismiss the Action with prejudice, upon the terms and subject to the conditions set forth herein.

**I. BACKGROUND OF THE SHAREHOLDER DERIVATIVE ACTION AND SETTLEMENT NEGOTIATIONS**

**A. Background and Procedural History of the Shareholder Derivative Action**

Lihua is a Delaware corporation that is in the business of developing, designing, manufacturing, marketing and distributing low cost, high quality refined copper products through its two subsidiaries to customers primarily in the People’s Republic of China (“PRC” or “China”), the Company’s principal place of business. Lihua’s stock was traded on the NASDAQ Exchange until it was delisted on June 17, 2014.

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<sup>1</sup>All capitalized terms are defined in Section IV.A below, unless otherwise noted.

On May 16, 2014, Plaintiff Arshanapally, on behalf of nominal defendant Lihua, filed a verified shareholder derivative complaint against Defendants Huang, Lau, Serbin, Y. Wang and Zhu in the United States District Court for the Southern District of New York (the "Court"), alleging breach of fiduciary duties, gross mismanagement, abuse of control, and unjust enrichment (the "*Arshanapally* Action").

On July 10, 2014, Lihua and the Individual Settling Defendants filed a motion to dismiss the *Arshanapally* Action. On July 29, 2014, the Court granted Plaintiff Arshanapally's application to file an amended complaint fourteen days after the lead plaintiffs in the Securities Class Action file a consolidated complaint.

On August 15, 2014, Plaintiff Peck, on behalf of nominal defendant Lihua, filed a verified shareholder derivative complaint against Defendants Bruce, Huang, Lau, Serbin, T. Wang, Y. Wang, Zhang and Zhu in the Court (the "*Peck* Action") alleging breach of fiduciary duties, gross mismanagement, abuse of control, and unjust enrichment, aiding and abetting fiduciary duties, and a violation of Section 14(a) of the Securities Exchange Act of 1934 ("Exchange Act"). On October 29, 2014, the Court issued an order granting Plaintiffs' motion to consolidate the *Arshanapally* Action and the *Peck* Action and appointed The Brown Law Firm, P.C. and Faruqi & Faruqi, LLP as co-lead counsel.

On October 31, 2014, Plaintiffs filed a Verified Consolidated Amended Shareholder Derivative Complaint ("CAC"). The CAC asserted claims against the named current and former members of Lihua's Board of Directors and executive officers, and it sought to remedy the Defendants' alleged violations of federal and state law, including allegations of issuing materially false and misleading proxy statements in violation of Section 14(a) of the Exchange Act, breaches of fiduciary duty, waste of corporate assets, unjust enrichment, aiding and abetting fiduciary violations, and gross mismanagement.

On January 20, 2015, Lihua and the Individual Settling Defendants filed a Motion to Dismiss the CAC. On March 4, 2015, Plaintiffs filed a Verified Consolidated Second Amended Shareholder Derivative Complaint ("SAC"), adding claims of failure to hold an annual

stockholders meeting and breach of contract. On April 22, 2015, Lihua and the Individual Settling Defendants filed a Motion to Dismiss the SAC, which Plaintiffs opposed.

On March 9, 2016, the Court held argument on the Motion to Dismiss. The Court ruled from the bench, granting the motion in part and dismissing certain claims, and denying it in part. The Court found that plaintiffs had adequately pled demand futility and sustained certain claims against the Individual Defendants for breach of fiduciary duty, corporate waste, aiding and abetting, and gross mismanagement.

On April 11, 2016, Defendant Huang filed a motion seeking clarification, which Plaintiffs opposed, as to how the Court's ruling on the Motion to Dismiss related to her. Following oral argument on April 22, 2016, the Court ruled from the bench that the Motion to Dismiss was granted in part and denied in part with regard to Defendant Huang to the same extent as the other Individual Settling Defendants.

On May 6, 2016, both Lihua and the Individual Settling Defendants filed Answers to the SAC. The Settling Parties then proceeded into discovery, which was ongoing until the date of the Settling Parties' settlement agreement in principle, January 27, 2017. In the course of discovery, Lihua and the Individual Settling Defendants produced to Plaintiffs extensive documents.

On September 7, 2016, the Court granted Plaintiffs' unopposed Motion to Substitute Plaintiff Morrison for Plaintiff Peck.

On October 3, 2016, Plaintiffs filed a Verified Consolidated Third Amended Shareholder Derivative Complaint ("TAC"). On October 20, 2016, both Lihua and the Individual Settling Defendants filed Answers to the TAC.

**B. The Related Securities Class Action**

On May 1, 2014, Plaintiff Ashish Anand filed a federal securities class action complaint in the United States District Court for the Central District of California against defendants Lihua, Zhu and Huang on behalf of purchasers of Lihua stock from August 9, 2012 through April 30,

2014 (the “*Anand* Action”). On May 7, 2014, Plaintiff Jeffrey Grodko filed a federal securities class action complaint in the United States District Court for the Central District of California against defendants Lihua, Zhu and Huang on behalf of purchasers of Lihua stock from August 9, 2012 through April 30, 2014 (the “*Grodko* Action”). On July 3, 2014, the *Anand* Action and the *Grodko* Action were transferred to the United States District Court for the Southern District of New York. On August 11, 2014, the Court issued an order consolidating those actions (the “Securities Class Action”).

On October 23, 2014, the class plaintiffs filed a Corrected First Amended Class Action Complaint against defendants Bruce, Huang, Lau, Serbin, Y. Wang and Zhu.<sup>2</sup> Defendants Bruce, Huang, Lau and Serbin moved to dismiss the Corrected First Amended Class Action Complaint on December 16, 2014. On February 6, 2015, class plaintiffs filed a Corrected Second Amended Class Action Complaint. On March 6, 2015, the same defendants moved to dismiss the Corrected Second Amended Class Action Complaint. On March 31, 2016, the Court ruled on the motion and dismissed the claims against Bruce, Huang, Lau, and Serbin, while sustaining the claims against Lihua, the only remaining served defendant. On May 13, 2016, Lihua filed an answer to the Corrected Second Amended Class Action Complaint. Class plaintiffs and Lihua then proceeded into discovery, which was ongoing until the date of the settlement agreement in principle, January 27, 2017.

**C. Mediation Efforts and Settlement Negotiations**

Shortly after the Court’s rulings on the Motions to Dismiss in this Shareholder Derivative Action, and in the Securities Class Action, the Settling Parties agreed to participate in a global, in-person mediation before the Hon. Daniel H. Weinstein (ret.) and Lizbeth Hasse, Esq. (the “Mediators”), on August 9, 2016. Prior to the mediation, the Settling Parties submitted mediation briefs and supporting documents in order to inform the Mediators of the factual and legal issues in the respective actions, and to advocate for their positions. On the day of the

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<sup>2</sup> Like in the Shareholder Derivative Action, defendants Y. Wang and Zhu have not been served in the Securities Class Action.

mediation, the Settling Parties engaged with each other and the Mediators for several hours, and they made progress toward a settlement. In the following months, the Mediators continued communications with and amongst the Settling Parties, and the Mediators made multiple mediators' proposals, offering various terms upon which a global resolution could be made. On January 26, 2017, the Mediators made the final mediators' proposal, to which the Settling Parties in both the Shareholder Derivative Action and the Securities Class Action agreed.

**II. 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 Shareholder Derivative 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 Shareholder Derivative 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 Shareholder Derivative 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. Plaintiffs' Counsel believe the Shareholder Derivative 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 Shareholder Derivative 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 Shareholder Derivative 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 Shareholder Derivative Action and Securities Class Action, and which may be limited by Lihua's 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 an action. 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 this 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 Shareholder Derivative Action upon the terms and subject to the conditions set forth herein.

**III. INDIVIDUAL SETTLING DEFENDANTS' DENIAL 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 this Stipulation. The

Individual Settling Defendants have also taken into account the uncertainty and risks inherent in any litigation, especially in a complex case 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 this Stipulation. Further, the Individual Settling Defendants acknowledge that the Settlement is fair, reasonable, adequate, and in the best interests of Lihua's shareholders.

Neither this Stipulation, nor any of its terms or provisions, nor entry of the Judgment, nor any document or exhibit referred or attached to this Stipulation, nor any action taken to carry out this 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.

#### **IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT**

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among Plaintiffs (on behalf of themselves and derivatively on behalf of Lihua), the Individual Settling Defendants, and Nominal Defendant Lihua, each by and through their respective counsel, that, subject to Court approval, the Released Claims shall be finally and fully compromised, settled, and released, and the Shareholder Derivative Action shall be dismissed with prejudice, as to all Settling Parties, upon the terms and subject to the conditions set forth herein as follows:

##### **A. Definitions**

As used in this Stipulation, the following terms have the meanings specified below:

1. "Court" means the United States District Court for the Southern District of New York.
2. "Current Lihua Shareholders" means any Person who owned Lihua common stock as of the date of the execution of this Stipulation and who continues to hold their Lihua common stock as of the date of Settlement Hearing, excluding the Individual Settling Defendants, the current and former officers and directors of Lihua, members of their immediate families, and their employers, legal representatives, heirs, successors, or assigns, any entity in

which Individual Defendants have or had a controlling interest, and any affiliate of any of the foregoing.

3. “Effective Date” means the first date by which all of the events and conditions specified in paragraph IV.F.1 herein have been met and have occurred.

4. “Final” means the expiration of all time to seek appeal or other review of the Judgment, or if any appeal or other review of such Judgment is filed and not dismissed, after such Judgment is upheld on appeal in all material respects and is no longer subject to appeal, reargument, or review by writ of certiorari or otherwise.

5. “Individual Settling Defendants” means Daphne Yan Huang, Robert C. Bruce, “Kelvin” Siu Ki Lau, Jonathan P. Serbin, Tianbao Wang, and Ming Zhang.

6. “Judgment” means the [Proposed] Final Judgment and Order of Dismissal to be rendered by the Court, substantially in the form of Exhibit D attached hereto.

7. “Person” means an individual, corporation, limited liability corporation, professional corporation, partnership, limited partnership, limited liability partnership, 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 their spouses, heirs, predecessors, successors, representatives, or assignees.

8. “Plaintiffs” means, collectively, Sreeram Arshanapally and Eric Morrison, individually and derivatively on behalf of Lihua.

9. “Plaintiffs’ Counsel” means the following counsel: 1) The Brown Law Firm, P.C., located at 240 Townsend Square, Oyster Bay, NY 11771; and 2) Faruqi & Faruqi LLP, located at 685 Third Avenue, 26<sup>th</sup> Floor, New York, NY 10017, and located at 101 Greenwood Avenue, Suite 600, Jenkintown, PA 19046.

10. “Released Claims” means any and all suits, claims, debts, demands, rights, liabilities, and causes of action of every nature, including both known and Unknown Claims (as defined in paragraph IV.A.18 below), that were or could have been brought, existing directly or derivatively on behalf of Lihua, by Plaintiffs as shareholders or any other Current Lihua



Shareholder, or by Lihua, that arise out of or relate to: (i) the allegations asserted in the Shareholder Derivative Action; or (ii) the Settlement, except for any claims to enforce the Settlement. “Released Claims” does not include claims alleged in the Securities Class Action.

11. “Released Persons” means the Individual Settling Defendants and Lihua, and their past or present agents, officers, directors, attorneys, accountants, auditors, advisors, insurers, co-insurers, reinsurers, spouses, immediate family members, marital communities, heirs, executors, personal representatives, estates, administrators, trusts, predecessors, successors, and assigns or other individual or entity in which Lihua or any Individual Settling Defendant has a controlling interest, and each and all of their respective past and present officers, directors, employees, agents, affiliates, parents, subsidiaries, divisions, attorneys, accountants, auditors, advisors, insurers, co-insurers, re-insurers, heirs, executors, personal representatives, estates, administrators, trusts, predecessors, successors, and assigns. “Released Person” means, individually, any of the Released Persons.

12. “Releasing Persons” means Plaintiffs (both individually and derivatively on behalf of Lihua), any other Current Lihua Shareholder on behalf of Lihua, and Plaintiffs’ Counsel. “Releasing Person” means, individually, any of the Releasing Persons.

13. “Securities Class Action” means the federal securities fraud class action that was filed 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 (S.D.N.Y. filed May 1, 2014).

14. “Settlement” means this Stipulation, together with the Exhibits annexed hereto, which set forth the terms and conditions for the proposed settlement and dismissal of the Action with prejudice.

15. “Settlement Hearing” means the hearing set by the Court to consider final approval of the Settlement.

16. “Settling Parties” means, collectively, each and all of the Plaintiffs (on behalf of themselves and derivatively on behalf of Lihua), Individual Settling Defendants, and Lihua. “Settling Party” or “Party” means, individually, any of the Settling Parties.

17. “Shareholder Derivative Action” or “Action” means, collectively, *Arshanapally v. Zhu*, et al., Case No. 14-cv-03543-RA-RLE (S.D.N.Y. filed May 16, 2014), and *Peck v. Lihua International, Inc., et al.*, Case No. 14-cv-06540-RA (S.D.N.Y. filed Aug. 15, 2014),<sup>3</sup> which actions were consolidated by the Court into *In re Lihua Shareholder Derivative Action*, Case No. 14-cv-03543-RA-RLE (S.D.N.Y. filed May 16, 2014).

18. “Unknown Claims” means any Released Claim(s) which Plaintiffs, Individual Settling Defendants, or Lihua do not know of or suspect to exist in his, her, or its favor at the time of the release of the Released Persons. With respect to any and all Released Claims, the Settling Parties agree that upon the Effective Date, the Settling Parties expressly waive the provisions, rights and benefits conferred by or under California Civil Code section 1542, or any other law of the United States or any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to section 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.

The Settling Parties acknowledge that they may hereafter discover facts in addition to or different from those now known or believed to be true by them, with respect to the subject matter of the Released Claims, but it is the intention of the Settling Parties to completely, fully, finally, and forever compromise, settle, release, discharge, and extinguish any and all Released Claims, known or unknown, suspected or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, which do now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. The Settling Parties

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<sup>3</sup> As noted above, Plaintiff Morrison was later substituted for Plaintiff Peck.

acknowledge that the foregoing waiver was separately bargained for and is a key element of this Stipulation of which this release is a part.

**B. Terms of the Settlement**

1. Upon receipt 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 Securities Class Action Settlement, 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 Settlement Payment shall be paid directly into the Securities Class Action escrow account. The Settlement Payment shall be included as part of a larger payment by Lihua's insurer to fully fund the Securities Class Action settlement. Within five (5) business days of the payment of the Settlement Payment, Individual Settling Defendants' counsel shall provide proof of payment to Plaintiffs' Counsel.

2. The Settling Parties acknowledge and agree that the settlement of the Securities Class Action, and thus the settlement of the Shareholder Derivative Action – given the fact that the latter settlement 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.

**C. Approval and Notice**

1. Promptly after execution of this Stipulation, Plaintiffs shall submit this Stipulation together with its exhibits to the Court, and shall apply for entry of the [Proposed] Order Preliminarily Approving Settlement and Providing for Notice ("Preliminary Approval Order"), substantially in the form of Exhibit A attached hereto, requesting: (i) preliminary approval of the Settlement as set forth in this Stipulation; (ii) approval of the form and manner of providing

notice of the Settlement to Current Lihua Shareholders; and (iii) a date for the Settlement Hearing.

2. Notice to Current Lihua Shareholders shall consist of the Notice of Pendency and Proposed Settlement of Shareholder Derivative Action (“Notice”) and the Summary Notice of Pendency and Proposed Settlement of Shareholder Derivative Action (“Summary Notice”), substantially in the form attached hereto as Exhibits B and C, respectively, and shall be provided to Current Lihua Shareholders as follows:

(a) ten calendar days after the entry of the Preliminary Approval Order, Lihua shall issue a press release announcing the Settlement, including instructions to Current Lihua Shareholders on how to access the Notice and this Stipulation, and referring Current Lihua Shareholders to the respective websites of Faruqi & Faruqi, LLP and The Brown Law Firm, P.C. for more information; and

(b) ten calendar days after the entry of the Preliminary Approval Order, Faruqi & Faruqi, LLP and The Brown Law Firm, P.C. shall post a copy of the Notice and this Stipulation on their respective firm websites;

(c) ten calendar days after the entry of the Preliminary Approval Order, Lihua and the Individual Settling Defendants shall cause the Summary Notice to be published once in the *Investor’s Business Daily*.

3. Prior to the Settlement Hearing, Lihua’s and Individual Settling Defendants’ counsel shall serve on Plaintiffs’ Counsel and file with the Court an appropriate affidavit or declaration with respect to posting and publishing the Notice and Summary Notice, and counsel for lead plaintiffs in the Securities Class Action shall serve on Plaintiffs’ Counsel and counsel for Lihua and the Individual Settling Defendants an appropriate affidavit or declaration with respect to their mailing and publication of the Securities Class Action Notice and Summary Notice.

4. Individual Settling Defendants shall pay for the reasonable and necessary costs of publishing the Summary Notice and any reasonable and necessary costs of additional notice that the Court may require, and those costs shall be deducted from the Settlement Payment.

5. The Settling Parties believe the content and manner of the Notice constitutes adequate and reasonable notice to Current Lihua Shareholders pursuant to applicable law and due process.

6. Pending the Court's determination as to final approval of the Settlement, Plaintiffs and Current Lihua Shareholders are barred and enjoined from commencing, prosecuting, instigating, or in any way participating in the commencement or prosecution of any action asserting any Released Claim.

**D. Attorneys' Fees and Expenses**

1. In recognition of the substantial benefits conferred upon Lihua's shareholders as a direct result of the prosecution and Settlement of the Shareholder Derivative Action, and subject to Court approval, 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 pay Plaintiffs' Counsel attorneys' fees and expenses in the agreed-to amount of \$480,000 (the "Fee and Expense Amount"), which shall include all of Plaintiffs' Counsel's attorneys' fees and costs and any service awards up to \$2,000 for each of the named Plaintiffs for their participation and efforts in the Action ("Service Awards"), and which shall be subject to approval by the Court. The Service Awards shall be paid from the Fee and Expense Amount awarded by the Court. In no event shall Lihua's insurers or the Settling Defendants be responsible to pay any amount for Service Awards. 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.

2. The Fee and Expense Amount shall be paid to Nadeem Faruqi's attorney IOLA escrow account ("Escrow Account"), as receiving agent for Plaintiffs' Counsel ("Escrow Agent"), 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 Securities Class Action settlement. The Fee and Expense Amount is subject to court approval. Plaintiffs' Counsel shall have a joint and several obligation to refund the Fee and Expense

Amount to Lihua's insurers if, and to the extent, it is reversed or modified on appeal and/or the Settlement does not become Final. The Escrow Agent must receive, maintain, and disburse the Fee and Expense Amount pursuant to the Escrow Agreement dated March 22, 2017 and entered into by the Escrow Agent, The Brown Law Firm, P.C., and by Faruqi & Faruqi, LLP. Except as otherwise provided herein, each of the Settling Parties shall bear his, her, or its own fees and costs.

**E. Releases**

1. 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.

2. 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.

**F. Conditions of Settlement, Effect of Disapproval, Cancellation, or Termination**

1. The Settlement shall be conditioned on the occurrence of all of the following events:

(a) Court approval of the Settlement following notice to Current Lihua Shareholders and the Settlement Hearing;

(b) entry of the Judgment in the Securities Class Action;

(c) payment to Plaintiffs' Counsel of the Fee and Expense Amount, as approved by the Court; and

(d) the passing of the date upon which the Judgment becomes Final.

2. If any of the conditions listed in paragraph IV.F.1 are not met, this Stipulation and any Settlement documentation shall be null and void and of no force and effect. In the event that any of the conditions listed in paragraph IV.F.1 are not met, the Settling Parties shall be restored to their positions on the date immediately prior to the execution date of this Stipulation, this Stipulation shall not be deemed to constitute an admission of fact by any Settling Party, and neither the existence of this Stipulation, nor its contents shall be admissible in evidence or be referred to for any purposes in the Shareholder Derivative Action or in any litigation or judicial proceeding. Further, all releases delivered in connection with this Stipulation shall be null and void.

**G. Bankruptcy**

1. In the event any proceedings by or on behalf of Lihua, whether voluntary or involuntary, are initiated under any chapter of the U.S. Bankruptcy Code, including any act of receivership, asset seizure, or similar federal or state law action ("Bankruptcy Proceedings"), the Settling Parties agree to use their reasonable best efforts to obtain all necessary orders, consents, releases, and approvals for effectuation of the Stipulation and Court approval of the Settlement in a timely and expeditious manner.

2. If any Bankruptcy Proceedings by or on behalf of Lihua are initiated prior to the payment of the Fee and Expense Amount, the Settling Parties agree that all dates and deadlines in the Action, if any, or any dates and deadlines associated with the appeal of the Action, if any, will be extended for such periods of time as are necessary to attempt to obtain necessary orders, consents, releases, and approvals from the bankruptcy court to carry out the terms and conditions of this Settlement.

**H. Miscellaneous Provisions**

1. The Settling Parties: (i) acknowledge that it is their intent to consummate this Stipulation; and (ii) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of this Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of this Stipulation.

2. In the event that any part of the Settlement is found to be unlawful, void, unconscionable, or against public policy by a court of competent jurisdiction, any Settling Party shall have the option to withdraw from the Settlement.

3. The Settling Parties agree that terms of the Settlement were negotiated in good faith by the Settling Parties, and reflect a Settlement that was reached voluntarily after consultation with competent legal counsel.

4. The existence of or the provisions contained in this Stipulation shall not be deemed to prejudice in any way the respective positions of the Settling Parties with respect to the Action, shall not be deemed a presumption, a concession, or admission by any of the Settling Parties of any fault, liability, or wrongdoing as to any facts, claims, or defenses that have been or might have been alleged or asserted in the Shareholder Derivative Action or with respect to any of the claims settled in the Shareholder Derivative Action, or any other action or proceeding, and shall not be interpreted, construed, deemed, invoked, offered, or received in evidence or otherwise used by any person in the Shareholder Derivative Action, or in any other action or proceeding, except for any litigation or judicial proceeding arising out of or relating to this Stipulation or the Settlement whether civil, criminal, or administrative, for any purpose other than as provided expressly herein.

5. The Exhibits to this Stipulation are material and integral parts hereof and are fully incorporated herein by this reference. This Stipulation and the exhibits attached hereto represent the complete and final resolution of all disputes between the Settling Parties with respect to the Shareholder Derivative Action, constitute the entire agreement among the Settling Parties, and supersede any and all prior negotiations, discussions, agreements, or undertakings, whether oral or written, with respect to such matters.



6. This Stipulation may be modified or amended only by a writing signed by the signatories hereto.

7. This Stipulation shall be deemed drafted equally by all Settling Parties hereto.

8. This Stipulation and the Settlement contemplated by it shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to Delaware's conflict of law rules.

9. No representations, warranties, or inducements have been made to any of the Settling Parties concerning this Stipulation or its exhibits other than the representations, warranties, and covenants contained and memorialized in such documents.

10. Each counsel or other Person executing this Stipulation or its exhibits on behalf of any of the Settling Parties hereby warrants that such Person has the full authority to do so.

11. This Stipulation shall be binding upon and inure to the benefit of the Settling Parties and their respective agents, executors, heirs, successors, and assigns.

12. This Stipulation may be executed in counterparts by the signatories hereto, including by facsimile, and as so executed shall constitute one agreement.

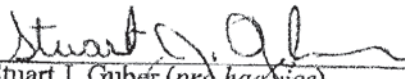
13. All proceedings in the Shareholder Derivative Action shall be stayed, except as provided in this Stipulation. Other than seeking approval of the Settlement or as permitted herein or as may be expressly required by the Court, the Settling Parties agree that they will not take any action, take any discovery, or make any filings in the Shareholder Derivative Action other than those contemplated by this Stipulation.

14. The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of this Stipulation, and the Settling Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in this Stipulation.

IN WITNESS WHEREOF, the Parties hereto have caused this Stipulation to be executed,  
by their duly authorized attorneys, dated this 22nd day of March, 2017.

Dated: March 22, 2017

FARUQI & FARUQI, LLP

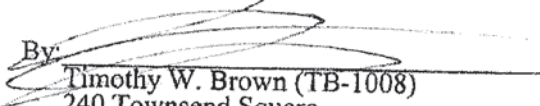
By:   
Stuart J. Guber (*pro hac vice*)  
101 Greenwood Avenue, Suite 600  
Jenkintown, PA 19046  
Phone: 215-277-5770

Nadeem Faruqi (NF-1184)  
Nina M. Varindani (NV-1090)  
685 Third Avenue, 26th Floor  
New York, New York 10017

*Counsel for Plaintiff Eric Morrison*

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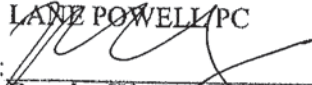
THE BROWN LAW FIRM, P.C.

By:   
Timothy W. Brown (TB-1008)  
240 Townsend Square  
Oyster Bay, NY 11771  
Phone: 516-922-5427

*Counsel for Plaintiff Sreeram Arshanapally*

Dated: March 22, 2017

LANE POWELL PC

By:   
Douglas W. Greene (*pro hac vice*)  
Claire Loeb Davis (*pro hac vice*)  
Peter D. Hawkes  
Bret A. Finkelstein  
1420 Fifth Avenue, Suite 4200  
P.O. Box 91302  
Seattle, WA 98111-9402  
Phone: 206-223-7000

*Counsel for Defendants Daphne Yan  
Huang, Robert C. Bruce, "Kelvin" Siu Ki  
Lau, Jonathan P. Serbin, Tianbao Wang,  
and Ming Zhang, and Nominal Defendant  
Lihua International, Inc.*