

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE FAB UNIVERSAL CORPORATION)	Lead Case No. 14-CV-687
SHAREHOLDER)	
DERIVATIVE LITIGATION)	
_____)	
)	
This Document Relates To:)	
)	
ALL DERIVATIVE ACTIONS)	
_____)	

**STIPULATION AND AGREEMENT OF
COMPROMISE, SETTLEMENT AND RELEASE**

This Stipulation and Agreement of Compromise, Settlement and Release (the “Stipulation”) is entered into by counsel for plaintiffs Kathi W. Thorbjornsen and Randolph J. Rowekamp (“Plaintiffs”) and Lead Counsel for Plaintiffs (defined below) in the above-captioned action, counsel for the Individual Defendants¹, and counsel for nominal defendant FAB Universal Corporation (“FAB Universal” or the “Company” and, collectively with the Individual Defendants, “Defendants”) (collectively, the “Parties”). The settlement contemplated by this Stipulation shall be referred to as the “Settlement.”

WHEREAS:

A. On November 18, 2013, a stockholder of the Company filed a securities class action in the United States District Court for the Southern District of New York (the “Court”), seeking to represent a class of purchasers of the Company’s stock against the Company and certain of the Individual Defendants, alleging, *inter alia*, that the Company made materially false and misleading statements in press releases and SEC filings regarding the true circumstances of

¹ The “Individual Defendants” are Christopher J. Spencer, J. Gregory Smith, Douglas Polinsky, Denis Yevstifeyev, James B. Rogers, Jr., and John Lawrence Busshaus.

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its kiosk business in China and failed to disclose that one of its Chinese subsidiaries had issued RMB 100 million (\$16.4 million) worth of bonds to Chinese investors in April 2013, and asserting claims for (1) violations of Section 10(b) and Rule 10b-5, and (2) violations of Section 20(a) of the Securities Exchange Act (the “Exchange Act”). Additional stockholders filed similar actions in the Court on November 27, 2013 and December 9, 2013. On April 25, 2014, those actions were consolidated into *Simmons v. Spencer, et al.*, No. 13-CV-8216 (S.D.N.Y.) (the “Securities Class Action”) and a lead plaintiff group was appointed. An amended consolidated complaint was filed by the Securities Class Action lead plaintiff group on August 4, 2014.²

B. The Plaintiffs filed their derivative complaints in the Court on February 3 and 21, 2014, styled *Thorbjornsen v. Spencer, et al.*, No. 14-CV-687 (S.D.N.Y.) and *Rowekamp v. Spencer, et al.*, No. 14-CV-1114 (S.D.N.Y.), alleging, *inter alia*, that the Individual Defendants, as well as Zhang Hongcheng (“Zhang”) and Gu Jianfen (“Gu”),³ while acting as members of the Company’s Board of Directors or as Company officers, breached their fiduciary duties of loyalty, due care, good faith, independence, candor and full disclosure to shareholders; that Defendants Spencer, Smith, Polinsky, Yevstifeyev, and Busshaus misappropriated material, non-public information of FAB Universal by selling approximately \$5.08 million of Company stock based on material non-public information; and that the Individual Defendants violated of Section 14(a) of the Exchange Act, based on alleged facts and circumstances related to those alleged in the Securities Class Action.

² The defendants in the Amended Consolidated Complaint are Christopher Spencer, John Lawrence Busshaus, and Zhang Hongcheng.

³ Zhang and Gu are citizens and residents of China. They were not served with Plaintiffs’ complaints.

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C. The Company was served with the *Thorbjornsen* and *Rowekamp* complaints on March 7, 2014. By stipulation and order of the Court on May 6, 2014, the Plaintiffs' derivative actions were consolidated into *In re FAB Universal Corporation Shareholder Derivative Litigation*, Lead Case No. 14-CV-687 (S.D.N.Y.) (the "Derivative Action") and service was deemed accepted by the Individual Defendants.

D. Also pursuant to the May 6, 2014 Stipulation and Order, the parties agreed that the ongoing litigation of the Securities Class Action may be informative to the litigation of the Derivative Action, and, as such, the parties agreed to a stay of the Consolidated Derivative Action in order to avoid inefficiencies and duplicative efforts, better preserve the resources of the parties and the Court, and more closely align the proceedings in the Consolidated Derivative Action with the proceedings in the Securities Class Action. The proceedings in the Consolidated Derivative Action were temporarily stayed until the earliest to occur of: (a) the commencement of any shareholder derivative action alleging substantially the same facts and claims as those in the Consolidated Derivative Action in any federal or state court; (b) Defendants' filing of an answer to the complaint in the Securities Class Action (including, if applicable, an amended or consolidated complaint); (c) entry of an order in the Securities Class Action ruling upon any motion to dismiss the Securities Class Action; or (d) notice to the Court that the parties in the Securities Class Action have come to an agreement to settle the Securities Class Action.

E. In or around August 2014, the parties in the Securities Class Action and the Derivative Action agreed to participate in a formal mediation on October 16, 2014 with mediator Jed D. Melnick, Esq. of JAMS and requested a temporary stay of the Securities Class Action until the mediation was completed. The Court granted the request for a stay on September 11,

2014. Plaintiffs in each action were provided with copies of the Company's pertinent insurance policies.

F. On August 12, 2014, the Company issued a press release entitled, "FAB Provides Update on Internal Investigation and NYSE MKT Delisting Proceedings." The statement revealed that the Company engaged a law firm, which in turn engaged a consulting firm, to investigate some of the allegations in the Securities Class Action and Derivative Action. Among other things, the investigation confirmed that the Company's "subsidiary conducted a bond offering in China shortly after FAB became a public company and that it did not disclose the offering in its public filings in the United States," and the press release stated that "the Company is consulting with experts to address the circumstances that led to the undisclosed offering." The release further stated that, *inter alia*, that:

- Based on the combined results of two rounds of surveys conducted by the law firm and the consulting firm, "the Company's disclosure of the number of kiosks deployed in Beijing was reliable" and "that some confusion may have resulted from the fact that [the Company] refers to all of its kiosks, even those that do not offer content for download, as Intelligent Media Kiosks";
- The Company learned from the surveys that "many of the kiosks did not function, either because of their condition or because they were not plugged in"; and
- There was "credible evidence ... that a small number of the kiosks offered some pirated content."

The press release stated that the Company was working to address the issues identified by the investigation.

G. In late September 2014, in furtherance of settlement discussions, counsel for Defendants provided counsel for Plaintiffs with copies of certain corporate governance documents of the Company.

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H. On September 29, 2014, by stipulation and order of the Court, Kahn Swick & Foti, LLC was appointed Lead Counsel for Plaintiffs in the Derivative Action (“Lead Counsel”).

I. On October 4, 2014, Lead Counsel sent a settlement demand letter for certain corporate governance changes to counsel for Defendants.

J. Also on October 4, 2014, Plaintiffs submitted a mediation statement to Mr. Melnick and counsel for Defendants. Plaintiffs’ mediation statement discussed, among other things, the Plaintiffs’ views regarding: the background of the Derivative Action, subsequent factual developments, the strengths in the Derivative Action, and the possible settlement of the Derivative Action, including the corporate governance reforms included in Plaintiffs’ settlement demand.

K. Additionally on October 4, 2014, the Defendants submitted a mediation statement to Mr. Melnick, discussing, among other things the Defendants’ views regarding the background of the Securities Class Action and the Derivative Action and the weaknesses of the claims therein.

L. On October 6, 2014, the Parties participated in a preliminary conference call with JAMS concerning the upcoming mediation.

M. On October 16, 2014, the Parties participated in the full-day mediation with Mr. Melnick, made significant progress concerning the possible terms of a settlement, but did not resolve all outstanding claims.

N. After the October 16, 2014 mediation, the Parties continued thereafter to work towards a resolution of the Derivative Action with each other and with the assistance of the mediator, including by discussing further factual developments at the Company and the impact of these developments on the terms of the Settlement.

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O. At the time of the filing of the Action, FAB, as set forth in its public filings, operated through its two subsidiaries, Webmayhem, Inc. (“Libsyn”), a Pennsylvania corporation, which, *inter alia*, operates podcast hosting and distribution services, and Digital Entertainment International Ltd. (“DEI”), a company incorporated under the law of the Hong Kong Special Administrative Region. DEI conducted business operations for FAB in China, operating through its wholly-owned subsidiary, Beijing Dingtai Guanqun Culture Co., Ltd. (“DGC”), which operated Beijing FAB Culture Media Co., Ltd. (“FAB Media”), a variable interest entity (“VIE”), and Beijing FAB Digital Entertainment Products Co., Ltd. (“FAB Digital”), a wholly owned subsidiary of FAB Media. DGC controlled the management of the operating entities, FAB Media and FAB Digital, through VIE contracts.

P. The Company filed a Form 8-K on February 10, 2015, which disclosed that, “The Company’s business in China appears to be abandoned.”⁴ Accordingly, the Company is in the process of divesting itself of whatever remains of its operations in China and deconsolidating its financial statements.

Q. Subsequent to the divestiture set forth above, the Company will be significantly smaller, in terms of virtually all of the standard metrics, than it was when it had Chinese operations. Accordingly, the Parties acknowledged that the governance needs and issues of a small corporation are different than the governance needs and issues of a larger one. Pursuant to this, the Parties agreed that certain governance changes that form the Settlement would be warranted only in the event that the Company grows to a size similar to its previous size.

⁴ The February 10, 2015 8-K also revealed that Gu had resigned as a director of the Company and that the Company had determined to request Zhang’s resignation as soon as communication with him could be established.

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R. As a result of the Parties' arm's-length discussions and negotiations, including during and subsequent to the October 16, 2014 mediation, in late April 2015, the Parties reached an agreement in principle, with certain contingencies, including additional information concerning the financial resources of the Individual Defendants, providing for the settlement of the Derivative Action on the terms and conditions set forth below, which will include but are not limited to a release of all claims in the Derivative Action.

S. Beginning on April 20, 2014, Defendants produced to Plaintiffs personal financial statements for certain Individual Defendants, for the sole purpose of allowing Plaintiffs to further assess the reasonableness and adequacy of the proposed Settlement.

T. The Parties executed a Memorandum of Understanding for the Settlement on May 5, 2015.

U. On May 20, 2015, counsel for Defendants informed the Court of the execution of the Memorandum of Understanding and requesting that the Court suspend the proceedings in the Derivative Action, which was so ordered on May 30, 2015.

V. Lead Counsel has thoroughly reviewed and analyzed the facts and circumstances relating to the claims asserted in the Derivative Action, including conducting arm's length discussions with counsel to Defendants, reviewing publicly available information, analyzing the confidential documents produced by Defendants, and reviewing applicable case law and other authorities. Plaintiffs in the Derivative Action brought their claims in good faith and continue to believe that their claims have legal merit. However, Plaintiffs recognize that there are legal and factual defenses to the claims asserted in the Derivative Action, which present substantial risks to the successful resolution of any litigation, especially in complex shareholder derivative litigation such as the Derivative Action. Accordingly, in light of these risks and based on their evaluation

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of the claims and their substantial experience, Lead Counsel has determined that the Settlement, which confers substantial benefits upon the Company and its stockholders, is fair, reasonable and adequate, and in the best interests of the Company and its stockholders.

W. Defendants have vigorously denied, and continue vigorously to deny, all allegations of wrongdoing, fault, liability or cognizable damage to the Company, deny that they engaged in any actionable wrongdoing, deny that they committed any violation of law, deny that they acted improperly in any way, believe that they acted properly at all times, believe the Derivative Action has no merit, and maintain that they have committed no violations or any other breach of duty whatsoever. Defendants are entering into this Settlement solely because they consider it desirable that the Derivative Action be settled and dismissed with prejudice in order to, among other things, (i) eliminate the burden, inconvenience, expense, uncertainty and distraction of further litigation; and (ii) finally put to rest all claims that were or could have been asserted against Defendants in the Derivative Action.

X. Based on the foregoing, the Parties believe that it is reasonable and appropriate to seek approval of the Settlement by the Court based upon the terms set forth herein and the benefits and protections to be provided thereby.

NOW THEREFORE, IT IS STIPULATED AND AGREED, subject to approval by the Court pursuant to Federal Rule of Civil Procedure 23.1, by and between the undersigned counsel for the Parties, in consideration of the benefits flowing to the Parties from, and as described in, the Settlement, that all Released Claims (as defined below) shall be and hereby are fully and finally compromised, settled, released and discontinued, and that the Derivative Action shall be dismissed with prejudice on the merits and without costs (except as provided herein) as to all Released Parties upon the terms and conditions herein.

CERTAIN DEFINITIONS

In addition to the terms defined above, the following additional terms shall have the meanings specified below:

1. “Final Approval” of the Settlement means the date, following the Court’s entry of the Order and Final Judgment, on which the Order and Final Judgment is final and no longer subject to appeal or further review, whether as a result of affirmance on or exhaustion of any possible appeal or review, lapse of time or otherwise, *provided, however*, and notwithstanding any provision to the contrary in this Settlement, Final Approval of the Settlement shall not include, and the Settlement is expressly not conditioned upon, the approval of an application for attorneys’ fees and the reimbursement of expenses to Lead Counsel as contemplated below or any appeal or further review related thereto.

2. “Notice” means the Notice of Settlement of Stockholder Derivative Litigation, substantially in the form attached hereto as Exhibit C.

3. “Notice Costs” means the costs and expenses incurred in providing notice of the Settlement to Company stockholders.

4. “Order and Final Judgment” means an order entered by the Court, substantially in the form attached hereto as Exhibit D, finally approving the Settlement and dismissing the Derivative Action with prejudice on the merits and without costs to any party (except as provided in Paragraphs 17 and 21 below).

5. “Person” means any individual, corporation, professional corporation, limited-liability company, partnership, limited partnership, limited-liability partnership, association, joint-stock company, estate, legal representative, trust, unincorporated association, government

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or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives or assignees.

6. “Preliminary Approval Order” means an order entered by the Court, substantially in the form attached hereto as Exhibit B, setting forth the date for a Settlement Hearing on the proposed Settlement, directing notice thereof and preliminarily determining, for purposes of the Settlement only, that the Derivative Action is properly maintained as a shareholder derivative action on behalf of the Company.

7. “Released Claims” means any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys’ fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues and controversies of any kind, nature or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims (defined below), whether based on state, local, foreign, federal, statutory, regulatory, common or other law or rule, brought or that could be brought derivatively or otherwise by or on behalf of the Company against any of the Released Parties (defined below), which now exist, heretofore existed or may hereafter exist, based upon, arising out of, relating in any way to, or involving, directly or indirectly, any of the actions, transactions, occurrences, statements, disclosures representations, misrepresentations, omissions, allegations, facts, practices, events, claims or any other matters, things or causes whatsoever, or any series thereof, that are, were, could have been, or in the future can or might be alleged, asserted, set forth, claimed, embraced, involved or referred to in the Derivative Action and relate to, directly or indirectly, the subject matter of the

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Derivative Action in any court, tribunal, forum or proceeding, including, without limitation, any and all claims by or on behalf of the Company which are based upon, arise out of, relate in any way to, or involve, directly or indirectly any of the allegations in any complaint or amendment(s) thereto filed in the Derivative Action or any action consolidated into any such actions; *provided, however,* that the Released Claims shall not include claims to enforce this Settlement. For the avoidance of doubt, the Released Claims do not include (1) any direct claims on behalf of present or former Company stockholders that are being prosecuted in the Securities Class Action; (2) in the event of an adverse judgment in the Securities Class Action, claims, if any, by the Company to recover fees and expenses advanced by the Company in the Securities Class Action against any person for whom the Company has advanced fees and expenses in such actions; or (3) in the event of a payment of money damages by the Company in satisfaction of a judgment against the Company in the Securities Class Action, claims, if any, by the Company for contribution.

8. “Released Parties” means (i) the Defendants; (ii) any other individual or entity that was originally named as a defendant in the Derivative Action or any of the constituent actions underlying the Derivative Action or any action consolidated into any such actions, including but not limited to Zhang and Gu ; (iii) all other current and former employees, officers, directors and advisers of the Company; and (iv) for each and all of the foregoing persons or entities (but only to the extent such persons are released as provided above), any and all of their respective past or present family members, spouses, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited-liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated entities,

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stockholders, principals, officers, managers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, financial or investment advisors, advisors, consultants, investment bankers, entities providing any fairness opinion, underwriters, brokers, dealers, lenders, commercial bankers, attorneys, insurers (including but not limited to XL Specialty Insurance Company or its successors and assigns (“XL”), reinsurers, personal or legal representatives, accountants and associates.

9. “Releases” means the releases set forth in Paragraphs 13 and 14 below.

10. “Settlement Hearing” means the hearing at which the Court will review the adequacy, fairness and reasonableness of the Settlement and determine whether to issue the Order and Final Judgment.

11. “Unknown Claims” means any claims of Plaintiffs or the Company or any Company stockholder that he, she or it does not know or suspect exist in his, her or its favor at the time of the release of the Released Claims as against the Released Parties, including without limitation those which, if known, might have affected the decision to enter into or object to the Settlement. With respect to any of the Released Claims, the parties stipulate and agree that upon Final Approval of the Settlement, Plaintiffs and the Company shall have, and each Company stockholder shall be deemed to have, and by operation of the final order and judgment by the Court shall have, expressly waived, relinquished and released any and all provisions, rights and benefits conferred by or under California Civil Code § 1542 or any law or principle of common law of the United States or any state or territory of the United States or any foreign nation which is similar, comparable or equivalent to California Civil Code § 1542, which provides:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS
WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT

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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.”

Plaintiffs and the Company acknowledge, and all Company stockholders by operation of law shall be deemed to have acknowledged, that they may discover facts in addition to or different from those now known or believed to be true with respect to the Released Claims, but that it is the intention of Plaintiffs, the Company and all Company stockholders by operation of law, to completely, fully, finally and forever extinguish any and all Released Claims, known or unknown, suspected or unsuspected, which now exist, heretofore existed or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. Plaintiffs and the Company acknowledge, and all Company stockholders by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of “Released Claims” was separately bargained for, was a material element of the Settlement, and was relied upon by each and all of Defendants in entering into the Settlement Agreement.

SETTLEMENT CONSIDERATION

12. In connection with the Settlement, the Company has agreed to implement a program of corporate-governance reforms described in Exhibit A hereto that represent the Parties’ agreed-upon efforts to address the allegations set forth in the complaints in the Derivative and Plaintiffs believe is tailored to address the allegations made in the Derivative Action.

RELEASES

13. Upon Final Approval, Plaintiffs, the Company and by operation of law the Company’s stockholders, on behalf of themselves and each of their predecessors, successors,

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assigns, personal representatives, heirs, joint tenants, tenants in common, beneficiaries, executors and administrators, successors, attorneys, insurers and assigns, and any person they represent or who purports to claim through them, shall and hereby do completely, fully, finally, and forever release, relinquish, settle, and discharge each and all of the Released Parties from and with respect to any and all of the Released Claims, and will be forever barred and enjoined from commencing, instituting or prosecuting any action or proceeding, in any forum, asserting any of the Released Claims against any of the Released Parties. Except as otherwise expressly provided in this Stipulation, none of the Released Parties shall be required to make any payment or other financial contribution to the Settlement.

14. Upon Final Approval, Defendants, individually and collectively, shall and hereby do completely, fully, finally and forever release, relinquish, settle, and discharge each and all of the Plaintiffs and Lead Counsel from and with respect to any and all claims arising out of or relating to the initiation, prosecution, and resolution of the Derivative Action, excepting any claim to enforce the Stipulation or Settlement.

PRELIMINARY APPROVAL

15. As soon as practicable after the Stipulation has been executed, the parties to the Derivative Action shall jointly submit this Stipulation, together with its related documents, to the Court and request entry of the Preliminary Approval Order: (a) preliminarily determining that the Derivative Action is properly brought as a shareholder derivative action; (b) preliminarily approving the Settlement; (c) setting a date for hearing of a motion for final approval of the Settlement and Lead Counsel's application for an award of attorneys' fees and expenses; (d) directing the form and manner of Notice to stockholders of the Settlement and of their right to object; (e) setting dates for the receipt of objections and the filing of final approval papers; (f)

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staying all proceedings in the Derivative Action except as may be necessary to implement the Settlement; and (g) granting such other and further relief as the Court deems just and proper.

NOTICE

16. Notice of the proposed Settlement shall be provided to Company stockholders in the following manner (or in such other manner directed by the Court): (i) the Company shall publish the Notice on one occasion in the national edition of *Investor's Business Daily*; (ii) the Company shall post a link to the Stipulation and Notice on the Company's website; (iii) Lead Counsel shall publish the Notice via a national wire service; and (iv) Lead Counsel shall post the Notice on its website.

17. The Company shall bear all Notice Costs related to promulgating notice in the manner set forth in items (i) and (ii) in Paragraph 16 above. Lead Counsel shall bear all Notice Costs related to promulgating notice in the manner set forth in items (iii) and (iv) in Paragraph 16 above.

STAY OF PROCEEDINGS

18. The parties agree to abide by and seek the continuation of the stay of proceedings in the Derivative Action and not to initiate any proceedings other than those related to the Settlement itself.

DISMISSAL WITH PREJUDICE

19. If the Settlement is approved by the Court, the Parties shall jointly and promptly request that the Court enter the Order and Final Judgment in the Derivative Action substantially in the form attached hereto as Exhibit D.

CONDITIONS OF SETTLEMENT

20. The Settlement (including the Releases given pursuant to the terms of this Stipulation) shall be null and void and of no force and effect, unless otherwise agreed by the Parties in accordance with Paragraph 41 herein, if: (i) the Court does not enter the Order and Final Judgment; (ii) the Derivative Action is not dismissed with prejudice against all Defendants, Zhang and Gu, without the award of any damages, costs, fees or the grant of further relief; or (iii) the Settlement does not obtain Final Approval for any reason. In addition, Defendants shall have the right in their sole discretion to terminate this Settlement in the event that any Released Claim is commenced or prosecuted against any of the Released Parties in any court prior to Final Approval of the Settlement and (following a motion by any Defendant) is not dismissed with prejudice or stayed pending Final Approval of the Settlement. In the event of such termination, this Stipulation shall be deemed null and void (except as provided in Paragraph 29 below). The Parties shall be deemed to be in the respective positions they were in prior to the execution of this Stipulation.

ATTORNEYS' FEES

21. If the Court approves the terms of the Stipulation as provided herein, including any modifications thereto made with consent of the Parties, Lead Counsel intends to apply to the Court for an award of attorneys' fees and expenses of \$250,000 (the "Fee Award"). After lengthy and adversarial negotiations, with the aid of the neutral mediator, it was agreed that Lead Counsel would seek the agreed upon amount of \$250,000 for attorneys' fees and expenses and Defendants would not oppose this application. Court approval of such fee application is not a condition of this Settlement, and such fee application may be considered separately from the proposed Settlement. Notwithstanding any other provision of this Stipulation, no fees or

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expenses shall be sought by or paid to Lead Counsel in the absence of entry by the Court of a Judgment which contains a release of the Released Claims.

22. Lead Counsel also warrants that no portion of any award of attorneys' fees or expenses shall be paid to Plaintiffs except as approved by the Court and Defendants take no position with respect to a court approved incentive award to each Plaintiff of up to \$2,500 to be paid from Lead Counsel's Fee Award.

23. Any such fees and expenses awarded by the Court shall be payable solely by the Company or its successor(s) in interest or its insurer(s) to Lead Counsel within ten (10) business days after the later of (a) the date of entry by the Court of the final order awarding such attorneys' fees or expenses, or (b) the receipt by Defendants' counsel of wire/check payee instructions and a Form W-9 providing the tax identification number for Lead Counsel. The funds shall be held in escrow at interest, and shall not be disbursed until the Court's approval of the fee award becomes Final.

24. To the extent the Fee Award is reduced, disapproved, reversed, or otherwise modified, whether on appeal, further proceedings on remand, successful collateral attack, or otherwise, then the Company or its successor in interest(s) or its insurer XL, as applicable, shall be entitled to a refund within five (5) business days after any such reduction, disapproval, reversal, or other modification of the amount so reduced, disapproved, reversed, or modified, and any proportionate amount of interest paid thereon.

25. Failure of the Court to approve a request for attorneys' fees and expenses in whole or in part shall have no effect whatsoever on the other terms of this Stipulation. Final resolution of any such request for attorneys' fees and expenses shall not be a condition to the dismissal of the Derivative Action.

COOPERATION

26. The Parties and their respective counsel agree to cooperate fully with one another in seeking the Court's approval of the Settlement and to use their best efforts to effect the consummation of this Stipulation and the Settlement (including, but not limited to, resolving any objections raised with respect to the Settlement).

27. The Parties may agree to reasonable extensions of time to carry out any of the provisions of this Stipulation to the extent that such deadlines have not been so ordered by the Court.

28. If any of the Released Claims are asserted or continue to be litigated against any of the Released Parties in any court prior to Final Approval of the Settlement, Plaintiffs and their counsel shall join, if requested by Defendants, in any motion to dismiss or stay such proceedings and otherwise shall use their best efforts to cooperate with Defendants to effect a withdrawal or dismissal of the claims.

NO ADMISSION OF WRONGDOING

29. The existence of this Stipulation, its contents and any negotiations, statements or proceedings in connection therewith will not be argued to be, and will not be construed or deemed to be, a presumption, concession or admission by any of the Released Parties or any other person of any fault, liability or wrongdoing as to any facts or claims alleged or asserted in the Derivative Action or otherwise or that the Company, Plaintiffs, Lead Counsel, any present or former stockholders of the Company or any other person, have suffered any damage attributable in any manner to any of the Released Parties. Nor shall the existence of this Stipulation and its contents or any negotiations, statements or proceedings in connection therewith be construed as a presumption, concession or admission by Plaintiffs or Lead Counsel of any lack of merit of the

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Released Claims, or that the Company has not suffered cognizable damages caused by the Individual Defendants. The existence of the Stipulation, its contents or any negotiations, statements or proceedings in connection therewith, shall not be offered or admitted in evidence or referred to, interpreted, construed, invoked or otherwise used by any person for any purpose in the Derivative Action or otherwise, except as may be necessary to effectuate the Settlement. This provision shall remain in force in the event that the Settlement is terminated for any reason whatsoever. Notwithstanding the foregoing, any of the Released Parties may file the Stipulation or any judgment or order of the Court related hereto in any other action that may be brought against them, in order to support any and all defenses or counterclaims based on *res judicata*, collateral estoppel, release, good-faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

NO WAIVER

30. Any failure by any party to insist upon the strict performance by any other party of any of the provisions of this Stipulation shall not be deemed a waiver of any of the provisions hereof, and such party, notwithstanding such failure, shall have the right thereafter to insist upon the strict performance of any and all of the provisions of this Stipulation by such other party.

31. No waiver, express or implied, by any party of any breach or default in the performance by the other party of its obligations under this Stipulation shall be deemed or construed to be a waiver of any other breach, whether prior, subsequent, or contemporaneous, under this Stipulation.

AUTHORITY

32. This Stipulation will be executed by counsel to the Parties, each of whom represents and warrants that he or she has been duly authorized and empowered to execute this

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Stipulation on behalf of such party, and that it shall be binding on such party in accordance with its terms.

SUCCESSORS AND ASSIGNS

33. This Stipulation is, and shall be, binding upon, and inure to the benefit of, the Parties and their respective agents, executors, administrators, heirs, successors and assigns; *provided, however*, that no Party shall assign or delegate its rights or responsibilities under this Stipulation without the prior written consent of the other Parties.

GOVERNING LAW AND FORUM

34. This Stipulation, and any dispute arising out of or relating in any way to this Stipulation, whether in contract, tort or otherwise, shall be governed by and construed in accordance with the laws of the State of Colorado, without regard to conflict-of-laws principles. Each of the Parties: (i) irrevocably submits to the personal jurisdiction of the Court or any state or federal court sitting in Pittsburgh, Pennsylvania, as well as to the jurisdiction of all courts to which an appeal may be taken from such courts, in any suit, action or proceeding arising out of or relating to this Stipulation and/or the Settlement; (ii) agrees that all claims in respect of such suit, action or proceeding shall be brought, heard and determined exclusively in the Court (provided that, in the event that subject-matter jurisdiction is unavailable in the Court, then all such claims shall be brought, heard and determined exclusively in any state or federal court sitting in Pittsburgh, Pennsylvania); (iii) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from such court; (iv) agrees not to bring any action or proceeding arising out of or relating to this Stipulation in any other court; and (v) EXPRESSLY WAIVES THE RIGHT TO A JURY TRIAL, AND AGREES NOT TO PLEAD OR TO MAKE ANY CLAIM THAT ANY SUCH ACTION OR PROCEEDING IS

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SUBJECT (IN WHOLE OR IN PART) TO A JURY TRIAL. Each of the Parties waives any defense of inconvenient forum to the maintenance of any action or proceeding brought in accordance with this paragraph. Each of the Parties further agrees to waive any bond, surety or other security that might be required of any other Party with respect to any such action or proceeding, including an appeal thereof. Each of the Parties further consents and agrees that process in any such suit, action or proceeding may be served on such Party by certified mail, return receipt requested, addressed to such Party or such Party's registered agent in the state of its incorporation or organization, or in any other manner provided by law, and in the case of Plaintiffs by giving such written notice to Lead Counsel at its address set forth in the signature blocks below.

WARRANTY

35. Lead Counsel represents, on behalf of Plaintiffs, that (i) Plaintiffs have been continuous stockholders of the Company at all times relevant to the allegations in the Derivative Action and through the date of this Stipulation; and (ii) none of the Released Claims has been assigned, encumbered or in any manner transferred in whole or in part, and that they and Plaintiffs will not attempt to assign, encumber or in any manner transfer in whole or in part any of the Released Claims.

36. Each party represents and warrants that the party has made such investigation of the facts pertaining to the Settlement provided for in this Stipulation, and all of the matters pertaining thereto, as the party deems necessary and advisable.

ENTIRE AGREEMENT

37. This Stipulation and the attached exhibits constitute the entire agreement among the Parties with respect to the subject matter hereof, supersede all prior or contemporaneous oral

EXECUTION COPY

or written agreements, understandings or representations. All of the exhibits hereto are incorporated by reference as if set forth herein verbatim, and the terms of all exhibits are expressly made part of this Stipulation.

INTERPRETATION

38. This Stipulation will be deemed to have been mutually prepared by the Parties and will not be construed against any of them by reason of authorship.

39. Section and/or paragraph titles have been inserted for convenience only and will not be used in construing the terms of this Stipulation.

40. The terms and provisions of this Stipulation are intended solely for the benefit of the Parties, and their respective successors and permitted assigns, and it is not the intention of the Parties to confer third-party beneficiary rights or remedies upon any other person or entity, except with respect to (a) any attorneys' fees and expenses to be paid to Lead Counsel pursuant to the terms of this Stipulation; and (b) the Released Parties who are not signatories hereto, and who shall be third-party beneficiaries under this Stipulation entitled to enforce it in accordance with its terms.

AMENDMENTS

41. This Stipulation may not be amended, changed, waived, discharged or terminated (except as explicitly provided herein), in whole or in part, except by an instrument in writing signed by the parties to this Stipulation. Any such written instrument signed by the Parties to this Stipulation shall be effective upon approval of the Court, without further notice to Company stockholders, unless the Court requires such notice.

COUNTERPARTS

42. This Stipulation may be executed in any number of actual, telecopied or electronically mailed counterparts and by each of the different parties on several counterparts, each of which when so executed and delivered will be an original. This Stipulation will become effective when the actual or telecopied counterparts have been signed by each of the parties to this Stipulation and delivered to the other parties. The executed signature page(s) from each actual, telecopied or electronically mailed counterpart may be joined together and attached and will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Stipulation, dated as of July 1, 2015, to be executed by their duly authorized attorneys.

KAHN SWICK & FOTI, LLC

By: 

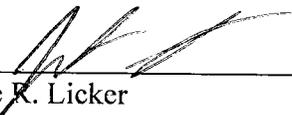
Melinda A. Nicholson
KAHN SWICK & FOTI, LLC
206 Covington Street
Madisonville, LA 70447
Telephone: (504) 455-1400
Facsimile: (504) 455-1498
melinda.nicholson@ksfcounsel.com

Lead Counsel for Plaintiffs

-and-

EXECUTION COPY

LOEB & LOEB LLP

By: 
Eugene R. Licker
Jonathan Neil Strauss
345 Park Avenue
New York, NY 10154
Telephone: (212) 407-4089
Facsimile: (646) 514-2887
elicker@loeb.com
jstrauss@loeb.com

Attorneys for Nominal Defendant FA3 Universal Corporation and Individual Defendants Christopher J. Spencer, J. Gregory Smith, Douglas Polinsky, Denis Yevstifeyev, John Lawrence Busshaus and James B. Rogers, Jr.

CORPORATE GOVERNANCE TERMS

1. Implementation Period

Unless otherwise provided below, within ninety days following final approval of the settlement, the Company's Board of Directors will implement the provisions set forth herein, which will remain in effect for no less than six years following the settlement effective date (the "Implementation Period").

2. Trigger

Provisions set forth below that are prefaced with the notation "Upon occurrence of the Trigger" will apply only if and when the Company records revenues at or exceeding \$13.5 million in any two, consecutive reporting calendar quarters during the Implementation Period (the "Trigger"). Upon the occurrence of the Trigger, the Company shall institute the relevant provisions within three months of the occurrence of the Trigger. The Company shall maintain the implementation of such triggered provisions for the remainder of the Implementation Period or three (3) years, whichever period is longer.

BOARD AND COMMITTEE PROVISIONS

3. Creation of Disclosure Committee

The Company will create a Disclosure Committee, consisting of at least two members of management, the Compliance Officer (if applicable, as discussed *infra*), and one current member of the Board of Directors, and collectively including at least one person with experience in matters concerning compliance with Securities and Exchange Commission ("SEC") regulations regarding full, timely, and accurate disclosure to shareholders. The Disclosure Committee will report at least quarterly to the Audit Committee of the Board and at least annually to the full Board of Directors. The mission of the Committee will include to put effective procedures and protocols in place at the Company designed to ensure, to the extent possible, that all of the Company's public statements, including but not limited to SEC filings, press releases, and statements to non-Company individuals at public or private meetings, are vetted for accuracy, integrity, and completeness, and for reviewing with management its ongoing compliance with these protocols and procedures. The Disclosure Committee will also be specifically charged with reviewing such public statements to ensure, to the extent possible, that they do not inaccurately characterize the Company's products and offerings and that they disclose all material transactions engaged in by the Company. At the Disclosure Committee's quarterly meetings, the Committee will review and discuss all of the Company's public statements, including SEC filings, press releases, and statements to non-Company individuals at public or private meetings. Finally, the Disclosure Committee Guidelines will be reviewed at least annually by the Company's Chief Financial Officer and the Audit Committee.

4. Independent Chairperson of the Board

The Company's Corporate Governance Guidelines shall be amended to provide that no person may serve as Chairperson of the Board who is or has within the previous five years served as the Chief Executive Officer or President of the Company. This provision shall not apply to current Chief Executive Officer or President of the Company.

5. Director Service on Other Public Company Boards

The Company's Corporate Governance Guidelines shall be amended to provide that no director may serve simultaneously on the boards of directors of more than three publicly traded companies, including the Company. In addition, the Chief Executive Officer shall not serve on the boards of more than three public companies simultaneously. This provision shall not apply to current Board members or the current Chief Executive Officer, except that in no case shall any such person serve on the boards of more than five public companies simultaneously. Named Executive Officers, including the President, other than the Chief Executive Officer, may not serve on the board of more than one public company at a time.

6. Membership on Committees

Upon occurrence of the Trigger, the Company's Corporate Governance Guidelines shall be amended to provide that no member of any of the Board's Committees may simultaneously serve on more than three Board Committees, no Chairman of any Board Committee may serve as Chairman of any other Board Committee, and no Chairman of any Board Committee may serve on more than two Board Committees total. Each Committee Charter shall also be amended to provide that members of each Committee shall be appointed by the full Board, and that candidates shall recuse themselves from voting themselves onto a Committee.

7. Limits on Audit Committee Membership

Upon occurrence of the Trigger, the Company's Corporate Governance Guidelines shall be amended to provide that no member of the Board's Audit Committee may serve on the audit committee of more than two other public companies. This provision shall not apply to current Audit Committee members, except that in no case shall any such person serve on the Audit Committees of more than three other public companies.

8. Audit Committee Membership Criteria

The Charter of the Audit Committee shall be amended to provide that at least one non-executive member of the Audit Committee has general expertise in accounting or financial management. If no current member(s) of the Board has such expertise and is able to serve on the Audit Committee, the Nominating Committee shall select a nominee(s) with such expertise for election as director at the next annual meeting of stockholders (or special meeting of stockholders at which directors are to be elected). To comply with this term, the Board may also

amend the Company's Bylaws to add an additional director(s) to the Board, which additional directorship(s) shall be filled by an individual with such expertise.

9. Director Orientation and Continuing Education

The Company's Corporate Governance Guidelines shall be amended to provide that, within six months of their election or appointment, all new directors must participate in a one-full-day program on Corporate Governance Guidelines and Best-in-Class Practices. In addition, at least every three years, every director and every Named Executive Officer shall attend a similar one-full-day program on Corporate Governance Guidelines and Best-in-Class Practices. All such programs shall contain modules directed to the issues of compliance with law and regulation, disclosures to shareholders, and fiduciary duties in the context of a heavily regulated public company.

10. Compensation Committee

A Charter of the Compensation Committee will be adopted by the Company. The specific terms of the Charter will provide, among other things, that the committee: (a) will meet at least twice annually to evaluate the performance of all Executive Officers of the Company, including the Chief Executive Officer; (b) will meet at least annually to make a formal, written evaluation of each Executive Officer, including the Chief Executive Officer, and to transmit such evaluation to the full Board, together with a recommendation as to the form and amount of each Executive Officer's compensation, including the Chief Executive Officer; and (c) will enact procedures to ensure that at least one member of the Compensation Committee rotates off the Committee every two years.

OTHER PROVISIONS

11. Code of Conduct

The Company's Code of Conduct shall be amended to provide that the Company's General Counsel, or the Chairman of the Audit Committee, or the Company's outside counsel will report quarterly, in writing, to the independent Directors the substance of any new messages received through the Company's Corporate Governance Hotline within the prior quarter and the status of the inquiry or investigation of such messages, as well as the status of the inquiry or investigation of any outstanding messages received prior to the preceding quarter.

12. Disclosure of Corporate Governance Practices

The Company's website will list the membership, including which Board member serves as chair, for all Committees of the Board of Directors. The Company's website will also include links allowing shareholders and potential shareholders to download the current charters for all of the Board Committees, the Company's Bylaws, and the Company's Corporate Code of Conduct.

13. Evaluation of Corporate Governance

Upon occurrence of the Trigger, the Company shall retain an independent consulting service to perform an independent analysis of material corporate governance weaknesses each year for the next five (5) years.

14. Creation of Compliance Officer

Upon occurrence of the Trigger, the Board shall create the position of Compliance Officer, who shall report directly to the Audit Committee of the Board. The duties of the Compliance Officer include, but are not limited to, oversight and administration of the Company's corporate governance policies (including the Code of Business Conduct and Ethics), fostering a culture that integrates compliance and ethics into business processes and practices, and maintaining and monitoring a system for reporting and investigating potential compliance and ethics concerns. The Compliance Officer shall be primarily responsible for managing the Company's ethics and compliance program and for assisting the Audit Committee and the Board in fulfilling its oversight duties with regard to the Company's compliance with applicable laws and regulations. The Compliance Officer must have executive-level experience in risk mitigation. The Compliance Officer's primary responsibilities shall include the following:

1. Working with the Audit Committee to evaluate and define the goals of FAB Universal's ethics and compliance program in light of trends and changes in laws which may affect FAB Universal;

2. Managing and overseeing FAB Universal's ethics and compliance program, implementing procedures for monitoring and evaluating the program's performance, and communicating with and informing the entire Board regarding progress toward meeting program goals;

3. Advising FAB Universal's Audit Committee and acting as the liaison between management and the Board's Audit Committee, in which capacity the Compliance Officer shall: (i) be primarily responsible for assessing organizational risk for misconduct and noncompliance with applicable laws and regulations; (ii) report material risks relating to compliance issues to the Audit Committee within three (3) days of identification of these risks; and (iii) make written recommendations for further evaluation and/or remedial action within deadlines established by the Audit Committee;

4. Reviewing FAB Universal's draft quarterly and annual reports filed on Forms 10-Q and 10-K, and related materials prior to their publication to ensure the accuracy, completeness, and timeliness of disclosures relating to compliance issues and material risks to FAB Universal's compliance with applicable laws and regulations, and reporting any material issues that may merit disclosure to FAB Universal's Audit Committee;

5. Reviewing FAB Universal's press releases, and related materials prior to their publication to ensure the accuracy, completeness and timeliness of disclosures relating to compliance issues and material risks to FAB Universal's compliance with applicable laws and regulations, and reporting any material issues that may merit disclosure to FAB Universal's Audit Committee;
6. Preparing quarterly written reports to the Audit Committee evaluating, and where necessary recommending remedial action;
7. Employing an independent third-party consultant and/or service to assist in the assessment of internal risk (as described *supra*);
8. Working with FAB Universal's General Counsel or outside counsel to evaluate the adequacy of FAB Universal's internal controls over compliance, and developing proposals for improving these controls for submission to the Nominating and Corporate Governance Committee;
9. Overseeing and reviewing FAB Universal's marketing materials including, without limitation, postings on the FAB Universal's website and emails to customers and clients, to ensure that they report accurate and up-to-date information;
10. Overseeing employee training in risk assessment and compliance; and
11. Overseeing and ensuring compliance with the Company's insider trading program.
15. Investigation of Alleged Wrongdoing

Defendants shall acknowledge that the existence of the Action was taken into account and that the existence and anticipation of litigation resulted in the Board engaging Loeb & Loeb LLP, which in turn retained FTI Consulting, Inc. and FTI Investigations LLC, in order to conduct an investigation into the allegations of the Action and the Securities Class Action, which resulted in findings validating one or more of the allegations asserted in the Action and Securities Class Action and in Loeb & Loeb LLP recommending certain other corporation reforms and actions in order to redress the issues found.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE FAB UNIVERSAL CORPORATION)	Lead Case No. 14-CV-687
SHAREHOLDER)	
DERIVATIVE LITIGATION)	
_____)	
)	
This Document Relates To:)	
)	
ALL DERIVATIVE ACTIONS)	
_____)	

**ORDER SETTING SCHEDULE AND
PRELIMINARILY APPROVING PROPOSED SETTLEMENT**

The parties to the consolidated stockholder above-styled shareholder derivative action (the “Derivative Action”), currently pending before the United States District Court for the Southern District of New York (the “Court”), having applied pursuant to Federal Rule of Civil Procedure 23.1 for an order preliminarily approving the proposed settlement of the Derivative Action in accordance with the Stipulation and Agreement of Compromise, Settlement and Release entered into by the parties on July 1, 2015 (the “Stipulation”), upon the terms and conditions set forth therein (the “Settlement”); the Court having read and considered the Stipulation and accompanying documents; and all parties having consented to the entry of this Order,

NOW, THEREFORE, this ____ day of _____, 2015, upon application of the parties, **IT IS HEREBY ORDERED** that:

1. Except for terms defined herein, the Court adopts and incorporates the definitions in the Stipulation for purposes of this Order.
2. The Court preliminarily approves the Settlement, as embodied in the Stipulation and the exhibits attached thereto, as fair, reasonable and adequate, pending a final hearing on the proposed Settlement as provided herein.

3. For the purposes of the proposed Settlement only, the Court preliminarily finds that the Derivative Action was properly brought as a derivative action for and on behalf of FAB Universal Corporation (“FAB Universal” or the “Company”), and that Plaintiffs fairly and adequately represent the interests of FAB Universal stockholders (“Company Stockholders”) similarly situated in enforcing the rights of the Company.

4. Lead Counsel is authorized to act on behalf of Company Stockholders with respect to all acts required by the Stipulation or such other acts which are reasonably necessary to consummate the Settlement set forth in the Stipulation.

5. A hearing (the “Settlement Hearing”) shall be held on _____, 2015 at _____ .m., Eastern Time, at the United States District Court for the Southern District of New York, Daniel Patrick Moynihan U.S. Courthouse, 500 Pearl Street, Courtroom 18C, New York, New York 10007, to:

- a. determine whether the Settlement should be approved as fair, reasonable and adequate;
- b. determine whether an Order and Final Judgment should be entered dismissing the Derivative Action with prejudice;
- c. determine whether Lead Counsel’s application for attorneys’ fees and expenses should be approved; and
- d. rule on such other matters as the Court may deem appropriate.

6. The Court reserves the right to (i) approve the Settlement at or after the Settlement Hearing with such modification(s) as may be consented to by the parties to the Stipulation and without further notice to Company Stockholders; and (ii) adjourn the Settlement Hearing or any adjournment thereof, without further notice of any kind to Company Stockholders.

7. Within ten (10) business days following entry of this Order: (i) the Company shall publish the Notice on one occasion in the national edition of *Investor's Business Daily*; (ii) the Company shall post a link to the Stipulation and Notice on the Company's website; (iii) Lead Counsel shall publish the Notice via a national wire service; and (iv) Lead Counsel shall post the Notice on its website. The costs of such forms of notice reflected in (i), (ii), (iii) and (iv) above, shall be borne in accordance with the terms of the Stipulation. The parties shall, at or before the Final Hearing, file with the Court proof of publication of the required notice.

8. The Court approves, in form and substance, the Notice and finds that the form and method of notice specified herein constitutes the best notice practicable under the circumstances, constitutes due and sufficient notice of the Settlement Hearing to all persons entitled to receive such notice and fully satisfies the requirements of due process, Federal Rule of Civil Procedure 23.1 and applicable law.

9. All proceedings and pending deadlines in the Derivative Action, other than such proceedings as may be necessary to effectuate the terms and conditions of the Settlement, are hereby stayed and suspended until further order of this Court.

10. Any Company Stockholder who objects to any aspect of the Settlement or the Order and Final Judgment to be entered in the Derivative Action, may appear in person or by his or her attorney at the Settlement Hearing and present evidence or argument that may be proper and relevant; *provided, however*, that, except for good cause shown, no person other than Lead Counsel and counsel for Defendants and the Company shall be heard and no papers, briefs, pleadings or other documents submitted by any Company Stockholder shall be considered by the Court unless, not later than twenty-one (21) days prior to the Settlement Hearing directed herein: (i) a statement of the objections by the Company Stockholder; (ii) the grounds for such

objections; and (iii) proof of ownership of Company common stock, as well as all documents or writings such person desires the Court to consider, are filed by such person with the Court, and, on or before such filing, are served by hand or mail on the following counsel of record:

Lead Counsel for Plaintiffs:

KAHN SWICK & FOTI, LLC
Melinda A. Nicholson
206 Covington Street
Madisonville, LA 70447

Counsel for Defendants:

LOEB & LOEB LLP
Eugene R. Licker
Jonathan Neil Strauss
345 Park Avenue
New York, NY 10154

11. Any Company Stockholder who fails to object in the manner described above shall be deemed to have waived the right to object (including any right of appeal) and shall be forever barred from raising such objection in this or any other action or proceeding unless the Court orders otherwise.

12. All papers in support of the Settlement or the award of attorneys' fees and expenses shall be filed and served fourteen (14) days prior to the deadline for Company Stockholders to object to the Settlement, and all reply papers shall be filed and served seven (7) calendar days before the Settlement Hearing.

13. If the Settlement is approved by the Court following the Settlement Hearing, an Order and Final Judgment will be entered as described in the Stipulation.

14. If the Settlement, including any amendment made in accordance with the Stipulation, is not approved by the Court or shall not become effective for any reason whatsoever, the Settlement (including any modification thereof made with the consent of the parties as provided for in the Stipulation), and certifications herein and any actions taken or to be

taken in connection therewith (including this Order and any judgment entered herein) shall be terminated and shall become void and of no further force and effect, except for the Company's, Plaintiffs, and Lead Counsel's obligations to pay, in accordance with the terms of the Stipulation, expenses incurred in connection with provision of the notice prescribed by this Order. In that event, neither the Stipulation, nor any provision contained in the Stipulation, nor any action undertaken pursuant thereto, nor the negotiation thereof by any party, shall be deemed an admission, concession or received as evidence in this or any other action or proceeding.

15. The existence of the Stipulation, its contents, and any negotiations, statements, or proceedings in connection therewith will not be argued to be, and will not be construed or deemed to be, a presumption, concession or admission by any of the Released Parties or any other person of any fault, liability or wrongdoing as to any facts or claims alleged or asserted in the Derivative Action or otherwise or that the Company, Plaintiffs, Lead Counsel, any present or former stockholders of the Company or any other person, have suffered any damage attributable in any manner to any of the Released Parties. Nor shall the existence of the Stipulation and its contents or any negotiations, statements or proceedings in connection therewith be construed as a presumption, concession or admission by Plaintiffs or Lead Counsel of any lack of merit of the Released Claims, or that the Company has not suffered cognizable damages caused by Defendants. The existence of the Stipulation, its contents or any negotiations, statements or proceedings in connection therewith, shall not be offered or admitted in evidence or referred to, interpreted, construed, invoked or otherwise used by any person for any purpose in the Derivative Action or otherwise, except as may be necessary to effectuate the Settlement. Notwithstanding the foregoing, any of the Released Parties may file the Stipulation or any judgment or order of the Court related hereto in any other action that may be brought against

them, in order to support any and all defenses or counterclaims based on *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

16. The Court may, for good cause, extend any of the deadlines set forth in this Order without further notice to Company Stockholders, and the Court retains jurisdiction to consider all further applications arising out of or connected with the Settlement.

It is SO ORDERED.

Dated: _____

THE HONORABLE ROBERT W. SWEET
U.S. DISTRICT JUDGE

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE FAB UNIVERSAL CORPORATION)	Lead Case No. 14-CV-687
SHAREHOLDER)	
DERIVATIVE LITIGATION)	
_____)	
)	
This Document Relates To:)	
)	
ALL DERIVATIVE ACTIONS)	
_____)	

NOTICE OF SETTLEMENT OF STOCKHOLDER DERIVATIVE LITIGATION

TO: ALL PERSONS WHO OWN SHARES OF FAB UNIVERSAL CORPORATION (“COMPANY”) COMMON STOCK AS OF JULY 1, 2015 AND CONTINUE TO OWN SUCH SHARES (“COMPANY STOCKHOLDERS”):

THIS NOTICE IS GIVEN pursuant to an Order of the United States District Court for the United States District Court for the Southern District of New York (the “Court”), to inform you of a proposed stipulated settlement (the “Settlement”) in the above-captioned derivative action (the “Action”). The Action involves breach of fiduciary and other claims, brought derivatively on behalf of the Company, against certain of its current and former directors and officers, including claims for breaches of fiduciary duties of loyalty, due care, good faith, independence, candor and full disclosure to shareholders; misappropriation of material, non-public information of the Company by certain individual defendants; and violations of Section 14(a) of the Securities Exchange Act of 1934 and Rule 14a-9 promulgated thereunder against certain individual defendants in connection with, among other things, the true circumstances of and public statements concerning the Company’s kiosk business in China and the failure to disclose the issuance of RMB 100 million (\$16.4 million) worth of bonds to Chinese investors in April 2013.

YOU ARE HEREBY NOTIFIED THAT, a hearing will be held on _____, 2015, at ___ .m., before the Honorable Robert W. Sweet, at the United States District Court for the Southern District of New York, Daniel Patrick Moynihan U.S. Courthouse, 500 Pearl Street, Courtroom 18C, New York, New York 10007, for the purpose of determining whether the Settlement should be approved as fair, reasonable and adequate, and to consider other matters, including Plaintiffs’ counsel’s application for an award of attorneys’ fees and expenses in the amount of \$250,000 and whether a final judgment dismissing the Action should be entered. ***Because this is a stockholder derivative action brought for the benefit of FAB Universal Corporation, no individual Company stockholder has the right to receive any individual compensation as a result of the settlement of this action.*** In accordance with the terms of the Settlement, and in consideration for certain broad releases, the Company has agreed to implement certain corporate-governance reforms within ninety days following final approval of the Settlement, including the creation a new disclosure committee to put effective procedures and

protocols in place at the Company designed to ensure, to the extent possible, that all of the Company's public statements, including but not limited to SEC filings, press releases, and statements to non-Company individuals at public or private meetings, are vetted for accuracy, integrity, and completeness, and for reviewing with management its ongoing compliance with these protocols and procedures; modifications to the Company's Corporate Governance Guidelines to limit the positions of the Chairperson of the Board, directors' service of other public company boards; modifications to the charter of the Company's Audit Committee to provide that at least one non-executive member of the Audit Committee has general expertise in accounting or financial management; institution of director orientation and continuing education; adoption of a charter for the Compensation Committee; modifications to the Company's Code of Conduct to provide for formalized reporting of any hotline reports to the Company's independent directors; disclosure of the Company's corporate governance practices. In accordance with the terms of the Settlement, and in consideration for certain broad releases, the Company has also agreed to implement certain corporate-governance reforms once the Company records revenues at or exceeding \$13.5 million in any two, consecutive reporting calendar quarters following six years following the settlement effective date, including modifications to the Company's Corporate Governance Guidelines to limit memberships on multiple Company committees, including Chairman positions on such committees and Audit Committee memberships; retention of an independent consultant to conduct a yearly analysis of the Company's corporate governance; and creation of the position of Compliance Officer who will be tasked with oversight and administration of the Company's corporate governance policies

IF YOU ARE AN OWNER OF COMPANY COMMON STOCK, YOUR RIGHTS MAY BE AFFECTED BY THE SETTLEMENT. This notice contains only a summary of the Action and the terms of the Settlement. If you are a current Company Stockholder, you may obtain a copy the Stipulation of Settlement, by visiting the website <http://www.fabuniversal.com/corporate-governance/stipulations/>. Should you have any other questions regarding the proposed Settlement or the Action, please contact:

Lead Counsel for Plaintiffs:

KAHN SWICK & FOTI, LLC
Melinda A. Nicholson
206 Covington Street
Madisonville, LA 70447

Counsel for Defendants:

LOEB & LOEB LLP
Eugene R. Licker
Jonathan Neil Strauss
345 Park Avenue
New York, NY 10154

Any objection to the Settlement or to Plaintiffs' application for an award of attorneys' fees and expenses must be filed with the Clerk of the Court (Honorable Robert W. Sweet, United States District Court for the Southern District of New York, Daniel Patrick Moynihan U.S. Courthouse, 500 Pearl Street, New York, New York 10007) in this case numbered 14-CV-687, no later than _____, 2015 and served by hand or first class mail (postage prepaid) for

delivery by the same date on Lead Counsel for plaintiffs (at the address listed above) and on counsel for Defendants (at the address listed below):

Lead Counsel for Plaintiffs:

KAHN SWICK & FOTI, LLC
Melinda A. Nicholson
206 Covington Street
Madisonville, LA 70447

Counsel for Defendants:

LOEB & LOEB LLP
Eugene R. Licker
Jonathan Neil Strauss
345 Park Avenue
New York, NY 10154

PLEASE DO NOT CALL OR WRITE THE COURT REGARDING THIS NOTICE.

DATED: _____, 2015 BY ORDER OF THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE FAB UNIVERSAL CORPORATION)	Lead Case No. 14-CV-687
SHAREHOLDER)	
DERIVATIVE LITIGATION)	
_____)	
)	
This Document Relates To:)	
)	
ALL DERIVATIVE ACTIONS)	
_____)	

[PROPOSED] ORDER AND FINAL JUDGMENT

A hearing having been held before this Court (the “Court”) on _____, 2015, pursuant to the Court’s Order of _____, 2015 (the “Scheduling and Preliminary Approval Order”), upon a Stipulation and Agreement of Compromise, Settlement and Release, executed on July 1, 2015 (the “Stipulation”), in the above-captioned shareholder derivative action; the Scheduling and Preliminary Approval Order and the Stipulation being incorporated herein by reference; it appearing that due notice of said hearing was given in accordance with the aforementioned Scheduling and Preliminary Approval Order and that said notice was adequate and sufficient; the parties having appeared by their attorneys of record; the attorneys for the respective parties having been heard in support of the proposed settlement (the “Settlement”) of the Derivative Action; and an opportunity to be heard having been given to all other persons desiring to be heard as provided in the notice; and the entire matter of the Settlement having been considered by the Court;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, this ___ day of _____, 2015, as follows:

1. Unless otherwise defined herein, all defined terms shall have the meanings as set forth in the Stipulation.

2. The Notice of Settlement of Stockholder Derivative Litigation has been given to stockholders of FAB Universal Corporation (the “Company”) pursuant to and in the manner directed by the Preliminary Approval Order; proof of publication of the required notice was filed with the Court; and full opportunity to be heard has been offered to all parties, Company stockholders and persons in interest. The form and manner of the notice provided is hereby confirmed to have been the best notice practicable under the circumstances and to have been given in full compliance with each of the requirements of Federal Rule of Civil Procedure 23.1, due process and applicable law, and it is further determined that all Company stockholders are bound by the Order and Final Judgment herein.

3. The Court reconfirms that, for settlement purposes only, the Derivative Action is properly maintained as a shareholder derivative action on behalf of the Company, and that Plaintiffs fairly and adequately represented the interests of stockholders similarly situated in enforcing the rights of Company stockholders. Lead Counsel is authorized to act on behalf of Company stockholders with respect to all acts required by the Stipulation or such other acts which are reasonably necessary to consummate the Settlement set forth in the Stipulation.

4. The Settlement is found to be fair, reasonable and adequate, and is hereby approved pursuant to Federal Rule of Civil Procedure 23.1. The parties to the Stipulation are hereby authorized and directed to comply with and to consummate the Settlement in accordance with its terms and provisions, and the Clerk is directed to enter and docket this Order and Final Judgment in the Action.

5. This Court has jurisdiction over the subject matter of the Derivative Action, including all matters necessary to effectuate the Settlement and this Final Judgment and over all parties to the Derivative Action.

6. The Derivative Action and the Released Claims are hereby dismissed on the merits with prejudice as to all Defendants in the Derivative Action and against all Released Parties on the merits and, except as provided below in Paragraph 11, without fees or costs.

7. Plaintiffs, the Company and by operation of law all Company stockholders, on behalf of themselves and each of their predecessors, successors, assigns, personal representatives, heirs, joint tenants, tenants in common, beneficiaries, executors and administrators, successors, attorneys, insurers and assigns, and any person they represent or who purports to claim through them, shall and hereby do completely, fully, finally and forever release, relinquish, settle and discharge each and all of the Released Parties from and with respect to any and all of the Released Claims, and will be forever barred and enjoined from commencing, instituting or prosecuting any action or proceeding, in any forum, asserting any of the Released Claims against any of the Released Parties.

8. Defendants, individually and collectively, shall and hereby do completely, fully, finally and forever release, relinquish, settle and discharge each and all of the Plaintiffs and Lead Counsel from and with respect to any and all claims arising out of or relating to the initiation, prosecution and resolution of the Derivative Action, excepting any claim to enforce the Stipulation or Settlement.

9. Plaintiffs, the Company and each and every Company stockholder, and their predecessors, successors, assigns, personal representatives, heirs, joint tenants, tenants in common, beneficiaries, executors and administrators, successors, attorneys, insurers and assigns, and any person they represent or who purports to claim through them, are hereby permanently barred and enjoined from asserting, commencing, prosecuting, assisting, instigating, continuing or in any way participating in the commencement or prosecution of any action, whether directly,

representatively, derivatively or in any other capacity, asserting any of the Released Claims that are released pursuant to this Order and Final Judgment or under the Stipulation.

10. Neither the Stipulation, the Settlement, this Order and Final Judgment, nor any act performed, statement made or document executed pursuant to or in furtherance of the Settlement is or may be construed or deemed to be, a presumption, concession or admission (i) by any of the Released Parties or any other person of any fault, liability or wrongdoing as to any facts or claims alleged or asserted in the Derivative Action or otherwise or that the Company, Plaintiffs, Lead Counsel, any present or former stockholders of the Company, or any other person, have suffered any damage attributable in any manner to any of the Released Parties; or (ii) by Plaintiffs or Lead Counsel of any lack of merit of the Released Claims, or that the Company has not suffered cognizable damages caused by Defendants. The existence of the Stipulation and its contents, the Settlement, this Order and Final Judgment or any negotiations, statements or proceedings in connection therewith, shall not be offered or admitted in evidence or referred to, interpreted, construed, invoked or otherwise used by any person for any purpose in the Derivative Action or otherwise, except as may be necessary to effectuate the Settlement. Notwithstanding the foregoing, any of the Released Parties may file the Stipulation or any judgment or order of the Court related hereto in any other action that may be brought against them, in order to support any and all defenses or counterclaims based on *res judicata*, collateral estoppel, release, good-faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

11. Lead Counsel is hereby awarded attorneys' fees and expenses in the total amount of \$[_____], which sum the Court finds to be fair and reasonable, and which shall be paid to Lead Counsel in accordance with the terms of the Stipulation. Plaintiffs are hereby awarded

incentive awards in the total amount of \$[_____], which sum shall be paid out of Lead Counsel's attorneys' fees and expenses award.

12. The effectiveness of the Order and Final Judgment and the obligations of Plaintiffs, Lead Counsel, the Company, Company stockholders and Defendants under the Settlement shall not be conditioned upon or subject to the resolution of any appeal that relates solely to the issue of attorneys' fees and expenses.

13. The Court further orders, adjudges and decrees that all other relief be, and is hereby, denied, and that this Order and Final Judgment disposes of all the claims and all the parties in the above-styled and numbered stockholder derivative action.

14. Without affecting the finality of this Order and Final Judgment in any way, this Court retains jurisdiction over all matters relating to the administration and consummation of the Settlement and all parties hereto for the purpose of construing, enforcing and administering the Settlement.

15. In the event that the Settlement does not become effective or that Defendants exercise their right to terminate the Settlement in accordance with the terms of the Stipulation, then this Order and Final Judgment shall be rendered null and void to the extent provided by and in accordance with the Stipulation and shall be vacated, and, in such event, all orders entered and releases delivered in connection herewith shall be null and void to the extent provided for and in accordance with the Stipulation.

Dated: _____

THE HONORABLE ROBERT W. SWEET
U.S. DISTRICT JUDGE