

**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 October 14, 2015, at 12 p.m. (noon), 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 September 23, 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: August 11, 2015

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