

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

IN RE QUDIAN INC. SECURITIES LITIGATION

Master File No.: 1:17-cv-09741-JMF

Related cases:

1:17-cv-09796-JMF

1:17-cv-09903-JMF

1:17-cv-09875-JMF

1:17-cv-09894-JMF

**NOTICE OF (I) PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT; (II) SETTLEMENT HEARING;  
AND (III) MOTION FOR AN AWARD OF  
ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES**

***A Federal Court authorized this Notice. This is not a solicitation from a lawyer.***

**NOTICE OF PENDENCY OF CLASS ACTION:** Please be advised that your rights may be affected by the above-captioned securities class action (the "Action") pending in the United States District Court for the Southern District of New York (the "Court") if you purchased or otherwise acquired Qudian Inc. ("Qudian") American Depositary Shares ("ADS") in or traceable to Qudian's initial public offering on or about October 18, 2017 (the "IPO").<sup>1</sup>

**NOTICE OF SETTLEMENT:** Please also be advised that the Court-appointed Lead Plaintiffs Alan B. Hertz and the Alan Hertz Family 2012 Trust (collectively, "Lead Plaintiffs") and additional named plaintiff Darwin Sutanto (collectively with Lead Plaintiffs, "Plaintiffs"), on behalf of themselves and the Class (as defined in ¶ 26 below), have reached a proposed settlement of the Action for \$8,500,000 that, if approved, will resolve all claims in the Action (the "Settlement").

This Action is separate from three other class action lawsuits that were filed on behalf of Qudian ADS purchasers in (i) California Superior Court, San Mateo County, and (ii) New York Supreme Court, New York County, respectively (collectively, the "State Court Actions").<sup>2</sup> There has not been, and may not be, a recovery in the State Court Actions. Moreover, absent a valid exclusion request, approval of the Settlement in this Action will eliminate the ability of any member of the Class to assert Released Plaintiffs' Claims in the State Court Actions or in any other court or forum. You may not participate in both this Settlement and the State Court Actions.

**PLEASE READ THIS NOTICE CAREFULLY. This Notice explains important rights you may have, including the possible receipt of proceeds from the Settlement. If you are a member of the Class, your legal rights will be affected if you do not act.**

**If you have any questions about this Notice, the proposed Settlement, or your eligibility to participate in the Settlement, please DO NOT contact the Court, Qudian, any other defendants in the Action, or their counsel. All questions should be directed to Co-Lead Counsel or the Claims Administrator (see ¶ 86 below).**

1. **Description of the Action and the Class:** This Notice relates to a proposed Settlement of claims in a pending securities class action brought by investors alleging, among other things, that defendants Qudian, the Individual Defendants,<sup>3</sup> the Selling

<sup>1</sup> All capitalized terms used in this Notice that are not otherwise defined herein shall have the meanings ascribed to them in the Stipulation and Agreement of Settlement dated November 13, 2020 (the "Stipulation"), which is available at [www.QudianSecuritiesSettlement.com](http://www.QudianSecuritiesSettlement.com).

<sup>2</sup> The State Court Actions are: (i) *Song v. Qudian Inc. et al.* (18CIV01425), filed in the California Superior Court for the County of San Mateo on March 21, 2018; (ii) *Panther Partners Inc. v. Qudian Inc. et al.* (Index No. 651804/2018), filed in the Supreme Court of the State of New York for the County of New York on April 13, 2018; and (iii) *The Morrow Property Trust v. Qudian Inc. et al.* (Index No. 653047), filed in the Supreme Court of the State of New York for the County of New York on June 18, 2018. All of the State Court Actions were subsequently stayed in light of the first-filed Action. The plaintiffs in the two New York state court actions later moved to lift the stay, which was denied. On December 3, 2020 the Supreme Court of the State of New York, First Appellate Division, lifted the stay.

<sup>3</sup> The Individual Defendants are Min Luo, Carl Yeung, Lianzhu Lv, Yi Cao, Shilei Li, Li Du, Chao Zhu, Tianyu Zhu, Diana Arias, Yifan Li, Rocky Ta-Chen Lee, and Yahui Zhou.

Shareholder Defendants,<sup>4</sup> and the Underwriter Defendants<sup>5</sup> (collectively, the “Defendants”) violated the federal securities laws by making false and misleading statements and omissions in the Registration Statement for Qudian’s IPO. A more detailed description of the Action is set forth in paragraphs 11-25 below. The proposed Settlement, if approved by the Court, will settle claims of the Class, as defined in paragraph 26 below.

2. **Statement of the Class’s Recovery:** Subject to Court approval, Plaintiffs, on behalf of themselves and the Class, have agreed to settle the Action in exchange for a settlement payment of \$8,500,000 (the “Settlement Amount”) to be deposited into an escrow account. The Net Settlement Fund (*i.e.*, the Settlement Amount plus any and all interest earned thereon (the “Settlement Fund”) less (a) any Taxes, (b) any Notice and Administration Costs, (c) any Litigation Expenses awarded by the Court, and (d) any attorneys’ fees awarded by the Court) will be distributed in accordance with a plan of allocation that is approved by the Court, which will determine how the Net Settlement Fund shall be allocated among members of the Class. The proposed plan of allocation (the “Plan of Allocation”) is set forth on pages 9-12 below.

3. **Estimate of Average Amount of Recovery Per Share:** Plaintiffs estimate that approximately 123.9 million shares of Qudian ADS may have been affected by the conduct allegedly at issue in the Action. If all eligible Class Members elect to participate in the Settlement, the estimated average recovery would be approximately \$0.07 per affected ADS (before the deduction of any Court-approved fees, expenses, and costs as described herein). Class Members should note, however, that the foregoing is only an estimate. Some Class Members may recover more or less than these estimated amounts, depending on, among other factors, when and at what prices they purchased/acquired or sold/disposed of their Qudian ADS and the total number of valid Claim Forms submitted. Distributions to Class Members will be made based on the Plan of Allocation set forth herein (*see* pages 9-12 below) or such other plan of allocation as may be ordered by the Court.

4. **Average Amount of Damages Per Share:** The Parties do not agree on the average amount of damages per share that would be recoverable if Plaintiffs were to prevail in the Action. Among other things, Defendants do not agree with Plaintiffs’ allegation that Defendants violated the federal securities laws or that any damages were suffered by any members of the Class as a result of their alleged conduct.

5. **Attorneys’ Fees and Expenses Sought:** Plaintiffs’ Counsel, which have been prosecuting the Action on a wholly contingent basis since its inception in 2017, have not received any payment of attorneys’ fees for their representation of the Class and have advanced the funds to pay expenses necessarily incurred to prosecute this Action. Co-Lead Counsel will apply to the Court for an award of attorneys’ fees for all Plaintiffs’ Counsel in an amount not to exceed 33⅓% of the Settlement Fund (which includes accrued interest). In addition, Co-Lead Counsel will apply for reimbursement of Litigation Expenses paid or incurred in connection with the institution, prosecution, and resolution of the claims against the Defendants, in an amount not to exceed \$225,000, which may include an application for reimbursement of the reasonable costs and expenses incurred by Plaintiffs directly related to their representation of the Class. Any fees and expenses awarded by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses. If the maximum amounts are requested and the Court approves Co-Lead Counsel’s fee and expense application, the estimated average amount of fees and expenses, assuming claims are filed for all affected shares, will be approximately \$0.04 per affected Qudian ADS.

6. **Identification of Class Counsel:** Plaintiffs and the Class are represented by Co-Lead Counsel Jack I. Zwick, Esq., 225 Broadway, Suite 1440, New York, NY 10007, Telephone No.: (212) 385-1900, Email: [jack@zwickfirm.com](mailto:jack@zwickfirm.com), and Jonathan Rotter, Esq., Glancy Prongay & Murray LLP, 1925 Century Park East, Suite 2100, Los Angeles, CA 90067, Telephone No.: (888) 773-9224, Email: [settlements@glancylaw.com](mailto:settlements@glancylaw.com).

7. **Reasons for the Settlement:** Plaintiffs’ principal reason for entering into the Settlement is the substantial immediate cash benefit for the Class without the risk or the delays inherent in further litigation. Moreover, the substantial cash benefit provided under the Settlement must be considered against the significant risk that a smaller recovery – or indeed no recovery at all – might be achieved after contested motions, a trial of the Action, and the likely appeals that would follow a trial. This process could be expected to last several years. Defendants, who deny all allegations of wrongdoing or liability whatsoever, are entering into the Settlement solely to eliminate the uncertainty, burden, and expense of further protracted litigation.

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<sup>4</sup> The Selling Shareholder Defendants are Qufenqi Holding Limited, Phoenix Auspicious FinTech Investment L.P., Wa Sung Investment Limited, Source Code Accelerate L.P., Kunlun Group Limited, Ever Bliss Fund, L.P., and Joyful Bliss Limited.

<sup>5</sup> The Underwriter Defendants are Morgan Stanley & Co. International plc, Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., China International Capital Corporation Hong Kong Securities Limited, UBS Securities LLC, Stifel, Nicolaus and Company, Incorporated, Needham & Company, LLC, and Nomura Securities International, Inc.

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:</b>	
<b>SUBMIT A CLAIM FORM POSTMARKED NO LATER THAN APRIL 14, 2021.</b>	This is the only way to be eligible to receive a payment from the Settlement Fund. If you are a Class Member and you remain in the Class, you will be bound by the Settlement as approved by the Court, and you will give up any Released Plaintiffs' Claims (defined in ¶ 35 below) that you have against Defendants' Releasees (defined in ¶ 36 below), so it is in your interest to submit a Claim Form.
<b>EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS RECEIVED NO LATER THAN APRIL 6, 2021.</b>	If you exclude yourself from the Class, you will not be eligible to receive any payment from the Settlement Fund. Excluding yourself from the Class is the only option that allows you ever to be part of any other lawsuit against any of Defendants' Releasees concerning the Released Plaintiffs' Claims.
<b>OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS RECEIVED NO LATER THAN APRIL 6, 2021.</b>	If you do not like the proposed Settlement, the proposed Plan of Allocation, or the request for attorneys' fees and reimbursement of Litigation Expenses, you may write to the Court and explain why you do not like them. You cannot object to the Settlement, the Plan of Allocation, or the fee and expense request unless you are a Class Member and do not exclude yourself from the Class.
<b>GO TO A HEARING ON APRIL 27, 2021, AT 4:00 P.M., AND FILE AN OBJECTION AND A NOTICE OF INTENTION TO APPEAR SO THAT IT IS RECEIVED NO LATER THAN APRIL 6, 2021.</b>	Filing a written objection and notice of intention to appear by April 6, 2021, allows you to speak in Court, at the discretion of the Court, about the fairness of the proposed Settlement, the Plan of Allocation, and/or the request for attorneys' fees and reimbursement of Litigation Expenses. If you submit a written objection, you may (but you do not have to) attend the hearing and, at the discretion of the Court, speak to the Court about your objection.
<b>DO NOTHING.</b>	If you are a member of the Class and you do not submit a valid Claim Form, you will not be eligible to receive any payment from the Settlement Fund. You will, however, remain a member of the Class, which means that you give up your right to sue about the claims that are resolved by the Settlement, and you will be bound by any judgments or orders entered by the Court in the Action.

<b>WHAT THIS NOTICE CONTAINS</b>
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## WHY DID I GET THIS NOTICE?

8. The Court directed that this Notice be mailed to you because you or someone in your family or an investment account for which you serve as a custodian may have purchased or otherwise acquired one or more shares of Qudian ADS in or traceable to Qudian's IPO. The Court has directed us to send you this Notice because, as a potential Class Member, you have a right to know about your options before the Court rules on the proposed Settlement. Additionally, you have the right to understand how this class action lawsuit may generally affect your legal rights. If the Court approves the Settlement and the Plan of Allocation (or some other plan of allocation), the claims administrator selected by Plaintiffs and approved by the Court will make payments pursuant to the Settlement after any objections and appeals are resolved.

9. The purpose of this Notice is to inform you of the existence of this case, that it is a class action, how you might be affected, how to file a claim form, how to object to the Settlement, and how to exclude yourself from the Class if you wish to do so. It is also being sent to inform you of the terms of the proposed Settlement and of a hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement, the proposed Plan of Allocation, and the motion by Co-Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses (the "Settlement Hearing"). See paragraph 77 below for details about the Settlement Hearing, including the date and location of the hearing.

10. The issuance of this Notice is not an expression of any opinion by the Court concerning the merits of any claim in the Action, and the Court still has to decide whether to approve the Settlement. If the Court approves the Settlement and a plan of allocation, then payments to Authorized Claimants will be made after any appeals are resolved and after the completion of all claims processing. Please be patient, as this process can take some time to complete.

## WHAT IS THIS CASE ABOUT?

11. Qudian is a leading online "micro-lender" located in China. Micro-lenders typically provide small loans to consumers. The Action arises out of alleged misrepresentations and omissions contained in the Registration Statement for Qudian's October 2017 IPO.

12. The Action is the consolidation of several actions filed in the Southern District of New York in December 2017. The Court consolidated the proceedings in a single action entitled *In re Qudian Securities Litigation*, Case No. 1:17-cv-09741-JMF.

13. On March 16, 2018, the Court appointed Alan B. Hertz and the Alan Hertz Family 2012 Trust as Lead Plaintiffs for the Action pursuant to the Private Securities Litigation Reform Act of 1995 (the "PSLRA"). The Court also approved Lead Plaintiffs' selection of Jack I. Zwick and Glancy Prongay & Murray LLP as Co-Lead Counsel for the putative class.

14. On July 27, 2018, Lead Plaintiffs filed the Second Amended Consolidated Class Action Complaint for Violation of the Federal Securities Laws (the "Second Amended Complaint"), asserting claims under Sections 11, 12(a)(2), and 15 of the Securities Act of 1934 (the "Securities Act"). Among other things, the Second Amended Complaint alleges that Defendants violated the Securities Act by failing to disclose a pre-IPO plan for Qudian to launch an auto finance business called "Dabai Auto" and thus misrepresented the true state of Qudian's business, operations, and risks Qudian was facing at the time of its IPO. In addition, the Second Amended Complaint alleges separate misrepresentations or omissions concerning (i) Qudian's alleged lending to college students in violation of Chinese law, (ii) Qudian's allegedly aggressive and unlawful debt collection practices, (iii) allegedly excessive penalty fees that exceeded the statutory limit, and (iv) an alleged data breach and failure to disclose inadequate data security. The Second Amended Complaint further alleges that, as a result of the alleged misrepresentations and omissions, the price of Qudian's ADS was artificially inflated, and declined when the truth was revealed.

15. On October 12, 2018, Defendants moved to dismiss the Second Amended Complaint for failure to state a claim. Among other things, Defendants argued that Lead Plaintiffs failed to plead the existence of a materially false or misleading statement or omission.

16. On September 27, 2019, in a 19-page opinion, the Court granted in part and denied in part Defendants' motion to dismiss. The Court granted the motion with respect to all of Lead Plaintiffs' allegations except the claim concerning Dabai Auto. Noting that, *inter alia*, Qudian's IPO Registration Statement contained extensive risk disclosures concerning the alleged lending to college students, aggressive debt collection practices, excessive penalty fees, and potential data security flaws, the Court held that Lead Plaintiffs failed to allege an actionable misrepresentation or omission, but granted Lead Plaintiffs leave to amend. Finally, with respect to Dabai Auto, the Court held that, "[a]lthough the question is a close one, drawing all inferences in Plaintiffs' favor, the Court concludes from the totality of the facts alleged in the Complaint . . . that Plaintiffs plausibly allege that Qudian knew or should have known that it would use the proceeds to fund Dabai Auto at the time of the IPO and, therefore, that they plausibly state claims under this theory."

17. On October 17, 2019, the Parties filed a joint stipulation in which Lead Plaintiffs stated that they did not wish to amend the Second Amended Complaint, but did wish to file a motion for reconsideration of the Court's order granting Defendants' motion to dismiss with respect to Lead Plaintiffs' data security claim. On November 8, 2019, Lead Plaintiffs filed the motion for reconsideration, which Defendants opposed. On July 10, 2020, the Court denied the motion for reconsideration, and reaffirmed its original conclusions concerning the data security claim.

18. On August 10, 2020, Qudian and certain other Defendants who had joined in the original motion to dismiss filed their Answer to the Second Amended Complaint. The same day, certain additional Defendants who had not yet been served at the time of

the original motion to dismiss filed their own motion to dismiss the Second Amended Complaint, either in whole or in part, on additional grounds.

19. In May 2020, before the Court had ruled on Lead Plaintiffs' motion for reconsideration and before the additional motions to dismiss set forth above had been filed, the Parties agreed to participate in a private mediation. The Parties selected longtime mediator Leigh Lasky, Esq. The Parties exchanged extensive mediation statements and exhibits that addressed, among other things, issues related to liability and damages. The Parties participated in two lengthy remote mediation sessions on May 11-12, 2020. The sessions ended without an agreement to settle.

20. Over the course of the next five months, the Parties continued to work with Mr. Lasky to explore whether a settlement was possible. After exhaustive negotiations, Mr. Lasky made a mediator's proposal, pursuant to which the Action would be settled for \$8,500,000. The Parties thereafter accepted the mediator's proposal.

21. The Stipulation (together with the exhibits hereto) reflects the final and binding agreement between the Parties to fully and finally settle and release all claims that were asserted or could have been asserted in the Action in return for a cash payment by or on behalf of Defendants of \$8,500,000 for the benefit of the Class.

22. Based upon their investigation, prosecution, and mediation of the case, Plaintiffs and Co-Lead Counsel have concluded that the terms and conditions of this Stipulation are fair, reasonable, and adequate to Plaintiffs and the other members of the Class and in their best interests. Based on Plaintiffs' oversight of the prosecution of this matter and with the advice of their counsel, Plaintiffs have agreed to settle and release the claims that were asserted or could have been asserted in the Action pursuant to the terms and provisions of this Stipulation, after considering, among other things: (a) the substantial financial benefit that Plaintiffs and the other members of the Class will receive under the proposed Settlement; and (b) the significant risks and costs of continued litigation and trial.

23. The Stipulation constitutes a compromise of matters that are in dispute between the Parties. Defendants are entering into this Stipulation solely to eliminate the uncertainty, burden, and expense of further litigation. Each of the Defendants denies any wrongdoing, and neither this Notice nor the Stipulation shall in any event be construed or deemed to be evidence of or an admission or concession on the part of any of Defendants' Releasees with respect to any claim or allegation of any fault, liability, wrongdoing, or damage whatsoever or any infirmity in the defenses that Defendants have, or could have, asserted. Defendants expressly deny that Plaintiffs have asserted any valid claims as to any of them and expressly deny any and all allegations of fault, liability, wrongdoing, or damages whatsoever. Similarly, neither this Notice nor the Stipulation is evidence of or an admission or concession on the part of any Plaintiff of any infirmity in any of the claims asserted in the Action or an admission or concession that any of the Defendants' defenses to liability had any merit.

24. Each of the Parties recognizes and acknowledges, however, that the Action has been initiated, filed, and prosecuted by Plaintiffs in good faith and defended by Defendants in good faith, that the Action is being voluntarily settled with the advice of counsel, and that the terms of the Settlement are fair, adequate, and reasonable.

25. On November 16, 2020, the Court preliminarily approved the Settlement, authorized this Notice to be disseminated to potential Class Members, and scheduled the Settlement Hearing to consider whether to grant final approval to the Settlement.

**HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT?  
WHO IS INCLUDED IN THE CLASS?**

26. If you are a member of the Class, you are subject to the Settlement, unless you timely request to be excluded. The Class consists of:

all persons or entities that purchased or otherwise acquired Qudian American Depositary Shares ("ADS") in or traceable to Qudian's initial public offering on or about October 18, 2017.

Excluded from the class are: (1) persons who suffered no compensable losses; and (2) (a) Defendants; (b) the legal representatives, heirs, successors, assigns, and members of the Immediate Families of the Individual Defendants; (c) the parents, subsidiaries, assigns, successors, and predecessors of Qudian, the Underwriter Defendants, and the Selling Shareholder Defendants; (d) any persons who served as officers and/or directors of Qudian, the Underwriter Defendants, or the Selling Shareholder Defendants at the time of the IPO; (e) any entity in which any of the foregoing (a)-(d) excluded persons have or had a majority ownership interest at the time of the IPO; and (f) Defendants' liability insurance carriers. For avoidance of doubt, any investment company or pooled investment fund, including, but not limited to, mutual fund families, exchange-traded funds, fund of funds, and hedge funds, in which any Underwriter Defendant has or had a direct or indirect interest, or as to which its affiliates act or acted as an investment advisor, but of which any Underwriter Defendant or any of its respective affiliates is not a majority owner or does not hold a majority beneficial interest, shall not be deemed an excluded person or entity. Also excluded from the Class are any persons and entities who or that validly exclude themselves by submitting a request for exclusion that is accepted by the Court. See "What If I Do Not Want To Be A Member Of The Class? How Do I Exclude Myself," on page 12 below.

**PLEASE NOTE: CONSISTENT WITH THE CLASS DEFINITION, TO BE ELIGIBLE TO RECEIVE A DISTRIBUTION UNDER THE PROPOSED PLAN OF ALLOCATION, INVESTORS MUST HAVE HAD A COMPENSABLE LOSS AS A RESULT OF THE PURCHASE OR OTHER ACQUISITION OF QUDIAN ADS PRIOR TO MAY 21, 2018, WHICH WAS THE DATE OF THE FINAL ALLEGED DISCLOSURE CONCERNING DABAI AUTO, AND IS THE FIRST REPORTED DATE OF A POST-IPO SALE OF QUDIAN ADS BY INSIDERS (THE REGISTRATION STATEMENT DISCLOSED THAT LOCK-UP AGREEMENTS ENTERED INTO IN CONNECTION WITH QUDIAN'S IPO WOULD EXPIRE 180 DAYS THEREAFTER ON APRIL 16, 2018).**

**PLEASE FURTHER NOTE: RECEIPT OF THIS NOTICE DOES NOT MEAN THAT YOU ARE A CLASS MEMBER OR THAT YOU WILL BE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU ARE A CLASS MEMBER AND YOU WISH TO BE ELIGIBLE TO PARTICIPATE IN THE DISTRIBUTION OF PROCEEDS FROM THE SETTLEMENT, YOU ARE REQUIRED TO SUBMIT THE CLAIM FORM THAT IS BEING DISTRIBUTED WITH THIS NOTICE AND THE REQUIRED SUPPORTING DOCUMENTATION AS SET FORTH THEREIN POSTMARKED NO LATER THAN APRIL 14, 2021.**

**PLEASE ALSO NOTE THAT THE ACTION IS SEPARATE FROM THREE OTHER CLASS ACTION LAWSUITS THAT WERE FILED ON BEHALF OF QUDIAN ADS PURCHASERS IN (I) CALIFORNIA SUPERIOR COURT, SAN MATEO COUNTY, AND (II) NEW YORK SUPREME COURT, NEW YORK COUNTY, RESPECTIVELY (COLLECTIVELY, THE "STATE COURT ACTIONS"). THERE HAS NOT BEEN, AND MAY NOT BE, A RECOVERY IN THE STATE COURT ACTIONS. MOREOVER, ABSENT A VALID EXCLUSION REQUEST, APPROVAL OF THE SETTLEMENT IN THIS ACTION WILL ELIMINATE THE ABILITY OF ANY MEMBER OF THE CLASS TO ASSERT RELEASED PLAINTIFFS' CLAIMS IN THE STATE COURT ACTIONS OR IN ANY OTHER COURT OR FORUM. YOU MAY NOT PARTICIPATE IN BOTH THIS SETTLEMENT AND THE STATE COURT ACTIONS.**

#### **WHAT ARE PLAINTIFFS' REASONS FOR THE SETTLEMENT?**

27. Plaintiffs and Co-Lead Counsel believe that the claims asserted against Defendants have merit. They recognize, however, the expense and length of continued proceedings necessary to pursue their claims against Defendants through trial and appeals, as well as the very substantial risks they would face in establishing liability and damages. The Court's decision on the motion to dismiss left only one actionable alleged false and misleading statement – Defendants' purported omission regarding Dabai Auto. And, with respect to the Dabai Auto claim, Plaintiffs and Co-Lead Counsel recognized that Defendants had numerous factual and legal defenses that could preclude any recovery. For example, Defendants would assert that the omission was not materially misleading, and that the Dabai Auto business was only under consideration at the time of the IPO, and therefore, was properly excluded from the offering materials. Indeed, in the Court's decision granting in part and denying in part Qudian's and Qufenqi Holding Limited's motion to dismiss, the Court stated that the question of whether Defendants should have included information concerning Dabai Auto in the offering materials was a "close one." As a result, Plaintiffs faced the very real risk that a jury would conclude that statements alleged to be materially false and misleading were not. Even if the hurdles to establishing liability were overcome, the amount of damages that could be attributed to the allegedly false statement would be hotly contested because Defendants have strongly argued that broader economic and regulatory developments caused Qudian's stock price declines, not the disclosure of information concerning Dabai Auto. Plaintiffs would also have had to prevail at several other litigation stages, including summary judgment and trial and, if they prevailed at those stages, on the appeals that were likely to follow, in order to recover money for the Class. In short, there were very significant risks attendant to the continued prosecution of the Action, and no guarantee that an amount greater than \$8,500,000 would be recovered or that there would be any recovery at all.

28. In light of these risks, the amount of the Settlement, and the immediacy of recovery to the Class, Plaintiffs and Co-Lead Counsel believe that the proposed Settlement is fair, reasonable, and adequate, and in the best interests of the Class. Plaintiffs and Co-Lead Counsel believe that the Settlement provides a substantial benefit to the Class, namely \$8,500,000 (less the various deductions described in this Notice), as compared to the risk that the claims in the Action would produce a smaller recovery, or no recovery at all, after summary judgment, trial, and appeals, possibly years in the future.

29. Defendants have denied the claims asserted against them in the Action and deny having engaged in any wrongdoing or violation of law of any kind whatsoever. Defendants have agreed to the Settlement solely to eliminate the burden and expense of continued litigation. Accordingly, the Settlement may not be construed as an admission of any wrongdoing by Defendants.

#### **WHAT MIGHT HAVE HAPPENED IF THERE WERE NO SETTLEMENT?**

30. If there were no Settlement and Plaintiffs failed to establish any essential legal or factual element of their claims against Defendants, neither Plaintiffs nor the other members of the Class would recover anything from Defendants. Also, if Defendants were successful in proving any of their defenses, either at summary judgment, at trial, or on appeal, the Class could recover substantially less than the amount provided in the Settlement or nothing at all. Alternatively, Plaintiffs and the Class may have recovered more than the amount provided in the Settlement if they prevailed on all of the factual and legal elements of their claims.

**HOW ARE CLASS MEMBERS AFFECTED  
BY THE ACTION AND THE SETTLEMENT?**

31. As a Class Member, you are represented by Plaintiffs and Co-Lead Counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but, if you choose to do so, such counsel must file a notice of appearance on your behalf and must serve copies of his or her appearance on the attorneys listed in the section entitled, “When And Where Will The Court Decide Whether To Approve The Settlement?,” below.

32. If you are a Class Member and do not wish to remain a Class Member, you may exclude yourself from the Class by following the instructions in the section entitled, “What If I Do Not Want To Be A Member Of The Class? How Do I Exclude Myself?,” below.

33. If you are a Class Member and you wish to object to the Settlement, the Plan of Allocation, or Co-Lead Counsel’s application for attorneys’ fees and reimbursement of Litigation Expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in the section entitled, “When And Where Will The Court Decide Whether To Approve The Settlement?,” below.

34. If you are a Class Member and you do not exclude yourself from the Class, you will be bound by any orders issued by the Court. If the Settlement is approved, the Court will enter a judgment (the “Judgment”). The Judgment will dismiss with prejudice the claims against Defendants and will provide that, upon the Effective Date of the Settlement, Plaintiffs’ Releasees (regardless of whether any such person ever seeks or obtains by any means, including without limitation by submitting a Claim Form, any disbursement from the Settlement) shall be deemed to have, and by operation of the final judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Plaintiffs’ Claims against the Defendants’ Releasees, whether served or unserved with any complaint in the Action, and shall have covenanted not to sue the Defendants’ Releasees with respect to all such Released Plaintiffs’ Claims, and shall be permanently barred and enjoined from asserting, commencing, prosecuting, instituting, assisting, instigating, or in any way participating in the commencement or prosecution of any action or other proceeding, in any forum, asserting any Released Plaintiffs’ Claims, either directly, representatively, derivatively, or in any other capacity, against any of the Defendant Releasees. This release shall not apply to any person or entity who or that submits a request for exclusion from the Class that is accepted by the Court.

35. “Released Plaintiffs’ Claims” means any and all Claims, including Unknown Claims, that have been, could have been, or in the future can or might be asserted in any federal, state, or foreign court, tribunal, forum, or proceeding by or on behalf of Plaintiffs or any Plaintiffs’ Releasees against any one or more of the Defendants’ Releasees, regardless of whether any such Defendant Releasee was named, served with process, or appeared in the Action, which directly or indirectly arise out of or relate to (i) any of the allegations, acts, transactions, facts, events, matters, occurrences, representations, or omissions involved, set forth, alleged, or referred to in the Action, or which could have been alleged in the Action, and (ii) arise out of, are based upon, or relate in any way to the purchase, acquisition, holding, sale, or disposition of any Qudian ADS acquired in or traceable to Qudian’s initial public offering, including common shares converted therefrom. Released Plaintiffs’ Claims do not include: (i) any claims to enforce the terms of the Settlement; or (ii) any claims of any person or entity who or that validly submits a request for exclusion that is accepted by the Court.

36. “Defendants’ Releasees” means (i) Qudian and its past, present, and future, direct or indirect parent entities, associates, affiliates, and subsidiaries, each and all of their respective past, present, and future directors, officers, partners, stockholders, predecessors, successors, and employees, and, in their capacity as such, each and all of their underwriters, advisors, attorneys, auditors, consultants, trustees, insurers, co-insurers, reinsurers, representatives, and assigns; (ii) the Individual Defendants and their respective present, past, and future spouses, parents, siblings, children, grandparents, and grandchildren, the present, past, and future spouses of their respective parents, siblings, and children, and the present, past, and future parents and siblings of their respective spouses, including step and adoptive relationships; (iii) the Selling Shareholder Defendants and each of their past, present, and future, direct or indirect parent entities, associates, affiliates, and subsidiaries, each and all of their respective past, present, and future directors, officers, partners, stockholders, predecessors, successors, and employees, and, in their capacity as such, each and all of their underwriters, advisors, attorneys, auditors, consultants, trustees, insurers, co-insurers, reinsurers, representatives, and assigns; (iv) the Underwriter Defendants and each of their past, present, and future, direct or indirect parent entities, associates, affiliates, and subsidiaries, each and all of their respective past, present, and future directors, officers, partners, stockholders, predecessors, successors, and employees, and, in their capacity as such, each and all of their underwriters, advisors, attorneys, auditors, consultants, trustees, insurers, co-insurers, reinsurers, representatives, and assigns; (v) any and all persons, firms, trusts, corporations, and other entities in which any of the Defendants or any past, present, and future directors or officers of Qudian, the Selling Shareholder Defendants, or the Underwriter Defendants has a financial interest or was a sponsor, founder, settler, or creator of the entity, and, in their capacity as such, any and all officers, directors, employees, trustees, beneficiaries, settlers, creators, attorneys, consultants, agents, or representatives of any such person, firm, trust, corporation, or other entity; and (vi) in their capacity as such, the legal representatives, heirs, executors, administrators, predecessors, successors, predecessors-in-interest, successors-in-interest, and assigns of any of the foregoing.

37. “Unknown Claims” means any Released Claims that any Plaintiff, any other Class Member, or each of the Defendants or any of the other Releasees does not know or suspect to exist in his, her, or its favor at the time of the release, which, if known by him, her, or it, might have affected his, her, or its decision to settle with and release any of the other Releasees, or might have affected his, her, or its decision not to opt-out or object to this Settlement. With respect to any and all Released Claims, the Parties stipulate and agree that, upon the Effective Date of the Settlement, Plaintiffs and each of the Defendants shall expressly waive, and each of the other

Class Members and Releasees shall be deemed to have waived, and by operation of the final judgment shall have waived, the provisions, rights, and benefits of California Civil Code § 1542, which provides:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Plaintiffs and each of the Defendants shall expressly waive, and each of the other Class Members and Releasees shall be deemed to have, and by operation of the final judgment shall have, expressly waived, any and all provisions, rights and benefits conferred by any law of any state, territory, foreign country, or principle of common law that is similar, comparable, or equivalent to California Civil Code § 1542. Plaintiffs, any other Class Member, Defendants, and their respective Releasees may hereafter discover facts in addition to or different from those that he, she, or it now knows or believes to be true with respect to the subject matter of the Released Claims, but the Parties stipulate and agree that, upon the Effective Date of the Settlement, Plaintiffs and each of the Defendants shall expressly waive, and each of the other Class Members and Releasees shall be deemed to have waived, and by operation of the final judgment shall have, fully, finally, and forever settled and released, any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, intentional, with or without malice, or a breach of fiduciary duty, law, or rule, without regard to the subsequent discovery or existence of such different or additional facts. Plaintiffs and each of the Defendants acknowledge, and each of the other Class Members and each of the other Releasees shall be deemed by operation of the final judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the Settlement of which this release is a part.

38. The Judgment will also provide that, upon the Effective Date of the Settlement, Defendants, on behalf of themselves and each of their respective heirs, executors, administrators, predecessors, successors, assigns, parents, subsidiaries, trusts, successors, employees, representatives, administrators, executors, trustees, devisees, legatees, estates, affiliates, current and former officers and directors, agents, fiduciaries, beneficiaries, or legal representatives, in their capacities as such, and any other person or entity legally entitled to bring Released Defendants' Claims (as defined in ¶ 39 below) on behalf of any Defendant, in that capacity, shall be deemed to have, and by operation of law and the final judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Defendants' Claims against Plaintiffs' Releasees (as defined in ¶ 40 below) and shall have covenanted not to sue Plaintiffs' Releasees with respect to all such Released Defendants' Claims, and shall be permanently barred and enjoined from asserting, commencing, prosecuting, instituting, assisting, instigating, or in any way participating in the commencement or prosecution of any action or other proceeding, in any forum, asserting any Released Defendants' Claim, either directly, representatively, derivatively, or in any other capacity, against any of Plaintiffs' Releasees. This release shall not apply to any person or entity who or which submits a request for exclusion from the Class that is accepted by the Court.

39. "Released Defendants' Claims" means any and all Claims and causes of action of every nature and description, whether known or Unknown Claims, whether arising under federal, state, common, or foreign law, that arise out of or relate in any way to the institution, prosecution, or settlement of the Action. Released Defendants' Claims do not include: (i) any claims to enforce the terms of the Settlement; or (ii) any claims of any person or entity who or which validly submits a request for exclusion that is accepted by the Court.

40. "Plaintiffs' Releasees" means Plaintiffs, all other plaintiffs in the Action, their respective attorneys, and all other members of the Class and each of their respective parent entities, associates, affiliates, subsidiaries, predecessors, trusts, successors, assigns, attorneys, current and former officers and directors, employees, heirs, representatives, administrators, executors, trustees, devisees, legatees, beneficiaries, and estates, in their capacities as such.

#### HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

41. To be eligible for a payment from the proceeds of the Settlement, you must be a member of the Class and you must timely complete and return the Claim Form with adequate supporting documentation **postmarked no later than April 14, 2021**. A Claim Form is included with this Notice, you may obtain one from the website maintained by the Claims Administrator for the Settlement, [www.QudianSecuritiesSettlement.com](http://www.QudianSecuritiesSettlement.com), or you may request that a Claim Form be mailed to you by calling the Claims Administrator toll free at (877) 884-2550. Please retain all records of your ownership of and transactions in Qudian ADS, as they may be needed to document your Claim. If you request exclusion from the Class or do not submit a timely and valid Claim Form, you will not be eligible to share in the Net Settlement Fund.

#### HOW MUCH WILL MY PAYMENT BE?

42. At this time, it is not possible to make any determination as to how much any individual Class Member may receive from the Settlement.

43. Pursuant to the Settlement, Defendants have agreed to pay or cause to be paid eight million five hundred thousand dollars (\$8,500,000). The Settlement Amount will be deposited into an escrow account. The Settlement Amount plus any interest earned thereon is referred to as the "Settlement Fund." If the Settlement is approved by the Court and the Effective Date occurs, the "Net Settlement Fund" (that is, the Settlement Fund less (a) all federal, state, and/or local taxes on any income earned by the Settlement



Fund and the reasonable costs incurred in connection with determining the amount of and paying taxes owed by the Settlement Fund (including reasonable expenses of tax attorneys and accountants); (b) the costs and expenses incurred in connection with providing notice to Class Members and administering the Settlement on behalf of Class Members; and (c) any attorneys' fees and Litigation Expenses awarded by the Court) will be distributed to Class Members who submit valid Claim Forms, in accordance with the proposed Plan of Allocation or such other plan of allocation as the Court may approve.

44. The Net Settlement Fund will not be distributed unless and until the Court has approved the Settlement and a plan of allocation, all Claim Forms are processed, and the time for any petition for rehearing, appeal, or review, whether by *certiorari* or otherwise, has expired.

45. Neither Qudian nor any other person or entity that paid any portion of the Settlement Amount are entitled to get back any portion of the Settlement Fund once the Court's order or judgment approving the Settlement becomes Final. Defendants shall not have any liability, obligation, or responsibility for the administration of the Settlement, the disbursement of the Net Settlement Fund, or the plan of allocation.

46. Approval of the Settlement is independent from approval of a plan of allocation. Any determination with respect to a plan of allocation will not affect the validity of the Settlement, if approved.

47. Unless the Court otherwise orders, any Class Member who fails to submit a Claim Form postmarked on or before April 14, 2021, shall be fully and forever barred from receiving payments pursuant to the Settlement but will in all other respects remain a Class Member and be subject to the provisions of the Stipulation, including the terms of any Judgment entered and the releases given. This means that each Class Member releases the Released Plaintiffs' Claims (as defined in ¶ 35 above) against Defendants' Releasees (as defined in ¶ 36 above) and will be enjoined and prohibited from filing, prosecuting, or pursuing any of the Released Plaintiffs' Claims against any Defendants' Releasee whether or not such Class Member submits a Claim Form.

48. Participants in and beneficiaries of a plan covered by ERISA ("ERISA Plan") should NOT include any information relating to their transactions in Qudian ADS held through the ERISA Plan in any Claim Form that they may submit in this Action. They should include ONLY those shares that they purchased or acquired outside of the ERISA Plan. Claims based on any ERISA Plan's purchases or acquisitions of Qudian ADS may be made by the ERISA Plan's trustees. To the extent any of the Defendants or any of the other persons or entities excluded from the Class are participants in the ERISA Plan, such persons or entities shall not receive, either directly or indirectly, any portion of the recovery that may be obtained from the Settlement by the ERISA Plan.

49. The Court has reserved jurisdiction to allow, disallow, or adjust on equitable grounds the Claim of any Class Member.

50. Each Claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to his, her, or its Claim Form.

51. Only Class Members will be eligible to share in the distribution of the Net Settlement Fund. Persons and entities that are excluded from the Class by definition or that exclude themselves from the Class pursuant to request will not be eligible to receive a distribution from the Net Settlement Fund and should not submit Claim Forms. Qudian ADS are the only securities that are included in the Settlement.

### **PROPOSED PLAN OF ALLOCATION**

52. To be eligible to receive a distribution under the Plan of Allocation, you must have purchased or otherwise acquired Qudian ADS prior to May 21, 2018, which is the date of the final alleged disclosure concerning Dabai Auto, and is the first reported date of a post-IPO sale of Qudian ADS by insiders (the Registration Statement disclosed that lock-up agreements entered into in connection with Qudian's IPO would expire 180 days thereafter (*i.e.*, April 16, 2018)).

53. Plaintiffs' Plan of Allocation is a matter separate and apart from the proposed Settlement, and any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlement. The Court may approve the Plan of Allocation proposed by Plaintiffs with or without modifications agreed to among the Parties, or may approve another plan of allocation, without further notice to Class Members. Any order modifying the Plan of Allocation will be posted on the settlement website, [www.QudianSecuritiesSettlement.com](http://www.QudianSecuritiesSettlement.com).

54. The objective of the Plan of Allocation is to distribute the Settlement proceeds equitably among those Class Members who suffered economic losses as a proximate result of the alleged wrongdoing. The Plan of Allocation is not a formal damage analysis, and the calculations made in accordance with the Plan of Allocation are not intended to be estimates of, or indicative of, the amounts that Class Members might have been able to recover after a trial. Nor are the calculations in accordance with the Plan of Allocation intended to be estimates of the amounts that will be paid to Authorized Claimants under the Settlement. The computations under the Plan of Allocation are only a method to weigh, in a fair and equitable manner, the claims of Authorized Claimants against one another for the purpose of making *pro rata* allocations of the Net Settlement Fund.

55. The Plan of Allocation was developed in consultation with Plaintiffs' damages expert. In developing the Plan of Allocation, Plaintiffs' damages expert calculated the estimated declines in the price of Qudian ADS that were allegedly proximately caused by

Defendants’ alleged omissions in the Offering Materials.<sup>6</sup> In calculating the estimated declines in the price of Qudian ADS, Plaintiffs’ damages expert considered the price changes in Qudian ADS in reaction to the alleged disclosure events, adjusting the price changes for factors that were attributable to market, foreign market, industry, or foreign exchange forces, and for non-fraud related Qudian-specific information. The price changes in Qudian ADS in reaction to the alleged disclosure events were further adjusted by counsel for Plaintiffs to account for the risks of succeeding on claims at trial and appeal.

56. In order to have recoverable damages under the Plan of Allocation, the alleged disclosure events must be the cause of the declines in the prices of the Qudian ADS. In this case, the Plan of Allocation is based on Plaintiffs’ allegation of disclosure events that impacted the price of Qudian ADS on November 20, 2017, November 21, 2017, November 22, 2017, November 24, 2017 (all related to the alleged data breach), and May 21, 2018 (related to Dabai Auto) (collectively, the “disclosure events”).<sup>7</sup> In order to have a “Recognized Loss Amount” under the Plan of Allocation, shares of the Qudian ADS must have been held through at least one of these disclosure events.

### **CALCULATION OF RECOGNIZED LOSS AMOUNTS**

57. Based on the formulas stated below, a “Recognized Loss Amount” will be calculated for each purchase or acquisition of Qudian ADS made pursuant or traceable to the Offering Materials that is listed on the Claim Form and for which adequate documentation is provided. If a “Recognized Loss Amount” calculates to a negative number or zero under the formula below, that Recognized Loss Amount will be zero. The sum of each Class Member’s “Recognized Loss Amounts” shall be the “Recognized Claim” for each Class Member.

58. For each Qudian ADS purchased or otherwise acquired prior to May 21, 2018, pursuant or traceable to the Offering Materials, and:

- (a) Sold prior to November 20, 2017, the Recognized Loss Amount per ADS is zero.
- (b) Sold on or after November 20, 2017, and up to and including July 27, 2018, the Recognized Loss Amount per ADS shall be the *least* of: (i) the purchase price *less* the sales price, (ii) the offering price (\$24.00) *less* the sales price, and (iii) the value presented in Table A below.
- (c) Held as of the close of trading on July 27, 2018, the Recognized Loss Amount per ADS shall be the *lesser* of: (i) the purchase price *less* \$8.34 (the closing price on July 27, 2018); and (ii) the value presented in Table A below.

59. For each Qudian ADS purchased or otherwise acquired on or after May 21, 2018, the Recognized Loss Amount per ADS is zero.

**Table A**

Purchase Date	Date of Sale					
	18 October 2017 through 19 November 2017	20 November 2017	21 November 2017	22 November 2017 through 23 November 2017	24 November 2017 through 20 May 2018	Sold on or Retained Beyond 21 May 2018
18 October 2017 through 19 November 2017	\$0.00	\$0.12	\$0.21	\$0.46	\$0.62	\$1.22
20 November 2017		\$0.00	\$0.09	\$0.34	\$0.50	\$1.10
21 November 2017			\$0.00	\$0.25	\$0.41	\$1.01
22 November 2017 through 23 November 2017				\$0.00	\$0.16	\$0.76
24 November 2017 through 20 May 2018					\$0.00	\$0.60
Purchased on or After 21 May 2018						\$0.00

<sup>6</sup> The “Offering Materials,” as that term is used in the Plan of Allocation, refers collectively to the following documents: Qudian Inc., Form F-1, filed 18 September 2017; Qudian Inc., Form F-1/A, filed 25 September 2017; Qudian Inc., Form F-1/A, filed 3 October 2017; Qudian Inc., Form F-1/A, filed 13 October 2017; and Qudian, Inc., Form 424B4, filed 18 October 2017. The Plan of Allocation weights the November 2017 disclosures of the data breach at 11.6%, the average reversal rate for the relevant category of cases, because the Court denied Plaintiffs’ motion for reconsideration of that claim, and the May 21, 2018, Dabai disclosure at 88.4%, since the Court denied Defendants’ motion to dismiss as to that claim.

<sup>7</sup> Unless otherwise indicated, any transactions in Qudian ADS executed outside of regular trading hours for the U.S. financial markets shall be deemed to have occurred during the next regular trading session.

## ADDITIONAL PROVISIONS

60. The Net Settlement Fund will be allocated among all Authorized Claimants whose Distribution Amount (defined in paragraph 68 below) is \$10.00 or greater.

61. A Claimant's "Recognized Claim" under the Plan of Allocation shall be the sum of his, her, or its Recognized Loss Amounts for all of the Qudian ADS.

62. The Net Settlement Fund will be distributed to Authorized Claimants on a *pro rata* basis based on the relative size of their Recognized Claims. Specifically, a "Distribution Amount" will be calculated for each Authorized Claimant, which shall be the Authorized Claimant's Recognized Claim divided by the total Recognized Claims of all Authorized Claimants, multiplied by the total amount in the Net Settlement Fund. Given the costs of distribution, if any Authorized Claimant's Distribution Amount calculates to less than \$10.00, it will not be included in the calculation and no distribution will be made to such Authorized Claimant.

63. In the event a Class Member has more than one purchase or sale of Qudian ADS pursuant or traceable to the initial public offering, all such purchases and sales shall be matched on a First-In First-Out ("FIFO") basis. Purchases or acquisitions and sales of Qudian ADS shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date. The receipt or grant by gift, inheritance, or operation of law of Qudian ADS shall not be deemed a purchase, acquisition, or sale of Qudian ADS for the calculation of an Authorized Claimant's Recognized Loss Amount, nor shall the receipt or grant be deemed an assignment of any claim relating to the purchase/acquisition of any Qudian ADS unless (i) the donor or decedent purchased or otherwise acquired such Qudian ADS on or before April 15, 2018; (ii) no Claim Form was submitted by or on behalf of the donor, on behalf of the decedent, or by anyone else with respect to such Qudian ADS; and (iii) it is specifically so provided in the instrument of gift or assignment. The receipt of Qudian ADS in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of Qudian ADS.

64. The date of covering a "short sale" is deemed to be the date of purchase or acquisition of the Qudian ADS. The date of a "short sale" is deemed to be the date of sale of the Qudian ADS. Under the Plan of Allocation, however, the Recognized Loss Amount on "short sales" is zero. In the event that a Claimant has an opening short position in a Qudian ADS, the earliest purchases or acquisitions of that security shall be matched against such opening short position, and not be entitled to a recovery, until that short position is fully covered.

65. Option contracts are not securities eligible to participate in the Settlement. With respect to Qudian ADS purchased or sold through the exercise of an option, the purchase/sale date of the Qudian ADS is the exercise date of the option and the purchase/sale price of the Qudian ADS is the exercise price of the option.

66. To the extent a Claimant had a market gain with respect to his, her, or its overall transactions in Qudian ADS purchased or otherwise acquired in or traceable to the IPO, the value of the Claimant's Recognized Claim shall be zero. Such Claimants shall in any event be bound by the Settlement. To the extent that a Claimant suffered an overall market loss with respect to his, her, or its overall transactions in Qudian ADS purchased or otherwise acquired in or traceable to the IPO, but that market loss was less than the total Recognized Claim calculated above, then the Claimant's Recognized Claim shall be limited to the amount of the actual market loss.

67. For purposes of determining whether a Claimant had a market gain from his, her, or its overall transactions in the Qudian ADS purchased or otherwise acquired in or traceable to the IPO or suffered a market loss, the Claims Administrator shall determine the difference between (i) the Total Purchase Amount<sup>8</sup> and (ii) the Total Sales Proceeds<sup>9</sup> and Holding Value.<sup>10</sup> This difference shall be deemed a Claimant's market gain or loss with respect to his, her, or its overall transactions in Qudian ADS purchased or otherwise acquired in or traceable to the IPO.

68. After the initial distribution of the Net Settlement Fund, the Claims Administrator shall make reasonable and diligent efforts to have Authorized Claimants cash their distribution checks. To the extent any monies remain in the fund nine (9) months after the initial distribution, if Co-Lead Counsel, in consultation with the Claims Administrator, determines that it is cost-effective to do so, the Claims Administrator shall conduct a re-distribution of the funds remaining after payment of any unpaid fees and expenses incurred in administering the Settlement, including, for such re-distribution, to Authorized Claimants who have cashed their initial distributions and who would receive at least \$10.00 from such re-distribution. Additional re-distributions to Authorized Claimants who have cashed their prior checks and who would receive at least \$10.00 on such additional re-distributions may occur thereafter if Co-Lead Counsel, in consultation with the Claims Administrator, determines that additional re-distributions, after the deduction of any

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<sup>8</sup> The "Total Purchase Amount" is the total amount the Claimant paid for all Qudian ADS purchased or otherwise acquired in or traceable to the IPO.

<sup>9</sup> A Claimant's "Total Sales Proceeds" shall be the total amounts received from sales of shares of Qudian ADS purchased or otherwise acquired in or traceable to the IPO.

<sup>10</sup> The Claims Administrator will ascribe a value of \$8.34 per Qudian ADS purchased or otherwise acquired in or traceable to the IPO and still held as of the close of trading on 27 July 2018 (the "Holding Value").

additional fees and expenses incurred in administering the Settlement, including for such re-distributions, would be cost-effective. At such time as it is determined that the re-distribution of funds remaining in the Net Settlement Fund is not cost-effective, the remaining balance shall be contributed to The Legal Aid Society, a non-sectarian, not-for-profit organization.

69. Payment pursuant to the Plan of Allocation, or such other plan of allocation as may be approved by the Court, shall be conclusive against all Authorized Claimants. No person shall have any claim against Plaintiffs, Plaintiffs' Counsel, Plaintiffs' damages expert, Defendants, Defendants' Counsel, or any of the other Releasees, or the Claims Administrator or other agent designated by Co-Lead Counsel arising from distributions made substantially in accordance with the Stipulation, the plan of allocation approved by the Court, or further Orders of the Court. Plaintiffs, Defendants, and their respective counsel, and all other Defendant Parties, shall have no responsibility or liability whatsoever for the investment or distribution of the Settlement Fund, the Net Settlement Fund, the plan of allocation, or the determination, administration, calculation, or payment of any Claim Form or nonperformance of the Claims Administrator, the payment or withholding of taxes owed by the Settlement Fund, or any losses incurred in connection therewith.

70. Please contact the Claims Administrator or Co-Lead Counsel if you disagree with any determinations made by the Claims Administrator regarding your Claim Form. If you are unsatisfied with the determinations, you may ask the Court, which retains jurisdiction over all Class Members and the claims administration process, to decide the issue by submitting a written request.

**WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING?  
HOW WILL THE LAWYERS BE PAID?**

71. Plaintiffs' Counsel have not received any payment for their services in pursuing claims against the Defendants on behalf of the Class, nor have Plaintiffs' Counsel been reimbursed for their out-of-pocket expenses. Before final approval of the Settlement, Co-Lead Counsel will apply to the Court for an award of attorneys' fees in an amount not to exceed 33⅓% of the Settlement Fund (which includes interest). In addition, Co-Lead Counsel will apply for reimbursement of Litigation Expenses paid or incurred in connection with the institution, prosecution, and resolution of the claims against the Defendants, in an amount not to exceed \$225,000, which may include an application for reimbursement of the reasonable costs and expenses incurred by Plaintiffs, including lost wages, directly related to their representation of the Class. The Court will determine the amount of any award of attorneys' fees or reimbursement of Litigation Expenses. Such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses.

**WHAT IF I DO NOT WANT TO BE A MEMBER OF THE CLASS?  
HOW DO I EXCLUDE MYSELF?**

72. Each Class Member will be bound by all determinations and judgments in this lawsuit, whether favorable or unfavorable, unless such person or entity mails or delivers a written Request for Exclusion from the Class to: *In re Qudian Securities Litigation*, EXCLUSIONS c/o A.B. Data Ltd., P.O. Box 173001, Milwaukee, WI 53217. The exclusion request must be **received** no later than April 6, 2021. You will not be able to exclude yourself from the Class after that date. Each Request for Exclusion must (a) state the name, address, and telephone number of the person or entity requesting exclusion, and in the case of entities, the name and telephone number of the appropriate contact person; (b) state that such person or entity "requests exclusion from the Class in *In re Qudian Inc. Securities Litigation*, Case No. 1:17-cv-09741-JFM"; (c) identify and state the number of Qudian ADS purchased or otherwise acquired in or traceable to the IPO that the person or entity requesting exclusion purchased, acquired, and sold, as well as the dates and prices of each such purchase/acquisition and sale; (d) provide adequate supporting documentation for the transactions for which the Class Member seeks exclusion in the form of broker confirmation slips, broker account statements, an authorized statement from the broker containing the transactional and holding information found in a broker confirmation slip or account statement, or such other documentation as is deemed adequate by Co-Lead Counsel and Defendants' Counsel; and (e) be signed by the person or entity requesting exclusion or an authorized representative. A Request for Exclusion shall not be valid and effective unless it provides all the information and documentation called for in this paragraph and is received within the time stated above, or is otherwise accepted by the Court. A Request for Exclusion also shall not be valid and effective if it is received by the Claims Administrator after April 6, 2021, even if it contains all the information and documentation called for in this paragraph.

73. If you do not want to be part of the Class, you must follow these instructions for exclusion even if you have pending, or later file, another lawsuit, arbitration, or other proceeding relating to any Released Plaintiffs' Claim against any Defendants' Releasee.

74. If you ask to be excluded from the Class, you will not be eligible to receive any payment out of the Net Settlement Fund.

75. Defendants have the right to terminate the Settlement if valid requests for exclusion are received from persons and entities entitled to be members of the Class in an amount that exceeds an amount agreed to by Plaintiffs and Defendants.

**WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE  
SETTLEMENT? DO I HAVE TO COME TO THE HEARING?  
MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?**

76. Class Members do not need to attend the Settlement Hearing. The Court will consider any submission made in accordance with the provisions below even if a Class Member does not attend the hearing. You can participate in the Settlement without attending the Settlement Hearing.

77. The Settlement Hearing will be held on April 27, 2021, at 4:00 p.m., before the Honorable Jesse M. Furman in Courtroom 1105, United States District Court for the Southern District of New York, Thurgood Marshall United States Courthouse, 40 Foley Square, New York, NY 10007. The Court reserves the right to approve the Settlement, the Plan of Allocation, Co-Lead Counsel's motion for an award of attorneys' fees and reimbursement of Litigation Expenses, and/or any other matter related to the Settlement at or after the Settlement Hearing without further notice to the members of the Class. In light of the ongoing pandemic the Court may choose to hold the Settlement Hearing telephonically or via videoconference, in which case, notice will be provided to the Class on the Court's docket and on the settlement website, [www.QudianSecuritiesSettlement.com](http://www.QudianSecuritiesSettlement.com).

78. Any Class Member who or that does not request exclusion may object to the Settlement, the proposed Plan of Allocation, or Co-Lead Counsel's motion for an award of attorneys' fees and reimbursement of Litigation Expenses. Objections must be in writing. You must file any written objection, together with copies of all other papers and briefs supporting the objection, with the Clerk's Office at the United States District Court for the Southern District of New York at the address set forth below on or before April 6, 2021.

**Clerk's Office**

United States District Court for the  
Southern District of New York  
Thurgood Marshall United States  
Courthouse  
40 Foley Square  
New York, NY 10007

79. Any objection (a) must state the name, address, and telephone number of the person or entity objecting and must be signed by the objector; (b) must contain a statement of the Class Member's objection or objections, and the specific reasons for each objection, including any legal and evidentiary support the Class Member wishes to bring to the Court's attention; (c) must include documents sufficient to prove membership in the Class, including the number of Qudian ADS purchased or otherwise acquired in or traceable to the IPO that the objecting Class Member purchased, acquired, and/or sold, as well as the dates and prices of each such purchase/acquisition and/or sale; (d) must state the name, address, and telephone number of all counsel who represent the Class Member, including former or current counsel who may be entitled to compensation in connection with the objection; (e) a statement confirming whether they plan to appear at the Settlement Hearing; (f) the name, address, and telephone number of any counsel that will appear at the Settlement Hearing; and (g) the number of times a Class Member filed an objection in the previous five years and the nature of each objection to each case in which a Class Member filed an objection in the previous five years. You may not object to the Settlement, the Plan of Allocation, or Co-Lead Counsel's motion for attorneys' fees and reimbursement of Litigation Expenses if you exclude yourself from the Class or if you are not a member of the Class.

80. You may file a written objection without having to appear at the Settlement Hearing. You may not, however, appear at the Settlement Hearing to present your objection unless you first file and serve a written objection in accordance with the procedures described above, unless the Court orders otherwise.

81. If you wish to be heard orally at the hearing in opposition to the approval of the Settlement, the Plan of Allocation, or Co-Lead Counsel's motion for an award of attorneys' fees and reimbursement of Litigation Expenses, and if you timely file and serve a written objection as described above, you must also file a notice of appearance with the Clerk's Office at the address set forth in ¶ 78 above so that it is **received on or before April 6, 2021**. Persons who intend to object and desire to present evidence at the Settlement Hearing must include in their written objection or notice of appearance the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing. Such persons may be heard orally at the discretion of the Court.

82. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Hearing. However, if you decide to hire an attorney, it will be at your own expense, and that attorney must file a notice of appearance with the Court at the address set forth in ¶ 78 above so that the notice is **received on or before April 6, 2021**.

83. The Settlement Hearing may be adjourned by the Court without further written notice to the Class. If you intend to attend the Settlement Hearing, you should confirm the date and time with Co-Lead Counsel.

**84. Unless the Court orders otherwise, any Class Member who does not object in the manner described above will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the proposed Settlement, the proposed Plan of Allocation, or Co-Lead Counsel's motion for an award of attorneys' fees and reimbursement of Litigation Expenses. Class Members do not need to appear at the Settlement Hearing or take any other action to indicate their approval of the Settlement.**

**WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF?**

85. If you purchased or otherwise acquired Qudian ADS in or traceable to the IPO for the beneficial interest of persons or organizations other than yourself, you must either: (a) within ten (10) calendar days of receipt of this Notice, request from the Claims Administrator sufficient copies of the Notice and Claim Form (the "Notice Packet") to forward to all such beneficial owners and within ten (10) calendar days of receipt of those Notice Packets forward them to all such beneficial owners; or (b) within ten (10) calendar days of receipt of this Notice, provide a list of the names and addresses, as well as email addresses to the extent available, of

all such beneficial owners to *In re Qudian Securities Litigation*, c/o A.B. Data Ltd., P.O. Box 173114, Milwaukee, WI 53217. If you choose the second option, the Claims Administrator will send a Notice Packet to the beneficial owners. Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred, not to exceed \$0.20 plus postage at the current pre-sort rate used by the Claims Administrator per Notice Packet mailed; \$0.05 per Notice Packet transmitted by email; or \$0.10 per name, address, and email address (to the extent available) provided to the Claims Administrator, by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice and the Claim Form may also be obtained from the website maintained by the Claims Administrator, [www.QudianSecuritiesSettlement.com](http://www.QudianSecuritiesSettlement.com), or by calling the Claims Administrator toll-free at (877) 884-2550.

**CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?**

86. This Notice contains only a summary of the terms of the proposed Settlement. For more detailed information about the matters involved in this Action, you are referred to the papers on file in the Action, including the Stipulation, which may be inspected during regular office hours at the Office of the Clerk, United States District Court for the Southern District of New York, Thurgood Marshall United States Courthouse, 40 Foley Square, New York, NY 10007. Additionally, copies of the Stipulation and any related orders entered by the Court will be posted on the website maintained by the Claims Administrator, [www.QudianSecuritiesSettlement.com](http://www.QudianSecuritiesSettlement.com).

All inquiries concerning this Notice and the Claim Form should be directed to:

*In re Qudian Securities Litigation*  
c/o A.B. Data, Ltd.  
P.O. Box 173114  
Milwaukee, WI 53217  
(877) 884-2550  
[www.QudianSecuritiesSettlement.com](http://www.QudianSecuritiesSettlement.com)

and/or

Jack I. Zwick, Esq.  
225 Broadway, Suite 1440  
New York, NY 10007  
(212) 385-1900  
[jack@zwickfirm.com](mailto:jack@zwickfirm.com)

Glancy Prongay & Murray LLP  
Attn: Jonathan M. Rotter, Esq.  
1925 Century Park East, Suite 2100  
Los Angeles, CA 90067  
(888) 773-9224  
[settlements@glancylaw.com](mailto:settlements@glancylaw.com)

**DO NOT CALL OR WRITE THE COURT, THE OFFICE OF THE CLERK OF THE COURT,  
DEFENDANTS, OR DEFENDANTS' COUNSEL REGARDING THIS NOTICE.**

Dated: December 15, 2020

BY ORDER OF THE COURT

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK