

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

GRANT BARFUSS, on behalf of himself
and all others similarly situated,

Plaintiffs

v.

DGSE COMPANIES, INC.; L.S. SMITH,
JOHN BENSON, AND WILLIAM OYSTER,

Defendants

No. 12 Civ. 3664 (JJB)
ECF Case

**NOTICE OF (I) PENDENCY OF CLASS ACTION; (II) PROPOSED SETTLEMENT AND PLAN OF ALLOCATION;
(III) SETTLEMENT FAIRNESS HEARING; AND (IV) 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 class action lawsuit before this Court (the "Action") if you purchased or otherwise acquired common stock issued by DGSE Companies, Inc. ("DGSE" or the "Company") from April 15, 2011 through and including April 17, 2012 (the "Settlement Class Period").¹

NOTICE OF SETTLEMENT: Please also be advised that the Court-appointed Lead Plaintiff, Hillel Hyman, on behalf of himself and the Settlement Class (as defined in Paragraph 20 below), have reached an agreement to settle the Action for a \$1.7 million cash settlement (the "Settlement"). If the Settlement is approved by the Court, all claims in the Action by the Settlement Class Members (defined in Paragraphs 14 and 37 below) against all the Defendants, as well as other Released Defendant Persons, identified in Paragraph 37 below, will be resolved.

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

1. **Overview of the Action and the Settlement Class:** This Notice relates to the proposed Settlement of the claims in a class action lawsuit brought by investors alleging that they suffered damages as a result of alleged violations of the federal Securities Exchange Act of 1934. A more detailed description of the Action is set forth in Paragraphs 14-19 below. The "Defendants" in the Action are: DGSE, L.S. Smith, John Benson and William Oyster (collectively, the "Defendants").

The proposed Settlement provides for the release of claims against all the Defendants, as well as other parties related to the Defendants, as specified in the Stipulation. The Settlement Class consists of a class of all persons and entities other than the Defendants who purchased or otherwise acquired DGSE common stock during the Settlement Class Period and were damaged thereby, except for certain persons and entities who are excluded from the Settlement Class by definition (*see* Paragraph 20 below) or persons and entities who timely and validly elect to exclude themselves from the Settlement Class (*see* Paragraphs 45-47 below). Members of the Settlement Class will be affected by the Settlement, if approved by the Court, and may be eligible to receive a payment from the Settlement.

2. **Statement of the Settlement Class's Recovery:** Subject to approval by the Court, and as described more fully below, the parties have agreed to settle all claims asserted in this Action in exchange for \$1.7 million in cash (the "Settlement Amount"). The Settlement Amount together with all interest earned thereon are referred to as the "Settlement Fund." The "Net Settlement Fund" (the Settlement Fund less any Taxes, any Notice and Administration Costs and any

¹ Any 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 July 3, 2013 (the "Stipulation"), which is available on the website established for the Settlement at <http://ClassAction.kccllc.net/DGSESecuritiesLitigation>.

attorneys' fees and Litigation Expenses awarded by the Court) will be distributed in accordance with the plan of allocation that is approved by the Court. The proposed plan of allocation (the "Plan of Allocation") is included in this Notice at pages 6-8 below.

3. **Estimate of Average Amount of Recovery Per Share:** Based on the information currently available to Lead Plaintiff, it is estimated that based on the number of DGSE common shares purchased during the Settlement Class Period that may have been affected by the alleged conduct at issue in the Action and assuming that all Settlement Class Members elect to participate in the Settlement, the estimated average recovery per eligible share (before the deduction of any Court-approved fees, expenses and costs as described herein) would be approximately \$0.44. Historically, not all settlement class members submit valid proofs of claim, which may result in higher distributions per share for those Settlement Class Members submitting valid Claim Forms. A Settlement Class Member's actual recovery will be a proportion of the Net Settlement Fund determined by that Settlement Class Member's Recognized Loss (as defined below) as compared to the total Recognized Losses of all Settlement Class Members who submit timely and valid Claim Forms. Depending on: (1) the number of claims submitted, and (2) when during the Settlement Class Period a Settlement Class Member purchased or sold DGSE common stock, an individual Settlement Class Member may receive more or less than this average amount. *See* the Plan of Allocation beginning on page 6 for more information.
4. **Statement of Potential Outcome of Case:** The Settling Parties disagree on both liability and damages and do not agree on the average amount of damages per share of DGSE common stock that would be recoverable if Lead Plaintiff was to prevail in the Action. The Defendants deny that the complaint in this Action asserted any valid claims, and expressly deny any and all allegations of liability or damages. The issues on which the Settling Parties disagree with respect to liability include, without limitation: (1) whether Lead Plaintiff can prove that Defendants acted with fraudulent intent in connection with any misrepresentations during the Settlement Class Period, and (2) the impact, if any, that any misleading statements had on the market price of DGSE common stock.
5. **Attorneys' Fees and Expenses Sought:** Lead Plaintiff's counsel intends to seek attorneys' fees not to exceed \$561,000 or 33% of the \$1.7 million Settlement Fund, plus expenses incurred in connection with prosecution of this Action in the approximate amount of \$15,000. Such requested attorneys' fees and expenses would amount to an average of approximately \$0.16 per damaged share of DGSE common stock. In addition, the class recovery will be reduced by costs of mailing and administration. *See* How Will The Notice Costs And Expenses Be Paid?, on page 10 below. **Please note that these amounts are only estimates.**
6. **Identification of Attorneys' Representatives:** Lead Plaintiff and the Settlement Class are represented by the law firm of Kirby McInerney LLP, the Court-appointed lead counsel in the Action ("Lead Counsel"). Any questions regarding the Settlement should be directed to:

Thomas W. Elrod, Esq.
Beverly T. Mirza, Esq.
Ira M. Press, Esq.
KIRBY McINERNEY LLP
825 Third Avenue
New York, NY 10022
(212) 371-6600

The Court has appointed a Claims Administrator, who is also available to answer questions from Settlement Class Members regarding matters contained in this Notice, including submission of a Proof of Claim Form, and from whom additional copies of this Notice and the Proof of Claim Forms may be obtained.

Grant Barfuss, et al. v. DGSE Companies, Inc., et al.
c/o KCC Class Action Services
Claims Administrator
P.O. Box 43186
Providence, RI 02940-3186
1-877-427-8568
ClassAction.kccllc.net/DGSESecuritiesLitigation
DGSESecuritiesLitigation@kccllc.com

Please do not contact any representative of the Defendants or the Court with questions about the Settlement.

7. **Reasons for the Settlement:** Lead Plaintiff believes that the proposed Settlement is in the best interests of the Settlement Class. The Settlement provides substantial benefits payable to the Settlement Class now, without further risk or the delays inherent in further litigation. These benefits must be considered against the significant risk that a smaller recovery – or indeed no recovery at all – might be achieved after heavily contested motions, a trial and appeals. Lead Plaintiff further considered, after conducting investigation into the facts of the case, the risks to proving liability and damages and if successful in doing so, whether a larger judgment could ultimately be obtained. For the Defendants, who deny all allegations of wrongdoing or liability whatsoever, the principal reason for entering into the Settlement is to eliminate the expense, risks and uncertainty of further litigation.

YOUR LEGAL RIGHTS AND OPTIONS IN THESE SETTLEMENT:	
SUBMIT A CLAIM FORM BY NOVEMBER 23, 2013.	This is the only way to be eligible to get a payment from the Settlement. If you are a Settlement Class Member, and do not exclude yourself from the Settlement Class, you will be bound by the Settlement as approved by the Court and you will give up any “Released Claims” (as defined below) that you have against the Defendants and the other “Released Defendant Persons” (as defined below). If you do not exclude yourself from the Settlement Class, it is likely in your interest to submit a Claim Form.
EXCLUDE YOURSELF FROM THE SETTLEMENT CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS <i>RECEIVED</i> NO LATER THAN SEPTEMBER 30, 2013.	If you exclude yourself from the Settlement Class, you will not be eligible to receive any payment from the Settlement Fund. This is the only option that allows you ever to be part of any other lawsuit against any of the Defendants or the other Released Defendant Persons concerning the Released Claims.
OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS <i>RECEIVED</i> NO LATER THAN SEPTEMBER 30, 2013.	If you do not like any aspect of 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 Settlement Class Member and do not exclude yourself from the Settlement Class.
GO TO A HEARING ON OCTOBER 21, 2013 AT 2:00 P.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS <i>RECEIVED</i> NO LATER THAN SEPTEMBER 30, 2013.	Filing a written objection and notice of intention to appear by September 30, 2013 allows you to speak in Court about the fairness of the 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 speak to the Court about your objection.
DO NOTHING.	If you are a member of the Settlement Class and you do not submit a Claim Form by November 23, 2013, you will not be eligible to receive any payment from the Settlement Fund. You will, however, remain a member of the Settlement 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.

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WHY DID I GET THIS NOTICE?

8. This Notice is being sent to you pursuant to an Order of the United States District Court for the Northern District of Texas because you or someone in your family or an investment account for which you serve as a custodian may have purchased or otherwise acquired DGSE common stock during the Settlement Class Period. As a potential Settlement Class Member, you have a right to know how this class action lawsuit may generally affect your legal rights.
9. In a class action lawsuit, the court appoints one or more people, known as class representatives, to sue on behalf of all people with similar claims, commonly known as the class or the class members. In this Action, the Court has appointed Hillel Hyman to serve as "Lead Plaintiff" and as the class representative under a federal law governing lawsuits such as this one, and the Court has approved Lead Plaintiff's selection of the law firm of Kirby McInerney LLP to serve as lead counsel in the Action. A class action is a type of lawsuit in which the claims of a number of individuals are resolved together, thereby allowing for the efficient and consistent resolution of the claims of all class members in a single proceeding. Here the Settlement Class has been preliminarily certified for purposes of the Settlement, and the Court must resolve all issues on behalf of the Settlement Class Members, except for any persons or entities who choose to exclude themselves from the Settlement Class. (For more information on excluding yourself from the Settlement Class, please read "What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?" on page 10 below.)
10. The court in charge of this case is the United States District Court for the Northern District of Texas, and the case is known as *Grant Barfuss, et al. v. DGSE Companies, Inc., et al.*, No. 12 Civ. 3664 (N.D. Tex.). The Judge presiding over this case is the Honorable Jane J. Boyle, United States District Judge. The persons or entities that are suing are called plaintiffs, and those who are being sued are called defendants. If the Settlement is approved, it will resolve all claims in the Action by Settlement Class Members against all of the Defendants, and will bring the Action to an end.
11. This Notice explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them and how to get them. It also informs you 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 Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses (the "Settlement Hearing").
12. The Settlement Hearing will be held on October 21, 2013 at 2:00 p.m., before the Honorable Jane J. Boyle at the United States District Court for the Northern District of Texas, 1100 Commerce Street, Room 1306, Dallas, Texas 75242, to determine:
 - (a) whether the proposed Settlement is fair, reasonable and adequate, and should be approved by the Court;
 - (b) whether all claims asserted in the Action against the Defendants should be dismissed with prejudice, and whether all Released Claims against the Released Defendant Persons should be released as set forth in the Stipulation;
 - (c) whether the proposed Plan of Allocation is fair and reasonable, and should be approved by the Court; and
 - (d) whether Lead Counsel's motion for an award of attorneys' fees and reimbursement of Litigation Expenses should be approved.

13. This Notice does not express 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.

WHAT IS THE CASE ABOUT? WHAT HAS HAPPENED SO FAR?

14. On September 7, 2012, a putative class action, *Grant Barfuss, et al. v. DGSE Companies, Inc., et al.*, No. 12 Civ. 3664 (N.D. Tex.) was filed in the United States District Court for the Northern District of Texas (the “Court”) alleging claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder against Defendants.
15. Pursuant to the PSLRA (15 U.S.C. § 78u-4(a)(3)(B)), several members of the putative class moved for appointment as lead plaintiff on or before November 6, 2012, and on January 24, 2013, the Court appointed Hillel Hyman as lead plaintiff, his counsel Kirby McInerney LLP as lead counsel, and Gruber Hurst Johansen Hail Shank LLP as liaison counsel.
16. In light of DGSE’s limited resources, counsel for all parties believed that it would be in the best interest of all parties if settlement negotiations were attempted before incurring the legal expenses with preparing and filing an amended complaint and drafting motions to dismiss and the related opposition briefs to those motions. Accordingly, the parties requested the appointment of a mediator to assist in the resolution of this Action.
17. By court order of April 17, 2013, this case was referred to United States Magistrate Judge Paul D. Stickney for mediation, and on May 13, 2013, Judge Stickney conducted the mediation in which counsel for all parties in this Action were present.
18. On May 14, 2013, Judge Stickney submitted a mediator’s proposal for settlement to counsel in this Action and a related shareholder derivative action, *Farmer v. Oyster, et al.*, 3:12-cv-03850 (N.D. Tex.) (JJB). Under the terms of the mediator’s proposal, Defendants would cause \$1.7 million to be paid to settle the claims in this Action. The parties accepted the mediator's proposal.
19. On July 3, 2013, the parties entered into the Stipulation setting forth the terms and conditions of the proposed Settlement. On July 8, 2013, the Court entered an Order Preliminarily Approving Proposed Settlement and Providing for Notice, which preliminarily approved the Settlement, authorized this Notice be sent to potential Settlement 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?

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

A class of all Persons other than Defendants who purchased or otherwise acquired DGSE common stock from April 15, 2011 through and including April 17, 2012 (“Settlement Class Period”), and were damaged thereby.

Excluded from the Settlement Class are all Defendants in the Action and their respective current or former Section 16 Officers, directors, Immediate Family members, legal representatives, heirs, successors or assigns, and any entity in which any Defendant has or had a controlling interest. Also excluded from the Settlement Class are any Persons who timely and validly exclude themselves by submitting a request for exclusion in accordance with the requirements set forth in the Notice. *See* “What If I Do Not Want To Participate In The Settlement? How Do I Exclude Myself,” on page 10 below.

“Settlement Class Member” means a Person that is a member of the Settlement Class and does not exclude himself, herself or itself by submitting a request for exclusion in accordance with the requirements set forth in this Notice.

PLEASE NOTE: RECEIPT OF THIS NOTICE DOES NOT MEAN THAT YOU ARE A SETTLEMENT CLASS MEMBER OR THAT YOU WILL BE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU ARE A SETTLEMENT 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 NOVEMBER 23, 2013.

HOW MUCH WILL MY PAYMENT BE?

21. At this time, it is not possible to determine how much a Settlement Class Member may receive from the Settlement. After approval of the Settlement by the Court and upon satisfaction of the other conditions to the Settlement, the Net Settlement Fund will be distributed to Authorized Claimants in accordance with the Plan of Allocation approved by the Court. Your share of the Net Settlement Fund will depend on: (1) your Recognized Loss, as computed pursuant to the Plan of Allocation set out on pages 6-8 below, and (2) the Recognized Losses of all other Authorized Claimants computed pursuant to the Plan of Allocation.
22. In the event the aggregate Recognized Losses of all validly submitted Proof of Claim Forms exceed the Net Settlement Fund, your share of the Net Settlement Fund will be proportionally less than your calculated Recognized Loss. The payment you get will be that proportion of the Net Settlement Fund equal to your Recognized Loss divided by the total Recognized Losses of all Settlement Class Members who submit valid Proof of Claim Forms (the "Pro Rata Share"). See the Plan of Allocation on pages 6-8 for more information on your Recognized Loss.
23. The Recognized Loss formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants. The Net Settlement Fund shall be distributed to Settlement Class Members who submit timely and valid Proof of Claim Forms and whose payment from the Net Settlement Fund would equal or exceed ten dollars (\$10.00).
24. The Net Settlement Fund will not be distributed until all timely claims have been processed and the Court has approved the proposed distribution, and the time for any petition for rehearing, appeal or review, whether by certiorari or otherwise, has expired.
25. Neither the Defendants nor any other person or entity that paid any portion of the Settlement Amount on any of their behalves are entitled to get back any portion of the Settlement Fund once the Court's order or judgment approving the Settlement becomes Final. The Defendants shall not have any liability, obligation or responsibility for the administration of the Settlement or disbursement of the Net Settlement Fund or the Plan of Allocation.
26. Approval of the Settlement is independent from approval of the Plan of Allocation. Any determination with respect to the Plan of Allocation will not affect the Settlement, if approved.
27. Each person or entity wishing to participate in the distribution must timely submit a valid Claim Form establishing membership in the Settlement Class, including all required documentation, postmarked on or before November 23, 2013 to the address set forth in the Claim Form that accompanies this Notice.
28. Unless the Court otherwise orders, any Settlement Class Member who fails to submit a Claim Form postmarked on or before November 23, 2013 shall be forever barred from receiving payments pursuant to the Settlement but will in all other respects remain a Settlement Class Member and be subject to the provisions of the Stipulation and Settlement, including the terms of any judgments entered and releases given. This means that each Settlement Class Member releases the Released Claims (as defined in Paragraph 37 below) against the Released Defendant Persons (as defined in Paragraph 37 below) and will be enjoined and prohibited from filing, prosecuting, or pursuing any of the Released Claims against any of the Released Defendant Persons regardless of whether or not such Settlement Class Member submits a Claim Form.
29. *Information Required on the Claim Form:* Among other things, each Claim Form must state and provide sufficient documentation for each Claimant's transactions in DGSE common stock during the Settlement Class Period.
30. The Court has reserved jurisdiction to allow, disallow or adjust the Claim of any Settlement Class Member on equitable grounds.
31. Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Northern District of Texas with respect to his, her or its Claim Form.
32. Persons and entities that are excluded from the Settlement Class by definition or that exclude themselves from the Settlement Class will not be eligible to receive a distribution from the Net Settlement Fund and should not submit Claim Forms.

PROPOSED PLAN OF ALLOCATION

33. The Plan of Allocation has been prepared by Lead Plaintiff and Lead Counsel. The objective of the Plan of Allocation is to equitably distribute the Settlement proceeds to the Settlement Class Members who suffered economic losses as a result of the alleged violations of the federal securities laws, as opposed to losses caused by factors unrelated to the alleged violations of law. The Recognized Loss formula is the basis upon which the Net Settlement Fund will be allocated proportionately to the Authorized Claimants. It is not intended to be an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement.

- A. For shares of DGSE common stock purchased or otherwise acquired between April 15, 2011 and April 17, 2012:
- (1) For shares sold prior to the close of trading on April 16, 2012, the Recognized Loss shall be zero.
 - (2) For shares retained at the close of trading on February 13, 2013, the Recognized Loss shall be the difference between:
 - (a) the lesser of the purchase price and \$7.43 per share, and
 - (b) \$5.48.²
 - (3) For shares sold between the close of trading on April 16, 2012 and the close of trading on February 13, 2013, the Recognized Loss shall be the difference between:
 - (a) the lesser of the purchase price and \$7.43 per share, and
 - (b) the greater of (i) the average trading price between November 15, 2012 and the date of sale, and (ii) the sale price.
- B. To the extent an Authorized Claimant had an aggregate gain from his, her or its transactions in DGSE common stock during the Class Period, the value of his, her or its total Recognized Loss will be zero. To the extent that an Authorized Claimant suffered an overall loss on his, her or its transactions in DGSE common stock during the Class Period, but the loss was less than the Recognized Loss calculated above, then the Recognized Loss shall be limited to the amount of the actual loss. Short sales and the purchases to cover them are ineligible and will not be included in the Recognized Loss calculation; however, any aggregate gains with respect to short sales shall be offset against Recognized Loss on other transactions. All purchases/acquisitions and sales of DGSE shares in the Class Period shall be matched on a Last-In-First-Out (“LIFO”) basis; sales during the Class Period and the 90 days thereafter will be matched first against the most recent DGSE shares purchased during that period that have not already been matched to sales, and then against prior purchases/acquisitions in backward chronological order, until the beginning of the Class Period. A purchase/acquisition or sale of DGSE common stock shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date. However, (a) for DGSE shares acquired pursuant to a corporate merger or acquisition, the purchase of the DGSE shares shall be deemed to have occurred on the date that the merger agreement was executed; and (b) for DGSE shares that were put to investors pursuant to put options sold by those investors, the purchase of the DGSE shares shall be deemed to have occurred on the date that the put option was sold, rather than the date on which the stock was subsequently put to the investor pursuant to that option. The proceeds of any put option sales shall be offset against any losses from shares that were purchased as a result of the exercise of the put option.

The receipt or grant by gift, devise or inheritance of DGSE common stock during the Class Period shall not be deemed to be a purchase or acquisition of DGSE common stock for the calculation of an Authorized Claimant’s Recognized Loss if the Person from which the DGSE common stock was acquired did not themselves acquire the common stock during the Class Period, nor shall it be deemed an assignment of any claim relating to the purchase or acquisition of such shares unless specifically provided in the instrument or gift or assignment.

The following defined terms shall be used to describe the process the Claims Administrator shall use to determine whether an Authorized Claimant had a gain or suffered a loss in his, her or its overall transactions in DGSE common stock during the Settlement Class Period: the “Total Purchase Amount” is the total amount paid by the Authorized Claimant for all DGSE common stock acquired during the Settlement Class Period less commissions and fees; the “Sales Proceeds” means the amount received for sales of shares of DGSE common stock sold by the Authorized Claimant during the Settlement Class Period less commissions and fees; however, for shares of DGSE common stock sold from April 15, 2011 through and including February 13, 2013, an Authorized Claimant’s Recognized Loss shall in no event exceed the difference between the purchase price paid and the mean daily closing price during the period from November 15, 2012 through the date of the Authorized Claimant’s sales; and “Holding Value” means the monetary value assigned to the shares of DGSE common stock acquired by the Authorized Claimant during the Settlement Class Period and still held by the Authorized Claimant as of the close of trading on November 15, 2012.

The difference between the Total Purchase Amount and the sum of Sales Proceeds and Holding Value will be deemed an Authorized Claimant’s gain or loss on his, her or its overall transactions in DGSE common stock during the Settlement Class Period.

² Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, damages in a federal securities fraud action shall not exceed the difference between the purchase price paid for the subject security and the mean trading price of that security during the 90 day period beginning on the date on which the information correcting the misstatement that is the basis for the action is disseminated to the market. On April 17, 2012 NYSE AMEX halted trading in DGSE stock. Public trading of DGSE stock did not resume until November 15, 2012. \$5.48 was the mean closing price of DGSE common stock during the 90 day period beginning on November 15, 2012 and ending on February 13, 2013 (the “Holding Value”).

If any funds remain in the Net Settlement Fund by reason of uncashed distributions or otherwise, then after the Claims Administrator has made reasonable and diligent efforts to have Settlement Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund six (6) months after the initial distribution of such funds shall be redistributed to Settlement Class Members who have cashed their initial distributions in a manner consistent with the Plan of Allocation. Thereafter, the Claims Administrator, following consultation with Lead Counsel, shall donate any remaining funds to a non-sectarian charitable organization certified under the United States Internal Revenue Code § 501(c)(3), to be designated by Lead Counsel and approved by the Court.

34. 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 Lead Plaintiff, Lead Counsel, Defendants and their respective counsel or any of the other Released Defendant Persons, or the Claims Administrator or other agent designated by 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. Lead Plaintiff, the Defendants and their respective counsel, and all other Released Defendant Persons 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.
35. The Plan of Allocation set forth herein is the plan that is being proposed to the Court for its approval by Lead Plaintiff and Lead Counsel. The Court may approve this plan as proposed or it may modify the Plan of Allocation without further notice to the Settlement Class. The Court will retain jurisdiction over the Plan of Allocation to the extent necessary to ensure that it is fully and fairly implemented. Any orders regarding any modification of the Plan of Allocation will be posted on the settlement website, <http://ClassAction.kccllc.net/DGSESecuritiesLitigation>.

WHAT RIGHTS AM I GIVING UP BY REMAINING IN THE SETTLEMENT CLASS?

36. If you remain in the Settlement Class, you will be bound by any orders issued by the Court. For example, if the Settlement is approved, the Court will enter a judgment (the “Judgment”). The Judgment will dismiss with prejudice the claims against the Defendants and will provide that, upon the Effective Date, Lead Plaintiff and each of the other Settlement Class Members, on behalf of themselves, their heirs, executors, administrators, predecessors, successors, affiliates and assigns, shall be deemed to have, and by operation of law and of the Judgment shall have, fully, finally and forever compromised, settled, released, resolved, relinquished, waived, discharged and dismissed each and every Released Claim (as defined in Paragraph 37 below) as against all of the Released Defendant Persons (as defined in Paragraph 37 below), and shall forever be enjoined from prosecuting any or all of the Released Claims against any of the Released Defendant Persons (provided, however, that the releases provided for in the Judgment shall not apply to any person or entity who validly opts out of the Settlement Class and nothing in the Stipulation shall preclude any person or entity from opting out of the Settlement Class in accordance with the instructions set forth in Paragraphs 45-47 below).
37. As described in more detail below, the Released Claims are any and all claims that (a) are based on, related to, or arise out of the allegations, transactions, facts, matters, events, disclosures, statements, occurrences, circumstances, representations, conduct, acts or omissions or failures to act that have been or could have been alleged or asserted in the Action (or in any forum or proceeding or otherwise), and/or (b) relate to or arise out of Lead Plaintiff’s or any other Settlement Class Member’s purchase, acquisition, holding or sale or other disposition of DGSE Common stock during the Settlement Class Period.

“**Plaintiff-Related Releasees**” means the Lead Plaintiff, all other Settlement Class Members and Plaintiffs’ Counsel, and each of their heirs, executors, administrators, predecessors, successors and assigns.

“**Released Claims**” means any and all claims, rights, demands, liabilities, or causes of action, by or on behalf of Lead Plaintiff or any other Settlement Class Members against any of the Released Defendant Persons that have been alleged or could have been alleged in the Action (or in any forum or proceeding or otherwise), whether based on federal, state, local, statutory, or common law or any other law, rule, or regulation, whether known claims or Unknown Claims (defined below), whether class, representative, or individual in nature, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, whether at law or in equity, matured or unmatured that arise out of Lead Plaintiff’s or any other Settlement Class Member’s purchase, or acquisition of DGSE common stock during the Settlement Class Period. However, Released Claims do not include claims relating to the enforcement of the Settlement, nor do they include the claims asserted in the DGSE derivative action, *Farmer v. Oyster, et al.*, 3:12-cv-03850 (N.D. Tex.) (JJB).

“**Unknown Claims**” means any Released Claims which the Lead Plaintiff or any other Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Defendant Persons (defined below), and any Released Defendant Persons’ Claims (defined below) which any Released Defendant Person does not know or suspect to exist in his, her, or its favor at the time of the release of the Plaintiff-Related Releasees, which, if known by him, her or it, might have affected his, her or its decision(s)

with respect to this Settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Lead Plaintiff and each of the Defendants shall expressly waive, and each of the other Settlement Class Members and each of the other Released Defendant Persons shall be deemed to have waived, and by operation of the Judgment shall have expressly waived, any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law or foreign law, 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 to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiff and each of the Defendants acknowledge, and each of the other Settlement Class Members and each of the other Released Defendant Persons shall be deemed by operation of law to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the Settlement.

“Released Defendant Persons” means the Defendants, their respective present and former direct and/or indirect parents, subsidiaries, and divisions and their respective present and former members, partners, principals, officers, directors, attorneys, advisors, administrators and representatives; the predecessors, successors, estates, heirs, executors, trusts, trustees, administrators and assigns of each of them, in their capacity as such; and any firm, trust, corporation or other entity in which any Defendant has or had a controlling interest; and the Immediate Family members (defined as an individual’s spouse, parents, siblings, children, grandparents, grandchildren; the spouses of his or her parents (where “spouse” shall mean a husband, a wife, or a partner in a state-recognized domestic partnership or civil union), siblings and children; and the parents and siblings of his or her spouse, and includes step and adoptive relationships) of the Individual Defendants (defined as L.S. Smith, John Benson and William Oyster).

“Released Defendant Persons’ Claims” means all claims and causes of action of every nature and description, whether known claims 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 claims by Lead Plaintiff, the Settlement Class and their counsel, including Lead Counsel, against the Defendants and the other Released Defendant Persons, except for claims relating to the enforcement of the Settlement.

38. The Judgment will also provide that, upon the Effective Date, each of the Defendants and each of the other Released Defendant Persons on behalf of themselves, their heirs, executors, administrators, predecessors, successors, affiliates and assigns, shall be deemed to have, and by operation of law and of the Judgment shall have, fully, finally and forever compromised, settled, released, resolved, relinquished, waived, discharged and dismissed each and every Released Defendant Persons’ Claims against all of the Plaintiff-Related Releasees and all claims and causes of action of every nature and description, whether known claims and Unknown Claims, whether arising under federal, state, local or foreign law, that arise out of or relate in any way to the institution, prosecution, or settlement of the claims against each of the Defendants and each of the Released Defendant Persons, and shall forever be enjoined from prosecuting any or all of the Released Defendant Persons’ Claims against any of the Plaintiff-Related Releasees except for claims relating to the enforcement of the applicable Settlement (provided, however, that the releases provided for in the Judgment shall not apply to any person or entity who validly opts out of the Settlement Class and nothing in the Stipulation shall preclude any person or entity from opting out of the Settlement Class in accordance with the instructions set forth in Paragraphs 45-47 below).

39. In addition, the proposed Judgment provides for a “Complete Bar Order” that will bar certain claims for indemnity and contribution by or against the Released Defendant Persons. The specific terms of the proposed Complete Bar Order are set forth in the Stipulation. The proposed Judgment further provides that if the Settlement Class or any Settlement Class Member later obtains a judgment against a person subject to the Complete Bar Order, such judgment shall be reduced by the greater of (i) an amount that corresponds to the percentage of responsibility of the Released Defendant Persons for the loss to the Settlement Class or the Settlement Class Member or (ii) the amount paid by or on behalf of the Defendants to the Settlement Class or the Settlement Class Member for common damages.

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

40. Lead Counsel has not received any payment for its services in pursuing claims against the Defendants on behalf of the Settlement Class, nor have they been reimbursed for their out-of-pocket expenses. Prior to the Settlement Hearing (see Paragraph 50 below), Lead Counsel will apply to the Court for an award of attorneys’ fees on behalf of Lead Counsel in an amount not to exceed \$561,000 or 33% of the Settlement Fund. In addition, Lead Counsel will apply for reimbursement of Litigation Expenses paid or incurred in connection with the institution, prosecution and resolution of the claims against Defendants, in the approximate amount of \$15,000 (which may include an application for reimbursement of the reasonable costs and expenses incurred by the Lead Plaintiff himself that relate directly to their representation of the Settlement Class), plus interest on such expenses at the same rate as earned on the Settlement Amount.

HOW WILL THE NOTICE COSTS AND EXPENSES BE PAID?

41. Lead Counsel is authorized by the Stipulation to pay the Claims Administrator's fees and expenses incurred in connection with giving notice, administering the Settlement, and distributing the Net Settlement Fund to Settlement Class Members.

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

42. To be eligible for a payment from the proceeds of the Settlement, you must be a member of the Settlement Class and you must timely complete and return the Claim Form with adequate supporting documentation **postmarked no later than November 23, 2013**. A Claim Form is included with this Notice, or you may obtain one from the website maintained by the Claims Administrator for the Settlement, <http://ClassAction.kccllc.net/DGSESecuritiesLitigation>, or you may request that a Claim Form be mailed to you by calling the Claims Administrator toll-free at 1-877-427-8568. If you request exclusion from the Settlement Class or do not submit a timely and valid Claim Form, you will not be eligible to share in the Net Settlement Fund. Please retain all records of your ownership of and transactions in DGSE common stock, as they may be needed to document your Claim.
43. As a Settlement Class Member you are represented by Lead Plaintiff and 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?" on pages 10-11 below, so that the notice is **received** on or before September 30, 2013.
44. If you are a Settlement Class Member and you wish to object to any aspect of the Settlement, to the Plan of Allocation, or to Lead Counsel's application for attorneys' fees and reimbursement of Litigation Expenses, and if you do not exclude yourself from the Settlement 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.

WHAT IF I DO NOT WANT TO PARTICIPATE IN THE SETTLEMENT?
HOW DO I EXCLUDE MYSELF?

45. Each Settlement 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 Settlement Class, addressed to *Grant Barfuss, et al. v. DGSE Companies, Inc., et al.*, EXCLUSIONS, c/o KCC Class Action Services, Claims Administrator, P.O. Box 43186, Providence, RI 02940-3186. The exclusion request must be **received** no later than September 30, 2013. You will not be able to exclude yourself from the Settlement Class after that date. Each Request for Exclusion must (a) state the name, address and telephone number of the person or entity requesting exclusion; (b) state that such person or entity "requests exclusion from the Settlement Class in *Grant Barfuss, et al., v. DGSE Companies, Inc., et al.*, No. 12 Civ. 3664 (N.D. Tex.)"; (c) state the number of shares of DGSE common stock that the person or entity requesting exclusion owned at the start of the Settlement Class Period; (d) state the date(s), price(s) and number of shares of DGSE common stock that the person or entity requesting exclusion purchased or otherwise acquired and sold during the period from April 15, 2011 through and including February 13, 2013; (e) state the number of shares of DGSE common stock held through the close of trading on February 13, 2013; and (f) be signed by such 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 called for in this paragraph and is received within the time stated above, or is otherwise accepted by the Court.
46. If you do not want to be part of the Settlement 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 Claim against any of the Released Defendant Persons. You cannot exclude yourself by telephone or by email.
47. If you ask to be excluded from the Settlement Class, you will not be eligible to receive any payment out of the Net Settlement Fund, or any other benefit provided for in the Stipulation.
48. The 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 Settlement Class in an amount that exceeds an amount agreed to by Lead Plaintiff and the Defendants.

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

49. **Settlement 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 the Settlement Class Member does not attend the Settlement Hearing. You can participate in the Settlement without attending the Settlement Hearing.**

50. The Settlement Hearing will be held on October 21, 2013 at 2:00 p.m. before the Honorable Jane J. Boyle, at the United States District Court for the Northern District of Texas, 1100 Commerce Street, Room 1306, Dallas, Texas 75242. At the Settlement Hearing the Court will decide whether to approve the Settlement, the Plan of Allocation and an award of attorneys' fees and reimbursement of expenses.
51. Any Settlement Class Member who does not request exclusion may object to any aspect of the Settlement, the proposed Plan of Allocation or Lead Counsel's request for an award of attorneys' fees and reimbursement of 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 Northern District of Texas at the address set forth below on or before September 30, 2013. You must also serve the papers on designated representative Lead Counsel and Defendants' Counsel at the addresses set forth below for their respective counsel so that the papers are **received on or before September 30, 2013**.

Clerk's Office

Clerk of the Court
 United States District Court
 Northern District of Texas
 1100 Commerce Street
 Dallas, TX 75242
 Re: *Grant Barfuss, et al. v. DGSE Companies, Inc.*
 Case No. 12 Civ. 3664 (JJB)

Defendants' Counsel

Timothy R. McCormick, Esq.
 Michael W. Stockham, Esq.
 Thompson & Knight LLP
 1722 Routh Street, Suite 1500
 Dallas, TX 75201

and

Lead Counsel

Ira M. Press, Esq.
 Beverly T. Mizra, Esq.
 Thomas W. Elrod, Esq.
 Kirby McInerney LLP
 825 Third Avenue
 New York, NY 10022

Karl G. Dial, Esq.
 Casey L. Moore, Esq.
 Fulbright & Jaworski LLP
 2200 Ross Ave., Suite 2800
 Dallas, TX 75201

52. Any objection (a) must contain a statement of the Settlement Class Member's objection or objections, and the specific reasons for each objection, including any legal and evidentiary support the Settlement Class Member wishes to bring to the Court's attention; and (b) must include documents sufficient to prove membership in the Settlement Class, including the number of shares of DGSE common stock that the objecting Settlement Class Member purchased or otherwise acquired during the Settlement Class Period, as well as sales or other dispositions of such stock during the Settlement Class Period or thereafter through the close of trading on February 13, 2013, along with the dates and prices of each such purchase or other acquisition and sale or other disposition. You may not object to any aspect of the Settlement, the Plan of Allocation or the motion for attorneys' fees and reimbursement of expenses if you exclude yourself from the Settlement Class.
53. 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 filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.
54. If you wish to be heard orally at the hearing in opposition to the approval of any aspect of the Settlement, the Plan of Allocation or Lead Counsel's request for an award of attorneys' fees and reimbursement of expenses, you must also file a notice of appearance with the Clerk's Office and serve it on designated representative Lead Counsel and counsel for the Defendants at the addresses set forth above so that it is **received** on or before September 30, 2013. 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.
55. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Hearing. If you decide to hire an attorney, which will be at your own expense, however, he or she must file a notice of appearance with the Court and serve it on designated representative Lead Counsel and counsel for the Defendants at the addresses set forth above so that the notice is **received** on or before September 30, 2013.
56. The Settlement Hearing may be adjourned by the Court without further written notice to the Settlement Class. If you intend to attend the Settlement Hearing, you should confirm the date and time with Lead Counsel.

Unless the Court orders otherwise, any Settlement 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 any aspect of the proposed Settlement, the proposed Plan of Allocation or Lead Counsel's request for an award of attorneys' fees and reimbursement of expenses. Settlement Class Members do not need to appear at the Settlement Hearing or take any other action to indicate their approval.

WHAT HAPPENS IF I DO NOTHING AT ALL?

57. If you do nothing, you will get no money from this Settlement. To share in the Net Settlement Fund you must submit a Proof of Claim Form by following the instructions in the section entitled "How Do I Participate In The Settlement? What Do I Need To Do?" on page 10 above.
58. If you are a Settlement Class Member and you do not exclude yourself from the Settlement, you will be bound by the terms of the proposed Settlement described in this Notice once approved by the Court and you shall be forever barred from receiving payments pursuant to the Settlement but will in all other respects remain a Settlement Class Member and be subject to the provisions of the Stipulation and Settlement, including the terms of any judgments entered and releases given. This means that each Settlement Class Member releases the Released Claims (as defined above) against the Released Defendant Persons (as defined above) and will be enjoined and prohibited from filing, prosecuting, or pursuing any of the Released Claims against any of the Released Defendant Persons regardless of whether or not such Settlement Class Member submits a Claim Form.

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

59. If you purchased or otherwise acquired DGSE common stock during the Settlement Class Period for the beneficial interest of persons or organizations other than yourself, you must, WITHIN TEN (10) CALENDAR DAYS AFTER RECEIPT OF THIS NOTICE, either (a) forward copies of the Notice and Claim Form (the "Notice Packet") to all such beneficial owners; or (b) provide the names and addresses of such persons or entities via email to DGSESecuritiesLitigation@kccllc.com or mail to *Grant Barfuss, et al. v. DGSE Companies, Inc., et al.*, c/o KCC Class Action Services, Claims Administrator, P.O. Box 43186, Providence, RI 02940-3186. If you choose the second option, the Claims Administrator will send a copy of the Notice and the Claim Form to the beneficial owners. Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred, by providing the Claims Administrator with proper documentation supporting the out-of-pocket expenses for which reimbursement is sought. Copies of this Notice and the Claim Form can be obtained from the website maintained by the Claims Administrator, ClassAction.kccllc.net/DGSESecuritiesLitigation, or by calling the Claims Administrator toll-free at 1-877-427-8568.

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

60. 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 Northern District of Texas, 1100 Commerce Street, Dallas, TX 75242. Additionally, copies of the Stipulation and any related orders entered by the Court will be posted on the website maintained by the Claims Administrator, <http://ClassAction.kccllc.net/DGSESecuritiesLitigation>.

All inquiries concerning this Notice should be directed to:

Grant Barfuss, et al. v. DGSE Companies, Inc., et al.
c/o KCC Class Action Services
Claims Administrator
P.O. Box 43186
Providence, RI 02940-3186
1-877-427-8568
ClassAction.kccllc.net/DGSESecuritiesLitigation
DGSESecuritiesLitigation@kccllc.com

and/or

Thomas W. Elrod, Esq.
Beverly T. Mirza, Esq.
Ira M. Press, Esq.
KIRBY McINERNEY LLP
825 Third Avenue
New York, NY 10022
(212) 371-6600

DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF THE COURT REGARDING THIS NOTICE.

Dated: July 26, 2013

By Order of the Court
United States District Court
Northern District of Texas