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April 14, 2023

VIA FILE & SERVEXPRESS AND HAND DELIVERY

The Honorable J. Travis Laster
Vice Chancellor
Court of Chancery, State of Delaware
Leonard L. Williams Justice Center
500 North King Street, Suite 11400
Wilmington, DE 19801

**Re: *In re Sears Hometown and Outlet Stores, Inc. S'holders Litig.*,
C.A. No. 2019-0798-JTL**

Dear Vice Chancellor Laster:

We write on behalf of plaintiffs in the above-captioned action to provide the Court a status report on notice and request the Court's guidance in connection with the May 9 partial settlement hearing.

On December 29, 2022, defendants Edward S. Lampert, ESL Investments, Inc., ESL Partners, LP, RBS Partners, LP, Transform Holdco LLC, and Hometown Midco LLC (collectively, "ESL Defendants") filed a Notice of Suggestion of Pendency of Bankruptcy and Automatic Stay of Proceedings relating to Defendant Transform Merger Corporation (which merged into debtor Sears Hometown Stores, Inc.) (Dkt. 168).

On February 10, 2023, plaintiffs and Josephine Linden, Alberto Franco, and John Tober (collectively, “Settling Defendants”) filed a Stipulation and Agreement of Compromise, Settlement, and Release Between Lead Plaintiffs and the Settling Defendants (“Stipulation”) (Dkt. 205). Section 11 of the Stipulation contemplates the cooperation of the debtor in the bankruptcy to provide plaintiffs and the settlement administrator a list of registered holders of Sears Hometown and Outlet Stores, Inc. (“SHOS”) common stock as set forth on SHOS’s stockholder register as of October 23, 2019 (“Merger Records”).

On March 6, 2023, the Court Granted the Scheduling Order which, among other things, (i) approved the form of notice, and (ii) scheduled a settlement hearing for May 9, 2023, at 11:00 a.m. in Courtroom 8D (Dkt. 223).

On March 15, 2023, plaintiffs wrote to the Settling Defendants and the ESL Defendants requesting the Merger Records pursuant to Section 11 of the Stipulation.

On March 17, 2023, plaintiffs followed up on their March 15 request. Later that day, plaintiffs’ counsel received an email from counsel for the ESL Defendants reminding plaintiffs that Sears Hometown Stores, Inc. was a debtor in a federal bankruptcy proceeding, which has been converted to a Chapter 7 liquidation, and that a trustee, Jeffrey Burtch, had been appointed and currently has control of all of

SHOS's books and records. Mr. Burtch advised he was represented by counsel and directed plaintiffs to speak with his counsel directly.

On March 23, 2023, plaintiffs' counsel spoke with Mark Felger of Cozen O'Connor, counsel to the bankruptcy trustee. He stated the estate has possession of SHOS's books and records, but they do not have a sense of where the information can be found. He advised that he would forward plaintiffs' request to debtor's counsel. He also requested that plaintiffs contact counsel for the ESL Defendants to request more information about where these particular records might be held.

Later that same day, counsel for the ESL Defendants explained that as previously disclosed, Transform assigned its rights and obligations under the Merger Agreement to Hometown Midco LLC. Counsel for the ESL Defendants further explained that the General Counsel for Sears Hometown Stores, Inc. had left the company in 2022, and that, due to the bankruptcy, all communications with the debtor would need to go through the Chapter 7 trustee or its counsel, and encouraged plaintiffs' counsel to communicate with them. As a result, counsel to the ESL Defendants were unsure they would be able to quickly obtain an answer concerning the Merger Records. Nevertheless, counsel for the ESL Defendants committed to reaching out to their other client, Transform Holdco, to determine whether they have any information about where the Merger Records are held.

On March 27, 2023, plaintiffs’ counsel spoke with settlement administrator A.B. Data, Ltd. (“A.B. Data”) and requested assistance with obtaining the Merger Records from Depository Trust & Clearing Corporation (“DTCC”) as of October 23, 2019. That same day, A.B. Data, pursuant to the Scheduling Order, proceeded to provide notice to all banks, brokers, and nominees.¹

On March 29, 2023, A.B. Data obtained from DTCC a “list of payees” but advised later that day, after further review and analysis, it appeared that in order to complete the notice process, it will still require a list of SHOS stockholders of record as of October 23, 2019.

On April 3, 2023, plaintiffs’ counsel were advised by ESL’s counsel that they had spoken with Computershare, SHOS’s common stock transfer agent before the merger, and sent Computershare requests for information on April 3 and on April 6. As of the date of this letter, counsel have not received this requested information.

¹ On March 27, A.B. Data: (i) caused notices to be sent by first-class mail to 4,975 mailing records contained in the Record Holder Mailing Database; (ii) submitted the notice to the DTCC to post on their Legal Notice System, which offers DTCC members, banks, and brokers access to a comprehensive library of notice concerning DTCC-eligible securities; and (iii) established the settlement website for this Action. The settlement website includes information regarding the Action and the proposed partial settlement, including the objection deadline and the date and time of the Court’s hearing.

On April 6, 2023, plaintiffs filed their Opening Brief in Support of Partial Settlement and an Award of Expenses (Dkt. 229).

On April 10, 2023, plaintiffs' counsel separately contacted representatives of Computershare to assist with obtaining the Merger Records, but have not received them as of the date of this letter.

It appears without the Merger Records A.B. Data cannot complete the Notice process pursuant to the Court's Scheduling Order. Thus, plaintiffs are writing to request the Court's guidance on how it would like to proceed concerning the upcoming May 9, 2023 partial settlement hearing.

Counsel is available to address any questions or concerns.

Respectfully,

/s/ David M. Sborz

David M. Sborz (#6203)

Words: 888

DMS/jrb

cc: Register in Chancery (via File & ServeXpress)
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