

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN RE SEARS HOMETOWN AND
OUTLET STORES, INC.
STOCKHOLDERS LITIGATION

CONSOLIDATED
C.A. No. 2019-0798-JTL

**STIPULATION AND AGREEMENT OF
COMPROMISE, SETTLEMENT, AND RELEASE
BETWEEN LEAD PLAINTIFFS AND THE SETTLING DEFENDANTS**

This Stipulation and Agreement of Compromise, Settlement, and Release between Lead Plaintiffs and the Settling Defendants (the “Stipulation”) is made and entered into as of February 10, 2023.¹ The parties to this Stipulation (each a “Settling Party” and, collectively, the “Settling Parties”), by and through their undersigned attorneys, have reached an agreement for the settlement of the claims asserted against Josephine Linden, Alberto Franco, and John E. Tober (the “Settling Defendants”) in the above-captioned matter styled *In re Sears Hometown and Outlet Stores, Inc. Stockholders Litigation*, Consol. C.A. No. 2019-0798-JTL (the “Action”), filed in the Court of Chancery of the State of Delaware (the “Court”), on the terms set forth below (the “Settlement”) and subject to Court approval pursuant to Court of Chancery Rule 23. This Stipulation is intended to fully, finally, and forever resolve, discharge, and settle (i) all Released Plaintiff Claims against the Settling Defendants and the other Released Settling Defendant Persons and (ii) all

¹ All terms in this Stipulation with initial capitalization shall, unless defined elsewhere in this Stipulation, have the meanings ascribed to them in Section 3 of this Stipulation.

Released Settling Defendant Claims against Lead Plaintiffs and the other Released Plaintiff Persons. The Settling Parties are: (i) lead plaintiffs Whitebark Value Partners LP and Keith Edquist (“Lead Plaintiffs”), on behalf of themselves and the Class; and (ii) the Settling Defendants. This Stipulation does not release, resolve, compromise, settle, or discharge any claims brought, or that could have been brought, by Lead Plaintiffs against Non-Settling Defendants Edward S. Lampert (“Lampert”), ESL Investments, Inc., ESL Partners, LP, RBS Partners, LP, Transform Holdco LLC, Hometown Midco LLC, and Transform Merger Corporation (each a “Non-Settling Defendant” and, collectively, the “Non-Settling Defendants,” and together with the Settling Defendants, “Defendants”).

WHEREAS,

1. Background of Challenged Transaction

A. On November 9, 2016, the SHOS board of directors (the “Board”) formed a special committee to, among other things, evaluate and approve transactions between SHOS and Sears Holdings Corporation (“Sears Holdings”). David B. Robbins (“Robbins”) and Kevin Longino (“Longino”) were the initial members of this special committee (the “Special Committee”).

B. On October 15, 2018, Sears Holdings filed for bankruptcy. On October 17, 2018, the Board met to discuss that bankruptcy's effects on the Company.

C. On October 22, 2018, the Board added William K. Phelan ("Phelan") to the Special Committee and put all matters related to the Sears Holdings bankruptcy within the Special Committee's authority. The Special Committee retained Shearman & Sterling LLP ("Shearman") as its legal advisor and PJ Solomon Securities LLC ("PJ Solomon") as its financial advisor.

D. On or around November 9, 2018, Lampert discussed with SHOS management potential transactions for the Company, including a potential management-led acquisition.

E. On December 12, 2018, the Board discussed strategic alternatives for the Company, including (i) a sale of the Company to ESL Investments, Inc. or its investment affiliates (together, "ESL") or (ii) liquidating the Company's Hometown segment (the "Hometown Segment") and operating the Company's Outlet segment (the "Outlet Segment") and Buddy's Home Furnishing Stores ("Buddy's Stores") businesses as an independent company (the "Hometown Liquidation").

F. On January 2, 2019, the Company engaged a third-party consultant, AlixPartners LLP to review the Company's contingency planning in connection with a potential Hometown Liquidation.

G. On or around March 12, 2019, ESL expressed interest in pursuing a transaction involving the Hometown Segment.

H. On March 20, 2019, Robbins, Lampert, and SHOS' Chief Executive Officer, William Powell ("Powell"), discussed the Company's consideration of a Hometown Liquidation and a potential acquisition of the Hometown Segment by Transform Holdco LLC and its affiliates (together, "Transform").

I. Between March 20, 2019 and March 27, 2019, the Special Committee and Lampert discussed various structures concerning a potential sale of the Company.

J. On March 27, 2019, the Special Committee set a deadline of April 15, 2019 for any negotiations with Lampert regarding a sale of the Company. Shearman communicated the deadline to Cleary Gottlieb Steen & Hamilton, Lampert's legal advisor.

K. On March 28, 2019, the Special Committee learned that Lampert approached Bank of America Corporation ("Bank of America"), SHOS' administrative agent and collateral agent concerning its Amended and Restated

Credit Agreement, to obtain financing for a potential take-private transaction of SHOS.

L. On March 29, 2019, the Company executed a non-disclosure agreement with Lampert that, among other things, restricted Lampert's communications with Bank of America. Later the same day, Transform delivered a confidential, non-binding term sheet proposing to acquire the Company for \$2.25 per share and a limited go-shop for the Outlet Segment (the "Transaction Term Sheet").

M. On April 1, 2019, Powell met with Lampert and the president of ESL, Kunal Kamlani, to discuss the Transaction Term Sheet.

N. On April 2, 2019, Powell, PJ Solomon, and SHOS' former-Chief Financial Officer, E.J. Bird ("Bird"), discussed a potential Hometown Liquidation with Bank of America and the Gordon Brothers Finance Company, administrative agent and collateral agent to the Company's term loan credit facility.

O. On April 5, 2019, Transform submitted a non-binding offer to acquire the Company for \$2.25 per share (the "April 5 Offer").

P. On April 6, 2019, the Special Committee determined that the April 5 Offer was not in the interests of the Company's unaffiliated stockholders.

Q. On April 8, 2019, ESL publicly disclosed the terms of the April 5 Offer.

R. On April 15, 2019, Lampert and ESL Partners, L.P., as holders of a majority of the outstanding SHOS common stock, executed a written consent that:

(i) removed Robbins and Phelan from the Special Committee and Board; (ii) appointed Alberto Franco (“Franco”) and John E. Tober (“Tober”) as SHOS directors; and (iii) amended the Company’s bylaws to require that any proposed liquidation of significant assets or a significant business line receive the votes of at least 90% of the Board members in two meetings at least 30 business days apart (the “Bylaw Amendment”).

S. On April 17, 2019, Longino agreed to continue serving on the Special Committee.

T. On April 18, 2019, the Board executed a unanimous written consent reaffirming the exclusive power and authority of the Special Committee and designating Longino as its sole member.

U. On April 26, 2019, the Special Committee discussed with Shearman and PJ Solomon a potential transaction involving a “go shop” of the Outlet Segment. The Special Committee directed PJ Solomon to continue discussions with Lampert regarding potential transactions and their terms.

V. Between May 3, 2019 and May 31, 2019, Lampert, through Transform, and the Special Committee discussed various potential transaction structures concerning a sale of the Company or the Hometown Segment.

W. On May 27, 2019, PJ Solomon reviewed with the Special Committee a financial analysis of the proposed transaction based on the assumption that the

Bylaw Amendment prevented a Hometown Liquidation. Shearman confirmed that, as a practical matter, the Bylaw Amendment foreclosed a Hometown Liquidation. Later the same day, the Special Committee's advisors presented the same information to the Board.

X. On May 28 and 29, 2019, the Special Committee and the Board held meetings to discuss the status of negotiations.

Y. On May 31, 2019, PJ Solomon opined at a Special Committee meeting and then at a Board meeting that \$2.25 per share was fair, from a financial point of view, to SHOS' unaffiliated stockholders, based on the assumption that the Bylaw Amendment prevented a Hometown Liquidation. Shearman maintained its advice that, as a practical matter, the Bylaw Amendment foreclosed a Hometown Liquidation. At the Board meeting, the Special Committee explained that the proposed merger transaction with Transform was the best, and possibly the only, alternative to realize value for the Company and its stockholders. After the Special Committee's recommendation, the Board adopted the analyses, conclusions, and recommendation of the Special Committee and unanimously approved a merger agreement providing for Transform to purchase SHOS for \$2.25 per share (the "Merger Agreement"). Among other things, the Merger Agreement contemplated a sale process for the Outlet Segment and Buddy's Stores that could result in additional consideration to SHOS' minority stockholders.

Z. On June 1, 2019, Lampert and ESL Partners, L.P., as holders of a majority of the outstanding SHOS common stock, approved the Merger Agreement by written consent.

AA. On August 27, 2019, SHOS agreed to sell its Outlet Segment and Buddy's Stores to a third party, which resulted in an additional \$0.96 per share in merger consideration for the Company's minority stockholders.

BB. On October 23, 2019, SHOS merged with Transform (the "Merger") and trading of SHOS common stock ceased following the close of business. Pursuant to the Merger and related transactions, SHOS minority stockholders (excluding Lampert, ESL Investments Inc., ESL Partners LP, and RBS Partners, LP) received \$3.21 per share in exchange for each share of SHOS common stock (the "Merger Consideration").

CC. Upon the closing of the Merger, defendants Linden, Franco, and Tober ceased to be SHOS directors and held no positions with SHOS after the Merger.

2. Procedural History

DD. On October 4, 2019, Wayne Grant and Keith Edquist ("Edquist") filed a complaint alleging breaches of fiduciary duty by Lampert, ESL Investments, Inc., Transform Holdco LLC, and Transform Merger Corporation in connection with the Merger. James Darr filed a complaint alleging similar claims on

November 20, 2019, and Whitebark Value Partners LP (“Whitebark”) filed a complaint alleging similar claims on November 22, 2019.

EE. On January 3, 2020, the Court entered an Order appointing: (i) Whitebark and Edquist as Lead Plaintiffs; (ii) Labaton Sucharow LLP, Pricket Jones & Elliott, P.A., and Andrews & Springer LLC as Lead Counsel; and (iii) Levi & Korsinsky, LLP and Wolf Popper LLP as the Executive Committee for Lead Plaintiffs.

FF. On January 16, 2020, Plaintiffs filed a Verified Consolidated Stockholder Class Action Complaint (the “Complaint”) asserting claims for: (i) breach of fiduciary duty against Josephine Linden (“Linden”), Franco, and Tober; (ii) breach of fiduciary duty against the Non-Settling Defendants as majority stockholders; (iii) unjust enrichment against the Non-Settling Defendants; and (iv) aiding and abetting breaches of fiduciary duties against the Non-Settling Defendants.

GG. On March 25, 2020, the Court granted a stipulated order dismissing Powell, Bird, and James F. Gooch (the “Dismissed Parties”) from the Action without prejudice.

HH. Between April 14, 2020 and December 16, 2020, Lead Plaintiffs served discovery requests on Defendants, the Dismissed Parties, and third parties Robbins,

Longino, Shearman, Phelan, PJ Solomon, Cyrus Capital Partners, L.P., Franchise Group, Inc., AlixPartners LLP., Bank of America, and Tiger Capital Group LLC.

II. On April 21, 2020, defendants Linden, Franco, and Tober filed answers to the Complaint, in which they denied the allegations of the Complaint against them, denied any wrongdoing whatsoever, and asserted various affirmative defenses, including defenses under 8 *Del. C.* §§ 102(b)(7) and 141(e).

JJ. On February 3, 2021, the Court entered a stipulated order granting class certification.

KK. On March 9, 2021, the Court entered a stipulated order by which the director Defendants and Dismissed Parties agreed to a limited waiver of the attorney-client privilege related to the Merger, the Company's sale of the Outlet Segment and Buddy's Stores operated or franchised by SHOS that became effective on October 23, 2019 (the "Outlet Sale"), and events leading up to the Merger and Outlet Sale.

LL. On April 21, 2020, defendants Linden, Franco, and Tober filed answers to the Complaint, in which they denied the allegations of the Complaint against them, denied any wrongdoing whatsoever, and asserted various affirmative defenses, including defenses under 8 *Del. C.* §§ 102(b)(7) and 141(e).

MM. Between April 9, 2021 and December 7, 2021, Lead Plaintiffs served additional discovery requests on Defendants, the Dismissed Parties, and non-party Crossroads Capital, LLC.

NN. In response to the discovery requests propounded to Defendants and the Dismissed Parties, Lead Plaintiffs received 115,096 documents spanning 459,554 pages, and in response to the subpoenas directed to non-parties, Lead Plaintiff received 23,239 documents spanning 191,337 pages. In total, Class Counsel received approximately 650,890 pages of documents.

OO. Lead Plaintiffs deposed 12 fact witnesses and 2 expert witnesses. The fact witnesses included defendants Linden, Franco, and Tober.

PP. On January 3, 2022, the Court denied Plaintiffs' and Linden's requests for leave to file summary judgment motions. The next day, the Court denied Franco and Tober's request for leave to file a summary judgment motion.

QQ. On April 14, 2022, the parties exchanged opening expert reports. On October 11, 2022, the parties exchanged rebuttal expert reports.

RR. On December 29, 2022, Defendants filed a Notice of Suggestion of Pendency of Bankruptcy and Automatic Stay of Proceedings, which disclosed, among other things, that on December 12, 2022, Sears Hometown Stores, Inc., Successor to Defendant Transform Merger Corporation, and its subsidiary Sears Authorized Hometown Stores LLC (collectively, the "Debtors"), filed voluntary

petitions for relief under 11 U.S.C. §§101–1532 in the United States Bankruptcy Court for the District of Delaware.

SS. Between January 11, 2023 and January 27, 2023, Lead Plaintiffs and ESL briefed Lead Plaintiffs’ motion in *limine* to exclude the opening expert report submitted by Ian Fredericks. Lead Plaintiffs’ motion *in limine* is still pending.

TT. On January 17, 2018, the Court granted a stipulated order vacating the coordination between the Action and the appraisal action styled *In re Sears Hometown Appraisal Litigation*, C.A. No. 2020-0103-JTL.

UU. On January 18, 2023, the Court granted a stipulated order amending the class certification definition.

VV. Extensive settlement talks occurred between Lead Plaintiffs and the Settling Defendants, culminating in an agreement on the terms of a proposed settlement between the Settling Parties.

WW. On January 18, 2023, Plaintiffs and the Settling Defendants executed a term sheet memorializing the terms of their agreement (the “Term Sheet”). The Term Sheet set forth, among other things, the Settling Parties’ agreement to settle and release all claims against the Settling Defendants in return for a cash payment on behalf of the Settling Defendants of \$3,100,000 for the benefit of the Class, subject to certain terms and conditions and the execution of a customary “long form” stipulation and agreement of settlement and related papers.

XX. On January 30, 2023, the Court entered an order granting Lead Plaintiffs' motion to sever their claims against the Settling Defendants from their claims against the Non-Settling Defendant and to stay Lead Plaintiffs' claims against the Settling Defendants pending the Court's consideration of the proposed Settlement.

YY. Trial of the claims against the Non-Settling Defendants is scheduled to begin on February 20, 2023.

ZZ. After additional negotiations regarding the specific terms of their agreement, the Settling Parties entered into the Stipulation on February 10, 2023. This Stipulation reflects the final and binding agreement between the Settling Parties on the terms and conditions of the Settlement and supersedes and replaces the Term Sheet.

Lead Plaintiffs' Claims and the Benefits of the Settlement

AAA. Lead Plaintiffs believe that the claims asserted in the Action have merit, but they also believe that the Settlement set forth below provides substantial and immediate benefits for the Class. In addition to these substantial benefits, Lead Plaintiffs have considered: (i) the attendant risks of continued litigation and the uncertainty of the outcome of the Action; (ii) the probability of success on the merits; (iii) the inherent problems of proof associated with, and possible defenses to, the claims asserted in the Action; (iv) the desirability of permitting the Settlement to be

consummated according to its terms; and (v) the expense and length of continued proceedings necessary to prosecute the Action against the Settling Defendants through trial and appeals.

BBB. Based on Lead Plaintiffs and Class Counsel's thorough review and analysis of the relevant facts, allegations, defenses, and controlling legal principles, Lead Plaintiffs and Class Counsel believe that the proposed Settlement is fair, reasonable, and adequate, and confers substantial benefits upon the Class. Based upon Class Counsel's evaluation as well as their own evaluations, Lead Plaintiffs have determined that the Settlement is in the best interests of the Class and have agreed to the terms and conditions set forth herein.

Settling Defendants' Denial of Wrongdoing and Liability

CCC. The Settling Defendants deny any allegations of wrongdoing, fault, liability, or damages arising out of or related to any of the conduct, statements, acts, or omissions alleged in the Action, and maintain that their conduct was at all times proper, in the best interests of SHOS and its stockholders, and in compliance with applicable law. The Settling Defendants further deny any breach of fiduciary duties. Nevertheless, the Settling Defendants wish to eliminate the uncertainty, risk, burden, distraction, and expense of further litigation. The Settling Defendants have therefore determined to settle the claims asserted against them in the Action on the terms and conditions set forth in this Stipulation solely to put the Released Plaintiff Claims (as

defined below) to rest, fully, finally, and forever, without in any way acknowledging any wrongdoing, fault, liability, or damages.

DDD. Nothing in this Stipulation shall be construed as an admission by the Settling Defendants of any wrongdoing, fault, liability, or damages whatsoever.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, BY AND AMONG THE PARTIES TO THIS STIPULATION, subject to the approval of the Court pursuant to Court of Chancery Rule 23, that the Action against the Settling Defendants shall be fully, finally, and forever compromised and settled, and the Released Plaintiff Claims shall be fully, finally, and forever compromised, settled, released, discharged, and dismissed with prejudice as against the Released Settling Defendant Persons, and that the Released Settling Defendant Claims shall be finally and fully compromised, settled, released, discharged, and dismissed with prejudice as against the Released Plaintiff Persons, upon and subject to the following terms and conditions of the Settlement, as follows:

3. DEFINITIONS

All terms in this Stipulation with initial capitalization shall, unless defined elsewhere in this Stipulation, have the meanings ascribed to them below.

3.1 As provided in the stipulated class certification order dated February 3, 2021, Dkt. 90, as amended by a stipulated order dated January 18, 2023, Dkt. 176, “Class” means all record holders and beneficial owners of SHOS common

stock who held such shares as of the date of the Merger (i.e., October 23, 2019) (the “Class Shares”) in their capacities as holders of Class Shares, together with their heirs, assigns, transferees, and successors-in-interest, in each case in their capacity as holders of Class Shares. Excluded from the Class are (i) Defendants (previously defined as Edward S. Lampert, ESL Investments Inc., ESL Partners LP, RBS Partners, LP, Transform Holdco LLC, Transform Merger Corporation, Josephine Linden, Alberto Franco, and John E. Tober), as well as Will Powell, E.J. Bird, James F. Gooch, and William K. Phelan (previously defined as the “Dismissed Parties” and each a “Dismissed Party”) and each of Defendants’ and the Dismissed Parties’ Immediate Family members, affiliates, investors, partners, limited partners, legal representatives, heirs, estates, successors, or assigns; and (ii) any entity in which any Defendant or Dismissed Party has a direct or indirect controlling interest (each an “Excluded Person” and, collectively, the “Excluded Persons”).

3.2 “Class Counsel” means Labaton Sucharow LLP, Pricket Jones & Elliott, P.A., and Andrews & Springer LLC.

3.3 “Class Distribution Order” means any order entered by the Court permitting the distribution of the Net Settlement Fund to Eligible Closing Date Stockholders.

3.4 “Class Member” means a member of the Class.

3.5 “Closing” means the closing of the Merger on October 23, 2019.

3.6 “Effective Date” means the first date by which all of the events and conditions specified in Paragraph 8.1 of this Stipulation have been met or have been waived in writing.

3.7 “Eligible Class Member” means Eligible Closing Date Beneficial Holders and Eligible Closing Date Record Holders.

3.8 “Eligible Closing Date Beneficial Holders” means the ultimate beneficial owner of any shares of SHOS common stock held of record by Cede & Co. at the time such shares were converted into the right to receive the Merger Consideration in connection with the Closing, provided that no Excluded Person may be an Eligible Closing Date Beneficial Holder.

3.9 “Eligible Closing Date Record Holders” means the record holder of any shares of SHOS common stock, other than Cede & Co., at the time such shares were converted into the right to receive the Merger Consideration in connection with the Closing of the Merger, provided that no Excluded Person may be an Eligible Closing Date Record Holder.

3.10 “Eligible Shares” means the number of shares of SHOS common stock held by Eligible Class Members at the Closing and for which Eligible Class Members received or were entitled to receive the Merger Consideration.

3.11 “Escrow Account” means the bank account that is maintained by Class Counsel and into which the Settlement Amount will be deposited and wherein the Settlement Fund will be held.

3.12 “Escrow Agent” means the agent or agents who shall be chosen by Class Counsel to administer the Escrow Account.

3.13 “Excluded Person(s)” is defined in the definition of “Class” in Paragraph 3.1 above.

3.14 “Expense Award” means an award to Class Counsel of costs and expenses to be paid from the Settlement Fund, approved by the Court and in full satisfaction of any claims for attorneys’ fees or expenses that have been, could be, or could have been, asserted by Class Counsel or any other counsel or any Class Member against the Settling Defendants with respect to Action or the Settlement. For the avoidance of doubt, the Expense Award contemplated herein is not intended to satisfy in whole or in part any fee and expense award that may be sought in connection with Lead Plaintiffs’ claims against the Non-Settling Defendants.

3.15 “Final” means the expiration of all time to appeal or seek other review of the Judgment, or if any appeal or other review of the Judgment is filed and not dismissed, after the Judgment is upheld on appeal in all material respects and is no longer subject to further review or reargument to the Delaware Supreme Court.

However, any appeal or other review pertaining solely to the Expense Award or any plan of allocation proposed by Class Counsel in the Action shall not in any way delay or preclude the Judgment from becoming Final.

3.16 “Immediate Family” means children, stepchildren, parents, stepparents, spouses, and siblings. As used in this paragraph, “spouse” shall mean a husband, a wife, or a partner in a state-recognized domestic relationship or civil union.

3.17 “Judgment” means the Order and Final Judgment to be entered by the Court, substantially in the form attached hereto as Exhibit C.

3.18 “Merger” means the October 23, 2019 merger of SHOS with Transform Merger Corporation, in connection with which SHOS common stock ceased trading following the close of business.

3.19 “Merger Consideration” means the cash consideration of \$3.21 per common share of SHOS paid to SHOS minority stockholders pursuant to the Merger Agreement and related transactions.

3.20 “Net Settlement Fund” means the Settlement Fund less: (i) any Taxes and Tax Expenses; (ii) any Notice and Administration Costs; (iii) any Expense Award awarded by the Court; and (iv) any other fees, costs, or expenses approved by the Court.

3.21 “Notice” means the Notice of Pendency of Stockholder Class Action and Proposed Settlement, Settlement Hearing, and Right to Appear, substantially in the form attached hereto as Exhibit B, after such Notice is approved by the Court.

3.22 “Notice and Administration Costs” means the fees, costs, and expenses that are incurred by the Settlement Administrator and Class Counsel in connection with: (i) providing notice to the Class; and (ii) administering the Settlement, including the fees, costs, and expenses incurred in connection with the Escrow Account. Such fees, costs, and expenses shall include the actual costs of printing and mailing the Notice, reimbursements to nominee owners for forwarding the Notice to their beneficial owners, the administrative expenses incurred and fees charged by the Settlement Administrator in connection with providing notice and administering the Settlement, and the fees, if any, of the Escrow Agent.

3.23 “Person” means a natural person, individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, association, joint venture, joint stock company, estate, legal representative, trust, unincorporated association, government, or any political subdivision or agency thereof, or any other business or legal entity.

3.24 “Plaintiffs’ Counsel” means Class Counsel, Levi & Korsinsky, LLP, and Wolf Popper LLP.

3.25 “Plan of Allocation” means the proposed plan of allocation of the Net Settlement Fund proposed by Class Counsel and set forth below and in the Notice.

3.26 “Released Claims” means Released Plaintiff Claims and Released Settling Defendant Claims.

3.27 “Released Persons” means Released Settling Defendant Persons and Released Plaintiff Persons.

3.28 “Released Plaintiff Claims” means all claims and causes of action, including Unknown Claims, that (a) were alleged, asserted, set forth, or claimed in the Complaint against the Settling Defendants or (b) could have been alleged, asserted, set forth, or claimed in the Complaint or in any other court, tribunal, forum, or proceeding by Lead Plaintiffs or any Class Members individually, directly, derivatively, or in any other capacity as SHOS stockholders, against the Settling Defendants, whether based on state, local, foreign, federal, statutory, regulatory, common, or other law or rule, arising out of or relating to the allegations, transactions, facts, matters, representations, or omissions involved, set forth, or referred to in the Complaint, including all such claims relating to (i) the Merger or any element, term, condition, or circumstance of the Merger or the sale process leading up to the Merger; (ii) any actions, deliberations, negotiations, discussions, offers, inquiries, solicitations of interest, indications of interest, bids, due diligence,

or any act or omission in connection with the review of strategic alternatives available, including the process of deliberation or negotiation concerning the Merger; (iii) the consideration received by Lead Plaintiffs and the Class in connection with the Merger; and (iv) any fiduciary obligations of the Settling Defendants (as directors or officers of SHOS) relating to the Merger, the process of deliberation or negotiation leading to the Merger, or the disclosures respecting the Merger. For the avoidance of doubt, the Released Plaintiff Claims do not include any claims (x) against the Non-Settling Defendants; (y) based on conduct after the Effective Date; or (z) to enforce the terms of the Settlement (collectively, the “Excluded Plaintiff Claims”).

3.29 “Released Plaintiff Persons” means Lead Plaintiffs, all other Class Members, and their respective trustees, officers, directors, employees, agents, advisors, experts, and attorneys (including Plaintiffs’ Counsel), in their capacities as such.

3.30 “Released Settling Defendant Claims” means all claims and causes of action, including Unknown Claims, arising out of or relating to the Action other than claims relating to the enforcement of the Settlement, including all actions taken by Lead Plaintiffs in connection with the initiation, prosecution, and settlement of the Action. For the avoidance of doubt, the Released Settling Defendant Claims do not include any claims: (x) based on conduct after the Effective Date; or (y) to enforce

the terms of the Settlement (collectively, the “Excluded Settling Defendant Claims”).

3.31 “Released Settling Defendant Persons” means the Settling Defendants, the Settling Defendants’ affiliates, and each of their respective predecessors, successors, Immediate Family members, partners, insurers, representatives, attorneys (including the Settling Defendants’ Counsel), experts, advisors, auditors, and accountants, in their capacities as such. For the avoidance of doubt, every Non-Settling Defendant is not a Released Settling Defendant Person.

3.32 “Releases” means the releases set forth in Paragraphs 5.2 and 5.3 of this Stipulation.

3.33 “Scheduling Order” means an order scheduling a hearing on the proposed Settlement and Expense Award and approving the form of and method of giving notice of the Settlement, substantially in the form attached hereto as Exhibit A.

3.34 “Settlement Administrator” means A.B. Data, Ltd., subject to the approval of the Court, to administer the Settlement and provide notice to the Class.

3.35 “Settling Defendants’ Counsel” means Cohen & Gresser, LLP, Richards, Layton, & Finger, P.A., Pillsbury Winthrop Shaw Pittman LLP, and Abrams & Bayliss LLP.

3.36 “Settlement Fund” means the Settlement Amount, plus any interest earned thereon, held in the Escrow Account.

3.37 “Settlement Hearing” means the hearing (or hearings) to be held by the Court to determine, among other things, whether: (i) the proposed Settlement should be approved by the Court as fair, reasonable, adequate, and in the best interests of the Class; (ii) the Action should be dismissed with prejudice as against the Settling Defendants and all the Released Claims against the Released Persons should be fully, finally, and forever released, settled, and discharged; (iii) whether and in what amount any Expense Award should be paid to Plaintiffs’ Counsel out of the Settlement Fund; and (iv) the Judgment approving the Settlement of the Action should be entered in accordance with the terms of this Stipulation.

3.38 “SHOS” means Sears Hometown and Outlet Stores, Inc.

3.39 “Sears Hometown Stores, Inc.” is a Delaware corporation formally known as Sears Hometown and Outlet Stores, Inc.

3.40 “Taxes” means any taxes (including any estimated taxes, interest, penalties, or additional amounts) arising with respect to income earned by the Settlement Fund, including with respect to (i) any income earned by the Settlement Fund for any period during which the Settlement Fund on deposit in the Escrow Account is not treated, or does not qualify, as a “qualified settlement fund” for

federal or state income tax purposes, and (ii) the payment or reimbursement by the Settlement Fund of any amounts described in clause (i).

3.41 “Tax Expenses” means expenses and costs incurred in connection with determining the amount of, and paying, any Taxes owed by the Settlement Fund (including expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing (or failing to file) any tax returns).

3.42 “Unknown Claims” means (i) any Released Plaintiff Claims that any Lead Plaintiff or any other Class Member does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Settling Defendant Persons, or (ii) any Released Settling Defendant Claims that any Settling Defendant does not know or suspect to exist in his or her favor at the time of the release of the Released Plaintiff Persons, which, if known by him, her, or it, might have affected his, her, or its decision(s) with respect to the Settlement. With respect to any Released Claims, the Settling Parties stipulate and agree that they shall expressly waive, and each of the other Class Members by operation of law shall be deemed to have waived, any provisions, rights, and benefits conferred by any law of any state or territory of the United States or other jurisdiction, or principle of common law or foreign law, which is similar, comparable, or equivalent to Cal. Civ. 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.

The Settling Parties acknowledge, and each of the other Class Members by operation of law are deemed to acknowledge, that they may discover facts in addition to or different from those now known or believed to be true with respect to the Released Claims, but that it is the intention of the Settling Parties, and by operation of law the other Class Members, to fully, finally, and forever extinguish all Released Claims, known or unknown, suspected or unsuspected, which now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. The Settling Parties also acknowledge, and each other Class Member by operation of law is deemed to acknowledge, that the inclusion of “Unknown Claims” in the definition of Released Claims is separately bargained for and is a material element of the Settlement and was relied upon by each of the Settling Parties in entering into this Stipulation.

4. SETTLEMENT CONSIDERATION

4.1 As consideration for the Settlement, the Settling Defendants will cause the insurance carriers who have committed to fund the Settlement solely from the proceeds of their policies (the “Insurance Carriers”) to pay \$3,100,000 in cash (the “Settlement Amount”) into the Escrow Account. The Settlement Amount will be transferred in three payments.

- a. The first payment of \$500,000 (the “Initial Settlement Payment”) shall be transferred within ten (10) calendar days after the entry of the Scheduling Order by the Court. Class Counsel shall provide payment information reasonably requested by the Settling Defendants as soon as reasonably practicable. Class Counsel shall be permitted to use the Initial Settlement Payment to fund administrative costs and expenses of the Settlement, including providing notice of the Settlement to potential Class Members.
- b. The second payment shall be in the amount of the attorneys’ fees, costs, and expenses awarded in connection with the Settlement (i.e., the Expense Award) and shall be transferred within fourteen (14) calendar days of entry of the Judgment.
- c. The third payment shall be the remainder of the Settlement Amount and shall be transferred by the Effective Date.

4.2 The Released Settling Defendant Persons shall not be responsible for the payment of any amounts in connection with the Settlement other than the Settlement Amount. The Released Settling Defendant Persons (except the Insurance Carriers) shall bear no personal responsibility for any payment in connection with this Stipulation or the Settlement.

4.3 If the Settling Defendants fail to cause the full payment of the Settlement Amount in a timely manner, Lead Plaintiffs may exercise their right under Paragraph 12.1 of this Stipulation to terminate the Settlement.

5. SCOPE OF THE SETTLEMENT

5.1 Upon entry of the Judgment, the Action against the Settling Defendants shall be dismissed with prejudice. Lead Plaintiffs and the Settling Defendants shall each bear his, her, or its own fees, costs, and expenses, except as expressly provided

in this Stipulation, provided that nothing herein shall affect the Settling Defendants' claims for advancement or indemnity of their legal fees, costs, and expenses incurred in connection with the Action and this Settlement, or any claims that any Settling Defendant may have against any of their respective insurers, co-insurers, or reinsurers.

5.2 Upon the Effective Date, Lead Plaintiffs, on behalf of themselves and the Released Plaintiff Persons, shall have fully, finally, and forever released, settled, and discharged the Released Settling Defendant Persons from and with respect to every one of the Released Plaintiff Claims, and shall thereupon be forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute any Released Plaintiff Claims against any of the Released Settling Defendant Persons. This release shall not apply to any of the Excluded Plaintiff Claims.

5.3 Upon the Effective Date, the Settling Defendants, on behalf of themselves and the Released Settling Defendant Persons, shall have fully, finally, and forever released, settled, and discharged the Released Plaintiff Persons from and with respect to every one of the Released Settling Defendant Claims, and shall thereupon be forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute any Released Settling Defendant Claims against any of the Released Plaintiff Persons. This release shall not apply to any of the Excluded Settling Defendant Claims.

5.4 The foregoing releases are executed in accordance with the provisions of 10 *Del. C.* §6301, *et seq.*, of the Delaware Uniform Contribution Among Tortfeasors Law. Accordingly, Lead Plaintiffs, on behalf of themselves and the Class, agree, pursuant to 10 *Del. C.* § 6304, that the damages recoverable against any other alleged tortfeasor will be reduced by the greater of (i) the amount of the Settlement Amount, and (ii) the *pro rata* liability shares, if any, of the Settling Defendants, in both instances only to the extent it is established that the Settling Defendants are joint tortfeasors. This language is intended to comply with 10 *Del. C.* § 6304 so as to preclude any liability of the Settling Defendants to any joint tortfeasors for contribution or any other claim in which the alleged injury arises out of or relates to the claims asserted in, or arises out of or relates to the subject matter of, the Action, including any Excluded Plaintiff Claims. Notwithstanding the foregoing, nothing in this Stipulation shall preclude Lead Plaintiffs from asserting any of the Excluded Plaintiff Claims.

5.5 As a condition of the Settlement, the Settling Parties shall obtain as part of the Judgment a bar order (“Bar Order”) in a form substantially similar to the following:

Any claims against the Released Settling Defendant Parties, in which the injury claimed is the claimant’s actual or threatened liability to Lead Plaintiffs, the Class, or Plaintiffs’ Counsel, arising out of or relating to the Released Plaintiff Claims, including any third-party claims for contribution in accordance with

10 *Del. C.* § 6304(b) and any similar laws and statutes, are hereby barred.

6. PROCEDURE FOR APPROVAL

6.1 As soon as practicable after execution of this Stipulation, the Settling Parties shall jointly submit this Stipulation, together with the Exhibits, to the Court and shall jointly apply to the Court for entry of the Scheduling Order, substantially in the form attached hereto as Exhibit A. In accordance with the Scheduling Order, A.B. Data, Ltd. shall mail, or cause to be mailed, by first class U.S. mail or other mail service if mailed outside the United States, postage prepaid, the Notice, substantially in the form attached hereto as Exhibit B, to each Class Member at his, her, or its last known address appearing in the stock transfer records maintained by or on behalf of SHOS (“Stock Transfer Records”). The Settling Defendants’ Counsel shall use reasonable efforts to cause Sears Hometown Stores, Inc. to, as promptly as possible, provide Class Counsel with the Stock Transfer Records containing the names and last known addresses for all record holders of SHOS common stock on October 23, 2019. All stockholders of record who held SHOS common stock on behalf of beneficial owners and who receive the Notice shall be directed to forward the Notice promptly to such beneficial owners. Class Counsel shall use reasonable efforts to provide notice to such beneficial owners by making additional copies of the Notice available to any record holder who, prior to the Settlement Hearing, requests the same for distribution to beneficial

owners. Any costs and expenses related to providing Notice shall be paid from the Settlement Fund, regardless of the form or manner of notice approved or directed by the Court and regardless of whether the Court declines to approve the Settlement or the Effective Date otherwise fails to occur. In no event shall Lead Plaintiffs, the Released Settling Defendant Persons, or any of their attorneys have any liability or responsibility for the costs and expenses associated with providing the Notice.

6.2 The Settling Parties and their attorneys agree to use their individual and collective best efforts to obtain Court approval of the Settlement. The Settling Parties and their attorneys further agree to use their individual and collective best efforts to effect, take, or cause to be taken all actions, and to do, or cause to be done, all things reasonably necessary, proper, or advisable under applicable laws, regulations, and agreements to consummate and make effective, as promptly as practicable, the Settlement provided for hereunder and the dismissal of the Action with prejudice as against the Settling Defendants. The Settling Parties and their attorneys agree to cooperate fully with one another in seeking the Court's approval of this Stipulation and to use their best efforts to effect consummation of the Settlement.

6.3 If the Settlement embodied in this Stipulation is approved by the Court, the Settling Parties shall request that the Court enter the Judgment, substantially in the form attached hereto as Exhibit C.

7. STAY PENDING COURT APPROVAL

7.1 Lead Plaintiffs' claims against the Settling Defendants only are stayed pending the Court's consideration of the proposed Settlement. Consistent with the Motion to Sever, Lead Plaintiffs agree not to initiate any other proceedings against the Settling Defendants asserting any Released Plaintiff Claims pending the occurrence of the Effective Date. The Settling Parties also agree to use their best efforts to seek the stay and dismissal of, and to oppose entry of any interim or final relief in favor of any Class Member in, any other proceedings against any of the Settling Defendants or the other Released Settling Defendant Persons that challenge the Settlement or otherwise assert or involve, directly or indirectly, a Released Plaintiff Claim against a Released Settling Defendant Person.

7.2 Notwithstanding Paragraph 7.1 above, nothing herein shall in any way impair or restrict the rights of any Settling Party to defend this Stipulation or to otherwise respond in the event any Person objects to this Stipulation, the Judgment, the Expense Award, or the Plan of Allocation.

7.3 Notwithstanding Paragraph 7.1 above, the Settling Defendants agree that, at the request of Lead Plaintiffs or the Non-Settling Defendants, they will participate as witnesses in any trial in this Action and will not use the terms of this Stipulation as a basis to avoid their participation as witnesses at any trial in this Action. Counsel to any party calling any of the Settling Defendants to testify at trial

shall consult with the Settling Defendants' Counsel regarding the scheduling of their trial testimony and shall endeavor in good faith to accommodate any reasonable scheduling needs of the Settling Defendants.

8. CONDITIONS OF SETTLEMENT

8.1 The Effective Date of the Settlement shall be deemed to occur on the occurrence or written waiver of all of the following events, which events the Settling Parties shall use their best efforts to achieve:

(a) the payment of the full Settlement Amount into the Escrow Account in accordance with Paragraph 4.1 above;

(b) the Court's entry of the Judgment substantially in the form attached hereto as Exhibit C, including Releases substantially in the form set out herein and the dismissal with prejudice of the Action as to the Settling Defendants without the award of any damages, fees, costs, or expenses, except as provided for in this Stipulation; and

(c) the Judgment becoming Final.

8.2 Upon the occurrence of the Effective Date, any remaining interest or right of the Settling Defendants or the Insurance Carriers in or to the Settlement Fund, if any, shall be absolutely and forever extinguished and the Releases herein shall be effective. In the event the Effective Date does not occur, the Settlement Amount, including any interest, shall be returned to the Insurance

Carriers within thirty (30) calendar days, except as otherwise provided in Paragraph 10.7 below.

9. ATTORNEYS' FEES AND EXPENSES

9.1 Class Counsel intend to petition the Court for a Expense Award, which application will be wholly inclusive of any request for attorneys' fees, costs, and expenses on behalf of any Class Member or his, her, or its counsel in connection with the Settlement. The Settling Parties acknowledge and agree that any Expense Award in connection with the Settlement shall be paid from the Settlement Fund and shall reduce the Settlement consideration paid to the Class accordingly. Class Counsel's application for a Expense Award is not the subject of any agreement among Lead Plaintiffs and the Settling Defendants other than what is set forth in this Stipulation.

9.2 The Expense Award shall be paid from the Settlement Fund to Class Counsel within fourteen (14) calendar days of entry of the Judgment, notwithstanding the existence of any timely filed objections to the Expense Award or any appeal or potential for appeal therefrom, or collateral attack on the Expense Award, the Settlement, or any part thereof, subject to Class Counsel's obligation to make refunds or repayments to the Settlement Fund, plus accrued interest at the same net rate as is earned by the Settlement Fund, if the Settlement is terminated pursuant to the terms of this Stipulation or if, as a result of any appeal or further proceedings

on remand, or successful collateral attack, the Expense Award is reduced or reversed and such order reducing or reversing the award has become Final. Class Counsel shall make the appropriate refund or repayment to the Settlement Fund in full no later than thirty (30) calendar days after: (a) receiving from the Settling Defendants' Counsel notice of the termination of the Settlement; or (b) any order disapproving, reducing, reversing, or otherwise modifying the Expense Award has become Final.

9.3 Class Counsel, in their sole discretion, shall allocate the Expense Award amongst Plaintiffs' Counsel in a manner which they, in good faith, believe reflects the contributions of such counsel to the institution, prosecution, and settlement of the Action. The Released Settling Defendant Persons shall have no responsibility for, or liability whatsoever with respect to, the allocation or award of any Expense Award to or among Plaintiffs' Counsel. The Expense Award shall be payable solely from the Settlement Fund.

9.4 This Stipulation, the Settlement, the Judgment, and whether the Judgment becomes Final, are not conditioned upon the approval of an award of attorneys' fees, costs, or expenses, either at all or in any particular amount, by the Court. The Expense Award may be considered separately from the proposed Settlement. Any disapproval or modification of the Expense Award by the Court or on appeal shall not affect or delay the enforceability of this Stipulation or the Settlement, provide any of the Settling Parties with the right to terminate the

Settlement, affect or delay the binding effect or finality of the Judgment and the release of the Released Claims, or prevent the occurrence of the Effective Date.

9.5 Class Counsel warrants that no portion of any such award of attorneys' fees, costs, or expenses shall be paid to Lead Plaintiffs, except as may be approved by the Court.

10. THE SETTLEMENT FUND

10.1 The Settlement Fund shall be used to pay: (a) any Taxes and Tax Expenses; (b) any Notice and Administration Costs; (c) any Expense Award awarded by the Court; and (d) any other costs approved by the Court. The remaining Net Settlement Fund shall be distributed pursuant to the proposed Plan of Allocation or such other plan of allocation approved by the Court.

10.2 Except as provided herein or pursuant to orders of the Court, the Net Settlement Fund shall remain in the Escrow Account prior to the Effective Date. All funds held by the Escrow Agent shall be deemed to be in the custody of the Court and shall remain subject to the jurisdiction of the Court until such time as the funds shall be distributed or returned pursuant to the terms of this Stipulation and/or further order of the Court.

10.3 The Escrow Agent shall invest any funds in the Escrow Account, which shall be an interest-bearing account.

10.4 The Settlement Fund is intended to be a “qualified settlement fund” within the meaning of Treasury Regulation § 1.468B-1, and Class Counsel, as administrators of the Settlement Fund within the meaning of Treasury Regulation § 1.468B-2(k)(3), shall be solely responsible for timely and properly filing or causing to be filed all informational and other tax returns as may be necessary or appropriate (including the returns described in Treasury Regulation § 1.468B-2(k)) for the Settlement Fund. Class Counsel shall also be responsible for causing payment to be made from the Settlement Fund of any Taxes owed with respect to the Settlement Fund. Upon written request, the Settling Defendants shall cause the Insurance Carriers to provide to Class Counsel the statement described in Treasury Regulation § 1.468B-3(e). Class Counsel, as administrators of the Settlement Fund within the meaning of Treasury Regulation § 1.468B-2(k)(3), shall timely make such elections as are necessary or advisable to carry out this paragraph, including, as necessary, making a “relation back election,” as described in Treasury Regulation § 1.468B-1(j), to cause the qualified settlement fund to come into existence at the earliest allowable date, and shall take or cause to be taken all actions as may be necessary or appropriate in connection therewith.

10.5 All Taxes and Tax Expenses shall be paid out of the Settlement Fund, and shall be timely paid, or caused to be paid, by Class Counsel and without further order of the Court. Any tax returns prepared for the Settlement Fund (as well as the

election set forth therein) shall be consistent with the previous paragraph and in all events shall reflect that all Taxes on the income earned by the Settlement Fund shall be paid out of the Settlement Fund as provided herein. The Released Settling Defendant Persons shall have no responsibility or liability for any such Taxes or Tax Expenses or the acts or omissions of Class Counsel or its agents with respect to the payment of Taxes, as described herein.

10.6 The Settlement is not a claims-made settlement. Upon the occurrence of the Effective Date, no Insurance Carriers who paid any portion of the Settlement Amount shall have any right to the return of the Settlement Fund or any portion thereof for any reason whatsoever.

10.7 Notwithstanding the fact that the Effective Date of the Settlement has not yet occurred, Class Counsel may pay from the Settlement Fund, without further approval from the Settling Defendants or further order of the Court, all Notice and Administration Costs actually incurred and paid or payable. Such costs and expenses shall include the actual costs of printing and mailing the Notice, reimbursements to nominee owners for forwarding the Notice to their beneficial owners, the administrative expenses incurred and fees charged by the Settlement Administrator in connection with providing notice and administering the Settlement, and the fees, if any, of the Escrow Agent. In the event that the Settlement is terminated pursuant to the terms of this Stipulation, all Notice and Administration

Costs, Taxes, or Tax Expenses paid or incurred, including any related fees, shall not be returned or repaid to any Insurance Carriers who paid any portion of the Settlement Amount.

11. SETTLEMENT ADMINISTRATION

11.1 Lead Plaintiffs intend to retain A.B. Data, Ltd, subject to approval of the Court, to provide notice of the Settlement and for the disbursement of the Net Settlement Fund to Eligible Class Members. The Released Settling Defendant Persons had no involvement in, or any responsibility, authority, or liability whatsoever for, the selection of A.B. Data, Ltd.

11.2 The Settling Defendants shall cooperate with Lead Plaintiffs in providing notice of the Settlement and administering the Settlement, which cooperation shall include asking the Court in the Judgment to require Sears Hometown Stores, Inc. to provide the Merger Records in accordance with Paragraph 11.3 below and the Settling Defendants making reasonable efforts to identify any Excluded Person that relates to the Settling Defendants.

11.3 For purposes of distributing the Net Settlement Fund to Eligible Class Members, the Settling Parties, pursuant to the Judgment entered by the Court shall require Sears Hometown Stores, Inc., within seven (7) business days after the Court's entry of the Judgment, and at no cost to the Settlement Fund, Plaintiffs' Counsel, or A.B. Data, Ltd., to provide or cause to be provided to

Class Counsel or A.B. Data, Ltd. in an electronically-searchable form, such as Excel, the following information (the “Merger Records”):

(a) the names, mailing addresses and, if available, email addresses of all registered holders of SHOS common stock listed on SHOS’s stockholder register (“Registered Holders”) who held shares of SHOS common stock at the Closing and therefore received or were entitled to receive the Merger Consideration, other than any Excluded Person (“Merger Record Holders”) and the number of shares of SHOS common stock held by the Merger Record Holders at the Closing and for which the Merger Record Holders received or were entitled to receive the Merger Consideration; and

(b) For each of the persons and entities listed on Exhibit D hereto and any additional Persons that are identified to be excluded from the Class by definition (i.e., an Excluded Person), the following information: (i) the name of the Excluded Person; (ii) an indication of whether the Excluded Person was, at the Closing, either (a) a Registered Holder of SHOS common stock listed or (b) a beneficial holder of SHOS common stock whose shares were held via a financial institution on behalf of the Excluded Person (“Beneficial Holder”); (iii) the number of shares of SHOS common stock beneficially owned by the Excluded Person at the Closing and for which the Excluded Person received or was entitled to receive the Merger consideration (“Excluded Shares”); and (iv) for each Excluded Person that

is a Beneficial Holder, (a) the name and DTCC number of the financial institution where his, her, or its Excluded Shares were held and (b) the account number(s) where his, her, or its Excluded Shares were held; and

(c) A one-time grant of authority to Class Counsel for purposes of Class Counsel, A.B. Data, Ltd., or other agent acting at the direction of Class Counsel, to request any allocation or position the report generated by the Depository Trust & Clearing Corporation, including its subsidiary the Depository Trust Company (“DTCC”), or similar entity in anticipation of the Merger to facilitate the allocation of the Merger Consideration to SHOS stockholders (the “DTCC Allocation Report”), which shall include, for each DTCC participant to which DTCC distributed the Merger Consideration (a “DTCC Participant”), the DTCC Participant’s DTCC number and the number of shares of SHOS common stock reflected on the DTCC Allocation Report used by DTCC to distribute the Merger Consideration.

11.4 In addition to the information to be provided under Paragraph 11.3 above, the Settling Defendants, at the request of Lead Plaintiffs, and at no cost to the Settlement Fund, Lead Plaintiffs, Plaintiffs’ Counsel, or A.B. Data, Ltd., shall make reasonable efforts to provide such additional information or to cause the Non-Settling Defendants and Sears Hometown Stores, Inc. to provide such additional information as may be required to distribute the Net Settlement Fund to

Eligible Class Members and to ensure that the Net Settlement Fund is paid only to Eligible Class Members and not to any Excluded Person.

11.5 No Excluded Person shall have any right to receive any part of the Settlement Fund for his, her, or its own account(s) (i.e., accounts in which he, she or it holds a proprietary interest), or any additional amount based on any claim relating to the fact that Settlement proceeds are being received by any other stockholder, in each case under any theory, including contract, application of statutory or judicial law, or equity.

11.6 The Net Settlement Fund shall be distributed to Eligible Class Members in the accordance with the proposed Plan of Allocation set forth in Paragraph 11.11 or such other plan of allocation as may be approved by the Court. Notwithstanding anything to the contrary in this Stipulation, the Plan of Allocation proposed by Class Counsel in this Stipulation is not a necessary term of the Settlement or of this Stipulation and it is not a condition of the Settlement or of this Stipulation that any particular plan of allocation be approved by the Court. Lead Plaintiffs and Class Counsel may not cancel or terminate the Settlement (or this Stipulation) based on the Court's or the Delaware Supreme Court's ruling with respect to the Plan of Allocation or any other plan of allocation in this Action. The Settling Defendants shall not object in any way to the Plan of Allocation or any other plan of allocation

in this Action and shall not have any involvement with the application of the Court-approved plan of allocation.

11.7 The Net Settlement Fund shall be distributed to Eligible Class Members only after the Effective Date of the Settlement and after: (a) all Notice and Administration Costs, all Taxes, and any Expense Award have been paid from the Settlement Fund or reserved; and (b) the Court has entered the Class Distribution Order. At such time that Class Counsel, in their sole discretion, deems it appropriate to move forward with the distribution of the Net Settlement Fund to the Class, Class Counsel will apply to the Court, on notice to the Settling Defendants' Counsel, for the Class Distribution Order.

11.8 Payment pursuant to the Class Distribution Order shall be final and conclusive against all Class Members. Lead Plaintiffs, the Settling Defendants, and the other Released Settling Defendant Persons and their respective counsel, shall have no liability whatsoever for the investment or distribution of the Settlement Fund or the Net Settlement Fund, the determination, administration, or calculation of any payment from the Net Settlement Fund, the nonperformance of A.B. Data, Ltd. or a nominee holding shares on behalf of a Class Member, the payment or withholding of Taxes (including interest and penalties) owed by the Settlement Fund, or any losses incurred in connection therewith.

11.9 The Net Settlement Fund will be distributed on a *pro rata* basis to Eligible Class Members.

11.10 Eligible Class Members will be eligible to receive a *pro rata* payment from the Net Settlement Fund equal to the product of (i) the number of shares held by the Eligible Class Member at the time such shares were converted into the right to receive the Merger Consideration in connection with the Closing of the Merger and (ii) the “Per-Share Recovery” for the Settlement, which will be determined by dividing the total amount of the Net Settlement Fund by the total number of shares held by all of the Eligible Class Members at the time such shares were converted into the right to receive the Merger Consideration in connection with the Closing.

11.11 Subject to Court approval in the Class Distribution Order, Class Counsel will direct the Settlement Administrator to conduct the distribution of the Net Settlement Fund to Eligible Class Member as follows:

(a) With respect to shares of SHOS common stock held of record at the Closing by DTCC, through its nominee, A.B. Data, Ltd. will cause that portion of the Net Settlement Fund to be allocated to Eligible Class Members who held their shares through DTCC Participants. A.B. Data, Ltd. will make payment to the DTCC Participants directly. The DTCC Participants and their respective customers, including any intermediaries, shall then ensure *pro rata* payment to each

Eligible Class Member based on the number of Eligible Shares beneficially owned by such Eligible Class Members.

(b) With respect to shares of SHOS common stock held of record at the Closing other than by the nominee for DTCC (a “Closing Non-Nominee Record Position”), the payment with respect to each such Closing Non-Nominee Record Position shall be made by A.B. Data, Ltd. from the Net Settlement Fund directly to the record owner of each Closing Non-Nominee Record Position in an amount equal to the Per-Share Recovery times the number of shares of SHOS common stock comprising such Closing Non-Nominee Record Position.

(c) A person who purchased shares of SHOS common stock on or before October 23, 2019 but had not settled those shares at the Merger’s Closing (“Non-Settled Shares”) shall be treated as an Eligible Class Member with respect to those Non-Settled Shares, and a person who sold those Non-Settled Shares on or before October 23, 2019 shall not be treated as an Eligible Class Member with respect to those Non-Settled Shares.

(d) In the event that any payment from the Net Settlement Fund is undeliverable or in the event a check is not cashed by the stale date (i.e., more than six months from the check’s issue date), the DTCC Participants or the holder of a Closing Non-Nominee Record Position shall follow their respective policies with respect to further attempted distribution or escheatment.

12. EFFECT OF DISAPPROVAL, CANCELLATION, OR TERMINATION

12.1 Lead Plaintiffs and the Settling Defendants shall each have the right to terminate the Settlement and this Stipulation by providing written notice of their election to do so (“Termination Notice”) to the other parties to this Stipulation within thirty (30) calendar days of:

(a) the Court’s refusal to approve this Stipulation or any part of it that materially affects any Settling Party’s rights or obligations hereunder;

(b) the Court’s declining to enter the Judgment in any material respect, including if the Court does not enter a Bar Order as part of final approval of the Settlement consistent with Paragraph 5.5 above; or

(c) the date upon which the Judgment is modified or reversed in any material respect by the Delaware Supreme Court.

In addition to the foregoing, Lead Plaintiffs shall have the unilateral right to terminate the Settlement and this Stipulation, by providing written notice of their election to do so to the Settling Defendants within thirty (30) calendar days of any failure of the Settling Defendants to cause the full payment of the Settlement Amount into the Escrow Account in a timely manner in accordance with Paragraph 4.1 above. Neither a modification nor a reversal on appeal of the Expense Award awarded by the Court to Plaintiffs’ Counsel nor any order modifying or rejecting the Plan of

Allocation shall be deemed a material modification of the Judgment or this Stipulation.

12.2 In the event that the Settlement is terminated pursuant to Paragraph 12.1 above, or the Effective Date otherwise fails to occur for any other reason, then (i) the Settlement and this Stipulation (other than Paragraphs 4.2, 8.2, 9.2, 9.3, 9.5, 10.2, 10.7, 12.1, 12.2, 13.1, 13.2, 14.2, 14.4, 14.6, 14.7, 14.8, 14.9, 14.10, 14.11, 14.12, 14.13, 14.14, 14.15, 14.17, and 14.20 of this Stipulation) shall be canceled and terminated; (ii) any judgment entered in the Action and any related orders entered by the Court shall in all events be treated as vacated, *nunc pro tunc*; (iii) the Releases provided under the Settlement shall be null and void; (iv) the fact of the Settlement shall not be admissible in any proceeding before any court or tribunal; (v) all proceedings in the Action shall revert to their statuses as of immediately prior to the execution of the Term Sheet on January 18, 2023, and no materials created by or received from another Settling Party that were used in, obtained during, or related to settlement discussions shall be admissible for any purpose in any court, tribunal, or proceeding, or used, absent consent from the disclosing party, for any other purpose or in any other capacity, except to the extent that such materials are otherwise required to be produced during discovery in the Action or in any other litigation or proceeding; (vi) the Settling Parties shall jointly petition the Court for a revised schedule for trial; (vii) the Settling Parties shall

proceed in all respects as if the Settlement and this Stipulation (other than the paragraphs of this Stipulation identified in this paragraph) had not been entered into by the Settling Parties; and (viii) within thirty (30) calendar days after joint written notification of termination is sent by the Settling Defendants' Counsel and Class Counsel to the Escrow Agent, the Settlement Fund (including accrued interest thereon, and change in value as a result of the investment of the Settlement Fund, and any funds received by Plaintiffs' Counsel consistent with Paragraphs 8.2 and 10.7 of this Stipulation), less any Notice and Administration Costs actually incurred, paid, or payable and less any Taxes and Tax Expenses paid, due, or owing shall be refunded by the Escrow Agent directly to the Persons who made payments pursuant to Paragraph 4.1 above in such amounts as directed by the Settling Defendants. In the event that the funds received by Class Counsel consistent with Paragraph 8.2 of this Stipulation above have not been refunded to the Settlement Fund within the thirty (30) calendar days specified in this paragraph, those funds shall be refunded by the Escrow Agent immediately upon their deposit into the Escrow Account directly to the Persons who made payment pursuant to Paragraph 4.1 above in such amounts as directed by the Settling Defendants.

13. NO ADMISSION OF LIABILITY

13.1 It is expressly understood and agreed that neither the Settlement nor any act or omission in connection therewith is intended or shall be deemed or argued

to be evidence of or to constitute an admission or concession by: (a) the Settling Defendants as to (i) the truth of any fact alleged by Lead Plaintiffs; (ii) the validity of any claims or other issues raised, or which might be or might have been raised, in the Action or in any other litigation; (iii) the deficiency of any defense that has been or could have been asserted in the Action or in any litigation; or (iv) any wrongdoing, fault, liability, or damages of any kind by any of them, which each of them expressly denies; or (b) Lead Plaintiffs that any of their claims are without merit, that any of the Settling Defendants had meritorious defenses, or that damages recoverable from the Settling Defendants under the Complaint would not have exceeded the Settlement Amount.

13.2 The Settling Defendants and the Released Persons may file this Stipulation and/or the Judgment in any action that has been or may be brought against them in order to support a claim or defense based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim or in connection with any insurance litigation.

14. MISCELLANEOUS

14.1 Each of the Settling Defendants warrants that, as to the payments made or to be made on behalf of him or her, at the time of entering into this Stipulation and at the time of such payment he or she, or to the best of his or her knowledge any

Persons contributing to the payment of the Settlement Amount, are not insolvent, nor will the payment required to be made on behalf of them render them insolvent, within the meaning of and/or for the purposes of the United States Bankruptcy Code, including §§ 101 and 547 thereof. This representation is made by each of the Settling Defendants and not by their counsel.

14.2 In the event of the entry of a Final order of a court of competent jurisdiction determining the transfer of money to the Settlement Fund or any portion thereof on behalf of Settling Defendants to be a preference, voidable transfer, fraudulent transfer, or similar transaction and any portion thereof is required to be returned, and such amount is not promptly deposited into the Settlement Fund by others, then, at the election of Lead Plaintiffs, Lead Plaintiffs and the Settling Defendants shall jointly move the Court to vacate and set aside the Releases given and the Judgment entered in favor of Settling Defendants and the other Released Persons pursuant to this Stipulation, in which event (i) the Releases and Judgment shall be null and void; (ii) Lead Plaintiffs and the Settling Defendants shall be restored to their respective positions in the litigation as provided in Paragraph 12.2 of this Stipulation; (iii) Class Counsel shall refund the Expense Award consistent with Paragraph 9.2 of this Stipulation; and (iv) any cash amounts in the Settlement Fund (less any Taxes paid, due, or owing with respect to the Settlement Fund and less any Notice and Administration Costs actually incurred,

paid, or payable) shall be returned as provided in Paragraphs 8.2 and 10.7 of this Stipulation.

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

14.4 The Settling Parties agree that in the event of any breach of this Stipulation, all the Settling Parties' rights and remedies at law, equity, or otherwise, are expressly reserved. The Settling Parties acknowledge and agree that (i) any breach of this Stipulation will result in immediate and irreparable injury for which there is no adequate remedy available at law, and (ii) in addition to any other remedies available, specific performance and injunctive relief are appropriate remedies to compel performance of this Stipulation.

14.5 This Stipulation may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same document. Any signature to the Stipulation by means of facsimile or electronic scanning shall be treated in all manner and respects as an original signature and shall be considered to have the same binding legal effect as if it were the original signed version thereof and without any necessity for delivery of the originally signed signature pages in order for this to constitute a binding agreement.

14.6 The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

14.7 Each counsel or other person executing this Stipulation on behalf of any Settling Party warrants that he or she has the full authority to bind his or her principal to this Stipulation.

14.8 Lead Plaintiffs and Class Counsel represent and warrant that none of Lead Plaintiffs' Released Plaintiff Claims have been assigned, encumbered, or in any manner transferred in whole or in part.

14.9 This Stipulation shall not be modified or amended, nor shall any provision of this Stipulation be deemed waived, unless such modification, amendment, or waiver is in writing and executed by or on behalf of the Settling Party or Settling Parties against whom such modification, amendment, or waiver is sought to be enforced.

14.10 Any failure by any Settling Party to insist upon the strict performance by any other Settling Party of any of the provisions of this Stipulation shall not be deemed a waiver of any of the provisions hereof, and such Settling Party, notwithstanding such failure, shall have the right thereafter to insist upon the strict performance of any provisions of this Stipulation to be performed by such other Settling Party. Waiver by any Settling Party of any breach of this Stipulation by any other Settling Party shall not be deemed a waiver of any other prior or subsequent

breach of this Stipulation, and failure by any Settling Party to assert any claim for breach of this Stipulation shall not be deemed to be a waiver as to that or any other breach and will not preclude any Settling Party from seeking to remedy a breach and enforce the terms of this Stipulation. Each of the Settling Defendants' respective obligations hereunder are several and not joint, and the breach or default by one Settling Defendant shall not be imputed to, nor shall any Settling Defendant have any liability or responsibility for, the obligations of any other Settling Defendant herein.

14.11 This Stipulation is and shall be binding upon, and shall inure to the benefit of, the Settling Parties (and, in the case of the Releases, all Released Persons as third-party beneficiaries) and the respective legal representatives, heirs, executors, administrators, predecessors, successors, transferees, and assigns of any of the foregoing, including any corporation or other entity with which any party hereto may merge, reorganize, or otherwise consolidate.

14.12 Notwithstanding the entry of the Judgment, the Court shall retain jurisdiction with respect to the implementation, enforcement, and interpretation of the terms of this Stipulation, and all Settling Parties submit to the jurisdiction of the Court for all matters relating to the administration, enforcement, and consummation of the Settlement and the implementation, enforcement, and interpretation of this Stipulation, including any matters relating to the Expense Award. Each Settling

Party (i) consents to personal jurisdiction in any such action (but no other action) brought in the Court; (ii) consents to service of process by registered mail upon such Settling Party or such Settling Party's agent; and (iii) waives any objection to venue in the Court and any claim that Delaware or the Court is an inconvenient forum.

14.13 The construction and interpretation of this Stipulation shall be governed by and construed in accordance with the laws of the State of Delaware and without regard to the laws that might otherwise govern under principles of conflicts of law applicable hereto.

14.14 Without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any of the provisions of this Stipulation.

14.15 All agreements made and orders entered during the course of the Action relating to the confidentiality of information shall survive the Settlement. For the avoidance of doubt, in the event of any conflict between this Stipulation and Court of Chancery Rule 5.1, Rule 5.1 shall control.

14.16 This Stipulation and the following exhibits ("Exhibits") constitute the entire agreement among the Settling Parties with respect to the subject matter hereof:

- (a) Exhibit A: Scheduling Order With Respect to Notice and Settlement Hearing;

- (b) Exhibit B: Notice of Pendency and Proposed Settlement of Stockholder Class Action, Settlement Hearing, and Right to Appear;
- (c) Exhibit C: Final Order and Judgment;
- (d) Exhibit D: Schedule of Excluded Stockholders Related to the Settling Defendants.

The Exhibits are incorporated by reference as if set forth herein verbatim, and the terms of all Exhibits are expressly made part of this Stipulation. Notwithstanding the foregoing, in the event that there exists a conflict or inconsistency between the terms of this Stipulation and the terms of any Exhibit, the terms of the Stipulation shall prevail.

14.17 No representations, warranties, or inducements have been made to or relied upon by any Settling Party concerning this Stipulation or its Exhibits, other than the representations, warranties, and covenants expressly set forth in such documents.

14.18 The Settling Parties intend this Stipulation and the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by Lead Plaintiffs and any other Class Members against Settling Defendants with respect to the Released Plaintiff Claims. Accordingly, Lead Plaintiffs and their counsel and Settling Defendants and their counsel agree not to assert in any forum

that this Action was brought by Lead Plaintiffs or defended by Settling Defendants in bad faith or without a reasonable basis. Lead Plaintiffs and the Settling Defendants represent and agree that the terms of the Settlement reached between Lead Plaintiffs and the Settling Defendants were negotiated at arm's-length and in good faith by Lead Plaintiffs and the Settling Defendants and reflect a settlement that was reached voluntarily based upon adequate information and sufficient discovery and after consultation with experienced legal counsel.

14.19 While retaining their right to deny that the claims asserted in the Action were meritorious, Settling Defendants and their counsel, in any statement made to any media representative (whether or not for attribution) will not assert that the Action was commenced or prosecuted in bad faith, nor will they deny that the Action was commenced and prosecuted in good faith and is being settled voluntarily after consultation with competent legal counsel. In all events, Lead Plaintiffs and their counsel and the Settling Defendants and their counsel shall not make any accusations of wrongful or actionable conduct by any Settling Party concerning the prosecution, defense, and resolution of the Action, and shall not otherwise suggest that the Settlement constitutes an admission of any claim or defense alleged. Lead Plaintiffs reserve all rights to assert the Released Plaintiff Claims were meritorious when filed.

14.20 No opinion or advice concerning the tax consequences of the proposed Settlement to individual Class Members is being given or will be given by the

Settling Parties or their counsel; nor is any representation or warranty in this regard made by virtue of this Stipulation. Each Class Member's tax obligations, and the determination thereof, are the sole responsibility of the Class Member, and it is understood that the tax consequences may vary depending on the particular circumstances of each individual Class Member.

IN WITNESS WHEREOF, IT IS HEREBY AGREED by the undersigned as of the date noted above.

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