

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

**NOTICE OF PENDENCY OF STOCKHOLDER
CLASS ACTION AND PROPOSED SETTLEMENT,
SETTLEMENT HEARING, AND RIGHT TO APPEAR**

The Delaware Court of Chancery authorized this Notice.

This is not a solicitation from a lawyer.

**YOU NEED NOT TAKE ANY ACTION IN RESPONSE TO THIS NOTICE UNLESS YOU INTEND
TO OBJECT TO THE SETTLEMENT.**

NOTICE OF PENDENCY OF CLASS ACTION: Please be advised that your rights will be affected by the above-captioned stockholder class action (the “Action”) pending in the Court of Chancery of the State of Delaware (the “Court”) if you were a public common stockholder of Sears Hometown and Outlet Stores, Inc. (“SHOS”) on October 23, 2019, or an heir, assign, transferee, or successor-in-interest of such a stockholder.

NOTICE OF SETTLEMENT: Please also be advised that lead plaintiffs Whitebark Value Partners LP and Keith Edquist (“Lead Plaintiffs”), on behalf of themselves and the Class (defined in Paragraph 55 below) and settling defendants Josephine Linden, Alberto Franco, and John E. Tober (the “Settling Defendants”) have reached a proposed settlement for \$3,100,000 in cash (the “Settlement”).¹ The proposed Settlement, if approved, will resolve all claims in the Action as against the Settling Defendants. The proposed Settlement does not settle or release any of the claims asserted, or that could have been asserted, against the remaining defendants in the Action, Edward S. Lampert, ESL Investments, Inc., ESL Partners, LP, RBS Partners, LP, Transform Holdco LLC, Hometown Midco LLC, and Transform Merger Corporation (collectively the “Non-Settling Defendants”) (the Non-Settling Defendants, and together with the Settling Defendants, “Defendants”). Lead Plaintiffs continue to prosecute their claims against the Non-Settling Defendants. Trial of the claims against the Non-Settling Defendants took place between February 21 and February 24, 2023.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. This Notice explains how Class Members will be affected by the Settlement. The following table provides a brief summary of the rights you have as a Class Member and the relevant deadlines, which are described in more detail later in this Notice.²

¹ Lead Plaintiffs and the Settling Defendants are collectively referred to as the “Settling Parties.”

² Any capitalized terms used in this Notice that are not otherwise defined in this Notice shall have the meanings given to them in the Stipulation and Agreement of Compromise, Settlement, and Release between Lead Plaintiffs and the Settling Defendants, dated February 10, 2023 (the “Stipulation”). A copy of the Stipulation is available at www.SearsStockholderSettlement.com.

CLASS MEMBERS' LEGAL RIGHTS IN THE SETTLEMENT:

<p>RECEIVE A PAYMENT FROM THE SETTLEMENT. CLASS MEMBERS <u>DO NOT NEED TO SUBMIT A CLAIM FORM.</u></p>	<p>If you are a member of the Class (defined in Paragraph 55 below) (a “<u>Class Member</u>”), you may be eligible to receive a proportional distribution from the Settlement proceeds. Eligible Class Members (defined in Paragraph 68 below) do not need to submit a claim form in order to receive a distribution from the Settlement, if approved by the Court. Your distribution from the Settlement will be paid to you directly. See Paragraphs 64-70 below for further discussion.</p>
<p>OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS <u>RECEIVED NO LATER THAN APRIL 25, 2023.</u></p>	<p>If you are a Class Member and would like to object to the proposed Settlement, the proposed Plan of Allocation, or Class Counsel’s³ request for an award of attorneys’ costs and expenses, you may write to the Court and explain the reasons for your objection.</p>
<p>ATTEND A HEARING ON MAY 9, 2023, AT 11:00 A.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS <u>RECEIVED NO LATER THAN APRIL 25, 2023.</u></p>	<p>Filing a written objection and notice of intention to appear that is received by April 25, 2023, allows you to speak in Court, at the Court’s discretion, about your objection. In the Court’s discretion, the May 9, 2023, hearing may be conducted by video or telephone conference (<i>see</i> Paragraph 75 below). If you submit a written objection, you may (but you do not have to) attend the hearing and, at the Court’s discretion, speak to the Court about your objection.</p>

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³ Class Counsel are Labaton Sucharow LLP, Prickett Jones & Elliott, P.A., and Andrews & Springer LLC.

WHAT IS THE PURPOSE OF THIS NOTICE?

1. The purpose of this Notice is to notify Class Members of the existence of the Action and the terms of the proposed Settlement with the settling defendants Josephine Linden, Alberto Franco, and John E. Tober. The Notice is also being sent to inform Class Members of a hearing that the Court has scheduled to consider the fairness, reasonableness, and adequacy of the Settlement, the proposed Plan of Allocation for the Settlement proceeds, and the application by Class Counsel for an Expense Award (defined in Paragraph 73 below) in connection with the Settlement (the “Settlement Hearing”). See Paragraphs 74-76 below for details about the Settlement Hearing, including the location, date, and time of the hearing.

2. The Court directed that this Notice be mailed to you because you may be a Class Member. The Court has directed us to send you this Notice because Class Members have a right to know about their options before the Court rules on the proposed Settlement. Additionally, Class Members have the right to understand how the Action and the proposed Settlement generally affects their legal rights. **Please Note:** the Court may approve the proposed Settlement with such modifications as the Settling Parties may agree to, if appropriate, without further notice to the Class.

3. The issuance of this Notice is not an expression by the Court of any findings of fact or any opinion concerning the merits of any claim in the Action, and the Court has not yet decided whether to approve the Settlement. If the Court approves the Settlement, then payments to Eligible Class Members will be made after any appeals are resolved.

PLEASE NOTE: Receipt of this Notice does not mean that you are a Class Member or an Eligible Class Member or that you will be entitled to receive a payment from the Settlement.

WHAT IS THIS CASE ABOUT?

THE FOLLOWING RECITATION DOES NOT CONSTITUTE FINDINGS OF THE COURT. THE COURT HAS MADE NO FINDINGS WITH RESPECT TO THE FOLLOWING MATTERS AND THESE RECITATIONS SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY OF THE CLAIMS OR DEFENSES RAISED BY ANY OF THE SETTLING PARTIES.

4. 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”).

5. 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.

6. 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.

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

8. 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”).

9. 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.

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

11. 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”).

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

13. 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.

14. 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.

15. 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”).

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

17. 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.

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

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

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

21. 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”).

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

23. 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.

24. 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.

25. 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.

26. 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.

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

28. 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.

29. 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.

30. 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.

31. 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”).

32. 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.

33. 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.

34. On January 3, 2020, the Court entered an Order appointing: (i) Whitebark and Edquist as Lead Plaintiffs; (ii) Labaton Sucharow LLP, Prickett 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.

35. 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.

36. 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.

37. Between April 14, 2020, and December 16, 2020, Lead Plaintiffs served discovery requests on Defendants, the Dismissed Parties, and non-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.

38. 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).

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

40. 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.

41. 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.

42. 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.

43. Lead Plaintiffs deposed 13 fact witnesses and 2 expert witnesses. The fact witnesses included defendants Linden, Franco, and Tober.

44. 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.

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

46. 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.

47. 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* was granted by the Court on February 15, 2023.

48. 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.

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

50. 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.

51. 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.

52. 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.

53. After additional negotiations regarding the specific terms of their agreement, the Settling Parties entered into the Stipulation on February 10, 2023. The Stipulation, which reflects the final and binding agreement between the Settling Parties on the terms and conditions of the Settlement and which supersedes and replaces the Term Sheet, can be viewed at www.SearsStockholderSettlement.com.

54. On March 6, 2023, the Court entered a Scheduling Order directing that notice of the Settlement be provided to potential Class Members, and scheduling the Settlement Hearing to, among other things, consider whether to grant final approval to the Settlement.

HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT?

55. If you are a Class Member, you are subject to the Settlement. The Class certified by the Court consists of:

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.

56. 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 had a direct or indirect controlling interest (each an “Excluded Person” and, collectively, the “Excluded Persons”).

PLEASE NOTE: The Class is a non-“opt-out” class pursuant to Delaware Court of Chancery Rules 23(a), 23(b)(1), and 23(b)(2). Accordingly, Class Members do not have the right to exclude themselves from the Class.

WHAT ARE THE TERMS OF THE SETTLEMENT?

57. In consideration of the settlement of the Released Plaintiff Claims (defined in Paragraph 71 below) against the Settling Defendants and the other Released Settling Defendant Persons (defined in Paragraph 71 below), 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 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 Expense Award (defined in Paragraph 73 below) 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.

58. See Paragraphs 64-70 below for details about the distribution of the Settlement proceeds to Eligible Class Members.

59. The Settling Defendants shall bear no personal responsibility for any payment in connection with the Stipulation or the Settlement.

WHAT ARE THE SETTLING PARTIES’ REASONS FOR THE SETTLEMENT?

60. 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.

61. 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.

62. 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 the Stipulation solely to put the Released Plaintiff Claims (defined in Paragraph 71 below) to rest, fully, finally, and forever, without in any way acknowledging any wrongdoing, fault, liability, or damages.

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

**HOW MUCH WILL MY PAYMENT FROM THE SETTLEMENT BE?
HOW WILL I RECEIVE MY PAYMENT?**

64. **Please Note:** If you are eligible to receive a payment from the Net Settlement Fund, you do *not* have to submit a claim form in order to receive your payment.

65. As stated above, the Insurance Carriers will deposit the \$3,100,000 Settlement Amount into an interest-bearing escrow account for the benefit of the Class. The Settling Defendants shall bear no personal responsibility for any payment in connection with this Stipulation or the Settlement. If the Settlement is approved by the Court and the Effective Date of the Settlement occurs, the Net Settlement Fund (that is, the Settlement Amount plus any interest earned thereon (the “Settlement Fund”) less: (i) any Taxes and Tax Expenses; (ii) any Notice and Administration Costs; (iii) any Expense Award (defined in Paragraph 73 below) awarded by the Court; and (iv) any other costs or expenses approved by the Court) will be distributed in accordance with the proposed Plan of Allocation proposed by Class Counsel and set forth below or such other plan of allocation as the Court may approve.

66. The Net Settlement Fund will not be distributed unless and until the Court has approved the Settlement and a plan of allocation, and the time for any petition for rehearing, appeal, or review to the Delaware Supreme Court has expired. Approval of the Settlement is independent from approval of a plan of allocation. Any determination with respect to a plan of allocation will not affect the Settlement, if approved.

67. The Court may approve the Plan of Allocation as proposed or it may modify the Plan of Allocation without further notice to the Class. Any Orders regarding any modification of the Plan of Allocation will be posted on the Settlement website, www.SearsStockholderSettlement.com.

PROPOSED PLAN OF ALLOCATION

68. The Net Settlement Fund will be distributed on a proportional basis to “Eligible Class Members.” “Eligible Class Members” will consist of all Class Members who held shares of SHOS common stock at the closing of the Merger on October 23, 2019 (the “Closing”), and received or were entitled to receive the Merger Consideration for their “Eligible Shares.” “Eligible Shares” will be 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.⁴

69. Each Eligible Class Member will be eligible to receive a proportional payment from the Net Settlement Fund equal to the product of (i) the number of Eligible Shares held by the Eligible Class Member 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 Eligible Shares.

70. Subject to Court approval in the Class Distribution Order, Class Counsel will direct A.B. Data, Ltd. to conduct the distribution of the Net Settlement Fund to Eligible Class Members as follows:

a. With respect to shares of SHOS common stock held of record at the Closing by Depository Trust & Clearing Corporation, including its subsidiary the Depository Trust Company (“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 each DTCC participant to which DTCC distributed the Merger Consideration (a “DTCC Participant”). 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 proportional 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.

WHAT WILL HAPPEN IF THE SETTLEMENT IS APPROVED?
WHAT CLAIMS WILL THE SETTLEMENT RELEASE?

71. If the Settlement is approved, the Court will enter a judgment (the “Judgment”). Pursuant to the Judgment, the claims asserted against the Settling Defendants in the Action will be dismissed with prejudice and the following releases will occur:

a. **Release of Claims by Lead Plaintiffs and the Class:** Upon the Effective Date, Lead Plaintiffs, on behalf of themselves and the Released Plaintiff Persons, shall have fully, finally, and forever released,

⁴ “Eligible Class Members” do not include any of the Excluded Stockholders (as defined in the Stipulation) and “Eligible Shares” do not include any of the “Excluded Shares” (as defined in the Stipulation).

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.

“Effective Date” means the first date by which all of the following events have been met or have been waived in writing: (a) the Insurance Carriers have paid the Settlement Amount into the Escrow Account in accordance with Paragraph 4.1 of the Stipulation; (b) the Court has entered a Judgment substantially in the form attached to the Stipulation as Exhibit C; and (c) the Judgment has become Final.

“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 shall not in any way delay or preclude the Judgment from becoming Final.

“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”).

“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.

“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.

b. **Release of Claims by the Settling Defendants:** 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.

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

“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”).

“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.

72. If the Settlement is approved and the Effective Date occurs, no Lead Plaintiff or Class Member will be able to bring another action asserting the Released Plaintiff Claims against any of the Released Settling Defendant Persons individually, directly, derivatively on behalf of SHOS, or in any other capacity as SHOS stockholders.

HOW WILL PLAINTIFFS’ COUNSEL BE PAID?

73. Plaintiffs’ Counsel have not received any payment for their services in pursuing claims in the Action on behalf of the Class, nor have Plaintiffs’ Counsel been paid for their litigation costs and expenses incurred in connection with the Action. Concurrent with seeking final approval of the Settlement, Class Counsel intends to petition the Court for reimbursement of Class Counsel’s expenses in prosecuting the Action of up to \$1,023,000. Class Counsel will make this petition no less than thirty calendar days prior to the Settlement Hearing. Plaintiff does not intend to make an application for attorneys’ fees at this time. The Court will determine the

amount of the Expense Award. The Expense Award will be paid solely from (and out of) the Settlement Fund in accordance with the terms of the Stipulation. Class Members are not personally liable for any such costs or expenses.

**WHEN AND WHERE WILL THE SETTLEMENT HEARING BE HELD?
DO I HAVE TO COME TO THE HEARING? MAY I SPEAK AT THE HEARING
IF I DON'T LIKE THE SETTLEMENT?**

74. **Class Members are not required to attend the Settlement Hearing. The Court will consider any submission made in accordance with the provisions below even if a Class Member does not attend the Settlement Hearing. Class Members can recover from the Settlement without attending the Settlement Hearing.**

75. **Please Note:** Whether due to health concerns or otherwise, the Court may decide to hold the Settlement Hearing by video or telephone conference without further written notice to Class Members. **In order to determine whether the format of the Settlement Hearing has changed, it is important that you monitor the Court's docket and the Settlement website, www.SearsStockholderSettlement.com, before making any plans to attend the Settlement Hearing. Any updates regarding the Settlement Hearing, including any updates regarding in-person or remote appearances at the hearing, will be posted to the Settlement website. Also, if the Court requires or allows Class Members to participate in the Settlement Hearing remotely by video or telephone conference, the information needed to access the conference will be posted to the Settlement website.**

76. The Settlement Hearing will be held on May 9, 2023, at 11:00 a.m., before The Honorable J. Travis Laster, Vice Chancellor, at the Court of Chancery of the State of Delaware, New Castle County, Leonard L. Williams Justice Center, 500 North King Street, Wilmington, Delaware 19801, to, among other things: (i) determine whether the proposed Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable, and adequate to the Class, and should be approved by the Court; (ii) determine whether a Judgment, substantially in the form attached as Exhibit C to the Stipulation, should be entered, dismissing the Action with prejudice as against the Settling Defendants, releasing the Released Claims against the respective Released Persons, and barring and enjoining prosecution of the Released Claims against the Released Persons; (iii) determine whether the proposed Plan of Allocation of the Net Settlement Fund proposed by Class Counsel is fair and reasonable, and should therefore be approved; (iv) determine whether the application by Class Counsel for an award of attorneys' costs and expenses should be approved; (v) hear and rule on any objections to the Settlement, the proposed Plan of Allocation of the Net Settlement Fund proposed by Class Counsel, and/or to the application by Class Counsel for an award of attorneys' costs and expenses; and (vi) consider any other matters that may properly be brought before the Court in connection with the Settlement.

77. Any Class Member may object to the Settlement, the proposed Plan of Allocation, or Class Counsel's application for an award of attorneys' costs and expenses ("Objector"), *provided, however*, that no Objector shall be heard or entitled to object unless, **on or before April 25, 2023**, such person (1) files their written objection, together with copies of all other papers and briefs supporting the objection specified in Paragraph 78 below, with the Register in Chancery at the address set forth below; (2) serves such papers (electronically by File & Serve*Xpress*, by hand, by First-Class U.S. Mail, or by express service) on Class Counsel and the Settling Defendants' Counsel at the addresses set forth below; and (3) emails a copy of the written objection to nweinberger@labaton.com, SLClosic@prickett.com, pandrews@andrewsspringer.com, dsborz@andrewsspringer.com, czeschin@rlf.com, and bayliss@abramsbayliss.com.

REGISTER IN CHANCERY

Register in Chancery
Court of Chancery of the State of Delaware
New Castle County
Leonard L. Williams Justice Center
500 North King Street
Wilmington, DE 19801

CLASS COUNSEL

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SETTLING DEFENDANTS' COUNSEL

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A. Thompson Bayliss
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20 Montchanin Road, Suite 200
Wilmington, DE 19807

78. Any objections must: (i) identify the case name and civil action number, “*In re Sears Hometown and Outlet Stores, Inc. Stockholders Litigation*, Consol. C.A. No. 2019-0798-JTL”; (ii) state the name, address, and telephone number of the Objector and, if represented by counsel, the name, address, and telephone number of the Objector’s counsel; (iii) be signed by the Objector; (iv) contain a specific, written statement of the objection(s) and the specific reason(s) for the objection(s), including any legal and evidentiary support the Objector wishes to bring to the Court’s attention, and if the Objector has indicated that he, she, or it intends to appear at the Settlement Hearing, the identity of any witnesses the Objector may call to testify, and any exhibits the Objector intends to introduce into evidence at the hearing; and (v) include documentation sufficient to prove that the Objector is a member of the Class (*i.e.*, held shares of SHOS common stock on October 23, 2019). Documentation establishing that an Objector is a member of the Class must consist of copies of monthly brokerage account statements or an authorized statement from the Objector’s broker containing the transactional and holding information found in an account statement.

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

80. If you wish to be heard orally at the hearing in opposition to the approval of the Settlement, the Plan of Allocation, or Class Counsel’s application for an award of attorneys’ costs and expenses, assuming you timely file and serve a written objection as described above, you must also file a notice of appearance with the Register in Chancery and serve it on Class Counsel and on Settling Defendants’ Counsel at the mailing and email addresses set forth above in Paragraph 77 above so that the notice is **received on or before April 25, 2023**. Persons who intend to object and desire to present evidence at the Settlement Hearing must include in their written objection or notice of appearance the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing. Such persons may be heard orally at the discretion of the Court.

81. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Hearing. However, if you decide to hire an attorney, it will be at your own expense, and that attorney must file a notice of appearance with the Court and serve it on Class Counsel and the Settling Defendants' Counsel at the mailing and email addresses set forth above in Paragraph 77 above so that the notice is *received on or before April 25, 2023*.

82. The Court may adjourn or reconvene the Settlement Hearing without further written notice to Class Members other than oral announcement at the Settlement Hearing or a notation on the docket in the Action. The Court may decide to hold the Settlement Hearing remotely by video or telephone conference without further notice to the Class. Any Class Member (or the Class Member's counsel) who wishes to appear at the Settlement Hearing should consult the Court's docket and/or the Settlement website for any change in the format of the hearing.

83. Unless the Court orders otherwise, any Class Member who fails to object in the manner described above shall be deemed to have waived the right to object (including any right of appeal) and shall be forever barred from raising such objection in this Action or any other action or proceeding or otherwise contesting the Settlement, Plan of Allocation, and application for attorneys' costs and expenses in the Action or any other proceeding and will otherwise be bound by the Judgment to be entered and the releases to be given. Class Members who do not object need not appear at the Settlement Hearing or take any other action to indicate their approval.

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

84. This Notice contains only a summary of the terms of the proposed Settlement. For more detailed information about the matters involved in the 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 Register in Chancery in the Court of Chancery of the State of Delaware, New Castle County, Leonard L. Williams Justice Center, 500 North King Street, Wilmington, Delaware 19801. Additionally, copies of the Stipulation, the Complaint, and any related orders entered by the Court will be posted on the Settlement website, www.SearsStockholderSettlement.com, Mailing Address: Sears Stockholder Settlement c/o A.B. Data, Ltd., P.O. Box 173025, Milwaukee, WI 53217, Email: info@SearsStockholderSettlement.com, Toll-Free Number: 877-388-1772.

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

85. If you are a broker or other nominee that held shares of SHOS common stock on October 23, 2019, for the beneficial interest of persons or entities other than yourself, you are requested to either: (i) within seven (7) calendar days of receipt of this Notice, request from A.B. Data, Ltd. sufficient copies of this Notice to forward to all such beneficial owners and within seven (7) calendar days of receipt of those Notices forward them to all such beneficial owners; or (ii) within seven (7) calendar days of receipt of this Notice, provide a list of the names, addresses, and, if available, email addresses of all such beneficial owners to:

Sears Stockholder Settlement
c/o A.B. Data, Ltd.
P.O. Box 173025
Milwaukee, WI 53217

COURT-APPROVED NOTICE REGARDING
Sears Stockholder Settlement

Sears Stockholder Settlement
c/o A.B. Data, Ltd.
P.O. Box 173025
Milwaukee, WI 53217

If you choose the second option, A.B. Data, Ltd. will send a copy of the Notice to the beneficial owners.

86. Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred by providing A.B. Data, Ltd. with proper documentation supporting the expenses for which reimbursement is sought. A copy of this Notice may also be obtained from the Settlement website, www.SearsStockholderSettlement.com, by calling A.B. Data, Ltd. toll-free at (877) 388-1772, or by emailing A.B. Data, Ltd. at info@SearsStockholderSettlement.com.

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF
THE REGISTER IN CHANCERY REGARDING THIS NOTICE.**

Dated: March 27, 2023

BY ORDER OF THE COURT OF
CHANCERY OF THE STATE OF
DELAWARE