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**IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE**

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| 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

This Stipulation and Agreement of Compromise, Settlement, and Release, (the "Stipulation") is made and entered into as of November 21, 2024.[1] The parties to this Stipulation (each a "Party" and, collectively, the "Parties"), by and through their undersigned attorneys, have reached an agreement for the settlement of the claims asserted against Edward S. Lampert, ESL Investments, Inc., ESL Partners, LP, RBS Partners, LP, Transform Holdco LLC, and Hometown Midco LLC (the "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 Defendants and the other Released Defendant Persons and (ii) all Released

[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.

Defendant Claims against Lead Plaintiffs and the other Released Plaintiff Persons, resulting in the complete dismissal with prejudice of this Action. The Parties are: (i) lead plaintiffs Whitebark Value Partners LP and Keith Edquist ("Lead Plaintiffs"), on behalf of themselves and the Class; and (ii) the Defendants.

**WHEREAS,**

**1. BACKGROUND OF CHALLENGED TRANSACTION**

A. On November 9, 2016, the board of directors (the "Board")[2] of Sears Hometown and Outlet Stores, Inc. ("SHOS," or the "Company")[3] 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

[2] Lampert was not a director.

[3] SHOS is now known as Sears Hometown Stores, Inc.

retained Shearman & Sterling LLP ("Shearman") as its legal advisor and PJ Solomon Securities LLC ("PJ Solomon") as its financial advisor.

D. 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").

E. On January 4, 2019, the Company executed an engagement letter with a third-party consultant, AlixPartners LLP to review the Company's contingency planning in connection with a potential Hometown Liquidation.

F. In late January, 2019, Transform Holdco LLC bid successfully to acquire substantially all of Sears Holdings' assets. The sale closed in early February.

G. On or around March 12, 2019, amidst further deteriorating SHOS financial performance, SHOS' Chief Executive Officer, William Powell ("Powell") asked the Special Committee to authorize Powell and Robbins to contact Lampert to gauge interest in pursuing a transaction involving the Hometown Segment or SHOS as a whole. Shearman contacted Lampert's counsel at Cleary Gottlieb Steen & Hamilton LLP ("Cleary") to invite a bid.

H. On March 20, 2019, Robbins, Lampert, and 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, Lampert, and their respective counsel discussed various structures concerning a potential sale of the Company.

J. On March 27, 2019, the Board and Special Committee both held meetings and reviewed strategic alternatives. Among other things, the Special Committee set a deadline of April 15, 2019 for the conclusion of any negotiations with Lampert and, if not concluded, then the Company would start the Hometown Liquidation. Shearman communicated the deadline to Cleary.

K. On March 29, 2019, the Company executed a non-disclosure agreement with Lampert.

L. On April 1, 2019, Powell, Bird, and PJ Solomon met with Lampert and the president of ESL, Kunal Kamlani, to discuss, among other things, "the current health of the Hometown segment, the expected proceeds from a liquidation of the segment and the proforma of a stand-alone Outlet/rent to own business." The parties disagreed as to the future prospects of the Company. Lampert stated that he believed

the Hometown Liquidation would destroy value, and questioned whether the Outlet Segment could succeed on its own.

M. 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 Corporation and the Gordon Brothers Finance Company, administrative agent and collateral agent to the Company's term loan credit facility.

N. On April 5, 2019, Transform submitted a non-binding offer to acquire the Company for $2.25 per share (the "April 5 Offer"). The April 5 Offer was conditioned on a favorable recommendation from the Committee. Transform sent the April 5 Offer letter with a presentation that, among other things, critiqued the Hometown Liquidation plan and questioned whether the Outlet Segment could survive as a standalone business.

O. On April 6, 2019, the Special Committee met to consider the April 5 offer. The Special Committee rejected the April 5 Offer because it believed "the bid significantly missed the mark and did not appear to have taken into account any of the guidance or information provided since the NDA was signed." Because the Special Committee believed "the proposed price is 'so far out of the range,' they d[id]n't have a specific counter-proposal."

P. On April 8, 2019, ESL publicly disclosed the terms of the April 5 Offer and the Company's response.

Q. Over the next several days negotiations continued between Lampert and the Special Committee, but failed to result in an agreement. On April 12, 2019, Lampert met with the Special Committee and made two proposals. Later that day, the Special Committee rejected Lampert's offers and directed PJ Solomon "to contact Mr. Lampert and again describe the valuation range that the Committee viewed as appropriate for a potential take private transaction and to note for Mr. Lampert that he could consider the high end of that range (approximately $9.50 per share) as the Committee's specific counterproposal." PJ Solomon conveyed the Special Committee's proposal and confirmed that unless a deal was reached, the Company would proceed with the Hometown Liquidation on April 15, 2019.

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 Special Committee members Robbins and Phelan from the 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 "Controller Intervention").

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 with Lampert involving a "go shop" of the Outlet Segment. The Special Committee directed PJ Solomon to continue discussions with Lampert regarding a potential deal.

V. Between May 3, 2019 and May 31, 2019, Lampert, through Transform, and the Special Committee discussed various potential transaction structures, including a potential Hometown segment-only transaction, a potential transaction involving the sale of the Company's outlet segment to a third party, and a potential take-private transaction. The Special Committee suggested a whole-Company sale including a go-shop for the Outlet Segment, and the parties negotiated under that framework.

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 Controller Intervention prevented a Hometown Liquidation. Later that 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 Controller Intervention prevented 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 June 3, 2019, the Company publicly announced the Merger Agreement and the start of the Outlet Segment go-shop. Over the next two weeks, PJ Solomon contacted a number of potential purchasers, with seventeen entering into confidentiality agreements.

BB. On August 27, 2019, SHOS agreed to sell its Outlet Segment and Buddy's Stores to a third party for $121 million, which resulted in an additional $0.96 per share in merger consideration for the Company's minority stockholders (the "Outlet Sale").

CC. 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, all non-dissenting 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").

## 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 Keller Sucharow LLP, Prickett Jones & Elliott, P.A., and Andrews & Springer LLC as Co-Lead Counsel

("Class Counsel"); and (iii) Levi & Korsinsky, LLP and Wolf Popper LLP as the Executive Committee for the Class (together with Class Counsel, "Plaintiffs' Counsel").

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, Tober, Powell, Bird, and James F. Gooch ("Gooch"); (ii) breach of fiduciary duty against the Defendants as majority stockholders; (iii) unjust enrichment against the Defendants; and (iv) aiding and abetting breaches of fiduciary duties against the Defendants.

GG. On March 25, 2020, the Court granted a stipulated order dismissing Powell, Bird, and 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 non-parties Robbins, Longino, Shearman, Phelan, PJ Solomon, Cyrus Capital Partners, L.P., Franchise Group, Inc., AlixPartners LLP., Bank of America Corporation, and Tiger Capital Group LLC.

II. On April 21, 2020, Defendants filed their Answer 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 Delaware's Uniform Contribution Among Joint Tortfeasors Law.

JJ. On June 26, 2020, the Court entered a stipulated order coordinating the Action with the action captioned *Cannon Square, LLC v. Sears Hometown Stores, Inc. (f/k/a Sears Hometown and Outlet Stores, Inc.)*, C.A. No. 2020-0103-JTL (the "Appraisal Action"), an action in which Cannon Square sought appraisal of the fair value of its SHOS shares.

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

LL. 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, and events leading up to the Merger and Outlet Sale.

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 Plaintiffs

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 two expert witnesses.

PP. On January 3, 2022, the Court denied Lead 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 captioned *In re: Sears Authorized Hometown Stores, LLC*, Case No. 22-11303-BLS (the "Bankruptcy"). As a result of the Bankruptcy, the Action was automatically stayed as against Sears Hometown Stores, Inc. (the successor to Defendant Transform Merger Corporation, which merged with and into SHOS in the Merger).

In addition, the Appraisal Action, which Cannon Square brought against Sears Hometown Stores, Inc., was automatically stayed as a result of the Bankruptcy.

SS. The Bankruptcy has since been converted from proceeding under chapter 11 to proceedings under chapter 7.

TT. On January 17, 2023, the Court granted a stipulated order vacating the coordination between the Action and the Appraisal Action.

UU. On January 18, 2023, the Court granted a stipulated order amending the class certification definition so as to not exclude stockholders who had exercised their appraisal rights.

VV. On January 18, 2023, Plaintiffs and defendants Josephine Linden, Alberto Franco, and John E. Tober (collectively, the "First Settling Defendants") executed a term sheet which set forth, among other things, the agreement to settle and release all claims against the First Settling Defendants in return for a cash payment on behalf of the First Settling Defendants of $3,100,000 for the benefit of the Class (the "Partial Settlement"), subject to certain terms and conditions and the execution of a customary "long form" stipulation and agreement of settlement and related papers.

WW. On January 30, 2023, the Court entered an order granting Lead Plaintiffs' motion to sever their claims against the First Settling Defendants from their claims against the Defendants and to stay Lead Plaintiffs' claims against

the First Settling Defendants pending the Court's consideration of the Partial Settlement.

XX. On February 10, 2023, Lead Plaintiffs and the First Settling Defendants entered into a Stipulation and Agreement of Compromise, Settlement, and Release, representing a final and binding agreement between those parties for the $3,100,000 Partial Settlement.

YY. On March 1, 2023, Defendants filed their Amended Answer and Cross-Claim.

ZZ. Trial was held before The Honorable J. Travis Laster from February 21 to February 24, 2023. The Parties submitted 1,117 exhibits, introduced 101 exhibits at trial, and five witnesses testified at trial.

AAA. On November 3, 2023, the Court conducted a hearing on the Partial Settlement, and approved the Partial Settlement, dismissing with prejudice all claims against the First Settling Defendants pursuant to a Final Order and Judgment dated November 4, 2023 (the "Partial Settlement Final Order").

BBB. The Partial Settlement Final Order provides, among other things, that, pursuant to 10 *Del. C.* § 6304:

> the damages recoverable against any other alleged tortfeasor will be reduced by the greater of (i) the amount of the Settlement Amount [*i.e.*, $3.1 million], 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.

CCC. On January 24, 2024, the Court issued a 120-page Post-Trial Opinion (the "Opinion") with extensive findings of fact and conclusions of law. The Court found that "[w]hen [Lampert] exercised his stockholder-level voting power, he acted consistently with his fiduciary duties[]" and did not act in bad faith in enacting the Controller Intervention, such that Lampert did not breach his fiduciary duties by engaging with the Controller Intervention. Nevertheless, the Court found that the Merger was not entirely fair, holding that Lampert was liable for breach of fiduciary duty in his capacity as a controlling stockholder in connection with the Hometown sale, and holding the other Defendants liable for aiding and abetting that breach.

DDD. On January 31, 2024, Defendants filed a Motion for Reargument.

EEE. On July 2, 2024, the Court issued its Order Granting Defendants' Motion for Reargument (the "Order"), modifying its conclusion as to the fair price of SHOS, assuming there were 22,702,000 total shares outstanding, to $4.06 per share, and awarding damages to the Class in the amount of $0.85 per share (*i.e.*, the difference between $4.06 and $3.21), thus reducing the award of damages to the Class (before interest) to $8,727,469.35, based on an assumed class share count of 10,267,611 shares.

FFF. Following the Order, the Parties were required to meet-and-confer on a form of final order and judgment or a letter to the Court identifying open issues to be resolved in advance of the issuance of a final judgment.

GGG. Following the Order, the Parties continued to meet-and-confer on a form of final order and judgment and certain open issues, which included whether Defendants are entitled to a settlement credit pursuant to 10 *Del. C.* §6304 of the Delaware Uniform Contribution Among Tortfeasors Law in connection with the $3.1 million Partial Settlement, and if so, in what amount; as well as the correct number of shares entitled to recover damages. In connection with the meet-and-confer discussions (which also included a preview of the parties' arguments on appeal), the Parties also began to discuss a potential resolution of the action that would resolve all open issues between them and eliminate the risks and uncertainties to each side in connection the remaining open issues and any appeals.

HHH. On July 12, 2024, Cannon Square, the petitioner in the Appraisal Action, filed a Motion to Intervene in the Action.

III. Following extensive, arm's-length negotiations, Lead Plaintiffs and Defendants reached a binding agreement in principle to resolve all open issues between the Parties, and obviate the need for any appeals, for $10,000,000 (the "Settlement Amount"), subject to Court approval. The settlement was memorialized in a binding term sheet executed on August 2, 2024 (the "Term Sheet").

JJJ. On August 14, 2024, the Court granted Cannon Square's Motion to Intervene for the sole issue of addressing the question of law that Appraisal

Petitioner has raised about its alleged entitlement to recover damages in the form of both the base merger consideration and any upside damages award.

KKK. After additional negotiations regarding the specific terms of their agreement, the Parties entered into this Stipulation on November 21, 2024. This Stipulation reflects the final and binding agreement between the 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**

LLL. In light of the benefits of the Settlement, the risks and uncertainty of prosecuting this Consolidated Action through appeals and collecting any damages from Defendants, Lead Plaintiffs have concluded that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. Based on Lead Plaintiffs and Plaintiffs' Counsel's thorough review and analysis of the relevant facts, allegations, defenses, and controlling legal principles including a four-day trial, Lead Plaintiffs and Plaintiffs' Counsel believe that the proposed Settlement is fair, reasonable, and adequate, and confers substantial and immediate benefits upon the Class. Based upon Plaintiffs' 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.

MMM. Neither this Stipulation, nor any of its terms or provisions, nor entry of the Judgment (defined herein), nor any document or exhibit referred to in or attached to this Stipulation, nor any action taken to carry out this Stipulation, is, or may be construed as, or used as, evidence of the invalidity of any claims alleged by Plaintiffs (including in any appeal), or as an admission by or against Plaintiffs that their claims lacked legal or factual merit or that their arguments in any appeal in this Action would have been unsuccessful.

**Defendants' Denial of Wrongdoing and Liability**

NNN. 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. Defendants further deny any breach of fiduciary duties. Nevertheless, Defendants wish to eliminate the uncertainty, risk, burden, distraction, and expense of further litigation, including appeals. Defendants have therefore determined to enter into 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.

OOO. Neither this Stipulation, nor any of its terms or provisions, nor entry of the Judgment (defined herein), nor any document or exhibit referred to in or attached

to this Stipulation, nor any action taken to carry out this Stipulation, is, or may be construed as, or used as, evidence of the validity of any claims alleged against the Defendants (including in any appeal), or as an admission by or against Defendants of any fault, wrongdoing, or concession of liability whatsoever.

**NOW, THEREFORE, IT IS STIPULATED AND AGREED**, by and among the Parties, through their undersigned counsel, and subject to the approval of the Court pursuant to Court of Chancery Rule 23, in consideration of the benefits flowing to the Parties from, and as described in, the Settlement, that the Action shall be fully, finally, and forever compromised, settled, and dismissed with prejudice, and the Released Plaintiff Claims shall be fully, finally, and forever compromised, settled, released, discharged, and dismissed with prejudice, and that the Released Defendant Claims shall be finally and fully compromised, settled, released, discharged, and dismissed with prejudice, 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. The Class is a non-"opt-out" class pursuant to Delaware Court of Chancery Rules 23(a), 23(b)(1), and 23(b)(2). 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, and Transform Merger Corporation), Josephine Linden, Alberto Franco, and John E. Tober (previously defined as the "First Settling Defendants" and each a "First Settling Defendant"), 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', First Settling 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, First Settling Defendant, or Dismissed Party has a direct or indirect controlling interest (each an "Excluded Person" and, collectively, the "Excluded Persons").

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

3.3 "Class Member" means a member of the Class.

3.4 "Closing" means the closing of the Merger on October 23, 2019.

3.5 "Defendants' Counsel" means Potter Anderson & Corroon LLP.

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. as of the close of business on October 23, 2019—*i.e.*, the date of the Merger, 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., who held such shares as of the close of business on October 23, 2019—i.e., the date of the Merger, provided that no Excluded Person may be an Eligible Closing Date Record Holder.

3.10 "Eligible Shares" means the shares of SHOS common stock held by Eligible Class Members who held such shares as of the close of business on October 23, 2019—i.e., the date of the Merger.

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 "Fee and Expense Award" means an award to Class Counsel of attorneys' fees, 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 Plaintiffs' Counsel or any other counsel or any Class Member against the Defendants with respect to Action or the Settlement.

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 Fee and Expense Award, the Incentive Fee Award, or any Plan of Allocation approved by the Court 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 attorneys' fees and expenses awarded by the Court from the Settlement Fund; (iii) any Notice and Administration Costs; 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 "Plan of Allocation" means the proposed plan of allocation of the Net Settlement Fund proposed by Class Counsel and set forth below in Paragraph 11.9 and in the Notice.

3.25 "Released Claims" means Released Plaintiff Claims and Released Defendant Claims.

3.26 "Released Persons" means Released Defendant Persons and Released Plaintiff Persons.

3.27 "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 Released Defendant Persons 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 Released Defendant Persons, 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 Controller Intervention; (ii) the Merger or any element, term, condition, or circumstance of the Merger or the sale process leading up to the Merger; (iii) 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; (iv) the consideration received by Lead Plaintiffs and the Class in connection with the Merger; and (v) any fiduciary obligations of the Released Defendant Persons relating to the Controller Intervention, the Merger, the process of deliberation or negotiation leading to the Merger, or the disclosures respecting the Merger. Notwithstanding the foregoing,

the Released Plaintiff Claims shall not include (x) claims solely to enforce the terms of the Settlement, or (y) claims for statutory appraisal against Sears Hometown Stores, Inc. (and only against Sears Hometown Stores, Inc.) pursuant to Section 262 of the Delaware General Corporation Law, subject to a setoff for any amounts any appraisal petitioner receives in this Settlement (collectively, the "Excluded Plaintiff Claims").

3.28 "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.

3.29 "Released 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. Notwithstanding the foregoing, the Released Defendant Claims do not include any claims: (x) based on conduct after the Effective Date; (y) to enforce the terms of the Settlement; or (z) any claim or defense relating in any way to the Appraisal Action against Appraisal Petitioner or its respective trustees, officers, directors, employees, agents, advisors, experts, and attorneys (including Appraisal Petitioner's Counsel), in their capacities as such, or Appraisal Petitioner's claims in intervention,

including its contention that it is entitled to damages or any portion of the Settlement Fund in this Action greater than amounts received by other Class Members (collectively, the "Excluded Defendant Claims").

3.30 "Released Defendant Persons" means the Defendants, Defendants' affiliates, and each of their respective predecessors, successors, Immediate Family members, partners, insurers, representatives, attorneys (including Defendants' Counsel), experts, advisors, auditors, and accountants, in their capacities as such.

3.31 "Releases" means the releases set forth in Paragraphs 5.2 and 5.3 of this Stipulation.

3.32 "Scheduling Order" means an order scheduling a hearing on the proposed Settlement, the Fee and Expense Award, any Incentive Fee Award, and approving the form of and method of giving notice of the Settlement, substantially in the form attached hereto as Exhibit A.

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

3.34 "Settlement Fund" means the Settlement Amount, plus any interest earned thereon, held in the Escrow Account.

3.35 "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 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 Fee and Expense Award should be paid to Plaintiffs' Counsel out of the Settlement Fund; (iv) whether and in what amount Plaintiffs' Counsel should be authorized to pay an incentive fee to Lead Plaintiffs solely from any Fee and Expense Award; and (v) the Judgment approving the Settlement of the Action should be entered in accordance with the terms of this Stipulation.

3.36 "Sears Hometown Stores, Inc." is a Delaware corporation formally known as Sears Hometown and Outlet Stores, Inc.

3.37 "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).

3.38 "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).

3.39 "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 Defendant Persons, or (ii) any Released Defendant Claims that any 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 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 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 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 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 Parties in entering into this Stipulation.

## 4. SETTLEMENT CONSIDERATION

4.1 As consideration for the Settlement, the Defendants will pay or cause to be paid $10,000,000 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 fourteen (14) calendar days after the entry of the Scheduling Order by the Court. Class Counsel shall provide payment information reasonably requested by the 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 equal to the Court-awarded attorneys' fees and expenses in connection with this Action (*i.e.*, the Fee and Expense Award) and shall be transferred within ten (10) calendar days of entry of the Fee and Expense Award. For the avoidance of doubt, the Fee and Expense Award shall be payable solely from the Settlement Amount and does not increase the Settlement Amount.

(c) The third payment shall be the remainder of the Settlement Amount and shall be transferred within thirty (30) business days after entry by the Court of a Final Judgment approving the Settlement.

4.2 The Released Defendant Persons shall not be responsible for the payment of any amounts in connection with the Settlement other than the Settlement Amount.

4.3 Defendants' obligation to pay or cause to be paid the Settlement Amount is expressly conditioned on the definition of Class as set forth above (which include the appraisal petitioners), and the certification of the Class as a non-opt out class. If the non-opt-out Class definition is not accepted or is modified, Defendants may exercise their right under Paragraph 12.1 of this Stipulation to terminate the Settlement. Nothing herein is intended to modify (i) Defendants' obligation to make the Initial Settlement Payment provided in Paragraph 4.1(a), or (ii) the provisions of Paragraph 12.2(viii).

4.4 If 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 shall be dismissed with prejudice. Lead Plaintiffs and the Defendants shall each bear his, her, or its own fees, costs, and expenses, except as expressly provided in this Stipulation.

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 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 Defendant Persons.

5.3 Upon the Effective Date, the Defendants shall have fully, finally, and forever released, settled, and discharged the Released Plaintiff Persons from and with respect to every one of the Released Defendant Claims, and shall thereupon be forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute any Released Defendant Claims against any of the Released Plaintiff Persons.

## 6. PROCEDURE FOR APPROVAL

6.1 As soon as practicable after execution of this Stipulation, the 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 based on the records of A.B. Data, Ltd. collected in connection with the Partial Settlement. 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 Defendant Persons, or any of their attorneys have any liability or

responsibility for the costs and expenses associated with providing the Notice, except as provided in Paragraph 4.1(a), above.

6.2 The Parties and their attorneys agree to use their individual and collective best efforts to obtain Court approval of the Settlement. The 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. The 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 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 Defendants are stayed pending the Court's consideration of the proposed Settlement. Lead Plaintiffs agree not to initiate any other proceedings against the Defendants asserting any Released Plaintiff Claims pending the occurrence of the Effective Date. The 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 Defendants or the other Released Defendant Persons that challenge the Settlement or otherwise assert or involve, directly or indirectly, a Released Plaintiff Claim against a Released Defendant Person. The foregoing does not apply to resolution of Appraisal Petitioner's Motion for Further Relief, filed on September 27, 2024.

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

## 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 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, without limitation, the non-opt-out Class as defined herein, the Releases substantially in the form set out herein, and the

dismissal of the Action with prejudice 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 Defendants 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 Defendants within thirty (30) calendar days, except as otherwise provided in Paragraph 10.7 below.

## 9. ATTORNEYS' FEES AND EXPENSES

9.1 Defendants do not object to or otherwise take any position on Plaintiffs' Counsel's application for a Fee and Expense Award that does not exceed 33% of the Settlement Fund plus expenses. The Parties acknowledge and agree that any Fee and Expense Award shall be paid solely from (and out of) the Settlement Fund and shall reduce the Settlement consideration paid to the Class accordingly.

9.2 Lead Plaintiffs also intend to petition the Court for an incentive award of up to $25,000 to be paid to each of Lead Plaintiffs solely from the Fee and Expense Award (the "Incentive Fee Award"). Defendants do not object to or otherwise take any position on the Incentive Fee Award so long as Lead Plaintiffs

seek no more than $25,000 each. The Fee and Expense Award, including any amount awarded therefrom as an Incentive Fee Award, shall be paid to Class Counsel by the Escrow Agent from the Settlement Fund immediately after payment of the second payment pursuant to Paragraph 4.1(b) above, notwithstanding the existence of any timely filed objections thereto, or potential for appeal therefrom, or collateral attack on the Settlement or any part thereof. Notwithstanding anything to the contrary in this Stipulation, payment of the Fee and Expense Award and any Incentive Fee Award, shall be subject to Plaintiffs' Counsel's obligation to make appropriate refunds or repayments of both the Fee and Expense Award and any Incentive Fee Award 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 Fee and Expense Award or Incentive Fee Award is reduced or reversed and such order reducing or reversing the award has become Final. Plaintiffs' Counsel shall make the appropriate refund or repayment in full no later than thirty (30) calendar days after: (a) receiving from Defendants' Counsel notice of the termination of the Settlement; or (b) any order reducing or reversing the Fee and Expense Award or Incentive Fee Award has become Final. If the Settlement is terminated pursuant to the terms of this Stipulation, the Settlement Fund (including any portion comprising any refund or repayment of the Fee and

Expense Award or Incentive Fee Award in accordance with this Paragraph 9.2), less all Notice and Administration Costs, Taxes, or Tax Expenses paid or incurred, including any related fees, shall be refunded by the Escrow Agent directly to the Persons who made payments pursuant to Paragraph 4.1 in accordance with Paragraph 12.2.

9.3 Class Counsel, in their sole discretion, shall allocate the Fee and 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 Defendant Persons shall have no responsibility for, or liability whatsoever with respect to, the allocation or award of any Fee and Expense Award to or among Plaintiffs' Counsel or any Incentive Fee Award to or among Lead Plaintiffs.

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. Any Fee and Expense Award or Incentive Fee Award is not a necessary term of this Stipulation and is not a condition of the Settlement embodied herein. Neither Lead Plaintiffs nor Plaintiffs' Counsel may cancel or terminate the Settlement based on this Court's or any appellate court's ruling with respect to any Fee and Expense Award or Incentive Fee Award. The Fee and Expense Award or

Incentive Fee Award may be considered separately from the proposed Settlement. Any disapproval or modification of the Fee and Expense Award or the Incentive Fee Award by the Court or on appeal shall not affect or delay the enforceability of this Stipulation or the Settlement, provide any of the 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 Fee and Expense Award shall be paid to Lead Plaintiffs, except as set forth above and 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 Fee and Expense Award, including any amount awarded therefrom as an Incentive Fee 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 the Escrow Agent, 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. Escrow Agent shall also be responsible for causing payment to be made from the Settlement Fund of any Taxes owed with respect to the Settlement Fund. The Escrow Agent, as administrator 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 the Escrow Agent 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 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. There will be no reversion of the Settlement Fund to Defendants or any other person or entity who or which funded the Settlement Amount if the Settlement becomes final.

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 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.

## 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 Defendant Persons had no involvement in, or any responsibility, authority, or liability whatsoever for, the selection of A.B. Data, Ltd.

11.2 For purposes of distributing the Net Settlement Fund to Eligible Class Members, A.B. Data, Ltd. shall use the Merger Records (as defined in the Partial Settlement) previously obtained in connection with the Partial Settlement.

11.3 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.

11.4 The Net Settlement Fund shall be distributed to Eligible Class Members in the accordance with the proposed Plan of Allocation set forth in Paragraph 11.9

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 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.

11.5 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 Fee and Expense Award, including any amount awarded therefrom as an Incentive Fee 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 Defendants' Counsel, for the Class Distribution Order.

11.6 Payment pursuant to the Class Distribution Order shall be final and conclusive against all Class Members. Lead Plaintiffs, the Defendants, and the other Released 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.

11.7 The Net Settlement Fund will be distributed on a *pro rata* basis to Eligible Class Members, as described in Paragraphs 11.8 and 11.9 below.

11.8 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 who held such shares as of the close of business on October 23, 2019—i.e., the date of the Merger.

11.9 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 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 a DTCC Participant ("DTCC Participant"). A.B. Data, Ltd. will make payment to the DTTC 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 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 material part of it;

(b) the Court's declining to adopt the definition of Class as set forth in Section 3 above and/or certify the Class as a non-opt-out class;

(c) the Court's declining to enter the Judgment in any material respect; or

(d) 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 Defendants within thirty (30) calendar days of any failure of the 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 Fee and Expense Award or any Incentive Fee Award awarded by the Court to Plaintiffs' Counsel or Lead Plaintiffs nor any order modifying or rejecting the Plan of Allocation shall be deemed a material modification of the Judgment or this Stipulation and will not operate to terminate the Settlement or affect the finality or binding nature of the Settlement.

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 related to this Settlement 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 and terms of the Settlement (other than the terms of the Settlement that survive termination pursuant to Paragraph 12.2(i) above) shall not be admissible in any court, tribunal, or proceeding by any person, including, without limitation, any Released Defendant Person, any Released Plaintiff Person, and Appraisal Petitioner; (v) all proceedings in the Action shall revert to their statuses as of immediately prior to the execution of the Term Sheet on August 2, 2024, and no materials created by or received from another Party that were used in, obtained during, or related to settlement discussions or negotiations 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 Parties shall jointly petition the Court for a revised schedule to address open issues and a form of final order and judgment; (vii) the 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 Parties; and (viii) within thirty (30) calendar days after joint written notification of termination is sent by the 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 Defendants. In the event that the funds received by Class Counsel or Lead Plaintiffs for any Fee and Expense Award or Incentive Fee Award required to be returned or refunded pursuant to Paragraph 8.2 of this Stipulation above have not been returned or 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 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 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

(including in any appeal or in connection with Appraisal Petitioner's intervention) or in any other litigation or proceeding; (iii) the deficiency of any defense or argument that has been or could have been asserted in the Action (including in any appeal or in connection with Appraisal Petitioner's intervention) or in any other litigation or proceeding; (iv) the validity of any arguments that could have been asserted in the briefing on open issues in connection with the final judgment or on appeal or in connection with Appraisal Petitioner's intervention; or (v) 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 Defendants had meritorious defenses or arguments on appeal, or that damages recoverable from the Defendants (including pre- and post-judgment interest) would not have exceeded the Settlement Amount.

13.2 The Defendants and the Released Defendant 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 Defendants warrants that, as to the payments made or to be made on behalf of him or them, at the time of entering into this Stipulation and at the time of such payment he or they, or to the best of his or their 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 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 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 Defendants shall jointly move the Court to vacate and set aside the Releases given and the Judgment entered in favor of 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 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 Fee and Expense Award and any Incentive Fee Award consistent with Paragraph 9.2 of this Stipulation; and (iv) any cash amounts in the Settlement Fund (less any Taxes and Tax Expenses 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 Parties and shall not be construed against any of them by reason of authorship.

14.4 The Parties agree that in the event of any breach of this Stipulation, all the Parties' rights and remedies at law, equity, or otherwise, are expressly reserved. The 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 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 Party or Parties against whom such modification, amendment, or waiver is sought to be enforced.

14.10 Any failure by any Party to insist upon the strict performance by any other Party of any of the provisions of this Stipulation shall not be deemed a waiver of any of the provisions hereof, and such 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 Party. Waiver by any Party of any

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

14.11 This Stipulation is and shall be binding upon, and shall inure to the benefit of, the 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 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 Fee and Expense Award or any

Incentive Fee Award Each 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 Party or such 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 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 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 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 Party concerning this Stipulation or its Exhibits, other than the representations, warranties, and covenants expressly set forth in such documents.

14.18 The 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 Defendants with respect to the Released Plaintiff Claims (but, for the avoidance of doubt, not the Excluded Plaintiff Claims, as defined above). Accordingly, Lead Plaintiffs and their counsel and Defendants and their counsel agree not to assert in any forum that this Action was brought by Lead Plaintiffs or defended by Defendants in bad faith or

without a reasonable basis. Lead Plaintiffs and the Defendants represent and agree that the terms of the Settlement reached between Lead Plaintiffs and the Defendants were negotiated at arm's-length and in good faith by Lead Plaintiffs and the 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, 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 Defendants and their counsel shall not make any accusations of wrongful or actionable conduct by any 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 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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