

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

\_\_\_\_\_  
DONALD REITH, individually and on  
behalf of all others similarly situated,

Plaintiff,

v.

WARREN G. LICHTENSTEIN, GLEN  
M. KASSAN, WILLIAM T. FEJES, JR.,  
JACK L. HOWARD, JEFFREY J.  
FENTON, PHILIP E. LENGYEL,  
JEFFREY S. WALD, STEEL PARTNERS  
HOLDINGS L.P., STEEL PARTNERS,  
LTD., SPH GROUP HOLDINGS LLC,  
HANDY & HARMAN LTD., and WHX  
CS CORP.,

Defendants,

-and-

STEEL CONNECT, INC., a Delaware  
Corporation,

\_\_\_\_\_  
Nominal Defendant.

C.A. No. 2018-0277-MTZ

**STIPULATION AND AGREEMENT OF  
COMPROMISE, SETTLEMENT, AND RELEASE**

This Stipulation and Agreement of Compromise, Settlement, and Release (the “Stipulation,” the terms of which are the “Settlement”), dated as of February 18, 2022, is entered into between (i) Donald Reith (“Plaintiff”); (ii) Warren G. Lichtenstein (“Lichtenstein”), Glen M. Kassan (“Kassan”), William T. Fejes, Jr. (“Fejes”), Jack L. Howard (“Howard”), Jeffrey J. Fenton (“Fenton”), Jeffrey S. Wald

(“Wald”) (collectively, the “Individual Defendants”),<sup>1</sup> Steel Partners Holdings L.P. (“Steel Holdings”), SPH Group Holdings LLC<sup>2</sup>; and (iii) nominal defendant Steel Connect, Inc. (“STCN” or the “Company” and together with the Individual and Institutional Defendants, the “Defendants,” and the Defendants and Plaintiff together, the “Parties”). The Parties intend for this Stipulation to fully, finally, and forever resolve, discharge, and settle the action captioned *Reith v. Lichtenstein, et al.*, C.A. No. 2018-0277-MTR (the “Action”) and the Released Claims (as defined below), subject to the approval of the terms and conditions by the Court of Chancery of the State of Delaware (the “Court”);

WHEREAS, Plaintiff is a stockholder of the Company and was a stockholder during all relevant times;

WHEREAS, Plaintiff filed a Verified Stockholder Class Action and Derivative Complaint on April 13, 2018 (C.A. No. 2018-0277-TMR) (the “Complaint”);

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<sup>1</sup> Philip E. Lengyel (“Lengyel”) was also named as a defendant in this action. Lengyel died on December 15, 2019. A Notice of Suggestion of Death Upon the Record was filed on January 29, 2020, and no party moved to substitute another party. Accordingly, pursuant to Court of Chancery Rule 25(a)(1), the action was dismissed as to Lengyel.

<sup>2</sup> Steel Holdings and SPH Group Holdings are referred to as the “Institutional Defendants.” The Individual Defendants and the Institutional Defendants are referred to as the “Individual and Institutional Defendants.”

WHEREAS, the Complaint sought relief directly on behalf of stockholders and derivatively on behalf of Nominal Defendant Steel Connect, Inc. based upon, among other things, alleged breach of fiduciary duties and unjust enrichment;

WHEREAS, the Complaint alleges, among other things, that:

(i) Steel Partners Holdings is a controlling stockholder of the Company;

(ii) Individual Defendants breached their fiduciary duties when, effective December 15, 2017, they approved the sale of 35,000 shares of newly created Series C Convertible Preferred Stock to Steel Holdings for \$1,000 per share, for an aggregate purchase price of \$35 million (the “Preferred Stock Transaction”) and caused STCN to issue a total of 5.5 million shares of common stock and restricted stock as equity grants to three directors affiliated with Steel Holdings (the “Equity Grants”) for the purpose of entrenching Steel Holdings and increasing its control of the Company by approving transactions that provided Steel Holding’s majority control at an unfair price and appointing two additional directors to the Board who lack independence from Steel Holdings;

(iii) Individual Defendants breached their fiduciary duties by filing and seeking stockholder action on the basis of a materially false and misleading Proxy Statement dated March 19, 2018 filed as Schedule 14A with the SEC (the “2017 Proxy”);

(iv) Individual Defendants breached their fiduciary duties by approving and/or accepting a stock award in violation of the terms of the Company's stockholder-approved 2010 Incentive Award Plan (the "2010 Plan"); and

(v) Defendants Steel Holdings and SPH Group Holdings LLC, aided and abetted the Individual Defendants' breaches of fiduciary duties by causing the Board to approve the Preferred Stock Transaction and the Equity Grants for Steel Holding's benefit;

WHEREAS, the Complaint sought the following, among other, relief:

(i) A finding that the Equity Grants were not authorized by the 2010 Plan;

(ii) An order for rescission of 2018 amendments to the 2010 Plan and of the 1,450,000 shares granted to Lichtenstein, Howard, and Fejes contingent on those amendments;

(iii) An order for disgorgement of any compensation, stock, or Company property wrongfully obtained;

(iv) A finding that the 2017 Proxy was false and misleading;

(v) An award for the Company and/or the class of the amount of damages it sustained as a result of Defendants' alleged breaches of fiduciary duties and waste of corporate assets; and

(vi) An award for Plaintiff of the costs, expenses, and disbursements of the action, including any attorneys' and experts' fees and, if applicable, pre-judgment and post-judgment interest;

WHEREAS, on June 8, 2018, Defendants moved to dismiss the Complaint (the "Motions to Dismiss");

WHEREAS, on June 28, 2019, the Court issued a memorandum opinion granting in part and denying in part the Motions to Dismiss;

WHEREAS, before bringing the Complaint, Plaintiff and his counsel obtained from the Company books and records under Section 220 of the Delaware General Corporation Law (the "220 Demand");

WHEREAS, Plaintiff's Counsel obtained and reviewed extensive document discovery produced or served in the Action;

WHEREAS, following an analysis of the strengths and weaknesses of the Action, including review and analysis of the discovery received, Plaintiff's Counsel believe that the settlement consideration reflected below provides the Company and its stockholders with substantial benefits that address each of the claims in the Complaint—to the extent such claims were not dismissed;

WHEREAS, Plaintiff and Plaintiff's Counsel have determined that the terms of the Settlement are fair, reasonable, adequate, and in the best interests of the

Company and its stockholders and that it is reasonable to pursue a settlement of the Action based upon those terms and the procedures outlined herein;

WHEREAS, at all times, each of the Individual and Institutional Defendants has denied, and continues to deny, the allegation of wrongdoing in the Complaint, including that he or it committed a breach of a fiduciary duty;

WHEREAS, each of the Individual and Institutional Defendants expressly maintains that he or it has at all times complied with his or its fiduciary and other legal duties;

WHEREAS, Defendants are entering into this Stipulation solely because the Settlement will eliminate the burden, expense, distraction, and uncertainties inherent in further litigation;

**NOW, THEREFORE, IT IS STIPULATED AND AGREED,** in consideration of the benefits set forth below, and subject to the approval of the Court pursuant to Court of Chancery Rules 23 and 23.1, that the Action and the Released Claims (as defined below) shall be compromised, settled, released, and dismissed with prejudice on the merits and without costs (except as provided below), subject to the following terms and conditions:

**SETTLEMENT CONSIDERATION**

1. Individual and Institutional Defendants shall cause their directors' and officers' liability insurance carriers to pay the amount of \$2,750,000 in cash (the

“Settlement Payment”) to STCN. The Settlement Payment shall be paid into an escrow account jointly controlled by STCN and counsel of record for Plaintiff in the Action (“Plaintiff’s Counsel”) within fourteen (14) business days of the later of (i) the entry of the scheduling order in connection with the stipulation of settlement; or (ii) the date on which Plaintiff’s Counsel provides to the Individual Defendants’ Counsel written payment and wire instructions, which are verbally confirmed, and a signed W-9 reflecting a valid taxpayer identification number for the account into which the Settlement Payment is to be deposited. The Settlement Payment will be released to STCN within seven (7) calendar days of the Effective Date (defined herein). For the avoidance of doubt, in no circumstance shall any Individual or Institutional Defendant be required to pay any portion of the Settlement Payment.

2. A total of 3.3 million equity shares (consisting of the remaining 450,000 unvested shares and 2,850,000 vested shares), as adjusted to give effect to the one-for-ten reverse stock split approved by STCN’s stockholders at the annual meeting on July 26, 2021 (if such reverse stock split is effected prior to the surrender of such shares) (the “Settlement Shares”) have been or shall be surrendered by Lichtenstein, Fejes and Howard to STCN and cancelled. Such surrender and cancellation shall be completed no later than seven (7) calendar days following the Effective Date, as defined below.

3. If the Court declines to approve the Settlement, the Settlement is terminated, or the Effective Date, as defined in this Stipulation, otherwise fails to occur, the Settlement Payment and any interest accrued thereon shall be returned to the directors' and officers' liability insurance carriers that funded the Settlement Payment.

4. The Settlement was conditioned upon the STCN board of directors approving, and the STCN board of directors has approved, the Corporate Governance Matters set forth in Annex A hereto.

### **CLASS CERTIFICATION**

5. Solely for purposes of the Settlement and for no other purpose, the Parties stipulate and agree that Plaintiff will request that the Court provide in the Order and Final Judgment that the class be certified for settlement purposes only pursuant to Delaware Court of Chancery Rules 23(a), 23(b)(1) and/or 23(b)(2) as on a non-opt-out basis as set forth in paragraph 7 of Exhibit B hereto. In the event that this Settlement is terminated in accordance with the terms hereof, Defendants reserve the right to oppose certification of any plaintiff class in future proceedings.

### **RELEASE OF CLAIMS**

6. Effective upon the Effective Date:

(a) **Release of Defendant Releasees:** Subject to Final Court Approval of the Settlement as defined below, Plaintiff, STCN, and each and every



record holder and beneficial owner of STCN stock at any time between and including December 15, 2017 and the date of this Stipulation, including any and all of their respective successors-in-interest, successors, predecessors-in-interest, predecessors, representatives, trustees, executors, administrators, estates, heirs, transferees, and assigns, immediate and remote, and any Person acting for or on behalf of, or claiming under, any of them, and each of them, together with their respective successors-in-interest, successors, predecessors-interest, predecessors, transferees, and assigns, in their capacities as such only (collectively, the “Company Stockholders”), fully, finally, and forever release, settle, and discharge, and shall forever be enjoined from prosecuting, against the Individual and Institutional Defendants, all past and present officers and directors of STCN, any other of Defendants’ past and present officers or directors, and any of their respective agents, representatives, estates, affiliates, direct and indirect parent and subsidiary entities, partners, members, insurers, reinsurers, and advisors (collectively, the “Defendant Releasees”), any and all claims, including unknown claims, that Plaintiff asserted in the complaint filed in the Action, or that STCN could have asserted directly, or that Plaintiff or any other STCN stockholder could have asserted derivatively on behalf of STCN or directly on the stockholder’s own behalf, in any forum, based upon, arising out of, relating to, or concerning (which phrases are intended to be construed as broadly as permitted under applicable Delaware law as to the scope of releases provided in consideration

for settlement of derivative or class claims) the matters alleged in the complaint filed in the Action, including without limitation (i) equity shares granted by STCN to Lichtenstein, Fejes and Howard, (ii) the December 2017 ModusLink/IWCO merger and the financing arrangements concurrent therewith, including the preferred stock transaction between STCN and SPH Group Holdings LLC; and (iii) the 2017 Proxy and the stockholder vote that followed it; provided, however, that the Release of Individual and Institutional Defendants shall not apply to any claims relating to the enforcement of the Settlement (“Plaintiff’s Released Claims”). For the avoidance of doubt, Plaintiff’s Released Claims do not include claims for any conduct postdating August 13, 2021, or for any conduct regarding any proposed combination of Steel Holdings and STCN that is not alleged in the Action.

(b) **Release of Plaintiff Releasees:** Subject to Final Court Approval of the Settlement as defined below, the Individual and Institutional Defendants, on behalf of themselves, and their respective heirs, executors, administrators, predecessors, successors, and assigns in their capacities as such only, will fully, finally and forever release, settle, and discharge, and shall forever be enjoined from prosecuting, against Plaintiff, his respective counsel, and all agents, representatives, estates, insurers, reinsurers, and advisors of any of the foregoing (collectively, the “Plaintiff Releasees”), any and all claims, including unknown claims, arising out of or relating to the 220 demand, or the commencement, prosecution or settlement of

the Action (the “Defendants’ Released Claims” and together with Plaintiff’s Released Claims, “Released Claims”), provided, however, that Defendants’ Released Claims shall not include any claims relating to the enforcement of the Settlement.

(c) **Release of Unknown Claims:** With respect to the releases set forth in subparagraphs (a) and (b) above, the Parties stipulate and agree that upon the Effective Date, Plaintiff and Defendants shall expressly waive, and each of the class members shall be deemed to have, and by operation of the Judgment shall have, expressly waived, relinquished, and released any and all provisions, rights, and benefits conferred by Cal. Civ. Code § 1542 or 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.

Plaintiff and Defendants acknowledge, and the other class members by operation of law shall be deemed to have acknowledged, that they may discover facts in addition to or different from those now known or believed to be true with respect to those releases, but that it is the intention of Plaintiff and Defendants, and by operation of

law the other class members, to completely, fully, finally, and forever extinguish any and all claims within the scope of those releases, 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. Plaintiff and Defendants acknowledge, and the other class members by operation of law shall be deemed to have acknowledged, that the inclusion of “unknown claims” in subparagraphs (a) and (b) above was separately bargained for and was a key element of the Settlement.

### **CONDITIONS OF THE SETTLEMENT**

7. The Settlement shall be null and void and of no force and effect if the terms of the Settlement, except for the Attorneys’ Fees and Expenses Application (as defined below), do not receive Final Court Approval (as defined below), in which case the Parties shall revert back to their litigation positions prior to entering into this Stipulation. For the avoidance of doubt, the Parties agree that court approval of the Attorneys’ Fees and Expenses Application (as defined below) is not a condition precedent to the Settlement or Final Court Approval thereof.

8. Nothing in this Stipulation or the Settlement shall authorize, restrict, or limit the power and ability of the Board of the Company from making future grants of equity to any officer, director, or employee of the Company, or otherwise providing compensation to any officer, director, or employee of the Company,

including the Individual Defendants, except as set forth in the Corporate Governance provisions hereof. All Parties reserve all rights with respect to any future awards of equity or other compensation to any officer, director, or employee of the Company.

### **SUBMISSION AND APPLICATION TO THE COURT**

9. As soon as practicable, Plaintiff's Counsel shall submit this Stipulation together with its Exhibits to the Court, and the Parties shall apply jointly for entry of an order (the "Scheduling Order"), substantially in the form attached hereto as Exhibit A, providing for, among other things: (i) approval of the form and content of the proposed notice of the Settlement; and (ii) a date for the final settlement hearing (the "Settlement Hearing"). At the Settlement Hearing, the Parties shall jointly request that the Final Order and Judgment (the "Judgment") be entered substantially in the form attached as Exhibit B. The Parties agree jointly to seek the scheduling of the Settlement Hearing to take place no earlier than sixty (60) days from provision of notice in accordance with paragraph 10.

### **NOTICE**

10. The Company shall be responsible for providing Notice of the Settlement in the form and manner directed by the Court (when approved by the Court, the "Notice"), substantially in the form attached hereto as Exhibit C. Defendants or their insurer(s) shall cause to be paid all costs and expenses incurred in providing the Notice, including any costs and expenses associated with any

additional copies of the Notice requested by record holders of the Company's common stock (whether for purpose of providing the Notice to beneficial owners or otherwise).

### **EFFECTIVE DATE/FINAL COURT APPROVAL**

11. The "Effective Date" of the Settlement shall be the first date by which the Court has entered the Judgment and such Judgment has received "Final Court Approval." "Final Court Approval" of any Court Order shall mean (i) if no appeal is filed, the expiration date of the time for filing or noticing of any appeal of the Judgment; or (ii) if there is an appeal from the Judgment, the date of (a) final dismissal of all such appeals, or the final dismissal of any proceeding on certiorari or otherwise to review the Judgment, or (b) the date the Judgment is finally affirmed on appeal, the expiration of the time to file a petition for a writ of certiorari or other form of review, or the denial of a writ of certiorari or other form of review of the Judgment, and, if certiorari or other form of review is granted, the date of final affirmance of the Judgment after such review. However, any appeal or proceeding seeking subsequent judicial review pertaining solely to an order issued with respect to attorneys' fees or expenses and/or an incentive award payable to Plaintiff shall not in any way delay the Effective Date of the Settlement.

## **INTERIM INJUNCTION**

12. Subject to an order of the Court, pending final determination of whether the Settlement should be approved, Plaintiff and all the Company Stockholders will be barred and enjoined, to the maximum extent permitted under law, from commencing, prosecuting, instigating, or in any way participating in the commencement or prosecution of any action asserting any of Plaintiff's Released Claims as defined herein, either directly, representatively, derivatively, or in any other capacity, against the Defendant Releasees, and all pending deadlines in any and all such actions shall be suspended.

## **ATTORNEYS' FEES AND EXPENSES**

13. The Parties did not discuss attorneys' fees before finalizing the substantive terms of this Stipulation. Defendants acknowledge that Plaintiff's Counsel is entitled to a fee award. Plaintiff's Counsel intends to apply for an award of fees and reimbursement of Plaintiff's attorneys' expenses, with such award to be paid by STCN and/or Defendants' directors' and officers' liability insurance carriers. STCN has agreed to pay Plaintiff's Counsel \$2,050,000 for fees and expenses, contingent on Court approval. Plaintiff and Plaintiff's Counsel shall apply for an award up to that agreed amount (the "Attorneys' Fees and Expenses Application"), and Defendants will not oppose the Attorneys' Fees and Expenses

Application. The Court's disposition of the application for an award of fees and reimbursement of expenses shall not affect the validity of the Settlement.

14. Plaintiff's Counsel's fee award shall be paid within ten (10) calendar days after the latest of (i) the Effective Date, (ii) the exhaustion of any appeals from the order awarding fees or the expiration of time to appeal, and (iii) the date on which Plaintiff's Counsel provides to Defendants' Counsel written payment and wire instructions, which are verbally confirmed, and a signed W-9 reflecting a valid taxpayer identification number for the account into which the fee award is to be deposited. For the avoidance of doubt, in no circumstance shall any Individual or Institutional Defendant be required to pay any portion of Plaintiff's attorneys' fees or expenses. Any award of fees and expenses to Plaintiff's Counsel shall be separate and apart from the Settlement Payment.

15. An award of attorneys' fees or expenses to Plaintiff or Plaintiff's Counsel is not a necessary term of the Settlement and shall not be a condition of the Settlement. Neither Plaintiff nor Plaintiff's Counsel may cancel or terminate the Settlement based on the Court's or any appellate court's ruling on attorneys' fees or expenses or incentive awards to Plaintiff.

16. Additionally, Plaintiff's Counsel may request that the Court allocate a portion of the amount awarded pursuant to the Attorneys' Fees and Expenses Application fee and expense award to Plaintiff as an incentive award in consideration



of Plaintiff's time and effort in connection with the prosecution of Plaintiff's claims on behalf of the Company and its stockholders. Any amount so allocated shall come out of the amount awarded under the Attorneys' Fees and Expenses Application, and shall not increase the agreed amount of that application. No portion of the amount awarded shall be allocated or paid to Plaintiff except insofar as the Court expressly approves such a payment, and then, only in the amount approved by the Court.

17. Except as provided in this Stipulation, the Defendant Releasees and STCN shall bear no other expenses, costs, damages, or fees alleged or incurred by any of Plaintiff's Counsel, or by Plaintiff, or by any of any Plaintiff's attorneys, experts, advisors, agents, or representatives in connection with the Action, the Settled Claims, or the Settlement. The Plaintiff Releasees shall bear no expenses, costs, damages, or fees alleged or incurred by any Defendant, or by any of any Defendants' attorneys, experts, advisors, agents or representatives in connection with the Action, the Settled Claims, or the Settlement.

### **TERMINATION**

18. If the Court declines to enter the Judgment, or if the Judgment is entered but reversed on appeal, any Party may terminate the Settlement by filing with the Court and serving all other parties with a written notice of the Party's election to withdraw from and terminate the Settlement.

19. In the event that any final injunction, decision, order, judgment, determination, or decree is entered or issued by any court or governmental entity prior to Final Court Approval (as defined below) of this Stipulation and the Settlement embodied herein that would make consummation of the Settlement in accordance with the terms of this Stipulation unlawful or that would restrain, prevent, enjoin, or otherwise prohibit consummation of the Settlement, any Party may terminate the Settlement by filing with the Court and serving all other parties with a written notice of the Party's election to withdraw from and terminate the Settlement. In addition, in the event that any preliminary or temporary injunction, decision, order, determination, or decree (an "Interim Order") is entered or issued by any court or governmental entity prior to Final Court Approval (as defined below) of this Stipulation and the Settlement that would restrain, prevent, enjoin, or otherwise prohibit consummation of the Settlement, then, notwithstanding anything herein to the contrary, the Parties shall have no obligation to consummate the Settlement unless and until such Interim Order expires or is terminated or modified in a manner such that consummation of the Settlement in accordance with the terms of this Stipulation would no longer be restrained, prevented, enjoined, or otherwise prohibited.

20. In the event that the Settlement is terminated pursuant to the terms of this Stipulation or the Effective Date of the Settlement otherwise fails to occur, then:

(i) this Stipulation, and the Settlement, including without limitation the releases under Paragraph 6 above, shall be null and void; (ii) the fact of the Settlement and the contents of this Stipulation shall not be admissible in any trial of the Action; (iii) the Parties shall be deemed to have returned to their respective litigation positions in the Action immediately prior to the date of execution of the Stipulation; and (iv) the Parties shall proceed in all respects as if this Stipulation and any related orders had not been entered.

### **ENTIRE AGREEMENT**

21. This Stipulation and its Exhibits constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all written or oral communications, agreements, or understandings that may have existed prior to the execution of this Stipulation. No representations, warranties, or statements of any nature whatsoever, whether written or oral, 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.

### **CONSTRUCTION**

22. This Stipulation shall be construed in all respects as jointly drafted and shall not be construed, in any way, against any Party on the ground that the Party or its counsel drafted this Stipulation.

23. Headings have been inserted for convenience only and will not be used in determining the terms of this Stipulation.

### **GOVERNING LAW; CONTINUING JURISDICTION**

24. This Stipulation and the Settlement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to Delaware's principles governing choice of law. The Parties irrevocably and unconditionally (i) consent to submit to the sole and exclusive jurisdiction of the Court of Chancery of the State of Delaware for any litigation arising out of or relating in any way to this Stipulation or the Settlement (or if subject-matter jurisdiction is lacking, to the Superior Court of the State of Delaware); (ii) agree that any dispute arising out of or relating in any way to this Stipulation or the Settlement shall not be litigated or otherwise pursued in any forum or venue other than any such court; (iii) waive any objection to the laying of venue of any such litigation in any such court; (iv) agree not to plead or claim in any such court that such litigation brought therein has been brought in any inconvenient forum; and (v) expressly waive any right to demand a jury trial as to any such dispute.

### **AMENDMENTS**

25. This Stipulation may be modified or amended only by a writing, signed by the Parties (or their duly authorized counsel), that refers specifically to this Stipulation.

### **SETTLEMENT NOT AN ADMISSION**

26. The provisions contained in the Settlement and this Stipulation shall not be deemed a presumption, concession, or admission by any Party to this Stipulation of any fault, liability, or wrongdoing, or any infirmity or weakness of any claim or defense, as to any facts or claims (including the Settled Claims) that have been or might be alleged or asserted in the Action, or any other action or proceeding that has been, will be, or could be brought, and shall not be interpreted, construed, deemed, invoked, offered, or received in evidence or otherwise used by any person in the Action, or in any other action or proceeding, whether civil, criminal, or administrative, for any purpose other than as permitted by applicable court rules and rules of evidence.

### **BINDING EFFECT**

27. This Stipulation shall be binding upon and inure to the benefit of the Parties hereto and their respective agents, executors, heirs, successors, and assigns.

### **COUNTERPARTS**

28. This Stipulation may be executed in one or more counterparts, each of which when so executed and delivered shall be deemed to be an original but all of which together shall constitute one and the same instrument.

### **AUTHORITY**

29. This Stipulation will be executed by counsel for each of the Parties, each of whom represents and warrants that they have the authority from their client(s) to enter into this Stipulation and bind their clients hereto.

**OWNERSHIP OF SHARES; NON-ASSIGNMENT OF CLAIMS**

30. Plaintiff represents and warrants that he has been a stockholder of the Company at all relevant times, continually to the present, that as of the date hereof he continues to hold stock in the Company, and that he shall continue to hold such stock in the Company through the Effective Date. Plaintiff further represents that he has not assigned the claims asserted in the Action, or any of the Plaintiff's Released Claims, to any person.

**NO WAIVER**

31. 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 on the strict performance of any and all of the provisions of this Stipulation to be performed by such other Party. No waiver, express or implied, by any Party of any breach or default in the performance by the other Party of its obligations under this Stipulation shall be deemed or construed to be a waiver of any other breach, whether prior, subsequent, or contemporaneous, under this Stipulation.

**CONFIDENTIALITY**

32. Plaintiff, Defendants, and their counsel agree, to the extent permitted by law, that all agreements made before and during the course of the Action relating to confidentiality of information shall survive this Stipulation.

**IN WITNESS WHEREOF**, the undersigned Parties, by and through their respective counsel, have executed this Stipulation as of the date set forth above.

*[Signature page follows]*

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IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

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DONALD REITH, individually and on  
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-and-

STEEL CONNECT, INC., a Delaware  
Corporation,

Nominal Defendant.  
\_\_\_\_\_

C.A. No. 2018-0277-MTZ

**SCHEDULING ORDER**

WHEREAS, the parties to the above-captioned action (the “Action”) have entered into a Stipulation and Agreement of Compromise, Settlement, and Release, dated February 18, 2022 (the “Stipulation”), which sets forth the terms and conditions for the proposed settlement and dismissal of the Action, subject to review and

approval by this Court pursuant to Court of Chancery Rules 23 and 23.1 and upon notice to the stockholders of nominal defendant Steel Connect, Inc. (the “Company”) as of February 18, 2022;

**NOW**, upon application of the parties, after review and consideration of the Stipulation filed with the Court.

**IT IS HEREBY ORDERED** this \_\_\_ day of \_\_\_\_, 2022, as follows:

1. Except for terms defined herein, the Court adopts and incorporates the definitions in the Stipulation for the purposes of this order.

2. A hearing (the “Settlement Hearing”) shall be held on \_\_\_\_\_, 2022, at \_\_:\_\_.m. in the Court of Chancery [via Zoom videoconferencing system/in the Leonard L. Williams Justice Center, 500 North King Street, Wilmington, Delaware 19801], to: (a) determine whether the proposed Settlement, on the terms and conditions provided for in the Stipulation, is fair, reasonable, adequate, and in the best interests of the Company and the Company Stockholders and should be approved by the Court; (b) determine whether Plaintiffs and Plaintiff’s counsel have adequately represented Plaintiff, the Company, and the Company Stockholders; (c) determine whether the Court should enter an Order and Final Judgment as provided in the Stipulation and approving the release of the Released Claims; (d) hear the application by Plaintiff’s counsel for an award of attorneys’ fees and reimbursement

of litigation expenses; and (e) rule on such other matters as the Court may deem appropriate.

3. The Court reserves the right to adjourn the Settlement Hearing or any adjournment thereof, including the consideration of the application for attorneys' fees, without further notice of any kind other than oral announcement at the Settlement Hearing or any adjournment thereof.

4. The Court reserves the right to approve the Settlement at or after the Settlement Hearing with such modification(s) as may be consented to by the Parties to the Stipulation and without further notice to the Company Stockholders.

5. The Court approves, in form and content, the Notice of Pendency of Derivative and Class Action, Proposed Settlement of Derivative and Class Action, Settlement Hearing, and Right to Appear (the "Notice") substantially in the form attached as Exhibit C to the Stipulation.

6. Within ten (10) business days after the date of this Order, the Company shall cause the Notice to be sent to all company stockholders of record as of the close of business on the date that the Stipulation is filed with the Court and as shown on the stock records maintained by or on behalf of the Company. All Company stockholders of record who are not also the beneficial owners of the shares of the Company's common stock held by them of record shall be requested to forward the Notice to such beneficial owners of those shares. The Company shall use

reasonable efforts to give notice to such beneficial owners by making additional copies of the Notice available to any record holder who, prior to the Settlement Hearing, requests it for distribution to beneficial owners.

7. Within five (5) business days after the date of this Order, the Company shall publish the Stipulation and the Notice in a location on the Company's public website.

8. The form and method of notice herein is the best notice practicable and constitutes due and sufficient notice of the Settlement Hearing to all persons entitled to receive such a notice. Counsel for the Company shall file with the Court an appropriate affidavit with respect to the preparation and mailing of the Notice, and publication of the Stipulation and Notice on the Company's website, at least ten (10) business days prior to the Settlement Hearing described herein.

9. All proceedings in the Action, other than such proceedings as may be necessary to carry out the terms and conditions of the Settlement, are hereby stayed and suspended until further order of the Court. Pending final determination of whether the Settlement should be approved, Plaintiff and the Company Stockholders are barred and enjoined from commencing or prosecuting any action asserting any Released Claims as defined in the Stipulation.

10. Any Company Stockholder who objects to the Settlement, the Order and Final Judgment to be entered in the Action, and/or Plaintiff's counsels'

applications for attorneys' fees, or who otherwise wishes to be heard, may appear in person or by such person's attorney at the Settlement Hearing and present evidence or argument that may be proper and relevant. However, except for good cause shown, no person shall be heard and no papers, briefs, pleadings, or other documents submitted by any person shall be considered by the Court unless not later than fourteen (14) calendar days prior to the Settlement Hearing such person files with the Court and serves upon counsel listed below: (a) a written notice of intention to appear; (b) a statement of such person's objections to any matters before the Court; (c) the grounds for such objections and the reasons that such person desires to appear and be heard; and (d) documentation evidencing ownership of Company stock and any other documents or writings such person desires the Court to consider. Such filings shall be served upon the following counsel:

MCCARTER & ENGLISH, LLP  
Andrew S. Dupre  
Travis Ferguson  
405 North King Street, 8th Floor  
Wilmington, DE 19081  
(302) 984-6300  
*Attorneys for Plaintiffs*

RICHARDS, LAYTON & FINGER, P.A.  
Richard P. Rollo  
Matthew D. Perri  
920 North King Street  
Wilmington, DE 19801  
(302) 651-7700  
*Attorneys for Defendants Jeffrey J.  
Fenton and Jeffrey S. Wald*

ABRAMS & BAYLISS LLP  
John M. Seaman  
Eric A. Veres  
20 Montchanin Road, Suite 200  
Wilmington, Delaware 19807  
(302) 778-1000  
*Attorneys for Defendants Warren G. Lichtenstein, Glen M. Kassan, William T. Fejes, Jr., Jack L. Howard, Steel Partners Holdings L.P., and SPH Group Holdings LLC*

WILKS LAW LLC  
Andrea S. Brooks  
4250 Lancaster Pike, Suite 200  
Wilmington, DE 19805  
(302) 225-0850  
*Attorneys for Nominal Defendant Steel Connect, Inc.*

and filed with the Register in Chancery.

11. Unless the Court otherwise directs, no person shall be entitled to object to the approval of the Settlement, any judgment entered thereon, the adequacy of the representation of the Company or its stockholders by Plaintiff and Plaintiff's counsel, or any award of attorneys' fees, or otherwise be heard, except by serving and filing a written objection and supporting papers and documents as described in Paragraph 10. Any person 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 or any other action or proceeding.

12. Plaintiff shall file and serve his opening brief in support of the Settlement and his application for attorneys' fees and expenses no later than thirty (30) calendar days prior to the Settlement Hearing. Any objections to the Settlement and/or application for attorneys' fees and expenses shall be filed and served no later than fourteen (14) calendar days prior to the Settlement Hearing. Plaintiff and/or

Defendants may file a brief in further support of the Settlement or Plaintiff's counsel's application for attorneys' fees and expenses and to respond to any objections, if necessary, no later than seven (7) business days prior to the Settlement Hearing.

13. If the Settlement, including any amendment made in accordance with the Stipulation, is not approved by the Court or shall not become effective for any reason whatsoever, the Settlement (including any modification thereof made with the consent of the Parties as provided for in the Stipulation), and any actions taken or to be taken in connection therewith (including this Order and any judgment entered herein) shall be terminated and become void and of no further force and effect, except for the obligation of the Company to pay for any expenses incurred in connection with the Notice and administration provided for by this Scheduling Order. In that event, neither the Stipulation nor any provision contained in the Stipulation, any action undertaken pursuant thereto, or the negotiation thereof by any party shall be deemed an admission or received as evidence in this or any other action or proceeding.

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Vice Chancellor Morgan T. Zurn



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

\_\_\_\_\_  
DONALD REITH, individually and on )  
behalf of all others similarly situated, )  
) )  
Plaintiff, )  
) )  
v. )  
) )  
WARREN G. LICHTENSTEIN, GLEN )  
M. KASSAN, WILLIAM T. FEJES, JR., )  
JACK L. HOWARD, JEFFREY J. )  
FENTON, PHILIP E. LENGYEL, )  
JEFFREY S. WALD, STEEL )  
PARTNERS HOLDINGS L.P., STEEL )  
PARTNERS, LTD., SPH GROUP )  
HOLDINGS LLC, HANDY & )  
HARMAN LTD., and WHX CS CORP., )  
) )  
Defendants, )  
) )  
-and- )  
) )  
STEEL CONNECT, INC., a Delaware )  
Corporation, )  
) )  
Nominal Defendant. )  
\_\_\_\_\_

C.A. No. 2018-0277-MTZ

**ORDER AND FINAL JUDGMENT**

A hearing having been held before this Court on \_\_\_\_\_, 2022, pursuant to this Court’s Scheduling Order, dated February \_\_, 2022 (the “Scheduling Order”), and upon a Stipulation and Agreement of Compromise, Settlement, and

Release, dated February 18, 2022 (the “Stipulation”) outlining a settlement of the above-captioned action (the “Action”), which is incorporated herein by reference, the parties having appeared through their attorneys of record, the Court having heard and considered the submissions and evidence presented in support of the proposed Settlement, Plaintiff’s counsel having made an application for an award of attorneys’ fees and expenses, the opportunity to be heard having been given to all other persons requesting to be heard in accordance with the Scheduling Order, the Court having determined that Notice was adequate and sufficient, and the entire matter of the proposed Settlement having been heard and considered by the Court;

**IT IS HEREBY ORDERED, ADJUDGED AND DECREED** this \_\_\_ day of \_\_\_\_\_, 2022, as follows:

1. Unless otherwise defined herein, all defined terms shall have the meanings as set forth in the Stipulation and the Scheduling Order.
2. The Court has jurisdiction over the subject matter of the Action, and all matters relating to the Settlement of the Action, as well as personal jurisdiction over all of the Parties and the “Company Stockholders,” and it is further determined that the Parties and the Company Stockholders, as well as their transferees, heirs, executors, successors, and assigns, are bound by this Order and Final Judgment (the “Judgment”).

3. The Notice has been given to all Company Stockholders as of February 18, 2022, pursuant to and in the manner directed by the Scheduling Order, proof of mailing and other dissemination and publication of the Notice was filed with the Court, and a full opportunity to be heard has been offered to all parties, Company Stockholders, and persons in interest. The Court finds that the form and means of the Notice was the best notice practicable under the circumstances and was given in full compliance with the requirements of Court of Chancery Rules 23 and 23.1 and due process of law and that all parties and Company Stockholders are bound by this Judgment.

4. The Court finds that the Plaintiff in the Action has held stock in the Company since April 13, 2005, otherwise has standing to prosecute the Action, and is an adequate representative of all Company Stockholders.

5. Based on the record in the Action, each of the provisions of Court of Chancery Rules 23 and 23.1 has been satisfied and the Action has been properly maintained according to the provisions of Court of Chancery Rules 23 and 23.1.

6. The Court finds that the Settlement is fair, reasonable, adequate, and in the best interests of the Company and the Company Stockholders.

7. For purposes of settlement only, the Court finds that the Action is a proper class action pursuant to Court of Chancery Rules 23(a), 23(b)(1), and 23(b)(2) in that: (a) the Class members are so numerous that that their joinder in the

Action would be impracticable; (b) there are questions of law and fact common to the Class; (c) the claims of Plaintiff are typical of claims of the Class; (d) in connection with both the prosecution of the Action and the Settlement, Plaintiff and Plaintiff's Counsel have fairly and adequately represented the interests of the Class; (e) the prosecution of separate actions by individual Class members would create a risk of inconsistent adjudications that would establish incompatible standards of conduct for Defendants, and, as a practical matter, the disposition of the Action would influence the disposition of any pending or future identical cases brought by other Class members; and (f) Defendants are alleged to have acted or refused to act on grounds generally applicable to the Class, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the Class as a whole. For purposes of settlement only, the Court hereby certifies a non-opt-out class (the "Class") consisting of:

All record holders and beneficial owners of STCN common stock and preferred stock who held such stock at any time between and including December 15, 2017 and February 18, 2022 with standing to assert Plaintiff's Released Claims (defined in the Stipulation of Settlement) including any and all of their respective successors-in-interest, successors, predecessors-in-interest, predecessors, representatives, trustees, executors, administrators, estates, heirs, transferees, and assigns, immediate and remote, and any Person acting for or on behalf of, or claiming under, any of them, and each of them, together with their respective successors-in-interest, successors, predecessors-interest, predecessors, transferees, and assigns, in their capacities as such only.

8. Pursuant to Court of Chancery Rules 23 and 23.1, this Court approves the Settlement in all respects, and the Parties are directed to consummate the Settlement in accordance with the terms of the Stipulation. The Register in Chancery is directed to enter and docket this Judgment.

9. Upon entry of this Order and Final Judgment, all Released Claims shall be fully, finally, and forever released, relinquished, settled, extinguished, discharged, and dismissed with prejudice; provided, however, that the Released Claims shall not include any claims to enforce the Settlement.

10. The Action is hereby dismissed with prejudice as to all Defendants and as to the Company, and against Plaintiff and all Company Stockholders. The parties are to bear their own attorneys' fees and costs, except as otherwise provided in paragraphs 10 and 11 below or as otherwise provided in the Stipulation and the Scheduling Order.

11. Neither this Order and Final Judgment, the Settlement, nor any act or omission in connection therewith shall be deemed or argued to be evidence of or to constitute a presumption, concession, or admission by Defendants of any breach of duty, liability, fault, or wrongdoing as to any facts or claims alleged or asserted in the Action, or in any other actions or proceedings, and shall not be interpreted, construed, deemed, invoked, offered, received in evidence, or otherwise used in the Action or any other action or proceeding of any nature whatsoever except

to enforce the Stipulation and Settlement. Neither the existence of the Settlement, the Stipulation, nor any provisions contained therein shall be deemed a concession or admission by Plaintiff that this Action lacks merit.

12. Plaintiff's counsel are hereby awarded attorneys' fees in the amount of \$ \_\_\_\_\_, inclusive of expenses, which amount the Court finds to be fair and reasonable and which shall be paid by the Company or its insurers as set forth in the Stipulation. Plaintiff is hereby awarded an incentive fee in the amount of \$ \_\_\_\_\_ in consideration of Plaintiff's time and effort in connection with the prosecution of Plaintiff's claims on behalf of the Company and its stockholders, which amount shall be allocated out of the fee and expense award to Plaintiff's Counsel.

13. The effectiveness of the Order and Final Judgment and the obligations of Plaintiff, Plaintiff's counsel, and Defendants under the Settlement shall not be conditioned upon or subject to the resolution of any appeal that relates solely to the issue of Plaintiff's or Plaintiff's counsel's application for an award of attorneys' fees and expenses or incentive awards for Plaintiff.

14. The Court further orders, adjudges, and decrees that all other relief be, and is hereby, denied, and that this Order and Final Judgment disposes of all the claims and all the parties in the above-styled and numbered action.

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Vice Chancellor Morgan T. Zurn

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

DONALD REITH, individually and  
on behalf of all others similarly  
situated,

Plaintiff,

v.

WARREN G. LICHTENSTEIN, GLEN  
M. KASSAN, WILLIAM T. FEJES,  
JR., JACK L. HOWARD, JEFFREY J.  
FENTON, PHILIP E. LENGYEL,  
JEFFREY S. WALD, STEEL  
PARTNERS HOLDINGS L.P., STEEL  
PARTNERS, LTD., SPH GROUP  
HOLDINGS LLC, HANDY &  
HARMAN LTD., and WHX CS  
CORP.,

Defendants,

-and-

STEEL CONNECT, INC., a Delaware  
Corporation,

Nominal Defendant.

C.A. No. 2018-0277-MTZ

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

**TO:** ALL RECORD HOLDERS AND BENEFICIAL OWNERS OF  
SHARES OF COMMON STOCK OF STEEL CONNECT, INC. WHO

OWNED SHARES BETWEEN AND INCLUDING DECEMBER 15, 2017 AND FEBRUARY 18, 2022

IF YOU HELD COMMON STOCK FOR THE BENEFIT OF ANOTHER, PLEASE PROMPTLY TRANSMIT THIS NOTICE TO SUCH BENEFICIAL OWNER.

This Notice of Pendency of Derivative and Class Action, Proposed Settlement of Derivative and Class Action, Settlement Hearing, and Right to Appear (the “Notice”) relates to a proposed settlement (the “Settlement”) of the above-captioned action (the “Action”) pending in the Court of Chancery of the State of Delaware (the “Court”).

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.  
YOUR RIGHTS WILL BE AFFECTED BY THE ACTION.**

A Stipulation and Agreement of Compromise, Settlement, and Release (the “Stipulation”)<sup>1</sup> was entered into as of February 18, 2022 among (i) Plaintiff Donald D. Reith (the “Plaintiff”); (ii) Warren G. Lichtenstein (“Lichtenstein”), Glen M. Kassan (“Kassan”), William T. Fejes, Jr. (“Fejes”), Jack L. Howard (“Howard”), Jeffrey J. Fenton (“Fenton”), Jeffrey S. Wald (“Wald”) (collectively, the “Individual Defendants”), Steel Partners Holdings L.P. (“Steel Holdings”), SPH Group Holdings LLC<sup>2</sup>; and (iii) nominal defendant Steel Connect, Inc. (“STCN” or the “Company” and together with the Individual and Institutional Defendants, the “Defendants,” and the Defendants and Plaintiff together, the “Parties”). The Settlement set forth in the Stipulation is contingent on its approval by the Court.

**Please note:** Although the Action was brought as a class and derivative action, the only remaining claims after the Court’s ruling on the motions to dismiss were derivative, except for a disclosure claim. Thus, the benefits from the Settlement will go to the Company, as the remaining claims are asserted on its behalf. Individual class members will not receive any direct payment from the Settlement. Also, please

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<sup>1</sup> The capitalized terms used in this Notice and not otherwise defined are defined in the Stipulation. A copy of the Stipulation, including Exhibits, is available at <https://ir.steelconnectinc.com/investor-information>.

<sup>2</sup> Steel Holdings and SPH Group Holdings are referred to as the “Institutional Defendants.” The Individual Defendants and the Institutional Defendants are referred to as the “Individual and Institutional Defendants.”



note that there is no proof of claim form for stockholders to submit in connection with this Settlement, and stockholders are not required to take any action in response to this Notice.

WHAT IS THE PURPOSE OF THIS NOTICE?

1. This Notice is provided to STCN stockholders pursuant to an order of the Court. This is not a solicitation from a lawyer. The purpose of this Notice is to inform you about the pendency of the Action, which was brought by the Plaintiff on behalf of and for the benefit of the Company and its stockholders, the proposed Settlement, a hearing on the proposed Settlement (the “Settlement Hearing”), and your right, among other things, to participate in the Settlement Hearing.

2. Pursuant to the Court’s Scheduling Order, the Settlement Hearing will be held on \_\_\_\_\_, 2022, at \_\_\_\_\_ a.m/p.m., before the Honorable Morgan T. Zurn, [via Zoom videoconferencing system/at Leonard L. Williams Justice Center, 500 North King Street, Wilmington, Delaware 19801] (or at such a date and time as the Court may direct without further notice), to: (i) determine whether the Plaintiff and the Plaintiff’s counsel have adequately represented the interests of STCN and its stockholders; (ii) determine whether the proposed Settlement, as set forth in the Stipulation, should be approved by the Court as fair, reasonable, adequate, and in the best interests of the Company and its stockholders; (iii) determine whether an order and judgment should be entered approving the Settlement and dismissing the Action with prejudice, releasing, barring, and enjoining prosecution of Plaintiff’s Released Claims (as summarized in paragraph 29 below), upon the terms and conditions set forth in the Stipulation; (iv) hear and determine any objections to the Settlement; (v) hear and determine the application for an award of fees and expenses as summarized in paragraph 31 below; and (v) hear other such matters as the Court may deem necessary and appropriate.

3. The Court has reserved the right to adjourn and reconvene the Settlement Hearing without further notice to you other than by announcement at the Settlement Hearing or any adjournment thereof. The Court has further reserved the right to approve the Settlement, at or after the Settlement Hearing, with such modifications as may be consented to by the Parties to the Stipulation and without further notice of any kind.

## WHAT IS THIS CASE ABOUT?

4. **THE FOLLOWING RECITATION DOES NOT CONSTITUTE FINDINGS OF THE COURT AND SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY CLAIMS OR DEFENSES BY ANY OF THE PARTIES. IT IS BASED ON STATEMENTS OF THE PARTIES AND IS SENT FOR THE SOLE PURPOSE OF INFORMING YOU OF THE EXISTENCE OF THE ACTION AND OF THE PROPOSED SETTLEMENT OF THE ACTION SO THAT YOU MAY MAKE APPROPRIATE DECISIONS AS TO STEPS YOU MAY, OR MAY NOT, WISH TO TAKE IN RELATION TO THE ACTION.**

5. Plaintiff is a stockholder of STCN. The Individual Defendants were members of STCN's Board of Directors at the time of some or all of the events alleged in the Complaint.

6. Plaintiff filed the Complaint on April 13, 2018. The Complaint sought relief derivatively on behalf of STCN and directly on behalf of the stockholders of STCN.

7. The Complaint alleges, among other things, that:

(i) Steel Holdings is a controlling stockholder of the Company;

(ii) Individual Defendants breached their fiduciary duties when, effective December 15, 2017, they approved the sale of 35,000 shares of newly created Series C Convertible Preferred Stock to Steel Holdings for \$1,000 per share, for an aggregate purchase price of \$35 million (the "Preferred Stock Transaction") and caused STCN to issue a total of 5.5 million shares of common stock and restricted stock as equity grants to three directors affiliated with Steel Holdings (the "Equity Grants") for the purpose of entrenching Steel Holdings and increasing its control of the Company by approving transactions that provided Steel Holding's majority control at an unfair price and appointing two additional directors to the Board who lack independence from Steel Holdings;

(iii) Individual Defendants breached their fiduciary duties by filing and seeking stockholder action on the basis of a materially false and

misleading Proxy Statement dated March 19, 2018 filed as Schedule 14A with the SEC (the “2017 Proxy”);

(iv) Individual Defendants breached their fiduciary duties by approving and/or accepting a stock award in violation of the terms of the Company’s stockholder-approved 2010 Incentive Award Plan (the “2010 Plan”); and

(v) Institutional Defendants aided and abetted the Individual Defendants’ breaches of fiduciary duties by causing the Board to approve the Preferred Stock Transaction and the Equity Grants for Steel Holding’s benefit.

8. The Complaint sought the following, among other, relief:

(i) A finding that the Equity Grants were not authorized by the 2010 Plan;

(ii) An order for rescission of 2018 amendments to the 2010 Plan and of the 1,450,000 shares granted to Lichtenstein, Howard, and Fejes contingent on those amendments;

(iii) An order for disgorgement of any compensation, stock, or Company property wrongfully obtained;

(iv) A finding that the 2017 Proxy was false and misleading;

(v) An award for the Company and/or the stockholders of the amount of damages it sustained as a result of Defendants’ alleged breaches of fiduciary duties and waste of corporate assets; and

(v) An award for Plaintiff of the costs, expenses, and disbursements of the action, including any attorneys’ and experts’ fees and, if applicable, pre-judgment and post-judgment interest.

9. Before bringing the Complaint, Plaintiff and his counsel obtained from the Company books and records under Section 220 of the Delaware General Corporation Law.

10. On June 8, 2018, Defendants moved to dismiss the Complaint.

11. On June 28, 2019, the Court issued a Memorandum Opinion granting in part and denying in part the motions to dismiss. The Court denied Defendants' motions to dismiss with respect to the following claims: (1.) the derivative breach of fiduciary duty claims concerning the Preferred Stock against Lichtenstein, Kassan, Fejes, Howard; (2.) the derivative breach of fiduciary duty claims concerning the Equity Grants against the Individual Defendants; (3.) the derivative breach of fiduciary duty claim against Steel Holdings; (4.) the direct breach of fiduciary duty claims concerning the disclosures in the Proxy against the Individual Defendants; (5.) the unjust enrichment claims concerning the Equity Grants against Steel Holdings, Lichtenstein, Fejes, and Howard; and (6.) the unjust enrichment claims concerning the Preferred Stock against Steel Holdings and SPH Group Holdings LLC.

12. The Court dismissed: (1) all direct claims, except for the disclosure claim; (2) the derivative breach of fiduciary duty claims concerning the Preferred Stock against Fenton, Lengyel, and Wald; (3) the aiding and abetting claims; (4) the unjust enrichment claims concerning the Equity Grants against SPH Group Holdings LLC; and (5) the unjust enrichment claims with respect to the Preferred Stock against Lichtenstein, Fejes, and Howard. The Court dismissed Steel Partners, LTD., Handy & Harman Ltd., and WHX CS Corp in their entirety.

13. On September 6, 2019, the Individual and Institutional Defendants filed answers to the Complaint, denying any liability and asserting various affirmative defenses.

14. Plaintiff's Counsel obtained and reviewed extensive document discovery produced or served in the Action.

15. Following an analysis of the strengths and weaknesses of the Action, including review and analysis of the discovery received, Plaintiff and Plaintiff's Counsel believe that the settlement consideration reflected below provides the Company and its stockholders with substantial benefits that address each of the claims in the Complaint—to the extent such claims were not dismissed.

16. At all times, each of the Individual and Institutional Defendants has denied, and continues to deny, the allegations of wrongdoing in the Complaint, including that he or it committed a breach of a fiduciary duty.

17. Each of the Individual and Institutional Defendants expressly maintains that he or it has at all times complied with his or its fiduciary and other legal duties.

18. On \_\_\_\_\_, 2022, the Court entered the Scheduling Order scheduling the Settlement Hearing; staying and suspending all proceedings in the Action, other than proceedings necessary to carry out the terms and conditions of the Stipulation and the Settlement, until further order of the Court; and enjoining the Plaintiff and all of the Company's stockholders from commencing or prosecuting any action asserting any Released Claims as defined in the Stipulation.

#### WHY ARE THE PARTIES SETTLING?

19. Plaintiff and Plaintiff's Counsel have determined that the terms of the Settlement are fair, reasonable, adequate, and in the best interests of the Company and its stockholders and that it is reasonable to pursue a settlement of the Action based upon those terms and the procedures outlined herein.

20. Defendants, solely to avoid the burden, expense, distraction, and uncertainties inherent in further litigation, and without admitting the validity of any allegations made in the Action, or acknowledging any liability with respect thereto, have concluded that it is desirable that the claims against them be settled on the terms reflected in the Stipulation.

21. Defendants maintain that they have not breached any fiduciary duty, have not engaged in any of the wrongful acts alleged in the Action, and expressly maintain that each of them diligently and scrupulously complied with his or its fiduciary and other legal duties, as applicable, and entered into the Stipulation solely to eliminate the burden and expense inherent in further litigation. Similarly, Plaintiff's entry into the Stipulation is not an admission as to the lack of merit of any of the claims asserted in the Action, or any admission of the validity of any of Defendants' defenses to liability. Each of the Parties recognizes and acknowledges, however, that the Action has been brought by the Plaintiff in good faith and defended by Defendants and the Company in good faith, and that the Action is being voluntarily settled with the advice of counsel.

#### WHAT ARE THE TERMS OF THE SETTLEMENT?

22. The terms and conditions of the Settlement are set forth in detail in the Stipulation, which has been filed with the Court. The Settlement is subject to and will become effective only upon approval by the Court. This Notice includes only

a summary of various terms of the Settlement, and it does not purport to be a comprehensive description of its terms, which are available for review as described.

23. Individual and Institutional Defendants shall cause their directors' and officers' liability insurance carriers to pay the amount of \$2,750,000 in cash (the "Settlement Payment") to STCN.

24. A total of 3.3 million shares of STCN common stock (consisting of the remaining 450,000 unvested shares and 2,850,000 vested shares), as adjusted to give effect to the one-for-ten reverse stock split approved by STCN's stockholders at the annual meeting on July 26, 2021 (if such reverse stock split is effected prior to the surrender of such shares) (the "Settlement Shares") have been or shall be surrendered by Individual Defendants Lichtenstein, Fejes and Howard to STCN and cancelled.

25. The Settlement was conditioned upon the STCN Board of directors approving, and the STCN Board has approved, the corporate governance matters set forth in Attachment A to the Stipulation. Those matters will remain in effect for at least until the earlier of (i) three (3) years after the effective date of the settlement, or (ii) such time as STCN ceases to be listed on NASDAQ or a national securities exchange.

26. The class certification and release set forth in paragraphs 27 and 29 below will occur.

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

27. If the Settlement is approved, the Court will enter an Order and Final Judgment (the "Judgment"). For purposes of settlement, the Court will certify a non-opt-out class (the "Class") consisting of all record holders and beneficial owners of STCN common stock and preferred stock who held such stock at any time between and including December 15, 2017 and February 18, 2022, with standing to assert Plaintiff's Released Claims (defined below), including any and all of their respective successors-in-interest, successors, predecessors-in-interest, predecessors, representatives, trustees, executors, administrators, estates, heirs, transferees, and assigns, immediate and remote, and any Person acting for or on behalf of, or claiming under, any of them, and each of them, together with their respective successors-in-interest, successors, predecessors-interest, predecessors, transferees, and assigns, in their capacities as such only.

28. Pursuant to the Judgment, the terms of settlement summarized in paragraphs 20 through 23 above will take effect.

29. Pursuant to the Judgment, the Action will be dismissed with prejudice and the following releases will bind the Parties and the Class:

**Plaintiff's Released Claims:** Plaintiff, STCN, and each and every member of the Class fully, finally, and forever release, settle, and discharge, and shall forever be enjoined from prosecuting, against the Individual and Institutional Defendants, all past and present officers and directors of STCN, any other of Defendants' past and present officers or directors, and any of their respective agents, representatives, estates, affiliates, direct and indirect parent and subsidiary entities, partners, members, insurers, reinsurers, and advisors, any and all claims, including unknown claims, that Plaintiff asserted in the complaint filed in the Action, or that STCN could have asserted directly, or that Plaintiff or any other STCN stockholder could have asserted derivatively on behalf of STCN or directly on the stockholder's own behalf, in any forum, based upon, arising out of, relating to, or concerning (which phrases are intended to be construed as broadly as permitted under applicable Delaware law as to the scope of releases provided in consideration for settlement of derivative or class claims) the matters alleged in the complaint filed in the Action, including without limitation (i) equity shares granted by STCN to Lichtenstein, Fejes and Howard, (ii) the December 2017 ModusLink/IWCO merger and the financing arrangements concurrent therewith, including the preferred stock transaction between STCN and SPH Group Holdings LLC; and (iii) the 2017 Proxy and the stockholder vote that followed it; provided, however, that the Release of Individual and Institutional Defendants shall not apply to any claims relating to the enforcement of the Settlement.

**Defendants' Released Claims:** The Individual and Institutional Defendants, on behalf of themselves, and their respective heirs, executors, administrators, predecessors, successors, and assigns in their capacities as such only, will fully, finally and forever release, settle, and discharge, and shall forever be enjoined from prosecuting, against Plaintiff, his respective counsel, and all

agents, representatives, estates, insurers, reinsurers, and advisors of any of the foregoing, any and all claims, including unknown claims, arising out of or relating to the 220 demand, or the commencement, prosecution or settlement of the Action, provided, however, that Defendants' Released Claims shall not include any claims relating to the enforcement of the Settlement.

**Release of Unknown Claims:** The releases summarized above include a provision expressly waiving provisions of law that may limit the release of unknown claims.

30. Pending final determination of whether the Settlement should be approved, all proceedings in the Action, other than such proceedings as may be necessary to carry out the terms and conditions of the Settlement, are stayed and suspended until further order of the Court. Pending final determination of whether the Settlement should be approved, Plaintiff and all STCN stockholders are barred and enjoined, to the maximum extent permitted under law, from commencing, prosecuting, instigating, or in any way participating in the commencement or prosecution of any action asserting any of Plaintiff's Released Claims as defined in the Stipulation, either directly, representatively, derivatively, or in any other capacity, and all pending deadlines in any and all such actions are suspended.

#### HOW WILL THE ATTORNEYS BE PAID?

31. The Parties did not discuss attorneys' fees before finalizing the substantive terms of the Settlement. After reaching agreement on the substantive terms of the Settlement, the Parties negotiated concerning the amount of fees and reimbursement of expenses to be awarded Plaintiff's counsel, with such award to be paid by STCN and/or Defendants' directors' and officers' liability insurance carriers. Plaintiff and Plaintiff's Counsel have agreed that they shall apply for an award of up to \$2,050,000 for fees and expenses, contingent on Court approval, and Defendants have agreed not to oppose that application. The Court's disposition of the application for an award of fees and reimbursement of expenses shall not affect the validity of the Settlement.

#### WHEN AND WHERE WILL THE SETTLEMENT HEARING BE HELD? DO I HAVE THE RIGHT TO APPEAR AT THE SETTLEMENT HEARING?



32. The Court will consider the Settlement and all matters related to the Settlement at the Settlement Hearing. The Settlement Hearing will be held on \_\_\_\_\_, 2022, at \_\_\_\_\_ a.m./p.m., before the Honorable Morgan T. Zurn, [via Zoom videoconferencing system/at Leonard L. Williams Justice Center, 500 North King Street, Wilmington, Delaware 19801] (or at such a date and time as the Court may direct without further notice).

33. At the Settlement Hearing, the Court will, among other things: (i) determine whether Plaintiff and Plaintiff's counsel have adequately represented the interests of STCN and its stockholders; (ii) determine whether the proposed Settlement, as set forth in the Stipulation, should be approved by the Court as fair, reasonable, adequate, and in the best interests of the Company and its stockholders; (iii) determine whether an order and judgment should be entered approving the Settlement and dismissing the Action with prejudice, releasing, barring, and enjoining prosecution of any and all of the released claims summarized in paragraph 29 above, upon the terms and conditions set forth in the Stipulation; (iv) hear and determine any objections to the Settlement; (v) hear and determine the application for an award of fees and expenses as summarized in paragraph 31 above; and (vi) hear other such matters as the Court may deem necessary and appropriate.

34. **Please note:** The Court has reserved the right to adjourn the Settlement Hearing at such hearing or any adjournment thereof, without further notice of any kind other than by oral announcement at the Settlement Hearing or any adjournment thereof. The Court has further reserved the right to approve the Settlement, at or after the Settlement Hearing, with such modifications as the Parties may agree to, without further notice to stockholders. You should monitor the Court's docket before making plans to attend the Settlement Hearing. You may also confirm the date and time of the Settlement Hearing by contacting Plaintiff's counsel as indicated in paragraph 35 below.

35. Any person or entity that owned Company common stock at any time on or after December 15, 2017 may object to the Settlement. Objections must be in writing and must be filed, together with copies of all other papers and briefs supporting the objection, with the Register in Chancery, Court of Chancery, 500 North King Street, Wilmington, Delaware 19801 no later than fourteen (14) days prior to the Settlement Hearing. Objections must also be served (by e-mail or hand, first class mail, or express service) on the counsel listed below such that they are ***received*** no later than fourteen (14) days prior to the Settlement Hearing:

Andrew S. Dupre  
Travis Ferguson  
MCCARTER & ENGLISH, LLP  
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Wilmington, DE 19801  
(302) 984-6300

*Attorneys for Plaintiff*

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Kassan, William T. Fejes, Jr., Jack L.  
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and SPH Group Holdings LLC*

Richard P. Rollo  
Matthew D. Perri  
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*Attorneys for Defendants  
Jeffrey J. Fenton and Jeffrey S. Wald  
Andrea S. Brooks  
WILKS LAW LLC  
4250 Lancaster Pike, Suite 200  
Wilmington, Delaware 19805  
(302) 225-0850*

*Attorneys for Nominal Defendant  
Steel Connect, Inc.*

36. Any objections must: (a) state the name of the objector and, if not represented by counsel, the address and telephone number of the objector, or if represented by counsel, the name, address, and telephone number of the objector's counsel; (b) be signed by the objector or the objector's counsel; (c) state that the

objection is being filed with respect to “*Reith v. Lichtenstein, et al.*, C.A. No. 2018-0277-MTZ”; (d) 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 (e) include documentation sufficient to stock ownership of STCN stock as of December 15, 2017.

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

38. Any STCN stockholder wishing to be heard orally at the Settlement Hearing is required to file and serve a timely written objection as described above, and must also serve a notice of intention to appear with the Register in Chancery (either electronically by File & Serve*Xpress*, by hand, or by overnight mail) and serve it on Plaintiff’s counsel and counsel for each of the Defendants at the addresses set forth in paragraph 35 above so that it is received no later than fourteen (14) days prior to the Settlement Hearing. 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 such 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.

39. 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 Plaintiff’s counsel and counsel for each of the Defendants at the addresses set forth in paragraph 35 above so that the notice is received no later than fourteen (14) days prior to the Settlement Hearing.

**40. Unless the Court orders otherwise, any person or entity who does not make his, her, or its objection in the manner described above shall be deemed to have waived his, her, or its right to object to any aspect of the proposed Settlement, and shall forever be barred and foreclosed from objecting to the fairness, adequacy, or reasonableness of the Settlement or from otherwise being heard concerning the Settlement in this or any other proceeding.**

**NOTICE TO PERSONS OR ENTITIES HOLDING SHARES OF  
COMMON STOCK OF STCN FOR THE BENEFIT OF OTHERS**

41. Brokerage firms, banks, and/or other persons or entities who hold shares of the stock of STCN for the benefit of others are hereby requested to promptly send this Notice to all of their respective beneficial owners. If additional copies of this Notice are needed for forwarding to such beneficial owners, any requests for such copies may be made to:

Jennifer Golembeske, Investor Relations

Phone: 914-461-1276

Email: [investorrelations@steelconnectinc.com](mailto:investorrelations@steelconnectinc.com)

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

42. This Notice does not purport to be a comprehensive description of the Action, the allegations related thereto, or the terms of the Settlement. For more detailed information about the matters involved in the Action, you may view the papers on file in the Action, including the Stipulation, during regular office hours at the Office of the Register in Chancery in the Court of Chancery of the State of Delaware, 500 North King Street, Wilmington, Delaware 19801. If you have questions regarding the Settlement, you may write Plaintiff's counsel at the addresses set forth in paragraph 35 above.

**PLEASE DO NOT TELEPHONE THE COURT OR THE REGISTER OF  
CHANCERY REGARDING THIS NOTICE.**

Dated: \_\_\_\_\_, 2022

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