

ABRAMS & BAYLISS LLP  
20 MONTCHANIN ROAD, SUITE 200  
WILMINGTON, DE 19807  
MAIN: 302-778-1000  
FAX: 302-778-1001

JOHN M. SEAMAN

DIRECT DIAL NUMBER  
302-778-1152  
SEAMAN@ABRAMSBAYLISS.COM

September 21, 2022

**VIA FILE & SERVEXPRESS & HAND DELIVERY**

The Honorable Morgan T. Zurn  
Court of Chancery  
Leonard L. Williams Justice Center  
500 N. King Street, Suite 11400  
Wilmington, DE 19801

**Re: *Reith v. Lichtenstein, et al.*, C.A. No. 2018-0277-MTZ**

Dear Vice Chancellor Zurn:

On behalf of the parties, including the Objector, we are pleased to inform the Court of a stipulated amendment to the Agreement of Compromise, Settlement and Release (Dkt. 154) that substantially and materially improves the proposed Settlement of this action for the benefit of the public stockholders (the “Amendment”) (Ex. A), and which eliminates the Objector’s opposition to the proposed Settlement. The parties greatly appreciate the Court’s patience and flexibility, which has allowed the parties the additional time necessary to complete their negotiations and maximize the value of the settlement to Steel Connect’s public stockholders.

The Amendment increases the cash compensation to be received by Steel Connect from \$2.75 million to \$3.0 million, and further provides for a direct distribution to Steel Connect's public stockholders of the \$3.0 million cash compensation in the event that the pending proposed merger involving Steel Connect (the "Merger") is approved and consummated, less any amount awarded by the Court to the Plaintiff, Objector and their respective counsel (the "Awards"), and less the out-of-pocket mailing and distribution expenses (not to exceed \$125,000, although Steel Connect believes the cost will be less than that) incurred by Steel Connect to make the distribution (the "Distribution").<sup>1</sup> Although not technically merger consideration, we estimate that the net effect of the proposed Amendment would be to increase the \$1.35 per share to be received by the public stockholders if the merger is approved by approximately 3.5 cents per share (or approximately 2.5 percent). This is on top of the value to all stockholders already contributed by the 3.3 million share surrender component of the settlement: \$4.45 million if valued at the \$1.35 merger price.

---

<sup>1</sup> The Amendment also contains a de minimis exception such that Steel Connect shall not be required to make the Distribution to any stockholder whose total proportionate share of the Distribution would be less than one dollar for all shares owned by such stockholder.

As a consequence of the Amendment, the Objector has agreed to withdraw his objection to the proposed Settlement and join the parties in their request that the Court approve the proposed Settlement at the Court's earliest convenience so that Steel Connect's public stockholders can receive notice of the improved proposed Settlement sufficiently in advance of the upcoming stockholder vote without undue delay occasioned by the need for supplemental disclosure.

The Distribution shall be to each holder of Eligible Shares (defined in Section 8.1(o) of the Merger Agreement), in proportion to the number of Eligible Shares held; except that shares beneficially owned by Defendants shall not be entitled to the distribution and shall not be counted for purposes of determining the recipients' proportionate share. Moreover, because shares held by Steel Holdings are not Eligible Shares, the Amendment effectively shifts Steel Holdings' derivative interest in approximately half of the Distribution to the public stockholders. This is the effective equivalent of an additional contribution to the settlement by Steel Holdings of approximately \$900,000 before taking into account any award of fees to Objector and his counsel and costs of making the distribution.<sup>2</sup>

---

<sup>2</sup> Plaintiff's counsel also has reduced its attorneys' fee request by \$650,000 to \$1.4 million. Dkt. 183 at 44.

Pursuant to the Amendment, Steel Connect will make the Distribution no later than the latest of (a) when the Per Share Cash Merger Consideration (defined in section 2.1(c)(i) of the Merger Agreement) is paid, (b) five business days after the Court has rendered a final decision on all of applications of an award of fees and expenses, and (c) five business days after the Settlement Payment has been released from escrow to Steel Connect.

The parties respectfully submit that the Amendment and the parties' supplemental submissions (Dkt. 179-183) adequately address the concerns previously expressed by the Court and provide ample support for the Court to approve the Settlement. The Amendment also addresses objector's argument that the Settlement Payment should be distributed to Steel Connect's public stockholders – and which does not challenge the fairness of the Settlement Payment itself.

Furthermore, the Defendants' agreement to make the Distribution to the public stockholders increases the net amount to be received by the public stockholders who would otherwise receive approximately 48% of the payment (derivatively) in the absence of the Merger. The Defendants are also pleased to inform the Court that both ISS and Glass Lewis have recommended that Steel Connect's stockholders vote for the Merger.

With this Amendment, the parties respectfully request that the Court approve the proposed Settlement at the Court's earliest convenience. As the Court knows, the pending proposed Merger is scheduled for a vote of Steel Connect's stockholders on September 30, 2022. Because the Amendment provides for an additional payment in connection with the Merger, Steel Connect will need to provide a supplemental disclosure of the Settlement in advance of the vote if the Settlement is approved by the Court. The proposed judgment, submitted herewith, is drafted to enable the Court, should it approve the settlement, to enter judgment right away, determining Objectors' counsel's fee now or leaving that determination for later. The parties also appreciate the Court's availability for a telephonic hearing on Friday, September 23, 2022, at 3:15 p.m. and counsel for Defendants will circulate a dial-in for the teleconference.

Counsel are available at the Court's convenience if Your Honor has any questions.

Respectfully submitted,

*/s/ John M. Seaman*

John M. Seaman (#3868)

Words: 879

The Honorable Morgan T. Zurn  
September 21, 2022  
Page 6

JMS/ald

cc: Ralph N. Sianni, Esq. (via File & Serve*Xpress*)  
Andrew S. Dupre, Esq. (via File & Serve*Xpress*)  
Richard P. Rollo, Esq. (via File & Serve*Xpress*)  
Andrea S. Brooks, Esq. (via File & Serve*Xpress*)  
Eric Andersen, Esq. (via File & Serve*Xpress*)

# EXHIBIT A

**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

**AMENDMENT NO. 1 TO STIPULATION AND AGREEMENT OF  
COMPROMISE, SETTLEMENT, AND RELEASE**

The Parties hereby amend the Stipulation and Agreement of Compromise,  
Settlement, and Release, dated as of February 18, 2022 (the “Stipulation”), as  
follows:

1. Except as otherwise stated, all defined terms have the meaning set forth in the Stipulation.

2. “Merger” is proposed merger set forth in the Agreement and Plan of Merger, set forth as Annex A to the Definitive Schedule 14A filed by STCN with the Securities and Exchange Commission on August 23, 2022 (the Merger Agreement”), scheduled to be voted upon by STCN’s stockholders at a meeting currently scheduled for September 30, 2022.

3. In addition to the Settlement Payment of \$2.75 million provided in the Stipulation and currently in escrow, within five business days of the Effective Date, Defendants’ insurers shall pay STCN \$250,000 in accordance with wire transfer instructions provided to the insurers no later than the Effective Date.

4. If the Merger is approved and consummated, and if the Settlement is approved by the Court, Defendants shall cause STCN to distribute to STCN stockholders the Settlement Payment of \$2,750,000, plus the additional \$250,000 referenced above, less the aggregate amount of any fees and expenses awarded by the Court to Plaintiff’s Counsel, Plaintiff, and any objector or objector’s counsel, and less the costs and expenses (in an amount not to exceed \$125,000) incurred by STCN to make the distribution (the “Distribution”). The Distribution shall be to each holder of Eligible Shares (defined in Section 8.1(o) of the Merger Agreement), in proportion to the number of Eligible Shares held; except that shares beneficially

owned by Defendants shall not be entitled to the distribution and shall not be counted for purposes of determining the recipients' proportionate share. STCN shall not be required to make the Distribution to any stockholder whose proportionate share of the Distribution would be less than one dollar (\$1.00) (i.e., a stockholder who owns less than between 25 and 35 shares – depending on the actual amount of the per-share Distribution).

5. Defendants shall cause STCN to make the Distribution no later than the latest of (a) when the Per Share Cash Merger Consideration (defined in section 2.1(c)(i) of the Merger Agreement) is paid, (b) five business days after the Court has rendered a final decision on all of applications of an award of fees and expenses, and (c) five business days after the Settlement Payment has been released from escrow to STCN.

6. The obligations set forth in this amendment shall be of no force or effect if the Merger is not approved and consummated, or if the Settlement is not approved by the Court.

7. Within one business day of filing this stipulation, Defendants shall cause notice to be given to all stockholders, by filing with the Securities and Exchange Commission a disclosure of the contents of this Amendment, and posting this Amendment on STCN's website on the same page that currently contains the Stipulation of Settlement.

8. Objector Mohammad Ladgevardian hereby withdraws his objection to approval of the settlement.

9. The proposed order and judgment attached hereto as Exhibit A shall replace the proposed order and judgment attached to the Stipulation as Exhibit B and shall be lodged with the Court concurrently with the filing of this Amendment.

**IN WITNESS WHEREOF**, the undersigned Parties, by and through their respective counsel, have executed this Stipulation as of September 21, 2022.

*[Signature page follows]*

OF COUNSEL:

George M. Garvey  
MUNGER, TOLLES & OLSON LLP  
350 South Grand Avenue  
Los Angeles, CA 90071  
(213) 683-5153

/s/ John M. Seaman  
John M. Seaman (#3868)  
Eric A. Veres (#6728)  
ABRAMS & BAYLISS LLP  
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*

/s/ Matthew D. Perri  
Richard P. Rollo (#3994)  
Matthew D. Perri (#6066)  
RICHARDS, LAYTON & FINGER,  
P.A.  
One Rodney Square  
920 North King Street  
Wilmington, Delaware 19801  
(302) 651-7700

*Attorneys for Defendants  
Jeffrey J. Fenton and Jeffrey S. Wald*

/s/ Andrea S. Brooks  
Andrea S. Brooks (#5064)  
WILKS LAW LLC  
4250 Lancaster Pike, Suite 200  
Wilmington, Delaware 19805  
(302) 225-0850

*Attorneys for Nominal Defendant  
Steel Connect, Inc*

OF COUNSEL:

Eduard Korsinsky  
LEVI & KORSINSKY, LLP  
55 Broadway, 10th Floor  
New York, NY 10006  
(212) 363-7500

Elizabeth K. Tripodi  
LEVI & KORSINSKY, LLP  
1101 30<sup>th</sup> Street NW, Suite 115  
Washington, DC 20007  
(202) 524-4291

OF COUNSEL:

Jessica Sleater  
ANDERSEN SLEATER SIANNI  
LLC  
64 Laurel Mountain Ct.  
Carmel, NY 10512  
Phone: (314) 775-4414

/s/ Travis J. Ferguson  
Andrew S. Dupre (#4621)  
Travis J. Ferguson (#6029)  
MCCARTER & ENGLISH, LLP  
405 North King Street, 8th Floor  
Wilmington, DE 19801  
(302) 984-6300

*Attorneys for Plaintiff*

/s/ Eric M. Andersen  
Eric M. Andersen (# 4376)  
ANDERSEN SLEATER SIANNI LLC  
Two Mill Road, Suite 202  
Wilmington, Delaware 19806  
Phone: (302) 559-2119  
Words: 4327  
*Attorneys for Objector Mohammad  
Ladjevardian*

Dated: September 21, 2022

# EXHIBIT A



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, and the Court took the matter under advisement;

WHEREAS, at a telephonic hearing on August 18, 2022 (the "Aug. 18 Guidance"), the Court requested that the parties provide supplemental briefing addressing four categories: (1) "a more meaningful valuation of plaintiff's claims and the settlement consideration;" (2) "additional guidance on how to discount certain benefits of the settlement in light of the pending merger vote;" (3) "clarification on the issue of whether the pending merger vote should cause me to apply a discount to the nominal defendants' derivative claims;" and (4) "documentary support for your contentions that discovery has revealed that plaintiff's claims are weaker than originally believed;"

WHEREAS, on September 6, 2022, Defendants filed a Supplemental Memorandum in Support of Proposed Settlement, together and an Expert Affidavit from Kevin Dages to respond to certain of the questions presented by the Court in the Aug. 18 Guidance (Dkt. 179, 180);

WHEREAS, on September 12, 2022, Plaintiff filed a Supplemental Memorandum in Support of the Proposed settlement, together with an Expert Affidavit from J.T. Atkins in response to the questions presented by the Court in the Aug. 18 Guidance (Dkt. 181-183);

WHEREAS, Plaintiff's supplemental memorandum reduced Plaintiff's fee and expense request from \$2.05 million to \$1.4 million (Dkt. 183 at 47);

WHEREAS, on September 13, 2022, Objector filed a Supplemental Memorandum in Opposition of the Proposed Settlement (Dkt. 186);

WHEREAS, on September 21, 2022, the parties executed Amendment No. 1 to the Stipulation and Agreement of Compromise, Settlement, And Release;

WHEREAS, the Amendment increases the cash compensation to be received by STCN from its insurers from \$2.75 million to \$3.0 million;

WHEREAS, the Amendment further provides that if the pending merger is approved and consummated, Defendants shall cause STCN to distribute to STCN stockholders other than the Defendants the entire \$3.0 million cash compensation, less the aggregate amount of any fees and expenses awarded by the Court to Plaintiff's Counsel, Plaintiff, and any objector or objector's counsel, and less the costs and expenses incurred by STCN to make the distribution (the "Distribution"), rather than retaining the Distribution Amount in STCN for the benefit of Steel Holdings as its owner;

WHEREAS, as a consequence of the Amendment, the Objector has agreed to withdraw his objection to the proposed Settlement and join the parties in their request that the Court approve the proposed Settlement at the Court's earliest convenience so that STCN's public stockholders can receive notice of the improved proposed Settlement sufficiently in advance of the upcoming stockholder vote without undue delay occasioned by the need for supplemental disclosure;

WHEREAS, the pending proposed merger is scheduled for a vote of STCN's stockholders on September 30, 2022;

WHEREAS, STCN will need to make supplemental disclosure of the Settlement in advance of the vote if the Settlement is approved by the Court by September 23, 2022, so that the Merger vote will not need to be delayed to accommodate the supplemental disclosure;

WHEREAS, the Court has determined that Notice was adequate and sufficient, that the supplemental submissions, expert affidavits, and the Amendment have addressed the Court's questions presented at the August 18 hearing, and the entire matter of the proposed Settlement, as amended, having been heard and considered by the Court;

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

1. Unless otherwise defined herein, all defined terms shall have the meanings as set forth in the Stipulation, as amended, 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, as amended, 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 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, as amended, in all respects, and the Parties are directed to consummate the Settlement in accordance with the terms of the Stipulation and the Amendment. 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, as amended.

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 12 and 13 below or as otherwise provided in the Stipulation and the Scheduling Order.

11. Neither this Order and Final Judgment, the Settlement, the Amendment, 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, the Amendment, 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. Objector'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 from the Settlement Payment. Objector is hereby awarded an incentive fee in the amount of \$\_\_\_\_\_ in consideration of Objector's time and effort in connection with the modification of the Stipulation on behalf of the Company's stockholders, which amount shall be allocated out of the fee and expense award to Objector's Counsel.

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

15. 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.

16. Except as otherwise stated, all defined terms have the meanings set forth in the Stipulation and the Amendment.

---

Vice Chancellor Morgan T. Zurn