

STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT

CASE TYPE: Other Civil

DAVID GRAY and MICHAEL BOLLER,
Derivatively and on Behalf of APPLIANCE
RECYCLING CENTERS OF AMERICA,
INC.,

Court File No. 27-CV-15-19456

Judge Daniel H. Mabley

Plaintiffs,

**STIPULATION AND AGREEMENT OF
SETTLEMENT**

v.

EDWARD R. CAMERON, JEFFREY A.
CAMMERRER, MARK G.
EISENSCHENK, STEVE LOWENTHAL,
RANDY L. PEARCE, DEAN R.
PICKERELL, RICHARD D. BUTLER, JR.,
BRIAN T. CONNERS, DENNIS (DE) GAO,
TONY ISAAC, STANLEY GOLDBERG,
and DUANE S. CARLSON,

Defendants,

and

APPLIANCE RECYCLING CENTERS OF
AMERICA, INC.,

Nominal Defendant.

This Stipulation and Agreement of Settlement (the “Stipulation”), dated July 31, 2017, is made and entered into by and among the following Settling Parties (as defined herein), each by and through their respective counsel: (i) plaintiffs to the above-captioned shareholder derivative action (the “Action”), David Gray (“Gray”) and Michael Boller (“Boller”) (together, “Plaintiffs”), derivatively on behalf of Appliance Recycling Centers of America, Inc. (“ARCA” or the “Company”); (ii) defendants Edward R. Cameron, Jeffrey A. Cammerrer, Mark G.

Eisenschenk, Steve Lowenthal, Randy L. Pearce, Dean R. Pickerell, Richard D. Butler, Jr., Brian T. Conners, Dennis (De) Gao, Tony Isaac, Stanley Goldberg, and Duane S. Carlson, all of whom are current or former members of ARCA's Board of Directors (the "Board") and/or senior officers of ARCA (collectively, the "Individual Defendants"); and (iii) nominal defendant ARCA (together with the Individual Defendants, "Defendants"). This Stipulation, subject to the approval of the Hennepin County District Court, State of Minnesota (the "Court"), is intended by the Settling Parties to fully, finally, and forever compromise, resolve, discharge, and settle the Released Claims (as defined herein) and to result in the complete dismissal of the Action with prejudice, upon the terms and subject to the conditions set forth herein, and without any admission or concession as to the merits of any of the Settling Parties' claims or defenses.

I. INTRODUCTION

A. Plaintiffs' Allegations

ARCA is a Minnesota corporation with its principal offices located in Minneapolis, Minnesota. ARCA sells household appliances through a chain of Company-owned retail stores under the "ApplianceSmart" name, and also provides turnkey appliance recycling and replacement services for electric utilities and other sponsors of energy efficiency programs through its wholly-owned subsidiary, ARCA Recycling, Inc.

Plaintiffs allege in their proposed amended shareholder derivative complaint in the Action, which was filed on May 23, 2017 as an exhibit to plaintiffs' cross-motion for leave to amend the complaint, that ARCA failed to collect or remit sales tax in the state of California for the appliances that it sold to utility companies as part of their appliance replacement programs, in violation of California tax laws. Plaintiffs further allege that the Individual Defendants' alleged knowing or reckless breaches of fiduciary duty in connection with the California sales and use

tax issues subjected ARCA to examination by California's Board of Equalization ("BOE") as well as a self-examination through participation in a BOE audit program related to state sales and use taxes.

Defendants have denied, and continue to deny, each and every claim and contention alleged by Plaintiffs in the Action and affirm that they have acted properly, lawfully, and in full accord with their fiduciary duties, at all times.

B. Procedural Background

On November 10, 2015, Plaintiffs filed a verified shareholder derivative complaint in the Action.

On December 22, 2015, Plaintiffs and Defendants jointly filed a stipulation to stay proceedings pending certain developments in a related securities class action filed in the United States District Court for the Central District of California, captioned *Feola v. Cameron, et al.*, Case No. 15-CV-01654 (the "Securities Class Action"). The Court so ordered the stipulation to stay on December 29, 2015.

On August 25, 2016, a motion to dismiss filed in the Securities Class Action was granted, and on October 21, 2016, the Securities Class Action was dismissed with prejudice, which triggered the termination of the stay of the Action.

On March 24, 2017, Defendants filed a motion to dismiss Plaintiffs' verified shareholder derivative complaint.

On May 23, 2017, Plaintiffs filed their opposition to Defendants' motion to dismiss and a cross-motion for leave to amend their complaint, with which Plaintiffs filed their proposed amended shareholder derivative complaint.

On July 7, 2017, Defendants filed their reply in support of their motion to dismiss and

their opposition to Plaintiffs' cross-motion for leave to amend complaint.

The hearing on Defendants' motion to dismiss Plaintiffs' verified shareholder derivative complaint is scheduled for August 2, 2017. The Parties intend to jointly request that the hearing be taken off calendar in light of the Settlement.

C. Settlement Negotiations

Plaintiffs' Counsel and Defendants' Counsel formally commenced settlement discussions on November 3, 2016, when Plaintiffs' Counsel sent a settlement demand together with a proposal for corporate governance reforms to be instituted by ARCA to Defendants' Counsel.

After further extensive negotiations that included numerous email exchanges and telephonic conferences, the Settling Parties reached an agreement in principle to resolve the Action on July 26, 2017. As a condition of the settlement reflected in this Stipulation (the "Settlement"), ARCA will agree to require employee training for employees who are employed in ARCA's accounting department, on issues relevant to ARCA on accounting, auditing or taxation issues, for a period of one (1) year. This employee training may be conducted by ARCA through the use of online, in-person or other resources, at ARCA's discretion. The Settling Parties vigorously negotiated, at arm's-length, the attorneys' fees and reimbursement of expenses to be paid to Plaintiffs' Counsel (the "Fee Award") in light of the substantial benefits that will be conferred upon the Company by the employee training and as a result of the settlement of the Action.

II. PLAINTIFFS' COUNSEL'S INVESTIGATION AND RESEARCH, PLAINTIFFS' CLAIMS, AND THE BENEFIT OF SETTLEMENT

Plaintiffs' Counsel conducted an investigation relating to the claims and the underlying events alleged in the Action, including, but not limited to: (1) reviewing and analyzing the Company's public filings with the United States Securities and Exchange Commission ("SEC"),

press releases, announcements, transcripts of investor conference calls, and news articles; (2) reviewing and analyzing the allegations contained in the Securities Class Action; (3) researching and drafting the shareholder derivative complaint in the Action; (4) researching and drafting the proposed amended shareholder derivative complaint in the Action; (5) researching the applicable law with respect to the claims in the Action and the potential defenses thereto; (6) researching and drafting the brief in opposition to the motion to dismiss; (7) researching corporate governance issues; (8) preparing an extensive settlement demand and corporate governance reforms proposals; and (9) engaging in extensive settlement discussions with Defendants' Counsel.

Plaintiffs' Counsel believe that the claims asserted in the Action have merit and that their investigation supports the claims asserted. Without conceding the merit of any of Defendants' defenses or the lack of merit of any of their own allegations, and in light of the benefits of the Settlement as well as to avoid the potentially protracted time, expense, and uncertainty associated with continued litigation, including potential trials and appeals, Plaintiffs have concluded that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. Plaintiffs and Plaintiffs' Counsel recognize the significant risk, expense, and length of continued proceedings necessary to prosecute the Action against the Individual Defendants through trials and possible appeals. Plaintiffs' Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially complex litigation such as the Action, as well as the difficulties and delays inherent in such litigation. Based on their evaluation, and in light of the significant benefits conferred upon the Company and its shareholders as a result of the Settlement, Plaintiffs and Plaintiffs' Counsel have determined that the Settlement is in the best interests of Plaintiffs, ARCA, and Current

ARCA Stockholders (as defined herein), and have agreed to settle the Action upon the terms and subject to the conditions set forth herein.

III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants have vigorously denied, and continue vigorously to deny, all allegations of wrongdoing, fault, liability or cognizable damage to the Company, deny that they engaged in any wrongdoing, deny that they committed any violation of law, deny that they acted improperly in any way, believe that they acted properly at all times, believe the Action has no merit, and maintain that they have committed no breach of duty whatsoever. Defendants are entering into this Settlement solely because they consider it desirable that the Action be settled and dismissed with prejudice in order to, among other things, (i) eliminate the burden, inconvenience, expense, uncertainty and distraction of further litigation; and (ii) finally put to rest all claims that were or could have been asserted against Defendants in the Action.

Neither this Stipulation, nor any of its terms or provisions, nor any act performed or document executed pursuant to or in furtherance of the Settlement: (a) is, may be construed as, or may be used as an admission of, or evidence of, the truth or validity of any of the Released Claims, of any claims or allegations made in the Action, or of any purported acts or omissions by the Defendants; (b) is, may be construed as, or may be used as an admission of, or evidence of, any fault, omission, negligence, or wrongdoing by the Defendants, or any concession of liability whatsoever; or (c) is, may be construed as, or may be used as an admission of, or evidence of, a concession by any Defendant of any infirmity in the defenses that Defendants asserted or could have asserted in this Action or otherwise.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

Plaintiffs, derivatively on behalf of ARCA, the Individual Defendants, and nominal defendant ARCA, by and through their respective counsel or attorneys of record, hereby stipulate

and agree that, subject to approval by the Court, in consideration of the benefits flowing to the Settling Parties hereto, the Action and all of the Released Claims shall be fully, finally, and forever compromised, settled, released, discharged, and dismissed with prejudice, upon the terms and subject to the conditions set forth herein as follows:

1. Definitions

As used in this Stipulation, the following terms have the meanings specified below. In the event of any inconsistency between any definition set forth below and any definition set forth in any document attached as an exhibit to this Stipulation, the definitions set forth below shall control.

- 1.1 “Board” means the ARCA Board of Directors.
- 1.2 “Court” refers to the Hennepin County District Court, State of Minnesota.
- 1.3 “Current ARCA Stockholders” means, for purposes of this Stipulation, any Persons (defined below) who owned ARCA common stock as of the date of the execution of this Stipulation and who continue to hold their ARCA common stock as of the date of the Settlement Hearing, excluding the Individual Defendants, the officers and directors of ARCA, members of their immediate families, their legal representatives, heirs, successors, or assigns, and any entity in which Individual Defendants have or had a controlling interest.
- 1.4 “Defendants” means, collectively, the Individual Defendants and nominal defendant ARCA.
- 1.5 “Defendants’ Counsel” means, collectively: (i) Orrick, Herrington & Sutcliffe LLP, 777 S. Figueroa Street, Suite 3200, Los Angeles, California 90017; and (ii)

Anthony Ostlund Baer & Louwagie, 90 South 7th Street, 3600 Wells Fargo Center, Minneapolis, Minnesota 55402.

- 1.6 “Effective Date” means the first date by which all of the events and conditions specified in ¶ 6.1 herein have been met and have occurred.
- 1.7 “Fee Award” means the sum to be paid to Plaintiffs’ Counsel for their attorneys’ fees and expenses subject to approval by the Court.
- 1.8 “Final” means the time when an order or judgment that has not been reversed, vacated, or modified in any way and is no longer subject to appellate review, either because of disposition on appeal and conclusion of the appellate process (including potential writ proceedings) or because of passage, without action, of time for seeking appellate or writ review. More specifically, it is that situation when (1) either no appeal or petition for review by writ has been filed and the time has passed for any notice of appeal or writ petition to be timely filed in an action; or (2) an appeal has been filed and the court of appeals has either affirmed the order or judgment or dismissed that appeal and the time for any reconsideration or further appellate review has passed; or (3) a higher court has granted further appellate review and that court has either affirmed the underlying order or judgment or affirmed the court of appeals’ decision affirming the order or judgment or dismissing the appeal or writ proceeding. Any appeal or proceeding seeking judicial review pertaining solely to the Fee Award shall not in any way delay or affect the time set forth above for the Judgment to become Final.
- 1.9 “Judgment” means the final order and judgment to be rendered by the Court, substantially in the form attached hereto as Exhibit C.

- 1.10 “ARCA” or the “Company” means nominal defendant Appliance Recycling Centers of America, Inc. and includes all of its subsidiaries, predecessors, successors, affiliates, officers, directors, employees, and agents.
- 1.11 “Individual Defendants” means collectively: Edward R. Cameron, Jeffrey A. Cammerrer, Mark G. Eisenschenk, Steve Lowenthal, Randy L. Pearce, Dean R. Pickerell, Richard D. Butler, Jr., Brian T. Conners, Dennis (De) Gao, Tony Isaac, Stanley Goldberg, and Duane S. Carlson.
- 1.12 “Notice to Current ARCA Stockholders” or “Notice” means the Notice to Current ARCA Stockholders, substantially in the form of Exhibit A attached hereto.
- 1.13 “Settling Parties” means, collectively, each of the Plaintiffs (derivatively on behalf of ARCA), each of the Individual Defendants, and nominal defendant ARCA.
- 1.14 “Person(s)” means an individual, corporation, limited liability company, professional corporation, partnership, limited partnership, limited liability partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, or any business or legal entity, and their spouses, heirs, predecessors, successors, administrators, parents, subsidiaries, affiliates, representatives, or assignees.
- 1.15 “Preliminary Approval Order” means the Order to be entered by the Court, substantially in the form of Exhibit B attached hereto, which, *inter alia*, preliminarily approves the terms and conditions of the Settlement as set forth in this Stipulation, directs that notice be provided to Current ARCA Stockholders,

and schedules a Settlement Hearing to consider whether the Settlement and Fee Award should be finally approved.

- 1.16 “Related Persons” means each and all of a Person’s past, present, or future family members, spouses, domestic partners, parents, associates, affiliates, divisions, subsidiaries, officers, directors, stockholders, owners, members, representatives, employees, attorneys, financial or investment advisors, consultants, underwriters, investment banks or bankers, commercial bankers, insurers, reinsurers, excess insurers, co-insurers, advisors, principals, agents, heirs, executors, trustees, estates, beneficiaries, distributees, foundations, general or limited partners or partnerships, joint ventures, personal or legal representatives, administrators, or any other person or entity acting or purporting to act for or on behalf of any Person, and each of their respective predecessors, successors, and assigns. For purposes of this Stipulation, the firm of Baker, Tilly, Virchow & Krause LLP, ARCA’s outside auditor, is specifically excluded from the definition of “Related Person.”
- 1.17 “Released Claims” means any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys’ fees, actions, potential actions, causes of action, suits, actions taken pursuant to the Stipulation, agreements, judgments, decrees, matters, issues and controversies of any kind, nature or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or

contingent, including Unknown Claims (defined below), whether based on state, local, foreign, federal, statutory, regulatory, common or other law or rule, brought or that could be brought derivatively or otherwise by or on behalf of ARCA against any of the Released Persons, which now or hereafter are based upon, arise out of, relate in any way to, or involve, directly or indirectly, any of the actions, transactions, occurrences, statements, representations, misrepresentations, omissions, allegations, facts, practices, events, claims or any other matters, things or causes whatsoever, or any series thereof, that are, were, could have been, or in the future can or might be alleged, asserted, set forth, claimed, embraced, involved or referred to in the Action; provided, however, that the Released Claims shall not include claims to enforce this Settlement. For the avoidance of doubt, the Released Claims do not include any direct claims on behalf of present or former Company stockholders that were prosecuted in the Securities Class Action.

- 1.18 “Defendants’ Released Claims” means any and all claims, debts, rights, or causes of action or liabilities, including Unknown Claims, that could be asserted in any forum by the Released Persons against Plaintiffs or their beneficiaries, Plaintiffs’ Counsel, or ARCA that arise out of or relate in any way to the institution, prosecution, or settlement of the Action. Defendants’ Released Claims shall not include any indemnification, advancement or insurance claims that any Released Person has or may have. Defendants’ Released Claims shall not include claims to enforce the Settlement.

- 1.19 “Released Person(s)” means, collectively, each and all of the Defendants and their Related Persons.
- 1.20 “Plaintiffs” means David Gray and Michael Boller.
- 1.21 “Plaintiffs’ Counsel” means: (i) The Brown Law Firm, P.C., 240 Townsend Square, Oyster Bay, New York 11771; and (ii) Lockridge Grindal Nauen P.L.L.P., 100 Washington Avenue South, Suite 2200, Minneapolis, Minnesota 55401.
- 1.22 “Action” refers to the above-captioned shareholder derivative action pending in the Court.
- 1.23 “Securities Class Action” means the federal securities class action lawsuit filed in the United States District Court for the Central District of California, captioned *Feola v. Cameron, et al.*, Case No. 15-CV-01654.
- 1.24 “Settlement” means the settlement of the Action as documented in this Stipulation.
- 1.25 “Settlement Hearing” means a hearing by the Court to review the adequacy, fairness, and reasonableness of the Settlement set forth in this Stipulation and to determine: (i) whether to enter the Judgment; and (ii) all other matters properly before the Court.
- 1.26 “Stipulation” means this Stipulation and Agreement of Settlement, dated July 31, 2017.
- 1.27 “Unknown Claims” means any and all claims that were alleged or could have been alleged in the Action by the Plaintiffs, ARCA or any ARCA stockholder derivatively on behalf of ARCA, which he, she or it does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons,

including claims which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Plaintiffs and ARCA shall expressly waive, and each of ARCA's stockholders shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights and benefits of California Civil Code § 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Plaintiffs and ARCA shall expressly waive, and each of ARCA's stockholders shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any U.S. federal law or any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable or equivalent in effect to California Civil Code § 1542. The Settling Parties acknowledge that they may discover facts in addition to or different from those now known or believed to be true by them with respect to the Released Claims, but it is the intention of the Settling Parties to completely, fully, finally, and forever compromise, settle, release, discharge, and extinguish any and all of the Released Claims known or unknown, which now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of additional or different facts.

Plaintiffs and ARCA acknowledge, and ARCA's stockholders shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and was a material element of the Settlement. With respect to Defendants' Released Claims, "Unknown Claims" means any and all Defendants' Released Claims, of every nature and description, which the Released Persons do not know or suspect to exist in their favor at the time of the release which, if known by them, might have affected their decisions with respect to the release of Defendants' Released Claims or the Settlement.

2. Terms of the Settlement

2.1 As a condition of the settlement reflected in this Stipulation, ARCA will agree to require employee training for employees who are employed in ARCA's accounting department, on issues relevant to ARCA on accounting, auditing or taxation issues, for a period of one (1) year following the Effective Date. This employee training may be conducted by ARCA through the use of online, in-person or other resources, at ARCA's discretion.

2.2 ARCA acknowledges that the filing and pendency of the Action comprised a substantial contributing factor to the Company's decision to implement the employee training program described in paragraph 2.1. The Settling Parties agree that the employee training program will provide substantial benefits to ARCA and Current ARCA Stockholders. ARCA always has been, and continues to be, committed to the implementation, enhancement, and enforcement of rigorous corporate governance measures. The fact that ARCA has implemented, or has agreed to implement, changes, modifications, or enhancements to its corporate governance policies and practices shall not be construed as an admission that any such enhanced policies or

practices are legally required, or to the extent such policies or practices were not in place in the past, constituted a failure of compliance, a breach of any duty, or any other wrongdoing.

3. Procedure for Implementing the Settlement

3.1 Promptly after execution of this Stipulation, Plaintiffs shall submit this Stipulation, together with its exhibits, to the Court and apply for entry of the Preliminary Approval Order in this Court, substantially in the form of Exhibit B attached hereto, requesting, *inter alia*: (i) preliminary approval of the Settlement set forth in this Stipulation; (ii) approval of the method of providing notice of the proposed Settlement to Current ARCA Stockholders; (iii) approval of the form of Notice substantially in the form of Exhibit A attached hereto; and (iv) a date for the Settlement Hearing.

3.2 Within ten (10) days after the Court's entry of the Preliminary Approval Order, ARCA shall: (i) cause a Current Report on Form 8-K to be filed with the SEC that contains the contents of the Notice; and (ii) post on the investor relations portion of its website the Notice together with the Stipulation. All costs of such notice and the filing, issuance and posting set forth above shall be paid by ARCA and/or its insurer. The Settling Parties believe the content of the Notice and the manner of the notice procedures set forth in this paragraph constitute adequate and reasonable notice to Current ARCA Stockholders pursuant to applicable law and due process.

3.3 Plaintiffs' Counsel shall request that the Court hold the Settlement Hearing at least forty-five (45) calendar days after the notice described in ¶ 3.2 above is given to Current ARCA Stockholders.

3.4 Pending the Court's determination as to final approval of the Settlement, the Plaintiffs and Plaintiffs' Counsel, and all other Persons, including, but not limited to, any Current

ARCA Stockholders, whether acting directly, representatively, or derivatively on behalf of ARCA, or in any other capacity, are barred and enjoined from commencing, prosecuting, instigating, or in any way participating in the commencement or prosecution of any action asserting any Released Claims against any of the Released Persons, in any court or tribunal.

4. Releases

4.1 Upon the Effective Date, ARCA, Plaintiffs, and each of ARCA's stockholders shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Released Claims (including Unknown Claims) against the Released Persons and any and all claims arising out of, relating to, or in connection with, the defense, settlement or resolution of the Action against the Released Persons. ARCA, Plaintiffs, and each of ARCA's stockholders shall be deemed to have, and by operation of the Judgment shall have, covenanted not to sue any Released Person with respect to any Released Claims, and shall be permanently barred and enjoined from instituting, commencing or prosecuting the Released Claims against the Released Persons except to enforce the releases and other terms and conditions contained in this Stipulation and/or the Judgment entered pursuant thereto.

4.2 Upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged each and all of Plaintiffs or their beneficiaries, Plaintiffs' Counsel, and ARCA from any and all Defendants' Released Claims. The Released Persons shall be deemed to have, and by operation of the Judgment shall have, covenanted not to sue Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ARCA with respect to any claims arising out of, relating to, or in connection with their institution, prosecution, assertion, settlement, or resolution of the Action or the Released Claims, and shall be permanently barred and enjoined from instituting,

commencing or prosecuting Defendants' Released Claims against Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ARCA except to enforce the releases and other terms and conditions contained in this Stipulation and/or the Judgment entered pursuant thereto.

4.3 Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

4.4 Nothing in this Stipulation constitutes or reflects a waiver or release of any rights or claims of Defendants with respect to their insurer(s) and/or their insurer(s)' Related Persons, including, but not limited to, any rights or claims under any directors' and officers' liability insurance or other applicable insurance coverage maintained by ARCA.

5. Plaintiffs' Counsel's Attorneys' Fees and Expenses

5.1 If the Court approves the terms of the Stipulation as provided herein, including any modifications thereto made with consent of the Settling Parties, Plaintiffs' Counsel intends to apply to the Court for an award of attorneys' fees and expenses in the total amount of forty-five thousand dollars (\$45,000) (the "Fee Award"). Defendants agree that Plaintiffs' counsel is entitled to an award of reasonable attorneys' fees and expenses from the Company, and Defendants will not object to Plaintiffs' Counsel's application for a Fee Award in an amount not to exceed \$45,000. Court approval of such fee application is not a condition of this Settlement, and such fee application may be considered separately from the proposed Settlement.

5.2 The Fee Award as awarded by the Court shall be payable by ARCA or its insurer(s) to Plaintiffs' Counsel within fifteen (15) business days after the later of (a) the date of entry by the Court of the final order awarding such attorneys' fees or expenses, or (b) the receipt by Defendants' counsel of wire/check payee instructions and a Form W-9 providing the tax identification number for Plaintiffs' Counsel.

5.3 Payment of the Fee Award in the amount approved by the Court shall constitute final and complete payment for Plaintiffs' Counsel's attorneys' fees and expenses that have been incurred or will be incurred in connection with the filing and prosecution of the Action and the resolution of the claims alleged therein. Defendants, including ARCA, shall have no obligation to make any payment to any Plaintiffs' Counsel other than the payment of any Fee Award ordered by the Court.

5.4 Neither the resolution of, nor any ruling regarding, the fee application or any award of attorneys' fees and expenses shall be a precondition to the Settlement or the dismissal of the Action with prejudice and entry of the Judgment in accordance with the terms of the Stipulation. The Court may consider and rule upon the fairness, reasonableness and adequacy of the Settlement independently of the fee application and any fee award, and any failure of the Court to approve the fee application in whole or in part shall have no impact on the effectiveness of the Settlement. Notwithstanding anything in this Stipulation to the contrary, the effectiveness of the Releases and the other obligations of the Settling Parties under the Settlement (except with respect to the payment of attorneys' fees and expenses) shall not be conditioned upon or subject to the resolution of any appeal from any order, if such appeal relates solely to the issue of any award of attorneys' fees or the reimbursement of expenses.

5.5 If for any reason any condition in ¶ 6.1 is not met and the Effective Date of the Stipulation does not occur, if the Stipulation is in any way canceled or terminated, or if the Judgment is not entered, then each of Plaintiffs' Counsel and their successors shall be obligated to repay to ARCA's insurer, within fifteen (15) business days, the amount of the Fee Award paid by or on behalf of Defendants that they received. In the event of any failure to obtain final approval of the full amount of the Fee Award, or upon any appeal and/or further proceedings on

remand, or successful collateral attack, which results in the Judgment or the Fee Award being overturned or substantially modified, each of Plaintiffs' Counsel and their successors shall be obligated to repay to ARCA's insurer, within fifteen (15) business days, the portion of the Fee Award paid on behalf of Defendants that they received and that was ultimately not awarded to Plaintiffs' Counsel. Each of Plaintiffs' Counsel that receives any portion of the Fee Award is subject to the Court's jurisdiction for the purposes of enforcing this paragraph and the provisions related to the Fee Award.

5.6 Except as otherwise provided herein, each of the Settling Parties shall bear his, her, or its own costs and attorneys' fees.

5.7 In light of the substantial benefits they have helped to create for all Current ARCA Stockholders, Plaintiffs may apply for Court-approved service awards in the amount of seven hundred and fifty dollars (\$750.00) each (the "Service Awards"). Each Service Award to each of the Plaintiffs, to the extent that it is applied for and approved in whole or part, shall be funded from the portion of the Fee Award distributed to that Plaintiffs' counsel, to the extent that the Fee Award is approved in whole or in part. Defendants shall take no position on the Service Awards and shall have no obligation to pay them.

6. Conditions of Settlement, Effect of Disapproval, Cancellation, or Termination

6.1 The Effective Date of the Stipulation shall be conditioned on the occurrence of all of the following events:

- (i) the Court's entry of the Judgment; and
- (ii) the Judgment has become Final.

6.2 If any of the conditions specified in ¶ 6.1 are not met, then the Stipulation shall be canceled and terminated subject to ¶ 6.4, and the Settling Parties shall be restored to their

respective positions in the Action as of the date immediately preceding the date of this Stipulation, unless Plaintiffs' Counsel and Defendants' Counsel mutually agree in writing to proceed with the Stipulation.

6.3 Each of the Settling Parties shall have the right to terminate the Settlement by providing written notice of their election to do so to all other Settling Parties within twenty (20) days of the date on which: (i) the Court refuses to approve this Stipulation, or the terms contained herein, in any material respect; (ii) the Preliminary Approval Order is not entered in substantially the form attached as Exhibit B hereto; (iii) the Judgment is not entered in substantially the form attached as Exhibit C hereto; (iv) the Judgment is reversed or substantially modified on appeal, reconsideration, or otherwise; or (v) the Effective Date of the Settlement cannot otherwise occur; except that such termination shall not be effective unless and until the terminating Settling Party has, within twenty (20) calendar days of the date on which notice of the termination event has been provided to all other Settling Parties, attempted in good faith to confer with the other Settling Parties to attempt to remedy the issue. Any order or proceeding relating to the Fee Award, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to cancel the Stipulation, allow for the termination of the Settlement, or affect or delay the finality of the Judgment approving the Settlement.

6.4 In the event that the Stipulation is not approved by the Court, or the Settlement is terminated for any reason, including pursuant to ¶ 6.3 above, the Settling Parties shall be restored to their respective positions as of the date immediately preceding the date of this Stipulation, and all negotiations, proceedings, documents prepared and statements made in connection herewith shall be without prejudice to the Settling Parties, shall not be deemed or construed to be an admission by any of the Settling Parties of any act, matter, or proposition, and shall not be used

in any manner for any purpose in any subsequent proceeding in the Action or in any other action or proceeding. In such event, the terms and provisions of the Stipulation, with the exception of ¶¶ 1.1-1.27, 5.5, 6.2, 6.4, 8.2, 8.4-8.16, and 8.18 herein, shall have no further force and effect with respect to the Settling Parties and shall not be used in the Action or in any other proceeding for any purpose, and any judgment or orders entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated, *nunc pro tunc*.

7. Bankruptcy

7.1 In the event any proceedings by or on behalf of ARCA, whether voluntary or involuntary, are initiated under any chapter of the United States Bankruptcy Code, including any act of receivership, asset seizure, or similar federal or state law action (“Bankruptcy Proceedings”), the Settling Parties agree to use their reasonable best efforts to obtain all necessary orders, consents, releases, and approvals for effectuation of this Stipulation in a timely and expeditious manner.

7.2 In the event of any Bankruptcy Proceedings by or on behalf of ARCA, the Settling Parties agree that all dates and deadlines set forth herein will be extended for such periods of time as are necessary to obtain necessary orders, consents, releases, and approvals from the Bankruptcy Court to carry out the terms and conditions of the Stipulation.

8. Miscellaneous Provision

8.1 The Settling Parties: (i) acknowledge that it is their intent to consummate this Stipulation; and (ii) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of the Stipulation.

8.2 The Settling Parties agree that the terms of the Settlement were negotiated in good

faith and at arm's-length by the Settling Parties, and reflect a settlement that was reached voluntarily based upon adequate information and after consultation with competent legal counsel. Except in the event of termination of the Settlement, the Settling Parties agree not to assert under Rule 11 of the Minnesota Rules of Civil Procedure or any similar law, rule or regulation, that the Action was brought or defended in bad faith or without a reasonable basis.

8.3 While maintaining their positions that the claims and defenses asserted in the Action are meritorious, Plaintiffs and Plaintiffs' Counsel, on the one hand, and Defendants and Defendants' Counsel, on the other, shall not make any public statements or statements to the media (whether or not for attribution) that disparage the other's business, conduct, or reputation, or that of their counsel, based on the subject matter of the Action. Notwithstanding the foregoing, each of the Settling Parties reserves their right to rebut, in a manner that such party determines to be reasonable and appropriate, any contention made in any public forum that the Action was brought or defended in bad faith or without a reasonable basis.

8.4 Whether or not the Settlement is approved by the Court, and whether or not the Settlement is consummated, the fact and terms of this Stipulation, including any exhibits attached hereto, all proceedings in connection with the Settlement, and any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement:

(a) shall not be offered, received, or used in any way against the Settling Parties as evidence of, or be deemed to be evidence of, a presumption, concession, or admission by any of the Settling Parties with respect to the truth of any fact alleged by Plaintiffs or the validity, or lack thereof, of any claim that has been or could have been asserted in the Action or in any litigation, or the deficiency or infirmity of any defense that has been or could have been

asserted in the Action or in any litigation, or of any fault, wrongdoing, negligence, or liability of any of the Released Persons;

(b) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any fault, misrepresentation or omission with respect to any statement or written document approved, issued, or made by any Released Person, or against Plaintiffs as evidence of any infirmity in their claims;

(c) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any liability, fault, negligence, omission or wrongdoing, or in any way referred to for any other reason as against the Released Persons, in any arbitration proceeding or other civil, criminal, or administrative action or proceeding in any court, administrative agency, or other tribunal. Neither this Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of this Stipulation, or the Settlement, shall be admissible in any proceeding for any purpose, except to enforce the terms of the Settlement; provided, however, that the Released Persons may refer to the Settlement, and file the Stipulation and/or the Judgment, in any action that may be brought against them to effectuate the liability protections granted them hereunder, including, without limitation, to support a defense or claim based on principles of *res judicata*, collateral estoppel, full faith and credit, release, standing, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or claim under U.S. federal or state law or foreign law.

8.5 The exhibits to the Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

8.6 The Stipulation may be amended or modified only by a written instrument signed by or on behalf of all the Settling Parties or their respective successors-in-interest. After prior notice to the Court, but without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any provisions of this Stipulation.

8.7 This Stipulation and the exhibits attached hereto represent the complete and final resolution of all disputes among the Settling Parties with respect to the Action, constitute the entire agreement among the Settling Parties, and supersede any and all prior negotiations, discussions, agreements, or undertakings, whether oral or written, with respect to such matters.

8.8 The waiver by one party of any breach of the Settlement by any other party shall not be deemed a waiver of any other prior or subsequent breach of the Settlement. The provisions of the Settlement may not be waived except by a writing signed by the affected party, or counsel for that party.

8.9 The headings in the Stipulation and its exhibits are used for the purpose of convenience only and are not meant to have legal effect.

8.10 The Stipulation and the Settlement shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties and the Released Persons. The Settling Parties agree that this Stipulation will run to their respective successors-in-interest, and they further agree that any planned, proposed or actual sale, merger or change-in-control of ARCA shall not void this Stipulation, and that in the event of a planned, proposed or actual sale, merger or change-in-control of ARCA they will continue to seek final approval of this Stipulation expeditiously, including, but not limited to, the Settlement terms reflected in this Stipulation and the Fee Award.

8.11 The Stipulation and the exhibits attached hereto shall be considered to have been negotiated, executed, and delivered, and to be wholly performed, in the State of Minnesota and the rights and obligations of the Settling Parties to the Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of Minnesota without giving effect to that State's choice of law principles. No representations, warranties, or inducements have been made to any party concerning the Stipulation or its exhibits other than the representations, warranties, and covenants contained and memorialized in such documents.

8.12 This Stipulation shall not be construed more strictly against one Settling Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Settling Parties, it being recognized that it is the result of arm's-length negotiations among the Settling Parties and all Settling Parties have contributed substantially and materially to the preparation of this Stipulation.

8.13 Nothing in this Stipulation, or the negotiations or proceedings relating to the Settlement, is intended to or shall be deemed to constitute a waiver of any applicable privilege or immunity, including, without limitation, the attorney-client privilege, the joint defense privilege, the accountants' privilege, or work product immunity.

8.15 The Settling Parties intend that the Court retain jurisdiction for the purpose of effectuating and enforcing the terms of the Settlement.

8.16 Each counsel or other Person executing the Stipulation or its exhibits on behalf of any of the Settling Parties hereby warrants that such Person has the full authority to do so. The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties and their Related Persons.

8.17 Any notice required by this Stipulation shall be submitted by overnight mail and e-mail to each of the signatories below.

8.18 The Stipulation may be executed in one or more counterparts, including by signature transmitted via facsimile, or by a .pdf/.tif image of the signature transmitted via e-mail. All executed counterparts and each of them shall be deemed to be one and the same instrument. A complete set of original executed counterparts shall be filed with the Court.

IN WITNESS WHEREOF, the Settling Parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, dated as of July 31, 2017.

THE BROWN LAW FIRM, P.C.

s/Timothy W. Brown

Timothy W. Brown (admitted *pro hac vice*)

240 Townsend Square

Oyster Bay, NY 11771

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Richard D. Butler, Jr., Brian T. Conners, Dennis
(De) Gao, Tony Isaac, Stanley Goldberg, and
Duane S. Carlson*

EXHIBIT A

STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT
CASE TYPE: Other Civil

DAVID GRAY and MICHAEL BOLLER,
Derivatively and on Behalf of APPLIANCE
RECYCLING CENTERS OF AMERICA,
INC.,

Court File No. 27-CV-15-19456

Judge Daniel H. Mabley

Plaintiffs,

**NOTICE TO CURRENT ARCA
STOCKHOLDERS**

v.

EDWARD R. CAMERON, JEFFREY A.
CAMMERRER, MARK G.
EISENSCHENK, STEVE LOWENTHAL,
RANDY L. PEARCE, DEAN R.
PICKERELL, RICHARD D. BUTLER, JR.,
BRIAN T. CONNERS, DENNIS (DE) GAO,
TONY ISAAC, STANLEY GOLDBERG,
and DUANE S. CARLSON,

Defendants,

and

APPLIANCE RECYCLING CENTERS OF
AMERICA, INC.,

Nominal Defendant.

TO: ALL OWNERS OF APPLIANCE RECYCLING CENTERS OF AMERICA, INC. ("ARCA") COMMON STOCK (TICKER SYMBOL: ARCI) AS OF JULY 31, 2017, WHO CONTINUE TO OWN SUCH SHARES ("CURRENT ARCA STOCKHOLDERS").

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL OF STOCKHOLDER DERIVATIVE LITIGATION AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. YOUR RIGHTS MAY BE AFFECTED BY LEGAL PROCEEDINGS IN THIS ACTION.

IF THE COURT APPROVES THE SETTLEMENT AND DISMISSAL OF THE ACTION, STOCKHOLDERS OF ARCA WILL BE FOREVER BARRED FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND FROM PURSUING THE SETTLED CLAIMS. THIS ACTION IS NOT A “CLASS ACTION.” THUS, THERE IS NO COMMON FUND UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY PAYMENT.

THE COURT HAS MADE NO FINDINGS OR DETERMINATIONS RESPECTING THE MERITS OF THE ACTION. THE RECITATION OF THE BACKGROUND AND CIRCUMSTANCES OF THE SETTLEMENT CONTAINED HEREIN DOES NOT CONSTITUTE THE FINDINGS OF THE COURT. IT IS BASED ON REPRESENTATIONS MADE TO THE COURT BY COUNSEL FOR THE PARTIES.

YOU ARE HEREBY NOTIFIED, pursuant to Minnesota Rule of Civil Procedure 23.09 and an Order from the Honorable Daniel H. Mabley of the Hennepin County District Court for the State of Minnesota (the “Court”), that a proposed settlement agreement has been reached among Plaintiffs,¹ derivatively on behalf of Appliance Recycling Centers Of America, Inc. (“ARCA” or the “Company”), the Individual Defendants, and ARCA in connection with the above-captioned consolidated stockholder derivative action titled *Gray, et al. v. Cameron, et al.*, Case No. 27-CV-15-19456 (the “Action”).

Plaintiffs filed the Action derivatively on behalf of ARCA to remedy the alleged harm caused to the Company by the Individual Defendants’ alleged breach of their fiduciary duties and other alleged misconduct. The proposed Settlement, if approved by the Court, would fully, finally and forever resolve the Action on the terms set forth in the Stipulation and summarized in this Notice, including the dismissal of the Action with prejudice.

¹ For purposes of this Notice, the Court incorporates by reference the definitions in the Settling Parties’ Stipulation and Agreement of Settlement, fully executed as of July 31, 2017 (the “Stipulation”), and all capitalized terms used herein, unless otherwise defined herein, shall have the same meanings as set forth in the Stipulation. A copy of the Stipulation may be inspected at the Records Center of the Hennepin County Government Center, 300 South 6th Street, Minneapolis, Minnesota 55487 or by visiting the investor relations portion of ARCA’s website at www.arcainc.com.

As explained below, a Settlement Hearing shall be held before the Court on _____, 2017 at _____ m., before the Honorable Daniel H. Mabley, at the Hennepin County Government Center, 300 South 6th Street, Minneapolis, Minnesota 55487, to determine whether, *inter alia*, the proposed Settlement is fair, reasonable, and adequate, and should be finally approved by the Court and whether Plaintiffs' Counsel's Fee Award, including Service Awards to the Plaintiffs, should be finally approved. You have the right to object to the Settlement and the Fee Award in the manner provided herein. If you fail to object in the manner provided herein *at least fourteen (14) days prior to the Settlement Hearing*, you will be deemed to have waived your objections and will be forever bound by the Judgment to be entered and the releases to be given, unless otherwise ordered by the Court.

This Notice is not intended to be and should not be construed as an expression of any opinion by the Court with respect to the merits of the claims made in the Action, but is merely to advise you of the proposed Settlement and of your rights as a Current ARCA Stockholder.

I. BACKGROUND

A. Plaintiffs' Allegations

ARCA is a Minnesota corporation with its principal offices located in Minneapolis, Minnesota. ARCA sells household appliances through a chain of Company-owned retail stores under the "ApplianceSmart" name, and also provides turnkey appliance recycling and replacement services for electric utilities and other sponsors of energy efficiency programs through its wholly-owned subsidiary, ARCA Recycling, Inc.

Plaintiffs allege in their proposed amended shareholder derivative complaint in the Action, which was filed on May 23, 2017 as an exhibit to plaintiffs' cross-motion for leave to amend the complaint, that ARCA failed to collect or remit sales tax in the state of California for the appliances that it sold to utility companies as part of their appliance replacement programs, in

violation of California tax laws. Plaintiffs further allege that the Individual Defendants' alleged knowing or reckless breaches of fiduciary duty in connection with the California sales and use tax issues subjected ARCA to examination by California's Board of Equalization ("BOE") as well as a self-examination through participation in a BOE audit program related to state sales and use taxes.

Defendants have denied, and continue to deny, each and every claim and contention alleged by Plaintiffs in the Action and affirm that they have acted properly, lawfully, and in full accord with their fiduciary duties, at all times.

B. Settlement Negotiations

Plaintiffs' Counsel and Defendants' Counsel formally commenced settlement discussions on November 3, 2016, when Plaintiffs' Counsel sent a settlement demand together with a proposal for corporate governance reforms to be instituted by ARCA to Defendants' Counsel.

After further extensive negotiations that included numerous email exchanges and telephonic conferences, the Settling Parties reached an agreement in principle to resolve the Action on July 26, 2017. As a condition of the settlement reflected in this Stipulation (the "Settlement"), ARCA will agree to require employee training for employees who are employed in ARCA's accounting department, on issues relevant to ARCA on accounting, auditing or taxation issues, for a period of one (1) year. This employee training may be conducted by ARCA through the use of online, in-person or other resources, at ARCA's discretion. The Settling Parties vigorously negotiated, at arm's-length, the attorneys' fees and reimbursement of expenses to be paid to Plaintiffs' Counsel (the "Fee Award") in light of the substantial benefits that will be conferred upon the Company by the employee training and as a result of the settlement of the Action.

II. PLAINTIFFS' COUNSEL'S INVESTIGATION AND RESEARCH, PLAINTIFFS' CLAIMS, AND THE BENEFIT OF SETTLEMENT

Plaintiffs' Counsel conducted an investigation relating to the claims and the underlying events alleged in the Action, including, but not limited to: (1) reviewing and analyzing the Company's public filings with the United States Securities and Exchange Commission ("SEC"), press releases, announcements, transcripts of investor conference calls, and news articles; (2) reviewing and analyzing the allegations contained in the Securities Class Action; (3) researching and drafting the shareholder derivative complaint in the Action; (4) researching and drafting the proposed amended shareholder derivative complaint in the Action; (5) researching the applicable law with respect to the claims in the Action and the potential defenses thereto; (6) researching and drafting the brief in opposition to the motion to dismiss; (7) researching corporate governance issues; (8) preparing an extensive settlement demand and corporate governance reforms proposals; and (9) engaging in extensive settlement discussions with Defendants' Counsel.

Plaintiffs' Counsel believe that the claims asserted in the Action have merit and that their investigation supports the claims asserted. Without conceding the merit of any of Defendants' defenses or the lack of merit of any of their own allegations, and in light of the benefits of the Settlement as well as to avoid the potentially protracted time, expense, and uncertainty associated with continued litigation, including potential trials and appeals, Plaintiffs have concluded that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. Plaintiffs and Plaintiffs' Counsel recognize the significant risk, expense, and length of continued proceedings necessary to prosecute the Action against the Individual Defendants through trials and possible appeals. Plaintiffs' Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially

complex litigation such as the Action, as well as the difficulties and delays inherent in such litigation. Based on their evaluation, and in light of the significant benefits conferred upon the Company and its shareholders as a result of the Settlement, Plaintiffs and Plaintiffs' Counsel have determined that the Settlement is in the best interests of Plaintiffs, ARCA, and Current ARCA Stockholders (as defined herein), and have agreed to settle the Action upon the terms and subject to the conditions set forth herein.

III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants have vigorously denied, and continue vigorously to deny, all allegations of wrongdoing, fault, liability or cognizable damage to the Company, deny that they engaged in any wrongdoing, deny that they committed any violation of law, deny that they acted improperly in any way, believe that they acted properly at all times, believe the Action has no merit, and maintain that they have committed no breach of duty whatsoever. Defendants are entering into this Settlement solely because they consider it desirable that the Action be settled and dismissed with prejudice in order to, among other things, (i) eliminate the burden, inconvenience, expense, uncertainty and distraction of further litigation; and (ii) finally put to rest all claims that were or could have been asserted against Defendants in the Action.

Neither this Stipulation, nor any of its terms or provisions, nor any act performed or document executed pursuant to or in furtherance of the Settlement: (a) is, may be construed as, or may be used as an admission of, or evidence of, the truth or validity of any of the Released Claims, of any claims or allegations made in the Action, or of any purported acts or omissions by the Defendants; (b) is, may be construed as, or may be used as an admission of, or evidence of, any fault, omission, negligence, or wrongdoing by the Defendants, or any concession of liability whatsoever; or (c) is, may be construed as, or may be used as an admission of, or evidence of, a

concession by any Defendant of any infirmity in the defenses that Defendants asserted or could have asserted in this Action or otherwise.

IV. THE SETTLEMENT HEARING

The Settlement Hearing will be held before the Honorable Daniel H. Mabley on _____, 2017 at __:___ __.m. at the Hennepin County Government Center, 300 South 6th Street, Minneapolis, Minnesota 55487 to determine: (i) whether the proposed Settlement, upon the terms set forth in the Stipulation, should be finally approved in all respects as fair, reasonable, and adequate; (ii) whether the Judgment approving the Settlement, substantially in the form of Exhibit C attached to the Stipulation, should be entered, dismissing the Action with prejudice and releasing and enjoining the prosecution of any and all Released Claims; and (iii) whether Plaintiffs' Counsel's Fee Award, including any Service Awards, should be finally approved. At the Settlement Hearing, the Court may hear or consider such other matters as the Court may deem necessary and appropriate. The Court may adjourn the date of the Settlement Hearing without further notice to Current ARCA Stockholders, and the Settlement Hearing may be continued by the Court at the Settlement Hearing, or at any adjourned session thereof, without further notice.

V. THE SETTLEMENT

The terms and conditions of the proposed Settlement are set forth fully in the Stipulation. The following is only a summary of its terms.

The benefits of the Settlement consist of ARCA's agreement to institute employee training for employees who are employed in ARCA's accounting department, on issues relevant to ARCA on accounting, auditing or taxation issues, for a period of one (1) year following the Effective Date. ARCA acknowledges that the filing and pendency of the Action comprised a substantial contributing factor to the Company's decision to implement the employee training

program. The Settling Parties agree that the employee training program will provide substantial benefits to ARCA and Current ARCA Stockholders. ARCA always has been, and continues to be, committed to the implementation, enhancement, and enforcement of rigorous corporate governance measures. The fact that ARCA has agreed to implement the employee training shall not be construed as an admission that it is legally required, or that the Defendants had engaged in any wrongdoing.

VI. DISMISSAL AND RELEASES

In connection with the Court's approval of the Settlement, the Settling Parties will jointly request entry of the Judgment by the Court, dismissing with prejudice all claims that Plaintiffs have alleged in the Action and any other Released Claims.

Upon the Effective Date, ARCA, Plaintiffs, derivatively on behalf of ARCA, and each of ARCA's stockholders shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Released Claims (including Unknown Claims) against the Released Persons and any and all claims arising out of, relating to, or in connection with, the defense, settlement or resolution of the Action against the Released Persons. ARCA, Plaintiffs, and each of ARCA's stockholders shall be deemed to have, and by operation of the Judgment shall have, covenanted not to sue any Released Person with respect to such Released Claims, and shall be permanently barred and enjoined from instituting, commencing or prosecuting the Released Claims against the Released Persons except to enforce the releases and other terms and conditions contained in the Stipulation and/or the Judgment entered pursuant thereto.

Upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and

discharged each and all of Plaintiffs or their beneficiaries, Plaintiffs' Counsel, and ARCA from any and all Defendants' Released Claims.

VII. ATTORNEYS' FEES AND EXPENSES

Plaintiffs' Counsel intends to apply to the Court for an award of attorneys' fees and expenses in the total amount of forty-five thousand dollars (\$45,000) (the "Fee Award"). Defendants agree that Plaintiffs' counsel is entitled to an award of reasonable attorneys' fees and expenses from the Company, and Defendants will not object to Plaintiffs' Counsel's application for a Fee Award in an amount not to exceed \$45,000. Court approval of such fee application is not a condition of this Settlement, and such fee application may be considered separately from the proposed Settlement. In light of the substantial benefits they have helped to create for all Current ARCA Stockholders, both Plaintiffs may apply for Court-approved service awards in the amount of seven hundred and fifty dollars (\$750.00) each (the "Service Awards"). Each Service Award, to the extent that it is applied for and approved in whole or part, shall be funded from the portion of the Fee Award distributed to that Plaintiff's Counsel.

VIII. THE RIGHT TO OBJECT AND/OR BE HEARD AT THE SETTLEMENT HEARING

Any Current ARCA Stockholder may object and/or appear and show cause, if he, she, or it has any concern, why the Settlement should not be approved as fair, reasonable, and adequate, why Judgment should not be entered thereon, or why the Fee Award, including any Service Awards, should not be finally approved; provided, however, unless otherwise ordered by the Court, that no Current ARCA Stockholder shall be heard or entitled to contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to be entered approving the Settlement, or the Fee Award, unless that Stockholder has, *at least fourteen (14) days prior to the Settlement Hearing*: (1) filed with the Hennepin County District Court a written objection to

the Settlement setting forth: (a) the nature of the objection; (b) proof of ownership of ARCA common stock on July 31, 2017 and through the date of the Settlement Hearing, including the number of shares of ARCA common stock held and the date of purchase; (c) any and all documentation or evidence in support of such objection; and (d) the identities of any cases, by name, court, and docket number, in which the Stockholder or his, her, or its attorney has objected to a settlement in the last three years; and (2) if a Current ARCA Stockholder intends to appear and requests to be heard at the Settlement Hearing, such Stockholder must have, in addition to the requirements of (1) above, filed with the Hennepin County District Court: (a) a written notice of such stockholder's intention to appear at the Settlement Hearing; (b) a statement that indicates the basis for such appearance; (c) the identities of any witnesses the stockholder intends to call at the Settlement Hearing and a statement as to the subjects of their testimony; and (d) any and all evidence that would be presented at the Settlement Hearing. If a Current ARCA Stockholder files a written objection and/or written notice of intent to appear, such stockholder must also simultaneously serve copies of such notice, proof, statement, and documentation, together with copies of any other papers or briefs such Stockholder files with the Court (either by hand delivery or by first class mail) upon each of the following:

Timothy W. Brown
THE BROWN LAW FIRM, P.C.
240 Townsend Square
Oyster Bay, NY 11771

Counsel for Plaintiffs

Michael C. Tu
ORRICK, HERRINGTON
& SUTCLIFFE LLP
777 S. Figueroa Street, Suite 3200
Los Angeles, CA 90017

Counsel for Defendants

Any Current ARCA Stockholder who does not make his, her, or its objection in the manner provided herein shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the Settlement and the Fee Award, including any Service Awards, as set forth in the Stipulation,

unless otherwise ordered by the Court, but shall be forever bound by the Judgment to be entered, the dismissal of the Action with prejudice, and any and all of the releases set forth in the Stipulation.

IX. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation, which requires, among other things: (1) entry of the requested Judgment by the Court; and (2) the Judgment has become Final. If, for any reason, any one of the conditions described in the Stipulation is not met and/or the entry of the Judgment does not occur, the Stipulation might be terminated and, if terminated, will become null and void; and the Settling Parties to the Stipulation will be restored to their respective positions as of the date immediately preceding the date of the Stipulation.

X. EXAMINATION OF PAPERS AND INQUIRIES

This Notice contains only a summary of the terms of the Settlement. For a more detailed statement of the matters involved in the Action, reference is made to the Stipulation, which may be inspected at the Records Center of the Hennepin County Government Center, 300 South 6th Street, Minneapolis, Minnesota 55487, during business hours of each business day or by visiting the investor relations portion of ARCA's website at www.arcainc.com.

Any other inquiries regarding the Settlement or the Action should be addressed in writing to Counsel for Plaintiffs in the Action, Timothy W. Brown, The Brown Law Firm, P.C., 240 Townsend Square, Oyster Bay, NY 11771; Telephone: (516) 922-5427; Facsimile: (516) 344-6204.

PLEASE DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.

EXHIBIT B

STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT
CASE TYPE: Other Civil

DAVID GRAY and MICHAEL BOLLER,
Derivatively and on Behalf of APPLIANCE
RECYCLING CENTERS OF AMERICA,
INC.,

Court File No. 27-CV-15-19456

Judge Daniel H. Mabley

Plaintiffs,

v.

EDWARD R. CAMERON, JEFFREY A.
CAMMERRER, MARK G.
EISENSCHENK, STEVE LOWENTHAL,
RANDY L. PEARCE, DEAN R.
PICKERELL, RICHARD D. BUTLER, JR.,
BRIAN T. CONNERS, DENNIS (DE) GAO,
TONY ISAAC, STANLEY GOLDBERG,
and DUANE S. CARLSON,

**[PROPOSED] ORDER PRELIMINARILY
APPROVING DERIVATIVE
SETTLEMENT AND PROVIDING FOR
NOTICE**

Defendants,

and

APPLIANCE RECYCLING CENTERS OF
AMERICA, INC.,

Nominal Defendant.

WHEREAS, the parties to the above-captioned consolidated shareholder derivative action (the "Action") have made an application, pursuant to Minnesota Rule of Civil Procedure 23.09, for an order: (i) preliminarily approving the Stipulation and Agreement of Settlement dated July 31, 2017 (the "Stipulation"), which, together with the exhibits annexed thereto, sets forth the terms and conditions for the proposed settlement and dismissal of the Action with prejudice; and (ii) approving the form and content of the Notice to Current ARCA Stockholders (the "Notice"), in which ARCA shall cause a Current Report on Form 8-K to be filed with the SEC that contains

the contents of the Notice, and post on the investor relations portion of its website the Notice together with the Stipulation;

WHEREAS, all capitalized terms contained herein shall have the same meanings as set forth in the Stipulation (unless otherwise defined herein); and

WHEREAS, the Court has read and considered the Stipulation and the exhibits annexed thereto, and all Settling Parties have consented to the entry of this Preliminary Approval Order,

NOW THEREFORE, IT IS HEREBY ORDERED:

1. The Court does hereby preliminarily approve, subject to further consideration at the Settlement Hearing described below, the Stipulation and the Settlement set forth therein, including the terms and conditions for settlement and dismissal with prejudice of the Action.

2. A hearing (the "Settlement Hearing") shall be held before the Court and the Honorable Daniel H. Mabley on _____, 2017 at _____.m.,¹ at the Hennepin County Government Center, 300 South 6th Street, Minneapolis, Minnesota 55487, to determine: (i) whether the terms and conditions of the Settlement set forth in the Stipulation are fair, reasonable, and adequate to ARCA and Current ARCA Stockholders and should be finally approved by the Court; (ii) whether a Judgment finally approving the Settlement, substantially in the form of Exhibit C attached to the Stipulation, should be entered, dismissing the Action with prejudice and releasing and enjoining the prosecution of any and all Released Claims; and (iii) whether Plaintiffs' Counsels' Fee Award, including any Service Awards, should be finally approved. At the Settlement Hearing, the Court may hear or consider such other matters as the Court may deem necessary and appropriate.

¹ The Settling Parties respectfully request that the Settlement Hearing be scheduled at least forty-five (45) days after the deadline for providing notice of the proposed Settlement to Current ARCA Stockholders.

3. The Court approves, as to form and content, the Notice attached as Exhibit A to the Stipulation, and finds that the posting of such Notice substantially in the manner and form set forth in this Order meets the requirements of Minnesota Rule of Civil Procedure 23.09 and due process, is the best notice practicable under the circumstances, and shall constitute due and sufficient notice to Current ARCA Stockholders and all other Persons entitled thereto.

4. Not later than ten (10) calendar days following entry of this Order, ARCA shall: (i) cause a Current Report on Form 8-K to be filed with the SEC that contains the contents of the Notice; and (ii) post on the investor relations portion of its website the Notice together with the Stipulation.

5. All papers in support of the Settlement and the Fee Award, including any Service Awards, shall be filed with the Court and served at least twenty-one (21) days prior to the Settlement Hearing, and any reply papers shall be filed with the Court at least seven (7) days prior to the Settlement Hearing.

Any Current ARCA Stockholder may object and/or appear and show cause, if he, she, or it has any concern, why the Settlement should not be finally approved as fair, reasonable, and adequate, why the Judgment should not be entered thereon, or why the Fee Award, including any Service Awards, should not be finally approved; provided, however, unless otherwise ordered by the Court, that no Current ARCA Stockholder shall be heard or entitled to contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to be entered thereon approving the same, or the Fee Award, unless that stockholder has, at least fourteen (14) days prior to the Settlement Hearing: (1) filed with the Hennepin County District Court a written objection to the Settlement setting forth: (a) the nature of the objection; (b) proof of ownership of ARCA common stock on July 31, 2017 and through the date of the Settlement Hearing,

including the number of shares of ARCA common stock held and the date of purchase; (c) any and all documentation or evidence in support of such objection; and (d) the identities of any cases, by name, court, and docket number, in which the stockholder or his, her, or its attorney has objected to a settlement in the last three years; and (2) if a Current ARCA Stockholder intends to appear and requests to be heard at the Settlement Hearing, such stockholder must have, in addition to the requirements of (1) above, filed with the Hennepin County District Court: (a) a written notice of such stockholder's intention to appear at the Settlement Hearing; (b) a statement that indicates the basis for such appearance; (c) the identities of any witnesses the stockholder intends to call at the Settlement Hearing and a statement as to the subjects of their testimony; and (d) any and all evidence that would be presented at the Settlement Hearing. If a Current ARCA Stockholder files a written objection and/or written notice of intent to appear, such stockholder must also simultaneously serve copies of such notice, proof, statement, and documentation, together with copies of any other papers or briefs such stockholder files with the Court (either by hand delivery or by first class mail) upon each of the following:

Timothy W. Brown
THE BROWN LAW FIRM, P.C.
240 Townsend Square
Oyster Bay, NY 11771

Counsel for Plaintiffs

Michael C. Tu
ORRICK, HERRINGTON
& SUTCLIFFE LLP
777 S. Figueroa Street, Suite 3200
Los Angeles, CA 90017

Counsel for Defendants

Any Current ARCA Stockholder who does not make his, her, or its objection in the manner provided herein shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the Settlement or the Fee Award, including any Service Awards, as set forth in the Stipulation, unless otherwise ordered by the Court, but shall be forever bound by the Judgment to be entered,

the dismissal of the Action with prejudice, and any and all of the releases set forth in the Stipulation.

6. At least ten (10) business days prior to the Settlement Hearing, Defendants' Counsel shall serve on The Brown Law Firm, P.C., and file with the Court, proof, by affidavit or declaration, of the publication, filing, and posting of the Notice.

7. All Current ARCA Stockholders shall be bound by all orders, determinations, and judgments in the Action concerning the Settlement, whether favorable or unfavorable to Current ARCA Stockholders.

8. Pending final determination of whether the Settlement should be approved, neither Plaintiffs, Plaintiffs' Counsel, nor any Current ARCA Stockholders or other Persons shall commence or prosecute, or in any way instigate or participate in the commencement or prosecution of, any action or proceeding asserting any Released Claims against any of the Individual Defendants, ARCA, or any other Released Person, in any court or tribunal.

9. The fact and terms of the Stipulation, including any exhibits attached thereto, all proceedings in connection with the Settlement, and any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement:

(a) shall not be offered, received, or used in any way against the Settling Parties as evidence of, or be deemed to be evidence of, a presumption, concession, or admission by any of the Settling Parties with respect to the truth of any fact alleged by Plaintiffs or the validity, or lack thereof, of any claim that has been or could have been asserted in the Action or in any litigation, or the deficiency or infirmity of any defense that has been or could have been asserted in the Action or in any litigation, or of any fault, wrongdoing, negligence, or liability of any of the Released Persons;

(b) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any fault, misrepresentation or omission with respect to any statement or written document approved, issued, or made by any Released Person, or against Plaintiffs as evidence of any infirmity in their claims; or

(c) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any liability, fault, negligence, omission or wrongdoing, or in any way referred to for any other reason as against the Released Persons, in any arbitration proceeding or other civil, criminal, or administrative action or proceeding in any court, administrative agency, or other tribunal. Neither the Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance thereof, shall be admissible in any proceeding for any purpose, except to enforce the terms of the Settlement; provided, however, that if finally approved, the Released Persons may refer to the Settlement, and file the Stipulation and/or the Judgment, in any action that may be brought against them to effectuate the liability protections granted them thereunder, including, without limitation, to support a defense or claim based on principles of *res judicata*, collateral estoppel, full faith and credit, release, standing, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or claim under U.S. federal or state law or foreign law.

10. If the Stipulation is terminated pursuant to its terms, or the Effective Date does not otherwise occur, all proceedings in the Action will revert to their status as of the date immediately preceding the date of the Stipulation.

11. The Court reserves the right to adjourn the date of the Settlement Hearing or modify any other dates set forth herein without further notice to Current ARCA Stockholders, and retains jurisdiction to consider all further applications arising out of or connected with the Settlement. The Court may approve the Settlement and any of its terms, with such modifications as may be agreed to by the Settling Parties, if appropriate, without further notice to Current ARCA Stockholders.

IT IS SO ORDERED.

DATED: _____

Honorable Daniel H. Mabley

EXHIBIT C

STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT
CASE TYPE: Other Civil

DAVID GRAY and MICHAEL BOLLER,
Derivatively and on Behalf of APPLIANCE
RECYCLING CENTERS OF AMERICA,
INC.,

Court File No. 27-CV-15-19456

Judge Daniel H. Mabley

Plaintiffs,

**[PROPOSED] FINAL ORDER AND
JUDGMENT**

v.

EDWARD R. CAMERON, JEFFREY A.
CAMMERRER, MARK G.
EISENSCHENK, STEVE LOWENTHAL,
RANDY L. PEARCE, DEAN R.
PICKERELL, RICHARD D. BUTLER, JR.,
BRIAN T. CONNERS, DENNIS (DE) GAO,
TONY ISAAC, STANLEY GOLDBERG,
and DUANE S. CARLSON,

Defendants,

and

APPLIANCE RECYCLING CENTERS OF
AMERICA, INC.,

Nominal Defendant.

This matter came before the Court for hearing pursuant to this Court's Order Preliminarily Approving Derivative Settlement and Providing for Notice, dated _____, 2017 (the "Preliminary Approval Order"), on the application of the Settling Parties for final approval of the Settlement set forth in the Stipulation and Agreement of Settlement dated July 31, 2017 (the "Stipulation"). Due and adequate notice having been given to Current ARCA Stockholders as required in said Preliminary Approval Order, and the Court having considered all papers filed

and proceedings had herein and otherwise being fully informed of the premises and good cause appearing therefore, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

1. This Final Order and Judgment (“Judgment”) incorporates by reference the definitions in the Stipulation, and except where otherwise specified herein, all capitalized terms used herein shall have the same meanings as set forth in the Stipulation.

2. This Court has jurisdiction over the subject matter of the Action, including all matters necessary to effectuate the Settlement, and over all Settling Parties.

3. The Court finds that the Settlement set forth in the Stipulation is fair, reasonable, and adequate as to each of the Settling Parties, ARCA, and Current ARCA Stockholders, and hereby finally approves the Settlement in all respects and orders the Settling Parties to perform its terms to the extent the Settling Parties have not already done so.

4. The Action, all claims contained therein, and any other Released Claims, are hereby ordered as fully, finally, and forever compromised, settled, released, discharged and dismissed on the merits and with prejudice by virtue of the proceedings herein and this Judgment. The Settling Parties are to bear their own costs, except as otherwise provided in the Stipulation.

5. Upon the Effective Date, ARCA, Plaintiffs, and each of ARCA’s stockholders shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims (including Unknown Claims) against the Released Persons and any and all claims arising out of, relating to, or in connection with the defense, settlement or resolution of the Action against the Released Persons. ARCA, Plaintiffs and each of ARCA’s stockholders shall be deemed to have, and by operation of this Judgment shall have, covenanted not to sue any Released Person with respect to any Released Claims, and

shall be permanently barred and enjoined from instituting, commencing or prosecuting the Released Claims against the Released Persons. Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

6. Upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished, and discharged each and all of Plaintiffs or their beneficiaries, Plaintiffs' Counsel, and ARCA from Defendants' Released Claims. The Released Persons shall be deemed to have, and by operation of this Judgment shall have, covenanted not to sue Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ARCA with respect to any claims arising out of, relating to, or in connection with their institution, prosecution, assertion, settlement, or resolution of the Action or the Released Claims, and shall be permanently barred and enjoined from instituting, commencing or prosecuting Defendants' Released Claims against Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ARCA. Nor shall the foregoing in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

7. The Court finds that the Notice to Current ARCA Stockholders was made in accordance with the Preliminary Approval Order and provided the best notice practicable under the circumstances to all Persons entitled to such notice, and said notice fully satisfied the requirements of Rule 23.09 of the Minnesota Rules of Civil Procedure and the requirements of due process.

8. This Judgment, the fact and terms of the Stipulation, including any exhibits attached thereto, all proceedings in connection with the Settlement, and any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement:

(a) shall not be offered, received, or used in any way against the Settling Parties as evidence of, or be deemed to be evidence of, a presumption, concession, or admission by any of the Settling Parties with respect to the truth of any fact alleged by Plaintiffs or the validity, or lack thereof, of any claim that has been or could have been asserted in the Action or in any litigation, or the deficiency or infirmity of any defense that has been or could have been asserted in the Action or in any litigation, or of any fault, wrongdoing, negligence, or liability of any of the Released Persons;

(b) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any fault, misrepresentation or omission with respect to any statement or written document approved, issued, or made by any Released Person, or against Plaintiffs as evidence of any infirmity in their claims; or

(c) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any liability, fault, negligence, omission or wrongdoing, or in any way referred to for any other reason as against the Released Persons, in any arbitration proceeding or other civil, criminal, or administrative action or proceeding in any court, administrative agency, or other tribunal.

9. This Judgment, the Stipulation, the Settlement, and any act performed or document executed pursuant to or in furtherance thereof, shall not be admissible in any proceeding for any purpose, except to enforce the terms of the Settlement. However, the Released Persons may refer to the Settlement, and file the Stipulation and/or this Judgment, in any action that may be brought against them to effectuate the liability protections granted them

thereunder, including, without limitation, to support a defense or claim based on principles of *res judicata*, collateral estoppel, full faith and credit, release, standing, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or claim under U.S. federal or state law or foreign law.

10. Without affecting the finality of this Judgment in any way, the Court hereby retains continuing jurisdiction over: (a) implementation of the Settlement; and (b) all Settling Parties for the purpose of construing, enforcing, and administering the Stipulation and this Judgment, including, if necessary, setting aside and vacating this Judgment, on motion of a Settling Party, to the extent consistent with and in accordance with the Stipulation if the Effective Date fails to occur in accordance with the Stipulation.

11. This Judgment is a final, appealable judgment and should be entered forthwith by the court administrator in accordance with Minnesota Rule of Civil Procedure 58.

IT IS SO ORDERED.

DATED: _____

Honorable Daniel H. Mabley