

Cause No. 10-07655

RON PHILLIPS and SCOTT	§	IN THE DISTRICT COURT
MOOREHEAD, Derivatively on Behalf of	§	
CLST HOLDINGS, INC.,	§	
	§	
Plaintiffs,	§	
	§	
vs.	§	
	§	
TIMOTHY S. DURHAM, ROBERT A.	§	
KAISER, and DAVID TORNEK,	§	
	§	DALLAS COUNTY, TEXAS
Defendants,	§	
	§	
-and-	§	
	§	
CLST HOLDINGS, INC., a Delaware	§	
corporation,	§	
	§	
Nominal Defendant.	§	
	§	134th JUDICIAL DISTRICT

STIPULATION OF SETTLEMENT

This Stipulation of Settlement dated as of June 10, 2014 (the "Stipulation") is submitted for approval under the Texas Rules of Civil Procedure and the Texas Business Organizations Code. Subject to the approval of the 134th Judicial District Court, Dallas County, Texas (the "Court"), this Stipulation is entered into by and between plaintiffs Ron Phillips ("Phillips") and Scott Moorehead ("Moorehead") (collectively, the "Plaintiffs"), nominal defendant CLST Holdings, Inc. ("CLST" or the "Company"), and defendants Timothy S. Durham ("Durham"), Robert A. Kaiser ("Kaiser"), and David Tornek ("Tornek") (collectively, the "Directors") (the aforementioned persons and entities being referred to collectively as the "Parties" or "Settling Parties"), by and through their respective counsel. The Stipulation is intended by the Settling Parties to fully, finally, and forever resolve, discharge, and settle the Released Claims,¹ subject to the terms and conditions set forth herein.

¹ All capitalized terms not otherwise defined are defined below.

I. PROCEDURAL HISTORY

CLST is a Delaware corporation headquartered in Dallas, Texas. CLST was originally formed in 1993 under the name CellStar Corporation ("CellStar"), which operated in the wireless telecommunications industry.² On March 28, 2007, CellStar's stockholders approved the liquidation and dissolution of the Company, and shortly thereafter, CellStar sold substantially all of its assets in two separate transactions.

A. Background of the Litigation

On June 23, 2010, Plaintiffs filed their Shareholder Derivative Petition Based Upon Self-Dealing, Breach of Fiduciary Duty, Waste of Corporate Assets, and Unjust Enrichment against the Directors in the above-captioned lawsuit, in which Plaintiffs asserted putative stockholder derivative claims on behalf of CLST against the Directors.³ The petition alleges, among other things, that the Directors breached their fiduciary duties to the Company by causing CLST to

² CellStar changed its name to CLST Holdings, Inc. on April 3, 2007.

³ Before filing the above-captioned action (the "Action"), Robbins Umeda LLP, now Robbins Arroyo LLP ("Robbins Arroyo"), represented CLST stockholders Red Oak Partners, LLC, Pinnacle Fund LLP, Red Oak Fund, LP (Red Oak Partners, LLC, Pinnacle Fund LLLP, and Red Oak Fund, LP are collectively referred to as "Red Oak"), and Jeffrey S. Jones in a factually related stockholder derivative action that was filed in this Court on behalf of CLST on March 2, 2009, captioned *Red Oak Partners, LLC v. Kaiser*, Cause No. 09-02404 (the "Red Oak Derivative Action"). The Red Oak Derivative Action was dismissed without prejudice on June 18, 2010, but only after significant litigation, including, but not limited to, multiple pleas to the jurisdiction, special exceptions, and motions to disqualify, motions to compel CLST's annual stockholder meeting, motions for temporary and permanent injunctions, motions to compel discovery and for expedited discovery as well as a motion to quash deposition notices, a motion to stay, a motion for summary judgment, a counterclaim and plaintiffs' response thereto, a motion to reconsider and an appeal, and significant discovery exchanged between the parties. While the Red Oak Derivative Action was pending, the parties were also involved in litigation in response to Red Oak's announcement on February 3, 2009, that it intended to commence a tender offer for CLST. On February 13, 2009, CLST filed its Original Complaint and Application for Injunctive Relief in an action captioned *CLST Holdings, Inc. v. Red Oak Partners, LLC*, Civil Action No. 3:09-CV-00291 (the "Federal Action") in the U.S. District Court for the Northern District of Texas, Dallas Division. The Federal Action was dismissed with prejudice by agreement of the parties on June 5, 2013.

enter into certain transactions related to the purchase of consumer receivables. Plaintiffs also alleged that the Directors engaged in multiple self-dealing transactions that increased their voting power in order to remain entrenched in their positions, at the expense of Plaintiffs, who were allegedly deprived of the ability to nominate new directors and set forth business proposals to be voted on by the Company's stockholders.

Upon a joint motion to transfer filed by the Parties, the case was transferred to the 134th District Court, presided by Judge James M. Stanton, on July 28, 2010.

On August 11, 2010, Defendants answered the petition and also filed a Plea to the Jurisdiction, Special Exceptions, and a Motion to Disqualify Plaintiffs.

Under an August 23, 2010 scheduling order, the Defendants engaged in limited discovery relating to Plaintiffs' adequacy to represent the interests of CLST and its stockholders in the Action. In addition to receiving documents and answers to interrogatories from Plaintiffs, Defendants deposed Plaintiff Moorehead on October 8, 2010 and Plaintiff Phillips on October 27, 2010.

On April 13, 2012, this Court denied Defendants' Plea to the Jurisdiction, Special Exceptions, and Motion to Disqualify ("April 2012 Order"). On May 30, 2012, Defendants filed a Motion to Stay Discovery, requesting that all discovery and other proceedings be stayed pending Defendants' anticipated appeal of the April 2012 Order, which the Court granted on June 29, 2012. Defendants filed a Petition for a Writ of Mandamus regarding the April 2012 Order on June 20, 2012, which the Court of Appeals for the Fifth District of Texas denied on August 29, 2012.

Thereafter, the Parties engaged in extensive discovery efforts. Plaintiffs served substantial written discovery on CLST, the Directors, and several key third-party witnesses. In response, these parties and third parties collectively produced nearly two million pages of documents. After a strategic review of the discovery produced, Plaintiffs then deposed four third-party witnesses.

Defendants also served extensive written discovery on Plaintiffs. In response, Plaintiffs collectively produced over 50,000 pages of documents. The Parties also served and responded to requests for disclosure under Rule 194 of the Texas Rules of Civil Procedure.

B. Settlement Negotiations

In the fall of 2010, the Parties explored the idea of early resolution of the Action and agreed to attend mediation. In preparation for the mediation, on July 9, 2010, counsel for Plaintiffs sent a demand letter proposing, among other things, economic terms sufficient to address the damages incurred by CLST, rescission of the Long Term Incentive Plan ("LTIP") stock grants, and structural reforms designed to improve the Board of Directors ("Board") and replacement of a majority of the Board members.

On November 4, 2010, the Settling Parties participated in an in-person mediation with Jed D. Melnick of JAMS (the "Mediator") in Dallas, Texas. After the mediation, the Parties entered into a Memorandum of Understanding dated December 13, 2010 concerning the settlement of this Action ("2010 MOU"). Disagreement later arose, however, regarding the enforceability of the 2010 MOU. On May 12, 2011, the Defendants filed a motion to enforce the 2010 MOU and, after briefing by the Parties, Defendants withdrew their pending motion on November 3, 2011. The Parties resumed litigation.

On October 17, 2012, Defendants filed their Original Counterclaim, alleging that Plaintiffs breached fiduciary duties in failing to consummate the 2010 MOU. Plaintiffs answered on December 5, 2012.

During the summer of 2013, and after years of more protracted litigation and extensive discovery, the Parties once again began to explore potential resolution of the claims. The Parties agreed to participate in another in-person mediation with the Mediator, which took place on October 7, 2013. Following the second mediation and negotiations between the Parties, counsel for the Parties reached an agreement providing for the complete settlement of the Action as documented by a Memorandum of Understanding dated October 7, 2013 (the "2013 MOU").

II. PLAINTIFFS' CLAIMS AND THE BENEFITS OF SETTLEMENT

Plaintiffs' entry into this Stipulation is not intended to be and shall not be construed as an admission or concession concerning the relative strength or weakness of the claims alleged in the Action. Rather, Plaintiffs and Plaintiffs' Counsel have concluded that the terms and conditions of the Settlement are fair, reasonable, and adequate to CLST and its stockholders, and have agreed to settle the claims asserted in the Action under the terms and provisions of this Stipulation, after taking into account, among other things: (i) the uncertainty, costs, and attendant risks of protracted litigation; (ii) the monetary recovery and structural changes that CLST will adopt as a result of the filing of the Action; and (iii) the desirability of permitting the Settlement to be consummated without delay as provided by the terms of this Stipulation.

Plaintiffs' Counsel have conducted an extensive investigation, including, *inter alia*: (i) reviewing CLST's press releases, public statements, U.S. Securities and Exchange Commission ("SEC") filings and financial statements; (ii) reviewing media reports about the Company; (iii) researching and analyzing the applicable laws and regulations with respect to the claims alleged in the Actions and the potential defenses thereto; (iv) reviewing and analyzing relevant filings in other litigation involving CLST since the filing of the Actions and the Defendants' potential liability in connection with that litigation; (v) engaging in discovery and motion practice in the Actions; and (vi) participating in mediations and negotiating this Settlement with Defendants. Based on Plaintiffs' Counsel's review and analysis of the relevant facts, allegations, defenses, and controlling legal principles, Plaintiffs' Counsel believes that the Settlement set forth in this Stipulation is fair, reasonable, and adequate, and confers substantial benefits on CLST and its stockholders. Based on Plaintiffs' Counsel's evaluation, Plaintiffs have determined that the Settlement is in the best interests of CLST and its stockholders and have agreed to settle the Action on the terms and subject to the conditions set forth herein.

III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants expressly have denied, and continue to deny, each and all of the claims and contentions alleged in the Action. Defendants have expressly denied and continue to deny all

charges of wrongdoing of liability against them arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Action. Defendants have agreed to enter into this Settlement in order to eliminate the substantial burden, expense, inconvenience, and distraction of further protracted litigation. CLST acknowledges that the Settlement, which includes monetary relief and corporate governance measures, confers substantial benefits on CLST. CLST believes that the Settlement is fair, reasonable, adequate, and in the best interests of CLST and its stockholders.

Neither this Stipulation, nor any of its terms or provisions, nor entry of the Judgment, nor any document or exhibit referred to in or attached to this Stipulation, nor any action taken to carry out this Stipulation, is, may be construed as, or may be used as evidence of the validity of any of Released Claims or an admission by or against the Defendants of any fault, wrongdoing, or concession of liability.

IV. SETTLEMENT TERMS

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the undersigned counsel for the Settling Parties herein, in consideration of the benefits flowing to the Settling Parties from the Settlement, and subject to the approval of the Court, that the claims asserted in the Action shall be finally and fully compromised, settled, and released, and the Action shall be dismissed with prejudice, upon and subject to the terms and conditions of the Stipulation, as set forth below.

1. Definitions

As used in this Stipulation, the following terms have the meanings specified below:

1.1 "Action" means the stockholder derivative action filed in the Court, *Phillips v. Durham*, Cause No. 10-07655 (filed June 23, 2010).

1.2 "Actions" means the stockholder derivative actions filed in the Court, *Phillips v. Durham*, Cause No. 10-07655 (filed June 23, 2010) and *Red Oak Partners, LLC v. Kaiser*, Cause No. 09-02404 (filed March 2, 2009).

1.3 "CLST" or the "Company" means nominal defendant CLST Holdings, Inc., and its affiliates, subsidiaries, predecessors, successors, and assigns.

1.4 "CLST Common Stock" means the interests and claims possessed by persons who were record and beneficial holders of the shares the common stock of CLST Holdings, Inc. (\$0.01 par value per share) on June 24, 2010, as a result of holding those shares as of the effectiveness of the dissolution of the Company pursuant to its Certificate of Dissolution filed with the Delaware Secretary of State on March 26, 2010.

1.5 "CLST Stockholders" means any Person who owned CLST Common Stock as of June 24, 2010, excluding the Directors, the officers and directors of CLST, members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which the Directors have or had a controlling interest.

1.6 "Court" means the District Court, 134th Judicial District, Dallas County, Texas.

1.7 "Defendants" means, collectively, nominal defendant CLST and the Directors.

1.8 "Directors" means Timothy S. Durham, Robert A. Kaiser, and David Tornek.

1.9 "Effective Date" means the date by which the events and conditions specified in paragraph 6.1 of the Stipulation have been met and have occurred.

1.10 "Federal Action" means CLST's Original Complaint and Application for Injunctive Relief against Red Oak Fund, L.P., Red Oak Partners, LLC, and David Sandberg in an action captioned *CLST Holdings, Inc. v. Red Oak Partners, LLC*, Civil Action No. 3:09-CV-00291, filed on February 13, 2009 in the U.S. District Court for the Northern District of Texas, Dallas Division.

1.11 "Final" means the date on which the last of the following shall occur with respect to the Judgment approving the Stipulation: (1) the expiration of the time to file a notice of appeal from the Judgment; (2) if an appeal has been filed, the court of appeals or other appropriate court has either affirmed the Judgment or dismissed that appeal and the time for any reconsideration or further appellate review has passed; or (3) if a higher court has granted further appellate review, that court has either affirmed the underlying Judgment or affirmed the court of appeal's decision

affirming the Judgment or dismissing the appeal. For purposes of this paragraph, an "appeal" shall not include any appeal that concerns only the issue of attorneys' fees and expenses, including the Plaintiffs' attorneys' fees and expenses (as defined in paragraph 5, *infra*). Any proceeding or order, or any appeal or petition for review or for a writ of certiorari pertaining solely to Plaintiffs' attorneys' fees and expenses shall not in any way delay or preclude the Judgment from becoming Final.

1.12 "Judgment" means the Order and Final Judgment to be rendered by the Court, substantially in the form attached hereto as Exhibit C; provided, however, that if the Court's approval of the Settlement is severed from its decisions on Plaintiffs' Counsel's application for an award of attorneys' fees and expenses (as provided in paragraph 5.1 *infra*), then "Judgment" shall mean the Order and Final Judgment in which the Court approves the Settlement, regardless of its disposition of the application for fees and expenses.

1.13 "Notice Administration Costs" means the reasonable costs to the Notice Administrator for administering the notice process and providing reports and declarations, consistent with paragraph 3.3, *infra*.

1.14 "Person" means an individual, corporation, limited liability corporation, 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 and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

1.15 "Plaintiffs" means Ron Phillips and Scott Moorehead, individually and derivatively on behalf of nominal defendant CLST.

1.16 "Plaintiffs' Counsel" means Robbins Arroyo LLP and the Kendall Law Group.

1.17 "Released Claims" means all claims of any type of nature, known or unknown, arising prior to the Effective Date, including but not limited to claims for negligence, fraud, breach of fiduciary duty or any other legal duty, violation of any statute or regulation, or recoupment, reimbursement, or any similar theory, and also including but not limited to claims

that have been, could have been, or in the future might be or could be asserted in any forum by CLST stockholders derivatively on behalf of CLST relating to, arising out of, or derived from the allegations, facts, transactions, or claims made the subject of any pleading or allegations in the Action, including but not limited to, Defendant Kaiser's 2007 \$3.6 million change-of-control payment and the so-called "Verizon payable," and also expressly including, but not limited to, any and all actions or omissions (whether actually pleaded or not) by CLST and/or the Directors with respect to the conduct or resolution of the Federal Action and the claims asserted therein. Notwithstanding the foregoing, the Released Claims shall not include any claims for indemnity and advancement under the Company's certificate of incorporation, charter, and by-laws, any claims by the Settling Parties to enforce the Stipulation, or any claims by the Company or the Directors under any insurance policy maintained by the Company.

1.18 "Settlement" means the settlement and compromise of the Action as provided for herein, except for the issue of Plaintiffs' attorneys' fees and reimbursement of expenses as described in paragraphs 5.1-5.3 below.

1.19 "Settlement Hearing" means the hearing or hearings at which the Court will review the adequacy, fairness, and reasonableness of the Settlement.

1.20 "Settling Parties" means, collectively, Plaintiffs (both individually and derivatively on behalf of CLST) and Defendants. "Settling Party" means, individually, any of the Settling Parties.

1.21 "Unknown Claims" means any Released Claim(s) that the Settling Parties do not know of or suspect to exist in his, her, or its favor at the time of the Effective Date. With respect to any and all Released Claims, the Settling Parties agree that upon the Effective Date, the Settling Parties expressly waive the provisions, rights, and benefits conferred by or under California Civil Code section 1542, or any other law of the United States or any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to section 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.

The Settling Parties acknowledge that they may hereafter discover facts in addition to or different from those now known or believed to be true by them, with respect to the subject matter of the Released Claims, but the Settling Parties shall be deemed to have, and by operation of the Stipulation shall have, fully, finally, and forever compromised, settled, released, discharged, and extinguished any and all Released Claims, known or unknown, suspected or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, whether or not concealed or hidden, which do now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. The Settling Parties acknowledge that the foregoing waiver was separately bargained for and is a key element of the Stipulation of which this release is a part.

1.22 "XL" means XL Specialty Insurance Company.

2. Terms of and Consideration for the Settlement

2.1 Monetary Consideration

XL shall pay \$3,500,000 to the Company (the "Monetary Consideration") within ten (10) business days of the Effective Date by check made payable to CLST Holdings, Inc. with tax id number 75-2479727 and delivered to CLST Holdings, Inc., 5700 Granite Parkway, Suite 310, Plano, Texas 75024, Attn: Chief Executive Officer. CLST and the Directors acknowledge and agree that the insurance contribution set forth in this paragraph would not have been obtained for CLST but for the filing, prosecution, and settlement of the Action.

The Company will, subject to applicable law and subject to the consummation of the terms of this stipulation, including the payment of all amounts to the Company by its insurer, use commercially reasonable efforts to make (i) a cash distribution to CLST Stockholders prior to December 31, 2014 in an amount determined appropriate under the circumstances by the Board and (ii) a distribution of common stock of a subsidiary in a transaction registered under the

Securities Act of 1933, as amended. The Company's obligations in the foregoing sentence shall not modify or limit the Company's rights, duties, or obligations under applicable law, including but not limited to section 275 *et seq.* of the Delaware General Corporation Law, with respect to the winding up of its affairs, nor shall it limit the Company's ability to enter into or negotiate the terms of transactions relating to the resolution of or provision for its liabilities or the disposition of its assets.

2.2 Structural and Governance Reforms

Without acknowledging or suggesting what actions might otherwise have been taken, CLST acknowledges that the prosecution and settlement of the Action was the sole factor in its decision to adopt and/or implement the reforms set forth below. These reforms constitute additional consideration for this Stipulation, and CLST acknowledges and agrees that the reforms confer substantial benefits upon CLST and its stockholders.

A. Stock Grants

No additional grants of CLST securities shall be made to the Directors or to any other past, current, or future CLST directors or officers.

B. Related-Party Transactions

CLST shall not engage in any business transactions with any persons or entities who are affiliates of the Directors except as provided herein.

C. No Increase in Compensation

The cash compensation plan for members of the Board will not be modified, and the cash compensation payable to Kaiser as an employee of the Company for services rendered will not increase, during the term of the dissolution of the Company.

D. No Rescission

No rescission of dissolution will be recommended by the Board.

E. No Issuance of Company Stock; No Waiver of Rights Plan

The Company will not issue additional shares of the CLST Common Stock or other equity securities and will not sell any such shares from its treasury; provided, however, the

Company may distribute equity securities of its direct and indirect subsidiaries in connection with its dissolution activities.

F. Defendant Durham Resigned

In a letter dated June, 23, 2012, defendant Durham tendered his resignation as a member of the Board. On July 2, 2012, the Board accepted Durham's resignation.

G. CLST Pursues Dissolution

The Company filed its certificate of dissolution on March 26, 2010, which became effective ninety days later on June 24, 2010. The Company shall continue to wind up its affairs as a body corporate as contemplated in section 278 of the Delaware General Corporation Law notwithstanding the passage of three years from the effectiveness of the Certificate of Dissolution.

3. Approval and Notice

3.1 The Settling Parties have agreed to present this Stipulation to the Court for hearing and approval as soon as practicable after this Stipulation has been executed. The Settling Parties have further agreed upon the form of a [Proposed] Agreed Preliminary Approval Order ("Preliminary Approval Order"), a copy of which is attached hereto as Exhibit A, which they will request the Court enter preliminarily approving the Settlement and authorizing notification to CLST Stockholders of the date and time of the hearing from which final approval of the Settlement will be sought from the Court. The Settling Parties have further agreed upon the form of a [Proposed] Order and Final Judgment, a copy of which is attached hereto as Exhibit C, which they will request the Court to enter on final hearing of this matter, approving the Settlement described herein, releasing all Settling Parties as provided for therein, and dismissing the Action with prejudice.

3.2 The Settling Parties have further agreed on the form of a Notice of Proposed Settlement of Derivative Litigation, Hearing Thereon, and Right to Appear (the "Notice"), a copy of which is attached hereto as Exhibit B, which they will request the Court approve to authorize the distribution of the Notice to CLST Stockholders under the Preliminary Approval Order.

3.3 Plaintiffs shall retain a reasonably acceptable third-party notice administrator ("Notice Administrator") who shall be responsible for all administrative duties in connection of sending the Notice to CLST Stockholders and keeping Plaintiffs' Counsel and the Company's Counsel informed of the administration of the notice process. Due to the unique circumstances of this case, Plaintiffs' Counsel shall pay the Notice Administration costs and shall provide prompt payment for such costs. No later than seven (7) calendar days prior to the Settlement Hearing, Plaintiffs' Counsel shall file with the Court an appropriate declaration with respect to the mailing of the Notice.

3.4 Within ten (10) calendar days after the entry of the Preliminary Approval Order, Plaintiffs' Counsel shall post a copy of the Notice and Stipulation on the website of Robbins Arroyo LLP. No later than seven (7) calendar days prior to the Settlement Hearing, Plaintiffs' Counsel shall file with the Court an appropriate declaration with respect to the posting of the Notice and Stipulation on the website.

3.5 The Settling Parties shall request that the Court hold a hearing (the "Settlement Hearing"), at least eighty-five (85) days after the entry of the Preliminary Approval Order. The Settling Parties believe the content and manner of the Notice constitutes adequate and reasonable notice to CLST Stockholders under applicable law and due process.

4. Mutual Releases

4.1 The Settling Parties hereby mutually release, effective as of the Effective Date, the Released Claims and all claims between the Plaintiffs and CLST, on the one hand, and the Directors and XL, on the other hand, of any type or nature, known and unknown, arising prior to the Effective Date, including but not limited to claims for negligence, fraud, breach of fiduciary duty or any other legal duty, violation of any statute or regulation, or recoupment, reimbursement, or any similar theory, and also including but not limited to claims that have been, could have been, or in the future might be or could be asserted in any forum by CLST Stockholders derivatively on behalf of CLST relating to, arising out of, or derived from the allegations, facts, transactions, or claims made the subject of any pleading or allegation in the

Action, expressly including, but not limited to: (i) Defendant Kaiser's 2007 \$3.6 million change-of-control payment and the so-called "Verizon payable"; (ii) any and all actions or omissions (whether actually pleaded or not) by CLST and/or the Directors with respect to the conduct or resolution of the Federal Action and the claims asserted therein; (iii) any and all counterclaims (whether actually pleaded or not) by CLST and/or the Directors against plaintiffs in the Red Oak Derivative Action; and (iv) any and all counterclaims (whether actually pleaded or not) by CLST and/or the Directors against Plaintiffs in the Action. Notwithstanding the foregoing, the Released Claims and any other claims released by the foregoing shall not include any claims by the Directors for indemnity and advancement under the Company's certificate of incorporation, charter, and by-laws, any claims by the Settling Parties to enforce the Stipulation, or any claims by the Company or the Directors under any insurance policy maintained by the Company.

5. Attorneys' Fees and Reimbursement of Expenses

5.1 Subject to the terms and conditions of this Stipulation, and subject to final approval of the Settlement and such fees awarded by the Court, XL for the benefit of the Defendants, has agreed to pay Plaintiffs' Counsel \$3,500,000 for their fees and expenses, subject to Court approval ("Proposed Fee Amount"), and all Parties have agreed not to oppose the Proposed Fee Amount. The Proposed Fee Amount shall constitute the cap on fees and expenses to be paid to Plaintiffs' Counsel without regard to the fee awarded by the Court. Any failure by the Court to approve the amount of such fees, or any reversal or remittitur of any such award on appeal, shall not affect the validity or finality or enforceability of the Settlement.

5.2 XL shall pay the fees and expenses awarded to Plaintiffs' Counsel in the Action (the "Fee and Expense Award") within ten (10) business days of the Effective Date (or a final, nonappealable order awarding the Fee and Expense Award, whichever is later) by check made payable to Robbins Arroyo LLP with tax id number 01-0603618 and delivered to Robbins Arroyo LLP, 600 B Street, Suite 1900, San Diego, California 92101, Attn: Chief Financial Officer. Any such payment shall be made subject to Plaintiffs' Counsel's joint and several obligations to make refunds to XL if any specified condition to the Settlement is not satisfied or

if the Fee and Expenses Award is reversed or reduced on appeal; it shall be the several obligation of Plaintiffs' Counsel to make appropriate refunds or repayments of any attorneys' fees and expenses previously paid within ten (10) business days from receiving notice from XL. Except as provided herein, the Directors shall bear no other expenses, costs, damages, or fees alleged or incurred by the named Plaintiffs or by any of their attorneys, experts, advisors, agents, or representatives. The award of any fee by the Court shall not be a precondition to the entry of the Judgment, the dismissal with prejudice of the Action in accordance with this Stipulation or the effectiveness of the mutual releases provided herein. The award of fees may be considered and ruled on by the Court separately from the proposed Settlement, and any objection to or appeal of any fee award shall not affect the approval, finality, or enforcement of the Settlement or the mutual releases provided herein. In the event an objection is made to Plaintiffs' application for attorneys' fees and expenses, but the Court has approved the Settlement, the Court may sever Plaintiffs' claim for fees and expenses from its approval of the Settlement.

5.3 Except as otherwise provided herein, all Parties shall bear their own costs and expenses.

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

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

(a) Court approval of the Settlement and approval of the content and method of providing the Notice to CLST Stockholders, and the subsequent dissemination of the Notice to CLST Stockholders; and

(b) the Judgment approving the Settlement without awarding costs to any party, except as provided herein, and dismissing the Action with prejudice becoming Final.

6.2 If any of the conditions specified above in paragraph 6.1 are not met, then the Stipulation shall be canceled and terminated subject to paragraph 6.3, unless counsel for the Settling Parties mutually agree in writing to proceed with the Stipulation.

6.3 If for any reason the Effective Date of the Stipulation does not occur, or if the Stipulation is in any way canceled, terminated, or fails to become Final in accordance with its terms: (a) all Settling Parties and Released Persons shall be restored to their respective positions in the Action as of June 9, 2014; (b) all releases delivered in connection with the Stipulation shall be null and void, except as otherwise provided for in the Stipulation; and (c) 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 a Settling Party of any act, matter, or proposition, and shall not be used in any manner for any purpose in this or any other action or proceeding, including subsequent actions or proceedings.

7. Bankruptcy

7.1 In the event of Bankruptcy Proceedings (defined as any proceedings by or on behalf of CLST, whether voluntary or involuntary, initiated under any chapter of the United States Bankruptcy Code, including any act of receivership, asset seizure, or similar federal or state law action), 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. By way of example only, the Settling Parties agree to cooperate in making applications and motions to the bankruptcy court for relief from any stay, approval of the settlement, authority to release funds, authority for CLST's insurer to disburse insurance proceeds consistent with this Stipulation, authority to release claims and indemnify officers and directors, and authority for the Court to enter all necessary orders and judgments, and any other actions reasonably necessary to effectuate the terms of the Stipulation. If any Bankruptcy Proceedings on behalf of CLST are initiated prior to the payment of Plaintiffs' attorneys' fees and expenses, the Settling Parties agree to seek an order from the Bankruptcy Court presiding over such Bankruptcy Proceedings: (i) either lifting the automatic stay for limited purposes of authorizing such payment, or finding that the payment of Plaintiffs' attorneys' fees and expenses on behalf of the Directors by their insurer or insurers under their respective policies or related compromise of coverage and the releases provided pursuant to this Stipulation does not violate

compromise of coverage and the releases provided pursuant to this Stipulation does not violate the automatic stay; and (ii) finding that the payment of Plaintiffs' attorneys' fees and expenses on behalf of the Directors by their insurer or insurers under their respective policies does not constitute a preference, voidable transfer, fraudulent transfer, or similar transaction. In addition, in the event of any Bankruptcy Proceedings by or on behalf of CLST, 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 Provisions

8.1 The Settling Parties (a) acknowledge that it is their intent to consummate this Stipulation; and (b) agree to act in good faith and cooperate to take all reasonable and necessary steps to expeditiously implement the terms and conditions of the Stipulation.

8.2 In the event that any part of the Settlement is found to be unlawful, void, unconscionable, or against public policy by a court of competent jurisdiction, the remaining terms and conditions of the Settlement shall remain intact.

8.3 The Company and the Directors, on the one hand, and the Plaintiffs, on the other, agree not to directly or indirectly initiate, participate in, file, assert, or encourage any other person or entity to file or assert, any action, proceeding, or lawsuit against one another, other than an action to enforce the terms of the Stipulation.

8.4 The Directors and CLST have denied, and continue to deny, that they have committed or aided and abetted in the commission of any violation of law or engaged in any of the wrongful acts alleged in the Action and expressly maintain that they diligently and scrupulously complied with their fiduciary and other legal duties.

8.5 The Settling Parties agree that except as expressly provided herein, the Action and all proceedings therein (including all discovery) shall be stayed pending submission of the proposed Settlement to the Court for its consideration. Counsel shall enter into such documentation as the Settling Parties may agree to be required or advisable to effectuate the stay.

8.6 The covenants, releases, and promises contained in this Stipulation shall be given the broadest possible interpretation.

8.7 This Stipulation is an enforceable contract and is binding on all of the Settling Parties. The Settling Parties agree that all of the covenants set forth in this Stipulation are supported by adequate consideration.

8.8 The provisions contained in this Stipulation shall not be deemed a presumption, concession, or admission by any Settling Party of any fault, liability, or wrongdoing as to any facts or claims that have been or might be alleged in the Action or in any other action or proceeding.

8.9 Each Settling Party severally represents and acknowledges (i) that no promise, inducement, or agreement not expressed herein has been made to it or him or her, (ii) that it or he or she did not rely on any promise, inducement, or agreement not expressed herein, (iii) that this Stipulation contains the entire agreement between or among the Settling Parties concerning the matters described in this Stipulation, and, (iv) except as expressly provided herein, that there are no third-party beneficiaries to this Stipulation. Each Settling Party acknowledges that the other Settling Parties are relying on the representations and acknowledgements of the preceding sentence in entering into this Stipulation.

8.10 This Stipulation may be executed in counterparts by any of the signatories hereto, including by telecopier or by email PDF, and as so executed shall constitute one agreement.

8.11 This Stipulation and the settlement contemplated by it shall be governed by and construed in accordance with the laws of the State of Texas without regard to conflict of laws principles. The Settling Parties agree that all disputes arising from or connected to the Settlement shall be submitted to and decided by Jed. D. Melnick, Esq. of JAMS within thirty (30) calendar days of written notice to the other Settling Parties.

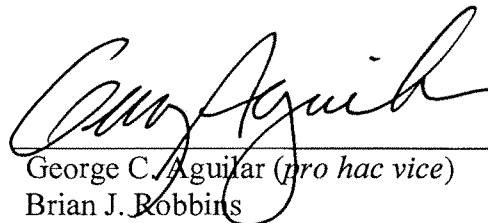
8.12 This Stipulation may be modified or amended only by a writing signed by all of the signatories hereto.

8.13 Each of the attorneys executing this Stipulation has been duly empowered and authorized by his/her respective client(s) to do so. This Stipulation shall be fully enforceable pursuant to the terms set forth herein and shall constitute a binding agreement pursuant to Rule 11 of the Texas Rules of Civil Procedure.

8.14 The Exhibits to this Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

EXECUTED AND AGREED:

DATED: May 15, 2014



George C. Aguilar (*pro hac vice*)

Brian J. Robbins

Ashley R. Palmer

Jay N. Razzouk (*pro hac vice*)

ROBBINS ARROYO LLP

600 B Street, Suite 1900

San Diego, CA 92101

Telephone: (619) 525-3990

Facsimile: (619) 525-3991

Joe Kendall

State Bar No. 11260700

Jamie McKey

State Bar No. 24045262

KENDALL LAW GROUP, LLP

3232 McKinney Avenue, Suite 700

Dallas, Texas 75204

Telephone: (214) 744-3000

Facsimile: (214) 744-3015

*Attorneys for Ron Phillips and Scott
Moorehead*

June 10

DATED: May __, 2014



Mark T. Josephs

State Bar No. 11031400

Andrew D. Graham

State Bar No. 24041002

JACKSON WALKER L.L.P.

901 Main Street, Suite 6000
Dallas, Texas 75202
Telephone: (214) 953-6000
Facsimile: (214) 953-5822

*Attorneys for Defendant Robert A. Kaiser and
for Nominal Defendant CLST Holdings, Inc.*

June 9,
DATED: May 23, 2014



Ken Carroll
State Bar No. 03888500
Jennifer Evans Morris
State Bar No. 24013198
Bryan Erman
State Bar No. 24040870
CARRINGTON, COLEMAN, SLOMAN &
BLUMENTHAL, L.L.P.
901 Main Street, Suite 5500
Dallas, Texas 75202
Telephone: (214) 855-3000
Facsimile: (214) 855-1333

Attorneys for Defendant Timothy S. Durham

DATED: May 23, 2014



Michael A. Swartzendruber
State Bar No. 19557702
Peter Stokes
State Bar No. 24028017
Barton Wayne Cox
State Bar No. 24065087
FULBRIGHT & JAWORSKI LLP
2200 Ross Avenue, Suite 2800
Dallas, Texas 75201-2784
Telephone: (214) 855-8000
Facsimile: (214) 855-8200

Attorneys for Defendant David Tornek

EXHIBIT A

EXHIBIT A

Cause No. 10-07655

RON PHILLIPS and SCOTT	§	IN THE DISTRICT COURT
MOOREHEAD, Derivatively on Behalf of	§	
CLST HOLDINGS, INC.,	§	
	§	
Plaintiffs,	§	
	§	
vs.	§	
	§	
TIMOTHY S. DURHAM, ROBERT A.	§	
KAISER, and DAVID TORNEK,	§	
	§	DALLAS COUNTY, TEXAS
Defendants,	§	
	§	
-and-	§	
	§	
CLST HOLDINGS, INC., a Delaware	§	
corporation,	§	
	§	
Nominal Defendant.	§	
	§	134th JUDICIAL DISTRICT

[PROPOSED] AGREED PRELIMINARY APPROVAL ORDER

Plaintiffs, having made application pursuant to the Texas Rules of Civil Procedure and the Texas Business Organizations Code for an order approving the Settlement and dismissal with prejudice of the above-captioned shareholder derivative litigation (the "Action") in accordance with a Stipulation of Settlement dated as of June __, 2014 (the "Stipulation"), which, together with the exhibits annexed thereto, sets forth the terms and conditions for a proposed Settlement of the Action; and the Court having read and considered the Stipulation and the exhibits annexed thereto; and all Settling Parties to the Stipulation and Settlement having agreed to the entry of this order; and, unless otherwise specified herein, all capitalized terms herein having the meaning ascribed to them in the Stipulation;

IT IS HEREBY ORDERED that:

1. The Court preliminarily approves the Stipulation and the terms and conditions of the Settlement set forth therein, subject to further consideration at the Settlement Hearing (as described below).

2. A hearing (the "Settlement Hearing") shall be held before the Honorable Dale Tillery, Judge of the Court on _____, 2014, at _____ .m. in the District Court for Dallas County, Texas, 134th Judicial District, George L. Allen, Sr. Courts Building, 6th Floor Old Tower, 600 Commerce Street, Dallas, Texas 75202, for the purpose of determining: (i) whether the Stipulation and the proposed Settlement described therein should be approved by the Court; (ii) whether a final judgment should be entered in the Action in accordance with the terms and conditions set forth in the Stipulation; and (iii) such other matters as may be necessary or proper under the circumstances.

3. The Court approves, as to form and content, the Notice, annexed as Exhibit B to the Stipulation, and finds that mailing of the Notice complies with due process, the rules of this Court, and the laws of the State of Texas, and is the best notice practicable under the circumstances and shall constitute due and sufficient notice for all purposes to the stockholders of CLST Holdings, Inc. ("CLST" or the "Company") who owned CLST Common Stock as of June 24, 2010, excluding the Directors, the officers and directors of CLST, members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which the Directors have or had a controlling interest ("CLST Stockholders"). The Notice Administrator is hereby authorized and empowered to cause a copy of the Notice to be mailed by United States mail, postage pre-paid, to CLST Stockholders who can be identified with reasonable effort within twenty one (21) calendar days after entry of this Order. All reasonable costs in providing notice to CLST Stockholders shall be paid by, or caused to be paid by

Plaintiffs' Counsel. At least seven (7) calendar days prior to the Settling Hearing, Plaintiffs' Counsel shall file with the Court proof, by declaration, with respect to the mailing of the Notice.

4. Plaintiffs' Counsel are hereby authorized and empowered, not later than ten (10) calendar days following the entry of this order, to cause a copy of the Notice and Stipulation to be posted on the website of Robbins Arroyo LLP. At least seven (7) calendar days prior to the Settling Hearing, Plaintiffs' Counsel shall file with the Court proof, by declaration, with respect to the posting of the Notice and Stipulation.

5. All papers in support of the Settlement and the award of attorneys' fees and expenses and response to any objections shall be filed with the Court and served at least seven (7) calendar days prior to the Settlement Hearing.

6. Any CLST Stockholder may, but is not required to, enter an appearance in the Action at his, her, or its own expense, individually or through counsel of his, her, or its own choice.

7. Any CLST 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, or why the Judgment should not be entered thereon, or why the Proposed Fee Amount, the Monetary Consideration, and/or other provision(s) of the Settlement contemplated by the Stipulation should or should not be approved; ***provided however***, unless otherwise ordered by the Court, no CLST 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 approval of the Proposed Fee Amount or Monetary Consideration, unless ***on or before twenty-one (21) calendar days prior to the Settlement Hearing*** that CLST Stockholder has: (1) filed with the Clerk of the Court a written objection to the settlement setting forth: (a) such person's name, legal address, and telephone number; (b) a detailed statement of each

objection being made and the grounds for each objection; (c) state that such person was a stockholder of CLST on June 24, 2010; (d) proof of ownership, including the number of shares and the date of purchase, of CLST Common Stock; and (e) any documentation in support of such objection; and (2) if a CLST 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 Clerk of the Court: (a) a written notice of such stockholder's intention to appear; (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 subject of their testimony; and (d) copies of any papers such person intends to attempt to introduce before the Court. If a CLST 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:

Clerk of the Court
134th District Court
George L. Allen, Sr. Courts Building
600 Commerce Street, Suite 650
Dallas, TX 75202

On or before the same date, such person shall also serve a copy of such notice by hand or by first class mail, postage pre-paid, on all counsel of record, at the following addresses:

ROBBINS ARROYO LLP
600 B Street, Suite 1900
San Diego, CA 92101
Telephone: (619) 525-3990

KENDALL LAW GROUP, LLP
3232 McKinney Avenue, Suite 700
Dallas, TX 75204
Telephone: (214) 744-3000

*Attorneys for Ron Phillips and Scott
Moorehead*

*Attorneys for Ron Phillips and Scott
Moorehead*

JACKSON WALKER L.L.P.
901 Main Street, Suite 6000
Dallas, TX 75202
Telephone: (214) 953-6000

*Attorneys for Defendant Robert A. Kaiser and
for Nominal Defendant CLST Holdings, Inc.*

CARRINGTON, COLEMAN, SLOMAN &
BLUMENTHAL, L.L.P.
901 Main Street, Suite 5500
Dallas, TX 75202
Telephone: (214) 855-3000

Attorneys for Defendant Timothy S. Durham

FULBRIGHT & JAWORSKI LLP
2200 Ross Avenue, Suite 2800
Dallas, TX 75201
Telephone: (214) 855-8000

Attorneys for Defendant David Tornek

8. Any CLST 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 as set forth in the Stipulation, unless otherwise ordered by the Court, but shall otherwise be bound by the Judgment to be entered and the releases to be given.

9. All discovery and other pretrial proceedings in the Action are hereby stayed and suspended until further order of this Court. Pending the final determination on the approval of the Stipulation and the Settlement described therein, no CLST Stockholder may either directly, representatively, or in any other capacity, prosecute, institute, commence, or continue to prosecute on behalf of CLST or any of its stockholders, any claim which has been or could have been asserted in the Action or any other claim arising out of or in any way related to any of the acts, facts, transactions, occurrences, representations or omissions or other subject matter set forth, alleged, embraced, or otherwise asserted by the Plaintiffs in the Action.

10. In the event that the proposed dismissal with prejudice is not approved by the Court, or if for any reason the Settling Parties fail to obtain a final judgment substantially in accordance with the terms and conditions of the Stipulation, then, in either of such events, the

Stipulation shall become null and void and of no further force or effect, and shall not be used or referred to for any purpose whatsoever.

11. The Court reserves the right to approve the Stipulation with such modifications as may be agreed to by counsel for the Settling Parties and without further notice except to the Settling Parties and retains jurisdiction to consider all further applications arising out of or connected with the proposed Settlement. The Court may also adjourn the Settlement Hearing provided for herein without further notice other than to counsel for the Settling Parties.

SO ORDERED.

Signed this _____ day of _____, 2014.

Presiding Judge

EXHIBIT B

EXHIBIT B

Cause No. 10-07655

RON PHILLIPS and SCOTT	§	IN THE DISTRICT COURT
MOOREHEAD, Derivatively on Behalf of	§	
CLST HOLDINGS, INC.,	§	
	§	
Plaintiffs,	§	
	§	
vs.	§	
	§	
TIMOTHY S. DURHAM, ROBERT A.	§	
KAISER, and DAVID TORNEK,	§	
	§	DALLAS COUNTY, TEXAS
Defendants,	§	
	§	
-and-	§	
	§	
CLST HOLDINGS, INC., a Delaware	§	
corporation,	§	
	§	
Nominal Defendant.	§	
	§	134th JUDICIAL DISTRICT

**NOTICE OF PROPOSED SETTLEMENT OF DERIVATIVE LITIGATION,
HEARING THEREON, AND RIGHT TO APPEAR**

**TO: ALL OWNERS OF CLST HOLDINGS, INC. ("CLST" OR THE "COMPANY")
COMMON STOCK AS OF JUNE 24, 2010 ("CLST STOCKHOLDER")**

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL OF LITIGATION AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. YOUR RIGHTS MAY BE AFFECTED BY THESE LEGAL PROCEEDINGS. IF THE COURT APPROVES THE SETTLEMENT, YOU WILL BE FOREVER BARRED FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND FROM PURSUING THE RELEASED CLAIMS (AS DEFINED HEREIN).

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

Notice is hereby provided to you of the proposed settlement (the "Settlement") in the above-captioned derivative lawsuit (the "Action"). This Notice is provided by order of the 134th Judicial District Court, for Dallas County, Texas (the "Court"). It is not an expression of any opinion by the Court. It is to notify you of the terms of the proposed Settlement of the Action.

I. WHY YOU HAVE RECEIVED THIS NOTICE

This Notice provides information regarding the Settlement of the shareholder derivative Action. Plaintiffs Ron Phillips ("Phillips") and Scott Moorehead ("Moorehead") (collectively, "Plaintiffs"), Defendants Timothy S. Durham ("Durham"), Robert A. Kaiser ("Kaiser") and David Tornek ("Tornek") (collectively, the "Directors"), and the Company (together with the aforementioned persons and entities, the "Settling Parties") have agreed upon terms to settle the Action and have signed a written Stipulation of Settlement dated June __, 2014 (the "Stipulation") setting forth those settlement terms.

On _____, 2014, at _____ .m., the Court will hold a hearing (the "Settlement Hearing") in the District Court for Dallas County, Texas, 134th Judicial District, George L. Allen, Sr. Courts Building, 6th Floor Old Tower, 600 Commerce Street, Dallas, Texas 75202 before the Honorable Dale Tillery. The purpose of the Settlement Hearing is to determine whether: (i) the Settlement of the Action upon the terms and subject to the conditions set forth in the Stipulation is fair, reasonable, and adequate and should be approved by the Court, including \$3,500,000 in cash in exchange for releases of claims against the Defendants and Released Persons and CLST's commercially reasonable efforts to make a cash distribution to CLST Stockholders; (ii) the Action should be dismissed with prejudice; and (iii) whether the agreed-to Proposed Fee Amount of \$3,500,000 for Plaintiffs' Counsel's attorneys' fees and expenses should be approved.

II. SUMMARY OF THE LITIGATION

On June 23, 2010, the Plaintiffs filed their Shareholder Derivative Petition Based Upon Self-Dealing, Breach of Fiduciary Duty, Waste of Corporate Assets, and Unjust Enrichment against the Directors in the above-captioned lawsuit, in which Plaintiffs asserted putative stockholder derivative claims on behalf of CLST against the Directors, alleging that the Directors breached their fiduciary duties to the Company by causing CLST to enter into certain transactions related to the purchase of consumer receivables. Plaintiffs also alleged that the Directors engaged in multiple self-dealing transactions that increased their voting power in order to remain entrenched in their positions, at the expense of Plaintiffs, who were allegedly deprived of the ability to nominate new directors and set forth business proposals to be voted on by the Company's stockholders.

After litigating their respective claims and/or defenses over the course of several years, counsel for the Settling Parties engaged in arm's-length negotiations concerning the terms and conditions of a potential resolution of the Action, including hotly contested mediations before a neutral mediator, Jed D. Melnick of JAMS (the "Mediator"), and numerous follow-up communications with the Mediator. Following the mediations and negotiations, counsel for the Settling Parties reached an agreement providing for the settlement of the Action as documented by a Memorandum of Understanding, dated October 7, 2013 (the "MOU").

The Settling Parties recognize the time and expense that would be incurred by further litigation in the Action and the uncertainties inherent in such litigation and that the interests of the Settling Parties would best be served by a settlement of the Action. Plaintiffs and their counsel have preliminarily determined that the settlement of the Action, upon the terms outlined

in the Stipulation and summarized herein, is fair, reasonable, adequate, and in the best interest of CLST and CLST Stockholders.

Each of the Settling Parties denies having committed any violation of law or breach of duty, including breach of any duty to CLST or its stockholders. The Defendants entered into the Stipulation solely because they contend and believe that the settlement of the Action, as outlined in the Stipulation, would eliminate the burden, risk, and expense of further litigation, and because they contend and believe that it is in the best interests of the Company and CLST Stockholders. There has been no admission or finding of facts or liability by or against any party, and nothing herein should be construed as such.

THE SUMMARY OF LITIGATION PROVIDED HEREIN DOES NOT CONSTITUTE FINDINGS OF THE COURT. IT IS BASED ON STATEMENTS OF THE SETTLING PARTIES AND SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY OF THE CLAIMS OR DEFENSES RAISED BY ANY OF THE SETTLING PARTIES. A COPY OF PLAINTIFFS' PLEADINGS IS PUBLICLY AVAILABLE IN THE COURT'S FILE.

III. SUMMARY OF THE SETTLEMENT

The principal terms, conditions, and other matters that are part of the Settlement, which are subject to approval by the Court, are summarized below. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the text of the Stipulation, which has been filed with the Court and is available for your inspection as discussed below under the heading, "How to Obtain Additional Information." Capitalized terms used herein and not otherwise defined are deemed to have the same meaning ascribed to them in the Stipulation. In summary, as a result of the foregoing and the negotiations between counsel for the Settling Parties, the Settling Parties to the Action have agreed to the Settlement, which will be effective only upon final approval by the Court. Pursuant to the Settlement, CLST will receive \$3.5 million in cash in exchange for releases of claims against the Defendants and Released Persons.

The Company will, subject to applicable law and subject to the consummation of the terms of the Stipulation, including the payment of all amounts to the Company by its insurer, use commercially reasonable efforts to make (i) a cash distribution to CLST Stockholders prior to December 31, 2014 in an amount determined appropriate under the circumstances by the Board and (ii) a distribution of common stock of a subsidiary in a transaction registered under the Securities Act of 1933, as amended. In addition, the Settlement offers CLST and its stockholders the benefit of the substantial and immediate structural and governance reforms (the "Reforms") that will ensure against the loss of value of the Company during its dissolution process. *See* Stipulation, ¶¶2.1-2.2. The Reforms include the following provisions:

- The prohibition of additional CLST securities to the Directors or to any other past, current, or future CLST directors or officers;
- The prohibition of any engagement by CLST in any business transactions with any persons or entities who are affiliates of the Directors;
- The prohibition of any modification of cash compensation plans for member of the Board, as well as a prohibition of an increase of cash compensation payable to Defendant Kaiser as an employee of the Company during the term of the dissolution of the Company;
- The prohibition of a recommendation by the Board of rescission of the dissolution; and
- The prohibition of issuance of additional shares of Company common stock or other equity securities – provided, however, the Company may distribute equity securities of its direct and indirect subsidiaries in connection with its dissolution activities.

Stipulation, ¶2.2. Additionally, CLST has acknowledged that the prosecution and settlement of the Action led to Defendant Durham's resignation, and the Company's filing of its certificate of dissolution. Subject to final approval by the Court, XL Specialty Insurance Company for the benefit of the Defendants, has agreed to pay Plaintiffs' Counsel \$3,500,000 for their fees and expenses (the "Proposed Fee Amount"). The Proposed Fee Amount includes all the fees and

expenses incurred by Plaintiffs' Counsel in connection with the prosecution and settlement of the Action. To date, Plaintiffs' Counsel have not received any payments for their efforts on behalf of CLST and CLST Stockholders. The Proposed Fee Amount will compensate Plaintiffs' Counsel for the results achieved in the Action. The Settling Parties all agree that the financial benefits and the Reforms set forth in the Stipulation confer substantial benefits on CLST and CLST Stockholders. CLST further acknowledges that the prosecution and settlement of the Action was the sole factor in its decisions to adopt and implement the Reforms.

THE COURT HAS NOT DETERMINED THE MERITS OF ANY OF THE CLAIMS MADE BY THE PLAINTIFFS AGAINST, OR THE DEFENSES OF, THE DIRECTORS. THIS NOTICE DOES NOT IMPLY THAT THERE HAS BEEN OR WOULD BE ANY FINDING OF VIOLATION OF ANY LAW OR THAT RELIEF IN ANY FORM OR RECOVERY IN ANY AMOUNT COULD BE HAD IF THE ACTION WERE NOT SETTLED.

IV. THE SETTLEMENT HEARING

The Court will hold a Settlement Hearing on _____, 2014, at _____m. before the Honorable Dale Tillery, in the District Court, for Dallas County, Texas, 134th Judicial District, George L. Allen, Sr. Courts Building, 6th Floor Old Tower, 600 Commerce Street, Dallas, Texas 75202, for the purpose of determining whether: (i) the Settlement of the Action upon the terms and subject to the conditions set forth in the Stipulation is fair, reasonable, and adequate and should be approved by the Court; (ii) the Action should be dismissed with prejudice; and (iii) whether the Proposed Fee Amount for Plaintiffs' Counsel's attorneys' fees and expenses should be approved. The Court has reserved the right to adjourn the Settlement Hearing without further notice of any kind to any person other than to counsel for the Settling Parties.

V. RIGHT TO APPEAR AT THE SETTLEMENT HEARING

Any CLST Stockholder may, but is not required to, appear in person at the Settlement Hearing. If you want to be heard at the Settlement Hearing, then you must first comply with the procedures for objecting, which are set forth below. The Court has the right to change the hearing dates or times without further notice. Thus, if you are planning to attend the Settlement Hearing, you should confirm the date and time before going to the Court.

VI. RIGHT TO OBJECT AT THE SETTLEMENT HEARING AND PROCEDURES FOR DOING SO

Any CLST 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, or why the Judgment should not be entered thereon, or why the Proposed Fee Amount, the Monetary Consideration, and/or other provision(s) of the Settlement contemplated by the Stipulation should or should not be approved; *provided however*, unless otherwise ordered by the Court, no CLST 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 approval of the Proposed Fee Amount or Monetary Consideration, unless *on or before twenty-one (21) calendar days prior to the Settlement Hearing* that CLST Stockholder has: (1) filed with the Clerk of the Court a written objection to the settlement setting forth: (a) such person's name, legal address, and telephone number; (b) a detailed statement of each objection being made and the grounds for each objection; (c) state that such person was a stockholder of CLST on June 24, 2010; (d) proof of ownership, including the number of shares and the date of purchase, of CLST Common Stock; and (e) any documentation in support of such objection; and (2) if a CLST 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 Clerk of

the Court: (a) a written notice of such stockholder's intention to appear; (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 subject of their testimony; and (d) copies of any papers such person intends to attempt to introduce before the Court. If a CLST 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:

Clerk of the Court
134th District Court
George L. Allen, Sr. Courts Building
600 Commerce Street, Suite 650
Dallas, TX 75202

On or before the same date, such person shall also serve a copy of such notice by hand or by first class mail, postage pre-paid, on all counsel of record, at the following addresses:

ROBBINS ARROYO LLP
George C. Aguilar
600 B Street, Suite 1900
San Diego, CA 92101
Telephone: (619) 525-3990

*Attorneys for Ron Phillips and Scott
Moorehead*

JACKSON WALKER L.L.P.
Mark T. Josephs
901 Main Street, Suite 6000
Dallas, TX 75202
Telephone: (214) 953-6000

*Attorneys for Defendant Robert A. Kaiser and
for Nominal Defendant CLST Holdings, Inc.*

KENDALL LAW GROUP, LLP
Joe Kendall
3232 McKinney Avenue, Suite 700
Dallas, TX 75204
Telephone: (214) 744-3000

*Attorneys for Ron Phillips and Scott
Moorehead*

CARRINGTON, COLEMAN, SLOMAN &
BLUMENTHAL, L.L.P.
Ken Carroll
901 Main Street, Suite 5500
Dallas, TX 75202
Telephone: (214) 855-3000

Attorneys for Defendant Timothy S. Durham

FULBRIGHT & JAWORSKI LLP
Michael A. Swartzendruber
2200 Ross Avenue, Suite 2800
Dallas, TX 75201
Telephone: (214) 855-8000

Attorneys for Defendant David Tornek

The Court will not consider any objection that is not timely filed with the Court or not timely delivered to the above-listed counsel for the Settling Parties. Any CLST 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 as set forth in the Stipulation, unless otherwise ordered by the Court, but shall otherwise be bound by the Judgment to be entered and the releases to be given.

VII. HOW TO OBTAIN ADDITIONAL INFORMATION

This Notice summarizes the Stipulation and Settlement. It is not a complete statement of the events underlying or surrounding the Action or the Stipulation. Although the Settling Parties believe that the descriptions about the Settlement that are contained in the Notice is accurate in all material respects, in the event of any inconsistencies between the descriptions in the Notice and the Stipulation, the Stipulation will control.

You may inspect the Stipulation and other papers filed in the Action at the Dallas County District Clerk's office. However, you must appear in person to inspect these documents. The Clerk's office cannot mail copies to you. Further, Plaintiffs' Counsel shall, at the time Notice is mailed by the Company to all CLST Stockholders, post the copies of the Notice and Stipulation with Exhibits on its website: www.robbinsarroyo.com/notices. You may refer to this website for the complete copies of these documents.

PLEASE DO NOT CALL, WRITE, OR OTHERWISE DIRECT QUESTIONS TO EITHER THE COURT OR THE CLERK'S OFFICE. Any questions you have about matters in this Notice should be directed by telephone or in writing to Plaintiffs' Counsel, Robbins Arroyo LLP, at the phone number and/or address set forth above.

**BY ORDER OF THE 134TH JUDICIAL
DISTRICT COURT, DALLAS
COUNTY, TEXAS**

EXHIBIT C

EXHIBIT C

Cause No. 10-07655

RON PHILLIPS and SCOTT	§	IN THE DISTRICT COURT
MOOREHEAD, Derivatively on Behalf of	§	
CLST HOLDINGS, INC.,	§	
	§	
Plaintiffs,	§	
	§	
vs.	§	
	§	
TIMOTHY S. DURHAM, ROBERT A.	§	
KAISER, and DAVID TORNEK,	§	
	§	DALLAS COUNTY, TEXAS
Defendants,	§	
	§	
-and-	§	
	§	
CLST HOLDINGS, INC., a Delaware	§	
corporation,	§	
	§	
Nominal Defendant.	§	
	§	134th JUDICIAL DISTRICT

[PROPOSED] ORDER AND FINAL JUDGMENT

On _____, 2014, the Court held a final Settlement Hearing, as noticed, to determine: (i) whether the dismissal of the above-captioned lawsuit (the "Action") pursuant to the proposed Settlement, as set forth in the Stipulation of Settlement dated June __, 2014 ("Stipulation"), which is incorporated herein by reference, should be approved by the Court; (ii) whether a final judgment should be entered in the Action in accordance with the terms and conditions set forth in the Stipulation; and (iii) such other matters as may have been necessary or proper under the circumstances. The Court having considered all matters submitted to it at the Settlement Hearing and otherwise; it appearing that notice of the Settlement Hearing substantially in the forms approved by the Court was mailed by the Notice Administrator and posted on the website of Robbins Arroyo LLP pursuant to the Preliminary Approval Order; the Court having considered the fairness and reasonableness of the terms and conditions of the Settlement as set forth in the Stipulation;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

1. This Judgment incorporates by reference the definitions in the Stipulation, and all capitalized terms used herein shall have the same meanings and/or definitions as set forth in the Stipulation.

2. Notice of the pendency of the Action and of the proposed Settlement was given to the CLST Stockholders as required by the Court's Preliminary Approval Order. The form and method of the Notice met the requirements of this Court's Preliminary Approval Order, the Texas Rules of Civil Procedure, the Texas Business Organizations Code, and due process, and constituted: (i) the best notice practicable under the circumstances; and (ii) due and sufficient notice to all persons and entities entitled thereto.

3. The Court finds that the Stipulation and the terms and conditions of the Settlement set forth therein are fair, reasonable, and in the best interests of the Company and its shareholders. The proposed Settlement is hereby approved, and the Settling Parties are hereby directed to consummate the Settlement in accordance with the terms and conditions of the Stipulation.

4. The Action is hereby dismissed with prejudice, with each party to bear his, her, or its own costs, except as detailed in the Stipulation. Any proceeding or order, or any appeal or petition for review or for a writ of certiorari pertaining solely to Plaintiffs' attorneys' fees and expenses shall not in any way delay or preclude the Judgment from becoming Final.

5. The Settling Parties are hereby deemed to have mutually released, effective as of the Effective Date, the Released Claims, all claims between the Plaintiffs and CLST, on the one hand, and the Directors and XL, on the other hand, of any type or nature, known and unknown, arising prior to the Effective Date, including but not limited to claims for negligence, fraud, breach of fiduciary duty or any other legal duty, violation of any statute or regulation, or

recoupment, reimbursement, or any similar theory, and also including but not limited to claims that have been, could have been, or in the future might be or could be asserted in any forum by CLST Stockholders derivatively on behalf of CLST relating to, arising out of, or derived from the allegations, facts, transactions, or claims made the subject of any pleading or allegation in the Action, expressly including, but not limited to: (i) Defendant Kaiser's 2007 \$3.6 million change-of-control payment and the so-called "Verizon payable"; (ii) any and all actions or omissions (whether actually pleaded or not) by CLST and/or the Directors with respect to the conduct or resolution of the Federal Action and the claims asserted therein; (iii) any and all counterclaims (whether actually pleaded or not) by CLST and/or the Directors against plaintiffs in the Red Oak Derivative Action; and (iv) any and all counterclaims (whether actually pleaded or not) by CLST and/or the Directors against Plaintiffs in the Action. Notwithstanding the foregoing, the Released Claims shall not include any claims by the Directors for indemnity and advancement under the Company's certificate of incorporation, charter, and by-laws, any claims by the Settling Parties to enforce the Stipulation, or any claims by the Company or the Directors under any insurance policy maintained by the Company.

6. In the event that the Settlement of the Action does not become effective as set forth in paragraph 6.1 of the Stipulation for any reason, then unless waived, without the need for any further action by any party thereto or by the Court, the Stipulation and this Judgment shall become null and void and of no further force or effect and shall not be used or referred to for any purpose whatsoever.

7. The Court hereby approves the Monetary Consideration of \$3,500,000 and the Proposed Fee Amount of \$3,500,000 in accordance with the Stipulation and finds that such amounts are fair, reasonable, and adequate.

8. Neither the Stipulation nor the Settlement contained therein, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or Settlement: (i) is or may be deemed to be or may be used as an admission of, or evidence of, the validity or lack thereof of any Released Claims, or of any wrongdoing or liability of the Directors or any other party to the Action; (ii) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Parties to the Action in any proceeding of any sort in any court, administrative agency or other tribunal, other than in such proceedings as may be necessary to consummate or enforce the Stipulation or the Settlement provided therein, or this Judgment. The Directors and/or CLST may file the Stipulation and/or this Order and Final Judgment in any action that has been brought or may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, waiver, good faith settlement, judgment bar, or reduction, or any theory of claim preclusion or similar defense or counterclaim.

9. All other relief not expressly granted in this Judgment is denied.

10. Without in any way affecting the finality of this Judgment, this Court shall retain continuing jurisdiction over the Action and the Settling Parties to the Stipulation to enter any further orders as may be necessary to effectuate the Stipulation, the Settlement provided for therein, and/or the provisions of this Judgment.

Dated this ___ day of _____, 2014.

IT IS SO ORDERED.

Presiding Judge

EXHIBIT D

EXHIBIT D

RON PHILLIPS and SCOTT
MOOREHEAD, Derivatively on Behalf of
CLST HOLDINGS, INC.,

VS.

Defendants,

CLST HOLDINGS, INC., a Delaware corporation,

[illegible]

Judgment approving the settlement in this case as fair, adequate, and reasonable for the reasons stated at the hearing held on _____, 2014 is hereby entered for purposes of Rule 301 of the Texas Rules of Civil Procedure on _____, 2014.

IT IS SO ORDERED.

Presiding Judge