

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

BEAVER COUNTY EMPLOYEES'
RETIREMENT FUND; ERIE COUNTY
EMPLOYEES' RETIREMENT SYSTEM;
and LUC DE WULF, Individually and on
Behalf of All Others Similarly Situated,

Plaintiffs,

v.

TILE SHOP HOLDINGS, INC.; ROBERT A.
RUCKER; THE TILE SHOP, INC.; TIMOTHY
C. CLAYTON; PETER J. JACULLO III;
JWTS, INC.; PETER H. KAMIN; TODD
KRASNOW; ADAM L. SUTTIN; WILLIAM
E. WATTS; ROBERT W. BAIRD & CO.
INCORPORATED; CITIGROUP GLOBAL
MARKETS INC.; CJS SECURITIES, INC.;
HOULIHAN LOKEY CAPITAL, INC.;
PIPER JAFFRAY & CO.; SIDOTI &
COMPANY, LLC; TELSEY ADVISORY
GROUP LLC; and WEDBUSH
SECURITIES, INC.,

Defendants.

Case No. 0:14-cv-00786-ADM-TNL

**NOTICE OF CLASS ACTION DETERMINATION,
PROPOSED SETTLEMENT, AND HEARING ON SETTLEMENT**

TO: All persons or entities who purchased or otherwise acquired Tile Shop Holdings, Inc. ("Tile Shop") common stock between August 22, 2012 and January 28, 2014, inclusive (the "Class")

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

- This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the District of Minnesota (the "Court"). The purpose of this Notice is to inform you of: (a) the pendency of the above-captioned securities class action (the "Action"); (b) the proposed settlement of the Action (the "Settlement") on the terms and provisions contained in the Stipulation of Settlement dated January 13, 2017 (the "Stipulation");¹ and (c) the hearing to be held by the Court (the "Settlement Hearing"). At the Settlement Hearing, the Court will consider: (i) whether the Settlement should be approved; (ii) whether the Action should be dismissed with prejudice against Defendants and the releases set forth in the Stipulation and this Notice should be granted; (iii) whether the proposed plan for distributing the proceeds of the Settlement to eligible members of the Class, as set forth in Appendix A hereto (the "Plan of Distribution"), should be approved; (iv) Class Counsel's application for attorneys' fees and expenses, including Lead Plaintiffs' request for reimbursement of costs and expenses in connection with their representation of the Class; and (v) certain other matters.
- If approved by the Court, the Settlement will create a \$9,500,000 cash fund for the benefit of eligible Class Members, less any attorneys' fees and expenses awarded by the Court and less Administrative Expenses.
- The Settlement resolves claims by Court-appointed Lead Plaintiffs that have been asserted on behalf of the Class against the Defendants.² Lead Plaintiffs alleged, among other things, that Defendants violated the federal securities laws by making materially false and misleading statements concerning, and failing to disclose, certain related-party relationships in violation of U.S. Securities and Exchange Commission ("SEC") and Generally Accepted Accounting Principles ("GAAP") disclosure rules. A more detailed description of the claims asserted in the Action, as well as the history of the Action, is set forth in ¶¶ 5-14 below.

IF YOU ARE A CLASS MEMBER, PLEASE READ THIS NOTICE CAREFULLY. This Notice explains important rights you may have, including the possible receipt of cash from the Settlement. If you are a member of the Class, your legal rights will be affected whether or not you act.

¹ The Stipulation can be viewed at www.tileshopsecuritiessettlement.com. Any capitalized terms used in this Notice that are not otherwise defined herein shall have the meanings ascribed to them in the Stipulation.

² For purposes of the Settlement, Defendants are Tile Shop, Robert A. Rucker, The Tile Shop, Inc., Timothy C. Clayton, Peter J. Jacullo III, JWTS, Inc., Peter H. Kamin, Todd Krasnow, Adam L. Suttin, William E. Watts, Robert W. Baird & Co. Incorporated, Citigroup Global Markets Inc., CJS Securities, Inc., Houlihan Lokey Capital, Inc., Piper Jaffray & Co., Sidoti & Company, LLC, Telsey Advisory Group LLC, and Wedbush Securities, Inc.

A SUMMARY OF YOUR LEGAL RIGHTS AND OPTIONS IN CONNECTION WITH THIS SETTLEMENT

SUBMIT A CLAIM FORM POSTMARKED OR SUBMITTED ONLINE NO LATER THAN MAY 3, 2017.	This is the <u>only</u> way to be eligible to receive a payment from the Settlement Fund.
EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION POSTMARKED NO LATER THAN APRIL 3, 2017.	If you exclude yourself from the Class, you will not be eligible to receive any payment from the Settlement Fund. This is the only option that allows you ever to be part of any <i>other</i> lawsuit against any of the Defendants or the other Defendants' Released Parties concerning the Released Plaintiffs' Claims. See ¶¶ 32-34 below for details.
OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS RECEIVED NO LATER THAN APRIL 3, 2017.	If you do not like the Settlement, the Plan of Distribution, Class Counsel's request for attorneys' fees and expenses, and/or Lead Plaintiffs' request for reimbursement of their costs and expenses incurred in connection with representing the Class, you may write to the Court and explain why you do not like them. You can only object to the Settlement, the Plan of Distribution and/or the fee and expense requests if you are a Class Member and you do not exclude yourself from the Class. See ¶¶ 37-43 below for details.
FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS RECEIVED NO LATER THAN APRIL 3, 2017, AND GO TO THE SETTLEMENT HEARING ON MAY 3, 2017.	Filing a written objection and notice of intention to appear by April 3, 2017 allows you to speak in Court about the fairness of the Settlement, the Plan of Distribution, and/or the fee and expense requests. If you submit a written objection, you may (but you do not have to) attend the hearing and speak to the Court about your objection.
DO NOTHING.	You will not be eligible to receive a payment from the Settlement Fund. You will, however, remain a member of the Class, which means that you give up your right to sue any of the Defendants or the other Defendants' Released Parties about the claims that are resolved by the Settlement and you will be bound by any judgments or orders entered by the Court in the Action.

- These rights and options—and the deadlines to exercise them—are explained in this Notice.
- The Court in charge of this case still has to decide whether to approve the Settlement. If the Court approves the Settlement and a plan of distribution, then payments to eligible Class Members will be made after any appeals are resolved and after the completion of all claims processing. Please be patient, as this process takes time to complete.

If you have any questions about this Notice, the Settlement, or your eligibility to participate in the Settlement, please DO NOT contact the Court, Tile Shop, any other Defendant in the Action, or their counsel. All questions should be directed to either Class Counsel or the Claims Administrator (see ¶ 45 below).

SUMMARY OF THE NOTICE

- **Statement of the Class's Recovery:** Subject to Court approval, Lead Plaintiffs, on behalf of themselves and the Class, have agreed to settle the Action in exchange for \$9,500,000 in cash, which has been deposited into an interest-bearing escrow account. The Net Settlement Fund (*i.e.*, the \$9,500,000 plus any and all interest earned thereon (the "Settlement Fund"), less (i) any Administrative Expenses, and (ii) any amounts awarded on Class Counsel's Fee and Expense Petition (as defined below)), will be distributed to Class Members according to a Court-approved plan of distribution. The proposed Plan of Distribution is set forth in Appendix A hereto.

- **Estimate of Average Amount of Recovery Per Share:** Lead Plaintiffs' damages expert estimates that 25,093,742 shares of Tile Shop common stock were purchased or otherwise acquired during the Class Period and may have been affected by the conduct at issue in the Action. Assuming all Class Members elect to participate in the Settlement, the estimated average recovery (before deducting any Court-approved fees, expenses and costs as described herein) is approximately \$0.38 per affected share of Tile Shop common stock. **Class Members should note, however, that the foregoing average recovery per share is only an estimate, and Class Members may recover more or less than this estimated amount.** A Class Member's actual recovery will depend on, among other factors, when and at what prices they purchased/acquired or sold their shares of Tile Shop common stock, and the total number of valid Claim Forms submitted. Distributions to Class Members will be made based on the Plan of Distribution set forth in Appendix A hereto or such other plan of distribution as may be ordered by the Court.

- **Statement of Potential Outcome of Case:** The Parties in the Action disagree about both liability and damages, and do not agree on the amount of damages that would be recoverable if the Lead Plaintiffs were to prevail on each claim asserted against Defendants in the Action. Defendants do not agree with the assertion that they violated the federal securities laws or that damages were suffered by any member of the Class as a result of their conduct.

- **Attorneys' Fees and Expenses Sought:** Kessler Topaz Meltzer & Check, LLP and Robbins Geller Rudman & Dowd LLP ("Class Counsel") have prosecuted this Action on a wholly contingent basis since its inception. Class Counsel have not received any payment of attorneys' fees for their representation of the Class and have incurred expenses necessary to prosecute this Action on behalf of the Class. Class Counsel, on behalf of Plaintiffs' Counsel, will apply to the Court for an award of attorneys' fees in an amount not to exceed 24% of the Settlement Fund. Class Counsel will also apply for expenses paid or

incurred in connection with the institution, prosecution and resolution of the claims against Defendants, in an amount not to exceed \$1,200,000. In addition, Lead Plaintiffs may request reimbursement of their costs and expenses (including lost wages) incurred in connection with their representation of the Class pursuant to 15 U.S.C. §78u-4(a)(4), in an aggregate amount not to exceed \$40,000. Class Members are not personally liable for any such fees or expenses. Any Court-awarded fees and expenses will be paid from the Settlement Fund. If the Court approves Class Counsel's fee and expense application, including the request for reimbursement of Lead Plaintiffs' costs and expenses (collectively, the "Fee and Expense Petition"), the estimated average cost per affected share of Tile Shop common stock will be approximately \$0.14.

- **Identification of Attorney Representatives and Further Information:** Lead Plaintiffs and the Class are represented by Matthew L. Mustokoff, Esq. of Kessler Topaz Meltzer & Check, LLP, 280 King of Prussia Road, Radnor, PA 19087, (610) 667-7706, info@ktmc.com and Joseph Russello, Esq. of Robbins Geller Rudman & Dowd LLP, 58 South Service Road, Suite 200, Melville, NY 11747, (631) 367-7100, www.rgrdlaw.com. Further information regarding the Action, the Settlement, and this Notice may be obtained by contacting Class Counsel, or the Court-appointed Claims Administrator at *Tile Shop Securities Litigation Settlement*, c/o Gilardi & Co. LLC, P.O. Box 43451, Providence, RI 02940-3451, (844) 330-1184, info@tileshopsecuritiessettlement.com.

- **Reasons for the Settlement:** The Lead Plaintiffs' principal reason for entering into the Settlement is the guaranteed cash benefit to the Class. This benefit must be viewed in light of the uncertainty of being able to prove the allegations asserted in the operative complaint – the Consolidated Amended Complaint for Violations of the Federal Securities Laws (the "Consolidated Complaint"); the risk that the Court may grant Defendants' pending motions for summary judgment and/or motions to exclude expert testimony; the uncertainty in the Parties' competing theories of liability and damages; and the risks and delays inherent in continued litigation. The cash benefit to the Class also must be considered against the significant risk that a smaller recovery – or indeed no recovery at all – might be achieved after a trial of the Action and likely appeals that would follow a trial, a process that could be expected to last several years. Defendants, who deny all allegations of wrongdoing or liability whatsoever, are entering into the Settlement solely to eliminate the uncertainty, burden and expense of further litigation.

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Proposed Plan of Distribution of Net Settlement Fund Appendix A

WHY DID I GET THIS NOTICE?

1. This Notice is being sent to you pursuant to an Order of the Court because you or someone in your family or an investment account for which you serve as a custodian may have purchased or otherwise acquired Tile Shop common stock during the Class Period. **Please Note:** Receipt of this Notice does not mean you are a Class Member or that you will be entitled to receive a payment from the Settlement. As described below in ¶ 15, if you are a Class Member and wish to be eligible for a payment, you are required to submit the Claim Form that is being distributed with this Notice and supporting documents, as explained in the Claim Form. See ¶ 28 below.

2. This Notice explains the Action, the terms of the proposed Settlement and your legal rights and options in connection with the Settlement before the Court decides whether to approve the Settlement. This Notice is also being sent to inform you of a hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement, the Plan of Distribution, and the Fee and Expense Petition. See ¶ 35 below for details about the Settlement Hearing, including the date and location of the hearing.

3. The Court in charge of this Action is the United States District Court for the District of Minnesota, and the case is known as *Beaver County Employees' Retirement Fund, et al. v. Tile Shop Holdings, Inc., et al.*, Case No. 0:14-cv-00786-ADM-TNL. The Action is assigned to the Honorable Ann D. Montgomery, United States District Judge. The parties representing the Class are the Court-appointed Lead Plaintiffs and Class Representatives, Beaver County Employees' Retirement Fund, Erie County Employees' Retirement System, and Luc DeWulf, and the individuals and entities they sued are the Defendants – Tile Shop, Robert A. Rucker, The Tile Shop, Inc., Timothy C. Clayton, Peter J. Jacullo III, JWTS, Inc., Peter H. Kamin, Todd Krasnow, Adam L. Suttin, William E. Watts, Robert W. Baird & Co. Incorporated, Citigroup Global Markets Inc., CJS Securities, Inc., Houlihan Lokey Capital, Inc., Piper Jaffray & Co., Sidoti & Company, LLC, Telsey Advisory Group LLC, and Wedbush Securities, Inc.

4. The issuance of this Notice is not an expression of opinion by the Court concerning the merits of any claim in the Action, and the Court still has to decide whether to approve the Settlement.

WHAT IS THIS CASE ABOUT?

5. Tile Shop is a specialty retailer of manufactured and natural stone tiles, setting and maintenance materials, and related accessories in the United States. Lead Plaintiffs alleged that Tile Shop and its Chief Executive Officer Robert Rucker (“Rucker”) failed to disclose that Rucker’s brother-in-law and the Company’s purchasing supervisor, Fumitake Nishi (“Nishi”), owned and controlled Beijing Pingxiu (“BP”), a Chinese import-export company that did substantial business with Tile Shop, in violation of SEC and GAAP disclosure rules. Lead Plaintiffs further alleged that, as a result of Defendants’ materially false statements and omissions, Tile Shop’s common stock traded at artificially inflated price levels during the Class Period and that, as the truth was revealed, Tile Shop’s stock price declined. In addition, Lead Plaintiffs alleged that the outside directors, as signatories of Tile Shop’s registration statements for two secondary public offerings during the Class Period, and the underwriters who conducted the offerings, were also liable for the non-disclosures of the related-party transactions with Nishi and BP.

6. This Action was commenced on November 21, 2013. On February 13, 2014, pursuant to the PSLRA, the Court appointed Beaver County, Erie County and DeWulf as Lead Plaintiffs.

7. On May 23, 2014, Lead Plaintiffs filed the Consolidated Complaint alleging: (i) claims against Defendants Tile Shop, Rucker and Timothy Clayton for violations of §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 promulgated thereunder; and (ii) claims against all Defendants for violations of §§ 11 and 12(a) of the Securities Act of 1933 (“Securities Act”), in connection with Tile Shop’s December 2012 and June 2013 public securities offerings.

8. On July 25, 2014, Defendants moved to dismiss the claims asserted against them under Fed. R. Civ. P. 12(b)(6), which Lead Plaintiffs opposed on September 26, 2014. Following full briefing on Defendants’ motions, the Court granted in part and denied in part Defendants’ motions to dismiss on March 4, 2015.

9. On April 2, 2015, Defendants answered the Consolidated Complaint and, shortly thereafter, discovery commenced.

10. As part of the discovery process in the Action, Lead Plaintiffs conducted extensive fact and expert discovery, including: conducting 20 fact and expert depositions; defending six fact and expert depositions; serving over 35 nonparty subpoenas; reviewing and analyzing the production of nearly one million pages of documents produced by Defendants and various third parties; propounding and answering multiple sets of interrogatories; and preparing expert reports. In addition, Lead Plaintiffs filed and argued four motions to compel before the Honorable Tony N. Leung, successfully compelling revised interrogatory responses and the production of various categories of documents. Lead Plaintiffs also filed and successfully pursued a motion to compel, a non-party, Gotham City Research, to produce information regarding its preparation of the Gotham Report—litigation that took place in California federal court.

11. On December 1, 2015, Lead Plaintiffs moved for class certification. Defendants filed their opposition to Lead Plaintiffs’ motion on March 28, 2016. Following full briefing on the motion, the Court granted Lead Plaintiffs’ motion on July 28, 2016. By this Order, the Court certified the Class, appointed Lead Plaintiffs as Class Representatives, and appointed Kessler Topaz Meltzer & Check, LLP and Robbins Geller Rudman & Dowd LLP as Class Counsel.

12. On October 14, 2016, Lead Plaintiffs filed a motion for partial summary judgment, asking the Court to find that the “misstatement or omission” element of their § 10(b) and §§ 11 and 12(a)(2) claims had been satisfied as a matter of law. On the same date, Defendants filed motions for summary judgment on various grounds, including scienter and loss causation with respect to Lead Plaintiffs’ Exchange Act claims and affirmative showings of due diligence and negative causation with respect to the Securities Act claims. Both sides also filed several motions to exclude expert testimony pursuant to *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579 (1993). The Parties filed their oppositions to these various motions on November 22, 2016. A trial of this Action was scheduled to begin on March 13, 2017.

13. Following the completion of fact and expert discovery, and with trial approaching, the Parties scheduled a third mediation session on December 6, 2016 with the Honorable Daniel H. Weinstein (ret.).³ With Judge Weinstein’s assistance, the Parties’ discussions during the December 2016 mediation resulted in an agreement-in-principle to settle the Action for \$9,500,000. After reaching their agreement-in-principle, the Parties spent additional weeks negotiating the specific terms of their agreement, and executed the Stipulation on January 13, 2017.

14. On January 19, 2017, the Court entered its Order preliminarily approving the Settlement, authorizing that this Notice be sent to potential Class Members and scheduling the Settlement Hearing to consider whether to grant final approval of the Settlement, among other things.

³ During the discovery phase of this Action, the Parties engaged the services of two other mediators in an attempt to resolve this matter. Those efforts did not result in a settlement.

**HOW DO I KNOW IF I AM AFFECTED BY THIS ACTION?
WHO IS INCLUDED IN THE CLASS?**

15. If you are a member of the Class, you will be bound by all orders and judgments in the Action, unless you timely request to be excluded. The Class certified by the Court consists of:

All Persons who purchased or otherwise acquired Tile Shop common stock between August 22, 2012 and January 28, 2014, inclusive.

For purposes of the Settlement, the Parties have agreed to exclude from the Class: (a) Defendants, their spouses, and anyone (other than a tenant or employee) sharing the household of any Defendant, (b) Fumitake Nishi, and (c) any Persons who submit a valid and timely request for exclusion pursuant to this Notice. See ¶¶ 32-34 below.

PLEASE NOTE: RECEIPT OF THIS NOTICE DOES NOT MEAN THAT YOU ARE A CLASS MEMBER OR THAT YOU WILL BE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU ARE CLASS MEMBER AND YOU WISH TO BE ELIGIBLE TO PARTICIPATE IN THE DISTRIBUTION OF PROCEEDS FROM THE SETTLEMENT, YOU ARE REQUIRED TO SUBMIT THE CLAIM FORM THAT IS BEING DISTRIBUTED WITH THIS NOTICE AND THE REQUIRED SUPPORTING DOCUMENTATION AS SET FORTH THEREIN POSTMARKED, IF MAILED, OR RECEIVED, IF SUBMITTED ONLINE, NO LATER THAN MAY 3, 2017.

WHAT ARE LEAD PLAINTIFFS' REASONS FOR THE SETTLEMENT?

16. Lead Plaintiffs and Class Counsel believe that the claims asserted against Defendants have merit. However, Lead Plaintiffs and Class Counsel also recognize that continued litigation presents substantial risks that may result in a recovery of far less than the \$9,500,000 Settlement, or no recovery at all, and that any such recovery could be many years in the future. At the time the Settlement was reached, motions for summary judgment and to exclude expert testimony were pending. In these motions, Defendants asserted various defenses to Lead Plaintiffs' claims, including Lead Plaintiffs' ability to prove scienter and loss causation with respect to the Exchange Act claims and affirmative showings of due diligence and negative causation with respect to the Securities Act claims. Had the Court accepted any of Defendants' arguments in whole or part, Lead Plaintiffs' ability to obtain a recovery for the Class could have been reduced or eliminated. Further, if Lead Plaintiffs survived Defendants' summary judgment motions, this Action was scheduled for trial in March 2017. There were very significant risks in litigating this Action through trial, and no guarantee that further litigation would have resulted in a higher recovery, or any recovery at all.

17. In light of these risks, Lead Plaintiffs and Class Counsel believe that the proposed \$9,500,000 cash Settlement is fair, reasonable and adequate, and in the best interests of the Class.

18. Defendants have agreed to the Settlement solely to eliminate the uncertainty, burden and expense of further protracted litigation. Each of the Defendants denies any wrongdoing, and expressly denies that Lead Plaintiffs have asserted any valid claims as to any of them. Moreover, each Defendant expressly denies any and all allegations of fault, liability, wrongdoing, or damages whatsoever.

WHAT MIGHT HAPPEN IF THERE WERE NO SETTLEMENT?

19. If there were no Settlement and Lead Plaintiffs failed to establish any essential legal or factual element of their claims against Defendants, Lead Plaintiffs and the Class would not recover anything from Defendants. Also, if Defendants were successful in pursuing any of their defenses, either with their pending motions for summary judgment, or at trial or on appeal, the Class could recover substantially less than the amount provided in the Settlement, or nothing at all.

**HOW ARE CLASS MEMBERS AFFECTED BY THE ACTION?
WHAT CLAIMS WILL BE RELEASED BY THE SETTLEMENT?**

20. As a Class Member, you are represented by Lead Plaintiffs and Class Counsel, unless you enter an appearance through counsel of your own choice, at your own expense. You are not required to retain your own counsel. Class Members may enter an appearance through an attorney if they so desire, but such counsel must file and serve a notice of appearance as provided in ¶ 41 below and will be retained at the individual Class Member's expense.

21. If you are a Class Member and you do not exclude yourself from the Class, you will be bound by any orders and judgments issued by the Court in the Action, regardless of whether you submit a Claim Form.

22. If the Settlement is approved, the Court will enter a judgment (the "Final Judgment Order"). The Final Judgment Order will dismiss with prejudice the claims alleged in the Action against Defendants and will provide that, upon entry of the Final Judgment Order, Lead Plaintiffs shall, and each of the Class Members shall be deemed to have, and by operation of the Final Judgment Order shall have, fully, finally, and forever compromised, settled, released, resolved, relinquished, waived, and discharged all Released Plaintiffs' Claims (as defined in ¶ 23 below) against Defendants' Released Parties (as defined in ¶ 24 below), regardless of whether such Class Member executes and delivers the Claim Form.

23. "Released Plaintiffs' Claims" means any and all claims, actions, causes of action, rights or liabilities, whether arising out of state, federal, foreign, or common law, including Unknown Claims (as defined in ¶ 25 below), of any Lead Plaintiff or Class Member, which exist or may exist against any of the Defendants' Released Parties, by reason of any matter, event, cause or thing whatsoever arising out of, relating to, or in any way connected with: (a) the purchase, acquisition, sale or disposition of Tile Shop common stock during the Class Period; and (b) any facts, circumstances, transactions, events, occurrences, acts, omissions or failures to act that were or could have been alleged in the Action. Released Plaintiffs' Claims do not include any claims relating to the enforcement of the Settlement.

24. "Defendants' Released Parties" means each of the Defendants, and all and each of their respective past and present parent, subsidiary, and affiliated corporations and entities, the predecessors and successors in interest of any of them, and all of their respective past and present officers, directors, employees, members, agents, partners, representatives, spouses, heirs, executors, administrators, and insurers (including the Insurers).

25. "Unknown Claims" means any Released Plaintiffs' Claims which Lead Plaintiffs or any other Class Member does not know or suspect to exist in his, her or its favor at the time of the grant of such release, and any Released Defendants' Claims which any Defendant does not know or suspect to exist in his or its favor at the time of the grant of such release, which if known by him, her or it might have affected their decision(s) with respect to the settlement of the Action. It is the intention of the Parties hereto that, upon the Effective Date, Lead Plaintiffs and Defendants shall expressly waive, and each of the Class Members shall be deemed to have waived, and by operation of the Final Judgment Order shall have, expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights and benefits of any statute or law, which is similar, comparable, or equivalent to 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. Lead Plaintiffs and Defendants acknowledge, and each of the Class Members shall be deemed by operation of the Final Judgment Order to have acknowledged, that he, she or it is aware that they may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matters of the Released Plaintiffs' Claims and Released Defendants' Claims, respectively, but that it is his, her, or its intention upon the Effective Date, to have, fully, finally, and forever settled and released any and all claims within the scope of the Released Plaintiffs' Claims and Released Defendants' Claims, respectively, whether known or unknown, suspected or unsuspected, contingent or noncontingent, whether or not concealed or hidden, which now exist, may hereafter exist or may heretofore have existed, without regard to the subsequent discovery or existence of such different or additional facts. All of the foregoing is the definition of "Unknown Claims."

26. The Final Judgment Order will also provide that each of Defendants' Released Parties shall be deemed to have, and by operation of the Final Judgment Order shall have, fully, finally, and forever compromised, settled, released, resolved, relinquished, waived, and discharged Lead Plaintiffs, all Class Members, and Plaintiffs' Counsel from all Released Defendants' Claims (as defined in ¶ 27 below), and shall be forever enjoined from prosecuting such claims. Claims relating to the enforcement of the Settlement shall not be released.

27. "Released Defendants' Claims" means any and all claims, actions, causes of action, rights or liabilities, whether arising out of state, federal, foreign, or common law, including Unknown Claims, of any Defendant against Lead Plaintiffs or Plaintiffs' Counsel that solely arise out of or relate in any way to the institution, prosecution, or settlement of the claims asserted in the Action. Released Defendants' Claims do not include any claims relating to the enforcement of the Settlement.

**HOW DO I PARTICIPATE IN THE SETTLEMENT?
WHAT DO I NEED TO DO?**

28. To be potentially eligible for a payment from the proceeds of the Settlement, you must be a member of the Class and you must timely complete and return the Claim Form with adequate supporting documentation **postmarked, if mailed, or received, if submitted online, no later than May 3, 2017**. A Claim Form is included with this Notice. You may also obtain a Claim Form from the website maintained by the Claims Administrator for the Settlement, www.tileshopsecuritiessettlement.com, or you may request that a Claim Form be mailed to you by calling the Claims Administrator toll free at (844) 330-1184 or by sending an email to the Claims Administrator at info@tileshopsecuritiessettlement.com. Please retain all records of your ownership of and transactions in Tile Shop common stock, as these records may be needed to document your claim. If you request exclusion from the Class or do not submit a timely and adequate Claim Form, you will not be eligible to share in the Net Settlement Fund.

**HOW MUCH WILL MY PAYMENT BE?
WHAT IS THE PROPOSED PLAN OF DISTRIBUTION?**

29. At this time, it is not possible to make a precise determination as to the amount of any payment that any individual Class Member may receive from the Settlement. If you are a Class Member, your share of the Net Settlement Fund will depend on the number of valid Claim Forms that Class Members submit, and how many shares of Tile Shop common stock you purchased, acquired, and sold during the Class Period, and when you purchased, acquired, and sold such shares.

30. Appendix A to this Notice sets forth the Plan of Distribution for allocating the Net Settlement Fund among Authorized Claimants, as proposed by Class Counsel. The Court may modify the Plan of Distribution, or approve a different plan of distribution, without further notice to the Class.

**WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING?
HOW WILL THE LAWYERS BE PAID?**

31. Class Counsel have not received any payment for their services in pursuing claims against the Defendants on behalf of the Class, nor have Class Counsel been reimbursed for their expenses incurred in the prosecution of this Action. Before final approval of the Settlement, Class Counsel, on behalf of Plaintiffs' Counsel, will apply to the Court for an award of attorneys' fees in an amount not to exceed 24% of the Settlement Fund. At the same time, Class Counsel also intend to apply for payment of Plaintiffs' Counsel's expenses in an amount not to exceed \$1,200,000. In addition, Lead Plaintiffs may request reimbursement of their costs and expenses (including lost wages) incurred in connection with their representation of the Class pursuant to 15 U.S.C. §78u-4(a)(4), in an aggregate amount not to exceed \$40,000. The Court will determine the amount of any award of

attorneys' fees or expenses. Such sums as may be approved by the Court will be paid from the Settlement Fund. *Class Members are not personally liable for any such fees or expenses.*

**WHAT IF I DO NOT WANT TO BE A MEMBER OF THE CLASS?
HOW DO I EXCLUDE MYSELF?**

32. Each Class Member will be bound by all determinations and judgments in this lawsuit, whether favorable or unfavorable, unless such person or entity mails or delivers a written request for exclusion from the Class, addressed to *Tile Shop Securities Litigation Settlement*, EXCLUSIONS, c/o Gilardi & Co. LLC, 3301 Kerner Blvd., San Rafael, CA 94901. The exclusion request must be **postmarked no later than April 3, 2017**. You will not be able to exclude yourself from the Class after that date. Each request for exclusion must (a) state the name, address and telephone number of the person or entity requesting exclusion, and in the case of entities, the name and telephone number of the appropriate contact person; (b) state that such person or entity "requests exclusion from the Class in *Beaver County Employees' Retirement Fund, et al. v. Tile Shop Holdings, Inc., et al.*, Case No. 0:14-cv-00786-ADM-TNL"; (c) state the number of shares of Tile Shop common stock that the person or entity requesting exclusion purchased/acquired and/or sold during the Class Period, as well as the dates and prices of each such purchase/acquisition and sale; and (d) be signed by the person or entity requesting exclusion or by an authorized representative. A request for exclusion shall not be valid and effective unless it provides all the information called for in this paragraph and is received within the time stated above, or is otherwise accepted by the Court. You cannot exclude yourself over the phone or by e-mail.

33. If you do not want to be part of the Class, you must follow these instructions for exclusion even if you have pending, or later file, another lawsuit, arbitration, or other proceeding relating to any Released Plaintiffs' Claims against any of the Defendants' Released Parties. Please Note: If you elect to exclude yourself from the Class, you should understand that Defendants and the other Defendants' Released Parties will have the right to assert any and all defenses they may have to any claims that you may seek to assert in the future. Although Defendants have decided to settle the Action in its entirety in order to eliminate the burden and expense of continued litigation, Defendants will retain and are not waiving in any way the right to assert that any subsequent claims asserted by any individual Class Member who excludes themselves from the Class are otherwise subject to dismissal, or otherwise lack merit. If you wish to exclude yourself from the Class to pursue your own litigation against the Defendants, you should consult with an attorney before doing so, including on issues relating to whether applicable statutes of limitations may bar all or a portion of the claims that you may seek to pursue against the Defendants.

34. If you ask to be excluded from the Class, you will not be eligible to receive any payment out of the Net Settlement Fund.

**WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO
APPROVE THE SETTLEMENT? DO I HAVE TO COME TO THE HEARING?
MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?**

35. The Settlement Hearing will be held on **May 3, 2017 at 10:00 a.m.**, before the Honorable Ann D. Montgomery at the United States District Court for the District of Minnesota, 13W U.S. Courthouse, 300 South Fourth Street, Minneapolis, MN 55415. The Court reserves the right to approve the Settlement, the Plan of Distribution, the Fee and Expense Petition and/or any other matter related to the Settlement at or after the Settlement Hearing without further notice to the members of the Class.

36. Class Members do not need to attend the Settlement Hearing. The Court will consider any submission made in accordance with the provisions of this Notice even if a Class Member does not attend the hearing. Participation in the Settlement is not conditioned on attendance at the Settlement Hearing.

37. Any Class Member who or which does not request exclusion from the Class may object to the Settlement, the Plan of Distribution, and/or the Fee and Expense Petition. Objections must be in writing. You must file any written objection, together with copies of all other papers and briefs supporting the objection, with the Clerk's Office at the United States District Court for the District of Minnesota at the address set forth below on or before **April 3, 2017**. You must also serve the papers on Class Counsel and representative Defendants' Counsel at the addresses set forth below so that the papers are **received on or before April 3, 2017**.

Clerk's Office

United States District Court
District of Minnesota
Clerk of the Court
300 South Fourth Street
202 U.S. Courthouse
Minneapolis, MN 55415

Lead Counsel

Kessler Topaz Meltzer & Check, LLP
Matthew Mustokoff, Esq.
280 King of Prussia Road
Radnor, PA 19087

Robbins Geller Rudman & Dowd LLP
Joseph Russello, Esq.
58 South Service Road, Suite 200
Melville, NY 11747

Defendants' Counsel

Faegre Baker Daniels LLP
Wendy J. Wildung, Esq.
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

38. Any objection (a) must state the name, address and telephone number of the person or entity objecting and, if not filed by counsel, must be signed by the objector; (b) must contain a statement of the Class Member's objection or objections, and the specific reasons for each objection, including any legal and evidentiary support the Class Member wishes to bring to the Court's attention; and (c) must include documents sufficient to prove membership in the Class. Documents sufficient to prove membership in the Class include brokerage statements, confirmation slips, or authorized statements from a broker containing the transaction and holding information found in a confirmation slip or account statement. You may not object to the Settlement, the Plan of Distribution or the Fee and Expense Petition if you exclude yourself from the Class or if you are not a member of the Class.

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

40. If you wish to be heard orally at the hearing in opposition to the approval of the Settlement, the Plan of Distribution and/or the Fee and Expense Petition, and if you file and serve a timely written objection as described above, you must also file a notice of appearance with the Clerk's Office and serve it on Class Counsel and representative Defendants' Counsel at the addresses set forth above so that it is **received on or before April 3, 2017**. Persons who intend to object and desire to present evidence at the Settlement Hearing must include in their written objection or notice of appearance the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing. Such persons may be heard orally at the discretion of the Court.

41. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Hearing. However, if you decide to hire an attorney, it will be at your own expense, and that attorney must file a notice of appearance with the Court and serve it on Class Counsel and representative Defendants' Counsel at the addresses set forth in ¶ 37 above so that the notice is **received on or before April 3, 2017**.

42. The Settlement Hearing may be adjourned by the Court without further written notice to the Class. If you plan to attend the Settlement Hearing, you should confirm the date and time with Class Counsel.

43. Unless the Court orders otherwise, any Class Member who does not object in the manner described above will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the Settlement, the Plan of Distribution, or the Fee and Expense Petition. Class Members do not need to appear at the Settlement Hearing or take any other action to indicate their approval.

WHAT IF I BOUGHT SHARES ON BEHALF OF SOMEONE ELSE?

44. If you purchased or otherwise acquired shares of Tile Shop common stock between August 22, 2012 and January 28, 2014, inclusive, for the beneficial interest of persons or organizations other than yourself, you must, within ten (10) days of receipt of this Notice, either: (a) forward the Notice and Claim Form to all such beneficial owners; or (b) provide the Claims Administrator with the names and addresses of such beneficial owners at *Tile Shop Securities Litigation Settlement*, c/o Gilardi & Co. LLC, P.O. Box 43451, Providence, RI 02940-3451. If you choose the second option, the Claims Administrator will send a copy of the Notice and Claim Form to the beneficial owners. Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred, by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice and the Claim Form may also be obtained from www.tileshopsecuritiessettlement.com, or by calling the Claims Administrator toll-free at (844) 330-1184.

**CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT
IF I HAVE QUESTIONS OR WOULD LIKE ADDITIONAL INFORMATION?**

45. This Notice contains only a summary of the terms of the proposed Settlement. For more detailed information about the matters involved in this Action, you are referred to the papers on file in the Action, including the Stipulation, which may be inspected during regular office hours at the Office of the Clerk, United States District Court, 300 South Fourth Street, 202 U.S. Courthouse, Minneapolis, MN 55415. Additionally, copies of the Stipulation, this Notice, the Claim Form, the proposed Final Judgment Order, and any related orders entered by the Court in connection with the Settlement will be posted on the website maintained by the Claims Administrator, www.tileshopsecuritiessettlement.com.

All inquiries concerning this Notice and the Claim Form, or requests for additional information, should be directed to:

Tile Shop Securities Litigation Settlement
c/o Gilardi & Co. LLC
P.O. Box 43451
Providence, RI 02940-3451
(844) 330-1184
info@tileshopsecuritiessettlement.com

or

Matthew Mustokoff, Esq.
KESSLER TOPAZ MELTZER & CHECK, LLP
280 King of Prussia Road
Radnor, PA 19087
Telephone: (610) 667-7706
www.ktmc.com

Rick Nelson
Shareholder Relations
ROBBINS GELLER RUDMAN & DOWD LLP
655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: (800) 449-4900
www.rgrdlaw.com

DO NOT CALL OR WRITE THE COURT, THE OFFICE OF THE CLERK OF THE COURT, DEFENDANTS OR THEIR COUNSEL REGARDING THIS NOTICE.

DATED: January 19, 2017

BY ORDER OF THE COURT
United States District Court
District of Minnesota

Appendix A

PROPOSED PLAN OF DISTRIBUTION OF NET SETTLEMENT FUND

The Net Settlement Fund will be distributed to Class Members who submit timely and adequate Claim Forms and who are entitled to share in the Net Settlement Fund in accordance with the plan of distribution approved by the Court, and whose claims have been approved for payment by the Claims Administrator (“Authorized Claimants”). The plan of distribution set forth below (“Plan of Distribution” or “Plan”) is the plan for distributing the Net Settlement Fund that is being proposed by Class Counsel. The Court may approve the Plan, or modify it, without additional notice to the Class. Any order modifying the Plan will be posted on the website, www.tileshopsecuritiessettlement.com.

The objective of the Plan is to equitably distribute the Net Settlement Fund among Class Members who allegedly suffered economic losses as a result of the alleged violations of the federal securities laws asserted in the Action, as opposed to losses caused by market or industry factors or Company-specific factors unrelated to the alleged violations of law. The Plan generally measures the amount of loss that a Class Member can claim. The calculations made pursuant to the Plan are not intended to estimate the amounts that Class Members might have been able to recover at trial, or the amounts that will actually be paid to Authorized Claimants in connection with the Settlement. The calculations under the Plan are only a method to weigh the claims of Authorized Claimants against one another for the purposes of making *pro rata* allocations of the Net Settlement Fund to Authorized Claimants.

To design the Plan, Class Counsel conferred with Lead Plaintiffs’ damages expert. The Plan is intended to be generally consistent with an assessment of, among other things, the damages that Class Counsel and Lead Plaintiffs believe could have been recovered for the claims asserted in the Action. During the course of expert discovery in this Action, Lead Plaintiffs’ damages expert determined that all of the alleged artificial inflation in Tile Shop common stock was removed from the price of the stock by the opening of trading on November 14, 2013. Therefore, if a Class Member’s only transactions during the Class Period occurred from November 14, 2013 through January 28, 2014, it is not necessary to fill out and submit a Claim Form as purchases and acquisitions during this time did not incur a loss attributable to the allegedly misrepresented information and are not eligible for a recovery from the Settlement. In addition, a Class Member will have recoverable damages only if he, she or it had a net loss, after all profits from the Class Member’s transactions in Tile Shop common stock during the relevant period are subtracted from all losses incurred on the Class Member’s transactions in Tile Shop common stock during the relevant period.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to that claimant’s “Recognized Claim,” as described below. If, however, as expected, the amount in the Net Settlement Fund is not sufficient to permit payment of the total Recognized Claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant’s Recognized Claim bears to the total of the Recognized Claims of all Authorized Claimants – *i.e.*, the Authorized Claimant’s *pro rata* share of the Net Settlement Fund. Payment in this manner shall be deemed conclusive against all Claimants.

Defendants, their counsel, and all other Defendants’ Released Parties will have no involvement, responsibility or liability whatsoever for the investment of the Settlement Fund, the distribution of the Net Settlement Fund, the Plan or the determination, calculation, or payment of any claim. Lead Plaintiffs, Class Counsel, and any other person or entity designated by Class Counsel, including the Claims Administrator, likewise will have no liability for their reasonable efforts to execute and administer the Settlement and distribute the Net Settlement Fund pursuant to the Plan and the terms of the Stipulation.

CALCULATION OF RECOGNIZED LOSS AMOUNTS AND RECOGNIZED CLAIMS

1. Individuals and entities are potentially eligible to receive a payment from the Net Settlement Fund if they purchased or otherwise acquired Tile Shop common stock between August 22, 2012 and November 13, 2013, and have a loss pursuant to the Plan.

2. For each purchase or acquisition of Tile Shop common stock between August 22, 2012 and November 13, 2013 that is listed in the Claim Form and properly documented, a “Recognized Loss Amount” will be calculated for that purchase or acquisition according to the formula(s) described below. To the extent that the calculation of a Claimant’s Recognized Loss Amount results in a negative number, that number will be set to zero.

3. A Claimant’s “Recognized Claim” under the Plan shall be the sum of his, her or its Recognized Loss Amounts as calculated under the Plan.

4. Pursuant to the Plan, a Class Member may have a claim under Sections 11 and/or 12(a)(2) of the Securities Act of 1933 (the “Securities Act”)⁴ and/or Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”). **Please Note: If a Claimant has a claim under both Sections 10(b) and 11 for the same transaction in Tile Shop common stock, that claim will be calculated under the Section of the Plan (*i.e.*, Section I or Section II below) which yields the largest loss.**

I. SECURITIES ACT RECOGNIZED LOSS AMOUNT CALCULATIONS

5. The Securities Act claims asserted in the Action serve as the basis for the calculation of a Class Member’s Securities Act Recognized Loss Amount(s) pursuant to this Section. The Plan measures the amount of loss that a Class Member can claim under applicable provisions of the Securities Act for Tile Shop common stock purchased or otherwise

⁴ The calculation of damages under Section 12(a)(2) is identical to the calculation of damages under Section 11. Additionally, as liability under Section 12(a)(2) is limited to the sellers of the security and the statute also requires privity between the buyer and the seller, damages under Section 12(a)(2) are also limited to Tile Shop common stock purchased in the secondary offering.

acquired pursuant to the prospectus and registration statement issued in connection with Tile Shop's public offering of common stock in December 2012. For the calculation of a claim under the Securities Act, the "value" of the stock on the date on which a complaint was first filed alleging claims under Section 11 of the Securities Act is relevant for purposes of calculating damages for securities still held as of that date. Thus, under certain conditions, "value" may be measured by the closing price on May 23, 2014, which is the date the first such complaint was filed in this Action.

6. For each share of Tile Shop common stock purchased or acquired pursuant to the Company's December 12, 2012 secondary public offering and:

- A. Sold before the close of trading on May 22, 2014, the Securities Act Recognized Loss Amount shall be the purchase/acquisition price per share (not to exceed the issue price at the offering of \$15.00) **minus** the sale price per share.
- B. Held as of the close of trading on May 22, 2014, or sold after the opening of trading on May 23, 2014, the Securities Act Recognized Loss Amount shall be the purchase/acquisition price per share (not to exceed the issue price at the offering of \$15.00) **minus** the sale price per share (not to be less than \$14.60, the closing price of Tile Shop common stock on May 23, 2014).

II. **EXCHANGE ACT RECOGNIZED LOSS AMOUNT CALCULATIONS**

7. The Exchange Act claims asserted in the Action serve as the basis for the calculation of a Class Member's Exchange Act Recognized Loss Amount(s) pursuant to this Section. In order to have recoverable damages pursuant to this Action, disclosure of the alleged misrepresentations or omissions must be the cause of the decline in the price of Tile Shop common stock. As determined by Lead Plaintiffs' damages expert during the course of expert discovery, the alleged corrective disclosure that removed all artificial inflation from the price of Tile Shop common stock occurred on November 14, 2013 (at the opening of trading). Accordingly, in order to have an Exchange Act Recognized Loss Amount with respect to any given purchase or acquisition, the Tile Shop common stock must have been purchased/acquired between August 22, 2012 and November 13, 2013 and held through the alleged corrective disclosure.

8. For each share of Tile Shop publicly traded common stock purchased or otherwise acquired from August 22, 2012, through and including November 13, 2013, and:

- A. Sold before the opening of trading on November 14, 2013 (the date of the alleged corrective disclosure), the Exchange Act Recognized Loss Amount for each share shall be zero.
- B. Sold after the opening of trading on November 14, 2013, and before the close of trading on February 11, 2014,⁵ the Exchange Act Recognized Loss Amount for each share shall be **the least of:**
 - (1) \$7.20 (the dollar amount of alleged artificial inflation) per share; or
 - (2) the actual purchase/acquisition price of each share (excluding all fees, taxes and commissions) **minus** the average closing price of Tile Shop common stock from November 14, 2013, up to the date of sale as set forth in Table 1 below; or
 - (3) the Out of Pocket Loss, calculated as the actual purchase/acquisition price per share (excluding all fees, taxes and commissions) **minus** the actual sale price per share (excluding all fees, taxes and commissions).⁶
- C. Held as of the close of trading on February 11, 2014, the Exchange Act Recognized Loss Amount for each share shall be **the lesser of:**
 - (1) \$7.20 (the dollar amount of alleged artificial inflation) per share; or
 - (2) the actual purchase/acquisition price of each share (excluding all fees, taxes and commissions) **minus** \$16.13 (the average closing price of Tile Shop common stock between November 14, 2013 and February 11, 2014, as shown on the last line of Table 1 below).

⁵ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, entitled "Limitation on Damages": "[i]n any private action arising under this chapter in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated to the market." The mean (average) daily closing trading price for Tile Shop common stock during the 90-day look-back period (*i.e.*, November 14, 2013 through February 11, 2014) is \$16.13.

⁶ To the extent that the calculation of the Out of Pocket Loss results in a negative number reflecting a gain on the transaction, that number shall be set to zero.

TABLE 1

**Tile Shop Common Stock Closing Price and Average Closing Price
November 14, 2013 - February 11, 2014**

Date	Closing Price	Average Closing Price between November 14, 2013 and Date Shown	Date	Closing Price	Average Closing Price between November 14, 2013 and Date Shown
11/14/2013	\$12.95	\$12.95	12/30/2013	\$17.96	\$16.36
11/15/2013	\$14.50	\$13.73	12/31/2013	\$18.07	\$16.41
11/18/2013	\$16.32	\$14.59	1/2/2014	\$17.80	\$16.45
11/19/2013	\$17.83	\$15.40	1/3/2014	\$18.14	\$16.50
11/20/2013	\$16.15	\$15.55	1/6/2014	\$17.63	\$16.53
11/21/2013	\$15.83	\$15.60	1/7/2014	\$17.47	\$16.56
11/22/2013	\$13.88	\$15.35	1/8/2014	\$18.01	\$16.60
11/25/2013	\$14.25	\$15.21	1/9/2014	\$17.91	\$16.63
11/26/2013	\$15.49	\$15.24	1/10/2014	\$18.43	\$16.68
11/27/2013	\$16.06	\$15.33	1/13/2014	\$17.78	\$16.71
11/29/2013	\$16.75	\$15.46	1/14/2014	\$18.08	\$16.74
12/2/2013	\$15.84	\$15.49	1/15/2014	\$17.50	\$16.76
12/3/2013	\$16.09	\$15.53	1/16/2014	\$17.32	\$16.77
12/4/2013	\$16.11	\$15.58	1/17/2014	\$16.99	\$16.78
12/5/2013	\$16.43	\$15.63	1/21/2014	\$16.23	\$16.76
12/6/2013	\$16.65	\$15.70	1/22/2014	\$16.09	\$16.75
12/9/2013	\$16.50	\$15.74	1/23/2014	\$16.18	\$16.74
12/10/2013	\$16.00	\$15.76	1/24/2014	\$15.72	\$16.72
12/11/2013	\$15.83	\$15.76	1/27/2014	\$14.72	\$16.68
12/12/2013	\$15.99	\$15.77	1/28/2014	\$13.74	\$16.62
12/13/2013	\$16.24	\$15.79	1/29/2014	\$13.61	\$16.56
12/16/2013	\$16.60	\$15.83	1/30/2014	\$14.51	\$16.52
12/17/2013	\$16.95	\$15.88	1/31/2014	\$14.13	\$16.47
12/18/2013	\$17.53	\$15.95	2/3/2014	\$13.67	\$16.42
12/19/2013	\$17.43	\$16.01	2/4/2014	\$13.55	\$16.37
12/20/2013	\$17.41	\$16.06	2/5/2014	\$13.59	\$16.32
12/23/2013	\$17.80	\$16.13	2/6/2014	\$13.60	\$16.27
12/24/2013	\$17.70	\$16.18	2/7/2014	\$13.50	\$16.22
12/26/2013	\$17.85	\$16.24	2/10/2014	\$13.41	\$16.18
12/27/2013	\$18.11	\$16.30	2/11/2014	\$13.35	\$16.13

ADDITIONAL PROVISIONS

9. If you have more than one purchase, acquisition or sale of Tile Shop common stock during the Class Period, all purchases, acquisitions and sales shall be matched on a First in/First Out (“FIFO”) basis. Class Period sales will be matched first against any holdings at the beginning of the Class Period, and then against purchases/acquisitions in chronological order, beginning with the earliest purchase/acquisition made during the Class Period.

10. Purchases, acquisitions and sales of Tile Shop common stock shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date. The receipt or grant by gift, inheritance or operation of law of Tile Shop common stock during the Class Period shall not be deemed a purchase, acquisition or sale of these shares of Tile Shop common stock for the calculation of an Authorized Claimant’s Recognized Claim, nor shall the receipt or grant be deemed an assignment of any claim relating to the purchase/acquisition of such shares of Tile Shop common stock unless (i) the donor or decedent purchased or otherwise acquired such shares of Tile Shop common stock during the Class Period; (ii) no Claim Form was submitted by or on behalf of the donor, on behalf of the decedent, or by anyone else with respect to such shares of Tile Shop common stock; and (iii) it is specifically so provided in the instrument of gift or assignment.

11. The date of covering a “short sale” of Tile Shop common stock is deemed to be the date of purchase or acquisition of those shares of Tile Shop common stock. The date of a “short sale” is deemed to be the date of sale of Tile Shop common stock. Under the Plan, however, the Recognized Loss Amount on “short sales” is zero. In the event that a Claimant has an opening short position in Tile Shop common stock, the earliest Class Period purchases or acquisitions shall be matched against such opening short position and not be entitled to a recovery until that short position is fully covered.

12. Tile Shop common stock is the only security eligible for recovery under this Plan. Option contracts to purchase or sell Tile Shop common stock are not securities eligible to participate in the Settlement. With respect to Tile Shop common stock purchased or sold through the exercise of an option, the purchase/sale date of the Tile Shop common stock is the exercise date of the option and the purchase/sale price is the exercise price of the option.

13. The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds.

14. The Net Settlement Fund will be distributed to Authorized Claimants on a *pro rata* basis based on the relative size of their Recognized Claims. Specifically a "Distribution Amount" will be calculated for each Authorized Claimant, which shall be the Authorized Claimant's Recognized Claim divided by the total Recognized Claims of all Authorized Claimants, multiplied by the total amount in the Net Settlement Fund. If any Authorized Claimant's Distribution Amount calculates to less than \$10.00, it will not be included in the calculation and no distribution will be made to such Authorized Claimant.

15. Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. If there is any balance remaining in the Net Settlement Fund after a reasonable period of time after the initial date of distribution of the Net Settlement Fund, then after the Claims Administrator has made reasonable efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, the Claims Administrator shall, if feasible, distribute such balance among Authorized Claimants in an equitable and economical fashion. These redistributions shall be repeated until the balance remaining in the Net Settlement Fund is a *de minimis* amount that can no longer be distributed to Authorized Claimants in an equitable and economical fashion, and such remaining balance shall then be donated to the following non-profit organization: Mid-Minnesota Legal Aid.

16. Payment pursuant to the Plan, or such other plan of distribution as may be approved by the Court, shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiffs, Plaintiffs' Counsel, Lead Plaintiffs' damages expert, any of the Defendants' Released Parties, or the Claims Administrator or other person or entity designated by Class Counsel, arising from distributions made substantially in accordance with the Stipulation or the plan of distribution approved by the Court.

17. Class Members who do not submit acceptable Claim Forms will not share in the Settlement proceeds. The Settlement and Final Judgment Order dismissing this Action will nevertheless bind Class Members who do not submit a request for exclusion from the Class or submit an acceptable Claim Form.

18. Please contact the Claims Administrator or Class Counsel if you disagree with any determination made by the Claims Administrator regarding your Claim Form. If you are unsatisfied with the result, you may ask the Court, which retains jurisdiction over the claims administration process, to decide the issue by submitting a written request.