

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN**

JET CAPITAL MASTER FUND, L.P.,
Plaintiff,

No. 21-cv-552-jdp

v.

HRG GROUP, INC. ET AL.,
Defendants.

**DECLARATION OF JED D. MELNICK IN SUPPORT OF
FINAL APPROVAL OF CLASS ACTION SETTLEMENT**

I, JED D. MELNICK, declare as follows:

1. I was selected by Lead Plaintiff Jet Capital and Defendants to serve as the Mediator in the above-captioned action. I make this declaration based on personal knowledge and am competent to testify to the matters set forth herein.

2. As discussed below, I believe that the Settlement in this class action for the total amount of \$7.25 million after a rigorous mediation process represents a well-reasoned and sound resolution of the complicated and uncertain claims asserted in this Action. The Court, of course, will make determinations as to the “fairness” of the Settlement under applicable legal standards. From a mediator’s perspective, however, I recommend the proposed Settlement as reasonable, the result of vigorous arm’s length negotiation between counsel for Jet and counsel for Defendants, and consistent with the risks and potential rewards of the claims asserted in the Action.

3. I am a mediator associated with JAMS. I have mediated over one thousand disputes, including complex securities class actions and shareholder derivative actions, published articles on mediation, founded a nationally ranked dispute resolution journal, and taught young mediators.

4. As detailed below, I oversaw the settlement negotiations in this Action that culminated in the Lead Plaintiff Jet Capital and the Defendants agreeing to settle the claims of the HRG subclass

for \$7.25 million.

5. Prior to the severance of the claims of HRG shareholders from those of Spectrum shareholders and the creation of this Action, I oversaw the original settlement negotiations between the Spectrum Subclass Lead Plaintiffs, represented by Bernstein Litowitz, and Defendants. Those negotiations culminated in the settlement of that action on behalf of both Spectrum and HRG shareholders for \$39 million. The Court ultimately declined to approve that settlement.

6. Following the appointment of Jet Capital as Lead Plaintiff for the HRG Subclass and Rolnick Kramer Sadighi LLP as Lead Counsel for the HRG Subclass, Defendants and Counsel for the two subclasses engaged me to serve as a mediator to attempt to resolve their respective cases.

7. In advance of the mediation, Lead Plaintiff Jet Capital, Lead Plaintiffs for the Spectrum Subclass, and Defendants exchanged and submitted confidential mediation statements. The mediation statements contained the respective views of Lead Plaintiff Jet Capital, Lead Plaintiffs for the Spectrum Subclass, and Defendants on liability and damages.

8. On July 22, 2021, Lead Plaintiff Jet Capital's counsel, Spectrum Subclass Lead Plaintiffs' counsel, representatives of both Spectrum Subclass Lead Plaintiffs, Defendants' counsel and representatives from Spectrum's directors' and officers' liability insurance carriers participated in a formal, all-day remote mediation session before me. During that session, Lead Plaintiff Jet Capital's counsel, Spectrum Subclass Lead Plaintiffs' counsel, and Defendants' counsel made presentations to me and we discussed the merits of this Action, including liability and damages. Despite vigorous settlement negotiations, the session ended without an agreement.

9. After the July 22 mediation session ended, there were no additional discussions between Lead Counsel and Defendants' Counsel to resolve this Action and the claims of the HRG Subclass.

10. Following the failed July 22 mediation session, with me as the mediator, the Spectrum

Subclass Lead Plaintiffs and the Defendants continued to negotiate the terms of a settlement and executed a term sheet to settle the Spectrum Action with Defendants on August 3, 2021.

11. During the period between July 22 and August 3 there were no negotiations between Defendants and Counsel for the HRG Subclass.

12. When counsel for Defendants and counsel for the Spectrum Subclass informed the Court of the settlement, Defendants informed the Court that they intended to continue litigation against the HRG Subclass and this Court's docket entry for August 6, 2021 stated as follows:

Defendants and lead counsel for the Spectrum subclass ask that the two subclasses "proceed on completely separate tracks" because defendants plan to file a motion to dismiss the claims of the HRG subclass, and they don't want to delay the settlement of the other claims.

(ECF No. 89.)

13. During the first several weeks after the agreement was reached to resolve the Spectrum Action, Counsel for the HRG Subclass inquired whether I thought settlement discussions might resume with Defendants. Defendants initially expressed little interest in settlement discussions with the HRG Subclass and consistent with the representations made to this Court indicated that they intended to litigate a motion to dismiss with the HRG Subclass.

14. Notwithstanding Defendants' expressed preference to litigate a motion to dismiss the HRG Subclass action, after substantial effort Lead Counsel and Defendants resumed discussions about resolving this Action on behalf of the HRG Subclass, and I continued to serve as mediator in those discussions.

15. After a month of additional discussions and hard-fought negotiations, and with the Parties still at an impasse, I issued a mediator's recommendation that the Action be resolved in exchange for a payment of \$7.25 million. The proposal was issued on a "double blind" basis, meaning that if one of the Parties had rejected the proposal they would not find out whether the other side had

accepted the proposal. On September 3, 2021, I informed the Parties that both sides had accepted the mediator's proposal.


16. The proposed Settlement is the result of good-faith, arm's length negotiations among the Parties. As stated above, the Parties participated in all-day, remote mediation session before me on July 22, 2021. Both sides, as well as Counsel for the Spectrum Subclass, made presentations addressing key issues, and advancing aggressive positions on behalf of their clients.

17. While I am bound by confidentiality with regard to the specific content of the discussions at the mediation and during the negotiations that resumed in early August following the Spectrum Subclass settling, I can say that the arguments and positions asserted by all involved were plainly the result of detailed analysis and hard work, by competent counsel who are highly experienced in the field of securities litigation. In particular, during the discussions in August 2021, Defendants made clear that they were prepared to litigate the motion to dismiss rather than settle the claims of the HRG Subclass, notwithstanding that they had settled with the Spectrum Subclass.

18. Over the course of the negotiations, I encouraged each side to take a hard look at the merits and value of the claims and defenses in this Action. While the negotiations were professional, they were also highly adversarial. In the end, the \$7.25 million Settlement Amount itself is the product of a proposal by me that both sides accepted, and that I believe to be fair, reasonable, and adequate under all of the circumstances.

I declare, under penalty of perjury, that the foregoing facts are true and correct.

Executed this 7th day of February, 2022.



Jed D. Melnick