



**IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE**

In re Sanchez Energy Derivative Litigation

Consolidated  
C.A. No. 9132-VCG

**STIPULATION OF SETTLEMENT**

This Stipulation of Settlement (“Stipulation”) is made and entered into as of August 11, 2017, and is intended to fully, finally, and forever resolve, discharge, and settle the Plaintiffs’ Released Claims (defined below) as set forth in paragraph 1.13 below, between and among (i) plaintiffs in the above-captioned consolidated stockholder derivative action (the “Action”), City of Roseville Employees’ Retirement System, Delaware County Employees Retirement Fund and Robert Friedman (collectively, the “Plaintiffs”), derivatively on behalf of nominal defendant Sanchez Energy Corp. (“Sanchez Energy” or the “Company”), (ii) defendants A.R. Sanchez, Jr., Antonio R. Sanchez, III, Gilbert A. Garcia, Greg Colvin, Alan G. Jackson (collectively the “Individual Defendants” or the “Board”), defendant Sanchez Resources, LLC (“Sanchez Resources”), and defendant Eduardo Sanchez (together with the Individual Defendants and Sanchez Resources, the “Sanchez Defendants”); (iii) Altpoint Capital Partners LLC (“Altpoint Capital”) and Altpoint Sanchez Holdings (“Altpoint Holdings”) (together “Altpoint Defendants”, and collectively with the Sanchez Defendants, the “Defendants”); and (iv) nominal defendant Sanchez Energy (collectively with Plaintiffs and

Defendants, the “Parties”). This Stipulation sets forth the terms and conditions of the settlement of the Action against the Parties (the “Settlement”), subject to the approval of the Court of Chancery of the State of Delaware (the “Court”).

### **Summary of the Proceedings**

A. On January 28, 2014, Plaintiffs filed the Verified Consolidated Stockholder Derivative Complaint (together with the other pleadings filed by Plaintiffs in the Action, the “Complaint”). Plaintiffs allege in the Action that the Individual Defendants breached their fiduciary duties in connection with Sanchez Energy’s August 2013 purchase of working interests in the Tuscaloosa Marine Shale (“TMS”) from Sanchez Resources, allegedly permitting the payment of royalties to Sanchez Resources, and permitting the purchase of certain assets from Sanchez Resources and Altpoint (the “Transaction”). The Action further alleges that Sanchez Resources, Altpoint and Eduardo Sanchez aided and abetted in the aforementioned breaches of fiduciary duties by the Individual Defendants.

B. On August 22, 2014 the Court heard oral argument concerning Defendants’ motions to dismiss and issued an Opinion and Order on November 25, 2014, granting Defendants’ motions to dismiss (the “Motion to Dismiss Order”). Thereafter, on December 22, 2014, Plaintiffs filed a notice of appeal to the Supreme Court of Delaware.

C. The Supreme Court of Delaware heard oral argument concerning Plaintiffs' appeal of the Motion to Dismiss Order granting Defendants' motions to dismiss on September 24, 2015. On October 2, 2015, the Supreme Court of Delaware reversed the Motion to Dismiss Order and remanded the action to the Court for further proceedings on October 20, 2015.

D. On November 3, 2015, Altpoint, Sanchez Resources and Eduardo Sanchez renewed their motions to dismiss the Complaint. Thereafter the parties engaged in extensive discovery, including party and third-party document productions, totaling millions of pages of documents.

E. On July 18, 2016, the Court heard oral argument concerning the renewed motions to dismiss filed by Altpoint, Sanchez Resources and Eduardo Sanchez. In a telephonic ruling on August 9, 2016, the Court denied those renewed motions to dismiss.

F. On July 7, 2016, counsel for all parties participated in a full-day mediation session in Houston, TX, before Robert A. Meyer, Esq. (the "Mediator"). In advance of that session, the Parties submitted and exchanged detailed mediation statements and exhibits, which addressed the issues of liability, causation and damages. The mediation session ended without any agreement being reached.

G. Thereafter, the Parties engaged in discovery of the merits of the case, as well as further settlement discussions.

H. As part of ongoing settlement discussions involving the Mediator, an independent committee of the Sanchez Energy Board of Directors consisting of Brian Carney, Robert V. Nelson, III, and Sean M. Maher (the “Committee”) considered and determined that an acquisition by the Company of Sanchez Resources would be consistent with the long term strategic plans of the Company and would be in the best interests of the Company if effected through a settlement or partial settlement of the Action.

I. To facilitate discussions among the Parties about a possible settlement that would include, as part of the consideration provided to the Company, a transfer of the full equity ownership of Sanchez Resources to Sanchez Energy, the Committee retained Cypress Associates, LLC (“Cypress Associates”) to provide a valuation of Sanchez Resources.

J. After extensive due diligence, Cypress Associates provided to the Committee and the Sanchez Defendants a report opining that the net asset value of Sanchez Resources as of June 9, 2017, was \$16.712 million (the “Cypress Valuation Report”). A copy of the Cypress Valuation Report is attached hereto as Exhibit A.

K. After continued arm’s-length negotiations and discussions between the Parties, all of which were overseen by the Mediator, the Parties reached an agreement in principle to settle the Action.

L. The Defendants are entering into this Stipulation solely to eliminate the uncertainty, burden and expense of further protracted litigation. Each of the Defendants denies any wrongdoing, and this Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any of the Defendants, with respect to any claim or allegation of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that the Defendants have, or could have, asserted. The Defendants expressly deny that Plaintiffs have asserted any valid claims as to any of them, and expressly deny any and all allegations of fault, liability, wrongdoing or damages whatsoever.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, BY AND AMONG THE PARTIES TO THIS STIPULATION, subject to the approval of the Court pursuant to Court of Chancery Rule 23.1, that all Plaintiffs' Released Claims shall be and hereby are compromised, settled, discontinued, and dismissed with prejudice as to all Defendants' Released Persons, and all Defendants' Released Claims shall be and hereby are compromised, settled, discontinued, and dismissed with prejudice as to all Plaintiffs' Released Persons, upon the following terms and conditions:

## **I. DEFINITIONS**

1.1. "Court" means the Court of Chancery of the State of Delaware.

1.2. “Current Sanchez Energy Stockholder” or “Current Sanchez Energy Stockholders” means any Person or Persons who are record or beneficial owners of Sanchez Energy common stock as of the date of this Stipulation, excluding Sanchez Energy, the Defendants, the current and former officers and directors of Sanchez Energy, Sanchez Resources, or Altpoint, members of the immediate families of any excluded person, any entity in which any excluded person or entity has a controlling interest, and the legal representatives, heirs, successors, or assigns of any of the foregoing.

1.3. “Defendants’ Counsel” means Morris James LLP, Haynes and Boone LLP, Heyman Enerio Gattuso & Hirzel LLP, Morris Nichols Arsht & Tunnell LLP, Akin Gump Strauss Hauer & Feld LLP, Richards Layton & Finger LLP, Young Conway Stargatt & Taylor LLP, and Vinson & Elkins, LLP.

1.4. “Defendants’ Released Claims” means and includes any and all claims for relief or causes of action, debts, demands, rights, or liabilities whatsoever, known or unknown, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, against (i) any Plaintiffs’ Released Person(s) arising from or relating in any way to Plaintiffs’ prosecution of and participation in the Action or their conduct as derivative plaintiffs in the Action, or (ii) any Defendants Released Persons arising from or relating in any way to the Transaction or this Action.

1.5. “Defendants Released Persons” means Sanchez Energy and the Defendants together with each of their respective predecessors, successors, subsidiaries, affiliates, agents, attorneys, fiduciaries, advisors, insurers, partners, consultants, and each of their past or present officers, directors, and employees, and anyone else acting on any of the Defendants’ Released Persons’ behalf in connection with the allegations asserted in the Complaint.

1.6. “Effective Date” means the date that the Judgment, which approves in all material respects the releases provided for in the Stipulation and dismisses the Action with prejudice, becomes Final.

1.7. “Final” means no longer subject to review upon appeal or review in connection with a petition for writ of certiorari or similar writ, whether by exhaustion of any possible appeal, lapse of time, or otherwise.

1.8. “Judgment” means the Order and Judgment, substantially in the form annexed hereto as Exhibit E, to be entered by the Court approving the Settlement.

1.9. “Notice” means the Notice of Pendency and Proposed Settlement of Stockholder Derivative Action, substantially in the form annexed hereto as Exhibit C.

1.10. “Person” means a natural person, individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, association, joint venture, joint stock company, estate, legal representative, trust, unincorporated association, government, or any political subdivision or agency thereof, or any business or legal entity.

1.11. “Plaintiffs’ Counsel” means Grant & Eisenhofer, P.A., Chimicles & Tikellis LLP, and Bernstein Litowitz Berger and Grossmann LLP.

1.12. “Plaintiffs’ Released Persons” means City of Roseville Employees’ Retirement System, Delaware County Employees Retirement Fund and Robert Friedman, and all other Current Sanchez Energy Stockholders, and their respective past, present, or future trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, advisors, consultants, attorneys, personal or legal representatives, accountants, and associates.

1.13. “Plaintiffs’ Released Claims” means and includes any and all claims for relief or causes of action, debts, demands, rights, or liabilities whatsoever, known or unknown, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, in any court, tribunal, forum, or proceeding, that (i) were asserted against the Defendants in the Action or that could have been asserted against the Defendants based on the facts alleged in Action, or (ii) that



arise out of or relate to the Transaction; provided, however, that the Plaintiffs' Released Claims do not include (i) any direct claims of any Sanchez Energy stockholder (including any claims arising out of, based upon, or relating to the federal or state securities laws); or (ii) any claims that arise out of, are based upon, or relate to any conduct of the Defendants' Released Persons occurring after the date of execution of this Stipulation.

1.14. "Scheduling Order" means an order scheduling a hearing on the proposed Settlement and approving the form and method of providing notice of the Settlement, substantially in the form annexed hereto as Exhibit B.

1.15. "Settlement Hearing" means the hearing (or hearings) at which the Court will review and assess the adequacy, fairness, and reasonableness of the Settlement, and the appropriateness and amount of the award of attorneys' fees and expenses to be awarded by the Court.

1.16. "Summary Notice" means the Summary Notice of Pendency and Proposed Settlement of Stockholder Derivative Action, substantially in the form annexed hereto as Exhibit D.

## **II. TERMS OF SETTLEMENT AND RELEASES**

### **A. SETTLEMENT CONSIDERATION**

2.1. Settlement Consideration: In consideration for the full settlement and release of the claims asserted in the Action:

(a) Provided that Plaintiffs have provided Defendants with the necessary information required for a wire-transfer, including a signed W-9, at least 30 days in advance of payment, then no later than (10) business days before the date set by the Court for the Settlement Hearing, the Defendants shall pay or cause their insurers to pay into an escrow account controlled by Plaintiff's Counsel (the "Pre-Hearing Escrow Account") the amount of Eleven Million Seven Hundred Fifty Thousand and 00/100 U.S. dollars (\$11,750,000.00) (the "Settlement Payment"), as follows:

(i) Nine Million, Two Hundred Fifty Thousand (\$9,250,000.00) by or on behalf of the Sanchez Defendants;

(ii) Two Million, Five Hundred Thousand (\$2,500,000.00) by or on behalf of the Altpoint Defendants;

(b) Within ten (10) business days of the Effective Date, the Settlement Payment plus any and all interest earned thereon while on deposit in the Pre-Hearing Escrow Account, minus the amount of any Fee and Expense Award (defined below) and any taxes on any interest earned on the Settlement Amount

while on deposit in the Pre-Hearing Escrow Account (the “Net Settlement Amount”), will be paid from the Pre-Hearing Escrow Account to the Company. No later than the Effective Date, the Company will provide wire instructions to Plaintiffs’ Counsel for payment of the Net Settlement Amount from the Pre-Hearing Escrow Account. If the Settlement is not approved (or reversed or vacated on appeal by final non-appealable order), the Net Settlement Amount (along with any portion of the Fee and Expense Award returned to the Pre-Hearing Escrow Account pursuant to paragraph 3.4 below and any interest) will be returned to the individual(s) or entity or entities that transferred such funds to the Pre-Hearing Escrow Account.

(c) Within ten (10) business days of the Effective Date, the Defendants will:

(i) cause the transfer of all equity ownership interests of Sanchez Resources, which ownership interests shall be free and clear of all encumbrances, to Sanchez Energy. Sanchez Resources and its subsidiaries will be held and operated as a wholly owned subsidiary of Sanchez Energy, and all debt of Sanchez Resources disclosed in the Cypress Valuation Report will be retained by Sanchez Resources and the applicable subsidiary;

(ii) cause the transfer of any and all royalty interests held or retained by Sanchez Resources on any and all assets within the Tuscaloosa Marine Shale (“TMS”) to Sanchez Energy; and

(iii) cause the transfer of Altpoint’s 1% overriding royalty interest in the TMS acreage received as part of the Transaction to Sanchez Energy.

2.2. A.R. Sanchez, Jr., Antonio R. Sanchez, III, and Eduardo Sanchez represent and warrant that no assets have been transferred out of Sanchez Resources after June 9, 2017, that the assets of Sanchez Resources as of the signing of this Stipulation constitute the assets identified in the Cypress Valuation Report, other than debt and vendor payments made in the ordinary course of business. A.R. Sanchez, Jr., Antonio R. Sanchez, III, and Eduardo Sanchez further represent and warrant that no assets will be transferred out of Sanchez Resources through the Effective Date, other than debt and vendor payments made in the ordinary course of business.

**B. USE OF SETTLEMENT FUNDS**

2.3. Except as provided herein or pursuant to the orders of the Court, the Net Settlement Amount shall remain in the Pre-Hearing Escrow Account prior to the Effective Date.

2.4. Sanchez Energy, the Individual Defendants, and Eduardo Sanchez agree that the Net Settlement Amount shall be used to fund development and operations (excluding compensation) of assets of the Company.

2.5. The Settling Parties agree that Defendants A.R. Sanchez, Jr., Antonio R. Sanchez, III, Eduardo Sanchez, any member of their immediate families, or any entity controlled in whole or in part by any of them, will not be reimbursed for any consideration provided in this Settlement Agreement. Additionally, the composition of the Sanchez Energy Compensation Committee, which is currently comprised of three new directors added since the filing of this Action (Brian Carney, Robert V. Nelson, III, and Sean M. Maher) and three directors who are defendants in this Action (Gilbert A. Garcia, Greg Colvin, Alan G. Jackson) shall be changed to remove Alan Jackson and Greg Colvin from the Compensation Committee, leaving a majority of new directors.

#### **C. RELEASES**

2.6. The obligations incurred pursuant to this Stipulation shall be in full and final disposition of all claims asserted in the Action by any Plaintiff.

2.7. Upon the Effective Date, Plaintiffs City of Roseville Employees' Retirement System, Delaware County Employees Retirement Fund and Robert Friedman, derivatively on behalf of Sanchez Energy, and each and every other Current Sanchez Energy Stockholder, derivatively on behalf of Sanchez Energy,

shall have, and by operation of the Judgment shall be deemed to have, fully, finally, and forever compromised, settled, resolved, released, relinquished, waived and discharged any and all of the Plaintiffs' Released Claims against the Defendants' Released Persons, and shall forever be enjoined from prosecuting any or all of the Plaintiffs' Released Claims.

2.8. Notwithstanding the release in paragraph 2.7 above, nothing herein shall affect any rights with respect to past or future indemnification or advancement or payment of past or future legal fees and defense costs arising under and pursuant to any Defendants' Released Person's respective advancement or indemnification agreements with Sanchez Energy or Sanchez Resources, or under Sanchez Energy's certificate of incorporation or by-laws, or under any insurance policy covering Sanchez Energy or Sanchez Resources, or (with respect to Sanchez Energy and Sanchez Resources) applicable law, equity, or other contract or applicable insurance.

2.9. Upon the Effective Date, each of the Defendants and Sanchez Energy shall have, and by operation of the Judgment shall be deemed to have, fully, finally, and forever compromised, settled, resolved, released, relinquished, waived and discharged any and all of the Defendants' Released Claims against the Plaintiffs' Released Persons and Defendants' Released Persons, and shall forever be enjoined from prosecuting any or all of the Defendants' Released Claims

against the Plaintiffs' Released Persons or the Defendants' Released Persons. Nothing contained herein shall be construed to release any claims against the Plaintiffs' Released Persons or Defendants' Released Persons arising from conduct occurring after the date of execution of this Stipulation. Furthermore, nothing herein shall be construed to release any claims directed against the Plaintiffs' Released Persons or Defendants' Released Persons arising from conduct unrelated to the claims asserted in the Action or otherwise in any way unrelated to the subject matter of the Action.

2.10. Upon the Effective Date, each of the Defendants and Sanchez Energy shall have, and by operation of the Judgment shall be deemed to have, fully, finally, and forever compromised, settled, resolved, released, relinquished, waived and discharged any and all claims for relief or causes of action, debts, demands, rights, or liabilities whatsoever, known or unknown, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, in any court, tribunal, forum, or proceeding, that (A) any Defendant or Sanchez Energy may have against any other Defendants' Released Persons and (B) (i) were asserted against the Defendants in the Action or that could have been asserted against the Defendants based on the facts alleged in Action, or (ii) that arise out of or relate to the Transaction or Action.

2.11. Plaintiffs, in their individual capacities, and derivatively on behalf of Sanchez Energy, acknowledge that they may discover facts in addition to or different from those now known or believed to be true with respect to the subject matter of the Plaintiffs' Released Claims, but that it is their intention to fully, finally, and forever settle and release with prejudice any and all of the Plaintiffs' Released Claims. Upon the Effective Date, Plaintiffs and Sanchez Energy shall have expressly waived and relinquished and, by operation of the Judgment, each and every Current Sanchez Energy Stockholder shall be deemed to have waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of California Civil Code § 1542 (and equivalent, comparable, or analogous provisions of the laws of the United States or any state or territory thereof, or of the common law). California Civil Code § 1542 provides that:

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.

2.12. The Defendants and Sanchez Energy acknowledge that they may discover facts in addition to or different from those now known or believed to be true with respect to the subject matter of the Defendants' Released Claims, but that it is their intention to fully, finally, and forever settle and release with prejudice any and all of the Defendants' Released Claims. Upon the Effective Date, the



Defendants and Sanchez Energy, and their respective counsel, shall have expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of California Civil Code § 1542 (and equivalent, comparable, or analogous provisions of the laws of the United States or any state or territory thereof, or of the common law).

2.13. Nothing herein shall in any way modify, impair, or restrict the rights of the Parties to enforce the terms of the Settlement pursuant to this Stipulation.

2.14. It is the intention of the Parties that the Settlement eliminate all further risk and liability relating to the Plaintiffs' Released Claims and Defendants' Released Claims, and that the Settlement shall be a final and complete resolution of all disputes asserted, or which could have been asserted with respect to the Plaintiffs' Released Claims and the Defendants' Released Claims, including without limitation any third party claims for contribution in accordance with 10 Del. C. § 6304 and any similar laws or statutes; provided, however, that nothing herein shall release or otherwise affect any claims for contribution or indemnity between or among Defendants and/or their respective insurance carriers.

### **III. ATTORNEYS' FEES AND EXPENSES**

3.1. Plaintiffs' Counsel intend to petition the Court for an award of attorneys' fees in the amount of Six Million and 00/100 U.S. Dollars (\$6,000,000.00) and litigation expenses not to exceed Five-Hundred Fifty

Thousand and 00/100 U.S. Dollars (\$550,000.00), based on benefits provided to the Company and its stockholders from the Settlement and the prosecution of the Action, to be paid from the Settlement Payment, and from no other source.

3.2. Plaintiffs' Counsel also intend to apply for an incentive award for City of Roseville Employees' Retirement System, Delaware County Employees Retirement Fund and Robert Friedman in the amount of Five Thousand and 00/100 US Dollars (\$5,000.00) each, payable from the Settlement Payment.

3.3. Plaintiffs' Counsel attorneys' fees and expenses, and any incentive award to Plaintiffs, that are awarded by the Court (the "Fee and Expense Award") will be paid to Plaintiffs' Counsel from the Pre-Hearing Escrow Account. The Fee and Expense Award shall be paid to Plaintiffs' Counsel promptly upon its approval by the Court, notwithstanding the existence of any timely filed objections thereto, or potential for appeal therefrom, or collateral attack on the Settlement or any part thereof.

3.4. If, after payment of the Fee and Expense Award, the Fee and Expense Award is reversed, vacated, or reduced by final non-appealable order, or the Settlement is terminated in accordance with the terms of this Stipulation, Plaintiffs' Counsel shall, within ten (10) business days after receiving from Defendants' Counsel or from a court of appropriate jurisdiction notice of the termination of the Settlement or notice of any reduction of the Fee and Expense Award by final non-

appealable order, make appropriate refunds or repayments to the Pre-Hearing Escrow Account.

3.5. Court approval of the Stipulation is not in any way conditioned on Court approval of the fee and expense applications. Disallowance by the Court of any application for fees and expenses, or any portion thereof, any appeal from any order relating thereto, and any modification or reversal on appeal of any such order, shall not operate to terminate or cancel the Stipulation or affect its other terms, including the releases set forth herein, or affect or delay the finality of the Judgment approving the Stipulation.

3.6. Payment of the amount or amounts the Court awards to Plaintiffs' Counsel pursuant to the fee and expense applications shall constitute full satisfaction of any obligation to pay any amounts to any person, attorney, or law firm for attorneys' fees, expenses, or costs incurred by any attorney on behalf of Plaintiffs with respect to the claims asserted in the Action, and shall relieve Defendants of any other claims or liability to any other attorney or law firm for any attorneys' fees, expenses, and/or costs to which any of them may claim to be entitled on behalf of Plaintiffs. Defendants shall have no responsibility for or liability whatsoever with respect to the allocation of any Court-awarded attorneys' fees and expenses.

3.7. After payment of the amounts described above, and the occurrence of the Effective Date, the Net Settlement Amount shall be paid to Sanchez Energy and used to fund development and operations (excluding compensation) of assets of the Company.

#### **IV. SCHEDULING ORDER AND SETTLEMENT HEARING**

4.1. Immediately after execution of the Stipulation, Plaintiffs shall submit the Stipulation together with its related documents to the Court, and shall apply to the Court for entry of the Scheduling Order, substantially in the form annexed hereto as Exhibit B.

4.2. No later than sixty (60) calendar days prior to the date the Court sets for the Settlement Hearing, (i) Sanchez Energy shall file a copy of the Notice substantially in the form attached hereto as Exhibit C as an exhibit to a Form 8-K with the United States Securities and Exchange Commission, (ii) Sanchez Energy shall cause the Summary Notice, substantially in the form annexed hereto as Exhibit D, to be published in the national edition of *The Wall Street Journal* and over the *PR Newswire*; (iii) Sanchez Energy shall cause this Stipulation and the Notice substantially in the form attached hereto as Exhibit C to be posted on the investor relations section of Sanchez Energy's website, which documents shall remain posted on the Company's corporate website through the Effective Date of the Settlement; and (iv) Plaintiffs' Counsel shall cause this Stipulation and the

Notice substantially in the form attached hereto as Exhibit C to be posted on Plaintiffs' Counsel's respective websites, which documents shall remain posted such counsel's respective websites through the Effective Date of the Settlement. The cost of the notice (other than with respect to any cost associated with posting the Stipulation and Notice on Plaintiffs' Counsel's respective websites), as well as any out-of-pocket costs necessary to implement the Settlement, shall be paid by Sanchez Energy, and in no event shall the Settlement Payment, Plaintiffs, or their attorneys' be responsible for any such costs.

4.3. At least fifteen (15) business days prior to the Settlement Hearing, an affidavit attesting to compliance with the notice provisions set forth in the Scheduling Order shall be filed with the Court by Sanchez Energy.

4.4. The Parties and their attorneys agree to use their individual and collective best efforts to obtain Court approval of the Stipulation. The Parties and their attorneys further agree to use their individual and collective best efforts to effect, take, or cause to be taken all actions, and to do, or cause to be done, all things reasonably necessary, proper, or advisable under applicable laws, regulations, and agreements to consummate and make effective, as promptly as practicable, the Stipulation provided for hereunder and the dismissal of the Action.

## **V. STANDSTILL AGREEMENT**

5.1. Pending final determination of whether the Stipulation should be approved, the Parties agree not to institute, commence, prosecute, continue, or in any way participate in any action or other proceeding asserting any Plaintiffs' Released Claims against any Defendants' Released Persons or any Defendants' Released Claims against any Plaintiffs' Released Persons.

5.2. Nothing herein shall in any way modify, impair, or restrict the rights or obligations of any party to defend this Stipulation or to otherwise respond in the event any Person objects to the Stipulation, the proposed Judgment to be entered, and/or the fee and expense applications.

5.3. In the event the Stipulation does not become Final or the Effective Date otherwise fails to occur, for whatever reason, the Parties will be placed in the positions they held prior to the execution of this Stipulation, and they will retain all their rights to pursue claims and defenses without prejudice, and all obligations under this Stipulation will become null and void.

## **VI. DISMISSAL OF CLAIMS AGAINST DEFENDANTS**

6.1. If the Court approves the Stipulation, the Parties shall promptly request the Court to enter the proposed Judgment, substantially in the form annexed hereto as Exhibit E. In the event that such proposed Judgment is not entered upon the Parties' request, paragraph 5.3 is applicable.

## **VII. MISCELLANEOUS PROVISIONS**

7.1. This Stipulation reflects, among other things, the compromise and settlement of disputed claims among the Parties, and neither this Stipulation nor the releases given herein, nor any consideration, nor any actions taken to carry out this Stipulation are intended to be, nor may they be deemed or construed to be, an admission or concession of liability (or lack thereof) or of the validity of any claim, or defense, or of any point of fact or law on the part of any Party regarding those facts that have been, or might have been, alleged in the Action or in any other proceeding. The Defendants' Released Persons and Plaintiffs' Released Persons may file the Stipulation and/or Judgment in any action that has been or may be brought against them in order to support a claim or defense based on principles of res judicata, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

7.2. This Stipulation shall be deemed to have been mutually prepared by the Parties and shall not be construed against any of them by reason of authorship.

7.3. This Stipulation may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same document. Any signature to the Stipulation by means of facsimile, or electronically scanned and sent via email, shall be treated in all manner and

respects as an original signature and shall be considered to have the same binding legal effect as if it were the original signed version thereof.

7.4. All Persons executing this Stipulation thereby represent that they have been authorized and empowered to do so.

7.5. Plaintiffs represent and warrant that none of the claims referred to in this Stipulation or that could have been alleged in the Action has been assigned, encumbered, or in any manner transferred in whole or in part.

7.6. Each Plaintiff represents and warrants as to himself or itself that he or it has been and shall be a stockholder of Sanchez Energy at all relevant times, from the time of the events that are at the subject matter of the Action until this Stipulation and Settlement becomes final.

7.7. This Stipulation embodies and represents the full agreement of the Parties and supersedes any and all prior agreements and understandings relating to the subject matter hereof between or among any of the Parties. This Stipulation shall not be modified or amended, nor shall any provision of this Stipulation be deemed waived, unless such modification, amendment, or waiver is in writing and executed by or on behalf of the Parties. The waiver by any Party of any provision or the breach of this Stipulation shall not be deemed a waiver of any other provision or breach of this Stipulation.



7.8. The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Parties.

7.9. The construction and interpretation of this Stipulation shall be governed by and construed in accordance with the laws of the State of Delaware and without regard to the laws that might otherwise govern under principles of conflicts of law applicable hereto.

7.10. Any action or proceeding arising out of or relating in any way to this Stipulation or the Settlement, or to enforce any terms of the Stipulation or the Settlement, shall (i) be brought, heard and determined exclusively in the Court of Chancery of the State of Delaware, which shall retain jurisdiction over the Parties and all such disputes (provided that, in the event that subject matter jurisdiction is unavailable in the Court of Chancery of the State of Delaware, then any such dispute shall be brought, heard and determined exclusively in any other state or federal court sitting in Wilmington, Delaware) and (ii) not be litigated or otherwise pursued in any forum or other venue other than the Court of Chancery of the State of Delaware (or, if subject matter jurisdiction is unavailable in the Court of Chancery of the State of Delaware, then in any forum or venue other than any other state or federal court sitting in Wilmington, Delaware). THE PARTIES EXPRESSLY WAIVE ANY RIGHT TO DEMAND A JURY TRIAL AS TO ANY DISPUTE DESCRIBED IN THIS PARAGRAPH.

7.11. All Parties agree to submit to the jurisdiction of the Court of Chancery of the State of Delaware for the purposes of enforcing the Stipulation and the Judgment.

7.12. Without further order of the Court, the Parties may agree to reasonable extensions of time to carry out any of the provisions of the Stipulation.

7.13. The following exhibits are annexed hereto and incorporated herein by reference.

- (a) Exhibit A: Cypress Valuation Report;
- (b) Exhibit B: Scheduling Order;
- (c) Exhibit C: Notice of Pendency and Proposed Settlement of Stockholder Derivative Action;
- (d) Exhibit D: Summary Notice of Pendency and Proposed Settlement of Stockholder Derivative Action; and
- (e) Exhibit E: Order and Judgment.

IN WITNESS WHEREOF, IT IS HEREBY AGREED by the  
undersigned as of the date noted above.

DATED: August 11, 2017

**GRANT & EISENHOFER P.A.**



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*Co-Lead Counsel for Plaintiffs*

**IN WITNESS WHEREOF, IT IS HEREBY AGREED** by the undersigned  
as of the date noted above.

**GRANT & EISENHOFER P.A.**

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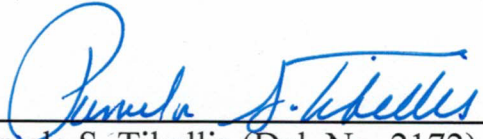
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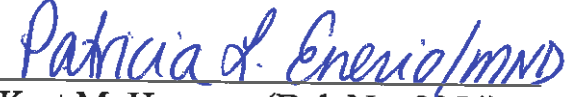
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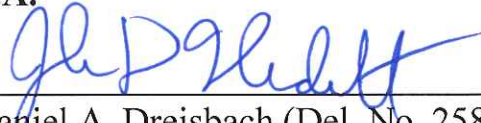
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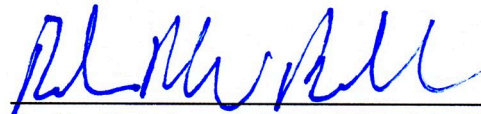
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