

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

In re HOT TOPIC, INC. SECURITIES LITIGATION))	Lead Case No. 2:13-cv-02939-SJO(JCx)
This Document Relates To:))	<u>CLASS ACTION</u>
ALL ACTIONS.))	

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

IF YOU HELD HOT TOPIC, INC. (“HOT TOPIC” OR THE “COMPANY”) COMMON STOCK ON THE RECORD DATE, MAY 3, 2013, AND WERE DAMAGED THEREBY (THE “CLASS”), YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT. CERTAIN PERSONS ARE EXCLUDED FROM THE DEFINITION OF THE CLASS AS SET FORTH BELOW IN RESPONSE TO QUESTION 6.¹

A federal court authorized this Notice. This is not a solicitation from a lawyer.

- The Settlement will provide \$14,900,000 in cash to pay claims of all Class Members. For an estimate of how much you could receive from this Settlement, see the discussion at Question 9 of this Notice.
- The Settlement resolves a lawsuit claiming that Defendants issued a materially false and misleading Proxy Statement in violation of §14(a) and §20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §78n(a) and §78t(a), in connection with the proposed acquisition of Hot Topic by Sycamore.² The lawsuit originally asserted additional claims for breach of fiduciary duty, which were previously dismissed by the Court. The Defendants deny they did anything wrong. The Settlement avoids the costs and risks associated with continued litigation (including the danger of no recovery), provides a monetary benefit to the Class, and releases Defendants from liability.
- The proposed Settlement should be compared to the risk of no recovery. The claims in this case involve numerous complex legal and factual issues that would require extensive and costly expert testimony. Among the many issues about which the parties do not agree are: (1) whether any of the Defendants violated the securities laws or otherwise engaged in any wrongdoing; and (2) the amount of damages (if any) that could be recovered at trial.
- For the past two years, Lead Plaintiff’s counsel have not received payment for their work investigating the facts, prosecuting this Litigation, and negotiating the proposed Settlement on behalf of the Lead Plaintiff and the Class. Lead Plaintiff’s counsel will ask the Court to award litigation expenses of no more than \$120,000 from the Settlement Amount and an award of attorneys’ fees of 25% of the Settlement Amount, plus interest earned at the same rate and for the same period as earned by the Settlement Fund. Lead Counsel also may apply for the reimbursement of the Lead Plaintiff’s expenses pursuant to 15 U.S.C. §78u-4(a)(4).
- Your legal rights are affected whether you act or don’t act. Read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:	
Submit a Proof of Claim and Release Form	The only way to get a payment.
Go to a Hearing	Ask to speak in Court about the fairness of the Settlement.
Do Nothing	Get no payment. Give up your rights.
Exclude Yourself	Get no payment. This is the only option that allows you to ever bring a lawsuit against Defendants concerning the legal claims at issue in this case.
Object	Write to the Court about why you don’t like the Settlement.

¹ This Notice incorporates by reference the definitions in the Stipulation of Settlement dated as of April 30, 2015 (“Stipulation”), and all capitalized terms used, but not defined herein, shall have the same meanings as in the Stipulation. The Stipulation can be obtained at www.hottopicsecuritiessettlement.com.

² The Defendants include: Hot Topic, Lisa M. Harper, Steven Becker, Matthew Drapkin, Evelyn D’an, Terri Funk Graham, John Kyees, Andrew Schuon and Thomas Vellios (collectively, the “Individual Defendants”; together with Hot Topic, the “Defendants”).

- The following **deadlines** apply to your rights and options in this Litigation:

Submit Claim:	October 12, 2015
Request Exclusion:	September 7, 2015
File Objection:	September 7, 2015
Court Hearing on Fairness of Settlement:	October 26, 2015
- The Court in charge of this case must decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and, if there are any appeals, after appeals are resolved. Please be patient.

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BASIC INFORMATION

1. Why did I receive this notice package?

You may have held shares of Hot Topic common stock on the record date, May 3, 2013.

The Court directed that this Notice be sent to you because you have a right to know about a proposed Settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement.

If the Court approves the Settlement, and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This Notice explains the lawsuit, the Settlement, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is Judge S. James Otero of the United States District Court for the Central District of California, Western Division (the “Court”), and the case is known as *In re Hot Topic, Inc. Securities Litigation*, Lead Case No. 2:13-cv-02939-SJO(JCx).

2. What is this lawsuit about?

The Litigation claims that the Proxy Statement (the “Proxy”) disseminated to shareholders in connection with the merger of Hot Topic and Sycamore contained materially false and misleading statements and failed to include information concerning the Company’s long-range projections and revised projections in violation of §14(a) and §20(b) of the Securities Exchange Act of 1934. All Defendants deny they or their Related Parties did anything wrong or that Lead Plaintiff or other Members of the Class suffered any damage.

3. Why is this a class action?

In a class action, one or more people called plaintiffs (in this case the City of Livonia Employees’ Retirement System, which was appointed by the Court as Lead Plaintiff) sue on behalf of people who have similar claims. Here, all these people are called the Class or Class Members. One court resolves the issues for all Class Members, except for those who timely and validly exclude themselves from the Class.

4. Why is there a settlement?

The Court did not decide in favor of Lead Plaintiff or the Defendants who are currently part of the case. Instead, all parties agreed to a Settlement. By agreeing to a Settlement, the parties avoid the cost and uncertainty of further litigation and a possible trial (including any appeals) and allow eligible Class Members who submit valid claims to receive a payment. Lead Plaintiff and its attorneys believe the Settlement is in the best interests of the Class.

WHO IS IN THE SETTLEMENT?

To see if you will receive money from this Settlement, you first have to determine if you are a Class Member.

5. How do I know if I am part of the Settlement?

The Class includes all Persons who held Hot Topic common stock on the record date, May 3, 2013, and were damaged thereby.

Defendants do not agree with the characterization that any damages were suffered by Lead Plaintiff or the Class.

6. What are the exceptions to being included?

You are not a Class Member if you are a Defendant, an officer or director of Hot Topic at any relevant time, a member of the immediate family, the legal representative, heir, successor or assign of a Defendant, or any entity in which a Defendant has or had a controlling interest. You are also not a Class Member if you timely and validly request exclusion from the Class pursuant to this Notice.

7. I’m still not sure if I am included.

If you are still not sure if you are included, you can ask for free help. You can call Rick Nelson of Robbins Geller Rudman & Dowd LLP at 1-800-449-4900 or visit www.hottopicsecuritiessettlement.com for more information.

THE SETTLEMENT BENEFITS – WHAT YOU GET

8. What does the Settlement provide?

Defendants have agreed to pay \$14,900,000 in cash. The balance of this fund after payment of Court-approved attorneys’ fees and expenses, Lead Plaintiff expenses, and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing newspaper notice (the “Net Settlement Fund”) will be divided among all eligible Class Members who send in valid claim forms.

9. How much will my payment be?

Your share of the fund will depend on the number of shares of Hot Topic common stock represented by valid claims made by Members of the Class and the amount of those claims and the number of shares of Hot Topic common stock you held on the record date. Assuming that all of the investors (other than Defendants or other excluded Persons) who held Hot Topic common stock on the record date, May 3, 2013, and suffered damages therefrom participate in this Settlement, Lead Plaintiff’s counsel estimates that the estimated average distribution will be approximately \$0.42 per share of Hot Topic common stock before the deduction of Court-approved fees and expenses, as described in Question 17 below (estimated to be approximately \$0.10 per share), and the cost of notice and claims administration. Historically, less than all eligible investors submit claims, resulting in higher average distributions per share.

The Settlement Fund less taxes, notice and administration costs, attorneys’ fees, litigation expenses, and Lead Plaintiff expenses (“Net Settlement Fund”) will be distributed to Class Members who submit valid, timely Proof of

Claim and Release forms (“Claimants”) on a *pro rata* basis. However, no distributions will be made to Claimants who would otherwise receive a distribution of less than \$10.00.

Payment shall be conclusive against all Claimants. No Person shall have any claim against Lead Plaintiff’s counsel, Lead Plaintiff, the Claims Administrator, Defendants and their Related Parties, or any Person designated by Lead Plaintiff’s counsel based on distributions made substantially in accordance with the Stipulation and the Settlement contained therein, or further order(s) of the Court. No Class Member shall have any claim against any Released Persons for any Released Claims. All Class Members who fail to complete and file a valid and timely Proof of Claim and Release form shall be barred from participating in distributions from the Net Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

HOW YOU OBTAIN A PAYMENT – SUBMITTING A PROOF OF CLAIM AND RELEASE FORM

10. How will I obtain a payment?

To qualify for payment, you must be an eligible Class Member, send in a valid claim form, and properly document your claim as requested in the claim form. A claim form is enclosed with this Notice. You may also obtain a Proof of Claim and Release form at www.hottopicsecuritiessettlement.com. Read the instructions carefully, fill out the form, include all the documents the form asks for, sign it, and **mail or submit it online no later than October 12, 2015**. The claim form can be submitted online at www.hottopicsecuritiessettlement.com.

11. When will I receive my payment?

The Court will hold a hearing on October 26, 2015 to decide whether to approve the Settlement. If Judge Otero approves the Settlement, there may be appeals. It is always uncertain how these appeals will be resolved, and resolving them can take time, perhaps several years. Everyone who sends in a claim form will be informed of the determination with respect to their claim. Please be patient.

12. What am I giving up to receive a payment or stay in the Class?

Unless you timely and validly exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Released Persons about the Released Claims in this case. It also means that all of the Court’s orders will apply to you and legally bind you and you will release your claims in this case against the Released Persons. The terms of the release are included in the enclosed claim form.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this Settlement, but you want to keep the right to sue or continue to sue on your own for the Released Claims in this case, then you must take steps to get out of the Class. This is called excluding yourself or is sometimes referred to as opting out of the Class.

13. How do I get out of the Class?

To exclude yourself from the Settlement, you must send a letter by mail saying that you want to be excluded from the class in *In re Hot Topic, Inc. Securities Litigation*, Lead Case No. 2:13-cv-02939-SJO(JCx). You must provide the following information: (a) name; (b) address; (c) telephone number; (d) amount of Hot Topic common stock held on the record date, May 3, 2013; and (e) a statement that you wish to be excluded from the Class. **You must mail your exclusion request postmarked no later than September 7, 2015 to:**

Hot Topic, Inc. Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you will not receive any settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit.

14. If I do not exclude myself, can I sue for the same thing later?

No. Unless you timely and validly exclude yourself, you give up any right to sue for the Released Claims in this Settlement. If you have a pending lawsuit against any of the Released Persons, speak to your lawyer in that case immediately. **Remember, the exclusion deadline is September 7, 2015.**

15. If I exclude myself, can I receive money from this Settlement?

No. If you exclude yourself, do not send in a Proof of Claim and Release form. But, you may be able to sue, continue to sue, or be part of a different lawsuit against Defendants.

THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

Yes. The Court appointed Robbins Geller Rudman & Dowd LLP to represent you and other Class Members. These lawyers are called Lead Counsel. You will not be charged directly for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How will the lawyers be paid?

In the two years that this Litigation has been pending, Lead Counsel have not been paid for their services on behalf of Lead Plaintiff and the Class, nor for their substantial expenses. The fee requested is to compensate Lead Counsel for their work investigating the facts, litigating the case over the past two years, and negotiating the Settlement.

Lead Plaintiff's counsel will ask the Court to award litigation expenses of no more than \$120,000 and a payment of 25% of the Settlement Amount for attorneys' fees, plus interest on both amounts. The fee requested is well within the range of fees awarded to class counsel in similar cases. Lead Counsel may also seek the Court's approval to pay the Lead Plaintiff reasonable costs and expenses directly relating to the representation of the Class. The Court may award less than these amounts.

OBJECTING TO THE SETTLEMENT OR THE REQUEST FOR FEES AND EXPENSES

You can tell the Court that you do not agree with the Settlement or the request for fees and expenses or some part of these matters.

18. How do I tell the Court that I do not like the Settlement?

If you are a Class Member, you can object to the Settlement or the request for fees and expenses if you do not like any part of these matters. You can state the reasons why you think the Court should not approve any of the relief sought. The Court will consider your views. To object, you must send a letter saying that you object to the Settlement in *In re Hot Topic, Inc. Securities Litigation*, Lead Case No. 2:13-cv-02939-SJO(JCx). Be sure to include your name, address, telephone number, your signature, the number of shares of Hot Topic common stock you held on the record date, May 3, 2013, and the reason(s) why you object to the Settlement or the request for fees and expenses. **Mail the objection to the Court, Lead Counsel and Defense Counsel in time for it to be received no later than September 7, 2015:**

COURT	LEAD COUNSEL	DEFENSE COUNSEL
Clerk of the Court U.S. DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION United States Courthouse 312 North Spring Street Los Angeles, CA 90012	Danielle S. Myers ROBBINS GELLER RUDMAN & DOWD LLP 655 West Broadway Suite 1900 San Diego, CA 92101	Meryl L. Young GIBSON, DUNN & CRUTCHER LLP 3161 Michelson Drive Irvine, CA 92612

19. What's the difference between objecting and excluding?

Objecting is simply telling the Court that you do not like something about the Settlement or the fee and expense request. You can object **only** if you stay in the Class.

Excluding yourself is telling the Court that you do not want to be paid and do not want to release any claims. If you exclude yourself, you cannot object to the Settlement because it does not affect you.

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the Settlement. You may attend and you may ask to speak, but you do not have to.

20. When and where will the Court decide whether to approve the Settlement?

The Court will hold a fairness hearing at 10:00 a.m., on October 26, 2015, before the Honorable S. James Otero at the U.S. District Court for the Central District of California, Western Division, United States Courthouse, 312 North Spring Street, Los Angeles, CA 90012. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. Judge Otero will listen to people who have asked to speak at the hearing. The Court will also consider whether to approve the fee and expense requests. The Court may decide the issues at the hearing or take them under consideration. We do not know how long these decisions will take.

21. Do I have to come to the hearing?

No. Lead Counsel will answer questions Judge Otero may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

22. May I speak at the hearing?

You may ask the Court for permission to speak at the fairness hearing. To do so, you must send a letter saying that it is your intention to appear in *In re Hot Topic, Inc. Securities Litigation*, Lead Case No. 2:13-cv-02939-SJO(JCx). Be sure to include your name, address, telephone number, the number of shares of Hot Topic common stock you held on the record date, May 3, 2013, and your signature. **Your notice of intention to appear must be received no later than September 7, 2015, by the Clerk of the Court, Lead Counsel, and Defendants' Counsel**, at the addresses listed above in Question 18.

You cannot speak at the hearing if you exclude yourself from the Class.

IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing, you will not receive any money from this Settlement. In addition, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit about the Released Claims in this case.

GETTING MORE INFORMATION

24. Are there more details about the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation dated as of April 30, 2015. You can obtain a copy of the Stipulation by writing to Rick Nelson, Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, or from the Clerk's office at the United States District Court for the Central District of California, Western Division, 312 North Spring Street, Los Angeles, CA 90012 during regular business hours. The Stipulation may also be downloaded at www.hottopicsecuritiessettlement.com.

25. How do I get more information?

You can call 1-800-449-4900 or write to Rick Nelson, Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101 or visit www.hottopicsecuritiessettlement.com.

SPECIAL NOTICE TO NOMINEES

The Court has ordered that if you held any Hot Topic common stock on the record date, May 3, 2013, as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

Hot Topic, Inc. Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040

If you choose to mail the Notice and Proof of Claim and Release yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

DATED: June 30, 2015

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION