

**IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF MARICOPA**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF)
MISSISSIPPI, individually and on behalf of all others)
similarly situated,)
)
Plaintiffs)
v.)
)
SPROUTS FARMERS MARKET, INC., *et al.*,)
)
Defendants.)
)
)

Case No.: CV2016-050480

**Notice of Pendency of Class Action, Proposed Settlement,
and Motion for Attorneys' Fees and Expenses**

(Complex case)

(Assigned to the Hon. Roger Brodman)

If you purchased or otherwise acquired the common stock of Sprouts Farmers Market, Inc. ("Sprouts" or the "Company") in or traceable to the Company's secondary public offering of 15,847,800 shares that occurred on or about March 5, 2015, you may be entitled to a payment from a class action settlement.

This Notice was authorized by the Court. This is not a solicitation from a lawyer.

This Notice describes important rights you may have and what steps you must take if you wish to participate in the proposed Settlement, want to object, or wish to be excluded from the class.

- The Settlement, if approved by the Court, will provide a total recovery of **\$9,500,000** (on average approximately \$0.60 per share before the deduction of Court-approved fees and expenses) in cash for the benefit of the Settlement Class (described below). Your recovery will depend on, among other things, the number of shares of Sprouts common stock you, and other Settlement Class Members who file claims, purchased and sold, and the prices at which you, and the other Settlement Class Members who file claims, purchased and sold those shares. The terms and conditions of the Settlement are in the Stipulation and Agreement of Settlement, dated December 27, 2018 (the "Stipulation").¹
- The Settlement resolves claims by Court-appointed Lead Plaintiff Public Employees' Retirement System of Mississippi ("PERS" or "Lead Plaintiff"), on behalf of itself and the Settlement Class, against Sprouts Farmers Market, Inc. ("Sprouts" or the "Company"), J. Douglas Sanders, Amin N. Maredia, Donna Berlinski, Andrew S. Jhavar, Shon Boney, Joseph Fortunato, Lawrence P. Molloy, and Steven H. Townshend (the "Individual Defendants" and with Sprouts, the "Sprouts Defendants"), AP Sprouts Holdings, LLC, and AP Sprouts Holdings (Overseas), L.P. (together "AP"), Barclays Capital Inc. and Morgan Stanley & Co. LLC (the "Underwriter Defendants," and with the Sprouts Defendants and AP, the "Defendants"). It avoids the costs and risks of continuing the litigation; pays money to eligible Settlement Class Members; and releases the Released Defendant Parties (defined below) from liability.
- Lead Plaintiff claims that Defendants made materially false and misleading statements and omissions in the Company's secondary public offering of 15,847,800 shares that occurred on or about March 5, 2015 (the "Offering"). Defendants have denied and continue to deny each, any and all allegations of wrongdoing, fault, liability or damage whatsoever asserted by Lead Plaintiff. Defendants have also denied, *inter alia*, the allegations that Lead Plaintiff or the Settlement Class have suffered damages or that Lead Plaintiff or the Settlement Class were harmed by the conduct alleged in the Action. Defendants continue to believe the claims asserted against them in the Action are without merit. The Court did not decide in favor of either the investors or Defendants.
- Court-appointed lawyers for the investors will ask the Court for no more than \$2,375,000 in attorneys' fees (25% of the Settlement Fund) and up to \$220,000 in expenses for their and the Lead Plaintiff's work litigating the case and negotiating the Settlement. If approved by the Court, these amounts (totaling on average approximately \$0.16 per share) will be deducted from the \$9,500,000 Settlement.
- The Court in charge of this case still has to decide whether to approve the Settlement. Payments will be made only if the Court approves the Settlement and after any appeals are resolved. Please be patient.

If you are a Settlement Class Member, your legal rights will be affected by this Settlement whether you act or do not act.

Please read this Notice carefully.

¹ The Stipulation can be viewed at www.SproutsSecuritiesLitigation.com. All capitalized terms not otherwise defined in this Notice have the same meanings as in the Stipulation.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

SUBMIT A CLAIM FORM POSTMARKED OR RECEIVED NO LATER THAN JUNE 25, 2019	The <u>only</u> way to be eligible to receive a payment from the Net Settlement Fund.
EXCLUDE YOURSELF BY SUBMITTING A WRITTEN REQUEST SO THAT IT IS RECEIVED NO LATER THAN MAY 10, 2019	This is the only option that, assuming your claim is timely brought, might allow you to ever bring or be part of any other lawsuit against Defendants and/or the other Released Defendant Parties concerning the Released Claims. If you exclude yourself, you will not be eligible to receive any payment from the Settlement. <i>See</i> Question 11 below for details.
OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS RECEIVED NO LATER THAN MAY 10, 2019	Write to the Court about why you do not like the Settlement, the Plan of Allocation, and/or Lead Counsel's Fee and Expense Application. If you object, you will still be a member of the Settlement Class. <i>See</i> Question 15 below for details.
GO TO A HEARING ON MAY 31, 2019 AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS RECEIVED NO LATER THAN MAY 10, 2019	Ask to speak in Court about the Settlement. If you submit an objection, you may (but you do not have to) attend the hearing and speak in Court about your objection. <i>See</i> Question 19 below for details.
DO NOTHING	You will not be eligible to receive a payment, you will give up rights, and you will still be bound by the Settlement.

1. WHY DID I GET THIS NOTICE?

1. The Court authorized that this Notice be sent to you because you or someone in your family, or an investment account for which you serve as a custodian, may have purchased or otherwise acquired the publicly traded common stock of Sprouts in or traceable to the Company's Offering. **Please Note: Receipt of this Notice does not mean that you are a Member of the Settlement Class or that you will be entitled to receive a payment from the Settlement. If you 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* Question 8 below.**

2. The Court directed that this Notice be sent to Settlement Class Members because they have a right to know about the proposed Settlement of this class action lawsuit, and about all of their options, including whether or not to object or exclude themselves from the Settlement Class, before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and after any objections and appeals are resolved, an administrator appointed by the Court will make the payments that the Settlement allows.

3. The Court in charge of the Action is the Arizona Superior Court, Maricopa County, and the case is known as *Public Employees' Retirement System of Mississippi, et al. v. Sprouts Farmers Market, Inc., et al.*, No. CV2016-050480. The Action is assigned to the Honorable Roger Brodman.

2. WHAT IS THIS CASE ABOUT?

4. On March 4, 2016, a class action complaint (the "Complaint") was filed in the Court on behalf of investors in the Company, alleging violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 ("Securities Act"). The Action involves allegations that Defendants violated certain federal securities laws by making misrepresentations or omissions of material fact in the Registration Statement filed with the U.S. Securities and Exchange Commission in connection with the Company's secondary public offering of 15,847,800 shares of Sprouts common stock that occurred on or about March 5, 2015 (the Offering).

5. The Complaint alleges that the misstatements or omissions, primarily concerning fresh produce price inflation and deflation immediately prior to the Offering, caused the Settlement Class to suffer losses after the truth was revealed.

6. Defendants have denied and continue to deny each, any and all allegations of wrongdoing, fault, liability or damage whatsoever asserted in the Action. The Settlement shall in no event be construed as, or deemed to be evidence of, liability, fault, wrongdoing, injury or damages, or of any wrongful conduct, acts or omissions on the part of any of the Released Defendant Parties (as

defined in the Stipulation), or of any infirmity of any defense, or of any damages to Lead Plaintiff or any other Settlement Class Member. The Settlement resolves all of the claims in the Action, as well as certain other claims or potential claims, whether known or unknown.

3. WHY IS THIS A CLASS ACTION?

7. In a class action, one or more persons or entities (in this case, Lead Plaintiff), sue on behalf of people and entities that have similar claims. Together, these people and entities are a “class,” and each is a “class member.” Bringing a case, such as this one, as a class action allows the adjudication of many individuals’ similar claims that might be too small to bring economically as separate actions. One court resolves the issues for all class members at the same time, except for those who exclude themselves, or “opt-out,” from the class.

4. WHAT ARE THE REASONS FOR THE SETTLEMENT?

8. The Court did not finally decide in favor of Lead Plaintiff or Defendants. Instead, both sides agreed to a settlement following several mediation discussions with an experienced mediator.

9. Lead Plaintiff and Lead Counsel believe that the claims asserted in the Action have merit. Lead Plaintiff and Lead Counsel recognize, however, the expense and length of continued proceedings necessary to pursue their claims in the Action through trial and appeals, as well as the difficulties in establishing liability. For example, Defendants have raised a number of arguments and defenses (which they would raise at summary judgment and trial). Even assuming Lead Plaintiff could establish liability, the amount of damages that could be attributed to the allegedly false and misleading statements would also be hotly contested, for example, because the reduction in the Company’s share price in 2015 could be found not to have been caused by the alleged omissions. In the absence of a settlement, the Parties would present factual and expert testimony on each of these issues, and there is a risk that the Court or jury would resolve these issues unfavorably against Lead Plaintiff and the Settlement Class. In light of the Settlement and the guaranteed cash recovery to the Settlement Class, Lead Plaintiff and Lead Counsel believe that the proposed Settlement is fair, reasonable, and adequate, and in the best interests of the Settlement Class.

10. Defendants have denied and continue to deny any wrongdoing and deny that they have committed any act or omission giving rise to any liability or violation of law. Defendants deny the allegations that they made any material misstatements or omissions or that any Member of the Settlement Class has suffered damages. Nonetheless, Defendants have concluded that continuation of the Action would be protracted, time-consuming and expensive, and that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation.

WHO IS IN THE SETTLEMENT

5. HOW DO I KNOW IF I AM PART OF THE SETTLEMENT CLASS?

11. To be eligible for a payment from the proceeds of the Settlement, you must be a Settlement Class Member. The Court has directed, for the purposes of the proposed Settlement, that everyone who fits the following description is a Settlement Class Member and subject to the Settlement unless they are an excluded person (*see* Question 6 below) or take steps to exclude themselves from the Settlement Class (*see* Question 11 below):

All persons and entities that purchased or otherwise acquired Sprouts common stock in or traceable to the Company’s secondary public offering of 15,847,800 shares that occurred on or about March 5, 2015, and who were allegedly damaged thereby.

12. If you purchased or otherwise acquired Sprouts common stock during the period from March 4, 2015 through March 10, 2015, inclusive (the “Relevant Period”), at the secondary public offering price of \$35.30 per share, or have documentation for purchases that traces your shares to the Company’s March 2015 Offering, you are a Settlement Class Member, unless you are excluded by definition.²

13. Check your investment records or contact your broker to see if you have any eligible purchases or acquisitions.

6. ARE THERE EXCEPTIONS TO BEING INCLUDED?

14. Yes. There are some individuals and entities that are excluded from the Settlement Class by definition. Excluded from the Settlement Class are: (i) the Defendants; (ii) the officers and directors of Sprouts, AP Sprouts Holdings LLC, AP Sprouts Holdings (Overseas), L.P., and the Underwriter Defendants at all relevant times; (iii) members of the immediate families of the Individual Defendants and of the excluded officers and directors; (iv) any entity in which any of the foregoing, other than the Underwriter Defendants, has or had a controlling interest (and in the case of the Underwriter Defendants, only such entities in which they have a majority ownership interest); (v) any affiliates, parents or subsidiaries of Sprouts, including Sprouts’ employee retirement and/or benefit plan(s) and their participants or beneficiaries, to the extent they made purchases through such plan(s); (vi) affiliates, parents or

² March 4, 2015 is the date of the Form S-1 Registration Statement for the Company’s Offering and March 5, 2015 is the date of the Offering’s Prospectus Supplement.

subsidiaries of AP Sprouts Holdings LLC, and AP Sprouts Holdings (Overseas), L.P. (but, for the avoidance of doubt, not excluding Persons that are members or partners of such affiliates, parents or subsidiaries); (vii) Persons who have no compensable damages; and (viii) the legal representatives, heirs, successors or assigns of any of the foregoing, in their capacities as such. Also excluded from the Settlement Class will be any Person that timely and validly seeks exclusion from the Settlement Class in accordance with the procedures described in Question 11 below.

THE SETTLEMENT BENEFITS — WHAT YOU GET

7. WHAT DOES THE SETTLEMENT PROVIDE?

15. In exchange for the Settlement and the release of the Released Claims against the Released Defendant Parties (*see* Question 10 below), Defendants have agreed to cause a payment of nine million, five hundred thousand dollars (\$9,500,000.00) to be made, which, along with any interest earned on this amount, will be distributed after deduction of Court-awarded attorneys' fees and litigation expenses, Notice and Administration Expenses, Taxes, and any other fees or expenses approved by the Court (the "Net Settlement Fund"), among all Settlement Class Members who submit valid Claim Forms and are found to be eligible to receive a distribution from the Net Settlement Fund ("Authorized Claimants").

8. HOW CAN I RECEIVE A PAYMENT?

16. To qualify for a payment from the Net Settlement Fund, you must submit a timely and valid Claim Form. A Claim Form is included with this Notice. If you did not receive a Claim Form, you can obtain one from the website dedicated to the Settlement: www.SproutsSecuritiesLitigation.com, or from Lead Counsel's website: www.labaton.com. You can also request that a Claim Form be mailed to you by calling the Claims Administrator toll-free at (866) 963-9981.

17. Please read the instructions contained in the Claim Form carefully, fill out the Claim Form, include all the documents the form requests, sign it, and mail or submit it to the Claims Administrator so that it is **postmarked or received no later than June 25, 2019**. Settlement Class Members who do not timely submit valid Claim Forms will not share in the Net Settlement Fund, but will still be bound by the Settlement.

9. WHEN WILL I RECEIVE MY PAYMENT?

18. The Court will hold a Settlement Hearing on **May 31, 2019** to decide, among other things, whether to finally approve the Settlement. Even if the Court approves the Settlement, there may be appeals which can take time to resolve, perhaps more than a year. It also takes a long time for all of the Claim Forms to be accurately reviewed and processed. Please be patient.

10. WHAT AM I GIVING UP TO RECEIVE A PAYMENT OR STAY IN THE SETTLEMENT CLASS?

19. If you are a Settlement Class Member, unless you exclude yourself from the Settlement Class by the May 10, 2019 deadline, you will remain a member of the Settlement Class and will be bound by the release of claims against the Released Defendant Parties if the Settlement is approved. That means you and all other Settlement Class Members and each of their respective heirs, executors, trustees, administrators, predecessors, successors, and assigns, will release (agreeing never to sue, continue to sue, or be part of any other lawsuit), as against the Released Defendant Parties, all Released Claims, which are essentially any and all claims which arise out of, are based upon or relate in any way to the purchase or acquisition, holding, sale or disposition of Sprouts common stock issued in the Company's Offering of 15,847,800 shares that occurred on or about March 5, 2015. It means that all of the Court's orders will apply to you and legally bind you. That means you will accept a share of the Net Settlement Fund, assuming you submit a timely and valid Claim Form, as sole compensation for any losses you suffered in the purchase, acquisition, sale or ownership of Sprouts common stock issued in the March 5, 2015 Offering. The specific terms of the release are included in the Stipulation and the main definitions are below.

(a) "**Released Claims**" means and includes any and all Claims and Unknown Claims that were or could have been asserted against Defendants, or could in the future be asserted in any forum, domestic or foreign, whether asserted individually, directly or representatively, which arise out of, are based upon, or relate in any way to both (1) the purchase, acquisition, holding, sale or disposition of Sprouts common stock acquired in or traceable to the Company's secondary public offering of 15,847,800 shares on or about March 5, 2015 and (2) any claims alleged in the Action, and any Claims or Unknown Claims that could have been asserted in the Action related to the allegations, transactions, facts, events, matters, occurrences, acts, disclosures, representations, statements, omissions, failures to act, or any other matter whatsoever involved in, set forth, referred to, arising out of, or otherwise related to, directly or indirectly, the allegations in the Action or the disclosures made in connection therewith (including the adequacy and completeness of such disclosures). Notwithstanding the foregoing, "Released Claims" does not include claims to enforce the terms of this Stipulation or orders or judgments issued by the Court in connection with this Settlement or claims asserted in any related shareholder action including, *Barnes v. Sprouts Farmers Mkt., Inc.*, No. 2017-0735-MTZ, 2018 WL 3471351 (Del. Ch. July 18, 2018).

(b) "**Released Defendant Parties**" means jointly and severally, individually and collectively, Sprouts, the Individual Defendants, AP, and the Underwriter Defendants, and each and all of their respective past, present, or future subsidiaries, parents, affiliates, and divisions, and all of their and each of Sprouts', the Individual Defendants', AP's and the Underwriter Defendants' principals, investment managers and advisors, successors and predecessors, assigns, officers, directors, shareholders, trustees, partners, agents, fiduciaries, contractors, employees, attorneys, auditors, insurers; the spouses, members of the immediate families,

representatives, and heirs of the Individual Defendants, as well as any trust of which any Individual Defendant is the settlor or which is for the benefit of any of their immediate family members; any firm, trust, corporation, or entity in which any Defendant has a controlling interest; and any of the legal representatives, heirs, successors in interest or assigns of Defendants.

(c) “**Unknown Claims**” means and includes any and all Claims that Lead Plaintiff or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Defendant Parties, and any and all Released Defendants’ Claims that any Defendant does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Plaintiff Parties. This includes Claims which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Defendant Parties or the Released Plaintiff Parties, as the case may be, or might have affected his, her or its decision(s) with respect to the Settlement and the Released Claims, or Released Defendants’ Claims, including his, her, or its decision to object or not to object to this Settlement. The Parties expressly acknowledge, and the Settlement Class Members by operation of the Final Judgment or Alternative Judgment shall have, and shall be deemed to have expressly waived and relinquished any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States or any other jurisdiction, or principle of common law that is, or 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 Plaintiff, other Settlement Class Members, or Defendants may hereafter discover facts, legal theories, or authorities in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims and Released Defendants’ Claims, but Lead Plaintiff and Defendants expressly, fully, finally, and forever settle and release, and each other Settlement Class Member shall be deemed to have fully, finally, and forever settled and released, and upon the Effective Date and by operation of the Final Judgment or Alternative Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims and Released Defendants’ Claims, as applicable, without regard to the subsequent discovery or existence of such different or additional facts, legal theories, or authorities. The Parties expressly acknowledge, and other Settlement Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Claims and Released Defendants’ Claims was separately bargained for and is a material element of the Settlement.

20. If the Settlement is approved, Defendants will also provide a release of any claims against Lead Plaintiff and the Settlement Class arising out of or related to the institution, prosecution, or settlement of the claims in the Action.

21. As a Settlement Class Member, you will not be giving up any rights that you currently have by submitting a Claim Form to receive a payment.

EXCLUDING YOURSELF FROM THE SETTLEMENT CLASS

22. If you do not want to be eligible to receive a payment from the Settlement and you do not want to release the Released Claims against the Released Defendant Parties, then you must take steps to remove yourself from the Settlement Class. This is called excluding yourself or “opting out.”

11. HOW DO I EXCLUDE MYSELF FROM THE SETTLEMENT CLASS?

23. To exclude yourself from the Settlement Class, you must mail a signed letter stating that you “request to be excluded from the Settlement Class in *Public Employees’ Retirement System of Mississippi, et al. v. Sprouts Farmers Market, Inc., et al.*, No. CV2016-050480 (Super. Ct. Ariz. Maricopa Cty.).” You cannot exclude yourself by telephone or e-mail. Each request for exclusion must also state: (i) the name, address, and telephone number of the person or entity requesting exclusion; (ii) the number of shares of Sprouts publicly traded common stock purchased or acquired in the Offering, as well as the date, number of shares and price per share of each such purchase, acquisition, and sale; and (iii) be signed by the person or entity requesting exclusion or an authorized representative. A request for exclusion must be submitted so that it is **received no later than May 10, 2019** to:

Sprouts Farmers Market Securities Litigation
EXCLUSIONS
c/o A.B. Data, Ltd.
P.O. Box 173001
Milwaukee, WI 53217

Your exclusion request must comply with these requirements in order to be valid.

24. If you ask to be excluded, do not submit a Claim Form because you cannot receive any payment from the Net Settlement Fund. Also, you cannot object to the Settlement because you will not be a Settlement Class Member. However, if you submit a valid exclusion request, you will not be legally bound by anything that happens in the Action, and you may be able to sue (or continue to sue) Defendants and the other Released Defendant Parties in the future. If you have a pending lawsuit related to any Released Claims, speak to your lawyer in that case immediately, since you must exclude yourself from this Settlement Class to continue your own lawsuit.

12. IF I EXCLUDE MYSELF, CAN I GET MONEY FROM THE PROPOSED SETTLEMENT?

25. No. If you exclude yourself, you are no longer a Settlement Class Member, so do not send in a Claim Form to ask for any money.

THE LAWYERS REPRESENTING YOU

13. DO I HAVE A LAWYER IN THIS CASE?

26. Lead Plaintiff will request that the Court appoint the law firm of Labaton Sucharow LLP to represent all Settlement Class Members. These lawyers are called “Lead Counsel.” You will not be separately charged for these lawyers. The Court will determine the amount of Plaintiffs’ Counsel’s fees and expenses, which will be paid from the Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

14. HOW WILL THE LAWYERS BE PAID?

27. Lead Counsel will ask the Court to award Plaintiffs’ Counsel attorneys’ fees of no more than 25% of the Settlement Fund, which will include any accrued interest. Plaintiffs’ Counsel have been prosecuting the Action on a contingent basis and have not been paid for any of their work. Lead Counsel will also seek payment of litigation expenses incurred by Plaintiffs’ Counsel in the prosecution of the Action of no more than \$220,000, plus accrued interest, which may include a payment to Lead Plaintiff to reimburse it for its time and expenses incurred in representing the Settlement Class. As explained above, any attorneys’ fees and expenses awarded by the Court will be paid from the Settlement Fund. Settlement Class Members are not personally liable for any such fees or expenses.

OBJECTING TO THE SETTLEMENT, THE PLAN OF ALLOCATION, OR THE FEE AND EXPENSE APPLICATION

15. HOW DO I TELL THE COURT THAT I DO NOT LIKE SOMETHING ABOUT THE PROPOSED SETTLEMENT?

28. If you are a Settlement Class Member, you can object to the Settlement or any of its terms, the proposed Plan of Allocation of the Net Settlement Fund, and/or Lead Counsel’s Fee and Expense Application. Your objection must state why you are objecting and whether your objection applies only to you, a subset of the Settlement Class, or the entire Settlement Class. If you would like the Court to consider your views, you must file a proper objection within the deadline, and according to the following procedures.

29. To object, you must send a signed letter stating that you object to the proposed Settlement in “*Public Employees’ Retirement System of Mississippi, et al. v. Sprouts Farmers Market, Inc., et al.*, No. CV2016-050480 (Super. Ct. Ariz. Maricopa Cty.).” The objection must: (i) state the name, address, and telephone number of the person or entity objecting and must be signed by the objector; (ii) contain a statement of the objection and the specific reasons for it, including any legal and evidentiary support (including witnesses) the Settlement Class Member wishes to bring to the Court’s attention; and (iii) include information sufficient to prove membership in the Settlement Class, including the number of shares of Sprouts publicly traded common stock purchased or acquired in the Offering, as well as the date, number of shares, and price per share of each such purchase, acquisition, and sale. Unless otherwise ordered by the Court, any Settlement Class Member who does not object in the manner described in this Notice will be deemed to have waived any objection and will be forever foreclosed from making any objection to the proposed Settlement, the Plan of Allocation, and/or Lead Counsel’s Fee and Expense Application. Your objection must be filed with the Court **no later than May 10, 2019 and** mailed or delivered to the following counsel so that it is **received no later than May 10, 2019**:

Court

Clerk of the Court
Superior Court of the State of Arizona,
Maricopa County
Central Court Building
201 W. Jefferson Street
Phoenix, Arizona
85003

Lead Counsel

Labaton Sucharow LLP
James W. Johnson, Esq.
140 Broadway
New York, NY 10005

Defendants’ Counsel

Morgan Lewis & Bockius LLP
Susan F. DiCicco, Esq.
101 Park Avenue
New York, NY 10178

30. You do not need to attend the Settlement Hearing to have your written objection considered by the Court. However, any Settlement Class Member who has not submitted a request for exclusion and who has complied with the procedures described in this Question 15 and below in Question 19 may appear at the Settlement Hearing and be heard, to the extent allowed by the Court, about their objection. An objector may appear in person or arrange, at his, her, or its own expense, for a lawyer to represent him, her, or it at the Settlement Hearing.

16. WHAT IS THE DIFFERENCE BETWEEN OBJECTING AND SEEKING EXCLUSION?

31. Objecting is telling the Court that you do not like something about the proposed Settlement, Plan of Allocation, or Lead Counsel’s Fee and Expense Application. You can still recover money from the Settlement. You can object *only* if you stay in the Settlement Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement Class. If you exclude yourself from the Settlement Class, you have no basis to object because the Settlement and the Action no longer affect you.

THE SETTLEMENT HEARING

17. WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE PROPOSED SETTLEMENT?

32. The Court will hold the Settlement Hearing on **May 31, 2019 at 9:00 a.m.**, in Courtroom 413 at the Superior Court of the State of Arizona, Maricopa County, East Court Building, Fourth Floor, 101 W. Jefferson Street, Phoenix, Arizona, 85003.

33. At this hearing, the Court will consider, among other things, whether: (i) the Settlement is fair, reasonable, adequate, and should be finally approved; (ii) the Plan of Allocation is fair and reasonable, and should be approved; and (iii) the application of Lead Counsel for an award of attorneys' fees and payment of litigation expenses, including that of Lead Plaintiff, is reasonable and should be approved. The Court will take into consideration any written objections filed in accordance with the instructions in Question 15 above. We do not know how long it will take the Court to make these decisions.

34. You should be aware that the Court may change the date and time of the Settlement Hearing without another notice being sent to Settlement Class Members. If you want to attend the hearing, you should check with Lead Counsel or visit the settlement website, www.SproutsSecuritiesLitigation.com, beforehand to be sure that the hearing date and/or time has not changed.

18. DO I HAVE TO COME TO THE SETTLEMENT HEARING?

35. No. Lead Counsel will answer any questions the Court may have. But, you are welcome to attend at your own expense. If you submit a valid and timely objection, the Court will consider it and you do not have to come to Court to discuss it. You may have your own lawyer attend (at your own expense), but it is not required. If you do hire your own lawyer, he or she must file and serve a Notice of Appearance in the manner described in the answer to Question 19 below **no later than May 10, 2019**.

19. MAY I SPEAK AT THE SETTLEMENT HEARING?

36. You may ask the Court for permission to speak at the Settlement Hearing. To do so, you must include with your objection (see Question 15), **no later than May 10, 2019**, a statement that you, or your attorney, intend to appear in "*Public Employees' Retirement System of Mississippi, et al. v. Sprouts Farmers Market, Inc., et al.*, No. CV2016-050480 (Super. Ct. Ariz. Maricopa Cty.)." Persons who intend to present evidence at the Settlement Hearing must also include in their objections (prepared and submitted in accordance with the answer to Question 15 above) the identities of any witnesses they may wish to call to testify and any exhibits they intend to introduce into evidence at the Settlement Hearing. You may not speak at the Settlement Hearing if you exclude yourself or if you have not provided written notice in accordance with the procedures described in this Question 19 and Question 15 above.

IF YOU DO NOTHING

20. WHAT HAPPENS IF I DO NOTHING AT ALL?

37. If you do nothing and you are a member of the Settlement Class, you will receive no money from this Settlement and you will be precluded from starting a lawsuit, continuing with a lawsuit, or being part of any other lawsuit against Defendants and the other Released Defendant Parties concerning the Released Claims. To share in the Net Settlement Fund, you must submit a Claim Form (see Question 8 above).

GETTING MORE INFORMATION

21. ARE THERE MORE DETAILS ABOUT THE SETTLEMENT?

38. This Notice summarizes the proposed Settlement. More details are contained in the Stipulation. You may review the Stipulation filed with the Court and other documents in the case during business hours at the Superior Court of the State of Arizona, Maricopa County, Central Court Building, 201 W. Jefferson Street, Phoenix, Arizona, 85003. **DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.**

39. You can also get a copy of the Stipulation, and other documents related to the Settlement, as well as additional information about the case and the Settlement by visiting the website dedicated to the Settlement, www.SproutsSecuritiesLitigation.com, where you will find answers to common questions about the Settlement and can download copies of the Stipulation or Claim Form. You may also call the Claims Administrator toll free at (866) 963-9981 or write to the Claims Administrator at *Sprouts Farmers Market Securities Litigation*, c/o A.B. Data, Ltd., P.O. Box 170600, Milwaukee, WI, 53217. **Please do not call the Court with questions about the Settlement.**

PLAN OF ALLOCATION OF THE NET SETTLEMENT FUND

22. HOW WILL MY CLAIM BE CALCULATED?

40. As discussed above, the Settlement provides \$9,500,000 in cash for the benefit of the Settlement Class. The Settlement Amount and any interest it earns constitute the Settlement Fund. The Settlement Fund, after deduction of Court-approved attorneys' fees and litigation expenses, Notice and Administration Expenses, Taxes, and any other fees or expenses approved by the Court, is the

Net Settlement Fund. If the Settlement is approved by the Court, the Net Settlement Fund will be distributed to eligible Authorized Claimants – *i.e.*, members of the Settlement Class who timely submit valid Claim Forms that are accepted for payment by the Court – in accordance with this proposed Plan of Allocation or such other plan of allocation as the Court may approve. The Court may approve this proposed Plan of Allocation, or modify it, without additional notice to the Settlement Class. Any order modifying the Plan of Allocation will be posted on the settlement website, www.SproutsSecuritiesLitigation.com.

41. The objective of the Plan of Allocation is to distribute the Net Settlement Fund equitably among those Settlement Class Members who suffered economic losses as a proximate result of the alleged wrongdoing, as opposed to losses caused by market-wide or industry-wide factors, or Company-specific factors unrelated to the alleged wrongdoing. The Plan of Allocation is not a formal damage analysis, and the calculations made in accordance with the Plan of Allocation are not intended to be estimates of, or indicative of, the amounts that Settlement Class Members might have been able to recover after a trial. Nor are the calculations in accordance with the Plan of Allocation intended to be estimates of the amounts that will be paid to Authorized Claimants, because the Net Settlement Fund will be less than the total losses alleged to be suffered by Settlement Class Members. The computations under the Plan of Allocation are only a method to weigh, in a fair and equitable manner, the claims of Authorized Claimants against one another for the purpose of making *pro rata* allocations of the Net Settlement Fund. The Plan of Allocation provides that you will be eligible to participate in the distribution of the Net Settlement Fund only if you have a net loss on all transactions in Sprouts common stock made pursuant and/or traceable to the Company's March 5, 2015 Offering.

42. To design this Plan, Lead Counsel has conferred with Lead Plaintiff's damages expert. This Plan is intended to be generally consistent with an assessment of the damages that Lead Plaintiff and Lead Counsel believe were recoverable in the Action under the Securities Act. The formulas below are based on the closing price of Sprouts common stock of \$28.67 per share, the day the first complaint was filed: March 3, 2016.

43. An individual Settlement Class Member's recovery will depend on, for example: (i) whether the claimant bought shares pursuant or traceable to the Offering; (ii) the total number and value of claims submitted; (iii) when the claimant purchased or acquired Sprouts publicly traded common stock; and (iv) whether and when the claimant sold his, her, or its shares of common stock.

44. Defendants, their respective counsel, and all other Released Defendant Parties will have no responsibility or liability for the investment of the Settlement Fund, the distribution of the Net Settlement Fund, the Plan of Allocation or the payment of any claim. Lead Plaintiff, Lead Counsel, and anyone acting on their behalf, likewise will have no liability for their reasonable efforts to execute, administer, and distribute the Settlement.

CALCULATION OF RECOGNIZED LOSS AMOUNTS

45. For purposes of determining whether a claimant has a Recognized Claim, purchases, acquisitions, and sales of Sprouts common stock will first be matched on a First In/First Out ("FIFO") basis, as set forth below.

46. The Claims Administrator will calculate a "Recognized Loss Amount" as set forth below for each purchase of Sprouts common stock pursuant or traceable to the Offering that is listed in the Claim Form and for which adequate documentation is provided. Purchases will be considered pursuant or traceable to the Offering if either: (i) the shares were purchased during the Relevant Period of March 4, 2015 through March 10, 2015, inclusive, at a price of \$35.30 per share; or (ii) the claimant provides adequate documentation tracing the purchase of the shares to the March 2015 Offering.³

47. The sum of a claimant's Recognized Loss Amounts will be the claimant's "Recognized Claim." A Recognized Claim that calculates to yield a negative number will be treated as a Recognized Claim of zero. To the extent a claimant had a gain from his, her, or its overall transactions in Sprouts common stock pursuant or traceable to the Offering, the value of the Recognized Claim will be zero.⁴ Recognized Claim amounts will be the basis for making proportional *pro rata* allocations to Authorized Claimants.

Section 11 Claims for the March 2015 Secondary Public Offering

Secondary Public Offering Price	\$35.30 per share
Closing Price on the date the lawsuit was filed (March 3, 2016)	\$28.67 per share

For common shares of Sprouts purchased or acquired pursuant or traceable to the Company's Offering that occurred on or about March 5, 2015, and were:

- 1) Sold on or before March 2, 2016, the claim per share is the **lesser of**: (i) the purchase price per share **minus** the sales price per share; or (ii) \$35.30 **minus** the sales price per share.
- 2) Retained on or after March 3, 2016, or sold on or after March 3, 2016, the claim per share is the **lesser of**: (i) the purchase price per share **minus** the sales price per share; or (ii) \$6.63 (which is \$35.30 **minus** \$28.67).

³ March 4, 2015 is the date of the Form S-1 Registration Statement for the Offering and March 5, 2015 is the date of the Offering's Prospectus Supplement.

⁴ For shares that were held up to the date of the claim, the Claims Administrator will assign a value of \$28.67 for those shares.

ADDITIONAL PROVISIONS

48. Publicly traded Sprouts common stock is the only security eligible for recovery under the Plan of Allocation. The receipt of Sprouts common stock in exchange for securities of any other corporation or entity shall not be deemed an eligible purchase or sale of Sprouts common stock.

49. If a Settlement Class Member has more than one purchase/acquisition or sale of Sprouts common stock, all purchases/acquisitions and sales shall be matched on a FIFO basis. Sales will be matched first against any holdings at the beginning of the Relevant Period (March 4, 2015 through March 10, 2015) and then against purchases/acquisitions in chronological order, beginning with the earliest purchase/acquisition made during the Relevant Period.

50. Purchases or acquisitions and sales of Sprouts 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 Sprouts common stock shall not be deemed a purchase, acquisition, or sale of these shares of Sprouts 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 such Sprouts common stock unless: (i) the donor or decedent purchased or otherwise acquired such shares of Sprouts common stock pursuant or traceable to the Offering; (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 Sprouts common stock; and (iii) it is specifically so provided in the instrument of gift or assignment.

51. In accordance with the Plan of Allocation, the Recognized Loss Amount on any portion of a purchase or acquisition that matches against (or “covers”) a “short sale” is zero. The Recognized Loss Amount on a “short sale” that is not covered by a purchase or acquisition is also zero. In the event that a claimant has an opening short position in Sprouts common stock at the start of the Relevant Period, the earliest Relevant Period purchases or acquisitions shall be matched against such opening short position in accordance with the FIFO matching described above and any portion of such purchase or acquisition that covers such short sales will not be entitled to recovery. In the event that a claimant newly establishes a short position during the Relevant Period, the earliest subsequent Relevant Period purchase or acquisition shall be matched against such short position on a FIFO basis and will not be entitled to a recovery.

52. The Net Settlement Fund will be allocated among all Authorized Claimants whose prorated payment is \$10.00 or greater. If the prorated payment to any Authorized Claimant calculates to less than \$10.00, it will not be included in the calculation and no distribution will be made to that Authorized Claimant.

53. Payment according to this Plan of Allocation will be deemed conclusive against all Authorized Claimants.

54. Distributions will be made to eligible Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. No Person shall have any claim of any kind against Defendants or their related parties with respect to the investment or distribution of the Settlement Fund. If there is any balance remaining in the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or otherwise) after at least six (6) months from the date of initial distribution of the Net Settlement Fund, the Claims Administrator shall, if feasible and economical after payment of Notice and Administration Expenses, Taxes, and attorneys’ fees and expenses, if any, redistribute such balance among Authorized Claimants who have cashed their initial checks in an equitable and economic fashion. Any balance that still remains in the Net Settlement Fund after re-distribution(s), which is not feasible or economical to reallocate, after payment of outstanding Notice and Administration Expenses, Taxes, and attorneys’ fees and expenses, if any, shall be contributed to a non-sectarian, not-for-profit charitable organization(s) serving the public interest, designated by Lead Plaintiff and approved by the Court.

55. Payment pursuant to the Plan of Allocation or such other plan as may be approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiff, Lead Counsel, their damages expert, the Claims Administrator, or other agent designated by Lead Counsel, arising from determinations or distributions to claimants made substantially in accordance with the Stipulation, the Plan of Allocation approved by the Court, or further orders of the Court. Lead Plaintiff, Defendants, their respective counsel, and all other Released Parties shall have no responsibility for or liability whatsoever for the investment or distribution of the Settlement Fund, the Net Settlement Fund, the Plan of Allocation or the determination, administration, calculation, or payment of any Claim Form or non-performance of the Claims Administrator, the payment or withholding of taxes owed by the Settlement Fund or any losses incurred in connection therewith.

56. Each claimant is deemed to have submitted to the jurisdiction of the Superior Court of the State of Arizona, Maricopa County, with respect to his, her, or its claim.

SPECIAL NOTICE TO SECURITIES BROKERS AND NOMINEES

57. If you purchased or acquired Sprouts common stock (CUSIP: 85208M102) pursuant or traceable to the Offering and/or during the Relevant Period for the beneficial interest of a person or entity other than yourself, the Court has directed that **WITHIN TEN (10) CALENDAR DAYS OF YOUR RECEIPT OF THIS NOTICE, YOU MUST EITHER:** (a) provide to the Claims Administrator the name and last known address of each person or entity for whom or which you purchased or acquired Sprouts common stock; or (b) request additional copies of this Notice and the Claim Form from the Claims Administrator, which will be provided to you free of charge, and **WITHIN TEN (10) CALENDAR DAYS** of receipt, mail the Notice and Claim Form directly to

all the beneficial owners of those securities. If you choose to follow procedure (b), the Court has also directed that, upon making that mailing, **YOU MUST SEND A STATEMENT** to the Claims Administrator confirming that the mailing was made as directed and keep a record of the names and mailing addresses used. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon submission of appropriate supporting documentation and timely compliance with the above directives. All communications concerning the foregoing should be addressed to the Claims Administrator:

Sprouts Farmers Market Securities Litigation
Claims Administrator
c/o A.B. Data, Ltd.
P.O. Box 170600
Milwaukee, WI 53217

Dated: February 25, 2019

BY ORDER OF THE SUPERIOR COURT OF THE
STATE OF ARIZONA, MARICOPA COUNTY