Case Name: ***In Re Google Inc. Class C Shareholder Litigation***
Case Conclusion: October 2013
Caption: Delaware Court of Chancery, C.A. No. 7469-CS
Keywords: Economic Damages; Stock Split; Voting Power; Entire Fairness; Fiduciary Duties
Industry: Internet Services
Professionals: David G. Clarke, ASA, Michael J. Mattson, William Jeffers, CFA, and William P. McInerney, ASA; Professor Matthew D. Cain of the University of Notre Dame

On April 12, 2012, Google Inc. announced its intention to issue a stock dividend whereby each of its current stockholders would receive one share of Class A voting stock and one share of nonvoting Class C stock for each previously held (voting) Class A share. The Griffing Group was retained by counsel for plaintiffs, who sought to enjoin Google from completing the recapitalization on the grounds that it would benefit the company's founders, Larry Page and Sergey Brin (by extending their voting control over Google), while harming minority stockholders (who would be left with a non-voting share that would trade at a discount to its voting counterpart). David G. Clarke, ASA submitted opening and rebuttal reports and testified at deposition, opining that the economic evidence supported plaintiffs' claims.

Just prior to the commencement of the injunction hearing before Chancellor Leo E. Strine, Jr., the parties entered into a settlement agreement pursuant to which the recapitalization would be allowed to proceed, but with certain key protections for minority stockholders. Under the terms of the settlement, if the non-voting shares trade at a discount (measured over one year), Google is obligated to pay holders of the non-voting shares a percentage of the overall trading differential, which could be as high as $7.5 billion. In addition, when the founders' combined voting power falls below 15%, the non-voting Class C shares will convert to voting Class A shares – thereby regaining voting rights – unless the company's Board of Directors at the time determines that it is in Google's best interests to maintain the class of non-voting stock. Finally, the settlement agreement makes it more difficult for the founders to sell or swap their non-voting stock, further ensuring that their economic interests remain aligned with the interests of all Google stockholders. The settlement was approved by Chancellor Strine in October 2013.

David G. Clarke, ASA was assisted by Michael J. Mattson, William Jeffers, CFA, and William P. McInerney, ASA of The Griffing Group; and Professor Matthew D. Cain of the University of Notre Dame. The plaintiffs were represented by Jeffery C. Block and Whitney E. Street of Block & Leviton LLP; Laurence D. Paskowitz of The Paskowitz Law Firm P.C.; and Nicholas I. Porritt and Douglas E. Julie of Levi & Korsinsky LLP.