Case Name:	**In Re Hanover Direct, Inc. Shareholders Litigation**
Case Conclusion:	September 2010
Caption:	Delaware Court of Chancery, Consol. C.A. No. 1969-CC
Keywords:	Appraisal Action; Fair Value; Entire Fairness; Fiduciary Duties; Preferred Stock
Industry:	Clothing; Home Goods
Professionals:	David G. Clarke, ASA, Martin J. Ferguson, Michael J. Mattson, and William P. McInerney, ASA

Hanover Direct, Inc. sold clothing and home goods through a portfolio of catalogs and websites. The company was publicly traded, but by 2007 had become distressed and was struggling to remain solvent, as its debt commitments and mandatorily redeemable preferred stock exceeded the value of its assets. In April 2007, the company was taken private by its controlling shareholder. Several minority shareholders sued, alleging that consideration of $0.25 per common share paid in the going-private transaction was unfair. The case, a hybrid entire fairness/appraisal action, was heard by Chancellor William B. Chandler, III.

The Griffing Group was retained by the respondent/defendant group. David G. Clarke, ASA submitted opening and rebuttal reports and testified at deposition and trial, opining that the fair value of Hanover Direct's common stock was zero. Mr. Clarke relied upon indications of value from three valuation methods: the discounted cash flow method, the guideline public company method, and the guideline transaction method. Each method indicated that the fair value of the company's common stock was negative. Mr. Clarke also noted that the terms of a prior offer to acquire the company's preferred and common stock implied that the common stock was worthless. The expert for the plaintiffs/petitioners opined that the fair value of the common stock was $4.75 per share, based solely upon the result of a guideline public company analysis.

Chancellor Chandler gave full weight to Mr. Clarke's testimony and no weight to that of the opposing expert, noting: "From using a data set that raises no issues of reliability, to applying multiple valuation techniques that support one another's conclusions, respondent's expert witness [Mr. Clarke] has convinced me that his valuation of the company is accurate, reliable, and reflective of a per-share value of the company below $0.00." Citing the "overwhelming persuasiveness of the respondent's evidence and arguments relative to those of petitioners," the Court concluded that the merger price of $0.25 was fair.

David G. Clarke, ASA was assisted by Martin J. Ferguson, Michael J. Mattson, and William P. McInerney, ASA. The defendants were represented by Bruce L. Silverstein, Elena C. Norman, Tammy L. Mercer, and James M. Yoch, Jr. of Young Conaway Stargatt & Taylor, LLP.