

In re Tile Shop Holdings Inc. Litigation

COURT: Delaware Court of Chancery
CASE NUMBER: Consolidated C.A. No. 2019-0892-SG
CASE LEADERS: Gregory V. Varallo
CASE TEAM: Thomas James

In mid-2019, the board of directors of Tile Shop Holdings, Inc. (“Tile Shop” or the “Company”) began consideration of a plan to delist and deregister the Company’s common stock (the “Go-Dark”). As proposed, the plan would have the effect of delisting the Company from trading on NASDAQ and terminate its obligation to make the filings a public company otherwise makes with the SEC.

On October 22, 2019, the Board announced that it had approved the Go-Dark. The Company’s stock price plummeted over 60% on the news. Immediately thereafter, certain members of the Board began to purchase stock in the open market. Plaintiffs alleged that the purchasing directors, together with a third individual who was then also a director, were attempting to purchase control of the Company on the open market without paying a premium for that control and that the Board did not take steps to protect shareholders against that potential change in control.

Plaintiffs’ commenced this stockholder class and derivative action on November 5, 2019 to stop the insiders from taking control of the Company. On November 8, 2019, the Court granted Plaintiffs’ motions for a temporary restraining order and expedited proceedings. Defendants later consented to continue the temporary restraining order pending a full trial on the merits scheduled for August 11-14, 2020.

Between March 2020 and August 2020, the parties engaged in settlement negotiations and mediation sessions overseen and conducted by Vice Chancellor McCormick. As a result of Plaintiffs’ aggressive prosecution of this litigation and these arm’s-length negotiations, the parties agreed to the stipulation of settlement (the “Stipulation” or “Proposed Settlement”) on August 7, 2020. A copy of the Stipulation can be viewed on the Case Documents tab on the left-hand side of the page.

The Settlement provides immediate and substantial benefits for Tile Shop stockholders in the form of a \$12 million cash payment and significant non-monetary benefits including, for example, supplements to the January 10, 2020 Director Standstill Commitments, continued public disclosures, modifications to the Company’s insider trading policy, mirror voting provisions for the shares purchased by Defendants Kamin and Jacullo after October 22, 2019, “majority of the public stockholder” vote provision, and the creation of an independent transaction committee.

The Settlement was approved by the Court on October 12, 2020. You may also visit the case website maintained by the Claims Administrator, <https://www.tileshopstockholderlitigation.com>, for more information about the Settlement.

The distribution motion was filed on April 22, 2022. The Court entered the Order Approving the Distribution Plan on May 5, 2022. The initial distribution occurred on July 15, 2022. The second distribution occurred on July 2, 2024. Subsequent distributions will occur on a rolling basis in accordance with the court order, provided that net settlement funds are available.

Case Documents

- Notice of Proposed Settlement of Class and Derivative Action, Settlement Hearing, and Right to Appear
- January 20, 2023 - Tile Shop Motion to Amend Prior Court Order
- May 5, 2022 - Court Order Approving Distribution Plan
- April 22, 2022 - Motion for Admin Order re Approval of Distribution Plan
- April 22, 2022 - Brief ISO Distribution Plan
- April 22, 2022 - Distribution Declaration
- April 22, 2022 - Proposed Admin Order re Approval of distribution Plan
- April 22, 2022 - Exhibits A - G
- August 12, 2020 - Scheduling Order
- August 7, 2020 - Stipulation of Settlement