

In re Tile Shop Holdings Inc. Litigation

COURT: Delaware Chancery Court
CASE NUMBER: Consolidated C.A. No. 2019-0892-SG
JUDGE: Vice Chancellor Sam Glasscock III
CASE CONTACTS: Gregory V. Varallo, Mark Lebovitch, Christopher J. Orrico, Jacqueline Y. Ma, 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.