*Revisions on-pages 9 and 12

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

EMERALD PARTNERS, a New Jersey limited partnership,	)	
Plaintiff,	)	
v.	)	Civil Action No. 9700
RONALD P. BERLIN, DAVID L. FLORENCE, REX A. SEBASTIAN and THEODORE H. STRAUSS,	)	
Defendants.	)	

OPINION

Date Submitted: July 19, 2000
Date Issued: February 7, 2001
Date Revised: February 23, 2001*

Gregory V. Varallo, C. Malcolm Cochran, IV, Daniel A. Dreisbach, Lisa A. Schmidt and Dominick T. Gattuso, Esquires, of RICHARDS, LAYTON & FINGER, Wilmington, Delaware; Attorneys for Plaintiff Emerald Partners and the Certified Class

P. Clarkson Collins, Jr., Lewis H. Lazarus, Joseph C. Schoell and Michael A. Weidinger, Esquires, of MORRIS, JAMES, HITCHENS & WILLIAMS LLP, Wilmington, Delaware; Attorneys for Defendants

JACOBS, VICE CHANCELLOR

stock market decline, May had experienced unrealized losses in its investment portfolio that by December 30, 1987 would aggregate approximately $12.5 million. Under these circumstances, Mr. Hall proposed a merger of May and the Hall Corporations, owned by Mr. Hall, at a meeting of May's board of directors held on October 10, 1987.

C. The Hall Corporations

The Hall Corporations grew out of a real estate business founded by Mr. Hall in 1968. The Corporations were primarily real estate service companies that maintained no direct ownership of real estate. During their twenty-year pre-merger history, the Hall Corporations were engaged in diversified real estate activities, principally organizing and managing various investment programs, and providing advisory services and other financial and investment services and products. The Hall Corporations invested in real estate subject to mortgage loans through investment programs that were typically structured as limited partnerships. The general partner of those partnerships was either Mr. Hall or an entity controlled by him. As of December 30, 1987, the Hall Corporations partnerships were invested in multi-family housing and commercial space. They managed approximately 275 rental and commercial developments that were located throughout the country, but concentrated primarily in the Midwest, Southeast, and Southwest. Those partnerships provided the Hall Corporations

The reasons for the merger proposal are further detailed in Mr. Hall's February 16, 1988 letter to May stockholders that accompanied the Proxy Statement and the Notice of the stockholders meeting to consider the merger. Mr. Hall's letter pertinently stated:

> The proposal to merge arose out of complementary strengths and needs of the two organizations. Because of the current unfavorable conditions of oil and gas exploration relative to the significant inherent risks, May has been actively seeking to diversify its traditional business base of oil and gas activities. May has available capital, but has met difficulty in finding appropriate growth oriented business opportunities. The Hall Corporations have been pursuing a growth strategy and have identified many opportunities in the current shake-out that has been occurring in the real estate markets. However, these opportunities require substantial liquidity for investment and . . . as of September 30, 1987, approximately $74.5 million . . . or seventy two percent (72%) of the Hall Corporations' assets are comprised of receivables from partnerships which are relatively illiquid. Of this net amount, approximately $5 3 million or seventy one percent (7 1%) of such net receivables are from 95 partnerships currently experiencing working capital deficits, defaulted loans, or bankruptcy . . . [and which] constitute seventy one percent (7 I %) of the 134 partnerships from which the Hall Corporations have receivables. While the Hall Corporations generally are profitable . . . the addition of May's capital, and access in the future to capital as a public company, will provide the needed liquidity to carry out the plans for growth opportunities . . . .[12]

[12] DX 108 (Hall 2/16/88 Ltr. To May Stockholders) at 1. This statement of the reasons for the merger proposal is consistent with what Mr. Hall told the May board at the October 10, 1987 meeting, except that the Proxy. Statement does not disclose the failed effort to raise $50 million for the Hall Corporations in a subordinated debenture offering.