

SUPREME COURT OF DELAWARE

Loral Space & Communications Inc. v. Highland Crusader Offshore Partners, L.P.

977 A.2d 867 (Del. 2009) · No. No. 623, 2008 · Decided July 23, 2009

SUMMARY

The Delaware Supreme Court affirmed the Court of Chancery's certification of a stockholder class action alongside a derivative action challenging Loral Space & Communications' transaction with MHR Fund Management. The court held that direct and derivative claims arising from the same corporate transaction may be litigated concurrently. It also upheld the award of \$10,627,587 in attorneys' fees and expenses to class counsel, finding no abuse of discretion.

CASE DETAILS

COURT	Supreme Court of Delaware
WRITING FOR THE COURT	Berger, Justice; Jacobs, Justice; Ridgely, Justice
JURISDICTION	Delaware
DECIDED	July 23, 2009
DOCKET	No. 623, 2008
DISPOSITION	affirmed
PROCEDURAL POSTURE	Defendants below appealed the Court of Chancery's certification of a stockholder class and its award of \$10,627,587 in attorneys' fees and expenses to class counsel after the court reformed the challenged MHR transaction.
STANDARD OF REVIEW	The Supreme Court reviewed the attorneys' fee award for abuse of discretion. The class-certification ruling was reviewed for error, and the court concluded that the Court of Chancery committed no error.
PRECEDENTIAL VALUE	published and precedential
PARTIES	Loral Space & Communications Inc., Michael B. Targoff v. Highland Crusader Offshore Partners, L.P., The Class Representative, The Class

TOPICS

[corporate law](#)[fiduciary duty](#)[class actions](#)[attorney fees](#)[appellate procedure](#)

PRACTICE AREAS

corporate law

fiduciary duty

remedies

civil procedure

appellate procedure

QUESTIONS PRESENTED

1. Whether stockholders may pursue a direct class action when a derivative action concerning the same alleged wrongs is also pending.
2. Whether the Court of Chancery abused its discretion in awarding class counsel \$10,627,587 in attorneys' fees and expenses.

HOLDINGS

1. Direct and derivative claims arising from the same facts may be litigated at the same time; the pendency of a derivative action does not bar stockholders from bringing a direct action or prevent certification of a stockholder class.
2. The Court of Chancery acted within its discretion in awarding class counsel \$10,627,587 in fees and expenses because counsel achieved a benefit exceeding \$100 million, obtained a substantial therapeutic benefit, devoted 5,804 hours to the litigation, and satisfied the applicable fee-award factors.

KEY QUOTATIONS

“Both types of claims may be litigated at the same time.” (867)

“Loral offers no authority in support of its position that the pendency of a derivative action precluded Loral's stockholders from bringing a direct action, and we are aware of none.” (870)

FACTUAL BACKGROUND

Loral emerged from bankruptcy in 2005, with MHR Fund Management LLC holding 35.9% of Loral's common stock. In October 2006, Loral entered into a transaction under which MHR acquired \$300 million in convertible preferred stock with a high dividend rate, a low conversion rate, significant class-voting rights, and the potential to obtain 63% of Loral's total equity. After trial, the Court of Chancery found the transaction unfair and reformed the preferred stock into non-voting common stock on terms fair to Loral.

PROCEDURAL HISTORY

Highland filed a direct stockholder action after making a books-and-records demand, while another firm filed a derivative action involving the same transaction. The actions were consolidated and litigated jointly. After trial, the Court of Chancery found the MHR transaction unfair, reformed the preferred stock into non-voting common stock on fair terms, certified the stockholder class, and awarded class counsel fees and expenses. Loral and Targoff appealed, and the Supreme Court affirmed.

DISPOSITION

affirmed

CASES CITED

- Gentile v. Rossette, 906 A.2d 91 (Del. 2006)
- Gatz v. Ponsoldt, 925 A.2d 1265 (Del. 2007)
- Sugarland Industries, Inc. v. Thomas, 420 A.2d 142, 149 (Del. 1980)
- In re Loral Space and Communications Inc. Consol. Litig., 2008 WL 4293781 (Del. Ch.)

Retrieved from lawtools.ai · <https://lawtools.ai/cases/state/delaware-supreme-court-of-delaware/2009/loral-space-and-communications-inc-v-highland-crusader-hf3man7p>