



Portfolio Media, Inc. | 111 West 19th Street, 5th floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Wireless Tech Co. Synapse's Stock Priced In Chancery Court

By **Julia Arciga**

Law360 (July 17, 2020, 10:30 PM EDT) -- A Delaware vice chancellor deemed that the value of wireless technology company Synapse Wireless Inc.'s stock in 2016 had dropped to a fraction of what it had been four years before, siding against a Synapse investor who claims he was owed \$2.4 million for shares in connection to a 2016 buyout.

In his opinion on Tuesday, Vice Chancellor Joseph R. Slight III said Synapse's equity during McWane Inc.'s 2016 buyout was worth about \$0.23 per share — a far cry from the approximate \$4.19 per share that the investor, William Kruse, claimed it was worth. Given the per share appraisal, the vice chancellor said Kruse was only owed about \$133,015.

The vice chancellor said Synapse "hemorrhaged cash" after McWane acquired a majority of its shares in 2012 at \$4.997 per share. He also said the company repeatedly missed revenue targets by millions of dollars, and missed its revenue projections every month in 2015.

Synapse's business failures caused McWane to prop up the company through loans and equity purchases before deciding to acquire the remaining shares in 2016, according to the opinion. While every other remaining Synapse shareholder accepted the buyout price of about \$0.43 per share, Kruse didn't accept.

Kruse sought appraisal of his 582,216 shares before the Delaware Chancery Court in 2016, arguing it was worth about \$4.14 per share. But Synapse claimed Kruse owed only about \$34,932, or six cents per share. The trial on the matter **kicked off early last year**.

While Vice Chancellor Slight noted in his opinion that there was little market evidence from 2016 available to make a typical decision about how much Synapse's shares were worth when McWane bought the remaining shares, he said the chancery court couldn't deny either party a verdict in this case.

"But 'no' is not an answer in the unique world of statutory appraisal litigation," Vice Chancellor Slight wrote. "If the parties fall short in their respective burdens, the court must still reach an answer — a fair value appraisal must still be provided."

Experts from both sides gave their takes on the per-share price, with Synapse's expert claiming the 2016 per share value was in the \$0.06 to \$0.11 per share range — far below the original buyout price. But Kruse's expert stuck to the figure asserted by his client: about \$4.14 per share.

"When dueling experts proffer wildly divergent valuations, the resulting trial dynamic presents difficult and, frankly, frustrating challenges for the judicial appraiser," the vice chancellor said.

Vice Chancellor Slight said Synapse's expert had made the "best of less than perfect data to reach a proportionately reliable conclusion, while [Kruse's expert] did not." In the end, he said he came to the \$0.23 per share price conclusion by using a modified version of one of the discounted cash flow valuations offered by Synapse.

Counsel for Kruse, along with representatives for Synapse and McWane, did not immediately respond

to requests for comment.

Kruse is represented by Evan O. Williford of The Williford Firm LLC.

Synapse is represented by Richard P. Rollo of Richards Layton & Finger PA, and Michael D. Mulvaney, J. Ethan McDaniel and James C. Lester of Maynard Cooper & Gale PC.

The case is Kruse et al. v. Synapse Wireless Inc., case number 12392, in the Court of Chancery of the State of Delaware.

--Additional reporting by Rose Krebs. Editing by Nicole Bleier.

All Content © 2003-2020, Portfolio Media, Inc.