The Delaware Block Method

Prior to 1983, dissenting stockholder cases primarily utilized the "Delaware block method." This method develops values in each of three categories:

1. Investment value.
2. Market value.
3. Asset value.

Mathematical weightings are then assigned to the indications of value from each of the three categories (although the weight to one, or even two in extreme cases, could be zero), and the resulting weighted average is the concluded value.

The definitions of *investment value* and *market value* in the context of the Delaware block method are different from those discussed in the three basic approaches to value (see Part III of this book).

Investment value in the context of the Delaware block method means value based on expected earnings and/or dividends. It is akin to the value based on the income approach in the three basic approaches to value. It may be arrived at by discounted cash flow (DCF), capitalization of earnings, or capitalization of dividends. In this sense, it mixes the traditional income approach and market approach in that it may derive capitalization rates either by traditional income approach methods (see Chapters 9 and 10) or by traditional market approach methods (see Chapters 13 and 14).

Market value, on the other hand, has historically been based on prior transactions in the subject company's securities. This contrasts with the traditional appraisal concept of *market value*, as discussed in Chapters 13 and 14, where market value uses multiples of both income statement and balance sheet parameters based on comparable transactions.

A summary of a valuation conclusion under the Delaware block method would typically appear in the form presented in following exhibit.

Delaware Block Method
Sample Valuation Conclusion

	Indicated Value per Share	Weight	Weighted Value
Investment value			
Capitalization of earnings	$10.00	0.40	$ 4.00
Capitalization of dividends	6.00	0.10	0.60
Market value	12.00	0.25	3.00
Asset value	15.00	0.25	3.75
Weighted value per share			$11.35