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Re: *Gatz, et al. v. Ponsoldt, et al.*
Civil Action No. 174-N

Dear Counsel:

I have reviewed the briefing on the dueling motion to compel/motions for protective order. In an effort to prevent any further waste of limited judicial resources on this discovery dispute, I do not intend to ask for oral argument on the motions or to consider further briefing. I grant plaintiffs' motion to compel jurisdictional discovery and I deny Statesman's and the former Regency director defendants' motion for a protective order.

My reasons are simple. Although Statesman consented to jurisdiction in Delaware, it now makes the unusual argument that its consent was to federal court jurisdiction and not to state court jurisdiction. If that is its position (odd as it seems), I think Statesman cannot logically resist jurisdictional discovery to determine whether this Court may properly exercise jurisdiction over it.

Both Statesman and the former Regency director defendants complain that plaintiffs' discovery requests are "merits" discovery disguised as jurisdictional discovery. However, the merits of this action—whether defendants engaged in a conspiracy to defraud Regency's public shareholders—are inextricably intertwined with the jurisdictional issues (*i.e.*, whether Statesman is subject to personal jurisdiction as a co-conspirator and by reason of its relationship with Ponsoldt). Thus, some discovery on the merits may be necessary and should be permitted. The objections to the proposed discovery based on "breadth and scope" are similarly unavailing. Defendants shall respond to all outstanding discovery within thirty days from this decision.

To the extent any of the defendants have requested a stay of the jurisdictional discovery until the Court decides the pending motions to dismiss, I deny such request. Instead, the Court intends to hold these pending dispositive motions in abeyance until the jurisdictional discovery is completed and any issue regarding personal jurisdiction is resolved.

IT IS SO ORDERED.

Very truly yours,

/S/ William B. Chandler III

William B. Chandler III

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