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Case Name: [City of Miami General Employees' and Sanitation Employees' Retirement Trust, et al. v. C&J Energy Services, Inc., et al.](#)

Case Conclusion: March 2017

Caption: Delaware Court of Chancery, C.A. No. 9980-CB

Keywords: Preliminary Injunction, Fiduciary Duty, Class Action, M&A Litigation, Revlon Duties

Industry: Oil and Gas Production, Oilfield Servicing, Fracking

Professionals: [William Jeffers, CFA](#), [Joseph W. Thompson, CFA, ASA](#), and [David Neuzil, CFA](#)

In June 2014, a wholly-owned subsidiary of Nabors Industries Ltd. ("Nabors") agreed to acquire a majority equity interest in a \$2.8 billion stock-for-stock merger with C&J Energy Services, Inc. ("C&J"). The transaction involved the merger of two oil and gas services companies.

In July, the plaintiff, City of Miami General Employees' and Sanitation Employees' Retirement Trust, filed a motion to enjoin the defendants from consummating the proposed merger. The plaintiff alleged that the transaction was a "sale of control," as C&J shareholders would receive a 47% minority interest in a company controlled by Nabors and incorporated under the laws of Bermuda. Furthermore, the plaintiff contended that the C&J Board of Directors failed to fulfill its Revlon duties because it approved the Nabors deal based on incorrect and misleading information regarding the Nabors subsidiary and because it analyzed the deal as an acquisition of assets rather than a sale of a controlling equity interest.

William Jeffers, CFA, a Principal at The Griffing Group, issued an expert report which demonstrated that the C&J Board utilized projections from Nabors that were overly optimistic, and that the EBITDA multiples used to justify the fairness of the merger were well above industry averages. These factors served to overvalue the contribution to be made by Nabors, resulting in a transaction that represented a negative premium for C&J shareholders.

The Court of Chancery ruled in November to enjoin the merger for a period of 30 days, finding that the Board breached its Revlon duties and requiring the Board to solicit competing bids and to compare those bids (if any) with the value provided in the merger with Nabors. A Special Committee of the C&J Board retained Morgan Stanley to run a solicitation process based solely on publicly available information. A financially superior bid was submitted by Cerberus, but was rejected by the Board.

In December, the Delaware Supreme Court reversed the ruling of the Chancery Court, holding that the C&J Board satisfied its Revlon duties, despite the fact that it did not disclose the Cerberus bid to shareholders. Shareholders voted to approve the transaction in March 2015.

The Chancery Court held a hearing in April to consider the dismissal of the Amended Complaint and C&J's motion to recover damages against the preliminary injunction bond posted by the



Plaintiffs. In August 2016, the Chancery Court dismissed the plaintiff's case, citing the recent Corwin decision as support for the applying the business judgment rule.

Plaintiffs appealed to the Delaware Supreme Court, and their appeal was denied in March 2017.

William Jeffers, CFA was assisted by Joseph W. Thompson, CFA, ASA and David J. Neuzil, CFA. The plaintiffs were represented by Stuart M. Grant, Mary S. Thomas, and Jonathan M. Kass of Grant & Eisenhofer P.A.; and Mark Lebovitch, Jeroen Van Kwawegen, and Christopher J. Orrico of Bernstein Litowitz Berger & Grossmann LLP.