

In re MultiPlan Corp. Stockholders Litigation

COURT: Delaware Court of Chancery
CASE NUMBER: 2021-0300-LWW
CASE LEADERS: Gregory V. Varallo
CASE TEAM: Glenn R. McGillivray, Mae Oberste, Margaret Sanborn-Lowing, Thomas James

On April 9, 2021, BLB&G filed a stockholder complaint in the Delaware Court of Chancery on behalf of Kwame Amo, Anthony Franchi, and similarly situated current and former stockholders of MultiPlan Corp. (f/k/a Churchill Capital Corp III, “Churchill”) alleging breaches of fiduciary duty against the board of directors (the “Board”) and controller of Churchill Capital Corp. III (a SPAC formed by Michael Klein (former Vice Chairman of Citigroup)), and a claim for aiding and abetting the breaches against Klein’s affiliate, The Klein Group.

This novel stockholder class action challenges Churchill’s October 2020 acquisition of MultiPlan, a data analytics provider for healthcare companies and consumers, which arose from an unfair process. For example, Klein structured the SPAC such that the Board’s and controllers’ interests were not aligned with public stockholders given the massive windfall they would receive upon completion of an acquisition – any acquisition, even a “bad” one – based on their founder shares that would convert to 20% equity of the SPAC.

As the market discovered months after the acquisition was completed, the MultiPlan deal was, in fact, a bad deal for stockholders, and MultiPlan’s stock price plummeted. Public stockholders were unable to make a fully informed decision at the time of the deal whether to redeem their shares given deficient disclosures and the inherently conflicted board. For example, despite the “extensive due diligence” conducted by the board and touted in the Proxy, the Proxy failed to disclose that MultiPlan’s largest customer, for whom approximately 35% of its revenue is attributed, was developing an in-house alternative to MultiPlan. The Proxy also failed to disclose that MultiPlan was facing declining revenues due to, in part, increased competition and pricing pressures.

These deficient disclosures and the board’s misaligned incentives interfered with shareholders’ right to redeem their shares for cash rather than vote in favor of the merger.

On January 3, 2022, the Court largely denied defendants’ motion to dismiss, and the case has proceeded into discovery. The Court’s ruling is the first to apply Delaware corporate law in the SPAC context, and it represents an important avenue to protect SPAC stockholders going forward.

After aggressively pursuing discovery, including filing four motions to compel, and arm’s-length negotiations, Plaintiffs and Defendants agreed to settle the action for \$33.75 million. The settlement remains subject to review and approval by the Court.

Case Documents

- January 3, 2022 - MultiPlan Decision on Motion to Dismiss
- March 25, 2021 - MultiPlan Complaint