

In re Viacom Inc. Stockholders Litigation

COURT: Delaware Court of Chancery
CASE NUMBER: 2019-0948-JRS
CASE LEADERS: Jeroen van Kwawegen, Gregory V. Varallo, Edward G. Timlin
CASE TEAM: Andrew Blumberg

This stockholder class action on behalf of former Viacom, Incorporated (“Viacom”) stockholders challenges the stock-for-stock merger (“the Merger”) of Viacom and CBS, Inc. The Merger was accomplished at the behest of Viacom and CBS’s controlling stockholders, Shari Redstone and National Amusements Inc.

The complaint alleges that the Merger was the product of an unfair process that resulted in an unfair price for Viacom’s stockholders. Specifically, the complaint alleges, among other things, that the Merger was negotiated by a conflicted special committee—consisting of directors Redstone hand-picked for the Viacom Board—that prioritized effectuating Redstone’s wishes (e.g., Redstone’s long-standing desire to combine Viacom and CBS to enhance her legacy and strong preference that Viacom’s CEO lead the combined company) over the interests of Viacom’s minority stockholders. Illustrating the unfairness of the price, the complaint alleges that (i) in 2018, Viacom and CBS agreed to an exchange ratio that implied a \$12.8 billion value for Viacom before the potential merger fell through due to corporate governance disagreements, (ii) between the time the potential merger fell through in 2018 and the time CBS and Viacom agreed to the Merger in 2019, Viacom’s financial performance improved dramatically, and (iii) Viacom’s conflicted special committee agreed to an exchange ratio in 2019 that implied an \$11.8 billion value for Viacom or \$1 billion less than was implied by the 2018 agreed-upon exchange ratio before Viacom’s financial performance improved dramatically.

On February 6, 2020 Vice Chancellor Slight appointed BLB&G as Lead Counsel and its client, CalPERS, as Lead Plaintiff. On February 28, 2020 Lead Plaintiff filed an Amended Verified Class Action Complaint. Defendants filed motions to dismiss the Complaint, and on September 15, 2020 the Delaware Court of Chancery heard arguments on the Defendants’ motions. On December 29, 2020 the Court denied Redstone, NAI, and the Viacom Special Committee’s motions to dismiss.

On March 28, 2023, after extensive discovery, the parties submitted to the Court a Stipulation and Agreement of Settlement, Compromise, and Release to settle this matter for \$122.5 million. The settlement was approved by the court on July 25, 2023, and closing administration and distribution of proceeds are pending.

Case Documents

- July 25, 2023 - Transcript and Partial Rulings of Settlement Hearing
- December 30, 2020 - Corrected Memorandum Opinion on Defendants Motions to Dismiss
- March 4, 2020 - Amended Verified Class Action Complaint