

In re Quest Software, Inc Securities Litigation

COURT: Delaware Court of Chancery

CASE NUMBER: C.A. No. 7357-VCG

On March 8, 2012, Quest Software Inc. (“Quest”) agreed to be bought out by its CEO and Insight Venture Partners (“Insight”) for \$23 in cash (the “Quest Transaction”). The buyout consideration was widely criticized as inadequate, and the Board’s conduct in negotiating the deal was of concern to Quest’s public shareholders.

On April 17, 2012, BLB&G filed a lawsuit on behalf of Plumbers Local 98 Defined Benefit Pension Fund challenging propriety of the Quest Transaction. Shortly thereafter, the Quest board of directors (the “Board”) began to take its obligation to Quest shareholders seriously, and initiated an auction process that manifested out of a pre-arranged “go shop” process. After consummation of the auction process, the Board agreed to a sale of the Company to technology company Dell Inc. (“Dell”) for \$28 per share – roughly 22 percent higher than the price offered in the Quest Transaction. Subsequently, on July 23, 2012, the Company announced that Dell had won antitrust approval for its Quest acquisition.

In light of the sizable increase in value that the Dell transaction provides over the Quest Transaction, shareholders’ disapproval of the original insider buyout was vindicated. The case was thus deemed moot and voluntarily dismissed.