

Insights: Delaware Alert

June 7, 2024

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Court of Chancery Issues First Decision Dismissing *MultiPlan* Claims

On May 31, 2024, the Delaware Court of Chancery issued its first opinion dismissing a “*MultiPlan* claim” at the pleadings stage.

As a reminder, a *MultiPlan* claim is a breach of fiduciary duty claim against directors, officers or controllers of a special purpose acquisition company (SPAC) alleging that the fiduciaries interfered with the SPAC stockholders’ ability to exercise their redemption rights in connection with a so-called “de-SPAC” merger. Typically, *MultiPlan* plaintiffs allege that certain information was omitted from, or misleadingly disclosed in, the proxy statement for stockholder approval of the de-SPAC transaction.

In dismissing with prejudice the claims alleged in *In Re Hennessy Capital Acquisition Corp. IV Stockholder Litigation*, Vice Chancellor Lori Will:

- Stated that “pleading requirements exist even where [as here] entire fairness applies,” and that alleging a SPAC overpaid for a target is not a *MultiPlan* claim, it is a derivative claim.
- Distinguished prior decisions refusing to dismiss *MultiPlan* claims because the Hennessy plaintiff’s complaint “address[ed] actions by [the target]’s post-closing board — a body made up of directors who were (with one exception) not on the SPAC’s board.”
- Held that the plaintiff failed to allege that the information purportedly omitted from, or misleadingly disclosed in, the proxy statement was “known or knowable” by directors and officers of the SPAC before the closing of the merger, which meant that there were no well-pleaded allegations of unfair dealing vis-a-vis the redemption right.
- Recognized that, after the original *MultiPlan* decision, a host of other “remarkably similar complaints” were filed challenging disclosures in “years-old proxy statements that became problematic only when the combined company underperformed,” and that, as a result, “SPAC lawsuits are ubiquitous in Delaware” even though the overall SPAC market has contracted.

The court reasoned that “[t]o allow this faulty claim to proceed would fuel perverse incentives and invite strike suits.”

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