

In re R1 RCM, Inc. Stockholders Litigation

COURT: Delaware Court of Chancery
CASE NUMBER: 2021-0318-PAF
CLASS PERIOD: 08/18/2020 - 09/27/2023
CASE LEADERS: Jeroen van Kwawegen
CASE TEAM: Eric J. Riedel

On April 19, 2021, BLB&G filed a derivative and class complaint (the “Complaint”) in the Delaware Court of Chancery on behalf of nominal defendant R1 RCM Inc. (“R1” or the “Company”), for Plaintiff Pembroke Pines Firefighters & Police Officers Pension Fund (“Plaintiff”). The Complaint alleges that R1 directors as well as the Company’s controlling stockholders, Ascension Health Alliance and TowerBrook Capital Partners, breached their fiduciary duties in connection with the negotiation of a recapitalization transaction and adoption of an investor rights agreement containing provisions violating Section 141 of the DGCL and R1’s charter and bylaws.

On February 22, 2022, BLB&G filed a supplement to the Complaint (the “Supplement”), alleging that defendants breached their fiduciary duties in connection with an agreement to merge R1 with Cloudmed and the perpetuation and expansion of the challenged investor rights agreement provisions. The Supplement also alleges aiding and abetting claims against Cloudmed’s stockholders.

After conducting extensive discovery, including the filing of 10 motions to compel, receipt and review of nearly 195,000 documents and depositions of 19 fact witnesses, Plaintiff, on behalf of itself and the other members of the Settlement Class, agreed to a proposed settlement of the action (the “Settlement”).

Under the terms of the proposed Settlement, defendants will pay \$45,400,000, of which half settles the direct class claims and half settles the derivative claims. In addition, defendants also agree to take steps reasonably necessary to eliminate certain of challenged investor rights agreement provisions.

The terms of the proposed Settlement are set forth in the Stipulation and Agreement of Settlement, Compromise, and Release entered into by the parties on September 27, 2023. On October 2, 2023, the Court entered a Scheduling Order directing that notice of the Settlement be provided to potential Class Members and current R1 stockholders. A Settlement Hearing was held on December 14, 2023 at 3:15 p.m. to, among other things, consider whether to grant final approval to the Settlement. Following the Settlement Hearing, on December 14, 2023, the Court entered the Order and Final Judgment, approving the Settlement.

The settlement administration was completed in May 2024. On May 28, 2024, the Motion for Class Distribution Order was filed. On May 29, 2024, the Court approved the Class Distribution Order. The first distribution of the net settlement fund occurred in July 2024. Subsequent distributions will occur on a rolling basis, provided that net settlement funds are available.

More information about the proposed Settlement is available at www.R1StockholdersLitigation.com.

Case Documents

- September 29, 2023 – Exhibit to Stipulation [Notice of Pendency and Proposed Settlement of Stockholder Class and Derivative Action, Settlement Hearing, and Right to Appear]

- September 29, 2023 - Stipulation and Agreement of Settlement, Compromise, and Release
- February 22, 2022 - Verified Supplement to the Verified Stockholder Derivative and Class Action Complaint
- April 13, 2021 - Verified Stockholder Derivative and Class Action Complaint