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## Shell Oil Shareholders Awarded \$110 Million

By THOMAS C. HAYES, SPECIAL TO THE NEW YORK TIMES  
Published: December 13, 1990

A Delaware judge said today that the Shell Oil Company must pay \$110 million to 1,000 of its former shareholders because a 1985 appraisal that Shell Oil obtained in connection with a buyout by the Royal Dutch/Shell Group understated the value of its assets.

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The opinion by Judge Maurice A. Hartnett 3d of the Delaware Chancery Court increased to \$140 million the total judgments against Shell Oil resulting from disputes with former shareholders over the 1985 acquisition by Royal Dutch.

It was unclear whether Royal Dutch would appeal today's decision to the Delaware Supreme Court. A spokesman for Shell, which is based in Houston, said the company had no comment.

The legal storm raised by the former Shell Oil shareholders has been followed closely by corporate lawyers specializing in mergers and acquisitions. Shareholders Protest

Royal Dutch, one of the world's largest oil companies, controlled 70 percent of Shell Oil's shares in 1985, when it purchased Shell Oil's outstanding stock for \$60 a share. Morgan Stanley, Shell Oil's investment bank, put the fair value at \$55 a share, but the offer was raised after shareholders protested.

The final offer was opposed by 1,000 Shell Oil stockholders, many of whom at the time were current or former employees. The group was represented in the Delaware court by Susman & Godfrey, a law firm based in Houston.

Shell Oil shareholders were forced to surrender their stock after the acquisition of 91 million outstanding shares by Royal Dutch for \$5.5 billion in June, 1985. The lawsuit was filed with the Delaware Chancery Court later that year.

Non-management directors at Shell Oil had stated that the company's assets were worth at least \$74 a share. An oil analyst who testified for the former shareholders said during the Delaware trial that the value was \$89 a share. Shell Must Pay \$71.20 a Share

In his ruling today, Judge Hartnett said Shell must pay \$71.20 for each of the disputed shares, plus interest accumulated at a rate of 10 percent a year for five years. The former Shell shareholders did not receive any money for their stock at the time of the acquisition.

The total award was valued at \$110 a share, or \$110 million. Legal fees will reduce the total, but the Delaware court has yet to determine what percentage of the amount will be paid to the lawyers, said Kenneth E. McNeil, a partner at Susman & Godfrey.

The judge said in his opinion that he had determined the share value by discounting by 20 percent an estimate of \$89 a share that was provided during the trial by an expert witness for the shareholders, Kurt Wulff, president of McDep Associates, a securities

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Judge Hartnett said he favored Mr. Wulff's analysis, which calculated the present value of Shell Oil's assets, over the liquidation-value analysis used by Morgan Stanley. He said however that both methods were "flawed."

In a related case decided last month, Judge Hartnett said Shell Oil must pay \$30 million, or \$2 a share, to 20,000 shareholders who sold 15 million Shell Oil shares to Royal Dutch in 1985. The group had accepted the \$60-a-share offer, then argued later that Shell Oil had not disclosed its control of oil reserves worth \$1 billion.

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