

Downhole Technology LLC
Plaintiff.

In The District Court Of

v.

Harris County, Texas

Rachel VanLue, Independent Executrix of
the Estate of James Duke VanLue,
Defendant.

295th Judicial District

Consolidated With

Rachel VanLue, Independent Executrix of
the Estate of James Duke VanLue.
Plaintiff.

In The District Court Of

v.

Harris County, Texas

Schoeller Bleckmann America, Inc
Defendant.

127th Judicial District

Judgment

By Order signed February 3, 2020, the Court granted partial summary judgment for James Duke VanLue ("Mr. VanLue") on the claims of Downhole Technology LLC ("Downhole") for breach of Section 9 of Mr. VanLue's Employment Agreement.

A bench trial on the remaining issues was conducted from February 3, 2020 to March 4, 2020. Downhole, Mr. VanLue, and Schoeller Bleckmann America, Inc. ("SBA") appeared through their counsel of record. Following the conclusion of the evidence, the Court finds as follows:

- (1) Downhole and SBA's claims for affirmative relief fail.
- (2) Downhole did not prove that it ever had cause to terminate VanLue.
- (3) The Court rejects the argument that VanLue had the burden to show bad faith by Downhole, but to the extent that he did have such a burden, VanLue met it.
- (4) VanLue prevails on his counterclaims, but his claim for exemplary damages fails.

It is accordingly ordered:

- 1. Downhole takes nothing on its claims against Mr. VanLue.
- 2. Downhole's request for declaratory judgment is denied.
- 3. Judgment is granted to Mr. VanLue on his declaratory judgment claims. The Court declares:
 - a. Mr. VanLue's Employment Agreement terminated pursuant to Section 8(d) on April 3, 2018 when Downhole terminated Mr. VanLue's employment "Without Cause." Downhole had no contractual right to later attempt to retroactively change that termination to "For Cause."
 - b. Downhole's termination of Mr. VanLue was not a "triggering event" under Section 4.1(c)(i) and 4.2 of Second Amended and Restated Limited Liability Company Agreement for Downhole ("LLC Agreement").
 - c. Mr. VanLue's acts do not support termination "For Cause."
 - d. Downhole and SBA could not transfer Mr. VanLue's units prior to the exercise of the put/call in the LLC Agreement on or after April 1, 2019 because Downhole did not terminate Mr. VanLue's Employment Agreement "For Cause."
 - e. The correct price for Mr. VanLue's units in Downhole is based on Section 7.3 of the LLC Agreement and is seven times Downhole's EBITDA during the period April 1, 2018 through March 31, 2019.
 - f. Downhole was required to make distributions to Mr. VanLue for calendar year 2018 and for a pro rata portion of calendar year 2019 for the period January 1 through July 30, 2019 under the LLC Agreement.
 - g. SBA and Downhole committed prior material breaches of the Employment Agreement and the LLC Agreement, and Mr. VanLue had no continuing

FILED

Chris Daniel
District Clerk

NOV 12 2020

Time:

By

Harris County, Texas

Deputy

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obligation to perform under those agreements, including the confidentiality and non-competition provisions of the agreements with SBA and Downhole, after October 19, 2018 when Mr. VanLue's units were purportedly taken by Downhole and SBA.

4. Mr. VanLue has judgment against Downhole and SBA jointly and severally for \$131,233,117.00 concerning the value of his units in Downhole pursuant to Section 7.3 of the LLC Agreement for the breach of contract, the breach of fiduciary duty by Downhole, the breach of covenant of good faith and fair dealing, and conversion claims stated in Mr. VanLue's Third Amended Answer, Counterclaim, and Third Party Claim (the "Counterclaim"), with prejudgment interest at five percent from July 30, 2019.
5. Mr. VanLue has judgment against Downhole and SBA jointly and severally for \$9,205,536.00 concerning distributions due him under the LLC Agreement for taxable year 2018 for breach of contract, the breach of fiduciary duty by Downhole, the breach of covenant of good faith and fair dealing, and conversion claims stated in the Counterclaim, with prejudgment interest at five percent from March 21, 2019.
6. Mr. VanLue has judgment against Downhole and SBA jointly and severally for \$3,292,648.00 concerning distributions due him under the LLC Agreement for taxable year 2019 for breach of contract, the breach of fiduciary duty by Downhole, the breach of covenant of good faith and fair dealing, and conversion claims stated in the Counterclaim, with prejudgment interest at five percent from March 31, 2020.
7. Mr. VanLue's request for an award of exemplary damages is denied.
8. VanLue will submit briefing and evidence in support of the claim for attorneys' fees by November 23, 2020. Downhole and SBA will submit briefing and any evidence in opposition to VanLue's claim for attorneys' fees by December 14, 2020.
9. Because the Court has not yet adjudicated Mr. VanLue's claim for attorney's fees, this is not a final judgment.

SIGNED this 12th day of November, 2020.

Caroline Baker

Caroline Baker

District Judge

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Unofficial Copy Office of Marilyn Burgess, District Clerk