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Glenn Beck's News Outlet Says Ex-CEO Can't Get Indemnity

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Jess Davis

The former CEO of Glenn Beck's news outlet TheBlaze Inc. on Wednesday asked a Delaware court to order the company to foot the bill for a suit accusing him of mismanaging Beck's production company, just days after TheBlaze asked a Texas state court to do the opposite.

In dueling suits, TheBlaze and its former CEO Christopher Balfe are arguing over whether Balfe can exercise an indemnity provision in the TheBlaze bylaws that would entitle him to an advancement of expenses in defending against a suit brought by Beck's Mercury Radio Arts Inc. Mercury had sued Balfe in Texas state court in July, alleging he had mismanaged the company and violated a noncompete agreement by hiring former TheBlaze employees for a new, competing media venture.Balfe then sent a demand letter seeking indemnity and an advancement of expenses, according to court records. Before the deadline for the advancement in Balfe's letter had passed, TheBlaze filed a second suit in Texas state court on Monday, seeking a ruling that its bylaws don't entitle Balfe to any protection in the Mercury dispute.

"TheBlaze is not required to indemnify or advance expenses to Balfe for his breaches of duties to another company or for breaching a contract after he was no longer an officer or director of TheBlaze," it said in the suit.

Balfe, on the other hand, says there is a nexus between the claims alleged in the Mercury litigation and his role as an officer and director of TheBlaze that entitles him to advancement.

Chip Babcock of Jackson Walker LLP, who represents Balfe, said it's undisputed that Delaware law applies. Given the Delaware Chancery Court's special procedures for handling advancement suits like the Balfe dispute, it makes sense for that court to

hear the case, he said.

“They’re well equipped to handle it,” Babcock said. “That’s not to say a Texas court isn’t, but since Delaware law applies, we think Delaware is the appropriate venue.”

Balfe, who had been chief operating officer of Mercury, faces claims of management shortcomings during his tenure at the company. In its July suit, Mercury said he had been paid a “shockingly excessive amount” — $13 million — between 2009 and 2014, when he and Beck parted ways, and accused him of entering an unnecessary $2 million-a-year office lease for the company in Manhattan.

The suit seeks to force Balfe to forfeit his compensation dating back to the time of the first alleged breach of duties to Mercury and of Balfe’s interest in TheBlaze, but doesn’t specify the amount of damages sought.

Mercury owned the entirety of TheBlaze when it was formed in 2012, but TheBlaze later issued stock, some of which is owned by Balfe, according to the suit. Mercury said under TheBlaze’s stockholders’ agreement, Balfe is barred from competing with the company for three years, but launched a rival digital media company the month after he was ousted from the Beck companies.

Mercury accused Balfe of using ideas and business relationships developed at TheBlaze for his new company, including working with Sean Hannity and Mike Rowe of the show “Dirty Jobs.” He also poached key TheBlaze executives, the suit said.

TheBlaze argued in its suit that Balfe’s actions were not taken in good faith and he could not have reasonably believed his actions were in the best interests of the corporation, further undercutting his bid for indemnity.

> “The petition filed by TheBlaze, Inc. explains why Mr. Balfe’s request for indemnification is meritless,” Eric Ostroff of Meland Budwick, P.A. said in a statement Wednesday.

TheBlaze is represented by Eliot Burriss of DLA Piper and Eric Ostroff, Peter Russin and Meaghan Murphy of Meland Budwick, P.A.

Balfe is represented by Chip Babcock of Jackson Walker LLP.

The cases are TheBlaze Inc. v. Balfe, case number DC-16-10222, in the District Court of Dallas County, Texas, and Balfe v. TheBlaze Inc., case number 12683, in the Court of Chancery of the State of Delaware.

–Editing by Jack Karp

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