

Husch Blackwell Accused Of Bungling Oil Co. Stock Offering

By Roxanne Palmer

Law360, New York (January 27, 2012, 9:37 PM ET) -- Nevada-based onshore oil company EnerJex Resources Inc. hit Husch Blackwell LLP with a legal malpractice suit in Missouri state court Monday, saying the firm bungled the company's 2008 stock offering and caused EnerJex to suffer \$50 million in losses.

In late 2007, EnerJex decided to raise capital by, among other things, engineering a reverse stock split, selling 5 million shares and getting listed on the American Stock Exchange, according to the company's petition.

EnerJex hired Husch Blackwell attorneys and co-defendants Jeffery Haughey and Robert Green in February to handle affairs with the U.S. Securities and Exchange Commission including public disclosures and company filings.

But Haughey and his team "had little or no experience in performing the due diligence for a small startup or micro-cap company similar to EnerJex that had gone public by executing a reverse merger with an existing public shell," the petition said.

As a result, the firm missed critical deadlines: EnerJex's S-1 registration was filed with the SEC in April 2008, five weeks behind schedule, according to the petition.

The suit also claims that Husch Blackwell's work on EnerJex matters "was bloated with superfluous lawyers who performed redundant and unnecessary work."

EnerJex claims Haughey made numerous fraudulent representations to the company, including his claim that he could conduct due diligence for \$25,000 and represent EnerJex in the public offering for as little as \$100,000.

"Haughey's estimated price was a classic 'lowball,'" the petition said.

Haughey also said he and Husch Blackwell would attempt to control the amount of legal fees charged to EnerJex, when in fact the firm and its attorneys billed EnerJex more fees when the oil market was bullish in mid-2008 and billed less when the oil market fell later that year, according to the petition.

EnerJex also says Haughey refused to accept responsibility for the failures of the Husch Blackwell team.

"When the offering failed due to the delays caused by Haughey and HBS, [Haughey told a colleague] ... 'Oh well, they always blame the lawyers,'" the petition said.

The suit asserts claims for professional negligence, breach of contract, breach of fiduciary duty and fraud and is seeking judgment for unspecified actual and punitive damages together with repayment of more than \$484,000 in legal fees EnerJex paid to Husch Blackwell.

Representatives for the defendants did not immediately respond to requests for comment Friday.

EnerJex is represented by Loren W. Moll of Caldwell & Moll LC, William J. Skepnek and Scott J. Bloch.

Counsel information for the defendants was not immediately available.

The case is EnerJex Resources Inc. v. Haughey et al., in the Circuit Court of Jackson County, Mo. The case number was not immediately available.

--Editing by Kat Laskowski.

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