COURT OF CHANCERY
OF THE
STATE OF DELAWARE

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MAGISTRATE IN CHANCERY

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PUBLIC VERSION[1]

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RE: *Shawn T. Kaleta v. GSP Prime Holdings,*
C.A. No. 2025-1506-LM

Dear Counsel:

This action concerns whether Plaintiff Shawn T. Kaleta ("Plaintiff" or "Kaleta") is entitled to advancement under the Amended and Restated Limited Liability Company Agreement (the "LLC Agreement") of Defendant GSP Prime Holdings, LLC ("Defendant" or "GSP Prime"). Kaleta contends that he is entitled to advancement because the Underlying Litigation ("Underlying Litigation") was

[1] This report was originally issued under seal, and the parties were given an opportunity to request redactions within five (5) days. As neither party requested redactions to the Final Report, it report is being reissued publicly, with the same findings and recommendations.

brought "by reason of" his status as a Unitholder and Indemnitee of GSP Prime. GSP Prime responds that the operative claims arise not from Kaleta's status as a Unitholder or Indemnitee, but from his alleged breaches of contractual obligations he purportedly undertook in connection with the sale of his business.

For the reasons that follow, the Court concludes that the operative claims do not contain the requisite nexus to Kaleta's covered status under the LLC Agreement. Accordingly, GSP Prime's Motion for Summary Judgment is **GRANTED**, Kaleta's Cross-Motion for Summary Judgment is **DENIED**, and judgment should be entered in favor of GSP Prime.

I. FACTUAL BACKGROUND

Plaintiff is a real estate and hotel developer, who founded and owned Prime Vacations, LLC ("Prime") a vacation rental management company in Southwest Florida that includes approximately 130 properties owned by Mr. Kaleta.[2] Defendant is a limited liability company organized and existing under Delaware law.[3]

On September 18, 2024, Plaintiff sold his property management business to GSP Prime Buyer, LLC (now known as StayTerra Vacations, LLC), an entity

[2] Docket Item ("D.I") 1 at 5.

[3] D.I. 1 at 5.

associated with Defendant.[4] For the sale, GSP Prime and StayTerra paid Kaleta and his affiliates approximately $105 million in cash and rollover equity.[5] In exchange, Kaleta entered an agreement with StayTerra in which he agreed to restrictions on competition, non-solicitation of employees and customers, and non-interference with the sold business for a period of five years.[6] The acquisition was governed principally by an Equity Purchase Agreement ("EPA"), together with several ancillary agreements executed contemporaneously, including a Contribution Agreement, GSP's LLC Agreement, a Hotel Agreement, and a Property Management Agreement.[7] Collectively, these agreements governed both the sale of the Prime Business and the parties' continuing relationship following the transaction.

Of the total consideration, Kaleta received $70 million in cash and approximately $30.73 million in rollover equity, while the remaining consideration was paid to his business partner.[8] Through the Contribution Agreement, Kaleta agreed to contribute his "Personal Goodwill" including certain customer and vendor relationships, intellectual property, and other intangible assets in exchange for

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[4] D.I. 41 at 1.

[5] *Id*.

[6] *Id*.

[7] D.I. 1 at 5.

[8] *Id*. at 6.

30,730,000 Class B Units of GSP Prime.[9] As a result, Kaleta acquired approximately a twenty-five percent ownership interest in GSP Prime and became a Unitholder under the LLC Agreement.[10] The parties do not dispute that Kaleta qualified as a Unitholder following the closing of the acquisition.

About a year after the acquisition closed, the parties' relationship deteriorated.[11] GSP Prime now alleges that Kaleta neither voluntarily ceased the conduct that StayTerra, Prime, and GSP Prime identified as wrongful nor offered any justification for that conduct.[12] Accordingly, on September 30, 2025, StayTerra, Prime, and GSP Prime commenced the Underlying Litigation against Kaleta.[13] Among other things, GSP Prime alleges that Kaleta transferred vacation rental properties to affiliated entities or associates, supported competing property management companies, diverted business opportunities, interfered with customer relationships, failed to pay management fees allegedly owed under the parties' agreements, and otherwise violated restrictive covenants contained in the transaction

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[9] D.I. 41 at 7.

[10] D.I. 1 at 6.

[11] D.I. 41 at 1–2.

[12] *Id*. at 2.

[13] *Id*.; The underlying litigation is *StayTerra Vacations LLC v. Kaleta*, C.A. 2025-1111-KSJM.

documents.[14] GSP Prime sought both injunctive relief and damages arising from that alleged conduct.[15]

II. PROCEDURAL HISTORY

On September 30, 2025, GSP Prime commenced the Underlying Litigation against Kaleta by filing a Verified Complaint asserting multiple claims arising from the acquisition transaction, including a claim for breach of the LLC Agreement.[16] After Kaleta demanded advancement under Section 6.3 of the LLC Agreement, GSP Prime denied the request and later filed an Amended Complaint ("Amended Complaint") in the Underlying Litigation removing the LLC Agreement claim and adding a claim for breach of the Contribution Agreement.[17] Kaleta renewed his demand for advancement, which GSP Prime again denied.[18] Kaleta then commenced this action seeking advancement of legal fees for the Underlying

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[14] D.I. 41 at 1–3, 8–9.

[15] D.I. 1, Ex. 3.

[16] D.I. 1 at 2–3.

[17] *Id*. at 3–4.

[18] *Id*.

Litigation.[19] The parties cross-moved for summary judgment.[20] The Court heard oral argument on April 30, 2026.[21] Then, the matter was taken under advisement.

III. ANALYSIS

A. Legal Standard

Summary judgment "is appropriate only when the record shows that there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law."[22] "The scope of an advancement proceeding is usually summary in nature and limited to determining the issue of entitlement in accordance with the corporation's own uniquely crafted advancement provisions."[23]

In this context, "[w]hen interpreting a contract, Delaware courts read the agreement as a whole and enforce the plain meaning of clear and unambiguous language. Contracts will be interpreted to 'give each provision and term effect' and not render any terms 'meaningless or illusory.' 'When a contract is clear and

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[19] *Id*. at 1.

[20] Defendant Motion for Summary Judgment at D.I. 41; Plaintiff Motion for Summary Judgment at D.I. 42.

[21] D.I. 50.

[22] *LaPoint v. AmerisourceBergen Corp.*, 970 A.2d 185, 191 (Del. 2009).

[23] *Homestore, Inc. v. Tafeen*, 888 A.2d 204, 213 (Del. 2005).

unambiguous, the court will give effect to the plain meaning of the contract's terms and provisions.'"[24]

Accordingly, "[w]hen analyzing an LLC agreement, a court applies the same principles that are used when construing and interpreting other contracts."[25] "Advancement is a contractual right governed by the terms of the operative agreement."[26] Thus, the scope of a party's entitlement to advancement depends on the language the parties chose to include in the governing agreement. "Taken together, these principles confirm that advancement rights, while informed by public policy, are fundamentally contractual and must be enforced under the terms of the governing instrument."[27] The Court's task, therefore, is to find whether the claims asserted in the underlying litigation fall within the advancement provisions the parties adopted.

The parties dispute whether the claims asserted against Kaleta in the Underlying Litigation satisfy the requirements of Sections 6.2 and 6.3 of the LLC

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[24] *Manti Holdings, LLC v. Authentix Acquisition Co., Inc.*, 261 A.3d 1199, 1208 (Del. 2021).

[25] *Godden v. Franco*, 2018 WL 3998431, at *8 (Del. Ch. Aug. 21, 2018).

[26] *White v. Curo Texas Holdings, LLC*, 2017 WL 1369332, at *7 (Del. Ch. Feb. 21, 2017).

[27] *Gorodetskiy v. Honeywell Int'l Inc.*, 2026 WL 1091872, at *4 (Del. Ch. Apr. 22, 2026).

Agreement. Resolution of that issue turns on the language of those provisions and the nature of the claims asserted in the Underlying Litigation.

B. Sections 6.2 and 6.3 Must Be Read Together.

The parties agree that the LLC Agreement governs Kaleta's asserted right to advancement. They disagree, however, as to how Sections 6.2 and 6.3 interact. Kaleta contends that Section 6.3 provides an independent right to advancement for a person entitled to indemnification under the LLC Agreement, independent of the "by reason of the fact" requirement in Section 6.2.[28] GSP Prime responds that Section 6.3 cannot be read in isolation because it incorporates the limitations contained in Section 6.2.[29] The Court concludes that the plain language of the LLC Agreement supports GSP Prime's interpretation.

The Court begins, with the language of the LLC Agreement. Section 6.2(a) provides that an Indemnitee is entitled to indemnification when he or she is made a party to a proceeding "by reason of the fact that he or she . . . is or was a Unitholder or an Indemnitee."[30] Thus, the parties did not agree to indemnify every proceeding involving an Indemnitee or Unitholder. Rather, the indemnification obligation is

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[28] D.I. 42 at 20–23.

[29] D.I. 46 at 13–14.

[30] D.I. 1, Ex. 1.

limited to proceedings brought "by reason of" the individual's covered status under the LLC Agreement.

Section 6.3 likewise does not create a standalone right to advancement. Instead, it provides that "[r]easonable expenses incurred by a Person of the type entitled to be indemnified under Section 6.2" shall be advanced "upon receipt of an undertaking."[31] It further provides that those amounts must be repaid if it is ultimately determined that the recipient "is not entitled to be indemnified by the Company pursuant to Section 6.2(a)."[32] By its plain terms, Section 6.3 incorporates Section 6.2 in two respects. It defines the class of persons eligible to receive advancement by reference to Section 6.2, and it conditions the ultimate right to retain those advanced funds on the availability of indemnification under Section 6.2(a).

Reading these provisions together is consistent with settled principles of Delaware contract law. The Court must construe the LLC Agreement as a whole, harmonizing related provisions and giving effect to each.[33] Under Kaleta's approach, any Indemnitee named in a proceeding who submits an undertaking would be entitled to advancement even where the proceeding concededly was not brought

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[31] *Id.*

[32] *Id.*

[33] *See Holifield*, 304 A.3d at 923–24; *see also White*, 2017 WL 1369332, at *7.

"by reason of the fact" of covered status.[34] That reading would dimmish the limiting language the parties expressly included in the indemnification provision. Construing Section 6.3 as creating an independent right to advancement untethered from Section 6.2(a) would substantially diminish the limiting language the parties expressly included in the indemnification provision.

Accordingly, Sections 6.2 and 6.3 must be read together. Kaleta's entitlement to advancement therefore depends not only on whether he qualifies as an Indemnitee under the LLC Agreement, but also on whether the operative claims in the Underlying Litigation were asserted against him "by reason of the fact" that he was a Unitholder or an Indemnitee within the meaning of Section 6.2(a). The Court therefore turns to the nature of the claims asserted in the Underlying Litigation.

C. The Amended Complaint Alleges Claims Against Kaleta as a Seller and Contracting Party, not by "Reason of His Status" as a Unitholder or Indemnitee.

Having concluded that Sections 6.2 and 6.3 must be read together, the Court next considers whether the claims asserted in the Amended Complaint in the Underlying Litigation were brought against Kaleta "by reason of the fact" that he was a Unitholder or an Indemnitee within the meaning of Section 6.2(a). Although

[34] D.I. 46 at 14.

the Plaintiff's Complaint and briefing in this matter refer to both the original Complaint and the Amended Complaint, the Court assesses advancement entitlement based on the operative Amended Complaint and finds any requests for advancement tied to the pre-amended pleading are moot. An amended complaint ordinarily supersedes the original complaint and becomes the operative pleading.[35] Here, the Amended Complaint did not merely make cosmetic revisions but materially altered the factual allegations and claims asserted against Kaleta. Accordingly, the Court evaluates advancement based on the Amended Complaint rather than the superseded original pleading.

Viewed as a whole, the Amended Complaint seeks to hold Kaleta liable for allegedly breaching obligations he personally undertook in connection with GSP's acquisition of Prime Vacations.[36] The Amended Complaint makes no allegation or reference to Kaleta's role as Unitholder.[37] After receiving approximately $105 million in consideration, Kaleta allegedly breached restrictive covenants, diverted business opportunities, interfered with customer relationships, failed to satisfy

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[35] *See McCaffrey v. City of Wilmington*, 133 A.3d 536, 544 (Del. 2016) ("The latest complaint, the second amended complaint, superseded the earlier complaints and rendered them of no legal effect.").

[36] D.I. 41 at 2.

[37] *Id*.

contractual payment obligations, and otherwise violated obligations arising under the parties' acquisition-related agreements.[38] Although the Amended Complaint asserts multiple causes of action, those claims share a common premise. GSP Prime seeks to recover because Kaleta allegedly failed to perform contractual obligations he assumed as a seller and contracting party to the acquisition.[39]

Those allegations do not arise "by reason of" Kaleta's status as a Unitholder or an Indemnitee. Section 6.2(a) extends indemnification only to proceedings brought "by reason of the fact" that an individual "is or was a Unitholder or an Indemnitee."[40] The claims asserted, however, do not seek to impose liability because Kaleta exercised rights as a Unitholder or performed duties attendant to that status. Rather, the alleged liability arises from contractual obligations that GSP Prime contends Kaleta voluntarily assumed in connection with the acquisition transaction.[41] Those obligations exist *independently* of Kaleta's ownership interest and would remain the same regardless of whether he retained his Units after the transaction closed.

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[38] D.I. 1 at 6; D.I. 41 at 18–20.

[39] *See generally* D.I. 1.

[40] D.I. 1, Ex. 1.

[41] *See generally* D.I. 41.

Nor does the fact that Kaleta received Units as part of the transaction alter the analysis. Kaleta's equity interest formed part of the consideration paid in exchange for the sale of Prime Vacations. The Underlying Litigation challenges alleged breaches of contractual promises, it does not challenge conduct undertaken in his capacity as a Unitholder or Indemnitee.

Accepting Plaintiff's position would effectively allow sellers who received rollover equity in a deal to demand advancement for later suits alleging breach of the deal documents, even when the claims concern only seller's personal obligations as a seller, counterparty, or property owner.[42] The nexus required by Section 6.2(a)'s "by reason of the fact" limitation is, therefore, absent.[43] Accordingly, the Court concludes that the claims asserted were not brought against Kaleta "by reason of the fact" that he was a Unitholder or an Indemnitee within the meaning of Section 6.2(a).

IV. CONCLUSION

For the foregoing reasons, the Court concludes that the claims asserted in the Amended Complaint in the Underlying Litigation fall outside the scope of the indemnification provision incorporated into Section 6.3 and Kaleta has not established a contractual entitlement to advancement. Accordingly, GSP Prime's

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[42] D.I. 41 at 24.

[43] *See generally* D.I. 1, Ex. 1.

Motion for Summary Judgment is **GRANTED**, Kaleta's Cross-Motion for Summary Judgment is **DENIED**, and judgment should be entered in favor of GSP Prime.

This is a Final Report in accordance with Court of Chancery Rule 144. Any exceptions shall be filed within three days.

Respectfully submitted,

/s/ Loren Mitchell

Magistrate in Chancery