

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN RE SAAMA TECHNOLOGIES) Consolidated
LITIGATION) C.A. No. 2022-1045-LWW

MEMORANDUM OPINION

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WILL, Vice Chancellor

Saama Technologies, Inc. had immense promise. Under the leadership of its founder, Suresh Katta, the company developed an innovative clinical data platform that drew the attention of The Carlyle Group. When Katta agreed to sell control of Saama to Carlyle in 2021, the parties bridged a valuation gap with a contingent earnout. The maximum payout depended on Saama hitting a mandatory revenue threshold and annual recurring revenue bookings targets by the end of the year.

Katta knew the targets were tight. Rather than build the business, he gamed the system. He manipulated contract language to pull unearned revenue into the earnout window. He then leveraged Saama's software products division to sign value-destructive contracts that superficially qualified for the earnout.

Carlyle grew wise to these tactics and, when Katta claimed he was due the maximum earnout payment, formally objected. Katta responded with this lawsuit. Over years of litigation, he pursued shifting claims, theories, and procedural strategies to secure the earnout in court.

His strategy backfired. At trial, Katta failed to prove entitlement to the earnout. Instead, Carlyle proved that Katta acted in bad faith and caused more than \$7 million in damages for the harm he inflicted on Saama's software business.

I. BACKGROUND

Unless otherwise noted, the following facts were stipulated to by the parties or proven by a preponderance of the evidence at trial.¹

A. Saama Scales

Plaintiff Suresh Katta founded Saama Technologies, Inc. in 1997 to provide custom data analytics services to varied industries.² By 2010, Saama had grown to nearly 600 employees and was generating \$40 million in annual revenue.³ Around that time, Saama developed the Fluid Analytics Engine—a big data analytics platform that moved Saama from a services model toward a tech-enabled software company.⁴

To scale this model, Saama secured a \$35 million investment of outside capital in 2015.⁵ That capital supported a new strategic focus on the life sciences industry

¹ See Joint Pre-trial Stipulation and Order (Dkt. 412) (“PTO”). Trial occurred over five days, during which eleven fact witnesses and four expert witnesses testified live. Testimony of three fact witnesses was presented by deposition. See Trial Tr. Vols. I-V (Dkts. 445-49). Trial testimony is cited as “[Name] Tr. __.” The trial record contains 2,752 joint exhibits and 29 deposition transcripts. Exhibits are cited by the numbers provided on the parties’ joint exhibit list as “JX __,” unless otherwise defined. See Final Joint Ex. List (Dkt. 441). Deposition transcripts are cited as “[Name] Dep. __.” See Am. Notice of Lodging of Dep. Trs. (Dkt. 430).

² JX 595 at 5; Katta Tr. 87; PTO ¶ 43.

³ Katta Tr. 93.

⁴ *Id.* at 96-97.

⁵ *Id.* at 97-99.

and the nascent field of artificial intelligence.⁶ Saama transformed the Fluid Analytics Engine into a cloud-based application suite known as the Life Sciences Analytics Cloud.⁷

The Life Sciences Analytics Cloud used artificial intelligence to address the steep costs, manual errors, and timeline delays of clinical trial data management—focusing on both analytical and submission pathways.⁸ Its analytical pathway products included off-the-shelf applications (“Packaged Apps”) to monitor clinical trial efficiency and improve “scope, schedule, and cost.”⁹ The submission pathway products included Saama’s “Smart Series” suite, designed to prepare clinical trial data for regulatory approval.¹⁰

Saama’s earliest Smart Series product was Smart Data Query (“SDQ”), which it co-built with Pfizer Inc. and deployed in Pfizer’s 2020 COVID-19 vaccine trials.¹¹ The technology was revolutionary, saving Pfizer six weeks of essential time in bringing the vaccine to market.¹² This high-profile success drew interest in Saama from other pharmaceutical companies. Saama next worked to co-build a product

⁶ *Id.* at 99-100.

⁷ *Id.* at 100-01; PTO ¶¶ 45-46.

⁸ PTO ¶ 45; Anandakumar Tr. 484.

⁹ PTO ¶ 49; JX 595 at 5; Katta Tr. 88, 102-03, 107-08; Anandakumar Tr. 484.

¹⁰ Katta Tr. 103-04, 108; Anandakumar Tr. 484-86; *see also* PTO ¶ 49.

¹¹ Katta Tr. 111-12, 115-16; Moneymaker Tr. 37; *see also* PTO ¶ 52.

¹² JX 79 (native) 8.

called Smart Auto Mapper (“SAM”) with AbbVie Inc. to automatically map raw clinical trial data onto regulator-standard frameworks.¹³

By 2021, Saama’s strategy was to sell its Packaged Apps to small- and mid-sized biopharmaceutical companies, with its Smart Series offerings directed at larger customers.¹⁴ It aimed to complete its transformation into a product-oriented business.¹⁵ To do so, Saama set out to secure additional growth capital.

B. Carlyle’s Investment

Saama initially sought a minority investment at a \$1 billion valuation.¹⁶ In May 2021, The Carlyle Group Inc. approached Katta to propose acquiring a majority stake.¹⁷ Joe Bress, Carlyle’s Global Co-Head of Healthcare, was impressed by Saama’s “[s]ignificant gross margin expansion due to growth” in the software subscriptions business.¹⁸

By June, Saama had received several investment proposals, including from a syndicate of life sciences companies to invest \$75 to \$105 million of growth capital at a valuation of \$620 million.¹⁹ On July 1, Bress and Carlyle technology partner

¹³ Moneymaker Tr. 37-39; Anandakumar Tr. 486.

¹⁴ PTO ¶ 54.

¹⁵ *Id.* ¶ 55.

¹⁶ Katta Tr. 128-30; JX 270 at 3; PTO ¶ 56.

¹⁷ Katta Tr. 131-32, 144; JX 270 at 3; *see* JX 2711.

¹⁸ JX 81 at 30; Bress Tr. 1343-44.

¹⁹ Katta Tr. 129-31, 136-38; PTO ¶¶ 61-63; *see also* JX 214.

Ashley Evans met with Katta and Vidya Sagar Anisingaraju, Saama’s Chief Strategy Officer.²⁰ Bress presented an offer for Carlyle to acquire 62.5% of Saama at a valuation of \$500 million.²¹ When Katta raised the syndicate’s proposal, Bress suggested that the syndicate be included in any deal.²² The parties negotiated a term sheet, and Katta countered with a \$525 million total enterprise value.²³

On July 22, 2021, Bress and his team—including Evans and Carlyle Vice President Luna Yang—presented their evaluation of the deal in a “Heads Up Memo” to Carlyle’s Investment Committee.²⁴ The memo projected Saama’s 2021 software subscription revenue at \$20.4 million, which had been reduced from Saama’s sell-side forecast of \$27.9 million due to its first-half 2021 results.²⁵ It listed an internal rate of return (IRR) of 24.6%.²⁶ Though the Investment Committee was concerned about the risk of investing in a business undergoing a transformation, it approved proceeding with due diligence.²⁷

²⁰ Katta Tr. 140-41; PTO ¶ 34; JX 224 at 1.

²¹ JX 224 at 2; JX 215 at 1; *see* Katta Tr. 140-42.

²² Katta Tr. 141-42.

²³ JX 243; Bress Tr. 1431.

²⁴ JX 270; JX 243; Bress Tr. 1431; PTO ¶¶ 59, 67, 70. A “Heads Up Memo” is “sort of an initial presentation” made internally at Carlyle when a deal team “want[s] to dedicate significant resources or spend money evaluating a new investment.” Bress Tr. 1349.

²⁵ Bress Tr. 1354-55; JX 81 at 3.

²⁶ JX 270 at 5; JX 265 at 3; Bress Tr. 1356-59.

²⁷ Yang Tr. 953, 1079-80; PTO ¶ 71; *see also* Yang Dep. 73-75.

On July 23, 2021, Carlyle sent Katta a non-binding indication of interest, followed by an updated letter a week later.²⁸ It listed a preliminary valuation of \$505 million for Saama, which was \$20 million less than the amount Carlyle’s Investment Committee had authorized Bress to bid.²⁹ It also stated that Carlyle “expect[ed] that its investment will fund \$50 million of primary investment in the form of additional cash to the balance sheet” at close.³⁰ Bress then told Katta not to “read into this too much,” as Carlyle “would be able to deploy . . . \$75mm (or more) to drive growth/M&A going forward.”³¹

C. The Earnout

During diligence, Yang noticed anomalies in Saama’s accounting. She tried to tie Saama’s projected software subscription revenue back to executed customer contracts, but found that “[m]anagement’s definition of [software] [s]ubscription [revenue] also include[d] implementation services bundled in with the true subscription fees.”³² Carlyle prioritized true software subscription revenue because it was recurring, high-margin, and remained “sticky” with customers compared to

²⁸ PTO ¶¶ 72-73.

²⁹ JX 280 at 1, 5; *see* Bress Tr. 1349.

³⁰ JX 280 at 5.

³¹ *Id.* at 1.

³² JX 360 at 5, 24; *see* Yang Tr. 961, 963; Bress Tr. 1362-63.

one-time implementation fees.³³ With implementation services excluded, Saama's recurring software subscription revenue was 50% lower than projected.³⁴

As a result, Carlyle lowered its projections for Saama's software subscription annual revenue to \$12 million, and estimated Saama's annual recurring revenue (ARR) at between \$14 and \$15 million.³⁵ The \$12 million projection was a significant reduction from the initial sell-side \$27.9 million software revenue forecast, which Carlyle had already reduced to \$20.4 million in the "Heads Up Memo."³⁶ Diligence also revealed that some Smart Series products, including SAM and SDQ, were "still under core feature development."³⁷

These findings exposed a significant valuation gap. Carlyle refused to value Saama at \$505 million unless it was getting a business with the sort of bona fide software earnings it wanted to underwrite.³⁸ It reduced its upfront valuation of Saama to \$435 million.³⁹ Bress proposed "an earnout structure to bridge back to the \$505" million valuation.⁴⁰

³³ Bress Tr. 1344; *see* Yang Tr. 962.

³⁴ JX 360 at 5.

³⁵ JX 374 at 1; Bress Tr. 1367-68.

³⁶ JX 374 at 1; Bress Tr. 1367, 1387-88; *see supra* note 25 and accompanying text.

³⁷ JX 364 at 8.

³⁸ *See* Bress Tr. 1369-70.

³⁹ *Id.* at 1364; JX 374 at 1; PTO ¶ 78; *see also* JX 366 at 1.

⁴⁰ JX 374 at 1; PTO ¶ 78.

Carlyle proposed that Saama’s selling stockholders receive an earnout payment if Saama generated \$72 million of revenue in 2021—a target that tracked Saama’s own revenue plan.⁴¹ The payment amount would be based on a multiple of software subscription ARR from “signed contracts by” December 31, 2021.⁴² Saama’s baseline ARR was about \$15 million.⁴³ Adding \$12 million in incremental ARR for a total of \$27 million would trigger a maximum earnout payment of \$67.5 million.⁴⁴

Bress found the earnout structure attractive, given its “short period, strict terms, [and] well-defined metrics[.]”⁴⁵ He was skeptical that Saama could achieve the required ARR bookings by year end, but saw upside for Carlyle if Saama succeeded.⁴⁶ Earning the payout meant Carlyle had acquired a business with bona fide software contracts, which would bring associated services revenue into 2022 and beyond.⁴⁷

On August 18, Yang gave Katta, Anisingaraju, and Rajeev Dadia—Saama’s Chief Client and Technology Officer—a presentation about the proposed parameters

⁴¹ JX 384 at 1.

⁴² *Id.*

⁴³ JX 374 at 1-2; Bress Tr. 1367-68.

⁴⁴ JX 374 at 1; JX 390 at 3.

⁴⁵ JX 384 at 1; Bress Tr. 1374.

⁴⁶ Bress Tr. 1371-72.

⁴⁷ *Id.*; *see* JX 378.

and criteria for earnout-eligible ARR bookings.⁴⁸ She explained that eligible software subscription ARR must come from “ordinary course” contracts with “typical margins” that were “clearly labeled” for software subscriptions and excluded inducements, such as free implementation.⁴⁹ At that time, typical product margins for Packaged Apps were 70% to 90%, reflecting the gross profit historically achieved on software subscriptions.⁵⁰ These margins were similar to those projected for future Smart Series applications.⁵¹

On August 20, Bress and Katta reached a “handshake deal” on economic terms.⁵² About a week later, Bress told his team that in Carlyle’s base case, it would owe an earnout payment of approximately \$40 million.⁵³

D. Pre-Closing Planning

While the parties negotiated a definitive agreement, Katta and Anisingaraju restructured Saama’s internal focus toward achieving the earnout. Anisingaraju renamed a weekly sales meeting the “72-27 Weekly Status Meeting” to track the maximum earnout targets: \$72 million in revenue and \$27 million in software

⁴⁸ JX 390 at 3-4; Yang Tr. 971-72.

⁴⁹ JX 390 at 3-4; Yang Tr. 971-73.

⁵⁰ Bress Tr. 1353-54; Yang Tr. 1051-53.

⁵¹ JX 270 at 5; *see* Yang Tr. 1084.

⁵² JX 402 at 1.

⁵³ JX 437 at 1.

subscription ARR.⁵⁴ According to Saama sales executive Jonathan Burr, the “general sentiment” of the meetings shifted from standard sales practices to “clos[ing] anything in any way that [Saama] could by the end of the year.”⁵⁵

In September 2021, Saama was tracking toward just \$70.58 million in 2021 revenue—over \$1.4 million short.⁵⁶ Bridging the gap required Saama to recognize a substantial portion of the \$4.55 million in projected revenue from the Smart Series product it was co-developing with AbbVie.⁵⁷ But Saama’s Vice President of Customer Success, Ghananeel “Raj” Gondhali, noticed that the draft statement of work attributed over half of the AbbVie contract’s prospective value to a “Pre-Payment for Future Discounted Subscription Fee.”⁵⁸ Realizing that Saama could not recognize such revenue in 2021, he changed the description to “Project Setup Activities” so that Saama could attempt to pull \$2.75 million into the earnout window.⁵⁹

⁵⁴ Burr Tr. 1511-13; JX 404.

⁵⁵ Burr Tr. 1515. Burr’s testimony was compelling and credible. Though he stands to participate in the earnout if Katta recovers in this litigation, he testified about Katta’s problematic post-closing behavior. *See infra* Section I.G.

⁵⁶ JX 514 at 7.

⁵⁷ JX 342 at 9; JX 568 at 6.

⁵⁸ JX 461 at 1; JX 462 at 2, 16.

⁵⁹ JX 461 at 1; JX 464 at 13; JX 510 at 3-4 (describing tweaks to the statement of work “that will allow Saama to recognize the revenue in a more advantageous way”); JX 474 at 1 (same).

Separately, Bress and the Carlyle deal team were preparing a memo to obtain the Investment Committee’s final approval.⁶⁰ After learning that Saama was tracking below \$72 million in revenue, Bress asked the team to model Saama hitting \$68 million in 2021 revenue—\$4 million short of the target.⁶¹ Carlyle’s Evans responded by asking whether Saama’s revenue should be lowered to \$68 million in the Investment Committee base case scenario.⁶² Bress considered it, but his final memo to the Investment Committee maintained the team’s initial case of \$72 million in 2021 revenue with \$16.9 million projected in software subscription ARR, corresponding to a \$40 million earnout payment.⁶³ The memo noted that Saama could “likely only reach \$70 million [in 2021 revenue], which leads to a \$435 [million] entry price and resets our base case.”⁶⁴

On September 29, Dadia informed Katta that Saama’s revenue was still trending short of the \$72 million threshold.⁶⁵ Katta pressed Dadia on what the sales team was doing “different[ly] for getting . . . results towards 72-27”—Katta’s internal shorthand for the earnout targets.⁶⁶ Dadia confirmed sales employees were

⁶⁰ Bress Tr. 1453; Yang Tr. 1144; PTO ¶ 83.

⁶¹ Bress Tr. 1454; JX 579 at 42.

⁶² Bress Tr. 1456-57; JX 581 at 1.

⁶³ JX 595 at 7, 20, 25, 30.

⁶⁴ *Id.* at 7, 20; Bress Tr. 1459; Yang Tr. 1156-58.

⁶⁵ JX 614 at 2-3.

⁶⁶ JX 613 at 2.

instructed that “typical margin limits d[id] not apply”—effectively abandoning Saama’s historical pricing discipline—and that they should prioritize short-term contracts that “need not be sustainable.”⁶⁷ Katta approved this strategy.⁶⁸ Underscoring his disregard for the earnout’s contingencies, Katta’s team concurrently sent draft versions of the impending merger agreement to clients, describing the earnout as a guaranteed “deferred payment.”⁶⁹

On September 30, Bress’s deal team presented its \$72 million revenue base case to Carlyle’s Investment Committee.⁷⁰ The Investment Committee authorized Bress to finalize the transaction.⁷¹

E. The Merger Agreement

The parties signed the Merger Agreement two weeks later, on October 14.⁷² As a precondition to execution, Saama was required to sign two statements of work with AbbVie.⁷³

⁶⁷ *Id.* at 1.

⁶⁸ *Id.*

⁶⁹ JX 2654 at 2; JX 2655 at 7; *see* Katta Tr. 170, 173.

⁷⁰ JX 595 at 7, 20; Bress Tr. 1383, 1388-90; Yang Tr. 991-92.

⁷¹ Bress Tr. 1430; PTO ¶ 80; *see* JX 595 at 7.

⁷² PTO ¶ 87.

⁷³ *Id.* ¶¶ 84-86.

Upon the merger, Saama converted to a Delaware limited liability company wholly owned by a new entity, Warrior Parent, LLC.⁷⁴ Through Warrior Holdings, Ltd.—an entity controlled by Carlyle affiliates—Carlyle acquired 62% of Warrior Parent’s outstanding units, the life sciences co-investor syndicate acquired 13%, and Saama’s selling stockholders (the “Sellers”) rolled over the remaining 25%.⁷⁵ The transaction valued Saama at a total enterprise value of \$435 million.⁷⁶

The Merger Agreement established a minimum earnout threshold of \$72 million in “2021 Revenue.”⁷⁷ That term was defined as consolidated Generally Accepted Accounting Principles (GAAP) revenue, net of discounts, determined in accordance with the methodology and principles used in Saama’s 2019 and 2020 audited financial statements—or, if Carlyle objected to the earnout statement, as determined by Saama’s auditor and reflected on Saama’s 2021 audited financial statements.⁷⁸ It confirmed that, if the revenue threshold were met, the earnout payment would be a multiple of qualifying “ARR Bookings,” defined as “the

⁷⁴ *Id.* ¶¶ 26-28, 30, 112.

⁷⁵ *Id.* ¶¶ 40, 112. The Sellers received over \$250 million in cash at closing. *Id.* ¶ 91.

⁷⁶ *Id.* ¶ 90.

⁷⁷ JX 669 (“Merger Agreement”) Annex A (defining “2021 Revenue”).

⁷⁸ *Id.*; *see* Merger Agreement §§ 2.10(a), 3.6(a); PTO ¶ 95.

reasonably anticipated twelve (12) month software subscription revenue” from qualifying software products sold during the earnout period.⁷⁹

The Merger Agreement required Saama to operate “in good faith with respect to” achieving the earnout from closing until December 31, 2021.⁸⁰ Achieving the maximum earnout targets would increase Saama’s total enterprise value by \$90 million.⁸¹ Because the Sellers sold 75% of Saama and retained a 25% equity stake, they were eligible to receive 75% of this incremental value in cash—a maximum earnout payment of \$67.5 million—realizing the remaining 25% in the form of retained equity.⁸² Warrior Parent, acting on behalf of Warrior Holdings and the co-investors, would make any earnout payment to the Sellers.⁸³

The Merger Agreement also formalized several limitations on eligible ARR Bookings, some of which were described in Yang’s August 18 presentation to Katta, Anisingaraju, and Dadia, including the need for typical margins and the bar on free implementation services.⁸⁴ It required Saama to begin performing its obligations

⁷⁹ Merger Agreement § 2.10(a); *id.* at Annex A (defining “ARR Bookings”).

⁸⁰ *Id.* §§ 1.1(b), 2.10(d).

⁸¹ If Saama met the revenue threshold, the total enterprise value of Saama would increase by ten times the first \$7 million in ARR Bookings plus an additional five times the next \$4 million in ARR Bookings, for a total of \$90 million in increased total enterprise value. *Id.* § 2.10(a).

⁸² PTO ¶ 93.

⁸³ *Id.* ¶ 110.

⁸⁴ JX 390 at 3-4; Merger Agreement Annex A (defining “ARR Bookings”).

under the applicable customer contracts before June 30, 2022 to count toward ARR Bookings.⁸⁵ The parties excluded certain preexisting contracts from counting toward the earnout.⁸⁶

After the earnout period closed on December 31, 2021, Katta—designated as the “Stockholder Representative”—was required to deliver an earnout statement to Carlyle, and Carlyle would have 30 days to make any objections.⁸⁷ An objection would defer the determination of the earnout payment until after Saama’s 2021 audit was delivered, which triggered a further 30-day period for the parties to attempt to resolve any disputes.⁸⁸ Remaining items that the parties could not resolve would be submitted to an accounting expert for resolution.⁸⁹

F. The “Sanitized” Memo and Closing

Before executing the Merger Agreement, Katta asked Bress for copies of Carlyle’s Investment Committee materials.⁹⁰ Bress deferred until after the Merger Agreement was signed.

⁸⁵ Merger Agreement Annex A (defining “ARR Bookings”).

⁸⁶ JX 674 at 288; *see also* JX 393 at 6.

⁸⁷ Merger Agreement §§ 2.10(b), 9.1. Technically, the earnout statement would be delivered to and any objections would be made by the “Purchaser”—defined as Warrior Holdings. *See id.* at Preamble.

⁸⁸ *Id.* § 2.10(b).

⁸⁹ *Id.* § 2.10(b).

⁹⁰ Katta Tr. 175-76.

On November 9, Carlyle sent Katta a 25-page “summary” of the final 50-page Investment Committee memo.⁹¹ Carlyle internally described the summary as a “sanitized version.”⁹² The summary removed strategic discussions and proprietary information.⁹³ It retained the \$72 million base case, but omitted Carlyle’s assessment that Saama “could likely only reach \$70mm” in 2021 revenue.⁹⁴

The transaction closed ten days later, on November 19.⁹⁵

G. The 72-27 Campaign

After signing the Merger Agreement, Katta accelerated Saama’s strategy to “aggressively win business” and “sell anything by the end of the year” to achieve the earnout.⁹⁶ Certain employees were offered “72-27 bonuses” based on their contribution to ARR Bookings.⁹⁷ Katta told VP of Customer Success Gondhali that he needed to “aggressively” push the “72-27 goals” or risk being replaced, since Katta needed someone “who [could] drive this upwards and onwards.”⁹⁸

Katta’s plan to achieve the earnout had two main components.

⁹¹ JX 748 at 1; Katta Tr. 176; Bress Tr. 1392; *see also* JX 595.

⁹² JX 748; Yang Tr. 1165-69.

⁹³ *Compare* JX 748 at 2-27, *with* JX 595 at 4-44; Yang Tr. 994-97; Bress Tr. 1392-94.

⁹⁴ *Compare* JX 595 at 7, 20, *with* JX 748.

⁹⁵ PTO ¶ 111.

⁹⁶ Burr Tr. 1508.

⁹⁷ *Id.* at 1523-24; JX 991.

⁹⁸ JX 742 at 1.

First, Saama abandoned its historical pricing discipline. Before the earnout, discounts on software products above 50% were atypical.⁹⁹ Waiving implementation fees was also unheard of.¹⁰⁰ To win business, Katta had often used a pay-as-you-go model he called “consumption-based pricing.”¹⁰¹ Consumption-based pricing would not count toward the earnout, though, because it lacked guaranteed revenue.¹⁰² And so Saama raised discounts, waived implementation fees, and abandoned consumption-based pricing during the earnout period.¹⁰³

For example, Saama withdrew its consumption-based pricing model for Regeneron Pharmaceuticals, offering instead a 25% discount, free implementation, and a free SAM product for a new contract.¹⁰⁴ Pfizer was likewise offered “heavily discounted pricing” conditioned on signing a contract before the end of 2021.¹⁰⁵ Clients like PPD, Inc., IQVIA Holdings, Inc., and Novotech CRO also received deals with pricing anomalies, including unprecedented discounts and waived

⁹⁹ Katta Tr. 304-05; Gondhali Tr. 696-97; *see also* Gondhali Dep. 18 (noting that the largest discount he had historically given was 30%).

¹⁰⁰ Burr Tr. 1509, 1523.

¹⁰¹ Katta Dep. 173; JX 2257 at 2.

¹⁰² Katta Tr. 267-68, 271-72; JX 653 (“[S]ince consumption based price has no guarantee, they will not give credit for that towards upside ARR (27M goal).”).

¹⁰³ *See* JX 653.

¹⁰⁴ JX 781 at 1, 2; JX 791 at 1, 2-3; JX 937 (native) (“ARR Bookings” tab); Anisingaraju Tr. 745-46.

¹⁰⁵ JX 806 at 3.

implementation fees that yielded negative margins and made the contracts unprofitable for Saama.¹⁰⁶ Employees began to express concern that “the commitments made in [certain] SoWs [statements of work] [we]re unrealistic and set [them] up for failure.”¹⁰⁷

Second, Katta directed his teams to rewrite contracts to artificially maximize ARR. For example, a statement of work to complete a “custom software build” for Pfizer’s “Sigma” program, which generated non-qualifying services revenue, was rewritten as a software license agreement to claim ARR.¹⁰⁸ Similarly, Katta instructed the team to front-load a four-year contract with PHP and Areteia Therapeutics, Inc. by inflating the subscription fee for the first three years—the only years that counted toward earnout-qualifying ARR Bookings.¹⁰⁹ The sales teams also began bundling implementation services with subscription fees to inflate the

¹⁰⁶ JX 864 at 2 (discussing offering PPD “very aggressive pricing” of \$1,549,000 “for the duration of the [contracted] studies rather than having to pay every year”); JX 778 at 1 (discussing the “huge margin pressure” involved in the IQVIA pricing scheme); JX 885 at 4 (providing that in the event IQVIA exercises its option to renew the contract, “the pricing per study will not increase by more than the lesser of 5%”); Scaldaferrri Dep. 148 (Saama sales executive testifying that “if the whole [IQVIA] contract would have been fulfilled, it is factual that it would not have been profitable”); JX 2279 (Katta noting Novotech and Saama have “agreed to start small with five studies . . . further discounted by another ~60%”); JX 888 at 2 (charging a \$5,000 one-time implementation fee for all 425 studies to be ultimately conducted for Novotech over a period of three years).

¹⁰⁷ JX 802 at 2.

¹⁰⁸ Burr Tr. 1531-32; *see* Moneymaker Tr. 38; Sharma Tr. 1251-52.

¹⁰⁹ JX 794 at 1; *see* Merger Agreement Annex A (defining “ARR Bookings”).

ARR Bookings value, despite the Merger Agreement’s exclusion of bundled revenues from the earnout calculation.¹¹⁰

Saama’s aggressive strategy turned some customers away. GlaxoSmithKline (GSK) plc rejected a 50% discount with free implementation because the pressure for a year-end close was too great.¹¹¹ Biohaven Pharmaceuticals, Inc. declined to sign a deal by December 31, 2021, despite Saama’s multiple offers of discounts and short-term subscriptions.¹¹² Even when contracts were salvaged—such as with PPD, due to Carlyle’s assistance—Katta’s heavy-handed approach caused frustration.¹¹³

H. The Watermelon Effect

Katta’s strategy to secure ARR Bookings encountered another problem: many of the Smart Series products sold to customers either did not exist or were in early-stage development.¹¹⁴

¹¹⁰ Burr Tr. 1520-21; *see* Merger Agreement Annex A (excluding subscription revenues “bundled with implementation revenues in one line”).

¹¹¹ Burr Tr. 1530-31; JX 740 at 1-2; JX 868 at 2; Yang Tr. 1001; Katta Tr. 199-200.

¹¹² JX 707 at 1; JX 937 (native) (“ARR Bookings” tab).

¹¹³ *See* JX 795 (“Suresh [Katta] has ham-handed this whole PPD thing in his singular quest to get the earnout . . . It’s actually really aggravating because PPD really liked the demos but Suresh is trying to bully them into near-term bookings.”).

¹¹⁴ Scaldaferrri Dep. 350-51 (Q: “Did all of the products Saama had contracted with customers to provide exist at the time you joined Saama?” A: “No.”).

SDQ, which had been custom-built for Pfizer in 2020, lacked the capability to be transferred to other customer environments.¹¹⁵ Yet during the earnout period, Saama sold SDQ to seven new customers.¹¹⁶ SAM, which was still to be co-built with AbbVie, was sold to five other customers.¹¹⁷ Saama's latest Smart Series product, "SPACE," was sold to two customers even though it "existed only in slideware" (i.e., internal slide decks).¹¹⁸ Packaged Apps had greater maturity, but certain early-stage apps were similarly sold to multiple customers before they were fully functional.¹¹⁹

¹¹⁵ Moneymaker Tr. 37 (noting that SDQ was "highly performant for [Pfizer], really able to address their specific needs, but not able to be picked up and taken and sold to anybody else as is"); Rogers Tr. 921 ("They bought a custom solution that was built for Pfizer"); JX 1639 at 18 (listing SDQ as a "developing" product at the end of November 2021); PTO ¶ 52.

¹¹⁶ JX 858 (HilleVax, Inc. customer agreement); JX 880 (IQVIA change order); JX 819 (NGM Biopharmaceuticals, Inc. customer agreement); JX 884 (Novotech customer agreement); JX 842 (Population Health Partners customer agreement); JX 877 (PPD Development, L.P. customer agreement); JX 860 (Regeneron Pharmaceuticals customer agreement).

¹¹⁷ JX 1639 at 18 (listing SAM as "nascent" in product maturity at the end of November 2021); Moneymaker Tr. 39; JX 858 (HilleVax customer agreement); JX 880 (IQVIA change order); JX 884 (Novotech customer agreement); JX 881 (Pfizer statement of work); JX 842 (Population Health Partners customer agreement).

¹¹⁸ Moneymaker Tr. 41 (noting that SPACE did not exist even as of October 2022); JX 232 at 10; JX 881 (Pfizer Sigma statement of work); JX 880 (IQVIA change order).

¹¹⁹ Moneymaker Tr. 41 ("RBQM, similarly, did not exist as a product."); JX 839 (selling RBQM to Day One Biopharmaceuticals, Inc.); JX 842 (selling RBQM to Population Health Partners). Similarly, Saama's Clinical Insights Packaged App was not ready to be sold independently but was provided to multiple customers anyway. *See* Nimmagadda Dep. 31-33; JX 592 (Dadia stating that "our existing dashboards in Clinical Insights aren't working properly, so there's nothing new"); *see, e.g.*, JX 839; JX 850; JX 858; JX 880; JX 819.

Dadia observed to Gondhali that these commitments embodied the “[w]atermelon [e]ffect”: the contracts were “green” and seemingly healthy on the outside, but “red” and failing beneath the surface.¹²⁰ Others at Saama shared this view, fearing that the company was under significant resource constraints and would be unable to meet these new commitments.¹²¹

In December 2021, Katta, Anisingaraju, and Dadia met with Bress and Yang to discuss Saama’s 2021 revenue and ARR Bookings.¹²² Katta announced that Saama would exceed the \$72 million threshold and likely hit \$35 million in ARR Bookings.¹²³ Though the Saama team summarized certain new projects, it did not offer a contract-by-contract review.¹²⁴ Taking the presentation at face value, Bress and Yang were pleased and believed that Saama was outperforming expectations.¹²⁵

¹²⁰ JX 592 at 2 (writing to Gondhali: “heard that term for the first time, Watermelon effect . . . but I love it”); Gondhali Tr. 715-17; *see also* Marius Ivanauskas, *The Watermelon Effect: When Fear Turns Your Dashboards Green*, *Forbes* (Dec. 23, 2025), <https://www.forbes.com/councils/forbesbusinesscouncil/2025/12/23/the-watermelon-effect-when-fear-turns-your-dashboards-green/> (describing the “watermelon effect” in which “projects and business units that are green on the outside—bright, shiny and confidently reported as on target, but deep red on the inside”).

¹²¹ *See* JX 726 at 1 (November 2021 email among employees stating that “[w]e are out of people and out of time and need to prioritise vs. doing more”); JX 722 at 1-2 (one Saama employee noting that focusing on work for Pfizer “will affect other deliverables like AbbVie” and “will create performance issues in production and it will also be completely scrapped”); *see also* JX 592.

¹²² Katta Tr. 196-97.

¹²³ *Id.* at 197-99; *see* JX 830 (native) 3.

¹²⁴ Yang Tr. 1000-01; Dadia Tr. 831-32.

¹²⁵ Katta Tr. 204-05.

In early January 2022, Dadia emailed Yang all statements of work signed during the earnout period.¹²⁶

I. The Earnout Statement

On January 14, Anisingaraju sent Carlyle Saama's earnout statement, following up with an amended statement the next day (the "Earnout Statement").¹²⁷

The Earnout Statement calculated Saama's 2021 qualifying revenue at \$73,132,551, clearing the \$72 million threshold by over \$1.1 million.¹²⁸ Approximately \$4.55 million of that revenue was attributed to the implementation of Saama's "co-development investment" with AbbVie.¹²⁹ The Earnout Statement listed \$32.3 million in signed ARR Bookings across 38 contracts signed during the earnout period—a figure Yang found "eye-popping" since Saama's historical cadence had been one to two new customers per quarter.¹³⁰ Based on these results, the Sellers sought the full \$67.5 million earnout payment.¹³¹

After receipt, Yang forwarded the Earnout Statement to accounting firm PricewaterhouseCoopers ("PwC") for review.¹³² The Merger Agreement mandated

¹²⁶ Yang Tr. 1176-77.

¹²⁷ JX 940 at 1 (Earnout Statement); *see* JX 973 (native); PTO ¶ 120.

¹²⁸ JX 973 (native) ("Earnout Statement" tab).

¹²⁹ *Id.* ("FB+LSAC Revenue" tab) (cell Y102).

¹³⁰ *Id.* ("Earnout Statement" tab); Yang Tr. 1003-04.

¹³¹ PTO ¶ 121.

¹³² JX 978 at 12.

that 2021 Revenue be determined in accordance with U.S. GAAP.¹³³ Although Yang had anticipated meaningful revenue from the AbbVie contract, she was unsure that \$4.55 million was the proper GAAP figure.¹³⁴ On January 19, PwC flagged for Yang that the revenue attributed to AbbVie was unusual, observing that it appeared Saama had “worked with AbbVie to front load the contract.”¹³⁵

PwC opined that the AbbVie revenue had to be deferred to AbbVie’s 2022 subscription period. It believed that deferral was appropriate because the revenue, which was derived from software implementation, was not distinct from Saama’s software-as-a-service performance obligations under Saama’s revenue recognition policy.¹³⁶ To assess whether a deviation was warranted, PwC asked Saama questions based on the Accounting Standards Codification Topic 606 (ASC 606) revenue recognition factors.¹³⁷ ASC 606 is a U.S. GAAP framework issued by the Financial Accounting Standards Board that governs how businesses recognize revenue from customer sales.¹³⁸

¹³³ Merger Agreement Annex A (defining “2021 Revenue”); *see also* Merger Agreement §§ 2.10(a), 3.6(a).

¹³⁴ JX 978 at 10-11; Yang Tr. 1006-07.

¹³⁵ JX 978 at 1, 11; Yang Tr. 1006-07.

¹³⁶ JX 978 at 4-5; JX 438 at 1, 2, 29.

¹³⁷ JX 980 at 5-7; JX 970 at 1-3; Yang Tr. 1186.

¹³⁸ *See* JX 22 at 7; Wilks Tr. 421; JX 2134 (Expert Report of T. Jeffrey Wilks, Ph.D.) (“Wilks Opening Report”) 10-11 (explaining that the accounting standards that make up U.S. GAAP are codified within the ASC).

PwC first confirmed that Saama had not changed its revenue recognition policy or received permission from its auditor to make an exception for the AbbVie contract.¹³⁹ PwC then asked Saama to explain “the rationale for recognizing ~\$4.6 million of revenue” from AbbVie in 2021.¹⁴⁰ Saama explained that its engagement with AbbVie was for a “co-build construct” through which AbbVie could “get[] the capabilities they were looking for by the end of 2021,” though “performance, maintainability and core architecture needs” would not be delivered until 2022.¹⁴¹

Saama’s answers left PwC “confused.”¹⁴² On February 8, Yang convened a call with PwC and Katta to better understand Saama’s accounting.¹⁴³ Unsatisfied with the discussion, PwC drafted an objection for Carlyle to challenge the AbbVie revenue reported on the Earnout Statement.¹⁴⁴ PwC maintained that revenue from the AbbVie contract needed to be deferred into 2022, detailing the ASC 606 criteria required for upfront recognition.¹⁴⁵

¹³⁹ JX 978 at 5; Yang Tr. 1010-12.

¹⁴⁰ JX 978 at 6.

¹⁴¹ *Id.*

¹⁴² *Id.* at 4-5; Yang Tr. 1010-12.

¹⁴³ JX 985 at 2; JX 984 at 1.

¹⁴⁴ Yang Tr. 1017-18; JX 992 at 1.

¹⁴⁵ JX 992 at 1.

On February 13, Carlyle lodged a formal objection to the Earnout Statement, asserting that no earnout payment was due.¹⁴⁶ It objected to 29 of the 38 ARR Booking contracts, reducing ARR Bookings from \$32.3 million to roughly \$2.7 million.¹⁴⁷ The objection contested contracts that were excluded from earning credit under the Merger Agreement (ten contracts), were not signed in 2021 (seven contracts), had atypical margins (three contracts), lacked reasonably anticipated revenues (three contracts), included services revenue (two contracts), or claimed pre-earnout revenue (six contracts).¹⁴⁸ In preparing the objection, Yang highlighted facially obvious pricing violations.¹⁴⁹ She otherwise gave management the benefit of the doubt.¹⁵⁰ Twenty-three of those contracts remain at issue.

J. Saama's Declining Financial and Operational Health

Post-merger, Saama's financial health deteriorated.¹⁵¹ Anticipating significant growth, Saama increased headcount from about 1,080 at the start of 2021 to over

¹⁴⁶ JX 1013 (native) ("Revenue Recon" tab); PTO ¶ 125.

¹⁴⁷ JX 1013 (native) ("Earnout Statement" and "ARR Bookings" tabs). In drafting the objection, Yang created a tracking spreadsheet documenting a detailed, contract-by-contract review against each prong of the ARR Bookings definition and tracking Saama's response to PwC's questions. JX 993 (native) 4.

¹⁴⁸ JX 1013 (native) ("ARR Bookings" tab).

¹⁴⁹ Yang Tr. 1026-28.

¹⁵⁰ *Id.* at 1030-31.

¹⁵¹ JX 81 at 78-79.

1,800 in early 2022.¹⁵² It also poured resources into research and development, with expenses growing at twice the rate of Saama’s revenue.¹⁵³

To stem the cash burn, Saama’s new Carlyle-recruited Chief Financial Officer, Scott Rogers, instituted a hiring freeze in March 2022.¹⁵⁴ Despite this measure, by the end of the first quarter of 2022, Saama had lost more than \$4.4 million in EBITDA and subscription margins collapsed from 87.2% in the first quarter of 2021 to 58.4%.¹⁵⁵ These results stood in stark contrast to Saama’s operating plan, which predicted that subscription margins would reach 90%.¹⁵⁶

By April 2022, Saama was far below plan. Its subscription bookings were \$1.5 million—\$10.1 million behind goal—and its EBITDA declined to negative \$6.3 million.¹⁵⁷ After the results for the first half of 2022 came in, Saama reduced its

¹⁵² Rogers Tr. 843-44, 848; JX 1159 at 9.

¹⁵³ JX 1070 at 1.

¹⁵⁴ Zhuang Dep. 218-22; JX 1166 (native) 1; JX 1070 at 1; Gondhali Tr. 657; Rogers Tr. 843-45; PTO ¶ 123. Prior to Saama, Rogers was employed at PPD, a company that Carlyle had acquired in 2011 and sold in December 2021. PTO ¶ 124; Rogers Tr. 843.

¹⁵⁵ JX 1173 at 26-27 (“unplanned subscription costs” and “[n]ew [h]ire [d]rag” contributed to lower gross margins); JX 1166 (native) 1 (noting that the “EBITDA OF -\$4.0mm” was “due to unexpected margin pressure driven by a miss on hiring and labor utilization”).

¹⁵⁶ JX 1072 at 5-6, 9; Rogers Tr. 849-50; *see* JX 2137 (Opening Expert Report of Louis G. Dudney, CPA, CFF) (“Dudney Opening Report”) ¶ 24 & fig. 5.

¹⁵⁷ JX 2256 (native) 4.

budget once more, projecting an annual EBITDA loss of \$9 million and an annual gross margin of 42.7%.¹⁵⁸

Bress and Katta began to discuss accelerating Katta's separation from the company.¹⁵⁹ Katta's employment agreement contemplated that he would leave the CEO role in early 2023, but Carlyle had the right to remove him at any time without cause.¹⁶⁰ Carlyle identified industry veteran Vivek Sharma as Katta's successor.¹⁶¹ On June 27, 2022, Sharma officially replaced Katta as CEO.¹⁶²

By this point, the consequences of Saama's overcommitments had materialized. Operationally, Saama was struggling. Fulfilling the AbbVie commitments had placed "a huge burden" on Saama.¹⁶³ But despite devoting extensive resources to AbbVie, SAM remained in development.¹⁶⁴ Similarly, Saama could not "deliver a working, white-label environment" for IQVIA on the promised

¹⁵⁸ JX 1318 at 36.

¹⁵⁹ Bress Dep. 512; Katta Tr. 219-21.

¹⁶⁰ JX 762 (employment agreement) 2, 4-5.

¹⁶¹ Katta Tr. 220; Bress Dep. 513; Sharma Tr. 1225-26, 1275-78.

¹⁶² PTO ¶ 127.

¹⁶³ JX 1883 at 9 (stating that delivering on AbbVie commitments is "a huge burden" for Saama); *see also* Sharma Dep. 240.

¹⁶⁴ Rogers Tr. 854-55; *see* JX 1270 at 1-2 (Gondhali reporting that AbbVie was "scared [as to] how . . . [its] first study [will] flawlessly go-live," and that "customer sentiment really is 1 out of 10").

timeline, prompting IQVIA to demand its money back.¹⁶⁵ The customer team salvaged that relationship by agreeing to work for a single client going forward.¹⁶⁶

Fearing the worst, Gondhali asked Srinivasan Anandakumar, a senior director, whether it was “[p]ossible to renegotiate” the signed earnout-period contracts, warning that “the Q4 deals will drown us.”¹⁶⁷ Gondhali’s fears were prescient. Novotech, for instance, eventually canceled its contract after Saama could not perform hundreds of committed implementations.¹⁶⁸

K. The KPMG Audit and Contetra Memo

During this time, Saama awaited its 2021 audit from KPMG Assurance and Consulting Services LLP (“KPMG India”).¹⁶⁹ Saama’s failure to provide information delayed the annual audit’s completion.¹⁷⁰

¹⁶⁵ JX 1282 at 1 (July 20, 2022 email noting that SAM had yet to be delivered to IQVIA, that there was still no delivery date for SDQ, and that the Clinical Insights and Operational Insights products were reportedly not working for IQVIA); JX 1304 at 1-2 (July 30, 2022 email discussing how IQVIA wanted “answers on why [Saama] ha[s] not given them a demo environment for them to demo to clients the solutions” and stating that IQVIA wanted “to revisit the contract since [Saama] can[’t] deliver”); JX 1374 at 1 (August 26, 2022 email where IQVIA states: “It sounds like Saama is unwilling to honor the terms of the existing arrangement and would like to renegotiate the agreement”).

¹⁶⁶ Scaldaferri Dep. 367-69; JX 1412 at 1.

¹⁶⁷ JX 1316 at 1 (“All q4 deals are messy.”); *see* Anandakumar Tr. 483.

¹⁶⁸ Rogers Tr. 856-57; Sharma Tr. 1254-55; JX 1820 at 1-2; *see* JX 2349 at 1 (Gondhali stating on July 25, 2022: “[W]e are losing a lot of money on [N]ovotech.”).

¹⁶⁹ JX 1019.

¹⁷⁰ JX 1250.

On August 31, 2022, KPMG India issued its audit report, which it designated “special purpose” and limited to internal use only (the “KPMG India Audit”).¹⁷¹ KPMG India presented its conclusions to the board of Saama’s Indian subsidiary—not to Saama’s Board of Directors (the “Board”).¹⁷² Bress found this irregular, having “never been in a situation where an audit w[as] not delivered to the board [of the parent company] for review.”¹⁷³

The KPMG India Audit reported 2021 revenue of \$73,180,543, corroborating the Earnout Statement.¹⁷⁴ It relied on a memo from Contetra plc, which Saama had engaged in early 2022 to review its ASC 606 accounting for the AbbVie contract (the “Contetra Memo”).¹⁷⁵ Rogers had given feedback on a draft of the Contetra Memo that explained AbbVie had been given “off the shelf” Life Sciences Analytics Cloud software licenses that were “capable of being distinct,” “used with little customization,” and that could be self-implemented.¹⁷⁶ Rogers later learned this

¹⁷¹ JX 1401 at 3 (“The accompanying consolidated financial statements . . . are special purpose financial statements These financial statements are meant for internal use of the Board of Directors.”); JX 1724 at 1-3 (“As previously discussed, I would like to highlight that our audit is a special purpose audit The financials are not meant for use as general purpose financial statements.”).

¹⁷² Katta Tr. 227; JX 1376 at 3.

¹⁷³ Bress Tr. 1403.

¹⁷⁴ JX 1396 at 8. Saama’s earnout statement listed 2021 revenue of \$73,132,551—a \$47,992 difference. *See supra* note 128 and accompanying text.

¹⁷⁵ JX 1724 at 36-81; JX 920 at 1; PTO ¶ 119.

¹⁷⁶ JX 1069 at 1; JX 1065.

information was false.¹⁷⁷ AbbVie had received only an unusable demo environment in 2021 and anticipated a custom product co-built with Saama.¹⁷⁸ The Contetra Memo bundled software, installation, and customization into a single performance obligation and assumed this deliverable was implemented by the end of 2021.¹⁷⁹

On September 7, Rogers delivered Saama's response to Carlyle's objection, which relied on the KPMG India Audit and Contetra Memo.¹⁸⁰ The response conceded several ARR Bookings objections, reducing the total claimed ARR from \$32.3 million to \$12.9 million,¹⁸¹ and proposed a reduced earnout payment of \$64.9 million.¹⁸² At this point, based on the KPMG India Audit and Contetra Memo, Rogers believed the AbbVie revenue had been properly recognized.¹⁸³

L. The Second Opinion

In September 2022, Yang and Rogers requested additional information about the Earnout Statement, including the accounting for the AbbVie contract.¹⁸⁴

¹⁷⁷ Rogers Tr. 928.

¹⁷⁸ See Anandakumar Tr. 507-08, 510-11, 540-41; Rogers Tr. 921; Sharma Tr. 1253; JX 1046 at 2.

¹⁷⁹ JX 1724 at 48, 57.

¹⁸⁰ JX 1401 at 1; Rogers Tr. 870.

¹⁸¹ Compare JX 1401 (native) ("ARR Bookings" tab), with JX 937 (native) ("Earnout Statement" tab). Katta was involved in the formulation of the response. JX 1474 at 2.

¹⁸² JX 1401 (native) ("ARR Summary" tab).

¹⁸³ Rogers Tr. 928-29.

¹⁸⁴ *Id.* at 925-28; Yang Tr. 1211-12; see JX 1435.

Meanwhile, PwC reviewed the KPMG India Audit and Contetra Memo. PwC advised Carlyle to maintain its objection, concluding that KPMG India—relying on the Contetra Memo—failed to identify the correct performance obligations under GAAP.¹⁸⁵

Yang and Rogers spoke multiple times over the ensuing weeks. During these conversations, Rogers shared initial drafts of Saama’s responses to Carlyle’s questions about AbbVie and updates on communications with the Sellers.¹⁸⁶ On October 12, 2022, Yang drafted emails for Rogers to send to the Board and to KPMG India that questioned the analyses underlying the KPMG India Audit.¹⁸⁷ Rogers sent the emails unchanged.¹⁸⁸ Rogers and Sharma then asked KPMG India to change “their audit to a general purpose audit.”¹⁸⁹

At Yang’s recommendation, Rogers sought a second opinion on the KPMG India Audit and identified accounting firms that were independent of Carlyle,

¹⁸⁵ See JX 1488 at 2; JX 1462 at 19-20; Bress Tr. 1404; JX 1433 (native) 1-2.

¹⁸⁶ Rogers Tr. 929-33; JX 1449 (Rogers scheduling recurring catch-ups with Yang and associate); JX 1454 (Rogers sharing a first cut of Saama’s responses to the AbbVie follow-up questions with Yang); JX 1467 (Rogers asking Yang if he can “update [her] on [his] conversation with the sellers”); JX 1458 (Rogers providing updated contracts to Yang); JX 1472 (Rogers providing an updated margin analysis to Yang).

¹⁸⁷ Rogers Tr. 935-37; JX 1510.

¹⁸⁸ JX 1512; JX 1516; JX 1518.

¹⁸⁹ Rogers Tr. 937-38.

including Grant Thornton LLP.¹⁹⁰ On October 28, the Board authorized Rogers to engage a “third-party advisor to review Saama’s AbbVie contract, prepare a memo on [its] findings[,] and report those findings back to the Board[.]”¹⁹¹

On November 22, Grant Thornton sent Rogers questions about the AbbVie contract.¹⁹² Rogers sent his draft responses to several employees for review, including Lisa Moneymaker, who had been hired as the Chief Technology and Product Officer a month before.¹⁹³ Moneymaker initially disputed Rogers’s view that the Saama software products required significant customization and software code changes before being implemented in AbbVie’s environment.¹⁹⁴ Her feedback was based on a misunderstanding of the context of Rogers’s questions.¹⁹⁵

In his response to Grant Thornton, Rogers maintained that implementing the software required significant customization, which indicated the AbbVie product

¹⁹⁰ *Id.* at 874, 877-78 (“And that’s how [Yang] identified these three firms.”); Yang Tr. 1047 (“And in that process, to support Mr. Scott Rogers, I had pulled together a panel of three potential accounting experts for him to choose from.”); *see* JX 1513 at 1.

¹⁹¹ JX 1576 at 4-5; JX 1542 (Oct. 21, 2022 email from Rogers to the Board listing “3rd Party Advisor Proposals” as an agenda topic); Rogers Tr. 878. All directors voted for authorizing Rogers to retain a third-party advisor, except for Katta “in his capacity as shareholder representative.” JX 1576 at 5.

¹⁹² JX 1616 at 1.

¹⁹³ Moneymaker Tr. 6.

¹⁹⁴ JX 1631 at 1-3.

¹⁹⁵ Moneymaker Tr. 80 (explaining that she retracted her comments after realizing that Grant Thornton was asking about what had been delivered to AbbVie rather than what was promised); *see* Rogers Tr. 883. Moneymaker’s explanation that she, as a new employee, misunderstood the issue was credible.

had not been fully implemented in 2021.¹⁹⁶ On December 2, Grant Thornton concluded that Saama could properly recognize only \$1.47 million of the AbbVie contract revenue in 2021, meaning that Saama had overstated its revenue by nearly \$3 million.¹⁹⁷ Rogers shared Grant Thornton’s opinion with KPMG India and Saama’s Board.¹⁹⁸

M. The Deloitte Audit

On February 1, 2023, KPMG India declined to restate its audit.¹⁹⁹ The engagement partner told Rogers that “[e]ven assuming many of [KPMG India’s] conclusions were inappropriate,” the audit assessed Saama from a specific materiality standpoint.²⁰⁰ KPMG India added that the audit had been prepared on a “special purpose” basis that prohibited anyone except the board of Saama India from using it.²⁰¹

In response, Rogers proposed that Saama’s Board engage Deloitte & Touche LLP to conduct a “general use financial statement audit of 2021.”²⁰² Concerned by

¹⁹⁶ JX 1630.

¹⁹⁷ JX 1723 at 82; PTO ¶ 133.

¹⁹⁸ JX 1724 at 33, 58; PTO ¶ 133; JX 1660; Rogers Tr. 885-86, 889-90.

¹⁹⁹ JX 1724.

²⁰⁰ *Id.* at 6-7.

²⁰¹ JX 1724; JX 1401.

²⁰² JX 1724 at 1.

the lack of a general-purpose audit, the Board authorized Deloitte’s retention on February 16.²⁰³

Deloitte restated Saama’s 2021 financials and concluded that Saama achieved \$67.4 million in 2021 revenue, including \$1.49 million from AbbVie—a conclusion that tracked Grant Thornton’s.²⁰⁴ Additional revenue corrections identified by Deloitte meant that, even if the Sellers were credited with the full \$4.55 million for the AbbVie contract, Saama’s total 2021 revenue would have reached \$70.5 million.²⁰⁵ That is, Saama’s revenue fell short of the earnout threshold by at least \$1.5 million.

N. Saama’s Struggles

In April 2023, Saama’s Board formed a special committee to investigate potential misconduct by current or former employees in connection with maximizing the earnout.²⁰⁶

By May, Saama had just \$6.7 million in cash—a burn of nearly \$40 million since the merger closed.²⁰⁷ With cash tight, on June 30, Saama took on debt through

²⁰³ PTO ¶ 134; Bress Tr. 1403-07; Rogers Tr. 888-91, 896-97; JX 1724 (Feb. 16, 2023 Board update).

²⁰⁴ PTO ¶ 135; Rogers Tr. 893; JX 1964 at 68.

²⁰⁵ See JX 2135 (Opening Expert Report of Gordon Klein) (“Klein Opening Report”) ¶ 19ii(a); see also JX 1964 at 57.

²⁰⁶ PTO ¶ 136.

²⁰⁷ JX 1855 at 5; JX 1166 (native) 6.

a Contribution Agreement with Warrior Parent and affiliates.²⁰⁸ The Board approved additional financing up to \$250 million for liquidity needs and potential M&A.²⁰⁹

Saama's subscription gross margins also declined, falling from 71.8% in November 2021 to 30.8% in July 2023.²¹⁰

O. This Litigation

In November 2022, Katta filed this lawsuit to compel arbitration over the earnout.²¹¹ That month, after expedited proceedings, I entered a partial judgment granting Katta's request to send the earnout dispute to an accounting expert—as the Merger Agreement contemplated.²¹² Katta changed his mind. He moved to vacate that partial judgment and file an amended complaint raising new theories, which I granted in October 2024 under Court of Chancery Rule 54(b).²¹³

²⁰⁸ JX 2083.

²⁰⁹ Rogers Tr. 898 (stating that Saama only had “enough cash for operations until June”); JX 1862 at 4-5; JX 1876 at 64. Carlyle and Saama management explored potential M&A exit strategies, including a prospective business combination with another Carlyle portfolio company in late 2024 and early 2025. Sambasivan Tr. 1323-24; Bress Tr. 1468. No transaction transpired.

²¹⁰ JX 2125 (native) 1.

²¹¹ Dkt. 1.

²¹² Verified Compl. (Dkt. 1); Order Granting Pl.'s Mot. to Compel Arbitration (Dkt. 47).

²¹³ Order Granting Pl.'s Mot. to Vacate the Court's Partial J. and Amend and Suppl. Compl. (Dkt. 106); Verified Am. and Suppl. Compl. (Dkt. 107).

In January 2025, Katta’s complaint was amended once more, advancing thirteen counts against numerous defendants.²¹⁴ Defendants Warrior Holdings and Warrior Parent responded by filing six counterclaims against Katta and Anisingaraju.²¹⁵

Both sets of parties cross-moved for partial dismissal on various claims and counterclaims.²¹⁶ On November 7, 2025, I granted the motions in part and denied them in part.²¹⁷ My ruling left several of Katta’s claims to be resolved, including for a declaratory judgment that the earnout payment is owed based on breaches of the Merger Agreement, breach of fiduciary duty, breaches of Saama’s limited liability company agreement (“LLC Agreement”), and breaches of the Contribution Agreement.²¹⁸ As for the counterclaims, three remained against Katta—some reduced to subparts—for breach of Section 2.10(d) of the Merger Agreement, breach

²¹⁴ Verified Second Am. and Suppl. Compl. (Dkt. 130) (“Compl.”).

²¹⁵ Verified Am. Countercl. and Third-Party Compl. (Dkt. 151) (“Countercl. Compl.”) ¶¶ 132-65.

²¹⁶ Defs.’ Partial Mot. to Dismiss Pl.’s Verified Second Am. and Suppl. Compl. (Dkt. 157); Countercl. Def.’s and Third-Party Def.’s Mot. to Dismiss the Verified Am. Countercl. and Third-Party Compl. and Verified Compl. (Dkt. 168).

²¹⁷ Telephonic Rulings Defs.’ Partial Mot. to Dismiss Second Am. Compl. and Countercl. Def. and Third-Party Def.’s Mot. to Dismiss Verified Am. Countercl. and Third-Party Compl. (Dkt. 304) (“MTD Hr’g Tr.”).

²¹⁸ *Id.* at 42-43.

of the implied covenant of good faith and fair dealing, and a declaratory judgment that no earnout payment is owed.²¹⁹

Ahead of trial, I issued a letter opinion resolving three motions in limine, declined to resolve another as premature, and deferred ruling on a motion for spoliation sanctions.²²⁰ I issued another letter opinion denying Katta's request—on the eve of trial—to amend his complaint for the third time to add fraud and aiding and abetting claims.²²¹

Both parties filed their pre-trial briefs in February 2026.²²² A five-day trial was held from March 2 to March 6, 2026.²²³ Post-trial briefing was complete as of May 21.²²⁴ Katta abandoned his claims regarding the LLC Agreement and

²¹⁹ *Id.*

²²⁰ Letter Op. Resolving Mots. in Limine (Dkt. 402); Tr. of Feb. 18, 2026 Telephonic Hr'g (Dkt. 440) 49. The premature motion concerned a request to preclude Wilks from offering undisclosed expert opinions. That hypothetical situation did not come to pass; Wilks adhered to his disclosed expert position. *See* Wilks Tr. 416-79. The motion for spoliation sanctions concerned the alleged destruction of contemporaneous meeting notes by a Carlyle associate during internal deal team and Investment Committee meetings. *See* Pl.'s Mot. for Spoliation Sanctions (Dkt. 324). When deposed, the associate testified that she could not recall taking or deleting any such notes for the specific meetings at issue. *See* Zhuang Dep. 22, 139. At trial, Katta elicited no evidence that notes for those specific meetings ever existed—much less that they were recklessly or intentionally destroyed while a preservation obligation was in place. Katta's spoliation motion is therefore denied.

²²¹ Letter Op. Regarding Mot. for Leave to Amend (Dkt. 427).

²²² Defs.' and Countercl. Pls.' Pre-trial Br. (Dkt. 399); Pl. and Countercl. Def.'s Pre-trial Br. (Dkt. 401) ("Pl.'s Pre-trial Br.").

²²³ Dkts. 424, 439.

²²⁴ Pl. and Countercl. Def.'s Post-trial Br. (Dkt. 450) ("Pl.'s Post-trial Opening Br."); Defs.' and Countercl. Pls.' Post-trial Br. (Dkt. 452) ("Defs.' Post-trial Opening Br."); Pl. and

Contribution Agreement by neglecting to address them in post-trial briefing.²²⁵

Post-trial argument was held on June 1, after which I took the matter under advisement.²²⁶

II. ANALYSIS

Two of the claims Katta tried remain to be resolved: for a declaratory judgment that the earnout is owed due to a breach of the Merger Agreement and for breach of fiduciary duty against Rogers and Sharma.²²⁷ The other claims that survived dismissal were waived or abandoned.²²⁸ The defendants also tried counterclaims for breach of the Merger Agreement, breach of the implied covenant of good faith and fair dealing, and a declaratory judgment that no earnout payment is due.²²⁹

Countercl. Def.'s Post-Trial Reply Br. (Dkt. 455) ("Pl.'s Post-trial Reply Br."); Countercl. Pls.' Post-trial Reply Br. (Dkt. 457) ("Defs.' Post-trial Reply Br.").

²²⁵ See Defs.' Post-trial Opening Br. 9, 70. Katta's opening brief mentions the Contribution Agreement and his consent rights in the LLC Agreement only in passing. See Pl.'s Post-trial Opening Br. 60. He does not address either agreement in his reply brief. "Issues not briefed are deemed waived." *Emerald P's v. Berlin*, 726 A.2d 1215, 1224 (Del. 1999).

²²⁶ See Tr. of June 1, 2026 Post-trial Oral Arg. (Dkt. 463) ("Post-trial Hr'g Tr.").

²²⁷ PTO ¶ 141(a), (c).

²²⁸ See *Emerald P's*, 726 A.2d at 1224; *Oxbow Carbon & Mins. Hldgs., Inc. v. Crestview-Oxbow Acq., LLC*, 202 A.3d 482, 502 n.77 (Del. 2019) ("The practice in the Court of Chancery is to find that an issue not raised in post-trial briefing has been waived, even if it was properly raised pre-trial."); *supra* note 225 and accompanying text. Katta also dropped a claim concerning the creation of the special committee. PTO ¶ 146; see *supra* note 206 and accompanying text.

²²⁹ PTO ¶ 142(a)-(c).

The proponents bear the burden of proving their claims by a preponderance of the evidence. “Proof by a preponderance of the evidence means proof that something is more likely than not.”²³⁰ Under this standard, “certain evidence, when compared to the evidence opposed to it, has the more convincing force and makes [the court] believe that something is more likely true than not.”²³¹

A. Katta’s Affirmative Claims

Katta’s primary claim is that Carlyle (specifically, Warrior Holdings) breached the Merger Agreement because its objection to the Earnout Statement was not made in good faith.²³² As a result, he contends that the Earnout Statement became final and the maximum \$67.5 million earnout payment is due. Secondly, he contends that Sharma and Rogers breached their fiduciary duties by prioritizing Carlyle’s interests ahead of Saama’s.²³³

Katta has failed to meet his burden on either claim. The evidence establishes that Carlyle’s objection was made in good faith given the myriad problems with

²³⁰ *Agilent Techs., Inc. v. Kirkland*, 2010 WL 610725, at *13 (Del. Ch. Feb. 18, 2010) (quoting *Del. Express Shuttle, Inc. v. Older*, 2002 WL 31458243, at *17 (Del. Ch. Oct. 23, 2002)).

²³¹ *Id.*

²³² PTO ¶ 141(a); see Pl.’s Post-trial Opening Br. 69-74; see also *infra* note 240 (explaining that, at times, Carlyle and Warrior Holdings are referred to interchangeably).

²³³ PTO ¶ 141(c); see Pl.’s Post-trial Opening Br. 75-78. This theory is different than the claim pleaded in Katta’s Complaint, which primarily concerned Sharma and Rogers’ purported interference with the Earnout Statement’s dispute resolution process, including in relation to the 2021 audit process. Compl. ¶¶ 269-73.

Saama's revenue accounting. Katta also did not prove that Sharma's and Rogers' challenged conduct was anything but ordinary business decisions.

1. Whether Carlyle Breached the Merger Agreement

Katta originally claimed that Carlyle breached both the Merger Agreement and the implied covenant of good faith and fair dealing. As to the latter, he alleged that the implied covenant prohibited Carlyle "from taking steps to manipulate and delay the earnout calculation process to their benefit."²³⁴ I dismissed that claim because Section 2.10(b) of the Merger Agreement comprehensively addresses the requirements governing the Earnout Statement, objections, and any accounting arbitration; Section 2.10(c) addresses the timing of payment; and Section 2.10(d) governs the "Conduct of the Company" in all earnout-related matters between closing and December 31, 2021.²³⁵ Left for trial was Katta's claim that Carlyle breached the express obligations of the Merger Agreement.

"Under Delaware law, the elements of a breach of contract claim are: 1) a contractual obligation; 2) a breach of that obligation by the defendant; and 3) a resulting damage to the plaintiff."²³⁶ The pertinent obligation is in Section 2.10(b)

²³⁴ Compl. ¶ 231.

²³⁵ See MTD Hr'g Tr. 24-25 (explaining that extending Section 2.10(d)'s good-faith obligation beyond its express temporal limit would be "rewriting the contract's plain text" and that Section 2.10(b) provided a comprehensive, express remedy for earnout disputes).

²³⁶ *H-M Wexford LLC v. Encorp, Inc.*, 832 A.2d 129, 140 (Del. Ch. 2003).

of the Merger Agreement, which states that any item in the Earnout Statement not objected to “in good faith” becomes “final, conclusive and binding.”²³⁷ Katta argues that Carlyle breached Section 2.10(b) because its February 13, 2022 objection to the Earnout Statement was not made in good faith.²³⁸ If Carlyle’s objection was made in bad faith, he contends that the Earnout Statement—which claimed over \$73 million in 2021 revenue and over \$31 million in ARR Bookings—became final, conclusive, and binding, and the maximum earnout must “be promptly paid in accordance with” the Merger Agreement.²³⁹

a. The Good Faith Obligation

Section 2.10(b) states, in relevant part:

If within thirty (30) days following receipt of the Earnout Statement, [Carlyle] has not given [Katta] written notice of objection to such Earnout Statement setting forth in reasonable detail each disputed item . . . the Earnout Statement shall be final, conclusive and binding Notwithstanding anything in this Agreement to the contrary, any amount in the Earnout Statement that is not disputed by [Carlyle] *in good faith* shall be promptly paid²⁴⁰

²³⁷ Merger Agreement § 2.10(b).

²³⁸ Pl.’s Post-trial Opening Br. 68-70.

²³⁹ Merger Agreement § 2.10(b); *see* JX 940 at 1; JX 973 (native).

²⁴⁰ Merger Agreement § 2.10(b) (emphasis added). The Merger Agreement defines “Purchaser” as Warrior Holdings, and Stockholder Representative as “Katta.” *See generally* Merger Agreement, pmbl. Since Warrior Holdings is an entity created to effectuate Carlyle’s ultimate purchase of Saama, I refer to Warrior Holdings and Carlyle interchangeably.

Familiar principles of contract interpretation govern.²⁴¹ “Delaware adheres to the ‘objective’ theory of contracts, i.e., a contract’s construction should be that which would be understood by an objective, reasonable third party.”²⁴² Where a contract is unambiguous, the court gives effect to the “plain meaning of the contract’s terms and provisions.”²⁴³ It must assess the contract “as a whole and . . . give each provision and term effect, so as not to render any part of the contract mere surplusage.”²⁴⁴

Katta reads Section 2.10(b) to mean that Carlyle was prohibited from issuing preplanned objections to avoid paying the earnout.²⁴⁵ He believes that when Bress proposed the earnout, Carlyle already planned to object to Saama’s 2021 recognition of revenue from the AbbVie agreement. The defendants, for their part, read the good faith provision in Section 2.10(b) more narrowly. They construe it as a trigger for

²⁴¹ See *id.* § 10.4 (selecting Delaware law to govern the Merger Agreement).

²⁴² *Osborn ex rel. Osborn v. Kemp*, 991 A.2d 1153, 1159 (Del. 2010) (quoting *NBC Universal v. Paxson Commc’ns Corp.*, 2005 WL 1038997, at *5 (Del. Ch. Apr. 29, 2005)).

²⁴³ *Id.* at 1159-60; see also *Rhone-Poulenc Basic Chems. Co. v. Am. Motorists Ins.*, 616 A.2d 1192, 1195 (Del. 1992) (“Clear and unambiguous language . . . should be given its ordinary and usual meaning.”).

²⁴⁴ *Osborn*, 991 A.2d at 1159 (quoting *Kuhn Constr., Inc. v. Diamond State Port Corp.*, 990 A.2d 393, 396-97 (Del. 2010)).

²⁴⁵ Pl.’s Post-trial Opening Br. 70-71.

Carlyle’s obligation to pay any portion of the Earnout Statement that is not disputed in good faith.²⁴⁶

Katta points to Carlyle’s internal modeling and financial desire to avoid the earnout as evidence of bad faith.²⁴⁷ Those considerations may inform the assessment of Carlyle’s motives, but they do not alone establish that Carlyle exercised its objection right dishonestly. Section 2.10(b) requires good-faith objections—not that Carlyle favor payment of the earnout.²⁴⁸

Carlyle’s reading, by contrast, honors the plain text and commercial reality of Section 2.10.²⁴⁹ Section 2.10(b) outlines a multistep dispute resolution process that contemplates—and is predicated upon—objections. It affords Carlyle thirty days to review the Earnout Statement and issue a written notice detailing its disputes, which defers the determination of the earnout pending the delivery of audited financial statements, initiates a 30-day resolution period, and routes unresolved disagreements to an accounting expert.²⁵⁰

²⁴⁶ Defs.’ Post-trial Opening Br. 80-81.

²⁴⁷ See Pl.’s Post-trial Opening Br. 70-72; Pl.’s Post-trial Reply Br. 53-57; *see also* Defs.’ Post-trial Reply Br. 36-38, 40 n.168.

²⁴⁸ *Cf. Rhone-Poulenc*, 616 A.2d at 1195 (“Delaware courts will not destroy or twist [contract] language under the guise of construing it.”).

²⁴⁹ *GMG Cap. Invs., LLC v. Athenian Venture P’rs I, L.P.*, 36 A.3d 776, 779 (Del. 2012) (explaining that the court must interpret a particular contract provision by reference to “the agreement’s overall scheme” (citing *E.I. du Pont de Nemours & Co. v. Shell Oil Co.*, 498 A.2d 1108, 1113 (Del. 1985))).

²⁵⁰ Merger Agreement § 2.10(b); *see also id.* §§ 2.10(c), (d).

The Merger Agreement must be read as a whole.²⁵¹ Sections 2.10(b) and 2.10(d) constrain different conduct: the former governs objections to the Earnout Statement, and the latter governs Saama’s operation of its business during the specified post-closing period.²⁵² Section 2.10(d) dictates that, from closing until December 31, 2021, the “Final Surviving Company” must conduct the business in good faith and not “intentionally take any action for the purpose of avoiding the payment of, or reducing” the earnout.²⁵³ Section 2.10(b) governs the dispute resolution process for the Earnout Statement, and does not extend the operating restrictions imposed on the Final Surviving Company.²⁵⁴ It requires Carlyle to exercise its objection right in good faith, meaning that motives remain relevant to whether it honestly believed its objections were warranted.

“When a contract’s express terms incorporate a good faith requirement, the trial court should focus on the meaning of that express contractual duty.”²⁵⁵ “A plaintiff contending that a party did not comply with its express contractual duty of

²⁵¹ See *Kuhn*, 990 A.2d at 396–97 (“We will read a contract as a whole and we will give each provision and term effect, so as not to render any part of the contract mere surplusage.”).

²⁵² Merger Agreement §§ 2.10(b), (d).

²⁵³ *Id.* The Merger Agreement defines the “Final Surviving Company” as Saama Technologies, LLC, the post-closing entity wholly owned by Warrior Parent, LLC. *Id.* at pmbl., §§ 1.1(a)(ii), 1.1(b)(ii), 1.1(c), 2.1(b)(i). Katta does not claim that Carlyle breached Section 2.10(d).

²⁵⁴ *Id.* § 2.10(b).

²⁵⁵ *ev3, Inc. v. Lesh*, 114 A.3d 527, 539 (Del. 2014).

good faith would typically have to show that the party acted in subjective bad faith.”²⁵⁶ The court must analyze the good faith obligation in the context of the “larger provision—or value—it sought to protect.”²⁵⁷

Here, the phrase “in good faith” in Section 2.10(b) serves as a contractual backstop to prevent Carlyle from asserting baseless objections to avoid making a payment and thwart the dispute resolution process. It does not deprive Carlyle of the bargained-for right to advance a factually and legally supported challenge.²⁵⁸ The relevant inquiry is whether Carlyle honestly believed its objections had a basis in the facts and the Merger Agreement. A desire to avoid an earnout payment is not bad faith, provided Carlyle honestly believed its objections were warranted.

Katta attempts to demonstrate Carlyle’s bad faith in three ways. First, he contends that Carlyle secretly predetermined its objection before the earnout period even closed to satisfy its IRR targets.²⁵⁹ Second, he argues that Carlyle purposefully

²⁵⁶ *Id.*

²⁵⁷ *DV Realty Advisors LLC v. Policemen’s Annuity and Ben. Fund of Chicago*, 75 A.3d 101, 110 (Del. 2013).

²⁵⁸ See *Nemec v. Shrader*, 991 A.2d 1120, 1128 (Del. 2010) (“A party does not act in bad faith by relying on contract provisions for which that party bargained where doing so simply limits advantages to another party.”); *Credit Lyonnais Bank Nederland, N.V. v. Pathe Commc’ns Corp.*, 1991 WL 277613, at *23 (Del. Ch. Dec. 30, 1991) (“Generally speaking, contracting parties are, to a large extent, entitled to act selfishly to promote their own interests under the contract. While in a relational contract it may be short-sighted and bad business to do so, they generally are entitled to push their claims of entitlement under a contract in an attempt to maximize their self-interest.”).

²⁵⁹ See Pl.’s Post-trial Opening Br. 29-30, 34-36.

avoided validating Saama's recognition of the AbbVie revenue to preserve a pretextual dispute.²⁶⁰ And third, he asserts that Carlyle baselessly objected to dozens of ARR Bookings contracts.²⁶¹

Katta failed to prove bad faith, as contemplated by Section 2.10(b), under any of these theories. Rather, the trial record shows that Carlyle's objections were made in good faith because they were grounded in legitimate factual and contractual deficiencies.

b. Carlyle's Overarching Conduct

Katta asserts that the conduct of Carlyle's deal team reflects a bad-faith intent to evade the earnout. He contends that when Bress proposed the earnout structure to "bridge" Carlyle's \$435 million valuation back to the initial \$505 million, Katta was led to believe that the earnout payment was guaranteed. In Katta's view, the earnout was nothing but a ruse for Carlyle to dupe Katta into a lower valuation and reach a 25% IRR.²⁶²

Katta's claim rests on a misconception of the parties' bargain. Delaware law does not require a buyer to hope that a seller achieves an earnout. The earnout was negotiated by sophisticated commercial counterparties, each representing its own

²⁶⁰ See *id.* at 36-38, 52-55.

²⁶¹ See *id.* at 57, 73-75.

²⁶² *Id.* at 69; see also Pl.'s Post-trial Reply Br. 53.

economic interests.²⁶³ If Carlyle believed Saama was unlikely to hit the earnout targets, that was Carlyle’s commercial prerogative. Carlyle had no obligation to disclose its internal probability assessments. Saama, having greater visibility into its own capabilities, had the prerogative to negotiate for targets it deemed appropriate and realistic. Even if Katta’s theory were legally cognizable, the trial record belies his narrative.

First, Carlyle’s \$70 million reduction in its initial valuation was in response to Saama’s underperformance and information learned during due diligence. The confidential memorandum Saama preliminarily disclosed to potential buyers projected 2021 software subscription revenue of \$27.9 million.²⁶⁴ That figure was reduced to \$20.4 million in light of Saama’s actual results in the first half of 2021.²⁶⁵ Carlyle further reduced it to \$12 million after diligence revealed anomalies in Saama’s accounting, such as bundling implementation and subscription services.²⁶⁶

²⁶³ See *Fortis Advisors LLC v. Johnson & Johnson*, -- A.3d --, 2024 WL 4048060, at *21 (Del. Ch. Sept. 4, 2024) (“Buyers can mitigate valuation risk since the contingent payment is based on the seller's actual future performance rather than its projections. Sellers give up guaranteed cash but stand to gain a greater payment overall than they might otherwise receive upfront if defined milestones are met.”), *aff’d in part, rev’d in part sub nom. Johnson & Johnson v. Fortis Advisors LLC*, 352 A.3d 229 (Del. 2026); see also *Chi. Bridge & Iron Co. N.V. v. Westinghouse Elec. Co. LLC*, 166 A.3d 912, 927 (Del. 2017) (“The basic business relationship between parties must be understood to give sensible life to any contract.”).

²⁶⁴ JX 81 at 31.

²⁶⁵ Bress Tr. 1354-55.

²⁶⁶ JX 360 at 4-5, 24; JX 374 at 1; see Yang Tr. 961, 963; Bress Tr. 1362-63.

Carlyle told Saama before closing that it did not view bundling to be an appropriate way to account for software subscription revenue.²⁶⁷ This understanding was later confirmed in the Merger Agreement’s definition of qualifying ARR Bookings.²⁶⁸

Second, Carlyle did not trick or mislead Katta into accepting an earnout structure. There is no credible evidence that Bress promised Katta the earnout payment was guaranteed. Regardless, Katta’s testimony that the earnout was a “deferred payment” bridging a “timing gap” is contrary to the negotiated, contingent terms he agreed to in the Merger Agreement.²⁶⁹

Nor was Katta misled by the so-called “sanitized” Investment Committee memo he was given after the Merger Agreement was signed.²⁷⁰ Carlyle was not obligated to give Katta any portion of its Investment Committee materials—much less its internal deliberations or proprietary analyses.²⁷¹ Bress offered to give Katta a summary, and he followed through.²⁷²

²⁶⁷ JX 374 at 1; *see* Bress Tr. 1363-64; JX 366 at 1; JX 390 at 3-4 (presentation given to Saama that states Saama “[c]annot bundle subscription and implementation revenues in one line”); Yang Tr. 971-73.

²⁶⁸ Merger Agreement Annex A (defining “ARR Bookings”) (“ARR Bookings shall not include software subscription revenues that are bundled with implementation revenues in one line . . .”).

²⁶⁹ Katta Tr. 158-59, 164, 167, 240-41.

²⁷⁰ Pl.’s Post-trial Opening Br. 69.

²⁷¹ Bress Tr. 1392-93 (testifying that Katta was told he would receive a “summary” of findings and that “full memos are like [Carlyle’s] proprietary thinking”).

²⁷² On the eve of trial, Katta attempted to amend his complaint to add fraud and aiding and abetting claims based, in part, on the differences between the final Investment Committee

Finally, Katta argues that Carlyle covertly withheld its concerns about Saama's accounting until after the Earnout Statement was issued.²⁷³ But the Merger Agreement lacks any affirmative obligation for Carlyle to steer Saama's accounting before the objection period. Instead, the Merger Agreement outlines a multi-step process for raising objections post-Earnout Statement.²⁷⁴ Carlyle's good faith is measured in the context of these contract terms.²⁷⁵

c. Carlyle's Objection to the AbbVie Contract Accounting

Revenue recognition for the AbbVie contract is the crux of Katta's claim. Carlyle objected that the \$4.55 million of revenue attributed to the AbbVie contract was improperly recognized under GAAP (ASC 606) for three reasons.²⁷⁶ It asserted that the revenue: (1) should have been deferred because it matched amounts billed rather than work completed; (2) contradicted Saama's historical revenue recognition

memo and summary version provided to him. I denied that request in a letter opinion just before trial began, ruling on procedural grounds. *See* Letter Op. Regarding Mot. for Leave to Am. (Dkt. 427).

²⁷³ Pl.'s Post-trial Opening Br. 70.

²⁷⁴ Merger Agreement § 2.10(b); JX 390 at 3-4 (August 2021 presentation to Saama from Carlyle delineating what constitutes eligible ARR for the earnout). Katta argues that without arbitration or a court order, Bress could not authorize the earnout's payment absent further Investment Committee approval, indicating Carlyle's desire to impede its payment. Pl.'s Post-trial Reply Br. 27; *see* Bress Tr. 1473. He presented no evidence that Carlyle's approval requirement reflects a scheme to impede payment rather than typical internal controls.

²⁷⁵ *See supra* notes 252-254 and accompanying text.

²⁷⁶ *See* JX 1013 (native) ("Revenue Recon" tab).

policy; and (3) involved software that required significant ongoing customization and implementation services.²⁷⁷ Resolving this aspect of Katta’s claim is determinative of whether any earnout payment is due.

Katta avers that “Carlyle knew” this objection would “not withstand scrutiny,” and so it “never asked Saama the questions PwC (incorrectly) said needed to be answered to determine correct recognition of the AbbVie revenue.”²⁷⁸ Had Carlyle asked the “correct questions” about revenue recognition, Katta posits, it would have known its objection was meritless.²⁷⁹ This theory did not bear out at trial.

i. *Carlyle’s Good Faith Objection*

As explained above, the relevant inquiry is whether Carlyle honestly believed its objection had a basis in the facts and the Merger Agreement.²⁸⁰ The record establishes that it did. Carlyle’s objection to the AbbVie revenue recognition was a good-faith assessment grounded in professional accounting advice.

Carlyle did not fabricate the AbbVie objection. It engaged PwC to review the Earnout Statement and evaluate Saama’s 2021 revenue calculations under GAAP.²⁸¹

²⁷⁷ See JX 980; JX 992; Easton Tr. 1538-42, 1548-50, 1552-54, 1557-58.

²⁷⁸ Pl.’s Post-trial Opening Br. 70.

²⁷⁹ *Id.* at 70-71.

²⁸⁰ See *supra* Section II.A.1.a.

²⁸¹ See Bress Tr. 1400. In initial communications with PwC, Yang attached an outdated bookings file that showed only \$3.5 million was to be recognized for AbbVie in 2021, rather than \$4.55 million. Yang Tr. 1008. Yang credibly testified that this was by mistake

It was PwC—not Carlyle—that flagged the \$4.55 million AbbVie revenue as potentially improper under ASC 606.²⁸² After receiving this advice, Carlyle’s Yang directed PwC to detail the basis for its concerns, convened a call between PwC and Saama’s management, and asked whether PwC could “line up” Saama’s accounting after hearing management’s explanations.²⁸³ When Saama’s responses did not convince PwC that the AbbVie revenue could be recognized upfront under GAAP, Carlyle relied on that professional advice to lodge its objection.²⁸⁴ An acquiror relying on a major accounting firm to review technical software revenue recognition issues illustrates a rational inquiry, not bad faith.²⁸⁵

and that PwC ultimately relied on and had access to the accurate number. Yang Tr. 1008-09.

²⁸² Bress Tr. 1402; Yang Tr. 1010-13; *see also* JX 978 at 11 (PwC to Carlyle: “Seems they have worked with AbbVie to front load the contract so will need to better understand it and what is going on with that one as it is a big reason why they hit the number.”); *id.* at 8.

²⁸³ Yang Tr. 1015-17; *see* JX 984 at 1-2; JX 978 at 11 (Yang asking PwC if it was possible to “line up” the AbbVie revenue with information received from management); *id.* at 5-6; JX 985 at 1, 11; JX 980 at 5-7; JX 970 at 1-3.

²⁸⁴ *See* JX 992 at 1-2 (PwC informing Carlyle that it did not hear anything on the call to validate Saama’s accounting treatment); *see also* JX 984 (in response to information from Saama, PwC informing Carlyle: “we discussed the Abb[V]ie contract with our revenue recognition specialists and based on our understanding of the company’s historical practices and the services provided, we do not understand why the \$4.5 million is not deferred over the subscription period”).

²⁸⁵ Katta takes issue with Yang’s purported failure to forward certain questions from PwC about the ASC 606 factors to Saama. Pl.’s Post-trial Opening Br. 70. Although Yang could not recall at trial whether the questions were asked, PwC and Saama connected directly during their February 8, 2022 call. Yang Tr. 1193-94; JX 985 at 1; JX 988 (native) 1-2 (“Email – Revenue Question” tab, cells A2, I41). There is no evidence that Yang withheld questions purposefully to prevent Carlyle’s objection from being resolved.

Carlyle’s objection was further justified by Saama’s own internal accounting maneuvers to reposition the AbbVie contract revenue for recognition in 2021. For example, in September 2021, Gondhali—Saama’s customer success lead—observed that the draft AbbVie Statement of Work labeled a \$2.75 million deliverable as a “Pre-Payment for Future Discounted Subscription Fees.”²⁸⁶ Recognizing that this label disqualified upfront accounting treatment, Gondhali asked internally: “can we reword that? [I] bet you can[’]t realize for this milestone although you can bill.”²⁸⁷ Saama then revised the Statement of Work to relabel the AbbVie contract milestones as “Project Setup Activities - Installation Complete” and “Configuration Complete” to claim the full \$4.55 million of revenue in the 2021 earnout window.²⁸⁸

Despite Gondhali’s creative semantics, the substance of the project remained the same. The software delivered to AbbVie in 2021 was not a standalone, off-the-shelf product capable of distinct functionality. It was an early proof-of-concept co-build that required extensive integration with AbbVie’s proprietary “Jarvis” system.²⁸⁹ Given these efforts to circumvent Saama’s revenue

²⁸⁶ JX 469 at 16.

²⁸⁷ JX 461 at 1; *see* Gondhali Tr. 636.

²⁸⁸ JX 484 at 18 (reflecting comments about accounting); *see* Gondhali Tr. 638-40.

²⁸⁹ *See* Rogers Tr. 854-55, 921; JX 928 (native) 3-4; Sharma Tr. 1253; Anandakumar Tr. 510-11, 540-41, 543-45; Hagins Dep. 254-55.

recognition policy, Carlyle’s objection to recognizing the \$4.55 million in 2021 was justified.

Carlyle’s continued objection after receiving the KPMG India Audit was similarly justified. Section 2.10(b) of the Merger Agreement contemplated that disputes could persist after the delivery of the audit and outlined a process for resolution.²⁹⁰ Invoking that process does not reflect bad faith given the audit’s substantive and structural defects. Substantively, KPMG India relied upon the Contetra Memo, which Katta’s accounting expert acknowledged lacked “rigor” due to its muddling of performance obligations.²⁹¹ Structurally, the audit was a “special purpose” review restricted by its terms to the board of Saama’s Indian subsidiary.²⁹² As KPMG India’s engagement partner confirmed to Rogers, the audit could not be shared with Saama’s Board or converted into a general purpose audit.²⁹³ Due to these flaws, PwC advised Carlyle that the audit failed to properly account for the

²⁹⁰ Merger Agreement § 2.10(b).

²⁹¹ Wilks Tr. 459-61; *see* JX 1724 (Contetra memo) 48 (concluding “in the context of the contract AbbVie desires a combined deliverable of Software license + Installation + Customization,” such that the “components shall be considered as single performance obligation”); *see id.* at 57 (noting that Saama had “completed the delivery” of the AbbVie software license and customization by the end of December 2021).

²⁹² JX 1724 at 1-3; Rogers Tr. 889-90.

²⁹³ JX 1955 at 7; Rogers Tr. 890-91.

AbbVie contract under ASC 606 and recommended that Carlyle continue to object.²⁹⁴ Carlyle relied on that advice in good faith.

ii. *Katta's Flawed Bad-Faith Theory*

Despite the evidence that Carlyle had legitimate grounds to object to Saama's recognition of the AbbVie agreement, Katta maintains that Carlyle's objection was pretextual. He points to a September 24, 2021 revenue projection showing Saama would reach \$72.2 million in 2021 revenue, which included \$4.55 million in revenue from the AbbVie contract.²⁹⁵ After a meeting where that projection was discussed, Bress asked the Carlyle deal team to model a scenario where Saama achieved only \$68 million in 2021 revenue (rather than \$72 million) with no earnout paid.²⁹⁶

Katta emphasizes that the \$4 million drop Bress considered roughly matches the \$4.55 million AbbVie contract, meaning Bress assumed the revenue would be lost.²⁹⁷ None of Carlyle's witnesses could identify any other specific data points in Saama's bookings file that would support dropping the base case projection by \$4

²⁹⁴ Bress Tr. 1401-05; Yang Tr. 1036-37, 1213-15; JX 1462.

²⁹⁵ JX 567 (September 22 bookings file email); JX 568 at 6 (September 23 agenda citing "\$4.6mm of \$6.6mm bridge to 2021E revenue of \$70.8mm dependent on the achievement and recognition of AbbVie Smart Series revenue"); see Yang Tr. 1141; Bress Tr. 1453.

²⁹⁶ JX 581 at 1-3; JX 579 at 42 (draft Investment Committee memo attaching Bress's comment: "\$68mm 2021 revenue instead of \$72mm, with no earnout"); see Bress Tr. 1454 (confirming he asked the team to model \$68 million after the September 24 call); Yang Tr. 1144-45.

²⁹⁷ See Pl.'s Post-trial Opening Br. 34-35; Pl.'s Post-trial Reply Br. 24-25.

million.²⁹⁸ Saama’s actual projected shortfall at the time was \$1.15 million, not \$4 million.²⁹⁹ Based on these facts, Katta theorizes that Carlyle planned to challenge the AbbVie revenue and avoid an earnout payment irrespective of Saama’s accounting methodology.³⁰⁰

The contemporaneous evidence refutes this theory. When Bress suggested modeling a \$68 million base case, Saama’s third-quarter performance had come in soft and management’s data showed Saama was tracking toward just \$70.85 million in annual revenue.³⁰¹ Carlyle acted as any rational acquirer would: it modeled downside sensitivities. As Bress credibly testified, the downside scenarios he considered still “assumed [Saama] would get the AbbVie revenue” and were “based on where the company was tracking in Q3.”³⁰² The deal team debated whether to present a \$68 million or \$70 million base case to the Investment Committee.³⁰³ The final Investment Committee deck “modeled \$72mm . . . to conservatively reflect the

²⁹⁸ See Bress Tr. 1455; Yang Tr. 1154.

²⁹⁹ JX 556; JX 557.

³⁰⁰ See Pl.’s Post-trial Opening Br. 70-72; Pl.’s Post-trial Reply Br. 54-56.

³⁰¹ See Bress Tr. 1376-78, 1380-82, 1453-55; JX 568 at 6; JX 514 at 7.

³⁰² Bress Tr. 1389-90; *see also* Bress Dep. 477 (testifying that “when you miss your budget in Q3 by over a million bucks, sometimes you can continue to miss it into Q4”).

³⁰³ JX 581 at 1-3.

earnout being realized” while noting that “Saama [wa]s most likely trending towards \$70mm of revenue.”³⁰⁴

More fundamentally, Katta’s suggestion that the \$68 million model was a proxy for a predetermined objection to the AbbVie revenue is belied by the timeline. Carlyle’s deal team initially assumed, based on Katta’s representations, that the contract would account for nearly \$5 million in 2021 revenue.³⁰⁵ During diligence, Carlyle and PwC never analyzed the GAAP treatment of the AbbVie contract. Nor could they; the contract was not executed until days before the Merger Agreement was signed and no development work had started.³⁰⁶

iii. *Expert Analyses*

Carlyle’s objection was not only an appropriate, good-faith exercise of its contract rights, but also substantively accurate. To recognize \$4.55 million of revenue, the software delivered to AbbVie had to constitute a distinct performance obligation under ASC 606.³⁰⁷ ASC 606 outlines five steps to assess revenue recognition, including “[i]dentify[ing] the performance obligations in the

³⁰⁴ JX 595 at 20.

³⁰⁵ *Id.* at 10 (Carlyle Investment Committee memo showing \$4.8 million in “2021E” revenue for AbbVie).

³⁰⁶ *See* PTO ¶¶ 84-87; Yang Tr. 966, 1163.

³⁰⁷ JX 2196 (Rebuttal Expert Report of Gordon Klein) (“Klein Rebuttal Report”) ¶ 44; Easton Tr. 1557; Wilks Tr. 427.

contract.”³⁰⁸ Among other requirements, the software must be both (1) “capable of being distinct” and (2) “distinct within the context of the contract.”³⁰⁹ There is conflicting evidence on whether software delivered to AbbVie in 2021 met the first requirement, but it did not meet the second.

First, there is reason to doubt that the software could be distinct. In 2021, AbbVie received an early version of SAM and SDQ applications that resided in a development environment.³¹⁰ AbbVie could not extract an independent commercial benefit from the software without Saama completing the bespoke build, customization, and implementation process, which occurred in November 2022.³¹¹ Jeff Hagins—the defendants’ software-as-a-service expert—confirmed that the highly customized nature of the platform meant only Saama could complete the integration.³¹² Katta’s expert and Saama personnel disagree.³¹³

³⁰⁸ JX 22 at 6 (ASC 606-10-05-4(b)).

³⁰⁹ *Id.* at 18 (ASC 606-10-25-19); Easton Tr. 1557; Wilks Tr. 427.

³¹⁰ *See supra* note 289 and accompanying text; *see also* JX 1469 (native) 5.

³¹¹ JX 1599 at 1; JX 2212 (Am. Opening Expert Report of Jeff Hagins) (“Hagins Opening Report”) § V(A); Klein Rebuttal Report ¶ 44. Although Katta suggested that AbbVie could have hired a third party to finish the integration, he did not identify any entity willing and capable of doing so.

³¹² JX 2199 (Rebuttal Expert Report of Jeff Hagins) ¶ 24 (“In practice, unfinished implementation code—particularly without finished documentation and training materials, as was the case here—is not something that internal IT personnel or a third-party can simply pick up and complete, and without the original engineers’ context, design intent, and ongoing participation, that code has limited standalone value.”); *see also* Easton Tr. 1542, 1560-62; Moneymaker Tr. 58-60, 66.

³¹³ *See* Wilks Tr. 428-30; Gondhali Tr. 647-50; Anandakumar Tr. 492, 505, 555-56.

Second, even if a third party could complete the integration process, the software was not distinct within the context of the contract because Saama significantly modified and integrated it in 2022.³¹⁴ Although Katta’s expert, Dr. T. Jeffrey Wilks, opined that changes to the underlying source code were required for the software to be deemed non-distinct within the context of the contract, he admitted on cross-examination that no accounting guidance specifically references “code.”³¹⁵ In any event, Wilks acknowledged that connecting the software to AbbVie’s Jarvis system was necessary for the software to function, and that this integration required actual code changes throughout 2022.³¹⁶

The defendants’ expert—Dr. Peter Douglas Easton, an accounting professor—opined that approximately \$1.47 to \$1.49 million of 2021 revenue could be recognized under ASC 606 for the AbbVie contract.³¹⁷ His opinion tracks the contemporaneous analyses by Grant Thornton and Deloitte. Grant Thornton, which was engaged by Saama to review the AbbVie contract, concluded that the

³¹⁴ See Easton Tr. 1556-58, 1565-66, 1578; Wilks Tr. 448-49 (admitting that if the record establishes the software was changed or customized by subsequent 2022 implementation services, “then you would conclude that the software is not distinct within the context of the contract, so it would not be a separate performance obligation”); *id.* at 467-70.

³¹⁵ Wilks Tr. 466-67; *see also* Easton Tr. 1542.

³¹⁶ Wilks Opening Report ¶ 62 n.103; *see also* Hagins Opening Report 44-45 (opining that the software was unusable without changes made in 2022).

³¹⁷ Easton Tr. 1545-46. The defendants substituted Dr. Easton as their testifying expert when their original expert, Professor Gordon Klein, became unavailable for reasons unrelated to the case. *See* Easton Tr. 1533; Dkt. 345.

implementation services were not distinct from the software and that only \$1.47 million of revenue could be recognized in 2021.³¹⁸ Deloitte, which was retained to conduct a full, general-purpose audit of Saama's 2021 financials, concurred with this accounting treatment.³¹⁹ Deloitte concluded that under GAAP, the AbbVie revenue had to be deferred over the implementation period and restated Saama's 2021 financials to leave only \$1.49 million recognizable for that year.³²⁰

The shared agreement among three independent accounting firms and the defendants' expert that the full \$4.55 million was not properly recognizable in 2021 is supported by the weight of the evidence.³²¹ Katta's contrary position, by contrast, relies on the special-purpose KPMG India Audit, the flawed Contetra Memo, and an expert who declined to affirmatively opine at trial that Saama had properly

³¹⁸ JX 1723 at 82; PTO ¶ 133. Katta attempts to argue bad faith based on Rogers' refusal to incorporate certain comments from Saama's newly hired CTO, Moneymaker, before sending responses to Grant Thornton in November 2022. *See* Pl.'s Post-trial Opening Br. 65; JX 1630. This argument is unavailing. Rogers had served as Saama's CFO since January 2022; Moneymaker joined the company just weeks before the relevant events in October. *See* PTO ¶ 36; Moneymaker Tr. 6, 14. Rogers' decision to rely on the historical accounting narrative rather than Moneymaker's initial comments is not troubling. That is particularly true because Moneymaker confirmed she retracted her comments after realizing Grant Thornton was evaluating software delivered to AbbVie in 2021 rather than the software Saama would deliver in the future. *See* Moneymaker Tr. 80.

³¹⁹ JX 1964 at 68; PTO ¶ 134; Rogers Tr. 889-92.

³²⁰ JX 1964 at 68; PTO ¶ 135; Rogers Tr. 892-93.

³²¹ *See* Easton Tr. 1536-37, 1545-46; JX 992 at 1; PTO ¶ 135; Rogers Tr. 893; JX 1964 at 68; *see also supra* notes 197, 204-205 and accompanying text.

recognized the AbbVie revenue.³²² Against these facts, Katta cannot credibly claim that Carlyle acted in bad faith by objecting to Saama’s revenue recognition for the AbbVie contract.

d. Carlyle’s Objections to ARR Bookings

Katta’s assertion that Carlyle objected to the ARR Bookings in bad faith is similarly inconsistent with the record.³²³ Under the Merger Agreement’s definition of eligible ARR Bookings, contracts were required to “reflect typical margins for software subscription revenues consistent with past practice” and could not offer free implementation services or enhancements as inducements to secure software subscriptions.³²⁴ Carlyle conducted a contract-by-contract review and objected to agreements that appeared to violate these prerequisites, for total allowable ARR

³²² See *supra* notes 179, 201; Wilks Tr. 470-71 (Q: “Having been on this case for months as an accounting expert, you cannot tell the Court that \$4.55 million of AbbVie revenue recognized in the earnout statement was appropriate under GAAP; correct?” A. “I can say that it is one of two alternatives, yes.” Q. “But you cannot say that is the appropriate alternative; correct?” A. “Not based on the facts I have, no.”); see also Wilks Dep. 153 (testifying that “the record could tell both stories”). I note this fact not to criticize Wilks but to highlight his honest recognition of the conflicting facts in the record.

³²³ Katta argues that Carlyle’s bad faith is also shown by Bress’s decision to anchor the earnout proposal to a \$27 million ARR forecast, despite Saama later revising that forecast down to \$20 million. See Pl.’s Post-trial Opening Br. 24-25; Pl.’s Post-trial Reply Br. 16-17; see also JX 374; Bress Tr. 1437-38. As discussed, this theory is distinct from whether Carlyle acted in good faith when objecting to the Earnout Statement. See *supra* Section II.A.1.a. In any event, there is no evidence of bad faith. Bress was negotiating with a seller who initially demanded a valuation based on inflated projections. Carlyle was entitled, in its economic self-interest, to use the seller’s own initial forecast to justify a contingent earnout structure. Katta chose to accept those terms.

³²⁴ Merger Agreement Annex A (defining “ARR Bookings,” prong (x)).

Bookings of \$2,742,388—well below the \$11 million threshold for the maximum earnout payment.³²⁵

On September 7, 2022, Saama issued a response to the objection that conceded many of Carlyle’s challenges, reducing Saama’s claimed ARR Bookings from over \$32 million to approximately \$13 million.³²⁶ Although Katta testified that he was unaware of this response, his own contemporaneous correspondence reflects his personal involvement.³²⁷ Katta’s litigation position that “*all* of Carlyle’s ARR Bookings [o]bjections were not in good faith” is at odds with these facts.

As for the remaining contracts Saama did not previously concede, Katta failed to prove that any of Carlyle’s objections were made in bad faith. For example, Carlyle objected that the PHP-Pfizer contract revenues were not “reasonably anticipated” in February 2022 and that no guaranteed work would commence by June 30.³²⁸ Katta insists that these revenues were “confidently anticipated.”³²⁹ But

³²⁵ JX 1013 (native) (“ARR Bookings” tab).

³²⁶ *Compare* JX 1401 (native) (“ARR Bookings” tab), *with* JX 937 (native) 2 (“Earnout Statement” tab).

³²⁷ Katta Tr. 227; JX 1474 at 2; *see also* Rogers Tr. 870 (testifying that Katta was actively involved in preparing the response to Carlyle’s earnout objection).

³²⁸ *See* JX 1013 (native) (“ARR Bookings” tab, cell J15).

³²⁹ Pl.’s Post-trial Opening Br. 73.

Carlyle's objection was sound. PHP's ability to pay Saama depended on completing an unclosed deal with Pfizer and securing uncommitted syndicate funding.³³⁰

Carlyle's objections to the Novotech and Regeneron contracts due to abnormal gross profit margins were also rooted in a good faith application of the Merger Agreement.³³¹ Saama's historical margins were in the 70% to 90% range, with its average subscription margin at 71.4%.³³² Based on these figures, Carlyle expected true subscription contracts to yield 70% to 90% gross margins (benchmarked at ~80%) because the subscriptions carry low delivery costs compared to labor-intensive customer services.³³³ The Novotech contract, however, had a margin of negative 55.1% (meaning Saama was paying out of pocket), and two

³³⁰ See Meanwell Tr. 398-400, 407; Yang Tr. 1028-31; Merger Agreement Annex A (defining "ARR Bookings," prong (w)). The contract was also canceled in August 2022, automatically reducing its ARR to \$0 under the Merger Agreement and vindicating Carlyle's refusal to credit it. See Merger Agreement Annex A (defining "ARR Bookings," prong (z)(iii)); see Yang Tr. 1040.

³³¹ Pl.'s Post-trial Opening Br. 73.

³³² See Hagins Opening Report ¶ 70; Dudney Opening Report ¶ 23; see also Bress Tr. 1353-54; Yang Tr. 1051-53; JX 270 at 5 ("Saama expects to achieve 56% gross margin in 2021B (vs. 47% in 2020A), driven by its higher-margin life sciences [software-as-a-service] subscription business at ~80% gross margin.").

³³³ See Bress Tr. 1343-44, 1353-54; Yang Tr. 960, 977.

Regeneron contracts had depressed margins of 29.4% and 53.9%.³³⁴ These low margins deviated significantly from the historical ranges and were atypical.³³⁵

Carlyle's objections to the Pfizer and PPD contracts were also made in good faith. Carlyle objected because the contracts were unexecuted as of December 31, 2021.³³⁶ Katta asserts that execution is immaterial because statements of work had been signed during the earnout period.³³⁷ But the statements of work were contingent on other unexecuted documents and not binding.³³⁸

The same is true for the IQVIA contract. Carlyle objected that the contract's software subscription revenues were not "clearly labeled."³³⁹ That was true. The contract bundled service and implementation fees, contrary to the Merger

³³⁴ See Hagins Opening Report ¶ 88; Dudney Opening Report ¶ 24; Yang Tr. 1026-28 ("Novotech was well over 90 percent discounted with the full offering of products and just at a volume that we just didn't understand how there could be any money made on the contract."). Katta concedes that margins were lower than typical for Novotech and Regeneron. Pl.'s Post-trial Opening Br. 57-58.

³³⁵ See Burr Tr. 1507-16, 1520-21.

³³⁶ JX 1013 (native) ("ARR Bookings" tab, cells J11, J16).

³³⁷ Pl.'s Post-trial Opening Br. 74.

³³⁸ JX 875 at 1-2 ("Usually, we don't send the signed [Pfizer] SOW until PO processing completion but I am sending you the signed copy, so you can fulfill your year end commitment."); JX 881 at 21 ("Pfizer's approval of the SOW is through an Approved Purchase Order issued to Provider. Provider shall not begin work before receiving an executed Pfizer Purchase Order."); JX 940 (PPD SOW) 271 ("Each party's acceptance of this Agreement was and is expressly conditional upon the other's acceptance of the terms . . . and the subsequent master services agreement, to the exclusion of all terms.").

³³⁹ JX 1013 (native) ("ARR Bookings" tab, cell J7).

Agreement's directive.³⁴⁰ In any case, the IQVIA contract was also eventually canceled, setting ARR Bookings at \$0.³⁴¹

* * *

Carlyle objected in good faith to the Earnout Statement's recognition of \$4.55 million in revenue from the AbbVie contract in 2021. The Earnout Statement reported 2021 GAAP revenue of approximately \$73.1 million, which exceeded the \$72 million earnout threshold by \$1.1 million.³⁴² Because revenue from the AbbVie contract was overstated by approximately \$3.06 million, Saama's true 2021 GAAP revenue could not have exceeded \$70.08 million—and was restated by Deloitte to just \$67.4 million.³⁴³ Saama therefore fell well short of the \$72 million threshold required to trigger any earnout payment.

Katta's failure to prove that Carlyle's objections to ARR Bookings were made in bad faith provides an independent basis to reject his claim for the maximum earnout payment. To earn the maximum payment, Saama was required to secure at

³⁴⁰ JX 2737 (IQVIA contract) 17 (defining annual subscription fee as including "software installation, mapping, support, and upgrades"); *see* Hagins Opening Report ¶ 132.

³⁴¹ JX 1374 at 1; Sharma Tr. 1254; JX 1412 at 1; Merger Agreement Annex A (definition of "ARR Bookings," prong (z)(iii)).

³⁴² JX 937 (native); JX 940; PTO ¶ 121.

³⁴³ PTO ¶ 121; JX 937. \$4,550,000 (claimed) – \$1,493,087 (restated) = \$3,056,913 overstatement. *See* PTO ¶ 135 (stipulating that Deloitte restated Saama's 2021 financial statements, determining that Saama earned \$1,493,087 in 2021 revenue from AbbVie); JX 1964 at 68. If Grant Thornton's allowable revenue figure of \$1,472,983 is adopted, the overstatement increases to approximately \$3.08 million. *See* PTO ¶ 133; JX 1660 at 30.

least \$11 million in new, eligible ARR Bookings during the earnout period.³⁴⁴ With Saama’s September 2022 concessions, claimed ARR Bookings dropped to \$12.9 million.³⁴⁵ Since Carlyle advanced legitimate objections to additional contracts—and contracts were canceled—the eligible ARR Bookings were even lower, falling between \$0 and \$5.4 million.³⁴⁶

Accordingly, Katta did not prove that Carlyle breached the Merger Agreement. Katta is not entitled to a declaratory judgment that any earnout payment is owed. Judgment on this claim is in favor of the defendants.³⁴⁷

2. Whether Sharma or Rogers Breached Their Fiduciary Duties

Katta claims that Sharma and Rogers breached their fiduciary duties by prioritizing Carlyle’s exit strategy over Saama’s best interests.³⁴⁸ “A claim

³⁴⁴ Merger Agreement § 2.10(a).

³⁴⁵ See *supra* note 326 and accompanying text.

³⁴⁶ See JX 1013 (native) (“ARR Bookings” tab); see also PTO ¶¶ 96-100, 121; Yang Tr. 1028-31, 1041-42, 1050-51; Defs.’ Post-trial Opening Br. 42-43, 93-96.

³⁴⁷ Katta argues in the alternative that Carlyle was obligated to pay “non-disputed items” upon delivery of the KPMG India Audit. Pl.’s Post-trial Reply Br. 53. This argument is also meritless. The Merger Agreement only compels payment of “any amount in the Earnout Statement that is not disputed by Purchaser *in good faith*.” Merger Agreement § 2.10(b) (emphasis added). Because Carlyle maintained a good faith objection that Saama missed the threshold revenue target—meaning zero earnout payment was due—there was no undisputed amount to pay.

³⁴⁸ Pl.’s Post-trial Opening Br. 75-78.

for breach of fiduciary duty requires proof of two elements: (1) that a fiduciary duty existed and (2) that the defendant breached that duty.”³⁴⁹

The first element is not in dispute. Sharma was Saama’s CEO from June 2022 to February 2024.³⁵⁰ Rogers was Saama’s CFO from January 2022 to September 2025.³⁵¹ As officers, both owed default fiduciary duties to Saama under its LLC Agreement.³⁵² Officers are “expected to pursue the best interests of the company in good faith (i.e., to fulfill their duty of loyalty) and to use the amount of care that a reasonably prudent person would use in similar circumstances (i.e., to fulfill their duty of care).”³⁵³

Katta’s fiduciary duty claim is a moving target. His complaint alleged that Sharma and Rogers interfered with Saama’s 2021 audit and affirmatively canceled customer contracts.³⁵⁴ He abandoned those contentions at trial, pivoting to a theory

³⁴⁹ *Beard Rsch., Inc. v. Kates*, 8 A.3d 573, 601 (Del. Ch. 2010), *aff’d sub nom. ASDI, Inc. v. Beard Rsch., Inc.*, 11 A.3d 749 (Del. 2010).

³⁵⁰ PTO ¶ 35.

³⁵¹ *Id.* ¶ 36.

³⁵² JX 767 § 8; *id.* at Annex I. Saama’s LLC Agreement provides that if “the title of any officer is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law, the assignment of such title shall constitute the delegation to such person of the authorities and duties that are normally associated with that office.” *Id.* § 8. It also exculpates officers for actions taken in good faith, preserving liability only for “fraud, gross negligence, or willful misconduct.” *Id.* § 16.

³⁵³ *Hampshire Gp., Ltd. v. Kuttner*, 2010 WL 2739995, at *11 (Del. Ch. July 12, 2010).

³⁵⁴ Compl. ¶¶ 271-72.

that the officers breached their duty of loyalty by depriving Saama of resources and focusing on M&A.³⁵⁵

I need not decide whether this unpleaded theory is procedurally barred under Court of Chancery Rule 15(b). Even assuming the claim is properly before me, it fails on the merits. The challenged conduct involves ordinary course business decisions, and Katta failed to rebut the business judgment rule.

a. Standard of Review

The business judgment rule is Delaware’s default standard of review.³⁵⁶ It “creates a presumption ‘that in making a business decision the [fiduciaries] of a corporation acted on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation.’”³⁵⁷ “To avoid application of the deferential business judgment standard, the plaintiff must produce evidence that rebuts the business judgment presumption.”³⁵⁸ But “[i]f the proponent fails to meet her burden of establishing facts rebutting the presumption, the business

³⁵⁵ Pl.’s Pre-trial Br. 60-61; Pl.’s Post-trial Opening Br. 58-63; *see Sorrento Therapeutics, Inc. v. Mack*, 2023 WL 5670689, at *23 n.210 (Del. Ch. Sept. 1, 2023). The argument section of his post-trial brief lacks the word “audit.” At post-trial argument, Katta’s counsel confirmed that the breach of fiduciary duty claim centers on how Rogers and Sharma ran the business. Post-trial Hr’g Tr. 27-28.

³⁵⁶ *See Cinerama, Inc. v. Technicolor, Inc.*, 663 A.2d 1156, 1162 (Del. 1995).

³⁵⁷ *Polk v. Good*, 507 A.2d 531, 536 (Del. 1986) (quoting *Aronson v. Lewis*, 473 A.2d 805, 812 (Del. 1984)).

³⁵⁸ *eBay Domestic Holdings, Inc. v. Newmark*, 16 A.3d 1, 36 (Del. Ch. 2010).

judgment rule, as a substantive rule of law, will attach to protect the [fiduciaries] and the decisions they make.”³⁵⁹

b. Alleged Breaches of Fiduciary Duty

Katta asserts that “Sharma and Rogers breached their duty of loyalty to Saama.”³⁶⁰ He does not accuse Sharma or Rogers of self-dealing. Rather, he contends that they were handpicked by Bress, reported to a Carlyle-controlled Board, and could not “act independently” of Carlyle.³⁶¹ When “the defendant officers are not accused of self-dealing but of facilitating wrongful action by another (here, [Carlyle]), the court must examine the officers’ state of mind to determine whether they acted in bad faith for a purpose other than advancing the best interests of the corporation.”³⁶² To do so, the court “consider[s] all the objective facts, including the relationships that subordinates have with their superiors” and “make the difficult, but necessary, judgment of whether the subordinates acted loyally by trying to do their job for proper corporate purposes in good faith.”³⁶³

Katta failed to prove that Sharma or Rogers acted with a disloyal state of mind.

³⁵⁹ *Citron v. Fairchild Camera & Instrument Corp.*, 569 A.2d 53, 64 (Del. 1989).

³⁶⁰ Pl.’s Post-trial Opening Br. 75.

³⁶¹ *Id.* at 78; Pl.’s Post-trial Reply Br. 60-61.

³⁶² *Hampshire*, 2010 WL 2739995, at *12.

³⁶³ *Id.*

First, Katta offered no proof that Sharma or Rogers were conflicted.³⁶⁴ He merely makes the conclusory argument that officers who report to a controlled board generally lack independence from the controlling investor.³⁶⁵ The only purported benefits he cites are 10-year option exercise extensions, but those extensions were received after the challenged events and upon Sharma and Rogers' departures from Saama as part of their separation arrangements.³⁶⁶

³⁶⁴ At post-trial argument, Katta's counsel asserted that Rogers's actions during the abandoned audit dispute—specifically, sending emails to the Saama Board and KPMG India drafted by Yang—demonstrated a conflict. *See* Post-trial Hr'g Tr. 27-28. This argument conflates conduct with conflicts. The fact that an officer worked closely with or at the direction of a controlling member does not, without more, establish a disabling conflict of interest that strips the officer of the business judgment rule's presumption.

³⁶⁵ *See* Pl.'s Post-trial Reply Br. 59-60 (citing pleading-stage decisions: *Goldstein v. Denner*, 2022 WL 1671006, at *51 (Del. Ch. May 26, 2022); *Ezcorp Inc. Consulting Agreement Deriv. Litig.*, 2016 WL 301245, at *35 (Del. Ch. Jan. 25, 2016); *Frederick Hsu Living Tr. v. ODN Hldg. Corp.*, 2017 WL 1437308, at *39 (Del. Ch. Apr. 14, 2017)); *but see Hampshire*, 2010 WL 2739995, at *12 (explaining that if “every subordinate would have to prove his loyalty when accused of disloyalty if the underlying matter also implicated the . . . interests” of a superior that they “owed their primary source of living” to, then that would be “outrageously unfair”). He also argues that “Sharma and Rogers' positions as senior officers reporting to a Board controlled by Carlyle raise a presumption of partiality that was confirmed at trial.” Pl.'s Post-trial Reply Br. 60. There is no such presumption; rather, the business judgment rule applies. Further, these arguments were raised for the first time in Katta's post-trial reply brief and are therefore waived. *See In re IBP, Inc. S'holders Litig.*, 789 A.2d 14, 62 (Del. Ch. 2001) (noting that an argument not raised in an opening post-trial brief is deemed waived). Katta's opening brief devoted just two and a half pages to arguing that Sharma and Rogers breached their fiduciary duties. Pl.'s Post-trial Opening Br. 75-78.

³⁶⁶ JX 1963 at 4; JX 2075; *see* Rogers Tr. 904-05.

Second, Katta’s claim amounts to a disagreement with ordinary business decisions. He complains that Sharma and Rogers reduced employee headcount,³⁶⁷ did not ask “Carlyle to invest additional funds,”³⁶⁸ and considered a merger that was never consummated.³⁶⁹ Decisions about staffing, capital allocation, and exploring strategic alternatives are quintessential business judgments.³⁷⁰ Katta presented no evidence that any such decisions were “so far beyond the bounds of reasonable judgment” that they seem “essentially inexplicable on any ground other than bad faith.”³⁷¹ Sharma and Rogers also credibly testified that their actions were taken in good faith with Saama’s best interests in mind.³⁷² There are no grounds to rebut the business judgment rule.

Thus, Katta did not prove that Sharma or Rogers breached their fiduciary duties. Judgment on this claim is in favor of the defendants.

³⁶⁷ Pl.’s Post-trial Opening Br. 76-77.

³⁶⁸ *Id.* at 77.

³⁶⁹ *Id.* at 62, 77.

³⁷⁰ *See Cent. Laborers’ Pension Fund v. Karp*, 349 A.3d 1165, 1193 (Del. Ch. 2025) (explaining that “capital allocation decisions generally fall within a board’s business judgment”); *see also In re Dura Medic Hldgs., Inc. Consol. Litig.*, 331 A.3d 796, 823 (Del. Ch. 2025) (finding no breach of fiduciary duty for headcount reductions).

³⁷¹ *Parnes v. Bally Ent. Corp.*, 722 A.2d 1243, 1246 (Del. 1999) (quoting *In re J.P. Stevens & Co., Inc.*, 542 A.2d 770, 780-81 (Del. Ch. 1988)).

³⁷² *See* Sharma Tr. 1247-48, 1274 (testifying that his focus was improving Saama’s financial and operational struggles, and that Carlyle had no role in Saama’s day-to-day business); Rogers Tr. 851, 901, 944 (testifying that he put his “heart and soul” into Saama, worked with Saama’s executive team to make resource-allocation decisions, and tried to stay neutral in the earnout dispute).

B. The Defendants' Counterclaims

The defendants advanced three counterclaims against Katta at trial.³⁷³ Two counterclaims are rooted in the Merger Agreement: an express obligation in Section 2.10(d), and the implied covenant of good faith and fair dealing with respect to Katta's submission of the Earnout Statement. The third counterclaim seeks a declaratory judgment that no earnout is due.

Saama and Warrior Parent originally brought an additional counterclaim for breach of fiduciary duty against Katta and Anisingaraju. In November 2025, I dismissed that counterclaim based on Katta's argument that it was duplicative of the claim for breach of his obligations in the Merger Agreement.³⁷⁴ Now, Katta insists that he owes no such contractual obligation. To remedy this strategic shift, I revive the fiduciary duty counterclaim against him.

As the defendants proved, Katta acted in bad faith by purposefully taking on unsustainable commitments to maximize the earnout payment to Saama's financial and operational detriment. They also proved money damages of approximately \$7.3 million. The defendants are entitled to a declaration that no earnout is due, which moots their implied covenant counterclaim.

³⁷³ PTO ¶¶ 21, 142(a)-(c).

³⁷⁴ See MTD Hr'g Tr. 36-37.

1. Breach of Contract; Breach of Fiduciary Duty

Section 2.10(d) of the Merger Agreement provides that:

From the Closing until December 31, 2021, the Final Surviving Company shall cause its business and that of its Subsidiaries to be conducted in good faith with respect to the achievement of the Aggregate Earnout Amount and shall not intentionally take any action for the purpose of avoiding the payment of, or reducing, the Aggregate Earnout Amount.³⁷⁵

The “Final Surviving Company” refers to Saama in its post-acquisition form as a limited liability company.³⁷⁶ Section 2.10(d) is a post-closing operating covenant restricting how Saama is permitted to run its business through December 31, 2021.³⁷⁷

Katta argues—in his post-trial reply brief, for the first time—that Section 2.10(d) binds only the Final Surviving Company, insulating him from liability.³⁷⁸ Whatever textual merit this argument might possess, it reflects litigation gamesmanship. Earlier in this litigation, Katta advanced the opposite interpretation

³⁷⁵ Merger Agreement § 2.10(d) (emphasis added).

³⁷⁶ *Id.* at 1 (defining the “Company” as Saama Technologies, Inc.); *id.* § 1.1(a)(ii) (noting that “the Company will be the surviving corporation in the First Merger (sometimes hereinafter referred to as the ‘Initial Surviving Company’) and the separate corporate existence of the Company with all of its rights, privileges, immunities, powers and franchises will continue unaffected”); *id.* § 1.1(b)(ii) (noting that “the Initial Surviving Company will be the surviving corporation in the Second Merger (sometimes hereinafter referred to as the ‘Final Surviving Company’) and the separate existence of the Final Surviving Company with all of its rights, privileges, immunities, powers and franchises will continue unaffected by the Second Merger”); *see supra* note 253.

³⁷⁷ Merger Agreement § 2.10(d).

³⁷⁸ Pl.’s Post-trial Reply Br. 67-68.

of Section 2.10(d) to secure dismissal of the fiduciary duty counterclaim against him.³⁷⁹

Katta argued that the fiduciary duty claim was “preempted by the Merger Agreement itself” because Section 2.10(d) imposed an obligation to conduct Saama’s business in good faith regarding the achievement of the earnout.³⁸⁰ Because “every ‘notable’ example of alleged misconduct occurred during the period when Defendants claim *Katta was under a ‘good faith’ obligation under Section 2.10(d),*” he explained, “the fiduciary duty claims against him” warranted dismissal “as duplicative.”³⁸¹ I relied on that argument to dismiss the fiduciary duty counterclaim.³⁸² When the defendants moved for reconsideration, Katta doubled

³⁷⁹ See MTD Hr’g Tr. 36-37.

³⁸⁰ See Countercl. Def.’s and Third-Party Def.’s Opening Br. in Supp. of Mot. to Dismiss Verified Am. Countercl. and Mot. to Dismiss Third-Party Compl. (Dkt. 168) (“Countercl. Def.’s Opening MTD Br.”) 38-39 (“[A]ny fiduciary claims arising out of the same facts that underlie the contract obligations would be foreclosed as superfluous.” (quoting *Nemec*, 991 A.2d at 1129)). Warrior Holdings alleged in its breach of contract counterclaim that Katta had breached the obligation in Section 2.10(d). See Verified Am. Countercl. and Third-Party Compl. (Dkt. 151) ¶¶ 141-43.

³⁸¹ Countercl. Def.’s Opening MTD Br. 40 (emphasis added); see also Countercl. Def.’s and Third-Party Def.’s Reply Br. in Further Supp. of Partial Mot. to Dismiss Verified Am. Countercl. and Mot. to Dismiss Third-Party Compl. (Dkt. 197) 31-32 (arguing for dismissal of the fiduciary duty claim as duplicative: “The breach of contract claim concerns Katta’s alleged wrongdoing with respect to entering into customer contracts and preparing the Earnout Statement. Counterclaim ¶¶ 138-45. As explained above, the only allegations which could support a claim for breach of fiduciary duty (setting aside their timeliness) concern the same alleged misconduct. See *[i]d.* ¶¶ 134-35. Thus, Defendants offer no meaningful distinction between the claims.”).

³⁸² See MTD Hr’g Tr. 36-37.

down, arguing that “Section 2.10(d) imposes a good faith requirement *on the former stockholders’ conduct*” and that the “same conduct, period, and obligations underlie the duplicative claims.”³⁸³ I accepted that argument and denied reargument.³⁸⁴

Katta used Section 2.10(d) as a shield to secure dismissal of the fiduciary duty claim only to disavow it post-trial to evade liability. So the defendants contend that Katta should be judicially estopped from asserting an inconsistent position.³⁸⁵ There is some appeal to this argument. Judicial estoppel “preclude[s] a party from asserting a position inconsistent with a position previously taken in the same or earlier legal proceeding” and applies when “the litigant’s [position] contradicts another position that the litigant previously took and that the Court was successfully induced to adopt in a judicial ruling.”³⁸⁶ Katta’s positions are inconsistent, and my earlier rulings accepted his position that Section 2.10(d) supplied the obligation governing his challenged conduct.³⁸⁷

³⁸³ Pl.’s Opp’n to Saama’s and Warrior Parent’s Mot. for Rearg. (Dkt. 300) ¶¶ 20, 29 (arguing there was no “daylight” between the contract and fiduciary duty claims against Katta) (emphasis added); *see also id.* ¶¶ 2, 16. Katta also testified at trial that he had a good faith obligation. Katta Tr. 265.

³⁸⁴ Order Denying Saama Technologies, LLC’s and Warrior Parent, LLC’s Mot. for Rearg. (Dkt. 316).

³⁸⁵ Defs.’ Post-trial Reply Br. 37-38.

³⁸⁶ *Stone & Paper Invs., LLC v. Blanch*, 2021 WL 3240373, at *35 (Del. Ch. July 30, 2021) (emphasis removed).

³⁸⁷ *See id.* at *36 (estopping a plaintiff from changing positions where it argued a claim “should be dismissed because the alleged wrongdoing was governed by Section 9.6 of the

Alternatively, the defendants ask that I revisit my interlocutory dismissal of the breach of fiduciary duty counterclaim.³⁸⁸ Under Court of Chancery Rule 54(b):

any order or other decision, however designated, that adjudicates fewer than all the claims or the rights and liabilities of fewer than all the parties does not end the action as to any of the claims or parties and may be revised at any time before the entry of a judgment adjudicating all the claims and all the parties' rights and liabilities.³⁸⁹

The court's power to vacate or revise an interlocutory ruling is "to be exercised as a matter of discretion when justice so requires."³⁹⁰ Though "orders should not be modified without good cause, the Court is 'under no stricture to comply with the requirements of Rule 60(b)' in modifying an interlocutory order."³⁹¹ "Good cause" to do so exists where, as here, a litigant abandons a position that the court relied upon in its interlocutory order.³⁹²

operating agreement" and prevailed, before changing course post-trial and arguing "that the very same allegations are not governed by Section 9.6").

³⁸⁸ Defs.' Post-trial Reply Br. 37.

³⁸⁹ Ct. Ch. R. 54(b).

³⁹⁰ *Modlin v. Iselin*, 1986 WL 202, at *1 (Del. Ch. June 5, 1986); *see also* *CNH Indus. Am. LLC v. Am. Cas. Co. of Reading*, 149 A.3d 242, 244 (Del. Super. 2016).

³⁹¹ *Southpaw Credit Opportunity Master Fund, L.P. v. Roma Rest. Hldgs., Inc.*, 2017 WL 3701232, at *1 (Del. Ch. Aug. 22, 2017) (quoting *Farr Man & Co. v. M/V Rozita*, 903 F.2d 871, 875 (1st Cir. 1990)).

³⁹² *Id.*; *see also* *Shron v. LendingClub Corp.*, 2020 WL 10223227 (S.D.N.Y. Nov. 30, 2020) (ORDER) (vacating an interlocutory order under Federal Rule of Civil Procedure 54(b) where doing so served the interests of justice).

Katta’s tactical pivot provides good cause to revisit my dismissal of the fiduciary duty claim against him. My earlier ruling dismissed the claim against Katta because Section 2.10(d) purportedly supplied the same good-faith obligation governing his conduct.³⁹³ The Merger Agreement, Katta now asserts, does not impose that obligation on him.³⁹⁴ Consequently, the contractual and fiduciary claims against Katta do not overlap as contemplated by my earlier ruling: the contractual obligation applies to Saama, and Katta’s fiduciary obligations arise independently due to his officer role.³⁹⁵

Unlike judicial estoppel, vacating the interlocutory dismissal of the fiduciary duty claim under Rule 54(b) does not require me to distort contract terms. Nor does it substantially prejudice Katta, since—as he repeatedly argued—the same conduct and obligations underlie both claims.³⁹⁶ Katta received notice of the defendants’ Rule 54(b) request and had an opportunity to respond at post-trial argument. He did

³⁹³ See *supra* notes 380-383 and accompanying text.

³⁹⁴ See *supra* notes 375-376 and accompanying text.

³⁹⁵ See *Grunstein v. Silva*, 2009 WL 4698541, at *6 (Del. Ch. Dec. 8, 2009) (“In determining whether a breach of fiduciary duty claim is duplicative of a corresponding breach of contract claim, the principal inquiry by Delaware courts is whether the fiduciary duty in the complaint arises from general fiduciary principles or from specific contractual obligations agreed upon by the parties.”); *Schuss v. Penfield P’rs, L.P.*, 2008 WL 2433842, at *10 (Del. Ch. June 13, 2008) (explaining that a fiduciary duty claim can survive alongside a contract claim where the alleged harms arose from a fiduciary relationship outside of any contractual obligation).

³⁹⁶ See *supra* notes 380-381, 383 and accompanying text.

not request leave to file a sur-reply. Despite that opportunity, he did not identify a single piece of evidence or a distinct defense that he would have presented had the fiduciary duty claim been active before trial. The factual and legal questions relevant to the bad-faith theory that I address below were fully litigated: Katta's knowledge, purpose, motivation, and whether he knowingly subordinated Saama's interests to the achievement of the earnout.³⁹⁷ It would be inequitable for Katta to evade liability by taking contradictory litigation positions.

Accordingly, I vacate the interlocutory dismissal of the breach of fiduciary duty claim against Katta.³⁹⁸ In doing so, I limit my analysis to whether Katta

³⁹⁷ See *Leddy v. Standard Drywall, Inc.*, 875 F.2d 383, 386 (2d Cir. 1989) (holding that the failure to provide notice and an opportunity to address revived claims was harmless error because the appellants conceded that they had no other evidence to present); see also *Southpaw*, 2017 WL 3701232, at *1 (Del. Ch. Aug. 22, 2017) (noting that Court of Chancery Rule 54(b) is “nearly identical” to its federal counterpart); cf. *Vichi v. Koninklijke Philips Elecs., N.V.*, 85 A.3d 725, 764 (Del. Ch. 2014) (permitting a post-trial amendment under Rule 15(b) to add a negligent misrepresentation claim that “effectively was tried with the tacit consent of the parties through the trial of [the] existing claims for fraud” because the defendant was on “notice of and had the opportunity to contest each of the disputed elements”).

³⁹⁸ The law-of-the-case doctrine does not preclude this vacatur. Under that doctrine, “[o]nce a matter has been addressed in a procedurally appropriate way by a court, it is generally held to be the law of that case and will not be disturbed by that court unless compelling reason to do so appears.” *Zirn v. VLI Corp.*, 1994 WL 548938, at *2 (Del. Ch. Sept. 23, 1994). The court may revisit decisions under the doctrine when “justice compels departure from the doctrine due to clear error, injustice, or a change in circumstances.” *Sciabacucchi v. Malone*, 2021 WL 3662394, at *1 (Del. Ch. Aug. 18, 2021). Such circumstances are present. Katta procured an interlocutory partial dismissal by arguing that his conduct was exclusively governed by Section 2.10(d). His post-trial abandonment of that position constitutes a material change in circumstances. Binding the court to a ruling predicated on a position the prevailing party subsequently retracts would be unjust.

breached his duty of loyalty by acting in bad faith. The parties proceeded to trial on the breach of contract theory, and post-trial briefing focused on whether Katta breached the contractual standard of good faith by prioritizing his own interests over Saama's. The trial record presented the facts relevant to whether Katta acted in subjective bad faith. I do not revive or adjudicate theories of fiduciary liability or heightened equitable standards of review that were not tried after the fiduciary duty claim was dismissed.³⁹⁹

a. Katta's Duty of Good Faith

Saama became a Delaware limited liability company at closing, with Warrior Parent serving as Saama's sole member and direct parent.⁴⁰⁰ Under Section 16 of Saama's LLC Agreement, officers owe common law fiduciary duties and face personal liability for "loss, damage, or claim incurred by reason of such [officer's] fraud, gross negligence, or willful misconduct."⁴⁰¹

³⁹⁹ Given this narrow approach, neither further briefing nor a reopening of the record is necessary.

⁴⁰⁰ PTO ¶¶ 26-28.

⁴⁰¹ JX 767 §§ 8, 16; *see supra* note 352 and accompanying text (describing the fiduciary duties Saama officers owe under the LLC Agreement). He also owed fiduciary duties to Warrior Parent under its limited liability company agreement. JX 834 § 8.10.

Katta owed a fiduciary duty of loyalty to Saama while he was its CEO.⁴⁰² A failure to act in good faith is a breach of the duty of loyalty.⁴⁰³ Katta was obligated to refrain from bad-faith conduct, including the pursuit of his self-interests rather than “advancing the best interests of the corporation.”⁴⁰⁴

The defendants claim that Katta acted in bad faith by signing as many contracts as possible to achieve the earnout, regardless of their economic or commercial merits, knowing it would impair the company.⁴⁰⁵ Katta responds that his sales and hiring efforts were aggressive, ordinary-course growth initiatives he was entitled to pursue.⁴⁰⁶

There is a stark difference between an aggressive business strategy and a disloyal one. A fiduciary may pursue a strategy that exposes the company to risk if she believes, in good faith, that the potential benefits justify the risks.⁴⁰⁷ The line is

⁴⁰² See *Gantler v. Stephens*, 965 A.2d 695, 709 (Del. 2009) (holding that “officers of Delaware corporations, like directors, owe fiduciary duties of care and loyalty, and that the fiduciary duties of officers are the same as those of directors”); *Hampshire*, 2010 WL 2739995, at *11.

⁴⁰³ See *Stone v. Ritter*, 911 A.2d 362, 370 (Del. 2006).

⁴⁰⁴ *In re Walt Disney Co. Deriv. Litig.*, 906 A.2d 27, 67 (Del. 2006).

⁴⁰⁵ See Defs.’ Post-trial Opening Br. 72-73.

⁴⁰⁶ See Pl.’s Post-trial Reply Br. 9-10, 31-33, 68-69.

⁴⁰⁷ *Cf. In re Citigroup Inc. S’holder Deriv. Litig.*, 964 A.2d 106, 130 (Del. Ch. 2009) (“It is well established that the mere fact that a company takes on business risk and suffers losses—even catastrophic losses—does not evidence misconduct . . .”).

crossed when the fiduciary pursues the strategy while knowing it sacrifices the corporation's interests for another purpose.⁴⁰⁸

In the earnout context, an officer who also serves as the sellers' representative does not act in bad faith merely by pursuing a risk-bearing strategy to maximize the contingent payment, provided she genuinely believes the strategy also benefits the company. But that dual role does not grant the officer license to knowingly harm the company to increase the sellers' payout.⁴⁰⁹ Katta crossed that line and engaged in willful misconduct for which he is not exculpated.

b. Katta's Conduct During the Earnout Period

The defendants say that Katta issued "marching orders" to sign as many contracts as possible during the earnout period to enrich himself at the expense of Saama's financial and operational health.⁴¹⁰ Katta insists that his strategy was not "value-destructive" but demonstrated "typical" pricing, and that the pace of earnout contracts was consistent with the parties' expectations on growing the Smart Series

⁴⁰⁸ See, e.g., *Disney*, 906 A.2d at 67 ("A failure to act in good faith may be shown, for instance, where the fiduciary intentionally acts with a purpose other than that of advancing the best interests of the corporation, where the fiduciary acts with the intent to violate applicable positive law, or where the fiduciary intentionally fails to act in the face of a known duty to act, demonstrating a conscious disregard for his duties.").

⁴⁰⁹ Cf. *Kahn v. Portnoy*, 2008 WL 5197164, at *7 (Del. Ch. Dec. 11, 2008) (describing "classic, quintessential bad faith" as occurring when a fiduciary "acts with a subjective belief that her actions are not in the best interest of the corporation, such as when she is acting for the benefit of a related person at the expense of the company").

⁴¹⁰ Defs.' Post-trial Opening Br. 71.

business.⁴¹¹ The record belies Katta’s narrative. The defendants proved that Katta “pursued a bad faith course of conduct to enrich himself . . . without any regard for the interests” of Saama.⁴¹²

At the time of the merger, Saama had great promise. Pfizer’s deployment of Saama SDQ software to process clinical trial data for the COVID-19 vaccine generated positive attention and industry validation.⁴¹³ Katta, too, had garnered industry-wide respect.⁴¹⁴

After closing, though, Katta became singularly focused on the earnout. His strategy—including the “72-27 campaign,” contract manipulation, unprecedented discounting, and overcommitment of early-stage products—culminated in an unsustainable trajectory that impaired Saama’s product business. The contemporaneous evidence shows that Katta knew these tactics were harmful to Saama but pursued them anyway.

i. *Katta’s “72-27” Campaign*

In August 2021, after the earnout was agreed to, Anisingaraju—with Katta’s blessing—renamed the weekly sales meeting the “72-27 Weekly Status Meeting.”⁴¹⁵

⁴¹¹ Pl.’s Post-trial Reply Br. 68.

⁴¹² *Auriga Cap. Corp. v. Gatz Props., LLC*, 40 A.3d 839, 859 (Del. Ch. 2012).

⁴¹³ PTO ¶ 52; Katta Tr. 115-17; *see also* Bress Tr. 1352-53.

⁴¹⁴ Meanwell Tr. 380-81, 386-87.

⁴¹⁵ JX 404.

This change set the tone for the earnout period.⁴¹⁶ At trial, Katta initially testified that “72-27” referred to Saama’s “yearly goal” and was not a code for the earnout targets.⁴¹⁷ That was false. Although the \$72 million revenue threshold was in Saama’s 2021 year-end revenue plan, the \$27 million ARR Bookings goal was solely derived from the earnout.⁴¹⁸ Katta conceded this reality during cross-examination.⁴¹⁹

Katta not only misrepresented the reason for the meeting change to the court, but also misled the sales team, presenting “72-27” as a corporate performance goal.⁴²⁰ Former sales executive Burr testified that, after the “72-27” meeting title was adopted, sales meetings shifted from Salesforce tracking to custom Excel sheets

⁴¹⁶ *Id.* (August 2021 email from Anisingaraju: “Till 12/31/21, we are changing this meeting to track our progress for 72-27 goals. (\$72M Revenues & \$27M Upside ARR)”).

⁴¹⁷ Katta Tr. 270; *see also id.* at 257 (testifying that “72-27” referred to “complete company goals” and was a “corporate number”); *id.* at 287.

⁴¹⁸ JX 2370 (native) 4; *see also* JX 244 at 4.

⁴¹⁹ Katta Tr. 254, 270, 320. His insistence on this mistruth is further evidence that he knew his actions were wrongful.

⁴²⁰ *Id.* at 258 (admitting that he instructed Dadia not to disclose the Carlyle transaction to the sales team and to present 72-27 strictly as company/yearly goals); *see also* JX 2262; Anisingaraju Tr. 780, 781; Burr Tr. 1511, 1513. Katta insisted at trial that he withheld the true purpose of the meeting from the sales team due to confidentiality concerns. *See* Katta Tr. 256-58. That explanation is not credible. Katta was not forthcoming about the nature of the meeting. Given the contemporaneous communications, I find it more likely that he was also trying to mislead his subordinates.

focused exclusively on ARR.⁴²¹ Katta gave explicit “marching orders” to close deals by year end “no matter the cost” through steep discounts and free implementation.⁴²²

In October 2021, Katta approved Dadia’s directive to the sales team that “typical margin limits d[id] not apply” and that contracts “need not be sustainable.”⁴²³ He provided unprecedented “72-27” bonuses to incentivize sales and threatened to replace subordinates who did not aggressively pursue the earnout targets.⁴²⁴ These actions represent a purposeful subordination of Saama’s contract margins to Katta’s short-term financial interests.

ii. *Contract Manipulation*

The earnout period under Katta was marked by contract manipulation. Operating under Katta’s mandate to hit the “72-27” targets, Saama employees altered software subscription agreements to facially meet the earnout criteria.⁴²⁵

⁴²¹ Burr Tr. 1512-13, 1530; *see* JX 404; JX 937; JX 946.

⁴²² Burr Tr. 1508-09, 1515-16, 1518, 1520; *see also* JX 613; JX 742.

⁴²³ JX 613 at 1.

⁴²⁴ Burr Tr. 1523-24; JX 991; JX 742 at 1 (Katta to Gondhali: “I’ve not seen anything from you over the past one week to move aggressively for 72-27 goals? . . . u r slowing down the company . . . Saama will be forced to change the leadership who can drive this upwards and onwards.”); JX 2387 at 5 (Gondhali writing about Katta: “he is only interested in 27 million” ARR as the fourth quarter of 2021 progressed); Gondhali Tr. 678-82.

⁴²⁵ *See, e.g.*, JX 613 (Katta asking how to get “different results towards 72-27”); JX 653; JX 707; JX 794; Burr Tr. 1508, 1518, 1520-21, 1531-32; Katta Tr. 270-71, 320.

For example, sales leader Gondhali (who regularly communicated with Katta on progress toward the earnout goals) ordered the draft AbbVie statement of work rewritten when he concluded Saama could not “realize [revenue] for this milestone although [Saama] can bill.”⁴²⁶ Saama rewrote the document, without making any substantive changes, for the sole purpose of “allow[ing] Saama to recognize revenue in a more advantageous way.”⁴²⁷ After the change was complete, an employee told Gondhali “I guess we are good for revenue recognition this year.”⁴²⁸ Katta was aware of and fostered this pattern of metric tampering.⁴²⁹

The record is replete with similar examples. The Pfizer Sigma contract originally contemplated a “custom software build,” which would generate services revenue.⁴³⁰ Because services did not count toward ARR Bookings, Saama rewrote the deal—with Katta’s approval—as a “license agreement rather than custom build

⁴²⁶ JX 461 at 1; *see* JX 2362 (August 2021 email from Saama employee Connor Dodds: “We can plan for the [SDQ] integration [for AbbVie] to happen in Jan 2022 but have the [statement of work] milestone/invoice date as Dec 31 for this piece.”).

⁴²⁷ JX 464 at 13; JX 510 at 3-4; JX 474 at 1.

⁴²⁸ JX 486 at 1.

⁴²⁹ *See, e.g.*, JX 613; JX 742; JX 2262; JX 946; JX 902; JX 937; Burr Tr. 1515-16, 1523-24; Dadia Tr. 826-28 (testifying that any contract above a de minimis amount required formal review and approval by Saama’s deal review group (including Katta) during the earnout period); Katta Tr. 265-66, 278-79.

⁴³⁰ Burr Tr. 1531-32.

in order to satisfy the requirements of ARR” for the earnout.⁴³¹ Katta also knew his team front-loaded subscription fees in a four-year contract with PHP-Areteia because only the first three years counted toward ARR Bookings.⁴³²

Katta’s subordinates—executing his earnout-at-all-costs directive—pushed to redefine milestones and offer steep discounts to Biohaven in exchange for a December 31 signature to “maximize for 72/27.”⁴³³ This persistent pressure to sign caused the prospective client to abandon negotiations.⁴³⁴

Additionally, Katta instructed his team to artificially inflate ARR Bookings in contracts by bundling implementation services with subscription fees.⁴³⁵ Bundling implementation fees into subscription line items artificially disguised non-recurring

⁴³¹ *Id.*; *see also id.* at 1525-26 (testifying that Katta was aware of pipeline deals, participated in Pfizer discussions, and approved the discounted pricing offered to Pfizer, which was conditioned on executing the agreement before December 31, 2021); Dadia Tr. 826-28.

⁴³² JX 794 at 1; *see* Merger Agreement Annex A (defining “ARR Bookings”).

⁴³³ JX 707. There are other examples. *See* JX 740 at 1-2 (Burr to GSK: “I was hoping to have been able to complete the POC and contract with GSK for a number of pilot studies by the end of December. Do you think . . . maybe we can get a contract for somewhere around \$1M?”); JX 868 at 2; Yang Tr. 1001; Katta Tr. 199-200; *see also* Burr Tr. 1531 (“I was now suddenly being asked to do an ARR target, which meant that we were signing one-year deals, not multi-year deals.”). Bress also expressed concern when Katta’s “bully[ing]” tactics upset client PPD. *See* JX 795 (“My sense is Saama won’t be successful with PPD until Suresh stops interacting with PPD folks and we get a sensible commercial approach.”).

⁴³⁴ JX 707.

⁴³⁵ Burr Tr. 1520-21.

service revenue as high-value, recurring software revenue.⁴³⁶ Saama also underpriced the labor-intensive implementation services bundled into those contracts, requiring it to absorb costs that depressed its gross margins.⁴³⁷

These deal manipulations lacked any independent business purpose. They were engineered solely to fabricate earnout eligibility.

iii. *Pricing Strategy*

Katta overhauled Saama's historical pricing strategy to maximize short-term earnout metrics at the expense of the company's software product profitability.⁴³⁸ He overrode the standard limits in Saama's pricing book—the algorithmic tool used to generate value-based discounts—in favor of extreme discounts and eliminated margin limits.⁴³⁹ Doing so exposed Saama to operational risk.⁴⁴⁰ Katta knew that

⁴³⁶ See Bress Tr. 1343-45, 1362-63, 1366-67; Yang Tr. 977, 1022-26; Burr Tr. 1517-18, 1521-22.

⁴³⁷ See Rogers Tr. 842-43, 856-57; Moneymaker Tr. 21-22; Sharma Tr. 1245-46, 1250-51; Yang Tr. 977, 1053-54.

⁴³⁸ See Burr Tr. 1508-10, 1518, 1527-28.

⁴³⁹ Katta Tr. 304-05 (admitting under cross-examination that his pricing book did not provide for 50% discounts on SDQ and SAM, yet he approved deals with 50%+ discounts); see also JX 2691; JX 180; JX 613.

⁴⁴⁰ See JX 802 (internal email from Saama employees warning management regarding the steep implementation discounts offered on the PHP contracts that although they would “help us meet our 72-27 goals,” they were “unrealistic” and “set us up for failure”); JX 1316 (Anandakumar to Gondhali: “i remember u saying that the Q4 deals will drown us. and it is happening that way.”).

these tactics would strain the company’s engineering resources and that Saama would struggle to deliver on its newly executed commitments.

First, Katta abandoned the “consumption pricing” he had personally conceived of and implemented because it would not count toward the earnout, instead directing his subordinates to offer extreme discounts.⁴⁴¹ Saama’s pricing book did not provide for 50% discounts on SDQ and SAM.⁴⁴² Large discounts maxed out at around 30%.⁴⁴³ But under the “72-27” strategy, the sales team overrode the pricing book.⁴⁴⁴ As Hagins’ report details—and corroborating evidence confirms—discounts skyrocketed, averaging 80% for implementation fees and 64% for subscription fees.⁴⁴⁵

⁴⁴¹ Katta Dep. 173; JX 2257 at 2; Katta Tr. 267-68, 271-72; JX 653 (“[S]ince consumption based price has no guarantee, they will not give credit for that towards upside ARR (27M goal).”); JX 615 (Dadia to Katta: “Suresh – Just wanted you to be aware that Utility based pricing could have Zero upside ARR if there is no floor in the agreement.”). Katta abandoned consumption-based pricing for client Regeneron as a result. JX 781; *see supra* note 104 and accompanying text.

⁴⁴² Katta Tr. 304-05.

⁴⁴³ Gondhali Dep. 18; Burr Tr. 1509-10; Gondhali Tr. 696-97.

⁴⁴⁴ *E.g.*, JX 2691 (October 2021 Email from Murali Krishnam to Katta: “Please find the attached order form for the PHP Sandbox . . . I’ve also attached the pricing calculator which shows how I arrived at the number. The pricing calculator does not allow changes to implementation fee and I had to override it manually in the order form.”).

⁴⁴⁵ Hagins Opening Report ¶¶ 79-84; *see also supra* notes 104, 106 and accompanying text; JX 868 at 2 (email from sales to GSK: “The offer showcased in the order form reflects not only significant discounts for Smart Data Quality and Smart Auto Mapper, but also the inclusion of other software products needed for multiple datathon work streams at no additional cost . . . Saama will also absorb 100% of the implementation and setup costs.”). Hagins analyzed the contracts Katta claimed as ARR Bookings. Katta takes issue with Hagins’ analysis, arguing that his use of the contracts’ actual performance is “irrelevant”

Second, as previously noted, Katta approved a directive that “typical margin limits do not apply” and that salespeople should focus on signing short-term contracts that “need not be sustainable.”⁴⁴⁶ Before the earnout, Saama’s subscription margin average was 71.4%.⁴⁴⁷ Katta’s own 2022 projected average margin was 90%.⁴⁴⁸ But by December 2022, the average subscription margin for earnout contracts plummeted to negative 8.4%.⁴⁴⁹ As a result, Saama effectively paid its own customers to provide services to them. AbbVie’s contract, for instance, had a negative 218% margin in late 2022.⁴⁵⁰

because the Merger Agreement requires analysis of “the margins as priced in the contracts.” Pl.’s Post-trial Reply Br. 28. But the Merger Agreement states that the contracts must “reflect typical margins.” Merger Agreement Annex A (defining “ARR Bookings”). The costs actually incurred to perform those contracts are relevant evidence of whether their pricing reflected typical margins. The margin data used was also developed in the ordinary course by Saama’s finance team. *See* Yang Tr. 1049-53; JX 2125 (native) 1. Katta’s contention that Rogers “doctored” the margin data is not credible. *See* Pl.’s Post-trial Opening Br. 64-65. Rogers only worked on a draft spreadsheet to adjust it to include actual costs. *See* Yang Tr. 1047-50.

⁴⁴⁶ JX 613 at 1 (Katta responding: “This is a good list, Raj.”). Katta claims that these directives had nothing to do with the earnout. Katta Tr. 264-65. The earnout targets are repeatedly referenced in Dadia and Katta’s exchange, with Dadia explaining that the “margin and short term outcome” directives were aimed at “Revenue till December 31st till we comfortably hit 72 and then ARR is the focus.” JX 613 at 1-2.

⁴⁴⁷ Dudney Opening Report ¶¶ 23-24; Dudney Tr. 1605; *see also* JX 270 at 5 (“Saama expects to achieve 56% gross margin in 2021B (vs. 47% in 2020A), driven by its higher-margin life sciences [software-as-a-service] subscription business at ~80% gross margin.”).

⁴⁴⁸ JX 1072 at 5; Rogers Tr. 849-50.

⁴⁴⁹ Hagins Opening Report ¶ 88.

⁴⁵⁰ JX 1577 at 48 (October 22 Board deck showing contract-level margins of -218% for AbbVie, -227.5% for Pfizer, -46.3% for IQVIA, and -38.4% for Novotech); JX 324 at

iv. *Selling Nascent and Nonexistent Products*

Katta also overcommitted Saama's resources by promising customers products that were still in early development or were nonexistent. The record demonstrates that he knew Saama could not deliver on its promises. He made them anyway with the intent to secure the maximum earnout payment.

When the earnout period began, Smart Series products were “still under core feature development” and required substantial time, costs, and resources for Saama to build and implement custom applications for each customer.⁴⁵¹ Carlyle's diligence findings concluded that Saama was only equipped to sign one or two new Smart Series customers per year from 2021 to 2026.⁴⁵² Katta knew those products were immature.⁴⁵³ During earnout negotiations, he expressed concern that obtaining \$12 million in additional ARR would be a stretch.⁴⁵⁴

Yet, driven by Katta's “72-27” mandate, Saama signed its Smart Series products at an unprecedented pace. During the earnout period, Saama sold SDQ to seven customers, even though the version co-developed with Pfizer had to be

15-16 (noting that “AbbVie is the first big all-encompassing client (given 85% discount on SDQ and SAM)”).

⁴⁵¹ See JX 364 at 8.

⁴⁵² JX 429 at 7.

⁴⁵³ See Moneymaker Tr. 37-38; Rogers Tr. 884, 921; Sharma Tr. 1253; JX 1046 at 2.

⁴⁵⁴ JX 374 at 1.

“completely freshly built” to work for other customers.⁴⁵⁵ SAM did not exist as a deployable product; AbbVie was its first customer and co-build partner, but SAM was sold to five other customers.⁴⁵⁶ Saama also sold SPACE to two customers, including IQVIA, even though it existed only in “slideware.”⁴⁵⁷

Saama naturally struggled to perform on these premature commitments. AbbVie’s implementation was disastrous, proving to be a “huge burden” for Saama.⁴⁵⁸ Gondhali wrote in contemporaneous emails that he was “scared” about AbbVie’s deployment and low customer satisfaction.⁴⁵⁹

Other customers followed suit, expressing their dissatisfaction. Some customer relationships, including Saama’s relationship with IQVIA, were badly damaged.⁴⁶⁰ Other customers, including Novotech, were lost.⁴⁶¹ These failures

⁴⁵⁵ See Moneymaker Tr. 37-38; Rogers Tr. 884, 921; Scaldaferrri Dep. 350-51, 267-68; JX 1046 at 2.

⁴⁵⁶ See JX 595 at 36; JX 2362 (noting that as of August 2021, AbbVie still had questions on three big aspects of its offered products, including “How SDQ 2.0 (Edit Check Engine) will integrate with SAM to form the holistic solution” and noting that “it has been 2 weeks since kickoff and [Saama] ha[s] not yet provided a clear roadmap of what to expect/what activities [it] will take” to AbbVie).

⁴⁵⁷ Moneymaker Tr. 41 (noting that SPACE did not exist even as of October 2022); JX 232 at 10.

⁴⁵⁸ Rogers Tr. 854-55.

⁴⁵⁹ JX 1270 at 1; Sharma Dep. 240; see JX 1883 at 9 (stating that delivering on AbbVie commitments is “a huge burden” for Saama).

⁴⁶⁰ See *supra* notes 165-166 and accompanying text.

⁴⁶¹ See *supra* note 168 and accompanying text; see also *infra* note 469.

stemmed from Katta’s disloyal decision to prioritize the earnout over Saama’s ability to execute on contracts it was pushed to sign before the end of 2021.

* * *

Katta caused Saama to abandon its historical practices in favor of the “72-27” campaign. He led from the top, pressuring his subordinates to execute software subscription contracts at any cost. As he warned Saama employees, there was “no scope for any silent passengers.”⁴⁶²

The artificial pace of these sales is underscored by Saama’s ARR history. By September 2021, Saama had achieved just \$12.7 million in ARR, and weeks earlier Katta acknowledged that hitting \$27 million in 2021 would be a stretch.⁴⁶³ By year-end 2021, Katta claimed to have generated \$38 million in ARR in only four-and-a-half months.⁴⁶⁴

Katta knew Saama could not meet the obligations he was contractually committing it to.⁴⁶⁵ He pressed ahead despite warnings from employees about major resource constraints.⁴⁶⁶ He also knew the push to sign contracts that facially met the

⁴⁶² JX 404 (native) 6.

⁴⁶³ JX 606 at 25; JX 374 at 1.

⁴⁶⁴ JX 936 (native) 2 (“ARR Bookings” tab).

⁴⁶⁵ Burr Tr. 1524-25.

⁴⁶⁶ See JX 726 at 1 (“[W]e are out of people and out of time and need to prioritise vs. doing more[.]”); JX 722 at 1-2.

ARR Bookings criteria would lead to costly, unmanageable obligations for the software subscription business. And it did. Saama's subscription margins plummeted.⁴⁶⁷

A fiduciary cannot knowingly sacrifice the corporation's interests for personal gain. Saama proved that Katta did just that. He consciously disregarded Saama's operational limits by overriding pricing guardrails, bundling and offering free services, and selling nonexistent products to concoct earnout eligibility. He prioritized his financial interests over the entity he was duty-bound to protect. This was not a flawed business strategy; it was bad faith.

As Katta's mandates were executed, Saama was forced to absorb labor-intensive implementation costs.⁴⁶⁸ This effort drained engineering resources, drove the average subscription margin on the earnout contracts to a negative 8.4% by late 2022, and sparked customer cancellations.⁴⁶⁹ I proceed to consider the proper remedy for these harms.

⁴⁶⁷ See *supra* Section I.J.

⁴⁶⁸ See Rogers Tr. 844, 856-57; Moneymaker Tr. 21-22, 41; Sharma Tr. 1240, 1245-46; *see also* Yang Tr. 977; Burr Tr. 1521.

⁴⁶⁹ See Hagins Opening Report ¶ 88 (calculating the -8.4% average subscription margin for the earnout contracts); JX 1577 at 48 (documenting AbbVie's -218.1% margin and Novotech's -38.4% margin); Sharma Tr. 1254, 1261-63 (testifying to the Novotech and Merck cancellations).

c. Remedy

The Court of Chancery has “significant discretion . . . in fashioning an appropriate remedy” for a breach of the duty of loyalty.⁴⁷⁰ “In determining damages, the Court’s ‘powers are complete to fashion any form of equitable and monetary relief as may be appropriate.’”⁴⁷¹ The court may consider whether the breaching party has engaged in “fraud, misrepresentation, self-dealing, deliberate waste of corporate assets, or gross and palpable overreaching.”⁴⁷² “Delaware law dictates that the scope of recovery for a breach of the duty of loyalty is not to be determined narrowly.”⁴⁷³

i. *The Parties’ Experts*

The defendants seek compensatory damages for Katta’s bad faith.⁴⁷⁴ In support, they offer the expert opinion of Louis G. Dudney, who used a “but-for”

⁴⁷⁰ *Bomarko, Inc. v. Int’l Telecharge, Inc.*, 794 A.2d 1161, 1184 (Del. Ch. 1999); *see also Gesoff v. IIC Indus., Inc.*, 902 A.2d 1130, 1154 (Del. Ch. 2006) (“[T]he Court of Chancery has greater discretion when fashioning an award of damages in an action for a breach of the duty of loyalty.” (citation omitted)).

⁴⁷¹ *Bomarko*, 794 A.2d at 1184 (quoting *Weinberger v. UOP, Inc.*, 457 A.2d 701, 714 (Del. 1983)).

⁴⁷² *Weinberger*, 457 A.2d at 714.

⁴⁷³ *Thorpe v. CERBCO, Inc.*, 676 A.2d 436, 445 (Del. 1996).

⁴⁷⁴ Although the parties briefed damages under a breach of contract theory, the briefing and proffered expert analyses hold equivalent probative value for fiduciary duty damages. The parties presented arguments and evidence on contractual expectation damages—specifically, lost profit damages. *See* Defs.’ Post-trial Opening Br. 70-78; Defs.’ Post-trial Reply Br. 39-41; Pl.’s Post-trial Reply Br. 69; Dudney Opening Report ¶¶ 18, 37-43 & figs. 7-10; JX 2194 (“Manning Rebuttal Report”) ¶¶ 8, 36-56. In fact, Dudney’s report

analysis to compare Saama's actual gross margins with the margins it would have achieved absent Katta's misconduct.⁴⁷⁵ Dudney calculated three scenarios over three periods, quantifying the resulting harm at a maximum of \$83.3 million.⁴⁷⁶

In rebuttal, Katta offers the opinion of Dr. Richard Manning.⁴⁷⁷ Manning critiqued Dudney's damages calculations as methodologically flawed and economically disconnected from the record.⁴⁷⁸ He opined that Dudney overreached by applying margin compression to company-wide revenue.⁴⁷⁹

ii. *Dudney's Analysis*

Dudney calculated Saama's damages based on the difference between its expected (but-for) gross profit and its actual gross profit during the post-earnout

accounted for the defendants' breach of contract and breach of fiduciary duty counterclaims, as both were in play when his report was submitted. *See* Dudney Tr. 1595-96; *see also* Defs.' Post-trial Reply Br. 36-38, 40 n.172. Compensatory damages are "an appropriate means by which to remedy a breach of the duty of loyalty." *Ravenswood Inv. Co., L.P. v. Est. of Winmill*, 2018 WL 1410860, at *20 (Del. Ch. Mar. 21, 2018); *see also OptimisCorp v. Waite*, 2015 WL 5147038, at *82 (Del. Ch. Aug. 26, 2015).

⁴⁷⁵ Dudney Opening Report ¶¶ 1, 18, 37-39. Dudney is a former PwC partner who is now a partner and Managing Director at AlixPartners, LLP, where he is the Global Leader of AlixPartners' Investigations, Disputes, and Risk practice. *Id.* ¶¶ 1, 4.

⁴⁷⁶ *Id.* ¶¶ 18, 37-38, 40-42.

⁴⁷⁷ Manning Rebuttal Report ¶ 1. Dr. Manning is currently a Managing Director at Secretariat and a former assistant professor of economics at Brigham Young University. *Id.* at Attachment A-1a.

⁴⁷⁸ *Id.* ¶¶ 6, 8, 36-56.

⁴⁷⁹ *Id.* ¶¶ 8, 40-43.

period (2022 to 2024).⁴⁸⁰ He applied benchmark gross margin percentages to Saama's total company-wide revenues rather than apportioning damages only to the 23 earnout contracts directly affected by Katta's bad faith misconduct.⁴⁸¹

Dudney modeled three baseline margin scenarios and calculated the resulting damages over one-, two-, and three-year horizons. His first scenario calculates what Saama's gross profit would have been if it had achieved the same gross margin percentage it historically earned in 2020 and 2021.⁴⁸² The second calculates what Saama's gross profit would have been if it had achieved the future gross margins projected in Carlyle's valuation model.⁴⁸³ The third calculates what Saama's gross profit would have been if it had achieved the gross margins reflected in Saama's due diligence projections.⁴⁸⁴

⁴⁸⁰ Dudney Opening Report ¶¶ 18, 37, 39, 40-42 & figs. 7, 9, 10; Dudney Tr. 1607-08.

⁴⁸¹ Dudney Opening Report ¶¶ 10, 13-14, 19, 39 & fig. 7; Dudney Tr. 1602-03 (discussing how he looked at gross margins for the whole company because "the allegations were that the impacts from the alleged bad acts were broader than just in terms of their implications and how they affected the company, and one of those things would be, for example, brand or pricing expectations in the market and things of that nature or the reputation of overpromising and underdelivering").

⁴⁸² Dudney Opening Report ¶ 39.

⁴⁸³ *Id.* ¶ 41.

⁴⁸⁴ *Id.* ¶ 42.

Applying these baselines to company-wide revenue across the three periods yields damages ranging from \$11.2 million (under the one-year historical scenario) to \$83.3 million (under the three-year due diligence scenario).⁴⁸⁵

iii. *The Proper Measure of Damages*

At trial, Dudney testified that he used company-wide metrics because Katta's misconduct during the earnout period had broad reputational and operational consequences.⁴⁸⁶ I decline to adopt this approach. Delaware courts "show a general willingness to make a wrongdoer 'bear the risk of uncertainty of a damages calculation.'" ⁴⁸⁷ Still, the court must have a reliable evidentiary basis from which to award damages, such that they are "susceptible of proof and a remedy appropriate to all the issues of fairness."⁴⁸⁸ The claim's proponent has the burden to prove "that a sufficient causal linkage exists between the breach of duty and the remedy sought to make the remedy an apt means of addressing the breach."⁴⁸⁹ The defendants have not met this burden for their enterprise-wide damages model.

Katta's scheme to secure the earnout at the expense of Saama's business was disloyal. He imposed the "72-27" campaign, suspended typical margin limits to

⁴⁸⁵ *Id.* ¶¶ 39-42.

⁴⁸⁶ Dudney Tr. 1602-03.

⁴⁸⁷ *In re Mobilactive Media, LLC*, 2013 WL 297950, at *24 (Del. Ch. Jan. 25, 2013).

⁴⁸⁸ *In re Fuqua Indus., Inc.*, 2005 WL 1138744, at *7 (Del. Ch. May 6, 2005).

⁴⁸⁹ *Metro Storage Int'l LLC v. Harron*, 275 A.3d 810, 859 (Del. Ch. 2022).

drive sales, and sold nascent products at unprecedented discounts while bundling services.⁴⁹⁰ But his misconduct was aimed at inflating ARR in Saama’s software subscription division. Extrapolating that harm to the entire company is economically disconnected from the breach.

The defendants cite evidence showing that the undeliverable, deeply discounted contracts caused Saama long-term negative consequences.⁴⁹¹ Dudney’s analysis, however, simply assumes that 100% of Saama’s margin compression was caused by Katta.⁴⁹² He performed no regression analysis, attribution modeling, or assessment of the effects of new management’s policies, product changes, or market headwinds.⁴⁹³ Applying an enterprise-wide margin drop would punish Katta for unrelated declines in Saama’s legacy services business and ignore intervening events.

⁴⁹⁰ See *supra* Section II.B.1.b.

⁴⁹¹ See, e.g., JX 1501 at 1 (Gondhali to a customer success employee: “I don’t have resources to do this [customer proposal]. We have the most golives happening November and December and a lot of these pilots can’t happen so quick it needs a lot of engineering and product support who are very busy supporting [A]bbvie and Merck.”).

⁴⁹² Dudney Opening Report ¶ 36.

⁴⁹³ See Manning Rebuttal Report ¶¶ 45-46, 50-51 (documenting peer group margin compression to 31.8% in Guggenheim valuation materials, post-COVID travel cost spikes of 1,200%, and non-price labor cost factors); Moneymaker Tr. 11-12, 17-22 (detailing CEO turnover, non-unified technology stacks, and technical debt integration friction); Gondhali Tr. 656-58; see also Pl.’s Post-trial Opening Br. 56-62.

Conversely, limiting damages to those directly caused by the 23 tainted earnout contracts, as Manning suggests, does not capture the full scope of the harm.⁴⁹⁴ Katta's bad faith diverted engineering resources, damaged Saama's reputation, and impaired the subscription pipeline. These actions affected Saama's software subscriptions business well beyond the 23 executed contracts.

Although I rejected Dudney's enterprise-wide model for failing to isolate the effects of the breach, narrowing the analysis to the software subscription division in 2022 focuses the analysis on the business and period most directly affected by Katta's misconduct. Dudney's report details that Saama's historical subscription margin averaged 71.4%.⁴⁹⁵ The 2022 product mix included early Smart Series products, but the record establishes these products were projected to support margins between 70% and 90%, making the 71.4% historical average a reasonable proxy.⁴⁹⁶ In 2022, actual subscription margins collapsed to 39.2% on \$22,705,768 in subscription revenue.⁴⁹⁷

⁴⁹⁴ Manning Rebuttal Report ¶ 43. Manning calculated damages from these 23 contracts using the defendants' own historical company-wide margin baseline of 49.6%, rather than the 71.4% margin specific to the software subscription business. Manning Rebuttal Report ¶ 41 nn.129-31. Applying this margin to the \$17,782,682 in aggregate revenue generated by the 23 tainted contracts yields a "but-for" gross profit of \$8,820,210. Subtracting the actual gross profit generated by the 23 contracts (\$5,475,799) leaves a lost profits shortfall of \$3,344,411.

⁴⁹⁵ Dudney Opening Report ¶ 23 & fig. 4.

⁴⁹⁶ See *supra* notes 50-51, 332-333 and accompanying text.

⁴⁹⁷ Dudney Opening Report ¶ 24 & fig. 5.

This severe margin compression resulted in a gross profit shortfall of \$7,300,172.⁴⁹⁸ That amount reasonably measures Saama's lost profits because the expenses deducted from gross profit would have been materially the same absent Katta's breach.⁴⁹⁹ The reduction in gross profit therefore represents a corresponding reduction in Saama's net profits.

I award Saama damages in that amount. Applying the historical margin to actual 2022 subscription revenue reasonably estimates the loss attributable to servicing the tainted contracts and the increased costs of servicing other subscription contracts as engineering resources were diverted to fulfill the tainted contracts' commitments.⁵⁰⁰ The calculation does not separately compensate Saama for reputational damage or lost sales opportunities, which would require a reconstruction of the sales pipeline.⁵⁰¹ The record shows that added technical debt,

⁴⁹⁸ To calculate this figure, the 71.4% historical margin is applied to the 2022 subscription revenue of \$22,705,768, yielding an expected gross profit of \$16,211,918. Subtracting the actual 2022 subscription gross profit of \$8,911,746 (which reflects the depressed 39.2% margin) results in a gross profit shortfall of \$7,300,172. *See id.* ¶¶ 23-24 & figs. 4-5.

⁴⁹⁹ *See id.* ¶¶ 18, 37-39 & nn.104-05; Manning Rebuttal Report ¶¶ 37, 44-46; Dudney Tr. 1605-08.

⁵⁰⁰ *See, e.g.,* Yang Tr. 1053-54 (describing operational drag across the software business); Sharma Tr. 1245-46 (describing the massive resource demand and delays caused by overcommitted contracts); Rogers Tr. 849-50, 898-900 (describing customer problems and unplanned engineering labor without corresponding revenue); Moneymaker Tr. 54 (estimating significant resources would be required to achieve oversold commitments); *see also* JX 728; JX 753.

⁵⁰¹ *Cf. Duncan v. Theratx, Inc.*, 775 A.2d 1019, 1023-24, 1024 n.12 (Del. 2001) (observing that uncertainty over future events that are "impossible to know" should not be resolved

resource constraints, and operational restrictions that depressed Saama's 2022 subscription margins were foreseeable consequences of Katta's misconduct.⁵⁰² In estimating the loss caused by his misconduct, I resolve against him uncertainties that his misconduct created.⁵⁰³ By limiting damages to the software subscription business in 2022, I address the consequences of Katta's disloyalty without including divisions or time periods for which the record does not permit a reliable attribution of losses to his breach.

iv. *Interest*

Prejudgment interest is awarded as a matter of right to compensate a party for the loss of the use of its money.⁵⁰⁴ It generally accrues from the date of the wrong.⁵⁰⁵

against the defendant (citing *Madison Fund, Inc. v. Charter Co.*, 427 F. Supp. 597, 608 (S.D.N.Y. 1977))).

⁵⁰² See Moneymaker Tr. 22-23, 28, 43-45; Sharma Tr. 1245-46, 1255-56; Rogers Tr. 843-45, 898-900; JX 1070.

⁵⁰³ See *Red Sail Easter Ltd. P'rs v. Radio City Music Hall Prods., Inc.*, 1992 WL 251380, at *7 (Del. Ch. Sept. 29, 1992) ("Responsible estimates that lack m[a]thematical certainty are permissible so long as the court has a basis to make a responsible estimate of damages."); *Siga Techs., Inc. v. PharmAthene, Inc.*, 132 A.3d 1108, 1131 n.132 (Del. 2015) ("Courts in Delaware and other jurisdictions have frequently applied the 'wrongdoer rule' where the wrongdoer's breach contributed to uncertainty over the amount of damages.").

⁵⁰⁴ See *Citadel Hldg. Corp. v. Roven*, 603 A.2d 818, 826 (Del. 1992); *Underbrink v. Warrior Energy Servs. Corp.*, 2008 WL 2262316, at *19 (Del. Ch. May 30, 2008) (explaining that prejudgment interest is awarded to "compensate plaintiffs for losses suffered from the inability to use the money awarded during the time it was not available" (citation omitted)).

⁵⁰⁵ See *Brandywine Smyrna, Inc. v. Millennium Builders, LLC*, 34 A.3d 482, 486 (Del. 2011).

The defendants request prejudgment interest beginning on January 14, 2022, when Katta submitted the Earnout Statement.⁵⁰⁶ But the \$7,300,172 damages award compensates Saama for lost profits sustained through 2022. Applying interest to the entire sum from January 14 would grant a windfall by compensating Saama for a loss of funds it would not yet have possessed in the but-for world. In the exercise of my discretion, prejudgment interest will accrue from a representative midpoint of July 1, 2022 through the date of judgment.⁵⁰⁷ Post-judgment interest also will run from the date of the entry of judgment to the date of payment.⁵⁰⁸

The Court of Chancery generally looks to the legal rate of interest—five percentage points above the Federal Reserve discount rate—as the benchmark for prejudgment interest.⁵⁰⁹ I select a variable rate to account for significant fluctuations in interest rates during the relevant period and conclude that “the appropriate compounding rate is quarterly.”⁵¹⁰ Doing so “better reflects the financial realities of

⁵⁰⁶ See Defs.’ Post-trial Opening Br. 79 (asking for interest at the statutory rate compounded quarterly from January 14, 2022).

⁵⁰⁷ Cf. *Fletcher Int’l, Ltd. v. Ion Geophysical Corp.*, 2013 WL 6327997, at *26 (Del. Ch. Dec. 4, 2013) (reducing the prejudgment interest rate in the exercise of the court’s discretion because of the plaintiff’s litigation misconduct). July 1, 2022 reasonably approximates when the lost profits would have accrued.

⁵⁰⁸ 6 Del. C. § 2301(a); see *Noranda Aluminum Hldg. Corp. v. XL Ins. Am., Inc.*, 269 A.3d 974, 978 (Del. 2021).

⁵⁰⁹ 6 Del. C. § 2301(a).

⁵¹⁰ *Doft & Co. v. Travelocity.com Inc.*, 2004 WL 1152338, at *12 (Del. Ch. May 20, 2004); see *Fortis Advisors*, 2024 WL 4048060, at *54.

conducting business” than simple interest.⁵¹¹ Saama is therefore awarded prejudgment interest on the \$7,300,172 damages award at the fluctuating legal rate, compounded quarterly, accruing from July 1, 2022 through the entry of judgment, and post-judgment interest thereafter. The defendants must submit an updated interest calculation with the proposed final order.

2. Declaratory Judgment

The defendants seek a declaratory judgment that Katta and the Sellers are entitled to no earnout payment under the Merger Agreement.⁵¹² The Declaratory Judgment Act permits courts to declare the rights and other legal relations of any interested party seeking such a declaration.⁵¹³ Here, an actual controversy exists regarding whether the Sellers achieved the financial metrics necessary to trigger the earnout.⁵¹⁴

As established in the analysis of Katta’s breach of contract claim, the defendants have proven that Saama failed to meet the prerequisites for an earnout payment.⁵¹⁵ Section 2.10(a) of the Merger Agreement conditions the “Aggregate

⁵¹¹ *Murphy Marine Servs. of Del., Inc. v. GT USA Wilm., LLC*, 2022 WL 4296495, at *24 (Del. Ch. Sept. 19, 2022).

⁵¹² PTO ¶¶ 142(c), 144(b).

⁵¹³ *See* 10 Del. C. § 6501 *et seq.*

⁵¹⁴ *See id.* § 6501; *Stroud v. Milliken Enters., Inc.*, 552 A.2d 476, 479-80 (Del. 1989).

⁵¹⁵ *See supra* Section II.A.

Earnout Amount” on Saama achieving a 2021 GAAP revenue of at least \$72 million.⁵¹⁶ Without the \$3.06 million in improperly recognized revenue for the AbbVie contract, Saama’s true 2021 GAAP revenue reached—at most—\$70.08 million, and was formally restated by Deloitte to just \$67.4 million.⁵¹⁷ No earnout payment is due. Further, even if the revenue threshold had been met, Saama’s eligible ARR Bookings fell short of the \$11 million required to earn the maximum payout.⁵¹⁸

Because Saama failed to satisfy the bargained-for financial conditions, Katta and the Sellers have no contractual right to the earnout. I therefore grant the defendants’ request for a declaratory judgment that no earnout payment is owed under the Merger Agreement.

3. Breach of the Implied Covenant

The defendants’ final counterclaim is for breach of the implied covenant of good faith and fair dealing.⁵¹⁹ “The implied covenant of good faith and fair dealing inheres in every contract and ensures that neither party acts arbitrarily or

⁵¹⁶ Merger Agreement § 2.10(a).

⁵¹⁷ See PTO ¶¶ 121, 135; *supra* note 343 and accompanying text.

⁵¹⁸ PTO ¶ 103; *see also* Merger Agreement § 2.10(a); *id.* at Annex A (defining ARR Bookings); *supra* note 181 and accompanying text (noting that Saama conceded certain ARR Bookings as being ineligible).

⁵¹⁹ PTO ¶ 142(b); *see* Merger Agreement § 2.10(b).

unreasonably to frustrate the fruits of their bargain.”⁵²⁰ The defendants claim that Katta breached the implied covenant by submitting an Earnout Statement that he knew to be false.⁵²¹ As relief, the defendants seek a declaratory judgment that the Sellers are not entitled to an earnout payment.⁵²²

I have determined that Saama failed to satisfy the financial conditions to an earnout payment and granted the defendants a declaratory judgment to that effect.⁵²³ The defendants have therefore been awarded all the relief they seek for their implied covenant claim. An adjudication of the implied covenant claim would have no additional practical effect on the parties’ rights.⁵²⁴ The implied covenant counterclaim is dismissed without prejudice as moot.⁵²⁵

III. CONCLUSION

For the reasons described above, judgment on Katta’s claims is in favor of the defendants. On the breach of fiduciary duty counterclaim, judgment is entered

⁵²⁰ *Johnson & Johnson v. Fortis Advisors LLC*, 352 A.3d 229, 253 (Del. 2026).

⁵²¹ Defs.’ Post-trial Opening Br. 73-75.

⁵²² PTO ¶ 144(b); Defs.’ Post-trial Opening Br. 78-80.

⁵²³ *See supra* Section II.B.2.

⁵²⁴ *See Garfield v. Allen*, 277 A.3d 296, 360-61 (Del. Ch. 2022) (“[A] plaintiff cannot recover duplicative remedies.”).

⁵²⁵ *See Medek v. Medek*, 2009 WL 2005365, at *5 & n.40 (Del. Ch. July 1, 2009) (dismissing, post-trial, an alternative claim without prejudice as moot after granting full relief on a contract claim); *see also In re Transamerica Airlines, Inc.*, 2007 WL 1555734, at *19 (Del. Ch. May 25, 2007).

against Katta and in favor of Saama in the amount of \$7,300,172, plus pre- and post-judgment interest. The defendants are entitled to a declaratory judgment that no earnout payment is due under the Merger Agreement. The defendants' implied covenant counterclaim is dismissed without prejudice as moot.

The parties are directed to confer on a form of final order, which must be filed within 30 days.