



IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

MATRIX PARENT, INC.; H.I.G. MOBILE, L.P.;  
H.I.G. EUROPE MIDDLE MARKET LBO  
FUND, L.P.; H.I.G. MIDDLE MARKET LBO  
FUND III, L.P.; H.I.G. TECHNOLOGY  
PARTNERS A, L.P.; H.I.G. TECHNOLOGY  
PARTNERS B, L.P.; AND H.I.G. MATRIX CO-  
INVESTORS, L.P.,

*Plaintiffs,*

v.

AUDAX MANAGEMENT COMPANY, LLC;  
AG MOBILE HOLDINGS, L.P.; AUDAX  
PRIVATE EQUITY FUND V-A, L.P.; AUDAX  
PRIVATE EQUITY FUND V-B, L.P.; AFF CO-  
INVEST L.P.; AUDAX TRUST CO-INVEST,  
L.P.; AUDAX PE V CO-INVEST, A SERIES OF  
AUDAX CO-INVEST SERIES, LLC; IVESHU  
BHATIA; DANIEL DORAN; and TIMOTHY  
MACK,

*Defendants.*

C.A. No.: \_\_\_\_\_ (CCLD)

JURY TRIAL  
DEMANDED

**COMPLAINT**

Plaintiff Matrix Parent, Inc. and the H.I.G. Plaintiffs (as defined herein, and collectively with Matrix Parent, Inc., “Plaintiffs”), by and through their undersigned attorneys, bring this Complaint against the Audax Defendants and Individual Defendants (as defined herein, and collectively “Defendants”).

## **Introduction**

1. This action concerns a brazen, massive, systemic fraud perpetrated by Audax, a private-equity firm, in the sale of a majority stake in telecommunications-software company Mobileum to Plaintiffs for a grossly inflated price of \$915 million. The purchase price was based on a multiple of earnings (i.e., “EBITDA,” or earnings before interest, taxes, depreciation, and amortization), which was estimated by sellers and management to be \$84 million for 2021. The multiple Plaintiffs used in determining the purchase price was based on a variety of factors—including the substantial growth in new bookings and revenue in 2021 of 18% and 15%, respectively, represented in the diligence.

2. It is now known that the Mobileum financial information underlying both EBITDA and growth was grossly, knowingly and fraudulently misstated by Audax and its affiliates, representatives and agents, in a concerted and coordinated fashion. These misstatements caused Mobileum’s EBITDA for 2021 to be overstated by well in excess of \$20 million (i.e., a more than 30% overstatement) due to the fraudulent and intentional over-recognition of revenue and, in fact, the company’s EBITDA was declining (not growing), meaning Plaintiffs overpaid—given the EBITDA multiple employed—by hundreds of millions of dollars.

3. Indeed, as Plaintiffs learned only after the acquisition closed, and as shown through a forensic investigation, there was a carefully coordinated, systemic

effort intended to deceive. Mobileum’s reports of its financial performance were systematically inflated in the periods leading up to and during the 2021 sale process using a variety of improper and nakedly fraudulent and dishonest techniques—a brazen fraud in which Defendants knowingly participated. Mobileum was caused to prematurely recognize revenues, and thus earnings, on long-term projects using falsified timesheets or time entries. To address and conceal its high level of “unbilled” revenues that this revenue-acceleration scheme caused, Mobileum also generated falsified invoices that were not sent to clients when they were recorded in Mobileum’s accounting system. And to manufacture the impression of a quickly growing company, Mobileum created and recorded sham bookings and new orders. This improper scheme was applied across scores if not hundreds of transactions, and included manipulations of source-level time entry logs on which revenue-recognition was based. The fraud is evidenced not only in Mobileum’s books and records but also in emails, WhatsApp messages and instant messages that reflect an unmistakable objective of falsifying Mobileum’s accounts and concealing that fact and the true picture of Mobileum’s business from Plaintiffs and any other prospective purchasers.

4. Audax’s role in and knowledge of the fraud detailed herein was facilitated and carried out by various members of Mobileum’s management, acting at Defendants’ direction and subject to their control. In 2016, when Audax acquired

its majority and controlling stake in Mobileum, it installed its “go-to” portfolio-company manager Andrew Warner as CFO. Warner was an “Audax Man,” who had worked with Audax in the past and developed a close relationship with the firm. He reported to Audax representatives, including Iveshu Bhatia, an Audax Managing Director, and acted at their direction.

5. Audax began its efforts to divest itself of its majority stake in October 2020, when it began aggressively marketing Mobileum for sale. Throughout the marketing process, including during conversations with the H.I.G. Plaintiffs, Warner and then-CEO Orathi “Bobby” Srinivasan worked closely with Audax on the preparation and presentation of falsified financial information that all concerned knew would be used by prospective purchasers to value Mobileum. During the marketing process, Audax repeatedly made clear to Warner, Srinivasan and others at Mobileum the importance of hitting Mobileum’s lofty EBITDA targets, and to paint a materially misleading picture of rapidly increasing customer bookings, all to support a high valuation in a sale. With these objectives in mind, Defendants implemented their multi-faceted fraud, which consisted of the following elements, among others.

6. ***Fraudulently Accelerated Revenue And Profits On Long-Term Projects Using Fake Timesheets.*** Mobileum recorded revenue (and thus earnings, given that it is a fixed-cost business) on long-term contracts on a “percentage of

completion” (or POC) basis. Under that method, a company’s management is meant to determine what percentage of a long-term project has been completed and what percentage of costs have been incurred, and to recognize revenues (and earnings) based on a good-faith determination of that percentage at any given time. To simplify, if Mobileum agreed to an implementation and integration project for a telecom customer from which it expected to receive \$10 million in revenue, and if management determined that 1,000 hours would be required to complete the work, then Mobileum could recognize \$5 million in revenue (50%) as soon as 500 hours (50%) of work was completed.

7. To fraudulently accelerate and prematurely recognize revenues—and earnings—Defendants created and used fake business records to falsely show an increase in the number of hours that had supposedly been completed on various projects, recognized revenue on fictitious transactions, and falsely and wholly without basis recharacterized millions of dollars’ worth of unbillable time as if it were billable. They also played around with the baseline against which both actual and falsified hours were measured; using the example above, Mobileum could improperly recognize additional revenue (and thus earnings) not just by falsely stating that additional work was performed, but also by reducing the total number of man hours supposedly required to complete the project from 1,000 to 500.

8. Accounting records and internal emails show that is exactly what happened, across multiple projects, with dramatic impacts on Mobileum’s financial picture. This systematic scheme helped Mobileum appear as though it was hitting its targets in 2021 and enabled it to improperly shift earnings from the future to the period *before* the sale. Audax and Mobileum’s management team clearly understood the fraudulent nature of these schemes and sought to cover them up after H.I.G. took over control of Mobileum in 2022. Even after the transaction closed, one of Srinivasan’s direct reports admonished a Mobileum employee to better conceal their activities: “*please don’t send emails detailing things out . . . will land you in lot of trouble.*”

9. ***Using Falsified Invoices To Reduce “Unbilled” Revenues.*** During the diligence, Plaintiffs (and the other potential purchasers) were also focused on the extent of “unbilled” revenues on Mobileum’s books as indicative of whether Mobileum was hitting its financial targets. But the fraudulent revenue-acceleration scheme was increasing this number. To further hide the truth, Defendants systematically and materially reduced the extent of “unbilled” revenues and profits on its books by prematurely creating invoices shared only internally for accounting purposes. Emails show, for example, that in December 2021, right before the deal was signed, Warner instructed others to backdate invoices to November, and hold them until they could be legitimately sent.

10. Quite clearly, the purpose of this maneuver was to show a reduction of unbilled revenue sufficient to overcome the concerns of the two investment firms then considering a purchase of Mobileum (H.I.G. and another firm) concerning the size of unbilled amounts, and to provide a positive outlook in the last complete financial month potential bidders could review before submitting their binding offers. After being notified that Mobileum's finance team successfully executed on this task, Srinivasan wrote to Audax on December 15, 2021 (ten days before the SPA was executed): "Frankly, this should be game, set and match for both [the other bidder] and H.I.G."

11. ***Fictitious Bookings Fraudulently Exaggerating Mobileum Growth Rate.*** Another key pillar of the fraud was to systematically generate fictitious new customer bookings for Mobileum goods and services. The level of customer bookings for new products was a significant metric that Warner and others specifically directed the H.I.G. Plaintiffs to look to during the diligence as a key indicator of future growth. Purchasers (including H.I.G.) typically look to growth rates when they acquire companies, with bookings momentum being the primary indicator of future growth. As noted, Warner and others pointed to a double-digit growth rate in customer "bookings" as representing a leading indicator of growth resulting from a strong technology and strong customer relations. The robust bookings momentum was a key reason for Plaintiffs' investment decision (as it

would be in any similar transaction). As with the Mobileum revenue and earnings numbers, however, customer “bookings” were massively inflated by fraud, and were declining rather than growing.

12. The effort was systematic and cut across many Mobileum projects and customer relationships, but transactions with one customer, Kibott, represent a stark and particularly well-documented example. In April 2021, Warner introduced Kibott to Mobileum executives as a potential customer, never mind that (as CFO) this was not his job. He held Kibott out as being a “stealth mode” start-up company that sought to use one of Mobileum’s software products—which was designed for and sold almost exclusively to telecom companies—in the hospitality industry. Beginning in September 2021 (just as H.I.G. was beginning its diligence), Kibott ran up an increasing tab with Mobileum, committing to purchase millions of euros worth of licenses for Mobileum’s software and related services. Mobileum, at Warner’s direction, recorded a “booking” upon receiving the purchase orders.

13. But Mobileum’s relationship with Kibott was a sham. Kibott was controlled by two of Warner’s friends, and Warner and others at Mobileum knew perfectly well it had no customers, no funding, no revenue, and no reasonable prospect of paying Mobileum or even using Mobileum’s products. Kibott was not even incorporated when it began signing purchase orders and approving the



Mobileum invoices. No honest company or CFO would have included such “bookings” when touting the company’s growth prospects and customer base.

14. Even so, in the third and fourth quarters of 2021, while Mobileum was being marketed to Plaintiffs, and while Mobileum stood to miss the forecasts it needed to achieve to hit its targeted billion-dollar valuation, Warner and Mobileum used the sham Kibott relationship as a “lifesaving” and artificial stopgap. Warner told a direct report on November 5, 2021 to “*think of this as a blank canvas*” and a way to “maximize revenue.” Warner and others at Mobileum were unconcerned with whether Kibott could actually pay—they knew it could not and would not; what mattered was keeping the numbers artificially inflated until the sale.

15. And it is quite clear that the practice of fabricating fake “bookings” went well beyond the particularly galling example of Kibott. On June 2, 2021, when confronted in the diligence process with a request to justify Mobileum practices around converting “whitespace” (*i.e.*, potential customer leads) into actual bookings (*i.e.*, customer commitments to purchase), Warner explained this fraud in simple terms to a Mobileum employee tasked with “trying to build a positive outlook”: “The reality is we have a target number from Bobby [Srinivasan], then build the support that makes the number seem reasonable, *but we can not say that!!*”

16. Despite this clear evidence of fraud, in a classic effort at deflection, Audax has sought to blame Mobileum’s current woes on alleged mismanagement—

but the documents and accounting records do not lie. The truth is that there was a massive and concerted fraud designed at driving up the sale price; that new management identified and took steps to clean it up in 2023 once they learned of it; and that Mobileum is now able to focus on providing critical technology and solutions to communications-service providers.

17. Audax has also said that it retained a minority stake in Mobileum, thus supposedly showing that Audax did not know about the fraud. But Plaintiffs and other buyers insisted as a condition to any sale that Audax and members of Mobileum management retain a minority stake; Defendants' choice was either to agree to a sale with a roll-over, or to have no sale at all (or, at best, to have a sale at a substantially reduced price). The truth is that they well knew and participated in the fraud, including through their representatives and agents on the Mobileum board and management team who systematically directed and oversaw a misstatement of accounts, and Defendants are directly and vicariously liable for that fraud.

18. Plaintiffs had no basis and were not in a position to uncover this fraud in the diligence—or to question the representation that Mobileum's financial results were truthful and accurate. Whenever H.I.G. asked questions or identified concerns, Defendants and their agents knowingly gave H.I.G. false information, including information specifically designed to dispel concerns that Mobileum was improperly accelerating revenue. In addition to conducting diligence, however, Plaintiffs asked

for and obtained representations and warranties going to the integrity of Mobileum's financial statements and the ordinary and honest conduct of its business. Defendants made those representations and warranties and directed that they be made, while acknowledging that Plaintiffs could rely on them—and Plaintiffs did so rely. But those representations and warranties were knowingly and patently false.

19. Now, Plaintiffs own a company worth hundreds of millions of dollars less than what Defendants falsely represented Mobileum to be worth. Had Plaintiffs known the truth—that Mobileum's EBITDA was grossly inflated, that its revenues (and earnings) were declining and not growing, and that its management was systematically and fraudulently manipulating its accounts—they never would have closed on the purchase of Mobileum, let alone at the highly inflated purchase price of \$915 million. As a result of Defendants' fraud Plaintiffs now own the majority stake in a company worth far less than what they paid. Moreover, Plaintiffs are not the only victims of Defendants' malfeasance. They financed the acquisition in part by having Mobileum take out significant debt, all premised on the financial information that Audax and its affiliates, representatives, and agents provided and vouched to be true.

20. As a remedy, Plaintiffs now seek their damages, which they estimate to be in excess of \$250 million. In addition to the compensatory damages necessary to make Plaintiffs whole, given Defendants' blatant and unconscionable conduct, the

Court should order Defendants to pay punitive damages in an amount to be determined.

**Parties and Certain Non-parties**

21. ***Matrix Parent.*** Plaintiff Matrix Parent, Inc. (“Matrix Parent”) is a party to the SPA and defined as the “Buyer” in the SPA. Matrix Parent is a Delaware corporation with its principal place of business in New York, New York.

22. ***H.I.G. Plaintiffs.*** Plaintiffs H.I.G. Europe Middle Market LBO Fund, L.P.; H.I.G. Middle Market LBO Fund III, L.P.; H.I.G. Technology Partners A, L.P.; H.I.G. Technology Partners B, L.P.; Matrix Co-Investors, L.P.; and H.I.G. Mobile, L.P. are referred to collectively as the “H.I.G. Plaintiffs.” The H.I.G. Plaintiffs are investment funds that together contributed \$285 million in cash toward the purchase of Mobileum:

- a. Plaintiff H.I.G. Europe Middle Market LBO Fund, L.P. is a Cayman Islands exempted limited partnership with its principal place of business in Miami, Florida. It is defined as an “Equity Sponsor” in the SPA.
- b. Plaintiff H.I.G. Middle Market LBO Fund III, L.P. is a Delaware limited partnership with its principal place of business in Miami, Florida. It is defined as an “Equity Sponsor” in the SPA.

- c. Plaintiff H.I.G. Technology Partners A, L.P. is a Delaware limited partnership with its principal place of business in Miami, Florida.
- d. Plaintiff H.I.G. Technology Partners B, L.P. is a Delaware limited partnership with its principal place of business in Miami, Florida.
- e. Plaintiff H.I.G. Matrix Co-Investors, L.P. is a Delaware limited partnership with its principal place of business in Miami, Florida.
- f. Plaintiff H.I.G. Mobile, L.P. is a Delaware limited partnership with its principal place of business in New York, New York.

23. ***Plaintiffs.*** Matrix Parent and the H.I.G. Plaintiffs are referred to collectively as “Plaintiffs” herein.

24. ***Audax Defendants.*** Defendants Audax Management Company, LLC; AG Mobile Holdings, LP; Audax Private Equity Fund V-A, L.P.; Audax Private Equity Fund V-B, L.P.; AFF Co-Invest, L.P.; Audax Trust Co-invest, L.P.; and Audax PE V Co-invest are referred to collectively as the “Audax Defendants.” The Audax Defendants were the owners of Mobileum before its sale under the SPA. On information and belief:

- a. Audax Management Company, LLC (“Audax”) is a Delaware limited liability company with its principal place of business in Boston, Massachusetts. It is defined as “Audax” in the SPA.

- b. AG Mobile Holdings, L.P. is a Delaware limited partnership with its principal place of business in Boston, Massachusetts.
- c. Audax Private Equity Fund V-A, LP is a Delaware limited partnership with its principal place of business in Boston, Massachusetts.
- d. Audax Private Equity Fund V-B, LP is a Delaware limited partnership with its principal place of business in Boston, Massachusetts.
- e. AFF Co-Invest LP is a Delaware limited partnership with its principal place of business in Boston, Massachusetts.
- f. Audax Trust Co-invest LP is a Delaware limited partnership with its principal place of business in Boston, Massachusetts.
- g. Audax PE V Co-invest, a Series of Audax Co-Invest Series, LLC is a Delaware limited liability company with its principal place of business in Boston, Massachusetts.

25. ***Non-party Mobile Acquisition Holdings, LP.*** Non-party Mobile Acquisition Holdings, LP (“Mobile Acquisition Holdings”) is a party to the SPA and defined as the “Seller” in the SPA. Mobile Acquisition Holdings is a Delaware limited partnership with its principal place of business in Boston, Massachusetts. Mobile Acquisition Holdings is a shell company controlled by the Audax Defendants.

26. ***Individual Defendants.*** Iveshu Bhatia, Daniel Doran, and Timothy Mack are referred to collectively herein as the “Individual Defendants.” The Individual Defendants are natural persons affiliated with the Audax Defendants.

- a. Iveshu Bhatia is and was a managing director of Audax at all relevant times. On information and belief, he resides in Boston, Massachusetts.
- b. Daniel Doran is and was a principal of Audax at all relevant times. On information and belief, he resides in Boston, Massachusetts.
- c. Timothy Mack is and was a partner of Audax at all relevant times. On information and belief, he resides in Boston, Massachusetts.

27. ***Defendants.*** The Audax Defendants and the Individual Defendants are referred to collectively as the “Defendants.”

28. ***Non-Party Andrew Warner*** was the CFO of Mobileum and a member of its board at all relevant times prior to the closing of the sale. At the same time, he was also an executive employed by Audax, and an agent of the Audax Defendants on Mobileum’s management. On information and belief, he resides in Morgan Hill, California.

29. ***Non-Party Orathi “Bobby” Srinivasan*** was the CEO of Mobileum and a member of its board at all relevant times. On information and belief, he resides in Los Altos, California.

### **Jurisdiction and Venue**

30. This Court has subject matter jurisdiction over the claims stated herein.

31. This Court has personal jurisdiction over Defendants based upon their purposeful, systematic, and continuous contacts with Delaware, including those related to this action, as well as their incorporation in Delaware and service as officers or directors of Delaware corporations.

32. Defendants are also subject to personal jurisdiction in this judicial district through a forum selection agreement reflected in Section 11.12 of the SPA. Defendants are bound to the SPA's forum selection clause under principles of equitable estoppel. Each was directly involved in the negotiation and performance of the SPA and directly benefited from it. In connection with the SPA, the Audax Defendants received cash consideration in exchange for the ownership interests they held in Mobileum. Each Defendant was also a third-party beneficiary under the SPA. The claims against Defendants directly relate to the SPA, and it was foreseeable that they would be bound by the forum selection clause given their involvement in the SPA's negotiation and performance.

33. This action qualifies for assignment to the Complex Commercial Litigation Division of the Superior Court of the State of Delaware because the amount in controversy exceeds \$1 million.



## Factual Background

**I. After owning the company for 5 years, Audax sold a majority stake in Mobileum to Plaintiffs and made numerous representations regarding Mobileum’s finances.**

**A. Audax buys Mobileum in 2016 and installs Andrew Warner as CFO.**

34. Mobileum, originally called Roamware, was founded in 2001 by Bobby Srinivasan and others. It provides analytics, roaming, security, and other network services for telecom companies (mostly, mobile-network providers). Headquartered in San Francisco, it has operations in the United States and abroad.

35. Audax is a private equity firm that, among other things, invests in and acquires portfolio companies on behalf of various funds that it manages. Audax typically pursues what it calls a “buy & build” strategy of acquiring portfolio companies and growing them through “add-on acquisitions” and “implementing revenue initiatives,” before selling them on to others. Audax receives management and other fees in connection with making and managing these investments, along with performance-based compensation, and actively manages its portfolio companies by directly participating in financial and operational decisions.

36. In November 2016, Audax acquired a majority and controlling stake in Mobileum. At the time, co-founder Bobby Srinivasan was CEO of Mobileum, and he remained CEO following the acquisition. Audax, however, installed an Audax insider to act as Mobileum CFO: Andrew Warner. This appointment was at least

the third time Audax had appointed Warner in a CFO or CEO position in an Audax portfolio company.

**B. Audax markets Mobileum, and H.I.G. expresses interest.**

37. Audax carried out its “buy & build” strategy with Mobileum, directing it to acquire six different companies over the course of 2017 to 2020. In late 2020, after about four years of ownership, Audax decided to find a buyer for Mobileum and realize a return on its investment. Audax arranged for Jefferies LLC (“Jefferies”) to be retained by Mobileum as financial advisor to market Mobileum to potential buyers.

38. In or around September 2021, after months of unsuccessful attempts by Audax to sell Mobileum to other buyers, Mobileum’s financial advisor scheduled an initial call with H.I.G. and provided H.I.G. with a Confidential Information Memorandum (“CIM”) in advance.

39. The CIM shared with Plaintiffs set forth a detailed picture of Mobileum’s historical, current, and prospective financial position. The CIM positioned Mobileum as a company with “strong bookings momentum,” “clear revenue visibility,” and “highly predictable growth at scale.” The CIM projected \$84 million in EBITDA for Mobileum for 2021, \$247 million in revenue, and 15% year-over-year organic growth. It claimed even higher numbers for “bookings”—\$274 million projected for 2021, reflecting an 18% growth rate. It also stated that

the company was well-positioned to capture significant portions of large, fast-growing telecom markets, and projected significant near term growth in revenue and profits—specifically, it projected revenue to grow from an estimated \$247 million in 2021 to an estimated \$441 million in 2025 (a 16% compound annual growth rate) and also projected EBITDA to double over that same period (from \$84 million in 2021 to \$168 million in 2025).

40. Following the initial call and H.I.G.’s review of the CIM and its contents, H.I.G. agreed to engage in further discussions and to conduct due diligence.

41. H.I.G. began its initial diligence in late September and early October 2021. H.I.G. was given access to selected Mobileum documents in a “virtual data room,” and H.I.G. spoke to Mobileum management (including its CEO, Srinivasan) and its professional advisors.

42. Following that early diligence, in early November 2021, H.I.G. submitted a non-binding offer to acquire a majority stake in Mobileum from the Audax Defendants. The offer valued the company (on an Enterprise Value basis) at between \$860 million and \$920 million. That range was based on H.I.G.’s perception of Mobileum’s business, current financial condition, and future growth prospects, all of which was in turn based primarily on information provided by the Audax Defendants and Mobileum in diligence.

43. The parties commenced “Phase 2” of diligence in early November 2021. During Phase 2, the Audax Defendants and Mobileum shared more detailed information about the company—including through the virtual data room and in phone calls and meetings among Audax, Mobileum, H.I.G., and their respective representatives. H.I.G. relied on that information to address key questions that had arisen during initial diligence, including questions about Mobileum’s historical financials and growth prospects. H.I.G. also engaged advisors—including the accounting firm PricewaterhouseCoopers (or PWC)—to help it analyze the information.

44. On December 9, 2021, Plaintiffs submitted a binding offer based on the financial data and information already provided by Audax and Mobileum and the further information provided during H.I.G.’s Phase 2 diligence. The offer put Mobileum’s Enterprise Value at \$890 million. As stated in the offer letter, the offer “assume[d] the Company [was] on track to achieve management’s forecasted 2021[estimated] revenue of \$246.6 million and Pro Forma Adjusted EBITDA of \$84.1 million, as well as forecasted 2022 [estimated] revenue of \$287.5 [million] and Pro Forma Adjusted EBITDA of \$98.1 [million].” The offer also contemplated adjustments to Enterprise Value based on, for example, net working capital at closing. And the offer was contingent on completion of remaining outstanding

diligence items, including diligence on certain aspects of Mobileum’s financials, and on the Audax Defendants retaining a stake in Mobileum.

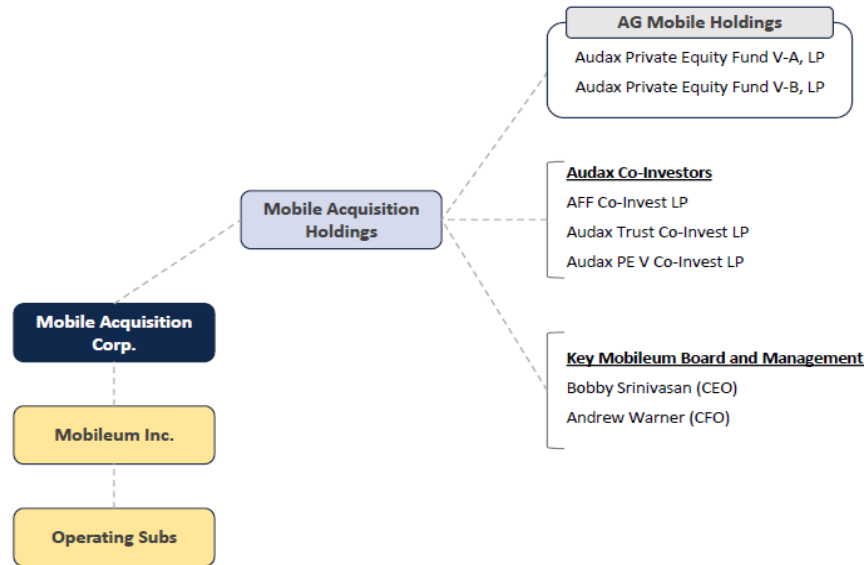
45. Following the binding offer letter, H.I.G. continued with diligence, and the parties continued negotiations over price. Ultimately, Plaintiffs agreed to purchase a majority stake in Mobileum based on a “headline” Enterprise Value of \$915 million, subject to certain adjustments. The purchase price represented approximately a 12.9x multiple of the adjusted EBITDA that Plaintiffs calculated using the financial information Defendants provided.

**C. The H.I.G. Plaintiffs complete the purchase of Mobileum.**

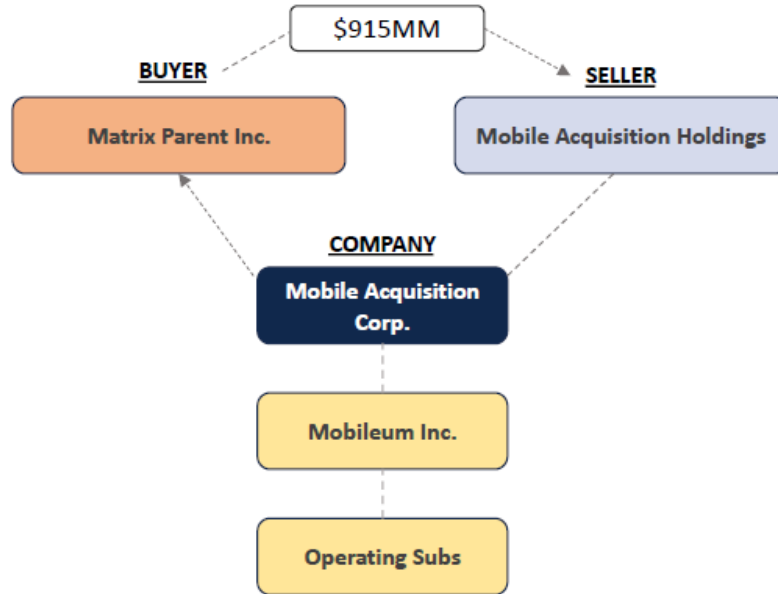
46. On December 25, 2021, the parties entered into the SPA to effectuate the sale of a majority stake in Mobileum. As is customary in transactions like these, the SPA contemplated a brief period between signing and closing during which the parties would prepare the transition to new ownership and finalize the closing adjustments to the purchase price, including calculation of the net working capital. The sale closed on March 1, 2022.

47. Prior to the sale, Mobileum Inc. was the principal operating company conducting Mobileum’s software business, along with its various subsidiaries. Mobileum Inc., in turn, was owned by non-party **Mobile Acquisition Corp.**, which was in turn owned by non-party **Mobile Acquisition Holdings**. Audax and its affiliated funds (via Defendant AG Mobile Holdings), and Mobileum management

(including Srinivasan and Warner) owned Mobile Acquisition Holdings. The pre-sale ownership of Mobileum can be illustrated as follows:



48. To effect the sale, the H.I.G. Plaintiffs formed Matrix Parent (the “Buyer” under the SPA) to purchase the shares of Mobile Acquisition Corp. (the “Company”) from the Audax-affiliated Mobile Acquisition Holdings (the “Seller”), as illustrated below:

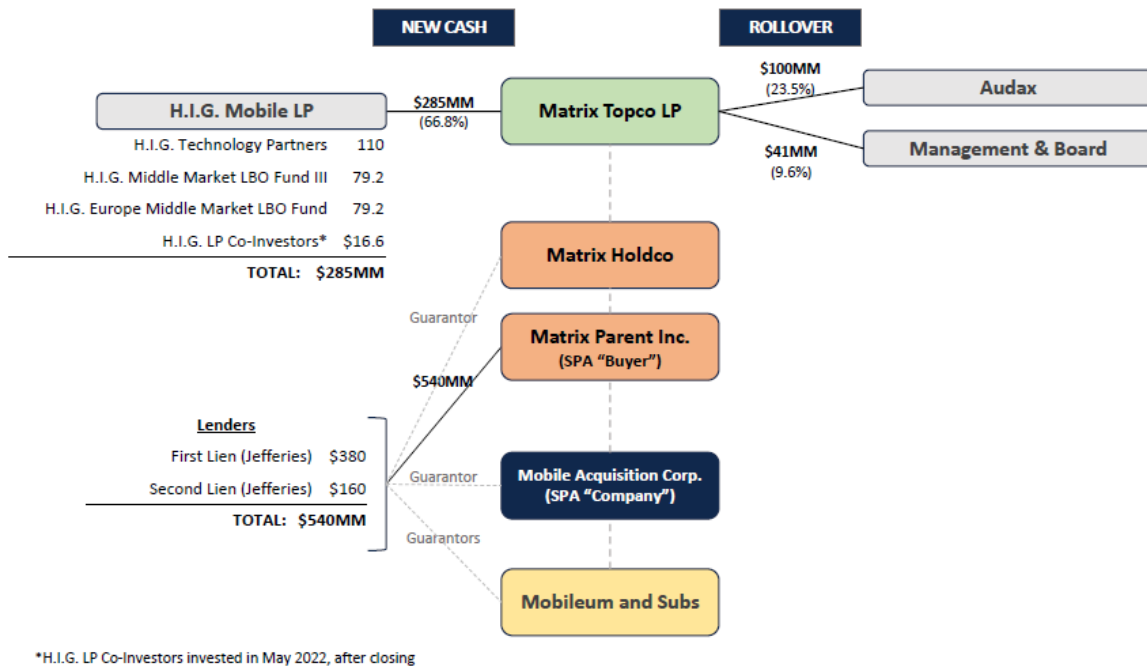


49. To fund the purchase by Matrix Parent, *first*, the H.I.G. Plaintiffs contributed \$285 million in cash. More specifically, Plaintiff H.I.G. Mobile contributed \$285 million to Matrix Parent via a purchase of equity in Matrix Parent’s ultimate parent, **Matrix TopCo LP**. That \$285 million, in turn, was contributed to H.I.G. Mobile by the H.I.G. Plaintiff funds (H.I.G. Europe Middle Market LBO Fund, L.P.; H.I.G. Middle Market LBO Fund III, L.P.; H.I.G. Technology Partners A, L.P.; H.I.G. Technology Partners B, L.P.; and Matrix Co-Investors, L.P.).

50. *Second*, Matrix Parent funded the remainder of the purchase price by taking out \$540 million in first- and second-lien loans, as well as \$55 million in a revolving credit line and letter-of-credit commitments. Those loans were guaranteed

by Mobileum and by Matrix Parent’s direct parent, **Matrix HoldCo** (which was Matrix TopCo’s direct subsidiary).

51. *Finally*, the Audax Defendants and certain members of Mobileum’s management, who were the owners of the Seller, were further compensated with shares in Matrix Topco, the new buying entity that now owned Mobileum. As noted, H.I.G. required Audax and management to “roll over” a significant number of shares into the new entity. Had Audax not agreed, H.I.G. would have walked away entirely from the transaction. This rollover compensation was valued at approximately \$141 million in equity. The funding of the transaction, and the post-sale ownership structure, can be illustrated as follows:



52. Through the transaction, the Audax Defendants cashed out most of their position in Mobileum, profiting handsomely and going from a majority and



controlling shareholder to a minority shareholder, earning (on information and belief) a multiple of its investment, even if the rolled-over Mobileum shares ended up worthless. The Individual Defendants, who were personally entitled to carried interests in the funds, similarly received a healthy profit. Similarly, Mobileum's senior management, Srinivasan and Warner in particular, sold a significant portion of their ownership interests in Mobileum and reaped substantial one-time transaction bonuses and profit grants.

53. Following the transaction, the H.I.G. Plaintiffs became the new majority and controlling shareholder, owning approximately 67% of Matrix TopCo (and thus Mobileum). The Audax Defendants and Mobileum management remained minority shareholders, with the Audax Defendants owning approximately 23.5%, and Mobileum management owning approximately 9.6%.

**D. In the SPA, Defendants made representations and warranties concerning Mobileum's financial condition and performance.**

54. The purchase price—and indeed the decision whether to go ahead with the deal—was based on the results set forth in Mobileum financial statements and other information provided by the Audax Defendants and Mobileum, including notably with respect to revenues, earnings, and bookings, as reflected in the CIM. In addition to relying on the accuracy of the financials and other information that was provided, Plaintiffs insisted and relied upon robust representations and warranties guaranteeing the accuracy of that information.

55. Specifically, in the SPA, the Company (Mobile Acquisition Corp.) represented and warranted that:

- Mobileum’s financial statements “present fairly, in all material respects, the financial position, results of operations and cash flows of the Acquired Companies.” SPA § 4.05(a).
- Mobileum “maintain[s] books and records that accurately and completely reflect in all material respects [its] . . . assets and Liabilities” and “maintain[s], adhere[s] to and enforce[s] internal accounting controls” designed to reasonably assure the accuracy of its financial statements and that transactions are duly authorized and executed. SPA § 4.05(b).
- Mobileum had “conducted its business in the Ordinary Course of Business and there ha[d] not been any Material Adverse Effect” between September 30, 2021 (the date of the last balance sheet provided to H.I.G. in the diligence) and December 25, 2021 (the date of execution of the SPA). SPA § 4.06.
- Mobileum had complied with all tax filing and payment requirements and its tax returns were “true, correct, and complete in all material respects.” SPA § 4.09(a).
- “To [Mobileum’s] knowledge, there [were] no facts or circumstances existing that would reasonably be expected to serve as a basis for any . . . Claims, actions or Legal Proceedings which, if determined adversely . . . would reasonably be expected to be material to [Mobileum], taken as a whole.” SPA § 4.12.
- Mobileum had “been in compliance, and [was] currently in compliance in all material respects with all Laws and regulations of all Governmental Bodies applicable to [it], its business or the ownership or use of its assets and properties.” SPA § 4.15(a).
- “[N]o direct or indirect officer, director, manager, equityholder or partner of any Acquired Company or Affiliate of any such Person . . . and no corporation, partnership, limited liability company or other entity in which any such Person has a direct or indirect interest, is a Party to any agreement, Contract,

commitment, or transaction with any Acquired Company or has any material interest in any material property used by any of the Acquired Companies.” SPA § 4.17.

- Mobileum’s “accounts receivable . . . arose from bona fide transactions entered into in the Ordinary Course of Business.” SPA § 4.22(a).

56. The Company made these representations and warranties at the direction of the Defendants, including Audax, who had the ultimate authority to make them. Mobile Acquisition Holdings was the Company’s direct owner and directly controlled the Company at the time of signing and through closing; the Audax Defendants indirectly owned and controlled the Company through their control of Mobile Acquisition Holdings and through its agent, Mobileum’s CFO Andrew Warner; and the Individual Defendants Bhatia, Doran, and Mack managed the Company on behalf of the Audax Defendants and therefore had authority (which they exercised as part of the sale process) to direct the Company to take actions, including making the SPA representations and warranties.

**II. The financial data provided by Defendants was materially inaccurate and based on widespread fraud, and the SPA representations and warranties were fraudulent.**

57. The SPA representations and warranties recited above were false when made. Defendants knew they were false but made them to induce Plaintiffs to buy a majority stake in Mobileum and to pay an inflated price. The truth is that there was a sustained and systematic effort by Audax and Mobileum executives to

deliberately manipulate accounting data in order to meet targets—and to misrepresent the truth to Plaintiffs, including in response to direct questions.

58. Mobileum reported EBITDA to be approximately \$84.1 million for 2021, and projected it to be \$98.1 million for 2022. Mobileum’s financials also resulted in an estimated revenues (and earnings) growth rate of 18% per year. But these financials were massively and fraudulently inflated by Audax and its affiliates, representatives and agents. Plaintiffs’ investigation of Defendants’ fraud is ongoing, but it is now clear that 2021 EBITDA was overstated by at least \$20 million and likely more, and that the company’s revenues and earnings were in fact not growing but declining at a rate of 5% or more. All of this led to a massive overpayment by Plaintiffs to the tune of more than \$250 million dollars.

59. Inside Mobileum, employees knew exactly what was going on. Thus, in response to a question from H.I.G. about why it was taking so long for bookings to convert to revenue for certain customers, on December 14, 2021, a Mobileum employee raised concerns internally that there was a “mismatch” between bookings and revenue for some of these customers, and called into question the accuracy of financials allegedly subjected to an audit. As the employee wrote: “I don’t know what [the] numbers are and they’re certainly not correct.” Mobileum’s head of Europe, Africa, and Latin American replied to a smaller group: “*It’s all bullshit.*” Related concerns were also raised with Warner directly.

60. Consider also what happened when, on December 3, 2021, Warner's team was crafting responses to H.I.G.'s questions. A member of Warner's team informed Warner that H.I.G. had questions about "why June 21 prepaid balance is high." The team member reminded Warner that they had "reclassified severance expense to prepaid account in June for higher EBITDA for Q2 close," and asked him "whether we should mention the reclassification or say something else." Warner's direction was that they "blame this on a mapping exercise" or "a non-operating item in June." Anything but the truth. Warner's team then replied to H.I.G., stating that the "[s]pike in the June-21 balance relates to an [sic] non-operational item."

61. As described at the outset, Defendants' fraudulent schemes included, at least, (i) improperly recognizing and accelerating revenue recognition, and earnings, based on fabricated timesheets and fictitious transactions or occurrences, (ii) reducing the amount of "unbilled" revenue, including to mask the fraud of recognizing revenue on work not actually performed, by falsifying invoices used for internal purposes, (iii) creating fake customer "bookings" with a view to create a false impression of growth, including by recording bookings based on sham transactions with an entity controlled by Warner's friends (and later falsely recording those bookings as revenues), and (iv) continuing the fraud to cover up this wrongdoing, including after execution of the SPA and after the closing.

**A. Defendants fraudulently recognized and accelerated revenue, and thus earnings, including with fake timesheets.**

62. The first pillar of the fraud involved Warner, and Srinivasan’s direct reports, including a senior leader that frequently liaised with Audax (“Executive A”), and others scheming to falsely recognize revenue on long-term contracts, which, since 2020, were being accounted for under the “percentage of completion” (“POC”) method, including by using fake timesheets. The objective was to prop up Mobileum’s financials with artificial revenue recognition, based on falsified documents, to inflate Mobileum’s recorded earnings and induce Plaintiffs to purchase Mobileum at a premium price.

63. Under the POC method, revenues on long-term contracts are required to be recognized based on management’s good faith assessment of the amount of work that remains on the contract. For example, if the evidence suggests that 50% of the work on a long-term contract was complete by a certain date, then this would justify recognizing 50% of the revenues.

64. The fraudulent conduct sought to take advantage of this method of accounting by falsifying business records to support an unjustified acceleration of revenue recognition on long-term contracts that did not accord with reality—and thus to artificially inflate earnings.

65. In the fourth quarter of 2021, for example, Mobileum employees managing the Risk Business Unit took non-billable hours from their customer

satisfaction team and imported them into billable projects. In an email marked “FYEO,” one of the leaders of this business unit compiled a “high-level summary of the revenue acceleration movements” that took place during this time. As the leader explained, “some projects required acceleration to keep the forecast, while some others (few) were drops (compensated with other upsides).” This fraudulent transfer of unbillable hours toward billable projects was made to justify, under the POC method, an acceleration of \$1,000,000 in revenue in October 2021, \$1,000,000 in November 2021, and over \$3,000,000 in December 2021, all months critical to Mobileum’s sale valuation. These “accelerations,” explicitly done to “reach the revenue target,” were rank fraud.

66. To take another example, on December 21, 2021, four days before the signing of the SPA, Executive A, a Mobileum SVP and direct report of Srinivasan, asked his direct report for a plan to recognize an additional \$2,000,000 in revenue in fourth quarter of 2021. In response, this direct report indicated that he could generate revenue recognition from several projects. This included manufacturing approximately \$1,000,000 in fictitious revenue for an entity referred to herein as Client A, which some employees called “the Kibott” of their business unit (more on Kibott below). The purchase orders for the specific project for Client A were both dated December 22, 2021, and anticipated that Mobileum would perform 50 days, or 400 hours, of effort over approximately six months, beginning when the purchase

order was issued. Yet 240 hours of work were recorded by the end of 2021, with 160 hours that were “performed” by an employee who, on information and belief, never did any work for Client A. These 160 hours represented 40% of the total efforts on the project, and, therefore, 40% of the gross revenue—or just over \$1,000,000.

67. This was not the only time Mobileum used Client A for this purpose. After receiving purchase orders on December 15, 2021, for a project that was initially expected to take place over a six-month period, Mobileum entered 320 hours just two weeks later, on December 31, 2021, representing 73% of the total expected level of effort, and allowing Mobileum to recognize an extra \$1.7 million in revenue for 2021. And, as noted, this misconduct surrounding improper revenue recognition for Client A is but one example of the pervasive manipulation regarding the level of effort supposedly completed on long-term projects.

68. Moreover, as set forth above, Warner and his colleagues also manipulated the “denominator” in the POC formula—i.e., the total number of hours expected to be worked to complete the project in question, and against which hours supposedly worked were to be measured. For example, on October 6, 2021, Warner sent an email directing the revenue team to reduce the number of hours that were said to be required to complete a project, not because that was the bona fide judgment of management, but because this meant that every (real or fabricated) hour of work



expended on the project would contribute a greater proportion of the project's revenue. Warner's directive was to simply adjust the revenue bookings, and if a question was later asked, they would then come up with "an explanation."

69. As another example, in the third quarter of 2021, Mobileum lowered the expected efforts for a specific project from 490 man-days to 81 man-days, allowing for 100% completion by the end of September. Reflecting the artificial nature of this change, Mobileum was subsequently forced to record 3,800 hours on a non-billable code to actually complete the work it was contracted to perform.

70. This fraudulent scheme resulted in Mobileum recognizing a significant amount of revenue that was not ever billed to the customer. When asked in due diligence about the large amount of "unbilled" revenue, Warner and others pointed to accounting rules stating that the revenue had to be recognized if the work was done (without disclosing that, in fact, no work had been done). As to why customers did not acknowledge the obligation, Warner and others said that some of the customers were bureaucratic and required an in-person visit to obtain necessary paperwork, and that travel could not occur in light of restrictions attendant to COVID-19. Warner and his colleagues hid the truth—which is that the customers would have balked at receiving an invoice or otherwise acknowledging the work, given that the work recognized on Mobileum's books was based on fake time sheets and had not yet been completed.

**B. Defendants issued falsified invoices to reduce unbilled revenue and cover up their revenue-recognition fraud.**

71. The next part of the fraud consisted of a systemic effort to improperly record premature invoices. The clear purpose was to reduce the unbilled revenue showing on Mobileum's books (which, as noted, was substantial) in the lead-up to the sale so as to cover up the premature acceleration of revenue based on fake timesheets, and to instead support the impression of robust financial performance and prospects.

72. Revenue recognized for accounting purposes is recorded as an "unbilled" asset until an invoice has been sent to a customer. When an invoice has been issued, the unbilled revenue is moved from unbilled to accounts receivable. Unbilled revenue can be an important metric of any company's financial health, even absent a fraud. Among other things, if an increasing amount of a company's revenue pipeline is categorized as "unbilled," that could suggest underlying issues with its customer base or the company's ability to meet its projected financial targets. It can also be an indicator that the company is recognizing revenue when the customer does not in fact acknowledge it, for either innocent or (as was true here) fraudulent reasons.

73. H.I.G. and other potential buyers of the company focused on Mobileum's levels of unbilled revenue (among other metrics), and asked questions on the topic during the diligence process, including in part because the number had

increased from approximately \$6 million in 2019, to \$14 million in 2020, to \$23 million in 2021. Indeed, on December 11, 2021, H.I.G. directly asked for an explanation of the dramatic increase in unbilled revenue. H.I.G. was told that the number increased on account of Mobileum selling more products, along with a denial that this was due to improper revenue recognition.

74. By fraudulently converting some of the unbilled revenue into billed revenue, Defendants further misrepresented Mobileum’s true financial health, inflated its value, and further masked the fact that large amounts of revenue were recognized on the basis of a fraud and in situations where the customer would not have accepted the invoice if submitted. Defendants perpetuated this scheme up to and through the final weeks of diligence preceding execution of the SPA—and even after.

75. For example, on December 7, 2021, in response to questions from another potential buyer regarding the large amount of unbilled revenue, Warner decided that Mobileum “may want to cut [i.e., issue] the invoices, but hold on [] sending the invoices to the customer.” By issuing the invoices, those amounts would no longer be “unbilled,” and would show up as an account receivable. Warner, Executive A, and others then directed employees to create backdated “dummy” invoices for customers with dates in November 2021 that they held and did not send

until later in December 2021. Warner described these invoice falsifications as “an immediate priority.”

76. A December 8, 2021 email similarly reflects an effort directed by Executive A and another senior Mobileum executive, as “top priority,” to process invoices with a date of November 30, even where a contract milestone could not be found (in which case, the email states, “a generic description like ‘interim milestone’” should be used). The directives clearly stated that “[w]e are not sending the invoices to the customers just yet”—the priority was not premised on a customer request or bona fide commercial reason, but by the exigencies of covering up the fraudulently recognized revenue and maintaining the false impression that Mobileum was in sound financial health.

77. Confused by the directions of Warner and others, some Mobileum employees asked “how customers might react if and when they receive invoices for milestones not yet completed.” Another exclaimed “My God . . . Get me out of this nightmare,” but was told “You already know what it takes to do this.”

78. After receiving word of a reduction in unbilled revenue from October to November 2021, Srinivasan wrote to Bhatia, Doran, Jefferies, and other members of the Mobileum team on December 15, 2021: “Frankly this should be game, set and match for . . . HIG,” and directed Jefferies to send metrics to H.I.G. (which it did on

December 15) illustrating this gradual (and misleading) decline in the unbilled revenue numbers.

**C. Defendants recorded fictitious customer “bookings,” including on sham transactions, to misrepresent Mobileum’s growth prospects.**

79. The next and critical part of the pre-acquisition fraud consisted of a sustained and fraudulent effort to prop up the level of customer bookings to paint a picture of significant growth based on solid technology and customer relationships. As noted, the CIM reflected a booking target of \$274 million (reflecting an 18% growth rate); H.I.G. was told the business was tracking to that target, and H.I.G. was pointed to that trend as indicative of Mobileum’s growth—which was key to the Plaintiffs’ investment decision, given that Plaintiffs’ acquisition was predicated in the unbilled revenue numbers on its assessment of Mobileum’s future prospects. For the Audax Defendants and Mobileum, maintaining a healthy and growing level of pre-revenue bookings was also key to covering up improper revenue acceleration (and H.I.G. was expressly told that robust bookings proved Mobileum was not “pulling revenue forward”).

80. But the booking figures were a sham, and if fabricated bookings were removed, Mobileum’s numbers reflected not growth, but a significant decline. Moreover, internal emails exchanged reference a practice of converting “whitespace” (*i.e.*, potential customer leads) into actual bookings (*i.e.*, customer

commitments to purchase), explained by Warner on June 2, 2021 as reflecting an effort “to build a positive outlook”: “The reality is we have a target number from Bobby [Srinivasan], then build the support that makes the number seem reasonable, but we can not say that!!” And they never did say that.

81. A particularly brazen—but not unique—example of this fraud consisted in the creation and maintenance of a sham business relationship with a supposed customer, Kibott SARL, and using artificial transactions with that customer to record fabricated customer bookings. Kibott was not a bona fide customer, but instead a third-party controlled by friends of Warner who were happy to enter into millions of euros worth of sham contracts, knowing they would never have to pay for them. Warner, in turn, was happy to use these sham contracts to cook the books at Mobileum.

82. Warner, a CFO with no direct involvement with any of Mobileum’s sales efforts or customer relations, personally “sourced” Kibott as a customer for Mobileum. He did so in coordination with two of his friends: a consultant who also was involved in other projects related to helping Mobileum hit its forecasting goals and maximizing revenue (“Consultant A”), and Kibott’s CEO who had worked with Warner since 2019 on projects related to a certain segment of Mobileum’s “fraud” business. In 2021, Mobileum and Kibott signed contracts for millions of euros in software and services that Mobileum “sold” to Kibott.

83. The timing of the launch of Mobileum’s “business relationship” with Kibott was no coincidence. In mid-2021, unbeknownst (and undisclosed) to H.I.G., Mobileum’s financials took a direct hit due to the breakdown of Mobileum’s relationships with certain customers. On June 29, 2021—the very day that Mobileum entered an agreement terminating its dealings with one of these other customers—Mobileum signed a “framework” agreement with Kibott, and Kibott signed a statement of work and purchase order.

84. At the time, Defendants were well aware that Kibott was unable to make the payments in the contracts, and, indeed, as Warner well knew and intended, this was not a bona fide commercial arrangement, but merely a sham. The “commitments” from Kibott (and the corresponding numbers they generated for Mobileum’s financials) were not made by anyone at Kibott for a legitimate business purpose.

85. Instead, Warner worked with Consultant A—who ostensibly negotiated on behalf of both Mobileum and Kibott—to figure out how much to “squeeze” out of Kibott in late 2021, carefully selecting numbers that would push Mobileum just over its targeted amount. For his efforts, Consultant A received hefty “commissions” for each fraudulent purchase order Kibott provided and invoice Kibott accepted—regardless of whether Mobileum would or did ever receive payment (indeed, those involved knew there was no realistic prospect of payment).

On information and belief, some of these “commission” payments made their way back to Kibott and its principals.

86. Ultimately, by the end of 2021, Kibott and Mobileum had signed agreements for 12 million euros, supposedly to license Mobileum’s software and related services that Kibott—in theory, but never in reality—would use for its (non-existent) hospitality industry customers. This permitted Mobileum’s bookings to track forecasts and show growth, covering up the sudden loss of significant sources of forecast revenues.

87. At the time, Kibott had no website, business plan, or customers, and more generally there was no apparent way for it to pay for Mobileum’s services. Moreover, as Warner knew, Kibott had no substantial capital, revenues, or assets. Indeed, Kibott only first registered as a limited liability company in December 2021, months *after* it began its ostensible dealings with Mobileum, and right before Defendants’ sale of Mobileum to Plaintiffs.

88. Consistent with Kibott’s real value to Mobileum—not as a genuine customer for Mobileum software and services, but as a “blank canvas” to cook the books—Warner, Srinivasan, and other Mobileum executives continued to use it over a period of several months following the start of the “relationship” in June 2021 to artificially inflate Mobileum’s financial figures with fake transactions—all with a view to maintaining Mobileum’s fraudulently inflated valuation in the sale process



and covering up the fraud. Warner requested additional purchase orders and invoice confirmations from Kibott whenever Mobileum's results required it to meet targets, and Consultant A ensured Kibott delivered. For his part, although Srinivasan expressed concern to certain Mobileum employees about the details of the Kibott deals, he privately contacted Warner to see if Mobileum could artificially bill further amounts against the Kibott purchase order in September 2021, and Warner and Consultant A agreed (without any proper basis) to bill 200,000 euros against the purchase order for that month. Warner and Consultant A persisted in this scheme even as some subordinates of Warner expressed concerns.

89. On October 15, 2021, Mobileum, with Audax's approval, sent H.I.G. a presentation purporting to provide a third-quarter update: Kibott was highlighted in a call-out box as a "Notable Q3 '21 Deal"—with an annual contract value of \$3.6 million.

90. As Mobileum continued to remain below its targets, Warner sought to further capitalize on the sham relationship in the fourth quarter of 2021. Thus, Warner asked his team members on November 5, 2021 to figure out "how we can accelerate revenues through modifying the language in the [Kibott] agreement." Thereafter, employees working closely with Warner discussed how there were "no longer 'normal plans'" that would allow them to hit their forecast goals—the only

hope was “Kibott,” where “Andrew [Warner] was seeing if he could change something in the contract so we can recognize more revenue.”

91. After Mobileum was forced to drop revenues associated with another project from its forecast, Executive A and Warner coordinated on further revisions to the Kibott agreement that would allow them to recognize \$1.2 million in revenue. Executive A and Warner’s team also ensured that these revenues made their way into the updated fourth quarter forecast that Mobileum provided H.I.G. on December 5, 2021, which listed the \$1.2 million from Kibott as the very first entry with a 100% probability of successful recognition.

92. Warner had no concern that Kibott might push back on any potential changes. Instead, on November 5, 2021, he directed his employees to “think of [Kibott] as a blank canvas” and consider how to “document an agreement to maximize revenue.” Warner knew Kibott would be willing to sign any agreement supposedly committing itself to pay more—or rather, agree to pay exactly what Mobileum needed on terms that were deemed appropriate by Warner for Mobileum to hit its targets and permit the transaction to close at a suitable price—and the Kibott executives were reassured they would not in fact have to pay on the stated schedules, if ever.

93. For example, in preparation for what Warner termed a “very high risk conversation” with H.I.G. around H.I.G.’s questions concerning Mobileum’s

accounts receivable and unbilled revenue numbers, Warner decided Mobileum needed to reduce its unbilled revenue numbers. On December 12, 2021, Warner emailed Consultant A, asking for “another favor on the [Kibott] agreement,” and stated that “We will need to invoice some more \$\$.” A day later, Consultant A responded that he had “[m]issed your mail last night but basically yes, go for it.” Warner then directed his finance team to “bill all the unbilled” Kibott revenue, and to “modify the agreement to allow us to bill” now, without changing the payment or other terms. And in December 2021, Mobileum sent Kibott about 1,800,000 euros in invoices. The purpose was clear, as one team member put it on December 23, 2021: “Andrew [Warner] wants to avoid a large unbilled balance.”

94. As aptly summarized in internal documents, the Kibott deal was considered “lifesaving,” permitting Mobileum to hit key forecast numbers for the third and fourth quarters of 2021—numbers that were critical for Mobileum’s valuation in the sale process.

**D. After the signing of the SPA, certain Defendants seek to conceal the fraud.**

95. For a few months after the SPA was signed, Srinivasan’s direct reports and Warner continued their fraudulent schemes up to and past closing of the acquisition in an effort to avoid a post-closing working-capital adjustment under the terms of the SPA, which was premised in part on the amount of unbilled revenue on the balance sheet as of the closing of the transaction. They also continued the fraud

into 2022 in order to delay detection and buy time—apparently the hope was either to find real revenue to displace the fictitious revenue (which never happened) or to identify another way to cover up the truth.

96. Over the first two quarters following the signing of the SPA, Kibott was a key part of the fraudulent concealment. Kibott permitted the business to recognize fake revenue in those two quarters based on the sham pre-signing bookings—and, in turn, to falsely represent to the new owners that revenues were consistent with pre-acquisition bookings, with cash to follow.

97. For example, on February 1, 2022, Executive A and his direct report discussed how they needed to bill more to Kibott to avoid exceeding Mobileum’s unbilled revenue target in the net-working capital adjustment. The direct report explained: “[I]f we don’t bill the additional 2.26m on Kibott currently we will exceed the unbilled target.” Executive A, growing seemingly frustrated with their schemes, responded, “[w]e cannot create an audit issue. This kind of random billing has to stop . . . let us not do bogus billing.”

98. Yet, on February 22, 2022, Executive A directed the same employee to continue issuing bills to Kibott that everyone knew would not be paid, and the motivation was clear: “Depending on where we land, Bobby and Audax could lose a few million bucks from the proceeds. It affects all of us, but them a little more as they have higher stake in the company.”

99. Similarly, in April and May of 2022, at least two teams of Mobileum employees inserted extra hours into the Kibott project. On April 17, 2022, members of Mobileum’s WeDo team moved non-billable customer satisfaction hours to Kibott to “keep the April forecast as it is in the revenue file.” Then, on May 23, 2022, the WeDo team realized that another group of Mobileum employees from the finance team added even more hours into the Kibott project because “they needed 5M to close the April target” and “it was done . . . in a hurry.”

100. Conversations among the finance employees, which included Executive A and other Srinivasan direct reports, confirm this assessment—and also confirm that they well knew the conduct was fraudulent. In an inter-office chat on May 12, an employee wrote to Executive A that they have a “5m gap in April revenue” and “Kibott is the most easy one to fill the gap,” that the team was “working to identify the resources to fill the timesheet,” and that the relevant files would then be completed. The employee expressed his concern that “taking the full quarter revenue in the first month is not right. Auditors will catch it for sure.” Executive A responded that he “prefer[s] to fill the full gap” and that they need to “spread Kibott over 3 months . . . and pull in from other projects.” Executive A then admonished his colleague to not “*send emails detailing this out*” because it “*will land you in a lot of trouble.*”

101. Demonstrating the pervasiveness of these practices, another employee wrote on May 12, 2022 that they will “have to pull revenue from a lot of projects and delivery heads will have to be informed and taken into confidence otherwise they will create noise later on.”

102. After receiving the changed timesheets, Warner asked that a credible explanation be constructed for the shifts of billings to Kibott to provide to the Mobileum board, which now included multiple representatives from H.I.G. The management team then lied to the board, writing in a May 31, 2022 board presentation that the increase in hours was “due to delivery of a solution for Kibott earlier than anticipated,” despite knowing that no substantial work was ever performed.

103. Management was ultimately unable to keep the fraud concealed forever. Real revenue did not come in to replace the fictitious revenue that was recognized, and the cash also did not come in. Thus, when the sham Kibott invoices, which totaled over 11 million euros, finally became due, Kibott unsurprisingly paid less than 0.5% of the claimed amounts. And, after H.I.G. took over Mobileum’s management and demanded payment on what it had been led to believe to be Kibott’s legitimate contract obligations, Kibott entered bankruptcy proceedings. Mobileum never provided the goods and services reflected in virtually any of the

invoices Mobileum issued to Kibott or in the revenue Mobileum recognized from those invoices.

104. But the sham arrangements with Kibott and the other fraudulent devices served their purpose for Defendants. They artificially inflated the revenue and growth prospects of the company.

105. Similarly, in February 2022, Warner directed Mobileum's finance team to capitalize on the fictitious revenue from Client A to further reduce the amount of unbilled revenue in advance of the calculation of a potential net-working-capital adjustment. Warner told the team to bill all revenues for Client A despite not having the required approvals or achieving the necessary milestones. Moreover, the invoices Mobileum sent failed to account for the hefty commissions Mobileum owed to Client A per their agreements. When an employee pushed back, Warner's team made clear that this billing was "not about collection" or ensuring that Mobileum was actually being paid. As the team member explained on February 22, 2022: "We agree that payment should be as per the contract documentation. However, Andrew [Warner] had directed us to go ahead and invoice for these projects."

106. The fact that this billing was not about payment is now even clearer. Mobileum invoiced Client A \$12 million in February 2022. To date, it has received only \$1.6 million in payments.

**E. Defendants knowingly and fraudulently participated in making false statements to Plaintiffs, in the SPA and elsewhere.**

107. The above details reflect that—among other things, and incorporating all allegations made herein—at least the following representations and warranties Defendants participated in making in the SPA were false when made:

What Was Said to Plaintiffs	The Truth
<p>§ 4.05(a): Mobileum’s financial statements “present fairly, in all material respects, the financial position, results of operations and cash flows of the Acquired Companies.”</p>	<p>Mobileum’s financial statements were riddled with fictitious and improperly classified data and presented a materially inaccurate picture of Mobileum’s financial position, results and cash flows, given the pervasive accounting fraud set forth above and to be proved in this action, including because the financial statements included revenues and earnings based on fictitious transactions, based on fabricated timesheets, based on premature invoices not issued to clients, and otherwise based on a manipulation of accounting rules and standards, and because Defendants presented a fraudulent picture of new customer bookings, which was touted as a centrally important growth metric.</p>
<p>§ 4.05(b): Mobileum maintains “books and records that accurately and completely reflect in all material respects” its assets and liabilities.</p>	<p>Mobileum failed to maintain books and records that accurately and completely reflected in all material respects its assets and liabilities. Instead, those books and records presented a materially false picture of Mobileum’s business and financial performance, including as regards revenues and</p>



	earnings recognized, and bookings recorded.
§ 4.09(a): Mobileum’s tax returns were “true, correct, and complete in all material respects.”	Mobileum’s tax returns were necessarily incorrect and incomplete as a result of the schemes identified above.
§§ 4.06, 4.22(a): Mobileum conducted business in the “Ordinary Course of Business” during the relevant time and Mobileum’s “accounts receivable arose from bona fide transactions entered into in the Ordinary Course of Business.”	Mobileum did not conduct business in the “ordinary course”—it ran a fraudulent operation—and a material portion of I/R and bookings were not from “bona fide” transactions but rather from, e.g., fake transactions, fictitious timesheets, and backdated invoices.
§ 4.06: There was no “Material Adverse Effect” during the relevant time.	There was an MAE throughout the relevant time period, consisting of an ongoing fraud, the effects of which were material and inevitable given the pre-signing fraud.
§ 4.15(a): Mobileum complied “in all material respects with all [applicable] Laws and regulations” during the relevant time.	Mobileum leadership and its employees violated the law and knowingly engaged in fraud and falsification of accounts.
§ 4.12: There were no existing facts or circumstances that “would reasonably be expected to serve as a basis for any . . . Claims, actions or Legal Proceedings” which would “reasonably be expected to be material to [Mobileum], taken as a whole,” if adversely determined.	Mobileum’s repeated and systematic falsification of its accounts and misrepresentation of its business was and is likely to serve as a basis for claims, actions and legal proceedings, including potentially by customers and by creditors, who could potentially assert defaults under loan documents and either sue Mobileum, force it into bankruptcy or both.

108. Defendants were also aware of and participated in making numerous other false statements to Plaintiffs during the diligence process that perpetuated and concealed the fraud outlined above, for the purpose and with the effect of encouraging Plaintiffs to move forward with their purchase of Mobileum, including, but not limited to:

- a. After noticing some suspicious trends in the financials Mobileum provided during diligence, H.I.G. directed PWC to further diligence Mobileum's revenue recognition practices. In response, on December 8, 2021, PWC informed H.I.G. that "the seller" confirmed that Mobileum was using "the same revenue recognition policies" in 2021 that it had used historically, and that these practices were approved by auditors. This statement hid the fact that Mobileum was fraudulently accelerating revenue recognition in 2021.
- b. To further assuage H.I.G.'s concerns, Warner and his team crafted a memorandum provided to H.I.G., in which they professed to explain how Mobileum implemented its revenue recognition policies for POC projects. The memorandum stated that "[a]ctual hours are tracked by the delivery team" and that revenue is determined "based on accumulated actual hours." In

truth, hours were manipulated by or at the direction of the Audax Defendants' agent, Warner, to match forecasts set by Srinivasan and others.

- c. In the middle of December 2021, at Warner's direction, H.I.G. received spreadsheets purporting to contain an accurate accounting of revenue recognition for POC projects for March, June, and September of 2021, which included Client A and Kibott, and answered direct questions from H.I.G. related to large fluctuations in revenue on specific projects. In light of the systemic timesheet and level-of-effort manipulations that pervaded Mobileum's accounting in 2021, these spreadsheets and responses contained numerous misrepresentations.
- d. Warner directed that H.I.G. be provided a "Q3 Business Update Deck" (which H.I.G. received on October 15, 2021), that included Kibott as "notable" deal with an expected annual contract value of \$3.6 million, when this deal was a sham.
- e. Warner directed that H.I.G. be provided (and H.I.G. received on December 5, 2021) an updated revenue forecast for the fourth quarter of 2021 that listed Kibott as the first entry, with a \$1.2 million expected revenue at 100% probability.

109. We refer to the false statements set forth in the prior two paragraphs (including the table and sub-paragraphs) as the False Representations and Warranties.

**III. Defendants knew the SPA's representations and warranties were false, and made them to induce Plaintiffs to buy Mobileum.**

110. As described above, Defendants and their agents went to great lengths to falsify Mobileum's financial information to ensure that Mobileum continued to appear to hit its revenue and earnings targets, and also to be on a solid growth trajectory as reflected in purportedly robust bookings. And Defendants did so to fraudulently induce Plaintiffs to purchase Mobileum and to do so at the agreed-upon, inflated, purchase price. Defendants, including Audax employees, and senior management at Mobileum (including the Audax Defendants' agents like Warner) knew that Mobileum's financial information upon which Plaintiffs relied was falsified. They thus also knew that, at the time they were made, the representations and warranties in the SPA were false.

**A. Mobileum's senior management directly participated in the fraud.**

111. As described in more detail above, Andrew Warner knew about, participated, and indeed often orchestrated, the fraudulent practices that rendered false many of the representations and warranties in the SPA and those set forth above. Warner sourced and managed Mobileum's fraudulent relationship with

Kibott, and knew that the bookings recorded (and revenues as well as earnings recognized) from that project and others would never materialize. Warner also oversaw a large component of the timesheet and invoicing schemes and he was directly informed of and perpetuated revenue classification issues that pervaded Mobileum's financials. Despite knowing that Plaintiffs were being misled, in his capacity as the Audax Defendants' agent and Mobileum's CFO, Warner pushed the sale forward, both to enrich the Audax Defendants and to personally receive transaction-based compensation worth millions of dollars, while covering up the truth and lying in response to direct questions posed by H.I.G. and others during and after the sale process.

112. As described in more detail above, Srinivasan similarly knew about and, on information and belief, worked through Warner and others, including Executive A, to direct portions of the fraudulent schemes. This included capitalizing on the fraudulent Kibott relationship, falsifying timesheets, issuing fictitious invoices, and manipulating accounting and financial information to present an optimistic portrayal of Mobileum's financials in pursuit of a "billion-dollar valuation," which increased the value of his sizable equity interest in the company. Srinivasan understood that cooking Mobileum's books would make it "game, set and match" on the sale to H.I.G., participated in sending false financial information

to H.I.G. during diligence, and personally received transaction-based compensation worth millions of dollars.

**B. The Audax Defendants knew about and are responsible for the fraud.**

113. Audax personnel were heavily involved in the process to sell one of their most significant assets, and they had intimate knowledge of the company's financials, including the falsification of Mobileum's financial information upon which H.I.G. relied. As is customary in the industry, Audax worked closely with Mobileum's management, including its CEO and CFO (whom it had placed on the management team), on all consequential financial decisions and oversaw all aspects of the sale process. On information and belief, the sale of Mobileum was one of the largest transactions in Audax's history and Audax was intent on securing a high valuation and closing the sale (which is why they committed to rolling over a stake, as required by Plaintiffs). Moreover, Warner acted at all times as the agent of the Audax Defendants, subject to their direction and control. Accordingly, the Audax Defendants knew about Mobileum's fraudulent practices and false financial statements and results (including the inflated revenues, earnings, and bookings), were aware that the representations and warranties contained in the SPA were false when made, and intended for Plaintiffs to rely upon them. Defendants therefore directly participated in the fraud with the requisite knowledge, and are otherwise

vicariously liable for the fraud of their agents on Mobileum's management and board, including Warner.

*1. Warner conducted the fraud while acting as Audax's agent*

114. Warner was a trusted Audax agent and insider that Audax repeatedly installed to run (and sell) Audax portfolio companies. Before Mobileum, Warner served as the CFO and as the CFO and CEO for at least three other Audax portfolio companies, and he helped Audax sell those companies. One former Mobileum senior executive described Warner in a published article as an "Audax man," whose "job is to jump into companies that Audax acquires and then hand over the baton."

115. As regards Mobileum in particular, Audax directed that Warner be the CFO, instructed him to improve Mobileum's financials to help facilitate a potential sale of Mobileum by the Audax Defendants to a third party, and directly supervised his activities as Audax's key representative on the management team. The Audax Defendants made clear to Warner that he needed to do whatever it took to secure a valuation that was in line with Audax's unreasonable expectations. For example, on February 29, 2020, shortly after Warner was reinstated as Mobileum CFO, Srinivasan wrote to Warner copying Bhatia (an Audax managing director) that Bhatia had directed that "EBITDA cannot stray terribly far from the original number." Srinivasan wrote that he and Bhatia "fully realiz[e] that some of the

assumptions may be wrong[,] [b]ut both [Srinivasan and Bhatia] [were] counting on mandrake the magician.”

116. It is also evident that Warner was the Audax Defendants’ agent and was acting at their direction and subject to their control during the Mobileum sale process. The Audax Defendants dominated the manner and means of the work Warner performed on their behalf. Warner thus assured Audax personnel on September 30, 2021 that he would “include [them] in the review process as always,” by sending them forecasting data designed to give potential buyers “more confidence in year-end numbers.” Warner even complained about Bhatia providing constant, exacting instructions during an earlier diligence process.

117. Moreover, Audax executives on several occasions specifically instructed Warner and Mobileum management on steps to take to improve the appearance of Mobileum’s financials and demonstrated a lack of concern for their accuracy. For example, on January 21, 2021, Warner and Bhatia discussed via email how to revise Mobileum’s “internal” cash flow estimates so they were more attractive to a potential buyer. Apparently unimpressed by the actual figures, Bhatia asked Warner, “this is internal right? I assume [the potential buyer] will see something better.” Bhatia then directed Warner to “be conservative on our . . . estimates etc for [the potential buyer].” Warner agreed they “need to discuss what



to show [the potential buyer]” and that this discussion should “start” with their actual numbers.

118. Similarly, in response to a request from Jefferies for information on bookings and revenue to provide to another potential buyer, Warner noted on January 26, 2021 that “if we use 2 customers it should be OK,” and Doran (an Audax principal) instructed him, “OK, lets just pick good customers,” directing that Warner should selectively present Mobileum’s financial information.

119. Moreover, on September 9, 2021, Srinivasan conveyed to Warner that Bhatia “wants us to take more bookings in q3” and reported back to Bhatia that he would “try and get to 75M this quarter.” Five days later, Mobileum entered into the second statement of work with Kibott.

120. The Audax Defendants continued to direct and control Warner (in his role as the Audax-appointed CFO) and Mobileum management after H.I.G. emerged as a potential buyer. During that time, Warner and Mobileum management communicated directly and regularly with Bhatia and other Audax personnel regarding issues that arose in the sale process. In one exchange on December 3, 2021, Bhatia directed the Mobileum team, which included Srinivasan and Warner, not to respond to one of H.I.G.’s questions about the difference between the organic growth of legacy Mobileum and the audited financials because “there is a large difference to the audit.” Srinivasan agreed, responding that “[w]e need to have a

good bridg[e] between organic growth and the audit numbers.” Bhatia also instructed the Mobileum team on how to position certain numbers.

121. As the execution date for the SPA approached, and in response to direct questions from H.I.G., the Audax Defendants continued to instruct Warner to misstate the true state of affairs. For example, on December 21, 2021, Warner wrote to Srinivasan and the Audax team explaining that they were planning on removing bookings for a specific customer, Client B, because “it was booked in 2020, but has no revenue generated in the following 15-month period, which is highly unusual,” and “the revenue starts flowing in 2022 and beyond.” In response, Bhatia directed Warner to provide an alternative, false, explanation, namely, that the customer “was always forecasted to start in 2022 and was a one off deal [with] nothing like that in backlog now.” Warner responded: “Will do.” On the same day, this explanation was sent to H.I.G., concealing a clear instance of Mobileum’s improper bookings practices.

122. In addition to the communications outlined above, there are numerous others that further confirm the Audax Defendants’ direction and control of Warner and Mobileum’s management. Moreover, these communications and others also confirm that it was reasonable for Warner to believe that the Audax Defendants wanted him to engage in the fraud detailed above, and he did so for their benefit. As the Audax Defendants’ agent, Warner’s participation in and personal knowledge of

the accounting fraud, as well as his participation in the fraud perpetrated on Plaintiffs—which Warner coordinated for the benefit of the Audax Defendants in his role as Audax’s appointed CFO—are imputable to the Audax Defendants, and the Audax Defendants are vicariously responsible for his tortious misconduct.

2. *Warner’s knowledge aside, the Audax Defendants must have known the truth about Mobileum’s financial results*

123. Even without imputing Warner’s participation and knowledge to the Audax Defendants, and even without holding them vicariously liable for his fraudulent misconduct, the Audax Defendants themselves sufficiently participated in the fraud with the requisite knowledge. The Audax Defendants were heavily involved in Mobileum’s management for five years, and in preparing Mobileum for sale out of the Audax portfolio. They were thus intimately involved in and had detailed knowledge of Mobileum’s financial condition and how the company’s financial statements were being presented for sale. In view of the facts alleged herein, the Audax Defendants knew and/or were in a position to know about the massive fraud occurring at Mobileum, and either knew about or, in the alternative, deliberately shielded themselves from the clear evidence of rampant misconduct (including as set forth herein).

124. Moreover, as described above and below, the Audax Defendants directed, encouraged, and advised Warner, Srinivasan, and other members of the Mobileum team as they carried out the fraud throughout the entirety of the sale

process. Through the Individual Defendants and others, Audax remained in constant communication with Warner and Srinivasan, collaborated with them on the presentation of key financial metrics, and signed off on their communications with H.I.G. and other potential buyers, including the contracted-for representations and warranties, and indeed Defendants directed that those representations and warranties be made to Plaintiffs to induce the sale at an inflated price. And the Audax Defendants benefited handsomely from their efforts.

125. As early as January 7, 2020, Bhatia was inserting himself into the creation of Mobileum's budget, citing "the importance of this year." Bhatia also made clear to Srinivasan on June 12, 2020 that "Growth over the next 12 months is key."

126. In early 2021, Mobileum personnel continued to flag financial issues for the Audax Defendants. On January 29, 2021, Warner raised certain data issues with Doran and expressed concerns about gaps in their data, explaining "the biggest issues may be" with the forecast. Bhatia responded by offering for Audax to take control of the Mobileum diligence process.

127. By March 2021, after the Audax Defendants failed to sell Mobileum to another potential purchaser, Potential Buyer A, Audax was directly informed about critical, material issues with Mobileum's accounting practices. A report provided by KPMG LLP, the accounting firm representing Potential Buyer A during the

diligence process, noted numerous inconsistencies in the data and information Mobileum had provided as well as a general lack of controls. Based on this report, Potential Buyer A walked away from the deal. In response, Audax attempted to leverage its influence in the private equity industry to prevent KPMG from providing similar support to other potential buyers, and reported the same to Srinivasan and Warner. Bhatia also worked with Srinivasan to conceal the reason for Potential Buyer A's decision.

128. Later, in July 2021, Warner wrote to Doran to explain that their bookings-to-revenue conversion continued to pose problems because Mobileum's bookings included "soft booking/incomplete paperwork." Doran recognized the problem with the financials, writing on July 8, 2021 that they needed to have an explanation ready because "it's the obvious question buyers will ask. Revenue growth should catch up to ACV [annual contract value] growth, it should not constantly lag." Despite these issues with "soft bookings" that fail to convert to actual revenue or earnings, on September 29, 2021, Bhatia instructed Srinivasan to record "6-7M of soft bookings in Q3," which helped Mobileum artificially hit their target for the quarter, as it would not have done so using only legitimate methods of recording.

129. Further, on November 2, 2021, during the H.I.G. diligence process, Jefferies wrote to a working group that included Warner, Srinivasan, and the Audax

team, stating that they “need to show that the \$84M of revenue projected for [the fourth quarter of] 2021 is ‘real’ and the [provided explanation] isn’t just a restorative band-aid explanation.” Discussions among Mobileum team members illustrate that additional concerns around Mobileum’s revenues were brought to Audax’s attention, as one of Warner’s direct reports wrote to another: “Matt [from Jefferies] is blasting emails to Bobby and Audax about whether our revenue in Q4 is solid,” causing everyone to enter into “crisis mode.”

130. In addition, Audax regularly pushed Mobileum to hit unrealistic forecast goals to further its efforts to sell Mobileum at an inflated price. For example, during the Phase 2 diligence, Mobileum’s finance team asked Bhatia whether they wanted to present Mobileum’s current forecast of \$50,350,000 or the “[a]spirational [f]orecast” of 65M, Bhatia responds “[s]how 65!” And indeed, Mobileum would satisfy Audax’s unrealistic forecasting goals, like this one, by regularly falsifying its financial records. This would allow the Audax Defendants to market a majority stake in Mobileum and divest a significant stake in that business—while directing that the fake financials be provided to potential buyers, including Plaintiffs, to support a massively inflated valuation and a sale.

**IV. Plaintiffs reasonably relied on Defendants' false representations and warranties, suffering serious harm as a result.**

**A. Matrix Parent reasonably relied on the false representations and warranties.**

131. Matrix Parent paid the purchase price of \$915 million, as adjusted at closing, in reliance on the SPA's representations and warranties. While the financial results were represented to be truthful, they were in fact materially inflated, with earnings materially overstated and declining rather than growing at a double-digit rate. Indeed, the decision to proceed with a transaction at the agreed-upon price was based upon the financial results reported, and the purchase price itself was calculated based on revenue and earnings data that was in fact fabricated but that had been represented by Defendants to be accurate and complete, along with the projected growth rate. The decision to proceed, and the price, was also predicated on the representation that new customer bookings recorded by Mobileum were a leading indicator of growth suggesting a double-digit growth rate when, in reality, bookings were in decline. Matrix Parent would never have proceeded, let alone at the agreed price, had they known the truth.

132. To partially fund the purchase, Matrix Parent borrowed \$540 million from lenders as of the closing date and obtained \$55 million in a revolving credit line and letter-of-credit commitments. Matrix Parent did so in reliance on Defendants' misrepresentations set forth herein, including the representations and

warranties in the SPA. Using funds ultimately provided by H.I.G., Matrix Parent also applied approximately \$285 million in equity directly out of its own pocket to fund the purchase. If Matrix Parent had known that the representations and warranties were false, it would not have signed the SPA or closed the transaction, or paid the price negotiated. It also would not have sought and obtained hundreds of millions of dollars in financing based on those financials.

133. Additionally, had Mobileum presented financials that accurately reflected its business and prospects, and had Matrix Parent decided to proceed with a transaction based on accurate financial results, Matrix Parent would have used a lower EBITDA figure (and a lower EBITDA multiple, given both the lower true EBITDA and the declining growth rate as reflected in true “bookings”) to calculate the purchase price, resulting in a price materially lower than the one agreed upon by the parties and reflected in the SPA. Specifically, as Defendants and their agents well understood, the purchase price was calculated based on a multiple of estimated 2021 EBITDA. The EBITDA estimate used was approximately \$71 million and the multiple used was 12.9x. Thus, even a \$10m decline in estimated EBITDA (which is less than the over 11 million euros in sham invoices ultimately issued to Kibott) would have lowered the purchase price by about \$129 million, assuming that the same multiple were applied. But if the truth were known, and if the parties had proceeded with the transaction at all, a lower multiple would have been used,



meaning that the purchase price would have been lowered even further, because the EBITDA multiplier was predicated on a robust assumed growth rate. At these lower levels, and aware of the truth of the company's position, Matrix Parent would not have agreed to any transaction involving the company, but if it did it would have paid hundreds of millions of dollars less.

134. Matrix Parent now owns a company that is worth far less than was represented at the time of signing and closing (and thus far less than what Matrix Parent paid for it), and it maintains an oversized debt burden that was based on a company valuation that is itself predicated on an accounting fraud. As a result, Matrix Parent has suffered damages based at least on its overpayment of the purchase price, its lending costs (including interest, transaction fees, and any further amounts that may have to be paid on account of the Defendants' fraud), and other out-of-pocket costs incurred in connection with the SPA.

**B. The H.I.G. Plaintiffs reasonably relied on the false representations and warranties.**

135. The H.I.G. Plaintiffs invested \$285 million in equity to purchase Matrix TopCo knowing that those funds would be used to fund Matrix Parent's purchase of Mobile Acquisition Corp. pursuant to the SPA. The H.I.G. Plaintiffs funded the equity in reliance on the representations and warranties made in the SPA, and the other misstatements described herein. The amount of the contribution was

calculated based on the purchase price in the SPA, and the purchase price was calculated based on financial data that was represented to be accurate and complete.

136. If the H.I.G. Plaintiffs had known that Defendants had made false representations as set forth herein, they would not have purchased equity in Matrix TopCo or contributed any other funds toward the transaction, or otherwise closed the deal. That is because knowing the truth about the company's financial position would have made the H.I.G. Plaintiffs aware that the purchase price was grossly inflated and the company was not worth anywhere near what it was represented to be worth. And had the truth been known, the H.I.G. Plaintiffs would not have orchestrated a transaction that involved taking out \$540 million in debt, all of which is now at serious risk.

137. The H.I.G. Plaintiffs now own a company that, although profitable, is worth far less than was represented at the time of signing and closing. Indeed, the H.I.G. Plaintiffs may be forced to write off their entire equity stake. Defendants falsified Mobileum's financials in a concerted, coordinated, and systematic fashion—Mobileum's earnings were overstated by well more than \$20 million, and declining rather than growing—and Defendants should not be allowed to reap the rewards of their fraud.

## **Claims for Relief**

### **FIRST CLAIM FOR RELIEF**

#### **Common-Law Fraud – On Behalf of Matrix Parent**

138. Plaintiffs repeat, reallege, and incorporate by reference all the allegations preceding or following, as if fully set forth in this claim for relief.

139. The Audax Defendants (as owners of Mobileum) and the Individual Defendants (as senior management of Audax who oversaw the sale process) made, participated in making, or caused to be made the False Representations and Warranties (as defined above) to, among other things, fraudulently induce Matrix Parent to enter into the SPA, to pay the grossly inflated purchase price of \$915 million, and then to close on the purchase of Mobileum, both directly and through the conduct of Defendants' agents at Mobileum, including Warner.

140. Each of the Defendants actively participated in the sale process and participated in the creation and distribution of all information, including the SPA and other false statements referenced herein, disseminated by Seller and the Seller's representatives to Plaintiffs in connection with the sale, both directly and through the conduct of Defendants' agents at Mobileum, including Warner.

141. Defendants knew that the False Representations and Warranties were false when they were made and through the time that Matrix Parent signed the SPA and through closing, both directly and through the conduct of Defendants' agents at Mobileum, including Warner.

142. Individual Defendants Bhatia, Doran, and Mack were in a position to know and must have known the falsity of the False Representations and Warranties through their intimate familiarity and involvement with Mobileum's financials. Among other things, they were deeply embedded in Mobileum's day-to-day management and operation (for which they collected hefty management fees); set Mobileum's overall business and growth strategy; sourced and led diligence of Mobileum's acquisition targets; set the compensation of Mobileum's senior management; received monthly, weekly, and at times daily updates from Mobileum's senior management on their revenue recognition and acceleration schemes; set what they knew to be unrealistic revenue, earnings, and bookings targets; had full access to Mobileum's internal revenue database and its customer lists; were alerted to and aware of reporting, compliance, and substantive issues with Mobileum's financial data and the accuracy thereof; and led the overall sale process, including the preparation and contents of the CIM and the crafting of narratives around Mobileum's revenue and earnings growth. These Defendants in turn acted as directors and officers of Mobile Acquisition Holdings, LP and the Audax Defendants, who thus gained knowledge of fraudulent schemes and the falsity of the False Representatives and Warranties.

143. Defendants also knew the falsity of the False Representatives and Warranties through their agent Andrew Warner, whom they installed as Mobileum's

CFO. Warner is an Audax insider who has been employed by Audax to manage multiple of its portfolio companies besides Mobileum since at least 2012, including while he was serving as Mobileum's CFO. Both Audax and Warner have benefited handsomely from the long-standing relationship—Audax has been able to increase the valuation of their portfolio companies under Warner's management and sell them at a profit while Warner has been granted stocks and incentive payments, earning in excess of \$1.5 million from the Mobileum sale alone. During his tenure at Mobileum up until closing, Warner knew that continuance of his long-standing relationship with Audax depended on his ability to drive up Mobileum's valuation and based upon encouragements from and past practices endorsed by Audax, and on behalf of the Audax Defendants and to further their objectives, participated in and directed the fraudulent conduct described herein for the purpose of inflating Mobileum's valuation in a potential acquisition as he reasonably believed the Audax Defendants intended. The Audax Defendants exercised ultimate control over, closely supervised, and were the primary director of Warner's actions during his tenure at Mobileum up until closing and Warner frequently reported to and received directions from the Bhatia, Doran, and Mack. Because Warner served as the Audax Defendants' agent, Warner's participation in and knowledge of the fraudulent schemes at Mobileum and the falsity of the False Representations and Warranties is imputed to the Audax Defendants.

144. Matrix Parent was unaware of the falsity of the False Representations and Warranties when they were made and through the time that Matrix Parent signed the SPA and through closing. Per the SPA, Defendants knew that Matrix Parent “in making its determination to proceed with the transactions ... relied solely on the representations and warranties . . . of the Company expressly and specifically set forth in Article IV.” Matrix Parent therefore justifiably relied on the False Representations and Warranties, which were material and absent which Matrix Parent would not have entered into the SPA and closed the transaction.

145. As a direct and proximate result of the False Representations and Warranties, Matrix Parent (1) entered into the transaction and (2) paid hundreds of millions of dollars more for Mobileum than it would have otherwise paid. In addition to its losses from paying the inflated purchase price, Matrix Parent has suffered, and continues to suffer, significant damages including without limitation a loss of company resources and attorneys’ fees to address Defendants’ fraudulent schemes, lost and fictitious profits, lost and fictitious transactions, lost opportunity and increased costs, among others, and its expenditure of resources to attempt to repair the damage to and to salvage Mobileum’s business, including its relationship with lenders who made significant extensions of credit based on false financials.

146. Defendants are responsible for their own conduct, or in the alternative (or in addition) by application of principles of vicarious liability based on the fraudulent conduct of their agents, including Warner.

147. By reason of the foregoing, Plaintiffs have incurred substantial damages, in an amount to be determined at trial, but not less than hundreds of millions of dollars, together with interest, reasonable attorneys' fees, disbursements, and costs of the action.

## **SECOND CLAIM FOR RELIEF**

### Common-Law Fraud – On Behalf of the H.I.G. Plaintiffs

148. Plaintiffs repeat, reallege, and incorporate by reference all the allegations preceding or following, as if fully set forth in this claim for relief.

149. The Audax Defendants (as owners of Mobileum) and the Individual Defendants (as senior management of Audax who oversaw the sale process) made, participated in making, or caused to be made the False Representations and Warranties (as defined above) to, among other things, fraudulently induce the H.I.G. Plaintiffs to organize Matrix Parent and direct it to enter into the SPA at the grossly inflated purchase price of \$915 million, and then close on the purchase of Mobileum, both directly and through the conduct of Defendants' agents at Mobileum, including Warner. The H.I.G. Plaintiffs were also fraudulently induced to contribute \$285 million in equity to finance the purchase.

150. Each of the Individual Defendants actively participated in the sale process and participated in the creation and distribution of all information, including the SPA and other false statements referenced herein, disseminated by Seller and the Seller's representatives to Plaintiffs in connection with the sale, both directly and through the conduct of Defendants' agents at Mobileum, including Warner. Bhatia, Doran, and Mack in turn acted as agents of and on behalf of the Audax Defendants, who ultimately controlled the Seller and its sale through its representatives.

151. Defendants knew that the False Representations and Warranties were false when they were made and through the time that Matrix Parent signed the SPA and through closing, both directly and through the conduct of Defendants' agents at Mobileum, including Warner.

152. Bhatia, Doran, and Mack were in a position to know and must have known the falsity of the False Representations and Warranties through their intimate involvement with Mobileum's financials. Among other things, they were deeply imbedded in Mobileum's day-to-day management and operation (for which they collected hefty management fees); set Mobileum's overall business and growth strategy; sourced and led diligence of Mobileum's acquisition targets; set the compensation of Mobileum's senior management; received monthly, weekly, and at times daily updates from Mobileum's senior management on their revenue recognition and acceleration schemes; set what they knew to be unrealistic revenue,



earnings, and booking targets; had full access to Mobileum's internal revenue database and its customer lists; were alerted to reporting, compliance, and substantive issues with Mobileum's financial data; and led the overall sale process, including crafting narratives around Mobileum's revenue and earnings growth. Bhatia, Doran, and Mack in turn acted as directors and officers of Mobile Acquisition Holdings, LP and the Audax Defendants, who thus gained knowledge of fraudulent schemes and the falsity of the False Representatives and Warranties.

153. Defendants also knew the falsity of the False Representatives and Warranties through their agent Andrew Warner, whom they installed as Mobileum's CFO. Warner is an Audax insider who has been employed by Audax to manage many of its portfolio companies besides Mobileum since at least 2012, including while he was serving as Mobileum's CFO. Both Audax and Warner have benefited handsomely from the long-standing relationship—Audax has been able to increase the valuation of their portfolio companies under Warner's management and sell them at a profit while Warner has been granted stocks and incentive payments, earning in excess of \$1.5 million from the Mobileum sale alone. During his tenure at Mobileum up until closing, Warner knew that continuance of his long-standing relationship with Audax depended on his ability to drive up Mobileum's valuation and based upon encouragements from and past practices endorsed by Audax, and on behalf of the Audax Defendants and to further their objectives, participated in and directed the

fraudulent conduct described herein for the purpose of inflating Mobileum's valuation in a potential acquisition as he reasonably believed the Audax Defendants intended. The Audax Defendants exercised ultimate control over, closely supervised, and were the primary director of Warner's actions during his tenure at Mobileum up until closing and Warner frequently reported to and received directions from Bhatia, Doran, and Mack without the involvement of other Mobileum senior management. Warner acted at all times within the authorized scope of his agency relationship with the Audax Defendants. Warner's participation in and knowledge of the fraudulent schemes at Mobileum and the falsity of the False Representations and Warranties can therefore be imputed to the Audax Defendants, Bhatia, Doran, and Mack.

154. The H.I.G. Plaintiffs were unaware of the falsity of the False Representations and Warranties when they were made and through the time that Matrix Parent signed the SPA and through closing. Per the SPA, Defendants knew that the H.I.G. Plaintiffs, as affiliates of the Buyer, "in making its determination to proceed with the transactions ... relied solely on the representations and warranties ... of the Company expressly and specifically set forth in Article IV." The H.I.G. Plaintiffs therefore justifiably relied on the False Representations and Warranties, which were material and absent which the H.I.G. Plaintiffs would not have organized Matrix Parent and directed it to enter into the SPA and close on the transaction.

155. As a direct and proximate result of the False Representations and Warranties, the H.I.G. Plaintiffs (1) agreed to enter into the transaction and (2) purchased Mobileum at a grossly inflated purchase price, and suffered damages as a result of such purchase. In addition, the H.I.G Plaintiffs have suffered, and continue to suffer, significant damages including without limitation transaction-related costs, lost profits, and reputational damages.

156. Defendants are responsible for their own conduct, or in the alternative (or in addition) by application of principles of vicarious liability based on the fraudulent conduct of their agents, including Warner.

157. By reason of the foregoing, Matrix Parent has incurred substantial damages, in an amount to be determined at trial, but not less than hundreds of millions of dollars, together with interest, reasonable attorneys' fees, disbursements, and costs of the action.

### **THIRD CLAIM FOR RELIEF**

#### **Aiding and Abetting Fraud – On Behalf of Matrix Parent**

#### **(In the Alternative to the First Claim for Relief)**

158. Plaintiffs repeat, reallege, and incorporate by reference all the allegations preceding or following, as if fully set forth in this claim for relief.

159. As set forth above, the Defendants fraudulently induced Matrix Parent to enter into the SPA by knowingly making or causing to be made the False Representations and Warranties. In the alternative, the Defendants aided and abetted

Mobile Acquisition Corp. and Mobile Acquisition Holdings, LP in making, causing to be made, or participating in the making of the False Representations and Warranties, with knowledge of their falsity, both directly and through the conduct of Defendants' agents at Mobileum, including Warner.

160. As ultimate owners of Mobile Acquisition Corp. and Mobile Acquisition Holdings, LP, the Audax Defendants, through their officers, directors, and employees, including Bhatia, Doran, and Mack, knew of the fraudulent conduct detailed herein, and provided substantial encouragement and assistance to that fraudulent conduct, both directly and through the conduct of Defendants' agents at Mobileum, including Warner.

161. As a direct and proximate result of the False Representations and Warranties, Matrix Parent entered into the transaction and paid hundreds of millions of dollars more for Mobileum than it would otherwise have paid.

162. In addition to the inflated purchase price, Matrix Parent has suffered, and continues to suffer, significant damages including without limitation company resources and attorneys' fees to uncover the fraudulent schemes at Mobileum, lost profits, lost customers, increased costs, and potential liability to lenders from whom Matrix Parent borrowed \$540 million to finance the transaction.

163. Defendants are responsible for their own conduct, or in the alternative (or in addition) by application of principles of vicarious liability based on the fraudulent conduct of their agents, including Warner.

164. By reason of the foregoing, Matrix Parent has incurred substantial damages, in an amount to be determined at trial, but not less than hundreds of millions of dollars, together with interest, reasonable attorneys' fees, disbursements, and costs of the action.

#### **FOURTH CLAIM FOR RELIEF**

##### Aiding and Abetting Fraud – On Behalf of the H.I.G. Plaintiffs

##### (In the Alternative to the Second Claim for Relief)

165. Plaintiffs repeat, reallege, and incorporate by reference all the allegations preceding or following, as if fully set forth in this claim for relief.

166. As set forth above, by knowingly making or causing to be made the False Representations and Warranties, the Audax Defendants fraudulently induced the H.I.G. Plaintiffs to organize Matrix Parent and direct it to enter into the SPA at the grossly inflated purchase price of \$915 million, and then close on the purchase of Mobileum. The H.I.G. Plaintiffs were also fraudulently induced to contribute \$285 million in equity to finance the purchase.

167. In the alternative, the Defendants aided and abetted Mobile Acquisition Corp. and Mobile Acquisition Holdings, LP in making, causing to be made, or participating in the making of the False Representations and Warranties, with

knowledge of their falsity, both directly and through the conduct of Defendants' agents at Mobileum, including Warner.

168. As ultimate owners of Mobile Acquisition Corp. and Mobile Acquisition Holdings, LP, the Audax Defendants, through their officers, directors, and employees, including Bhatia, Doran, and Mack, knew of the fraudulent conduct detailed herein and provided substantial encouragement and assistance to that fraudulent conduct, both directly and through the conduct of Defendants' agents at Mobileum, including Warner.

169. As a direct and proximate result of the False Representations and Warranties, the H.I.G. Plaintiffs purchased Mobileum at a grossly inflated purchase price, and suffered damages as a result of such purchase. In addition, the H.I.G. Plaintiffs have suffered, and continue to suffer, significant damages including without limitation transaction-related costs, lost profits and reputational damages.

170. Defendants are responsible for their own conduct, or in the alternative (or in addition) by application of principles of vicarious liability based on the fraudulent conduct of their agents, including Warner.

171. By reason of the foregoing, Matrix Parent has incurred substantial damages, in an amount to be determined at trial, but not less than hundreds of millions of dollars, together with interest, reasonable attorneys' fees, disbursements, and costs of the action.

## **FIFTH CLAIM FOR RELIEF**

### Civil Conspiracy – On Behalf of Matrix Parent

#### (In the Alternative to the First Claim for Relief)

172. Matrix Parent repeats, realleges, and incorporates by reference all the allegations preceding or following, as if fully set forth in this claim for relief.

173. As set forth above, Defendants fraudulently induced Matrix Parent to enter into the SPA by knowingly making or causing to be made the False Representations and Warranties.

174. In the alternative, Defendants knowingly entered into a conference or combination to fraudulently induce Matrix Parent to enter into the SPA, both directly and through the conduct of Defendants' agents at Mobileum, including Warner. Defendants further conspired to commit fraud against Matrix Parent by knowingly participating in the making of, and/or knowingly causing to be made, the False Representations and Warranties, both directly and through the conduct of Defendants' agents at Mobileum, including Warner.

175. As a direct and proximate result of the False Representations and Warranties, Matrix Parent paid hundreds of millions of dollars more for Mobileum than it would otherwise have paid even had it gone forward with the transaction. In addition to the inflated purchase price, Matrix Parent has suffered, and continues to suffer, significant damages including without limitation company resources and attorneys' fees to uncover the fraudulent schemes at Mobileum, lost profits, lost

customers, increased costs, and potential liability to lenders from whom Matrix Parent borrowed \$540 million to finance the transaction.

176. Defendants are responsible for their own conduct, or in the alternative (or in addition) by application of principles of vicarious liability based on the fraudulent conduct of their agents, including Warner.

177. By reason of the foregoing, Matrix Parent has incurred substantial damages, in an amount to be determined at trial, but not less than hundreds of millions of dollars, together with interest, reasonable attorneys' fees, disbursements, and costs of the action.

### **SIXTH CLAIM FOR RELIEF**

#### Civil Conspiracy – On Behalf of the H.I.G. Plaintiffs

#### (In the Alternative to the Second Claim for Relief)

178. The H.I.G. Plaintiffs repeat, reallege, and incorporate by reference all the allegations preceding or following, as if fully set forth in this claim for relief.

179. As set forth above, Defendants, by knowingly making or causing to be made the False Representations and Warranties, fraudulently induced the H.I.G. Plaintiffs to organize Matrix Parent and direct it to enter into the SPA at the grossly inflated purchase price of \$915 million, and then close on the purchase of Mobileum. The H.I.G. Plaintiffs were also fraudulently induced to contribute \$285 million in equity to finance the purchase.



180. In the alternative, Defendants knowingly entered into a conference or combination to fraudulently induce the H.I.G. Plaintiffs to engage in the same course of conduct, both directly and through the conduct of Defendants' agents at Mobileum, including Warner. Defendants further conspired to commit fraud against the H.I.G. Plaintiffs by knowingly participating in the making of, and/or knowingly causing to be made, the False Representations and Warranties, both directly and through the conduct of Defendants' agents at Mobileum, including Warner.

181. As a direct and proximate result of the False Representations and Warranties, the H.I.G. Plaintiffs purchased Mobileum at a grossly inflated purchase price, and suffered damages as a result of such purchase. In addition, the H.I.G. Plaintiffs have suffered, and continue to suffer, significant damages including without limitation transaction-related costs, lost profits and reputational damages.

182. Defendants are responsible for their own conduct, or in the alternative (or in addition) by application of principles of vicarious liability based on the fraudulent conduct of their agents, including Warner.

183. By reason of the foregoing, Matrix Parent has incurred substantial damages, in an amount to be determined at trial, but not less than hundreds of millions of dollars, together with interest, reasonable attorneys' fees, disbursements, and costs of the action.

## **SEVENTH CLAIM FOR RELIEF**

### Unjust Enrichment – On Behalf of Matrix Parent

#### (In the Alternative to the First Claim for Relief)

184. Matrix Parent repeats, realleges, and incorporates by reference all the allegations preceding or following, as if fully set forth in this claim for relief.

185. As set forth above, Defendants fraudulently induced Matrix Parent to enter into the SPA by knowingly making or causing to be made the False Representations and Warranties.

186. In the alternative, Defendants were unjustly enriched at the expense of Matrix Parent, which paid a grossly inflated purchase price that directly benefited Defendants.

187. As a direct and proximate result of the False Representations and Warranties, Matrix Parent paid hundreds of millions of dollars more for Mobileum than it would otherwise have paid. In addition, Matrix Parent has suffered, and continues to suffer, significant damages including without limitation company resources and attorneys' fees to uncover the fraudulent schemes at Mobileum, lost profits, lost customers, increased costs, and potential liability to lenders from whom Matrix Parent borrowed \$540 million to finance the transaction.

188. By reason of the foregoing, Matrix Parent has incurred substantial damages, in an amount to be determined at trial, but not less than hundreds of

millions of dollars, together with interest, reasonable attorneys' fees, disbursements, and costs of the action.

## **EIGHTH CLAIM FOR RELIEF**

### Unjust Enrichment – On Behalf of the H.I.G. Plaintiffs

#### (In the Alternative to the Second Claim for Relief)

189. The H.I.G. Plaintiffs repeat, reallege, and incorporate by reference all the allegations preceding or following, as if fully set forth in this claim for relief.

190. As set forth above, Defendants, by knowingly making or causing to be made the False Representations and Warranties, fraudulently induced the H.I.G. Plaintiffs to organize Matrix Parent and direct it to enter into the SPA at the grossly inflated purchase price of \$915 million, and then close on the purchase of Mobileum. The H.I.G. Plaintiffs were also fraudulently induced to contribute \$285 million in equity to finance the purchase.

191. In the alternative, Defendants were unjustly enriched at the expense of the H.I.G. Plaintiffs, whose \$285 million equity contribution directly benefited Defendants.

192. As a direct and proximate result of the False Representations and Warranties, the H.I.G. Plaintiffs contributed at least \$285 million in equity to finance Matrix Parent's purchase of Mobileum at a grossly inflated purchase price, a substantial portion of which are now at risk of being written now under a fair valuation of Mobileum. In addition to this equity contribution, the H.I.G. Plaintiffs

have suffered, and continue to suffer, significant damages including without limitation transaction-related costs, lost profits and reputational damages.

193. By reason of the foregoing, the H.I.G. Plaintiffs have incurred substantial damages, in an amount to be determined at trial, but not less than hundreds of millions of dollars, together with interest, reasonable attorneys' fees, disbursements, and costs of the action.

**Demand for Jury Trial**

Plaintiffs demand a trial by jury on all issues so triable.

**Relief Demanded**

WHEREFORE, Plaintiffs pray for the following relief:

- A. an award of compensatory damages, plus interest, in an amount to be determined at trial sufficient to compensate Plaintiffs for their losses;
- B. punitive damages;
- C. an award of fees and expenses (including attorneys' fees and costs); and
- D. such other further relief as this tribunal may deem just and proper.

YOUNG, CONAWAY, STARGATT,  
and TAYLOR LLP

/s/ Elena C. Norman

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