

City of Miami Fire Fighters' and Police Officers' Retirement Trust v. Cerence Inc.

COURT: United States District Court for the District of Massachusetts
CASE NUMBER: 1:22-cv-10321-ADB
CLASS PERIOD: 11/16/2020 - 02/04/2022
CASE LEADERS: John Rizio-Hamilton, Jonathan D. Uslaner
CASE TEAM: Michael Mathai, Alec Coquin, Mathews R. de Carvalho

This is a securities fraud class action on behalf of persons and entities who purchased or acquired the common stock of Cerence Inc. ("Cerence" or the "Company") from November 16, 2020 through February 4, 2022 (the "Class Period").

Lead Plaintiff Has Settled the Action for \$30 Million

Lead Plaintiff Public Employees' Retirement System of Mississippi, on behalf of itself and the Settlement Class, has settled the Action for **\$30,000,000** in cash (the "Settlement").

On December 16, 2024, the Court held a hearing to consider final approval of the Settlement and other matters. On December 18, 2024, the Court entered a Judgment Approving Class Action Settlement and orders approving the Plan of Allocation and Lead Counsel's motion for attorney's fees and litigation expenses.

If you are a member of the Settlement Class, your rights will be affected and you may be eligible for a payment from the Settlement. The Settlement Class consists of:

all Persons who purchased or otherwise acquired Cerence common stock during the period from November 16, 2020 through February 4, 2022, inclusive, and were damaged thereby.

Certain persons and entities are excluded from the Settlement Class by definition (see paragraph 20 of the Notice) or if they requested exclusion pursuant to the instructions set forth in the Notice.

Please read the Notice to fully understand your rights and options. Copies of the Notice and Claim Form can be found in the Case Documents list on the right of this page. You may also visit the case website, www.CerenceSecuritiesLitigation.com, for more information about the Settlement.

To be eligible to receive a payment under the Settlement, you must submit a Claim Form postmarked (if mailed) or submitted on-line by no later than **January 30, 2025**.

Payments to eligible claimants will be made only after any appeals are resolved, and after the completion of all claims processing. Please be patient, as this process will take some time to complete.

IMPORTANT DATES AND DEADLINES

January 30, 2025

Claim Filing Deadline. Claim Forms must be *postmarked (if mailed) or submitted on-line no later than January 30, 2025*.

Background and History of the Litigation

This action arises from Defendants' alleged misstatements and omissions concerning an alleged scheme to pull forward revenues from future quarters. Lead Plaintiff alleges that Defendants carried out this scheme by entering into a record number of "fixed license deals," which Cerence has admitted were not in the best interests of Cerence or its shareholders and which, in fact, had a devastating impact on the Company's financial condition and business, and that these harmful deals were personally ordered and approved by the Company's two most senior officers – its former CEO, Sanjay Dhawan, and its former CFO, Mark Gallenberger.

Lead Plaintiff alleges that Defendants made numerous false and misleading statements and omissions throughout the Class Period. Specifically, Lead Plaintiff alleges that Defendants (1) falsely claimed that they were holding fixed license revenue within the historical range; (2) misleadingly attributed the Company's revenue growth to sources other than their pull-forward scheme; (3) mischaracterized the Company's growth as "sustainable"; (4) misleadingly touted the strength of the Company's pipeline, which their scheme was depleting; (5) mischaracterized minimum commitment deals as "prepays," even though the Company received no cash up front; and (6) used knowingly false assumptions to create and reaffirm the Company's revenue guidance.

Lead Plaintiff alleges that, unbeknownst to investors at the time, the Company's top executives pressured its employees to enter into fixed license deals that artificially inflated Cerence's short-term revenue but harmed the Company by cannibalizing its future business at a discounted price, and that Defendants Dhawan and Gallenberger knew about this harm, but continued to order and approve these deals because, among other things, they enabled Dhawan and Gallenberger (i) to realize enormous amounts of performance-based executive compensation, which was tied directly to Cerence's revenue, and (ii) to sell more than \$25 million worth of their stock at prices that were inflated by their fraud.

Lead Plaintiff further alleges that, when Defendants' scheme began to unravel, Dhawan and Gallenberger suddenly and unexpectedly "resigned," leaving the Company's new CEO, Stefan Ortman, to clean up the mess that their fraud had created, and that after Ortman was forced to acknowledge Defendants' deceit, the Company's stock price collapsed, losing more than 58% of its value in just two and a half months as a result of the revelations of the fraud.

On May 12, 2022, the Honorable Allison D. Burroughs appointed the Public Employees' Retirement System of Mississippi as Lead Plaintiff and BLB&G as Co-Lead Counsel for the class of investors who were harmed by Defendants' fraud. On July 26, 2022, Lead Plaintiff filed the Amended Class Action Complaint. Defendants moved to dismiss the operative complaint on September 9, 2022. Lead Plaintiff filed an opposition to Defendants' motion on October 24, 2022, and Defendants filed a reply on November 23, 2022. On March 25, 2024, the Court issued an order denying the motion to dismiss, which can be found in the **Case Documents** section of this page.

On April 15, 2024, Defendants filed their Answer to the Complaint, denying that Lead Plaintiff has asserted any valid claims as to any of the Defendants and asserting various affirmative defenses. During the course of the Litigation, the Parties engaged in substantial discovery, which included the production by Defendants of over 100,000 pages of documents, exchanging initial disclosures, and responding to requests for production of documents and interrogatories.

On August 14, 2024, the Parties participated in an all-day mediation session before Greg Danilow of Phillips ADR Enterprises. After the mediation, the Parties continued to engage in settlement negotiations with the assistance of

the Mr. Danilow and ultimately reached an agreement in principle to settle the Litigation for \$30,000,000 on August 22, 2024, based on a mediator's recommendation made by Mr. Danilow.

On September 6, 2024, the Parties entered into a Stipulation and Agreement of Settlement, which sets forth the terms and conditions of the Settlement. On September 23, 2024, the Court preliminarily approved the Settlement, authorized notice of the Settlement to potential Settlement Class Members and scheduled the final Settlement Hearing for December 16, 2024 to consider whether to grant final approval to the Settlement.

At the final Settlement Hearing on December 16, 2024, the Court indicated that it would approve the Settlement and related motions. On December 18, 2024, the Court entered a Judgment Approving Class Action Settlement and orders approving the Plan of Allocation and Lead Counsel's motion for attorney's fees and litigation expenses.

Case Documents

- Notice of (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Hearing; and (III) Motion for Attorneys' Fees and Litigation Expenses ("Notice")
- Proof of Claim and Release Form ("Claim Form")
- December 18, 2024 - Judgment Approving Class Action Settlement
- December 18, 2024 - Order Approving Plan of Allocation of Net Settlement Fund
- December 18, 2024 - Order Awarding Attorneys' Fees and Litigation Expenses
- December 9, 2024 - Reply Memorandum of Law in Further Support of (A) Lead Plaintiff's Motion for Final Approval of Settlement and Plan of Allocation and (B) Lead Counsel's Motion for Attorney's Fees and Litigation Expenses
- November 11, 2024 - Lead Plaintiff's Motion for Final Approval of Settlement and Plan of Allocation
- November 11, 2024 - Memorandum of Law in Support of Lead Plaintiff's Motion for Final Approval of Settlement and Plan of Allocation
- November 11, 2024 - Lead Counsel's Motion for Attorneys' Fees and Litigation Expenses
- November 11, 2024 - Memorandum of Law in Support of Lead Counsel's Motion for Attorneys' Fees and Litigation Expenses
- November 11, 2024 - Joint Declaration of Joshua H. Saltzman and John Rizio-Hamilton in Support of (I) Lead Plaintiff's Motion for Final Approval of Settlement and Plan of Allocation, and (II) Lead Counsel's Motion for Attorneys' Fees and Litigation Expenses
- September 23, 2024 - Order Preliminarily Approving Settlement and Providing for Notice
- September 6, 2024 - Stipulation and Agreement of Settlement
- March 25, 2024 - Memorandum and Order Denying Motion to Dismiss
- July 26, 2022 - Amended Class Action Complaint