

DELAWARE COURT OF CHANCERY

Genesis CMG Holdings, LLC and Converze Media Group, LLC v.
Tedd Barr and Simplicity Media Group, LLC

C.A. No. 2025-0676-DH (Del. Ch. June 11, 2026) · No. C.A. No. 2025-0676-DH · Decided June 11, 2026

SUMMARY

The Delaware Court of Chancery Magistrate in Chancery recommends granting defendants’ motion to dismiss claims arising from alleged violations of restrictive covenants. The court concludes that the covenants terminated under Section 22 of the Restrictive Covenants Agreement when the Seller Notes remained unpaid one year after the effective date, and that email exchanges did not constitute a valid written modification. The court also rejects or dismisses the equitable estoppel and implied-covenant claims.

CASE DETAILS

COURT	Delaware Court of Chancery
WRITING FOR THE COURT	David Hume, IV, Magistrate in Chancery
JURISDICTION	Delaware Court of Chancery
DECIDED	June 11, 2026
DOCKET	C.A. No. 2025-0676-DH
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiffs sued to enforce restrictive covenants and asserted breach of contract, breach of the implied covenant of good faith and fair dealing, tortious interference with contract, civil conspiracy, and equitable-estoppel theories. Defendants moved to dismiss under Delaware Court of Chancery Rule 12(b)(6). The magistrate in chancery issued a final report recommending that the motion be granted.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true, draws reasonable inferences in favor of the nonmoving party, and dismisses only if the plaintiff would not be entitled to recover under any reasonably conceivable set of circumstances susceptible of proof. Conclusory allegations lacking specific factual support are disregarded.
PRECEDENTIAL VALUE	Published Delaware Court of Chancery final report; precedential effect subject to applicable Delaware rules governing magistrate reports and

adoption.

TOPICS

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PRACTICE AREAS

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QUESTIONS PRESENTED

1. Whether the restrictive covenants terminated under Section 22 of the Restrictive Covenants Agreement when the Seller Notes remained unpaid after the first anniversary of the effective date.
2. Whether alleged email exchanges constituted a signed written modification of the Restrictive Covenants Agreement.
3. Whether the court should excuse the condition or resulting forfeiture because the condition was immaterial or the forfeiture disproportionate.
4. Whether plaintiffs adequately stated breach of contract, tortious interference with contract, and civil conspiracy claims after the restrictive covenants terminated.
5. Whether plaintiffs waived their equitable-estoppel argument.
6. Whether plaintiffs identified a contractual gap sufficient to support a claim for breach of the implied covenant of good faith and fair dealing.

HOLDINGS

1. The restrictive covenants terminated by contract when the Seller Notes remained unpaid after October 27, 2024, the first anniversary of the effective date.
2. The alleged email exchanges did not constitute the written modification signed by both parties required by the Restrictive Covenants Agreement.
3. No further factual development was required because the condition was clear, compensation was a material part of the parties' agreement, and the restrictive covenants therefore lapsed.
4. Plaintiffs could not plead reasonably conceivable claims for breach of contract, tortious interference with contract, or civil conspiracy because the restrictive covenants had ceased to exist before the alleged conduct.
5. Plaintiffs waived their equitable-estoppel argument by abandoning it in their briefing and attempting to reassert it only at oral argument.
6. Plaintiffs failed to state a claim for breach of the implied covenant of good faith and fair dealing because they identified no contractual gap for the implied covenant to fill.

KEY QUOTATIONS

“dismissal is inappropriate unless ‘the plaintiff would not be entitled to recover under any reasonably conceivable set of circumstances susceptible of proof.’” (8)

“RCA Section 22 was a condition precedent to enforcement of the restrictive covenants. The clause is clear and unambiguous that forfeiture of the covenants is the result for nonpayment of the Seller Notes.” (12)

“He could not breach what did not exist.” (13)

“Plaintiffs fail because there are no gaps they can exploit in the RCA.” (16)

FACTUAL BACKGROUND

Genesis purchased the interests of Converze Media Group from Tedd Barr and other sellers under a Unit Purchase Agreement, and Genesis issued Seller Notes as part of the transaction. Barr separately entered into a Restrictive Covenants Agreement containing noncompetition and nonsolicitation restrictions, but Section 22 provided that those restrictions would terminate if any Seller Notes remained unpaid after the first anniversary of the effective date. The Seller Notes remained unpaid on October 27, 2024, and Barr allegedly engaged in competitive and solicitation-related conduct after resigning from Converze in April 2025 and joining or forming Simplicity.

PROCEDURAL HISTORY

Plaintiffs filed an initial complaint on June 16, 2025, and an amended complaint on September 29, 2025. Defendants moved to dismiss, the parties briefed the motion, and the court heard oral argument on April 29, 2026. The court issued a final report recommending dismissal of the action under Rule 12(b)(6).

DISPOSITION

other

CASES CITED

- Savor, Inc. v. FMR Corp., 812 A.2d 894, 896-97 (Del. 2002)
- Kofron v. Amoco Chems. Corp., 441 A.2d 226, 227 (Del. 1982)
- In re General Motors (Hughes) S’holder Litig., 897 A.2d 162, 168 (Del. Ch. 2006)
- Malpiede v. Townson, 780 A.2d 1075, 1083 (Del. 2001)
- FMLS Hldg. Co. v. Integris BioServices, LLC, 2023 WL 7297238, at *5 (Del. Ch. Oct. 30, 2023)
- Ramunno v. Cawley, 705 A.2d 1029, 1034 (Del. 1998)
- Kokorich v. Momentous, Inc., 2023 WL 3454190, at *9-10 (Del. Ch. May 15, 2023), aff’d, 308 A.3d 1192 (Del. 2023)
- Zutrau v. Jansing, 2014 WL 7013578, at *1-2 (Del. Ch. Dec. 8, 2014)
- Genesis CMG Holdings LLC, et al. v. Phillip Yancey, et al., C.A. No. 2024-1317-SEM (Del. Ch. Feb. 26, 2026)
- Thompson Street Cap. P’rs IV, L.P. v. Sonova United States Hearing Instruments, LLC, 340 A.3d 1151 (Del. 2025)

- Intertek, 2023 WL 2544236, at *5
- Trifecta Multimedia Holdings, Inc. v. WCG Clinical Services LLC, 318 A.3d 450, 467 (Del. Ch. 2024)
- Cantor Fitzgerald, L.P. v. Cantor, 1998 WL 842316, at *1 (Del. Ch. Nov. 10, 1998)
- Allen v. El Paso Pipeline GP Co., L.L.C., 113 A.3d 167, 183 (Del. Ch. 2014), aff'd, 2015 WL 803053 (Del. Feb. 26, 2015) (ORDER)
- Osios v. Tiptree, Inc., 2024 WL 2947854, at *5 (Del. Ch. June 12, 2024)

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