Filed in District Court
State of Minnesota
1/29/2020 3:41 PM

STATE OF MINNESOTA | **DISTRICT COURT**

COUNTY OF RAMSEY | **SECOND JUDICIAL DISTRICT**
CASE TYPE: OTHER CIVIL

PATRICK SPEARMAN
KEVIN MCHALE, LYNN MCHALE
ROCHELLE AMANN, JOHN AMANN,
ARMAX, LLC, DR. BARRETT COWAN,
BRITTANY DILLE, STEVEN DILLE,
and RICHARD SPEARMAN,

Plaintiffs,

v.

GLEN TAYLOR, FRANZ ALTPETER,
CHUCK BRYNELSEN, DAVID FABRY,
ED FLAHERTY, ALLEN LENZMEIER,
BRENT LUCAS, ROGER LUCAS,
RANDY NITZSCHE, PAUL WALDON
and GAT FUNDING, LLC,

Defendants.

Case No: _____
Judge: _____

COMPLAINT
DEMAND FOR JURY TRIAL

Plaintiffs Patrick Spearman ("Spearman"), Kevin McHale, Lynn McHale, Rochelle Amann, John Amann, Armax, LLC, Dr. Barrett Cowan, Brittany Dille, Steven Dille, and Richard Spearman (collectively "Plaintiffs") submit this Complaint against the Defendants. Plaintiffs allege the following on information and belief, except as to the allegations specifically pertaining to Plaintiffs, which are based on personal knowledge.

NATURE AND SUMMARY OF THE ACTION

1. This action seeks to remedy a billionaire's underhanded betrayal of his fellow shareholders in a company which developed a groundbreaking and commercially valuable medical implant.

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2. Plaintiffs are minority shareholders in Envoy Medical Corporation, a Minnesota corporation ("Envoy" or the "Company"). Envoy developed a revolutionary FDA-approved surgical hearing implant known as "Esteem" which has restored hearing to previously-deaf patients. The Esteem device overcomes the shortcomings of hearing aids, has resulted in "miracle" hearing restoration to celebrities, and stands to benefit many, including veterans and police officers who have lost hearing in the line of duty. As a result, Envoy and the Esteem product gained national media attention and interest from numerous investors—until Defendants, through a series of self-dealing transactions involving one of the world's wealthiest and most powerful men, thwarted Envoy's progress for their own personal gain. Plaintiffs are shareholders of Envoy who believed in Esteem's extraordinary benefits to the public but who have now incurred significant damage as a result of these self-dealing transactions.

3. Defendants are the controlling shareholder of Envoy, Glen Taylor, his financing company, and the other directors of Envoy. Glen Taylor is a prominent and powerful billionaire businessman who is a majority owner of the Minnesota Timberwolves NBA basketball team and the *Star Tribune*.

4. When it became clear that Envoy's Esteem product had significant value, Taylor and the other Defendants implemented a veiled scheme to take control of the company, dilute Plaintiffs' shareholder rights, and divert any potential benefits of the Company away from Plaintiffs to Taylor.

5. Defendants began by firing Envoy's management—not because of performance but instead as a result of a personal vendetta related to Taylor's daughter—halting Envoy's previously-successful marketing and fund-raising efforts and forcing Envoy into financial distress. The Defendants then used this manufactured distress as an excuse to engage in a number of self-dealing

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transactions, including loan transactions and preferred share issuances with Defendant Taylor that have significantly diluted Plaintiffs' ownership interest and voting power in Envoy.

6. Defendant Taylor caused Envoy to pledge its valuable assets as security interest for loans from Defendant Taylor. The pledged assets include the Company's patents related to the revolutionary Esteem product and were far more valuable than the amount of the loans. Envoy would not be able to repay these loans after Defendants scuttled the Company's marketing and financing efforts. Defendants put Envoy in the position of being unable to repay the loans in an apparent effort to ensure that Taylor would be positioned to take the Company's assets for himself. Moreover, Taylor included provisions in these loans designed to discourage further investment in Envoy by—or sale of the Company to—anyone other than Taylor himself.

7. Taylor tied Envoy up in such one-sided transactions benefitting Taylor and these transactions made investment in Envoy unattractive to any other potential investors. Defendants then caused Envoy to issue preferred shares to Taylor, which gave him voting control of Envoy—a business potentially worth billions of dollars—for only $20 million. This transaction damaged the other shareholders by depriving them of the premium that would typically come with such a transfer of control. Instead, Taylor's purchase of preferred shares gave him voting and director-appointment control of Envoy and significantly diluted the voting rights of Plaintiffs. When Envoy—then controlled by Taylor—described the preferred share issuance to Plaintiffs in an investor report, Defendants concealed material facts from Plaintiffs which Defendants had a duty to disclose, including that the issuance would result in transfer of voting control of Envoy to Taylor and that it would do so at a manifestly unfair price.

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8. Envoy was once valued at $350 million by a valuation firm. It was estimated to be worth in the billions of dollars by investors. Defendants' self-dealing allowed Taylor to seize control of the Company by paying a tiny fraction of the Company's estimated value.

9. Prior to Defendants' scheme, Plaintiffs and other Envoy shareholders had a meaningful say in the Company through their voting rights as common stock holders. These rights have now been diluted to the point where Taylor completely controls Envoy. Likewise, prior to Defendants' scheme, Plaintiffs would have a claim to their proportionate share of the Company's residual assets upon a liquidation. Defendants have deprived Plaintiffs of these rights by diverting them to Taylor through his self-dealing.

10. The Esteem implant could provide life-changing assistance to millions around the world. Its widespread introduction, however, has been sidelined as Defendants have allowed Taylor to engage in self-dealing and horde any potential benefits from the valuable Esteem technology for himself.

11. In so doing, the Defendants have breached their fiduciary duties to Plaintiffs, engaged in unjust shareholder oppression, committed fraud, engaged in conspiracy, and have been unjustly enriched.

JURISDICTION AND VENUE

12. This Court has jurisdiction over Defendants because Envoy conducts business in or maintains operations in Minnesota, and the Individual Defendants, as directors and officers of Envoy, are Minnesota residents or otherwise have sufficient minimum contacts with Minnesota so as to render the exercise of jurisdiction by the courts of Minnesota permissible under traditional notions of fair play and substantial justice.

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13. Venue is proper in this Court because one or more of the Defendants resides in Ramsey County, and the causes of action alleged herein, or some part thereof, arose in Ramsey County.

THE PARTIES

Plaintiffs

14. Plaintiff Patrick Spearman is a resident of Texas and was an owner of Envoy common stock at all relevant times.

15. Plaintiff Kevin McHale is a resident of Minnesota and was an owner of Envoy common stock at all relevant times.

16. Plaintiff Lynn McHale is a resident of Minnesota and was an owner of Envoy common stock at all relevant times.

17. Plaintiff Rochelle Amann is a resident of Minnesota and was an owner of Envoy common stock at all relevant times.

18. Plaintiff John Amann is a resident of Minnesota and was an owner of Envoy common stock at all relevant times.

19. Plaintiff Armax, LLC is a limited liability company organized under the laws of Minnesota and was an owner of Envoy common stock at all relevant times.

20. Plaintiff Dr. Barrett Cowan is a resident of Colorado and was an owner of Envoy common stock at all relevant times.

21. Plaintiff Brittany Dille is a resident of Colorado and was an owner of Envoy common stock at all relevant times.

22. Plaintiff Steven Dille is a resident of Colorado and was an owner of Envoy common stock at all relevant times.

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23. Plaintiff Richard Spearman is a resident of Texas and was an owner of Envoy common stock at all relevant times.

Defendants

24. Defendant Glen Taylor is the controlling shareholder and director of Envoy. His address is 1 Taylor Lane, Mankato, Minnesota 56001. Taylor is currently the Chairman of Envoy. Taylor was an Envoy director during all relevant times, despite the fact that he may have purported to resign while certain self-dealing actions were approved by the board.

25. Defendant GAT Funding, LLC is a limited liability company organized under the laws of Minnesota. GAT Funding is controlled by Defendant Taylor. The address for GAT Funding is 1725 Roe Crest Drive, North Mankato, Minnesota 56003.

26. Defendant Franz Altpeter served as a director of Envoy since 2016 or earlier. His address is 1110 Lake St., N. Prescott, Wisconsin 54021.

27. Defendant Chuck Brynelsen served as a director of Envoy since 2016 or earlier. His address is 62 W. Pleasant Lake Rd., Saint Paul, Minnesota 55127.

28. Defendant David Fabry served as a director of Envoy since 2016 or earlier. His address is 15363 Mason Pointe, Eden Prairie, Minnesota 55347.

29. Defendant Ed Flaherty served as a director of Envoy since 2016 or earlier. His address is 8345 Crystal View Rd. Suite 200, Eden Prairie, Minnesota 55344.

30. Defendant Allen Lenzmeier served as a director of Envoy since 2012 or earlier. His address is 66 Bethany Dr., Grand Marais, Minnesota 55604.

31. Defendant Brent Lucas served as a director of Envoy since 2016 or earlier. Lucas also serves as Envoy's chief executive officer, a position he has held since 2016 or earlier. His address is 1777 Lincoln Ave., St. Paul, Minnesota 55105.

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32. Defendant Roger Lucas was a director and Chairman of the Board of Envoy. Lucas was no longer a director by June 1, 2016. His address is 41 E. Pleasant Lake Rd. Apt. R, St. Paul, Minnesota 55127.

33. Defendant Randy Nitzsche served as a director of Envoy since August 3, 2017. His address is 8055 Spruce Trl., Eden Prairie, Minnesota 55347.

34. Defendant Paul Waldon served as a director of Envoy since 2012 or earlier. His address is 18160 3rd Ave. N., Minneapolis, Minnesota 55447.

35. Defendants Taylor, Altpeter, Brynelsen, Fabry, Flaherty, Lenzmeier, Brent Lucas, Roger Lucas, Nitzsche, and Waldon are referred to herein as the Director Defendants.

ENVOY DEVELOPS A REVOLUTIONARY AND VALUABLE TECHNOLOGY

36. Envoy's Esteem implant is a life-changing product for those with certain types of hearing loss. More than 21 million adults in the United States suffer from sensorineural hearing loss, which is caused by damage to the inner ear, and is the most common type of hearing loss. Many of those suffering from hearing loss get poor results from hearing aids due to poor sound quality, whistling noises, limited battery life, poor fit, and discomfort.

37. Over a fourteen-year process, Envoy developed Esteem—an innovative and groundbreaking product to more effectively treat hearing loss. Esteem is a fully-implanted active hearing device.

38. Esteem is not a hearing aid, nor does it use a microphone or speaker. Esteem's technology uses natural features of the ear to pick up sound, bypass a portion of the middle ear, and drive the sound directly to the inner ear. Its battery can last for several years without recharging, a significant improvement over a traditional hearing aid's typical battery life of only hours or days.

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39. Plaintiff Patrick Spearman was originally hired as Envoy's Vice President of Sales and Marketing. Early in Spearman's tenure at Envoy, he shared with Defendant Taylor an investment plan for Envoy and Esteem that Taylor thought would be a success. Plaintiff Rochelle Amann initially came to Envoy as a marketing associate. Spearman became CEO of Envoy in 2008. Spearman and Amann developed the marketing and fundraising strategy underlying Envoy's early success. Additionally, Spearman and Amann were actively involved in the clinical studies that were essential to the eventual approval by the FDA of the Esteem product.

40. Prior to their work at Envoy, Spearman and Amman were involved in founding Lexion Medical, which manufactures devices for minimally-invasive surgeries. Spearman and Amman set up a sales organization across the United States selling laparoscopic surgical devices directly to surgeons. Amman was Lexion's Vice President of Sales, and as a result of her active and engaged role in the company's sales efforts, she has developed sales relationships with doctors in most of the top hospitals in the United States.

41. In late 2009, the fifteen members of the FDA's advisory panel unanimously recommended that the FDA approve Esteem for patient use. In March 2010, the FDA approved Esteem for hearing-loss patients.

42. Shortly after approval, numerous surgeons were training to implant Esteem, including doctors from the Mayo Clinic, Harvard University, and Yale University. By late 2011, just over a year following FDA approval, approximately 500 people had successfully received the Esteem implant.

43. The results of implanting the Esteem device are dramatic, and the procedure's results attracted the attention of celebrities and the national media. For example, YouTube viewers watched a video of a twenty-nine-year-old mother who had suffered from a severe hearing

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impairment since birth over 27 million times.[1] The video shows Esteem's remarkable success in allowing the woman to hear. The viral YouTube video led to the woman telling her success story on NBC's "Today Show" and "The Ellen DeGeneres Show." Envoy reported that the viral video led to a 150% increase in sales inquiries.

44. Other major media outlets reported on Esteem, bringing it more publicity. Fox, CBS, ABC, and CNN all ran stories on Esteem's remarkable success. Additionally, the Lifetime Network aired the success story of military veteran Jessica Smith, who regained her ability to hear thanks to her Esteem implant.

45. In 2010, Spearman's management team successfully engaged Rush Limbaugh, one of the country's most popular political radio talk show hosts, to advertise Esteem to a large swath of Envoy's target market. Limbaugh's large national audience includes a significant number of veterans and police officers. Limbaugh's push of the Esteem product on his show and website boosted the traffic on Esteem's website from approximately 500 to 2,800 hits each day. The same year, the Medical Device and Diagnostic Industry organization named Envoy as one of 50 Companies to Watch. In 2011, Google recognized Envoy's release of Esteem as one of the 11 Most Important Events of the Year.

46. In May 2012, actor and former professional bodybuilder Lou Ferrigno announced on national television that he successfully underwent the Esteem procedure. While on the season finale of NBC's "The Apprentice," Ferrigno told America his Esteem success story. Ferrigno called it "a miracle." He explained he now had natural hearing thanks to Esteem and could hear things he had never even hoped to have heard. Before receiving the Esteem implant, Ferrigno was

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[1] Sloan Churman, *29 years old and hearing myself for the 1st time!*, YouTube (Sept. 26, 2011), https://www.youtube.com/watch?v=LsOo3jzkhYA.

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unable to pass the hearing test to become a police officer—a career he had long hoped to pursue after gaining fame as an actor. But with the implant in place, Ferrigno was sworn in as a reserve deputy sheriff.

47. Due in part to securing high-profile promoters for Esteem like Limbaugh and Ferrigno, Spearman and his management team continued to secure outside financing to meet Envoy's financial needs.

48. Envoy's marketing success was coupled with fundraising and sales successes as well. In a two-year span, Envoy sold approximately 600 Esteem devices for approximately $30,000 each. Remarkably, cash-paying customers footed the bill for almost all of those devices without any insurance reimbursement. Although customers were willing to pay the sticker price for this revolutionary product, Envoy also began to secure insurance reimbursement agreements, including with Blue Cross Blue Shield of Alabama and through AT&T's Care Plus plan for its employees.

49. The management team also successfully made inroads with government agencies who could approve Esteem for veterans suffering from combat-related hearing loss. The management team had made significant progress with identifying Veterans Administration (the "VA") doctors who would perform the Esteem procedure. The VA also granted pre-approval for patients to bill the procedure through a division of the VA so that the cost of the procedure and device would be covered.

50. Envoy successfully raised several million dollars from investors in early 2012 alone under this management team.

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51. Prior to being terminated from Envoy, Spearman and his management team were poised to make dramatic improvements to both the battery life and decibel level of the Esteem device which would have made Esteem even more successful.

TAYLOR POSITIONS HIMSELF TO SEIZE ENVOY'S ASSETS AND HARM THE COMPANY

52. In May 2012, Defendant Taylor's daughter, Kendahl Prokop, who worked for Envoy, was released from her employment with Envoy for cause. Prokop was not showing up for work. Prior to her termination, former Envoy President (and Plaintiff) Rochelle Amann limited Prokop's work responsibilities due to poor performance. Amann subsequently decided it was in the Company's best interest to terminate Prokop due to her work performance.

53. In the events that followed, Taylor used his position of power and influence to take effective control of Envoy and the Company's business affairs. This control was solidified further as Taylor positioned himself as the sole viable source of further financing and, later, when Taylor gained actual voting control through the issuance of preferred shares.

54. Shortly after Prokop's termination, Taylor called Spearman and told Spearman that Taylor—not the board or the Chairman or anyone else—would terminate Spearman due to Prokop's termination. Taylor stated that he planned on "taking you [Spearman] out." Taylor followed through on his promise of retaliation and directed Envoy to fire Spearman, Amann, and their successful marketing team. Taylor later admitted that he was "protecting his daughter" in terminating Spearman and others.

55. With Spearman out of the way, Taylor began to ignore proper corporate governance at the Company and—through his influence over other board members—impose his will improperly on the Company's affairs. Shortly after the former management team was fired, Defendant Taylor called a company-wide meeting to announce changes at Envoy. Taylor

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welcomed his daughter back as an Envoy employee. Taylor also announced that Defendant Brent Lucas would be returning to Envoy. Also at the meeting, Taylor threatened Envoy employees by stating that if they did not agree with his decisions, they could quit.

56. One remaining employee was told he would *not* be fired in part because Taylor's daughter enjoyed working with him.

57. Around this time, Taylor also called a member of the Spearman family and indicated that Taylor was directing the hiring and compensation of new management himself. Taylor had previously expressed a desire to place Barb Cederberg in Envoy's management team and admitted she would be one of his "inside" people—*i.e.* someone who would be loyal to and directed by Taylor. After Spearman's termination, Cederberg was hired as Envoy's President. Neither Cederberg nor the newly-hired CEO had any prior success or experience running early-stage companies.

58. Also shortly after Spearman's termination, Spearman was told that Envoy would be pursuing its next financing options based on Taylor's preferences. Later, Taylor boasted to Spearman that he removed the Chairman of the Envoy board of directors, Roger Lucas. Taylor himself assumed the role of Chairman at least as of June 2016, although he effectively controlled the board earlier.

59. With Spearman gone, Taylor immediately began pushing forward a plan to freeze the Company's progress, position himself to loot its assets, and divest Envoy's shareholders of their ownership and voting rights.

60. Envoy abandoned its previously successful marketing and sales efforts, including its relationships with high-profile spokespersons which had driven sales to date.

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61. In the seven months from November 2012, under the new management, Envoy received less than $700,000 for new Esteem orders—a ten-fold drop from the numbers the fired management team had accomplished in the seven-month period from earlier that same year. Every month from December 2011 to May 2012, under the management of Spearman, saw Esteem order numbers that were higher than a full year for at least the two years following Spearman's firing.

TAYLOR'S CONVERTIBLE LOANS ENSURE HE WILL REAP ANY BENEFITS RIGHTFULLY OWED TO ALL SHAREHOLDERS

62. Within months of Spearman's departure, Taylor caused Envoy to pledge its valuable intellectual property to Defendant Taylor via his finance company Defendant GAT Funding.

63. Through a series of self-dealing transactions, Taylor began to gradually deprive Envoy's shareholders of their rights and ownership.

64. Taylor began laying the groundwork for this betrayal of his fellow shareholders in June 21, 2012 when Defendants caused Envoy to enter into a 4.5% Promissory Note with Taylor. Under the terms of the Note, Defendant Taylor would lend Envoy $1,000,000 at an interest rate of 4.5%. By the end of September 21, 2012, Taylor agreed to loan Envoy a total of up to $5,000,000.

65. On four separate subsequent dates—July 17, 2012, July 30, 2012, August 24, 2012, and September 21, 2012—Defendants caused Envoy to enter into four additional 4.5% Promissory Notes with Taylor. Under the terms of each of these Notes, Defendant Taylor would similarly lend Envoy $1,000,000 at an interest rate of 4.5%.

66. A key effect of Taylor's scheme was gaining the ability to dilute the rights of other shareholders. To this end, under the terms of each of the five Promissory Notes entered into from June 21, 2012 to September 21, 2012, Defendants granted Defendant Taylor conversion rights that

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allowed him to convert the principal of the Note and any accrued interest into shares of Envoy common stock.

67. The favorable self-dealing nature of these transactions was so obvious that Taylor took steps to try to insulate himself from future legal liability. In October 2012, the Envoy Board met to discuss the possibility of Defendant Taylor loaning Envoy an additional $4,000,000. Defendant Roger Lucas told the Envoy Board that Defendant Taylor, on advice of his attorneys, had resigned as a Director of Envoy while the Board acted on the increased funding. Despite this acknowledgement that these transactions created serious conflicts of interest, Taylor later returned to his position as an Envoy Director and continued to engage in self-dealing. Also, despite the ruse of temporarily resigning from the Envoy Board while the Board approved instances of self-dealing, Defendant Taylor continued to influence and control the Envoy Board.

68. Envoy's most valuable asset was the Esteem device and Taylor began implementing a scheme to position himself to reap any of the device's commercial benefits. On October 25, 2012, Defendants caused Envoy to enter into a Secured Convertible Promissory Note ("October 2012 Note") between Envoy and Defendant GAT Funding, which Defendant Glen Taylor controls. The October 2012 Note restated, superseded, and replaced all of the five Promissory Notes entered into from June 21, 2012 to September 21, 2012. Under the terms of the October 2012 Note, Defendant Taylor would lend Envoy a total of $9,000,000 at an interest rate of 4.5%. As security for this amount, Envoy pledged all of its assets including its intellectual property.

69. Under the terms of the October 2012 Note, Defendants granted Defendant Taylor conversion rights that allowed him to convert the principal of the Note and any accrued interest into shares of Envoy common stock. Defendant Taylor was able to exercise this conversion right

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at his sole discretion at $2.00 per share, subject to a reduction in price per share should Envoy issue any additional shares at a lower price per share. Defendant Taylor was also able to exercise this conversion right at his sole discretion if Envoy consummated any equity financing through which it sold any shares of common or preferred stock at a price per share equal to 80% of the price per share in that stock sale. Envoy could reduce the price per share to "fairly protect the purchase rights" of Defendant Taylor. In effect, Taylor could cause Envoy to lower the conversion price for his own benefit, with the effect of diluting other shareholders. Such favorable terms for Defendant Taylor would discourage other parties from offering Envoy alternative financing options.

70. Through his position within Envoy, Taylor was able to grant himself favorable loan terms that were not granted to other shareholders who had loaned money to the Company previously. The October 2012 Note also protected Defendant Taylor with an antidilution provision, which stated that Envoy would be in default of the October 2012 Note if any other person or group other than Defendant Taylor acquired Envoy stock that resulted in that person or group owning stock that comprised more than 50% of the voting stock of Envoy. The October 2012 Note further protected Defendant Taylor through a change-in-control provision, which stated that Envoy would be in default of the October 2012 Note if there was a change in the composition of the Envoy Board of Directors such that a majority of the Directors serving at the time of the October 2012 Note, or Directors appointed by a majority of the Directors serving as of the date of the October 2012 Note, no longer constituted a majority of Envoy's Board of Directors.

71. The October 2012 Note also created protections for Defendant Taylor in the event Envoy undergoes a merger or is sold to another entity. In such an event, under the October 2012 Note, Defendant Taylor would be entitled to receive Envoy common stock that he would have

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otherwise been able to receive under the terms of the October 2012 Note prior to any such merger or sale.

72. On October 25, 2012, the same day the October 2012 Note became effective, Defendants caused Envoy to enter into a Warrant For The Purchase Of Shares Of Common Stock Of Envoy Medical Corporation ("October 2012 Warrant") with Defendant GAT Funding, which is controlled by Defendant Taylor. Under the terms of the October 2012 Warrant, GAT Funding could purchase up to 900,000 shares of Envoy common stock at a price of just $0.25 per share, subject to the terms of the Warrant. These provisions were expressly made to "fairly protect the purchase rights" of Defendant Taylor.

73. Also on October 25, 2012, Defendants caused Envoy to enter into a Short Form Security Agreement with Defendant GAT Funding and Envoy. Envoy entered into this Agreement in furtherance of the October 2012 Note that granted Defendant Taylor a security in all of Envoy's assets. Under the terms of this Short Form Security Agreement, Envoy granted Defendant Taylor a security interest in 39 U.S. patents and 7 foreign patents.

74. On December 21, 2012, Defendants caused Envoy to enter into an Amended and Restated Secured Convertible Promissory Note ("December 2012 Amended Note") between Defendant GAT Funding, which is controlled by Defendant Glen Taylor, and Envoy. The December 2012 Amended Note replaced the October 2012 Note. Under the terms of the December 2012 Amended Note, Defendant Taylor would lend Envoy a total of $14,000,000 at an interest rate of 4.5%. Envoy pledged the same security interest for this amount as with the October 2012 Note.

75. Under the terms of the December 2012 Amended Note, Defendants granted Defendant Taylor conversion rights that allowed him to convert the principal of the Note and any

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accrued interest into shares of Envoy common stock. Defendant Taylor was able to exercise this conversion right at his sole discretion at $2.00 per share, subject to a reduction in price per share should Envoy issue any additional shares at a lower price per share. Defendant Taylor was also able to exercise this conversion right at his sole discretion if Envoy consummated any equity financing through which it sold any shares of common or preferred stock at a price per share equal to 80% of the price per share in that stock sale. As before, Envoy could reduce the price per share to "fairly protect the purchase rights" of Defendant Taylor.

76. The terms of the December 2012 Amended Note conferred on Defendant Taylor the same priority, antidilution, and Board-loyalty protections as the October 2012 Note.

77. The terms of the December 2012 Amended Note conferred on Defendant Taylor the same protection in the event of a merger or sale as the October 2012 Note.

78. On December 21, 2012, Defendants caused Envoy to enter into an Amended and Restated Warrant For The Purchase Of Shares Of Common Stock Of Envoy Medical Corporation ("December 2012 Amended Warrant") between Defendant GAT Funding and Envoy. The December 2012 Amended Warrant replaced the October 2012 Warrant. Under the terms of the December 2012 Amended Warrant, Defendant Taylor could purchase up to 1,400,000 shares of Envoy common stock at a price of $0.25 per share, subject to the terms of the Warrant, including to "fairly protect the purchase rights" of Defendant Taylor.

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TAYLOR GAINS CONTROL OF A BILLION DOLLAR COMPANY FOR $20 MILLION THROUGH ILLICIT SELF-DEALING

79. Taylor committed perhaps his most egregious and deceitful betrayal of his fellow shareholders when he covertly arranged to gain control of this billion-dollar company for $20 million dollars.

80. As of year-end 2015, Envoy had issued 139,273,172 shares of common stock, each entitled to one vote per share. Prior to 2015, Envoy had not issued any preferred shares.

81. In 2015, Defendants caused Envoy to issue two million preferred shares to Defendant Taylor at a price of $5 per share, for a total of $10,000,000. Defendant Taylor would purchase an addition two million shares at the same price within two years. Where ordinary Envoy shareholders paid up to $4 for shares of Envoy stock entitling them to a single vote, Taylor's preferred shares procured through self-dealing allowed him to purchase votes for approximately 18 cents per vote because a single preferred share purchased for $5 entitled Taylor to 28 votes.

82. At the time, Defendants concealed material facts from Plaintiffs, including that the issuance of preferred shares to Defendant Taylor would result in transfer of voting control of Envoy to Defendant Taylor.

83. In the summer of 2015, Defendant Taylor contacted Spearman by phone and told Spearman that Taylor would be purchasing four million preferred shares for $20 million. In a December 2015 email, Taylor stated that he hoped the preferred share issuance would "keep envoy going for another three or four years" and "this would give Envoy an opportunity to look at a number of different options for Envoy's future." Taylor did not disclose, however, that each preferred share entitled Defendant Taylor to 28 votes and would give him voting control of the Company.

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84. In a June 2016 Shareholder Update letter signed by Defendant Brent Lucas, Defendants stated the following:

> *In November of 2015, despite known commercial challenges and the unfortunate distractions and adversity facing the Company, Envoy Medical was able to secure another significant capital investment from Glen Taylor. Through the purchase of preferred shares, Mr. Taylor has financed an ambitious business plan (discussed below) put forward by members of the new management team. Without this additional investment from Mr. Taylor, Envoy Medical may not have had a future. The additional capital will give us the opportunity to turn things around and hopefully create tangible shareholder value.*

85. In a December 2016 Shareholder Update letter, Defendants caused Envoy to state the following:

> *As we mentioned in our June Shareholder Update, Envoy Medical received a significant capital infusion from Glen Taylor in November of 2015. Mr. Taylor's tremendous commitment provided Envoy Medical with an opportunity to remain in business and chart a new course forward around three key business objectives. We are executing that vision and moving quickly and efficiently. With our current plan and budget in place, we do not expect to need any additional funding until 2019, at which point we expect to be in a stronger position to consider a variety of potential options.*

86. The description of Defendant Taylor's preferred share purchase, and the information provided to Plaintiffs in the shareholder update letters, again omitted the facts most important to Envoy's shareholders: that Defendant Taylor purchased two million preferred shares for $5 each, that he would purchase another two million later, and that each preferred share entitled Defendant Taylor to 28 votes, as compared to a single vote for every common share. In total, the preferred shares entitled Taylor to 112,000,000 votes. In addition to the large common stock position he held (which has reached at least 26 million shares as of 2019), this gave Taylor voting control of the Company.

87. By granting himself four million preferred shares, Defendant Taylor effectively purchased—for $20 million—control of a company which had been valued from $350 million to

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well over $1 billion. He was able to do so only by unfair self-dealing and depriving Plaintiffs of their own fairly-gained voting rights.

88. Additionally, Defendant Taylor caused Envoy to issue warrants attached to the preferred shares. In November 2015, Defendant Taylor caused Envoy to issue 2,300,000 warrants for Envoy common stock. In August 2017, Defendant Taylor caused Envoy to issue an additional 2,300,000 warrants for Envoy common stock. In effect, these warrants permitted Taylor to purchase 4,600,000 shares of Envoy common stock at an agreed price of $1.00 per share. These warrants allowed Taylor to further dilute Plaintiffs' ownership interests by increasing his voting power in Envoy through self-dealing transactions.

89. Additional terms of the preferred share issuance greatly favored Taylor. Under the terms of the preferred share issuance, Envoy would have to pay $7.50 to redeem any share that Taylor purchased for $5, and Envoy would also have to pay Taylor all accrued or declared but unpaid dividends on each share.

90. In addition, these terms of purchase stated that in the event of any liquidation, dissolution, or winding up of Envoy, Defendant Taylor was entitled, prior to any other junior interest including Envoy common stock, to receive $7.50 per share of his preferred shares, plus accrued or declared but unpaid dividends on such share for each share of preferred stock held by Defendant Taylor. This could have the potential of completely wiping out the value of the common shareholders' shares upon liquidation, dissolution, or a winding up.

91. Additionally, Defendant Taylor benefited from anti-dilution protections with respect to his preferred shares. If Envoy sold additional shares of preferred stock at a price lower than the conversion price of $1.00 per share agreed to with Taylor at that time, the stock price of the preferred shares authorized for Defendant Taylor would be reduced.

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92. The preferred shares also allowed Defendant Taylor to solidify his control on the Envoy Board of Directors through additional director appointment rights.

TAYLOR CONTINUES HIS SELF-DEALING AT THE EXPENSE OF FELLOW SHAREHOLDERS

93. By 2015, Defendant Taylor held at least 4,600,000 warrants with exercise prices ranging from $0.25 per share to $1.00 per share. That year, Defendants caused Envoy to cancel and reissue those warrants to Defendant Taylor at a lower exercise price of $0.25 per share. Defendant Taylor exercised these newly-priced warrants in 2015, allowing him to dilute pre-existing shareholders' interests for a price lower than originally bargained for.

94. On February 12, 2015, Defendants caused Envoy to enter into a Short Form Security Agreement between Defendant GAT Funding and Envoy. Envoy entered into this Agreement in furtherance of the October 2012 Note that granted Defendant Taylor security in all of Envoy's assets. Under the terms of this Short Form Security Agreement, Envoy granted Defendant Taylor a security interest in 8 new U.S. patents that were in addition to those granted on October 25, 2012.

95. In November 2015, Defendants caused Envoy to enter into an Amended and Restated Convertible Promissory Note ("November 2015 Amended Note") between Defendant GAT Funding and Envoy. The November 2015 Amended Note replaced the December 2012 Amended Note. Under the terms of the November 2015 Amended Note, Defendant Taylor agreed to loan Envoy a total of $29,000,000 at an interest rate of 4.5%. Envoy pledged the same security interest for this amount as with the October 2012 Note—all of Envoy's assets, including the Esteem product and all other intellectual property.

96. Under the terms of the November 2015 Amended Note, Defendants granted Defendant Taylor conversion rights that allowed him to convert the principal of the Note and any

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accrued interest into shares of Envoy common stock. Defendant Taylor was able to exercise this conversion right at his sole discretion at $1.00. Defendant Taylor was also able to exercise this conversion right at his sole discretion if Envoy consummated any equity financing through which it sold any shares of common or preferred stock at a price per share equal to 80% of the price per share in that stock sale.

97. The terms of the November 2015 Amended Note conferred on Defendant Taylor at least the same priority, anti-dilution, and Board-loyalty protections as the October 2012 Note.

98. Under the terms of the November 2015 Amended Note, Defendant Taylor was protected in the event that Envoy sold all or substantially all of its assets to anyone other than Taylor. In such an event, Taylor was entitled to an amount equal to two times the unpaid borrowings under the November 2015 Note, together with all accrued unpaid interest.

99. In September 2018, Defendants caused Envoy to enter into an Amended and Restated Convertible Promissory Note ("September 2018 Amended Note") between Defendant GAT Funding and Envoy. The September 2018 Amended Note replaced the November 2015 Amended Note. Under the terms of the September 2018 Amended Note, Defendant Taylor would lend Envoy up to $36,000,000 at an interest rate of 4.5% per annum. Envoy pledged the same security interest for this amount as with the October 2012 Note.

100. Under the terms of the September 2018 Amended Note, Defendants granted Defendant Taylor conversion rights that allowed him to convert the principal of the Note and any accrued interest into shares of Envoy common stock. Defendant Taylor was able to exercise this conversion right at his sole discretion at $1.00 per share. Defendant Taylor was also able to exercise this conversion right at his sole discretion if Envoy consummated any equity financing

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through which it sold any shares of common or preferred stock at a price per share equal to 80% of the price per share in that stock sale.

101. The terms of the September 2018 Amended Note conferred on Defendant Taylor at least the same priority protections as the October 2012 Note.

102. The terms of the September 2018 Amended Note conferred on Defendant Taylor the same protection in the event that Envoy sold all or substantially all of its assets to anyone other than Taylor as the November 2015 Note.

103. In September 2018, Defendants caused Envoy to issue 805,000 additional warrants to Defendant Taylor in connection with the September 2018 Amended Note.

104. As a result, Taylor has backed Envoy and its shareholders into a corner. The Company is not generating meaningful revenue after abandoning its previously successful strategy. It cannot effectively raise money from anyone but Taylor himself. Its loans from Taylor are structured to discourage a sale to anyone but Taylor. And if it files for bankruptcy, Taylor will receive all of its assets. Plaintiffs were deprived of their ability to avoid these traps when Defendant Taylor's self-dealing gave him voting control of the Company. The generous terms Envoy granted to Taylor in these transactions and their oppressive effect on shareholders would be inappropriate even if Envoy had no other source of funding.

105. After years of control by Taylor, Envoy never regained the success it began to achieve under Spearman and the potentially life-changing benefits of the Esteem device have been effectively shelved as Taylor prepares his final move: reaping the Company's remaining assets for himself.

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THE BOARD'S ILLEGITIMATE APPROVAL OF TAYLOR'S SELF-DEALING

106. Shareholders were not given the opportunity to vote to approve or prevent Taylor's self-dealing.

107. The Director Defendants were dominated and controlled by Taylor who demonstrated that he controlled the Company and the Board through Spearman's firing and the events that followed.

108. No board of directors or committee thereof could have ever approved the self-dealing described herein in good faith. Given the nature of Taylor's self-dealing and its oppressive effects on Plaintiffs, Defendants were not acting in good faith, were not acting in the best interests of Envoy, were not acting in a manner which they could reasonably believe would be in the best interests of Envoy, and were not acting with due care.

109. For purposes of Minn. Stat. § 302A.255, Taylor's self-dealing could not have been appropriately approved for the additional reason that it was not approved at meetings where an effective quorum was established to transact business pursuant to the Company's Bylaws. Under Envoy's Bylaws, a majority of the directors currently holding office must be present at least at the beginning of a meeting to constitute a quorum and transact business. Under Minn. Stat. § 302A.255, interested directors shall not be counted in determining the presence of a quorum.

110. By Defendants' own admission, more than a majority of directors at least from November 2015 forward were interested or "conflicted" regarding Taylor's self-dealing. Board meeting minutes reflect that on August 23, 2018, for example, the board excluded Defendants Taylor, Altpeter, Brynelsen, Fabry, Brent Lucas, Nitzsche, and Flaherty from voting on the approval of yet another related-party transaction between Taylor and Envoy due to concerns regarding "conflicted interest." As such, these directors could not be counted towards establishing

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a quorum during that meeting or others and the remaining directors (of which there were only two for the August 23, 2018 meeting) were not a majority of directors holding office and did not constitute a quorum.

DUTIES OF GLEN TAYLOR AS ENVOY SHAREHOLDER TO PLAINTIFFS

111. During the self-dealing transactions described herein, Defendant Taylor exercised control over Envoy and its business affairs.

112. Envoy is a closely held corporation under Minnesota common law.

113. Envoy shareholders are active in Envoy's business. Defendant Taylor plays an active role in the business by, for example, directing its financing strategy, influencing the hiring and firing of executives, and causing Envoy to enter into various related-party transactions with Defendant Taylor and his controlled entities. Plaintiff Patrick Spearman is the former CEO of Envoy and Rochelle Amann is the former President of Envoy.

114. There is little to no market for a minority interest in Envoy's stock. Envoy is not publicly traded.

115. Dividends have never been distributed to Envoy shareholders.

116. As a controlling shareholder and as a fellow-shareholder in a closely held corporation, Defendant Taylor owed Plaintiffs fiduciary duties including the duty to treat Plaintiffs with the highest standard of integrity and good faith in their dealings. Defendant Taylor's duty as shareholder in Envoy is in addition to—and exists separate from—Defendant Taylor's fiduciary duties as a director of Envoy.

DUTIES OF THE ENVOY DIRECTORS

117. By reason of their positions as officers and/or directors of the Company, each of the Director Defendants owed and owe Envoy and its shareholders including Plaintiffs fiduciary

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duties to act with candor, care, loyalty, fairness, and in good faith, and were and are required to use their utmost ability to control and manage Envoy in a fair, just, honest, and equitable manner. The Director Defendants were and are required to act in furtherance of the best interests of Envoy and its shareholders, and not in furtherance of their personal interest or benefit.

118. To discharge their duties, the officers and directors of Envoy were required to exercise reasonable and prudent supervision over the management, policies, practices, and controls of the financial affairs of the Company.

119. The conduct of the Director Defendants complained of herein involves a knowing and culpable violation of their obligations, the absence of good faith on their part, and a reckless disregard for their duties that the Director Defendants were aware or reckless in not being aware posed a risk of serious injury to Plaintiffs.

120. The Director Defendants breached their fiduciary duties by allowing Defendants to cause, or by themselves causing, the wrongful acts described herein, including depriving Plaintiffs of their voting rights, preventing them from investing on the same terms as Taylor, and subordinating Plaintiffs' and other shareholders' interests to Taylor's interests.

121. The Director Defendants, because of their positions of control and authority as officers and/or directors of Envoy, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein. The Director Defendants also failed to prevent the other Defendants from taking such illegal actions. As a result, Plaintiffs have been damaged.

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CAUSES OF ACTION

COUNT I: Against Defendant Taylor as Envoy Shareholder for Breaches of Fiduciary Duties

122. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

123. Defendant Taylor exercised control over Envoy and its business affairs.

124. Envoy is a closely-held corporation under Minnesota common law.

125. Defendant Taylor, as an Envoy shareholder, owed and owes Envoy shareholders fiduciary obligations. By reason of their fiduciary relationships, Taylor owed and owes Plaintiffs, as Envoy shareholders, the highest obligation of good faith, fair dealing, loyalty, and due care.

126. Defendant Taylor breached the obligations and duties owed to Plaintiffs by engaging in the above-described self-dealing.

127. In addition to the conduct described above, Defendant Taylor's breaches include, but are not limited to, the following:

128. Defendant Taylor breached the obligations and duties owed to Plaintiffs when he and Defendant GAT Funding purchased (and caused Envoy to sell) preferred shares which allowed him to assume voting control of the company and greatly diluted the voting power of Plaintiffs.

129. Defendant Taylor breached the obligations and duties owed to Plaintiffs when he caused the above-described preferred share issuances to occur without fully disclosing the substance or effects of the transactions to fellow shareholders.

130. Defendant Taylor breached the obligations and duties owed to Plaintiffs when he engaged in the self-dealing loan transactions whereby he and/or GAT Funding were granted a security interest in Envoy's valuable assets without adequate value provided in return.

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131. Defendant Taylor breached the obligations and duties owed to Plaintiffs when he engaged in the self-dealing loan transactions whereby he was granted warrants that would further dilute the ownership rights of Plaintiffs.

132. Defendant Taylor breached the obligations and duties owed to Plaintiffs when he caused Envoy to cancel and then re-issue warrants to himself on terms more favorable to Taylor, which Taylor then executed and diluted the ownership interests of Plaintiffs.

133. Defendant Taylor breached the obligations and duties owed to Plaintiffs when he structured the self-dealing loan transactions and preferred share issuances to discourage and prevent additional investments in the Company, including additional investments by Plaintiffs.

134. Defendant Taylor breached the obligations and duties owed to Plaintiffs when he structured the self-dealing loan transactions and preferred share issuances to position himself and GAT Funding as the beneficiaries of any liquidation of the company at the expense of other shareholders' rights to such benefits, including the rights of Plaintiffs.

135. As a direct and proximate result of Taylor's breaches of his fiduciary obligations, Plaintiffs have sustained significant damages and in excess of $50,000. Plaintiffs' voting power and ownership rights were diluted in an amount which would not have occurred but for Defendant Taylor's self-dealing. The value of Plaintiffs' shares was diluted due to Defendant Taylor's diversion of future benefits to himself. As a result of the misconduct alleged herein, Taylor is liable to Plaintiffs.

COUNT II: Against the Director Defendants for Breaches of Fiduciary Duties

136. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

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137. The Director Defendants owed and owe Envoy shareholders fiduciary obligations. By reason of their fiduciary relationships, the Director Defendants owed and owe Plaintiffs, as Envoy shareholders, the highest obligation of good faith, fair dealing, loyalty, and due care.

138. Defendants violated and breached their duties by, among other things, approving the self-dealing transactions or allowing them to be approved.

139. In addition to the conduct described above, the Director Defendants' breaches include, but are not limited to, the following:

140. The Director Defendants breached the obligations and duties owed to Plaintiffs when they approved (or allowed to be approved) Defendant Taylor's purchases of preferred shares which allowed him to assume voting control of the company and greatly diluted the voting power of Plaintiffs.

141. The Director Defendants breached the obligations and duties owed to Plaintiffs when they approved (or allowed to be approved) Defendant Taylor's above-described preferred share issuances without fully disclosing the substance or effects of transactions to all shareholders.

142. The Director Defendants breached the obligations and duties owed to Plaintiffs when they approved (or allowed to be approved) Defendant Taylor's self-dealing loan transactions whereby he and/or GAT Funding were granted a security interest in Envoy's valuable assets without adequate value provided in return.

143. The Director Defendants breached the obligations and duties owed to Plaintiffs when they approved (or allowed to be approved) Defendant Taylor's self-dealing loan transactions whereby he was granted warrants that would further dilute the ownership rights of Plaintiffs.

144. The Director Defendants breached the obligations and duties owed to Plaintiffs when they approved (or allowed to be approved) the cancelation and then re-issuance of warrants

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to Defendant Taylor on terms more favorable to Taylor, which Taylor then executed and diluted the ownership interests of Plaintiffs.

145. The Director Defendants breached the obligations and duties owed to Plaintiffs when they approved (or allowed to be approved) the self-dealing loan transactions and preferred share issuances structured in such a way as to discourage and prevent additional investments in the Company, including additional investments by Plaintiffs.

146. The Director Defendants breached the obligations and duties owed to Plaintiffs when they approved (or allowed to be approved) the self-dealing loan transactions and preferred share issuances which positioned Defendant Taylor and/or GAT Funding as the beneficiaries of any liquidation of the company at the expense of other shareholders' rights to such benefits, including the rights of Plaintiffs.

147. In doing so, the Director Defendants breached their duty of loyalty to Envoy and to Envoy's shareholders, did not act in good faith, and engaged in intentional misconduct. Moreover, one or more of the Director Defendants derived improper personal benefits from the above-described actions.

148. As a direct and proximate result of the Director Defendants' breaches of their fiduciary obligations, Plaintiffs have sustained significant damages and in excess of $50,000. As a result of the Director Defendants' breaches, Plaintiffs' voting power and ownership rights were diluted. The value of Plaintiffs' shares were diluted due to Defendant Taylor's diversion of future benefits to himself. As a result of the misconduct alleged herein, the Director Defendants are liable to Plaintiffs.

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COUNT III: Against the Director Defendants for Judicial Intervention Under Minn. Stat. § 302A.751

149. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

150. Plaintiffs are shareholders in Envoy and were at all relevant times.

151. Envoy is not publicly traded.

152. The Director Defendants have acted in a manner unfairly prejudicial towards Plaintiffs in their capacity as shareholders by engaging in the above-described scheme to dilute Plaintiffs' voting rights, dilute and devalue Plaintiffs' ownership interests, and divert the rights and privileges of Plaintiffs to Defendants Taylor and GAT Funding.

153. Through the same conduct, the Director Defendants have acted fraudulently and illegally toward Plaintiffs in their capacity as shareholders.

154. Plaintiffs are entitled to appropriate equitable relief under Minn. Stat. § 302A.751.

COUNT IV: Against Defendants Taylor, Altpeter, Brynelsen, Fabry, Flaherty, Lenzmeier, Brent Lucas, and Waldon for Common Law Fraud

155. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

156. Defendants Taylor, Altpeter, Brynelsen, Fabry, Flaherty, Lenzmeier, Brent Lucas, and Waldon (the "Fraud Defendants") omitted material facts when they failed to disclose that the issuance of preferred shares to Defendant Taylor would result in Taylor obtaining voting control of the company and when they failed to disclose the insufficient price paid per vote in this transfer of voting power.

157. The Fraud Defendants were under a duty to disclose this information because such disclosure was necessary to clarify information already disclosed, which would otherwise be

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misleading. Namely, the Fraud Defendants (acting either on their own or through Envoy's officers) described the issuance of preferred shares to Defendant Taylor in the June and December 2016 shareholder communications and in other communications described above, represented that the transaction would be beneficial to the company, but failed to disclose the true price of the transaction: a monumental shift in voting control that would greatly dilute the voting rights of other shareholders including Plaintiffs.

158. The Fraud Defendants were aware that this highly material information was not disclosed to Plaintiffs: it was not contained in the June and December 2016 shareholder updates which otherwise tout the benefits of the preferred share issuance.

159. The Fraud Defendants caused the preferred share issuance to be disclosed without disclosing the full facts with an intent to induce Plaintiffs to refrain from intervening in the preferred share issuance and with the intent that Plaintiffs maintain their investment with Envoy. Plaintiffs were so induced in reliance on this failure to disclose. Because Plaintiffs did not know the full facts concerning the preferred share issuance, Plaintiffs did not seek to intervene in its approval and continued maintaining their investment in Envoy.

160. As a direct and proximate result of the Fraud Defendants' failure to disclose these material facts, Plaintiffs have sustained significant damages in excess of $50,000. Plaintiffs did not seek to intervene in the approval of the transaction and continued to maintain their investment. Their shares are now less valuable as a result because their voting rights and underlying value have been diluted.

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COUNT V: Against Defendants for Aiding and Abetting

161. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

162. In addition to the wrongful conduct herein alleged as giving rise to primary liability, the Defendants further aided and abetted and/or assisted each other in breaching their respective duties.

163. Each of the Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commission of the wrongdoing complained of herein, each Defendant acted with knowledge of the primary wrongdoing, substantially assisted in the accomplishment of that wrongdoing, and was aware of his or her overall contribution to and furtherance of the wrongdoing.

COUNT VI: Against Defendants for Conspiracy

164. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

165. In committing the wrongful acts alleged herein, the Defendants have pursued, or joined in the pursuit of, a common course of conduct, and reached a meeting of the minds to act and did so act in concert with and conspired with one another in furtherance of their common plan or design.

166. During all times relevant hereto, the Defendants, collectively and individually, initiated a course of conduct that was designed to or permitted others to wrongfully deprive Plaintiffs of their ownership and voting interests in Envoy, divert their portion of expected financial benefits, and accomplish the other wrongful acts described herein.

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167. The purpose and effect of the Defendants' conspiracy, common enterprise, and/or common course of conduct was, among other things, to facilitate and disguise the Defendants' breaches of fiduciary duty and other wrongful behavior.

168. The Defendants accomplished their conspiracy, common enterprise, and/or common course of conduct by causing Envoy to engage in the above-described self-dealing transactions with Defendant Taylor.

COUNT VII: Against Defendant Taylor and GAT Funding, LLC for Unjust Enrichment

169. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

170. Defendant Taylor and GAT Funding knowingly received something of value to which they were not entitled when they acquired control of Envoy and benefited from the other self-dealing transactions described above, and the circumstances are such that it would be unjust for Taylor and GAT Funding to retain these benefits.

171. Through Defendants' actions, benefits were conferred on Taylor and GAT Funding at the expense of Plaintiffs through the self-dealing transactions described above. Taylor and GAT Funding accepted these benefits and retained these benefits, despite the fact that retaining them without proper payment was inequitable.

172. Plaintiffs have been damaged in excess of $50,000. Plaintiffs are entitled to judgment, including that Taylor and GAT Funding be required to disgorge the benefits Taylor and GAT Funding have received through unjust enrichment.

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PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demands judgment as follows:

A. Damages, including rescissory damages, in favor of Plaintiffs against all Defendants, jointly and severally, together with interest thereon;

B. Appropriate equitable relief under Minn. Stat. § 302A.751.

C. Awarding to Plaintiffs the costs and disbursements of the action, including reasonable attorneys' fees, costs, and expenses to the extent permitted by law; and

D. Granting such other and further relief as the Court deems just and proper.

NILAN JOHNSON LEWIS PA

Dated: 1/29/20

By: _____

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ACKNOWLEDGMENT

Plaintiffs, by and through their undersigned counsel, hereby acknowledges that costs, disbursements, reasonable attorneys' fees and witness fees may be awarded to the opposing party or parties pursuant to Minn. Stat. § 549.211 if the statute is violated.

Cortney G. Sylvester