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IN THE CHANCERY COURT FOR DAVIDSON COUNTY, TENNESSEE
AT NASHVILLE

DANIELLE ELDREDGE, DYLAN FINNEY, MARGARET FORSHEE, WILLIAM K. FORSHEE, DENISE HICKS, MARTIN LARITZ, WESLEY KENNEDY, ISRAEL OVALLE, and KATIE TASHIJAN, Plaintiffs,	)	
v.	)	Case No. ___________
MEDALOGIX, LLC, Defendant.	)	JURY DEMAND

COMPLAINT

Plaintiffs allege the following as their Complaint against Defendant Medalogix, LLC ("Medalogix").

<u>NATURE OF THE ACTION:</u>

1. This action is brought by former employees of Medalogix seeking damages for the breach of Options Agreements. During Plaintiffs' employment at Medalogix, the company expressly granted them equity in the form of options to purchase shares of the company (both as a performance incentive and in exchange for lower annual compensation).

2. Under the Options Agreements, however, Medalogix <u>only</u> had the right to repurchase Plaintiffs' options upon death or disability—it did <u>not</u> have the right to repurchase Plaintiffs' vested options if they left the company voluntarily.

3. Plaintiffs all eventually stopped working for Medalogix, and none were terminated "for cause." And for *years* after they left, nothing was ever said about Medalogix' supposed right to repurchase their options.

4. That changed in May 2019, when Medalogix sent Plaintiffs letters purporting to exercise its nonexistent right to repurchase their options. And although Medalogix knew at the time it was about to receive a substantial equity investment, Medalogix told Plaintiffs their options were worthless.

PARTIES, JURISDICTION, AND VENUE:

5. Defendant Medalogix is a data analytics company focused on the home health market. Medalogix is a Delaware Limited Liability Company with its principal place of business in Davidson County, Tennessee. Medalogix may be served through its registered agent for service of process, Capitol Corporate Services, Inc., 992 Davidson Drive, Suite B, Nashville, Tennessee 37205.

6. Plaintiff Danielle Eldredge is a citizen and resident of Williamson County, Tennessee. Ms. Eldredge was employed at Medalogix from approximately August 2014 through October 2017.

7. Plaintiff Dylan Finney is a citizen and resident of Adams County, Colorado. Mr. Finney was employed at Medalogix from approximately August 2013 through April 2016.

8. Plaintiff Margaret (Schmitt) Forshee is a citizen and resident of Davidson County, Tennessee. Ms. Forshee was employed at Medalogix from approximately March 2013 through December 2018.

9. Plaintiff William K. Forshee is a citizen and resident of Davidson County, Tennessee. Mr. Forshee was employed at Medalogix from approximately March 2013 through December 2014.

10. Plaintiff Denise (Galbraith) Hicks is a citizen and resident of Henrico County, Virginia. Ms. Hicks was employed at Medalogix from approximately April 2015 through January 2017.

11. Plaintiff Martin Laritz is a citizen and resident of Floyd County, Indiana. Mr. Laritz was employed at Medalogix from approximately October 2014 through January 2017.

12. Plaintiff Wesley Kennedy is a citizen and resident of Davidson County, Tennessee. Mr. Kennedy was employed at Medalogix from approximately May 2014 through November 2016.

13. Plaintiff Israel Ovalle is a citizen and resident of Davidson County, Tennessee. Mr. Ovalle was employed at Medalogix from approximately May 2014 through February 2016.

14. Plaintiff Katie (Cunningham) Tashjian is a citizen and resident of Beaufort County, South Carolina. Ms. Tashjian was employed at Medalogix from approximately August 2014 through February 2017.

15. Personal jurisdiction and venue are proper in this Court because, *inter alia*, this cause of action arose in Davidson County, Tennessee.

BACKGROUND:

Plaintiffs' Employment:

16. Plaintiffs are all former employees of Medalogix.

17. When Plaintiffs began their employment at Medalogix, each took a lower salary than they could have received from other employers in exchange for equity in the company. Thus,

as a material inducement toward employment, Medalogix agreed to give Plaintiffs certain benefit plans, including options to purchase shares of the company.[1]

18. For example, in Plaintiffs' Employment Agreements, Medalogix gave Plaintiffs "an initial equity grant award enabling [them] to purchase Class B Common Units of the Company . . . subject to the terms of [their] Incentive Units Offer Letter[s]." Ex. 1 at ¶ 2(c).

19. Plaintiffs accepted these benefits in part because of representations from Medalogix' then-CEO Dan Hogan, who told Plaintiffs the value of the company would substantially increase after they were hired.

The Options Agreements:

20. As part of this additional compensation, during their employment Plaintiffs and Medalogix entered into contracts titled "Incentive Units Offer Letter" (the "Options Agreements").[2]

21. The Options Agreements expressly granted each Plaintiff options to purchase shares in Medalogix. On information and belief, the "strike price" for Plaintiffs' options was either \$0.79/share or \$1.00/share depending on when Plaintiffs began their employment.

22. The Options Agreements state that Medalogix has the right to repurchase Plaintiffs' options only upon their death or disability. Ex. 2 at § (b)(i).

23. The Options Agreements did not give Medalogix the right to repurchase the options if Plaintiffs voluntarily terminated their employment. *Id.*

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[1] A representative copy of Plaintiffs' Employment Agreements is attached as Exhibit 1. On information and belief, Medalogix is in possession of copies of the other Plaintiffs' Employment Agreements, all of which are substantially identical.

[2] A representative copy of the Options Agreements is attached as Exhibit 2. On information and belief, Medalogix is in possession of copies of the Options Agreements sent to all Plaintiffs, all of which are substantially identical.

24. Plaintiffs no longer have copies of all their Options Agreements (although Medalogix should be in possession of them). Thus, although the precise number of options each Plaintiff received is currently unknown, it is believed to be approximately as follows:

Danielle Eldridge	47,500
Dylan Finney	90,526
Margaret Schmitt Forshee	66,250
William K. Forshee	53,740
Denise Galbraith Hicks	12,600
Martin Laritz	14,500
Wesley Kennedy	81,900
Israel Ovalle	42,000
Katie Cunningham Tashjian	12,600
TOTAL:	**421,616**

25. During Plaintiffs' employment at Medalogix, the company repeatedly promised them their options would be fully vested as long as the time milestones in the Options Agreements were reached.

26. Similarly, other Plaintiffs were told by Medalogix not to leave the company until their options had vested—*i.e.*, that Plaintiffs would still have their options after leaving.

<u>Plaintiffs Leave Medalogix:</u>

27. Between the issuance of the Options Agreements and May 2019, all Plaintiffs ended their employment with Medalogix. Medalogix did not terminate any Plaintiff "for cause."

The Repurchase Notices:

28. In May 2019, Medalogix sent Plaintiffs letters titled "Class B Common Units Repurchase Notice" (the "Repurchase Notices").[3]

29. Although the Options Agreements did not allow Medalogix to repurchase Plaintiffs' options, these Repurchase Notices purported to do just that. As applicable to Plaintiffs, the Repurchase Notices stated as follows:

> As you know, Medalogix, LLC (the "Company") previously granted you options to purchase . . . Class B Common Units in the Company (the "Granted Units"), the terms and conditions of which are set forth in [the Options Agreements].
>
> As set forth in the [Options Agreements], your right to purchase the Granted Units requires payment of $0.79 per unit . . . [or] $1.00 per unit . . . as applicable. As further set forth in the [Options Agreements], when your employment with the Company ended, the Company obtained the right to repurchase your Granted Units at the fair market value of those units. *The current fair market value of the Granted Units is $0.69 per unit.*
>
> The purpose of this letter is to inform you that the Company has decided to exercise its right to repurchase the Granted Units. *Because the fair market value of those Granted Units is less than the amount you owe the Company for those Granted Units, the Company owes you no additional consideration, and all the Granted Units shall be considered redeemed and canceled.*

Ex. 3 (emphasis added).

30. Although Plaintiffs reasonably believed that all employees would be treated equally, they later learned that Medalogix did not send Repurchase Notices to all former employees—*i.e.*, the company sent them to certain former employees but not others. Thus, other

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[3] A representative copy of the Repurchase Notices is attached as Exhibit 3. On information and belief, Medalogix is in possession of copies of the Repurchase Notices sent to all Plaintiffs, all of which are substantially identical.

similarly-situated former employees were paid for their options after leaving the company while Plaintiffs were not.

Subsequent Developments:

31. In 2018, Amedisys (NASDAQ: AMED) made a $7,000,000 equity investment in Medalogix.

32. On June 24, 2019, Encompass Health (NYSE: ECH) announced it had made an equity investment in Medalogix. Given the timing, Medalogix' Board of Directors knew about this investment at the time Medalogix issued the Repurchase Notices in May 2019. Plaintiffs, however, did not learn of this equity investment from Encompass Health until this year.

33. In May 2021, a private equity group (The Vistria Group) announced a recapitalization and growth investment in Medalogix. Upon information and belief, this deal valued Medalogix' shares at over eight times the purported value represented in the Repurchase Notices ($0.69/share).

FIRST CAUSE OF ACTION:
[Breach of Contract]

34. Plaintiffs restate and adopt by reference the allegations of the above paragraphs as though fully set out herein.

35. The Options Agreements are enforceable contracts between Plaintiffs and Medalogix.

36. Medalogix breached the Options Agreements by purporting to "repurchase" Plaintiffs' options (for no value) when it did not have that right.

37. Plaintiffs have suffered (and will continue to suffer) damages as a consequence of Medalogix' breach of the Options Agreements.

38. Plaintiffs are entitled to a judgment against Medalogix for all damages incurred as a result of Medalogix' breach of the Options Agreements.

<u>SECOND CAUSE OF ACTION:</u>
[Promissory Estoppel—Alternative to First Cause of Action]

39. Plaintiffs restate and adopt by reference the allegations of the above paragraphs as though fully set out herein.

40. Medalogix promised: (a) to give Plaintiffs options to purchase shares in the company; and (b) that Plaintiffs had fully vested options that could not be repurchased upon leaving the company voluntarily.

41. Medalogix reneged on its promises when it sent Plaintiffs the Repurchase Notices in May 2019 and claimed that Plaintiffs' options had no value.

42. Plaintiffs relied to their detriment on Medalogix' promises by believing they had options that when exercised would convert to substantial equity in the company, making personal financial decisions based on that belief, turning down other employment opportunities, and/or continuing their employment at the company to ensure their options had fully vested.

43. Plaintiffs' reliance was reasonable and foreseeable because Medalogix repeatedly assured them they owned equity in the company.

44. As a result of Medalogix' conduct, Plaintiffs have suffered and will continue to suffer damages.

45. Injustice may be avoided only by enforcing Medalogix' promises.

<u>THIRD CAUSE OF ACTION:</u>
[Violation of Tenn. Code Ann. § 48-1-122(c)]

46. Plaintiffs restate and adopt by reference the allegations of the above paragraphs as though fully set out herein.

47. Tennessee's Securities Act provides a private right of action against a person who purchases a security while making an untrue statement or omission of material fact. *See* Tenn. Code Ann. § 48-1-122(c).

48. When Medalogix sent Plaintiffs the Repurchase Notices in May 2019, Medalogix did not inform Plaintiffs of the equity investment from Encompass Health. In fact, because no Plaintiff was still employed by Medalogix at that time, Plaintiffs did not learn of the equity investment from Encompass Health until earlier this year. Additionally, the Repurchase Notices wrongly claimed that Medalogix had the right to repurchase Plaintiffs' options.

49. Medalogix' failure to inform Plaintiffs of the equity investment from Encompass Health was material because Plaintiffs would have considered it important in deciding whether or not to relinquish their options.

50. Similarly, Medalogix' conduct was willful because Medalogix knew that Plaintiffs' knowledge of this equity investment would have caused them to raise questions about the statements in the Repurchase Notices that the current share price was just $0.69.

51. Plaintiffs suffered damages due to Medalogix' failure to inform them of the equity investment from Encompass Health.

52. Plaintiffs are therefore entitled to recover the value of their options (plus interest). *See* Tenn. Code Ann. § 48-1-122(c)(2).

PRAYER FOR RELIEF

Plaintiffs request relief as follows:

1. That proper process issue and be served upon Medalogix, requiring it to appear and answer this Complaint;

2. A judgment against Medalogix for:

a. Actual, compensatory, consequential, and/or incidental damages;

b. Reasonable costs and attorney's fees;

c. Prejudgment and post-judgment interest at the highest lawful rates; and

d. Such other and further relief as this Court deems appropriate.

JURY DEMAND

Plaintiffs request a trial by jury on all matters raised herein.

Dated: December 20, 2021

Respectfully Submitted,

NEAL & HARWELL, PLC

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