IN THE CIRCUIT COURT OF GREENE COUNTY, MISSOURI
THIRTY-FIRST JUDICIAL CIRCUIT

PREFERRED FAMILY HEALTHCARE, INC. Plaintiff, vs. BONTIEA GOSS 4460 W. 105th Dr. Westminster, CO 80031 TOM GOSS 4460 W. 105th Dr. Westminster, CO 80031 MARILYN NOLAN 636 East 11th St. Springfield, MO 65807 KEITH FRASER NOBLE 4922 S. Harvard Ct. Springfield, MO 65804 MILTON RUSSELL "RUSTY" CRANFORD, Serve at: Greene County Jail 1000 N. Boonville Ave. Springfield, MO 65802 LORI B. HAYES 5079 E. FR 122 Springfield, MO 65802 ESTATE OF DAVID C. HAYES Serve: Lori B. Hayes Personal Representative 5079 E. FR 122 Springfield, MO 65802 THE CRANFORD COALITION, INC. Registered Agent: Milton Russel Cranford Greene County Jail 1000 N. Boonville Ave., Springfield, MO 65802	)	Case No.

WHITE DOG ASSET HOLDING, LLC)
Registered Agent: Joseph D. Sheppard, III)
2805 S. Ingram Mill Road)
Springfield, Missouri 65804)
)
WHITE DOG PROPERTIES, LLC)
Registered Agent: Missouri Secretary of State)
Attention: Lisa Werdehausen)
600 West Main St., Room 322)
Jefferson City, MO 65101)
)

PETITION FOR DAMAGES

Plaintiff Preferred Family Healthcare, Inc. is a community-based, non-profit, healthcare organization that offers a wide-range of services through its clinics and facilities. Among other things, PFH, through its dedicated clinical staff and partners, offers behavioral and mental health services, substance use disorder treatment, rehabilitation and prevention services, and services for the developmentally disabled. As detailed below, Defendants unlawfully enriched themselves at the expense of PFH, its employees, its patients, and its non-profit mission through a series of fraudulent acts, embezzlements, and improper self-serving transactions.

PARTIES

1. Plaintiff Preferred Family Healthcare, Inc. merged with Alternative Opportunities, Inc. ("AOI") on May 1, 2015, with the post-merger entity retaining the Preferred Family Healthcare, Inc. name. Prior to the merger, AOI was a non-profit company headquartered at 1111 South Glenstone Avenue, Springfield, Missouri. AOI conducted business directly and also through various subsidiary companies. AOI also used registered business aliases and fictitious names to conduct business. AOI and its subsidiaries provided a variety of services to individuals in Missouri, Arkansas, and Oklahoma, including mental and behavioral health treatment and counseling, substance abuse treatment and counseling, employment assistance, aid to individuals

with developmental disabilities, and medical services. At all relevant times, both AOI and Preferred Family Healthcare, Inc. were recognized by the Internal Revenue Service as non-profit public charities under Section 501(c)(3) of the Internal Revenue Code (United States Code, Title 26).

2. Defendant Bontiea Goss is an individual currently residing at 4460 W. 105th Dr., Westminster, Colorado. At all times relevant to this lawsuit, Bontiea Goss purported to maintain a second residence at 1059 E. Portland, Springfield, MO 65804. Bontiea Goss began working for AOI in 1994. She was the charity's Chief Operating Officer and served as the chief administrator over personnel in all programs and services. Ms. Goss facilitated and controlled board meetings and the flow of information released to the Board of Directors. She is the spouse of Defendant Tom Goss. In addition to committing improper and unlawful acts herself, Ms. Goss frequently acted to facilitate and conceal unlawful and improper acts of her husband and their confederates. Goss is a target of an ongoing federal grand jury investigation.

3. Defendant Tom Goss is an individual currently residing at 4460 W. 105th Dr., Westminster, Colorado. At all times relevant to this lawsuit, Tom Goss also purported to maintain a residence at 1059 E. Portland, Springfield, MO 65804. Tom Goss was one of the original founders of AOI and served as its Chief Financial Officer. He maintained and exercised significant discretionary authority over financial matters of the company, directing money transfers and payments to ultimately and improperly benefit him, his family and his confederates. Goss is a target of an ongoing federal grand jury investigation.

4. Defendant Marilyn Nolan ("Nolan") is an individual currently residing at 636 East 11th St., Springfield, MO 65807. Nolan joined AOI in 1993 and served as the charity's Chief Executive Officer, working in conjunction with Tom and Bontiea Goss. She also oversaw

the charity's lobbying and governmental affairs activities, again in conjunction with Tom and Bontiea Goss. Nolan is a target of an ongoing federal grand jury investigation.

5. Defendant Keith Fraser Noble ("Noble") is an individual residing in Springfield, Missouri and Rogersville, Missouri. Noble was a Licensed Psychologist and Certified Substance Abuse Counselor. Noble was a consultant for AOI before joining AOI in 1994. Thereafter, Noble held the position of Director of Clinical Services until 2014 or 2015 when his title was changed to Chief Clinical Officer. Noble was responsible for overseeing clinical operations, the provision of services, quality control matters, and grant proposals involving clinical and medical grants. As explained in further detail herein, Noble recently pled guilty to a felony in the United States District Court for the Western District of Missouri – Springfield Division in connection with his activities at AOI (6:18-cr-03097-BCW) and his knowledge of illegal acts committed by the defendants.

6. Defendant Milton Russell Cranford ("Cranford") is an individual currently incarcerated in the Greene County Jail, with a federal detainer placed on him due to his Indictment and plea agreement in the United States District Court for the Western District of Missouri – Springfield Division, 6:18-cr-03020-BCW. Cranford also went by the name Rusty Cranford. Cranford was a lobbyist registered with the Arkansas Secretary of State. Prior to being terminated by the company, Cranford was a confederate of Tom and Bontiea Goss, and served as an executive of the charity overseeing its operations in Arkansas. Cranford also was the incorporator/Organizer of the Cranford Coalition, Inc. Like Noble, Cranford has pled guilty in connection with his activities at AOI. Prior to his guilty plea in June 2018, Cranford was a resident of Rogers, Arkansas.

7. The Cranford Coalition, Inc. ("Cranford Coalition") is a for-profit corporation organized and existing under the laws of the State of Arkansas. The Cranford Coalition was one of three lobbying firms operated by Cranford. Cranford was the sole owner of Cranford Coalition. Cranford utilized the Cranford Coalition to extract improper funds from the charity, to flow kickback charity funds to Tom Goss for his personal gain and to engage in other unlawful acts.

8. David Carl Hayes ("Hayes") is an individual who resided at 5079 E. FR 122, Springfield, Greene County, Missouri at the time of his death on November 20, 2017. Prior to his death, Hayes pled guilty in the United States District Court for the Western District of Missouri – Springfield Division, 6:17-cr-03070-BCW, to embezzling a substantial sum from the charity. Hayes' conduct occurred with the knowledge and implicit support of Tom and Bontiea Goss, who allowed his embezzlement to go unchecked because Hayes assisted them in their unlawful conduct. An Application for the Probate of Hayes' will has been opened up in Probate Division of the Circuit Court of Greene County, Missouri (In the Estate of David C. Hayes, Estate No. 1831-PR00168). Lori B. Hayes, wife of David C. Hayes, has been appointed as personal representative of the estate. Hayes served on the Board of Directors of AOI from 2006 to 2011. He also was the coordinator of merger and acquisition activity from 2006 to 2013 and served as internal auditor from 2011 to 2013. Hayes held a license from the State of Missouri as a Certified Public Accountant ("CPA") from 1988 until 2006, when he allowed his CPA license to expire. Under Missouri law, actions seeking recovery for the damages inflicted by Hayes survive his death.

9. Lori B. Hayes is an individual residing at 5079 E. FR 122, Springfield, Greene County, Missouri. She was the wife of David C. Hayes. Mrs. Hayes received embezzled funds from the company.

10. White Dog Asset Holding, LLC ("WDAH") is a domestic limited liability company formed under the laws of the State of Missouri. WDAH was originally formed as W.D. Management LLC, but on October 24, 2005, W.D. Management changed its name to White Dog Asset Holding, LLC. WDAH may be served through its registered agent Joseph D. Sheppard, III at 2805 S. Ingram Mill Road, Springfield, Missouri 65804. At all relevant times, Tom Goss, Bontiea Goss, Noble, and Nolan each owned at least 20% of WDAH.

11. White Dog Properties, LLC ("WD Properties") was a domestic limited liability company formed under the laws of the State of Missouri. WD Properties was formed on December 27, 2007. WD Properties was administratively dissolved on February 13, 2018. WD Properties may be served through the Missouri Secretary of State at 600 West Main St., Jefferson City, MO 65101. At all relevant times, Tom Goss, Bontiea Goss, Nolan, Noble, and WDAH each owned at least 20% of WD Properties.

JURISDICTION AND VENUE

12. The Court has jurisdiction over each of the Defendants because they have committed tortious acts in Greene County, Missouri.

13. Both jurisdiction and venue are proper in the Circuit Court of Greene County, Missouri because the tortious and pertinent acts giving rise to this action occurred, at least in part, in Greene County, including acts orchestrated out of PFH's offices located at 1111 S. Glenstone Ave., Springfield, MO. This Court has original subject matter jurisdiction over all of Plaintiff's state law causes of action.

14. Plaintiff seeks damages in excess of this Court's jurisdictional minimum of $25,000.

FACTS COMMON TO ALL COUNTS

AOI and the Merger with PFH

15. AOI was a non-profit corporation headquartered at 1111 South Glenstone Avenue, Springfield, Missouri.

16. AOI filed its Articles of Incorporation with the Missouri Secretary of State on December 3, 1991, and was granted corporate charter No. N00045067.

17. Preferred Family Healthcare, Inc. filed its Articles of Incorporation with the Missouri Secretary of State on July 14, 1980, and was granted corporate charter No. N00024607. Preferred Family Healthcare, Inc. was headquartered in Kirksville, Missouri.

18. On April 23, 2015, AOI entered into an Agreement and Plan of Merger with Preferred Family Healthcare, Inc. ("Plan of Merger").

19. Under the Plan of Merger, Preferred Family Healthcare, Inc. was the "Surviving Corporation" and AOI was the "Non-Surviving Corporation."

20. On May 1, 2015, Articles of Merger were filed with the Missouri Secretary of State, whereby AOI was merged into Preferred Family Healthcare, Inc. (hereinafter the "Merger").

21. The Kirksville, Missouri-based Preferred Family Healthcare, Inc., which existed and operated prior to the Merger on May 1, 2015, is not relevant to this lawsuit. None of the conduct challenged in this Petition occurred in or relates to the operations of the Kirksville, Missouri-based Preferred Family Healthcare, Inc. that existed prior to the Merger on May 1, 2015. Nonetheless, for ease of reference and because Preferred Family Healthcare, Inc. was the

surviving entity of the Merger, any references hereinafter to "PFH" in this Petition shall refer to pre-merger AOI and the post-merger entity known as Preferred Family Healthcare, Inc.

22. PFH is now and, at all times relevant to this lawsuit, was a nonprofit corporation incorporated in the State of Missouri.

23. The term "Resource Team," often abbreviated as "RT" was used within PFH to refer to PFH's highest level of executive leadership. The composition of the Resource Team changed slightly over time, but throughout the relevant time period and for purposes of this Petition, the "Resource Team" is defined to include Tom Goss, Bontiea Goss, Marilyn Nolan and Keith Noble only. Besides Tom Goss, Bontiea Goss, Nolan, and Noble, no other person who may have served as a member of this team is included in or covered by any references to the "Resource Team" in this Petition.

24. For purposes of this Petition, the term "Senior Officers" is defined to include Tom Goss, Bontiea Goss, Noble, Nolan, Cranford, and Hayes only, all of whom held senior executive positions with PFH. Besides Tom Goss, Bontiea Goss, Nolan, Noble, Cranford, and Hayes, no other person who may have served as a senior officer is included in or covered by any references to the "Senior Officers" in this Petition.

The Resource Team Benefitted from Unnecessary and Excessive "Management Fees" and Unjustly Enriched Themselves through the Structure of the Sale of W.D. Management

25. W.D. Management, LLC ("WD Management") was a domestic limited liability company formed under the laws of the State of Missouri. It was originally formed as White Dog Investment, L.L.C. in 1995.

26. On November 3, 2003, White Dog Investment, L.L.C. changed its name to W.D. Management, LLC.

27. WD Management was used as the management company of AOI.

28. In June 2005, the Resource Team, with the assistance of Hayes, who was then PFH's coordinator of merger and acquisition activity, began negotiating the sale of WD Management to The Providence Service Corporation ("Providence"), a publicly traded corporation.

29. In July 2005, the Resource Team caused PFH to enter into a 10-year contract with WD Management. The initial contract obligated PFH to pay WD Management "management fees" of "up to 15%" of PFH's gross revenue.

30. In November 2005, the Resource Team caused PFH to execute a five-month "consulting agreement" with Providence of Arizona, Inc. ("Providence of Arizona"), an Arizona corporation, obligating PFH to pay Providence of Arizona $200,000 per month, for a total of $1,000,000.

31. In February 2006, the Resource Team caused PFH to amend its management agreement with WD Management, to increase the management fee to exactly 15 percent of gross revenue. This change benefited WD Management, and ultimately the Resource Team, by increasing WD Management's net income, which would be used to calculate the earn out payments from Providence, discussed below.

32. In April 2006, the Resource Team sold WD Management to Providence for the sum of $1,000,000, plus two "earn-outs," which were annual bonuses based on five times the net earnings of WD Management, before interest, taxes, depreciation, and amortization.

33. At the time of the sale, WD Management was owned by Tom Goss, Bontiea Goss, Nolan, Noble, and a fifth owner, Jane Pille ("Pille").

34. After the sale to Providence, the Resource Team retained control of W.D. Management despite the change in ownership. In fact, even after the sale to Providence, Tom

Goss continued to exercise actual control over the bank accounts and activities of WD Management.

35. Under their agreement with Providence, the Resource Team's first "earn-out" covered April through December of 2006 ("Earn-Out #1") and was to be paid fully in U.S. currency.

36. Under their agreement with Providence, the Resource Team's second earn-out covered calendar year 2007 ("Earn-Out #2"). As explained more fully below, Earn-Out #2 was paid with a combination of cash and unregistered common stock of Providence.

37. Between April 26, 2006, and December 31, 2007, in order to maximize the amount of the their earn-out bonuses, the Resource Team, aided and abetted by Hayes, embezzled and diverted additional funds from PFH to WD Management.

38. The Resource Team carried out their scheme by temporarily delaying recordation of WD Management's expenses and instantly recording PFH's gross revenues from newly acquired entities through mergers and acquisitions. These actions had the effect of artificially inflating the "management fees" PFH paid to WD Management, which, of course, increased WD Management's earnings and ultimately increased the earn-out payments under their agreement with Providence.

39. Additionally, the Resource Team caused PFH to incur additional expenses through various business transactions, such as movement of personnel between the organizations that allowed them to collect a salary from PFH, while PFH continued to pay the full management fee to W.D. Management.

40. The Resource Team also had WD Management's employees use PFH's corporate credit cards for expenses that WD Management should have paid under the terms of the "management agreement."

41. These accounting manipulations resulted in the Resource Team's personal gain of five dollars in earn-out bonus for every dollar for which they delayed or omitted proper accounting by PFH.

42. As illustrated below, the execution of the management agreement, the amendment to the management agreement, and the subsequent sale of WD Management to Providence enriched the Resource Team to the tune of over $17 million:

Seller	Sale Price	Earn-Out #1	Earn-Out #2	Total
Tom Goss	$200,000.00	$1,546,008.00	$2,223,528.75	$ 3,969,536.75
Bontiea Goss	$200,000.00	$1,546,008.00	$2,223,528.75	$ 3,969,536.75
Marilyn Nolan	$200,000.00	$1,546,008.00	$2,223,528.75	$ 3,969,536.75
Keith Noble	$200,000.00	$1,546,008.00	$2,223,528.75	$ 3,969,536.75
Jane Pille	$200,000.00	$1,546,008.00	0.00	$ 1,746,008.00
Total to Resource Team:				**$17,624,155.00**

43. Pursuant to the April 26, 2006 Purchase Agreement with Providence, Earn-Out #2 was paid 75% in U.S. currency and 25% in unregistered common stock of Providence. Ms. Pille left the company at the time of the sale of WD Management to Providence and she did not receive any payment from Earn-Out #2.

44. The sale of WD Management to Providence caused no significant change to any PFH employee's rate of pay, scope of work, or physical location.

45. After the sale, the Resource Team retained full control over PFH and its resources. The Resource Team retained the ability to move employees back and forth between

the entities, to include movement of Resource Team members at will. Yet, from this set of interconnected transactions, which financially harmed PFH, the Resource Team received $17,624,155.

46. Moreover, Tom Goss and Hayes misapplied and embezzled funds from PFH to compensate Hayes for his assistance with the sale of WD Management to Providence, and for his work to maximize the amount of the earn-out payments through accounting manipulations.

47. On February 7, 2007, Tom Goss, in his capacity as Managing Member of WDAH, signed an agreement with Hayes for his cooperation to increase the second earn-out payment from the sale of WD Management to Providence.

48. Under this agreement, Hayes was to be paid eight percent (8%) of the second earn-out, some of which was to be paid in advance.

49. Hayes was a board member of PFH at the time he entered into an agreement with WDAH to maximize the amount of the second earn-out payment.

50. Despite the fact that the agreement was between Hayes and WDAH, payments for Hayes's services were made from and through BMHI, Inc. ("BMHI") a prior management company owned by Tom Goss, Bontiea Goss, Nolan and Pille, and one other person who was no longer affiliated with PFH. BMHI was essentially funded by PFH.

51. Tom Goss and Hayes caused PFH to make payments to Hayes by way of BMHI. They recorded this embezzlement and misapplication of funds as "business development" in PFH's accounting system, and Hayes created, and Tom Goss authorized payment of, invoices from BMHI to PFH.

52. The description for the invoiced payments was "progress billing relating to business development services," even though BMHI, Hayes, or Tom Goss had not performed "business development" services to earn that money.

53. In calendar year 2008, Tom Goss and Hayes misapplied and embezzled $566,250 of the PFH's funds for Hayes's benefit in this manner.

54. In summary, while Hayes was a member of PFH's Board of Directors, he contracted to maximize and increase the second earn-out payment from the sale of WD Management to Providence. Despite his fiduciary duties to PFH, Hayes was fully incentivized to maximize the amount of the second earn-out because he was entitled to 8% of the second earn-out. Indeed, Hayes was so incentivized that he and the Resource Team temporarily delayed recording WD Management's expenses and instantly recorded PFH's gross revenues from newly acquired entities through mergers and acquisitions, which artificially inflated the management fees PFH had to pay. And despite pocketing over $17 million from this arrangement, the Resource Team could not be bothered to pay Hayes his 8% cut out of their shares. Instead, they doctored up fabricated invoices from BMHI so that PFH would, in effect, have to pay Hayes for his efforts to defraud PFH.

55. On or about September 11, 2018, Noble pled guilty to a felony in connection with his time at PFH.

56. As part of his guilty plea, Noble admitted that from at least as early as 2005, and continuing through at least June 30, 2017, Tom Goss, Bontiea Goss, Nolan, himself and others conspired and agreed with each other to execute a scheme to embezzle and convert to their own use property and funds under the custody and control of PFH.

57. As part of his guilty plea, Noble specifically admitted that he knew at the time that many of the schemes concocted by the conspirators were perpetrated for the primary purpose of enriching the Resource Team, including himself.

58. Noble specifically admitted that the sale of WD Management to Providence was perpetrated to enrich the Resource Team.

59. Noble further acknowledged that he knew at the time that PFH bore additional costs from many of those transactions, such as the management agreements executed by PFH preceding the sale of WD Management to Providence, and thus he knew that Tom Goss, Bontiea Goss, Nolan, and himself were wrongfully taking PFH's funds.

60. Noble also admitted that he willfully blinded himself regarding the details of the conspirators' other schemes and artifices to defraud PFH.

61. Further, Noble admitted that despite his fiduciary duty as an executive of PFH, he did not inform the Board of Directors of the conspirators' embezzlement and misapplication of PFH's funds, nor did he report such conduct to law enforcement officers or any other person in civil authority.

Enterprise Fleet Management Scheme

62. From approximately 2011-2015, the Resource Team and WDAH contrived of a structure for a transaction whereby WDAH would sub-lease certain vehicles to PFH.

63. During this time, PFH paid WDAH a monthly payment that ranged between $33,000 and $47,500, depending on the number of vehicles being leased by PFH.

64. In turn, WDAH made payments to the owner of the vehicles - Enterprise Leasing. The amounts of the payments that WDAH made to Enterprise Leasing varied from year to year, but these payments were always far less than the amounts WDAH received from PFH.

65. From 2011 to 2014, the approximate average monthly cost for WDAH (i.e. the amount paid to Enterprise Leasing) was $22,700.

66. In essence, WDAH installed itself as an unnecessary “middleman” to inflate the cost of the vehicles being leased from Enterprise Leasing and pocketed the difference.

67. This arrangement resulted in PFH’s average monthly overpayment to WDAH for the vehicle leases of approximately $18,700, which inured to the benefit of the Resource Team, each of whom owned at least 20% of WDAH.

68. WDAH provided no additional value or services to PFH that would justify the huge mark-up it charged PFH.

69. In addition to embezzling from PFH by causing it to overpay for the leased vehicles, Tom and Bontiea Goss had luxury vehicles paid for by PFH in both Springfield, Missouri and Boulder, Colorado, even though PFH had no offices and offered no services in Colorado. As of November 2015, PFH made combined monthly lease payments of approximately $6800.00 for all of Tom and Bontiea Goss’ vehicles.

<u>David Hayes’ Embezzlement and the Resource Team’s Complicity and Facilitation of the Embezzlement</u>

70. During the relevant time period, Hayes served in various roles at PFH, including as the coordinator of merger and acquisition activity and PFH’s internal auditor.

71. Hayes had an office at PFH’s headquarters located at 1111 S. Glenstone Avenue in Springfield, Missouri. Hayes used this office address for his business activities, including business activities unrelated to PFH.

72. While employed by PFH, Hayes directly reported to Tom Goss, but he also reported to Bontiea Goss.

73. The Resource Team was fully aware of the fact that Hayes had personal financial issues no later than 2010.

74. For example, between 2008-2010, Tom and Bontiea Goss co-signed on a $50,000 loan for Hayes.

75. Tom Goss had also arranged payroll advances for Hayes because of his personal financial issues.

76. In fact, WDAH had loaned Hayes almost $500,000. Separately, Nolan had personally loaned Hayes more than $80,000.

77. In order to recoup the money loaned to Hayes, Tom Goss would issue Hayes large annual salaries from PFH and then immediately cause Hayes to sign those annual salaries over to WDAH to pay down debt.

78. In January 2012, for example, Tom Goss issued Hayes an annual salary payment of $150,000 that Hayes immediately signed over to pay down Hayes' indebtedness to WDAH.

79. Then, in January 2013, Tom Goss issued Hayes an annual salary payment of $200,000 that Hayes immediately signed over to pay down Hayes' indebtedness to WDAH.

80. The Resource Team needed Hayes to remain employed by PFH because Hayes' non-profit salary with PFH was their best chance of recovering monies loaned to him from their for-profit entities.

81. Despite his significant personal financial issues, the Resource Team installed Hayes as internal auditor and put in him a position to defraud the company out of additional funds by authorizing him to resolve certain tax liabilities that PFH had assumed through merger activity.

82. More specifically, in or around July 1, 2011, PFH had acquired the assets of Decision Point. The asset purchase agreement with Decision Point included an obligation for PFH to pay any Decision Point tax liabilities.

83. From 2011 through March 31, 2014, Hayes devised and executed a scheme to embezzle funds for his own use from PFH by generating phantom Decision Point tax liabilities as a "cover."

84. Under this scheme, Hayes would allegedly make the payments to the taxing authorities from his <u>personal checking account</u> and then he would almost immediately be "reimbursed" by PFH for these alleged payments. Hayes, of course, never made the payments to the taxing authorities.

85. Beginning in September 2013, Lori Hayes, David Hayes' wife, began receiving the "reimbursement" payments from PFH. From September 2013 to January 2014, Lori Hayes received approximately $250,000 in payments.

86. Hayes' explanation to Tom Goss and others for having the "reimbursement" checks made to his wife was because David Hayes' personal bank accounts were subject to garnishment or levy due to his personal financial difficulties – another red flag that was willfully ignored by the Resource Team.

87. From January 3, 2011, to March 31, 2014, Hayes embezzled almost $2 million by causing Dayspring to issue checks payable to himself or his wife, which Hayes deposited into his personal checking account. The RT was made aware of such significant outlays and never received or obtained a single legitimate document memorializing actual tax liabilities and confirmation of payment by Hayes.

88. Throughout that time period, Hayes was allowed to receive "reimbursements" related to his alleged payments in connection with Decision Point's tax liabilities without producing any supporting documentation.

89. Hayes' requests for "reimbursements" only quit when those outside the Resource Team demanded supporting documents for the alleged payments to the taxing authorities.

90. Tom and Bontiea Goss actively took steps to shut down any inquiry into the improper payments made to Hayes and never informed the Board of Directors that they had concluded or strongly suspected Hayes of embezzling almost $2 million of PFH's funds.

91. On June 12, 2017, Hayes acknowledged embezzling these funds from PFH and pled guilty to, among other things, Theft from an Organization Receiving Federal Funds, in violation of 18 U.S.C. § 666.

92. With his guilty plea, Hayes admitted embezzling $1,965,476 from PFH.

93. Prior to his sentencing, Hayes died. Accordingly, no restitution order was imposed.

94. This is only one of many instances where the Senior Officers would overlook one another's embezzlements, misappropriations and financial irregularities.

95. Because none of the Senior Executives had "clean hands" because of their own misconduct, no one was in a position to challenge inappropriate expenditures, to insist on proper corporate governance, or to report their co-conspirators' misconduct to the Board of Directors.

96. For example, Hayes embezzled another $258,000 from PFH in 2011 and it was discovered by Tom Goss, but never reported to the Board of Directors. On information and belief, the other members of the Resource Team also knew about this embezzlement.

97. Hayes embezzled these funds by causing Dayspring to issue a check on May 12, 2011, to Metropolitan National Bank for $258,976.00. Then, David Hayes endorsed that check and it was converted into a cashier's check.

98. The cashier's check was paid to Hogan Land Title on May 12, 2011. Hogan Land Title confirmed that the funds were involved in the purchase of rural real property in Greene County by David and Lori Hayes on May 16, 2011.

99. For purposes of accounting for the non-profit disbursement of $258,976, PFH accounting records indicate that the amount was originally booked as a transaction involving a rent deposit to N.W Arkansas Property. Thus, it was booked as money transferred to N.W. Arkansas Property to pay down rent due from AO to that for-profit entity.

100. Later, presumably at the direction of Hayes, the $258,975 was booked as a "Due to/Due from" the non-profit, adjusting the amount as being due to the non-profit by N.W. Arkansas Property.

101. With the audit adjustment, N.W. Arkansas Property ended up owing the money to the non-profit. At that time, N.W. Arkansas Property owed to the non-profit almost $500,000.

102. From June 2011 to January 2012, Tom Goss persistently requested from Hayes a resolution to the $258,000 issue and demanded return of the funds. In fact, Tom Goss sent Hayes no fewer than 13 emails on the subject:

- <u>June 27, 2011</u>: "Don't forget to put the $258k back before Friday."
- <u>June 29, 2011</u>: "Don't forget the $258 tomorrow."
- <u>July 7, 2011</u>: "Is there someone I can call about the ACH for $258,000. It has not shown up."
- <u>August 19, 2011</u>: "Where are we on the $258k coming back?

- September 8, 2011: "Need that $258k asap. Cash is short because of DP. Supposed to have by the end of June, end of July, end of August. we need it back at this even if we have pay the tax."
- September 20, 2011: "Where are we on the indirect and the $258k?"
- October 13, 2011: "Really need that $258k, DP is sucking us dry right now."
- November 2, 2011: "I gotta get the $258k back. Can you get that done asap. That was supposed to be in the account June 30."
- November 18, 2011: "Where are we on the $258k"
- December 6, 2011: "Also where the hell is the $258k"
- December 20, 2011: "Anything on the $258k"
- January 3, 2012: "Any more news on the $258k?"
- January 26, 2012: "Also are we going to see the $258k this month."

103. The communications ultimately stopped with no resolution noted. Ultimately, it appears that the related party debt with NW Arkansas Property was paid down in 2014-2015 as the concerted effort to zero out the indebtedness between the PFH and the for-profit entities owned by Senior Officers and others.

104. Because Tom Goss did not report Hayes to the Board of Directors or remove him from his position of authority after finding out about the $258,000 embezzlement, Hayes remained in a position that enabled him to embezzle almost $2 million from PFH through the aforementioned Decision Point tax liability scheme.

Cranford's Kickbacks to Tom Goss

105. In or about 2013, Tom Goss caused PFH to enter into a contract with the Cranford Coalition, whereby PFH paid the Cranford Coalition for lobbying and advocacy services.

106. Initially, WD Management was coordinating the payment of expenses for lobbying and advocacy services.

107. When WD Management's services concluded in June of 2013, PFH took in-house the coordination and payment of these expenses. From that time forward, PFH made payments directly to Cranford and the Cranford Coalition.

108. For the years 2013 through 2017, the Resource Team, led by Tom Goss, caused PFH to pay Cranford and the Cranford Coalition $2,897,889.73, with $2,174,389.73 paid directly by PFH and the remainder paid by WD Management and WDAH. The Resource Team manipulated the information provided to the Board about Cranford and the Cranford Coalition and actively advocated for Cranford under false pretenses.

109. The amount paid to Cranford and/or the Cranford Coalition was far in excess of the fair market value of any services provided.

110. During the same period, Cranford and the Cranford Coalition paid kickbacks to Tom Goss by way of checks totaling $613,600.

111. Additionally, on numerous occasions, Cranford would make cash payments to Tom Goss.

112. Despite the staggering sums Tom Goss received from the Cranford Coalition, there is not a single document or piece of work product reflecting any work that Goss performed on behalf of the Cranford Coalition.

113. Tom Goss has acknowledged that no materials exist to provide any legal basis for his receipt of the kickbacks detailed above.

114. Often times, PFH would cut the Cranford Coalition a significant check (e.g. $150,000), only to have the Cranford Coalition turn around the next day and cut Tom Goss a check for 50% of the payment it had just received from PFH (e.g. $75,000).

115. Tom Goss would often receive 50% of the amounts PFH paid the Cranford Coalition even though he was not an owner of the Cranford Coalition.

116. In fact, Tom Goss and Cranford knew that having Tom Goss be a part owner of the Cranford Coalition would draw additional unwanted scrutiny to this scheme.

117. They worked around the ownership issues by having Cranford and the Cranford Coalition funnel money to Tom Goss through his fabricated position as an independent "consultant" or "analyst" for the Cranford Coalition.

118. Tom Goss did not timely disclose to the PFH Board that he was diverting substantial sums of non-profit money to Cranford for the purpose of paying a kickback to Goss, receiving substantial sums of money from the Cranford Coalition – an entity that PFH had paid almost $3 million.

Unauthorized Loans to WDAH, White Dog Properties, LLC, Northwest Arkansas Property Management Group, LLC, and BHMI

119. The Resource Team treated PFH as their own personal bank to finance their for-profit entities that they had set up.

120. No bank could compete with the interest rate that the Resource Team and their for-profit entities were paying PFH for these loans because the Resource Team structured them so no interest was collected for the majority of the terms of the loans.

121. Beginning as early as 2006, and on numerous occasions thereafter, the Resource Team caused PFH to lend money to four of their for-profit companies: WDAH, WD Properties, BHMI, and Northwest Arkansas Property Management Group, LLC ("NW Arkansas Property").

122. These loans were non-interest bearing until February 2015, when an attempt was made to legitimize the transactions in preparation for the scrutiny that would accompany the Merger.

123. For each of the loans, significant time passed when no payments were made toward the outstanding balances.

124. Tom Goss, Bontiea Goss, Noble, and Nolan each owned at least 20% of WDAH and they caused WDAH to receive low or interest free loans from PFH.

125. With WDAH, the Resource Team allowed a period of 30 months to pass with a balance due to PFH of $581,352, without any payments made or interest accrued.

126. At all relevant times, Tom Goss, Bontiea Goss, Nolan, Noble, and WDAH each owned at least 20% of WD Properties.

127. With WD Properties, the Resource Team allowed a period of 28 months to pass with a balance due to PFH of $123,395, without any payments made or interest accrued.

128. At all relevant times, Tom Goss, Bontiea Goss, Hayes, and Cranford each owned at least 20% of NW Arkansas Property.

129. With NW Arkansas Property, the Resource Team allowed a period of 36 months to pass where the balance grew from $489,247.96 to $533,277.77.

130. The Resource Team allowed NW Arkansas Property to borrow the money from PFH to make land improvements and down-payments for construction loans on buildings that NW Arkansas Property leased back to PFH.

131. Prior to the February 2015 attempt to calculate interest for these loans, these for-profit entities paid zero interest, despite having the following amounts due to PFH at the end of the following fiscal years:

Fiscal Year		Amounts Due
FY2006	$	330,000
FY2007	$	330,000
FY2008	$	481,160
FY2009	$	422,355
FY2010	$	655,051
FY2011	$	1,216,995
FY2012	$	1,206,534
FY2013	$	1,220,731
FY2014	$	1,073,097
FY2015	$	481,160

132. The principal of the loans and interest calculated at the applicable federal rate ("AFR") were paid back prior to the Merger in 2015.

133. During the years the loans were outstanding, the blended AFR was between 2.80% and .22%. During the same timeframe though, PFH was borrowing funds on its line of credit between 8.25% and 4.5%.

134. So while the Resource Team and their for-profit entities were enjoying interest free loans from PFH, PFH was paying interest on a commercial line of credit that it had secured.

135. When the Resource Team and their for-profit entities finally paid interest on the loans in 2015, they should have paid interest rates at fair market commercial rates, rather than at the AFR.

136. The Resource Team did not seek or receive approval by the board of PFH for these loans.

137. To the extent the Resource Team provided the board with any information, they did not provide the board with sufficient information to make an informed decision regarding these loans.

138. The loans deprived PFH of its funds for periods of months and/or years, as well as appropriate interest payments that should have been made on such loans.

<u>The Resource Team Caused PFH to Pay Rent to WDAH and Cranford for Various Recreational Properties</u>

139. From 2010 through 2015, the Resource Team caused PFH to pay a total of $1,496,600 to Tom Goss and/or WDAH for recreational rental real estate that was unrelated to PFH's mission. As defined more fully below, these recreational properties included the "Mountain House," and the "Lake House." These rent payments from PFH inured to the benefit of Tom Goss, Bontiea Goss, Nolan, and Noble.

140. Although the Resource Team suggested that these recreational properties would be used for executive retreats and meetings, the properties were used almost exclusively by Tom Goss and others in their personal capacity.

141. The home and the surrounding acreage that the Resource Team and others at PFH referred to as "the Mountain House" was located at 103 Highway Cir #1754, in Compton, Arkansas. In or around 2007, Tom Goss began purchasing the home and surrounding real estate. The property consisted of a 590-acre property, with a 1,920 square foot house, a small cabin, a large shop building, a horse stable, and multiple ponds.

142. Prior to the Merger, Tom Goss deeded the Mountain House to WDAH.

143. From at least 2010 through May 2015, the Resource Team caused PFH to "rent" the Mountain House from Tom Goss and/or WDAH though it was almost exclusively used for personal pleasure by PFH executives, their family members and their friends.

144. The home and the surrounding land that the Resource Team and others at PFH referred to as "the Lake House" was located at 157 County Road 1163, in Eureka Springs, Arkansas. The luxury lake-front property consisted of a 5,292 square foot house with multilevel decks, and included a two-slip private boat dock; it was situated on a limestone bluff, with a 20-foot waterfall leading to a water garden.

145. Tom and Bontiea Goss purchased the Lake House in 2009 and later sold or deeded the Lake House to WDAH.

146. From at least 2010 through May 2015, PFH "rented" the Lake House from WDAH even though it was almost exclusively used for personal pleasure by PFH executives, their family members, and their friends.

147. From January 2014 through June 2015, the Resource Team brazenly also caused PFH to pay a total of $63,050 to Cranford as "rent" on two parcels of real estate that were completely unrelated to either PFH's mission or the area in which it conducted operations.

148. These properties included: a) a home remotely located at 2004 Boca Chica, North Port, Florida; and b) Cranford's childhood home located at 9780 Texas 77, in Douglassville, Texas.

149. North Port, Florida is a 17 hour-drive from Springfield, Missouri and Douglassville, Texas is over a 6 hour drive from Springfield.

The Resource Team Ultimately Caused PFH to Purchase the Recreational Properties from WDAH

150. As detailed below, in April 2015, the Resource Team caused PFH to pay a total of $1,853,000 to WDAH to purchase the Mountain House, the Lake House, and "the Lake Hut"—a smaller parcel and house adjoining the Lake House property that Nolan had transferred to WDAH.

151. After PFH had paid rent on the Mountain House for at least five years, WDAH sold the Mountain House to PFH for $998,000. Two months prior to the sale, the outstanding loan balance on the Mountain House was $693,290.41. Before selling the Mountain House to PFH, the Resource Team refinanced the note and added $306,472.81 to the balance, which the bank sent directly to PFH to repay a portion of the debt that WDAH owed to PFH that had lingered on PFH's books for years with no payments or interest accruals.

152. At the time the Resource Team refinanced the Mountain House, the Merger was approaching and there was an abnormal amount of related-party transactions that were going to be scrutinized in connection with the Merger.

153. By refinancing the mortgage on the Mountain House, the Resource Team believed that it could avoid scrutiny of its related-party transactions and they were able to divert over $300,000 to pay down WDAH's outstanding balance to PFH – all the while knowing that they were going to sell the Mountain House to PFH anyway.

154. Then, shortly thereafter, the Resource Team used the higher amount of the outstanding mortgage as a basis for setting the sales price of the Mountain House.

155. Moreover, WDAH also sold the Lake House and Lake Hut to PFH for $855,000.

156. To obtain approval for these transactions, the Resource Team misled PFH's Finance Committee regarding the loan balance of the Lake Hut, by stating that it was part of the Lake House property and was "owned free and clear."

157. In truth, at the time that the sale of Lake House and the Lake Hut was presented to the Finance Committee, there was, in fact, a $116,000 loan balance on the Lake Hut and the Lake Hut was a separately deeded property

158. Additionally, the Resource Team also did not reveal that the Lake Hut was owned by Nolan.

159. It was not until several days after the presentation to the Finance Committee that Nolan transferred the Lake Hut to WDAH so that it could be packaged with the Lake House and sold to PFH.

The Goss' Unauthorized Personal Assistants

160. Beginning in or about 2006 and continuing into 2017, Defendants Bontiea Goss and Tom Goss hired various personal assistants and had these personal assistants placed on

PFH's payroll. Throughout this time period, Bontiea Goss and Tom Goss had no fewer than five personal assistants placed on PFH's payroll.

161. There is no documentation evidencing approval or authorization of this arrangement by PFH's governing body because Bontiea Goss and Tom Goss hired these "employees" without receiving or seeking the appropriate approvals.

162. These personal assistants lived in Boulder, Colorado, where Bontiea Goss and Tom Goss maintained a residence.

163. PFH did not have ongoing operations in Boulder, Colorado.

164. These personal assistants did not perform any services for PFH. Instead, these personal assistants performed personal odd jobs and chores for Bontiea Goss and Tom Goss.

165. They provided care for Bontiea Goss' minor child, took their dogs to the veterinarian and groomers, coordinated lawn care and home cleaning services, and ran personal shopping errands.

166. Tom Goss and Bontiea Goss caused their personal assistants to be paid well over $100,000 by PFH, despite these "employees" providing no services for PFH.

167. These actions deprived PFH of the use and benefit of those funds and these actions constituted a violation of Tom Goss and Bontiea Goss's fiduciary duties to PFH, including their duty of care and duty of loyalty.

The Resource Team Hired and Paid their Friends and Family, but They Did Not Require Them to Earn their Salary

168. The Resource Team diverted funds from PFH by causing PFH to pay compensation to their friends and relatives while those individuals performed minimal, if any, work to benefit PFH.

169. For example, they caused Alisha Hosutt, the daughter of Bontiea Goss, to receive compensation from PFH from 2013 through 2017.

170. Ms. Hosutt's employment responsibility was the translation of documents into Spanish.

171. While Ms. Hosutt received years of compensation, the actual translation of documents was not completed by her, and was instead either left uncompleted or outsourced to third parties.

172. The Resource Teams also caused Rebecca (Becky) Nolan, the sister of Nolan, to receive compensation from PFH from 2013 through 2017.

173. In return for years of significant compensation, the only work Becky Nolan completed for PFH was to provide food for Plaintiff's monthly board meetings.

PRO1's Favorable Rental Arrangement, Use of PFH's Resources, and Receipt of Misappropriated Funds

174. Pro1 IAQ, Inc. ("Pro1") is a Missouri S-corporation that is in the business of re-packaging and selling indoor thermostats imported from China. Pro1 was formed in 2006, using funds Tom and Bontiea Goss received from the sale of WD Management to Providence. Tom and Bontiea Goss owned a combined 45.1086 percent share of Pro1, and Bontiea Goss' brother, Jeff Edgar, owned another 45.1086 percent.

175. PRO1 maintained an office at 1111 South Glenstone in Springfield, Missouri, a building first leased and later purchased by AO in 2015.

176. From July 1, 2014 through November 2016, the Resource Team arranged for PRO1 to have use of space within the South Glenstone building without payment of any rent.

177. Thereafter, from December 2016 through June 30, 2016, PRO1 paid PFH a monthly rental fee of $250.00.

178. So even when the Resource Team finally started to charge Pro1 rent for the space, they arranged for it so that Pro1was paying the equivalent of $6 per square foot, which was well below the average rent per square foot in that building.

179. Pro1 moved out of the 1111 South Glenstone building on September 1, 2017.

180. The Resource Team did not seek or receive approval of PFH's Board for these rental arrangements and there is no documentation evidencing approval or authorization of these arrangements by the governing body of PFH.

181. These self-serving rental arrangements deprived PFH of approximately $20,000 in rental payments, if not more, while simultaneously benefitting a company for which Tom and Bontiea Goss were major shareholders.

182. Additionally, Tom Goss and Bontiea Goss authorized and arranged for Pro1 to utilize PFH's payroll and HR software at no charge to Pro1. They also made arrangements so that Pro1 would be able to utilize certain PFH staff to administer payroll, accounting services, and employee benefits to Pro1 employees. PFH's employees also assisted Pro1 in the acquisition of rental properties and customer service. Again, these services were provided to Pro1 without any payment to PFH.

183. The Resource Team further misappropriated funds for PRO1's benefit by causing PFH to pay to PRO1 approximately $36,000 in the fiscal year ended June 30, 2017.

184. These payments were based on representations by the Resource Team that PRO1 would "train" PHF employees.

185. The Resource Team misrepresented and/or omitted material information regarding this arrangement to the Board of PFH.

186. As a result, upon information and relief, the payments made by PFH were made in exchange for non-existent services, or were made at a rate greatly exceeding the fair market value of any services provided by PRO1.

187. All of these actions and benefits unfairly bestowed on Pro1 were a violation of the Resource Team's fiduciary duties to PFH, including their duty of care and duty of loyalty.

Tom Goss' Outside Work

188. Tom Goss was engaged by PFH to work on a full-time basis as a member of the Resource Team and to hold the position of Chief Financial Officer.

189. Instead of fully dedicating himself to his full-time position with PFH, Tom Goss spent significant time and effort providing services to his other for-profit businesses.

190. More specifically, Tom Goss diverted his time and attention to the operation and management of his for-profit LLCs, including WDAH and WD Management, as well as serving as Pro1's CFO.

191. Tom Goss' diversion of his time and attention from the operations of PFH constituted a breach of his fiduciary duties and resulted in PFH overcompensating Tom Goss in an amount to be proven at trial.

Tom Goss' Use of His Credit Card to Generate Significant Personal Benefits

192. From 2012 to 2017, Tom Goss used his personal credit card to purchase approximately $5,987,638.78 worth of products and services for PFH.

193. For example, Tom Goss would pay the company's property and liability insurance premiums and UPS charges on his personal card.

194. Undercutting any suggestion that there was a financial basis for this arrangement is the fact that Mr. Goss would be immediately reimbursed for these credit card payments. Tom

Goss would submit monthly expense reimbursements and would be reimbursed by PFH for each charge made on behalf of PFH.

195. Through misrepresentation and/or omission, Tom Goss created this arrangement so that he would retain all benefits of those purchases in the form of airline miles, rewards, and other bonuses.

196. Those benefits from the credit card company were earned by PFH's spending, not Mr. Goss' spending.

197. Tom Goss accepted and retained the benefit of the credit card rewards under inequitable and unjust circumstances.

Advancement Agreements with Tom Goss, Bontiea Goss, Marilyn Nolan, and Keith Noble

198. Pursuant to PFH's bylaws and advancement agreements discussed below, PFH has advanced legal fees and expenses to Tom Goss, Bontiea Goss, Marilyn Nolan, and Keith Noble for their personal counsel in connection with an investigation by various government agencies into their work for PFH.

199. On or about February 10, 2017, Tom Goss, Bontiea Goss and Marilyn Nolan each signed an Undertaking and Advancement Agreement with PFH, while Noble signed his Undertaking and Advancement Agreement with PFH on November 9, 2017 (hereinafter collectively referred to as the "Advancement Agreement").

200. Through the Advancement Agreement, PFH agreed to advance the reasonable legal fees, costs, and expenses of Tom Goss, Bontiea Goss, Nolan, and Noble's personal legal counsel incurred in connection with and related to the investigation of their work for PFH (hereinafter "Advanced Monies").

201. In paragraph 4 of the Advancement Agreement, Tom Goss, Bontiea Goss, Nolan, and Noble agreed that PFH will discontinue the advancement of reasonable legal fees, costs, and expenses if PFH, a court, or a regulatory authority determines that they: (i) did not act in good faith; (ii) did not act in a manner that they reasonably believed to be in the best interests of PFH; or (iii) had any reason to believe their conduct was unlawful.

202. In the Advancement Agreement, Tom Goss, Bontiea Goss, Nolan, and Noble also agreed that if PFH's Board of Directors determined that one or more of the grounds for terminating the advancement obligation had occurred under paragraph 4 of the Advancement Agreement, they would repay any Advanced Monies through the date of that determination ("Advanced Monies").

203. On January 24, 2018, PFH's Board of Directors passed a resolution determining that all three grounds for terminating its advancement obligations to Tom Goss, Bontiea Goss, and Marilyn Nolan were present. Thereinafter, on September 27, 2018, PFH's Board of Directors passed a resolution determining that all three grounds for terminating its advancement obligations to Noble (hereinafter both resolutions are collectively referred to as the "Advancement Resolution"). Accordingly, through the Advancement Resolution and pursuant to the terms of the Advancement Agreements, the PFH's Board of Directors discontinued and terminated PFH's advancement of reasonable legal fees and expenses to Tom Goss, Bontiea Goss, Nolan, and Noble and made its decision effective immediately.

204. The Advancement Resolution triggered Tom Goss, Bontiea Goss, Nolan and Noble's obligation to repay the Advanced Monies PFH paid on their behalf by PFH through the date of the relevant Advancement Resolution.

205. By way of a March 20, 2018 letter to their attorneys, Tom Goss, Bontiea Goss, and Marilyn Nolan were notified that the PFH would not be making any further payments to their legal counsel and were reminded that Board's findings triggered their repayment obligation set forth in the undertaking language of their Advancement Agreements.

206. By way of a September 28, 2018 letter to his attorney, Noble was notified that the PFH would not be making any further payments to his legal counsel and was reminded that Board's findings triggered his repayment obligation set forth in the undertaking language of their Advancement Agreement.

207. Through January 24, 2018, PFH had paid Advanced Monies totaling $292,197 to or on behalf of Tom Goss.

208. Through January 24, 2018, PFH had paid Advanced Monies totaling $148,405 to or on behalf of Bontiea Goss.

209. Through January 24, 2018, PFH has paid Advanced Monies totaling $130,072 to or on behalf of Marilyn Nolan.

210. Through September 27, 2018, PFH has paid Advanced Monies totaling $12,110 to or on behalf of Noble.

211. In breach of their individual Advancement Agreements, Tom Goss, Bontiea Goss, Nolan, and Noble have failed to repay PFH for the Advanced Monies.

The Resource Team's Efforts to Conceal Their Misconduct

212. Given the extraordinary wealth the Resource Team enjoyed because of their misconduct, it is not surprising that they went to great lengths to suppress or conceal material facts from PFH's Board Members who were not acting in concert with them.

213. For example, they took steps to ensure that the full Board of Directors never had access to all material information.

214. Bontiea Goss, with the help of the rest of the Resource Team, facilitated and controlled board meetings and the flow of information released to the Board of Directors.

215. The Resource Team made sure that the Board was either provided inaccurate or incomplete information.

216. In fact, in many cases, they failed to provide the Board any meaningful information about their conduct or the self-serving transactions in which they had engaged (e.g. Tom Goss' receipt of $600,000 in kickbacks from the Cranford Coalition).

217. The Resource Team was also careful to install only "their people" in key positions that might have access to information detailing their misconduct.

218. For example, after Hayes' valuable help in extracting money from PFH in connection with the management agreement and his manipulation of PFH's books to maximize their earn-outs from the sale to Providence, the Resource Team audaciously installed Hayes as the "internal auditor."

219. Given all of Hayes' criminal transgressions, the Resource Team's decision to install Hayes as an "internal auditor" demonstrates the length they would go to conceal their activities.

220. They knew that a properly appointed and competent internal auditor who reported to the Board would likely reveal their misconduct.

221. As a result, when there was a Board proposal to have an internal auditor appointed, the Resource Team led the effort to have the proposal killed.

222. In fact, Eddie Wayne Cooper, a member of PFH's Board of Director, admitted in a federal plea agreement that, at the September 19, 2013 meeting of PFH's Board of Directors, he aided Tom and Bontiea Goss in their opposition to another Board member's proposal that the Board hire an internal auditor who would report to the Board, by speaking against the proposal.

223. The Resource Team also sought to conceal their misconduct from the government.

224. For example, for fiscal years 2008 through 2016, each fiscal year beginning July 1 and ending on June 30 of the following year, PFH filed IRS Forms 990.

225. For those years, Nolan signed the Form 990 once and Tom Goss signed it the other eight times.

226. Despite the fleecing of PFH as outlined above, on each IRS Form 990, they answered "no" to questions 25(a) and 25(b), representing that it had no excess benefit transactions in the then-current period, and that they had discovered no such transactions in the past.

227. They knew that the members of PFH's Board of Directors would also be receiving copies of the IRS Form 990's so the Resource Team's decision to omit material information from those forms was yet another way they hid information from PFH's Board of Directors.

COUNT I
BREACH OF FIDUCIARY DUTY
(Against Tom Goss, Bontiea Goss, Nolan, Noble, Cranford, & Hayes)

228. Plaintiff incorporates the foregoing paragraphs as though fully set forth herein.

229. In Missouri, the officers and directors of a company occupy a fiduciary relation to the corporation and to the stakeholders; their position is one of trust and they are bound to act

with fidelity and subordinate their personal interest to the interest of the corporation should there be a conflict.

230. This fiduciary duty requires corporate directors and officers to exercise the utmost good faith in the discharge of the duties arising out of their trust, and to act for the corporation and its stakeholders, giving all the benefit of their best judgment.

231. The fiduciary duty of officers and directors is typically divided into a series of distinct obligations, such as the duty of care, duty of loyalty, duty to account, duty of confidentiality, duly of full disclosure (duty of candor), and duty of good faith and fair dealing.

232. The duty of an officer includes the obligation to inform a superior officer or the board of directors about the affairs of the company known to the officer and known to material.

233. Moreover, under Missouri law, every employee owes his or her employer a duty of loyalty and the duty of loyalty for managers or officers is heightened. The duty of loyalty can be breached in variety of ways, including self-dealing, excessive compensation, use of corporate funds to perpetuate control of a company, and usurping corporate opportunities.

234. Plaintiff's not-for-profit status does not lessen the duties owed by its officers and directors; the corporate powers of not-for-profit corporations and for-profit corporations are identical.

235. The simple fact that a corporation is organized for benevolent purposes does not indicate that such corporation does not have protectable business interests. Instead, the distinguishing characteristic between for-profit and not-for-profit corporations is not whether each seeks to operate efficiently, generate revenue, and produce earnings, but rather what each entity does with such earnings. Earnings of not-for-profit corporations are used to support the charitable purpose of the corporation or are reinvested into the company to ensure future

operations. In contrast, earnings of for-profit corporations are distributed to owners or shareholders.

236. An officer or director may breach a fiduciary duty by engaging in undisclosed transactions with another company in which he has an interest, which are not fair to his employer.

237. Neither officers nor directors of a company have the right to convert the company's assets to their own use, or to give them away, or to make any self-serving disposition of them against the interest of the company.

238. Here, by virtue of their position as employees, officers, and directors of PFH, the Senior Officers owed PFH a fiduciary duty.

239. Their fiduciary duty to PFH consisted of a series of distinct obligations, including a heightened duty of loyalty given their positions of power and authority within PFH.

240. As detailed above, the Senior Officers consistently and repeatedly violated their fiduciary duty to PFH by, among other things:

- Charging and collecting unnecessary and excessive "management fees" through WD Management;
- Enriching themselves through the structure of the sale of W.D. Management;
- Temporarily delaying recordation of WD Management's expenses and instantly recording PFH's gross revenues from newly acquired entities through mergers and acquisitions and thereby artificially inflating the "management fees" PFH paid to WD Management;

- By embezzling and misapplying funds through payments to Hayes by way of BMHI for "business development" so that Hayes could be compensated for his fraudulent accounting to inflate management fees paid to WD Management;
- Installing WDAH as a middle-man to lease vehicles from Enterprise and subsequently inflating the cost of those automobile leases;
- Permitting Hayes' embezzlement and being willfully blind to his actions;
- Covering up Hayes' embezzlement;
- Retaining Cranford and the Cranford Coalition and then allowing Cranford to pay Tom Goss kickbacks totaling over $600,000, not including cash payments he also received;
- Making unauthorized loans to their for-profit entities and failing to timely charge market interest rates for those loans;
- Causing PFH to pay rent their for-profit entities' recreational properties and ultimately causing PFH to purchase the same;
- Allowing Tom and Bontiea Goss' to add employees to PFH's payrolls when those employees were nothing more than personal assistants that performed no work for PFH;
- Hiring and paying their friends and family without requiring them to actually perform work commiserate with their salary;
- Entering into a below-market rental arrangement with PRO1, allowing Pro1 to use PFH's Resources without proper payment, and misappropriating funds through payments to Pro1 for services that were not rendered;

- Diverting their full attention from PFH and to their various for-profit entities that they were also managing.
- Using Tom Goss' personal credit card to pay for almost $6 million worth of PFH business expenses just so that he could rack up the credit card rewards.

241. These various actions (hereinafter collectively referred to as "Fraudulent Conduct") constituted breaches the Senior Officer's fiduciary duties and caused PFH to suffer well over $10 million in damages.

242. PFH is entitled to recover the funds that were wrongfully converted or misappropriated because of these breaches of their fiduciary duty, but PFH is also entitled to recover the compensation paid to the Senior Officers.

243. Under Missouri law, an agent is entitled to no compensation for conduct which is disobedient or which is a breach of the agent's duty of loyalty.

244. Where, as here, such conduct constitutes a willful and deliberate breach of the agent's duty of loyalty, the agent is not entitled to compensation even for properly performed services.

245. Regardless of any contractual terms in an employment agreement, a corporate officer forfeits all rights to compensation, including bonuses, if the officer breaches fiduciary duties owed to the company.

246. Here, on its IRS Forms 990 for the years 2005 through 2016, PFH reported paying the Resource Team over $13 million in compensation. Given that their breaches of fiduciary duty began, at least, in 2005 with the management agreement and permeated their entire tenure with PFH, PFH is entitled to recoup the entire amount of the compensation paid to the Resource Team.

WHEREFORE, for Count I of its Petition, PFH requests that judgment be entered in its favor and against defendants Tom Goss, Bontiea Goss, Nolan, Noble, Cranford, & Hayes for damages, including a disgorgement of the amount of all money misappropriated, costs of suit, pre-judgment and post-judgment interest, punitive damages, all in a fair and reasonable amount according to proof at trial, and that PFH be awarded such other and further relief as the Court deems just and proper.

COUNT II
FRAUD
(Against Tom Goss, Bontiea Goss, Nolan, Noble, Cranford, Hayes, the Cranford Coalition, WDAH, & WD Properties)

247. Plaintiff incorporates the foregoing paragraphs as though fully set forth herein.

248. As described above, the Senior Officers made misrepresentations to PFH, its employees, and its Board of Directors concerning the nature, character, and amount of money flowing out of PFH.

249. The Senior Officers also made representations to PFH, its employees, and its Board of Directors about monies being used for legitimate business expenses when they were really personal in nature.

250. The Senior Officers intentionally omitted from PFH, its employees, and its Board that various purchases and expenditures were not for any legitimate business purpose.

251. The Senior Officers intentionally omitted facts from PFH, its employees, and its Board about the nature of their relationship to persons or companies with whom PFH had entered into agreements or to whom it had made payments.

252. The Senior Officers intentionally omitted facts from PFH, its employees, and its Board about the fairness of transactions and the value of services or property that PFH was receiving in turn for its payments.

253. The Senior Officers intentionally omitted facts from PFH, its employees, and its Board about the ways in which they were misappropriating PFH's property and money for their own personal use.

254. The Senior Officers' representations and omissions were material because, among other things, had PFH, its employees, and its Board known the truth, various transactions would not have been consummated because they would constitute a prohibited transaction.

255. The Senior Officers' representations and omissions also were material because had PFH, its employees, and its Board known the truth, various transactions would not have been consummated because there was not an equal exchange of value for payments that PFH had made.

256. The Senior Officers knew they were lying when they made the representations and knew they were intentionally omitting material facts.

257. The Cranford Coalition, WD Properties, WDAH also made material misrepresentations in connection with paperwork and documents submitted in conjunction with the Fraudulent Conduct and the payments they received.

258. The Cranford Coalition, WD Properties, WDAH also intentionally omitted material information in connection with paperwork and documents submitted in conjunction with the Fraudulent Conduct and the payments they received. For example, the Cranford Coalition never disclosed in its paperwork that it was paying Tom Goss, PFH's CFO, almost $600,000 in kickbacks.

259. As detailed above, all of these defendants suppressed or concealed material facts with the intent to induce reliance and to defraud PFH, its employees, and its Board members.

260. All of these defendants made the intentional misrepresentations and intentionally omitted material facts so that they could get away with stealing from PFH.

261. PFH and its Board did not know that the representations were false because the Senior Officers intentionally kept material information away from PFH, its employees, and its Board members.

262. PFH, its employees, and its Board members relied on the statements by these defendants and had a right to rely on those representations from the Senior Officers because they were senior executives charged with leading the company in pursuit of fulfilling its charitable mission.

263. PFH was injured due to its reliance on these defendant's misrepresentations and material omissions of fact.

264. The Fraudulent Conduct caused PFH to suffer well over $10 million in damages.

WHEREFORE, for Count II of its Petition, PFH requests that judgment be entered in its favor and against defendants Tom Goss, Bontiea Goss, Nolan, Noble, Cranford, Hayes, the Cranford Coalition, WDAH, and WD Properties for damages, including a disgorgement of the amount of all money misappropriated, costs of suit, pre-judgment and post-judgment interest, punitive damages, all in a fair and reasonable amount according to proof at trial, and that PFH be awarded such other and further relief as the Court deems just and proper.

COUNT III
CONVERSION
(Against Tom Goss, Bontiea Goss, Nolan, Noble, Cranford, Hayes, the Cranford Coalition, WDAH, WD Properties)

265. Plaintiff incorporates the foregoing paragraphs as though fully set forth herein.

266. PFH was the owner of the property and money described above.

267. The Senior Officers, the Cranford Coalition, WDAH, and WD Properties wrongfully appropriated this property and money through their perpetration of the Fraudulent Conduct, as defined above.

268. The circumstances surrounding this appropriation establish that they appropriated the property and money with the intent to exercise some control over it.

269. These defendants deprived PFH of its right of possession of the aforementioned property and money.

270. These defendants' actions caused PFH damages, including the loss of the funds that were misappropriated.

WHEREFORE, for Count III of its Petition, PFH requests that judgment be entered in its favor and against defendants Tom Goss, Bontiea Goss, Nolan, Noble, Cranford, Hayes, the Cranford Coalition, WD Properties, and WDAH for damages, including a disgorgement of the amount of all money misappropriated, pre-judgment and post-judgment interest, costs of suit, punitive damages, all in a fair and reasonable amount according to proof at trial, and that PFH be awarded such other and further relief as the Court deems just and proper.

COUNT IV
UNJUST ENRICHMENT
(Against Tom Goss, Bontiea Goss, Nolan, Noble, Cranford, Hayes, the Cranford Coalition, WDAH, & WD Properties)

271. Plaintiff incorporates the foregoing paragraphs as though fully set forth herein.

272. As explained more fully above, the Senior Officers caused PFH to bestow benefits on themselves through their perpetration of the Fraudulent Conduct, as defined above.

273. Moreover, the Cranford Coalition, WDAH, and WD Properties accepted and retained benefits that resulted from the Fraudulent Conduct.

274. These defendants appreciated the benefits bestowed on them by PFH.

275. The defendants accepted and retained the benefit of PFH's property and monies paid by PFH under inequitable and unjust circumstances.

WHEREFORE, for Count IV of its Petition, PFH requests that judgment be entered in its favor and against defendants Tom Goss, Bontiea Goss, Nolan, Noble, Cranford, Hayes, the Cranford Coalition, WDAH, & WD Properties for damages, including a disgorgement of the amount of all money misappropriated, costs of suit, pre-judgment and post-judgment interest, punitive damages, all in a fair and reasonable amount according to proof at trial, and that PFH be awarded such other and further relief as the Court deems just and proper.

COUNT V
UNJUST ENRICHMENT
(Against Lori Hayes)

276. Plaintiff incorporates the foregoing paragraphs as though fully set forth herein.

277. Beginning in September 2013, Lori Hayes began receiving "reimbursement" payments from PFH.

278. These payments were made to Lori Hayes to "reimburse" her for payments Hayes allegedly made to resolve certain tax liabilities that PFH had assumed through merger activity.

279. The underlying tax payments for which Lori Hayes was being reimbursed had not and were not made by Hayes or Lori Hayes.

280. From September 2013 to January 2014, Lori Hayes received over $250,000 in payments from PFH.

281. PFH was the rightful owner of the funds paid to Lori Hayes.

282. Lori Hayes appreciated the benefits bestowed on them by PFH.

283. Lori Hayes accepted and retained the benefit of the fees paid by PFH under inequitable and unjust circumstances.

WHEREFORE, for Count V of its Petition, PFH requests that judgment be entered in its favor and against defendant Lori Hayes for damages, including a disgorgement of the amount of all money misappropriated, pre-judgment and post-judgment interest, costs of suit, punitive damages, all in a fair and reasonable amount according to proof at trial, and that PFH be awarded such other and further relief as the Court deems just and proper.

COUNT VI
BREACH OF CONTRACT
(Against Tom Goss, Bontiea Goss, Marilyn Nolan, and Keith Noble)

284. Plaintiff incorporates the foregoing paragraphs as though fully set forth herein.

285. As described above, Tom Goss, Bontiea Goss, Nolan, and Noble each signed an Advancement Agreement with PFH.

286. The Advancement Agreements were supported by sufficient consideration, including, but not limited to, the mutual promises of PFH and Tom Goss, Bontiea Goss, Nolan and Noble.

287. The Advancement Agreements are binding legal instruments creating mandatory obligations on the part of Tom Goss, Bontiea Goss, Nolan, and Noble in favor of PFH.

288. In the Advancement Agreement, Tom Goss, Bontiea Goss, Nolan, and Noble agreed that if PFH's Board of Directors determined that one or more of the grounds for terminating the advancement obligation had occurred under paragraph 4 of the Advancement Agreement, they would repay PFH any Advanced Monies it paid through the date of that determination.

289. As described above, PFH's Board of Directors passed Advancement Resolutions, finding all three grounds for terminating its advancement obligations to Tom Goss, Bontiea Goss, Nolan, and Noble to be present.

290. The Advancement Resolution triggered Tom Goss, Bontiea Goss, Nolan and Noble's obligation to repay the Advanced Monies through the date of the Advancement Resolution.

291. Through January 24, 2018, PFH had paid Advanced Monies totaling $292,197 to or on behalf of Tom Goss.

292. Through January 24, 2018, PFH had paid Advanced Monies totaling $148,405 to or on behalf of Bontiea Goss.

293. Through January 24, 2018, PFH has paid Advanced Monies totaling $130,072 to or on behalf of Marilyn Nolan.

294. Through September 27, 2018, PFH has paid Advanced Monies totaling $12,110 to or on behalf of Noble.

295. PFH fully performed all of its material obligations under the Advancement Agreements and has otherwise complied with their terms.

296. In breach of their individual Advancement Agreements, Tom Goss, Bontiea Goss, Nolan, and Noble have failed to repay the Advanced Monies they each owe PFH.

297. PFH has been damaged as a direct result of Tom Goss, Bontiea Goss, Nolan and Noble's conduct and their breach of their individual Advancement Agreements.

WHEREFORE, for Count VI of its Petition, PFH requests that judgment be entered in its favor and against defendants Tom Goss, Bontiea Goss, Nolan, and Noble for damages, costs of suit, pre-judgment and post-judgment interest, punitive damages, all in a fair and reasonable amount according to proof at trial, and that PFH be awarded such other and further relief as the Court deems just and proper.

COUNT VII
CIVIL CONSPIRACY
(Against All Named Defendants)

298. Plaintiff incorporates the foregoing paragraphs as though fully set forth herein.

299. As set forth above, Defendants had a unity of purpose, a common design and understanding, and/or a meeting of minds in an unlawful arrangement – namely to convert and misappropriate PFH's funds for their own benefit and the benefit of their friends and relatives.

300. As set forth above, each Defendant knowingly committed at least one act in furtherance of the conspiracy.

301. By agreeing to overlook and/or approve the unlawful conduct of the other members of the conspiracy, each Defendant ensured that he or she would be entitled to share in some portion of the misappropriated funds.

302. PFH has been injured by Defendants' conspiracy to convert or misappropriate its funds.

WHEREFORE, for Count VI of its Petition, PFH requests that judgment be entered in its favor and against all named defendants for damages, including a disgorgement of the amount of all money misappropriated, costs of suit, pre-judgment and post-judgment interest, punitive damages, all in a fair and reasonable amount according to proof at trial, and that PFH be awarded such other and further relief as the Court deems just and proper.

PLAINTIFF'S DEMAND FOR JURY TRIAL

Plaintiff Preferred Family Healthcare, Inc. hereby requests and demands a trial by jury on all issues so triable, according to the statutory and common law of the State of Missouri.

Dated: September 28, 2018

Respectfully submitted,

BERKOWITZ OLIVER LLP

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