IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF KING

LARS KNUDSEN, an individual; and TELOS INVESTMENT HOLDINGS CO., a Washington corporation;

Plaintiffs,

v.

HIGHTOWER HOLDING, LLC, a Delaware limited liability company; HIGHTOWER ADVISORS, LLC, a Delaware limited liability company; HIGHTOWER BELLEVUE OPCO, LLC, a Delaware limited liability company; HIGHTOWER SECURITIES, LLC, an Illinois limited liability company; HT HOLDING, LLC, a Delaware limited liability company; DAN STOBER, an individual; RANDY WILLIAMS-GURIAN, an individual; and TARA JOHNSON, an individual; and SHARON LAILEY, an individual;

Defendants.

Case No.

COMPLAINT FOR:

(1) BREACH OF CONTRACT
(2) BREACH OF COVENANT OF GOOD FAITH AND FAIR DEALING
(3) CONVERSION
(4) UNJUST ENRICHMENT
(5) BREACH OF FIDUCIARY DUTY
(6) TORTIOUS INTERFERENCE
(7) DECLARATORY JUDGMENT
(8) INJUNCTIVE RELIEF

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Plaintiffs Lars Knudsen ("Knudsen") and Telos Investment Holdings Co. ("Telos"), (collectively "Plaintiffs"), by and through their counsel of record, Seyfarth Shaw LLP, hereby allege the causes of action set forth in this Complaint against Defendants HighTower Holding, LLC ("HighTower"), HighTower Advisors, LLC, HighTower Bellevue Opco, LLC, HighTower Securities, LLC, HT Holding, LLC (each, together with HighTower, the "HighTower Defendants"), Dan Stober ("Stober"), Randy Williams-Gurian ("Williams-Gurian"), Tara Johnson ("Johnson"), and Sharon Lailey ("Lailey"), (collectively "Defendants").

I. INTRODUCTION

1. This lawsuit arises from the latest instance in a pattern by a large investment company, HighTower, of hijacking other investment advisors' books of business by promising to bring an investment advisor into the fold, obtaining the advisor's signature on overly broad (and legally unenforceable) non-compete/non-solicitation agreements, and then pushing the investment advisor out on pretextual grounds so that HighTower and/or its affiliates can keep the book of business for itself and prevent the advisor from serving the clients the advisor previously brought to HighTower.

2. HighTower's motivation in severing advisors like Knudsen from their clients is clear: greed. At a company level, HighTower is trying to steal clients from successful advisors that are departing or that it is trying to force into retirement (like Knudsen) so that it can prop up its valuation as it looks to find an acquirer.[1] At an individual level, younger HighTower advisors are making a grab for the hard-earned clients of their successful senior advisors by manufacturing an accelerated de facto "succession plan" through false, unsubstantiated, and defamatory accusations.

[1]Several of these investment advisors are already in litigation with HighTower and/or its affiliates presently, either because they sued HighTower or because HighTower pre-emptively sued them seeking a court's blessing for its improper tactics. *See, e.g.*, *Reinig v. Hightower*, No. 24-cv-0360 (S.D. Cal.); *Hightower v. Gibson*, No. 2022-0086-LWW (Del. Ch.); *Hightower v. McGinness*, No. 2022-1048-PAF (Del. Ch.).

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3. Here, rather than deal with Knudsen in a reasonable and respectful manner if they had wanted to part ways, the HighTower Defendants have instead made it clear that they intend to aggressively assert overbroad and unenforceable restrictive covenants against Knudsen (such as a 6-year nationwide non-compete), file a false, unsubstantiated, and defamatory regulatory filing accusing Knudsen of misconduct, and do everything in their power to smear Knudsen by spreading these falsehoods to Knudsen's clients.

4. Furthermore, HighTower has been spreading false, unsubstantiated, and defamatory information about Knudsen to Knudsen's clients, including false assertions that Knudsen had "retired," had wanted to "move on," and otherwise incorrectly characterizing the circumstances of his termination—including baseless accusations of misconduct, including that he "stole" funds from Williams-Gurian and HighTower—with the goal of poaching these clients and trying to prevent them from leaving.

5. Knudsen is now left with no choice but to bring this lawsuit to, among other things, (1) prevent Defendants from breaching their contracts with Plaintiffs and tortiously interfering with Plaintiffs' business by "terminating" Knudsen on a pretext and blatant falsehoods, (2) prevent the HighTower Defendants from their attempt to leverage wholly unenforceable restrictive covenants against Knudsen, (3) prevent Defendants from spreading false, misleading, and defamatory information that would wrongfully tarnish Knudsen's reputation with regulators, his clients, prospective clients, and potential future business partners, and (4) preserve Knudsen's ability to continue to serve his many longtime clients—many of which Knudsen brought to HighTower and who strongly prefer to continue working with Knudsen given the deep trust he has developed with them over the years and the financial success and stability they have enjoyed.

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II. PARTIES

6. Plaintiff Lars Knudsen is an individual resident of King County, Washington.

7. Plaintiff Telos Investment Holdings Co. is a Washington corporation headquartered in Bellevue, Washington.

8. HighTower Holding, LLC is a Delaware limited liability company with its principal place of business in Chicago, Illinois.

9. HighTower Advisors, LLC is a Delaware limited liability company with its principal place of business in Chicago, Illinois.

10. HighTower Bellevue Opco, LLC is a Delaware limited liability company with its principal place of business in Bellevue, Washington.

11. HighTower Securities, LLC is an Illinois limited liability company with its principal place of business in Chicago, Illinois.

12. Defendant HT Holding, LLC is a Delaware limited liability company with its principal place of business in Chicago, Illinois.

13. Defendant Dan Stober is an individual who resides in King County, Washington.

14. Defendant Randy Williams-Gurian is an individual who resides in King County, Washington.

15. Defendant Tara Johnson is an individual who resides in King County, Washington.

16. Defendant Sharon Lailey is an individual who resides in King County, Washington.

III. JURISDICTION AND VENUE

17. Jurisdiction and venue are proper in this Court under RCW 2.08.010, RCW 4.12.020, and RCW 4.12.025 because (1) all or part of Plaintiffs' causes of action arose in King County, Washington and (2) at least several of defendants reside or are headquartered in King County, Washington.

18. The transaction by which Knudsen migrated his clients to HighTower in early 2019 was complex and involved numerous contracts, each of which have differing and inconsistent

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choice of law and choice of forum provisions which cannot reasonably be reconciled with one another. In light of the imminent threats to Plaintiffs' business and the fact that this matter largely involves Washington parties and events which occurred in Washington, Plaintiffs submit that this action should be heard in its entirety in the State of Washington.

IV. EVENTS GIVING RISE TO THIS ACTION

A. Knudsen's Success in the Investment Advisory and Wealth Management Industry and Initial Employment with HighTower

19. In a career spanning more than thirty-five years, Knudsen is a highly regarded and sought-after professional in the investment advisory and wealth management industry, with clients in the State of Washington and throughout the United States including in Arizona, Hawaii, California, Oregon, Montana, Florida, Idaho, New Jersey and Connecticut.

20. After graduating from Pacific Lutheran University in the early 1980s with a degree in Accounting and Finance, Knudsen worked for a period of time as an accountant until, in or around 1985, he started his own financial planning firm called Financial Security Group.

21. After fourteen years of success, Financial Security Group merged with the national firm Moss Adams. Knudsen continued to work as a partner with Moss Adams until in or around 2008.

22. In or around 2008, Knudsen founded Triad Wealth Stewardship ("Triad"), a wealth management and financial services firm.

23. Knudsen was the primary originator of business and client relationships for Triad, which grew into a successful enterprise.

24. Stober became a member of Triad, holding 30% ownership (Knudsen owned the other 70%).

25. In or around 2014, Knudsen, along with his business partners Defendants Stober and Williams-Gurian, were approached by HighTower about becoming affiliated with it. At the time, the three had hoped that HighTower would provide back-office support, which would allow

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their team more time to provide enhanced client service. They also had a vision of creating a national fiduciary presence disrupting the industry, while still maintaining independence for their office.

B. Knudsen and His Partners Enter Into an Affiliation Transaction with HighTower Defendants Under Which They Migrate Their Clients Into HighTower's System

26. In or around 2018, HighTower approached Knudsen and Defendants Stober and Williams-Gurian (the Principals) with a proposition: that the Principals would become affiliated with HighTower, and would have equity in HighTower and in their own affiliated firm, from which they would continue to service their clients.

27. Even with legal counsel, the transaction, consisting of hundreds of pages of multiple contracts with confusing and in some instances conflicting language, did not come close to representing what Knudsen anticipated based on his discussions and negotiations with HighTower Defendants.

28. Knudsen, and, on information and belief, the other Principals, anticipated that HighTower would own a portion of a partner firm operation, and that the Principals would own stock in HighTower. Knudsen and, on information and belief, the other Principals, anticipated that they would have the flexibility to run their business as an independent office with a shared ownership structure.

29. Knudsen and, on information and belief, the other Principals, also believed that the partnership would be one which would be mutually beneficial, and not so weighted towards the benefit of HighTower Defendants. For example, Knudsen had no anticipation that HighTower Defendants would purport to have the authority to step in and fire Knudsen's support staff from his team. Much less did Knudsen anticipate that HighTower Defendants would purport to terminate him, with no explanation, and hijack over thirty-five years of relationships, hard work, and Knudsen's dream of creating a legacy for Defendants, clients, coworkers, and his family.

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30. Furthermore, the Principals had multiple negotiation sessions around the continued independent ownership and management of Triad, including that its principals would operate that business independently, as it always had, including family wealth stewardship consulting and the sale of insurance. It was only during the time of his purported termination that Knudsen was made aware that the immensely convoluted and poorly-written deal documents vastly misrepresented this intent, articulated in multiple meetings, by permitting only one portion of Triad to continue (the sale of insurance). This also conflicted with email correspondence previously exchanged with HighTower that confirmed Knudsen and the other Principals would be able to continue conducting their preexisting Triad-related services.

31. As noted, the affiliation transaction was complex and involved several entities and multiple different contracts, some of which have since been amended from time to time. A brief summary of the pertinent provisions of agreements follow:

1. The Partnership Services and Affiliation Agreement

32. On or around December 31, 2018, the HighTower Defendants on the one hand, and HighTower Bellevue Advisors, LLC (HTBA) and the Principals on the other hand, entered into the Partnership Services and Affiliation Agreement (the "PSAA").

33. The PSAA sets forth that immediately prior to the PSAA, the Principals were employed by HighTower Defendants, and in connection with their employment, had established the "Business," which is providing wealth management and advisory services to HighTower Defendants' clients ("Existing Clients") utilizing certain employees and assets ("Team Resources"). *Id.* at Recitals.

34. It further sets forth that the HighTower Defendants transferred the Team Resources and related liabilities to HighTower Bellevue Opco, LLC (the "Operating Company"), which from that point forward would operate the Business. *Id.*

35. It then sets forth that the Principals had established HTBA (referred to in the PSAA as the "Partner Firm") as the business enterprise for which they would provide wealth management

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and investment advisory services to the Operating Company and other HighTower Defendants in connection with the operation of the Business. *Id.*

36. Among other things, the PSAA provides that the Operating Company or another of the HighTower Defendants shall pay to HTBA a quarterly management fee (the "Management Fee"). *Id.* at § 4(a)-(b).

37. Importantly, the PSAA does not describe a "purchase" or "acquisition" of the Principals' business, but rather transitions and migrates the "Business," i.e. HighTower Defendants' "Existing Clients" and "Team Resources," as defined in the PSAA, to the Operating Company, which would then be serviced by HTBA in exchange for the Management Fee.

38. The PSAA contains specific requirements with respect to termination of any of the Principals by the HighTower Defendants, including requirements that, at least as to certain material breaches, the HighTower Defendants provide a notice of the breach and, if curable, a ninety-day opportunity to cure:

> (i) Termination by the HighTower Parties. Prior to the expiration of the Term or any Renewal Term, the HighTower Parties may terminate this Agreement (1) in the event of a material breach by any Partner Party of any Transaction Agreement; provided that, if such a breach was committed by a single Principal, the HighTower Parties may elect to terminate this Agreement only with respect to such Principal; or (2) with respect to any Principal, if (x) such Principal makes an assignment for the benefit of creditors, (y) such Principal files a petition under any section or chapter of the federal bankruptcy laws or any current or future similar state or federal law or statue, or (z) an order for relief is entered against such Principal in any such bankruptcy or insolvency proceeding. **In the event this Agreement is terminated with respect to a Principal, the Partner Firm will promptly remove such Principal as a member; provided further, that, in connection with a material breach of Section 3(d) or Section 3(f)[2] of this Agreement, HighTower shall provide the Partner Parties with written notice of such breach, and, if such breach is curable, the Partner Parties shall have ninety (90) days to cure such breach to HighTower's reasonable satisfaction prior to termination.**

[2] Section 3(d) defines the "Services" to be provided by HTBA and Section 3(f) describes actions which only may be taken by HTBA or Principal with prior written approval of HighTower.

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Id. § 12(b)(i) (emphasis added).

2. The HTBA Agreement, the HTB Holdings Agreement, the Unit Purchase Agreement, and the Contribution and Exchange Agreement (Personal Goodwill)

39. In order to effect the transaction contemplated by the PSAA, additional agreements were entered into, including agreements (i) creating HTBA, (ii) assigning certain business relationships to HTBA in exchange for equity in HTBA, (iii) creating HTB Holdings to hold the Principals' (and, subsequently, the New Partners') direct or indirect interests in HTBA and to make the distributions of the Management Fee, and (iv) entering into a Unit Purchase Agreement in order to effect the transfer of the Principals' equity in HTBA to (a) HTB Holdings and (b) HighTower's affiliate Defendant HT Holding, in exchange for equity in HT Holding, and

40. *First*, HTBA's operative agreement (the HighTower Bellevue Advisors LLC Amended and Restated Limited Liability Company Agreement dated January 2, 2019) (the "HTBA Agreement"), sets forth that actions taken must have consent of the "Majority Members," defined to mean "the Members holding a majority of the Units, including Knudsen." *See* HTBA Agreement §§ 1, 5.1(a). Indeed, the HTBA Agreement provides that "all material or non-ordinary course decisions should be referred to and addressed by the Majority Members." *Id.* § 5.1(a).

41. *Second*, each of the Principals, including Knudsen, entered into a "Contribution and Exchange Agreement (Personal Goodwill) ("Contribution Agreement"), with Knudsen's setting forth that Knudsen:

> hereby assigns, transfers, conveys, and contributes to [HTBA]: (i) all of his personal and ongoing business relationships with clients and key businesses, as well as the experience and reputation of Principal that comes from the personal, direct and intimate involvement of Principal in interacting with clients and other key business relations (the "Relationships"); and (ii) all of Principal's rights pursuant to Sections 4(b) and (c) of that certain Partnership Services Affiliation Agreement, dated as of the date hereof, by and among Principal, Partnership Firm, HighTower Holding, LLC, a Delaware limited liability company and certain other parties thereto (collectively, the "Contributed Assets"), in exchange for a certain number of Units of Partnership Firm (the "Units"), as set forth in the LLC Agreement (as hereinafter defined).

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Id. § 1.

42. *Third*, the Principals, subsequently joined by the New Partners, founded HTB Holdings, a Washington Limited Liability Company to hold their interests in HTBA (as transitioned by way of the Unit Purchase Agreement, discussed further below). *See* Second Amended and Restated Operating Agreement of HTB Holdings LLC and the amendment thereto (the "HTB Holdings Agreement").

43. HTB Holdings' current ownership is divided into "Class A" owners (the Principals) and "Class B" owners (the New Partners). The current ownership structure of HTB Holdings is set forth in Schedule A of the HTB Holdings Agreement, and provides that Plaintiff Telos (which is 100% owned by Knudsen) holds 623,000 Class A Units (59.18% ownership). The remaining 40.82% ownership is held as follows: Stober owns 267,000 Class A Units (25.37% ownership), Williams-Gurian holds 110,000 Class A Units (10.45% ownership), Defendant Johnson owns 26,316 Class B Units (2.50% ownership), and Lailey owns 26,316 Class B Units (2.50% ownership).

44. The Board of Managers of HTB Holdings consists of Knudsen, Stober, and Williams-Gurian. *See* HTB Holdings Agreement § 6.3(a).

45. A Manager may only be removed by holders of a "Supermajority Interest," defined to mean 2/3 of outstanding Units. *Id.* §§ 2.1, 6.3(b). As such, Knudsen would only be removable as Manager with the consent of Plaintiff Telos, as the other remaining Units combined are insufficient to form a Supermajority Interest.[3]

46. The HTB Holdings Agreement further requires that the Board of Managers (i.e. Knudsen, Stober, and Williams-Gurian) to distribute the available proceeds from the "Fees and Commissions," which, as defined in the PSAA, are certain advisory fees and commissions received that, minus certain costs, comprise "Management Fees" that are paid, quarterly, by the Operating Company or other HighTower affiliate to HTBA (and which HTBA, in turn, distributes in part to

[3] No issuance of additional Units can be made without unanimous vote of all Members. *See* HTB Holdings Agreement § 4.12(b).

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HTB Holdings as one of its members). *See* HTB Holdings Agreement § 12.1, PSAA § 4, HTBA Agreement § 4.1.

47. *Fourth*, the Parties also entered into a Unit Purchase Agreement which was subsequently amended (the "UPA").

48. The UPA sets forth that (i) the Principals, who had owned all the interests in the Partner Firm, would sell a portion of HTBA's units to HighTower; (ii) that each of the Principals would contribute a portion of HTBA units to Defendant HT Holding, in exchange for HT Holding Common Units, (iii) that each Principal would transfer their remaining units in HTBA to HTB Holdings, and (iv) a discussion of when there would be a future purchase from HTB Holdings of units in HTBA by HighTower, and future contribution by HTB Holdings of units in HTBA to Defendant HT Holding. *See id.* at Recitals.

49. Pursuant to the UPA, Knudsen will be owed a further earn-out payment in 2026.

3. The Restrictive Covenants

50. In connection with the transaction, Knudsen also executed a document titled "Standard Protective Agreement (Sale-Based)" (the "Protective Agreement").

51. The Protective Agreement contains numerous restrictive covenants which are far in excess of the bounds of Washington or any other applicable law, and are not enforceable.

52. Among other things, the Protective Agreement purports to require an extremely broad non-solicitation, non-hire and non-interference clause, and non-competition clause:

> **Non-Solicitation, Non-Hire and Non-Interference**. During the term of the Partner Arrangements and for a period ending on the date that is the later of (i) 24 months immediately following the voluntary or involuntary termination of the Partnership Arrangements applicable to Principal for any reason and (ii) 48 months following the date of the last payment to Principal under the Transaction Agreement (the "Restricted Period"), Principal shall not, directly or indirectly, on Principal's own behalf or on behalf of any other Person, except on behalf of HighTower in furtherance of Principal's proper duties to HighTower, in connection with any "Triad Permitted Activities" (as defined in that certain Amended and Restated Limited Liability Company Agreement dated as of January 2, 2019, of the Partner Firm) or as expressly required to comply with

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any rule, regulation or code of conduct promulgated by the SEC, FINRA, the CFP Board or any state or federal regulatory entity (but excluding, for the avoidance of doubt, the Protocol for Broker Recruiting), in each case, to the extent applicable to Principal: a. contact, request, solicit, encourage or provide services to, or assist any Person in contacting, requesting, soliciting, encouraging or providing services to any Person who is (or was during the Restricted Period or during the twelve (12) month period preceding such action) a broker, financial advisor, employee, independent contractor, platform affiliated person, recruit, Customer, Prospective Customer or vendor of HighTower or the Partner Firm or any other Person with whom HighTower or the Partner Firm has (or had during the Restricted Period or during the twelve (12) month period preceding such action) a business relationship (the "Protected Business Contacts"), with the intent or effect of (i) providing any Protected Business Contact with any products, services and/or advice that are the same as or similar to any of the products, services and/or advice provided by HighTower or the Partner Firm, (ii) entering into any agreement, engagement or opportunity to provide any such products, services and/or advice to any Protected Business Contact, (iii) accepting or receiving any transfer or assets, accounts or confidential or personal information related to any Protected Business Contact and/or (iv) inducing any Protected Business Contact to cease doing business with or reduce the level of business it does with HighTower or the Partner Firm; b. (i) request, solicit or encourage, or assist any Person in requesting, soliciting or encouraging, or accept or assist any Person in accepting if offered with or without solicitation, the employment or services of any Person who is (or was during the Restricted Period or during the twelve (12) month period preceding such action or acceptance) an employee, independent contractor, financial advisor or broker of HighTower or the Partner Firm (or who is or was during the Restricted Period or during the twelve (12) month period preceding such action or acceptance the subject of HighTower's or the Partner Firm's recruitment efforts) (collectively, the "Protected Personnel"), (ii) request, solicit or encourage, or assist any Person in requesting, soliciting or encouraging, any Protected Personnel to terminate such Person's employment or engagement with HighTower or the Partner Firm or (iii) hire or engage, agree to hire or engage or assist any other Person in hiring or engaging the services of any Protected Personnel; or c. otherwise interfere with, reduce, or harm, attempt to interfere with, reduce or harm or assist any other Person in interfering with, reducing or harming HighTower's or the Partner Firm's relationships with any Protected Business Contacts or Protected Personnel. d. From and after the date of a valid termination of the Partnership Services and Affiliation Agreement pursuant to Section 12(b)(ii) thereof, (i) the restrictions set forth in Section 4a. with respect to Customers, Prospective Customers and vendors shall terminate, and (ii) the restrictions set forth in Section 4b. with respect to employees of HighTower who were actively involved in providing advisory services to Principal's clients during the 12-

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month period prior to such termination shall terminate.

Protective Agreement § 4.

> **Non-Competition**. During the Restricted Period, Principal shall not, directly or indirectly, on Principal's own behalf or on behalf of any other Person, except on behalf of HighTower or the Partner Firm in furtherance of Principal's proper duties to HighTower or in connection with a Triad Permitted Activity (i) own any interest in, manage, control, participate in, consult with or be or become engaged or involved in any Person engaged in or to engage in the Business within the United States or any other jurisdiction in which HighTower or the Partner Firm does business (the "Territory"), including by being or becoming an organizer, owner, co-owner, trustee, promoter, affiliate, investor, lender, partner, joint venturer, stockholder, officer, director, employee, consultant, licensor or advisor of, to or with any Person engaged in or to engage in the Business; or (ii) make any investment (whether equity, debt or other) in, lend or otherwise provide any money or assets to, or provide any guaranty or other financial assistance to any Person engaged in or to engage in the Business in the Territory; provided, however, that nothing in this Section 5 shall prevent Principal from owning, solely as an investment, equity securities of any corporation engaged in the Business which are publicly traded, if Principal (x) is not a controlling person of, or a member of a group which controls, such corporation, (y) does not directly or indirectly own more than two percent (2%) of any class of securities of such corporation, and (z) does not undertake any of the activities contemplated by this Section 5 with respect to such corporation (other than the purchase or ownership of such equity securities) and otherwise has no active participation in the business of such corporation. From and after the date of a valid termination of the Partnership Services and Affiliation Agreement pursuant to Section 12(b)(ii) thereof, the restrictions set forth in this Section 5 shall terminate.

Protective Agreement § 5.

53. The HTBA Agreement contains similarly-worded clauses (together with those under the Protective Agreement, the "Restrictive Covenants."). *See* HTBA Agreement § 6.7(b) and (c).

54. The Restrictive Covenants are not enforceable for a variety of reasons, including but limited to, being overbroad in geographic scope, duration, and scope of activity proscribed, and not supporting a legitimate business interest of the HighTower Defendants, and are therefore unconscionable.

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55. With respect to duration, the Restrictive Covenants are exceptionally long. Those under the Protective Agreement purport to extend to forty-eight months after the last payment to Knudsen under the UPA, which will itself will not be made until 2026. *See* Protective Agreement §§ 4, 5; UPA § 3. Thus, if the Protective Agreement is enforced, Knudsen will be prohibited from a broad array of conduct until 2030—approximately eleven years after he executed the Protective Agreement.

56. Similarly, under the HTBA Agreement, the similarly-worded Restrictive Covenants last until forty-eight months until after Knudsen no longer holds an interest in HTBA. Here, even if it were the case that Knudsen's interest in HTBA has been terminated as HighTower Defendants have asserted (which Plaintiffs deny), Knudsen would be bound by the Restrictive Covenants until 2028—nine years after he executed the HTBA Agreement. However, given that Knudsen's interest in HTBA has not been property terminated, the Restrictive Covenants will last even longer.

57. Furthermore, the geographic scope of the Restrictive Covenants is unlawful and unreasonable. Both under the Protective Agreement and under the HTBA Agreement, the Restrictive Covenants state that Knudsen from a wide swath of conduct anywhere in the "Territory," defined as "within the United States or any other jurisdiction in which [HighTower] does business." *See* Protective Agreement § 5; HTBA Agreement § 6.7(c). In other words, HighTower is purporting to prevent Knudsen for working anywhere in the United States and numerous unspecific countries. Such a far-reaching geographic scope is plainly overbroad and bears no reasonable relation to any legitimate business interest of HighTower as it relates to Knudsen.

58. The scope of prohibited conduct under the Restrictive Covenants is unreasonable as well. Both sets of Restrictive Covenants state that Knudsen shall not, in the overbroad "Territory," "own any interest in, manage, control, participate in, consult with or be or become engaged or involved in any Person engaged in or to engage in the Business," in *any* capacity, or "make any investment . . . in, lend or otherwise provide any money or assets to, or provide any

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guaranty or other financial assistance to any Person engaged in or to engage in the Business . . ." HTBA Agreement at § 6.7(c); Protective Agreement at § 5. "Business" is defined broadly in the HTBA Agreement as including (but not limited to) "providing wealth management, investment advisory and brokerage services or products relating and ancillary thereto investment management or advice . . . ." (Article I) and in the Protective Agreement as " the business of providing services or products relating to investment management or advice and product or services ancillary thereto" (§ 11(a)). In other words, for several years, Knudsen will be unable to practice his profession of over 35 years, anywhere in the United States and beyond.

59. Even the scope of the non-solicitation covenant is overbroad, stating, among other things, that Knudsen may not contact or provide competitive services to any HighTower customer, prospect, or *any other individual or entity* HighTower has a business relationship with, including "accepting or receiving any transfer or assets, accounts or confidential or personal information" related to those individuals or entities. HTBA Agreement, §6.7(b)(i); Protective Agreement, §4(a). In other words, Knudsen cannot service, for several years, even those clients that have worked with him for decades and which relationships he brought to HighTower. The Restrictive Covenants even purport to prohibit Knudsen from servicing clients who proactively reach out to him to seek his services—of which there are many. In short, the non-solicitation is a non-competition covenant under another name.

60. Separately, and independently, the Restrictive Covenants are unenforceable pursuant to RCW 49.62.005 *et seq.* insofar as they purport to bind Knudsen: (a) to a "noncompetition covenant" exceeding eighteen months; (b) when Knudsen did not receive "earnings" (as defined by the statute) that meet the statutory threshold for a noncompetition covenant; and/or (c) to a competition covenant that purports to require adjudication outside of the State of Washington and deprives Knudsen of the protections or benefits of Washington law.

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C. Defendants Johnson and Lailey Join HighTower in Late 2022, Transforming the Dynamic and Leading HighTower to Make Plaintiff Feel Unwelcome and Isolated in An Attempt to Push Him Out and Take His Business

61. Despite HighTower's representations throughout negotiations that they wanted to partner with Knudsen, it now is apparent the agreements and actions taken have been focused on HighTower's profits, unreasonable control with far-reaching agreements and taking action to abscond with Knudsen's livelihood. Knudsen was constantly assured that he would maintain his client relationships despite affiliating with HighTower. As the years passed, though, it soon became apparent that HighTower and the other Defendants in this action were more interested in his valuable client relationships than in continuing to work with him as a partner.

62. In late 2022, Hightower purchased a firm called "Sovereign Wealth Advisors." As part of that acquisition, three additional advisors, Defendants Tara Johnson Sharon Lailey and employee Scott Sheffield along with two staff were tucked into the HighTower Bellevue team. While Knudsen spent time getting to know the New Partners and was initially excited at the prospect of working with them, once they arrived the business experienced an immediate change in culture. Almost overnight, the business became fixated on lowering expenses and increasing profits over servicing clients, and became a hotbed for gossip, criticism, and negative comments.

63. In the year thereafter, Knudsen received continuous requests for a "plan" to transition clients in connection with his "retirement." While Knudsen did work on and engage in various conversations and discussions about how his clients would be transitioned, it would be over a very long period of time (10 years plus) and more for a contingency should he unexpectedly pass away.

64. Notwithstanding Knudsen's repeated statements that he had no intention of retiring anytime soon, the demand by Defendants for a plan with respect to his "retirement" increased in frequency and rhetoric during the past year. This was especially noted from Williams-Gurian as he and Johnson started working closer together.

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65. The New Partners and Williams-Gurian also wanted to change the revenue-sharing model that Knudsen had used for decades and they began to press for larger portions of fees for various clients for themselves. Williams-Gurian in particular became increasingly vocal about his interest in leadership and plans for when Knudsen would "retire," and the "transition plan" for his clients. Indeed, Knudsen's "client transition plan" was referred to by Williams-Gurian as the "number 1 strategic issue for 2024."

66. Knudsen was aware that the New Partners had joined HTBA with Scott Sheffield, who, despite being titled "Partner" on HTBA's website, did not have any equity in the HTB Holdings entity and was only an employee of HTBA and/or other HighTower affiliates.

67. Mr. Sheffield's status as an employee rather than an equity partner was surprising to Knudsen given Mr. Sheffield's breadth of experience and client relationships, both of which were more substantial than those of the New Partners.

68. On information and belief, Mr. Sheffield was effectively demoted due to an unspoken conflict with one or more of the New Partners, including with Johnson who regularly made comments disparaging him and claiming that she "almost sued" him multiple times. Indeed, the New Partners and/or Williams-Gurian went so far as to request that Mr. Sheffield never go to a meeting again without discussion and a vote. On information and belief, the New Partners regularly made false and/or defamatory complaints to HighTower Defendants against Mr. Sheffield in a deliberate attempt to push Mr. Sheffield out of the business when his employment contract expired.

69. Comments being made around planning for Mr. Sheffield's exit were not the only parallel to Knudsen's treatment; indeed, the New Partners made similar comments and suggestions regarding decreasing responsibility and pay to Stober, or suggestions that Stober purportedly had poor performance or was "overpaid."

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70. On information and belief, the New Partners and Williams-Gurian were emboldened by their efforts to push out Mr. Sheffield, to pay Stober less, and to fire or to stop paying certain employees, and soon set their sights on Knudsen.

71. On information and belief, the New Partners and/or Williams-Gurian made a series of false, unsubstantiated, and defamatory complaints against Knudsen to HighTower Defendants and/or the other Principals, such as asserting that there was a lack of attention to Knudsen's accounts, which Knudsen unequivocally denies.

72. The New Partners and/or Williams-Gurian similarly began a campaign of isolating Knudsen and/or Stober, making comments such as "it is now obvious that things need to change around here," telling Knudsen that a "change" or "collaboration" was needed and that if Knudsen did not start "working differently," then Knudsen and/or Stober would be on an "island by themselves," changing agendas prepared by Knudsen for team meetings (and then sent out as if from Knudsen).

73. Defendants, in direct violation of the HTBA Agreement and HTB Holding Agreement (which require Knudsen and/or Plaintiff Telos's consent prior to taking material actions) then began a campaign in 2023 of terminating and/or taking other aggressive business practices toward the support staff or other employees which Knudsen trusted and relied upon, without Knudsen's consent, including terminating an up-and-coming employee of the business, Kyle Balcos, and terminating Knudsen's administrative assistant, a single mother. On information and belief all of these terminations were on pretextual grounds. Furthermore, Knudsen's son, co-advisor Erik Knudsen, experienced wage theft without Knudsen's consent, where Erik Knudsen was demanded to work six months without any pay (to offset claimed excess hours) in violation of Washington law.

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D. HighTower Defendants "Terminate" Knudsen on Flimsy Pretexts and in Violation of the PSAA's Procedures

74. In or around January 2024, HighTower Defendants began a series of Zoom calls in which they interrogated Knudsen on matters that were immaterial and readily explained. It was apparent over the course of these meetings that HighTower Defendants had no real interest in hearing Knudsen's explanations, and instead were looking for any excuse to get rid of him.

75. In the first of these meetings, HighTower Defendants grilled Knudsen on the consulting fees paid to Triad from the "Keeler Agreement," which as Knudsen explained was nothing more than a tax strategy proposed by the consulting client's tax attorney, and which was already previously approved by HighTower Defendants' own compliance team. HighTower Defendants also accused Knudsen of continuing to offer consulting through approved independent company Triad, which they contended went beyond the "Triad Permitted Activities" referenced in his restrictive covenants. Knudsen explained that the intent of the agreement was to have Triad continue to operate as it had, with income for consulting and insurance. Knudsen offered communications from prior emails to validate this.[4] Moreover, as acknowledged by HighTower Defendants, the other Principals had all understood this and received consulting income from Triad, and Knudsen was being singled out independently. In any event, Knudsen offered to remedy the situation by discontinuing consulting with Triad and having him and the other Principals all pay their respective portion of restitution to HighTower Defendants for any fees owed, as the entire situation had been an obvious misunderstanding by all Principals.

76. In or around a couple of weeks later, Knudsen was called into a second Zoom meeting with HighTower Defendants.

77. At this meeting, HighTower Defendants asked Knudsen about an incident five or more years before, in which Knudsen had worn a firearm in the office, which HighTower

[4] Due to Defendants' "termination" of Plaintiff Knudsen, these emails are now in the sole custody and control of Defendants.

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Defendants inaccurately characterized as "brandishing" a firearm. Knudsen explained to them that he has a license to carry a firearm, but that he intentionally does not bring his firearm (a handgun) into the office. Knudsen further explained that he rarely carries his firearm at all, but did recall one time, years prior, when he had driven to the office later in the day and had forgotten that he was wearing his firearm, and had inadvertently walked into the office while wearing his firearm (underneath his suit coat or sport jacket). A coworker asked Knudsen if he "was carrying," and the coworker showed Knudsen his briefcase with an internally-designed sleeve for his (the co-worker's) own firearm. Knudsen specifically informed the coworker that they cannot bring these firearms into the office. In any event, the coworker's comments alerted Knudsen to the fact that he was inadvertently still wearing a firearm, and he immediately and swiftly left the office to deposit the firearm into his locked automobile glove compartment for safekeeping. At no time did Knudsen take the firearm out of its holster in the office or otherwise "brandish" it in the office.

78. HighTower Defendants also asked Knudsen if he had "brandished a gun" at a grocery store or otherwise been escorted from a grocery store by the police. Knudsen explained that he had not been carrying a firearm at the time, but that, at the height of the COVID-19 pandemic he was at the grocery store and had pulled down his mask to speak on the phone. The store manager called the police who came and walked with him after Knudsen bought his items and was leaving the store. Knudsen was not arrested or brought to the police station, and once outside the store the police officers made conversation with Knudsen about their need to respond to frequent calls like this given the pandemic environment, and thanked Knudsen for his polite demeanor. Knudsen had recently shared this story at a team event as he and his colleagues were reflecting on that time in history, which, on information and belief, is the reason HighTower Defendants became aware of the story. In any event, the matter had nothing to do whatsoever with a firearm, and is a clear example exaggerated and/or fabricated statements used as a pretext to eliminate Knudsen from his position.

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79. On information and belief, HighTower Defendants were only aware of the incident because Knudsen had previously told the story to coworkers as an interesting anecdote.

80. On either that same Zoom call or a subsequent Zoom call, in or around early February, HighTower Defendants asked Knudsen about some minor personal charges made to his company credit card, including *de minimis* charges made at a Home Depot. Knudsen explained that any personal charges on his credit card would have been inadvertent (i.e. that he may have accidentally given the incorrect card), and that Knudsen does not review his charges. Rather, his administrative assistant reviews them, and then Defendant Stober—who is the administrative Managing Member—is responsible for reviewing, approving, and paying the credit card statements. Knudsen understood that any corrections which would have needed to be made would have been made. If there were further corrections, these could have been raised at the time, and that they were not would only be due to poor oversight by those responsible for approving and paying the credit card statement. Furthermore, Hightower Defendants would not have been damaged by these *de minimis* charges as its income is taken from gross revenue before these expenses occur, and the only damage would be to the partners (of whom Knudsen was the majority shareholder). In any event, Knudsen was happy to remedy the situation by paying back any inadvertent personal charges.

81. HighTower Defendants also claimed there were expenses for purchases at a coffee shop, which they claimed his wife "owned." Knudsen explained that his wife did not own a coffee shop.

82. HighTower Defendants also asked Knudsen if he had ever brandished a weapon when firing an employee. Knudsen categorically denied this, and Knudsen understands that the former employee also denies this.

83. On or about February 26, 2024, Knudsen was called into a Zoom call with HighTower, including Scott Kees, HighTower's Chief Administrative and Legal Officer, and

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Sarah Musante, HighTower's outgoing Chief Human Resources Officer. On this call, Kees told Knudsen for the first time that Knudsen would be terminated from the PSAA.

84. Despite the plain language of Section 12(b)(i) of the PSAA requiring that Hightower to provide "written notice of such breach, and, if such breach is curable . . . ninety (90) days to cure . . . .," Plaintiff was not provided with *any* reason for his termination, much less notice of any "breach" of the PSAA or opportunity to cure, and instead was simply told "you won't be surprised" and, on Knudsen's repeated requests for a reason, that the reasons "would follow" in a written letter. Well, contrary to Kees's assertion, Knudsen was shocked and severely caught off guard by this alleged termination, especially after Kees had previously told Knudsen that any issue with fees that HighTower believes it should have been paid could be subject to a plan from payment from the Principals who had done the consulting work.

85. The written letter which followed a few days later, on February 28, 2024, however, did not provide any further detail, and merely stated that Knudsen's affiliation with HighTower Defendants was being terminated pursuant to Section 12(b)(i) of the PSAA, threatening Knudsen by copy-pasting certain of the overbroad non-compete clauses which HighTower Defendants contend he is subject, and incorrectly contending that Knudsen's equity in HTBA "is subject to repurchase at a price [of] $0" but that it would make an offer under separate cover for that equity.

86. On March 1, 2024, Knudsen responded, through counsel, by letter, and on March 8, 2024, Knudsen responded further, by counsel, through a second letter. In the March 8, 2024 letter, Knudsen explained that (i) it is obvious that HighTower Defendants concocted a baseless and meritless "investigation" which was predestined to identify a breach of the PSAA on the eve of HighTower's own rumored search for an acquirer, (ii) that HighTower Defendants' letter did not provide the reasons for his termination, (iii) that the restrictive covenants referenced in HighTower Defendants' letter are not enforceable, and (iv) that Knudsen remains a member of HTBA (indirectly through the HTB Holdings), and that any attempt on the part of HighTower Defendants to influence the affairs of HTB Holdings, such as the rights of HTB Holdings to receive

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distributions from HTBA, would be tantamount to tortious interference of Knudsen's business expectancy. Knudsen enclosed a reasonable offer to resolve the matter.

87. True to form and consistent with HighTower Defendants' pattern and practice seen in multiple other litigations with pushed-out investment advisors, on March 14, 2024 HighTower Defendants replied, through counsel, by letter (the "March 14 Letter"), not with any counteroffer or reasonable explanation of Knudsen's termination and opportunity to cure, but with a host of falsehoods and threats, evidently in the hopes of scaring Plaintiff away from pursing his rights, and an express statement that HighTower Defendants planned to defame Plaintiff to both regulators and Knudsen's longstanding customers.

88. In particular, the March 14 Letter falsely accuses Knudsen of the following language quoted in bold (which is followed by the alleged facts demonstrating that the bolded statements are false, unsubstantiated, and defamatory:

a. "**diverted revenue away from Hightower and his partners in violation of his agreements**": This is simply not the case. To the extent the March 14 letter is referring to the Triad consulting fees, this was an action all HTB Advisors participated in and we all believed it was permissible based on prior communications with HighTower;

b. "**improperly submitted personal expenses for reimbursement as business expenses, and admitted to doing so**": As noted above, any such expenses were inadvertent, *de minimis*, and readily remedied and are not a material breach such to justify termination under the PSAA;

c. "**regularly and improperly expended visits to a restaurant owned by his wife in Arizona, despite there being only one active client in Arizona**": This is simply false on a number of levels. Knudsen's wife does not own a restaurant in Arizona, she owns an interest in a building in Arizona where Knudsen has had some meetings, none of which led to compensation being provided to his wife; moreover, Knudsen has multiple clients in Arizona, not "only one," and he has additional clients based elsewhere who visit him in Arizona. Furthermore, Knudsen has over twenty client relationships that he is working on developing in Arizona.

d. "**encouraged Hightower clients to invest in outside real estate investments in which his wife had an interest**": This is highly misleading, as Knudsen had reviewed this referral for this opportunity for clients with HighTower's internal compliance team years ago. Knudsen had also brought to HighTower's compliance team's attention the details of the referrals and projects and was given direction by HighTower's compliance team as to what steps should be taken, which Knudsen diligently completed. Moreover, Knudsen had monthly meetings with the

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compliance department where they were updated and aware of the status of these projects, and further, had not suggested this investment to clients in a number of years.

89. The March 14 letter also makes reference to "improper and threatening behavior directed toward Hightower staff (including bringing a firearm on Hightower's premises)" which, as Knudsen had already explained to HighTower Defendants, was simply a one-off event years before, and as soon as Knudsen was made aware that he was inadvertently still carrying a firearm, he brought it outside the office and locked it in his car. As to his "behavior," Knudsen's reputation for his kind demeanor and level-headed approach in a career spanning over thirty-five years can be attested to by multiple employees and others. Any suggestion otherwise is simply a false and defamatory statement.

90. The March 14 Letter also, incorrectly, suggested that Knudsen's membership interest in HTBA "has been terminated" and that "any direct or indirect interest previously held by Knudsen have been redeemed at the original contributed price of $0.00, despite the HTBA Agreement requiring Knudsen's consent to take such actions.

91. The March 14 Letter further, incorrectly, suggested that Knudsen would not have access to HTBA or HTB Holdings' properties and systems, despite Knudsen remaining a direct or indirect member, with direct or indirect management authority, in both entities.

92. The Management Fee was scheduled to be paid to Plaintiffs on March 15, 2024. Plaintiffs did not receive their scheduled distribution of the Management Fee.

D. Defendants Begin a Defamatory Smear Campaign Against Knudsen to His Longstanding and Valuable Clients and Have Previewed that They Intend to Defame Knudsen to a Regulator

93. Shortly after Knudsen's "termination," Knudsen's longstanding clients began contacting him to alert him that Defendants, including HighTower Defendants and the Partner Defendants, were claiming that Knudsen was "retired" and/or was terminated for cause.

94. Neither of these are true, and the suggestion otherwise is extremely damaging to Knudsen's reputation with his longstanding clients and in the industry.

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CAUSES OF ACTION

COUNT I

BREACH OF CONTRACT - PSAA
(Against HighTower, HighTower Advisors LLC, HighTower Bellevue Opco, LLC, and HighTower Securities, LLC)

95. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

96. On or about December 31, 2018, the PSAA was entered into by HighTower, HighTower Advisors LLC, HighTower Bellevue Opco, LLC, and HighTower Securities, LLC (together referred to in the PSAA as "HighTower Parties") and HTBA, Knudsen, Stober, and Williams-Gurian on the other hand.

97. Pursuant to Section 12(b)(i), the HighTower Parties could only terminate Knudsen upon a "material breach," and, moreover, were required to provide Knudsen with notice of said material breach and, if curable, ninety days opportunity to cure.

98. In breach of the PSAA, the HighTower Parties purported to terminate Knudsen pursuant to Section 12(b)(i) of the PSAA on pretextual grounds and when Knudsen had not committed any material breach of the PSAA.

99. In breach of the PSAA, the HighTower Parties did not provide Knudsen with the reasons for his purported termination or any opportunity to cure.

100. Knudsen has performed all of his obligations under the PSAA.

101. The HighTower Parties' breach of the PSAA have damaged Knudsen in an amount to be determined at trial.

COUNT II

BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING - PSAA
(Against HighTower, HighTower Advisors LLC, HighTower Bellevue Opco, LLC, and HighTower Securities, LLC)

102. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

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103. Every party to a contract owes an implied obligation of good faith and fair dealing that prohibits the party from engaging in any conduct that denies or otherwise deprives the other party of the benefits of the contract. The covenant requires that the parties perform in good faith the obligations imposed by their agreement.

104. Knudsen has performed and satisfied all of his obligations under the PSAA.

105. HighTower Parties acted in bad faith and without good cause when they wrongfully purported to terminate Knudsen pursuant to Section 12(b)(i) of the PSAA on pretextual grounds and when Knudsen had not committed any material breach of the PSAA.

106. HighTower Parties acted in bad faith and without good cause when they wrongfully purported to terminate Knudsen without providing a notice of the reason for termination or opportunity to cure.

107. HighTower Parties' acts have damaged Knudsen in an amount to be determined at trial.

COUNT III

BREACH OF CONTRACT – HTBA Agreement (Against HighTower and the Partner Defendants)

108. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

109. On or about January 2, 2019, the HTBA Agreement was initially entered into by Knudsen, Stober, and Williams-Gurian.

110. By way of the UPA, HighTower and HTB Holdings became party to the HTBA Agreement.

111. Knudsen, indirectly through Plaintiff Telos, is an indirect member in HTBA by way of Plaintiff Telos's interest in HTB Holdings, and owns a majority of the Units in HTBA.

112. The Partner Defendants are party to the HTBA Agreement by way of their interest in HTB Holdings.

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113. The HTBA Agreement provides that "all material or non-ordinary course decisions should be referred to and addressed by the Majority Members." *Id.* § 5.1(a).

114. "Majority Members" are defined to mean "the Members holding a majority of the Units, including [Plaintiff] Knudsen." *See* HTBA Agreement §§ 1, 5.1(a).

115. In breach of the HTBA Agreement, several decisions were made without Knudsen's consent, including but not limited to: terminations of various personnel from HTBA (including HTBA's bookkeeper, Knudsen's secretary, and a co-advisor), withholding of Plaintiff's son's salary for six months, and purporting to terminate Knudsen and/or redeem Knudsen's interest in HTBA for $0.00.

116. Plaintiffs have performed and satisfied all of their obligations under the HTBA Agreement.

117. HighTower and the Partner Defendants' acts have damaged Plaintiffs in an amount to be determined at trial.

118. Moreover, and separately, Knudsen would be irreparably harmed if forced to lose his client relationships and not permitted to continue his business, and injunctive relief preventing Knudsen's termination from the HTBA Agreement is appropriate.

COUNT IV

BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING – HTBA Agreement (Against HighTower and the Partner Defendants)

119. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

120. Every party to a contract owes an implied obligation of good faith and fair dealing that prohibits the party from engaging in any conduct that denies or otherwise deprives the other party of the benefits of the contract. The covenant requires that the parties perform in good faith the obligations imposed by their agreement.

121. Knudsen has performed and satisfied all of his obligations under the PSAA.

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122. HighTower and the Partner Defendants acted in bad faith and without good cause when they made material decisions were without Knudsen's consent, including but not limited to: terminations of various personnel from HTBA (including HTBA's bookkeeper, Knudsen's secretary, and a co-advisor), withholding of Plaintiff's son's salary for six months, and purporting to terminate Knudsen and/or redeem Knudsen's interest in HTBA for $0.00, and deny Knudsen access to HTBA's systems and records.

123. HighTower and Partner Defendants' acts have damaged Knudsen in an amount to be determined at trial.

124. Moreover, and separately, Knudsen would be irreparably harmed if forced to lose his client relationships and not permitted to continue his business, and injunctive relief preventing Knudsen's termination from the HTBA Agreement is appropriate.

COUNT IV

BREACH OF CONTRACT– HTB Holdings Agreement (Against the Partner Defendants)

125. Knudsen, indirectly through Plaintiff Telos, and the Partner Defendants, are parties to the HTB Holdings Agreement.

126. HTB Holdings' current ownership is divided into "Class A" owners (the Principals) and "Class B" owners (the New Partners). The current ownership structure of HTB Holdings is set forth in Schedule A of the HTB Holdings Agreement, and provides that Plaintiff Telos (which is 100% owned by Knudsen) holds 623,000 Class A Units (59.18% ownership). The remaining 40.82% ownership is held as follows: Stober owns 267,000 Class A Units (25.37% ownership), Williams-Gurian holds 110,000 Class A Units (10.45% ownership), Defendant Johnson owns 26,316 Class B Units (2.50% ownership), and Lailey owns 26,316 Class B Units (2.50% ownership).

127. The Managers of HTB Holdings are Knudsen, Stober, and Williams-Gurian. *See* HTB Holdings Agreement § 6.3(a).

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128. A Manager may only be removed by holders of a "Supermajority Interest," defined to mean 2/3 of outstanding Units. *Id.* §§ 2.1, 6.3(b). As such, Knudsen would only be removable as Manager with the consent of Plaintiff Telos, as the remaining Units combined are insufficient to form a Supermajority Interest.[5]

129. In purporting to terminate Knudsen as a Manager of HTB Holdings without Plaintiff Telos's consent, the Partner Defendants have acted in breach of the HTB Holdings Agreement.

130. In purporting to terminate Plaintiff Telos as a Member of HTB Holdings without Plaintiff Telos's consent, the Partner Defendants have acted in breach of the HTB Holdings Agreement.

131. In denying Plaintiffs' access to HTB Holdings' systems and records, the Partner Defendants have acted in breach of the HTB Holdings Agreement.

132. The HTB Holdings Agreement further requires that the Board of Managers (i.e. Knudsen, Stober, and Williams-Gurian) to distribute the available proceeds from the "Fees and Commissions," which, as defined in the PSAA, are certain advisory fees and commissions received that, minus certain costs, comprise "Management Fees" that are paid, quarterly, by the Operating Company or other HighTower affiliate to HTBA (and which HTBA, in turn, distributes in part to HTB Holdings as one of its members). *See* HTB Holdings Agreement § 12.1, PSAA § 4, HTBA Agreement § 4.1.

133. On information and belief, HTB Holdings received a scheduled distribution on March 15, 2024 of the Management Fee.

134. Plaintiff Telos, as a Class A Member, and/or Knudsen as the 100% owner of Plaintiff Telos was entitled to their share of the Management Fee.

[5] No issuance of additional Units can be made without unanimous vote of all Members. *See* HTB Holdings Agreement § 4.12(b).

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135. By not distributing the Management Fee to Plaintiffs, the Partner Defendants acted in breach of the HTB Holdings Agreement.

136. On information and belief, the Partner Defendants do not intend to distribute the Management Fee to Plaintiffs on an ongoing basis, in breach of the HTB Holdings Agreement.

137. Plaintiffs have performed and satisfied all of their obligations under the contract.

138. HighTower and Partner Defendants' acts have damaged Knudsen in an amount to be determined at trial.

139. Moreover, and separately, Knudsen would be irreparably harmed if forced to lose his client relationships and not permitted to continue his business, and injunctive relief preventing Knudsen's termination from the HTB Holdings Agreement is appropriate.

COUNT V

BREACH OF COVENANT OF GOOD FAITH AND FAIR DEALING – HTB Holdings Agreement (Against the Partner Defendants)

140. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

141. Every party to a contract owes an implied obligation of good faith and fair dealing that prohibits the party from engaging in any conduct that denies or otherwise deprives the other party of the benefits of the contract. The covenant requires that the parties perform in good faith the obligations imposed by their agreement.

142. Plaintiffs have performed and satisfied all of their obligations under the HTB Holdings Agreement.

143. Partner Defendants acted in bad faith and without good cause when they purported to terminate Knudsen as a Manager of HTB Holdings without Plaintiff Telos's consent, purported to terminate Plaintiff Telos as a member of HTB Holdings without Plaintiff Telos's consent, denying Plaintiffs' access to HTB Holdings' systems and records, and failing to distribute to Plaintiffs' their portion of the Management Fee.

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144. Partner Defendants' acts have damaged Knudsen in an amount to be determined at trial.

145. Moreover, and separately, Knudsen would be irreparably harmed if forced to lose his client relationships and not permitted to continue his business, and injunctive relief preventing Knudsen's termination from the HTB Holdings Agreement is appropriate.

COUNT VI

CONVERSION
(Against all Defendants)

146. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

147. Partner Defendants have converted for themselves Plaintiffs' portion of the Management Fee to which they were not entitled, thereby committing embezzlement and taking wrongful distribution to the detriment of Plaintiffs.

148. Partner Defendants have purported to convert for themselves Plaintiffs' interest in HTB Holdings.

149. HighTower Defendants have purported to convert for itself Plaintiffs' interest in the HTBA by claiming to have "redeemed" it for "$0.00."

150. HighTower Defendants have purported to convert for themselves Plaintiffs' equity interest in HT Holding.

151. Defendants have purported convert for themselves Plaintiffs' valuable client contacts and relationships.

152. Defendants' acts have harmed Plaintiffs and have damaged them in an amount to be proven at trial.

153. Moreover, and separately, Knudsen would be irreparably harmed if forced to lose his client relationships and not permitted to continue his business, and injunctive relief preventing conversion of these resources is appropriate.

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COUNT VII

UNJUST ENRICHMENT
(Against All Defendants)

154. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

155. Partner Defendants have unlawfully taken for themselves Plaintiffs' portion of the Management Fee to which they were not entitled, thereby committing embezzlement and taking wrongful distribution to the detriment of Plaintiffs.

156. Partner Defendants have purported to unlawfully take for themselves Plaintiffs' interest in HTB Holdings.

157. HighTower Defendants have purported to unlawfully take for themselves Plaintiffs' interest in the HTBA by claiming to have "redeemed" it for "$0.00."

158. HighTower Defendants have purported to unlawfully take for themselves Plaintiffs' equity interest in HT Holding.

159. Defendants have purported to unlawfully take for themselves Plaintiffs' valuable client contacts and relationships.

160. It would be unjust for Defendants to retain the aforementioned benefits received at Plaintiffs' expense.

161. Defendants' acts have harmed Plaintiffs and have damaged them in an amount to be proven at trial.

162. Moreover, and separately, Knudsen would be irreparably harmed if forced to lose his client relationships and not permitted to continue his business, and injunctive relief preventing unjust taking of these resources is appropriate.

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COUNT VIII

BREACH OF FIDUCIARY DUTIES
(Against Partner Defendants)

163. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

164. As Members in HTB Holdings and, with respect to Principals, as Managers of HTB Holdings, the Partner Defendants owed Plaintiffs fiduciary duties of care, loyalty, and good faith to Plaintiffs.

165. The Partner Defendants breached these duties when they, among other things, purported to terminate Knudsen as a Manager of HTB Holdings without Plaintiff Telos's consent, purported to terminate Plaintiff Telos as a member of HTB Holdings without Plaintiff Telos's consent, denying Plaintiffs' access to HTB Holdings' systems and records, and failing to distribute to Plaintiffs' their portion of the Management Fee.

166. Partner Defendants' acts have damaged Knudsen in an amount to be determined at trial.

167. Moreover, and separately, Knudsen would be irreparably harmed if forced to lose his client relationships and not permitted to continue his business, and injunctive relief preventing Knudsen's termination from the HTB Holdings Agreement is appropriate.

COUNT IX

TORTIOUS INTERFERENCE
(Against All Defendants)

168. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

169. Plaintiffs have a business expectancy with respect to their clients. Many of these clients have been serviced by Plaintiffs for decades, and planned to continue to be serviced by Plaintiff for years in the future.

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170. Defendants are well-aware of Plaintiffs' client relationships; indeed, part of why Defendants formed a relationship with Plaintiffs was because of Plaintiffs' longstanding client relationships.

171. A number of clients have reached out to Knudsen to inform him that Defendants have—falsely—represented that Knudsen retired and, when pressed, subsequently claimed—again, falsely—that Plaintiff Knudson was terminated because of wrongdoing.

172. In the March 14 Letter, Defendants insinuated that they intended to share the Form U5 detailing Knudsen's (alleged) wrongdoing which would include false and defamatory statements with clients.

173. Defendants' interference with Plaintiffs' business relationships has been accomplished through improper means and for an improper purpose.

174. Defendants' interference with Plaintiffs' business relationships have damaged them in an amount to be proven at trial.

175. Moreover, and separately, Plaintiffs would be irreparably harmed by further threats to their business relationships, and equitable relief is appropriate.

COUNT X

DECLARATORY JUDGMENT
(Against All Defendants)

176. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

177. As set forth herein, the Restrictive Covenants, including those found in the Protective Agreement and the HTBA Agreement, are overbroad and unenforceable, including as to duration, geographic scope, and scope of purportedly prohibited conduct. The Restrictive Covenants are also unenforceable because they are far broader than necessary to protect any legitimate business interest of Defendants (if any).

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178. As set forth herein, the Restrictive Covenants are further, and separately, unenforceable under RCW 49.62.005 *et seq*.

179. Defendants have indicated they intend to enforce the Restrictive Covenants.

180. Plaintiffs are entitled to a declaratory judgment that the Restrictive Covenants are not enforceable.

181. Plaintiffs are also entitled to recover the greater of their actual damages or a statutory penalty of five thousand dollars, plus their reasonable attorneys' fees, expenses, and costs incurred in this proceeding, pursuant to RCW 49.62.080(3).

COUNT XI

INJUNCTIVE RELIEF
(Against All Defendants)

182. Plaintiffs hereby repeat, reallege, and incorporate by reference each and every allegation contained in all preceding paragraphs as though set forth in full herein.

183. Plaintiffs have a clear legal or equitable right to prevent Defendants from (1) filing a Form U5 or IAPD Notice of Termination containing false, unsubstantiated, or defamatory information about Knudsen; (2) disseminating any such filing to anyone other than a regulatory authority, or suggesting or stating that anything in such a filing is in any way supported or endorsed by any such government or regulatory authority; (3) taking any action with respect to HTB Holdings in violation of the HTB Holdings Agreement; (4) taking any action with respect to HTBA in violation of the HTBA Agreement; (5) enforcing the overbroad, unenforceable, and unconscionable restrictive covenants contained in the parties' various agreements against Knudsen; and (6) otherwise unlawfully interfering with Plaintiffs' relationships with their clients and prospects.

184. Plaintiffs have a well-grounded fear of immediate invasion of that right.

185. The acts complained of herein by the Plaintiffs are either resulting in, or will result in, actual and sustained injury to the Plaintiffs.

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186. The Court should issue a preliminary injunction enjoining Defendants from performing the above-referenced actions during the pendency of this action.

187. The Court should issue a permanent injunction enjoining Defendants from the above-referenced actions.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully pray for the following relief:

A. That the Court award damages with prejudgment interest to Plaintiffs in an amount to be determined at trial;

B. That the Court award Plaintiffs their attorneys' fees, expenses, and costs as permitted under the law, contract, and equity, including under RCW 49.62.080;

C. That the Court grant injunctive relief, including, but not limited to, preventing Defendants from (1) filing a Form U5 or IAPD Notice of Termination containing false, unsubstantiated, or defamatory information about Knudsen; (2) disseminating any such filing to anyone other than a regulatory authority, or suggesting or stating that anything in such a filing is in any way supported or endorsed by any such government or regulatory authority; (3) taking any action with respect to HTB Holdings in violation of the HTB Holdings Agreement; (4) taking any action with respect to HTBA in violation of the HTBA Agreement; (5) enforcing the overbroad, unenforceable, and unconscionable restrictive covenants contained in the parties' various agreements against Knudsen; and (6) otherwise unlawfully interfering with Plaintiffs' relationships with their clients and prospects

D. That the Court enter a declaratory judgment that the Restrictive Covenants are not enforceable;

E. For such other and further relief as the Court deems reasonable and proper.

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Respectfully submitted this 20th day of March, 2024.

SEYFARTH SHAW LLP

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