

Ault Alliance Subsidiary Files Lawsuit Against Singing Machine CEO Gary Atkinson and Other Directors Who Approved Highly Dilutive Related Party Stock Sale

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Complaint Alleges Director Defendants Breached Fiduciary Duties by Approving Stock Sale to Affiliates of Directors Jay Foreman and Mathieu Peloquin at an Inadequate Price and Engaged in a Deeply Flawed Process

Asks Court to Rescind the Transaction and Award Damages

LAS VEGAS--(BUSINESS WIRE)-- [Ault Alliance, Inc.](#) (NYSE American: AULT), a diversified holding company (“**Ault Alliance**” or the “**Company**”), today announced that its subsidiary Ault Lending, LLC (“**Ault Lending**”), which owns approximately 28.2% of the shares of The Singing Machine Company, Inc. (NASDAQ: MICS) (“**Singing Machine**” or “**MICS**”), has initiated a derivative lawsuit by filing a verified complaint (the “**Complaint**”) alleging breach of fiduciary duties relating to Singing Machine’s recent sale of an aggregate of 2,197,802 shares, amounting to 34% of the shares outstanding, to Regalia Ventures, LLC and Stingray Group, Inc. (TSE: RAY.A).

Ault Lending alleges that the director defendants violated their fiduciary duties of care and loyalty in approving the transaction at an inadequate price following a deeply flawed process led by Singing Machine CEO Gary Atkinson, resulting in two directors, Jay B. Foreman and Mathieu Peloquin, through affiliates, holding a collective 43.2% ownership stake in MICS. The Complaint details the actions of Mr. Atkinson and the other defendant directors in the lead-up to the transaction, which Ault Lending believes demonstrate poor corporate governance and bad faith at every step: rushed negotiations run by interested parties; failure to conduct an appropriate market check and obtain an opinion from a financial advisor; refusal to appoint a special committee of independent directors to review and approve a related party transaction; improper exclusion of certain directors from board communications; inadequate notice of board meetings; refusal to engage on potential superior proposals; deciding votes cast by interested directors over the objection of other board members, and ultimately approval of a massively-dilutive transaction on financial terms detrimental to Singing Machine and its stockholders, but favorable to the directors who obtained the shares.

Ault Lending is seeking (i) declarations that the director defendants breached their fiduciary duties to stockholders, and that Stingray and Regalia Ventures aided and abetted those breaches, (ii) for the court to rescind the transaction; and (iii) an award of damages and payment of expenses.

Milton “Todd” Ault, III, founder and Executive Chairman of Ault Alliance and Executive Chairman of the Singing Machine, stated, “It is extremely unfortunate that Singing Machine’s CEO and the other directors supporting him decided to approve this outrageous transaction giving them de facto control over the Singing Machine. We tried to work constructively with other board members to address issues at Singing Machine, and only filed this lawsuit after it became clear that we do not have good faith partners. Make no mistake, we intend to take any and all actions necessary to protect the interests of our fellow stockholders.”

The Complaint was filed on December 21, 2023 in the Delaware Chancery Court (Case No. 2023-1282) against (i) Singing Machine, (ii) Chief Executive Officer and director Gary Atkinson, Vice President of Global Sales and Marketing and director Bernardo Melo, and directors Jay B. Foreman, Harvey Judkowitz, Joseph Kling, and Mathieu Peloquin, (iii) Stingray Group, Inc., an affiliate of Mr. Peloquin, and (iv) Regalia Ventures, LLC, an entity owned and controlled by Mr. Foreman.

For more information on Ault Alliance and its subsidiaries, Ault Alliance recommends that stockholders, investors, and any other interested parties read Ault Alliance's public filings and press releases available under the Investor Relations section at www.Ault.com or at www.sec.gov.

About Ault Alliance, Inc.

Ault Alliance, Inc. is a diversified holding company pursuing growth by acquiring undervalued businesses and disruptive technologies with a global impact. Through its wholly and majority-owned subsidiaries and strategic investments, Ault Alliance owns and operates a data center at which it mines Bitcoin and offers colocation and hosting services for the emerging artificial intelligence ecosystems and other industries, and provides mission-critical products that support a diverse range of industries, including a metaverse platform, oil exploration, crane services, defense/aerospace, industrial, automotive, medical/biopharma, consumer electronics, hotel operations and textiles. In addition, Ault Alliance extends credit to select entrepreneurial businesses through a licensed lending subsidiary. Ault Alliance's headquarters are located at 11411 Southern Highlands Parkway, Suite 240, Las Vegas, NV 89141; www.Ault.com.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements generally include statements that are predictive in nature and depend upon or refer to future events or conditions, and include words such as "believes," "plans," "anticipates," "projects," "estimates," "expects," "intends," "strategy," "future," "opportunity," "may," "will," "should," "could," "potential," or similar expressions. Statements that are not historical facts are forward-looking statements. Forward-looking statements are based on current beliefs and assumptions that are subject to risks and uncertainties.

Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update any of them publicly in light of new information or future events. Actual results could differ materially from those contained in any forward-looking statement as a result of various factors. More information, including potential risk factors, that could affect the Company's business and financial results are included in the Company's filings with the U.S. Securities and Exchange Commission, including, but not limited to, the Company's Forms 10-K, 10-Q and 8-K. All filings are available at www.sec.gov and on the Company's website at www.Ault.com.

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