

REFINITIV

DELTA REPORT

10-Q

ANZU SPECIAL ACQUISITION

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2803
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 CHANGES	33
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 DELETIONS	1245
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 ADDITIONS	1525
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

to

Commission File Number - 001-40133

Anzu Special Acquisition Corp I
(Exact name of registrant as specified in its charter)

Delaware

86-1369123

Delaware

(State or other jurisdiction of
incorporation or organization)

86-1369123

(I.R.S. Employer
Identification No.)

4875 White Bear Parkway
White Bear Lake, MN

55110

12610 Race Track Road, Suite 250

Tampa, Florida

(Address of principal executive offices)

33626

(Zip Code)

Registrant's telephone number, including area code: (202)(877) 900-3277 742-5870

Anzu Special Acquisition Corp I
12610 Race Track Road, Suite 250
Tampa, FL 33626

(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Units, each consisting of one share of Class A common stock and one-third of one redeemable warrant	ANZUU	The Nasdaq Stock Market LLC
Class A common stock, par value \$0.0001 per share	ANZU COCH	The Nasdaq Stock Market LLC
Redeemable Warrants, each exercisable for one share of Class A common stock at an exercise price of \$11.50 per share	ANZUW COCHW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

No ☐

As of August 14, 2023 November 16, 2023, the registrant had 4,312,774 19,549,982 shares of Class A common stock, par value \$0.0001 per share and 10,625,000 shares of Class B common stock, par value \$0.0001 per share, issued and outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Financial Statements

Anzu Special Acquisition Corp I

ENVOY MEDICAL, INC.

Condensed Balance Sheets CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2023	December 31, 2022
	(unaudited)	
ASSETS:		
Current Assets:		
Cash	\$ 132,773	\$ 107,773
Prepaid expenses	264,924	112,649
Total current assets	397,697	220,422
Investments held in Trust Account	44,645,404	430,047,193
Forward purchase agreement assets	—	353,731
Total Assets	\$ 45,043,101	\$ 430,621,346
Liabilities, Class A Common Stock Subject to Possible Redemption, and Stockholders' Deficit		
Current Liabilities:		
Accounts payable	\$ 1,431,573	\$ 1,177,546
Accrued expenses	5,123,818	3,945,680
Working capital loan - related party	2,690,000	1,500,000
Income taxes payable	102,061	686,530
Total current liabilities	9,347,452	7,309,756
Prepaid forward derivative	144,770	—
Deferred underwriting fee payable	10,412,500	10,412,500
Derivative warrant liabilities	1,333,334	1,066,667
Total liabilities	21,238,056	18,788,923
Commitments and Contingencies		
Class A common stock subject to possible redemption, \$0.0001 par value; 400,000,000 shares authorized; 4,312,774 and 42,500,000 shares issued and outstanding as of June 30, 2023 and December 31, 2022 valued at \$10.34 and \$10.11 redemption value, respectively	44,595,404	429,747,193
Stockholders' Deficit		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; 0 issued and outstanding as of June 30, 2023 and December 31, 2022	—	—
Class A common stock, \$0.0001 par value; 400,000,000 shares authorized; 0 issued and outstanding (excluding 4,312,774 and 42,500,000 shares subject to possible redemption) as of June 30, 2023 and December 31, 2022, respectively	—	—

Class B common stock, \$0.0001 par value; 40,000,000 shares authorized; 10,625,000 shares issued and outstanding as of June 30, 2023 and December 31, 2022	1,063	1,063
Additional paid-in capital	—	—
Accumulated deficit	(20,791,422)	(17,915,833)
Total stockholders' deficit	(20,790,359)	(17,914,770)
Total Liabilities, Class A Common Stock Subject to Possible Redemption, and Stockholders' Deficit	\$ 45,043,101	\$ 430,621,346

(In thousands, except share and per share amounts)

See

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash	\$ 7,440	\$ 183
Restricted cash - dividends	5,400	-
Restricted cash - other	4,000	-
Accounts receivable, net	109	41
Other receivable	1,000	-
Inventories	1,397	1,295
Prepaid expenses and other current assets	997	129
Forward purchase agreement assets	2,386	-
Total current assets	22,729	1,648
Property and equipment, net	378	331
Operating lease right-of-use assets (related party)	494	577
Total assets	<u>\$ 23,601</u>	<u>\$ 2,556</u>
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 3,381	\$ 1,003
Accrued expenses	4,052	608
Payable to related party	4,000	-
Convertible notes payable, current portion (related party)	-	448
Operating lease liability, current portion (related party)	149	125
Product warranty liability, current portion	228	335
Forward purchase agreement warrant liability	1,793	-
Total current liabilities	13,603	2,519
Convertible notes payable, net of current portion (related party)	-	33,397
Product warranty liability, net of current portion	2,025	2,143
Operating lease liabilities, net of current portion (related party)	440	565
Warrant liability	1,274	-
Warrant liability (related party)	-	127
Total liabilities	<u>17,342</u>	<u>38,751</u>
Commitments and contingencies (see Note 14)		
Stockholders' equity (deficit):		
Series A Preferred stock, \$0.0001 par value; 10,000,000 and zero shares authorized as of September 30, 2023, and December 31, 2022, respectively; 4,500,000 and zero shares issued and outstanding as of September 30, 2023, and December 31, 2022, respectively	-	-

Class A Common stock, \$0.0001 par value; 400,000,000 shares and 232,000,000 shares authorized as of September 30, 2023, and December 31, 2022, respectively; 19,549,982 and 10,122,581 shares issued and outstanding as of September 30, 2023, and December 31, 2022, respectively

	2	1
Additional paid-in capital	257,385	189,904
Accumulated deficit	(251,012)	(225,985)
Accumulated other comprehensive loss	(116)	(115)
Total stockholders' equity (deficit)	6,259	(36,195)
Total liabilities and stockholders' equity (deficit)	\$ 23,601	\$ 2,556

The accompanying notes to are an integral part of these unaudited condensed consolidated financial statements.

[Table of Contents](#) ENVOY MEDICAL, INC.

Anzu Special Acquisition Corp I CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Unaudited Condensed Statements of Operations (UNAUDITED)

(In thousands, except share and per share amounts)

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Operating expenses:				
Formation and operating costs	\$ 98,596	\$ 901,356	\$ 2,591,177	\$ 2,390,442
Loss from operations	(98,596)	(901,356)	(2,591,177)	(2,390,442)
Other income (expenses):				
Interest earned on investments held in Trust Account	528,297	563,376	3,898,569	603,786
Change in fair value of Forward Purchase Agreements	(1,035,264)	70,348	(353,731)	(416,901)
Prepaid forward derivative	(144,770)	—	(144,770)	—
Change in fair value of warrant liabilities	(266,667)	3,466,666	(266,667)	17,863,972
Income (loss) before income tax expense	(1,017,000)	3,199,034	542,224	15,660,415
Income tax expense	(121,245)	(108,315)	(962,768)	(108,315)
Net income (loss)	\$ (1,138,245)	\$ 3,090,719	\$ (420,544)	\$ 15,552,100
Weighted average number of Class A redeemable common stock, basic and diluted	4,312,774	42,500,000	18,026,419	42,500,000
Basic and diluted net income (loss) per share of common stock, Class A	\$ (0.08)	\$ 0.06	\$ (0.01)	\$ 0.29
Weighted average shares outstanding of Class B common stock, basic	10,625,000	10,625,000	10,625,000	10,625,000
Basic and diluted net income (loss) per share of common stock, Class B	\$ (0.08)	\$ 0.06	\$ (0.01)	\$ 0.29

See

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenues	\$ 80	\$ 57	\$ 221	\$ 217
Costs and operating expenses:				
Cost of goods sold	189	106	555	347
Research and development	1,850	935	5,901	3,532
General and administrative	1,426	812	5,401	2,138
Total costs and operating expenses	3,465	1,853	11,857	6,017
Operating loss	(3,385)	(1,796)	(11,636)	(5,800)
Other income (expense):				

Gain (loss) from changes in fair value of convertible notes payable (related party)	4,902	574	(13,332)	1,473
Other income (expense)	46	(117)	(59)	(119)
Total other income (expense), net	4,948	457	(13,391)	1,354
Net income (loss)	\$ 1,563	\$ (1,339)	\$ (25,027)	\$ (4,446)
Net income (loss) attributable to common stockholders, basic	\$ 1,360	\$ (1,339)	\$ (25,027)	\$ (4,446)
Net income (loss) attributable to common stockholders, diluted	\$ 1,404	\$ (1,339)	\$ (25,027)	\$ (4,446)
Net income (loss) per share attributable to common stockholders, basic	\$ 0.13	\$ (0.13)	\$ (2.46)	\$ (0.44)
Net income (loss) per share attributable to common stockholders, diluted	\$ 0.13	\$ (0.13)	\$ (2.46)	\$ (0.44)
Weighted-average common stock outstanding, basic	10,214,183	10,123,187	10,153,564	10,123,187
Weighted-average common stock outstanding, diluted	11,215,068	10,123,187	10,153,564	10,123,187
Other comprehensive loss:				
Foreign currency translation adjustment	(1)	(3)	(1)	(3)
Other comprehensive loss	(1)	(3)	(1)	(3)
Comprehensive income (loss)	\$ 1,562	\$ (1,342)	\$ (25,028)	\$ (4,449)

The accompanying notes to are an integral part of these unaudited condensed consolidated financial statements.

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Anzu Special Acquisition Corp | CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

Unaudited Condensed Statements of Changes in Stockholders' Deficit (UNAUDITED)

(In thousands, except share amounts)

For the Three and Six Months Ended June 30, 2023

	Redeemable Convertible Preferred Stock		Series A Preferred Stock		Class A Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Stockholders' Deficit
Balance at December 31, 2021	4,000,000	\$ 19,973	-	\$ -	139,162,672	\$ 1,392	\$ 163,818	\$ (210,062)	\$ (108)	\$ (44,960)
Retrospective application of Merger	(4,000,000)	(19,973)	-	-	(129,039,485)	(1,391)	21,364	-	-	19,973
Adjusted Balances, beginning of period	-	\$ -	-	\$ -	10,123,187	\$ 1	\$ 185,182	\$ (210,062)	\$ (108)	\$ (24,987)
Deemed capital contribution from related party (Note 9)	-	-	-	-	-	-	1,268	-	-	1,268
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	2	2
Net loss	-	-	-	-	-	-	-	(1,871)	-	(1,871)
Balance at March 31, 2022	-	\$ -	-	\$ -	10,123,187	\$ 1	\$ 186,450	\$ (211,933)	\$ (106)	\$ (25,588)
Deemed capital contribution from related party (Note 9)	-	-	-	-	-	-	645	-	-	645
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(2)	(2)
Net loss	-	-	-	-	-	-	-	(1,236)	-	(1,236)
Balance at June 30, 2022	-	\$ -	-	\$ -	10,123,187	\$ 1	\$ 187,095	\$ (213,169)	\$ (108)	\$ (26,181)
Deemed capital contribution from related party (Note 9)	-	-	-	-	-	-	1,978	-	-	1,978
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(3)	(3)

Net loss	-	-	-	-	-	-	-	(1,339)	-	(1,339)
Balance at September 30, 2022	-	\$ -	-	\$ -	10,123,187	\$ 1	\$ 189,073	\$ (214,508)	\$ (111)	\$ (25,545)

	Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount			
Balance as of January 1, 2023	10,625,000	\$ 1,063	\$ —	\$ (17,915,833)	\$ (17,914,770)
Net income	—	—	—	717,701	717,701
Deemed dividend - increase in redemption value of Class A common stock subject to redemption	—	—	—	(2,025,746)	(2,025,746)
Balance as of March 31, 2023 (unaudited)	10,625,000	\$ 1,063	\$ —	\$ (19,223,878)	\$ (19,222,815)
Net loss	—	—	—	(1,138,245)	(1,138,245)
Deemed dividend - increase in redemption value of Class A common stock subject to redemption	—	—	—	(429,299)	(429,299)
Balance as of June 30, 2023 (unaudited)	10,625,000	\$ 1,063	\$ —	\$ (20,791,422)	\$ (20,790,359)

	Redeemable Convertible Preferred Stock		Series A Preferred Stock		Class A Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	-	-	-	-	10,122,581	1	189,904	(225,985)	(115)	(36,195)
Deemed capital contribution from related party (Note 9)	-	-	-	-	-	-	1,952	-	-	1,952
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	1	1
Net loss	-	-	-	-	-	-	-	(13,253)	-	(13,253)
Balance at March 31, 2023	-	-	-	-	10,122,581	\$ 1	\$ 191,856	\$ (239,238)	\$ (114)	\$ (47,495)
Deemed capital contribution from related party (Note 9)	-	-	-	-	-	-	15,714	-	-	15,714
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(1)	(1)
Net income	-	-	-	-	-	-	-	(13,337)	-	(13,337)
Balance at June 30, 2023	-	-	-	-	10,122,581	\$ 1	\$ 207,570	\$ (252,575)	\$ (115)	\$ (45,119)
Exchange of redeemable convertible preferred share for Class A Common stock in connection with Merger (Note 3)	-	-	-	-	-	-	-	-	-	-

Conversion of Convertible Notes into Class A Common stock in connection with Merger (Note 3)	-	-	-	-	4,874,707	1	27,493	-	-	27,494
Conversion of Envoy Bridge Note into Series A Preferred stock in connection with Merger (Note 3)			1,000,000	-	-	-	10,982	-	-	10,982
Deemed capital contribution from related party (Note 9)	-	-	-	-	-	-	1,036	-	-	1,036
Preferred stock subscriptions (Note 3)	-	-	-	-	-	-	2,000	-	-	2,000
Net exercise of warrants (related party) (Note 10)			-		2,702	-	-	-	-	-
Merger, net of redemptions and transaction costs (Note 3)	-	-	2,500,000	-	4,115,874	-	(1,785)	-	-	(1,785)
Meteora forward purchase agreement shares (Note 3)	-	-	-	-	434,118	-	89	-	-	89
Issuance of Series A Preferred Stock to PIPE Investors (Note 3)	-	-	1,000,000	-	-	-	10,000	-	-	10,000
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(1)	(1)
Net income	-	-	-	-	-	-	-	1,563	-	1,563
Balance at September 30, 2023	-	-	4,500,000	\$ -	19,549,982	\$ 2	\$ 257,385	\$ (251,012)	\$ (116)	\$ 6,259

For the Three and Six Months Ended June 30, 2022

	Class B Common Stock		Additional	Total	
	Shares	Amount	Paid-in Capital	Accumulated Deficit	Stockholders' Deficit
Balance as of January 1, 2022	10,625,000	\$ 1,063	\$ —	\$ (36,714,587)	\$ (36,713,524)
Net income	—	—	—	12,461,381	12,461,381
Balance as of March 31, 2022 (unaudited)	10,625,000	1,063	—	(24,253,206)	(24,252,143)
Net income	—	—	—	3,090,719	3,090,719
Deemed dividend - increase in redemption value of Class A common stock subject to redemption	—	—	—	(290,817)	(290,817)
Balance as of June 30, 2022 (unaudited)	10,625,000	\$ 1,063	\$ —	\$ (21,453,304)	\$ (21,452,241)

See The accompanying notes to are an integral part of these unaudited condensed consolidated financial statements.

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (25,027)	\$ (4,446)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	85	49
Change in fair value of convertible notes payable (related party)	13,332	(1,473)
Change in fair value of warrant liability (related party)	104	23
Gain on exercise and cancellation warrant liability (related party)	(231)	-
Change in operating lease right-of-use assets (related party)	83	82
Increase in inventory reserve	(122)	(11)
Changes in operating assets and liabilities:		
Accounts receivable	(68)	(9)
Inventories	20	(226)
Prepaid expenses and other current assets	(868)	(37)
Accounts payable	2,378	(241)
Operating lease liabilities (related party)	(101)	28
Accrued expenses	694	(104)
Product warranty liability	(225)	(61)
Payable to related party	4,000	-
Net cash used in operating activities	(5,946)	(6,426)
Cash flows from investing activities		
Purchases of property and equipment	(132)	(177)
Net cash used in investing activities	(132)	(177)
Cash flows from financing activities		
Proceeds from the issuance of convertible notes payable (related party)	10,000	6,000
Proceeds from the PIPE Transaction, the Forward Purchase Agreement, and the Business Combination, net of transaction costs	11,736	-
Proceeds from the additional Series A Preferred Shares subscription	1,000	-
Issuance of warrants (related party)	-	92
Net cash provided by financing activities	22,736	6,092
Effect of exchange rate on cash, cash equivalents, and restricted cash	(1)	(1)
Net increase (decrease) in cash, cash equivalents, and restricted cash	16,657	(512)
Cash and restricted cash at beginning of period	183	1,121
Cash and restricted cash at end of period	\$ 16,840	\$ 609
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash investing and financing activity		
Deemed capital contribution from related party	\$ 18,702	\$ 3,891
SPAC excise tax liability recognized upon the Business Combination	\$ 2,248	\$ -

Unaudited

	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Cash flow from operating activities:		
Net income (loss)	\$ (420,544)	\$ 15,552,100
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Amortization of prepaid expense	509,158	175,791
Change in fair value of warrant liabilities	266,667	(17,863,972)
Change in fair value of Forward Purchase Agreements	498,501	416,901
Interest earned on investments held in Trust Account	(3,898,569)	(603,786)
Changes in operating assets and liabilities:		
Prepaid expenses	(661,433)	73,791
Accounts payable	254,027	265,849
Accrued expenses	(584,468)	108,315
Income taxes payable	1,178,139	702,114
Net cash used in operating activities	(2,858,522)	(1,172,897)
Cash flows from investing activities:		
Trust account withdrawal for redemption of Class A Shares	387,606,836	—
Trust account withdrawal for payment of taxes	1,693,522	—
Net cash provided by investing activities	389,300,358	—
Cash flows from financing activities:		
Proceeds from working capital loan-related party	1,190,000	1,500,000
Redemption of Class A Shares	(387,606,836)	—
Net cash provided by (used in) financing activities	(386,416,836)	1,500,000
Net change in cash	25,000	327,103
Cash at beginning of the period	107,773	149,845
Cash at end of the period	\$ 132,773	\$ 476,948
Cash paid for taxes	\$ 1,693,522	\$ —

See The accompanying notes to are an integral part of these unaudited condensed consolidated financial statements.

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ENVOY MEDICAL, INC.

Anzu Special Acquisition Corp NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes

1. Nature of the Business and Basis of Presentation

Envoy Medical, Inc. ("Envoy Medical" or the "Company") is a hearing health company focused on providing innovative medical technologies across the hearing loss spectrum. Envoy Medical's technologies are designed to **Unaudited Condensed Financial Statements** shift the paradigm within the hearing industry and bring both providers and patients the hearing devices they desire. The Company's first commercial product, the Esteem, is a fully implanted active middle ear hearing device. The Esteem was approved for sale in 2010 by the United States Food and Drug Administration ("FDA").

June 30, 2023

Note 1 - Organization and Business Operations Envoy Medical believes the fully implanted Acclaim® Cochlear Implant is a first-of-its-kind cochlear implant. Envoy Medical's fully implanted technology includes a sensor designed to leverage the natural anatomy of the ear instead of a microphone to capture sound. The Acclaim is designed to address severe to profound sensorineural hearing loss that is not adequately addressed by hearing aids. The Acclaim will only be indicated for adults who have been deemed adequate candidates by a qualified physician. The Acclaim Cochlear Implant received the Breakthrough Device Designation from the FDA in 2019.

Organization and General

On September 29, 2023 (the "Closing Date"), a merger transaction between Envoy Medical Corporation ("Envoy"), Anzu Special Acquisition Corp I ("Anzu") and Envoy Merger Sub, Inc., a directly, wholly owned subsidiary of Anzu ("Merger Sub") was completed (the "Company") is a blank check company incorporated as a Delaware corporation on December 28, 2020 for "Merger" or "Business Combination", see Note 3) pursuant to the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses (a agreement, dated as of April 17, 2023 (as amended, the "Business Combination").

Since completing the Company's initial public offering (the "IPO" or the "Initial Public Offering"), the Company has reviewed, and continues to review, a number of opportunities to enter into a Business Combination with an operating business, but the Company is not able to determine at this time whether it will complete a Business Combination with any of the target businesses that the Company has reviewed or with any other target business. The Company intends to effectuate a Business Combination using cash from the proceeds of the IPO and the sale of the Private Placement Warrants (as defined below), the Company's capital stock, debt, or a combination of cash, stock and debt.

As of June 30, 2023, the Company had not commenced any operations. All activity through June 30, 2023 relates to the Company's formation and the IPO described below, and, subsequent to the IPO, identifying a target company for a Business Combination. The Company does not expect to generate any operating revenues until after the completion of a Business Combination. The Company generates non-operating income in the form of interest income on proceeds from the IPO held in the Trust Account (as defined below).

The Company's sponsor is Anzu SPAC GP I LLC, a Delaware limited liability company (the "Sponsor").

Financing

On March 4, 2021, the Company consummated the IPO of 42,000,000 units (the "Units" and, with respect to the shares of Class A common stock included in the Units, the "public shares" Agreement") and, on April 14, 2021, the Company issued an additional 500,000 Units in . In connection with the underwriters' partial exercise closing of their over-allotment option. Each Unit consists the Merger (the "Closing"), Merger Sub merged with Envoy, with Envoy surviving the merger as a wholly owned subsidiary of one share of Anzu. In connection with the Closing, Anzu changed its name to Envoy Medical, Inc. The Company's Class A common stock, par value \$0.0001 per share and one-third of one warrant (the "Public Warrants") of the Company, with each whole warrant entitling the holder thereof to purchase one whole share of ("New Envoy Class A common stock at a

price of \$11.50 per share, subject to certain adjustments. The Units were sold at a price of \$10.00 per unit, generating aggregate gross proceeds to the Company of \$425,000,000 (see Note 3 **Common Stock**), and Note 7).

Simultaneously with the closing of the IPO, the Company completed the private sale (the “Private Placement”) of 12,400,000 warrants (the “Private Placement Warrants”) to the Sponsor and, on April 14, 2021, simultaneously with the closing of the underwriters’ over-allotment option, the Company issued an additional 100,000 Private Placement Warrants to the Sponsor. The Private Placement Warrants were sold at a price of \$1.00 per Private Placement Warrant, generating aggregate gross proceeds of \$12,500,000. Transaction costs of the IPO prior to the underwriters’ partial exercise of their over-allotment option amounted to \$23,731,835, consisting of \$8,400,000 of underwriting commissions, \$14,700,000 of deferred underwriters’ commissions and \$631,835 of other offering costs. Offering costs associated with the closing of the underwriters’ over-allotment option on April 14, 2021 amounted to \$280,500, consisting of \$100,000 of underwriting commissions, \$175,000 of deferred underwriters’ commissions and \$5,500 of other offering costs.

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Trust Account

Following the closing of the IPO on March 4, 2021, \$420,000,000 (\$10.00 per Unit) from the net proceeds of the sale of the Units in the IPO and the sale of the Private Placement Warrants was placed in a U.S. based trust account (the “Trust Account”). Following the closing of the underwriters’ over-allotment option on April 14, 2021, an additional \$5,000,000 (\$10.00 per Unit) from the net proceeds of the sale of the additional Units and Private Placement Warrants was placed in the Trust Account. The funds in the Trust Account are invested in a money market fund investing solely in U.S. Treasuries and meeting certain conditions under Rule 2a-7 under the Investment Company Act of 1940, as amended. The Company will not be permitted to withdraw any of the principal or interest held in the Trust Account except for the withdrawal of interest to pay taxes, if any. The funds held in the Trust Account will not otherwise be released from the Trust Account until the earliest of (1) the Company’s completion of a Business Combination; (2) the redemption of any public shares properly submitted in connection with a stockholder vote to amend the Company’s amended and restated certificate of incorporation (A) to modify the substance or timing of the Company’s obligation to allow redemption in connection with a Business Combination or to redeem 100% of the public shares if the Company does not complete a Business Combination within 24 months from the closing of the IPO or (B) with respect to any other provision relating to stockholders’ rights or pre-initial Business Combination activity; and (3) the redemption of the Company’s public shares if the Company has not completed a Business Combination by September 30, 2023 or during any Extension Period (as defined below), subject to applicable law. Based on

current interest rates, the Company expects that interest earned on the Trust Account will be sufficient to pay taxes.

Business Combination

The Company's management has broad discretion with respect to the specific application of the net proceeds from the IPO, although substantially all of the net proceeds from the IPO are intended to be generally applied toward consummating a Business Combination with (or acquisition of) a Target Business. As used herein, "Target Business" means one or more target businesses that together have an aggregate fair market value equal to at least 80% of the value of the assets held in the Trust Account (excluding taxes payable on the interest earned on the Trust Account) at the time of the signing of a definitive agreement in connection with a Business Combination. Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination.

The Company will provide its public stockholders with the opportunity to redeem all or a portion of their public shares upon the completion of a Business Combination, either (i) in connection with a stockholder meeting called to approve such Business Combination or (ii) by means of a tender offer. The public stockholders will be entitled to redeem their shares for a pro rata portion of the amount held in the Trust Account, calculated as of two business days prior to the completion of a Business Combination, including any pro rata interest earned on the funds held in the Trust Account and not previously released to the Company to pay its tax obligations. The per-share amount to be distributed to the public stockholders who redeem their shares will not be reduced by the deferred underwriting commissions the Company will pay to the underwriters (as discussed in Note 6). There will be no redemption rights upon the completion of a Business Combination with respect to the Company's warrants. As a result, shares of common stock were recorded at their redemption amount and classified as temporary equity upon the completion of the IPO, in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 480, "Distinguishing Liabilities from Equity" ("ASC 480").

The decision as to whether the Company will seek stockholder approval of a Business Combination or will allow stockholders to sell their shares in a tender offer will be made by the Company, in its sole discretion, and will be based on a variety of factors such as the timing of the transaction and whether the terms of the transaction would otherwise require the Company to seek stockholder approval unless a vote is required by law or stock exchange listing requirements. If the Company seeks stockholder approval, it will complete its Business Combination only if a majority of the shares of common stock voted are voted in favor of a Business Combination. However, in no event will the Company redeem its public shares in an amount that would cause its net tangible assets to be less than \$5,000,001 upon consummation of a Business Combination. In such case, the Company would not proceed with the redemption of its public shares of common stock and the related Business Combination, and instead may search for an alternate Business Combination.

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The Company has until September 30, 2023 or such earlier date as determined by the Company's board of directors (or such longer period as provided in an amendment to the Company's amended and restated certificate of incorporation approved by the Company's stockholders (an "Extension Period")) to complete its initial Business Combination. If the Company does not complete a Business Combination by September 30, 2023 or such earlier date as determined by the Company's board of directors, or during any Extension Period, it shall (i) cease all operations except for the purposes of winding up; (ii) as promptly as reasonably possible but not more than 10 business days thereafter, redeem the public shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest (less up to \$100,000 of interest to pay dissolution expenses and which interest shall be net of taxes payable), divided by the number of then issued and outstanding public shares, which redemption will completely extinguish public stockholders' rights as stockholders (including the right to receive further liquidating distributions, if any); and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company's remaining stockholders and its board of directors, liquidate and dissolve, subject in each case to the Company's obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law. There will be no redemption rights or liquidating distributions with respect to the Company's warrants which will expire worthless if it fails to complete its initial Business Combination by September 30, 2023 or such earlier date as determined by the Company's board of directors, or during any Extension Period. The initial stockholders (the Sponsor and the three directors that hold Founder Shares (as defined in Note 5) have entered into a letter agreement with the Company, pursuant to which they have waived their rights to liquidating distributions from the Trust Account with respect to their Founder Shares if the Company fails to complete its initial Business Combination by September 30, 2023 or such earlier date as determined by the Company's board of directors, or during any Extension Period. However, if the initial stockholders acquire public shares, they will be entitled to liquidating distributions from the Trust Account with respect to such public shares if the Company fails to complete its initial Business Combination within the allotted time frame.

In the event of such distribution, it is possible that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than \$10.00 per public share initially held in the Trust Account.

The Sponsor has agreed that it will be liable to the Company if and to the extent any claims by a third party (other than the Company's independent registered public accounting firm) for services rendered or products sold to the Company, or a prospective target business with which the Company has discussed entering into a transaction agreement, reduce the amount of funds in the Trust Account to below (1) \$10.00 per public share or (2) such lesser amount per public share held in the Trust Account as of the date of the liquidation of the Trust Account, due to reductions in value of the trust assets, in each case net of the amount of interest which may be withdrawn to pay taxes, except as to any claims by a third party who executed a waiver of any and all rights to seek access to the Trust Account and except as to any claims **Nasdaq**

Stock Market LLC ("Nasdaq") on October 2, 2023 under the Company's indemnity of the underwriters of the IPO against certain liabilities, including liabilities under the Securities Act. In the event that an executed waiver is deemed to be unenforceable against a third party, then the Sponsor will not be responsible to the extent of any liability for such third-party claims. The Company will seek to have all third parties, including, but not limited to, all vendors, service providers (other than its independent registered public accounting firm), prospective target businesses symbols "COCH" and other entities with which the Company does business execute agreements with the Company waiving any right, title, interest or claims of any kind in or to any monies held in the Trust Account. "COCHW," respectively.

On February 28, 2023, the Company reconvened its special meeting of stockholders, which was originally scheduled for February 9, 2023, adjourned until February 21, 2023 and further adjourned until February 28, 2023 (the "Special Meeting"). At the Special Meeting, the Company's stockholders approved a proposal to amend the Company's amended and restated certificate of incorporation to extend the date by which the Company has to consummate a Business Combination from March 4, 2023 to September 30, 2023 or such earlier date as determined by the Company's board of directors (the "Extension"). Following the approval of the Extension, the Company waived its right under the amended and restated certificate of incorporation to withdraw up to \$100,000 of interest from the Trust Account to pay dissolution expenses in the event of the Company's liquidation.

In connection with the Special Meeting, on March 7, 2023 stockholders holding 38,187,226 shares of the Company's Class A common stock exercised their right to redeem their shares for a pro rata portion of the funds in the Trust Account. As a result, approximately \$387.6 million (approximately \$10.15 per share of Class A common stock) was removed from the Trust Account to pay such holders and approximately \$44.3 million remained in the Trust Account. Following the redemptions, the Company has 4,312,774 shares of Class A common stock outstanding.

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On March 21, 2023, the Company and the Sponsor amended the 2022 Promissory Note to extend the maturity date of the 2022 Working Capital Loan to the earlier of (i) December 31, 2023 or (ii) the consummation of a Business Combination.

On April 17, 2023, the Company entered prior to entering into a business combination agreement (the "Business Combination Agreement") with Envoy Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company ("Merger Sub"), and Envoy Medical Corporation, a Minnesota Corporation ("Envoy"), a U.S.-based medical device company that has developed and is in early clinical testing of an implanted device that already received "Breakthrough Device Designation" from the Food and Drug Administration. The transactions contemplated by the Business Combination Agreement, are referred Anzu and Envoy entered into an agreement (as amended to herein as date, the "Proposed Business Combination." "Forward Purchase Agreement" or "FPA") with Meteora Special Opportunity Fund I, LP ("MSOF"), Meteora Capital Partners, LP ("MCP"), Meteora Select Trading Opportunities Master, LP

("MSTO") and Meteora Strategic Capital, LLC ("MSC" and, collectively with MSOF, MCP and MSTO, the "Sellers" or "Meteora parties") for an over-the-counter equity prepaid forward transaction.

Pursuant to the terms of the Forward Purchase Agreement, on the Closing Date, the Sellers purchased 425,606 shares of New Envoy Class A Common Stock (the "Recycled Shares") directly from the redeeming stockholders of Anzu. Also on the Closing Date, the Company paid to the Sellers a prepayment amount of \$4.5 million required under the Forward Purchase Agreement directly from the trust account and transferred to the Sellers 8,512 shares of New Envoy Class A Common Stock (the "Share Consideration").

In addition, pursuant to the subscription agreement, dated April 17, 2023 (as amended to date, the "Subscription Agreement"), by and between Anzu and Anzu SPAC GP I LLC (the "Sponsor"), the Company issued, and certain affiliates of the Sponsor purchased, concurrently with the Closing, an aggregate of 1,000,000 shares of the Company's Series A preferred stock, par value \$0.0001 per share ("Series A Preferred Stock") in a private placement (the "PIPE Transaction") at a price of \$10.00 per share for an aggregate purchase price of \$10 million.

Pursuant to the convertible promissory note, dated April 17, 2023, between Envoy and GAT Funding, LLC (as amended to date, the "Envoy Bridge Note"), the Company issued 1,000,000 shares of the Company's Series A Preferred Stock to GAT Funding, LLC in exchange for the conversion of the Envoy Bridge Note in full, concurrently with the Closing.

The unaudited condensed consolidated financials include the accounts of Envoy Medical, Inc. and its wholly-owned subsidiaries Envoy Medical Corporation and Envoy Medical GmbH (Ansbach) (GmbH), which operates a sales office in Germany. All intercompany accounts and transactions have been eliminated in consolidation.

Unaudited financial information

The Company's unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial reporting and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Pursuant to these rules and regulations, they do not include all information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the Company's financial condition and results of operations have been included. Operating results for the periods presented are not necessarily indicative of the results that might be expected for the full year. As such, the information included in this report should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022, which is included in the Company's final prospectus and definitive proxy statement, dated and filed with the SEC on September 14, 2023 (the "Proxy Statement/Prospectus"), which is accessible on the SEC's website at www.sec.gov. The condensed consolidated balance sheet at December 31, 2022 has been derived from the audited consolidated financial statements of the Company, but does not include all the disclosures required by U.S. GAAP.

During the nine months ended September 30, 2023, there were no changes to the Company's significant accounting policies as described in the Company's audited consolidated financial statements as of and for the year ended December 31, 2022, which is included in the Proxy Statement/Prospectus.

Revision of Prior Period Financial Statements of Envoy

During its financial close process for the three and nine months ended September 30, 2023, the Company discovered an error in Envoy's accounting for convertible notes payable (related party) as of June 30, 2023. The convertible notes payable (related party) consists of convertible notes issued between 2012 and 2022 (the "Convertible Notes") and the Envoy Bridge Note. When calculating the fair value of the Convertible Notes as of June 30, 2023, Envoy used an incorrect input in the valuation model related to the Convertible Notes settlement value upon a Merger with a Special Purpose Acquisition Company ("SPAC"). Specifically, the Business Combination Agreement Merger Sub will merge with and into Envoy, includes the separate corporate existence of Merger Sub will cease and Envoy will be the surviving corporation and wholly owned, privately-held subsidiary of the Company (the "Merger"). The Company will change its name to "Envoy Medical, Inc.", which will continue as the surviving public corporation after the closing of the Proposed Business Combination (the "Closing").

As a result of the Merger, among other things, (a) each share assumed exchange ratio of Envoy common stock, par value \$0.01 per share (the "Envoy common stock"), issued and outstanding (including ("Envoy common stock issued upon the exercise or conversion of Common Stock") to New Envoy warrants, Envoy convertible notes or Envoy preferred stock) shall be canceled and converted into the right to receive a number of shares of Class A common stock equal to the exchange ratio (as calculated pursuant to the Business Combination Agreement), amounting to aggregate closing Merger consideration of 15 million shares of Class A Common Stock (subject to adjustment as provided in the Stock. The Business Combination Agreement); (b) each outstanding option Agreement also contains a provision that removed the holders' right to purchase shares of Envoy common stock will be cancelled in exchange redeem the Convertible Notes for nominal consideration; (c) immediately prior its full principal and interest value upon the Closing, and instead forced the holders to convert the effective time of the Merger, each outstanding Envoy warrant will automatically, depending on the applicable exercise price, be canceled or exercised on a net exercise basis and converted Convertible Notes into shares of Envoy common stock in accordance with its terms; and (d) immediately Common Stock at a conversion rate of \$1.00 per share, prior to the effective time exchange into New Envoy Class A Common Stock. This assumed exchange ratio, the value of underlying Company stock, and the removal of the Merger, each outstanding Envoy convertible note will automatically be converted into shares loan holders' redemption right was not included under the SPAC scenario in the valuation model used to calculate the fair value of Envoy common stock Convertible Notes as of June 30, 2023. The initial calculation calculated a fair value of approximately \$51.4 million whereas the updated calculation, calculated a fair value of approximately \$36.8 million, which results in accordance a difference of approximately \$14.6 million.

The unaudited condensed consolidated statements of stockholders' equity (deficit) for the three months ended June 30, 2023, has been revised to treat the Convertible Notes amendment, as described above, as an extinguishment of debt with its terms.

Risks and Uncertainties

In February 2022, the Russian Federation and Belarus commenced a military action with the country of Ukraine, related party. As a result of this action, various nations, including the United States, have instituted economic sanctions against the Russian Federation and Belarus. Further, such, the impact of this action and the amendment has been recorded as an additional deemed capital contribution from a related sanctions party on the world economy is not determinable revised unaudited condensed consolidated financial statements.

The revision resulted in a downward adjustment of previously reported convertible notes payable (related party) of \$14.6 million and an upward adjustment of \$14.7 million in additional paid-in capital on the condensed consolidated balance sheets and the condensed consolidated statements of redeemable convertible preferred stock and stockholders' equity (deficit) as of June 30, 2023, and an increase in the date loss from change in the fair value of these unaudited condensed financial statements. The specific impact on convertible notes payable (related party) of \$91 thousand for the Company's financial condition, results of operations, three and cash flows is also not determinable as of six months ended June 30, 2023 included in the date of these unaudited condensed financial statements. Proxy Statement/Prospectus.

On March 10, 2023, Silicon Valley Bank became insolvent. State regulators closed the bank, and the Federal Deposit Insurance Corporation ("FDIC") was appointed as its receiver.

The Company held deposits with this bank. As a result also reassessed the components of cost of goods sold and determined that the actions by costs related to the FDIC, Acclaim product development and manufacturing of research and development ("R&D") prototype parts for testing, validations and clinical trials should be classified as R&D expenses. Accordingly, \$0.3 million of expenses previously included in the Company's insured and uninsured deposits cost of goods sold have been restored, reclassified to research and development for the nine months ended September 30, 2023. This reclassification did not impact net income.

2. Summary of Significant Accounting Policies

Going Concern

As of June 30, 2023 and December 31, 2022,

Since inception, the Company had \$132,773 has incurred cumulative losses from operations and \$107,773 in has an accumulated deficit of \$251.0 million at September 30, 2023. The Company has funded its operating bank accounts, respectively, operations and working capital deficits of \$8,949,755 and \$7,089,334, respectively.

Prior to the completion of the Initial Business Combination, the Company's liquidity needs had been satisfied primarily through a contribution of \$25,000 from Sponsor to cover certain formation and offering costs in exchange for the issuance of the Founder Shares (as defined in Note 5), the loan of up to \$300,000 from the Sponsor pursuant to the Note (see Note 5), and the net proceeds from the consummation issuances of convertible debt (see Note 9) and the Private Placement not held in sale of Envoy redeemable convertible preferred stock. In September 2023, the Trust Account. In addition, in order to finance transaction costs in connection with a Company received \$11.7 million proceeds from the Business Combination, Forward Purchase Agreement, and the Sponsor or an affiliate PIPE Transaction, net of transaction costs. The Company had cash of \$7.4 million as of September 30, 2023.

Management believes that its existing cash balances combined with future capital raises, and cash receipts from product sales will be sufficient to fund ongoing operations through at least one year from the Sponsor, or certain of date the unaudited condensed consolidated financial statements are issued. However, there can be no assurance that the Company will be successful in achieving its strategic plans, that the Company's officers cash balances and directors may, but are not obligated future capital raises will be sufficient to provide the Company Working Capital Loans (see Note 5). As of June 30, 2023 and December 31, 2022, there were amounts of \$2,690,000 and \$1,500,000 outstanding under the Working Capital Loans, respectively.

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The Company may need to raise support its ongoing operations, or that any additional funds through loans from its Sponsor and/ financing will be available in a timely manner or third parties in order to meet the expenditures required for operating its business. If the Company's estimate of the costs of undertaking in-depth due diligence and negotiating the initial business combination is less than the actual amount necessary to do so, the Company may have insufficient funds available to operate its business prior to the initial business combination. The Sponsor is not under any obligation to advance funds to, or to invest in, the Company, on acceptable terms, if at all. If the Company is unable to raise additional capital, it sufficient financing when needed or events or circumstances occur such that the Company does not meet its strategic plans, the Company may be required to take additional measures reduce certain discretionary spending, be unable to conserve liquidity, develop new or enhanced production methods, or be unable to fund capital expenditures, which could include, but not necessarily be limited to, curtailing operations, suspending the pursuit of its business plan, and reducing overhead expenses. The Company cannot provide any assurance that new financing will be available to it have a material adverse effect on commercially acceptable terms, if at all. If a Business Combination is not consummated by September 30, 2023 or such earlier date as determined by the Company's board financial position, results of directors, or during any Extension Period, there will be a mandatory liquidation operations, cash flows, and subsequent dissolution of the Company. Mandatory liquidation and liquidity condition ability to achieve its intended business objectives. These matters raise substantial doubt about the Company's ability to continue as a going concern through one year from the date of these concern. The unaudited condensed consolidated financial statements if a Business Combination is not consummated. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should have been prepared assuming the Company be unable to will continue as a going concern.

The Company's management plans to complete a Business Combination prior to the mandatory liquidation date concern and expects to receive financing to meet its obligations through the time of liquidation; however, no financing is currently committed. The unaudited condensed financial statements do

not include any adjustment that might be necessary if adjustments to reflect the Company is unable to continue as a going concern.

Note 2 - Summary possible effects on the recoverability and classification of Significant Accounting Policies

Basis assets or the amounts and classification of Presentation

The accompanying unaudited condensed financial statements are presented in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position as of June 30, 2023 and the results of operations and cash flows for the periods presented. Operating results for the three and six months ended June 30, 2023 are not necessarily indicative of results liabilities that may be expected for the full year or any other period. The accompanying unaudited condensed financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the period ended December 31, 2022, as filed with the SEC on April 3, 2023.

Emerging Growth Company

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions result from the requirements outcome of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

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Anzu Special Acquisition Corp I Notes to Unaudited Condensed Financial Statements June 30, 2023

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting

standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's unaudited condensed financial statements with another public company which is either not an emerging growth company or an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements and the reported amounts of revenues and expenses during the reporting period.

Making estimates requires management to exercise significant judgement. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the unaudited condensed financial statements, which management considered in formulating its estimate, could change in the near term one or more future confirming events. Accordingly, the actual Actual results could differ significantly from those estimates.

One of the more significant accounting Significant estimates included and assumptions reflected in these unaudited condensed consolidated financial statements is include but are not limited to the determination useful lives of property and equipment, inventory reserves, warranty liability, the fair value of common stock, the warrant liabilities. Other significant accounting estimates include the forward purchase derivative and the convertible working capital loan. Such estimates may be subject to change as more current information becomes available and accordingly the actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company had no cash equivalents as of June 30, 2023 and December 31, 2022.

Investments Held in Trust Account

The Company's portfolio of investments is comprised of U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act, with a maturity of 185 days or less, or investments in money market funds that invest in U.S. government securities and generally have a readily determinable fair value, or a combination thereof. When the Company's investments held in the Trust Account are comprised of U.S. government securities, the investments are classified as trading securities and are recognized at fair value. When the Company's investments held in the Trust Account are comprised of money market funds, the investments are recognized at fair value. Gains and losses resulting from the change in fair value of these securities convertible notes payable, the fair value of forward purchase agreement assets, the fair value of forward purchase agreement warrant liability, the fair value of warrants and the outcome of litigation. Estimates and assumptions are included in interest earned on investments held reviewed periodically and the effect of changes, if any, are reflected in the Trust Account in the accompanying unaudited

condensed consolidated statements of operations. The estimated fair values of investments held in the Trust Account are determined using available market information, operations and comprehensive income (loss).

Concentration of Credit Risk and Significant Customers

Financial instruments that potentially subject expose the Company to concentrations of credit risk consist primarily of a cash account and accounts receivable, net. Periodically, the Company maintains deposits in a accredited financial institution, institutions in excess of federally insured limits. The Company maintains its cash with financial institutions that management believes to be of high credit quality. The Company has not experienced any losses on such accounts and does not believe it is exposed to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

With respect to accounts receivable, the Company performs credit evaluations of its customers and does not require collateral. There have been no material losses on accounts receivable. There were no customers that accounted for 10.0% or more of sales for the nine months ended September 30, 2023 and September 30, 2022, respectively. There were no customers that accounted for 10.0% or more of the accounts receivable balance as of September 30, 2023 and December 31, 2022.

Cash and Restricted Cash

The Company maintains cash balances in bank accounts which, at times, may exceed the FDIC coverage limit of \$250,000. The Company has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on limits. Restricted cash is cash the Company's financial condition, results of operations, Company holds for specific reasons and cash flows.

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Anzu Special Acquisition Corp I

Notes to Unaudited Condensed Financial Statements

Fair Value Measurement

June 30, 2023

Class A Common Stock Subject to Possible Redemption

The Company accounts for its Class A common stock subject to possible redemption in accordance with determines the guidance in ASC Topic 480, "Distinguishing Liabilities from Equity." Class A common stock subject to mandatory redemption (if any) is classified as liability instruments and is measured at fair value. Conditionally redeemable Class A common stock (including Class A common stock that features redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) is classified as temporary equity. At all other times, Class A common stock is classified as stockholders' equity. The Company's Class A common stock features certain redemption rights that are considered to be outside of the Company's control and subject to the occurrence of uncertain future events. Accordingly, at June 30, 2023 and December 31, 2022, Class A common stock subject to possible redemption is presented at redemption value as temporary equity, outside of the stockholders' deficit section of the Company's condensed balance sheets. There was no Class A common stock issued or outstanding as of June 30, 2023 and December 31, 2022, classified as permanent equity.

The Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying value of the security to equal the redemption value at the end of each reporting period. This method would view the end of the reporting period as if it were also the redemption date for the security. Immediately upon the closing of the Initial Public Offering, the Company recognized the accretion from initial book value to redemption amount. The change in the carrying value of redeemable shares of Class A common stock resulted in charges against additional paid-in capital and accumulated deficit.

Offering Costs Associated with the Initial Public Offering

The Company complies with the requirements of ASC 340-10-S99-1 and SEC Staff Accounting Bulletin ("SAB") Topic 5A - "Expenses of Offering". Offering costs consist principally of professional and registration fees incurred through the balance sheet date that are related to the IPO and were charged to temporary stockholders' equity upon the completion of the IPO, except those associated with Public Warrants which were expensed. Accordingly, as of June 30, 2023 and December 31, 2022, offering costs in the aggregate of \$24,012,335 (consisting of \$8,500,000 of underwriting commissions, \$14,875,000 of deferred underwriters' commission and \$637,335 other offering costs) have been incurred. In September 2022, the Company reversed \$4,462,500 of deferred underwriting fees, as the underwriters resigned from their role in the Business Combination and thereby waived their entitlement to these commissions (see Note 6). Offering costs associated with the closing of the underwriters' over-allotment option on April 14, 2021, amounted to \$280,500, consisting mainly of \$100,000 of underwriting commissions, \$175,000 of deferred underwriters' commissions and \$5,500 of other offering costs.

The Company allocates the offering costs between its common stock and Public Warrants using relative fair value method, with the offering costs allocated to the Public Warrants expensed immediately. Accordingly, as of June 30, 2023 and December 31, 2022, offering costs in the aggregate of \$782,812 have been charged to the Company's unaudited condensed statements of operations (consisting of \$762,300 of underwriting discounts and \$20,512 of other offering costs). Offering costs associated with the Class A common stock have been charged to temporary equity.

Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates using the carrying amounts represented fair value hierarchy established in the accompanying condensed balance sheets, primarily due to their short-term nature except for the derivative warrant liabilities and forward purchase agreement asset (see Note 9).

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Anzu Special Acquisition Corp I Notes to Unaudited Condensed Financial Statements June 30, 2023

Standards Codification ("ASC") Topic 820, *Fair Value Measurements*

Fair Measurement ("ASC 820"). ASC 820 identifies fair value is defined as the exchange price, or exit price, representing the amount that would be received for sale of to sell an asset or paid for to transfer of a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier participants. The hierarchy describes three levels of inputs that may be used to measure fair value, hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical

assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include: as follows:

- **Level 1 defined as observable** — Observable inputs, such as quoted prices (unadjusted) in active markets for identical instruments in active markets; assets and liabilities.
- **Level 2 defined as** — Observable inputs other than quoted prices in active markets Level 1 that are observable, either directly or indirectly, observable such as quoted prices for similar instruments in active markets assets or liabilities, quoted prices for identical or similar instruments in markets that are not active; and active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3 defined as unobservable** — Unobservable inputs in which that are supported by little or no market data exists, therefore requiring an entity activity and that are significant to develop its own assumptions, such as valuations derived from valuation techniques in which one the fair value of the assets or more significant inputs or significant value drivers are unobservable. liabilities.

In some circumstances, the inputs used to measure fair value might be categorized

A financial instrument's level within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company elected the fair value option for the convertible notes payable (related party) under ASC Topic 825, *Financial Instruments*, with changes in fair value recorded in income (loss) from changes in fair value of convertible notes payable (related party) each reporting period. The convertible notes payable (related party) consists of convertible notes issued between 2012 and 2022 ("Convertible Notes") and the Envoy Bridge Note. The Company's public forward purchase agreement asset, forward purchase agreement warrant liability, is based on quoted prices in active markets as of the measurement date and is classified as warrant liability (related party) are also Level 1.3 financial instruments at fair value and are described below (see Note 2 and Note 4).

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC Topic 815, "Derivatives and Hedging". For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the unaudited condensed consolidated statements of operations and comprehensive income (loss). The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the condensed consolidated balance sheets as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

The Company accounts for its warrants issued in connection with its IPO as derivative warrant liabilities in accordance with ASC 815-40. Accordingly, the Company recognizes the warrant instruments as liabilities at fair value and adjusts the instruments to fair value at each reporting period. The liabilities are subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company's unaudited condensed consolidated statements of operations. The fair value of warrants issued by the Company in connection with the IPO operations and Private Placement has been estimated using binomial lattice model at the date of issuance. As of June 30, 2023 and December 31, 2022, the Company's public warrants were measured based on quoted prices in active markets, and the private placement warrants are categorized as a Level 2 following the public price.

FASB ASC 470-20, "Debt with Conversion and Other Options", addresses the allocation of proceeds from the issuance of convertible debt into its equity and debt components. The Company applied this guidance to allocate IPO proceeds from the Units between common stock and warrants, using the residual method by allocating IPO proceeds first to fair value of the warrants and then common stock.

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Anzu Special Acquisition Corp I **Notes to Unaudited Condensed Financial Statements** **June 30, 2023**

The Company accounts for its forward purchase agreements (collectively, the "Forward Purchase Agreements" or "FPAs") issued as derivative FPA assets in accordance with ASC 815-40. Accordingly, the Company recognizes the FPA instruments as assets and the forward purchase agreement warrant liability at fair value and adjusts the instruments to fair value at each reporting period. The assets and liabilities are subject to re-measurement at each balance sheet date, until exercised, and any change in fair value is

recognized in the Company's unaudited condensed consolidated statements of operations. operations and comprehensive income (loss).

Warrant Liability (Related Party)

The Company classifies certain warrants issued to stockholders to purchase Envoy Common Stock (see Note 10) as a liability on its condensed consolidated balance sheets as these warrants are a free-standing financial instrument that may require the Company to transfer assets upon exercise. The warrant liability was initially recorded at fair value of the FPAs has been estimated using observable inputs at upon the date of issuance. As of December 31, 2022, the Company's FPAs are categorized as a Level 3. The FPA expired on April 17, 2023 issuance and replace by the instrument explained below.

The Company accounts for its prepaid forward derivative ("PFD") issued as a liability in accordance with ASC 815-40. Accordingly, the Company recognizes the PFD instrument as liability at fair value and adjusts the instruments is subsequently remeasured to fair value at each reporting period. The assets are subject to re-measurement at each balance sheet date until exercised, and any change date. Changes in the fair value is of the warrant liability are recognized in the Company's unaudited condensed consolidated statements of operations. The operations and comprehensive income (loss). Changes in the fair value of the PFD has been estimated using observable inputs at warrant liability will continue to be recognized until the date of issuance. As of June 30, 2023 PFD is categorized as a Level 3, warrants are exercised, expire or qualify for equity classification.

Net Income (loss) per Share of Common Stock

SPAC Excise Tax Liability

The Company complies recognizes excise tax as an incremental cost to repurchase the treasury shares, with accounting and disclosure requirements of ASC Topic 260, "Earnings Per Share." Net income (loss) per share is computed by dividing net income (loss) by an offsetting tax liability recognized. The SPAC excise tax liability was recorded in accrued expenses in the weighted average number of shares of common stock outstanding during the year, excluding shares of common stock shares subject to forfeiture. Company's condensed consolidated balance sheets.

The

Revenue Recognition

The Company has two classes of shares, which are referred to as Class A common stock and Class B common stock. Income and losses are shared pro rata between the two classes of shares. The Company's statements of operations include a presentation of income per share for shares of common stock subject to possible redemption recognizes revenue in a manner similar to the two-class method of income per share. Consistent accordance with ASC Topic 480-10-S99-3A, accretion associated 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Revenue is recognized as performance obligations under the redeemable shares terms of Class A common stock a contract are satisfied, which generally occurs as control of the promised products or services is excluded from earnings per share transferred to customers. Revenue is measured as the redemption amount of consideration the Company expects to receive in exchange for transferring products or services to a customer ("transaction price"). To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price using either the expected value approximates its fair value. The calculation or most likely amount method. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of diluted income (loss) per common stock does cumulative revenue under the contract will not consider occur. Estimates of variable consideration and determination of whether to include estimated amounts in the effect transaction price are based largely on an assessment of the warrants issued since Company's anticipated performance and all information that is reasonably available.

The Company primarily derives revenue from the exercise sale of its hearing device products. Revenue from product sales is recognized upon transfer of control of the warrants are contingent upon product to a customer, which occurs at a point in time, at the occurrence of future events. However, time the diluted earnings per share calculation includes Company is notified the shares subject product has been implanted or used by the customer in a surgical procedure. The Company also sells extended warranty plans on a limited basis. Revenue from extended warranty plans is recognized ratably over time and is immaterial. Amounts received from a customer prior to forfeiture from the first day fulfillment of the interim period in which the contingency on such shares was resolved.

A reconciliation of net income (loss) per common stock is performance obligation are included as follows:

	For the Three Months Ended		For the Three Months Ended		For the Six Months Ended		For the Six Months Ended	
	June 30, 2023		June 30, 2022		June 30, 2023		June 30, 2022	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Allocation of net income (loss)	\$ (328,630)	\$ (809,615)	\$ 18,026,419	\$ 10,625,000	\$ (264,590)	\$ (155,953)	\$ 12,441,680	\$ 3,110,420
Weighted average shares outstanding	4,312,774	10,625,000	42,500,000	10,625,000	18,026,419	10,625,000	42,500,000	10,625,000
Basic and diluted net income (loss) per share	\$ (0.08)	\$ (0.08)	\$ 0.06	\$ 0.06	\$ (0.01)	\$ (0.01)	\$ 0.29	\$ 0.29

Income Taxes

The Company accounts for income taxes under ASC 740, "Income Taxes" ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carryforwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized. The tax provision for the six months ended June 30, 2023 and 2022 is \$962,768 and \$108,315, respectively. ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim period, disclosure and transition.

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Notes to Unaudited Condensed Financial Statements
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The Company's effective tax rate was 177% and 0.01% for the six months ended June 30, 2023 and 2022, respectively. The effective tax rate differs from the statutory tax rate of 21% for the six months ended June 30, 2023 and 2022, due to changes in fair value of warrants, FPA, and the valuation allowance accrued expenses on the deferred tax assets.

The Company recognizes accrued interest condensed consolidated balance sheets and penalties related to unrecognized tax benefits as income tax expense. There were no amounts accrued for interest and penalties are immaterial as of June 30, 2023 September 30, 2023 and December 31, 2022. The Company has elected to account for shipping and handling activities performed as activities to fulfill the promise to transfer the products, and therefore these activities are not assessed as a separate performance obligation to its customers.

Revenue is currently measured as the amount of consideration the Company expects to receive, which is based on the invoiced price. The majority of the Company's contracts have a single performance obligation and are short term in nature. The Company's contracts do not aware include variable consideration.

Payment terms differ by geography and customer, but payment is generally required within 30 days from the date of any issues product utilization. The Company also offers extended payment plans on a limited basis. Amounts due to the Company under review payment plans that could result extend beyond 12 months are immaterial as of September 30, 2023 and December 31, 2022, therefore the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Segments

Operating segments are identified as components of enterprise about which discrete financial information is available for evaluation by the chief operating decision-maker ("CODM") in significant payments, accruals or material deviation from its position.

deciding resource allocation and assessing performance. The Company has identified the United States as determined that its only "major" tax jurisdiction.

The Company may be subject to potential examination by federal and state taxing authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with federal and state tax laws. CODM is its Chief Executive Officer. The Company's management does not expect that CODM reviews financial information presented on a consolidated basis for the total amount of unrecognized tax benefits will materially change over the next twelve months.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IR Act") was signed into federal law. The IR Act provides for, among other things, a new U.S. federal 1% excise tax on certain repurchases of stock by publicly traded U.S. domestic corporations and certain U.S. domestic subsidiaries of publicly traded foreign stockholder corporations occurring on or after January 1, 2023. The excise tax is imposed on the repurchasing corporation itself, not its shareholders from which shares are repurchased. The amount of the excise tax is generally 1% of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the excise tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax. The U.S. Department of the Treasury

(the “Treasury”) has been given authority to provide regulations making decisions, allocating resources and other guidance to carry out and prevent the abuse or avoidance of the excise tax.

Any redemption or other repurchase that occurs after December 31, 2022, in connection with a Business Combination, extension vote or otherwise, may be subject to the excise tax. Whether and to what extent evaluating performance. Consequently, the Company would be subject to the excise tax has determined it operates in connection with a Business Combination, extension vote or otherwise would depend on a number of factors, including (i) the fair market value of the redemptions one operating and repurchases in connection with the Business Combination, extension or otherwise, (ii) the structure of a Business Combination, (iii) the nature and amount of any “PIPE” or other equity issuances in connection with a Business Combination (or otherwise issued not in connection with a Business Combination but issued within the same taxable year of a Business Combination) and (iv) the content of regulations and other guidance from the Treasury. In addition, because the excise tax would be payable by the Company and not by the redeeming holder, the mechanics of any required payment of the excise tax have not been determined. The foregoing could cause a reduction in the cash available on hand to distribute to redeeming stockholders or to complete a Business Combination and could adversely affect the Company’s ability to complete a Business Combination.

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Anzu Special Acquisition Corp I

Notes to Unaudited Condensed Financial Statements Recently Adopted Accounting Pronouncements and Accounting Pronouncements Not Yet Effective

June 30, 2023

Working Capital Loan – Related Party

When the Company issues convertible debt, it first evaluates the balance sheet classification of the convertible instrument in its entirety to determine whether the instrument should be classified as a liability under ASC 480 and second whether the conversion feature should be accounted for separately from the host instrument. A conversion feature of a convertible debt instrument or certain convertible preferred stock would be separated from the convertible instrument and classified as a derivative liability if the conversion feature, were it a stand-alone instrument, meets the definition of an “embedded derivative” as defined in ASC 815. Generally, characteristics that require derivative treatment include, among others, when the conversion feature is not indexed to the Company’s equity, as defined in ASC 815-40, or when it must be settled either in cash or by issuing stock that is readily convertible to cash. When a conversion feature meets the definition of an embedded derivative, it would be separated from the host instrument and classified as a derivative liability carried on the balance sheet at fair value, with any changes in its fair value recognized currently in the condensed statement of operations. The Working Capital Loan has a conversion feature that allows for converting the loan into warrants and is carried at fair value. The fair value of the balance outstanding on the convertible loan was \$1,500,000 and \$1,500,000 as of June 30, 2023 and December 31, 2022, respectively. During Q2 of 2023 the Company entered into a promissory note with the Sponsor which allowed up to \$1,190,000 and accrues no interest. There was \$1,190,000 outstanding on this loan as of June 30, 2023 and \$0 outstanding as of December 31, 2022. In total the

Company had \$2,690,000 and \$1,500,000 was outstanding on related party loans as of June 30, 2023 and December 31, 2022, respectively.

Recent Accounting Standards

In August 2020, June 2016, the FASB issued Accounting Standards Update ("ASU" ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU No 2016-13"). 2020-06, "Debt-Debt This guidance introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The Company adopted Topic 326 with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" ("ASU 2020-06"), which simplifies accounting for convertible instruments by removing major separation models required under current U.S. GAAP. The ASU 2020-06 also removes certain settlement conditions that are required for equity-linked contracts to qualify for adoption date of January 1, 2023 using the derivative scope exception, and it also simplifies the diluted earnings per share calculation in certain areas. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, and should be applied on a full or modified retrospective basis, with early adoption permitted beginning on January 1, 2021, approach. As a result, the Company changed its accounting policy for allowance for credit losses. The Company is currently assessing monitors accounts receivables and estimates the impact, if any, that ASU 2020-06 would have allowance for lifetime expected credit losses. Estimates of expected credit losses are based on its financial position, results of operations or cash flows.

historical collection experience and other factors, including those related to current market conditions and events. The Company's management does adoption did not believe that any other recently issued, but not yet effective, accounting standards updates, if currently adopted, would have a material effect on the Company's accompanying unaudited condensed consolidated financial statements.

Other than the item noted above, there have been no new accounting pronouncements not yet effective or adopted in the current year that have a significant impact, or potential significant impact, to our unaudited condensed consolidated financial statements.

3. Merger

As discussed in Note 3 - Initial Public Offering

On March 4, 2021, the Company consummated the IPO of 42,000,000 Units. Each Unit consists of one share 1 – Nature of the Company's Class A common stock, par value \$0.0001 per share, Business and one-third Basis of one warrant of the Company, with each whole warrant entitling the holder thereof to purchase one whole share of Class A common stock at a price of \$11.50 per share, subject to certain adjustments. The underwriters had a 45-day option to purchase up to an additional 6,300,000 Units to cover over-allotments. On April 14, 2021, the Company issued an additional 500,000 Units in connection with the underwriters' partial exercise of their over-allotment option. In September 2022, the Company wrote off a liability of \$4,462,500 of deferred underwriting fees, as the underwriters resigned from their role in any potential future Business Combination and thereby waived their entitlement to these fees (see Note 6).

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Anzu Special Acquisition Corp I **Notes to Unaudited Condensed Financial Statements** **June 30, 2023**

Note 4 - Private Placement

Simultaneously with the closing of the IPO Presentation, on March 4, 2021 September 29, 2023, the Company completed the private sale of an aggregate of 12,400,000 Private Placement Warrants to the Sponsor and, on April 14, 2021, simultaneously with the closing of the underwriters' over-allotment option, the Company issued an additional 100,000 Private Placement Warrants to the Sponsor. The Private Placement Warrants were sold at a price of \$1.00 per Private Placement Warrant, generating aggregate gross proceeds of \$12,500,000. A portion of the proceeds from the sale of the Private Placement Warrants were added to the net proceeds from the IPO held in the Trust Account. Each Private Placement Warrant is exercisable for one share of Class A common stock at a price of \$11.50 per share, subject to certain adjustments. If the Company does not complete a Business Combination by September 30, 2023, or during any Extension Period, the proceeds from the sale of the Private Placement Warrants held in the Trust Account will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law) and the Private Placement Warrants will expire worthless. The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the Class A common stock issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable, or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions.

Additionally, the Private Placement Warrants are exercisable on a cashless basis and are non-redeemable, except as described above, so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

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Note 5 - Related Party Transactions

Founder Shares

On December 30, 2020, the Sponsor purchased 7,187,500 shares (the “Founder Shares”) of the Company’s Class B common stock for an aggregate purchase price of \$25,000. On February 19, 2021, the Company effected a stock dividend of 2,875,000 Founder Shares to the Sponsor, resulting in the Company’s initial stockholders holding an aggregate of 10,062,500 Founder Shares. On March 1, 2021, the Company effected a stock dividend of 2,012,500 Founder Shares to the Sponsor, resulting in the Company’s initial stockholders holding an aggregate of 12,075,000 Founder Shares. The Founder Shares included an aggregate of up to 1,575,000 shares that were subject to forfeiture depending on the extent that the underwriters’ over-allotment option was exercised, so that the number of Founder Shares would equal 20% of the Company’s issued and outstanding common stock after the IPO. On April 14, 2021, the Sponsor forfeited 1,450,000 Founder Shares following the expiration of the unexercised portion of underwriters’ over-allotment option. As a result, the 10,625,000 Founder Shares issued and outstanding as of June 30, 2023 and December 31, 2022 are not subject to forfeiture.

The Sponsor and the Company’s officers, directors, and former directors have agreed, subject to limited exceptions, not to transfer, assign or sell any of their Founder Shares or Class A common stock received upon conversion thereof until the earlier of (A) one year after the completion of a Business Combination; and (B) subsequent to a Business Combination (x) if the last reported sale of the Class A common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock dividends, rights issuances, consolidations, reorganizations, recapitalizations and other similar transactions) for any 20 trading days within any 30-trading day period commencing at least 150 days after a Business Combination or (y) the date on which the Company completes a liquidation, merger, share exchange, reorganization or other similar transaction that results in all of the Company’s public stockholders having the right to exchange their shares of common stock for cash, securities or other property.

Promissory Note — Related Party

On December 30, 2020, the Company issued an unsecured promissory note to the Sponsor (the “Promissory Note”), pursuant to which the Company could borrow up to an aggregate principal amount of \$300,000. The Promissory Note was non-interest bearing and was payable on the earlier of (i) March 31, 2021 or (ii) the completion of the IPO. The Company had no borrowings under the Promissory Note at June 30, 2023 or December 31, 2022. The facility is no longer available.

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June 30, 2023

Working Capital Loans — Related Party

On March 29, 2022, the Company issued an unsecured promissory note to the Sponsor, pursuant to which the Sponsor may provide up to \$1,500,000 to the Company as a Working Capital Loan. The Working Capital Loan does not bear interest and is repayable in full upon on the earlier of (i) March 29, 2023 or (ii) the consummation of the Company's initial Business Combination. **ger**. Upon the consummation of a Business Combination, **Closing**, the Sponsor shall have the option, but not the obligation, to convert the principal balance of the Working Capital Loan, in whole or in part, into warrants at a price of \$1.00 per warrant. Such warrants would be identical to the Private Placement Warrants. In the event that a Business Combination does not close, the Company may use a portion of proceeds held outside the Trust Account to repay the Working Capital Loan but no proceeds held in the Trust Account would be used to repay the Working Capital Loan. The Working Capital Loan is subject to customary events of default, the occurrence of which automatically trigger the unpaid principal balance of the Working Capital Loan and all other sums payable with regard to the Working Capital Loan becoming immediately due and payable.

On March 21, 2023, the Company issued an additional unsecured promissory note (the "2023 Promissory Note") to the Sponsor, pursuant to which the Sponsor may provide up to \$1,190,000 to the Company as a working capital loan (the "2023 Working Capital Loan"). The 2023 Working Capital Loan does not bear interest and is repayable in full upon on the earlier of (i) December 31, 2023 or (ii) the consummation of a Business Combination. The 2023 Working Capital Loan is subject to customary events of default, the occurrence of which automatically trigger the unpaid principal balance of the 2023 Working Capital Loan and all other sums payable with regard to the 2023 Working Capital Loan becoming immediately due and payable. As of April 3, 2023, \$734,300 was outstanding under the 2023 Promissory Note. As of June 30, 2023 and December 31, 2022, there were amounts of \$2,690,000 and \$1,500,000 outstanding under the Working Capital Loan, respectively. The Working Capital Loan is recorded at fair value of \$2,690,000 and \$1,500,000 as of June 30, 2023 and December 31, 2022, respectively.

Administrative Service Fee

The Company has agreed, commencing on March 1, 2021, to pay an affiliate of the Company's Sponsor a fixed amount of \$40,521 per month for office space, administrative and support services. Upon completion of a Business Combination or its liquidation, the Company will cease paying these monthly fees. The Company has incurred costs of \$121,563 and \$243,126 for the three and six months ended June 30, 2023, respectively. The Company has incurred costs of \$121,563 and \$243,126 for the three and six months ended June 30, 2022, respectively. As of June 30, 2023 and December 31, 2022, there were amounts of \$244,175 and \$0 accrued on the condensed balance sheets, respectively.

Diligence Services

The Company has agreed to pay or reimburse Anzu Partners LLC, an affiliate of the Sponsor for certain fees and out-of-pocket expenses incurred in connection with activities on the Company's behalf such as performing due diligence on suitable business combination opportunities. There were amounts of \$873,290 and \$958,429 accrued for such fees and expenses as of June 30, 2023 and December 31, 2022, respectively. The Company incurred \$54,971 and \$142,411 of such fees and expenses for the three months ended June 30, 2023 and 2022, respectively. The Company incurred \$201,549 and \$385,706 of such fees and expenses for the six months ended June 30, 2023 and 2022, respectively. On June 30, 2023, Anzu Partners LLC waived \$286,688 of such accrued fees and expenses. **following occurred:**

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June 30, 2023

Note 6 - Commitments and Contingencies
Registration and Stockholder Rights

The holders of the Founder Shares, Private Placement Warrants and any warrants that may be issued on conversion of Working Capital Loans (and any Class A common stock issuable upon the exercise of the Private Placement Warrants or warrants issued upon conversion of the Working Capital Loans and upon conversion of the Founder Shares) are entitled to registration rights pursuant to a registration rights agreement requiring the Company to register such securities for resale (in the case of the Founder Shares, only after conversion to the Company's Class A common stock). The holders of these securities are entitled to make up to three demands, excluding short form registration demands, that the Company register such securities. In addition, the holders have certain "piggyback" registration rights with respect to registration statements filed subsequent to the completion of a Business Combination and rights to require the Company to register for resale such securities pursuant to Rule 415 under the Securities Act. However, the registration rights agreement provides that the Company will not be required to effect or permit any registration or cause any registration statement to become effective until termination of the applicable lock-up period. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriting Agreement

The underwriters had a 45-day option from the date of the IPO to purchase up to an additional 6,300,000 Units to cover over-allotments, if any. On April 14, 2021, the Company issued an additional 500,000 Units in connection with the underwriters' partial exercise of their over-allotment option.

On March 4, 2021 and April 14, 2021, the underwriters were paid a fixed underwriting discount of \$8,400,000 and \$100,000, respectively. In addition, the underwriters are entitled to a deferred discount of \$0.35 per Unit, or \$14,875,000 in the aggregate. The deferred discount will become payable to the underwriters from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement.

In September 2022, the Company reversed a liability of \$4,462,500 of deferred underwriting fees, as some underwriters resigned from their role in any potential future Business Combination and thereby waived their entitlement to these fees.

Forward Purchase Agreements

On December 6, 2021, the Company entered into Forward Purchase Agreements with certain institutional investors and anchored by Arena Capital Advisors, LLC and Fir Tree Partners (collectively, the “Forward Purchasers”), pursuant to which the Forward Purchasers have agreed, subject to certain conditions, to purchase the following:

- up to an aggregate Each share of \$80,000,000 of unsecured convertible notes of the Company (“Convertible Notes”) immediately prior to the closing of the Company’s Business Combination. The terms of the Convertible Notes, including the terms on which the Convertible Notes will convert into shares of the Company’s Class A common stock, will be negotiated by the Company and the Forward Purchasers, each acting in its sole discretion, prior to the issuance of the Convertible Notes. The aggregate total of up to \$80,000,000 from the issuance of the Convertible Notes would be received by the Company upon the closing of the Company’s Business Combination; and
- up to an aggregate of 4,000,000 forward purchase securities of the Company (the “Forward Purchase Securities”) for \$10.00 per Forward Purchase Security, or an aggregate total of up to \$40,000,000, Envoy Common Stock immediately prior to the Business Combination Closing, was automatically cancelled and converted into the right to receive 0.063603 shares of New Envoy Class A Common Stock resulting in the issuance of 14,999,990 shares of New Envoy Class A Common Stock;
 - o Each Forward Purchase Security would consist share of outstanding Envoy Common Stock, which totaled 139,153,144 was cancelled and converted into 8,850,526 shares of New Envoy Class A Common Stock.
 - o Each outstanding warrant to purchase Envoy Common Stock, depending on the applicable exercise price, was automatically cancelled or exercised on a net exercise basis and converted into 2,702 shares of New Envoy Class A Common Stock.
 - o The Convertible Notes were automatically converted into 4,874,707 shares of New Envoy Class A Common Stock.
 - o Each share of Envoy redeemable convertible preferred stock, par value \$0.01 per share, issued and outstanding immediately prior to the Closing (“Envoy Preferred Stock”), which totaled 4,000,000 shares, were converted into 20,000,000 shares of Envoy Common Stock and subsequently exchanged for 1,272,055 shares of New Envoy Class A Common Stock.
- Each outstanding option to purchase shares of Envoy Common Stock outstanding as of immediately prior to the Business Combination was cancelled in exchange for nominal consideration;
- Each share of Merger Sub’s common stock, par value \$0.0001 per share, issued and outstanding immediately prior to the Business Combination was converted into and exchanged for one share of New Envoy Class A Common Stock;
- The Sponsor forfeited 5,510,000 shares of Anzu’s Class B common stock, issued par value \$0.0001 per share (“Anzu Class B Common Stock”), and sold all 12,500,000 private placement warrants pursuant to the Sponsor Support Agreement;
- All of Anzu’s outstanding 14,166,666 public placement warrants were exchanged for warrants each exercisable for a share of New Envoy Class A Common Stock at a price of \$11.50 per share;
- The Sponsor exchanged 2,500,000 shares of Anzu Class B Common Stock for 2,500,000 shares of Series A Preferred Stock pursuant to the sponsor support and forfeiture agreement dated April 17, 2023 by and between Anzu, Envoy and the Company and one-ninth Sponsor, as amended or modified from time to time (the “Sponsor Support Agreement”);
- An aggregate of one warrant transferred 2,615,000 shares of Anzu Class B Common Stock held by the Sponsor for no value, with each whole redeemable warrant exercisable to purchase one share and Anzu’s former independent directors automatically converted into an equal number of shares of New Envoy Class A common stock for \$11.50 per share. Common Stock;
- Pursuant to the legacy forward purchase agreements and the extension support agreements of Anzu, the Sponsor transferred an aggregate of 490,000 shares of New Envoy Class A Common Stock to the parties to the legacy forward purchase agreements and the extension support agreements;

- The Company issued an aggregate total of up 8,512 shares of New Envoy Class A Common Stock as Share Consideration pursuant to \$40,000,000 from the issuance of the Forward Purchase Securities would be received by Agreement.
- The Sellers in its sole discretion may request warrants of the Company upon exercisable for shares of New Envoy Class A Common Stock (the "Shortfall Warrants") in an amount equal to 3,874,394 based on the closing terms of Forward Purchase Agreement.
- The Company issued, and certain affiliates of the Company's Business Combination, Sponsor purchased, concurrently with the Closing, an aggregate of 1,000,000 shares of Series A Preferred Stock in the PIPE Transaction at a price of \$10.00 per share for an aggregate purchase price of \$10 million.
- Pursuant to the Envoy Bridge Note, the Company issued 1,000,000 shares of Series A Preferred Stock to GAT Funding, LLC concurrently with the Closing.
- Pursuant to the Subscription Agreement and the Envoy Bridge Note, the Sponsor and GAT Funding, LLC each contributed additional \$1.0 million as capital contribution to subscribe for 100,000 additional shares of Series A Preferred Stock to be issued at a price of \$10.00 per share in order to meet the net tangible assets requirement under the Business Combination Agreement.

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The shares of Class A common stock included in the Forward Purchase Securities would have the same terms as the Company's publicly traded shares of Class A common stock. The warrants included in the Forward Purchase Securities would have the same terms as the private placement warrants held proceeds received by the Sponsor Company from the Merger, the PIPE Transaction, and would be subject to the terms of the Warrant Agreement, dated March 1, 2021, entered into between the Company and American Stock Transfer & Trust Company, as Warrant Agent, in connection with the Company's initial public offering (the "Warrant Agreement").

In addition, under the Forward Purchase Agreements, if the Company determines to raise capital by the private placement of equity securities in connection with the closing of the Company's Business Combination (the "New Equity Securities"), the Company shall first make an offer to the Forward Purchasers to purchase the securities then offered on the same terms as such New Equity Securities, in an aggregate amount of up to \$120,000,000. Any commitment by any Forward Purchaser under any of the Forward Purchase Agreements to purchase New Equity Securities is subject to and conditioned upon the acceptance of the Company's offer by such Forward Purchaser, following the Company's notification to such Forward Purchaser of its intention to offer the New Equity Securities.

Pursuant to the Forward Purchase Agreements, the Forward Purchasers will be entitled to registration rights with respect to shares of Class A common stock underlying the Convertible Notes, the shares of Class A common stock and warrants included in the Forward Purchase Securities, and the New Equity Securities.

This Forward Purchase Agreement Expired in the second quarter of 2023 and a new Forward Purchase Agreement was entered into as described below.

In addition, on April 17, 2023, prior to entering into the Business Combination Agreement, Anzu, Envoy (for purposes of the Forward Purchase Agreement, (as defined below), New Envoy, following the Business Combination, together net of transaction costs, totaled \$11.7 million.

The Merger was accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, Anzu prior to the Business Combination, was treated as the case may be, are referred to in this section acquired company for financial reporting purposes. Accordingly, for accounting purposes, the Merger was treated as the "Counterparty"), and Meteora Special Opportunity Fund I, LP ("MSOF"), Meteora Capital Partners, LP ("MCP") and Meteora Select Trading Opportunities Master, LP ("MSTO") and, together with MSOF and MCP, collectively the "Seller") entered into an agreement (as amended by Amendment No. 1 to the Forward Purchase Agreement, dated as of May 25, 2023, the "Forward Purchase Agreement") for an OTC Equity Prepaid Forward Transaction (the "Forward Purchase Transaction").

Pursuant to the terms equivalent of the Forward Purchase Agreement, Seller intends, but is not obligated, to purchase through a broker in Company issuing shares for the open market, following the period for making redemption elections and prior to the Closing, shares net assets of Anzu, Class A Common Stock from holders accompanied by a recapitalization. The net assets of Anzu Class A Common Stock (other than Anzu were stated at historical cost with no goodwill or affiliates of Anzu) including from holders who have previously elected to redeem their Anzu Class A Common Stock (such purchased shares of Anzu Class A Common Stock, other intangible assets recorded.

The following table presents the "FPA Shares") pursuant to the redemption rights set forth in the Current Charter in connection with the Business Combination (such holders, "Redeeming Holders"). Purchases by the Seller, if any, will be made after the redemption

deadline in connection with the Business Combination at a price no higher than the redemption price to be paid to holders who elect to redeem their Anzu Class A Common Stock in connection with the Business Combination. Excluding the shares of Anzu Class A Common Stock transferred to Seller as the Share Consideration (as defined below), the aggregate total number of FPA Shares (the “Number of FPA Shares”) will in no event be more than 4,300,000 FPA Shares (the “Maximum Number of FPA Shares”). The Number of FPA Shares is subject to reduction as described under “Optional Early Termination” in the Forward Purchase Agreement. Seller also may transfer any FPA Shares as needed to beneficially own no more than 9.9% of the total number of shares of Anzu Class A Common Stock outstanding on a post-combination basis. The Seller in its sole discretion may request warrants of the Counterparty exercisable for shares of Anzu Class A Common Stock in an amount equal to (i) the Maximum Number of FPA Shares less (ii) the Number of Shares specified in the supplement of the Forward Purchase Agreement (the “Pricing Date Notice”). Seller has agreed to waive any redemption rights in connection with the Business Combination with respect to the FPA Shares. Such waiver may reduce the number of shares of Anzu Class A Common Stock redeemed in connection with the Business Combination, which could alter the perception of the potential strength of the Business Combination. Seller has further agreed not to vote any of the FPA Shares in favor of the Business Combination Proposal.

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Further, concurrently with the Business Combination Agreement, Envoy entered into a convertible promissory note (the “Envoy Bridge Note”) pursuant to which it will borrow \$10,000,000 from GAT Funding, LLC (“GAT,” or the “Envoy Bridge Note Holder”), which is an entity owned by Glen A. Taylor, a member of the Envoy Board and a holder of more than 5% of the Envoy Common Stock, and the holder of all of the outstanding shares of Envoy Preferred Stock, prior to the Closing. Contingent upon, and effective concurrently with, the PIPE Closing, New Envoy will issue shares of Series A Preferred Stock to GAT in exchange for the Envoy Bridge Note. GAT will have certain customary registration rights, including rights with respect to the filing of a shelf registration statement, underwritten offering rights and piggyback rights, pursuant to the A&R Registration Rights Agreement (as described below) with respect to any shares of New Envoy Class A Common Stock issuable upon conversion of the and Series A Preferred Stock. Stock outstanding immediately after the Closing:

As of June 30, 2023 and December 31, 2022, there is nothing outstanding on the Convertible Notes and no action has been taken on the Forward Purchase Securities other than the initial contract agreement.

	Number of Shares
Class A Common Stock	
Exchange of Anzu Class A Common Stock subject to possible redemption that was not redeemed for New Envoy Class A Common Stock	1,500,874
Conversion of Anzu Class B Common Stock held by the Sponsor and Anzu’s former independent director into New Envoy Class A Common Stock*	2,615,000
Subtotal - Merger, net of redemptions	4,115,874
Exchange of Envoy Common Stock for New Envoy Class A Common Stock	8,850,526
Exchange of Envoy Preferred Stock for New Envoy Class A Common Stock	1,272,055
Conversion of Convertible Notes as of September 29, 2023 into New Envoy Class A Common Stock	4,874,707

Net exercise of Envoy Warrants	2,702
Issuance of share consideration to Meteora parties	8,512
Shares recycled by Meteora parties	425,606
	<u>19,549,982</u>

* 1,000,000 shares of the New Envoy Class A Common Stock are unvested and subject to restrictions and forfeitures per the Sponsor Support Agreement. These shares will vest upon the FDA approval of Acclaim or upon a change of control of the Company (see Note 10)

Series A Preferred Stock	Number of Shares
Exchange of Anzu Class B Common Stock for Series A Preferred Stock	2,500,000
Issuance of Series A Preferred Stock in connection with the PIPE Transaction	1,000,000
Issuance of Series A Preferred Stock in connection with the conversion of the Envoy Bridge Note	1,000,000
	<u>4,500,000</u>

Note 7 - Class A Common Stock Subject to Possible Redemption

The Company's Class A common stock features certain redemption rights that are considered to be outside of the Company's control and subject to the occurrence of future events. The Company is authorized to issue 400,000,000 shares of Class A common stock with a par value of \$0.0001 per share. Holders of the Company's Class A common stock are entitled to one vote for each share. As of June 30, 2023 and December 31, 2022, there were 4,312,774 and 42,500,000 shares of Class A common stock outstanding, respectively, all of which were subject to possible redemption. As of June 30, 2023, these shares were valued at \$10.34, due to the stockholder rights to the trust proceeds, for a total of \$44,595,404. As of December 31, 2022, these shares were valued at \$10.11 per share, for a total of \$429,747,193.

At June 30, 2023 and December 31, 2022, the Class A common stock reflected in the unaudited condensed balance sheets is reconciled in the following table:

Gross proceeds	\$ 425,000,000
Less:	
Proceeds allocated to Public Warrants	(14,026,667)
Class A common stock issuance costs	(23,229,523)
Plus:	
Accretion of carrying value to redemption value	37,691,146
Waiver of Class A shares issuance costs	4,312,237
Class A common stock subject to possible redemption at December 31, 2022	<u>429,747,193</u>
Redemption of Class A common stock	(387,606,834)
Accretion of carrying value to redemption value	2,025,746
Class A common stock subject to possible redemption at March 31, 2023	<u>44,166,105</u>
Accretion of carrying value to redemption value	429,299
Class A common stock subject to possible redemption at June 30, 2023	<u>\$ 44,595,404</u>

Note 8 - Stockholders' Deficit

Preferred Stock— The Company is authorized to issue 1,000,000 shares of preferred stock, with a par value of \$0.0001 per share. The Company's board of directors is authorized to fix the voting rights, if any, designations, powers, preferences, the relative, participating, optional or other special rights and any qualifications, limitations and restrictions thereof, applicable to the shares of each series. The board of directors is able to, without stockholder approval, issue shares of preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of the common stock and could have anti-takeover effects. At June 30, 2023 and December 31, 2022, there were no shares of preferred stock issued or outstanding.

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Class A Common Stock— The Company is authorized to issue 400,000,000 shares of Class A common stock, with a par value of \$0.0001 per share. Holders of Class A common stock are entitled to one vote for each share. As of June 30, 2023 and December 31, 2022, there were 4,312,774 and 42,500,000 shares of Class A common stock issued and outstanding, respectively, which are all subject to possible redemption and are presented as temporary equity.

Class B Common Stock — The Company is authorized to issue 40,000,000 shares of Class B common stock, with a par value of \$0.0001 per share. Holders of shares of Class B common stock are entitled to one vote for each share. At June 30, 2023 and December 31, 2022, there were 10,625,000 shares of Class B common stock issued and outstanding.

Only holders of the Class B common stock have the right to vote on the election of directors prior to a Business Combination. Holders of Class A common stock and holders of Class B common stock will vote together as a single class on all matters submitted to a vote of the Company's stockholders except as otherwise required by law.

The Class B common stock will automatically convert into Class A common stock at the time of the completion of a Business Combination, or earlier at the option of the holder, on a one-for-one basis, subject to adjustment. In the case that additional shares of Class A common stock, or equity-linked securities, are issued or deemed issued in excess of the amounts issued in the IPO and related to the closing of a Business Combination, the ratio at which Founder Shares will convert into Class A common stock will be adjusted (subject to waiver by holders of a majority of the Class B common stock) so that the number of shares of Class A common stock issuable upon conversion of all Founder Shares will equal, in the aggregate, on an as-converted basis, 20% of the sum of the common stock issued and outstanding upon completion of the IPO plus the number of shares of Class A common stock and equity-linked securities issued or deemed issued in connection with a Business Combination, excluding any shares of Class A common stock or equity-linked securities issued, or to be issued, to any seller in a Business Combination.

Note 9 – Fair Value Measurements

Level 1 assets include investments in money market funds that invest solely in U.S. government securities. The Company uses inputs such as actual trade data, quoted market prices from dealers or brokers, and other similar sources to determine the fair value of its investments.

Transfers to/from Levels 1, 2, and 3 are recognized at the beginning of the reporting period. The estimated fair value of Public Warrants was transferred from a Level 3 measurement to a Level 1 measurement, when the Public Warrants were separately listed and traded in an active market in April 2021. The estimated fair value of the Private Warrants was transferred from a Level 3 measurement to a Level 2 fair value measurement as of July 2021, as the transfer of Private Placement Warrants to anyone who is not a permitted transferee would result in the Private Placement Warrants having substantially the same terms as the Public Warrants, the Company determined that the fair value of each Private

Placement Warrant is equivalent to that of each Public Warrant. There were no transfers to/from Levels 1, 2, and 3 during the three and six months ended June 30, 2023 or 2022.

The initial fair value of the Public and Private Placement Warrants, issued concurrently and in connection with the Initial Public Offering, has been estimated using a binomial lattice model. For periods subsequent to the detachment of the Public Warrants from the Units, the Public Warrants' listed price in an active market was used as the fair value. The estimated fair value of the Warrants, prior to the Public Warrants being traded in an active market, is determined using Level 3 inputs. Inherent in a binomial lattice model are assumptions related to the Unit price, expected volatility, risk-free interest rate, term to expiration, and dividend yield. The Unit price is based on the publicly traded price of the Units as of the measurement date. The Company estimated the volatility for the Warrants based on the implied volatility from the traded prices of warrants issued by other special purpose acquisition companies. The risk-free interest rate is based on interpolated U.S. Treasury rates, commensurate with a similar term to the Warrants. The term to expiration was calculated as the contractual term of the Warrants, assuming one year to a Business Combination from the Initial Public Offering date. Finally, the Company does not anticipate paying a dividend.

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4. Fair Value Measurement

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The asset for the FPAs was valued using the time-discounted spread of the fixed purchase price of the Company's units pursuant to the FPAs over the public trading price of the Company's Units and is considered to be a Level 3 fair value measurement. The valuation is then adjusted to reduce the value of the FPAs for the value of warrants. The model utilizes key inputs including risk-free interest rates based on U.S. Treasury rates.

The liability for the PFD was estimated using a Monte Carlo simulation model, which is a Level 3 fair value measurement. Derivative warrant liabilities are classified as non-current liabilities as their liquidation is not reasonably expected to require the use of current assets or require the creation of current liabilities.

In accounting for the working capital loan, the Company bifurcated a derivative liability representing the conversion option, with a fair value of \$2,690,000 at issuance. To measure the fair value of the derivative liability, the Company compared the calculated value of the working capital loan with the indicated value of the host instrument, defined as the straight-debt component of the working capital loan. The difference between the value of the straight-debt host instrument and the fair value of the working capital loan resulted in the value of the derivative liability. The value of the straight-debt host instrument was estimated using a Monte Carlo simulation model, which is a Level 3 fair value measurement.

The following tables present provide information about related to the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2023 September 30, 2023 and December 31, 2022 (in thousands):

September 30, 2023			
Level 1	Level 2	Level 3	Total

Assets:				
Forward purchase agreement assets	\$ -	\$ -	\$ 2,386	\$ 2,386
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,386</u>	<u>\$ 2,386</u>
Liabilities:				
Forward purchase agreement warrant liability	\$ -	\$ -	\$ 1,793	\$ 1,793
Warrant liability	1,274	-	-	1,274
	<u>\$ 1,274</u>	<u>\$ -</u>	<u>\$ 1,793</u>	<u>\$ 3,067</u>
December 31, 2022				
	Level 1	Level 2	Level 3	Total
Liabilities:				
Convertible notes payable, net of current portion (related party)	\$ -	\$ -	\$ 33,397	\$ 33,397
Convertible notes payable, current portion (related party)	-	-	448	448
Warrant liability (related party)	-	-	127	127
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,972</u>	<u>\$ 33,972</u>

The fair values of the forward purchase agreement assets and indicate the forward purchase agreement warrant liability were estimated using Monte Carlo Simulation models, which are Level 3 fair value hierarchy of the valuation techniques that the Company utilized to determine such fair value:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable (Level 2)	Significant Other Unobservable (Level 3)
Assets:			
Investments held in Trust Account	\$ 44,645,404	\$ —	\$ —
Forward Purchase Agreement	—	—	—
Fair Value at June 30, 2023 (unaudited)	\$ 44,645,404	\$ —	\$ —
Liabilities:			
Working capital loan – related party	\$ —	\$ —	\$ 2,690,000
Public Warrant liability	708,333	—	—
Private Warrant liability	—	625,000	—
Prepaid forward derivative	—	—	144,770
Fair Value at June 30, 2023 (unaudited)	\$ 708,333	\$ 625,000	\$ 2,834,770

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable (Level 2)	Significant Other Unobservable (Level 3)
Assets:			
Investments held in Trust Account	\$ 430,047,193	\$ —	\$ —
Forward Purchase Agreement	—	—	353,731
Fair Value at December 31, 2022	\$ 430,047,193	\$ —	\$ 353,731
Liabilities:			
Working capital loan – related party	\$ —	\$ —	\$ 1,500,000
Public Warrant liability	566,667	—	—
Private Warrant liability	—	500,000	—
Fair Value at December 31, 2022	\$ 566,667	\$ 500,000	\$ 1,500,000

June 30, 2023

The following tables provide the roll forward for the Level 3 investments for the six months ended June 30, 2023:

FPA assets at December 31, 2022	\$ 353,731
Change in fair value of FPA	681,533
FPA assets at March 31, 2023 (unaudited)	1,035,264
Expiration of FPA asset April 17, 2023	(1,035,264)
New FPA – liability April 17, 2023	(144,770)
FPA liability at June 30, 2023 (unaudited)	<u>\$ (144,770)</u>
Working capital loan at December 31, 2022	\$ 1,500,000
Issuance of loan	734,300
Working capital loan at March 31, 2023 (unaudited)	2,234,300
Issuance of loan	455,700
Working capital loan at June 30, 2023 (unaudited)	<u>\$ 2,690,000</u>

FPA assets at December 31, 2021	\$1,002,789
Change in fair value of FPA	(649,058)
FPA assets at December 31, 2022	<u>\$ 353,731</u>
Working capital loan at December 31, 2021	\$ —
Issuance of loan	1,500,000
Change in fair value of working capital loan	—
Working capital loan at December 31, 2022	<u>\$1,500,000</u>

measurement. The following table presents the quantitative information regarding Level 3 fair value measurements of the **Forward Purchase Agreements:** forward purchase agreement assets and forward purchase agreement warrant liability:

	December 31, 2022
Unit Price	\$ 10.00
Remaining Term (in years)	0.16
Risk-Free Rate	4.18 %

	September 30, 2023
Stock price	\$ 5.64
Initial exercise price	10.46
Remaining term (in years)	1.00
Risk-free rate	5.32 %

The fair value of the Convertible Notes was based on a probability-weighted expected return model ("PWERM"), which is a Level 3 measurement. The valuation includes significant assumptions such as the discount rate, the fair value of the Company's common stock, volatility, probability of the Convertible Notes being held to maturity, the probabilities of certain exit events, including a qualified financing, initial public offering or merger with a SPAC, and estimated recovery in the event of default.

The significant inputs that were used in the valuation of the Convertible Notes are presented below (in thousands, except per share amounts):

	December 31, 2022
Share price	\$ 0.33
Discount rate	14.8%
Volatility	91.0%
Probability of qualified financing	5.0%
Probability of SPAC/IPO	25.0%
Probability of default	60.0%
Probability of held to maturity	10.0%
Recovery upon default (2012 and 2013 Convertible Notes)	\$ 10,000

Significant judgment is required in selecting the inputs. On December 31, 2022, an evaluation was performed to assess those inputs and general market conditions potentially affecting the fair value of the Convertible Notes. Should the probability of default increase or decrease by 5.0%, the fair value of the Convertible Notes on December 31, 2022 could decrease or increase by \$2.6 million, respectively. Should the discount rate increase or decrease by 5.0%, the fair value of the Convertible Notes could decrease by \$1.5 million or increase by \$1.6 million, respectively. The fair value of the Convertible Notes is subject to variation should the expected future cash flows vary significantly from the estimates.

Effective concurrently with the Merger, the outstanding balance of principal and accrued interest of the Convertible Notes was automatically converted into New Envoy Class A Common Stock and the outstanding balance of principal and accrued interest of the Envoy Bridge Note was converted into Series A Preferred Stock (see Note 3). As such, the Convertible Notes and Envoy Bridge Note were derecognized from the condensed consolidated balance sheet. Immediately prior to the Merger, the fair value of the Convertible Notes was calculated by multiplying the amount of New Envoy Class A Common Stock the Convertible Notes converted into by the fair value of these shares. The fair value of the New Envoy Class A Common Stock was based on the listed prices for the shares, immediately prior to the Merger. Immediately prior to the Merger, the fair value of the Envoy Bridge Note was calculated by multiplying the amount of Series A Preferred Stock the Envoy Bridge Note converted into, by the fair value of these shares. The fair value of the Series A Preferred Stock was estimated using a Monte Carlo Simulation model, which is a Level 3 fair value measurement. The following table presents the quantitative information regarding Level 3 fair value measurements of the **Prepaid Forward Derivative Agreements**: Series A Preferred Stock, which was valued at \$10.98 per share.

	June 30, 2023	April 17, 2023
Unit Price	\$ 10.24	\$ 10.07
Remaining Term (in years)	1.25	1.46
Risk-Free Rate	5.13 %	4.42 %

	September 30, 2023
Underlying stock price	7.02
Exercise price	11.50
Expected term (in years)	10.00
Expected volatility	48.9 %

The Company has classified the warrant liability within Level 1 of the hierarchy as the warrant liability is separately listed and traded in an active market. The warrant liability's listed price in an active market was used as the fair value.

The Company has classified the warrants (related party) within Level 3 of the hierarchy as the fair value is derived using the Black-Scholes option pricing model, which uses a combination of observable (Level 2) and unobservable (Level 3) inputs. Key estimates and assumptions impacting the fair value measurement include (i) the expected term of the warrants, (ii) the risk-free interest rate, (iii) the expected dividend yield and (iv) expected volatility of the price of the underlying common stock. The Company estimated the fair value per share of the underlying common stock based, in part, on the results of third-party valuations and additional factors deemed relevant. The risk-free interest rate was determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the remaining contractual term of the warrants. The Company estimated a 0% expected dividend yield as of December 31, 2022, based on the fact that prior to the Business Combination, the Company had never paid or declared dividends and did not intend to do so in the foreseeable future. Prior to the Business Combination, the Company was a private company and lacked company-specific historical and implied volatility information of its stock, and as such, the expected stock volatility was based on the historical volatility of publicly traded peer companies for a term equal to the remaining expected term of the warrants.

The following table presents the quantitative information regarding unobservable inputs of the warrant liability (related party):

	December 31, 2022
Risk-free interest rate	3.9 %
Expected dividend yield	0.0 %
Expected term (in years)	9.5
Expected volatility	62.8 %

The following table summarizes the activity for the Company's Level 3 instruments measured at fair value measurements of the working capital loan:

	June 30, 2023	December 31, 2022
Principal Outstanding	\$ 1,500,000	\$ 1,500,000
Expected Remaining Term (in years)	0.25	0.25
Volatility	37.4	43.5 %
Risk-Free Rate	4.03	3.91 %

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Note 10 - Warrant Liabilities

Public Warrants may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the Public Warrants. The Public Warrants will become exercisable on the later of (a) 30 days after the completion of a Business Combination and (b) 12 months from the closing of the IPO. The Public Warrants will expire five years from the completion of a Business Combination or earlier upon redemption or liquidation.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless recurring basis" as described in (in thousands):

	Convertible Notes and Envoy Bridge Note (Related Party)	Warrant Liability (Related Party)	Forward Purchase Agreement Asset	Forward Purchase Agreement Warrant Liability
Balance as of December 31, 2022	\$ 33,845	\$ 127	\$ -	\$ -
Issuances	2,048	-	-	-
Change in fair value	9,377	104	-	-
Balance as of March 31, 2023	<u>\$ 45,270</u>	<u>\$ 231</u>	<u>\$ -</u>	<u>\$ -</u>
Issuances	1,964	-	-	-
Change in fair value	8,857	-	-	-
Capital contribution	(14,678)	-	-	-

Balance as of June 30, 2023	\$ 41,413	\$ 231	\$ -	\$ -
Issuances	1,964	-	\$ 2,386	\$ 1,793
Change in fair value	(4,902)	-	-	-
Conversion	(38,475)	(231)	-	-
Balance as of September 30, 2023	\$ -	\$ -	\$ 2,386	\$ 1,793

There were no transfers between Level 1 and Level 2, nor into and out of Level 3, during the warrant agreement. The exercise price and number of periods presented.

5. Restricted cash

Pursuant to the Envoy Bridge Note, GAT Funding, LLC contributed \$1 million to subscribe for additional shares of Class Series A common stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, except as described below, the warrants will not be adjusted for issuances of Class A common stock Preferred Stock at a price below its exercise price. Additionally, of \$10.00 per share in no event will order to meet the net tangible asset requirements under the Business Combination Agreement (see Note 3). Immediately prior to the Merger, GAT Funding, LLC wired \$5 million to the Company to ensure the net tangible asset requirement is met. After the Merger, the subscription for additional Series A Preferred Stock was determined to be required \$1 million. As such, \$4 million of cash is restricted and recorded as a payable to net cash settle related party on the warrants. If condensed consolidated balance sheets.

Pursuant to the certificate of designation of the Series A Preferred Stock, the Company is unable required to complete maintain the funds allocated for the first four dividend payments in a Business Combination by March 4, 2023 separate account, and as such, \$5.4 million of the Company's cash has been reclassified to restricted cash (see Note 11).

6. Inventories

Inventories, consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Raw materials	\$ 1,227	\$ 1,010
Work-in-progress	31	164
Finished goods	139	121
	<u>\$ 1,397</u>	<u>\$ 1,295</u>

7. Operating Leases

The Company leases its headquarters office space in Minnesota and leases office space in Germany. The lease for the Company's headquarters office space expires at the end of 2027. This headquarters office space lease is with a stockholder, which is considered a related party. The lease of the office space in Germany is not with a related party and is immaterial.

The components of leases and lease costs were as follows (in thousands):

	September 30, 2023	December 31, 2022
Operating lease right-of-use assets (related party)	<u>\$ 494</u>	<u>\$ 577</u>
Operating lease liability, current portion (related party)	\$ 149	\$ 125
Operating lease liabilities, net of current portion (related party)	<u>440</u>	<u>565</u>
	<u>\$ 589</u>	<u>\$ 690</u>
	Nine Months Ended September 30,	
	2023	2022
Operating lease cost	<u>\$ 97</u>	<u>\$ 97</u>
	<u>\$ 97</u>	<u>\$ 97</u>

Other supplemental information of lease amounts recognized in the unaudited condensed consolidated financial statements is summarized as follows:

	Nine Months Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities	\$ 113	\$ 111
	September 30, 2023	December 31, 2022
Weighted-average remaining lease term - in years	4.2	4.9
Weighted-average discount rate	5.0%	5.0%
Future minimum lease payments associated with these leases were as follows on September 30, 2023 (in thousands):		
	Amount	
2023 (remaining)	\$	28
2024		162
2025		154
2026		155
2027		99
		598
Less: Imputed interest		(9)
	\$	589

8. Product Warranty Liability

Changes in warranty liability were as follows (in thousands):

	Amount
Balance as of December 31, 2022	\$ 2,478
Utilization	(62)
Balance as of March 31, 2023	\$ 2,416
Reversal of product warranty accrual	(45)
Utilization	(25)
Balance as of June 30, 2023	\$ 2,346
Reversal of product warranty accrual	(72)
Utilization	(21)
Balance as of September 30, 2023	\$ 2,253

The assumptions utilized in developing the liability as of September 30, 2023, or during any Extension Period, include an estimated cost per unit of \$6 thousand, an average battery life of 5 years, inflationary increase of 3.6%, and an average patient life calculated based on probabilities outlined in the PRI-2012 mortality tables, published from the Society of Actuaries. Additionally, a discount rate of 5.0% was used in the calculation as of September 30, 2023.

9. Convertible Notes Payable (Related Party)

The Company received several loan financings from stockholders from 2012 to 2023, in an aggregate outstanding principal amount of \$59.7 million as of December 31, 2022. The Company elected the fair value option for the Convertible Notes and the Company liquidates Envoy Bridge Note under ASC Topic 825, *Financial Instruments*, with changes in fair value recorded in earnings each reporting period. The Convertible Notes and Envoy Bridge Note do not include any financial covenants and are subject to acceleration upon the funds held in the Trust Account, holders occurrence of specified events of default. The terms of the warrants will not receive Convertible Notes and the Envoy Bridge Note are described below.

2012 Convertible Note

In 2012, the Company issued a convertible note to a stockholder ("2012 Convertible Note"), which was subsequently amended and restated. These amendments allowed for the issuance of additional principal under the existing agreements and resulted in various drawdowns since 2012. In March 2021, the 2012 Convertible Note agreement was amended and restated to allow for an additional draw of \$10.0 million. The March 2021 amendment also extended the maturity date of both the existing debt and any future draws to December 31, 2025. In June 2022, the 2012 Convertible Note agreement was amended and restated to allow for an additional draw of such funds \$10.0 million. These amendments were accounted for as debt modifications. On April 17, 2023, the drawdowns that were made in 2023 with respect an aggregate principal amount of \$4.0 million were transferred to their warrants, nor will they receive any distribution from another convertible note with the same stockholder, refer to the Envoy Bridge Note disclosure below.

The outstanding principal amount of the 2012 Convertible Note was \$59.0 million as of December 31, 2022. Undrawn principal under the arrangement amounted to \$5.0 million as December 31, 2022. The 2012 Convertible Note would have matured on December 31, 2025, and was classified as a long-term liability as of December 31, 2022. The 2012 Convertible Note bore interest at 4.5% per annum. The 2012 Convertible Note was secured by the Company's assets held outside the Trust Account with respect to such warrants. Accordingly, the warrants may expire worthless.

In addition, if (x) the assets. The Company issues additional shares of Class A granted detachable common stock or equity-linked securities for capital raising purposes warrants to the stockholder in connection with the closing 2012 Convertible Note (see Note 10).

At any time prior to maturity, at the sole discretion of the Company's initial Business Combination noteholder, the outstanding principal amount plus accrued and unpaid interest may have been converted into shares of Envoy Common Stock at an issue price or effective issue a conversion price of less than \$9.20 \$1.00 per share, of common stock (with such issue price or effective issue price subject to be determined in good faith by the Company's board of directors and, various adjustments as defined in the case of any such issuance 2012 Convertible Note agreement.

In the event that the Company obtained additional equity financing pursuant to the Sponsor or its affiliates, without taking into account any Founder Shares held by the Sponsor or such affiliates, as applicable, prior to such issuance) (the "Newly Issued Price"), (y) the aggregate gross proceeds from such issuances represent more than 60% of

the total equity proceeds, and interest thereon, available for the funding of the Company's initial Business Combination on the date of the completion of the Company's initial Business Combination (net of redemptions), and (z) the volume weighted average trading price of shares of the Company's Class A common stock during the 20 trading day period starting on the trading day prior to the day on which the Company consummates sold shares of either common or preferred stock, at the sole discretion of the stockholder, the principal amount plus accrued and unpaid interest would convert to the class of stock being offered in the financing at a Business Combination (such price the "Market Value") is below \$9.20 per share the exercise price of the warrants will be adjusted (to the nearest cent) to be equal to 115% 80% of the higher of the Market Value and the Newly Issued Price, the \$18.00 per share redemption trigger price described below under "Redemption of warrants when the price per share paid by investors for the offered shares.

On April 17, 2023, the 2012 Convertible Note was amended as part of the Company's Business Combination Agreement, to provide for automatic conversion immediately prior to the Merger. The conversion formula was not adjusted as part of this amendment. The loan amendment was accounted for as an extinguishment with a related party and treated as a deemed capital contribution.

Effective concurrently with the Merger, the outstanding balance of principal and any unpaid accrued interest was automatically converted into New Envoy Class A Common Stock at a conversion price of \$15.72 per share (see Note 3) and the fair value of the 2012 Convertible Notes was derecognized from the condensed consolidated balance sheets.

2013 Convertible Notes

In 2013, the Company issued convertible notes to various stockholders ("2013 Convertible Notes"), which were subsequently amended and restated. The outstanding principal amount of these notes was \$0.7 million as of December 31, 2022. The 2013 Convertible Notes mature on December 31, 2023, and were classified as current liabilities as of December 31, 2022. The 2013 Convertible Notes bore interest at 4.5% per annum. The 2013 Convertible Notes were secured by the Company's assets. The Company granted detachable common stock equals or exceeds \$18.00" and "Redemption of warrants when the price per share of the Company's Class A common stock equals or exceeds \$10.00" will be adjusted (to the nearest cent) to be equal to 180% of the higher of the Market Value and the Newly Issued Price, and the \$10.00 per share redemption trigger price described below under "Redemption of warrants when the price per share of the Company's Class A common stock equals or exceeds \$10.00" will be adjusted (to the nearest cent) to be equal to the higher of the Market Value and the Newly Issued Price.

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The Company will not be obligated to deliver any shares of Class A common stock pursuant to the exercise of a Public Warrant and will have no obligation to settle such Public Warrant exercise unless a registration statement under the Securities Act covering noteholders in connection with the issuance of the shares of Class A common stock issuable upon exercise of the Public Warrants is then effective and a prospectus relating thereto is current, subject 2013 Convertible Notes (see Note 10). The 2013 Convertible Notes were subordinated to the Company satisfying its obligations with respect to registration or a valid exemption from registration is available. No Public Warrant will be exercisable for cash or on a cashless basis, 2012 Convertible Note and the Company will not be obligated to issue any shares to holders seeking to exercise their Public Warrants, unless the issuance of the shares upon such exercise is registered or qualified under the securities laws of the state of the exercising holder, or an exemption from registration is available. The Company has agreed that as soon as practicable, but in no event later than 15 business days after the closing of a Business Combination, it will use its commercially reasonable efforts to file with the SEC a registration statement registering the issuance, under the Securities Act, of the Class A common stock issuable upon exercise of the Public Warrants. The Company will use its commercially reasonable efforts to cause included the same to become effective within 60 business days after conversion features as the closing of a Business Combination and to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the expiration of the Public Warrants in accordance with the provisions of the warrant agreement. Notwithstanding the above, if the Class A common stock is, at the time of any exercise of a Public Warrant, not listed on a national securities exchange such that they do not satisfy the

definition of a “covered security” under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of Public Warrants who exercise their Public Warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, 2012 Convertible Note. In addition, in the event the Company so elects, completed an equity financing in which it sold a minimum of \$2,500,000 of new stock, at the sole discretion of the Company, will not be required to file or maintain in effect a registration statement, but will use its commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to principal amount plus accrued and unpaid interest would convert into Envoy Common Stock at \$1.00 per share. If the extent an exemption is not available.

Redemption of warrants when effective conversion price was less than \$1.00, the price per share shall be equal to 80% of the Company's Class A common stock equals or exceeds \$18.00.

Once the Public Warrants become exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of \$0.01 per Public Warrant;
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the last reported sale price of shares of the Class A common stock for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders (the “Reference Value”) equals or exceeds \$18.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant).

Redemption of warrants when the price per share paid by the other investors.

On April 17, 2023, the 2013 Convertible Notes were amended as part of the Business Combination Agreement to provide for automatic conversion immediately prior to the Merger. The conversion formula was not adjusted as part of this amendment. The loan amendment was accounted for as an extinguishment with a related party and treated as a deemed capital contribution.

Effective concurrently with the Merger, the outstanding balance of principal and any unpaid accrued interest was automatically converted into New Envoy Class A Common stock at a conversion price of \$15.72 per share and the fair value of the 2013 Convertible Notes was derecognized from the condensed consolidated balance sheets (see Note 3).

Envoy Bridge Note (“2023 Convertible Note”)

On April 17, 2023, the Company entered into a convertible promissory note agreement with a stockholder for an aggregate borrowing capacity of \$10.0 million, an interest rate of 4.5% per annum and maturity date of December 31, 2025. The Envoy Bridge Note was unsecured. According to this agreement, \$4.0 million of the borrowing capacity was funded via the transfer of \$4.0 million in principal from the 2012 Convertible Note. An additional \$3.0 million was drawn upon during the second quarter of 2023 and \$3.0 million was drawn upon during the third quarter of 2023. The transfer of \$4.0 million in principal from the 2012 Convertible Note to the Envoy Bridge Note was accounted for as a debt modification.

The difference between the proceeds received and the issuance-date fair value was recorded as a deemed capital contribution from related party in the unaudited condensed consolidated statements of stockholders' equity (deficit).

The Company could have prepaid the Envoy Bridge Note in whole or in part without premium or penalty. Contingent upon, and effective concurrently with the Merger, the outstanding balance of principal and any unpaid accrued interest, automatically converted to Series A Preferred Stock at a conversion price of \$10.00 per share.

If the Business Combination Agreement terminated pursuant to its terms, at the sole discretion of the noteholder, the outstanding principal amount plus accrued and unpaid interest could have been converted into shares of Envoy Common Stock at a conversion price of \$1.00 per share, subject to various adjustments as defined in the agreement.

If the Business Combination Agreement terminated pursuant to its terms and in the event that the Company obtained additional equity financing pursuant to which the Company sold shares of either common or preferred stock,

at the sole discretion of the noteholder, the principal amount plus accrued and unpaid interest would have converted to the class of stock being offered in the financing at a price per share equal to 80% of the price per share paid by investors for the offered shares.

On August 23, 2023, the Envoy Bridge Note was amended pursuant to which the Company could have drawn an additional \$5.0 million if the Company had less than \$5.0 million in cash or net tangible assets immediately following the Merger. In addition, the Company could have drawn up to \$2.0 million if the Merger did not occur by September 30, 2023.

Effective concurrently with the Merger, the outstanding balance of principal and any unpaid accrued interest, was automatically converted to Series A Preferred Stock at a conversion price of \$10.00 per share and the fair value of the Envoy Bridge Note was derecognized from the condensed consolidated balance sheets.

10. Common Stock

As of September 30, 2023 and December 31, 2022, the Company was authorized to issue 400,000,000 shares of New Envoy Class A Common Stock and 232,000,000 shares of Envoy Common Stock, respectively. The voting, dividend and liquidation rights of the holders of the Company's Class A common stock equals or exceeds \$10.00.

Once the Public Warrants become exercisable, the Company may redeem the Public Warrants:

- ☐ in whole and not in part;
- ☐ at \$0.10 per warrant upon a minimum of 30 days' prior written notice of redemption provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares based on the redemption date and the "fair market value" of the Class A common stock;
- ☐ if, and only if, the Reference Value equals or exceeds \$10.00 per share (as adjusted); and
- ☐ if the Reference Value is less than \$18.00 per share (as adjusted), the Private Placement Warrants must also be concurrently called for redemption on the same terms as the outstanding Public Warrants.

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If and when the Public Warrants become redeemable qualified by the Company, the Company may exercise its redemption right even if it is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

The warrant agreement contains an alternative issuance provision that if less than 70% rights, powers and preferences of the consideration receivable by the holders of the Series A Preferred Stock (see Note 11).

Contingent Sponsor Shares

Pursuant to the Sponsor Support Agreement, 1,000,000 shares of New Envoy Class A Common Stock held by the Sponsor shall be unvested and subject to the restrictions and forfeiture provisions set forth in the Sponsor Support Agreement (the "Contingent Sponsor Shares"). The Contingent Sponsor Shares shall vest upon the United States Food and Drug Administration's approval of the Company's Class A common stock in the Business Combination is payable in the form Acclaim cochlear implant device (the "FDA Approval"). If a change of common stock in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder control of the warrant properly exercises the warrant within 30 days Company shall occur following the public disclosure Closing, then the conditions for vesting of the consummation any Contingent Sponsor Shares that remain unvested as of such Business

Combination, the warrant exercise price will be reduced by an amount equal to the difference (but in no event less than zero) of (i) the warrant exercise price in effect prior to such reduction minus (ii) (A) the Per Share Consideration (as defined below) minus (B) the Black-Scholes Warrant Value (as defined below). The "Black-Scholes Warrant Value" means the value of a warrant immediately prior to the consummation of the change of control shall be deemed to have been achieved and such Contingent Sponsor Shares shall immediately vest as of immediately prior to the consummation of such change of control.

The Contingent Sponsor Shares meets the definition of a derivative, but meets the criteria to be considered indexed to the Company's stock and the equity-classification criteria. Accordingly, the Contingent Sponsor Shares are classified as permanent equity.

Common Stock Warrants (Related Party)

Between November 2013 and July 2022, the Company issued warrants to purchase shares of Envoy Common Stock to stockholders in connection with the issuance of the Convertible Notes and the issuance of Envoy Preferred Stock.

In July 2022, the Company issued a warrant to purchase 1,150,000 shares of Envoy Common Stock to one stockholder in connection with the 2012 Convertible Note (see Note 9). Upon issuance, the holder's exercise of the warrants was conditioned on the Company increasing its authorized shares. As there were insufficient authorized shares available at the time of issuance, the warrant was classified as a liability and measured at fair value as of December 31, 2022. The Company incurred an expense of \$0.1 million upon the issuance of the warrant and \$0.1 million for the change in the fair value of the warrant liability during the nine months ended September 30, 2023.

On April 17, 2023, the common stock warrants were amended to provide for automatic cashless exercise or cancellation of the warrants immediately prior to the Merger. On September 29, 2023, the warrants were canceled or converted on a net exercise basis into shares of New Envoy Class A Common Stock. Out of the 8,695,000 warrants outstanding prior to the Merger, 70,000 were converted into 2,702 shares of New Envoy Class A Common Stock. Out of the remaining 8,625,000 warrants that were forfeited as part of the Business Combination, based 1,150,000 were classified as a liability in the Company's historical financial statements. The forfeiture of the liability classified warrants was recorded as a gain of \$0.2 million in the unaudited condensed consolidated statements of operations and comprehensive income (loss).

There were no outstanding common stock warrants (related party) as of September 30, 2023. The following table summarizes the Company's outstanding common stock warrants (related party) as of December 30, 2022:

Year of issue	Numbers of Shares Issuable	Exercise Price	Expiration Date	Classification
2013	70,000	\$ 0.25	Nov-2023	Equity
2015	2,300,000	\$ 1.00	Nov-2025	Equity
2017	2,300,000	\$ 1.00	Aug-2027	Equity
2018	805,000	\$ 1.00	Jan-2029	Equity
2019	920,000	\$ 1.00	Dec-2029	Equity
2021	1,150,000	\$ 1.00	Dec-2030	Equity
2022	1,150,000	\$ 1.00	July-2032	Liability
	<u>8,695,000</u>			

11. Series A Preferred Stock

As of September 30, 2023, the Company's certificate of incorporation, as amended and restated, authorized the Company to issue 100,000,000 shares of \$0.0001 par value preferred stock, of which 10,000,000 shares have been designated as Series A Preferred Stock.

Pursuant to the Envoy Bridge Note, the Sponsor Support Agreement and the Subscription Agreement, the Company issued an aggregate of 4,500,000 shares of Series A Preferred Stock (see Note 3) as of September 30, 2023.

Pursuant to the Subscription Agreement and the Envoy Bridge Note, the Sponsor and GAT Funding, LLC each contributed additional \$1.0 million capital contribution to subscribe for additional shares of Series A Preferred Stock at a price of \$10.00 per share in order to meet the net tangible assets requirement under the Business Combination Agreement (see Note 3). As of September 30, 2023, the Sponsor's contribution is classified as other receivables on the Black-Scholes Warrant Model for a Capped American Call on Bloomberg Financial Markets. "Per Share Consideration" means (i) if condensed consolidated balance sheets.

The holders of the consideration paid Series A Preferred Stock has the following rights and preferences:

Voting rights

The holders of the Series A Preferred Stock are not entitled to holders vote or receive notice of any meeting of stockholders, except in the case that the Company creates any equity or debt instrument that ranks senior or pari passu to the rights of the Series A Preferred Stock or in the case of any adverse change to the powers, preferences or special rights of the Series A Preferred Stock.

Conversion rights

Each share of Series A Preferred Stock shall be convertible, at the option of the holder, at any time after the date of issuance into such number of shares of the Company's New Envoy Class A common stock consists exclusively Common Stock as determined by dividing the issuance price of the shares of Series A Preferred Stock of \$10.00, by the conversion price, which was \$11.50 per share as of September 30, 2023 and is adjustable for certain dilutive events.

At any time from and after 90 days following the Merger, if the closing price per share of New Envoy Class A Common Stock is greater than \$15.00 for any twenty trading days within a period of thirty trading days, the Company may elect, in its discretion, to convert all, but not less than all, of the then outstanding shares of Series A Preferred Stock into shares of New Envoy Class A Common Stock. In this case, each share of Series A Preferred Stock then outstanding shall be converted into the number of shares of New Envoy Class A Common Stock equal to the quotient of i) \$10.00 divided by ii) \$15.00.

Redemption

The holders of Series A Preferred Stock are not entitled to any redemption rights, other than those under their liquidation rights discussed below. The Company does not have the option to redeem the Series A Preferred Stock.

Dividend Rights

The holders of Series A Preferred Stock are entitled to a cumulative dividend which accrues at the rate of 12% of the original issuance price of \$10.00 per annum. The dividend accrues on a daily basis from and including the issuance date of such shares, whether or not declared, and will be payable in cash on a quarterly basis. With respect to the first four (4) dividends, the Company shall maintain the funds allocated for such dividends in a separate account. If the Company fails to pay the dividends on the dividend payment date, then an additional dividend on the amount of such the unpaid portion shall automatically accrue at 12%.

There were no dividends declared as of September 30, 2023. As the Company is required to maintain the funds allocated for the first four dividend payments in a separate account, \$5.4 million of the Company's cash has been reclassified to restricted cash (see Note 5).

Pursuant to the Sponsor Support Agreement, any dividends arising shall accrue and not require timely payment at any time when the Company has less than \$10 million of net tangible assets.

Liquidation preference

In the event of any liquidation, deemed liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holder of the Series A Preferred Stock is entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of any security of the Company that ranks junior to the Series A Preferred Stock, including, but not limited to, the New Envoy Class A Common Stock, an amount per share of Series A Preferred Stock equal to the greater of i) \$10.00 plus any unpaid cash dividends and ii) the amount the holder would have received, would such holder, immediately prior to such involuntary liquidation, dissolution or winding up of Company, converted such share of Series A Preferred Stock into New Envoy Class A common Common Stock.

12. Stock Options

The Company had a stock incentive plan (the "2003 Stock Option Plan") that provided for the granting of stock options or other stock incentives to employees, officers, directors and (ii) in all other cases, consultants. The 2003 Stock Option Plan was administered by the volume weighted average Board, or a committee designated by the Board, which determined the persons who were to receive awards under the 2003 Stock Option Plan, the number of shares subject to each award and the term and exercise price of each award. The maximum term of options granted under the 2003 Stock Option Plan was ten years. The number of shares of Envoy Common Stock authorized to be issued was 6,400,000 under the 2003 Stock Option Plan.

In March 2013, the Company and its stockholders adopted a new plan (the "2013 Stock Option Plan") on substantially the same terms and conditions of the 2003 Stock Option Plan. The Company and its stockholders reserved a total of 7,000,000 shares of Envoy Common Stock for issuance under the 2013 Stock Option Plan and reduced the number of shares of Envoy Common Stock available for issuance under the 2003 Stock Option Plan from 6,400,000 to 552,000. As of April 2013, the 2003 Stock Option Plan expired and no further stock options or shares may be granted under that plan.

On April 17, 2023, the Company and the stock option holders agreed that the stock options will be cancelled and terminated for no consideration upon the Merger.

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options. No stock options were granted during the nine months ended September 30, 2023 and 2022.

Immediately before the Merger and as of December 31, 2022, all stock options outstanding were fully vested and there was no unrecognized stock-based compensation expense related to nonvested awards. Upon the Merger, the stock options were cancelled and terminated for nominal consideration.

The following table summarizes the Company's Class A stock option activity for the nine months ended September 30, 2023:

	Options	Weighted-average Exercise Price per Option	Weighted-average Remaining Contractual Term (Years)	Intrinsic Value
Outstanding at December 31, 2022	263,000	\$ 1.25	1.01	\$ -
Outstanding at September 30, 2022	-	n/a	n/a	n/a
Exercisable and vested at September 30, 2023	-	n/a	n/a	n/a

The aggregate intrinsic value of stock options outstanding as of December 31, 2022 is zero because the fair value of the underlying Envoy Common Stock was less than the exercise price for all options as of each date.

13. Related Party Transactions

The Company leases its headquarters office space in Minnesota from a stockholder, which is considered a related party (see Note 7). The lease is considered a common stock as reported during control leasing arrangement. The lease liability due to the ten-trading day period ending stockholder was approximately \$0.6 million at September 30, 2023 and December 31, 2022. The rent expense was immaterial for the nine months ended September 30, 2023 and 2022.

The Company received several loan financings from stockholders between 2012 to 2023 (see Note 9).

The Company recorded a payable to related party of \$4.0 million on the trading day prior condensed consolidated balance sheets (see Note 5).

14. Commitment and Contingencies

The Company is party to various litigation matters arising from time to time in the effective date ordinary course of business. In January 2020, the Company's controlling stockholder and convertible debt holder, along with current and former directors of the Business Combination. Company were named in a lawsuit brought by minority stockholders (the "Spearman Plaintiffs"). This lawsuit alleges our controlling stockholder of "self-dealing" in order to obtain control of the Company. In February 2020, there was a similar lawsuit referring to and citing the first lawsuit brought up by additional minority stockholders alleging our controlling stockholder and directors of similar wrong-doings. The February 2020 lawsuit was withdrawn in 2021. In June 2023, the Company received an additional complaint from additional stockholders affiliated or associated with the Spearman Plaintiffs, raising claims that were substantially the same as the claims raised in the existing litigation.

On August 25, 2023, the Company entered into a binding agreement in principle to settle all claims and counterclaims in the lawsuit. On September 15, 2023, the parties entered into a binding settlement agreement. The settlement agreement includes a transfer of all of the plaintiff's stockholdings in Envoy to an entity affiliated with the majority stockholder of the Company, which was completed on September 28, 2023. The settlement agreement did not require any payment to be made by the Company.

The Company has outstanding an aggregate business liability insurance to cover litigation costs exceeding \$50 thousand. As of 26,666,666 warrants, including 14,166,666 public warrants and 12,500,000 private warrants as of both June 30, 2023 September 30, 2023 and December 31, 2022, the Company has not recorded accruals for potential losses related to purchase any existing or pending litigation claims as the Company's management determined that there are no matters where a potential loss is probable and reasonably estimable.

15. Net Income (Loss) per Share

The following table sets forth the computation of basic and diluted income (loss) per share (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net income (loss)	\$ 1,563	\$ (1,339)	\$ (25,027)	\$ (4,446)
Less: Cumulative undeclared preferred dividends and undistributed earnings allocated to participating securities, basic	(230)	-	-	-
Net income (loss) attributable to common stockholders, basic	<u>\$ 1,360</u>	<u>\$ (1,339)</u>	<u>\$ (25,027)</u>	<u>\$ (4,446)</u>
Net income (loss)	\$ 1,563	\$ (1,339)	\$ (25,027)	\$ (4,446)
Less: Undistributed earnings allocated to participating securities, diluted	(159)	-	-	-
Net income (loss) attributable to common stockholders, diluted	<u>\$ 1,404</u>	<u>\$ (1,339)</u>	<u>\$ (25,027)</u>	<u>\$ (4,446)</u>
Denominator:				
Weighted average common stock outstanding, basic	<u>10,214,183</u>	<u>10,123,187</u>	<u>10,153,564</u>	<u>10,123,187</u>
Net income (loss) per share attributable to common stockholders, basic	<u>\$ 0.13</u>	<u>\$ (0.13)</u>	<u>\$ (2.46)</u>	<u>\$ (0.44)</u>
Weighted average common stock outstanding, diluted	<u>11,215,068</u>	<u>10,123,187</u>	<u>10,153,564</u>	<u>10,123,187</u>
Net income (loss) per share attributable to common stockholders, diluted	<u>\$ 0.13</u>	<u>\$ (0.13)</u>	<u>\$ (2.46)</u>	<u>\$ (0.44)</u>

The Company's potentially dilutive securities have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average number of shares of the Company's New Envoy Class A Common Stock outstanding used to calculate both basic and diluted net loss per share attributable to stockholders of New Envoy Class A Common Stock is the same. The Company excluded the following potential shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	Nine Months Ended September 30,	
	2023	2022
Stock options	-	263,000
Series A Preferred Stock (as converted to common stock)	3,913,043	-
Warrants to purchase common stock	14,166,666	-
Contingent Sponsor Shares	1,000,000	-
	<u>19,079,709</u>	<u>263,000</u>

16. Subsequent Events

The Company has evaluated all events occurring through November 17, 2023, the date on which these unaudited condensed consolidated financial statements were issued, and during which time, nothing has occurred outside the normal course of business operations that would require disclosure, except for the following:

Stock Options

On October 15, 2023, the Company granted 1,938,409 stock options to certain employees and directors with an exercise price of \$2.40 per share, out of which, 720,505 stock options were issued fully unvested on the grant date. For any employee or director that received stock options that are fully unvested on the grant date, the vesting conditions are that one-fourth (25%) of these stock options shall vest on the first anniversary of the grant date and the remaining portion (75%) of these stock options shall be vested ratably, on a monthly basis, over a 36-month vesting period. For any employee or director that received stock options that are 25%, 50% or 75% vested on the grant date based on service period, the vesting conditions are that the stock options shall vest ratably, on a monthly basis, over a 36-month vesting period.

Litigation

On November 14, 2023, Atlas Merchant Capital SPAC Fund I LP (the "Plaintiff"), a stockholder of the Company, filed a complaint (the "Complaint") against Daniel Hirsch, Whitney Haring-Smith, the Sponsor and the Company, as successor to ANZU Special Acquisition Corp. I, (collectively, the "Defendants") in the Court of Chancery of the State of Delaware. The Complaint alleges a claim for breach of Anzu's Amended and Restated Certificate of Incorporation (the "Anzu Charter") against the Company, a claim for breach of fiduciary duty against Mr. Hirsch, Dr. Haring-Smith and the Sponsor and claims for unjust enrichment, fraudulent misrepresentation and tortious interference with economic relations against the Defendants. The Complaint alleges that, among other things, after the Plaintiff submitted a redemption request for its shares of Class A Common Stock in connection with the IPO Company's special meeting of stockholders held on September 27, 2023, Plaintiff thereafter withdrew its redemption request, then Defendants declined to honor Plaintiff's request to reinstate its redemption election because the request to reinstate its redemption election occurred after the redemption deadline of September 25, 2023.

The Complaint seeks specific performance to compel the Defendants to honor Atlas' redemption request, monetary damages, attorneys' fees and the Private Placement (including 266,666 warrants issued in connection with the consummation of the underwriters' partial exercise of their over-allotment option) (see Notes 3 and 4).

expenses. The Company believes the claims asserted in the Complaint to be without merit and intends to vigorously defend the litigation. At this time the Company does not believe that an unfavorable outcome is probable, and it is not possible to predict the adjustments to the exercise price outcome of the warrants is based proceeding or its impact on a variable that is not an input to the fair value of a "fixed-for-fixed" option as defined under ASC 815-40, and thus the warrants are not eligible for an exception from derivative accounting. Company.

The accounting treatment of derivative financial instruments requires that the Company records a derivative liability upon the closing of IPO. Accordingly, the Company has classified each warrant as a liability at its fair value and the warrants were allocated a portion of the proceeds from the issuance of the Units equal to its fair value determined by the

binomial lattice model. This liability is subject to re-measurement at each balance sheet date. With each such re-measurement, the warrant liability will be adjusted to fair value, with the change in fair value recognized in the Company's statements of operations. The Company will reassess the classification at each balance sheet date. If the classification changes as a result of events during the period, the warrants will be reclassified as of the date of the event that causes the reclassification.

The estimated fair value of the public warrant liability is based on quoted prices in active markets as of the measurement date. The estimated fair value of the private warrant liability is determined using public price.

Note 11 - Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the condensed balance sheets date through the date that the unaudited condensed financial statements were issued. Based on this review, the Company did not identify any subsequent events except for those stated below that would have required adjustment or disclosure in the unaudited condensed financial statements.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

References in this quarterly report on Form 10-Q (the "Quarterly Report") to "we," "our," "us," and "Company" refer to Anzu Special Acquisition Corp I. References to our "management" or our "management team" refer to our officers and directors, and references to our "Sponsor" refer to Anzu SPAC GP I LLC.

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto contained included elsewhere in this Quarterly Report. Certain Report on Form 10-Q (this "Report"), as well as the information contained in the discussion Company's final prospectus and analysis set forth below includes forward-looking statements that involve risks definitive proxy statement, dated and uncertainties, filed with the Securities and Exchange Commission (the "SEC") on September 14, 2023 (the "Proxy Statement/Prospectus"), which is accessible on the SEC's website at www.sec.gov. Unless otherwise indicated or the context otherwise requires, references in this section to the "Company," "Envoy Medical," "we," "us," "our" and other similar terms refer (i) prior to the Closing Date, to Anzu Special Acquisition Corp I and (ii) after the Closing Date, to Envoy Medical, Inc.

Special

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report includes contains certain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 as amended (the "Exchange Act"), that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements other than statements of historical fact included contained in this Quarterly Report, including without limitation, statements in this "Management's Discussion as to future results of operations and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, revenue and other metrics, products, business strategy and the plans, and objectives of management for future operations of the Company, market size and growth, competitive position and technological and market trends, are forward-looking statements. Words such as The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and variations thereof and similar words and expressions are intended to may identify such forward-looking statements. Such forward-looking statements, relate but the absence of these words does not mean that a statement is not forward-looking. All forward-looking statements are subject to future events or future performance, but reflect management's current beliefs, based on information currently available. A number of risks, uncertainties, and other factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that which could cause actual results to differ materially from those anticipated expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to:

- The Company's performance following the merger transaction between Envoy Medical Corporation ("Envoy"), Anzu Special Acquisition Corp I ("Anzu") and Envoy Merger Sub, Inc., a directly, wholly owned subsidiary of Anzu ("Merger Sub") that was completed on September 29, 2023 (the "Merger" or "Business Combination");
- Changes in the market price of shares of our Class A common stock, par value \$0.0001 per share (the "Class A Common Stock") after the Business Combination, which may be affected by factors different from those that affected the price of shares of Anzu Class A common stock, par value \$0.0001 per share ("Anzu Class A Common Stock");
- Unpredictability in the medical device industry, the regulatory process to approve medical devices, and the clinical development process of the Company's products;
- Potential need to make design changes to products to meet desired safety and efficacy endpoints;
- Changes in federal or state reimbursement policies that would adversely affect sales of the Company's products;

- Introduction of other scientific advancements, including gene therapy or pharmaceuticals, that may impact the need for hearing devices such as cochlear implants or fully implanted active middle ear implants;
- Competition in the medical device industry, and the failure to introduce new products and services in a timely manner or at competitive prices to compete successfully against competitors;
- Disruptions in relationships with the Company's suppliers, or disruptions in the Company's own production capabilities for some of the key components and materials of its products;
- Changes in the need for capital and the availability of financing and capital to fund these needs;
- The Company's ability to realize some or all of the anticipated benefits of the Business Combination;
- Changes in interest rates or rates of inflation;
- Legal, regulatory and other proceedings could be costly and time-consuming to defend;
- Changes in applicable laws or regulations, or the application thereof on the Company;
- A loss of any of the Company's key intellectual property rights or failure to adequately protect intellectual property rights;
- The Company's ability to maintain the listing of its securities on Nasdaq following the Business Combination;

- The effects of catastrophic events, including war, terrorism and other international conflicts; and
- Other risks and uncertainties indicated in the Proxy Statement/Prospectus, including those set forth under the section entitled "Risk Factors."

Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may vary in material respects from those expressed or implied by these forward-looking statements. Nothing in this Report should be regarded as a representation by any person that the forward-looking statements please refer to the Risk Factors section in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the Securities and Exchange Commission (the "SEC") on April 3, 2023, and this Quarterly Report. Except as expressly required by applicable securities laws, the Company disclaims any intention set forth herein will be achieved or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview

We are a blank check company incorporated as a Delaware corporation on December 28, 2020 for the purpose of effecting a merger, share exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses, which we refer to as a Business Combination. We completed our initial public offering ("IPO") on March 4, 2021, which is described below under "Liquidity and Capital Resources."

Since completing our IPO, we have reviewed a number of opportunities to enter into a Business Combination with an operating business, but we are not able to determine at this time whether we will complete a Business Combination with that any of the target businesses contemplated results of such forward-looking statements will be achieved. You should not place undue reliance on these forward-looking statements. The Company does not give any assurance that we have reviewed or with it will achieve its expected results and does not undertake any other target business. We intend duty to effectuate a Business Combination using cash from the proceeds of our IPO and the sale of the Private Placement Warrants (as defined below), our capital stock, debt, or a combination of cash, stock and debt. update these forward-looking statements, except as required by law.

Recent Developments

Proposed Business Combination

As previously disclosed, on April 17, 2023, we described above, Envoy entered into a business combination agreement with Anzu Special Acquisition Corp I ("Anzu") on April 17, 2023 (as amended, by Amendment No. 1 to the Business Combination Agreement, dated May 12, 2023, the "Business Combination Agreement"). The Business Combination was completed on September 29, 2023, in connection with Envoy Merger Sub, Inc., a Delaware corporation and our direct wholly owned subsidiary ("Merger Sub"), and which Anzu changed its name to Envoy Medical, Corporation, Inc. (and together with its subsidiaries, "Envoy Medical", the "Company", "we", "us" or "our", unless the context otherwise requires).

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements as of September 30, 2023 and December 31, 2022, and the three and nine months ended September 2023 and 2022, together with the notes thereto included elsewhere in this Report. It should also be read in conjunction with the audited consolidated financial statements as of and for the years ended December 31, 2022 and 2021, together with related notes thereto included in the Proxy Statement/Prospectus, which is accessible on the SEC's website at www.sec.gov.

The following discussion contains forward-looking statements based upon Envoy Medical's current expectations that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a Minnesota Corporation result of various factors, including those set forth under the section of the Proxy Statement/Prospectus titled "Risk Factors" and/or elsewhere in this Report. Our historical results are not necessarily indicative of the results that may be expected for any period in the future. All dollar amounts are expressed in thousands of United States dollars ("Envoy" "\$"), unless otherwise indicated.

Overview

We are a U.S.-based hearing health company focused on providing innovative medical device company technologies across the hearing loss spectrum. Our technologies are designed to shift the paradigm within the hearing industry and bring both providers and patients the hearing devices they desire.

Founded in 1995, our vision is to create fully implanted hearing devices that has developed and leverage the natural ear – not an artificial microphone – to pick up sound. In recent years, we have focused almost exclusively on developing the fully implanted Acclaim® cochlear implant (the “Acclaim”), our lead product candidate.

We believe that the Acclaim is in early clinical testing a first-of-its-kind cochlear implant. Our fully implanted technology includes a sensor designed to leverage the natural anatomy of an implanted device the ear instead of a microphone to capture sound. The Acclaim is designed to address severe to profound sensorineural hearing loss that already is not adequately addressed by hearing aids. The Acclaim will only be indicated for adults who have been deemed adequate candidates by a qualified physician. The Acclaim received “Breakthrough the Breakthrough Device Designation” Designation from the United States Food and Drug Administration, Administration (the “FDA”) in 2019.

Our first product, the Esteem®, was created and received FDA approval in 2010. The transactions contemplated by Esteem is a fully implanted active middle ear hearing device and remains the only FDA approved fully implanted hearing device in the US market. Unfortunately, the Esteem failed to gain commercial traction, primarily due to a lack of reimbursement or insurance coverage from third-party payors.

Despite commercial challenges, approximately 1,000 Esteem devices were implanted. Some devices had been implanted in the early 2000s during clinical trials, providing Envoy Medical with nearly two decades of experience with its implantable sensor technology. Throughout our experience, our sensor technology proved a viable alternative and robust option to external or implanted microphones.

In late 2015, we made the decision to shift our focus from the Esteem to a new product that would leverage our sensor technology and incorporate it into a cochlear implant. As a result, we now have the Acclaim®, a fully implanted cochlear implant. We believe the Acclaim gives us an opportunity to disrupt the existing cochlear implant market. The cochlear implant market is one that already has established market acceptance and reimbursement pathways. In the United States, before we can market a new Class III medical device, which the Acclaim is, we must first receive FDA approval via the premarket application approval process. We currently anticipate obtaining FDA approval in mid-2026, although the FDA approval process is uncertain, and we cannot guarantee that we will receive FDA approval on that timeline, or at all.

We had a net income of approximately \$1.6 million and net loss of \$25.0 million for the three and nine months ended September 30, 2023, respectively, and had an accumulated deficit of \$251.0 million and \$226.0 million as of September 30, 2023 and December 31, 2022, respectively. We have funded our operations to date primarily through the issuance of equity securities and convertible debt and in September 2023, we received \$11.7 million proceeds from the Business Combination Agreement are referred to herein as the “Proposed Business Combination.”

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Pursuant to the terms (see Note 1 “Nature of the Business Combination Agreement, Merger Sub and Presentation” of the accompanying unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 included elsewhere in this Report). We expect to continue to incur net losses for the foreseeable future, and expect our research and development expenses, general and administrative expenses, and capital expenditures will merge continue to increase. In particular, we expect our expenses to increase as we continue our development of the Acclaim and seek the necessary regulatory approvals for our product candidate, as well as hire additional personnel, pay fees to outside consultants, attorneys and accountants, and incur other increased costs associated with being a public company. In addition, if and when we seek and obtain regulatory approval to commercialize the Acclaim in the United States, we will also incur increased expenses in connection with commercialization and marketing of such product. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our clinical trials, if any, and our expenditures on other research and development activities. We anticipate that our expenses will increase significantly in connection with our ongoing activities, if and as we:

- continue our research and development efforts for the Acclaim product candidate, including through clinical trials;
- seek additional regulatory and marketing approvals in jurisdictions outside the United States;
- establish a sales, marketing and distribution infrastructure to commercialize our product candidate;
- rely on our third-party suppliers and manufacturers to obtain adequate supply of materials and components for our products;
- seek to identify, assess, acquire, license, and/or develop other product candidates and subsequent generations of our current product candidate;
- seek to maintain, protect, and expand our intellectual property portfolio;
- seek to identify, hire, and retain additional skilled personnel;

- create additional infrastructure to support our operations as a public company and our product candidate development and planned future commercialization efforts; and
- experience any delays or encounter issues with respect to any of the above, including, but not limited to, failed studies, complex results, safety issues or other regulatory challenges that require longer follow-up of existing studies or additional supportive studies in order to pursue marketing approval.

We expect that our financial performance will fluctuate quarterly and yearly due to the development status of our Acclaim implant product and our efforts to obtain regulatory approval and commercialize the Acclaim implant product.

The Acclaim has not yet been approved for sale. We do not expect to generate any product sales unless and until we successfully complete development and obtain regulatory approval for our product candidate. If we obtain regulatory approval for the Acclaim, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. As a result, until such time, if ever, that we can generate substantial product revenue, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including collaborations, licenses or similar arrangements. However, we may be unable to raise additional funds or enter into Envoy, such other arrangements when needed or on favorable terms, if at all. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies, including our research and development activities. If we are unable to raise capital, we will need to delay, reduce, or terminate planned activities to reduce costs.

Macroeconomic Conditions

Our business and financial performance are impacted by macroeconomic conditions. Global macroeconomic challenges, such as the separate corporate existence effects of Merger Sub the ongoing war between Russian and Ukraine, the Middle East conflict, supply chain constraints, market uncertainty, volatility in exchange rates, inflationary trends and evolving dynamics in the global trade environment have impacted our business and financial performance.

Furthermore, a recession or market correction resulting from macroeconomic factors could materially affect our business and the value of our Class A Common Stock. The occurrence of any such events may lead to reduced disposable income which could adversely affect the number of Esteem implants and replacement components sold as a result of customer and patient reluctance to seek treatment due to financial considerations.

Adverse macroeconomic conditions, other pandemics or international tensions, could also result in significant disruption of global economic conditions and consumer trends, as well as a significant disruption in financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity.

Revision of Prior Period Financial Statements

We revised the unaudited condensed consolidated balance sheets as of June 30, 2023, and the unaudited condensed consolidated statement of operations and comprehensive income (loss) for the three and six months ended June 30, 2023 as filed in the Proxy Statement/Prospectus. This resulted in a downward adjustment of previously reported convertible notes payable (related party) of \$14.6 million, and an upward adjustment of \$14.7 million in additional paid-in capital on the unaudited condensed consolidated balance sheets as of June 30, 2023, and an increase in the loss from change in the fair value of convertible note payable (related party) of \$91 thousand for the three and six months ended June 30, 2023. Further, we revised the statements of stockholders' equity (deficit) to treat the convertible notes amendment as an extinguishment of debt with a related party. The impact of the amendment has been recorded as an additional deemed capital contribution from a related party on the revised unaudited condensed consolidated financial statements.

We also revised the unaudited condensed consolidated statement of operations and comprehensive income (loss) for the three and six months ended June 30, 2023 to correct the classification of certain costs pertaining to the development of Acclaim between cost of goods sold and research and development costs.

See Note 1 "Revision of Prior Period Financial Statements of Envoy" of the accompanying unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 included elsewhere in this Report.

Key Components of Our Results of Operations

Revenue

Currently, we derive substantially all our revenue from the sale of the Esteem implants and replacement components to Esteem implants. We enter arrangements with patients to provide them with the Esteem device, personal programmer devices, sound processor/battery replacements, and/or an optional Care Plan, each of which are outputs of our ordinary activities in exchange for consideration. Revenue from product sales is recognized upon transfer of control of the product to a customer, which occurs at a point in time, when we are notified the product has been implanted or used by the customer in a surgical procedure. New implantations of the Esteem are not expected to be more than a few per year and may be as low as zero. Although we believe unlikely, Esteem implantations could potentially increase with favorable reimbursement policy and coverage changes. We will cease and Envoy continue our efforts to pursue positive reimbursement changes for fully implanted active middle ear implants. There will be continued nominal revenue from replacement of sound processors for patients who need a new battery.

Upon commercialization of our Acclaim implant product, we expect Acclaim revenue to more than replace Esteem revenue. We expect to obtain FDA approval for the surviving corporation Acclaim in 2026.

Cost of goods sold

Cost of goods sold includes direct and wholly owned, privately-held subsidiary indirect costs related to the manufacturing and distribution of the Company. Esteem implants, including materials, labor costs for personnel involved in the manufacturing process, distribution-related services, indirect overhead costs, and charges for excess and obsolete inventory reserves and inventory write-offs.

We expect cost of goods sold to increase or decrease in absolute dollars primarily as, and to the extent, our revenue grows or declines, respectively.

Operating Expenses

Research and development expenses

Research and development ("R&D") expenses consist of costs incurred for our research activities, primarily our discovery efforts and the development of the Acclaim implant product. We also incur R&D costs related to continuing to support, and improve upon where possible, our Esteem product. We expense R&D costs as incurred, which include:

- salaries, employee benefits, and other related costs for our personnel engaged in R&D functions;
- service fees incurred under agreements with independent consultants, including their fees and related travel expenses engaged in R&D functions;
- costs of laboratory testing including supplies and acquiring, developing, and manufacturing study materials; and
- facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

Costs for certain development activities are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors, service providers and our clinical sites.

Our R&D expenses are currently tracked on a program-by-program basis. The majority of our R&D costs during the three and nine months ended September 30, 2023 and 2022 were incurred for the development of the Acclaim.

Our products require human clinical trials to obtain regulatory approval for commercial sales. We cannot determine with certainty the size, duration, or completion costs of future clinical trials, or if or when they may be completed. Furthermore, we do not know if the clinical trials will show positive or negative results, or what those results will mean for regulatory approval or commercialization efforts.

The duration, costs and timing of future clinical trials and development of our products will depend on a variety of factors, including:

- the scope, rate of progress, and expense of our ongoing, as well as any additional, clinical trials and other R&D activities;
- Interest in or demand for both investigational site and subject enrollment;
- future clinical trial results;
- potential changes in government regulation;
- potential changes in the reimbursement landscape; and
- the timing and receipt of any regulatory approvals.

A change in the outcome of any of these variables with respect to the development of our name Acclaim implant product could mean a significant change in the costs and timing associated with the development of that implant. If the FDA or another regulatory authority were to "Envoy Medical, Inc.", which require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in the enrollment in any clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

R&D activities are central to our business model. We expect that our R&D expenses will continue to increase for the foreseeable future as we initiate clinical trials for the surviving public corporation after Acclaim implant product and prepare the closing product for possible commercialization, should it gain regulatory approval(s). If the Acclaim implant product enters later stages of clinical trials and ongoing development, the product will generally have higher R&D costs than those in earlier stages of research and development, primarily due to simultaneously running clinical trials while also iterating the product for commercialization and preparing for the needs of commercialization. There are numerous factors associated with the successful commercialization of the Proposed Business Combination. The Proposed Business Combination is expected to close Acclaim implant product or any products we may develop in the third quarter future, including future trial design and various regulatory requirements, many of 2023, which cannot be determined with accuracy at this time based on our stage of development. Additionally, future commercial and is subject regulatory factors beyond our control will impact our clinical development program and plans.

General and administrative expenses

General and administrative expenses consist primarily of salaries, benefits, and other related costs for personnel in our executive, operations, legal, human resources, finance, and administrative functions. Administrative expenses also include professional fees for legal, patent, consulting, accounting, tax and audit services, travel expenses and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities, technology, and other operating costs.

We expect our general and administrative expenses to customary closing conditions as set forth increase in the Business Combination Agreement. There can be no assurance foreseeable future as we increase our administrative personnel to support our continuing growth, our costs of marketing and selling expenses, our costs of expanding our operations and operating as a public company. These increases will close likely include increases related to the Proposed Business Combination hiring of additional personnel and legal, regulatory, and other fees and services associated with maintaining compliance with Nasdaq Marketplace Rules, or the Nasdaq Listing Rules and SEC requirements, director and officer insurance costs and investor relations costs associated with being a public company.

Loss from changes in fair value of convertible notes payable (related party)

We elected the fair value option for convertible notes payable (related party), and accordingly, convertible notes payable (related party) are recorded at fair value at each reporting date on the timeline currently expected or at all consolidated balance sheets. Gain (loss) from changes in fair value of convertible notes payable consists of changes in the fair value during each reporting period.

Other expense

Our other expense consists of changes in fair value of our warrant liability (related party) and gains and losses on sales of fixed assets.

Results of Operations

We have neither engaged

Comparison of the Three and Nine Months Ended September 30, 2023 and 2022

	Three Months Ended September 30,		Change in		Nine Months Ended September 30,		Change in	
	2023	2022	\$	%	2023	2022	\$	%
<i>(In thousands, except percentages)</i>								
Net revenues	\$ 80	\$ 57	\$ 23	40 %	\$ 221	\$ 217	\$ 4	2 %
Costs and operating expenses:								
Cost of goods sold	189	106	83	78 %	555	347	208	60 %
Research and development	1,850	935	915	98 %	5,901	3,532	2,369	67 %
General and administrative	1,426	812	614	76 %	5,401	2,138	3,263	153 %
Total costs and operating expenses	3,465	1,853	1,612	87 %	11,857	6,017	5,840	97 %
Operating loss	(3,385)	(1,796)	(1,589)	88 %	(11,636)	(5,800)	(5,836)	101 %
Other expense:								
(Loss) gain from changes in fair value of convertible notes payable (related party)	4,902	574	4,328	754 %	(13,332)	1,473	(14,805)	-1005 %
Other expense	46	(117)	163	-139 %	(59)	(119)	60	-50 %
Total other expense, net	4,948	457	4,491	983 %	(13,391)	1,354	(14,745)	-1089 %
Net income (loss)	1,563	(1,339)	2,902	-217 %	(25,027)	(4,446)	(20,581)	463 %

Revenue

Revenue increased \$23 thousand for the three months ended September 30, 2023, compared to the three months ended September 30, 2022, due to an increase in any operations nor generated any revenues replacement component sales.

Revenue increased \$4 thousand for the nine months ended September 30, 2023, compared to date. Our only activities the nine months ended September 30, 2022. This increase is primarily due to an increase of \$23 thousand in the third quarter of 2023, offset by \$19 thousand decrease in the first two quarters of 2023 as a result of a decrease in replacement component sales due to supply chain issues with obtaining manufacturing components. This issue was resolved in the second quarter of 2023.

Cost of goods sold

Cost of goods sold increased \$83 thousand and approximately \$0.2 million for the three and six nine months ended June 30, 2023 September 30, 2023 compared to the three and 2022 nine months ended September 30, 2022, respectively. The increase is primarily due to an increase in salaries, consulting fees, and scrap costs. The increase in salaries and consulting fees is mainly due to increased headcount in our manufacturing and quality departments in the first three quarters of 2023. The increase in scrap costs was primarily due to higher scrap costs incurred related to identifying Esteem manufacturing testing.

Research and evaluating prospective target companies development expenses

The following table summarizes the components of our R&D expenses for the three and nine months ended September 30, 2023 and 2022:

(In thousands, except percentages)	Three Months Ended				Nine Months Ended			
	September 30,		Change in		September 30,		Change in	
	2023	2022	\$	%	2023	2022	\$	%
R&D product costs	\$ 1,110	\$ 491	\$ 619	126%	\$ 3,548	\$ 1,901	\$ 1,647	87%
R&D personnel costs	619	389	230	59%	2,003	1,411	592	42%
Other R&D costs	121	55	66	120%	350	220	130	59%
Total research and development costs	\$ 1,850	\$ 935	\$ 915	98%	\$ 5,901	\$ 3,532	\$ 2,369	67%

R&D expenses increased approximately \$0.9 million and \$2.4 million for the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022, respectively. The increase is primarily due to a Business Combination \$0.6 million and \$1.6 million increase in R&D product costs for the three and nine months ended September 30, 2023, as well we develop our cochlear product in preparation for our pivotal clinical study for the Acclaim. Also contributing to the increase was an increase of \$0.2 million and \$0.6 million in personnel and salary costs for the three and nine months ended September 30, 2023, respectively, as negotiations we increased headcount across our clinical, regulatory, and cochlear departments.

General and administrative expenses

General and administrative expenses increased \$0.6 million and \$3.3 million for the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022, respectively. The increase is primarily due diligence to a \$0.2 million and \$2.2 million increase in professional and legal fees for the three and nine months ended September 30, 2023, respectively, related to the Proposed finalization of the Business Combination during in the first half third quarter of 2023. We do not expect to generate any operating revenues until after 2023 and a \$0.3 million and \$0.4 million increase in personnel-related costs for the completion three months and nine months ended September 30, 2023, respectively, as we increased headcount in preparation for the future commercialization of our initial Business Combination. We generate non-operating income Acclaim implant product.

Loss from changes in the fair value of interest income on marketable securities held convertible notes payable (related party)

Gain from changes in the Trust Account. We incur expenses as a result fair value of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as convertible notes payable increased \$4.3 million for due diligence expenses.

For the three months ended June 30, 2023, we had net loss of \$1,138,245, which consists of \$1,180,034 loss on the change in the fair value of the forward purchase agreements, \$98,596 of operating costs, loss on the change in the fair value of warrant liabilities \$266,667, and \$121,245 of income tax expense, partially offset by \$528,291 interest income earned on marketable securities held in the Trust Account. For September 30, 2023 compared to the three months ended June 30, 2022, we had net income of \$3,090,719, which consists of a \$3,466,666 gain on the change in the fair value of warrant liabilities, \$563,376 of interest income earned on marketable securities held in the Trust Account and a \$70,348 gain on the change in the fair value of the forward purchase agreements, partially offset by \$901,356 of operating costs and \$108,315 of income tax expense.

For the six months ended June 30, 2023, we had net loss of \$420,543, which consists of \$498,501 loss on the change in the fair value of the forward purchase agreements, \$2,591,177 of operating costs, and \$962,768 of income tax expense, partially offset by \$3,898,569 interest income earned on marketable securities held in the Trust Account. We had net income of \$15,552,100, which consists of a \$17,863,972 gain on the September 30, 2022. Loss from change in fair value of warrant liabilities and \$603,786 of interest income earned on marketable securities held in convertible notes payable increased \$14.8 million for the Trust Account, partially offset by \$2,390,442 of operating costs, a \$416,901 loss on nine months ended September 30, 2023 compared to the change in the nine months ended September 30, 2022. The fair value

of the forward purchase agreements convertible notes payable was based on a probability-weighted expected return model and \$108,315 included unobservable inputs such as the discount rate and probabilities of income tax expense. certain exit events, including a qualified financing, initial public offering or merger with a SPAC, and estimated recovery in the event of default. The loss recorded on convertible notes payable increased significantly in the first quarter and second quarter of 2023 as the probability of a merger with a special-purpose acquisition company increased and the probability of default decreased. The fair value of the convertible notes payable decreased in the third quarter of 2023, which was mainly caused by the fact that the stock price of the Company upon the Business Combination was lower than what was expected in the second quarter of 2023. See Note 4 "Fair Value Measurement" of the accompanying unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 included elsewhere in this Report.

Other Expense

Other expense increased by \$60 thousand for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, primarily due to an increase in the fair values of warrant liability (related party) in the first quarter of 2023, offset by the exercise and cancellation of the warrants (related party) immediately prior to the Business Combination in the third quarter of 2023.

Liquidity and Capital Resources

Since our inception, we have incurred significant operating losses. We expect to incur significant expenses and continuing operating losses for the foreseeable future as we advance the clinical development of our products. We have funded our operations to date primarily with proceeds from raising funds from issuing equity securities, convertible notes and proceeds from the Business Combination. As of June 30, 2023, we had \$132,773 in our operating bank account September 30, 2023 and a working capital deficit of \$8,949,756, driven by accrued expenses. As of December 31, 2022, we had \$107,773 \$7.4 million and \$0.2 million of cash, respectively, and zero and \$5.0 million in undrawn principal from our operating bank account, convertible notes, respectively.

We proactively manage our access to capital to support liquidity and a working continued growth. Our sources of capital deficit of \$7,089,334. We expect to continue to incur significant costs in the pursuit include sales of the Proposed Business Combination with Envoy. We cannot assure you that our plans to complete the Proposed Business Combination will be successful.

Our liquidity needs up to the completion of our IPO on March 4, 2021 had been satisfied through a payment from our Sponsor of \$25,000 for 7,187,500 shares (the “Founder Shares”) of our Class B common stock Esteem implants and an aggregate of \$212,487 in advances from a related party. These advances were repaid replacement components and are no longer available.

On March 4, 2021, we consummated our IPO of 42,000,000 units (the “Units”) and, on April 14, 2021, we issued an additional 500,000 Units in connection with the underwriters’ partial exercise of their over-allotment option. The Units were sold at a price of \$10.00 per Unit, generating aggregate gross proceeds of \$425,000,000. Simultaneously with the closing of our IPO, we consummated the sale of 12,400,000 warrants (the “Private Placement Warrants”) to our Sponsor and, on April 14, 2021, simultaneously with the closing of the underwriters’ over-allotment option, we issued an additional 100,000 Private Placement Warrants to our Sponsor. The Private Placement Warrants were sold at a price of \$1.00 per Private Placement Warrant, generating aggregate gross proceeds of \$12,500,000.

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Following the IPO, the partial exercise of the over-allotment option and the sale of the Private Placement Warrants, a total of \$425,000,000 of the net proceeds from the sale of the Units and Private Placement Warrants was deposited in a U.S.-based trust account (the “Trust Account”) established for the benefit of the Company’s public stockholders maintained by American Stock Transfer & Trust Company, acting as trustee. Transaction costs of the IPO (including costs related to the closing of the underwriters’ over-allotment option) amounted to \$24,012,335 consisting of \$8,500,000 of underwriting discounts and commissions, \$14,875,000 of deferred underwriting discounts commissions and \$637,335 of other offering costs. In addition, as of June 30, 2023, \$132,773 of cash was held outside of the Trust Account and is available for working capital purposes.

We intend to use substantially all of the funds held in the Trust Account, including any amounts representing interest earned on the Trust Account, which interest shall be net of taxes payable and excluding deferred underwriting commissions, to complete our Business Combination. We may make permitted withdrawals from the Trust Account to pay our taxes, including franchise taxes and income taxes. To the extent that our capital stock or debt is used, in whole or in part, as consideration to complete our Business Combination, the remaining proceeds held in the Trust Account will be used as working capital to finance the operations of the target business or businesses, make other acquisitions and pursue our growth strategies.

We intend to use funds held outside the Trust Account primarily to identify and evaluate target businesses, perform business due diligence on prospective target businesses, travel to and from the offices, plants or similar locations of prospective target businesses or their representatives or owners, review corporate documents and material agreements

of prospective target businesses, structure, negotiate and complete a Business Combination, including the Proposed Business Combination, and to pay taxes to the extent the interest earned on the Trust Account is not sufficient to pay our taxes.

On March 29, 2022, we issued an unsecured promissory note (the “2022 Promissory Note”) to the Sponsor, pursuant to which the Sponsor may provide up to \$1,500,000 to us as a working capital loan (the “2022 Working Capital Loan”). The 2022 Working Capital Loan does not bear interest and was repayable in full upon on the earlier of (i) March 29, 2023 or (ii) the consummation of our initial Business Combination. Upon the consummation of a Business Combination, the Sponsor shall have the option, but not the obligation, to convert the principal balance of the 2022 Working Capital Loan, in whole or in part, into warrants at a price of \$1.00 per warrant. Such warrants would be identical to the Private Placement Warrants. In the event that a Business Combination does not close, we may use a portion of proceeds held outside the Trust Account to repay the 2022 Working Capital Loan but no proceeds held in the Trust Account would be used to repay the 2022 Working Capital Loan. The 2022 Working Capital Loan is subject to customary events of default, the occurrence of which automatically trigger the unpaid principal balance of the 2022 Working Capital Loan and all other sums payable with regard to the 2022 Working Capital Loan becoming immediately due and payable. As of June 30, 2023 and the date of this Quarterly Report, there was \$1,500,000 outstanding under the 2022 Working Capital Loan.

On March 21, 2023, we and the Sponsor amended the 2022 Promissory Note to extend the maturity date of the 2022 Working Capital Loan to the earlier of (i) December 31, 2023 or (ii) the consummation of a Business Combination.

On March 21, 2023, we issued an additional unsecured promissory note (the “2023 Promissory Note”) to the Sponsor, pursuant to which the Sponsor may provide up to \$1,190,000 to us as a working capital loan (the “2023 Working Capital Loan”). The 2023 Working Capital Loan does not bear interest and is repayable in full upon on the earlier of (i) December 31, 2023 or (ii) the consummation of our initial Business Combination. The 2023 Working Capital Loan is subject to customary events of default, the occurrence of which automatically trigger the unpaid principal balance of the 2023 Working Capital Loan and all other sums payable with regard to the 2023 Working Capital Loan becoming immediately due and payable. As of June 30, 2023 and the date of this Quarterly Report, there was \$1,190,000 outstanding under the 2023 Working Capital Loan.

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On February 28, 2023, we reconvened our special meeting of stockholders, which was originally scheduled for February 9, 2023, adjourned until February 21, 2023 and further adjourned until February 28, 2023 (the “Special Meeting”). At the Special Meeting, our stockholders approved a proposal to amend our amended and restated certificate of incorporation to extend the date by which we have to consummate a Business Combination from March 4, 2023 to September 30, 2023 or such earlier date as determined by our board of directors (the “Extension”). Following the approval of the Extension, we waived our right under our amended and restated certificate of incorporation to withdraw up to \$100,000 of interest from the Trust Account to pay dissolution expenses in the event of our liquidation. In

connection with the Special Meeting, stockholders holding 38,187,226 shares issuances of our Class A common stock exercised their right to redeem their shares for a pro rata portion Common Stock, Series A Preferred Stock, warrants, convertible debt and other financing agreements such as the forward purchase agreement. See Note 1 "Nature of the funds Business and Basis of Presentation" of the accompanying unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 included elsewhere in the Trust Account. As this Report.

We may seek to raise any necessary additional capital through a result, approximately \$387.6 million (approximately \$10.15 per share combination of Class A common stock) was removed from the Trust Account to pay such holders public or private equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and approximately \$44.3 million remained other marketing and distribution arrangements. There can be no assurance that we will be successful in the Trust Account. Following the redemptions, we have 4,312,774 shares of Class A common stock outstanding.

In order acquiring additional funding at levels sufficient to fund working capital deficiencies our operations or finance transaction costs in connection with an intended Business Combination, our Sponsor or an affiliate of our Sponsor or certain of our directors and officers may, but on terms favorable to us. If we are not obligated to, loan us additional funds as may be required.

The Company may need to raise additional funds through loans from its Sponsor and/or third parties in order to meet the expenditures required for operating its business. If the Company's estimate of the costs of undertaking in-depth due diligence and negotiating the initial Business Combination is less than the actual amount necessary to do so, the Company may have insufficient funds available to operate its business prior to the initial Business Combination. The Sponsor is not under any obligation to advance funds to, or to invest in, the Company. If the Company is unable to raise additional capital, it sufficient financing when needed or events or circumstances occur such that we do not meet our strategic plans, we may be required to take additional measures reduce certain discretionary spending, be unable to conserve liquidity, develop new or enhanced production methods, or be unable to fund capital expenditures, which could include, but not necessarily be limited have a material adverse effect on our financial position, results of operations, cash flows, and ability to curtailing operations, suspending the pursuit of achieve its intended business plan, and reducing overhead expenses. The Company cannot provide any assurance that new financing will be available to it on commercially acceptable terms, if at all. If a Business Combination is not consummated by September 30, 2023 or such earlier date as determined by the Company's board of directors, or such longer period as provided in an amendment to the Company's amended and restated certificate of incorporation approved by the Company's stockholders, there will be a mandatory liquidation and subsequent dissolution of the Company. Mandatory liquidation and liquidity condition objectives. These matters raise substantial doubt about the Company's our ability to continue as a going concern concern. To the extent that we raise additional capital through one year additional collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our Acclaim implant, future revenue streams, research programs or to grant licenses on terms that may not be favorable to us. If we do raise additional capital through public or private equity or convertible debt offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends.

Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section of the Proxy Statement/Prospectus titled "Risk factors – Risks Related to Envoy's Business and Operations."

Cash Flows

The following table presents a summary of our cash flow for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by (used in):		
Operating activities	\$ (5,946)	\$ (6,426)
Investing activities	(132)	(177)
Financing activities	22,736	6,092
Effect of exchange rate on cash	(1)	(1)
Net increase (decrease) in cash and cash equivalents	\$ 16,657	\$ (512)

Cash Flows Used in Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2023 was primarily used to fund a net loss of approximately \$25.0 million, adjusted for non-cash expenses in aggregate amount of approximately \$13.2 million and approximately \$5.8 million of cash generated from net changes in the levels of operating assets and liabilities, primarily related to an increase in accounts payable, accrued expenses and related party payable, partially offset by increases in accounts receivable, prepaid expenses and other current assets and decreases in product warranty liability and lease liabilities. We will continue to evaluate our capital requirements for both short-term and long-term liquidity needs, which could be affected by various risks and uncertainties, including, but not limited to, the effects of the current inflationary environment, rising interest rates, and other risks detailed in the section of the Proxy Statement/Prospectus titled "Risk Factors."

Net cash used in operating activities for the nine months ended September 30, 2022 was primarily used to fund a net loss of approximately \$4.4 million, adjusted for non-cash gains in aggregate amount of approximately \$1.3 million, and approximately \$0.7 million of cash outflows from net changes in the level of operating assets and liabilities, primarily related to a decrease in accounts payable and accrued expenses and an increase in inventory.

Cash Flows Used in Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2023 was \$0.1 million and consisted of purchases of computer equipment due to increased headcount and purchases of lab equipment.

Net cash used in investing activities for the nine months ended September 30, 2022 was approximately \$0.2 million and consisted of purchases of computer equipment due to increased headcount and purchases of lab equipment.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2023 was \$22.7 million. This increase was primarily driven by the \$11.7 million net proceeds from the date Business Combination and was also driven by \$10.0 million proceeds from the issuance of convertible notes payable to a related party.

Net cash provided by financing activities for the nine months ended September 30, 2022 was \$6.1 million and consisted of proceeds of \$6.0 million from the issuance of convertible notes payable to a related party.

Contractual Obligations and Commitments

Our principal commitments consist of contractual cash obligations under our borrowings with stockholders, our operating leases for office space, and various litigation matters arising in the ordinary course of business. Immediately prior to the Business Combination, the convertible note payable (related party) was converted and as such, is not included on our condensed consolidated balance sheets as of September 30, 2023. Our obligations for leases are described in Note 7 "Operating Leases", and for further information on our open litigation matters, see Note 14 "Commitments and Contingencies" of the accompanying unaudited condensed consolidated financial statements if a Business Combination is not consummated. The accompanying financial statements do not include any adjustments relating to for the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

As a result of the above, three and nine months ended September 30, 2023 and 2022 included elsewhere in connection with the Company's assessment of going concern considerations in accordance with Accounting Standards Update ("ASU") 2014-15, "Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern," management has determined that the liquidity conditions raise substantial doubt about the Company's ability to continue as a going concern through approximately one year from the date of filing. The accompanying financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern, this Report.

Off-Balance Sheet Financing Arrangements

We

During the periods presented, we did not have, no obligations, assets or liabilities, which would be considered nor do we currently have, any off-balance sheet arrangements as defined under the rules and regulations of June 30, 2023 the SEC.

Related Party Arrangements

Our related party arrangements consist of leasing our headquarters office space from a stockholder, receiving loan financings from stockholders. We also recorded a payable to a stockholder on our condensed consolidated balance sheets as of September 30, 2023. We do not participate in transactions that create relationships with unconsolidated entities or For further information on the related party arrangements refer to Note 5 "Restricted Cash", Note 7 "Operating Leases", Note 9 "Convertible Notes Payable (Related Party)" and Note 13 "Related Party Transactions" of the accompanying condensed consolidated financial statements, often referred to as variable interest entities, which would have been established statements for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets, three and nine months ended September 30, 2023 and 2022 included elsewhere in this Report.

Contractual Obligations

We do not have any long-term debt, capital lease obligations, operating lease obligations or long-term liabilities, other than the Working Capital Loan described above and an agreement to pay an affiliate of our Sponsor a monthly fee of \$40,251 for office space, administrative and support services, provided to the Company. We began incurring these fees on March 1, 2021 and will continue to incur these fees monthly until the earlier of the completion of a Business Combination and the Company's liquidation.

The underwriters are entitled to a deferred discount of \$0.35 per unit, or \$14,875,000 in the aggregate. The deferred discount will become payable to the underwriters from the amounts held in the Trust Account solely in the event that we complete a Business Combination, subject to the terms of the underwriting agreement. On September 30, 2022, \$4,462,500 of the \$14,875,000 deferred discount was forgiven. In February 2023, the remaining underwriter resigned from its role in the Proposed Business Combination and thereby waived its entitlement to \$10,412,500 in deferred underwriting fees solely with respect to the Proposed Business Combination.

Critical Accounting Policies and Estimates

The preparation

Our management's discussion and analysis of unaudited condensed our financial condition and results of our operations is based on our consolidated financial statements and related disclosures accompanying notes, which have been prepared in conformity accordance with accounting principles generally accepted in the United States of America ("GAAP") requires States. Certain amounts included in or affecting the consolidated financial statements presented in this Report and related disclosure must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. Management believes that the accounting policies set forth below comprise the most important "critical accounting policies" for the company. A "critical accounting policy" is one which is both important to the portrayal of our financial condition and results of operations and that involves difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such policies on an ongoing basis, based upon historical results and assumptions experience, consultation with experts and other methods that affect management considers reasonable in the reported amounts particular circumstances under which the judgments and estimates are made, as well as management's forecasts as to the manner in which such circumstances may change in the future.

Fair Value Measurement

We determine the fair value of financial assets and liabilities using the fair value hierarchy established in Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement* ("ASC 820"). ASC 820 identifies fair value as the exchange price, or exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The hierarchy describes three levels of inputs that may be used to measure fair value, as follows:

- **Level 1** — Observable inputs, such as quoted prices in active markets for identical assets and liabilities.
- **Level 2** — Observable inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available.

The following table summarizes the activity for the Company's Level 3 instruments measured at the date fair value on a recurring basis (in thousands):

	Convertible Notes and Envoy Bridge Note (Related Party)	Warrant Liability (Related Party)	Forward Purchase Agreement Asset	Forward Purchase Agreement Warrant Liability
Balance as of December 31, 2022	\$ 33,845	\$ 127	\$ -	\$ -
Issuances	2,048	-	-	-
Change in fair value	9,377	104	-	-
Balance as of March 31, 2023	<u>\$ 45,270</u>	<u>\$ 231</u>	<u>\$ -</u>	<u>\$ -</u>
Issuances	1,964	-	-	-
Change in fair value	8,857	-	-	-
Capital contribution	(14,678)	-	-	-
Balance as of June 30, 2023	<u>\$ 41,413</u>	<u>\$ 231</u>	<u>\$ -</u>	<u>\$ -</u>
Issuances	1,964	-	\$ 2,386	\$ 1,793
Change in fair value	(4,902)	-	-	-
Conversion	(38,475)	(231)	-	-
Balance as of September 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,386</u>	<u>\$ 1,793</u>

The fair value of the unaudited condensed financial statements, convertible notes payable (related party) is based on a probability-weighted expected return model ("PWERM"), which represents Level 3 measurements. The valuation utilized unobservable inputs, including estimates of the probability and income and expenses during timing of future commercialization of products not yet approved by the periods reported. Actual results could materially differ from those estimates. We have identified FDA or other regulatory agencies. Other significant assumptions include the critical accounting policies described below.

Warrant Liabilities

We account for discount rate, the warrants issued in connection with our Initial Public Offering in accordance with the guidance contained in ASC 815 under which the warrants do not meet the criteria for equity treatment and must be recorded as liabilities. Accordingly, we classify the warrants as liabilities at their fair value and adjust the warrants to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in of our unaudited condensed statements of operations. For periods subsequent to the detachment Class A Common Stock, volatility, probability of the Public Warrants from convertible notes being held to maturity, the Units, probabilities of certain exit events, including a qualified financing, initial public offering or merger with a special-purpose acquisition company, and estimated recovery in the close price event of default.

We classified warrants within Level 3 of the Public Warrant price was used hierarchy as the fair value is derived using the Black-Scholes option pricing model, which uses a combination of observable (Level 2) and unobservable (Level 3) inputs. Key estimates and assumptions impacting the fair value measurement include (i) the expected term of the Public Warrants as of each relevant date.

Class A Common Stock Subject to Possible Redemption

We account for our Class A common stock subject to possible redemption in accordance with warrants, (ii) the guidance in ASC Topic 480. Class A common stock subject to mandatory redemption are classified as a liability instrument risk-free interest rate, (iii) the expected dividend yield and are measured at fair value. Conditionally redeemable common stock (including common stock that features redemption rights that is either within the control (iv) expected volatility of the holder or subject to redemption upon the occurrence of uncertain events not solely within our control) are classified as temporary equity. At all other times, common stock are classified in stockholders' equity. Our common stock feature certain redemption rights that are considered to be outside of our control and subject to occurrence of uncertain future events. Accordingly, Class A common stock subject to possible redemption is presented as temporary equity, outside price of the stockholders' equity section of our condensed balance sheets. We have elected to recognize changes in the redemption value immediately as they occur and adjust the carrying value of the security to equal the redemption value at the end of each reporting period. This method would view the end of the reporting period as if it were also the redemption date for the security.

Net Income Per Common Stock

Net income per common stock is computed by dividing net income by the weighted average number of common stock outstanding during the period. We apply the two-class method in calculating earnings per share. Accretion associated with the redeemable underlying shares of Class A common Common Stock.

The fair values of the forward purchase agreement assets and the forward purchase agreement warrant liability were estimated using Monte Carlo Simulation models, which are Level 3 fair value measurements. Key estimates and assumptions impacting the fair value measurement include (i) the Company's stock is excluded from earnings per share as price, (ii) the redemption value approximates fair value, initial exercise price, (iii) the remaining term and (iv) the risk-free rate.

[Table of Contents](#) **Research and Development Expenses**

Recent Accounting Standards

In August 2020, the FASB issued ASU No. 2020-06, "Debt—Debt We will incur substantial expenses associated with Conversion prototyping, improvements, testing and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40); clinical trials. Accounting for Convertible Instruments clinical trials relating to activities performed by external vendors requires us to exercise significant estimates regarding the timing and Contracts in an Entity's Own Equity ("ASU 2020-06"), which simplifies accounting for convertible instruments these expenses. We estimate costs of R&D activities conducted by removing major separation models required under current GAAP. service providers, which include the conduct of sponsored research and contract manufacturing activities. The ASU 2020-06 also removes diverse nature of services being provided for our clinical trials and other arrangements, the different compensation arrangements that exist for each type of service and the lack of timely information related to certain settlement conditions that are required clinical activities complicates the estimation of accruals for equity-linked contracts to qualify for services rendered by third parties in connection with clinical trials. We record the derivative scope exception, and it also simplifies estimated costs of R&D activities based upon the diluted earnings per share calculation in certain areas. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, and should be applied on a full or modified retrospective basis, with early adoption permitted beginning on January 1, 2021. The Company is currently assessing the impact, if any, that ASU 2020-06 would have on its financial position, results estimated amount of operations or cash flows.

Our management does not believe that any other recently issued, services provided but not yet invoiced and include these costs in the accrued expenses or prepaid expenses on the balance sheets and within R&D expense on the consolidated statements of operations. In estimating the duration of a clinical study, we evaluate the start-up, treatment and wrap-up periods, compensation arrangements and services rendered attributable to each clinical trial and fluctuations are regularly tested against payment plans and trial completion assumptions.

We estimate these costs based on factors such as estimates of the work completed and budget provided and in accordance with agreements established with our collaboration partners and third-party service providers. We make significant judgments and estimates in determining the accrued liabilities and prepaid expense balances in each reporting period. As actual costs become known, we adjust our accrued liabilities or prepaid expenses. We have not experienced any material differences between accrued costs and actual costs incurred since our inception.

Our expenses related to clinical trials will be based on estimates of patient enrollment and related expenses at clinical investigator sites as well as estimates for the services received and efforts expended pursuant to contracts with multiple research institutions that may be used to conduct and manage clinical trials on our behalf. We will accrue expenses related to clinical trials based on contracted amounts applied to the level of patient enrollment and activity. If timelines or contracts are modified based upon changes in the clinical trial protocol or scope of work to be performed, we will modify our estimates of accrued expenses accordingly on a prospective basis.

Product Warranty

During 2013, we offered a lifetime warranty to clinical trial patients to cover battery and surgery related costs. We estimate the costs that may be incurred under this lifetime warranty and record a liability in the amount of such costs at its present value. The assumptions utilized in developing the liability include an estimated cost per unit of \$6 thousand, an average battery life of 5 years, inflationary increases, discount rate, and an average patient life calculated on probabilities outlined in the PRI-2012 mortality tables, published from the Society of Actuaries.

Recently Issued/Adopted Accounting Pronouncements

A discussion of recently issued accounting pronouncements and recently adopted accounting pronouncements is included in Note 2 "Summary of Significant Accounting Policies" of our unaudited condensed consolidated financial statements as of September 30, 2023, and December 31, 2022 and the three and nine months ended September 30, 2023 and 2022 included elsewhere in this Report.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of market risks, including currency risk, credit and counterparty risk, and inflation risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective accounting standards updates, if currently adopted, would manner. Save as disclosed below, we did not hedge or consider it necessary to hedge any of these risks.

Currency Risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the change in foreign exchange rates. We primarily operate in the United States and Germany with most of the transactions settled in the United States dollar. Our presentation and functional currency is the United States dollar. Certain bank balances, deposits and other payables are denominated in the Euro, which exposes us to foreign currency risk. However, any transactions that may be conducted in foreign currencies are not expected to have a material effect on our unaudited condensed results of operations, financial statements, position or cash flows.

Credit and Counterparty Risk

Financial instruments that potentially expose us to concentrations of credit risk consist primarily of cash and accounts receivable, net. Periodically, we maintain deposits in accredited financial institutions in excess of federally insured limits. We maintain cash with financial institutions that management believes to be of high credit quality. We have not experienced any losses on such accounts and do not believe we are exposed to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

With respect to accounts receivable, we perform credit evaluations of our customers and do not require collateral. There have been no material losses on accounts receivable. There were no customers that accounted for 10% or more of sales for the three and nine months ended September 30, 2023 and 2022.

Inflation Risk

Inflationary factors, such as increases in our cost of goods sold and selling and operating expenses, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain and increase our gross margin and selling and marketing and operating expenses as a percentage of our revenue if the selling prices of our products do not increase as much as or more than these increased costs.

Emerging Growth Company

Section 102(b)(1) of the Jumpstart Our Business Startups Act ("JOBS Act") exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public and private companies, we, as an emerging growth company, can adopt the new or revised standard at the time the private companies adopt the new or revised standard, until such time we are no longer considered to be an emerging growth company. At times, we may elect to early adopt a new or revised standard.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Securities Exchange Act of 1934, as amended (the "Exchange Act") reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer Chief Executive Officer and principal financial officer, Chief Financial Officer, we conducted an evaluation of evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended June 30, 2023 September 30, 2023, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Due solely to In their assessment of the material weakness in our effectiveness of internal control over financial reporting described below, our principal executive officer and principal financial officer as of September 30, 2023, management concluded that our disclosure such controls and procedures were not effective ineffective and that there were control deficiencies that constituted material weaknesses. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's financial results.

Material Weaknesses in Internal Control Over Financial Reporting

Management concluded the following material weaknesses existed as of June 30, 2023 the period covered by this report.:

- The Company does not maintain a sufficient complement of personnel with accounting knowledge, experience and training to appropriately analyze, record and disclose certain accounting matters to provide reasonable assurance of preventing material misstatements.
- The Company's management does not implement a formal risk assessment that addresses risks relevant to financial reporting objectives, including fraud risks.
- The Company has not designed, documented and maintained formal accounting policies, procedures and controls over significant accounts and disclosures to achieve complete, accurate and timely financial accounting, reporting and disclosures, including segregation of duties and adequate controls related to the preparation, posting, modification and review of journal entries.
- The Company has not designed and maintained effective controls over certain information technology general controls for information systems that are relevant to the preparation of its consolidated financial statements, including ineffective controls around user access and segregation of duties.

Considering this, we performed additional procedures and analyses as deemed necessary to ensure that our financial statements were prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Additionally, in connection with management's subsequent re-evaluation of its previously issued financial statements, management concluded that a deficiency in internal control over financial reporting existed relating to the accounting treatment for the valuation of a material liability and that such deficiency also constituted a material weakness.

Notwithstanding the conclusion by our principal executive officer and principal financial officer that our disclosure controls and procedures as of **June 30, 2023** **September 30, 2023** were not effective, and notwithstanding the material **weakness** **weaknesses** in our internal control over financial reporting described **below**, **above**, management believes that the unaudited condensed **consolidated** financial statements and related financial information included in this Quarterly Report fairly present in all material respects our financial condition, results of operations and cash flows as of the dates presented, and for the periods ended on such dates, in conformity with **U.S. GAAP**.

Material Weakness

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. As previously disclosed, in connection with the management's subsequent re-evaluation of its previously issued financial statements, management concluded that a deficiency in internal control over financial reporting existed relating to the accounting treatment for the extinguishment **The Company has begun implementation of a significant contingent obligation plan to remediate these material weaknesses. These remediation measures are ongoing and that such deficiency constituted a material weakness. This material weakness resulted in include the restatement of the Company's statements of operations, statements of changes in stockholders' deficit and statements of cash flows as of for the quarterly period ended September 30, 2022 to reclassify the extinguishment of a contingent liability, following steps:**

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- hiring additional accounting and financial reporting personnel with appropriate technical accounting knowledge and public company experience in financial reporting;

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- designing and implementing effective processes and controls over significant accounts and disclosure;
- designing and implementing security management and change management controls over information technology systems, including adjusting user access levels and implementing external logging on activity and periodic review of such logs; and
- reviewing candidate accounting advisory firms to assist with the documentation, evaluation, remediation and testing of the Company's internal control over financial reporting based on the criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Control Over Financial Reporting

Other than as described herein, there

There was no change in our the Company's internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2023 September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our its internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in various claims and legal actions in the ordinary course of business. We are not currently involved in any material legal proceedings outside the ordinary course of our business.

As previously disclosed, in January 2020, Patrick Spearman, a shareholder of Envoy, and certain other Envoy shareholders (collectively, the “Initial Spearman Plaintiffs”) filed a lawsuit in the District Court of Ramsey County, Minnesota (Case No. 62-CV-20-790) against each current and certain former members of the Envoy board of directors, including Glen A. Taylor, as well as GAT Funding, LLC (“GAT”), an entity affiliated with Mr. Taylor, Franz Altpeter, Chuck Brynelsen, David Fabry, Ed Flaherty, Allen Lenzmeier, Brent Lucas, Roger Lucas, Randy Nitzsche and Paul Waldon (collectively, the “Envoy Defendants”). The Initial Spearman Plaintiffs alleged that the terms of financing transactions between GAT and Mr. Taylor on the one hand and Envoy on the other hand were unreasonably favorable to GAT and Mr. Taylor, that Mr. Taylor breached his fiduciary duty as a shareholder, that each defendant breached his fiduciary duty as a director in approving such transactions and engaged in common law fraud in not sufficiently disclosing the transactions, a claim of unjust enrichment against GAT and Mr. Taylor, and claims against the other directors for aiding and abetting and conspiracy in relation to the claims against GAT and Mr. Taylor. The Envoy directors asserted a defamation counterclaim, through which the directors sought damages against certain of the plaintiffs.

In June 2023, Envoy received an additional complaint from additional shareholders affiliated or associated with the Initial Spearman Plaintiffs (the “Additional Spearman Plaintiffs” and, together with the Initial Spearman Plaintiffs, the “Spearman Plaintiffs”) raising claims that were substantially the same as the claims raised in the existing Initial Spearman Plaintiffs’ litigation.

On August 25, 2023, the parties entered into a binding agreement in principle to settle all claims and counterclaims in the lawsuit, which agreement in principle was formalized in a settlement agreement dated September 15, 2023 (the “Settlement Agreement”). Under the terms of the Settlement Agreement, (i) an entity affiliated with Mr. Taylor purchased approximately 39 million shares of Envoy Common Stock held by the Spearman Plaintiffs, constituting all of the shares of Envoy owned by the Spearman Plaintiffs, which purchase was completed on September 28, 2023, (ii) the Spearman Plaintiffs and the Envoy Defendants fully released all claims and counterclaims and dismissed the related litigation, and (iii) the Spearman Plaintiffs agreed to vote in favor of the Business Combination and related matters submitted to a vote of the Envoy shareholders at Envoy’s special meeting of shareholders held September 29, 2023. Envoy was not required to make any cash payment pursuant to the terms of the Settlement Agreement. Both the Spearman Plaintiffs and the Envoy Defendants denied any wrongdoing or liability pursuant to the terms of the Settlement Agreement.

On November 14, 2023, Atlas Merchant Capital SPAC Fund I LP (the “Plaintiff”), a stockholder of the Company, filed a complaint (the “Complaint”) against Daniel Hirsch, Whitney Haring-Smith, the Sponsor and the Company, as successor to ANZU Special Acquisition Corp. I, (collectively, the “Defendants”) in the Court of Chancery of the State of Delaware. The Complaint alleges a claim for breach of Anzu’s Amended and Restated Certificate of Incorporation (the “Anzu Charter”) against the Company, a claim for breach of fiduciary duty against Mr. Hirsch, Dr. Haring-Smith and the Sponsor and claims for unjust enrichment, fraudulent misrepresentation and tortious interference with economic relations against the Defendants. The Complaint alleges that, among other things, after the Plaintiff submitted a redemption request for its shares of Class A Common Stock in connection with the Company’s special meeting of stockholders held on September 27, 2023, Plaintiff thereafter withdrew its redemption request, then Defendants declined to honor Plaintiff’s request to reinstate its redemption election because the request to reinstate its redemption election occurred after the redemption deadline of September 25, 2023.

The Complaint seeks specific performance to compel the Defendants to honor Atlas’ redemption request, monetary damages, attorneys’ fees and expenses. The Company believes the claims asserted in the Complaint to be without merit and intends to vigorously defend the litigation. At this time the Company does not believe that an unfavorable outcome is probable, and it is not possible to predict the outcome of the proceeding or its impact on the Company.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide the information called for by this Item. However, for a discussion of the date of this Quarterly Report, there material risks, uncertainties and other factors that could have been no a material changes effect on us, please refer to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 section of the Proxy Statement/Prospectus titled "Risk Factors."

Item 2. Unregistered Sales of Equity Securities, and Use of Proceeds,

Use and Issuer Purchases of Proceeds Equity Securities

On March 4, 2021

During the fiscal quarter ended September 30, 2023, we consummated our IPO of 42,000,000 Units. We also granted the underwriters a 45-day over-allotment option to purchase 6,300,000 additional Units at the initial public offering price. On April 14, 2021, we issued an additional 500,000 Units in connection with the underwriters' partial exercise of their over-allotment option. Each Unit consists of one share there were no unregistered sales of our Class A common stock and one-third of one warrant of the Company, with each whole warrant entitling the holder thereof to purchase one whole share of our Class A common stock at securities that were not reported in a price of \$11.50 per share, subject to certain adjustments. The Units were sold at a price of \$10.00 per unit, generating aggregate gross proceeds to the Company of \$425,000,000. BofA Securities, Inc. and Barclays Capital Inc. acted as the joint book-running managers for our IPO. The securities sold in our IPO were registered under the Securities Act on registration statements Current Report on Form S-1 (File Nos. 333-252861 and 333-253755). The registration statements became effective on March 1, 2021. 8-K.

Following the IPO, the partial exercise of the over-allotment option and the sale of the Private Placement Warrants, a total of \$425,000,000 of the net proceeds from the sale of the Units and Private Placement Warrants was deposited in the Trust Account. Transaction costs of the IPO (including costs related to the closing of the underwriters' over-allotment option) amounted to \$24,006,835, consisting of \$8,500,000 of underwriting discounts and commissions, \$14,875,000 of deferred underwriting discounts and commissions and \$631,835 of other offering costs. In addition, as of June 30, 2023, \$132,773 of cash was held outside of the Trust Account and is available for working capital purposes.

For a description of the use of the net proceeds from our IPO, see Part I, Item 2 of this Quarterly Report.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months fiscal quarter ended June 30, 2023 September 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

In connection with the closing of the Business Combination, the Company adopted its Amended and Restated Bylaws, which, among other things, set forth certain procedures by which its stockholders may recommend nominees to the Company's board of directors, as described in more detail in the Proxy Statement/Prospectus.

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Item 6. Exhibits

Exhibit

Number	Description
2.1†	Business Combination Agreement, dated as of April 17, 2023, by and among Anzu Special Acquisition Corp I, Envoy Merger Sub, Inc. and Envoy Medical Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on April 18, 2023).
2.2	Amendment No. 1 to the Business Combination Agreement, dated May 12, 2023, by and among Anzu Special Acquisition Corp I, Envoy Merger Sub, Inc. and Envoy Medical Corporation (incorporated by reference to Exhibit 2.2 to the Company's Registration Statement on Form S-4 (File No. 333-271920) filed on June 30, 2023 May 15, 2023).
2.3	Amendment No. 2 to the Business Combination Agreement, dated August 31, 2023, by and among Anzu Special Acquisition Corp I, Envoy Merger Sub, Inc. and Envoy Medical Corporation (incorporated by reference to Exhibit 2.3 to the Company's Registration Statement on Form S-4/A, filed on September 1, 2023).
3.1	Second Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 4, 2021 October 5, 2023).
3.2	Amendment to Amended and Restated Certificate Bylaws of Incorporation the Company (incorporated by reference to Exhibit 3.1 3.2 to the Company's Current Report on Form 8-K filed with the SEC on March 2, 2023 October 5, 2023).
3.3	Bylaws Certificate of Designation of Series A Preferred Stock of the Company (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement Current Report on Form S-1 (File No. 333-252861) 8-K filed with the SEC on October 5, 2023).
4.1	Warrant Agreement, dated March 1, 2021, between Anzu Special Acquisition Corp I and American Stock Transfer & Trust Company, LLC, as warrant agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on February 8, 2021 March 4, 2021).
10.1	Amendment to Letter Agreement, dated September 29, 2023, by and among Anzu Special Acquisition Corp I, the Sponsor and Anzu's officers and directors (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 5, 2023).
10.2	Amended and Restated Registration Rights Agreement, dated September 29, 2023, by and among Anzu Special Acquisition Corp I, Anzu SPAC GP I LLC and certain stockholders (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on October 5, 2023).
10.3	Amendment No. 2 to the Subscription Agreement, dated as of April 17, 2023 August 23, 2023, by and among Anzu Special Acquisition Corp I and Anzu SPAC GP I LLC (incorporated by reference to Exhibit 10.1 10.28 to the Company's Registration Statement on Form S-4/A, filed on September 12, 2023).

10.4	<u>Amendment No. 1 to Convertible Promissory Note, dated August 23, 2023, by and between Envoy Medical Corporation and GAT Funding, LLC (incorporated by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-4/A, filed on September 1, 2023).</u>
10.5	<u>Amendment No. 1 to Sponsor Support and Forfeiture Agreement, dated August 31, 2023 (incorporated by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-4/A, filed on September 1, 2023).</u>
10.6	<u>Form of Envoy Medical, Inc. Indemnification Agreement (incorporated by reference to Exhibit 10.21 to the Company's Current Report on Form 8-K filed with the SEC on April 18, 2023 October 5, 2023).</u>
10.2 10.7#	<u>Sponsor Support and Forfeiture Agreement, dated as of April 17, 2023, by and among Anzu SPAC GP I LLC, Anzu Special Acquisition Corp I and Envoy Medical, Corporation Inc. Equity Incentive Plan (incorporated by reference to Exhibit 10.2 10.22 to the Company's Current Report on Form 8-K filed with the SEC on April 18, 2023 October 5, 2023).</u>
10.3 10.8#	<u>Form of Shareholder Support Agreement, dated as of April 17, 2023, by and among Anzu Special Acquisition Corp I, Envoy Medical, Corporation and certain shareholders of Envoy Medical Corporation named on the signature pages thereto Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.3 10.23 to the Company's Current Report on Form 8-K filed with the SEC on April 18, 2023 October 5, 2023).</u>
10.4 10.9	<u>Amendment No. 2 to Forward Purchase Agreement, dated as of April 17, 2023, by and among Anzu Special Acquisition Corp I, Envoy Medical Corporation, Meteora Special Opportunity Fund I, LP, Meteora Capital Partners, LP and Meteora Select Trading Opportunities Master, LP September 28, 2023 (incorporated by reference to Exhibit 10.4 10.24 to the Company's Current Report on Form 8-K filed with the SEC on April 18, 2023 October 5, 2023).</u>
10.10*#	<u>Employment Agreement with David R. Wells.</u>
31.1*	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Unaudited Condensed Balance Sheets; (ii) Unaudited Condensed Statements of Operations; (iii) Unaudited Condensed Statements of Changes in Stockholders' Equity; (iv) Unaudited Condensed Statement of Cash Flows; and (v) Notes to Unaudited Condensed Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

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** Furnished herewith

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Indicates management contract or compensatory plan or arrangement.

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†

Certain schedules and exhibits to this Exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Registrant agrees to furnish supplemental copies of all omitted exhibits and schedules to the Securities and Exchange Commission upon its request.

PART III SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Anzu Special Acquisition Corp I
Envoy Medical, Inc.

Date: August 14, November 17, 2023

By: /s/ Dr. Whitney Haring-Smith
Brent T. Lucas
Dr. Whitney Haring-Smith
Brent T. Lucas
Chief Executive Officer
(principal executive officer)

Date: August 14, November 17, 2023

By: /s/ Daniel Hirsch
David R. Wells
Daniel Hirsch
David R. Wells
Chief Financial Officer
(principal financial and accounting officer)

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Exhibit 10.10

EMPLOYMENT AGREEMENT

This Employment Agreement ("**Agreement**") is made and entered into effective as of August 15, 2023 (the "**Effective Date**") by and between Envoy Medical Corporation, a Minnesota corporation (the "**Company**"), and David R. Wells, an individual resident of the State of Arizona (the "**Executive**").

WITNESSETH:

WHEREAS, the Executive shall be hired to serve as the Chief Financial Officer of the Company and the Company desires to secure the Executive's services for the Company, and the Executive is willing to make such services available to the Company; and
WHEREAS, the Executive understands that he is being hired as Chief Financial Officer of the Company in connection with the Company becoming a publicly traded company through a business combination (the "**Business Combination**") to be completed pursuant to that certain Business Combination Agreement, dated April 17, 2023 (the "**Business Combination Agreement**"), by and among Anzu Special Acquisition Corp I, a Delaware corporation that will be renamed Envoy Medical, Inc. ("**Parent**,"), Envoy Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of Anzu, and the Company; and
WHEREAS, for purposes of securing the Executive's services for the Company, the Company has directed the proper officers of the Company to enter into an employment agreement with the Executive on the terms and conditions set forth herein; and
NOW, THEREFORE, in consideration of the premises and the mutual covenants and obligations hereinafter set forth, the Company and the Executive hereby agree as follows:

1. Employment; Employment Period.

(a) The Company hereby agrees to hire and employ the Executive as Chief Financial Officer, and the Executive hereby agrees to such employment, during the period and upon the terms and conditions set forth in this Agreement. Except as otherwise provided in this Agreement to the contrary, this Agreement shall be effective as of the Effective Date and will remain in effect until the third anniversary of the Effective Date (the "**Employment Period**"), provided that the Employment Period shall be automatically extended for additional one

year terms unless either the Company or Executive provides the other party with notice of non-renewal at least 90 days prior to the expiration of the Employment Period.

(b) The Executive hereby represents and warrants to, and covenants with, the Company that the execution and delivery by the Executive of this Agreement does not, and his performance of the Executive's obligations hereunder will not, constitute a breach of any agreement, written or oral, to which the Executive is a party or by which the Executive is bound, and will not subject the Company to any claims by Executive's current or former employer(s), business partners or affiliates.

2. Duties and Positions.

During the term of this Agreement while employed by the Company, the Executive shall devote his full business time and attention to the business and affairs of the Company and shall use his reasonable best efforts to advance the interests of the Company and its subsidiaries and perform such duties as are consistent with his position as Chief Financial Officer, as may be assigned to him by the Chief Executive Officer or the Board of Directors of the Company (the “**Board of Directors**”).

3. Base Salary, Incentive Compensation, Change in Control Vesting of Equity Awards.

(a) In consideration of the services rendered by the Executive under this Agreement, the Company shall pay to the Executive during the period the Executive is employed by the Company a base salary at the rate of \$315,000 per annum (the “**Base Salary**”). The Base Salary shall be paid in accordance with the Company's customary payroll practices. The Base Salary may be adjusted from time to time as determined by the vote of the Board of Directors or its Compensation Committee. The Base Salary may not be adjusted downward unless part of a salary reduction applicable to all employees or all management employees and with the Executive's written consent.

(b) The Executive will be eligible for incentive compensation or equity compensation as may be determined by the Board of Directors or its Compensation Committee (“**Incentive Compensation**”). For the first year of employment, and contingent upon the closing of the Business Combination (the “**Closing**”) and the effectiveness of the Parent Assignment, the Company will use its best efforts to cause Parent to issue to Executive equity awards in such amounts and on such terms and conditions as shall be approved by the Compensation Committee of the Parent Board of Directors. Additionally, the Executive and the Company have agreed to a target cash incentive bonus of \$50,000 (the “**Cash Bonus**”) for the first year of employment, and contingent upon the Closing. The payment of the Cash Bonus is subject to the Executive achieving certain milestones determined and approved by the Board of Directors or its Compensation Committee.

(c) Upon a Change in Control, subject to Executive remaining an employee of the Company through such Change in Control, all remaining unvested shares subject to the Executive's outstanding options or other compensatory equity awards covering shares of the Company's common stock will accelerate vesting in full as of immediately prior to the completion of the Change in Control.

For purposes of this Section 3(c), “Change in Control” means the occurrence of the first to occur of any of the following events:

(i) Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group (“**Person**”), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is approved by the Board of Directors will not be considered a Change in Control; or

(ii) Change in Effective Control of the Company. If the Company has a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, a change in the effective control of the Company which occurs on the date that a majority of members of the Board of Directors (“**Directors**”) is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this Change in Control definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. Notwithstanding the foregoing, (1) a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A (as defined in Section 7 below), and (2) the successful completion of the Business Combination, will not be deemed a Change in Control. Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (x) its sole purpose is to change the jurisdiction of the Company's incorporation, or (y) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

4. Executive Benefit Plans and Programs; Working Facilities and Expenses.

(a) The Executive shall be entitled to four (4) weeks of vacation time each year (annualized for partial years) during the Employment Period and such other holiday, sick and personal days, if any, as provided in the Company's policy for employees. Unused vacation days can be carried over into any subsequent year but the vacation accrual cannot exceed four (4) weeks.

(b) While employed by the Company, and subject to the Company's right to amend, modify or terminate any plan or program, the Executive shall be entitled to participate in and receive benefits under all of the Company's employee welfare benefit plans and programs, as the Company may maintain from time to time, in accordance with the terms and conditions of such plans and programs and in accordance with the Company's customary practices, including but not limited to hospitalization, medical and major medical, life, accidental death and dismemberment, travel accident and short term and long term disability insurance plans, or any other employee benefit plan, program, policy, practice, arrangement or entitlement made generally available by the Company in the future to its employees subject to and on a basis consistent with the terms, conditions and overall administration of such plans, programs, policies, practices, arrangements or entitlements.

(c) During the term of this Agreement and while employed by the Company, it is acknowledged that the Executive's principal place of employment shall be not at the Company's facilities in Minnesota and instead will be in the state of Arizona. The Company and the Executive agree that the Executive is required to work at least four business days per month out of the Company's offices in Minnesota. The Company will pay or reimburse Executive's reasonable travel for business on the Company's behalf from Arizona, lodging, meal and related incidental costs, consistent with the Company's travel policies in effect from time to time. The Company requires presentation of receipts or an itemized accounting prior to making any reimbursements under this paragraph. If Executive is unable to be onsite in the Minnesota office for four days in a given month due to other business travel, this provision can be waived by the Chief Executive Officer in writing (email acceptable) and it will not be deemed a breach of this Agreement.

5. Termination of Employment with Company Liability.

(a) In the event that the Executive's employment with the Company shall terminate during the Employment Period on account of:

(i) the Executive's voluntary resignation from employment with the Company upon at least thirty (30) days' prior written notice to the Company within 30 days of the following: (A) any failure to timely pay the Executive's Base Salary as provided in Section 3 which is not remedied by the Company within five (5) days following written notice thereof from the Executive; or (B) a material breach of this Agreement by the Company, which is not remedied by the Company within thirty (30) days following written notice thereof from the Executive; or (C) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4 or as otherwise mutually agreed upon by the Executive and the Company, which is not remedied by the Company within thirty (30) days after the Company's receipt of written notice thereof from the Executive; or (D) a material adverse change in the Executive's working conditions, functions, duties, reporting relationship, or responsibilities, which the Company fails to cure within thirty (30) days following written notice thereof from the Executive; (any of clauses (A) - (D) being referred to herein as "**Good Reason**"); or

(ii) the discharge of the Executive by the Company for any reason other than for Cause as provided in Section 6(a) and not due to the Executive's death as provided in Section 5(b) or Disability as provided in Section 5(c); then, subject to Section 5(d) and Section 7, the Company shall pay or provide, as applicable, to the Executive (collectively, the "**Termination Severance Payments**");

(x) the Executive's earned but unpaid salary, and earned but unpaid Incentive Compensation, if applicable, as of the date of the termination of the Executive's employment with the Company;

(y) the benefits, if any, to which he is entitled as a former employee under the Company's employee benefit plans and programs and compensation plans and programs in accordance with the Company's regular payroll practices; and

(z) severance pay at the rate of the Base Salary then in effect, payable monthly, for a period of 12 months.

(iii) The Company may terminate this Agreement in connection with the termination of the Business Combination Agreement for any reason without the completion of the Business Combination, upon which termination the Company will pay Executive severance pay equal to three months of Base Salary.

(b) In the event that the Executive's employment with the Company shall terminate during the Employment Period on account of the death of the Executive while employed by the Company, the Company shall pay to the Executive's surviving spouse or such other beneficiary as the Executive may designate in writing, or if there is neither, to his estate, in addition to any other benefits to which he (or the legal representative of his estate, as applicable) is then entitled under the Company's applicable benefit plans and programs, in a lump sum within 30 days following the date of the Executive's death, his earned but unpaid salary as of the date of Executive's death, and an amount equal to the sum of 12 months of the Executive's Base Salary at the rate in effect on the date of Executive's death.

(c) In the event that the Company terminates Executive's employment with the Company during the term of this Agreement due to the Executive's Disability, the Company shall pay to the Executive, in addition to any other benefits to which he is then entitled under

the Company's applicable benefit plans and programs, (i) in a lump sum within 30 days of the date of such termination for Disability, his earned but unpaid salary as of the date of the termination of his employment with the Company, and (ii) subject to [Section 7](#), severance pay with an aggregate value equal to the sum of 12 months of the Executive's Base Salary at the rate in effect on the date of such termination for Disability.

For purposes of this Agreement, "Disability" means the Executive's total and permanent disability within the meaning of the Company's long-term disability plan for employees, if any, or if no such policy is available, any physical or mental disability or incapacity that renders the Executive incapable of performing the services required of the Executive in accordance with the Executive's obligations under [Section 2](#) hereof for a period of three consecutive months or for shorter periods aggregating three months during any twelve month period. If there is a dispute with respect to whether the Executive has incurred a Disability, the parties shall submit the issue of his Disability to a panel composed of three physicians whose decision on the issue shall be binding upon the parties. The Executive and the Company shall each appoint one member of the panel and the two members so elected shall appoint the third member of the panel. The Executive shall make himself available for examination by said physicians at such time and place as the Company shall reasonably direct. The expenses of such examination shall be borne by the Company.

(d) The Executive shall be entitled to the Termination Severance Payments set forth in [Section 5\(a\)](#) only if the Executive executes within 60 days of termination of employment, does not rescind, and fully complies with a release agreement in a form supplied by the Company, which will include, but not be limited to, a comprehensive release of claims against the Company and its directors, officers, employees and all related parties, in their official and individual capacities (the "**Release**"). Any Termination Severance Payments will be first made following the expiration of any rescission period included in the Release.

6. [Termination without Additional Company Liability.](#)

In the event that the Executive's employment with the Company shall terminate during the Employment Period on account of:

(a) the discharge of the Executive for "Cause", which, for purposes of this Agreement, shall mean a discharge because: (i) the Executive has intentionally and willfully failed to perform his assigned duties under this Agreement (including for these purposes, the Executive's inability to perform such duties consistent with customary practices as a result of drug or alcohol dependency) in any material respect and the Executive has not cured such failure within 30 days following written notice thereof from the Company; (ii) the Executive has intentionally and willfully engaged in illegal conduct in connection with his performance of services for the Company; (iii) the Executive has been convicted of, or pleaded guilty or nolo contendere (or similar plea) to, a felony or a crime of moral turpitude; (iv) the Executive has intentionally and willfully violated, in any material respect, any law, rule, regulation, written agreement or final cease-and-desist order with respect to his performance of services for the Company; (v) the Executive has filed a petition in bankruptcy or been adjudicated bankrupt by a court of competent jurisdiction, which has materially and adversely affected the Company; or (vi) the Executive has intentionally and willfully breached in any material respect the material terms of this Agreement and the Executive does not cure such failure within 30 days following written notice thereof from the Company;

(b) the Executive's voluntary resignation from employment with the Company for reasons other than those specified in [Section 5\(a\)\(i\)](#); or

(c) the expiration of this Agreement in accordance with its terms;

then the Company shall have no further obligations under this Agreement, other than the payment to the Executive of his earned but unpaid salary, and earned but unpaid bonus compensation, if applicable, as of the date of the termination of his employment with the Company and the provision of such other benefits, if any, to which he is entitled as a former employee under the Company's employee benefit plans and programs and compensation plans and programs.

For purposes of [Section 6\(a\)](#) above, no act, or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of the Company.

7. [Section 409A.](#)

(a) The Company intends that all payments and benefits provided under this Agreement or otherwise are exempt from, or comply with, the requirements of Section 409A so that none of the payments or benefits will be subject to the additional tax imposed under Section 409A, and any ambiguities and ambiguous terms in this Agreement will be interpreted in accordance with this intent. No payments or benefits to be provided to the Executive, if any, under this Agreement or otherwise, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "**Deferred Payments**") will be paid or otherwise provided until the Executive has a "separation from service" within the meaning of Section 409A. To the extent required to be exempt from or comply with Section 409A, references to the termination of the Executive's employment or similar phrases used in this Agreement will mean the Executive's "separation from service" within the meaning of Section 409A.

(b) Any payments or benefits paid or provided under this Agreement that satisfy the requirements of the "short-term deferral" rule under Treasury Regulation Section 1.409A-1(b)(4), or that qualify as payments made as a result of an involuntary separation from

service under Treasury Regulation Section 1.409A-1(b)(9)(iii) that is within the limit set forth thereunder, will not constitute Deferred Payments for purposes of this Section 7.

(c) Notwithstanding any provisions to the contrary in this Agreement, if the Executive is a “specified employee” within the meaning of Section 409A at the time of the Executive’s separation from service (other than due to the Executive’s death), then the Deferred Payments that are payable within the first six months following the Executive’s separation from service, will, to the extent required to be delayed pursuant to Section 409A(a)(2)(B) of Internal Revenue Code of 1986, as amended (the “**Code**”), become payable on the date six months and one day following the date of Executive’s separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Executive dies following the Executive’s separation from service, but prior to the date six months following the Executive’s separation from service, then any payments delayed in accordance with this subsection (c) will be payable in a lump sum as soon as administratively practicable after the date of the Executive’s death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to such payment or benefit.

(d) The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A. In no event will the Executive have any discretion to choose the Executive’s taxable year in which any payments or benefits are provided under this Agreement. In no event will the Company or any parent, subsidiary or other affiliate of the Company have any responsibility, liability or obligation to reimburse, indemnify or hold harmless the Executive for any taxes, penalties or interest that may be imposed, or other costs that may be incurred, as a result of Section 409A.

(e) To the extent necessary to comply with Section 409A, reimbursements of expenses will be subject to this subsection (e). No right to the reimbursement of expenses pursuant to this Agreement will be subject to liquidation or exchange for another benefit, and the amount of expenses eligible for reimbursement pursuant to this Agreement during the Executive’s taxable year will not affect the expenses eligible for reimbursement in any other taxable year of the Executive. Any reimbursement of expenses pursuant to this Agreement will be limited to the duration of the Executive’s lifetime or such shorter period as set forth in this Agreement. Any reimbursements will be paid no later than last day of the taxable year of the Executive immediately following the taxable year in which the expense is incurred by the Executive.

(f) The Company (and any parent, subsidiary or other affiliate of the Company, as applicable) will have the right and authority to deduct from any payments or benefits all applicable federal, state, local, and/or non-U.S. taxes or other required withholdings and payroll deductions (“**Withholdings**”). Prior to the payment of any amounts or provision of any benefits under this Agreement, the Company (and any parent, subsidiary or other affiliate of the Company, as applicable) is permitted to deduct or withhold, or require the Executive to remit to the Company, an amount sufficient to satisfy any applicable Withholdings with respect to such payments and benefits. Neither the Company nor any parent, subsidiary or other affiliate of the Company will have any responsibility, liability or obligation to pay the Executive’s taxes arising from or relating to any payments or benefits under this Agreement.

(g) For purposes of this Agreement, “Section 409A” means Section 409A of the Code and any final regulations and formal guidance thereunder and any applicable state law equivalent, as each may be amended or promulgated from time to time.

8. Successors and Assigns.

This Agreement will inure to the benefit of and be binding upon the Executive, his legal representatives and testate or intestate distributees, and the Company, its successors and assigns, including any successor by merger or consolidation or conversion to stock form or a statutory receiver or any other person or firm or corporation to which all or substantially all of the assets and business of the Company may be sold or otherwise transferred. Any such successor of the Company shall be deemed to have assumed this Agreement and to have become obligated hereunder to the same extent as the Company, and the Executive’s obligations hereunder shall continue in favor of such successor. For the avoidance of doubt, the Company and Executive agree that the Company shall assign this Agreement to Parent upon the closing of the Business Combination (the “**Parent Assignment**”).

9. Notices.

Any communication to a party required or permitted under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be in writing and shall be deemed to have been given at such time as it is delivered if delivered personally or sent by overnight courier, or five days after mailing if mailed, postage prepaid, by registered or certified mail, return receipt requested, addressed to such party at the address listed below or at such other address as one such party may by written notice specify to the other party:

If to the Company:

Envoy Medical Corporation
4875 White Bear Parkway
White Bear Lake, MN 55110

With a copy (which shall not constitute notice) to:

Fredrikson & Byron, P.A.
60 South Sixth Street
Suite 1500
Attn: Melodie Rose; Andrew Nick
Minneapolis, MN 55068

If to Executive:

David R. Wells
[***]
[***]

10. Dispute Resolution.

Except for any controversies, claims, or disputes alleging or asserting claims of discrimination, the parties agree that any dispute, claim or controversy arising out of or relating to the rights or obligations of the parties under this Agreement, or the interpretation or breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the AAA. Any party may commence arbitration hereunder by delivering notice to the other party or parties to the dispute, claim or controversy. The arbitration shall be conducted by one (1) arbitrator designated by the AAA under its rules. The arbitrator will be bound by the substantive law of the State of Minnesota, but will not be bound by the laws of evidence and procedure customary in courts of law. The arbitrator shall be required to submit a written statement of his findings and conclusions within 30 days after the presentation of all evidence to him by the parties to the arbitration proceeding. The award of the arbitrator shall be final, binding and conclusive on the parties; provided that, where a remedy for breach is prescribed hereunder or limitations on remedies are prescribed, the arbitrator shall be bound by such restrictions. Judgment upon the award may be entered in any United States court having jurisdiction thereof. The arbitration proceedings shall be conducted in Minneapolis, Minnesota. The parties shall equally split the expenses of the arbitrator. The arbitrator shall determine in his award which party is the non-prevailing party in such arbitration (which determination shall be final and binding on the parties), and the non-prevailing party shall pay the reasonable legal fees and expenses of the prevailing party.

11. Non-Solicitation, Confidentiality, Non-Disparagement, Intellectual Property.

(a) The Executive hereby covenants and agrees that, during his employment by the Company, and following the termination of his employment with the Company for the applicable period set forth on Exhibit A hereto, he shall not, without the prior written consent of the Company, either directly or indirectly:

(i) solicit, recruit or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any officer or employee of the Company or any of its subsidiaries, who was such an officer or employee at the time of the Executive's termination of employment, to terminate his employment with the Company or any of its subsidiaries;

(ii) solicit, provide any information, advice or recommendation or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any customer or prospective customer of the Company or any of its subsidiaries to terminate an existing business or commercial relationship, or fail to consummate a business or commercial relationship, as the case may be, with the Company or any of its subsidiaries. Notwithstanding the foregoing, this provision will only apply to customers or prospective customers of the Company with whom, during the 12-month period prior to the termination of Executive's employment with Company, Executive, directly or indirectly, had contact on behalf of Company and which (A) had a contract or business relationship with Company, (B) negotiated to contract with or enter into a business relationship with Company, or (C) was, directly or indirectly, solicited by Executive to do business with Company.

(b) The Executive acknowledges that in his employment with the Company the Executive will occupy a position of trust and confidence. The Executive shall not, except as may be required to perform the Executive's duties for the Company or as required by applicable law, without limitation in time or until such information shall have become generally available to the public other than by the Executive's unauthorized disclosure, disclose to others or use (for the benefit of Executive or any other person), whether directly or indirectly, any Confidential Information regarding the Company. "Confidential Information" shall mean information about the Company or any of its subsidiaries, that was learned by the Executive (from whatever source) in the course of the Executive's employment with the Company, including (without limitation) any proprietary knowledge; trade secrets; data; client and customer lists; the identities of business partners; employee data; financial, marketing, sales, forecast, budget, and non-public business information; business methods or plans; marketing and sales strategies; product or service development strategies; and all documents, papers, resumes, and records (in whatever medium) containing, incorporating or reflecting such Confidential Information. Notwithstanding the foregoing, Confidential Information shall not include any such information which Executive can establish (i) was publicly known or made generally available prior to the time of disclosure by the Company to Executive; (ii) becomes publicly known or made generally available after disclosure by the Company to Executive through no wrongful action or omission by Executive; or (iii) is in Executive's rightful possession, without

confidentiality obligations, at the time of disclosure by the Company as shown by my then-contemporaneous written records; provided that any combination of individual items of information shall not be deemed to be within any of the foregoing exceptions merely because one or more of the individual items are within such exception, unless the combination as a whole is within such exception. The Executive acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company, and that the Company derives substantial benefit from maintaining such information in confidence.

(c) Other than in the performance of Executive's duties for Company, Executive will not remove from Company's premises, including at the time of Executive's separation from the Company's employ, any Company Property or Confidential Information in any form, whether an original, copy or reproduction. "Company Property" includes, but is not limited to, all tangible property; any written, printed or otherwise recorded information, including documents, records, reports and notes; data in any form, including (but not limited to) magnetic, optical or other electronic versions thereof or other written, computer-readable or magnetically or electronically stored information; computer equipment; computer disks and files; I.D. cards, access cards and keys; and other materials made or compiled by, or made available to Executive during his employment by the Company, and any copies thereof, whether or not they contain Confidential Information. Company Property is and at all times shall be the sole and exclusive property of the Company. Upon termination of Executive's employment, or at any time when requested by the Company, Executive will leave with or return to the Company all Company Property then in Executive's possession.

(d) The Executive acknowledges and agrees that the restrictions contained in Sections 11(a) are necessary to protect the business interests of the Company. The Executive agrees that each of the restrictions contained in Sections 11(a) shall be construed as separate agreements independent of any other provision of this Agreement or any other agreement between the Executive and the Company except as to compensation. The Executive agrees that the existence of any claim or cause of action by the Executive against the Company shall not constitute a defense to the enforcement by the Company of the covenants and restrictions in this Agreement, except as to compensation.

(e) The Executive acknowledges and agrees that in the event of a breach of this Agreement by Executive, the Company will suffer irreparable injury that cannot be adequately compensated by monetary damages alone. Therefore, the Executive agrees that the Company, without limiting any other legal or equitable remedies available to it, shall be entitled to obtain equitable relief against Executive by injunction or otherwise from any court of competent jurisdiction.

(f) During the Employment Period and thereafter, Executive shall not, directly or indirectly, engage in any conduct or make any public statement, whether in commercial or noncommercial speech, disparaging or criticizing in any way the Company, any affiliate of the Company, any of their respective businesses, any of their respective officers, directors or employees, or the reputation of any of the foregoing persons or entities or any products or services offered by any of these, except to the extent specifically required or allowed by law.

(g) During the Employment Period and thereafter, the Company shall not, directly or indirectly, engage in any conduct or make any statement, whether in commercial or noncommercial speech, disparaging or criticizing in any way the Executive, except to the extent specifically required by law, and then only after consultation with the Executive.

(h) Executive agrees that he will disclose promptly and fully to the Company all works of authorship, inventions, discoveries, concepts, improvements, designs, processes, software, or any improvements, enhancements, or documentation of or to the same that Executive develops, makes, works on or conceives, individually or jointly with others during the Employment Period, whether or not in the course of Executive's work for the Company or with the use of the Company's time, materials or facilities and which is, or by reasonable extension could be, in any way related or pertaining to or connected with the present or anticipated business, development, work or research of the Company or which results from or are suggested by any work Executive may do for the Company, and whether produced during normal business hours or on personal time (collectively the "**Work Product**"). Work Product shall further include any of the foregoing conceived, made, reduced to practice, developed or perfected by Executive within six months after termination of the Employment Period. Executive shall make and maintain adequate and current written records and evidence of all Work Product, including drawings, work papers, graphs, computer records and any other documents, which shall be considered Company Property. Notwithstanding the provisions of this paragraph.

(i) To the fullest extent permitted by law, the Executive agrees that all right, title and interest, including all Intellectual Property Rights (as defined below), in and to the Work Product are hereby irrevocably assigned to the Company and shall become the exclusive property of the Company without any further act required of the Executive. To the extent permitted, Work Product constituting a work of authorship under the Copyright Act shall be deemed a "work made for hire" of the Company at the time of creation. The parties intend that any and all copyright and other Intellectual Property Rights in the Work Product, including without limitation any and all rights to distribute and reproduce such Work Product in any and all media throughout the world, are the sole property of the Company. Consistent with the recognition of the Company's absolute ownership of all Work Product, the Executive agrees that he shall not (i) use any Work Product for the benefit of any person other than the Company or (ii) grant any other person or entity any rights in the Work Product.

(j) The Company and its nominees solely shall have the right to use and apply for common law and statutory protections of the Work Product, including all patents, copyrights, mask work rights, and other intellectual property rights, in any and all countries and jurisdictions. Executive agrees to assist the Company, or its designee, at the Company's expense, to secure the Company's rights in the Work Product and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries and jurisdictions, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company shall deem necessary in order to apply for, obtain, perfect and assign such rights in the name of the Company. Executive further agrees that Executive's obligation to execute or cause to be executed any such instrument or papers shall continue after the termination of the Employment Period and of this Agreement. If, following 10 days written notice from the Company, the Executive fails, refuses, or is unable, due to disability, incapacity, or death, to execute such documents relating to the Work Product, Executive hereby appoints any of the Company's officers as Executive's attorney-in-fact to execute such documents on his behalf. This power of attorney is coupled with an interest and is irrevocable without the Company's prior written consent.

(k) For purposes of this Agreement, the term "Intellectual Property Rights" shall mean, on a world-wide basis, any and all now known or hereafter known tangible and intangible (i) rights associated with works of authorship including, without limitation, copyrights, moral rights and mask works, (ii) trademark and trade name rights and similar rights, including all goodwill associated therewith (iii) trade secret rights and database rights, (iv) patent rights, all rights associated with designs, algorithms, computer programs, methods of doing business, ideas, concepts, techniques, inventions (whether patentable or not), processes and other industrial property rights, (v) all other intellectual and industrial property rights of every kind and nature and however designated, whether arising by operation of law, contract, license or otherwise, and (vi) all registrations, initial applications, renewals, extensions, continuations, divisions or reissues thereof now or hereafter existing, made, or in force, both domestic and foreign (including any rights in any of the foregoing).

(l) The Executive represents and warrants to the Company that (i) there are no agreements, understandings or claims that would adversely affect Executive's ability to assign all right, title and interest in and to the Work Product to the Company; (ii) the Executive has the legal right to grant the Company the assignment of his interest in the Work Product as set forth in this Agreement; and (iii) Executive has not brought and will not bring to his employment hereunder, or use in connection with such employment, any trade secret, confidential or proprietary information, or computer software, except for such of the foregoing that the Executive and the Company have a right to use for the purposes for which it will be used.

(m) Executive understands that nothing in this Agreement limits or prohibits Executive from filing a charge or complaint with, or otherwise communicating or cooperating with or participating in any investigation or proceeding that may be conducted by, any federal, state or local government agency or commission, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board, including disclosing documents or other information as permitted by law, without giving notice to, or receiving authorization from, the Company. In addition, nothing in this Agreement limits employees' rights to discuss the terms, wages, and working conditions of their employment, as protected by applicable law. Notwithstanding, in making any such disclosures or communications, Executive is not permitted to disclose the Company's attorney-client privileged communications or attorney work product.

12. Miscellaneous.

As a condition of employment hereunder, Executive shall cooperate with the Company's human resource protocols applicable to officers and directors and employee generally. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any relevant jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other relevant jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction to the minimum extent necessary to remove any portion of any such invalid, illegal or unenforceable provisions necessary to make the balance of such provision valid, legal and enforceable. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A waiver of any provision of this Agreement must be made in writing, designated as a waiver, and signed by the party against whom its enforcement is sought. Any waiver or relinquishment of any right or power hereunder at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times. The Company shall have no right to offset any amounts or benefits owed to the Executive hereunder with respect to any amounts then alleged to be due from the Executive to the Company. All payments required to be made by the Company hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Company may reasonably determine should be withheld pursuant to any applicable law, regulation or benefit plan or program. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Minnesota without reference to conflicts of law principles. The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. For all purposes of this Agreement, any reference to subsidiaries of the

Company shall be deemed to refer to any entity of which the Company is a direct or indirect owner of 50% or more of (x) the combined voting power of shares of all classes of stock if such entity is a corporation, (y) the combined voting power, the capital interest or the profits interest if such entity is a partnership or limited liability Company or (z) the beneficial interest if such entity is a trust or unincorporated enterprise. Any reference to a section number, or to herein, hereof or hereunder, shall, except to the extent specified otherwise, be deemed to refer to a section of this Agreement. This Agreement, together with any of the Executive's award agreements (to the extent not modified hereby) and the Company's equity plans, in each case governing the terms of the Executive's outstanding equity awards covering shares of the Company's common stock (the "**Award Documents**"), contains the entire agreement of the parties relating to the subject matter hereof and thereof, and supersedes in its entirety any and all prior agreements, understandings or representations relating to the subject matter hereof and thereof. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto. From and after the date hereof, this Agreement shall supersede any agreement between the parties with respect to the subject matter hereof (with the exception of any Award Documents), and the Executive shall not be entitled to any payments under any such agreement.

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IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and the Executive has hereunto set his hand, effective as of the day and year first above written.

COMPANY:

Envoy Medical Corporation

By: /s/ Brent Lucas

Name: Brent Lucas

Title: Chief Executive Officer

EXECUTIVE:

/s/ David R. Wells

David R. Wells

EXHIBIT A
TERMINATION OF EMPLOYMENT/IMPACT ON
SECTION 11 RESTRICTIVE COVENANTS

Employment Termination Event	Nonsolicitation (Section 11(a)) – Applicable Periods
Involuntary termination by Company with “Cause”	Nonsolicitation period – 24 months
Voluntary termination by Executive without “Good Reason”	Nonsolicitation period – 24 months
Voluntary termination by Executive with “Good Reason”	Nonsolicitation period – 24 months
Involuntary termination by Company without “Cause”	Nonsolicitation period – 24 months

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Dr. Whitney Haring-Smith, Brent T. Lucas**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of **Anzu Special Acquisition Corp I;**
Envoy Medical, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, November 17, 2023

/s/ Dr. Whitney Haring-Smith

Brent T. Lucas

Dr. Whitney Haring-Smith

Brent T. Lucas

Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel Hirsch, David R. Wells, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Anzu Special Acquisition Corp I;
Envoy Medical, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, November 17, 2023

/s/ Daniel Hirsch

David R. Wells

Daniel Hirsch

David R. Wells

Chief Financial Officer

**CERTIFICATION OF CEO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Anzu Special Acquisition Corp I Envoy Medical, Inc. (the "Company") for the period ended June 30, 2023 September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dr. Whitney Haring-Smith, Brent T. Lucas, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dr. Whitney Haring-Smith Brent T. Lucas

Dr. Whitney Haring-Smith

Brent T. Lucas

Chief Executive Officer

August 14, November 17, 2023

**CERTIFICATION OF CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Anzu Special Acquisition Corp I Envoy Medical, Inc. (the "Company") for the period ended June 30, 2023 September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Daniel Hirsch, David R. Wells, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel Hirsch David R. Wells

Daniel Hirsch

David R. Wells

Chief Financial Officer

August 14, November 17, 2023



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