

**SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK**

FREEDOM HOLDING, INC., ELITE WORLD  
GROUP, LLC, E1972 INC., and SILVIO SCAGLIA,

Plaintiffs,

v.

JULIA HAART A/K/A JULIA HENDLER and  
HAART DYNASTY LLC,

Defendants.

Index No. 650661/2022

**FIRST AMENDED  
COMPLAINT**

Plaintiffs designate New York  
County as the place of trial

JURY TRIAL REQUESTED

**FIRST AMENDED COMPLAINT**

Plaintiffs Freedom Holding, Inc. (“Freedom Holding”), Elite World Group, LLC (“EWG”), E1972 Inc. (“E1972”), and Silvio Scaglia (together “Plaintiffs”), by and through their undersigned attorneys, allege as follows, upon personal knowledge as to their own acts and status, and upon information and belief as to all other matters, for their First Amended Complaint against Defendants Julia Haart A/K/A JULIA HENDLER and Haart Dynasty LLC:

**NATURE OF THE ACTION**

1. This suit arises from Defendant Julia Haart’s misappropriation of millions of dollars from Plaintiffs.
2. First, during Haart’s tenure as chief executive officer of EWG and a director of E1972, she engaged in gross corporate overspending, using company funds for unauthorized personal expenses, including luxury clothing, vacations, and cosmetic procedures. These actions constitute conversion, breach of Haart’s fiduciary duties to Freedom Holding, EWG, and E1972, and corporate waste.
3. Second, Haart made an illegal withdrawal of \$850,000 upon receiving notice from the directors of EWG, a wholly-owned subsidiary of Freedom Holding, that they would be

voting at the next board meeting on a proposal to dismiss her as chief executive officer. The very next day, Haart illegally transferred \$850,000 from Freedom Holding to Defendant Haart Dynasty LLC, a limited liability company controlled by Haart. A record of that transfer is attached as Exhibit 1.

4. Haart's illegal withdrawal constitutes conversion and breach of her fiduciary duties to Freedom Holding and EWG. Haart's withdrawal also breached a January 19, 2022 agreement between Haart and Plaintiff Silvio Scaglia. Under that agreement, Haart and Mr. Scaglia committed that the only withdrawals from the Freedom Holding account—other than to cover a mortgage, rent, and current living expenditures—would be \$250,000 to Haart and \$250,000 to Mr. Scaglia.

5. Through this action, Plaintiffs seeks (a) return of the converted funds; (b) damages for Haart's conversion, breach of contract, breach of fiduciary duty, and corporate waste; (c) a declaration of constructive trust over the \$850,000; and (d) equitable forfeiture of salary paid to Haart pursuant to the faithless servant doctrine.

### **THE PARTIES**

6. Plaintiff Freedom Holding, Inc. is a Delaware corporation. Its sole director is Mr. Scaglia, who, until 2019, was the company's sole owner. In 2019, Ms. Haart became co-owner of Freedom Holding through donation of shares by Mr. Scaglia.

7. Plaintiff Elite World Group, LLC is a Delaware limited liability company. Its sole member is Plaintiff Freedom Holding, Inc.

8. Plaintiff E1972 Inc. is a Delaware corporation wholly owned by Plaintiff Freedom Holding, Inc.

9. Plaintiff Silvio Scaglia is an established entrepreneur. In 2011, Mr. Scaglia acquired EWG, a model management business with over fifty years of history. EWG is now

wholly owned by Freedom Holding. Mr. Scaglia is the chairman of the board of EWG. Mr. Scaglia and Haart married in 2019.

10. Defendant Julia Haart a/k/a Julia Hendler is a resident of New York, New York.

11. Defendant Haart Dynasty LLC is a Delaware limited liability company registered as a foreign limited liability in New York. Its principal place of business is New York, New York. Haart Dynasty LLC is controlled by Haart. The company's New York registration lists "JULIA HENDLER" as the contact for service process and lists Haart's address at 70 Vestry Street, New York, NY. "Julia Hendler" is a name used by Haart.

### **JURISDICTION**

12. The Court has personal jurisdiction over Defendants under CPLR 301.

### **FACTUAL ALLEGATIONS**

13. In 2019, Mr. Scaglia gave Haart 50% of Freedom Holding's common stock (without any investment on her part). Haart was also provided access to a Freedom Holding bank account at J.P. Morgan.

14. That same year, Haart was also appointed by Freedom Holding to serve as a director as well as the chief executive officer of the company's subsidiary, EWG. The two other directors were Mr. Scaglia, who also serves as chairman, and Paolo Barbieri.

15. In 2020, Haart was also appointed to serve as a director of E1972. E1972 was initially created to launch a line of clothing designed by Haart, but Haart was not able to earn revenue for E1972.

#### **I. Haart's Overspending and Misuse of Corporate Funds**

16. While Haart served as chief executive officer of EWG and a director of E1972, she engaged in gross overspending and misuse of corporate assets by essentially using EWG and E1972 as her own personal piggy bank.

17. Although controlled by Freedom Holding, E1972 was financed by EWG through a convertible promissory note from E1972 to EWG. The note provided for up to \$10 million in financing, and EWG could choose to be repaid either in cash or common stock of E1972.

18. In or around 2021, Haart asked that E1972 invest in her personal image, and that E1972 thus fund certain of her personal promotional costs. The EWG Board of Directors accordingly approved a 2021 budget for E1972 that provided for approximately \$2.1 million in total expenses. During the February 2021 Board meeting in which the budget was approved, the EWG Board of Directors also determined that because a limited amount of Haart's promotional expenses would be covered by E1972's budget, EWG itself would not fund any of Haart's personal or promotional expenses.

19. In 2021, however, Haart spent more than \$2 million of E1972's money on personal expenses, far exceeding E1972's budget.

20. Specifically, Haart spent E1972's money on clothing and accessories, including approximately \$500,000 at Louis Vuitton, \$180,000 at Chanel, and \$140,000 at Dior, among other luxury retailers. Haart also spent more than \$500,000 of E1972's money on lavish trips for Haart and her family, more than \$160,000 on makeup and hair stylists, and more than \$125,000 on cosmetic procedures.

21. In addition to exceeding E1972's budget by millions of dollars due to her personal spending habits, Haart also freely used two EWG corporate credit cards to purchase expensive clothing and handbags, luxury vacations, and other personal and unnecessary purchases. Haart made these expenditures despite the decision to fund a limited amount of Haart's promotional costs *only* through E1972, and not through EWG.

22. Haart also occasionally used her own personal credit card for such personal expenses and used her authority as chief executive officer to cause EWG to reimburse her for those personal expenses. In submitting those personal expenses to EWG, Haart used vague expense descriptions and omitted supporting documentation for the expenses.

23. In total, Haart used her position as chief executive officer to spend at least \$1 million of EWG's corporate funds on personal and unnecessary expenses without authorization to do so.

24. In sum, between the personal expenses that far exceeded E1972's budget and the personal expenses that Haart improperly caused EWG to fund, Haart has spent millions of dollars of EWG and E1972's funds on unauthorized personal expenses. Accordingly, Haart used and diverted corporate assets from E1972 and EWG for an improper, unnecessary, and unauthorized purpose.

25. EWG's employee policies and procedures prohibit using corporate credit cards for personal expenses and submitting expense reimbursements for personal expenses.

26. Due primarily to Haart's mismanagement of EWG and excessive spending, from 2018 to 2021, EWG's EBITDA declined from \$6 million to negative \$10.4 million.

27. Haart's excessive spending on herself also contributed to E1972's 2021 EBITDA being negative by nearly \$5 million.

## **II. Haart's Unlawful Withdrawal of Funds**

28. On January 19, 2022, Mr. Scaglia met with Haart and Freedom Holding's accountant, Jeffrey S. Feinman of DDK & Company, to discuss Freedom Holding's finances. The meeting was held at Mr. Scaglia and Haart's home at 70 Vestry Street, New York, NY. At the meeting it was agreed that limits should be placed on withdrawals from the Freedom Holding bank account at J.P. Morgan. Haart and Mr. Scaglia agreed that the only withdrawals from the

Freedom Holding account—other than to cover a mortgage, rent, and current living expenditures—would be \$250,000 to Haart and \$250,000 to Mr. Scaglia.

29. Pursuant to that agreement, neither Haart nor Mr. Scaglia were permitted to make any withdrawals totaling over \$250,000. Shortly after the agreement was entered, Haart withdrew \$250,000 from the account.

30. On February 7, 2022, Mr. Scaglia, as chairman of the board of directors of EWG, emailed Haart an agenda for the upcoming EWG board meeting on February 11, 2022, the first item of which is “Dismissal of the CEO – for discussion and approval.”

31. In a letter accompanying the agenda, directors Mr. Scaglia and Mr. Barbieri stated to Haart that “[a]s directors, the priority is our duty to act in the best interest of the Organization and, in such respect, we believe that your dismissal may no longer be delayed.”

32. The letter, attached as Exhibit 2, proceeds to explain the numerous reasons underlying the directors’ decision, including: (1) “the huge deterioration of the Company’s profitability” since Haart’s appointment; (2) the “huge increase in corporate costs and expenses attributable to the CEO office, well beyond the budgeted amounts,” leading to steep losses; (3) the complete failure of Haart, despite two-years of attempts, to meet capital raising targets; and (4) the abysmal, loss-making performance of the company’s digital division under Haart’s leadership, even as the overall digital-marketing industry grew.

33. The directors explained that they had no other option but to seek appointment of a new chief executive officer to cut costs and shore up EWG’s traditional model management business, which had suffered during Haart’s failed attempts to transition EWG into other fields.

34. The very next day, and without any legal right, Haart retaliated by withdrawing \$850,000 from the Freedom Holding bank account at J.P. Morgan and transferring it to her

company Haart Dynasty LLC. Haart transferred the funds to enrich herself at the expense of Freedom Holding and of its co-owner Mr. Scaglia.

35. Mr. Scaglia and Freedom Holding have informed Haart, through her counsel, that the withdrawal of the \$850,000 was illegal, but she and Haart Dynasty LLC have not returned the funds.

### **CLAIMS FOR RELIEF**

#### **First Cause of Action: Conversion (Freedom Holding and Scaglia against all Defendants)**

36. Plaintiffs re-allege and incorporate by reference the allegations set forth in the foregoing paragraphs.

37. Haart was entrusted with access to the Freedom Holding bank account at J.P. Morgan.

38. The funds in the account constitute a specific, identifiable fund, which Haart was obligated to treat consistent with her fiduciary duties to Freedom Holding and her agreement with Mr. Scaglia, dated January 19, 2022.

39. The funds in the account are the property of Freedom Holding.

40. Instead of adhering to her obligations the limitations placed on her use of that account, Haart on February 8, 2022, misappropriated \$850,000 from the account.

41. Mr. Scaglia and Freedom Holding have informed Haart, through her counsel, that the withdrawal of the \$850,000 was illegal, but she has not returned the funds.

42. Haart's actions constitute conversion and have damaged Plaintiffs.

#### **Second Cause of Action: Breach of Fiduciary Duty (Freedom Holding against Haart)**

43. Plaintiffs re-allege and incorporate by reference the allegations set forth in the foregoing paragraphs.

44. Haart was entrusted with access to the Freedom Holding bank account at J.P. Morgan.

45. Haart was obligated to observe fiduciary duties to Freedom Holding based on its entrustment of her with access to that account.

46. Instead of adhering to her obligations and the limitations placed on her use of that account, Haart on February 8, 2022, illegally withdrew \$850,000 from the account.

47. Haart made that transfer for her own benefit at the expense of Freedom Holding and Mr. Scaglia.

48. Haart's actions constitute breach of her duty of loyalty to Freedom Holding and have damaged Freedom Holding.

**Third Cause of Action: Breach of Contract (Scaglia against Haart)**

49. Plaintiffs re-allege and incorporate by reference the allegations set forth in the foregoing paragraphs.

50. On January 19, 2022, Mr. Scaglia and Haart entered into a contract pursuant to which each committed that the only withdrawals from the Freedom Holding account would be \$250,000 to Haart and \$250,000 to Mr. Scaglia.

51. Shortly after the contract was entered, Haart withdrew at least \$250,000 from that account.

52. On February 8, 2022, Haart withdrew another \$850,000 from the account.

53. Haart's withdrawal of \$850,000 constitutes a breach of her contract with Mr. Scaglia, and Mr. Scaglia has been damaged thereby.



**Fourth Cause of Action: Unjust Enrichment (Freedom Holding and Scaglia against all Defendants)**

54. Plaintiffs re-allege and incorporate by reference the allegations set forth in the foregoing paragraphs.

55. Haart was entrusted with access to the Freedom Holding bank account at J.P. Morgan.

56. The funds in the account constitute a specific, identifiable fund, which Haart was obligated to treat consistent with her fiduciary duties to Freedom Holding and her agreement with Mr. Scaglia, dated January 19, 2022.

57. The funds in the account are the property of Freedom Holding.

58. Instead of adhering to her obligations the limitations placed on her use of that account, Haart on February 8, 2022, misappropriated \$850,000 from the account by transferring it to a company under her control, Haart Dynasty LLC.

59. Haart and Haart Dynasty LLC have been unjustly enriched by Haart's misappropriation, at the expense of Freedom Holding and Mr. Scaglia.

60. It is against equity and good conscience to permit Haart and Haart Dynasty LLC to retain the \$850,000 she misappropriated.

**Fifth Cause of Action: Constructive Trust (Freedom Holding and Scaglia against all Defendants)**

61. Plaintiffs re-allege and incorporate by reference the allegations set forth in the foregoing paragraphs.

62. Haart was entrusted with access to the Freedom Holding bank account at J.P. Morgan.

63. The funds in the account constitute a specific, identifiable fund, which Haart was obligated to treat consistent with her fiduciary duties to Freedom Holding and her agreement with Mr. Scaglia, dated January 19, 2022.

64. The funds in the account are the property of Freedom Holding.

65. Instead of adhering to her obligations the limitations placed on her use of that account, Haart on February 8, 2022, misappropriated \$850,000 from the account by transferring it to a company under her control, Haart Dynasty LLC.

66. Haart and Haart Dynasty LLC are thereby holding the \$850,000 in constructive trust for Freedom Holding.

**Sixth Cause of Action: Conversion (EWG and E1972 against Haart)**

67. Plaintiffs re-allege and incorporate by reference the allegations set forth in the foregoing paragraphs.

68. Haart intentionally and without authority spent millions of dollars of Plaintiffs EWG and E1972's corporate assets for her own personal benefit without authorization to do so.

69. As a result, EWG and E1972 could no longer use the funds Haart spent to carry out their business and Haart interfered with their right of possession of the funds by assuming control of the funds.

70. Haart's actions constitute conversion and have damaged Plaintiffs EWG and E1972 in an amount to be determined at trial.

**Seventh Cause of Action: Breach of Fiduciary Duty (EWG and E1972 against Haart)**

71. Plaintiffs re-allege and incorporate by reference the allegations set forth in the foregoing paragraphs.

72. Haart was obligated to observe fiduciary duties to EWG and E1972 based on her roles as chief executive officer of EWG and director of E1972.

73. Instead of adhering to her obligations and the limitations placed on her use of EWG and E1972's funds for legitimate business purposes, Haart spent millions of dollars of their funds to enrich or benefit herself at the expense of EWG and E1972.

74. By approving, facilitating and/or executing the spending of millions of dollars of corporate assets for her own personal benefit without authorization, Haart put the interests of herself ahead of the interests of EWG and E1972 to the financial detriment of EWG and E1972.

75. Haart's actions constitute breach of her duties of loyalty and good faith to EWG and E1972 and have damaged EWG and E1972 in an amount to be determined at trial.

**Eighth Cause of Action: Unjust Enrichment (EWG and E1972 against Haart)**

76. Plaintiffs re-allege and incorporate by reference the allegations set forth in the foregoing paragraphs.

77. By approving, facilitating and/or executing the spending of millions of dollars of corporate assets for her own personal benefit without authorization, Haart has been enriched at the expense of EWG and E1972.

78. It is against equity and good conscience to permit Haart to retain the millions of dollars in corporate assets she used for her own personal benefit without authorization.

**Ninth Cause of Action: Waste of Corporate Assets (EWG and E1972 against Haart)**

79. Plaintiffs re-allege and incorporate by reference the allegations set forth in the foregoing paragraphs.

80. By approving, facilitating, and/or executing the spending of millions of dollars of corporate assets for her own personal benefit without authorization, Haart directly conveyed, diverted, or wasted the assets of EWG and E1972 for an improper or unnecessary purpose.

81. By approving, facilitating, and/or executing the spending of millions of dollars of corporate assets for her own personal benefit without authorization, Haart used the assets of

EWG and E1972 in a manner so far opposed to their true interests as to lead to the clear inference that no one thus acting could have been influenced by any honest desire to secure such interests.

82. Haart never repaid EWG or E1972 for the millions of dollars of corporate assets she used for her own personal benefit without authorization, nor has EWG or E1972 received any consideration in exchange for the corporate assets Haart used for her own personal benefit without authorization.

83. Due to Haart's waste of corporate assets, EWG and E1972 have suffered damages in an amount to be determined at trial.

**Tenth Cause of Action: Equitable Forfeiture/Faithless Servant Doctrine (EWG against Haart)**

84. Plaintiffs re-allege and incorporate by reference the allegations set forth in the foregoing paragraphs.

85. As the chief executive officer and employee of EWG, Haart owed a duty of good faith and loyalty to her employer, EWG.

86. EWG placed significant trust in Haart to run the day-to-day operations of EWG as chief executive officer.

87. Haart was prohibited from acting in any manner that was inconsistent with the agency and trust EWG afforded her as chief executive officer, and she at all times had an affirmative duty to act in EWG's best interests.

88. Throughout her employment, Haart deliberately and repeatedly charged personal expenses to her EWG corporate credit card and failed to reimburse EWG for the expenses.

89. Throughout her employment, Haart also deliberately and repeatedly caused EWG to reimburse her for personal expenses charged to her personal credit card without submitting the necessary documentation.

90. Haart breached her duty of good faith and loyalty to EWG by deliberately charging personal expenses to her corporate credit card, failing to reimburse EWG for those expenses, and using her position as chief executive officer to cause EWG to reimburse her for personal expenses charged to her personal credit card.

91. As a consequence of Haart's breach of her duty of loyalty and good faith, and because Haart deliberately and repeatedly acted adversely to her employer, Haart has forfeited any right to compensation for her services. Haart is thus not entitled to any compensation for services performed during the period during which she engaged in activities constituting breach of her duties of good faith and loyalty.

92. Accordingly, EWG is entitled to such portion of Haart's compensation during her tenure as chief executive officer of EWG as may be determined at trial, together with all appropriate interest.

**RELIEF DEMANDED**

93. WHEREFORE, Plaintiffs respectfully requests that this Court award the following relief:

A. Returning the \$850,000 Haart unlawfully withdrew from Freedom Holding's account;

B. Awarding compensatory damages to Plaintiffs in an amount to be determined at trial;

C. Awarding the equitable forfeiture of such portion of Haart's compensation from EWG in an amount to be determined at trial;

D. Declaring a constructive trust over the \$850,000 for the benefit of Freedom Holding;

E. Granting Plaintiffs costs and disbursements, including reasonable attorneys' fees and expenses incurred in connection with this action; and

F. Such other and further relief as the Court deems just and proper.

Dated: New York, New York

Respectfully submitted,

February 22, 2022

/s/ Jonathan Schiller

Jonathan Schiller

Joshua Schiller

Benjamin Margulis

David Barillari

Sabina Mariella

BOIES SCHILLER FLEXNER LLP

55 Hudson Yards

New York, NY 10001

Telephone: (212) 446-2300

Facsimile: (212) 446-2350

*Attorneys for Plaintiffs*