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Case No. 2022-0499-

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

ELITE WORLD GROUP, LLC, and E1972, INC.,	)	
Plaintiffs,	)	
v.	)	C.A. No. _____
JULIA HAART,	)	
Defendant.	)	

VERIFIED COMPLAINT

Plaintiffs Elite World Group, LLC ("EWG") and e1972, Inc. ("e1972"), hereby bring this Verified Complaint against Defendant Julia Haart and allege, upon knowledge as to their own acts and upon information and belief as to all other matters, as follows:

NATURE OF THE ACTION

1. This suit arises from Defendant Julia Haart's repeated abuse of her corporate positions to steal millions of dollars from Plaintiffs for her own personal bank account and personal indulgences—and then lie to try and cover it up.

2. When Julia Haart was named as chief executive officer and a director of EWG, her charge was to grow what was already a profitable business into a thriving enterprise. Likewise, when Haart was named as creative director and a director of e1972, the hope was that she would employ the creative skills she repeatedly touted to build a flourishing new clothing line. But Haart never cared

about growing EWG or e1972, or acting in their best interests or those of their mutual, sole stockholder (Freedom Holding, Inc.). Julia Haart's only interest was Julia Haart.

3. Accordingly, Haart used her positions of trust at EWG and e1972 to fund a life of luxury. Haart used corporate funds to pay for hundreds of thousands of dollars in luxury clothing and accessories. Many thousands more went towards luxury vacations for her and her family. Additional money went towards augmenting Haart's personal appearance through plastic surgery. Haart charged some of these expenses to her EWG corporate credit card. Others she charged to her personal credit card and then improperly reimbursed herself from EWG (without providing supporting documentation). Still others she falsely claimed were investments in her "personal image" that she expensed to e1972.

4. These expenses were not authorized by either EWG's or e1972's board of directors and they did not serve any legitimate business purpose. Haart instead concealed these expenses from her superiors through lies and deception. While the extent of her unauthorized spending is still being unearthed, to date, it is clear that Haart's vanity and disregard for her fiduciary duties caused her to spend millions of dollars of money that was not hers, solely to feed her personal self-aggrandizement.

5. No wonder that, when she wrote her autobiography, she called it "Brazen." In that book and in TV and media appearances to sell it, she boasted that

her "mantra" is the phrase, "Fake it till you make it." A life of "faking it"—that is lying and stealing—may have worked for Haart for before. But it cannot work for her in Court. Her time has run out. Plaintiffs accordingly seek damages from Haart for the millions of dollars that she stole.

PARTIES AND RELEVANT NON-PARTIES

6. Plaintiff Elite World Group, LLC is a Delaware limited liability company. EWG is the parent company to a model management business with over fifty years of history. EWG's sole member and managing member is Freedom. EWG's operating agreement provides Freedom with sole authority to manage EWG and gives Freedom the ability to delegate this authority to others. Freedom exercised this delegation power pursuant to a March 1, 2020 written consent, whereby Freedom delegated its authority as managing member of EWG to EWG's Board of Directors (the "EWG Board"). At the time, the EWG Board consisted of Julia Haart, Silvio Scaglia, and Paolo Barbieri.

7. Plaintiff e1972, Inc. is a Delaware corporation. Freedom is its sole stockholder.

8. Defendant Julia Haart was EWG's chief executive officer from March 2019 until February 9, 2022, when she was terminated by the EWG Board. Haart also served as a director on the EWG Board until she was removed from that position by Freedom on February 8, 2022.

9. Non-party Freedom Holding, Inc. is a Delaware corporation. Freedom is controlled by Silvio Scaglia, and its sole stockholders are Scaglia and Haart.

10. Non-party Silvio Scaglia is the chairman of the EWG Board and a successful, self-made, multi-national entrepreneur.

11. Non-party Paolo Barbieri is the CEO of EWG and serves as a director on the EWG Board.

JURISDICTION

12. This Court has subject matter jurisdiction over this action pursuant to 10 *Del. C.* § 341.

13. This Court has personal jurisdiction over Haart pursuant to 10 *Del. C.* § 3114(b) because she was a director of e1972 at the time of the wrongdoing alleged herein. This Court also has personal jurisdiction over Haart pursuant to 6 *Del. C.* § 18-109(a) because she was a manager of EWG. Haart and EWG's other two directors held ultimate managerial authority over EWG that Freedom, EWG's sole and managing member, had delegated to the EWG Board. Moreover, as EWG's CEO, Haart oversaw and managed the day-to-day affairs of EWG's business. Haart accordingly participated materially in the management of EWG's business.

FACTUAL ALLEGATIONS

A. Haart Acquires Her Positions at EWG and Uses Them For Self-Enrichment.

14. Scaglia met Haart in 2015. At the time, Scaglia owned La Perla, an Italian lingerie company. Unlike Scaglia, Haart had limited business experience at the time and was managing a struggling start-up shoe brand. Haart aspired to become a celebrity and, through Scaglia, she saw an opportunity to achieve these goals. Scaglia decided to enter a contract with Haart to design shoes for La Perla, and later promoted Haart to creative director.

15. In 2018, Scaglia sold La Perla, and the buyers fired Haart. Haart sought to become more involved at EWG, and Scaglia obliged by causing Haart to be named as a director on the EWG Board. Then, in March 2019, Haart was named EWG's CEO. At the time of her appointment, EWG was a profitable business.

16. After being named CEO, Haart began abusing her position by spending millions of dollars in company money on herself. Haart's improper expenses included (1) spending over $1 million in a single year on clothes, accessories, and make-up for herself; (2) spending hundreds of thousands of dollars to pay for legal services rendered to her personally and not to EWG; (3) spending hundreds of thousands of dollars on her children, including using EWG money to pay tuition for and make a donation to her son's school; and (4) spending at least hundreds of

thousands (if not millions) of dollars financing lavish personal vacations and meals for her and her children.

B. Haart Elevates Her Misappropriation of Company Funds in 2021.

17. In 2021, Haart's spending of corporate assets became increasingly outlandish. While Haart continued to directly misappropriate EWG's assets, including by charging personal expenses to EWG's corporate credit card, e1972 became the primary vehicle for Haart to fund her glamorous personal life.

18. Although wholly owned by Freedom, 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. e1972 was originally intended to house Haart's clothing line, but Haart never got the business off the ground, and e1972 never generated any revenue.

19. In or around 2021, Haart asked that e1972 invest in her personal image, and that e1972 thus fund certain of her personal promotional costs. At a February 2021 meeting, the EWG Board approved a 2021 budget for e1972 that provided for approximately $2.1 million in total expenses. At that same meeting, the EWG Board 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.

20. Haart, however, continued her lavish spending and quickly blew past e1972's budget. Among other examples, Haart spent hundreds of thousands of dollars of e1972's money on expensive clothes and accessories, more than $500,000 on lavish trips for her and her family, and more than $160,000 on makeup and hair stylists.

21. Many of Haart's expenses were completely unrelated to Haart's work on behalf of EWG, but simply reflected Haart using e1972 as her personal piggy bank. For example, Haart used more than $160,000 of e1972's money on surgical procedures. She also spent $50,000 to pay a retainer for her divorce attorney. Haart routinely obscured expenses by frequently failing to provide supporting information establishing what her expenses were or why they were justified for business reasons.

22. In September 2021, Haart directed her subordinates to link the e1972 bank account to Haart's American Express credit card, thus allowing Haart to use e1972 to pay all manner of her personal expenses, without any oversight. After gaining this access to e1972's bank account, Haart transferred over $500,000 from that account to pay her American Express card.

23. In total, Haart spent millions of dollars of e1972's money beyond that which had been budgeted, much of which did nothing to advance legitimate business interests on behalf of e1972 or EWG. In 2021, e1972 spent nearly $5 million, almost all of it on Haart.

24. Haart also continued to charge expenses to EWG's accounts directly, in contravention of the EWG Board's determination that EWG would not fund any of Haart's promotional expenses. As with the expenses that Haart charged to e1972, many of Haart's expenses charged to EWG were purely personal. For example, in 2021 and 2022, Haart charged amusement-park tickets and airport car services for her children to EWG.

C. Haart Is Terminated And Steals Money from EWG and Freedom.

25. Haart's excessive and unauthorized spending took its toll on EWG's business. From 2018 to 2021, EWG's EBITDA declined from $6 million to negative $10.4 million. Haart also failed to execute on EWG's digital growth-plans and failed to attract investors to provide new capital, despite two years of efforts.

26. Accordingly, on February 7, 2022, Scaglia and Barbieri advised Haart that the next meeting of the EWG Board on February 11 would include a proposal for dismissing her as CEO. In a letter accompanying the board agenda (attached hereto as Exhibit A) Scaglia and Barbieri explained the reasons for their decision to dismiss Haart, which included the "huge increase in corporate costs and expenses attributable to the CEO office, well beyond the budgeted amounts."

27. The very next day, and without any legal right, Haart retaliated by withdrawing $850,000 from Freedom's bank account and transferring it to an entity that she controlled. Haart falsely claimed that this money constituted her share of

management fees that EWG had previously paid to Freedom. Haart was removed by Freedom as an EWG director that same day, February 8, 2022. The following day, the EWG Board (consisting of Scaglia and Barbieri) met and voted to terminate Haart as CEO.

COUNT I: BREACH OF FIDUCIARY DUTY (EWG Against Haart)

28. EWG repeats and re-alleges the foregoing allegations as if fully set forth herein.

29. As a director and officer of EWG, Haart owed fiduciary duties of care and loyalty to EWG.

30. Haart breached her fiduciary duties by spending millions of dollars of EWG's funds on personal expenses that did not serve legitimate business purposes. Haart further breached her fiduciary duties by failing to seek authorization for these expenses from the EWG Board, and by failing to disclose and affirmatively concealing these expenses from the EWG Board.

31. Haart's actions have damaged EWG in an amount to be determined at trial.

COUNT II: BREACH OF FIDUCIARY DUTY (e1972 Against Haart)

32. EWG repeats and re-alleges the foregoing allegations as if fully set forth herein.

33. As a director of e1972, Haart owed fiduciary duties of care and loyalty to e1972.

34. Haart breached her fiduciary duties by spending millions of dollars of e1972's funds on personal expenses that did not serve legitimate business purposes. Haart further breached her fiduciary duties by failing to seek authorization for these expenses from Freedom, the EWG Board, or Scaglia (e1972's other director), and by failing to disclose and affirmatively concealing these expenses.

35. Haart's actions have damaged e1972 in an amount to be determined at trial.

COUNT III: EQUITABLE FORFEITURE/FAITHLESS SERVANT (EWG Against Haart)

36. EWG re-alleges and incorporates by reference the allegations set forth in the foregoing paragraphs.

37. As an officer and employee of EWG, Haart owed duties of good faith and loyalty to her employer, EWG.

38. EWG placed significant trust in Haart to run EWG's day-to-day operations and manage EWG's finances. Haart was prohibited from acting in any manner inconsistent with the agency and trust EWG afforded her.

39. Throughout her employment, Haart deliberately and repeatedly spent EWG funds for personal expenses, including by charging such expenses to her

corporate credit card and by causing EWG to reimburse her for personal expenses charged to her personal credit card without submitting the necessary documentation.

40. As a consequence of Haart's breaches of her duties of loyalty and good faith, and because she deliberately and repeatedly acted adversely to her employer, Haart has forfeited any right to compensation for her services.

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

COUNT IV: UNJUST ENRICHMENT
(EWG and e1972 Against Haart)

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

43. By approving, facilitating, and executing the spending of millions of dollars for Haart's personal benefit without authorization, Haart was enriched at the expense of EWG and E1972.

44. There was no justification for the benefits that Haart received.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request that the Court:

a. Award compensatory damages to Plaintiffs in an amount to be determined at trial;

b. Award restitution to Plaintiffs in an amount to be determined at trial;

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

d. Award Plaintiffs their costs and expenses incurred in bringing and prosecuting this action, including attorneys' fees; and

e. Such other and further relief as this Court deems just and proper.

/s/ Rudolf Koch
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