

**SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY – COMMERCIAL DIVISION**

EF HUTTON PARTNERS LLC and,)	
EF HUTTON LLC)	
)	
Plaintiffs,)	Index No. _____
)	
v.)	
)	<u>COMPLAINT</u>
JOSEPH RALLO)	
)	<u>JURY TRIAL DEMANDED</u>
Defendant.)	
)	

Plaintiffs EF Hutton Partners LLC (“EFHP”) and EF Hutton LLC (“EFH”), (collectively, “Plaintiffs”), by and through their undersigned counsel, file this complaint against Defendant Joseph Rallo (“Rallo” or the “Defendant”), and allege as follows:

NATURE OF THE ACTION

1. This lawsuit arises from Joseph Rallo’s egregious corporate theft and self-dealing. While acting as a managing member of EFHP and Chief Executive Officer of EFH, Rallo falsified and personally approved falsified expenses to fraudulently obtain millions of dollars of reimbursements from Plaintiffs. Those falsified business expense reports misrepresented Rallo’s personal expenses as business expenses.

2. Moreover, upon information and belief, Rallo then filed his individual federal tax returns that deducted, at least some, if not all, of his falsified business expenses as tax write-offs—despite Plaintiffs having reimbursed Defendant for the falsified business expenses.

3. Rallo caused Plaintiffs to reimburse him for personal expenses that included charges for:

- Private jets and hotel rooms for family vacations;
- Tickets for premium seats at sporting events that he attended with his gambling bookie;
- Extravagant personal meals;
- Charitable contributions to his children's private school; and,
- Intravenous drips, which upon information and belief, were used to treat hangovers from excessive alcohol and drug usage.

While the amount of these damages ultimately will be presented at trial, these personal expenses, upon information and belief, exceeded several millions of dollars from January 2022 through May 2024.

4. Plaintiffs bring this action against Defendant for conversion/civil theft, breaches of fiduciary duty, unjust enrichment and for reasonable attorneys' fees, costs, expenses, and interest. Plaintiffs seek disgorgement of the benefit Defendant received from Plaintiffs. Plaintiffs also seek declaratory relief that Defendant was properly terminated from his position as Chief Executive Officer of EFH. Plaintiffs also seek punitive damages because Rallo acted with malice, wanton disregard, and/or recklessness by committing corporate theft of a quasi-criminal nature.

THE PARTIES, JURISDICTION AND VENUE

5. Plaintiff EFHP is a limited liability company organized under the laws of the state of Delaware with its principal place of business in New York County located at 590 Madison Avenue, 39th Floor, New York, New York 10022.

6. Plaintiff EFH is a limited liability company organized under the laws of the state of Nevada with its principal place of business in New York County located at 590 Madison Avenue, 39th Floor, New York, New York 10022.

7. Non-party EF Hutton Partners Holdings, LLC (“EFHPH”) is a limited liability company organized under the laws of the state of Delaware with its principal place of business in New York County. EFHPH is the sole member of EFHP. Rallo owns a 47.5% membership in EFHPH with the two other members owning the remaining membership interests totaling 52.5% in EFHPH. A majority of the disinterested managers of EFHPH approved EFHP’s filing of this lawsuit.

8. Non-party EF Hutton Holdings LLC (“EFHH”) is a limited liability company organized under the laws of the state of Delaware with its principal place of business in New York County. EFHH is the sole member of EFH. Rallo is one of the managing members of EFHH and owns a 43.5% membership interest in EFHH. The sole disinterested manager of EFHH approved filing this lawsuit.

9. Defendant Rallo is a citizen of New York State and resides in New York County located at 200 East 95th Street Apt 17a, New York, New York 10128.

10. This Court has jurisdiction over Defendant Rallo in the Supreme Court of the State of New York is proper pursuant to N.Y. Civil Practice Law and Rules (“CPLR”) § 301, as Defendant is a citizen of New York state and the allegations that are the subject matter of this action took place in New York.

11. Venue in this County is proper, pursuant to CPLR § 503, because Plaintiffs’ principal place of business is in New York County and Defendant resides in New York County. Plaintiffs designate New York County as the place of trial based on the above.

RELEVANT FACTS

I. The Operation of Benchmark Investment, Inc.'s Banking Division and the Subsequent Purchase of the Broker-Dealer

12. Rallo began working in or about 2017 as a managing director at Maxim Group, LLC, an investment bank based in New York City, working to raise capital primarily through initial public offerings and secondary offerings.

13. In 2019, Rallo left Maxim Group, LLC and joined Aegis Capital Corp., another investment bank based in New York City, as a managing director and co-head of the investment banking group.

14. In or about May 2020, Rallo left Aegis and joined Benchmark Investments, Inc.¹ ("Benchmark"). At Benchmark, Rallo co-led the company's investment banking division, which was initially named Kingswood Capital Markets ("Kingswood"). Pursuant to an Office of Supervisory Agreement (the "OSJ Agreement") dated May 21, 2020, between Benchmark, on the one hand, and Rallo and his business partner, on the other, the parties agreed that Rallo would co-operate Kingswood and set forth the terms of the OSJ relationship.

15. The OSJ Agreement, and the amendment thereto, set forth the terms in which Rallo would help establish, develop, grow, and manage an investment bank, capital markets and brokerage business.

16. Rallo was named the Chief Executive Officer. Rallo agreed to manage the majority of Kingswood's accounting and finance operations, which includes the net capital compliance requirements and internal issues such as human resources.

¹ In May 2021, Benchmark Investments, Inc. converted from an Arkansas corporation into a Nevada LLC and was renamed Benchmark Investments, LLC. EFHH purchased Benchmark on or about November 9, 2023, and Benchmark was subsequently renamed "EF Hutton LLC."

17. Pursuant to the OSJ Agreement, Benchmark received ten percent (10%) of Kingswood's gross revenues calculated monthly (the "Benchmark Licensing Fee"). Benchmark subsequently agreed to reduce the Benchmark Licensing Fee to seven-and-one-half percent (7.5%).

18. The OSJ Agreement also set forth that Rallo was responsible for covering certain costs and expenses of operating Kingswood as an OSJ of Benchmark.

19. Rallo formed EFHP with his business partner as the entity that would receive Kingswood's revenues after paying the Benchmark Licensing Fee and pay for Kingswood's operating expenses, including for the personnel who worked at Kingswood as representatives of Benchmark.

20. Rallo is a co-manager of EFHP and initially owned a 45% membership interest in EFHPH (the sole member of EFHP), with three other members owning a collective 55% interest. In or about February 2022, one of the minority members resigned from Benchmark and sold 2.5% interest back of his interest to Rallo, and thereafter, Rallo owned a 47.5% interest in EFHPH with the remaining 55% owned by two other members.

21. Benchmark and EFHP executed an Expense and Services Agreement (the "Services Agreement") to act as a payroll provider for the representatives that would support the investment banking activities of Kingswood. The Services Agreement set forth the terms for which EFHP would provide services and personnel with the appropriate managerial, professional and technical experience to Benchmark.

22. As set forth in the Services Agreement, EFHP would be the employer of the representatives that would be registered with Benchmark and work at its investment banking division, Kingswood.

23. As part of the Services Agreement and OSJ Agreement, EFHP was responsible for all expenses, including personnel compensation, incurred in operating Kingswood.

24. From May 2020 through May 2021, Kingswood operated as the investment banking division of Benchmark. In May 2021, Kingswood was rebranded with a name that would have more recognition in the investment banking industry.

25. In or about June 2021, EFHPH purchased the EF Hutton trademark, and pursuant to a licensing agreement between EFHP and Benchmark, Kingswood was rebranded “EF Hutton, division of Benchmark Investments, LLC.”

26. On or about November 9, 2023, EFHH closed on its purchase of Benchmark. Thereafter, in or about late November 2023, Benchmark was renamed EF Hutton LLC (referred to herein as EFH). EFHH is the sole member of EFH, with Rallo owning a 43.50% membership interest in EFHH and seven other members collectively owning the remaining 56.5%.

II. Investment Banking Revenues and Rallo’s Compensation

27. When Kingswood commenced doing business in the depth of the pandemic, May 2020, business started slowly but steadily grew with the investment banking industry achieving revenues of almost \$11 million dollars as of December 31, 2020.

28. Capital markets activity significantly increased in 2021 on an industry wide basis, and for Kingswood. For the year ending December 31, 2021, Benchmark’s investment banking and underwriting revenues (obtained via Kingswood/EF Hutton, division of Benchmark Investments, LLC) were almost \$150,000,000. In 2021, Rallo’s gross income arising from Kingswood/EF Hutton was in excess of \$26,000,000.

29. In 2022, investment banking activity declined, both industry wide, and for EF Hutton, as the investment banking division of Benchmark. Nevertheless, EF Hutton still achieved

significant investment banking and underwriting revenues of over \$88,000,000. In 2022, Rallo's gross income arising from EF Hutton, as the investment banking division of Benchmark, was in excess of \$18,000,000.

30. In 2023, investment banking activity declined further, both industry wide and for EF Hutton, as the investment banking division of Benchmark (which, as explained above, was rebranded EFH on or about November 9, 2023). Newly rebranded EFH's investment banking and underwriting revenues for 2023 were approximately \$58,000,000. In 2023, Rallo's gross income arising from EF Hutton, as the investment banking division of Benchmark, and later EFH, was in excess of \$4,000,000.

31. As of the date this Complaint was filed, Rallo has received gross income from EFH of more than \$4,000,000 in 2024.

32. In early 2024, Rallo requested that his salary increase to \$5,000,000 per year from \$1,000,000 per year. When asked why Rallo needed to increase his salary five times, Rallo vaguely responded for "tax reasons." Aware of Rallo's overdue tax obligations, which are detailed below, the company initially agreed to the salary increase.

33. By mid-May 2024, however, EFH was operating at a loss despite significant revenues. EFH was operating at a loss due, in part, to Rallo reimbursing himself hundreds of thousands of dollars per month in personal expenses that he claimed were business expenses. *See* Paragraphs 59-67 below.

34. As a result, Rallo's co-manager was required to make a capital contribution to cover EFH's payroll and expenses. Rallo either would not or could not make a capital contribution to EFH in 2024, despite receiving approximately \$5,000,000 in compensation through May 2024.

35. During a finance meeting at EFH's offices in mid-May 2024, Rallo was informed that his \$5,000,000 per year salary would have to be reduced back to \$1,000,000 per year. In response, Rallo initially objected and suggested that other EFH employees' salaries should be reduced, but not his. EFH refused to reduce other employees' salaries, and Rallo begrudgingly agreed to lower his salary back to \$1,000,000 per year.

III. Federal Agents Serve Rallo with a Search Warrant Resulting in Rallo Being Placed on Voluntary Administrative Leave

36. On the morning of May 6, 2024, Federal Agents from the Department of Homeland Security and the United States Postal Inspection Service arrived at Rallo's home and served him with a search and seizure warrant issued from the United States District Court for the Eastern District of New York for the seizure of Rallo's cellular phone (the "Warrant").

37. The Warrant was issued in connection with an investigation by the United States Attorney's Office for the Eastern District of New York, and sought records relating to securities fraud, wire fraud and conspiracies to commit securities and wire fraud involving Rallo (the "EDNY Investigation").

38. EFH learned in May 2024 that Rallo was a "subject" of the EDNY Investigation. According to Section 9-11.15 of the Justice Manual of the United States Department of Justice, "[a] 'subject' of an investigation is a person whose conduct is within the scope of the grand jury's investigation."

39. As a result of the Warrant and the EDNY Investigation of Rallo, EFH determined that Rallo could not continue in his role as CEO and as an active registered representative of EFH. The reasons included, but were not limited to: (i) Rallo should not be in a position where he could have access to material non-public information concerning public issuers as CEO of an investment bank while under investigation for securities fraud; and (ii) Rallo could not continue to serve as

CEO with direct authority over employees of EFH who may be involved in EFH's internal investigation.

40. On the evening of May 21, 2024, EFH's General Counsel spoke with Rallo on the telephone to inform Rallo that he would need to go on administrative leave pending the EDNY Investigation.

41. During the call on May 21, 2024, Rallo threatened to "burn [EFH] down."

42. After several weeks of negotiations, Rallo entered into an Interim Management and Governance Settlement Term Sheet (the "Interim Agreement"), which provides, in pertinent part, that "Rallo agrees to be placed on voluntary administrative leave" during the EDNY Investigation and sets forth the limitations that would be placed on Rallo in connection with his internal communications with EFH employees and communications with EFH clients.

43. The Interim Agreement also provides that Rallo would remain on leave during EFH's internal investigation of Rallo related to the EDNY Investigation. Relatedly, Rallo agreed that DLA Piper would conduct the internal investigation.

44. On several occasions, DLA Piper contacted counsel for Rallo to set dates for Rallo to be interviewed as part of the internal investigation and for information related to Rallo's reimbursed expenses. Counsel for Rallo, to date, has refused to provide dates for Rallo to be interviewed or the information requested by DLA Piper.

IV. Rallo Loses Control over His Extravagant Lifestyle, Poor Investing and Illegal Gambling Losses

45. Despite having gross compensation in 2021 and 2022 in excess of \$44,000,000, upon information and belief, beginning in 2021, Rallo squandered tens of millions of dollars on (i) ill-advised stock market and commodity investments, (ii) several luxury automobiles, including a Rolls Royce, Ferrari, Lamborghini, Bentley and a customized Mercedes Benz and Bentley and (iii)

luxury properties, including a \$5,000,000 summer home in East Hampton, New York and a 5,600 square foot apartment in New York City for over \$25,000,000.

46. Upon information and belief, Rallo has a severe gambling problem. Rallo bets often, he bets vast amounts (six to seven figures per bet), and he typically loses. Rallo would often share openly with EFH employees his ongoing and recent gambling history.

47. Upon information and belief, from 2021 until now, Rallo has incurred several millions of dollars in gambling losses, particularly, from sports wagers made through an illegal sports book run by a gambling bookie who he considers to be a close friend (the “Bookie”).

48. Upon information and belief, the Bookie also operates a gambling den out of a residential apartment in New York City that hosts card games throughout the day and evening; Rallo would frequent the gambling den during the middle of the workday to gamble and carouse, and afterwards come back to the office in a state that was not conducive or becoming of a CEO of an investment bank.

49. Rallo was committed to the façade of having vast liquid wealth and thus unwilling to curb the personal spending necessary to continue his extravagant lifestyle. This led to Rallo seeking help to pay for his personal expenses that he could no longer afford.

50. In early 2023, Rallo was loaned \$5,000,000 from his business partner that Rallo needed to close the purchase of his 5,600 square foot apartment in New York City. After closing on the apartment, Rallo felt it necessary to publicize his purchase of the \$25,000,000 apartment. Upon information and belief, Rallo leaked the news of his purchase to [www.therealdeal.com](https://therealdeal.com), a real estate news website that covers luxury real estate in New York City.²

² [Banker Buys \\$25M PH at 109 East 79th Street \(https://therealdeal.com/new-york/2023/03/21/banker-buys-109-east-79th-street-penthouse-for-25m/\)](https://therealdeal.com/new-york/2023/03/21/banker-buys-109-east-79th-street-penthouse-for-25m/).

51. In 2023, Rallo received gross compensation of over \$18,000,000, but because of his investment losses, gambling losses, and inability to curb his wild spending, Rallo was unable (or unwilling) to timely pay his individual federal income tax obligation of \$2,600,000 for the 2022 tax period.

52. Upon information and belief, Rallo finally paid his overdue 2022 federal income tax after entering a settlement with the Internal Revenue Service, in which Rallo paid \$50,000 to the IRS in early 2024 and approximately \$2,600,000 in overdue 2022 federal income tax and interest in early July 2024.

53. Due to Rallo's spending and financial losses, at various times in 2022 through 2024, when EFHP and EFH needed capital contributions to pay for various short-term financial obligations, *e.g.*, payroll, Rallo was either unable or unwilling to contribute his share of the necessary capital contributions. As a result, Rallo's co-manager had no choice but to bear the financial burden of EFHP and EFH and make several million dollars of capital contributions to EFHP and EFH.

V. Rallo Concocts a Scheme to Finance His Lifestyle Using Fraudulent Business Expenses

54. After Rallo took administrative leave, EFH discovered that, from no later than 2022 through May 2024, Rallo sought reimbursable expenses from EFHP and EFH that correlated with Rallo's ballooning debts and self-inflicted financial distress.

55. Upon information and belief, as a result of Rallo's severe investment and illegal gambling losses and unceasing profligate personal spending, Rallo created a plan to divert millions of dollars from EFHP (and later EFH) under the guise of legitimate business expenses. In fact, Rallo was fraudulently submitting business expenses to (i) finance his lavish lifestyle and then (ii) submit tax returns that included write offs for his fraudulent business expenses as business

deductions after Rallo had already been reimbursed for the so-called business expenses from EFHP.

56. As set forth above, EFHP was the entity that Rallo co-formed to cover the expenses incurred in operating Kingswood/EF Hutton, division of Benchmark Investments, LLC from 2021 until EFHH purchased Benchmark on November 9, 2023, and was renamed EFH in late November 2023.

57. Rallo was responsible for setting up a process to submit business expenses of Kingswood/EF Hutton division of Benchmark Investments, LLC. Rallo would pay for the investment banking business expenses primarily using his personal credit cards, and then mark his credit card statements to reflect which charges were allegedly business-related expenses and submit those expenses to his office assistant for reimbursement.

58. Through mid-May 2024, Rallo ensured that no one else at the investment bank, other than Rallo and his office assistant, would review or approve Rallo's business expense submissions prior to reimbursement.

59. In 2021, EFHP reimbursed \$74,300 in employee business expenses, including \$59,775 to Rallo.

60. In 2022, upon Rallo incurring significant financial and gambling losses, EFHP reimbursed \$2,767,043 in employee business expenses, including \$1,943,790 to Rallo. The alleged business expenses that Rallo incurred, personally approved, and received reimbursements for in 2022 included:

- (a) \$261,466 for his life insurance policy premiums for which EFHP was not a beneficiary;

- (b) \$298,981 in meals without identifying the business purpose of the meal and attendees when submitting his expenses.

61. In 2023, EFHP reimbursed \$3,209,133 in employee business expenses, including \$2,400,950 to Rallo. The alleged business expenses that Rallo incurred, personally approved, and received reimbursements for in 2023 included:

- (a) \$25,000 for a charitable contribution to St. David's, a private school attended by Rallo's child;
- (b) \$10,452 to Morrell & Co., a wine store located in New York City;
- (c) \$11,290 for "Wine Library", a wine store located in New York City; and,
- (d) \$582,998 in meals without identifying the business purpose of the meals and attendees in the expense submissions.

62. From January 1, 2024, through May 20, 2024, EFH reimbursed \$1,215,245 in employee expenses, including \$917,828 to Rallo. The alleged business expenses that Rallo incurred, personally approved, and received reimbursements for in 2024 included:

- (a) \$30,835 for the Beverly Hills Hotel during a trip to Los Angeles with his wife and the Bookie;
- (b) \$39,500 for a private jet from New York Los Angeles with his wife and Bookie;
- (c) \$23,000 for a private jet from Los Angeles to New York with his wife;
- (d) \$23,000 for tickets to a New York Knicks playoff game, which upon information and belief, Rallo attended with the Bookie;
- (e) \$19,500 for tickets to a New York Knicks playoff game, which upon information and belief, Rallo attended with the Bookie;

- (f) \$11,000 for a charitable contribution to St. David's, a private school in New York attended by his child; and
- (g) \$230,366 in meals without identifying the business purpose of the meals and attendees when submitting his expenses.

63. Additionally, from May 2022 through May 2024, Rallo submitted, approved, and reimbursed himself for seventy-nine separate charges for "IV Doc" totaling over \$90,000. The IV Doc is a New York based business that advertises services for the treatment of hangovers caused by excessive alcohol and drug abuse. There was no legitimate business purpose for Rallo to incur \$90,000 or more in business expenses for intravenous services.

64. In total, from January 2021 through May 21, 2024 (the date Rallo began administrative leave), EFH and EFHP reimbursed employees a total of \$7,265,722 in business expenses, \$5,412,344 of which Rallo directed to himself.

65. Rallo's reimbursed expenses from January 1, 2021, through May 21, 2024, included \$263,492 in airfare; \$391,416 in hotels; \$846,458 in dinners; \$271,111 in lunches; and \$2,408,780 in "miscellaneous" charges.

66. From January 1, 2022, through May 21, 2024 (*i.e.*, prior to Rallo agreeing to be placed on administrative leave), EFH incurred, approximately, \$200,000 per month in reimbursed business expenses.

67. After Rallo was placed on administrative leave (*i.e.*, from June 2024 through August 2024), EFH has averaged less than \$22,000 per month in reimbursed business expenses, approximately 90% less than the monthly reimbursed business expenses prior to Rallo going on administrative leave.

68. Upon information and belief, after fraudulently submitting his personal expenses for reimbursement to EFHP and EFH, from 2022 through May 21, 2024, Rallo would then direct his tax preparers to deduct his purported business expenses—for which he was reimbursed—as business expense deductions in his Federal Tax Returns.

69. In an email from Rallo to his tax preparers dated January 13, 2024, Rallo instructed his tax advisor: “My paystub is dramatically higher [than the President of EFH] because a large amount of the firm expenses are run through my credit card. These expenses all need to be written off. The team should know this from previous years.” (Emphasis added). The paystub attached to the email shows a \$251,791.73 reimbursement for business expenses from EFHP to Rallo.

70. Rallo informed his tax advisor that despite EFHP reimbursing him for his purported business expenses, these expenses should be “written off” as tax deductions.

FIRST CAUSE OF ACTION – CONVERSION/CIVIL THEFT

(By Plaintiffs Against Defendant Joseph Rallo)

71. Plaintiffs re-allege and incorporate the preceding paragraphs as alleged above, as if fully set forth herein.

72. At all relevant times, Plaintiffs had a possessory right to the funds Rallo used to reimburse himself for unauthorized purchases.

73. The funds Defendant used for his reimbursements stemmed from two sources: (1) EFHP, and (2) EFH, after EFHH purchased Benchmark on November 9, 2023, and renamed the entity EFH in late November 2023.

74. As alleged herein, both EFHP and EFH demarcated funds to issue reimbursements legitimately related to expenses incurred during the operation of Kingswood/EF Hutton, a division of Benchmark Investments, LLC.

75. During the relevant time, Defendant, intentionally, and without authority of Plaintiffs, exercised dominion over Plaintiffs' funds by personally approving, and receiving reimbursements for expenses unrelated to the operation of Benchmark Investments, LLC.

76. Plaintiffs would not have authorized these reimbursements if Defendant had not personally approved the reimbursements because they were unrelated to the operation of Benchmark Investments, LLC.

77. In misusing Plaintiffs' reimbursement funds for his unauthorized purpose, Defendant interfered with Plaintiffs' right of possession of those funds, in derogation of Plaintiffs' possessory rights over those funds.

78. Defendant's misconduct warrants punitive damages because the circumstances show that the conversion/civil theft was accomplished with malice, insult, reckless and willful disregard for Plaintiffs' rights.

SECOND CAUSE OF ACTION – BREACH OF FIDUCIARY DUTY

(By Plaintiffs Against Defendant Joseph Rallo)

79. Plaintiffs re-allege and incorporate the preceding paragraphs as alleged above, as if fully set forth herein.

80. During the relevant period, Defendant had a fiduciary relationship with Plaintiffs as CEO of EFH, managing member of EFHP, and a majority member of EFHH and EFHPH.

81. Defendant owed Plaintiffs the duty to perform his duties as a director in good faith.

82. Defendant owed Plaintiffs the fiduciary duty not to elevate his own personal interests over the corporation's interests.

83. Defendant owed Plaintiffs the fiduciary duty to act in good faith and in furtherance of Plaintiffs' missions and purposes.

84. Defendant breached these duties by personally approving and receiving reimbursements for unauthorized purposes during the relevant period, under the guise that those reimbursements were for legitimate business expenses.

85. As a direct result of the Defendant's breach of these duties, Plaintiffs have suffered damages in an amount to be determined at trial, but not less than \$1,000,000 plus expenses, plus consequential damages to be proven at trial.

86. As a direct result of the Defendant's breach of these duties, Plaintiffs are entitled to disgorgement of the benefit the Defendant improperly received. In equity and good conscience, the Defendant should disgorge the misused funds the Defendant received from Plaintiffs for unauthorized purposes.

87. Defendant's misconduct evinced such a high degree of intentional misconduct and moral culpability as to warrant punitive damages.

THIRD CAUSE OF ACTION – UNJUST ENRICHMENT

(By Plaintiffs Against Defendant Joseph Rallo)

88. Plaintiffs re-allege and incorporate the preceding paragraphs as alleged above, as if fully set forth herein.

89. During the relevant period, Plaintiffs, at their own expense, provided to Defendant the reimbursement funds that were being used by Defendant to reimburse personal purchases unrelated to a valid business purpose.

90. As described above, Defendant was monetarily enriched by virtue of the Plaintiffs providing Defendant with reimbursement funds during the relevant period.

91. Plaintiffs and Defendant, by virtue of Defendant's role as director, had a sufficiently close relationship or connection as to cause reliance or inducement by Plaintiffs.

92. As a result of Defendant personally approving and receiving reimbursements for unauthorized purposes during the relevant time, Plaintiffs have incurred actual and significant damages in the amount of those reimbursements.

93. For all the reasons set out above, it is against equity and good conscience to permit Defendant to retain the reimbursement funds Plaintiffs provided that Defendant used to pay for unauthorized purchases.

FOURTH CAUSE OF ACTION – DECLARTORY RELIEF

(By EFH Against Defendant Joseph Rallo)

94. EFH incorporates by reference the allegations in the above paragraphs.

95. Rallo acted as CEO of EFH.

96. Rallo's counsel was contacted on five separate occasions to request dates for Rallo to be interviewed in connection with the internal investigation and requested information in connection with certain expenses that Plaintiffs reimbursed to Rallo.

97. Rallo's counsel refused to provide dates for Rallo to be interviewed or the information related to Rallo's reimbursable expenses.

98. Accordingly, EFH seeks a judgment pursuant to Section 3001 of the Civil Practice Law and Rules declaring that EFH properly terminated Rallo from his position at EFH as CEO.

99. EFH has no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests judgment in this action as follows:

A. On the First Cause of Action for conversion as against Defendant Rallo, awarding Plaintiffs damages in an amount to be determined at trial, but not less than \$1,000,000 plus expenses,

- B. On the Second Cause of Action for breach of fiduciary duty as against Defendant Rallo, awarding Plaintiff, damages in an amount to be determined at trial, but not less than \$1,000,000 plus expenses, including the cost of investigating and remediating for Rallo's improper expenses, and disgorgement of the benefit received by Defendant Rallo.
- C. On the Third Cause of Action for unjust enrichment as against Defendant Rallo, awarding Plaintiffs damages in an amount to be determined at trial, but not less than \$1,000,000 plus expenses,
- D. On the Fourth Cause of Action for declaratory relief against the Defendant Rallo, Plaintiffs seeks a declaratory relief, declaring that:
- (i) EFH properly terminated Defendants from his position as Chief Executive Officer of EFH,
- E. An award of pre and post-judgment interest,
- F. An award of attorneys' fees and costs,
- G. An award of punitive damages to the extent allowable by law,
- H. For such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiffs hereby demand a trial by jury on all claims so triable.

Dated: September 17, 2024
New York, New York

Respectfully submitted,

/s/ Bradley J. Bondi

Bradley J. Bondi

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