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Southern District of Florida

FOR IMMEDIATE RELEASE

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Former Consultant/Chief Operating Officer of 1 Global Capital LLC Charged with Conspiracy to Commit Wire and Securities Fraud In Relation to \$287 Million Scheme

Former Consultant/Chief Operating Officer of 1 Global Capital LLC Charged with Conspiracy to Commit Wire and Securities Fraud In Relation to \$287 Million Scheme

A former consultant who also served as the Chief Operating Officer of 1 Global Capital, LLC has been charged in connection with a \$287 million securities fraud scheme that impacted more than 3,400 investors in 42 different states, in relation to a commercial payday loan business that operated from early 2014 through July 2018.

Ariana Fajardo Orshan, United States Attorney, Southern District of Florida, George L. Piro, Special Agent in Charge, FBI Miami Field Office, and Michael J. De Palma, Special Agent in Charge, Internal Revenue Service, Criminal Investigation (IRS-CI), Miami Field Office made the announcement.

Steven Allen Schwartz, 76, of Delray Beach, Florida, was charged today by information with one count of conspiracy to commit wire fraud and securities fraud, in violation of Title 18, United States Code, Section 371, in Case No. 20-CR-60003. The defendant faces a maximum statutory sentence of up to five years in prison and a fine up to \$250,000 or double the gross proceeds of the offense.

According to the information, 1 Global Capital LLC (1 Global) was a commercial lending business based in Hallandale Beach, Florida, that made the equivalent of "pay day" loans to small businesses at high interest rates, termed merchant cash advance loans ("MCAs"). To fund these loans, 1 Global obtained funds from investors nationwide, offering short-term investment contracts that promised to "place" the investors' money in MCAs. The investors would supposedly receive a proportionate share of the principal and interest payments as the loans were repaid. 1 Global raised money using investment advisors and other intermediaries, with promises to these advisors of significant commissions. In many cases, according to court documents, the commissions were not fully disclosed to investors.

Schwartz was a director and consultant at 1 Global, and also held out as a Chief Operating Officer in the company's marketing materials. Schwartz also served as the designated trustee for a purported family trust and an art trust for which Individual #1, the *de facto* owner of 1 Global, served as the grantor. On or about

June 5, 2014, 100% of the issued and outstanding shares of 1 Global were transferred under the umbrella of Individual #1's purported family trust, and designated as the trust property.

In order to attract investments, Individual #1, Schwartz, Attorney #1, co-conspirator Alan G. Heide, and others made false and misleading representations to investors and potential investors as to the profitability of 1 Global's business in marketing materials and periodic account statements. 1 Global promised investors that all or nearly all of that money would be applied to various MCA agreements with the investor supposedly receiving a portion of the proceeds paid back by the merchants. In reality, according to allegations the information, the 1 Global business lost money, and ultimately used new investor funds to pay back earlier investors who sought to cash out in a manner consistent with a Ponzi scheme. Furthermore, the conspirators misappropriated large amounts of cash for themselves, including, primarily, to support the lavish lifestyle of Individual #1. 1 Global also paid substantial commissions and other expenses with investor funds without disclosing the extent of these payments.

According to allegations in the information, co-conspirators at 1 Global made false statements to investors that gave the impression that 1 Global had an independent auditor. These misrepresentations were allegedly made in monthly statements mailed to investors that falsely showed profitable investments. The statements gave the false impression that the finances had been independently verified by an outside audit firm. As 1 Global continued to lose money over time, the cash shortfall continued to increase and 1 Global was only able to continue operations by raising new investor funds before its eventual collapse in July 2018.

According to allegations in the information, Schwartz was also aware that 1 Global had received written legal advice authored by an outside law firm retained by 1 Global, and that in memoranda received from this outside law firm, the firm opined that 1 Global was improperly offering unregistered securities, in violation of federal law. Despite having received this advice in or around June and July 2016, Schwartz, Individual #1, and their co-conspirators continued to operate the business and hid the advice contained in the legal memoranda from investors, failing to disclose the risks it described. Moreover, instead of following this advice, Individual #1 and co-conspirators not only concealed it from the investors, but also sought false legal cover from co-conspirator Jan Douglas Atlas, who authored opinion letters based on false and fraudulent information, stating that 1 Global's offerings were not securities.

1 Global operated from early 2014 through approximately July 27, 2018, when it filed for bankruptcy. As of that time, according to documents from related cases, 1 Global had more than 3,600 investors and had raised more than \$330 million, and its own internal documents showed a \$50 million cash deficit. The bankruptcy case, *In re: 1 Global Capital LLC, et al.*, No. 18-19121-RBR (S.D. Fla.), remains pending.

A criminal information is a charging instrument containing allegations. All defendants are presumed innocent unless proven guilty in a court of law.

In connection with a parallel civil enforcement action, the SEC today announced the filing of civil fraud charges against Schwartz. In related cases, the SEC previously filed civil fraud actions, captioned, *SEC v. 1 Global Capital LLC and Carl C. Ruderman*, Case No. 18-61991-CV-BB (S.D. Fla.); *SEC v. Alan G. Heide*, Case No. 19-62047-CV-FAM (S.D. Fla.); and *SEC v. Jan Douglas Atlas*, 19-62303-CV-WPD (S.D. Fla.).

Two co-conspirators have pled guilty to charges arising from their roles in the 1 Global fraud, in related criminal cases pending in the Southern District of Florida: *United States v. Alan G. Heide*, 19-60231-CR-RKA, and *United States v. Jan Douglas Atlas*, 19-60258-CR-RKA.

U.S. Attorney Fajardo Orshan commended the investigative efforts of the FBI's Miami Field Office and the IRS-CI's Miami Field Office. She also thanked the SEC's Miami Regional Office and Florida's Office of Financial Regulation for their assistance. This case is being prosecuted by Assistant U.S. Attorneys Jerrob Duffy and Lisa H. Miller. Assistant U.S. Attorney Nicole Grosnoff is handling asset forfeiture related to the matter.

Related court documents and information may be found on the website of the District Court for the Southern District of Florida at www.flsd.uscourts.gov or at <http://pacer.flsd.uscourts.gov>.

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