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UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

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UNITED STATES OF AMERICA : Hon. Cathy L. Waldor  
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 v. : Mag. No. 19-7549  
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 EDWARD ESPINAL : **CRIMINAL COMPLAINT**  
 : **UNDER SEAL**

I, Jamie Brooks, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

SEE ATTACHMENT A

I further state that I am a Special Agent with the Federal Deposit Insurance Corporation Office of Inspector General, and that this complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached page and made a part hereof.



\_\_\_\_\_  
Jamie Brooks, Special Agent  
Federal Deposit Insurance Corporation  
Office of Inspector General

Sworn to before me and subscribed in my presence,  
December 18, 2019 in Essex County, New Jersey

HONORABLE CATHY L. WALDOR  
*s/Cathy L. Waldor*

\_\_\_\_\_  
UNITED STATES MAGISTRATE JUDGE  
Signature of Judicial Officer

**ATTACHMENT A**

**Count 1  
(Conspiracy to Commit Bank Fraud)**

From in or about March 2016 through in or about December 2019, in the District of New Jersey, and elsewhere, defendant

EDWARD ESPINAL

knowingly and intentionally conspired and agreed with others to execute and attempted to execute a scheme and artifice to defraud financial institutions, as defined in Title 18, United States Code, Section 20, including Victim Bank 1, whose deposits were insured by the Federal Deposit Insurance Corporation, and to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of those financial institutions, by means of materially false and fraudulent pretenses, representations, and promises, contrary to Title 18, United States Code, Section 1344.

In violation of Title 18, United States Code, Section 1349.

**Count 2**  
**(Securities Fraud)**

From in or about July 2016 through in or about September 2019, in the District of New Jersey, and elsewhere, defendant

EDWARD ESPINAL

by use of the means and instrumentalities of interstate commerce, the mails, and facilities of national securities exchanges, directly and indirectly, knowingly and willfully used manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5 in connection with the purchase and sale of securities, to wit, interests in Cash Flow Partners, LLC, by: (a) employing devices, schemes, and artifices to defraud members of the investing public; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and a course of business which operated and would operate as a fraud and deceit upon persons, namely, persons with interests in Cash Flow Partners, LLC.

In violation of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United States Code, Section 2.

## **ATTACHMENT B**

I, Jamie Brooks, am a Special Agent with the Federal Deposit Insurance Corporation Office of Inspector General (“FDIC-OIG”). I am fully familiar with the facts set forth herein based on my own investigation, my conversations with other law enforcement officers, and my review of reports, documents, and photographs of the evidence. Where statements of others are related herein, they are related in substance and part. Because this complaint is being submitted for a limited purpose, I have not set forth each and every fact that I know concerning this investigation. Where I assert that an event took place on a particular date, I am asserting that it took place on or about the date alleged.

### **BACKGROUND**

1. At all times relevant to this complaint,
  - a. Cash Flow Partners, LLC (“Cash Flow”), was a business-consulting firm with offices in New Jersey and New York.
  - b. Edward Espinal (“ESPINAL”) was the founder and Chief Executive Officer (“CEO”) of Cash Flow. As the CEO of Cash Flow, ESPINAL controlled Cash Flow’s operations. Cash Flow employees reported to ESPINAL, and ESPINAL directed their activities. ESPINAL owned Cash Flow from on or about January 5, 2016, when the company was registered, through on or about April 9, 2018, when ESPINAL transferred ownership of Cash Flow to his wife.
  - c. Cooperating Witness 1 (“CW1”) was a resident of New York and worked in the New York office of Cash Flow. CW1 was a sales broker employed by Cash Flow, where CW1 helped individuals obtain bank loans. CW1 controlled a personal email account (the “CW1 Email Account”), which CW1 used to send the emails discussed in this Complaint. Emails from the CW1 Email Account were lawfully obtained as part of the investigation. CW1 has plead guilty to conspiracy to commit bank fraud. CW1 has cooperated with law enforcement in the hopes of obtaining a more favorable outcome with respect to this pending federal charge.
  - d. Coconspirator 1 was an employee at Cash Flow, who worked in the company’s New Jersey office. Coconspirator 1 controlled a personal email account (the “Coconspirator 1 Email Account”), which Coconspirator 1 used to send the emails discussed in this Complaint. Emails from the Coconspirator 1 Email Account were lawfully obtained as part of the investigation.
  - e. Employee 1 was an employee at Cash Flow, who worked in the company’s New Jersey office. Employee 1 was the head of the File Building

Department, discussed below, and reported to ESPINAL, who directed Employee 1's employment activities.

f. Employee 2 was an employee at Cash Flow with whom ESPINAL had a professional as well as a romantic relationship. ESPINAL directed Employee 2's employment activities.

g. The "Payroll Company" was a New Jersey corporation that provided payroll processing services and reports to its client companies.

h. Victim Bank 1 was a federally insured financial institution, as that term is defined in Title 18, United States Code, Section 20.

i. Victim Investors 1 and 2 invested money with ESPINAL and Cash Flow.

### **THE BANK FRAUD CONSPIRACY**

2. Beginning at least as early as in or about March 2016 through in or about December 2019, ESPINAL and others (the "Coconspirators"), participated in a bank fraud conspiracy designed to obtain loans from Victim Banks, including Victim Bank 1, on the basis of false and fraudulent pretenses, representations, and promises. To date, the conspiracy has resulted in millions of dollars in losses.

3. The conspiracy involved numerous departments at Cash Flow that processed customers' loan applications. Cash Flow released internet advertisements and held seminars offering to assist customers with low-paying salaries in obtaining loans. ESPINAL and a former telenovela actor were featured in promotional videos that encouraged customers to sign up for Cash Flow's loan programs. Customers contacted Cash Flow in hopes of obtaining loans from the Victim Banks in response to Cash Flow advertisements and seminars, and were routed to sales brokers, such as CW1, in the "Sales Department" of Cash Flow.

4. According to CW1, the Sales Department reported to, and was directed by, ESPINAL. In particular, ESPINAL developed the loan programs and sales scripts that the Sales Department employees used with Cash Flow customers. Employees in the Sales Department encouraged customers to sign up for various loan programs that Cash Flow provided, and to enter into contracts with Cash Flow ("Cash Flow Contracts"). In general, under the Cash Flow Contracts, employees would help customers obtain loans from Victim Banks. The Cash Flow Contracts permitted customers to keep a portion of the loan proceeds (15% in one loan program, for example) and customers agreed to provide the remaining percentage of the proceeds to Cash Flow. Cash Flow agreed to pay off the loans on behalf of its customers. Once customers signed Cash Flow Contracts for one of the company's loan programs, customers

submitted documentation supporting their bank loan applications to Cash Flow. During one conversation that took place in Cash Flow's New Jersey office, ESPINAL reassured CW1 not to worry about a client's income because Cash Flow could increase the client's income.

5. The "File Building Department" at Cash Flow collected customers' identification documents for purposes of building loan files. The File Building Department collected documents from customers including pay stubs and income tax documents. Employee 1 was the head of the File Building Department.

6. The investigation has revealed that if a customer did not have a job, employees in the File Building Department falsely stated that the customer was employed somewhere they were not, and created phony pay stubs and tax documents for a job not held by the customer. For example, documents obtained by a search warrant reveal that, on or about June 29, 2016, Coconspirator 1 emailed CW1 false IRS W-2 tax forms for 2014 and 2015, a false 1040 tax form, and false payroll records purportedly from a New Jersey corporation that provided payroll processing services and reports to its client companies (the "Payroll Company"), purportedly relating to a customer loan applicant ("Customer 1"). The attached documents contained false information regarding Customer 1's employment. The falsified IRS W-2 tax forms for 2014 and 2015 both stated that Customer 1 was employed by "NEW YORK-PRESBYTERIAN." The false 1040 tax form stated that Customer 1's occupation was "MEDICAL ASSISTANT," and that Customer 1's salary was \$69,899. The three false payroll records purportedly from the Payroll Company stated that Customer 1's "year to date" earnings were \$31,403.74 (as of June 9, 2016), \$32,769.12 (as of June 16, 2016), and \$34,134.50 (as of June 23, 2016). All three payroll records falsely stated that Customer 1 was employed by a hospital in New York. Law enforcement contacted the Payroll Company who was unable to locate any payroll records for Customer 1.

7. The investigation has also revealed that there is probable cause to believe that the false Customer 1 information was submitted to Victim Bank 1. Documents obtained by a search warrant reveal that, on or about July 11, 2016 at approximately 4:26 P.M., an employee of Victim Bank 1 used a bank email address to email CW1, who stated, "I just finished up with [Customer 1]. [Customer 1] told me to let you know, so you can send over her doc's [sic]." On or about July 11, 2016 at approximately 4:28 P.M., CW1 responded, "how much she got pre approve [sic] for?" At approximately 4:29 P.M., the bank employee responded, "It says pending decision still. Just waiting on someone to pick up the application for review." Based on my knowledge of the investigation and my experience in law enforcement, I believe that the bank employee told CW1 to send Customer 1's loan application documents to Victim Bank 1 in order to apply for the loan, that CW1 sent in the loan application containing the false information.

8. At times, employees in the File Building Department falsely stated that one Cash Flow customer's company employed another customer who, in fact, was not employed at all. According to CW1, this was known at Cash Flow as providing a "second source" for unemployed customers and for customers whose income at their current job was insufficient to obtain a loan. If a customer did not earn enough money to qualify for a bank loan, employees in the File Building Department falsely boosted the customer's salary. According to CW1, the File Building Department gave weekly reports to ESPINAL including how many files needed to be completed.

9. Once a file was "built," the File Building Department forwarded customers' loan application documents to the "Funding Department," which directed the process by which Cash Flow obtained bank loans for its customers, by, for example, corresponding with customers and Victim Banks, and preparing bank loan applications for submission. Coconspirators in the Funding Department, including Coconspirator 1, who became the Director of the Funding Department, worked with employees in the File Building Department to create false documentation to make customers' loan applications appear more financially viable than they actually were. Employees in the Funding Department submitted the loan applications that included the false documentation that the Coconspirators had created to the Victim Banks and took steps to pose as the loan applicants when communicating with the Victim Banks. For example, according to CW1, employees in the Funding Department remotely controlled computers located at the homes of the loan applicants to submit documents to the Victim Banks. Funding Department employees also took possession of the loan applicants' cell phones and communicated with the Victim Banks posing as the loan applicants.

10. Next, Cash Flow transferred the customer's loan file to the "Accounting Department," which was responsible for depositing money into Cash Flow customers' accounts and paying the loans to the Victim Banks.

### **THE SECURITIES FRAUD SCHEME**

11. Beginning at least as early as in or about July 2016 through in or about September 2019, ESPINAL obtained more than \$5,000,000 in investments from victim investors, including Victim Investors 1 and 2, on the basis of false and fraudulent pretenses and representations.

12. ESPINAL solicited investments from prospective customers using a marketing campaign on Spanish language television channels and the internet, the "Cash Flow TV" YouTube page, and live presentations in Cash Flow's offices and elsewhere. ESPINAL also solicited investments from individuals who obtained loans through Cash Flow's bank fraud conspiracy, encouraging loan customers to invest loan proceeds in Cash Flow's investment program. Once investors agreed to invest in Cash Flow, ESPINAL issued "promissory notes" to

investors that guaranteed monthly investment returns between 1.25% and 4%. The promissory notes stated that Cash Flow would return investors' principal either one year from the date of the promissory note, or 60 days after investors demanded payment. ESPINAL and other Cash Flow employees signed the promissory notes on behalf of Cash Flow.

13. To carry out the securities fraud scheme, ESPINAL made a number of misrepresentations to investors. First, ESPINAL represented to investors that he would pool their funds with the funds of other investors in investments related to real estate, real estate companies, a gold mine in Ecuador, and construction projects in countries outside of the United States. In reality, according to bank records, ESPINAL used investor funds to pay returns to earlier investors, to pay for personal expenses for himself, his family, and Employee 2, to perpetuate the bank fraud scheme, and to market the bank fraud and investment scheme to future victims.

14. Second, ESPINAL claimed that Cash Flow's purported real estate fund, Cash Flow Capital, was "licensed" by the Securities and Exchange Commission ("SEC"). However, the SEC did not license Cash Flow or Cash Flow Capital.

15. Third, ESPINAL guaranteed monthly returns on investment based on purported proceeds from the sale of properties in Cash Flow's investment portfolio. In reality, according to bank records, ESPINAL did not sell Cash Flow properties, so no profits were derived from the sale of Cash Flow properties.

#### **Victim Investor 1**

16. In or around September 2018, Victim Investor 1 began investing what would become a total of approximately \$85,000 with Cash Flow. Victim Investor 1 met with ESPINAL at the New Jersey office of Cash Flow. ESPINAL represented to Victim Investor 1 that Cash Flow invested in real estate, purchasing properties and selling them for a higher value. At first, Victim Investor 1 invested approximately \$35,000, with a 1.25% guaranteed monthly rate of return on investment. Over the next six months, Victim Investor 1 invested approximately \$50,000 more with Cash Flow, at which time the guaranteed rate of return increased to 2%. Cash Flow failed to pay Victim Investor 1's monthly return in or around May 2019. Victim Investor 1 requested that Cash Flow return his funds, but Cash Flow has failed to return Victim Investor 1's principal investment or pay his monthly returns.

#### **Victim Investor 2**

17. In or around August 2018, Victim Investor 2 saw Cash Flow's television advertisements. In or around October 2018, Victim Investor 2 met with ESPINAL in Cash Flow's New Jersey office, and ESPINAL told Victim Investor 2 that ESPINAL invested in real estate. ESPINAL convinced Victim

Investor 2 to enter into a December 21, 2018 Dividend Payment Agreement (the "Dividend Agreement") and a January 24, 2019 Promissory Note (the "Promissory Note"), both signed by ESPINAL. Under the Promissory Note, Victim Investor 2 invested approximately \$400,000, Victim Investor 2's life savings, with Cash Flow. The Promissory Note stated, "Revenue shall accrue at 2% percent per month and shall be payable on the maturity date \$8,000 per month." The Dividend Agreement stated, "Dividends are to be remitted on a monthly basis as set forth in Article I, General Provisions of the Promissory Note."

18. ESPINAL's statements to Victim Investor 2 and provisions in the Promissory Note were misrepresentations that induced Victim Investor 2 to invest his life savings with Cash Flow. In particular, ESPINAL made misrepresentations to Victim Investor 2 as to the collateral Cash Flow provided in exchange for the \$400,000 investment. ESPINAL told Victim Investor 2 that if Victim Investor 2 wanted his investment returned, and Cash Flow did not have sufficient funds available to return the principal, ESPINAL would sell the property that ESPINAL owned, located on Little Place in Wayne, New Jersey (the "Little Place Property").

19. Consistent with ESPINAL's statements to Victim Investor 2, the Promissory Note itself included misrepresentations as to the Little Place Property. In particular, the Promissory Note included a "Mortgage Note" promising that Cash Flow would provide Victim Investor 2 with a mortgage in the Little Place Property to "protect" Victim Investor 2 if Cash Flow did not uphold the terms of the agreement, which included payments of \$8,000 per month. However, ESPINAL did not tell Victim Investor 2 that the existing mortgage on the Little Place Property, which ESPINAL signed on November 5, 2018, prohibited ESPINAL from encumbering the property. In particular, the November 5, 2018 mortgage prohibited impairment "in any material respect the value of the Mortgaged Property or the security of this Mortgage." Additionally, the use of the mortgage on the Little Place Property as collateral for Victim Investor 2 was never filed with the Passaic County Clerk's Office. Finally, Employee 2, an employee of Cash Flow with whom ESPINAL had a romantic relationship, lived in the Little Place Property. ESPINAL told Victim Investor 2 that ESPINAL's friend lived in the Little Place Property.

20. Cash Flow paid Victim Investor 2 under the Promissory Note and Dividend Agreement in February, March, and April 2019, but failed to make full payment in May 2019. Following Cash Flow's partial payment in April 2019, Victim Investor 2 requested the return of his principal and the sale of the Little Place Property. ESPINAL then told Victim Investor 2, for the first time, that Cash Flow could not sell the Little Place Property because his friend lived there.

21. Consistent with Cash Flow's failure to pay Victim Investor 2, ESPINAL and Cash Flow stopped making payments on other customers' loans and stopped paying other investors' returns. Despite this, ESPINAL continued to recruit new customers to invest with Cash Flow.

22. In or around June 2019, ESPINAL met with Cash Flow customers in Cash Flow's New York office, and ESPINAL told them that he would pay off their loans and repair their credit. This has not occurred. ESPINAL also told certain customers that he would pay each of them \$500 each month for life. This has not occurred.

23. According to bank records, during the course of the securities fraud scheme, ESPINAL misappropriated over \$1 million from Cash Flow, including investor funds. The misappropriation encompassed travel that included a cruise and a trip to Brussels with Employee 2; car payments, including payments to Mercedes, BMW, and Acura; university tuition payments; and thousands of dollars spent on spas and clothing.