

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
: :
: Crim. No. 20-
v. : :
: 18 U.S.C. § 1349
: 18 U.S.C. § 2
EDWARD ESPINAL : 15 U.S.C. §§ 78j(b) and 78ff
: 17 C.F.R. § 240.10b-5

INFORMATION

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

COUNT ONE

(Conspiracy to Commit Bank Fraud)

1. At all times relevant to this Information:
 - 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. The “Payroll Company” was a New Jersey corporation that provided payroll processing services and reports to its client companies.
 - d. Victim Bank 1 was a federally insured financial institution, as that term is defined in Title 18, United States Code, Section 20.

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

The Bank Fraud Conspiracy

2. From in or around March 2016 through in or around December 2019, in Bergen County, 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.

The Goal of the Conspiracy

3. The goal of the conspiracy was for ESPINAL and others (the “Coconspirators”) to obtain loans from Victim Banks for their customers on the basis of false representations, and, thereafter, collect a percentage of the loan proceeds from their customers on the basis of false representations and promises.

Manner and Means of the Conspiracy

4. It was a part of the conspiracy that:

a. At ESPINAL's direction, Cash Flow was comprised of several departments that systematically processed fraudulent loan applications. Those departments included the "Sales Department," the "File Building Department," the "Funding Department," and the "Accounting Department." ESPINAL oversaw and managed all of Cash Flow's departments.

b. The Sales Department was comprised of Cash Flow employees that encouraged customers to sign up for Cash Flow's services. Cash Flow released internet advertisements and held seminars offering to assist customers with low-paying salaries in obtaining loans. 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 in the "Sales Department."

c. 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 helped 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.

d. 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. If a customer did not have a job, employees in the File Building Department falsely stated that the customer was employed and created phony pay stubs and tax documents for a job not held by the customer.

e. 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. 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. The File Building Department gave weekly reports to ESPINAL.

f. 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. Employees in the Funding Department submitted the loan applications, including 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, 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.

g. Cash Flow transferred the customers' loan files to the "Accounting Department," which was responsible for depositing money into Cash Flow customers' accounts and making monthly loans payments on behalf of Cash Flow's customers to the Victim Banks.

h. Eventually, Cash Flow stopped making payments on all its customers' loans. In or around June 2019, ESPINAL met with a group of Cash Flow customers whose loans were no longer being paid by the Company—ESPINAL falsely told them that he would pay off their loans and repair their credit. ESPINAL also falsely told certain customers that he would pay each of them \$500 per month for life.

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

COUNT TWO
(Securities Fraud)

1. The allegations contained in Paragraphs 1 and 4 are re-alleged and incorporated as though fully set forth herein.

2. From in or about July 2016 through in or about September 2019, in Bergen County, 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.

Goal of the Securities Fraud Scheme

3. The goal of the scheme was for ESPINAL to enrich himself by obtaining investments into a real estate fund by making and causing to be made fraudulent representations and promises to investors.

Manner and Means of the Securities Fraud Scheme

4. It was part of the securities fraud scheme that:

a. 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.

b. 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.

c. To carry out the securities fraud scheme, ESPINAL made a number of misrepresentations to investors, including:

i. 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, ESPINAL used investor funds to pay returns to earlier investors, to pay for personal expenses for himself and his family, to perpetuate the bank fraud scheme, and to market the bank fraud and investment scheme to future victims.

ii. 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.

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

d. For example, 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 failed to return Victim Investor 1's principal investment or pay his monthly returns.

e. 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."

f. 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”).

g. The Promissory Note itself also 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.

h. 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 ESPINAL’s friend lived there.

i. Like with Victim Investor 2, ESPINAL and Cash Flow stopped paying other investors' returns. After ceasing to pay investors' returns, ESPINAL continued to recruit new customers to invest with Cash Flow.

j. 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; car payments, including payments to Mercedes, BMW, and Acura; university tuition payments; and thousands of dollars spent on spas and clothing.

FORFEITURE ALLEGATION

1. The allegations contained in this Information are hereby realleged and incorporated by reference for the purpose of alleging forfeiture, pursuant to Title 18, United States Code, Section 982(a)(2).

2. The United States hereby gives notice to defendant ESPINAL that, upon his conviction of the offenses alleged in Count One and Count Two of this Information, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982(a)(2), which requires any person convicted of such an offense to forfeit any property, real or personal, which constitutes or is derived from proceeds obtained directly or indirectly as a result of such offense.

3. If any of the above-described forfeitable property, as a result of any act or omission of defendant ESPINAL:

- a. Cannot be located upon the exercise of due diligence;
- b. Has been transferred or sold to, or deposited with, a third party;
- c. Has been placed beyond the jurisdiction of the court;
- d. Has been substantially diminished in value; or
- e. Has been commingled with other property which cannot be divided without difficulty;

It is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of defendant ESPINAL up to the value of the forfeitable property described above.


CRAIG CARPENITO
United States Attorney

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