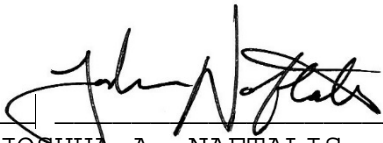


Approved: 
JOSHUA A. NAFTALIS
Assistant United States Attorney

Before: HON. SARAH NETBURN
United States Magistrate Judge
Southern District of New York

- - - - - x **20 MAG 10194**

UNITED STATES OF AMERICA : SEALED COMPLAINT

- v. - : Violations of 15 U.S.C.
§§ 78j(b) and 78ff; 17 C.F.R.
CRAIG ZABALA, : § 240.10b-5; and 18 U.S.C.
§§ 1343 and 2.

Defendant. :
COUNTY OF OFFENSES: NEW YORK

- - - - - x

SOUTHERN DISTRICT OF NEW YORK, ss.:

CHRISTOPHER J. O'ROURKE, being duly sworn, deposes and says that he is a Postal Inspector with the United States Postal Inspection Service ("USPIS") and charges as follows:

COUNT ONE

(Conspiracy to Commit Securities Fraud and Wire Fraud)

1. From at least in or about 2015 through in or about 2020, in the Southern District of New York and elsewhere, CRAIG ZABALA, the defendant, and others known and unknown, willfully and knowingly did combine, conspire, confederate, and agree together and with each other to commit offenses against the United States, to wit, securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5, and wire fraud, in violation of Title 18, United States Code, Section 1343.

2. It was a part and object of the conspiracy that CRAIG ZABALA, the defendant, and others known and unknown, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails, and the facilities of national securities exchanges, would and did use and employ manipulative and deceptive devices and contrivances, in connection with the purchase and sale of securities, in violation of Title 17, Code of Federal Regulations,

Section 240.10b-5, by (a) employing devices, schemes and artifices to defraud; (b) making and causing to be made untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon other persons, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

3. It was a further part and an object of the conspiracy that CRAIG ZABALA, the defendant, and others known and unknown, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, for the purpose of executing such scheme and artifice, would and did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce writings, signs, signals, pictures, and sounds, in violation of Title 18, United States Code, Section 1343.

Overt Acts

4. In furtherance of the conspiracy and to effect its illegal objects, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. On or about November 2, 2015, CRAIG ZABALA, the defendant, wrote a check for approximately \$100,000 payable to his girlfriend (the "Girlfriend") from a bank account in New York, New York using money from investors in Concorde Group Holdings Inc. ("Holdings").

b. On or about October 29, 2016, ZABALA sent a prospective Holdings investor an email that included an attachment, which falsely stated, "[Holdings] has already raised US\$24.2 million in its offering" of \$25 million in senior secured notes.

c. On or about June 8, 2018, ZABALA used money invested by Holdings investors to make a payment of approximately \$17,220.82 on his American Express card.

(Title 18, United States Code, Section 371.)

COUNT TWO

(Securities Fraud)

5. From at least in or about 2015 through in or about 2020, in the Southern District of New York and elsewhere, CRAIG ZABALA, the defendant, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails, and the facilities of national securities exchanges, used and employed manipulative and deceptive devices and contrivances, in connection with the purchase and sale of securities, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes and artifices to defraud; (b) making and causing to be made untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon other persons, to wit, ZABALA made material misrepresentations and omissions to Holdings investors, and misappropriated Holdings investor funds to his own use.

(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.)

COUNT THREE

(Wire Fraud)

6. From at least in or about 2015 through in or about 2020, in the Southern District of New York and elsewhere, CRAIG ZABALA, the defendant, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, transmitted and caused to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, ZABALA made material misrepresentations and omissions to Holdings investors, and misappropriated Holdings investor funds to his own use.

(Title 18, United States Code, Sections 1343 and 2.)

The bases for my knowledge and the foregoing charges are, in part, as follows:

7. I have been a Postal Inspector with the USPIS for approximately four years. I am currently assigned to a squad responsible for investigating violations of the mail and wire fraud statutes, the federal securities laws, and related offenses. I have participated in numerous investigations of these offenses, and I have made and participated in making arrests of individuals for participating in such offenses.

8. The information contained in this affidavit is based upon my personal knowledge, as well as information obtained during this investigation, directly or indirectly, from other sources, including documents and information provided to me by others. Because this affidavit is prepared for the limited purpose of establishing probable cause, I have not set forth each and every fact I have learned in connection with this investigation. Where conversations and events are referred to herein, they are related in substance and in part. Where dates, figures, and calculations are set forth herein, they are approximate.

Relevant Entities and Individuals

9. Based upon my review of public records, including records filed with the U.S. Securities and Exchange Commission ("SEC"), and documents provided by, among others, the SEC, the Financial Industry Regulatory Authority ("FINRA"), Holdings, investors, and bank records (collectively, the "Records"), my review of memoranda of witness interviews, and my interviews of witnesses, I have learned the following, in substance and in part:

a. At all times relevant to this Complaint, CRAIG ZABALA, the defendant, resided in New York, New York. ZABALA was the Chairman, CEO, and President of various affiliated and intertwined companies: Holdings, Concorde Group, Inc. ("Group"), Blackhawk Capital Group BDC, Inc. ("Blackhawk"), DBL Holdings, LLC, d/b/a "Drexel Burnham Lambert" ("DBL"), Concorde Investment Managers, LLC ("CIM"), and Concorde Europe, Ltd. ("Concorde Europe"). In or about August 2019, FINRA barred ZABALA from the broker-dealer industry, including because of his failure to cooperate with a FINRA investigation.

b. At all times relevant to this Complaint, Holdings was a Delaware corporation formed in or about 2015, with an office in Jersey City, New Jersey, and a mailing address in New York, New York. Holdings purported to provide financial services,

including merchant banking, investment banking, asset management, and securities brokerage services, to entrepreneurs, investors, and businesses in the middle market, meaning small to mid-sized companies with revenue and market capitalizations of less than \$1 billion, in North America, Europe, and Asia. Holdings' purported affiliates included Group, DBL, Blackhawk, CIM, and Concorde Europe. ZABALA was a majority owner of Holdings.

c. At all times relevant to this Complaint, Group was a Delaware corporation formed in or about 1995 and based in New York, New York. Like Holdings, Group purported to provide financial services, including merchant banking, investment banking, asset management, securities brokerage services, to entrepreneurs, investors, and businesses in the middle market in North America, Europe, and Asia. Group's purported affiliates included DBL, Blackhawk, CIM, and Concorde Europe. ZABALA was a majority owner of Group.

d. At all times relevant to this Complaint, DBL was a Delaware limited liability company formed in or about 2000. DBL purported to own the worldwide rights to the name "Drexel Burnham Lambert," the former Wall Street investment bank, and was created for the purported purpose of providing middle market leveraged finance origination and asset management. ZABALA owned the majority of DBL.

e. At all times relevant to this Complaint, Blackhawk was a Delaware corporation formed in or about 2004 that was based in New York, New York. On or about September 14, 2004, Blackhawk filed a Form N-54A with the SEC to become a business development company ("BDC") pursuant to Section 54(a) of the Investment Company Act of 1940. Blackhawk's common stock was quoted on OTC Link operated by OTC Markets Group Inc. from in or about 2006 through in or October 2013, when the SEC revoked the registration of Blackhawk's securities. Group and ZABALA together owned approximately 40 percent of Blackhawk.

f. At all times relevant to this Complaint, CIM was a Delaware limited liability company formed in or about 2000 that purported to provide investment management services that were purportedly conducted by Blackhawk. According to CIM's last Form ADV filing with the SEC, dated on or about March 28, 2016, CIM had no clients and no assets under management. CIM closed in approximately 2017. CIM was a wholly owned subsidiary of Group.

g. At all times relevant to this Complaint, Concorde Europe, which was incorporated in England and Wales in or

about 2001, purported to be a London-based securities brokerage and investment banking group focused on businesses and investors in the middle market in North America, Europe, and Asia. Concorde Europe has ceased operations. Group was the majority owner of Concorde Europe.

h. At all times relevant to this Complaint, the Family Office was a family office that managed the assets and investments of a wealthy German family.

i. Investors in Holdings, including indirectly through debt and/or equity offerings, included the following individuals:

i. Since in or about December 2016, Investor 1, a resident of Texas, has been an investor in Holdings.

ii. Since in or about September 2016, Investor 2, a resident of Pennsylvania, has been an investor in Holdings.

iii. Since in or about August 2015, Investor 3, a resident of Florida, has been an investor in Holdings.

iv. Since in or about November 2018, Investor 4, a resident of Nebraska, has been an investor in Holdings.

Overview of the Scheme to Defraud

10. Based on my review of the Records and memoranda of witness interviews, and my interviews of witnesses, I have learned the following, in substance and in part:

a. From at least in or about 2015 through in or about 2020, CRAIG ZABALA, the defendant, and others perpetrated a scheme to defraud at least approximately 18 investors out of at least approximately \$4.4 million by (i) soliciting investments in Holdings notes, warrants, and equity through false and misleading statements; (ii) by failing to use investors' funds as promised, including to build Holdings purported business by investing in and buying other financial services companies; and (iii) by converting investors' money to their own use, including to repay Group investors in a Ponzi-like fashion.

b. ZABALA and others made false and misleading representations to investors in in-person meetings, phone calls,

e-mails, private placement memoranda ("PPMs") and other documents, including as set forth below:

i. ZABALA and others falsely represented that the proceeds from the offerings would be used to grow Holdings' purported business by investing in and buying other financial services companies. In truth and in fact, and as ZABALA well knew, Holdings did not make any investments in or buy other companies.

ii. ZABALA and others falsely represented to Holdings investors that Holdings had raised nearly \$25 million in a private offering of notes with attached warrants. In truth and in fact, and as ZABALA well knew, Holdings only raised a few million dollars.

iii. ZABALA and others falsely represented to Holdings investors that the Family Office had invested millions of dollars in Holdings. In truth and in fact, and as ZABALA well knew, the Family Office never invested in, and never committed to invest in, Holdings.

iv. ZABALA and others falsely represented to Holdings Investors that Holdings would soon have an initial public offering ("IPO"), which would result in large profits to Holdings investors. In truth and in fact, and as ZABALA well knew, Holdings was not close to an IPO.

v. ZABALA converted at least approximately 70 percent of the approximately \$4.4 million in Holdings investor funds in the form of cash withdrawals and other transfers to himself, payments to his Girlfriend, payments of his personal credit card bills, and repayment of Group investors in a Ponzi-like fashion.

The Scheme to Defraud

ZABALA Claims to Raised Approximately \$20 Million from Group, Concorde Europe, and Blackhawk Investors

11. Based on my review of documents, including bank records, PPMs, emails, transfer agent documents, FINRA documents, public documents, including SEC filings and court filings, and

memoranda of witness interviews, and my interviews with witnesses, I have learned the following in substance and in part:

a. Between in or about 2001 and in or about 2014, CRAIG ZABALA, the defendant, and others purportedly raised approximately \$20 million from investors through various unregistered equity, options, and debt offerings primarily by Group, as well as Concorde Europe and Blackhawk, including as follows:

i. Between in or about 2001 and in or about 2014, Group raised approximately \$18 million from investors.

ii. Between in or about 2001 and in or about 2002, Concorde Europe raised approximately \$359,000 from investors.

iii. In or about 2007, Blackhawk raised approximately \$2.1 million from investors.

12. Based on my review of documents, including PPMs, emails, and public documents, including court filings, and memoranda of interviews of a representative of the Family Office, I have learned the following in substance and in part:

a. In or about July 2008, CRAIG ZABALA, the defendant, solicited the Family Office to invest in Group and DBL, and the Family Office purchased approximately 250,000 shares of Group at a price of approximately \$8 per share, for a total investment of approximately \$2 million, and agreed to invest approximately \$5 million in DBL. During the solicitations, ZABALA represented, among other things, that Group had raised approximately \$17 million from investors.

b. Thereafter, the Family Office learned that (i) Group had only raised approximately \$2.3 million, not \$17 million, as ZABALA had represented; (ii) ZABALA had used the approximately \$2 million that the Family Office had invested in Group to repay a purported Group loan, and not for Group's business, as ZABALA had represented; and (iii) ZABALA had sold shares in Group to other investors for only approximately \$1 per share shortly before the Family Office had paid approximately \$8 per share.

c. In or about 2009, the Family Office filed a civil action against ZABALA, Group, and DBL in the United District Court for the Southern District of New York, alleging, among other

things, securities fraud and common law fraud. The lawsuit was subsequently settled.

d. After the Lawsuit was settled, ZABALA formed Holdings. The Family Office never invested in, or committed to invest in, Holdings.

ZABALA Makes Material Misrepresentations and Omissions in
Soliciting Investments in Holdings

13. Based on my review of documents, including bank records, PPMs, emails, transfer agent documents, public documents, including SEC filings, and memoranda of witness interviews, and my interviews with witnesses, I have learned the following in substance and in part:

a. Between in or about 2015 and in or about 2019, at least approximately 18 investors invested at least approximately \$4.4 million in Holdings notes, warrants, and equity, almost all of whom invested in a private offering by Holdings of \$25 million in senior secured notes with attached warrants paying 13 percent interest (the "Holdings Offering").¹

b. CRAIG ZABALA, the defendant, falsely represented in oral and written communications that Holdings had raised nearly all of the targeted \$25 million offering; that the Family Office was investing, or had invested, several million dollars in the Holdings Offering; and that Holdings would soon have an IPO.

c. ZABALA also falsely represented in oral and written communications, including PPMs, that the money that investors invested in Holdings would be used to make (i) "investments in to-be-determined income-producing and cash flow-producing projects or investments"; (ii) an investment in a convertible debt instrument of Blackhawk; (iii) a loan to or equity investment in Group; (iv) an equity investment in DBL; (v) "an equity investment in an existing or new FINRA . . . member broker dealer"; (vi) "an equity investment in an appropriately-registered broker dealer and/or specialty finance company headquartered in

1. The PPMs generally represented that the notes would have a maturity of five years from the date of issuance and would pay interest at a rate of 13 percent payable semi-annually.

Frankfurt, Germany"; and (vii) "for general working capital purposes."

Investor 1

14. Based on my review of documents, including bank records, documents provided by Investor 1 and Holdings, and memoranda of interviews of Investor 1, I have learned that the following, in substance and in part:

a. In or about 2016, a co-conspirator not named herein ("CC-1") introduced Investor 1 to CRAIG ZABALA, the defendant. Thereafter, in or about 2016, ZABALA solicited Investor 1, by phone, in person, and in writing, including through PPMs, to invest in the Holdings Offering, and offered Investor 1 a paid job at Holdings, on the condition that Investor 1 invest. During these solicitations, ZABALA falsely represented, among other things, that Investor 1's investment in Holdings would be used to grow Holdings' business by investing in and buying other financial services companies in advance of an IPO; that Holdings had raised nearly all of the \$25 million targeted for the Holdings Offering; and that the Family Office was investing, or had invested, several million dollars in the Holdings Offering. Between in or about December 2016 and in or about January 2018, Investor 1 invested a total of approximately \$2.9 million in Holdings to purchase Holdings notes, warrants, and equity, including as follows.

b. On or about October 29, 2016, ZABALA sent Investor 1 an email and attached various offering documents, including a PPM for the Holdings Offering. In the email, ZABALA falsely represented: "We are looking to secure a \$850,000 tranche in order to complete our [\$25 million] Offering." In a fact sheet attached to the email, ZABALA falsely represented: "[Holdings] has already raised \$24.2 million in its [\$25 million] Offering," and "Returns are estimated as high as 11,500% of the warrant exercise price following the public offering on the [Toronto Stock Exchange]."

c. On or about November 2, 2016, CC-1 -- who never invested in Holdings -- emailed ZABALA: "I just spoke to [Investor 1]. . . . [H]e promised he will review the entire package by late Friday/Saturday. . . . He asked me if I invested and I told him I put in \$75,000. Please remember that \$\$\$ number if he asks you. If he comes through, there's a good possibility he'll tell a few of his friends!"

d. On or about December 21, 2016, ZABALA emailed Investor 1 an executed copy of a subscription agreement for Investor 1's approximately \$150,000 investment in the Holdings Offering, signed by Investor 1 and ZABALA.

e. On or about December 30, 2016, Investor 1 wired approximately \$150,000 to a Holdings bank account in New York, New York (the "Holdings Account"). Before the wire, the Holdings Account had a total balance of approximately \$3,054. That same day, on or about December 30, 2016, ZABALA transferred \$55,000 from the Holdings Account to a Group bank account in New York, New York (the "Group Account"). Before the transfer, the Group Account had a total balance of approximately \$4,555. Also that same day, on or about December 30, 2016, ZABALA wired CC-1 approximately \$16,000 from the Group Account. Between on or about January 23, 2017 and on or about March 9, 2017, ZABALA wired CC-1 an additional approximately \$15,000 of Holdings investors' money from the Group Account.

f. On or about January 9, 2017, ZABALA emailed Investor 1 a PowerPoint that falsely represented: "[Holdings] has already raised US\$24.4 million out of its US\$25.0 million Offering of Senior Notes."

g. On or about March 27, 2017, Investor 1 invested an additional approximately \$100,000 in the Holdings Offering by wiring money to the Holdings Account. Before the wire, the Holdings Account had a total balance of approximately \$12,276. Over approximately the next three weeks, ZABALA transferred approximately \$43,500 from the Holdings Account to the Group Account, and ZABALA wired CC-1 approximately \$15,000 from the Group Account.

h. On or about April 28, 2017, Investor 1 invested an additional approximately \$300,000 in the Holdings Offering by wiring money to the Holdings Account. Over approximately the next three weeks, ZABALA transferred approximately \$99,000 from the Holdings Account to the Group Account. On or about May 9, 2017, ZABALA wired CC-1 approximately \$5,000 of Holdings investors' money from the Group Account.

i. Between on or about June 2, 2017 and on or about January 5, 2018, Investor 1 invested an additional approximately \$2.35 million in the Holdings Offering by wiring money into the Holdings Account.

j. Notwithstanding the representations in Holdings' PPMs and representations made by ZABALA, Holdings never paid a cash dividend of 13 percent on the Holdings senior notes. Instead, ZABALA told Investor 1 that the dividends would be paid in-kind in Holdings stock because Holdings did not have enough capital to pay cash dividends. Although Investor 1 initially objected to in-kind dividends, Investor 1 ultimately agreed to convert the Holdings notes and attached warrants to Holdings common stock, including on or about May 11, 2017 and January 24, 2018.

15. As discussed herein, in truth and in fact, Holdings had not raised approximately \$25 million, having only raised a few million dollars in total, the majority of which was from Investor 1; Holdings did not invest in or buy other financial services companies; Holdings was not close to an IPO; and the Family Office never invested in, or committed to invest in, the Holdings Offering or otherwise.

Investor 2

16. Based on my review of documents, including bank records, documents provided by Investor 2 and Holdings, and memoranda of interviews of Investor 2, I have learned the following, in substance and in part:

a. In or about 2016, a Holdings Managing Director, a co-conspirator not named herein and former colleague of Investor 2 ("CC-2"),² introduced Investor 2 to CRAIG ZABALA, the defendant. Thereafter, in or about 2016, ZABALA and CC-2 solicited Investor 2, both orally and in writing, including through PPMs, to invest in the Holdings Offering, and offered Investor 2 a paid job at Holdings, on the condition that Investor 2 invest. During the solicitations, ZABALA and CC-2 falsely represented, among other things, that Investor 2's investment in Holdings would be used to grow Holdings' business by investing in and buying other financial services companies; that Holdings had already raised approximately \$24 million out of the \$25 million targeted for the Holdings Offering; and that the Family Office had invested in the Holdings Offering.

b. Between in or about September 6, 2016 and in or about October 19, 2016, Investor 2 invested approximately

2. CC-2 died in or about 2017.

\$150,000 in the Holdings Offering by wiring money into the Holdings Account.

17. As discussed herein, in truth and in fact, Holdings had not raised approximately \$25 million, having only raised a few million dollars in total; Holdings did not invest in or buy other financial services companies; and the Family Office never invested in, or committed to invest in, the Holdings Offering or otherwise.

Investor 3

18. Based on my review of documents, including bank records, documents provided by Investor 3 and Holdings, and memoranda of interviews of Investor 3, I have learned that the following, in substance and in part:

a. Beginning in or about 2015, CC-2 and CRAIG ZABALA, the defendant, solicited Investor 3, both orally and in writing, including through PPMs, to invest in Holdings notes and attached warrants, and falsely represented that Investor 3's investment in Holdings would be used to grow Holdings' business by investing in and buying other financial services companies in advance of an IPO.

b. On or about August 18, 2015, Investor 3 invested approximately \$100,000 in the Holding Offering³ by wiring money into the Holdings Account. Before the wire, the Holdings Account had a total balance of approximately \$5,560. Over approximately the next two weeks, ZABALA transferred approximately \$55,000 from the Holdings Account to the Group Account.

c. On or about June 9, 2016, Investor 3 invested an additional approximately \$100,000 in the Holdings Offering by wiring the money to the Holdings Account. Over approximately the next two weeks, ZABALA transferred approximately \$55,000 from the Holdings Account to the Group Account.

d. In or about 2017, ZABALA falsely represented to Investor 3 that Holdings was approximately \$2 million away from raising the \$25 million targeted for the Holdings Offering, at

3. The interest rate on these notes was eight percent per year.

which point Holdings would do an IPO, and that the Family Office was a large investor in Holdings.

e. As discussed herein, in truth and in fact, Holdings did not invest in or buy other financial services companies; Holdings had not raised approximately \$25 million, having only raised a few million dollars in total; Holdings was not close to an IPO; and the Family Office never invested in, or committed to invest in, Holdings.

Investor 4

19. Based on my review of documents, including bank records, documents provided by Investor 4 and Holdings, memoranda of interviews of Investor 4, I have learned that the following, in substance and in part:

a. In or about late 2018, Holdings' Director of Operations, a co-conspirator not named herein and an acquaintance of Investor 4 ("CC-3"), introduced Investor 4 to CRAIG ZABALA, the defendant. ZABALA and Investor 4 initially spoke by phone, and then ZABALA came to see Investor 4 in person and sent Investor 4 written communications, including a PPM. During their communications with Investor 4, ZABALA and CC-3 solicited Investor 4 to invest approximately \$100,000 to purchase approximately 200,000 shares in Holdings common stock at a price approximately of \$0.50 per share, which was represented to be a "family price," and offered Investor 4 a paid job at Holdings, on the condition that Investor 4 invest in Holdings. During these solicitations, ZABALA and CC-3 falsely represented that Investor 4's investment in Holdings would be used to grow Holdings' business by investing in and buying other financial services companies in advance of an IPO, and that Holdings' IPO would take place in early 2019, a few months later, at a price of between approximately \$50 and \$100 per share.

b. In or about November 2018, Investor 4 agreed to invest approximately \$55,000 to purchase approximately 110,000 shares of Holdings common stock at a price of approximately \$0.50 per share. Between on or about November 8, 2018 and on or about January 2, 2019, Investor 4 wired the approximately \$55,000 to the Holdings Account.

c. In or about December 2018, ZABALA told Investor 4 that the value of Holdings stock had risen from approximately \$0.50 per share to approximately \$1 per share because

a German investor (which I believe to be the Family Office) had invested in Holdings.

d. As discussed herein, in truth and in fact, Holdings did not invest in or buy other financial services companies; Holdings was not close to an IPO; and the Family Office never invested in, or committed to invest in, Holdings.

*ZABALA Stops Soliciting Potential Investors
Who Asked For Too Much Information*

20. Based on my review of documents, including bank records and Holdings documents, I have learned the following, in substance and in part:

a. On or about September 12, 2016, CRAIG ZABALA, the defendant, sent an email to an employee of a placement agent, who was conducting due diligence on Holdings, and falsely represented: "Salary a non-issue at this time. Holdings has paid no salaries or benefits to date to executives and will not until the Offering is closed. And then salaries and benefits will be at reduced levels until the closing of the RTO/Secondary Offering."

b. On or about October 27, 2016, an employee of a placement agent emailed ZABALA and wrote, in substance and in part: "My partner . . . and I met with a party that could potentially move the concord [sic] offering. This is a very skeptical group, and they like some sort of evidence that the majority of the capital is raised. . . . Can we supply them anything. Blacked out info, wire, sub agreement, anything." That same day, on or about October 27, 2016, ZABALA responded and wrote, in substance and in part: "We are in late negotiations to complete the \$800,000 tranche with U.S. parties and will not be proceeding with you and your prospects in our offering." Also that same day, on or about October 27, 2016, ZABALA forwarded the emails to [Holdings' Chief Operating Officer, a co-conspirator not named herein ("CC-4")], and wrote: "What a waste of time!!!!"

ZABALA Misappropriates Holdings Investor Funds

21. Based on my review of bank records and other records, I have learned the following in substance and in part:

a. CRAIG ZABALA, the defendant, was the only signatory on banks accounts associated with Holdings and Group.

b. As noted, between in or about 2015 and in or about 2019, Holdings investors invested at least approximately \$4.4 million in Holdings.

c. No Holdings investor money was used to make investments in or buy other companies.

d. Approximately \$1,218,657 of Holdings investor money was sent to non-Holdings investors, including to repay Group investors in a Ponzi-like fashion. For example, on or about February 6, 2018, ZABALA sent approximately \$549,657 in Holdings investor money to a Group investor (the "Group Investor") to repurchase the Group Investor's Group common stock as part of a settlement with Group. That transfer to the Group Investor was made shortly after Investor 1 invested approximately \$1 million in Holdings, on or about January 5, 2018.

e. Approximately \$640,356 of Holdings investor money was sent to ZABALA, including through cash withdrawals.

f. Approximately \$733,924 of Holdings investor money was sent to ZABALA's Girlfriend.

g. Approximately \$599,468 of Holdings investor money was used to pay ZABALA's personal American Express card bill.

h. Approximately \$541,987 of Holdings investor money was used pay the purported salaries of CC-3 and CC-4.

22. Based on my review of records, including PPMs and payroll records, I have learned the following, in substance and in part:

a. The Girlfriend was not listed as an employee in Holdings PPMs.

b. Holdings' payroll records did not reflect that the Girlfriend was an employee.

23. Based on my review of a transcript of a deposition of CRAIG ZABALA, the defendant, taken by FINRA under oath on or about July 10, 2019, I have learned that ZABALA said the following, in substance and in part:

a. Holdings has not generated any revenue, except for purported accrued interest from a purported approximately \$3.5 million line of credit that Holdings extended to Group.

b. ZABALA was unable to say how much revenue, if any, Group had ever generated.

c. ZABALA was asked, "Is it accurate to say that the interest payments are being made with capital that was raised [from Holdings investors] because Holdings does not have any operating cash flows coming in?" ZABALA answered, "Well, let me answer that a certain way. The answer is yes. But it's no different than the EU bailing out Greece."

d. ZABALA used more than \$500,000 of Holdings investor money to repurchase Group common stock from an investor -- i.e., the Group Investor.

e. Holdings does not have any salaried employees.

f. When asked for the names of Holdings' employees, ZABALA did not indicate the Girlfriend was an employee.

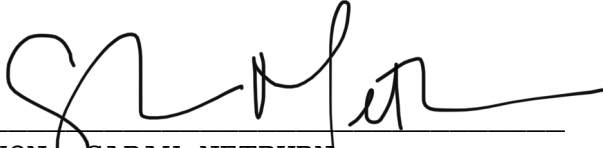
g. The Holdings Board of Directors, which was made up of ZABALA and CC-3, purportedly passed a resolution prohibiting Holdings from disclosing the information and documents that FINRA had requested.

WHEREFORE, I respectfully request that a warrant be issued for the arrest of CRAIG ZABALA, the defendant, and that he be arrested and imprisoned, or bailed, as the case may be.

/s authorized electronic signature

CHRISTOPHER J. O'ROURKE
Postal Inspector
United States Postal Inspection
Service

Sworn to before me this
23rd day of September, 2020



HON. SARAH NETBURN
United States Magistrate Judge
Southern District of New York