

DONALD W. SEARLES (Cal. Bar No. 135705)  
Email: searlesd@sec.gov  
MATTHEW T. MONTGOMERY (Cal. Bar No. 260149)  
Email: montgomerym@sec.gov

Attorneys for Plaintiff  
Securities and Exchange Commission  
Michele Wein Layne, Regional Director  
Alka Patel, Associate Regional Director  
Amy J. Longo, Regional Trial Counsel  
444 S. Flower Street, Suite 900  
Los Angeles, California 90071  
Telephone: (323) 965-3998  
Facsimile: (213) 443-1904

**UNITED STATES DISTRICT COURT**  
**DISTRICT OF NEW JERSEY**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

vs.

RRBB ASSET MANAGEMENT, LLC  
and CARL S. SCHWARTZ,

Defendants.

Case No. 2:20-cv-12523

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“SEC”) for its Complaint against Defendants RRBB Asset Management, LLC (“RRBB”) (whose principal office and place of business is located at 111 Dunnell Road, Suite 100, Maplewood, New Jersey, 07040) and Carl S. Schwartz (who resides at 26 Deauville Drive, Parsippany, New Jersey, 07054), alleges:

**SUMMARY**

1. From at least August 2016 through April 2017, RRBB, and its president,

chief compliance officer and co-owner, Schwartz, engaged in a fraudulent trade allocation or “cherry-picking” scheme in breach of their fiduciary duties to their advisory clients.

2. Schwartz – who was the only person at RRBB with the authority to determine trades and allocations – disproportionately allocated profitable trades to accounts held by a new client, a high net-worth couple, who was one of RRBB’s largest and most lucrative clients in terms of assets under management, while allocating less profitable trades to RRBB’s other clients.

3. As a result, RRBB’s new client enjoyed positive first-day returns from the trades Schwartz cherry-picked for its benefit, while many of RRBB’s clients suffered negative first day returns.

4. The likelihood that this disproportionate allocation of profitable and losing trades resulted from random chance – as opposed to knowing and intentional conduct – is, at best, less than one in a million.

5. Furthermore, in favoring RRBB’s new client, Schwartz allocated many of the less favorable trades to a handful of long-term client accounts, resulting in abnormal first-day returns that were particularly low.

6. Through this scheme, RRBB and Schwartz earned substantial management fees, misled the advisory client who received the better trades into thinking RRBB and Schwartz were better at managing their money than they really were, and disadvantaged their other client accounts by failing to allocate the trades in a fair and equitable manner, consistent with their fiduciary obligations to all of their advisory clients.

7. RRBB and Schwartz also misrepresented how RRBB was trading securities for its clients. The firm’s brochures and other disclosures claimed the trades were being fairly and equitably allocated among the client accounts. In light of Schwartz’s cherry-picking scheme, that claim was false.

8. By engaging in this cherry-picking scheme, and through their

misrepresentations to their advisory clients, RRBB and Schwartz violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder; Sections 17(a)(1) and 17(a)(2) of the Securities Act of 1933 (“Securities Act”); and Sections 206(1), 206(2) and 207 of the Investment Advisers Act of 1940 (“Advisers Act”). Defendant RRBB also violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, and Schwartz aided and abetted those violations and, in the alternative, also aided and abetted RRBB’s violations of Section 206(1) and 206(2) of the Advisers Act.

9. The SEC seeks permanent injunctions, disgorgement with prejudgment interest, and civil penalties against each of the defendants.

### **JURISDICTION AND VENUE**

10. The Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Exchange Act, 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a), and Sections 209(d), 209 (e)(1) and 214 of the Advisers Act, 15 U.S.C. §§ 80b-9(d), 80b-9(3)(1) & 90b-14.

11. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged in this complaint.

12. Venue is proper in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a), and Section 214 of the Advisers Act, 15 U.S.C. § 80b-14, because certain of the transactions, acts, practices and courses of conduct constituting violations of the federal securities laws occurred within this district. In addition, venue is proper in this district because Schwartz resides in this judicial district, and RRBB has its principal place of business in this judicial district.

## DEFENDANTS

13. **RRBB Asset Management, LLC** is a New Jersey limited liability company with its principal place of business in Maplewood, New Jersey. RRBB was founded on December 1, 2010, and has been registered with the Commission as an investment adviser since August 2015.

14. **Carl S. Schwartz**, 65 years old, is a resident of Parsippany, New Jersey. He is RRBB's president, chief compliance officer, and managing member. Schwartz owns 49 percent of RRBB. The other 51 percent of RRBB is owned by an accounting and auditing firm organized as a partnership with two offices in New Jersey (the "Firm").

15. Schwartz holds a Series 65 license and previously held a Series 7 license. Schwartz is also a certified public accountant license and is a tax partner at the Firm.

## FACTS

### **A. Background**

16. Schwartz formed RRBB in 2010 and, at all relevant times, managed RRBB's day-to-day operations and made all decisions regarding trading and allocation of trades.

17. Pursuant to RRBB's Operating Agreement, Schwartz is the only manager of RRBB.

18. In 2015 RRBB's assets under management was \$96 million. According to its most recent ADV Brochure, dated February 28, 2020, RRBB's assets under management grew to \$188 million.

19. RRBB currently has approximately 260 clients and manages all accounts on a discretionary basis.

20. At all relevant times, both Schwartz and RRBB were investment advisers, as defined by Section 202(a)(1) of the Advisers Act.

21. At all relevant times, RRBB provided investment advice to clients in

exchange for advisory fees based on a percentage of assets under management.

22. Additionally, RRBB has been registered with the Commission as an investment adviser since August 2015.

23. At all relevant times, Schwartz was the only person at RRBB who provided investment advice to clients and was solely responsible for RRBB's trades and allocations.

24. Schwartz controlled RRBB as its sole officer, direct 49 percent owner, and co-managing partner of the Firm that owned the remaining 51 percent of RRBB.

25. Schwartz is also the co-managing partner of the Firm.

26. All of RRBB's profits are sent to the Firm. The Firm, in turn, allocates approximately one-third of RRBB's profits to Schwartz.

27. Accordingly, Schwartz directly benefitted from the advisory fees that RRBB received, as he receives at least one third of RRBB's profits.

28. As investment advisers, Schwartz and RRBB owed a fiduciary duty to their advisory clients to act for their clients' benefit, including an affirmative duty of utmost good faith and full disclosure of all material facts, as well as a duty to avoid misleading their advisory clients.

**B. RRBB and Schwartz Unfairly Allocated Favorable Trades to a Particular Client's Accounts to the Detriment of Their Other Clients**

29. RRBB and Schwartz breached their fiduciary duties to their advisory clients by engaging in an undisclosed cherry-picking scheme that began no later than August 12, 2016 and continued through at least April 10, 2017.

30. RRBB's trade blotter shows that Schwartz allocated a disproportionate number of favorable trades (*i.e.*, trades that had a positive first-day return) to accounts held by a new client, a high net-worth couple ("Favored Accounts") and allocated a disproportionate number of unfavorable trades (*i.e.*, trades that had a negative first-day return) to a small group of RRBB's largest clients ("Disfavored Accounts").

31. Schwartz executed his cherry-picking scheme by trading in an omnibus

account and delaying allocation of trades to a specific account until he had an opportunity to observe the security's intraday performance.

32. In general, an omnibus trading account allows an investment adviser to buy and sell securities on behalf of multiple clients simultaneously, without identifying to the broker in advance the specific accounts for which a trade is intended.

33. When the price of a stock rose on the purchase date, Schwartz disproportionately allocated the trade to the Favored Accounts.

34. In many instances in which Schwartz allocated a favorable trade to the Favored Accounts, Schwartz sold the security the same day, locking in a day-trading profit.

35. By contrast, Schwartz disproportionately allocated purchases that were not profitable on the purchase date to the Disfavored Accounts.

36. Schwartz knew, or was reckless or negligent in not knowing that he was disproportionately allocating profitable trades to the Favored Accounts and disproportionately allocating non-profitable trades to the Disfavored Accounts.

37. RRBB's trade blotter demonstrates that the likelihood that Schwartz's disproportionate allocation of profitable and losing trades resulted from random chance, as opposed to knowing and intentional conduct, is, at best, less than one in a million.

38. At a minimum, RRBB's trade blotter demonstrates that Schwartz failed to act reasonably when determining how to allocate trades.

39. On information and belief, Schwartz executed his cherry-picking scheme to benefit the Favored Accounts to induce the account holders to invest additional funds with RRBB.

40. The Favored Accounts' owners signed a Discretionary Interment Management Agreement with RRBB in July 2016, made a small investment with RRBB in August of 2016 and invested an additional \$3 million with RRBB in September 2016.

41. However, emails show that the Favored Accounts' owners were considering investing an additional \$6 million with RRBB and were paying close attention to how Schwartz was investing their assets – they even requested “twice monthly update[s]” from Schwartz.

42. For example, on August 29, 2016, Schwartz sent an email to the owners of the Favored Account which stated, in part:

“I would like to summarize the investment strategies and goals we discussed. . .  
Intended investment \$5,000,000 Aggressive investing  
3,000,000 Conservative investing  
1,000,000 Liquid cash  
Total 9,000,000.

43. As another example, on or about November 11, 2016, one of the Favored Accounts' owners asked Schwartz by email about a day trade. Schwartz replied, “Sometimes we have short term day gains to allocate at the end of the day. If you notice, the only short term day trades that have been transacted in your account were gains. We do this for our aggressive clients. Account has had a nice uptick the last couple days and is almost \$3,050,000.”

44. Thus, Schwartz knew that the owners of the Favored Accounts paid close attention to how their accounts performed and had additional funds to invest with RRBB.

### **1. The Disfavored Accounts**

45. Schwartz disproportionality allocated unfavorable trades to the Disfavored Accounts.

46. Three of the Disfavored Accounts are associated with an elderly widow, and include an account in the widow's name, an account in the name of her late-husband's estate, and an account in the name of the couple's charitable foundation.

47. Schwartz is a trustee for the charitable foundation.

48. The other three Disfavored Accounts are associated with another elderly

widow, and include an account in her name, a trust benefiting her, and a foundation.

49. From approximately August 12, 2016, through April 10, 2017, Schwartz achieved a first day positive return of 0.540% for the Favored Accounts, whereas he achieved a first day *negative* return for all other RRBB accounts (including the Disfavored Accounts) of only -0.156%.

50. The likelihood that this disproportionate allocation of profitable trades to the Favored Accounts resulted from random chance – as opposed to knowing and intentional conduct – is, at best, less than one in a million.

51. Excluding the Disfavored Accounts, for the period from approximately August 12, 2016 through April 10, 2017, Schwartz achieved a first day positive return for all other RRBB accounts (not including the Favored Accounts) of 0.214%, which was less than half the performance he achieved for the Favored Accounts.

52. Again, the likelihood that this disproportionate allocation of profitable trades to the Favored Accounts resulted from random chance – as opposed to knowing and intentional conduct – is, at best, less than one in a million.

53. With respect to the Disfavored Accounts, for the period from approximately August 12, 2016 through April 10, 2017, Schwartz achieved a first day *negative* return of -0.689%.

54. Again, the likelihood that this disproportionate first day profit between the Favored Accounts and the Disfavored Accounts resulted from random chance – as opposed to knowing and intentional conduct – is, at best, less than one in a million.

55. Before the new advisory client, the high net-worth couple, invested with RRBB in August 2016, Schwartz and RRBB had cherry picked to the detriment of the Disfavored Accounts, for the benefit of the RRBB other accounts, since at least January 1, 2015.

56. From approximately January 1, 2015 through August 11, 2016, Schwartz and RRBB disproportionately allocated unfavorable trades to the Disfavored Accounts and disproportionally allocated favorable trades to RRBB other accounts.

57. During this period, the Disfavored Accounts achieved average first day *negative* returns of -0.345% while RRBB other accounts achieved average first day positive returns of 0.381%.

58. Again, the likelihood that this disproportionate first day profit between the Disfavored Accounts and RRBB's other accounts resulted from random chance – as opposed to knowing and intentional conduct – is, at best, less than one in a million.

59. In August 2016, when the owners of the Favored Accounts invested with RRBB, RRBB and Schwartz continued to allocate unfavorable trades to the Disfavored Accounts and began disproportionately allocating favorable trades to the Favored Accounts.

## **2. Schwartz and RRBB Are Kicked Off Of Schwab's Trading Platform On Suspicion Of Cherry-Picking**

60. Schwartz generally executed and allocated trades through an online platform provided by Charles Schwab & Co., Inc. ("Schwab").

61. In 2017, Schwab terminated RRBB from its platform due to concerns about Schwartz's use of RRBB's omnibus trading account.

62. On March 17, 2017, representatives of Schwab told Schwartz in a phone call that they had concerns about the way RRBB was block trading. Specifically, a Schwab representative told Schwartz that it appeared Schwartz was allocating profitable day trades to the Favored Accounts and allocating unfavorable trades to RRBB's remaining clients (the Other Accounts and the Disfavored Accounts).

63. In a letter dated April 14, 2017, Schwab notified Schwartz that it was terminating RRBB from the Schwab platform.

### **C. RRBB's and Schwartz's Misrepresentations**

64. A Form ADV is a document filed with the SEC by investment advisers registered with the SEC. The filing consists of two parts: Part 1 contains "check-the-box" information about the firm; and Part 2 is a brochure, in narrative form, which describes key information about the firm, including the types of services the firm

provides. An investment adviser's Form ADV must be updated annually and made available to firm clients.

65. At all relevant times, RRBB was required to deliver its Form ADV, Part 2A brochure to clients at the time it entered into an advisory contract with them, and to provide clients annually with RRBB's current brochure or a summary of any material changes to its existing brochure.

66. Schwartz reviewed each Form ADV prepared by RRBB's outside compliance consultant and authorized the final versions for filing.

67. Schwartz's electronic signature on each of RRBB's Forms ADV Part 1 certified that the statements in the ADV were true and correct.

68. Each of RRBB's ADV Part 2A filed between January 2015 and April 2017 contained the same or substantially the same language as discussed below.

69. RRBB's Form ADV Part 2A dated February 4, 2015 acknowledged RRBB's fiduciary duty to its clients, including its duty to protect its clients' interests at all times. It also made the following representation about its omnibus account trading: "We will then distribute a portion of the shares to participating accounts in a fair and equitable manner."

70. As Schwartz and RRBB knew, or were reckless or negligent in not knowing, that representation was false because Schwartz's trade allocations from RRBB's omnibus account favored the Favored Accounts and disfavored RRBB's other clients, especially the Disfavored Accounts.

71. RRBB's Form ADV also stated "when we combine orders, each participating account pays an average price per share for all transactions..."

72. As Schwartz and RRBB knew, or were reckless or negligent in not knowing, that statement was false because when Schwartz placed multiple orders in RRBB's omnibus account for the same security on the same day, he did not always aggregate all of those transactions and allocate them at an average price.

73. Instead, from approximately August 12, 2016 through April 10, 2017,

Schwartz allocated the favorable trades to the Favored Accounts and the unfavorable trades to the Disfavored Accounts.

74. In addition, from at least January 2015 through August 11, 2016, Schwartz allocated a disproportionate number of unfavorable trades to the Disfavored Accounts.

75. RRBB's clients would have found it important to know, in deciding whether to do business or to continue to do business with RRBB, whether Schwartz was allocating favorable trades to the Favored Accounts and unfavorable trades to the Disfavored Accounts.

**D. RRBB's Failure to Implement Its Policies and Procedures Relating to Block Trading**

76. RRBB's Compliance Policies and Procedures Manual dated April 22, 2016 states that RRBB does not engage in "block trading."

77. Schwartz reviewed and approved RRBB's Compliance Policies and Procedures Manual.

78. Schwartz was the only person responsible for implementing the RRBB's policies and procedures

79. As alleged above, Schwartz misused RRBB's omnibus or block account to engage in a cherry-picking scheme to benefit the Favored Accounts.

80. By placing trades in the omnibus account and then allocating those trades to multiple clients at a later time, RRBB, through Schwartz, engaged in block trading in violation of its policies and procedures.

**E. RRBB's and Schwartz's Scienter**

81. Schwartz knowingly or recklessly engaged in a fraudulent scheme to cherry-pick securities trades for the benefit of the Favored Accounts and to the detriment of the Disfavored Accounts.

82. Schwartz further acted unreasonably when carrying out his cherry-picking scheme.

83. Schwartz also knew, or was reckless or negligent in not knowing that RRBB's Forms ADV were false and misleading when they claimed that the trading of securities would be allocated fairly and equitably among client accounts.

84. Because he is RRBB's president, chief compliance officer, and managing member, Schwartz's knowledge, recklessness and negligence in carrying out the cherry-picking scheme and making false representations in RRBB's Forms ADV are imputed to RRBB.

### **FIRST CLAIM FOR RELIEF**

#### **Fraud in Connection with the Purchase or Sale of Securities**

#### **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

#### **(against Defendants RRBB and Schwartz)**

85. The SEC realleges and incorporates by reference paragraphs 1 through 84 above.

86. As alleged above, RRBB and Schwartz, with scienter, engaged in a scheme to defraud clients, made material false statements, and engaged in acts, practices or courses of business that operated as a fraud upon clients, by cherry-picking favorable trades for the Favored Accounts and allocating less favorable trades to RRBB other accounts, and especially to the Disfavored Accounts.

87. By engaging in the conduct described above, defendants RRBB and Schwartz, and each of them, directly or indirectly, in connection with the purchase or sale of a security, and by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact and omitted to state material facts in order to make the statements made, in light of the circumstances under which they were made, not misleading, and (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

88. By engaging in the conduct described above, RRBB and Schwartz

violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5 thereunder, 17 C.F.R. §§ 240.10b-5(a) & 240.10b-5(c).

**SECOND CLAIM FOR RELIEF**

**Fraud in the Offer or Sale of Securities**

**Violations of Sections 17(a)(1) and (2) of the Securities Act**

**(against Defendants RRBB and Schwartz)**

89. The SEC realleges and incorporates by reference paragraphs 1 through 84 above.

90. As alleged above, RRBB and Schwartz engaged in a scheme to defraud clients, and obtained money by means of untrue statements by cherry-picking favorable trades for the Favored Accounts and allocating less favorable trades to RRBB other accounts and especially to the Disfavored Accounts.

91. By engaging in the conduct described above, RRBB and Schwartz, and each of them, directly or indirectly, in the offer or sale of securities, and by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails directly or indirectly employed devices, schemes, or artifices to defraud, and obtained money by means of untrue statements of material fact or omissions to state a material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. .

92. RRBB and Schwartz, with scienter, employed devices, schemes and artifices to defraud, and with scienter or negligence obtained money by means of untrue statements and omissions.

93. By engaging in the conduct described above, RRBB and Schwartz violated, and unless restrained and enjoined will continue to violate, Section 17(a)(1) and (2) of the Securities Act, 15 U.S.C. §§ 77q(a)(1) & 77q(a)(2).

**THIRD CLAIM FOR RELIEF**

**Fraud by an Investment Adviser**

**Violations of Sections 206(1) and 206(2) of the Advisers Act**

**(against Defendants RRBB and Schwartz; or, in the alternative, aiding and abetting by Schwartz of RRBB's primary violations)**

94. The SEC realleges and incorporates by reference paragraphs 1 through 84 above.

95. As alleged above, RRBB and Schwartz each had an adviser-client relationship with, and therefore owed a fiduciary duty to, each of RRBB's clients. RRBB and Schwartz both breached their fiduciary duty by carrying out the cherry-picking scheme and by falsely representing in RRBB's brochures that RRBB had equitably and fairly allocated transactions among its clients.

96. At all relevant times, Schwartz acted knowingly or recklessly when carrying out this fraud, and his state of mind is imputed to RRBB, which he controlled.

97. By engaging in the conduct described above, RRBB and Schwartz, and each of them, directly or indirectly, by use of the mails or means of instrumentalities of interstate commerce: (a) employed devices, schemes or artifices to defraud clients or prospective clients, and (b) engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon clients or prospective clients.

98. By engaging in the conduct described above, RRBB and Schwartz, and each of them, violated, and unless restrained and enjoined will continue to violate, Sections 206(1) and (2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-6(2).

99. In the alternative, by engaging in the conduct described above, Schwartz knowingly or recklessly provided substantial assistance to, and thereby aided and abetted RRBB violations of Sections 206(1) and 206(2) of the Advisers Act. By engaging in such conduct, Schwartz aided and abetted, and unless restrained and enjoined, will continue to aid and abet violations of Sections 206(1) and 206(2) of the

Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-6(2), as prohibited by Section 209(f) of the Advisers Act, 15 U.S.C. § 80b-9(f).

**FOURTH CLAIM FOR RELIEF**

**Failure to Adopt and Implement Written Policies and Procedures**

**Designed to Prevent Violations of the Advisers Act**

**Violations of Sections 206(4) of the Advisers Act and Rule 206(4)-7 thereunder  
(against Defendants RRBB; aiding and abetting by Schwartz)**

100. The SEC realleges and incorporates by reference paragraphs 1 through 84 above.

101. As alleged above, RRBB failed to adopt and implement written policies and procedures reasonable designed to prevent violations of the Advisers Act, including policies and procedures concerning portfolio management process, allocation of investment opportunities, the use of omnibus or block accounts, and the prevention and detection of cherry-picking.

102. By engaging in the conduct described above, RRBB violated, and unless restrained and enjoined will continue to violate, Sections 206(4) of the Advisers Act, 15 U.S.C. §§ 80b-6(4). and Rule 206(4)-7 thereunder, 17 C.F.R. 275.206(4)-7)

103. By engaging in the conduct described above, Schwartz knowingly or recklessly provided substantial assistance to, and thereby aided and abetted RRBB violations of , Sections 206(4) of the Advisers Act, 15 U.S.C. §§ 80b-6(4). and Rule 206(4)-7 thereunder, 17 C.F.R. 275.206(4)-7) and unless restrained and enjoined, will continue to aid and abet violations of such violations, as prohibited by Section 209(f) of the Advisers Act, 15 U.S.C. § 80b-9(f).

**FIFTH CLAIM FOR RELIEF**

**False Statements in Forms ADV**

**Violations of Sections 207 of the Advisers Act**

**(against Defendants RRBB and Schwartz)**

104. The SEC realleges and incorporates by reference paragraphs 1 through

84 above.

105. As alleged above, RRBB and Schwartz willfully made untrue statements of material facts in RRBB's Forms ADV.

106. By engaging in the conduct described above, RRBB and Schwartz violated, and unless restrained and enjoined will continue to violate, Section 207 of the Advisers Act, Advisers Act, 15 U.S.C. §§ 80b-7.

### **PRAYER FOR RELIEF**

WHEREFORE, the SEC respectfully requests that the Court:

#### **I.**

Issue findings of fact and conclusions of law that Defendants committed the alleged violations.

#### **II.**

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining defendants RRBB and Schwartz, and their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act [15 U.S.C. §77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§80b-6(1) & 80b-6(2)].

#### **III.**

Order RRBB and Schwartz to jointly and severally disgorge all funds received from their illegal conduct, together with prejudgment interest thereon.

#### **IV.**

Order RRBB and Schwartz to pay civil penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

**V.**

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

**VI.**

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: September 10, 2020

Respectfully submitted,

*/s/ Donald W. Searles*

---

Donald W. Searles  
Matthew T. Montgomery  
Attorneys for Plaintiff  
Securities and Exchange Commission