

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.:

SECURITIES AND EXCHANGE COMMISSION,)
)
Plaintiff,)
)
v.)
)
MATTHEW L. WALKER,)
)
Defendant.)
_____)

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission (“Commission”) alleges:

I. INTRODUCTION

1. From no later than July 2017 through June 2018, Defendant Matthew L. Walker acted as an unregistered broker on behalf of 1 Global Capital, LLC (“1 Global” or “the Company”), a South Florida merchant cash advance company. During that time, Walker raised more than \$11 million for 1 Global from the offer and sale of securities in unregistered transactions to numerous investors in at least 140 transactions. Furthermore, one of Walker’s companies raised at least an additional \$9 million from 1 Global investors in at least 100 more transactions. For his efforts, Walker earned more than \$393,000 in transaction-based commissions.

2. 1 Global marketed its investment as a safe and secure alternative to the stock market and baselessly claimed that investing in the Company’s merchant cash advance business would achieve high single-digit or low double-digit annual returns. Like other 1 Global sales agents, Walker repeated those claims to prospective investors. He also repeated 1 Global’s false assertions that its notes were not securities despite being confronted with several red flags that should have

alerted him that 1 Global's assertions were not true and that he might be illegally selling securities in an unregistered offering.

3. Unbeknownst to Walker's clients, many of whom invested their retirement savings, 1 Global's business was a massive fraud. 1 Global and its chairman and chief executive officer Carl Ruderman were misrepresenting how they were using investor money, syphoning off millions in investor funds to fund Ruderman's luxury lifestyle and operate unrelated businesses. 1 Global's business came to a crashing halt when it filed for bankruptcy in July 2018, leaving many of Walker's customers and thousands of other investors with hundreds of millions of dollars of losses.

4. During the time he offered and sold 1 Global's securities, Walker was not registered as a broker-dealer with the Commission or associated with a registered broker-dealer. Additionally, 1 Global did not register its securities offering with the Commission, and there was no applicable exemption from registration for this offering.

5. By engaging in this conduct, Walker violated Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a) and 77e(c)], and Section 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78o(a)(1)]. The Commission seeks an injunction against Walker from future violations of these provisions and a civil money penalty.

II. DEFENDANT

6. Walker, 40, resides in Olathe, Kansas, and is the managing partner and chief compliance officer of Pinnacle Plus Wealth Management, LLC ("Pinnacle Wealth"), a Kansas limited liability company doing business as a state-registered investment adviser in Colorado, Kansas and Missouri. In approximately June 2017, Walker formed Pinnacle Plus Capital, LLC ("Pinnacle Plus") and used that entity to offer and sell 1 Global's securities. From October 2004

to February 2009, Walker was associated with various registered broker-dealers and investment advisers. Walker was discharged from one of those broker-dealers for failing to disclose outside business activities. Walker currently holds a Series 65 securities license and previously held Series 6 and 63 licenses. He also is state-licensed to sell insurance and annuity products.

III. JURISDICTION

7. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)], and Sections 21(d), 21(e) and 27(a) of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa(a)].

8. This Court has personal jurisdiction over Walker and venue is proper in the Southern District of Florida because 1 Global transacted business from its headquarters in Hallandale Beach, Florida, and Walker regularly transacted business with 1 Global by email, telephone, and mail from June 2017 through June 2018. These transactions included the sale of securities in unregistered offerings while not being registered as or associated with a broker-dealer, the acts that constituted the violations alleged in this Complaint. Furthermore, Walker visited 1 Global's offices in Hallandale Beach on at least two occasions – June 2017 and January 2018 – to meet with Company officers and discuss 1 Global's business.

9. In connection with the conduct alleged in this Complaint, Walker, directly and indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation or communication in interstate commerce, and of the mails.

IV. FACTUAL ALLEGATIONS

A. The 1 Global Offering

10. From 2014 until July 27, 2018, 1 Global and Ruderman fraudulently raised at least

\$320 million from the sale of securities in unregistered offerings to more than 3,600 investors nationwide. 1 Global was in the business of funding merchant cash advances (“MCAs”) - short-term loans to small and medium-sized businesses. According to its marketing materials and website, 1 Global provided these businesses with an alternative source of funding to traditional bank loans and other financing methods. 1 Global funded its MCA business and operations almost entirely with money from investors, whom the Company referred to alternately as “Lenders” or “Syndicate Partners.”

11. For the vast majority of the four-plus years 1 Global offered and sold its investment, it used instruments entitled either a Syndication Partner Agreement (“SPA”) or a Memorandum of Indebtedness (“MOI”) as the note or contract between the Company and investors. The SPAs termed the investors partners, while the MOIs called investors lenders. The only use of investor funds 1 Global specifically identified in both documents as well as in its marketing materials was for MCAs. After 1 Global received investor funds, it pooled and commingled them together in non-segregated 1 Global bank accounts.

12. The SPAs and MOIs had terms of either nine months or one year. While the MOI stated that it was a nine-month note, for most of the time 1 Global raised money from investors the MOI also stated the note would automatically roll over into a new nine-month term unless the investor expressly informed the Company in writing at least 30 days before the end of the nine months that he or she did not want the note to roll over.

13. 1 Global represented to investors in marketing materials it gave its sales agents to distribute - including Walker - that it collected an average of \$1.30 to \$1.40 on each dollar it advanced in an MCA. This was the means by which 1 Global and investors both purportedly made a profit.

14. Although 1 Global sent investors monthly account statements purporting to show each investor's account credited with interest payments, investors did not receive those payments right away. 1 Global only paid that interest when investors cashed out. Thus, the majority of investors, who allowed their investments to roll after nine months, never received interest payments and lost their principal. This practice allowed 1 Global and Ruderman to misappropriate investor funds.

15. The profitability of the 1 Global investment was derived solely from the efforts of 1 Global. Investors had no control over how Ruderman and 1 Global used their money. Investors could not and did not manage their MCA loan portfolios; it was solely up to 1 Global whether and when to use an investor's money to fund MCAs and which MCAs to fund. The success of the investment and whether an investor earned profits was solely dependent on 1 Global's decisions on MCA funding and other uses of money, as well as repayment and collection efforts.

B. 1 Global and Ruderman's Misrepresentations

16. 1 Global and Ruderman's false representations to investors in marketing materials and on monthly account statements included: (A) that 1 Global would use their money to fund MCAs; (B) the monthly statements accurately disclosed the existing value of the investment; and (C) that the Company's supposed independent audit firm agreed with 1 Global's method of calculating investors' returns.

17. In reality, 1 Global and Ruderman used a substantial amount of investors' funds for purposes other than making MCAs, including on operations and non-MCA business transactions. In addition, Ruderman misappropriated at least \$32 million in investor funds to enrich himself as well as several companies in which he or his family members had a direct interest. This included money to help fund a family vacation to Greece, monthly payments for a Mercedes Benz, monthly

American Express credit card payments, payments for Ruderman's household staff, \$4 million to his family trust, and \$1 million to one of his sons to invest in cryptocurrency.

18. Furthermore, with Ruderman's knowledge, 1 Global provided every investor with a monthly account statement that falsely showed the investor's portfolio value. The statements reflected the investor's fractional interest in a number of MCAs, and a monetary figure alternatively called "cash not yet deployed," "cash to be deployed," or "cash for future receivables." Regardless of the terminology used, the figure represented the amount of the investment that 1 Global had not yet put into MCAs and was purportedly sitting in 1 Global's bank accounts available for MCA funding.

19. However, starting no later than October 2017, the monthly account statements were false because, due in large part to Ruderman's misappropriation, they overstated by \$23 million to \$50 million the amount of cash available for investors in 1 Global's bank accounts. Because that amount was false, the total value of each investor's portfolio, the increase in the valuation since the original investment, and the rate of return each account statement showed, were all overstated.

20. Finally, each investor's monthly account statement falsely claimed, "Our independent audit firm, Daszkal Bolton L.L.P., has endorsed and agrees with the rate of return formula." However, Daszkal Bolton never audited 1 Global's financial statements, and never endorsed or agreed with 1 Global's rate of return formula.

**C. Walker Acted as an Unregistered Broker-Dealer and Offered and Sold
1 Global Notes in Unregistered Securities Transactions**

21. 1 Global recruited a network of dozens of external, mostly unregistered, sales agents, including Walker. Walker learned of the 1 Global investment in late 2016 or early 2017 from a good friend in the investment advisory business who had started selling the 1 Global investment around the same time. Based on information from that sales agent and the agent's

enthusiastic endorsement of the investment, Walker began communicating with 1 Global officers and attorneys in the spring of 2017, and visited 1 Global in June 2017 to meet with Ruderman and others and learn more about the Company's business.

22. During the communications and at the meeting, Walker heard from 1 Global's outside counsel that the counsel believed 1 Global's notes were not securities because they were only nine-month notes and because the investors were purportedly loaning money to 1 Global for a commercial purpose, rather than a return on their investment.

23. In addition, 1 Global provided copies of its sales and marketing materials to Walker, which included a sales brochure and a list of Frequently Asked Questions among other things. The marketing materials touted 1 Global's alleged consistently high returns for investors, showing 16 percent annual returns in 2015 and 15 percent in 2016. The Frequently Asked Questions claimed 1 Global investors had *averaged* "high single digit" and "low double digit" annual returns. The marketing materials also claimed the South Florida accounting firm of Daszkal Bolton had: (1) audited 1 Global's financial statements annually; (2) verified investor account balances and performance quarterly; and (3) approved the Company's rate of return formula.

24. The combination of the marketing materials, his friend's endorsement, and the attorney's statements about 1 Global's notes persuaded Walker to begin offering the 1 Global investment. He signed a sales agreement with 1 Global in June 2017 and several of the agents who worked for Pinnacle Wealth followed suit over the next few months. Under the agreements, Walker received a three percent commission on all sales and renewals, as well as an additional percentage of the sales his agents made.

25. 1 Global regularly provided updated sales materials to Walker for use in marketing the investment. Walker and the other sales agents used the materials in soliciting clients to invest,

attaching them to emails and using the information when they spoke to prospective investors. As with the original materials, the updated materials touted 1 Global's alleged consistently high returns for investors. Both the Company and sales agents stressed that 1 Global offered better returns than fixed instruments such as annuities, and was a safe, short-term alternative to more risky stock market investments. During the time he sold 1 Global notes in unregistered securities offerings, Walker was neither a registered broker-dealer nor associated with a registered broker-dealer.

26. From July 2017 through June 2018, Walker earned \$393,306 in commissions from 1 Global sales, while his companies earned an additional almost \$300,000. Most of the 140-plus investors who purchased 1 Global notes from Walker were in the Kansas City, Missouri area.

D. Walker Ignored Numerous Red Flags

27. Walker continued offering and selling 1 Global notes through June 2018 despite being confronted with numerous red flags that the 1 Global investments were not what he had been told and that 1 Global officers had not been honest with him.

28. For example, 1 Global's outside counsel told Walker that 1 Global's notes were not securities because they were nine-month notes and involved loans to 1 Global for a commercial purpose – funding MCAs. However, the MOI, the instrument 1 Global used during the time Walker sold 1 Global's securities and which Walker reviewed, was inconsistent with those representations.

29. The MOI clearly stated that 1 Global had complete discretion over what it did with investor funds. While MCAs were the only specific activity mentioned in the MOI, and 1 Global promoted itself as an MCA business, the MOI made it clear that investors were not providing loans directly to merchants, but instead giving money to 1 Global to invest. In addition, Walker knew

his clients were not investing to make commercial loans, but rather to earn high returns on their investment – another hallmark of a security. Furthermore, the MOIs contained an automatic rollover provision that resulted in the investment lasting for longer than nine months. However, Walker never asked 1 Global’s attorney or anyone else at the Company about these inconsistencies.

30. The MOIs also had several other statements that conflicted with 1 Global’s representations about its product. They listed a minimum investment requirement of \$25,000, and contained paragraphs confirming that investors were appropriately sophisticated and had done their own due diligence on 1 Global.

31. Walker knew that the Company sometimes waived the \$25,000 requirement and did not enforce any suitability requirements. He further knew that it was impossible for investors to do their own due diligence on 1 Global because the only way investors could get information on a private company such as 1 Global was from the Company itself. Yet he never discussed these inconsistent statements with anyone at 1 Global or his clients.

32. Walker and his companies did seek the opinion of a compliance firm called RIA in a Box as to whether the notes were securities, but all that firm did was review 1 Global’s sales and marketing materials and have one telephone conversation with 1 Global’s marketing director before concluding it was “comfortable with the process.” RIA In A Box never conducted any independent investigation, which Walker knew.

33. In approximately March of 2018, Walker retained a new compliance firm, which almost immediately raised questions about whether 1 Global’s notes were securities. When Walker sought a written opinion from 1 Global’s outside counsel in March and again in April 2018, the attorney refused to provide it, saying he could not prove that 1 Global was not offering a security. Yet despite this glaring red flag, Walker and his companies continued to offer and sell

the 1 Global investment to new and existing investors for three months. During that time more than 40 investors put new money into the Company or renewed their original investment.

34. Walker's willful blindness continued in April and May 2018 when securities regulators in Utah and Kansas raised similar questions about 1 Global's notes. Walker still could not get a written opinion from a 1 Global attorney, but continue to sign up new investors and oversee existing investors' renewals through at least June 2018.

35. In addition, Walker never checked 1 Global's repeated claims both in its marketing materials and in conversations that it had audited financial statements and that the Company's independent auditor had both approved its rate of return formula and verified investor account balances on a quarterly basis. Had he contacted Daszkal Bolton at any time from June 2017 until July 2018, he would have immediately learned that none of those statements were true.

36. Walker failed to conduct even the most basic inquiry about Daszkal Bolton despite mounting evidence that 1 Global was not being honest about the accounting firm's role. For example, after seeing in early versions of 1 Global's marketing materials that 1 Global had audited financial statements, Walker asked to see them at the first June 2017 meeting at the Company. At that time he was told the accounting firm was in the process of preparing them. Walker never questioned why 1 Global's marketing materials said something different.

37. Walker went to his second meeting at the Company in January 2018 with the express purpose of getting copies of 1 Global's audited financial statements. At that time, months after the Company had claimed in written materials it had audited financials, 1 Global now told Walker it had hired an accountant to get its books in order so that it could obtain audited statements. Walker again never questioned the disparity, never asked to see any evidence that Daszkal Bolton had approved the rate of return formula or verified investors' quarterly portfolio balances, and

never contacted Daszkal Bolton. Yet he did continue to offer and sell 1 Global notes to dozens of investors and oversee the renewal of many more.

38. Walker continued to ignore warning signs the following month when Colorado securities regulators asked to see 1 Global financial statements. He blindly accepted the Company's continued representations that it was in the process of getting audited financial statements – representations that were blatantly false – all the while peddling 1 Global's unregistered securities to unsuspecting investors.

CLAIMS FOR RELIEF

COUNT I

Violations of Sections 5(a) and 5(c) of the Securities Act

39. The Commission repeats and realleges Paragraphs 1 through 38 of this Complaint as if fully set forth herein.

40. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the securities Walker offered and sold as described in this Complaint and no exemption from registration existed with respect to these securities.

41. From no later than July 2017 and continuing through June 2018, Walker directly and indirectly:

- (a) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;
- (b) carried or caused to be carried securities through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; or
- (c) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security;

without a registration statement having been filed or being in effect with the Commission as to such securities.

42. By reason of the foregoing, Walker violated, and unless enjoined is reasonably likely to continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

COUNT II

Violations of Section 15(a)(1) of the Exchange Act

43. The Commission repeats and realleges Paragraphs 1 through 38 of this Complaint as if fully set forth herein.

44. From no later than July 2017 and continuing through June 2018, Walker, directly or indirectly, by the use of the mails or any means or instrumentality of interstate commerce effected transactions in, or induced or attempted to induce the purchase or sale of securities, while he was not registered with the Commission as a broker or dealer or not associated with an entity registered with the Commission as a broker-dealer.

45. By reason of the foregoing, Walker violated, and unless enjoined is reasonably likely to continue to violate, Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests the Court find Walker committed the violations alleged, and:

A.

Permanent Injunctive Relief

Issue a permanent injunction enjoining Walker from violating Sections 5(a) and 5(c) of the Securities Act and Section 15(a)(1) of the Exchange Act.

B.

Civil Money Penalty

Issue an Order directing Walker to pay a civil money penalty pursuant to Section 20(d) of the Securities Act and Section 21(d) of the Exchange Act.

C.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

D.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

December 14, 2020

Respectfully submitted,

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