

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 81443 / August 21, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-16649

In the Matter of

**Ironridge Global Partners, LLC,
and Ironridge Global IV, Ltd.**

Respondents.

**ORDER MAKING FINDINGS
AND IMPOSING REMEDIAL
SANCTIONS AND IMPOSING A
CEASE-AND-DESIST ORDER
PURSUANT TO SECTION 21C
OF THE SECURITIES
EXCHANGE ACT OF 1934**

I.

On June 23, 2015, the Securities and Exchange Commission (“Commission”) instituted administrative and cease and desist proceedings pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Ironridge Global Partners, LLC (“Ironridge”) and Ironridge Global IV, Ltd. (“Global IV”) (collectively referred to as “Respondents”).

II.

Respondents have each submitted an Offer of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and Cease-and-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ respective Offers, the Commission finds that:

Summary

1. This matter involves violations of the broker-dealer registration provisions by Ironridge Global IV, Ltd. (“Global IV”), a British Virgin Islands business company, and its former parent company, Ironridge Global Partners, LLC (“Ironridge”), a Delaware limited liability company. From April 2011 through March 2014 (the “relevant period”), Ironridge violated Sections 15(a) and 20(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and Global IV violated Section 15(a) of the Exchange Act through Global IV’s operation as an unregistered dealer in securities by engaging in serial underwriting activity, providing related investment advice, and receiving and selling billions of shares in connection with self-described financing services for domestic microcap stock companies (“microcap issuers”) explicitly designed to utilize the registration exemption contained in Section 3(a)(10) of the Securities Act of 1933 (“Securities Act”). In relevant part, Section 3(a)(10) of the Securities Act exempts from registration securities issued in court-approved exchanges for “bona fide outstanding claims.” As part of its business model, Ironridge designed and openly promoted a “liabilities for equity” or “LIFE” financing program, through which Ironridge arranged to have Global IV purchase outstanding claims from microcap issuers’ creditors and then settle those claims through Section 3(a)(10) exchanges. Under the resulting settlements, Global IV received steeply discounted shares, which Global IV subsequently sold at the direction of Ironridge’s principals. Between April 2011 and March 26, 2014, at the direction of Ironridge, Global IV engaged in 33 separate Section 3(a)(10) exchanges with 28 microcap issuers. During this period, Global IV received and sold approximately 5.5 billion shares of the issuers’ common stock, thereby realizing proceeds of approximately \$56 million and net profits of approximately \$22 million.

Respondents

2. During the relevant period, Ironridge Global Partners, LLC (“Ironridge”) was a Delaware limited liability company. Ironridge had four members and directors (“Ironridge principals” or “Ironridge’s principals”), all of whom were United States citizens residing in the United States. Until January 2015, Ironridge was the sole shareholder in Ironridge Global IV, Ltd. Ironridge has never been registered with the Commission in any capacity.

3. Ironridge Global IV, Ltd. (“Global IV”) was a British Virgin Islands business company. Global IV was a wholly owned subsidiary of Ironridge prior to January 2015, and has never been registered with the Commission in any capacity.

4. Prior to November 30, 2012, three of the five directors of Global IV were Ironridge principals.

5. Although the three Ironridge principals resigned as Global IV directors in November 2012, under Global IV’s “Amended & Restated Articles of Association,” Ironridge, as the former sole shareholder of Global IV, had the power to remove the directors of Global IV with or without cause, and without notice.

6. On behalf of Ironridge, Ironridge's principals thus exercised control of Global IV.

7. In relevant part, Section 3(a)(10) of the Securities Act provides an exemption from registration for securities issued in exchange for bona fide outstanding claims approved by any court or other authorized body after a fairness hearing is conducted.

8. Ironridge marketed itself as a source of innovative financing solutions for microcap issuers.

9. In particular, one of Ironridge's principals designed a finance model whereby Global IV would purchase outstanding claims against microcap issuers and then settle those claims through Section 3(a)(10) exchanges.

10. Ironridge named this finance model the "Liability for Equity (LIFE) program," (the "LIFE program") and touted it as an "innovative financing structure" on its website and in certain business and finance publications.

11. From approximately April 2011 through March 2014 ("the relevant period"), Ironridge identified and contacted certain microcap issuers as potential candidates for financing through Section 3(a)(10) exchanges for Global IV.

12. In some instances, with Ironridge's authorization, Global IV paid registered broker-dealers and/or other persons commissions for related referral services.

13. Ironridge's principals advised the microcap issuers as to the structure and purported benefits of the contemplated Section 3(a)(10) exchanges for Global IV.

14. Ironridge negotiated the terms of the transactions with the microcap issuers and drafted the term sheets executed by the microcap issuers for Global IV.

15. Additionally, certain of Ironridge's principals advised and assisted microcap issuers in identifying various creditor claims, such as inventory suppliers and law firm bills, for a possible purchase by Global IV.

16. After identifying creditor claims to be included in a contemplated Section 3(a)(10) exchange, and with the consent of the microcap issuers, certain of Ironridge's principals then negotiated directly with the creditors for the purchase of the claims by Global IV.

17. Global IV purchased the claims of certain creditors of microcap issuers participating in its LIFE program through a Receivable Purchase Agreement ("RPA") executed separately with each such creditor.

18. Pursuant to the terms of the RPA, Global IV typically agreed to pay each creditor for the entire amount of the debt owed by the microcap issuer, typically on a payment schedule that called for several monthly payments in exchange for an immediate assignment of the rights, title, and interest in the underlying claim.

19. Certain of Ironridge's principals contacted the issuer's creditors, directly negotiated the terms of the associated RPAs for Global IV with these creditors, and directed Global IV to execute the RPAs.

20. During the relevant period, after Global IV was assigned claims against a particular microcap issuer, it filed suit (styled as a collection action for breach of contract) against the microcap issuer in California state court.

21. Through related "fairness hearings," the court approved the terms of related settlement agreements through which Global IV would be issued unrestricted stock in exchange for extinguishing its claims against the microcap stock companies participating in the LIFE program.

22. The court-approved settlement agreements provided Global IV with an initial issuance of shares subject to adjustment based on the operation of a price protection formula.

23. Pursuant to the price protection formulas contained in the settlement agreements, Global IV was entitled to receive additional shares at a discount if the microcap issuers' share prices declined during specified periods following court approval of the exchanges.

24. During the relevant period, Global IV engaged in 33 separate Section 3(a)(10) exchanges with 28 microcap issuers. In connection with underlying claims totaling approximately \$35 million, Global IV sold approximately 5.5 billion shares of the issuers' stock for total proceeds of approximately \$56 million, thereby realizing a profit of approximately \$22 million.

25. As a result of Global IV's Section 3(a)(10) transactions during the relevant period, the public float of shares for many of the issuers increased significantly. For 14 of the issuers, the Section 3(a)(10) transactions increased the shares outstanding by 25% or more. For nine of these issuers, the transactions increased the shares outstanding by at least 50%.

26. On average, Global IV began selling the initial shares that it received from the 33 Section 3(a)(10) exchanges at issue within four trading days of the shares being cleared for trading.

27. Global IV continued to sell the microcap issuers' shares through the applicable "calculation period," which refers to the time it took for the aggregate volume of

trading in the issuer's shares to reach a predetermined level, during which the lowest levels at which the shares traded would be used in a formula to determine the total amount of shares that the issuers owed Global IV.

28. Global IV's sales frequently represented a significant percentage of the total daily trading volume for the issuer's shares.

29. In six of the 33 Section 3(a)(10) transactions at issue, Global IV's sale of shares on certain days represented 100% of the total daily trading volume for that security.

30. For 15 of the 33 Section 3(a)(10) transactions at issue, Global IV's sales represented 90% or more of the total daily trading volume for that security on certain days.

31. Global IV deposited the stock issued through the Section 3(a)(10) exchanges in various domestic and foreign brokerage accounts held by Global IV.

32. Certain of Ironridge's principals had trading authority over Global IV's brokerage accounts and thus controlled or directed the deposit of stock into those accounts.

33. Thereafter, Global IV sold stock obtained through Section 3(a)(10) exchanges in the open market.

34. Certain of Ironridge's principals had trading authority over Global IV's brokerage accounts and thus controlled or directed Global IV's sale of shares from those accounts.

35. Global IV's sale of the shares that it received from the microcap issuers through Section 3(a)(10) exchanges typically contributed to decreasing the share price and increasing the number of shares that Global IV received under the applicable price protection formulas, although there could be multiple factors affecting the issuers' share price.

36. At times, Ironridge directed microcap issuers participating in the LIFE program to issue additional shares to Global IV pursuant to the price protection formulas contained in their respective settlement agreements.

37. Certain of Ironridge's principals sent the requests for additional shares directly to the issuers or to the issuers' transfer agents.

38. In sending the requests referred to in Paragraph 35, above, the Ironridge principals controlled or directed the issuer's issuance of new shares to Global IV.

39. Global IV deposited the proceeds from the sale of these shares into brokerage accounts and/or bank accounts held in the name of Global IV. Using funds in these accounts, Global IV then made payments to the creditors whose claims were purchased by Global IV and settled through the Section 3(a)(10) exchanges.

40. Because certain of Ironridge's principals had trading authority and/or control over the Global IV brokerage and/or bank accounts, those principals controlled or directed transfers from these accounts to the creditors.

Violations

41. Section 15(a) of the Exchange Act prohibits a broker or dealer to effect transactions in any security without registering with the Commission.

42. Section 20(b) of the Exchange Act makes it unlawful for any person, directly or indirectly, to do any act or thing which it would be unlawful for such person to do under the Exchange Act or any rule or regulation thereunder through or by means of any other person.

43. As a result of the conduct described above, Global IV violated Section 15(a) of the Exchange Act.

44. As a result of the conduct described above, Ironridge violated Sections 20(b) and 15(a) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in the Respondents' respective Offers.

Accordingly, it is hereby ORDERED that:

A. Respondent Global IV cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

B. Respondent Ironridge cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act, including committing or causing any such violations directly or indirectly through or by means of any other person, as prohibited by Section 20(b) of the Exchange Act.

C. Respondents shall, within 10 days of the entry of this Order, pay, jointly and severally, disgorgement of \$4,400,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, interest shall accrue pursuant to SEC Rule of Practice 600.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Ironridge and Global IV as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to M. Graham Loomis, Division of Enforcement, Securities and Exchange Commission, 950 East Paces Ferry Road, N.E., Suite 900, Atlanta, Georgia 30326.

By the Commission.

Brent J. Fields
Secretary