

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA**

**CASE NO.**

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

**STEVEN A. SCHWARTZ,**

**Defendant.**

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**COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF**

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

**I. INTRODUCTION**

1. From no later than February 2014 until July 27, 2018, 1 Global Capital LLC (“1 Global” or “the Company”) fraudulently raised more than \$322 million from more than 3,600 investors nationwide in an unregistered securities offering. Defendant Steven A. Schwartz, while serving as a 1 Global director and consultant, and, according to Company marketing materials, its Chief Operating Officer, served as the trustee of a family trust that was used to misappropriate millions of dollars of investor proceeds.

2. 1 Global, a private, South Florida firm, used a network of sales agents to offer and sell unregistered securities to investors in no fewer than 42 states to fund its business of offering short-term financing to small and medium-sized businesses. The Company, through its marketing materials distributed to sales agents and the sales agents themselves, promised investors a high-return, low-risk investment in which 1 Global would use investor money to make short-term cash advances called Merchant Cash Advances (“MCAs”) to businesses that could not obtain more

traditional financing such as bank loans.

3. In reality, the Company used substantial investor funds for purposes other than the MCAs, including paying operating expenses and funding the luxury lifestyle of its founder, Chairman and CEO, Carl Ruderman.

4. Through his conduct, Schwartz aided and abetted 1 Global and Ruderman's violations of Sections 17(a)(1) and (3) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a)(1) and (3), and Section 10(b) and Rules 10b-5(a) and (c) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b) and 17 C.F.R. §240.10b-5(a) and (c). The Commission seeks injunctive relief, a civil penalty, and an officer-and-director bar against Schwartz.

## **II. DEFENDANT**

5. Schwartz, 75, is a resident of Delray Beach, Florida, and was a 1 Global director and consultant. According to Company marketing materials, he was also its Chief Operating Officer. On June 24, 2019, Schwartz was appointed director of South-Florida based public company Exactus, Inc. (OTCQB: EXDI). Schwartz was previously president and chief operating officer for two publicly held companies, Doe-Spun Company, Inc. and Andover Apparel Group, Inc. He is also Ruderman's brother-in-law.

## **III. JURISDICTION AND VENUE**

6. The 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 of the Exchange Act, 15 U.S.C. §§78u(d), 78u(e), and 78aa.

7. This Court has personal jurisdiction over Schwartz and venue is proper in the Southern District of Florida as Schwartz resides in the District and worked and committed the acts

giving rise to the conduct alleged in the Complaint in Broward County.

8. Schwartz, directly and indirectly, made use of the means and instrumentalities of interstate commerce, and the mails, in connection with the acts, practices, and courses of business set forth in this Complaint.

#### **IV. BACKGROUND**

9. According to its sales materials and website, 1 Global provided small and medium-sized businesses an alternative to borrowing money from traditional financial institutions. The investment instruments investors signed provided that 1 Global would assign them a percentage of numerous MCAs and they would earn money from sharing in the profits derived from those MCAs.

10. Although 1 Global purported to limit its offering to sophisticated or qualified investors, in reality the Company and its sales agents mass marketed the investment to the public through brochures, flyers, seminars, and meetings. 1 Global never checked to ensure that any of its investors were sophisticated, and although the Company had a stated \$25,000 minimum investment, the Company sometimes waived that requirement and put no restrictions on who sales agents could offer the investment to.

11. 1 Global's marketing materials touted the investment as a safe and less risky alternative to traditional stock market investments, and routinely promised investors annual returns in the high single to low double digits.

12. The Company and Ruderman made numerous material misrepresentations and omissions to investors, including how 1 Global would use investor funds, the fees it would charge investors, sending investors monthly account statements that overstated the value of their accounts and their rates of returns, and the role of the outside accounting firm. In addition, Ruderman

misappropriated at least \$32 million to pay for his lavish personal expenses and to send to unrelated businesses in which he or his relatives had a beneficial interest.

13. As a result of the Company and Ruderman's misuse and misappropriation of funds, 1 Global ran short of cash and filed for bankruptcy on July 27, 2018. The Company subsequently ceased operations.

#### **V. SCHWARTZ'S CONDUCT**

14. While employed with 1 Global, Schwartz knew investors received misleading financial information from the Company and its sales agents about 1 Global's performance. Among other things, he knew 1 Global did not enter into enough MCAs to produce the returns the Company was promising investors. He also knew merchants who received MCAs were not repaying them at the rates required under the MCA agreements, which also meant 1 Global could not be generating the returns on investments the Company was disclosing to investors.

15. Schwartz also knew 1 Global investors received misleading information from the Company about how it was using investor money. He was aware the Company was not disclosing to investors that it was using their money for purposes other than MCA agreements, including funding ongoing operating expenses, to pay millions for Ruderman's luxury lifestyle, and to fund businesses in which Ruderman and his family members had an interest that had nothing to do with 1 Global's MCA business. He also knew that without new investor funds, the Company did not have the money to repay earlier investors who withdrew their funds.

16. Even with this knowledge, Schwartz assisted Ruderman's misappropriation by serving as the trustee of two trusts. On June 2, 2014, Ruderman directed Schwartz to become the trustee of the newly formed Ruderman Family Trust. Shortly afterwards, Ruderman had Schwartz execute an agreement conveying ownership of 1 Global to the Trust. The Trust was in name

created to administer certain Ruderman assets, but in reality, with Schwartz's knowledge, became a vehicle for Ruderman to direct 1 Global funds to help pay luxury expenses for himself and his family.

17. Schwartz, as trustee of the Ruderman Family Trust, allowed Ruderman and other officers at 1 Global to transfer investor funds into the Trust, then transfer them out of the Trust to Ruderman or other entities he controlled, in order to pay Ruderman's personal expenses. Emails show Schwartz was aware of a number of these transfers.

18. Among the other entities to whom the Trust sent funds was Pay Now Direct, a Ruderman-related company that had nothing to do with 1 Global's MCA business. Ruderman used Pay Now Direct almost exclusively to pay his lavish living expenses.

19. Later, in March 2017, Schwartz assisted in the creation of a new company called Bright Smile Financing that provided consumer loans for dental procedures that had nothing to do with 1 Global's MCA business. As Bright Smile's sole member-manager for the first several months of its operation, Schwartz allowed Ruderman to begin the process of siphoning millions of dollars of 1 Global investor proceeds to the newly-formed business. Schwartz knew Ruderman was using 1 Global investor funds to finance Bright Smile.

## **COUNT I**

### **Aiding and Abetting 1 Global and Ruderman's Violations Of Section 17(a)(1) Of The Securities Act**

20. The Commission repeats and realleges Paragraphs 1 through 19 of this Complaint as if fully set forth herein.

21. From no later than 2014 through July 2018, 1 Global and Ruderman, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, knowingly or recklessly

employed devices, schemes or artifices to defraud.

22. Schwartz knowingly or recklessly provided substantial assistance to Ruderman and 1 Global in connection with their violations of Section 17(a)(1) of the Securities Act.

23. By reason of the foregoing, Schwartz aided and abetted 1 Global and Ruderman's violations of, and unless enjoined is reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

## **COUNT II**

### **Aiding and Abetting 1 Global and Ruderman's Violations Of Section 17(a)(3) Of The Securities Act**

24. The Commission repeats and realleges Paragraphs 1 through 19 of this Complaint as if fully set forth herein.

25. From no later than 2014 through July 2018, 1 Global and Ruderman, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, negligently engaged in transactions, practices, or courses of business which operated or would have operated as a fraud or deceit upon the purchasers.

26. Schwartz knowingly or recklessly provided substantial assistance to 1 Global and Ruderman in connection with their violations of Section 17(a)(3) of the Securities Act.

27. By reason of the foregoing, Schwartz aided and abetted 1 Global and Ruderman's violations of, and unless enjoined is reasonably likely to continue to violate, Section 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3).

**COUNT III**

**Aiding and Abetting 1 Global and Ruderman's Violations Of Section 10(b)  
And Rule 10b-5(a) Of The Exchange Act**

28. The Commission repeats and realleges Paragraphs 1 through 19 of this Complaint as if fully set forth herein.

29. From no later than 2014 through July 2018, 1 Global and Ruderman, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly or recklessly employed devices, schemes, or artifices to defraud in connection with the purchase or sale of securities.

30. Schwartz knowingly or recklessly provided substantial assistance to 1 Global and Ruderman in connection with their violations of Section 10(b) and Rule 10b-5(a) of the Exchange Act.

31. By reason of the foregoing, Schwartz aided and abetted 1 Global and Ruderman's violations of, and unless enjoined is reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Exchange Act Rule 10b-5(a), 17 C.F.R. § 240.10b-5(a).

**COUNT IV**

**Aiding and Abetting 1 Global and Ruderman's Violations Of Section 10(b)  
And Rule 10b-5(c) Of The Exchange Act**

32. The Commission repeats and realleges Paragraphs 1 through 19 of this Complaint as if fully set forth herein.

33. From no later than 2014 through July 2018, 1 Global and Ruderman, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly or recklessly engaged in acts, practices, and courses of business which have operated, or are now operating and will operate, as a fraud upon the purchasers of securities.

34. Schwartz knowingly or recklessly provided substantial assistance to 1 Global and Ruderman in connection with their violations of Section 10(b) and Rule 10b-5(c) of the Exchange Act.

35. By reason of the foregoing, Schwartz aided and abetted 1 Global and Ruderman's violations of, and unless enjoined is reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Exchange Act Rule 10b-5(c), 17 C.F.R. § 240.10b-5(c).

## **VII. REMEDIES REQUESTED**

**WHEREFORE**, the Commission respectfully requests that the Court find the Defendant aided and abetted the violations alleged, and:

### **A. Permanent Injunctive Relief**

Issue a Permanent Injunction enjoining Schwartz from violating, directly or indirectly, Sections 17(a)(1) and (3) of the Securities Act, and Section 10(b) and Rules 10b-5(a) and (c) of the Exchange Act.

### **B. Civil Penalties**

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

### **C. Officer and Director Bar**

Issue an Order barring Schwartz from serving as an officer or director of any public company pursuant to Section 20(e) of the Securities Act and Section 21(d) of the Exchange Act and Section 305(b)(5) of the Sarbanes-Oxley Act.

Respectfully submitted,

January 6, 2020

By: Robert K. Levenson, Esq.  
Senior Trial Counsel  
Florida Bar No. 0089771  
Direct Dial: (305) 982-6341

Email: [levensonr@sec.gov](mailto:levensonr@sec.gov)

Attorney for Plaintiff

**SECURITIES AND EXCHANGE COMMISSION**

801 Brickell Avenue, Suite 1800

Miami, Florida 33131

Telephone: (305) 982-6300

Facsimile: (305) 536-4154