UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING

File No. 3-20331

In the Matter of

ROY Y. GAGAZA,

Respondent.

DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AGAINST ROY Y. GAGAZA

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I. INTRODUCTION

The Division of Enforcement, pursuant to Rule 250(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.250(b), moves for summary disposition of this matter. As set forth in this motion, the undisputed material facts demonstrate that Roy Gagaza, a state-registered investment adviser and an experienced securities professional, acted as an unregistered broker-dealer for more than a year in selling almost $11 million of the unregistered securities of 1 Global Capital, LLC ("1 Global" or "the Company"), a Florida merchant cash advance business. The material undisputed facts further show that 1 Global operated as a massive fraud while raising $320 million from more than 3,600 investors nationwide, and that its Chairman and CEO misappropriated more than $32 million.

The undisputed material facts show Gagaza ignored a series of red flags that should have alerted him that 1 Global was lying to investors and sales agents about its business operations and use of investor funds. For example, 1 Global's marketing materials, which Gagaza distributed to and discussed with investors, claimed the Company had audited financial statements and worked with an independent auditor to verify its rate of return. Yet when Gagaza asked 1 Global to see audited financial statements, 1 Global told him it was a private company and did not have to obtain audited financial statements. Gagaza never questioned this blatant contradiction and continued to offer and sell the investment, ultimately costing his clients millions of dollars.

1 Global promoted itself exclusively as a merchant cash advance company. Yet the document investors signed when they invested in 1 Global clearly stated that it was within 1 Global's sole discretion how it would use investor funds. Gagaza read the investment document and discussed it with his clients in detail. But when confronted with this obvious discrepancy between what 1 Global told him it was doing and what it said in writing, Gagaza did nothing –

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except to continue to promote and sell the investment.

These and other undisputed material facts demonstrate the Division is entitled to summary disposition, and to the relief it seeks of securities industry and penny stock bars.

II. PROCEDURAL HISTORY

The Commission filed a complaint in United States District Court against Gagaza on May 17, 2021, alleging he violated Sections 5(a) and (c) of the Securities Act of 1933 ("Securities Act") and Section 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") in connection with his offer and sale of 1 Global securities from April 2017 through June 2018. Complaint in *SEC v. Gagaza*, Case No. 21-cv-61030, Southern District of Florida, attached as Exhibit 1. Simultaneously with filing the complaint, the Commission filed Gagaza's consent to a final judgment against him that provided for a permanent injunction against violations of Securities Act Sections 5(a) and (c) and Exchange Act Section 15(a)(1), disgorgement with prejudgment interest, and a civil penalty. Consent of Defendant Roy Gagaza to Final Judgment, attached as Exhibit 2. The following day, the District Court entered a final judgment against Gagaza, which included the requested injunction. Final Judgment Against Defendant Roy Gagaza, attached as Exhibit 3.

Most relevant to this proceeding, Paragraph 11 of Gagaza's consent provided that "in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Gagaza understands that he shall not be permitted to contest the factual allegations of the Complaint in this action." Ex. 2 at Page 4, ¶11. Furthermore, the final judgment the Court entered against Gagaza incorporated his consent. Ex. 3 at Page 5, Section III.

Based on entry of the injunction in the District Court case, the Commission instituted the Order Instituting Proceedings ("OIP") in this matter on May 25, 2021 pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act").

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In summary, the OIP alleges that Gagaza acted as unregistered broker-dealer and offered and sold securities in unregistered transactions through his offer and sale of 1 Global securities.

Gagaza answered the OIP on June 14, 2021, in which he acknowledged entry of the injunction against him and did not dispute the allegations of the District Court complaint. He denied that remedial sanctions are in the public interest for a variety of reasons. The parties then held a pre-hearing conference in which they agreed on a schedule for cross summary disposition motions, which the Commission adopted in a Scheduling Order dated July 6, 2021. The Division files this motion pursuant to the deadline set forth in the Scheduling Order.

III. FACTS

A. The District Court Complaint

As noted above, Gagaza is precluded from contesting the factual allegations of the District Court complaint by virtue of his consent to the final judgment in that action. Ex. 2 at Page 4, ¶11. Therefore, the Commission can take as true the following facts against Gagaza.

1. 1 Global's Fraud

From 2014 until July 27, 2018, 1 Global and its Chairman and CEO, Carl Ruderman, fraudulently raised at least $320 million from the sale of unregistered securities 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. 1 Global funded its MCA business and operations almost entirely with money from investors. Ex. 1 at ¶10.

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 or a Memorandum of Indebtedness ("MOI") as the note or contract between the Company and investors. The MOIs called investors lenders. *Id.* at ¶11. While the MOI stated it was a nine-month note, for most of the time 1 Global

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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. *Id.* at ¶12.

1 Global represented to investors in marketing materials it gave its sales agents to distribute - including Gagaza - 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. *Id.* at ¶13. 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 until they cashed out their investment. Rather, 1 Global commingled all investor funds into its various bank accounts and sometimes reinvested the investor money into new MCAs. This practice allowed 1 Global and Ruderman to misappropriate investor funds. *Id.* at ¶14.

1 Global and Ruderman made material misrepresentations and omissions in marketing materials and on monthly account statements. They included: (A) that 1 Global would use investor 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. *Id.* at ¶16.

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. *Id.* at ¶17.

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Furthermore 1 Global and Ruderman 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 representing the amount of the investment that was purportedly sitting in 1 Global's bank accounts available for MCA funding. *Id.* at ¶18. 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, and the rate of return each account statement showed, were overstated. *Id.* at ¶19.

Finally, each investor's 1 Global 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. *Id.* at ¶20.

1 Global did not register its securities offering with the Commission, and there was no applicable exemption from registration for this offering. *Id.* at ¶4. 1 Global's business came to a crashing halt when it filed for bankruptcy in July 2018, leaving many of Gagaza's customers and thousands of other investors with massive losses. *Id.* at ¶3.

2. Gagaza's Actions

Gagaza, 55, resides in Manteca, California. He is a 100 percent owner of Journey Wealth Management Advisors, LLC ("Journey Wealth"), a California company registered during the events alleged in the complaint as an investment adviser in California and Hawaii, and with which Gagaza was affiliated as an investment adviser representative. Gagaza sold 1 Global's securities as an outside business activity to many of his Journey Wealth clients. Gagaza holds Series 6, 26,

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63, and 65 securities licenses. *Id.* at ¶6. During the time he offered and sold 1 Global's securities, Gagaza was not registered as a broker-dealer or associated with a registered broker-dealer. *Id.* at ¶4.

1 Global recruited a network of sales agents, including Gagaza. Gagaza learned of the 1 Global investment from another 1 Global sales agent whom he knew from his investment advisory business. Based on that sales agent's enthusiastic endorsement of the investment, Gagaza communicated with 1 Global officers and outside counsel in March 2017 about how to characterize and convey the features and potential risks associated with the 1 Global product, including about the supposed safety and high returns on the investment. By the end of that month he had signed an agreement to sell 1 Global's notes. *Id.* at ¶22.

From no later than April 2017 through June 2018, Gagaza served as an unregistered broker on behalf of 1 Global, raising more than $10.8 million for 1 Global from the offer and sale of its notes. Many of the investors were located in California. Gagaza earned approximately $403,000 in transaction-based commissions from those sales. *Id.* at ¶1.

1 Global provided sales materials to Gagaza and other sales agents for use in marketing the investment. Those materials included a list of Frequently Asked Questions and a description of the MCA program and the investment process. The Frequently Asked Questions claimed 1 Global investors had *averaged* "high single digit" and "low double digit" annual returns. In addition, 1 Global sent copies of monthly investor account statements to Gagaza and other sales agents to show investors. Those statements showed returns ranging from 8 to 17 percent a year. *Id.* at ¶23.

Gagaza used the materials in soliciting clients to invest, attaching them to emails and using the information when he spoke to prospective investors. He repeated the representations in them that investors in 1 Global could earn high single digit to low double digit returns a year. He also

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indicated in a written presentation that he combined with 1 Global's marketing materials that 1 Global was a "good short term option" and could give investors "peace of mind for some money in a volatile market." *Id.* at ¶¶23, 25. From no later than April 2017 through June 2018, Gagaza used the 1 Global materials to offer and sell 1 Global's securities to investors via various means, including emails, telephone calls, in-person meetings, and at least one "client education" seminar in June 2017. In addition, Gagaza created his own Power Point to use with the 1 Global sales materials, which emphasized the need for clients to consider alternative investments to traditional stocks and bonds. *Id.* at ¶26.

Outside counsel representing 1 Global told prospective sales agents, including Gagaza, that 1 Global's notes were not securities for several reasons, including that the investment was for only nine months, and that investor funds were used to make loans directly to merchants. However, the MOI, the instrument 1 Global used during the time Gagaza sold 1 Global's securities, was inconsistent with those representations. *Id.* at ¶29. The MOI stated that 1 Global had "sole discretion" over what it did with investor funds. While 1 Global promoted itself as an MCA business, the MOI stated that investors were not providing loans directly to merchants, but instead giving money to 1 Global to invest. Gagaza did not ask about these inconsistencies. *Id.* at ¶30.

The attorney who authored two letters opining that the 1 Global notes were not securities and with whom Gagaza spoke, later pled guilty to criminal securities fraud charges and admitted in his plea agreement that he knew the opinion letters were baseless when he wrote them. *Id.* at ¶32.

Furthermore, the MOIs contained an automatic rollover provision that resulted in the investment lasting for longer than nine months for investors who did not affirmatively opt out. While Gagaza discussed the automatic rollover position with 1 Global and its outside counsel, he

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did not ask whether inclusion of the automatic rollover provision in the MOI would cause the MOI to be deemed a security. *Id.* at ¶31.

In addition, Gagaza did not contact Daszkal Bolton regarding 1 Global's repeated claims that it had an independent auditor that had approved its rate of return formula. Had Gagaza contacted Daszkal Bolton, he would have learned that the firm never audited any of 1 Global's financial statements and had not approved the Company's rate of return formula. *Id.* at ¶33.

B. Evidence That Gagaza Ignored Red Flags

1. Gagaza Learns Of The 1 Global Investment

In addition to owning his own investment adviser firm, Gagaza was an experienced securities professional. CRD of Roy Gagaza as of December 5, 2019, attached as Exhibit 4. Gagaza was a registered representative associated with two broker-dealers – Sagepoint Financial from 2005 until February 2010, and WMA Securities from May 1998 until September 2001. Ex 4 at Pages 6-7 of 14. *See also* Testimony Transcript of Roy Gagaza, attached as Exhibit 5, at 38 L.5-9 and 39 L.3-15. He was also a supervisor at SunAmerica Securities in the late 1990s and a registered investment adviser representative at Gradient Securities from February 2010 until October 2015. Ex. 4 at Pages 6-7 of 14 and Ex. 5 at 39 L.3-15.

During the time Gagaza has owned and operated Journey Wealth (2012-present), he has served as the firm's chief compliance officer. Ex. 5 at 43 L. 18 to 44 L.1. In that role, Gagaza is responsible for ensuring "that the products that we were marketing were compliant and that they were registered and that they were suitable for the consumer." *Id.* at 44 L.2-6.

Gagaza learned about the 1 Global investment from Trae Wieniewitz, a colleague in the investment adviser business, in approximately March 2017. *Id.* at 41 L.13-18 and 44 L.22 to 45 L.1. Wieniewitz had previously introduced Gagaza to another so-called alternative investment,

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Woodbridge Wealth, in 2016. *Id.* at 40 L.16 to 41 L.12. Woodbridge offered promissory notes to investors backed by real estate, and Gagaza offered and sold Woodbridge securities from March 2016 through December 2017. *Id.* at 40 L.16-25. However, Woodbridge declared bankruptcy in December 2017 and subsequently was sued by the Commission for selling unregistered securities and fraud. *Id.* at 41 L.5-10; Complaint in *SEC v. Shapiro, et al.,* Case No. 17-cv-24624, Southern District of Florida (Dec. 20, 2017), attached as Exhibit 6.

Even before Woodbridge declared for bankruptcy and was sued, Gagaza had stopped selling Woodbridge because of concerns over its operations. Ex. 5 at 41 L.5-10. Yet despite that, despite fact that the same colleague who had recommended 1 Global to Gagaza had also recommended Woodbridge, and despite the fact that Woodbridge had filed for bankruptcy and been sued for fraud, Gagaza continued to offer and sell 1 Global notes to investors after December 2017. Partial List of Gagaza Customers Who Bought 1 Global Notes ("Partial Customer List"), attached as Exhibit 7, at Lines 88-94 (showing three customers who purchased or renewed 1 Global notes in five separate transactions after December 2017, one as late as June 2018).

In fact, Gagaza sold 1 Global notes to 178 of his Journey Wealth clients between April 2017 and June 2018 – at least some of whom were investment advisor clients to whom he owed a fiduciary duty as their investment adviser. Ex. 5 at 33 L.4-13.

2. Purported Audited Financial Statements

Shortly after Wieniewitz told Gagaza about 1 Global, and before Gagaza signed a marketing agreement to offer and sell 1 Global's notes to investors, Wieniewitz sent an email to Gagaza describing some of the features of the Company. Among the claims Wieniewitz made about 1 Global was that it was "Audited by 3d party CPAs." Email of March 21, 2017, attached as Exhibit 8; Ex. 5 at 53 L.10-19. Gagaza assumed without knowing or asking Wieniewitz was

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referring to a sentence on client monthly account statements that an outside accounting firm, Daszkal Bolton, verified 1 Global's rate of return formula. Ex. 5 at 53 L.23 to 55 L. 6. A week later, on March 28, 2017, despite having no idea if 1 Global had audited financial statements or what its financial condition was, Gagaza signed an agreement with 1 Global to offer and sell its notes. March 28, 2017 Marketing Agreement, attached as Exhibit 9; Ex. 5 at 68 L.8-17 and 74 L.12 to 75 L.4.

Just 2½ weeks after he started selling 1 Global, on April 14, 2017, Gagaza received an email from a 1 Global administrator attaching updated marketing materials for use in soliciting investors. Ex. 5 at 124 L.21 to 125 L.9 and 127 L.3 to 128 L.1; April 14, 2007 Email from Candace Abrams, attached as Exhibit 10; 1 Global Pitch Deck, attached as Exhibit 11. Gagaza read the updated marketing materials and used them in pitches to clients about 1 Global. Ex. 5 at 127 L.3 to 128 L.1.

The updated marketing materials clearly stated that 1 Global had audited financial statements: "External Audit. **External Independent CPA firm audits company financial statements annually.**" Ex. 11 at 14 of 22 (emphasis added). Gagaza asked 1 Global to see its financial statements after reading this statement, but was told by one of 1 Global's officers *in direct contrast* to the statement in the marketing materials that 1 Global did not, in fact, have audited financial statements because it was not a publicly traded company. Ex. 5 at 135 L.2-23. The same officer also told Gagaza he could visit 1 Global and see the Company's operations, but the Company would not provide copies of its financial statements. *Id.* at 136 L.13-22.

Despite being confronted with the fact that 1 Global had lied in writing about having audited financial statements, Gagaza, a compliance officer for a registered investment adviser, continued to offer and sell 1 Global notes to his clients *for an additional 14 months*, until June

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2018. Ex. 5 at 139 L.17 to 140 L. 4; Ex. 1 at ¶1.

Gagaza claimed he was not suspicious of this false statement because he could see his clients' on-line statements showing they were making a profit and also stating that Daszkal Bolton was verifying 1 Global's rate of return formula. Ex. 5 at 139 L.23 to 140 L.1. However, as of April 14, 2017, Gagaza had only been selling 1 Global notes for less than three weeks, so there would have been no client monthly statements to view. *See* Ex. 9, Marketing Agreement. Furthermore, despite knowing 1 Global lied about having audited financial statements, he continued to trust the Company's statements about Daszkal Bolton verifying the rate of return formula, and never checked with Daszkal Bolton to confirm what 1 Global said on the monthly account statements. Ex. 1 at ¶33; Ex. 5 at 119 L.24 to 120 L.21 and 141 L. 10 to 141 L.13. That 1 Global statement also turned out to be false. *Id.*

3. 1 Global Notes Purportedly Were Not Securities

Prior to offering and selling 1 Global's notes, Gagaza spoke with Dale Ledbetter, a lawyer providing legal and other services to 1 Global. Ledbetter told Gagaza that 1 Global's notes were not securities because (1) the notes were only nine-month notes, and (2) because 1 Global was using investor money to make merchant cash advances. Ex. 5 at 46 L.8-15 and 47 L.7-15. Those were the only reasons Ledbetter gave for the note not being a security. *Id.* at 47 L.7-15.

Documents provided by 1 Global to Gagaza called into question both of those explanations, yet Gagaza continued to trust Ledbetter's opinion and offer and sell the Company's securities. One of the documents 1 Global provided to Gagaza was the MOI, which all of his clients who invested in 1 Global signed. Ex. 5 at 143 L.12-15; MOI Dated April 13, 2017, attached as Exhibit 12. Gagaza went through "every page and paragraph of the MOI" with his clients. Ex. 5 at 144 L.6-8.

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Paragraph 6 of the MOI was what was known as the automatic renewal provision. It provided that an investor's note would automatically roll over after nine months into another nine-month note unless the investor notified 1 Global in writing that he or she was opting out at least 30 days before the expiration date. Ex. 5 at 146 L.24 to 147 L.7; Ex. 12 at Page 2 of 9, ¶6. Even though Ledbetter had told Gagaza that 1 Global's notes were not securities because they only lasted for nine months, Gagaza did not ask Ledbetter or anyone else at 1 Global if Paragraph 6 of the MOI affected the nine-month analysis. Ex. 5 at 147 L.23 to 148 L.4 and 149 L.9-21.

The MOI furthermore contained a provision casting doubt on whether 1 Global truly would use investor proceeds on MCAs. Paragraph 7, titled Covered Activities, provided that 1 Global could use investor funds on "Covered Activities" that would "be conducted by Borrower [1 Global] in Borrower's sole discretion." Ex. 12 at Page 2 of 9, ¶7. Gagaza reviewed this provision when he first received the MOI and understood it meant 1 Global could use his clients' funds for purposes other than making MCAs. Ex. 5 at 151 L.1-21 and 154 L.1-7. Yet he did not recall asking anyone about this provision, whether it meant 1 Global could essentially do what it wanted with investor funds, or whether it affected the analysis of whether 1 Global was offering and selling securities. *Id.*

4. Gagaza's Lack Of Due Diligence

Prior to agreeing to offer and sell 1 Global notes starting on March 28, 2017, Gagaza's "due diligence" on 1 Global as an experienced securities professional and compliance officer for a registered investment firm consisted of: (1) talking to two other 1 Global sales agents, Wieniewitz and Christopher Dantin; (2) talking to Ledbetter and two lower-level administrators at 1 Global; (3) reviewing 1 Global's marketing materials and a sample client account statement; (4) reviewing resumes of 1 Global's officers; and (5) doing his own internet searches on the Company, which

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netted two complaints from merchants about 1 Global's billing practices. Ex. 5 at 48 L.1-25. As noted above, he did not pursue the inconsistencies about whether 1 Global had audited financial statements, and he did not engage an attorney himself to review any of 1 Global's materials or advise him. *Id.* at 49 L.22 to 50 L.14.

Gagaza also purported to rely on the impressions of visits to 1 Global by Wieniewitz and three other sales agents – John Fisher, Matthew Walker, and Michael Pellegrino. Ex. 5 at 49 L.22 to 50 L.14. However, of those four sales agents, only Wieniewitz traveled to 1 Global before Gagaza decided to market 1 Global in March of 2017. Fisher made his trip in late April, Walker did not go until June 2017, and Pellegrino did not visit 1 Global until August 2017 – all well after Gagaza started offering and selling 1 Global notes. Testimony Transcript of John Fisher, attached as Exhibit 13, at 27 L.6-10; Deposition Transcript of Matthew Walker, attached as Exhibit 14, at 71 L.6 to 72 L.2; and Testimony Transcript of Michael Pellegrino, attached as Exhibit 15, at 141 L.6-18.

Furthermore, Gagaza failed to follow up on other due diligence opportunities. For example, 1 Global's marketing materials mentioned Uniform Commercial Code ("UCC") filings were involved in every MCA to secure the loans; a claim 1 Global personnel also made. Ex. 11 at Page 6 of 22; Ex. 5 at 63 L.13-23. However, Gagaza never asked to see a sample UCC statement. Ex. 5 at 128 L.8-21. He did ask for the names of merchants, which 1 Global had for a time put on investor monthly account statements. But then 1 Global removed merchant names from the account statements and would not divulge them to Gagaza, so he could not check UCC filings – a circumstance Gagaza did not find suspicious enough to inquire further. *Id.* at 68 L.18 to 69 L.17.

Similarly, someone from 1 Global claimed the Company only made MCAs to merchants with credit scores of 800 or better – a credit score Gagaza admitted was good and would likely

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enable a merchant to get a bank loan at lower rates. Gagaza never asked 1 Global to why merchants with a high credit score would seek an MCA instead of a bank loan. *Id.* at 64 L.20 to 65 L.15.

In 2020, Gagaza changed the name of his registered investment adviser to Journey Wealth Management to "streamline his operations" and not focus on "securities as my line of business at this time." *Id.* at 28 L.12 to 29 L.1. This was at least in part due to the Commission's investigation of him. *Id.* at 29 L.2-14. However, if this matter ends without any remedial sanctions being imposed on Gagaza, he intends to offer and sell securities again. *Id.* at 30 L.23 to 31 L.3.

IV. MEMORANDUM OF LAW

A. Summary Disposition is Appropriate

Summary disposition should be granted if there is "no genuine issue with regard to any material fact and the party making the motion is entitled to summary disposition as a matter of law." 17 C.F.R. § 201.250(b). "[S]ummary disposition is ordinarily appropriate in follow-on proceedings." *James S. Tagliaferri*, Securities Act Rel. No. 10308, at 10-11, 2017 WL 632134 (Feb. 15, 2017) (footnote omitted). *See also Omar Ali Rizvi*, Initial Dec. Rel. No. 479, 2013 WL 64626 (Jan. 7, 2013) ("Commission has repeatedly upheld use of summary disposition in cases where the respondent has been enjoined and the sole determination concerns the appropriate sanction."). To oppose summary disposition, the respondent "may not rely on bare allegations or denials but instead must present specific facts showing a genuine issue of material fact for resolution at a hearing." *Id.* at 11 (citation, quotation, and footnote omitted).

The facts admitted by Gagaza in the complaint and set forth in Section III.A above, as well as the additional facts set forth in Section III.B, demonstrate the Division is entitled to the relief it seeks under Exchange Act Section 15(b)(6)(A) and Advisors Act Section 203(f). Those sections contain near identical language. Section 15(b)(6)(A) provides in relevant part:

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> With respect to any person . . . at the time of the alleged misconduct, who was associated . . . with a broker . . . the Commission, by order, shall censure, place limitations on the activities or functions of such person, or suspend for a period not exceeding 12 months, or bar any such person from being associated with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, or from participating in an offering of penny stock, if the Commission finds, on the record after notice and opportunity for a hearing, that such censure, placing of limitations, suspension, or bar is in the public interest and that such person—
>
> * * * *
>
> (iii) is enjoined from any action, conduct, or practice specified in subparagraph (C) of such paragraph (4).

15 U.S.C. § 78o(b)(6)(A). Section 15(b)(4)(C) provides in relevant part that a person:

> is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction from acting as an investment adviser, underwriter, broker, dealer . . . or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase or sale of any security.

15 U.S.C. § 78o(b)(4)(C). The jurisdictional language of Advisers Act Section 203(f) is the same. Each of the requirements of these provisions – an injunction issued by a court of competent jurisdiction involving misconduct committed while Gagaza was acting as a broker-dealer – are satisfied here.

1. A Court Of Competent Jurisdiction Has Enjoined Gagaza

There is no dispute that a court of competent jurisdiction has enjoined Gagaza. As Exhibit 3 shows, the District Court entered an injunction against Gagaza against violations of Section 15(a)(1) of the Exchange Act – i.e., acting as an unregistered broker or dealer: "by making use of any means or instrumentalities of interstate commerce or of the mails and engaging in the business of effecting transactions in securities for the accounts of others, or inducing or effecting the purchase and sale of securities, while not registered with the Commission in accordance with the provisions of Section 15(b) of the Exchange Act, or while not associated with a broker-dealer that

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was so registered." Exhibit 3 at Pages 2-3, Section 1.B. *See also* Exhibit 3 at Page 2, Section 1.A (enjoining Gagaza from violating Sections 5(a) and (c) of the Securities Act).

2. Gagaza Was Acting As A Broker At The Time Of The Misconduct

Exchange Act Section 15(b)(6)(A) requires that Gagaza have been associated with or acting as a broker at the time of the misconduct. The broker in question need not have been a registered broker. *Tzemach David Netzer Korem*, Exch. Act Rel. No. 70044, at 12 and n.68, 2013 WL 3864511 (July 26, 2013).

Exchange Act Section 3(a)(4)(A) defines a "broker" as "any person engaged in the business of effecting transactions in securities for the account of others." 15 U.S.C. § 78c(a)(4)(A). A person engages in the business of effecting securities by "participat[ing] in purchasing and selling securities involving more than a few isolated transactions; there is no requirement that such activity be a person's principal business or the principal source of income." *Anthony Fields*, Securities Act Rel. No. 9727, at 30, 2015 WL 728005 (Feb. 20, 2015) (quotations and alterations omitted). Indications of broker activity "include holding oneself out as a broker-dealer, recruiting or soliciting potential investors, handling client funds and securities, negotiating with issuers, and receiving transaction-based compensation." *Id.*; *Tagliarferri*, Securities Act Rel. No. 10308, at 6-7, 2017 WL 632134 (respondent acted as a broker by actively finding investors, being closely involved in negotiations, and receiving transaction based compensation).

Here, the facts Gagaza has admitted through the complaint show he acted as a broker while offering and selling 1 Global securities from April 2017 through June 2018. He solicited his clients to invest in 1 Global, discussed the merits of investing in 1 Global notes, answered clients' questions about investing in 1 Global, communicated by email, telephone and in person with potential 1 Global investors, forwarded clients' questions about the investment to 1 Global,

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discussed the investment document with clients and helped them fill it out, communicated with 1 Global about clients' renewal or non-renewal of the investment, helped clients send the MOIs and their money to 1 Global, and received more than $403,000 in transaction-based compensation from 1 Global for his offer and sale of 1 Global notes. Ex. 1 at ¶¶1, 2, 6, 8, and 22-28. Thus, the second jurisdictional requirement for remedial relief, that Gagaza acted as a broker while committing his misconduct and was not registered as one, has been met.

B. Industry And Penny Stock Bars Are Appropriate Sanctions

In determining whether "industry and penny stock bars . . . are in the public interest," the Commission:

> consider[s], among other things, the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.

David R. Wulf, Exch. Act Rel. No. 77411, at 5-6, 2016 WL 1085661 (March 21, 2016); *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979).

Here, the factors lead overwhelmingly to the conclusion that industry and penny stock bars are warranted. As to the first and third factors, Gagaza's conduct was egregious and extremely reckless – displaying a high degree of scienter. Gagaza was an experienced securities professional – the owner and chief compliance officer of his own registered investment adviser firm. Yet despite having fiduciary duties to his adviser clients and the responsibility as Journey Wealth's chief compliance officer to make sure the firm's products and activities complied with the securities laws, Gagaza inexplicably ignored obvious red flags about 1 Global that should have alerted him that Company officers were not telling him the truth. Among other things:

- 1 Global stated in writing in its marketing materials that an independent accounting firm audited the Company's financial statements annually. Yet when Gagaza asked to see

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audited financial statements, he was told the exact opposite – the Company did not have audited financial statements and did not have to provide them. Despite knowing 1 Global had lied, Gagaza did nothing other than continuing to hype the investment to his unsuspecting customers.

- Despite the evidence that 1 Global had lied about having audited financial statements, Gagaza continued to accept the Company's claims that Daszkal Bolton verified investors' monthly portfolio balances and the Company's rate of return formula. A five-minute phone call to Daszkal Bolton would have revealed that 1 Global yet again was not telling the truth, but it was five minutes Gagaza chose not to use.

- The two reasons 1 Global's attorney told Gagaza that its notes were not securities were directly contradicted by the MOIs Gagaza read and discussed with every customer who bought 1 Global's notes. Again Gagaza ignored obvious evidence that 1 Global wasn't being truthful and failed to ask even a single question or consult his own attorney.

- Gagaza failed to ask to see any of the alleged UCC notes 1 Global claimed merchants signed.

As the owner and chief compliance officer of a registered investment adviser firm, Gagaza had an obligation to ensure that he and his firm were not violating the law in offering and selling 1 Global's notes. But Gagaza utterly disregarded that responsibility, failing to make even the most basic of inquiries into the product he was asking his customers to buy. This conduct was extremely reckless and extremely egregious, and it resulted in many of his customers losing extraordinary amounts of money while he took home $403,000 in commissions.

As to the second factor, Gagaza's conduct was certainly not isolated. It continued for 14 months, during which time he sold 1 Global notes to at least 178 customers – on each occasion reviewing with those customers the 1 Global written materials that contained the false or contradictory statements. On each occasion Gagaza failed to act to protect his customers' best interest. Thus the second factor weighs in favor of the Commission imposing bars on Gagaza. *See e.g., Richard P. Callipari*, Initial Dec. Rel. No. 237, 2003 WL 22250402, at *5 (Sept. 30, 2003) (a scheme lasting several weeks constituted "recurring and egregious" behavior); *Phillip J. Milligan*, Exch. Act Rel. No. 61790, 2010 WL 1143088 at *4-*5 (March 26, 2010) (characterizing scheme

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that defrauded numerous investors over several months as recurrent).

As to the fourth and fifth factors, Gagaza agreed to settle the District Court action against him, and agreed through this case and a separate settlement with 1 Global's bankruptcy trustee to pay a civil penalty and repay the commissions he earned from the sale of 1 Global notes. But that does not mean he has acknowledged that his conduct was wrongful. Gagaza did not admit or deny the allegations of the complaint in the District Court settlement. Ex. 2 at 1, ¶2. Furthermore, he continues to deny key allegations against him and maintains that his conduct was not wrongful. *See* Answer to OIP at: 1-2, Response to ¶A.1 (denying that he acted as an unregistered broker or dealer); 4, Defenses 3.a and 3.d (denying that his conduct was egregious or reckless); and 4, Defense 3.e (alleging that he engaged in good-faith due diligence and was justified in relying on Ledbetter's opinion that 1 Global's notes were not securities).

Because Gagaza has not admitted the wrongful nature of his conduct, any assurances he may give about not violating the law in the future cannot be trusted. "[T]he existence of a violation raises an inference that it will be repeated." *Korem*, Exch. Act Rel. No. 70044, at 10 n.50, 2013 WL 3864511. Gagaza's conduct demonstrates that he is a risk to violate the securities laws in the future if he is not barred from the industry.

Finally, Gagaza's occupation will present opportunities for future violations. He openly acknowledged in sworn testimony that if the Commission does not bar him from the securities industry, he intends to continue his investment adviser practice. Ex. 5 at 30 L.23 to 31 L.3. Thus all six factors weigh in favor of the Commission ordering industry and penny stock bars against Gagaza.

V. CONCLUSION

For the reasons discussed above, the Division asks the Commission to sanction Gagaza by

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issuing a penny stock bar and barring him from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or NRSRO.

Dated: August 13, 2021

Respectfully submitted,

Levenson, Robert K. Digitally signed by Levenson, Robert K. Date: 2021.08.16 09:37:31 -04'00'

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CERTIFICATE OF SERVICE

Pursuant to Rule 150 of the Commission's Rules of Practice, I hereby certify that on August 13, 2021, the foregoing document was filed using the eFAP system and that a true and correct copy of the document has been provided to the APFilings@SEC.gov mailbox and has been served via email on this 13th day of August 2021, on the following persons entitled to notice:

Via Email
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s/Robert K. Levenson
Robert K. Levenson, Esq.

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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING

File No. 3-20331

In the Matter of

ROY Y. GAGAZA,

Respondent.

INDEX OF ATTACHMENTS
TO THE DIVISION OF ENFORCEMENT'S
MOTION FOR SUMMARY DISPOSITION AGAINST ROY Y. GAGAZA

Attachment	Description
Exhibit 1	Complaint in *SEC v. Gagaza*, Case No. 21-cv-61030, (S.D. Fla.)
Exhibit 2	Filed Consent of Roy Gagaza to Final Judgment, *SEC v. Gagaza*
Exhibit 3	Final judgment against Roy Gagaza, *SEC v. Gagaza*
Exhibit 4	CRD of Roy Gagaza as of December 5, 2019
Exhibit 5	Testimony Transcript of Roy Gagaza
Exhibit 6	Complaint in *SEC v. Shapiro, et al.,* Case No. 17-cv-24624 (S.D. Fla.)
Exhibit 7	Partial List of Gagaza Customers Who Bought 1 Global Notes
Exhibit 8	Email of March 21, 2017
Exhibit 9	March 28, 2017 Marketing Agreement
Exhibit 10	April 14, 2007 Email from Candace Abrams
Exhibit 11	1 Global Pitch Deck
Exhibit 12	MOI Dated April 13, 2017
Exhibit 13	Testimony Transcript of John Fisher
Exhibit 14	Deposition Transcript of Matthew Walker
Exhibit 15	Testimony Transcript of Michael Pellegrino
Exhibit 16	Declaration of Gary Miller

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EXHIBIT 1

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.:

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ROY GAGAZA,

Defendant.
_____/

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission ("Commission") alleges:

I. INTRODUCTION

1. From no later than April 2017 through June 2018, Defendant Roy Gagaza served 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, Gagaza raised more than $10.8 million for 1 Global from the offer and sale of securities in unregistered transactions to numerous investors in at least 83 transactions. Many of the investors were located in California. Gagaza earned approximately $403,000 in transaction-based commissions from those sales.

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, Gagaza repeated the representations that investors in 1 Global could earn high single digit to low double digit returns and indicated that 1 Global was a "good short term option" and could give them "peace of mind for some money in a volatile market."

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3. Unbeknownst to Gagaza and his clients, many of whom invested their retirement savings, 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 Gagaza's customers and thousands of other investors with massive losses.

4. During the time he offered and sold 1 Global's securities, Gagaza 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, Gagaza 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 Gagaza from future violations of these provisions, as well as disgorgement of ill-gotten gains, prejudgment interest on disgorgement, and a civil money penalty.

II. DEFENDANT

6. Gagaza, 55, resides in Manteca, California. He is a 100 percent owner of Journey Wealth Management Advisors, LLC, a California company registered during the events alleged in this Complaint as an investment adviser in California and Hawaii, and with which Gagaza was affiliated as an investment adviser representative. Gagaza sold 1 Global's securities as an outside business activity to many of his Journey Wealth Management Advisors clients. Gagaza holds Series 6, 26, 63, and 65 securities licenses. Gagaza has no prior disciplinary history.

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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 Gagaza and venue is proper in the Southern District of Florida because 1 Global transacted business from its headquarters in Hallandale Beach, Florida, and Gagaza regularly transacted business with 1 Global by email, telephone, and mail from April 2017 through June 2018. These transactions included the offer and sale of unregistered securities while not being registered as or associated with a broker-dealer, the acts that constituted the violations alleged in this Complaint.

9. In connection with the conduct alleged in this Complaint, Gagaza, 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 unregistered securities 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."

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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 Gagaza - 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. 1 Global did not pay investors the increase in valuation of their portfolio the Company told them they were earning until the investors cashed out their investments. 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. Rather, 1 Global commingled all investor funds into its various bank accounts and sometimes reinvested the investor money into new MCAs. This practice allowed 1 Global and Ruderman to misappropriate investor funds.

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15. The profitability of the 1 Global investment was derived solely from the efforts of 1 Global. 1 Global commingled all investor funds and used them to fund MCAs, among other things. 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

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

21. 1 Global enlisted outside securities counsel affiliated with an independent law firm to, among other things, write false legal opinions that 1 Global's notes were not securities. One of the lawyers conveyed that opinion orally to several sales agents, including Gagaza. That same lawyer helped recruit outside sales agents such as Gagaza.

22. 1 Global recruited a network of several hundred external, mostly unregistered, sales agents, including Gagaza. Gagaza learned of the 1 Global investment from another 1 Global outside sales agent whom he knew from his investment advisory business. Based on that sales agent's enthusiastic endorsement of the investment, Gagaza communicated with 1 Global officers and outside counsel in March 2017 about how to characterize and convey the features and potential

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risks associated with the 1 Global product, including about the supposed safety and high returns on the investment. By the end of that month he had signed an agreement to sell 1 Global's notes.

23. 1 Global regularly provided sales materials to Gagaza and other sales agents for use in marketing the investment. Those materials included a list of Frequently Asked Questions, a history of the Company, and a description of both the MCA program and the investment process. Gagaza and 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.

24. The marketing materials touted 1 Global's alleged consistently high returns for investors. The Frequently Asked Questions claimed 1 Global investors had *averaged* "high single digit" and "low double digit" annual returns. In addition, 1 Global sent copies of monthly investor account statements to Gagaza and other sales agents to show investors. Those account statements showed returns ranging from 8 to 17 percent a year.

25. Gagaza provided the 1 Global marketing materials to his clients, and repeated the representations in them that investors in 1 Global could earn high single digit to low double digit returns a year. He also indicated in a written presentation that he combined with 1 Global's marketing materials that 1 Global was a "good short term option" and could give them "peace of mind for some money in a volatile market."

26. From no later than April 2017 through June 2018, Gagaza used the 1 Global materials to offer and sell 1 Global's securities to investors via various means, including emails, telephone calls, in-person meetings, and at least one "client education" seminar in June 2017. In addition, Gagaza created his own Power Point to use with the 1 Global sales materials, which emphasized the need for clients to consider alternative investments to traditional stocks and bonds.

27. The 1 Global investment proved lucrative for Gagaza. In April 2017, Gagaza

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exchanged emails with another sales agent in which they discussed how much business they were doing. The other sales agent bragged that he was selling notes at the rate of $26 million a year, and that "in a couple years [he] could sit back and collect the residual commissions."

28. Overall, 1 Global paid Gagaza more than $403,000 in transaction-based sales commissions in just 14 months, earned as a result of raising approximately $10.8 million in at least 83 transactions with investors. During the time he sold 1 Global notes in unregistered securities offerings, Gagaza was neither a registered broker-dealer nor associated with a registered broker-dealer.

29. Outside counsel representing 1 Global told prospective sales agents, including Gagaza, that 1 Global's notes were not securities for several reasons, including that the investment was for only nine months, and that investors were making loans directly to merchants. However, the MOI, the instrument 1 Global used during the time Gagaza sold 1 Global's securities, and which Gagaza and other sales agents reviewed, was inconsistent with those representations.

30. For example, the MOI stated that 1 Global had "sole 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 stated that investors were not providing loans directly to merchants, but instead giving money to 1 Global to invest. Gagaza did not ask about these inconsistencies.

31. Furthermore, the MOIs contained an automatic rollover provision that resulted in the investment lasting for longer than nine months for investors who did not affirmatively opt out. While Gagaza discussed the automatic rollover position with 1 Global and its outside counsel as he recommended to his clients to opt out, he did not ask whether inclusion of the automatic rollover provision in the MOI would cause the MOI to be deemed a security.

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32. The attorney who authored two letters opining that the 1 Global notes were not securities and with whom Gagaza spoke, later pled guilty to criminal securities fraud charges and admitted in his plea agreement that he knew the opinion letters were baseless when he wrote them.

33. In addition, Gagaza did not contact Daszkal Bolton regarding 1 Global's repeated claims that it had an independent auditor that had approved its rate of return formula. Had Gagaza contacted Daszkal Bolton, he would have learned that the firm never audited any of 1 Global's financial statements and had not approved the Company's rate of return formula.

34. 1 Global's former CFO later pled guilty to criminal securities fraud and acknowledged in his plea agreement that he made up the language in investor account statements that Daszkal Bolton had approved the rate of return formula.

CLAIMS FOR RELIEF

COUNT I

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

35. The Commission repeats and realleges Paragraphs 1 through 34 of this Complaint as if fully set forth herein.

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

37. From no later than April 2017 and continuing through June 2018, Gagaza 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;

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(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.

38. By reason of the foregoing, Gagaza 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

39. The Commission repeats and realleges Paragraphs 1 through 34 of this Complaint as if fully set forth herein.

40. From no later than April 2017 and continuing through June 2018, Gagaza, 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.

41. By reason of the foregoing, Gagaza 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)].

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RELIEF REQUESTED

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

A.

Permanent Injunctive Relief

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

B.

Disgorgement and Prejudgment Interest

Issue an Order directing Gagaza to disgorge all ill-gotten gains or proceeds received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest thereon.

C.

Civil Money Penalties

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

D.

Further Relief

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

E.

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

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to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

May 17, 2021

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EXHIBIT 2

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.

EXHIBIT
B

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ROY GAGAZA,

Defendant.
_____/

CONSENT OF DEFENDANT ROY GAGAZA TO FINAL JUDGMENT

1. Defendant Roy Gagaza waives service of the Summons and the Complaint in this action, enters a general appearance, and admits the Court's jurisdiction over him and over the subject matter of this action.

2. Without admitting or denying the allegations of the Complaint (except as provided herein in Paragraph 12 and except as to personal and subject matter jurisdiction, which he admits), Gagaza hereby consents to the entry of the Final Judgment Against Defendant Roy Gagaza ("Final Judgment") in the form attached hereto and incorporated by reference herein. The Final Judgment, among other things, permanently restrains and enjoins Gagaza from violating Section 5 of the Securities Act of 1933 ("Securities Act") and Section 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act"), and orders Gagaza to pay disgorgement of $157,993, prejudgment interest on disgorgement of $16,640, and a civil penalty of $30,000.

3. Gagaza acknowledges that the civil penalty paid pursuant to the Final Judgment may be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. Regardless of whether any such Fair Fund distribution is made, the civil penalty shall

be treated as a penalty paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Gagaza agrees that he shall not, after offset or reduction of any award of compensatory damages in any Related Investor Action based on Gagaza's payment of disgorgement in this action, argue that he is entitled to, nor shall he further benefit by, offset or reduction of such compensatory damages award by the amount of any part of Gagaza's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Gagaza agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this action. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Gagaza by or on behalf of one or more investors based on substantially the same facts as alleged in the Complaint in this action.

4. Gagaza agrees that he shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any civil penalty amounts he may be required to pay pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors. Gagaza further agrees that he shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any penalty amounts that Gagaza pays pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors.

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5. Gagaza waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

6. Gagaza waives the right, if any, to a jury trial and to appeal from the entry of the Final Judgment.

7. Gagaza enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any member, officer, employee, agent, or representative of the Commission, to him or to anyone acting on his behalf, to induce him to enter into this Consent.

8. Gagaza agrees this Consent shall be incorporated into the Final Judgment with the same force and effect as if fully set forth therein.

9. Gagaza will not oppose enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

10. Gagaza waives service of the Final Judgment and agrees that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to him of the Final Judgment's terms and conditions.

11. Consistent with 17 C.F.R. 202.5(f), this Consent resolves only the claims asserted against Gagaza in this civil proceeding. Gagaza acknowledges no promise or representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Gagaza waives any claim of Double Jeopardy based upon the settlement of this proceeding, including imposition of any remedy or civil penalty herein. Gagaza further acknowledges that the Court's entry of a permanent

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injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Gagaza understands that he shall not be permitted to contest the factual allegations of the Complaint in this action.

12. Gagaza understands and agrees to comply with the terms of 17 C.F.R. § 202.5(e), which provides in part that it is the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings," and "a refusal to admit the allegations is equivalent to a denial, unless the defendant or respondent states that he neither admits nor denies the allegations." As part of Gagaza's agreement to comply with the terms of Section 202.5(e), he: (a) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in the Complaint or creating the impression that the Complaint is without factual basis; (b) will not make or permit to be made any public statement to the effect that he does not admit the allegations of the Complaint, or that this Consent contains no admission of the allegations, without also stating he does not deny the allegations; (c) upon filing of this Consent, hereby withdraws any papers filed in this action to the extent they deny any allegation in the Complaint; and (d) stipulates solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, that the allegations in the Complaint are true, and further, any debt for disgorgement, prejudgment interest, or civil penalty or other amounts due by Gagaza

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under this Final Judgment or any other judgment, order, consent order, decree, or settlement agreement entered in connection with this proceeding, is a debt for the violation by Gagaza of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19). If Gagaza breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this paragraph affects Gagaza's: (i) testimonial obligations; or (ii) the right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

13. Gagaza agrees to waive all objections, including but not limited to, constitutional, timeliness, and procedural objections, to the administrative proceeding that will be instituted when the Final Judgment is entered.

14. Gagaza hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorneys' fees or other fees, expenses, or costs expended by Gagaza to defend against this action. For these purposes, Gagaza agrees he is not the prevailing party in this action, since the parties have reached a good faith settlement.

15. Gagaza agrees that the Commission may present the Final Judgment to the Court for signature and entry without further notice.

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16. Gagaza agrees that this Court shall retain jurisdiction over him and over this matter for the purpose of enforcing the terms of the Final Judgment.

February 19, 2021 By: Roy Gagaza

STATE OF CA)
)
COUNTY OF San Joaquin)

On this 19 day of Feb 2021, before me personally appeared Roy Gagaza, who ____ is personally known to me or X produced a driver's license bearing his name and photograph as identification, and who executed this Consent, and he acknowledged to me that he executed the same.

Notary Public

MANDEEP BHULLER
COMM. # 2253339
NOTARY PUBLIC - CALIFORNIA
SAN JOAQUIN COUNTY
COMM. EXPIRES AUG. 15, 2022

Approved as to Form:

By: David W. Porteous

David Porteous, Esq.
Faegre Drinker Biddle & Reath LLP
311 S. Wacker Drive, Suite 4300
Chicago, IL 60606
Counsel to Roy Gagaza

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EXHIBIT 3

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 21-cv-61030-RKA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ROY GAGAZA,

Defendant.
_____/

FINAL JUDGMENT AGAINST DEFENDANT ROY GAGAZA

The Plaintiff, the Securities and Exchange Commission, filed an Unopposed Motion for Final Judgment Against Defendant Roy Gagaza (the "Motion") [ECF No. 3]. By the Consent of Roy Gagaza to Final Judgment (the "Consent") [ECF No. 3-2], without admitting or denying the allegations of the Complaint (except that Gagaza admits the jurisdiction of this Court over him and over the subject matter of this action and as otherwise set forth in Section V below), Gagaza has entered a general appearance, consented to entry of this Final Judgment, waived findings of fact and conclusions of law, and waived any right to appeal from this Final Judgment. The Court finds that good cause exists for entry of the Final Judgment. Accordingly, the Commission's Motion is **GRANTED**. The Court further orders as follows:

I.

PERMANENT INJUNCTIVE RELIEF

A. Section 5 of the Securities Act of 1933 ("Securities Act")

IT IS ORDERED AND ADJUDGED that Gagaza is permanently restrained and enjoined from violating Section 5 of the Securities Act [15 U.S.C. § 77e] by, directly or indirectly, in the absence of any applicable exemption:

(a) Unless a registration statement is in effect as to a security, making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise;

(b) Unless a registration statement is in effect as to a security, carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale; or

(c) Making 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, unless a registration statement has been filed with the Commission as to such security, or while the registration statement is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. § 77h].

IT IS FURTHER ORDERED AND ADJUDGED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Judgment by personal service or otherwise: (a) Gagaza's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Gagaza or with anyone described in (a).

B. Section 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act")

IT IS FURTHER ORDERED AND ADJUDGED that Gagaza is permanently restrained and enjoined from violating, directly or indirectly, Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)] by making use of any means or instrumentality of interstate commerce or of the mails and engaging in the business of effecting transactions in securities for the accounts of others, or inducing or effecting the purchase and sale of securities, while not registered with the Commission in

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accordance with the provisions of Section 15(b) of the Exchange Act, or while not associated with a broker-dealer that was so registered.

IT IS FURTHER ORDERED AND ADJUDGED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Judgment by personal service or otherwise: (a) Gagaza's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Gagaza or with anyone described in (a).

II.

DISGORGEMENT, PREJUDGMENT INTEREST, AND CIVIL PENALTY

IT IS FURTHER ORDERED AND ADJUDGED that Gagaza shall pay a civil penalty of $30,000 to the Commission within 14 days of entry of this Final Judgment pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act. Gagaza also is liable to the Commission for disgorgement of $157,993, representing gains as a result of the conduct alleged in the Complaint, together with prejudgment interest on disgorgement of $16,640. Gagaza shall satisfy his disgorgement and prejudgment interest total of $174,633 by paying it to the Securities and Exchange Commission within 30 days after entry of this Final Judgment. Gagaza shall be entitled to an offset against the total of $174,633 for any amounts he pays to the 1 Global bankruptcy liquidating trustee in connection with the settlement approved by the Bankruptcy Court in *In Re 1 GC Collections*, Case No. 18-19121-RAM (S.D. Fla.) (ECF No. 1677), provided he provides documentation to the Commission and the Court of any such payments made.

Gagaza may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at https://pay.gov/public/form/start/39621196.

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Gagaza may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
6500 South MacArthur Boulevard
HQ Bldg. Room 265, AMK-326
Oklahoma City, OK 73169

and shall be accompanied by a letter identifying: the case title, civil action number, and name of this Court; Roy Gagaza as a defendant in this action; and specifying that payment is made pursuant to this Final Judgment.

Gagaza shall simultaneously transmit photocopies of evidence of payment and case identifying information to the Commission's counsel in this action, Robert K. Levenson, Senior Trial Counsel, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1950, Miami, FL 33131. By making any payment, Gagaza relinquishes all legal and equitable right, title, and interest in such funds and no part of the funds shall be returned to him.

The Commission may enforce the Court's judgment for disgorgement and prejudgment interest by moving for civil contempt (and/or through other collection procedures authorized by law) at any time after 30 days following entry of this Final Judgment. Gagaza shall pay post judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961. The Commission shall hold the funds, together with any interest and income earned thereon (collectively, the "Fund"), pending further order of the Court.

The Commission may propose a plan to distribute the Fund subject to the Court's approval. Such a plan may provide that the Fund shall be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. The Court shall retain jurisdiction over the administration of any distribution of the Fund. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil penalties pursuant to this Final Judgment shall be treated

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as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Gagaza shall not, after offset or reduction of any award of compensatory damages in any Related Investor Action based on his payment of disgorgement in this action, argue that he is entitled to, nor shall he further benefit by, offset or reduction of such compensatory damages award by the amount of any part of Gagaza's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Gagaza shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this Final Judgment. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Gagaza by or on behalf of one or more investors based on substantially the same facts as alleged in the Complaint in this action.

III.

INCORPORATION OF CONSENT

IT IS FURTHER ORDERED AND ADJUDGED that the Consent [ECF No. 3-2] is incorporated herein with the same force and effect as if fully set forth herein, and Gagaza shall comply with all of the undertakings and agreements set forth therein.

IV.

RETENTION OF JURISDICTION

IT IS FURTHER ORDERED AND ADJUDGED that this Court shall retain jurisdiction of this matter and over Gagaza in order to implement and carry out the terms of this Final Judgment and all Orders and Decrees that may be entered, to entertain any suitable application or motion for additional relief within the jurisdiction of this Court, and to order any other relief that this Court

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deems appropriate under the circumstances

V.

BANKRUPTCY NONDISCHARGEABILITY

IT IS FURTHER ORDERED AND ADJUDGED that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the allegations in the Complaint are true and admitted by Gagaza, and further, any debt for disgorgement, prejudgment interest, or civil penalty or other amounts due by Gagaza under this Final Judgment or any other judgment, order, consent order, decree, or settlement agreement entered in connection with this proceeding, is a debt for the violation by Gagaza of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

DONE AND ORDERED this 18th day of May 2021, at Fort Lauderdale, Florida.

ROY K. ALTMAN
UNITED STATES DISTRICT JUDGE

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EXHIBIT 4

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Notice

CRD® or IARD(TM) Information: This report contains information from the CRD (Central Registration Depository) system, or the IARD system (Investment Advisers Registration Depository), which are operated by FINRA, a national securities association registered under the Securities Exchange Act of 1934. The CRD system primarily contains information submitted on uniform broker-dealer and agent registration forms and certain other information related to registration and licensing. The IARD system primarily contains information submitted on uniform investment adviser and agent registration forms and certain other information related to registration and licensing. The information on Uniform Forms filed with the CRD or IARD is deemed to have been filed with each regulator with which the applicant seeks to be registered or licensed and shall be the joint property of the applicant and such regulators. The compilation constituting the CRD database as a whole is the property of FINRA. Neither FINRA nor a participating regulator warrants or guarantees the accuracy or the completeness of the CRD or IARD information. CRD information consists of reportable and non-reportable information.

FINRA operates the CRD system in its capacity as a registered national securities association and pursuant to an agreement with the North American Securities Administrators Association, Inc. (NASAA).

FINRA operates the IARD system as a vendor pursuant to a contract with the Securities and Exchange Commission and undertakings with NASAA and participating state regulators.

Reportable Information: Information that is required to be reported on the current version of the uniform registration forms.

Non-Reportable Information: Information that is not currently reportable on a uniform registration form. Information typically is not reportable because it is out-of-date; it was reported in error; or some change occurred either in the disposition of the underlying event after it was reported or in the question on the form that elicited the information. Although not currently reportable, this information was once reported on a uniform form and, consequently, may have become a state record. Users of this information should recognize that filers have no obligation to update non-reportable data; accordingly, it may not reflect changes that have occurred since it was reported.

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Details for Request#:	23730149
Report:	Snapshot - Individual
Requested By:	MO

Parameter Name	Value
Request by CRD# or SSN:	CRD#
Individual CRD# or SSN	[redacted]
Include Personal Information?	Yes
Include All Registrations with Employments:	Both Current and Previous Employments
Include All Registrations for Current and/or Previous Employments with:	All Regulators
Include Professional Designations?	Yes
Include Employment History?	Yes
Include Other Business?	Yes
Include Exam Information?	Yes
Include Continuing Education Information? (CRD Only)	Yes
Include Filing History? (CRD Only)	Yes
Include Current Reportable Disclosure Information?	Yes
Include Regulator Archive and Z Record Information? (CRD Only)	Yes

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information
Composite Information

Full Legal Name	GAGAZA, ROY YUZON
State of Residence	CA

Active Employments

Current Employer	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC(162412)
Firm Main Address	903 W. CENTER STREET, SUITE #7 MANTECA CA, United States 95337
Firm Mailing Address	
Business Telephone#	209-825-8888
Independent Contractor	No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
IA Main			Yes	No	05/30/2012		Located At
	Address	903 W. CENTER STREET, SUITE #7 MANTECA, CA 95337 United States					

Reportable Disclosures?	The specified individual has no disclosure that qualifies for reporting under this section (i.e., disclosure required to be reported on Form U-4 or Form U-5). Regulatory and Broker/Dealer Users: Please note that there are three types of disclosure in Web CRD: Reportable, Legacy and Archive disclosure. An individual with no reportable disclosure may or may not have Legacy or Archive disclosure. Investment Adviser Users: Please note that IARD does not include Legacy disclosure. Information reported on previous form filings through IARD is available under Filing History.
Statutory Disqualification?	BLNK
Registered With Multiple Firms?	No
Material Difference in Disclosure?	No

Personal Information

Individual CRD#	[redacted]
Other Names Known By	GAGAZA, ROY Y
Year of Birth	1965

Registrations with Current Employer(s)

From 05/30/2012 To Present JOURNEY WEALTH MANAGEMENT ADVISORS, LLC(162412)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
CA	RA	07/03/2012	APPROVED	07/03/2012
HI	RA	10/11/2012	APPROVED	10/11/2012

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information

Registrations with Previous Employer(s)

From 02/01/2010 To 10/13/2015 GRADIENT SECURITIES, LLC(127701)
Reason for Termination Voluntary
Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AZ	AG	12/31/2012	TERMED	02/01/2010
CA	AG	10/14/2015	TERMED	02/01/2010
FINRA	IP	10/14/2015	TERMED	02/01/2010
FINRA	IR	10/14/2015	TERMED	02/01/2010
HI	AG	10/14/2015	TERMED	03/10/2010
IL	AG	10/14/2015	TERMED	09/11/2014
NY	AG	12/31/2012	TERMED	02/01/2010
VA	AG	10/14/2015	TERMED	07/28/2014
WV	AG	07/28/2014	TERMED	07/28/2014

From 02/25/2010 To 06/15/2012 GRADIENT ADVISORS, LLC(152665)
Reason for Termination Voluntary
Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
CA	RA	06/15/2012	TERMED	03/01/2010
HI	RA	06/15/2012	TERMED	03/01/2010

From 10/31/2005 To 02/02/2010 SAGEPOINT FINANCIAL, INC.(133763)
Reason for Termination Voluntary
Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AZ	AG	02/04/2010	TERMED	11/20/2009
CA	AG	02/04/2010	TERMED	10/31/2005
FINRA	IP	02/04/2010	TERMED	10/31/2005
FINRA	IR	02/04/2010	TERMED	10/31/2005
HI	AG	02/04/2010	TERMED	07/25/2008
NY	AG	02/04/2010	TERMED	11/20/2009
WA	AG	02/04/2010	TERMED	10/31/2005

From 08/24/2001 To 10/31/2005 SUNAMERICA SECURITIES, INC.(20068)
Reason for Termination Voluntary
Termination Comment MASS TRANSFER = 163980

Regulator	Registration Category	Status Date	Registration Status	Approval Date
CA	AG	10/31/2005	MASS_TRNSF	08/24/2001
FINRA	IP	10/31/2005	MASS_TRNSF	09/13/2001
FINRA	IR	10/31/2005	MASS_TRNSF	08/24/2001
IL	AG	12/31/2003	TERMED	01/25/2002
NY	AG	12/31/2003	TERMED	03/04/2002
WA	AG	10/31/2005	MASS_TRNSF	08/24/2001

From 01/05/1998 To 09/06/2001 WMA SECURITIES, INC.(32625)
Reason for Termination Voluntary

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information

Registrations with Previous Employer(s)

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
CA	AG	09/18/2001	TERMED	10/21/1998
FINRA	IR	09/18/2001	TERMED	05/14/1998
WA	AG	09/18/2001	TERMED	05/14/1998

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information
Professional Designations

<<No Professional Designations found for this Individual.>>

Employment History

From	05/2012	To	Present	**Name**	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC
				Location	MANTECA, CA, United States
				Position	MANAGING MEMBER/INVESTMENT ADVISOR REPRESENTATIVE
				Investment Related	Yes
From	11/2011	To	Present	**Name**	JOURNEY CONSULTING CORP
				Location	MANTECA, CA, United States
				Position	PRESIDENT
				Investment Related	No
From	02/2010	To	Present	**Name**	JOURNEY WEALTH MANAGEMENT, LLC
				Location	MANTECA, CA, United States
				Position	MANAGING MEMBER
				Investment Related	Yes
From	05/1998	To	Present	**Name**	ROY GAGAZA
				Location	MANTECA, CA, United States
				Position	INSURANCE AGENT
				Investment Related	Yes
From	04/2017	To	12/2017	**Name**	1st Global Capital Financial Services
				Location	Hallandale Beach, GA, United States
				Position	Independent Contractor
				Investment Related	Yes
From	03/2016	To	12/2017	**Name**	Woodbridge Wealth
				Location	Sherman Oaks, CA, United States
				Position	Independent contractor
				Investment Related	Yes
From	10/2015	To	12/2017	**Name**	ROYAL METALS GROUP
				Location	MANTECA, CA, United States
				Position	Independent Contractor
				Investment Related	Yes
From	02/2010	To	10/2015	**Name**	GRADIENT SECURITIES, LLC
				Location	ARDEN HILLS, MN, United States

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information

Employment History

				Position	REGISTERED REPRESENTATIVE
				Investment Related	Yes
From	02/2010	To	06/2012	**Name**	GRADIENT ADVISORS, LLC
				Location	SHOREVIEW, MN, United States
				Position	IAR
				Investment Related	Yes
From	01/2009	To	02/2010	**Name**	SAGEPOINT FINANCIAL, INC
				Location	SAN JOSE, CA, United States
				Position	REGISTERED REPRESENTATIVE
				Investment Related	Yes
From	10/2005	To	01/2009	**Name**	AIG FINANCIAL ADVISORS, INC.
				Location	PHOENIX, AZ, United States
				Position	MASS TRANSFER
				Investment Related	Yes
From	01/1989	To	10/2008	**Name**	US ARMY
				Location	FT. KNOX, KY, United States
				Position	MILITARY
				Investment Related	No
From	08/2001	To	10/2005	**Name**	SUNAMERICA SECURITIES, INC.
				Location	LATHROP, CA, United States
				Position	BRANCH OFFICE MANAGER
				Investment Related	Yes
From	05/1998	To	09/2001	**Name**	WMA SECURITIES, INC.
				Location	DULUTH, GA, United States
				Position	REGISTERED REPRESENTATIVE
				Investment Related	Yes

Office of Employment History

From 05/2012 To Present

Name JOURNEY WEALTH MANAGEMENT ADVISORS, LLC(162412)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
IA Main			Yes	No	05/30/2012		Located At

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information

Office of Employment History

Office of Employment Address

Address 903 W. CENTER STREET, SUITE #7
MANTECA, CA 95337 United States

From 02/2010 To 10/2015

Name GRADIENT SECURITIES, LLC(127701)

Independent Contractor Yes

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
569565			Yes	No	09/10/2014	10/13/2015	Located At
	Address 7 Waterfront Plaza, Suite 400 Honolulu, HI 96818 United States						
BD Main			Yes	No	11/06/2010	10/13/2015	Supervised From
	Address 4105 LEXINGTON AVENUE, SUITE 380 ARDEN HILLS, MN 55126 US						
435571			Yes	No	02/11/2010	10/13/2015	Located At
	Address 94-229 WAIPAHU DEPOT STREET, SUITE 502 WAIPAHU, HI 96797 United States						
435134			Yes	No	02/05/2010	10/13/2015	Located At
	Address 903 W. CENTER STREET, SUITE 7 MANTECA, CA 95337 United States						
410781			Yes	No	02/01/2010	10/13/2015	Supervised From
	Address 3740 SW BURLINGAME CIRCLE TOPEKA, KS 66609 United States						

From 02/2010 To 06/2012

Name GRADIENT ADVISORS, LLC(152665)

Independent Contractor Yes

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
IA Main			Yes	No	02/25/2010	06/15/2012	Supervised From
	Address 4105 LEXINGTON AVENUE N., SUITE 225 ARDEN HILLS, MN 55126 United States						

From 10/2005 To 02/2010

Name SAGEPOINT FINANCIAL, INC.(133763)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information

Office of Employment History

Office of Employment Address

375184	Yes	No	07/15/2008	02/02/2010	Located At
Address	94-229 WAIPAHU DEPOT STREET, SUITE 208 WAIPAHU, HI 96797 United States				
201801	Yes	No	10/31/2005	02/02/2010	Located At
Address	903 W CENTER STREET, SUITE 6 MANTECA, CA 95337 United States				
118700	Yes	No	07/31/2006	07/15/2008	Supervised From
Address	250 N G STREET, SUITE 100 SAN BERNARDINO, CA 92410 United States				
118703	Yes	No	10/31/2005	07/31/2006	Supervised From
Address	1735 N FIRST STREET, SUITE 100 SAN JOSE, CA 95112 United States				
201801	Yes	No	11/07/2005	11/07/2005	Located At
Address	903 W CENTER STREET, SUITE 6 MANTECA, CA 95337 United States				
	No	No	10/31/2005	10/31/2005	Located At
Address	2800 N. CENTRAL AVE., STE 2100 PHOENIX, AZ 85004-1072 United States				

From 08/2001 To 10/2005

Name SUNAMERICA SECURITIES, INC.(20068)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	08/24/2001	10/31/2005	Located At
Address	1735 N FIRST STREET, SUITE 100 SAN JOSE, CA 95112 United States						

From 01/1998 To 09/2001

Name WMA SECURITIES, INC.(32625)

Independent Contractor No

Office of Employment Address

CRD Branch#	Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	01/05/1998	09/06/2001	Located At
Address	2560 MISSION COLLEGE BLVD, STE. 105-L SANTA CLARA, WA 95054 United States						

Other Business

1) JOURNEY WEALTH MANAGEMENT, LLC; INVT REL; 903 W CENTER STREET SUITE 7 MANTECA CA 95337, 94-229 WAIPAHU DEPOT STREET SUITE 502 WAIPAHU HI 96797; 7 WATERFRONT PLAZA SUITE 400 HONOLULU HI 96818; MANAGING MEMBER; START 02/2010; INSURANCE SALES AND SERVICE.

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information

Exam Appointments

<<No Exam Appointments found for this Individual.>>

Exam History

Exam	Enrollment ID	Exam Status	Status Date	Exam Date	Grade	Score	Window Dates	Exam Validity
SIE	37796707	Credit	10/14/2015				-	Expired
S6	22618827	Official Result	05/08/1998	05/08/1998	Passed		-	Expired
S26	22618826	Official Result	09/13/2001	09/12/2001	Passed		08/25/2001-12/23/2001	Expired
S63	22618828	Official Result	03/31/1998	03/31/1998	Passed		-	Expired
S65	22618829	Official Result	01/06/2010	12/30/2009	Passed		12/09/2009-04/08/2010	Valid

CE Regulatory Element Status

Current CE Status 2YEARTERMED

CE Base Date

CE Appointments

<<No CE Appointments found for this Individual.>>

Current CE

<<No Current CE found for this Individual.>>

Next CE

<<No Next CE found for this Individual.>>

CE Directed Sequence History

<<No CE Directed Sequence History found for this Individual.>>

Inactive CE History Dates

<<No Inactive CE History Dates found for this Individual.>>

Previous CE Requirement Status

Requirement Type	Enrollment ID	Session	Status	Status Date	Window Dates	Result
Anniversary	33588989	201			05/14/2015-09/10/2015	
Anniversary	33588989	201	SATISFIED	08/13/2015	05/14/2015-09/10/2015	08/13/2015 - CMPLT
Anniversary	33588989	201	REQUIRED	05/14/2015	05/14/2015-09/10/2015	
Anniversary	32627122	201	SATISFIED	09/05/2012	05/14/2012-09/10/2012	09/05/2012 - CMPLT
Anniversary	32627122	201	REQUIRED	05/14/2012	05/14/2012-09/10/2012	
Anniversary	31659206	201	SATISFIED	07/02/2009	05/14/2009-	07/02/2009 - CMPLT

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information

Previous CE Requirement Status

Requirement Type	Enrollment ID	Session	Status	Status Date	Window Dates	Result
					09/10/2009	
Anniversary	31659206	201	REQUIRED	05/14/2009	05/14/2009-09/10/2009	
Anniversary	30645732	201	SATISFIED	08/10/2006	05/14/2006-09/10/2006	08/10/2006 - CMPLT
Anniversary	30645732	201	REQUIRED	05/15/2006	05/14/2006-09/10/2006	
Anniversary	29605947	201	SATISFIED	08/18/2003	05/14/2003-09/10/2003	08/18/2003 - CMPLT
Anniversary	29605947	201	REQUIRED	05/14/2003	05/14/2003-09/10/2003	
Anniversary	28843667	101	SATISFIED	09/06/2000	05/14/2000-09/10/2000	09/06/2000 - CMPLT
Anniversary	28843667	101	REQUIRED	05/15/2000	05/14/2000-09/10/2000	

Filing History

Date	Type	Submitted by
03/29/2018	U4 Amendment	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC (162412)
03/09/2018	U4 Amendment	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC (162412)
03/08/2018	U4 Amendment	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC (162412)
05/08/2017	U4 Amendment	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC (162412)
03/29/2016	U4 Amendment	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC (162412)
11/02/2015	U4 Amendment	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC (162412)
10/14/2015	U5 Full	GRADIENT SECURITIES, LLC (127701)
10/14/2015	BR Filing	GRADIENT SECURITIES, LLC (127701)
10/14/2015	BR Filing	GRADIENT SECURITIES, LLC (127701)
10/14/2015	BR Filing	GRADIENT SECURITIES, LLC (127701)
10/27/2014	U4 Amendment	GRADIENT SECURITIES, LLC (127701)
10/27/2014	BR Filing	GRADIENT SECURITIES, LLC (127701)
10/27/2014	BR Filing	GRADIENT SECURITIES, LLC (127701)
10/23/2014	U4 Amendment	GRADIENT SECURITIES, LLC (127701)
09/11/2014	U4 Amendment	GRADIENT SECURITIES, LLC (127701)
09/10/2014	BR Filing	GRADIENT SECURITIES, LLC (127701)
07/28/2014	U5 Partial	GRADIENT SECURITIES, LLC (127701)
07/28/2014	U4 Amendment	GRADIENT SECURITIES, LLC (127701)
07/28/2014	U4 Amendment	GRADIENT SECURITIES, LLC (127701)
06/12/2014	U4 Amendment	JOURNEY WEALTH MANAGEMENT ADVISORS,

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information
Filing History

Date	Type	Submitted by
		LLC (162412)
12/14/2012	U5 Partial	GRADIENT SECURITIES, LLC (127701)
09/17/2012	BR Filing	GRADIENT SECURITIES, LLC (127701)
09/17/2012	U4 Amendment	GRADIENT SECURITIES, LLC (127701)
08/27/2012	U4 Concurrence	GRADIENT SECURITIES, LLC (127701)
08/24/2012	U4 Amendment	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC (162412)
06/15/2012	U5 Full	GRADIENT ADVISORS, LLC (152665)
06/13/2012	U4 Amendment	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC (162412)
05/30/2012	U4 Dual	JOURNEY WEALTH MANAGEMENT ADVISORS, LLC (162412)
01/10/2011	U4 Concurrence	GRADIENT ADVISORS, LLC (152665)
01/07/2011	U4 Amendment	GRADIENT SECURITIES, LLC (127701)
12/01/2010	U4 Amendment	GRADIENT SECURITIES, LLC (127701)
03/02/2010	U4 Amendment	GRADIENT SECURITIES, LLC (127701)
03/01/2010	U4 Dual	GRADIENT ADVISORS, LLC (152665)
02/11/2010	BR Filing	GRADIENT SECURITIES, LLC (127701)
02/05/2010	BR Filing	GRADIENT SECURITIES, LLC (127701)
02/04/2010	U5 Full	SAGEPOINT FINANCIAL, INC. (133763)
02/01/2010	U4 Relicense CRD	GRADIENT SECURITIES, LLC (127701)
12/08/2009	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
11/20/2009	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
10/19/2009	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
08/19/2009	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
04/08/2009	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
12/26/2008	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
10/17/2008	BR Filing	SAGEPOINT FINANCIAL, INC. (133763)
07/25/2008	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
07/15/2008	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
07/15/2008	BR Filing	SAGEPOINT FINANCIAL, INC. (133763)
11/01/2007	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
11/01/2007	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
05/24/2007	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
08/09/2006	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
06/23/2006	BR Filing	SAGEPOINT FINANCIAL, INC. (133763)
11/07/2005	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
11/07/2005	BR Filing	SAGEPOINT FINANCIAL, INC. (133763)
11/07/2005	U4 Amendment	SAGEPOINT FINANCIAL, INC. (133763)
11/07/2005	BR Filing	SAGEPOINT FINANCIAL, INC. (133763)
10/31/2005	Mass Transfer	SAGEPOINT FINANCIAL, INC. (133763)
07/26/2004	U4 Amendment	SUNAMERICA SECURITIES, INC. (20068)
11/18/2003	U5 Partial	SUNAMERICA SECURITIES, INC. (20068)

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Individual 2997205 - GAGAZA, ROY YUZON

Administrative Information

Filing History

Date	Type	Submitted by
03/05/2003	U4 Amendment	SUNAMERICA SECURITIES, INC. (20068)
03/04/2002	U4 Amendment	SUNAMERICA SECURITIES, INC. (20068)
01/25/2002	U4 Amendment	SUNAMERICA SECURITIES, INC. (20068)
09/18/2001	U5 Full	WMA SECURITIES, INC. (32625)
09/18/2001	U4 Amendment	SUNAMERICA SECURITIES, INC. (20068)
08/24/2001	U4 Relicense All	SUNAMERICA SECURITIES, INC. (20068)
05/22/2001	U4 Amendment	WMA SECURITIES, INC. (32625)
12/04/2000	U4 Amendment	WMA SECURITIES, INC. (32625)
06/22/2000	U4 Amendment	WMA SECURITIES, INC. (32625)
07/05/1999	U4 Conversion	WMA SECURITIES, INC. (32625)

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Individual 2997205 - GAGAZA, ROY YUZON

Reportable Events

<<No Reportable Events found for this Individual.>>

Regulator Archive and Z Records

<<No Regulator Archive and Z Records found for this Individual.>>

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EXHIBIT 5

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FL-04148

Gagaza, Roy - Vol. I.O05.294608-MBO-21

10/5/2020 10:32 AM

Condensed Transcript

Prepared by:

FL-04148

Monday, November 2, 2020

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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FL-04148-A
1 GLOBAL CAPITAL, LLC)

WITNESS: Roy Gagaza
PAGES: 1 through 230
PLACE: Securities and Exchange Commission
801 Brickell Avenue
Miami, Florida 33131
DATE: Monday, October 5, 2020

The above entitled matter came on for hearing, via WebEx, pursuant to notice, at 10:32 a.m.

APPEARANCES:

On behalf of the Securities and Exchange Commission:
GARY MILLER, ESQ.
ROBERT LEVENSON, ESQ.
CHRISTINE HERNANDEZ, ESQ.
Securities and Exchange Commission
Division of Enforcement
801 Brickell Avenue
Suite 1800
Miami, Florida 33131

On behalf of the Witness:
DAVID PORTEOUS, ESQ.
JAMES MARTIGNON, ESQ.
FAEGRE DRINKER
311 South Wacker Drive, Suite 4300
Chicago, Illinois 60606

C O N T E N T S

WITNESS:		EXAMINATION
Roy Gagaza		5

EXHIBITS:	DESCRIPTION	IDENTIFIED
180	Subpoena	11
181	Central Registration Depository	27
182	Central Registration Depository	42
183	E-mail dated 3/21/17	53
184	E-mail dated 3/28/17	56
185	E-mail dated 3/28/17	59
186	April 3rd letter to Dale Ledbetter	70
187	Marketing Agreement	74
188	Executed Sales Agreement	75
189	On-boarding call	81
190	Notes	83
191	E-mail dated 5/16/17	100
192	Consumer Brochure from 1st Global	102
193	Frequently Asked Question	103
194	E-mail	121
195	Memorandum of Indebtedness	142
196	E-mail dated 3/31/2017	160
197	E-mail dated 5/8/2017	163
198	Comprehensive Due Diligence Checklist	168

C O N T E N T S (CONT.)

EXHIBITS:	DESCRIPTION	IDENTIFIED
199	Customer list	211
200	Pearl Tanaka document	180
201	Donna Davis Brown e-mail	188
202	E-mail dated 5/9/2017	190
203	E-mail dated 4/12/2017	195
204	E-mail dated 4/29/2017	197
205	E-mail dated 7/20/2017	199
207	Patricia Wood/Mainstar	208
208	E-mail from Claire Durham	210
209	E-mail Re: Pitch Deck	124
210	1st Global's pitch deck	127

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P R O C E E D I N G S

MR. MILLER: It is 10:32 Eastern Daylight Time on October 5th, 2020. This is the testimony of a witness in Manteca, California via WebEx.

My name is Gary Miller. I am joined by Robert Levenson. We're officers of the United States Securities and Exchange Commission for purposes of this proceeding.

We're also joined today by one of our colleagues in the Commission Division of Enforcement, Christine Hernandez. I am going to swear in the witness now.

Mr. Gagaza, would you please raise your right hand? Do you swear or affirm to tell the truth, the whole truth and nothing but the truth?

MR. GAGAZA: I do.

MR. MILLER: You can put your hand down.

Whereupon,

ROY GAGAZA

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. MILLER: Please state for the record your full name and spell your name for the record, please.

THE WITNESS: Roy Gagaza, R-o-y last name, Gagaza, G-a-g-a-z-a.

MR. MILLER: I am going to note for the record,

that you consented to have this testimony conducted remotely, is that correct?

THE WITNESS: Yes.

MR. MILLER: And I will further note for the record, that you consented to having the oath, that you just took, administered remotely, is that also correct?

THE WITNESS: Yes.

MR. MILLER: And you confirmed that you're alone, correct?

THE WITNESS: Correct.

A staff will be here at -- I am sorry. A staff member will be coming here at 8 and another at 10. I am in my office.

MR. MILLER: So they will not be able to hear you, is that correct?

THE WITNESS: No.

MR. MILLER: That is -- am I correct that they will not be able to hear you?

THE WITNESS: You are correct.

MR. MILLER: You also agree that there will no copies of the documents staff provided you pursuant to your request that we accommodate you by giving you hard copies.

And that there is no recording of any kind of these proceedings or the documents, and you agree to

return the documents after the testimony.

Do you remember agreeing to that and do you still agree to that?

THE WITNESS: Yes. I agree to that.

MR. MILLER: Excellent.

We also appreciate you not marking the documents.

THE WITNESS: Okay.

MR. MILLER: This is an investigation by the United States Securities and Exchange Commission in the matter of 1 Global Capital to determine whether there have been violations of certain provisions of the federal security laws.

However, the facts developed in this investigation might constitute violations of other federal or state, civil or criminal laws.

Prior to the opening of the record, you were provided with a number of documents, including a copy of the Formal Order of Investigation in this matter. It will be able for your examination during the course of this proceeding.

I would like you to see if you could find the document. It should be right at the beginning. It says order directing private investigation and designate officers to take testimony.

Do you see that, sir?

THE WITNESS: Yes, I do.

MR. MILLER: Okay. I don't know if you have ever seen this before. If you would like, you can have as much time as you need to review the formal order right now.

Would you like any time to review it?

THE WITNESS: Yes.

MR. PORTEOUS: Gary, can I ask quickly, should I be treating that as a particular exhibit number, or is it kind of a non-exhibit document?

MR. MILLER: No. It's a non-exhibit document.

THE WITNESS: Okay. I'm good.

MR. MILLER: All right. Excellent.

You will have it available for you, obviously, during the entirety of the course of this proceeding. So if you want to refer to it again, have any questions on it, you can certainly ask me if you would like to take time out to look at the formal order again. Okay?

THE WITNESS: Okay.

MR. MILLER: Then the second document that I would like you to pull from the documents that we provided is Exhibit 1.

THE WITNESS: Okay. I have it.

MR. MILLER: This is what is called the

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Supplemental Information Form. And it has been, as you notice on the lower right-hand corner, previously marked as Exhibit 1.

I suspect that this is a document that you have seen before, am I correct?

THE WITNESS: I have not seen this before.

MR. MILLER: Okay. The same offer goes. Would you like the opportunity to review Exhibit 1?

THE WITNESS: Yes.

MR. MILLER: Excellent.

THE WITNESS: So I can purchase a copy of the testimony?

MR. MILLER: That is something that we coordinate with your attorney.

THE WITNESS: Okay.

MR. MILLER: So obviously, you have had the opportunity to review Exhibit 1.

Do you have any questions concerning Exhibit 1 other than the question that you already asked?

THE WITNESS: No.

MR. MILLER: Again, that will -- Exhibit 1 will be in your possession during the pendency of this testimony today.

You will have the opportunity to read it at any time that you would like. You just tell me Gary, I would

leak to read Exhibit 1 one more time. Okay?

THE WITNESS: Okay.

MR. MILLER: Mr. Gagaza, are you represented by counsel in this matter?

THE WITNESS: Yes, I am.

MR. MILLER: Would counsel please identify yourself or themselves and state your full name, the firm's name and address and telephone number.

MR. PORTEOUS: Yes. My name is David Porteous, P, as in Peter, o-r-t, as in Thomas, e-o-u-s, as in Sam.

I am with the Law Firm of Fraegre, F, as in Frank, a-e-g-r-e, Drinker, D-r-i-n-k-e-r. The address is 311 South Wacker, Chicago, Illinois 60606. My number is area code (312)356-5117.

And I'm joined by my colleague at the same law firm whose name is James Martignon, M, as in Mary, a-r-t-i-g-n, as in Nancy, o-n. Area code, 312-356-5124.

MR. MILLER: Thank you, Mr. Porteous and Mr. Martignon.

MR. PORTEOUS: Sure.

MR. MILLER: Mr. Martignon, are you both representing Mr. Gagaza as counsel here today?

MR. PORTEOUS: Yes.

MR. MILLER: You are.

And gentleman, do you represent anyone else

with regards to these proceedings, and if so, who?

MR. PORTEOUS: I'm sorry, anyone else with respect to this subpoena, or what do you mean by proceeding?

MR. MILLER: The investigation.

MR. PORTEOUS: I think in connection with the 1 Global Capital matter, Florida Number-04148, no.

There are other matters that I understand the Commission is conducting an investigation of that is not underneath that same investigation number, but it involves 1st Global that are independent of Mr. Gagaza.

MR. MILLER: Thank you.

(SEC Exhibit No. 180 was marked for identification.)

BY MR. MILLER:

Q Mr. Gagaza, if you could please look for another document. It's exhibit -- marked as Exhibit 180.

A I have it in front of me.

Q All right. Would you please turn to the third page?

A I am on the third page.

Q It should say at the top of the page United States of America, Securities and Exchange Commission.

Do you see that?

A I do.

Q And Mr. Gagaza, is this a copy of the subpoena to which you're appearing pursuant to here today?

A Yes.

Q I'm all done with Exhibit 180. You can put that down if you would like.

I am going to step back and briefly explain the procedure we are going to be following today. Myself and Mr. Levenson will be asking you questions.

At any time if you want to take a short break, use the bathroom, drink some water, feel free to let us know and we will accommodate you as long as there is not a question from the staff pending.

Also, the court reporter transcribes these proceedings and will create a transcript of your testimony at the end. So it's highly important that we don't talk over each other. So while we may be getting more familiar with each other as the time goes by today, you may start to anticipate some of my questions or Mr. Levenson's question.

Resist the urge to answer those, otherwise, it's going to being a very difficult day for our court reporter as she is trying to take two people's testimony down or question and testimony down at the exact same time.

Does that make sense to you?

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A Yes, it does.
Q If you do not understand a question, will you please let us know so we can try to clarify the question for you?
A I will.
Q Okay. That is very important because if you don't answer -- if you do answer the question that we ask, we're going to go under the operative assumption that you understood the question.
Does that make sense?
A That does.
Q Also in conversation typically we, from time to time, use gesticulations as opposed to oral responses. So there is no like nodding of the head, going uh-huh or hm-hmm, things like that are not going to be able to be picked up by the court reporter.
So to make her job a little bit easier today, and so we have a cleaner record, please resist the natural temptations to do that.
Is that all right?
A Yes, it is.
Q You can tell me at any time if you would like to change or modify a previous answer.
I want to inform you that we do not have off-the-record conversations so to speak. So when we go

off the record and we talk, if we do talk amongst ourselves, I will summarize what you and I have talked about when we go back on the record.
So typically, when we do go off the record, we will not have any conversations with you. You, of course, are free to have conversations when we are off the record with your counsel.
Do you understand that?
A I do.
Q And this is a question that I have to ask every one so please don't take any offense to it.
Are you on any medication that would impact your memory or your ability to understand and respond to the questions here today?
A No.
Q Is there anything going on in your life, outside of that, that would make it -- impact your memory or your ability to understand and respond to questions here today?
A No.
Q I want to step back and go into some disciplinary situations to the extent that you have any.
Have you ever been named as a defendant or a respondent in any action brought by the United States Securities and Exchange Commission?

A No.
Q Have you ever been named as a defendant or respondent in any action brought by any other federal or state securities agency, any other federal agency, any stock exchange or FINRA, which used to be the NASD?
A No.
Q Have you ever been named as a defendant in any lawsuit or arbitration related to securities laws?
A No.
Q Have you ever been --
A All right. I'm sorry.
Q No problem.
Have you ever been subject to any disciplinary action by the SEC or any other federal agency, any state agency, or any self-regulatory organizations such as FINRA?
A No.
Q Let's move over to customer complaints.
Have you had any of those?
A I have.
Q Can you tell us how many, the type of complaint, the nature of the complaint and the outcomes?
A I had a complaint that was filed by an attorney and not a client.
Does that count?

Q You can tell us what you remember and we'll go from there.
A Okay. It turned out to be an attorney that was working on behalf of someone else filing that I was not operating under the proper -- that my d/b/a was not registered so I fixed the -- I corrected the issue and that was it.
Q Okay. What period of time was that, sir?
A Approximately 2017.
Q I'm sorry, you broke up?
A 2017.
Q What quorum was this complaint brought up against you in?
A Filed with the State of Hawaii, department of -- I believe it was Department of Oversight. I'm not sure.
It was insurance -- I don't want to speculate. I don't know which entity it was.
Q Okay. And besides -- I assume you registered it after they pointed it out to you?
A Yes. It was just a mistake on my part for not -- I thought it was registered and it was not, so I just registered it and that was it.
Q Was there any penalty or fine associated with that?

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A No.
Q Anything else, any other complaints?
A A complaint filed by Moral Koons.
Q Is that a male or female?
A Moral Koons.
I'm sorry, say again?
Q Is that male or female?
A Female.
Q Who is this person?
A She was a client with 1st Global.
Q What do you mean a client with 1st Global?
A She had a 1st Global account.
Q Were you the salesman that offered it to her?
A Yes.
Q What is the outcome -- what was she -- what was the nature of her complaint?
A Well, the bankruptcy had occurred and that was her complaint, that she had lost money in 1st Global.
It is ongoing currently. We have been providing updates to the State of Hawaii.
Q So is the complaint by Ms. Koons, or is it the State of Hawaii?
A [redacted]

[redacted]y. She [redacted]
Q I see.
What forum did Ms. Koons file the action, the complaint against you in? Do you know was it FINRA, state court?
A No. It was not FINRA. No, it was not FINRA. I have to see the documentation.
I had spoken to her afterwards and she was supposed to have withdrawn her complaint because she understood that there was -- that we were misled and that she understood that it was not -- her understanding is it was not our fault in offering the product and the company has filed for bankruptcy.
Q Okay. When you earlier spoke about bankruptcy, you were talking about 1 Global's bankruptcy, correct?
A Correct, 1st Global's bankruptcy.
Q Okay. How much did Ms. Koons put into 1st Global?
A I would have to check the records.
Q As far as you know, the complaint or action is still pending?
A As far as I know.
Q Outside of the two situations that you just articulated, anything else?

A Vernon Satto. Vernon Satto is another 1st Global client. There was only two 1st Global clients.
That's it.
Q Okay. And what did -- what was the nature of the complaint, what forum?
A The State of Hawaii had -- I'm sorry?
Q I interrupted you, go ahead.
A The State of Hawaii requested the documentation. We provided all the documentation. We did not hear anything back from the State of Hawaii.
Same thing with Moral Koons. Moral Koons, they requested what we had done with the -- what was involved. We provided everything that we could and nothing was followed up by with the State of Hawaii.
Q And is Mr. Satto still a client of yours?
A Yes, he is.
Q Do you know how much he put into 1 Global?
A I would have to check my records.
Q Do you know whether or not he brought a complaint against you before or after the bankruptcy?
A After the bankruptcy.
Q As far as you know, that's still a pending situation as far as Mr. Satto's complaint?
A Yes.
Q Now, is there anything else, any other

complaints, or is that it?
A One more.
Filed by Cam Kavasso on behalf of a client for an insurance sale. I had replaced an account. The insurance agent placed the complaint, not the client.
I replied to the state as to what transpired. Everything was in order as far as replacement went and no fines, penalties or further actions.
Q What state was that?
A Hawaii.
Q And when did that occur, sir?
A Prior to 1st Global. Insurance related.
It's a -- I would say, approximately 2015 or '16.
Q Okay. So does that -- is that the entire list of customer complaints, or is there anything else?
A To the best of my recollection, yes.
Q Okay. Let's turn over to the SEC's investigation. When did you first learn about the SEC's investigation into 1 Global?
A As soon as the bankruptcy was filed. I believe we had found out the SEC was also looking into the bankruptcy.
Q When you say we, who is we?
A Other advisors.

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Q Such as who?
A Such as Trae Wieniewitz, Matt Walker, John Fisher.
Q How do you know those folks?
A They were advisors with me at a previous field marketing organization.
Q What is a field marketing organization?
A A field marketing organization is a marketing entity that assists insurance agents and sometimes insurance RIAs -- I mean, investor advisor reps.
Q Can you expound on that? Is it a formal organization, is that the name?
A The name of the organization was the Revolution.
Q What does it do?
A They provide background, back office support as far as processing applications, providing information on different product providers.
Basically helping us process applications and the marketing of those sales.
Q What is in it for the Revolution, do they receive any compensation?
A Yes. They get an override off of our overall business.
Q When you say overall business, is it overall

insurance business or is it overall business in whatever business you produce?
A The insurance business that is placed through the Revolution.
So if we have an appointment with a product provider and it's attached to that FMOs code, they would receive compensation off of that.
Q So my question, just to cut to the chase, is does that include 1 Global Capital?
A No.
Q So 1 Global Capital and the Revolution are completely -- have no relationship whatsoever in your mind, is that correct?
A That is correct.
Q Okay. And other than learning about the SEC's investigation from the names or the folks that you just articulated, have you spoken with anyone besides your counsel with respect to this investigation?
A No.
Q And as far as the folks that you just named, have you talked with any of them about the SEC's investigation?
A I spoke to -- I spoke to John Fisher in that I was doing this testimony today.
Q You told him that you were giving testimony

today?
A Correct.
Q When did you tell him?
A I don't know, about a week and a half ago that my testimony was coming in.
Q I am sorry, I missed the last part.
A About a week and a half ago in that mine was coming up, mine was coming up.
Q Okay. What did you talk about with Mr. Fisher?
A That my testimony was coming up.
Q Anything else?
A No.
Q You mentioned other people's names, Mr. Wieniewitz, Mr. Walker.
Did you talk to them about this investigation?
A I have not talked to Trae in many, many, many months. About this testimony, no, I had no conversations.
Q Do you know whether or not there were any other folks that the SEC took testimony of?
Do you know any names?
A No.
MR. LEVENSON: Gary, can I ask a question?
MR. MILLER: Fire away.
MR. LEVENSON: When you talked to Mr. Fisher,

did he indicate whether he had been subpoenaed?
THE WITNESS: Yes, he did.
MR. LEVENSON: What did he say?
THE WITNESS: He said he did his testimony. He was glad it was over.
MR. LEVENSON: Did he give you any details of his testimony?
THE WITNESS: No. Other than that he was glad it was over.
MR. LEVENSON: Okay. He didn't tell you what questions he had been asked or anything that he testified to?
THE WITNESS: No.
MR. LEVENSON: Okay.
BY MR. MILLER:
Q How did you prepare for today's testimony and please exclude your conversations with counsel?
A I reviewed my past notes and my past documents.
Q What kind of notes?
A I have my -- the notes that were given to the SEC, to you guys, e-mails, spreadsheets, presentations.
Q Okay. And you do know that earlier there was a subpoena that the SEC sent for production of documents.
Do you remember getting that?
A Yes.

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Q Do you remember producing documents pursuant to that subpoena?
A Yes.
Q Did you produce everything pursuant to that subpoena?
A Yes.
Q Were there any documents that you withheld for any reason or any documents that were lost or stolen, documents that would have been responsive had they been in your possession?
A Not to my knowledge.
Q Okay. Just in general terms, explain the search for the documents in the response to the SEC's subpoena?
Did you do it yourself? Did you go through banker boxes? Did you go through computer records, just give us a flavor of how you did it?
A We went through a company called Ricoh. And they were -- they obtained our metadata for compilation which included all of my staff members e-mails. Anything that we had on 1st Global, we provided.
Q Besides yourself, who was assisted in the search?
A My staff.
Q Would you name them, please?

A Sasha Taniguchii, Rayna Armitage, Beverly Manini, Margaret Sianez, Dacey Pease, Francie Ranzone and Mike Bui.
Q Are all those folks you just named on your staff?
A Correct.
Q And are all those folks you just named still on your staff?
A Yes.
Q Okay. We're going to get into some tough questions now.
What is your date of birth?
A [redacted]/65.
Q And the last four of your Social Security?
A 2903.
Q And your current residence?
A [redacted]
Q If you could give us an understanding of your educational background starting with college and moving forward we would appreciate that.
A Yes. BS in marketing, 24 and a half years military retired officer, Series 6, 63, 26, registered investment advisor representative, registered insurance licensed in many states.

Did I say BS in marketing from San Jose State?
Q What year did you graduate?
A 1988.
Q Where is your RIA registered?
A California and Hawaii.
Q Now, let's go through your employment background. We'll go current and then we'll go backwards.
A Okay. Currently Journey Wealth Management doing business through Journey Wealth Management Insurance Services.
That's it.
Q Okay. Could you go backwards in time now?
A Oh, backwards in time. Journey Wealth Management Advisors.
Prior to that -- I mean, I would have to look at my U4, but with the Revolution as a marketing organization. But again, we don't work for them so most of the time it has been under my own company.
Q Okay. We don't want -- we have no intention of turning this into a memory test so why don't we just grab Exhibit 181.
A Okay.
(SEC Exhibit No. 181 was marked for identification.)

Q That may solidify things.
You should have it in your hand, a document called Exhibit 181. It's 14 pages in length. It appears to be a -- this is the CRD.
I don't know if you ever seen a CRD for yourself, or maybe not in this type of format, but perhaps in another format.
So first of all, do you recognize this document?
A I do.
Q Excellent.
If we go to page 3 of 14, it shows that you are employed by Journey Wealth Management Advisors, LLC.
Is that the proper name?
A That is the proper name, but no longer employed with Journey Wealth Management Advisors.
Q Okay. Who are you employed with?
A Just Journey Wealth Management.
Q Okay. When and why was that change made?
A That was made earlier this month.
Q For what reason?
A For what reason?
To streamline my operations.
Q Could you elaborate on that?
A I am not going to be doing securities as my

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line of business at this time.
Q Why is that?
A I am streamlining my business, focusing on insurance products.
Q Does it have anything to do with 1 Global?
A In what respect?
Q Your decision to not focus on securities?
A What we have -- I would like -- well, does it have anything to do with 1st Global?
If 1st Global never happened, I probably would never be giving up my securities license. But I wanted to keep my securities license so we have an upcoming -- well, you guys have a year listing of a bar on my securities license.
Q Well, currently we're conducting a fact-finding investigation, sir.
A Right.
Q I guess my question is, what caused you to change from being Journey Wealth Management Advisors to Journey Wealth Management with no more focusing on securities?
A To streamline the operations and to simplify matters as I'm dealing with this investigation. There is a lot that goes into trying to help clients.
MR. LEVENSON: Gary, do you mind if I ask a

follow up?
MR. MILLER: Please, do.
MR. LEVENSON: Hi, Mr. Gagaza, it's Bob Levenson.
Did you decide to, I guess, withdraw from investment advisors is because of the investigation that we're here talking your testimony on today?
THE WITNESS: No.
MR. LEVENSON: All right. Did you do so because of the 1 Global bankruptcy and subsequent investigation and changes relating to 1 Global?
THE WITNESS: No.
MR. LEVENSON: I'm a little confused then because you mentioned you're doing it because an indication that we might seek a bar.
Isn't that what this investigation is about, is whether you should be subject to any charges or disciplinary action?
THE WITNESS: Yes. Trying to manage the business while this investigation is going on -- it was simpler to not do securities while this is going on, to streamline operations.
MR. LEVENSON: Okay. And if this investigation were to end without any charges against you, or without there being any disciplinary action, would you seek to

return to selling securities?
THE WITNESS: Yes, because then I could focus on helping my clients with those products.
MR. LEVENSON: Okay. Thank you very much.
THE WITNESS: Right now we're still servicing 1st Global clients. It's a lot on the staff to do insurance-related business and trying to keep up with all of the servicing of keeping everybody informed.
BY MR. MILLER:
Q What do you mean by keeping everybody informed?
A It's been part of my entire process from start to finish of maintaining contact with all of my clients to include all of the 1st Global clients.
Q Can you expound on that?
What exactly do you or your staff do with respect to your 1 Global clients post-bankruptcy?
A We have processed all of their claims. We review current status during reviews of their other accounts at 1st Global. If they had a 1st Global, we'll cover the current status of affairs with payouts.
We process claims for Alan G. Heide and provide periodic e-mails on the status of 1st Global.
Q I'm sorry, you process claims for Alan G. Heide?
A Yes. Alan G. Heide, as he was being indicted,

we had the ability to place claims. So if there is any restitution, the clients would receive compensation from that.
So we took the time to prepare those, help them with processing the claim if there was any proceeds to come from it.
Q You're talking --
A We don't have to do that. Say again.
Q I'm sorry. I'm sorry. Go ahead.
A I don't know of any other advisors who have done that, but that was something that was offered as a document that came on out, that they could participate if they saw that they were -- that they had lost money.
So we entered in the claims for all the clients against Alan G. Heide so if there is any --
Q Okay.
A -- restitution from that, they would be compensated.
Q And just so the record is clear, his last name is H-e-i-d-e, is that correct?
A That is correct.
Q Okay. How did you come aware of this Alan Heide?
A After the bankruptcy, the bankruptcy court was sending documentation to the clients. All the clients

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received the letter on Alan G. Heide and they had the option for opting in on the claim.
Q I see.
How many clients of yours that participated in 1 Global are availing themselves of seeking restitution should there be any from Mr. Heide?
A All of them. We did claims for everybody.
Q How many is that?
A 178.
Q 178 clients?
A Correct.
Q That purchased 1 Global?
A Yes.
Q How many clients does Journey Wealth Management Advisors have overall?
A Journey Wealth Management Advisors? Zero at this point.
Q How about Journey Wealth Management?
A Journey Wealth Management, over 600 to 700 households.
Q Okay. When you just named that you have 178 folks that bought 1 GC, does that equate to the same calculus that you used there, that 178 households?
A No. Sometimes husband and wife in the same household purchased and that would be separate. That

would be two.
Q Okay. And how much of 1 Global did you personally sell?
A 10 million and 800 something thousand dollars.
Q Over what period of time?
A April through December 2017.
Q What year?
A 2017.
Q April through December --
A Yes.
Q -- of 2017?
A Correct.
Q Those were direct -- those were sales, correct?
A Yes.
Q As far as renewals, did the renewals occur subsequent of their 1 Global statements subject to 2017?
A I had no renewals that were personally under me.
Q What does that mean?
A That means all my clients got out. Three renewed, but not with me.
Q Who did they renew with?
A One with Math Walker, one with Trae Wieniewitz and one with another advisor, I believe, who is in Modesto, California.

I don't know the name.
Q Okay. And as far as Journey Wealth Management is concerned, are you the sole owner of it?
A Yes.
Q And it goes for advisors as well. I'm sorry, I didn't realize, I should have qualified that.
So for Journey Wealth Management Advisors, while it was still in existence, you were the sole owner?
A Yes.
Q Was there anyone else who utilized your RIA as an agent?
A John Fisher was an investment advisor rep under Journey Wealth Management Advisors.
Q Anyone else?
A No.
Q At any time, that was it?
A That was it. Oh, I'm sorry, Michael.
Q Michael who?
A Bui, B-u-i.
Q Anyone else?
A No.
Q Richard Miller?
A No.
Q Okay. Mr. Fisher and Mr. Bui, did they sell 1 Global?

A No. Well, John Fisher did as an outside business activity through his firm. He did not sell it through Journey Wealth Management Advisors, no.
Q Are you certain about that?
A I'm positive about that.
Q Did you receive any remuneration of Mr. Fisher's sales from 1 Global Capital?
A What do you men by remuneration?
Q Did you receive a percentage of the commissions that he generated upon sales of 1 Global to investors?
A As an override through 1st Global, yes.
Q What percentage was that?
A It's .75 percent and then it would have been another 2.5 if they had renewed, I believe. It was 1 percent total.
Q I understand.
So now we're back to 181. Exhibit 181 we're at the bottom of page three. It says -- obviously, my document is a little dated so I apologize for that, but it says registration with current employers.
So with a caveat that this is a little dated, it shows that you formed Journey Wealth Management Advisors, LLC on April 3, 2012.
Is that accurate?
A May 30th?

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Q Yes.
A Yes.
Q Okay. Now, let's go to page 4 of 14 on Exhibit 181.
Were you with something called Gradient Securities, LLC from 2010 to 2015?
A Yes.
Q What is that?
A That is a field marketing organization. It's similar to Revolution.
Q Did you have your license with them?
A I was an investment advisor representative under Gradient Securities as the RIA.
Q But not as a BD?
A No.
Q And I should of asked, Journey Wealth Management Advisors, is just an RIA, not a BD, is that correct?
A That is correct.
Gary, your volume seems to be going up.
Q How it is now, any better?
A No. It's still kind of muted. I don't know what happened.
Q Can you hear me at all?
A I can hear you, you just got real low.

Q I apologize. I will try to speak up a little bit.
When I say BD, do you know what I mean by that?
A Yes, broker dealer.
Q Thank you.
A My last broker dealer was SagePoint.
Q Your last broker dealer that you were with was SagePoint and that's 2005 through 2010, is that accurate?
A That is correct.
Q Why did you leave?
THE COURT REPORTER: I am sorry, I am getting a lot of feedback from Mr. Levenson.
MR. LEVENSON: Sorry, I will mute.
THE COURT REPORTER: Thank you.
BY MR. MILLER:
Q Did you hear that question, sir?
A Why did I leave SagePoint?
Q SagePoint, yes, sir.
A Because I wasn't selling mutual funds or commission-based products anymore.
They're a broker dealer so when I became an investment advisor rep, I believe that I dropped my affiliation with SagePoint Financial and moved to Gradient.
Q What caused you to leave Gradient to form your own entity?

A To have my own -- to build my own RIA.
Q Then it looks like you started with WMA Securities in 1998 through 2001 and you left there. Then you went to SunAmerica Securities.
Can you tell us a little bit about why you joined WMA and then left there to go to SunAmerica and why you left SunAmerica to go to SagePoint?
A WMA Securities was my first company that I worked with and taught me the basics of financial services.
I moved to SunAmerica Securities to be able to offer more to my clients. WMA Securities pretty much only sold variable universal life. And SunAmerica Securities was a full-blown broker dealer.
Q Thank you.
Can you please turn to page 6 of 14 of 181?
A Okay.
Q It lists a number of items here. It says mid-way down the page, April 2017 through December 2017, 1 Global Capital Financial Services, Hallandale Beach, Georgia, United States, independent contractor. Investment related, yes.
Did you cause that entry to be placed there?
A Did I -- say that again, did I -- the last part.

Q Did you cause that entry to be placed in your CRD?
A Yes. We're required to report any companies that we're working with.
Q Okay. Did you know that it was in Hallandale Beach, Florida?
A I'm looking at that now. I did not see that at the time.
Q Before I just told you it was in Florida, did you know that that is where it was located?
A Yes, I did.
Q Any reason why it says Georgia?
A Typo.
Q I got it.
And underneath that from March 2016 through December 2017, Woodbridge Wealth you're an independent contractor.
What is Woodbridge Wealth?
A Woodbridge Wealth sold promissory notes for properties.
Q How much of that did you sell to your customers?
A I would have to go through my records, I can't recall.

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Q Was it as many or greater than the 1 Global Capital, the 178?
A No. It was much, much less.
Q What happened with Woodbridge?
What happened that caused you to stop selling Woodbridge?
A Woodbridge was involved in a Ponzi scheme. I stopped selling it prior to that before that even happened as they were having difficulties placing properties. Their operations were not consistent.
Q How did you learn about Woodbridge?
A Through Trae Wieniewitz.
Q How did you learn about 1 Global?
A With Trae Wieniewitz.
Q What was Trae Wieniewitz to you?
A A peer advisor.
Q What does that mean?
A He is just another advisor to me.
Q How did you meet him?
A Revolution.
Q Are there dues required for the Revolution?
A No.
Q Is there sales training provided through the Revolution?
A Yes.

Q Does the sale training include insurance products, annuities?
A Yes.
Q Did the sales training also include how to sell 1 Global?
A No.
Q Are you sure about that?
A Yes.
Q Did Mr. Wieniewitz, outside of the confines of the Revolution, provide you with his methodology for selling 1 Global successfully?
A He provided me with his methodology which mine is modified and different than his.
Q Can you give us a little bit more color on that?
What was his and how did yours differ from it?
A Trae had evolved to only sell promissory notes. My process was this was part of a client's portfolio.
I still did holistic planning for the clients, so insurance-related products, asset management and alternatives.
(SEC Exhibit No. 182 was marked for identification.)
Q I got it. I'm done with Exhibit 181. You can put that aside.

If you could just please pick up Exhibit 182. Okay. Do you recognize Exhibit 182?
A Have I seen this before, no. Would it be from information that I provided, probably. It had to be, but I don't recall this exact document, no.
Q Okay. It appears to be another entry from the Central Registration Depository.
Let's please turn to page three of nine.
A Okay.
Q Do you see there it says Journey Wealth Management Advisors, LLC?
A Yes.
Q Do you see it says chief compliance officer is Roy L. Gagaza, managing member?
A Roy Y. Gagaza.
Q I'm sorry, Roy Y. Gagaza, managing member?
A Yes.
Q Were you the chief compliance officer for Journey Wealth Management Advisors, LLC?
A Yes.
Q Are you still the chief compliance officer for Journey Wealth Management?
A For Journey Wealth Management or Journey Wealth Management Advisors?
Q The current entry?

A Journey Wealth Management, yes.
Q What did you do in your capacity as CCO of Journey Wealth Management Advisors?
A I would make sure that the products that we were marketing were compliant and that they were registered and that they were suitable for the consumer.
Q What do you mean by registered?
A All the products offered through Journey Wealth Management Advisors are registered with the appropriate authorization to market and sell to clients.
Q Was 1 Global registered?
A 1 Global was not a security when I was selling 1st Global as I was told.
Q Who told you that?
A Dale Ledbetter.
Q Who is that?
A Outside counsel to 1st Global.
Q What did he tell you and when did he tell you?
A Around March of 2017 as I was doing my due diligence prior to selling the product.
Q Okay. So let's start from the start.
You said that Mr. Wieniewitz told you about 1 Global, is that right?
A Yes.
Q When did he tell you and what did he tell you?

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A In and around March of 2017.
What did he tell you was the next part of the question?
Q Yes, sir.
A He told me that they were involved with a growing industry called Merchant Cash Advance. He had told me the process to an extent of how they acquired their clients and how they provided advances to merchants.
Q Anything else?
A He told me the compensation structure and he also told me that it was a nine-month note and that the clients could renew and that it involved factoring of receivables.
Q Anything else?
A And that he had -- that he was going -- he had been researching it for eight months prior to telling me about this, and that he was going on a trip to research the company even more.
So he went down to Hallandale, Florida to do the research.
Q What happened next?
A He had introduced me to Chris Dantin, who had apparently been selling 1st Global, to my recollection, for three years.

And I started my due diligence in figuring out whether or not I was going to market this product.
Q What did Mr. Dantin tell you?
A He told me that it was a reputable company, that it provided returns in the teens. That it had credit risks and that he had met the managing members of 1st Global.
Q Did Mr. Wieniewitz or Mr. Dantin tell you this was not a security?
A They told me it was not a security and to talk to Dale Ledbetter.
Q Did they tell you why it wasn't a security?
A They said that Dale Ledbetter -- and I confirmed with Dale Ledbetter, that his analysis was that it was a nine-month note and not a security.
Q Okay. Did he give you anymore specifics?
MR. PORTEOUS: Wait, who are you talking about, Gary? Are you talking about Chris Dantin or Dale, I am just making sure.
MR. MILLER: Dale Ledbetter.
THE COURT REPORTER: I am sorry, who was just talking?
MR. PORTEOUS: I'm sorry, this is David Porteous. I'm sorry, I will be clearer in the future.
THE WITNESS: Can you repeat the question, Gary?

BY MR. MILLER:
Q Besides telling you that not it's a security, because it was a nine-month note, what else did Mr. Ledbetter tell you?
A It's a broad question. In regards to?
Q Why wasn't it a security?
A He said if it was not over nine months it was not a security. That these were merchant cash advances dealing with merchants using factors of receivables and as such, that his analysis concluded that it was not a security.
Q Anything else did he tell you about it not being a security?
A No.
Q And before I interrupted you to ask more about Mr. Ledbetter, which I apologize for, you said that you did your own due diligence.
Can you give us in a broad scope what your due diligence was comprised of?
A Gary, you're mic is now crackling. Is that just on my end or --
Q You mentioned that you did due diligence, is that correct?
A Yes.

Q In broad terms, what did you perform due diligence on?
A Before, during or after the bankruptcy?
Q Let's go with before you decided to market it.
A Before I decided to market it, it was discussions with Christopher Dantin and Trae Wieniewitz, Dale Ledbetter, Darice Lang from 1st Global, Candace Abrams from 1st Global and internet research on the company, resumes they provided, slide decks that they provided, articles that they might have provided, the trip that Trae took down to Florida.
I couldn't find anything negative on the company online. Everything that he -- that he was able to gather were only positive signs. And Christopher Dantins marketing of it, in using 1st Global for two to three years, and a statement that I was shown of Christopher Dantins to illustrate how they tracked it.
That was part of my due diligence.
Q Okay. As far as your internet research, did you pull down any of your internet research and save it?
A I did.
The only thing that I could come up with were two complaints from merchants complaining about the billing.
We could not find anything else on 1st Global.

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Q Okay. Did you do any other due diligence outside of what you have articulated?
Did you look to see, for example, whether or not there were other opinions of law -- or there were opinions of law that concluded that this was not a security?
A Prior to selling it, Dale Ledbetter, to the best of my recollection during his analysis, referred to opinion letters.
Q Did you ever see an opinion letter?
A I can't recall when, but yes.
Well, we discussed the opinion letters. I don't -- I would have to check my database for the actual opinion letter. I can't recall.
Q Who was the "we" that discussed the opinion letter?
A Discussing it with Dale Ledbetter and Trae Wieniewitz.
Q What did you discuss?
A That the opinion letter was that it was not a security.
Q Did you retain your own counsel to perform an analysis of 1 Global before you decided to market it or at any time to get their determination as to whether or not it was a security?

A Personally, no, but other advisors had their counsel which I depended upon also throughout the process.
Q Why didn't you do it yourself?
A I travel between two states and the information that they were giving me seemed to be appropriate for what they were stating.
I didn't see the need. There was no suspicion in my mind after seeing and hearing what they had told me and in talking to the various entities.
Q Who were these other sales agents?
A Matt Walker. I know the Pellegrinos had gone down. Trae Wieniewitz, John Fisher, all of them had made trips.
Matt Walker I think even took three attorneys with him. And I'm not sure about the Pellegrinos, but Matt Walker was a biggie because he had actually brought attorneys down there with him.
Q Okay. So from the time that you marketed -- decided to market 1 Global, until you stopped selling 1 Global, is this the totality of the due diligence that you performed with respect to whether or not it was a security?
A It was ongoing. It was almost daily as we were dealing with clients and fielding client's questions and

talking to advisors, talking to 1st Global.
It was an ongoing due diligence the entire time.
Q What do you mean by that?
A They were continually providing updated slide decks. They were providing new documents. New information would come out on how 1st Global has evolved, I guess, but it was ongoing.
Q When you say they provided, was that 1 Global would send you updates?
A Yes. 1st Global would send me updates from Darice Lang and Candace Abrams.
Q Outside of them providing you with those updates, did you do any independent due diligence?
A Yes. We continued to check the internet, look at the industry as a whole. The industry was expanding.
There were several other entities dealing with merchant cash advance. Reading the different articles that were provided like the New York Supreme Court ruling that it was not usury because it wasn't a loan, it was merchant cash advance.
Then the conversations about the opinion letters. They were constantly trying to seek more -- to validate even more so their product. I think they even had broker dealers and even banks participating from what

they had told us.
Q Which broker dealers were involved?
A I don't know, I just -- this is in conversation. I did not get any names.
Q Who told you that?
A Trae.
Q Did you have an opportunity to -- when you were conducting your due diligence, was there any way to memorialize like a checklist, for example, anything like that where you could put down, you know, that you had reviewed this, this, certain items regarding it?
Did you ever have that opportunity?
A Can you be more specific?
Q Sure.
Was there ever a due diligence checklist that you populated -- that you received and populated with respect to 1 Global?
A No.
Q Was 1 Global what you considered to be an alternative investment?
A Yes.
Q Was there ever any opportunity -- did you ever receive anything like a due diligence checklist with regard to alternative investments?
A No.

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(SEC Exhibit No. 183 was marked for identification.)

Q Okay. I'm done with Exhibit 182. This will be very quick here.

Let's pick up Exhibit 183, please.

A Oh, I have it.

Q Yes. Do you recognize it?

A Yes.

Q Just briefly can you describe it?

A It's an e-mail from Trae Wieniewitz because I was inquiring about 1st Global.

Q I am sorry, go ahead.

A He had also attached the -- he also attached Christopher Dantin's July statement from 2016.

Q Okay. This is dated March 21st, 2017 from Mr. Wieniewitz to you. Had you been having discussions with Mr. Wieniewitz predating this about 1 Global?

A Yes, because he was getting ready to go down to Florida for his visit.

Q Am I correct that you never went to the Florida facility?

A That is correct.

Q And the first sentence here it says, audited by third-party CPAs.

What does that mean?

A At the time of this e-mail, I took this as Daszkal Bolton.

Q What were they auditing?

A The financial statements that were provided to the lender.

Q What financial statements are we talking about or are you talking about?

A The actual monthly statements that the clients would receive or had access to online.

Q Okay. And that is what you understood the third-party CPA auditing function to be?

A Yes.

Q Anything else did they audit or is that it?

A To my knowledge that was it.

Q Well, let me just ask you, did they have financial statements, 1 Global?

A I don't know.

Q Did you ever know?

A After the findings from the bankruptcy that they had lied and said that Daszkal Bolton was doing it and they had not been, no, I did not.

Q So prior to that, did you think they had 1 Global -- that 1 Global had audited financials?

A I only knew that Daszkal Bolton was looking at the actual statements. I don't know if they were looking

at their firm or not and their financials, but Daszkal Bolton was on the statements for the clients as a verifying source.

So when I mentioned financials, I mean strictly the monthly statements. I don't know if they dealt with 1st Global directly.

Q As a registered investment advisor, was that something that was important to you in offering an alternative investment to see if they had audited financial statements?

A The topic of audited financials had come up through the due diligence process in 2017, but it was a new company and they were not -- their answer was that they were not a publicly-traded company and that they weren't required to do audited financials.

Q Okay. We were talking about the due diligence process in 2017.

What are you talking about there?

A When they had made their visits down to 1st Global, my due diligence was to ask them how their visits went, what did they look at.

John Fisher said he looked at their entire operations to include their collections department, their receivables and monitoring the ACHs and meeting the partners.

So all of that had been verified that all of those things were going on.

Q He said that he saw financial statements, John Fisher?

A I can't recall if he said that he saw financial statements, but he saw their operations and didn't have any reason to think otherwise.

Again, we're financial advisors and not accountants so I don't know if he would have known what he was looking at any way.

(SEC Exhibit No. 184 was marked for identification.)

Q I'm done with that document.

If you could please pull up Exhibit 184.

A Okay.

MR. PORTEOUS: Sorry, Gary, this is David Porteous. Are we reaching a point where we could take a break sometime soon? I didn't mean to interrupt your flow.

MR. MILLER: Yes.

MR. PORTEOUS: Can you also give the witness a minute just to review the documents as you introduce them? I know he has them in front of him, but just give him a minute.

BY MR. MILLER:

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Q Take a look at Exhibit 184, sir, and let me know when you're ready to answer a couple of questions.
A I'm ready.
Q Okay. Do you recall receiving this from Christopher Dantin?
A Yes.
Q In essence, what is going on here?
A It was an introduction to Darice for the on-boarding process.
Q It says, "Roy is ready to sign up and get started. Please reach out to Roy and give him all our processes and all marketing materials."
Did that mean -- well, what does that mean?
A In regards to what?
Q Whose processes and whose marketing material, 1 Global or Mr. Dantin?
A This is him referring to 1st Global's processes and marketing material. I never received anything from Christopher Dantin.
Q It says, "I think Roy wants to start the process as soon as he can and I will follow up with him later this week to answer any of his selling questions."
Did he indeed do that?
A Yes.
Q Can you tell us about those conversations?

A Can you be more specific?
Q What did he tell you about the selling questions?
What selling questions, if any, were raised?
A What I mentioned previously about them being a merchant cash advance company, providing merchant cash advance and the size of the industry growing and how the receivables and collecting were performed.
Q Did he give you a sales script?
A No.
Q I think I cut you off. I'm sorry.
A No, he did not.
Q Anything else?
A No.
Q Okay.
MR. MILLER: It's 12:01 -- well, now it's 12:02 Eastern Daylight Time on October 5th, 2020.
Let's go off the record.
(A brief recess was taken.)
MR. MILLER: It's 12:12 p.m. Eastern Standard Time on October 5, 2020. Let's go back on the record.
BY MR. MILLER:
Q During the break we just took, Mr. Gagaza, you and I did not have any conversations of substance regarding this investigation, did we?

A Excuse me?
Q Did you and I have any conversations of substance regarding this investigation during the break that we just took?
A No.
(SEC Exhibit No. 185 was marked for identification.)
Q Okay. I would like to draw your attention, if I may, to Exhibit 185.
This is --
MR. PORTEOUS: Gary, just very quickly. This is David Porteous. Are we done with 184? Can I put that away or keep it out?
MR. MILLER: Yes.
BY MR. MILLER:
Q Mr. Gagaza, take a moment or two or three to go through Exhibit 185. When you're ready to answer some questions, let me know.
A Okay.
Q Are you ready?
A No, not yet.
Okay. I'm ready.
Q Excellent.
Do you recognize Exhibit 185?
A I do.

Q What is it?
A It is an e-mail to Dale Ledbetter letting him know my introduction from Trae and Chris and was asking a few questions here in regards to the product.
Q Why are you in touch with Dale Ledbetter?
What does he have to do with 1 Global besides being a lawyer?
A He was their outside counsel and that's who Trae and Chris said that I should talk to in regards to the product.
I had also talked to Darice Lang during the on boarding, but this was the conversation again doing my due diligence to get better clarity on the product.
Q So it looks like you're writing to him on March 28, 2017. "Thanks, Dale. Trae and Chris have had nothing but great things that say about you.
I'm excited to get on board and already have a few clients that are ready to move forward."
Then you ask is there a minimum guarantee.
What were you referring to?
A I was referring to whether or not it had any guaranteed rates.
Q Did Mr. Ledbetter answer that question?
A To my recollection, the non-qualified monies did not have any guarantees and that the IRA monies,

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qualified monies, had a 3 percent guarantee.
Q And that's what you recall Mr. Ledbetter telling you?
A Yes.
Q Then you said, "As far as the compliance goes, I want to make sure I don't mislead the client in any way, so I can't say guaranteed or safe, correct?"
What was his answer to that?
A He said correct.
He can't -- because it has risk, it has credit risk, we wouldn't be able to say safe or guaranteed.
Q What is credit risk?
A Credit risk dealing with the merchants themselves or even credit of 1st Global, but more so the merchants.
Q Did you market 1 Global to your advisory clients?
A Can you be more specific on that?
Q Well, Journey Wealth has advisory clients, is that correct?
A That is correct.
Q Did you also have clients outside -- or customers outside the rubric of the advisory relationship, such as folks that you had sold insurance products to, annuities, things of those likes?

A Yes. Clients may have been advisory clients. They could have been just insurance clients. They were clients.
I mean, again, I'm doing comprehensive planning to -- yes.
Q Not every one of the -- of your 6 to 700 households had an advisory relationship with Journey, it was just that number was including the folks -- that you gave us, was including the folks that had bought insurance products and annuities and might not have availed themselves of your advisory services.
Is that an accurate statement?
A That is more accurate, yes.
The majority of my clients -- well, 90 percent of the clients were -- 90 plus percent were insurance clients.
Q Out of the 6 or 700 households?
A No. Out of the people that purchased 1st Global, the majority already had fixed annuities or fixed index.
Q Okay. Let me make sure that I got this right.
So 90 percent of the folks that you offered, and eventually sold 1 Global to, were outside of the advisory relationship?
So those might have been folks who had

annuities, some folks who had insurance products with you, is that right?
A Yes.
Q Now, as far as the 10 percent or so that were advisory clients, did they also pay an advisory fee on top of whatever fees you were receiving from 1 Global?
A No.
Q Did you disclose fees that you were going to be receiving, fees or commissions, with respect to 1 Global when you offered and sold 1 Global to investors?
A Yes. It was part of my explanation in explaining the product.
Q Then going back to 185, and I apologize for jumping back and forth, "What is the best way to word it so that I'm accurate and instills confidence that they won't lose their money."
What does that mean?
A I was trying to find out what measures 1st Global was taking to mitigate risk.
Q What did he tell you?
A That the merchants would have to sign a UCC personal guarantee and that the credit scores had to be over 800.
They only took one out of ten merchants. Their defaults rate, I believe at the time, was 6 percent and

the fact that you're getting a fractionalized percentage of the advance.
That was the measures they took.
Q Who told you that?
A Who told me that during my -- before I sold it or when?
What time frame?
Q Well, you just said that they said that they had to have an 800 credit score, the merchants, right?
A Correct.
Q So we're now in -- 185 is a conversation that you're having through e-mail transmission with Dale Ledbetter.
And one of the ways -- you're asking, "What is the best way to word it so I'm accurate or instills confident that they won't lose their money."
So they pick one in ten. Does Dale Ledbetter tell you that?
A Yes.
Q Did Dale Ledbetter tells you that the merchants have 800 credit scores?
A I can't recall if it was Dale or another conversation I had with someone else, but that had come up several times with different people.
Again, I can't recall if it was with Darice

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Lang during my on boarding, or if it was Trae or Chris, but it was all during the time frame of doing the due diligence prior to selling it.

Q Is that a good score or bad score or medium score?

A Anything over 750 is generally a good score.

Q What was the -- you mentioned factoring. What was the factor rate?

A I don't recall.

Q Was it higher than a bank?

A I don't recall.

Q Why would an entity with a -- a merchant with an 800 credit score need to go to 1 Global to get an advance when they could just go over to a bank?

A I can't speculate as to why.

Q Okay. So you're asking, back to 185 again, "What is the best way to avoid it so that I'm accurate and instills confidence that they won't lose their money."

So in writing that, are you asking -- are you saying, I want to be able to present 1 Global as a way to my clients to invest without loss of money?

A No. I am posing that question knowing that there is risk and letting the clients know that there is risk in this investment.

My intention in that e-mail is to clarify what mitigating measures they were taking, precautionary measures, in order to prevent that from happening.

The answer was credit risk. You could have a merchant default, but they're maintaining their default rate at 6 percent which is in line with their overall calculations for what they showed.

Q Did they ever -- did anyone from 1 Global show you any documentation to support that 6 percent default rate?

A The slide deck had that on there.

Then you could see also on the monthly statements, the amount in reserves for potential collections.

That's what I recall.

Q Okay. The next sentence on 185, "Trae has gone over how they are structured and the precautionary measures --

THE COURT REPORTER: I am sorry, Mr. Miller, but you are breaking up.

BY MR. MILLER:

Q Did Mr. Ledbetter give you any key phrases?

A I can't recall any key phrases. I mean, I can't recall.

Q No problem.

With respect to the credit risks -- I think you mentioned there was credit risk with respect to the merchant that gets the advance.

I seem to recall you also said there might be a credit risk with 1 Global itself. Did you say that, or did I mishear that?

A No. I didn't say that.

Q What do you mean by a credit risk to 1 Global?

A They are the borrower in this instance. So if they were to mismanage that money, there is always the risk of the transaction going poorly.

So the merchants themselves and then 1st Global in managing these assets.

Q So as a registered investment advisor, how do you wrap your head around that and get comfortable that the credit risk with respect to 1 Global was manageable in such a way that you would feel comfortable offering that to your clientele?

A In looking at their slide decks, in looking at the progression and size of the industry and it being disbursed amongst many merchants. And they're getting a fractionalized portion of the advances in those daily ACHs that they're receiving.

And that I have not seen any negative sources on 1st Global's operation, it was nothing but positive.

The statements were adding up. Everything looked fine. They're very responsive when we call.

Again, we were in contact with them every day during this period. And there was a constant communication with advisors. So to me, the operations were moving along as they stated.

Q Right.

But you -- at this point, you still did not have any notion as to -- is it correct that you didn't have any notion or understanding as to the actual financial condition of 1 Global?

A Other than what they were stating in the slide decks and their growth and the default rate. I would say that was information that they provided.

Q Right. But you didn't have any financials audited or unaudited, is that correct?

A Correct, because they didn't provide it.

Q Okay. You also mentioned something about UCCs being filed.

Did you say that?

A They told me that the UCCs were being filed.

Q Who told you that?

A Darice Lang and Dale Ledbetter.

Q Did you, or anyone in your staff, ever go independently to determine whether or not UCCs were in

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fact filed with respect to the merchants that had advances from 1 Global?

A We had inquired about the merchants, but they told us that it was confidential so there would be no way for us to check on these merchants after they had taken them off the statement.

When I saw Christopher Dantin's statements, they had the client, the merchants, directly listed and then they changed the format.

Q Do you know why they did that?

A I don't know why they did that. They felt -- no, I don't know why.

The question was asked to Darice Lang. I think I sent an e-mail on that. She said for privacy reasons we could not. I believe a client had asked me about it and then we couldn't provide the name of the client because of confidentiality issues.

Q As far as I understand, we have looked at some exhibits here where they take one in ten -- 1 Global processes multiple applications for cash advance, but they only take one in ten, is that correct?

A Which part of that statement, the one in ten?

Q That they only take one in ten of the folks that apply for an advance?

A That's what they told me, yes.

Q Okay. Did they tell you what process they go through when they look at the company to decide whether or not they're creditworthy enough and from a risk standpoint are worth advancing money to?

A That is illustrated in the brochures with the companies that they use in the program that they use. I can't recall the exact name of that company and the credit reporting system, but it's in the brochure.

(SEC Exhibit No. 186 was marked for identification.)

Q I am done with 185. You can put that aside.

Go to 186, please. Let me know when you're ready.

A Okay. I'm ready.

Q So it looks like you are sending a letter dated April 3rd to Mr. Ledbetter.

It says, "Dale, as a Registered Investment Advisor, I will be adding this to my Form ADV, Parts 2A and 2B.

In reading the Marketing Agreement, it refers to me as an "Affiliate" and "Marketing Associate." Which term should I use for my ADV when I list 1st Global Capital as an Outside Business Activity?

Also, as this product is not a securities, do you know whether or not the standard E&O covers me. I

will call the E&O provider to see if they cover me, but should I be aware of anything else from a compliance standpoint. Regards Roy."

What was Mr. Ledbetter's response?

A To which portion of the paragraph?

Q Let's start with whether or not the E&O covers him -- covers you?

A He told me that I needed to check with my E&O.

Q How about the part, should I be aware of anything else from an compliance standpoint that I need to know?

A I can't recall him providing any additional information on that question.

Q I got it.

Okay. So at this point, as of April 3rd, you had had information to definitively say in your letter to Mr. Ledbetter also as this product is not a security.

So by April 3, 2017, you had done your due diligence, or had received enough information from Mr. Ledbetter and Mr. Wieniewitz, that this was not a security, is that right?

A That and other due diligence that I had done additional to all that you just said.

And also researching whether or not the promissory note was a security, I couldn't find anything

that said it was a security, so yes.

Q Okay. You're not an attorney, correct?

A I am not.

Q Did you limit your search to just promissory notes and nine months?

A The search included looking up the definition of a security and trying to relate it to a promissory note. And not being an attorney and talking to an attorney and their conclusion and their analysis that it was not a security.

Q Okay. But to further expound on the point that you just raised, you know, the definition of a security, did you look to see, for example, whether or not it could be considered an investment contract?

A I'm sorry, say that last part, you cut out.

Q Did you look to see whether or not it could be considered or construed as an investment contract?

A I don't recall.

Q Do you know what the term investment contract is?

A Can you expound upon that?

Q No. Let's just go with your understanding.

Have you ever heard in the context of a security -- in your context of your business being a registered investment advisor, have you ever heard the

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term investment contract?
A Yes, I have.
Q What is it?
A I would have to pull up notes on it to give you the definition. I don't want to misstate what an investment contract is.
Q Okay. Let me ask you a better question.
Did you perform any independent research to determine whether or not the 1 Global product could be construed or considered as an investment contract?
A Part of that internet search in defining of a security would have included that as I'm going through trying to get the definition of this type of product.
I can't recall exactly if the term investment contract came up during that research.
Q Okay. As we're speaking now, are you researching that?
A As we're speaking now as I'm talking to you? No.
Q Okay. Did you ever have that discussion with Mr. Ledbetter, or with anyone, whether or not 1 Global's product could be construed as an investment contract?
A After the bankruptcy itself --
Q Before the bankruptcy?
A That would have been part of this line of

questioning to Dale Ledbetter.
Q Could of or was?
A The word investment contract was not used by me during that conversation.
Q Okay. Was it used by any one?
A Potentially in the research that I would have done looking up the definition of a security.
I mean, when you're scanning through all of that information, I don't doubt the word investment contract would have popped up if I'm looking at security and promissory notes, but I can't recall exactly.
(SEC Exhibit No. 187 was marked for identification.)
Q Let's pull up Exhibit 187. I'm done with Exhibit 186. Thank you.
187 appears to be a document dated March 28, 2017. It's three pages in length. I'm going to note for the record, before you take a peruse of it, Mr. Gagaza, that you did not sign this document.
If you could take at look at it and if you would read it and let me know when you're ready to answer some questions on it.
A Okay.
Q Excellent.
Do you recognize this document?

A Yes.
Q What is it?
A It's my marketing agreement between myself and 1st Global Capital.
Q Did you ever sign Exhibit 187?
A I can't recall unless I look in my records.
Q And you produced everything over to the staff regarding 1 Global, right?
A To the best of my knowledge, yes.
(SEC Exhibit No. 188 was marked for identification.)
Q Okay. Let's hold onto 187 and let's pull up 188.
A Okay.
Q Take a moment to look at that.
Okay. Does it look like you signed 188?
A Yes.
Q That is your signature on the third page of 188?
A Yes, it is.
Q Okay. Do you have any recollection of signing 187?
A I don't think that I would have been able to sell it if I had not signed it, so yes.
MR. MILLER: Okay. David, can we, after the

testimony is over, can you ask your client to please do a more fulsome search because we were not able to find an executed copy of 187.
And if it turns up, we would like it pursuant to the subpoena. Would that be all right?
MR. PORTEOUS: Of course.
MR. MILLER: Excellent. Hopefully, you can get back to me in a week or so on that.
BY MR. MILLER:
Q Let's just briefly, since this is unsigned, Mr. Gagaza, let's just briefly look at 187.
In the third full paragraph there are some percentages. The sum of 4 percent per annum of any money secured from lenders. Then they're talking about the sum of 4 percent per annum secured by such renewal and a 1 per annum for override.
Did you in fact receive those fees from 1 Global for your sales of 1 Global's product to investors?
A I received the 3 percent because I did not get the renewal of the 1 percent after the nine months. And I got .75 because again, the products did not -- oh, the 1 percent on override, yes, I did receive that.
Q And that was with respect to what?
A To overrides on other affiliates.
Q Such as Mr. Fisher?

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A Yes.
Q Anybody else?
A Rick Miller.
Q Do you recall me asking about a Richard Miller before, whether or not he sold it?
A Yes. You said was he part of my RIA and I said, no.
Q Okay. So who is Richard Miller or Rick Miller?
A Rick Miller is another advisor who lives in Southern California. I also met him at the Revolution Marketing Organization.
Q Okay. How did he come to sell 1 Global?
Did you refer him to 1 Global?
A I referred him to 1 Global, yes.
Q And in turn, the sales that he effected produced commission and you received an override from that, is that accurate?
A Yes.
Q Okay. I see on 187, and then I'm going to let go of 187, that you have your Manteca, California address, is that right?
A 187, yes.
Q Okay. I'm done with 187.
Let's turn to 188. At the top of it, it says, Roy Gagaza, TLS Management and Marketing Services, LLC

d/b/a P&R Marketing.
What is that?
A That is a separate affiliate.
Q Can you put a little bit more meat on those bones?
A This was a separate entity for the overrides.
Q Who formed it?
A TLS and P&R Marketing.
Q What does TLS stand for?
A Tax Law Solutions Management & Marketing Services.
Q How did you become aware of them?
A Through Trae Wieniewitz.
Q What does TLS Management and Marketing Services do?
A They're in the business of tax law.
Q Where are they located?
A 268 Munoz Rivera Avenue, Suite 1006, San Juan, Puerto Rico.
Q Okay. What caused you to go to have the name of your entity that contracts with 1 Global, Roy Gagaza, to TLS Management and Marketing, LLC d/b/a P&R Marketing.
What was the reason for that?
A At the time of learning about alternatives, this entity was going to deal with alternatives and

become a marketing branch was the goal.
They had the hurricane. The hurricane demolished Puerto Rico. At the same time, I pretty much -- I stopped selling 1st Global and so we ended up dissolving the entity.
Q Who is we?
A My wife and I.
Q Okay. The d/b/a, your wife's first initial is P?
A Correct.
Q What is her name?
A Patricia.
Q And the R is you?
A Correct.
Q When I say you, I mean Roy?
A Yes.
Q Okay. So is TLS Management and Marketing, was that a tax avoidance entity, a marketing entity or something else?
A That is a marketing entity for marketing and consulting.
Q Did TLS receive remuneration from you on each of your sales and the commissions generated from your sales of 1 Global?
A They were receiving this override, TLS was.

Q I'm sorry, I didn't hear that.
A TLS was receiving the overrides.
Q Of what percentage?
A The 1 percent.
Q Okay. Where was the 3 or 4 percent once you sold 1 Global to an investor, where would those monies go?
Would it go to TLS Management, or would it go to P&R Marketing or go to Roy Gagaza?
A The 3 percent of the 4 would go to Roy Gagaza. This entity was strictly for the -- go ahead, sorry.
Q No, your turn.
A No. Go ahead.
Q And the 1 percent -- what 1 percent went to TLS?
A The override on other affiliates.
Q Okay. So for Mr. Fisher, for example, did you receive an override of 1 percent for referring Mr. Fisher to 1 Global, or did TLS get that money?
A Prior to the date of October 9th, I received the override. After the entity was formed, TLS received the override.
Q What services did they provide you in return to get 1 percent?
A The consulting and marketing.

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Q Consulting on what?
A If other advisors were to -- can you be more specific on that question?
Q What did they do to earn 1 percent?
A They have their sales and marketing services entity. So if we're going to expand upon alternatives, they would assist with that process, with phone support, etc.
Q What support?
A With customer service support.
Q Now, did they perform any due diligence for you?
A No.
Q Did they give you new legal advice with respect to whether or not it was a security?
A No.
Q Who was your contact at TLS?
A David Rungy.
(SEC Exhibit No. 189 was marked for identification.)
Q I'm done with 188. Let's turn to 189, please. Take a look at it and let me know when you're ready to answer some questions.
A Okay.
Q Do you recognize this document?

A I do.
Q Do you recognize this document?
A I do.
Q Okay. So this is the on-boarding call that you had in order to be able to sell 1 Global, is that right?
A Yes.
Q For 1 Global, was it just Darice Lang on the line?
A It would have also been Dacey and Bev on the line.
Q Right. But I'm saying from 1 Global, was it just her?
A Oh, from 1 Global, yes. She may have had one other person, like Candace on the line possibly.
Q Okay. You were on the call. Dacey was on there, Beverly was on there and Rayna was on there, is that correct? At least Dacey and Bev?
A At least Dacey and Bev.
Q Okay. And she is referring to -- we're talking here about that she is jotting some notes down, that's Dacey. Do you recall how long the on-boarding call took?

A Approximately an hour.
Q Did you take notes or did -- or was the notetaking just Dacey?
A To my recollection it was Dacey.
(SEC Exhibit No. 190 was marked for identification.)
Q Okay. You were kind enough to turn those over to the staff. Let's take a look at them now. They're marked as Exhibit 190, so I'm done with 189.
A Okay.
Q Take a moment to review 190. Let me know when you're ready to answer some questions.
A Okay.
Q Now, as far as 190 is concerned, had you ever reviewed these notes prior to today?
A Prior to today we would have reviewed them as we were starting the process to make sure that we processed the documents correctly.
Q When you say start the process, the process of being able to offer and sell 1 Global to your customers, is that right?
A That is correct.
Q Okay. So just a quick glance of it it says, $25,000 is the minimum amount, right?

A Yes.
Q Then it says, borrower is 1 Global, lender is the client. What does that mean? What do those identifiers mean?
A The client would lend money to 1st Global, the borrower. And the borrower then provides merchant cash advance to merchants.
Q Did anyone ever tell you that it's important to use those terms when offering 1 Global?
A Yes. I was very specific with all the clients on what they were in relationship to the contract.
Q Were you cautioned not to call them investors?
A With my due diligence, I was very clear not to call them investors. And because of my being an investment advisor rep, I did not want to confuse them in any way that this was not a securities offering.
Q Understood. Then it says a few items down, "Maturity date - nine months after note (MOI date). Amendment to the note if funds received a week after to note date." First of all, what does that mean?
A This was the duration of the note, nine months, starting from the MOI date.

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Q Okay. What is an MOI?
A It's a memorandum of -- well, it's either a Memorandum of Indebtedness or Memorandum of Instruction, I would have to see the document.
Q No problem.
Why was it a nine-month maturity date?
A Because I was marketing these as a nine-month note with a majority date. In order to stay within the guidelines of not being a security, I marketed this as a nine-month note.
Q Okay. Then it says, "Refund distributed at month nine."
What does that mean?
A After month nine, I would start the payout process from the borrower to the lender.
Q The borrower is 1 Global; the lender is your client, correct?
A Correct.
Q Now, it says here distribution on month nine.
Does that mean on month nine, that's nine months after the MOI was established and funded, correct?
A I'm sorry, say that again.
Q "Refund distributed at month nine."
Does month nine mean nine months after the MOI was created and funded?

A That's when the payouts would begin after month nine if they were not to renew.
Q When you say to begin, what do you mean by that?
A So in order to unwind the merchant cash advance, 1st Global had to be notified, prior to the maturity date, that the lender, my clients, were not renewing.
As such, they would start to take and retrieve those receivables in order to repay the monies that were loaned. It would take a process of three to four months. For larger amounts, as long as six months.
Q Okay. Take as long to do what?
A To receive all of the loaned money and the interest.
Q So if I put $100,000 in with you and we put it into an MOI, according to this, it says refund distributed at month nine.
Do I get my $100,000 back at month nine and we call it a day, or is it a period of time after the nine months?
A This is a note taken by Dacey and she may have paraphrased what she heard. My understanding was that payouts would start after the ninth month.
They would not receive the lump sum of their

entire initial premium, they would receive payouts because they had to retrieve the receivables.
Q When you say they had to retrieve receivables, are you talking about 1 Global?
A 1st Global would have to retrieve the receivables, yes.
Q I see.
I think you just mentioned a couple of moments ago that this could take as long as three to six months after the nine months?
A That is correct.
Q So since the nine months was important, in your estimation to it not being a security, did this give you any concern that in fact the nine-month note would not pay off until either 12 or 15 months?
A Yes. That's why I clarified with Dale Ledbetter and continually did ongoing due diligence throughout to see if anything had changed from what we had previously been told.
Q What did they tell you?
A That it was a nine-month note.
Q Okay. Have you ever bought a treasury bill?
A No.
Q Have you ever bought a corporate bond?
A Have I personally?

Q Yes.
A No.
Q Have you ever bought a certificate of deposit?
A No.
Q Do you know how a certificate of deposit works?
A In which respect?
Q If I bought a one-year certificate of deposit, when do I get my money back?
A You're going to get it all back at the end of the maturity period because it's a CD. This was a promissory note through merchant cash advance.
Different products have different terms and the term on this was nine months and then the payout again was another three to six months.
Q Let's go back, if I may.
Did you raise the concern about what about that nine month figure with Dale Ledbetter and you did your own research.
What exactly did Dale Ledbetter say that made you comfortable that it still should not be considered a security?
A The fact that the duration was nine months was the key factor as to whether or not it would be labeled a security.
Again, nowhere during our research did it show

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it anywhere. The SEC didn't have it. There is nothing written online and the research that the other advisors continued to do.

We all asked the same question. This was like a big, big question. So it was a big deal to categorize it properly so that we're not violating any rules. It wasn't until the bankruptcy and findings that this become all of a sudden a security.

Q Sorry about that, sir.

You said this was a big deal. I think that I heard you say you did your own research into this, is that correct?

A Yes.

Q Did you save your research?

A The research that I could find was the two complaints from merchants on 1st Global.

The rest of the research --

Q Did you save your research that it says it's a nine-month note, but if the money is distributed after nine months that doesn't effect it, it still not being a security?

Is that basically what you're saying, you did research into that?

A I used the materials they provided and the research that I could do online.

Q My question is, did you save the research that you did online?

A Yes.

Q Did you ever visit the SEC?

A What you have is the data that we have.

Q So my question is in fact, did you download and preserve the research that you did on that and produce it to the SEC pursuant to the SEC subpoena?

A We saved and we presented to the SEC what we had saved and the documents we had.

Q So you can't say specifically that any research you say you did with respect to a maturity date that extends past nine months -- the research that you did to obtain it, you can't say whether or not that was saved and produced to the SEC pursuant to the SEC subpoena, is that right?

A Specifically to the nine months and the payout, to my recollection and what I was told, it was a nine-month note.

Did I save -- we saved all the materials that they provided us, which was part of my due diligence and what I could find on the internet and what I found from other conversations with other advisors and their visits.

So I can't -- that's what I did.

MR. PORTEOUS: Gary, I'm sorry. This is David

Porteous. May I offer that we can go back and double check to the extent that there is an issue here regarding some documents that they may have done and research historically and make a production.

If you would like, I could also -- I think there is a little bit of missing each other that I could ask a question of Mr. Gagaza just to clarify?

MR. MILLER: Fire away.

MR. PORTEOUS: Mr. Gagaza, I think what Gary -- and Gary, feel free to correct me if I'm misstating anything, but I think what he is asking about is you had said that you had done some research and that you had saved your research.

I think what he is trying to understand is, whatever research you had done on the issue of the security issue, as distinct from any other research that you may have done, is that in a file folder, electrically or paper or otherwise, that has been produced?

So I think he is looking at a very discrete piece of information as part of a broader research file that you produced. It could be in the same file that you would have produced, he is just trying to understand if there is a piece of research on the issue of the nine-month note that may have been in a file folder somewhere?

THE WITNESS: I can't recall if it's in a file folder or not.

BY MR. MILLER:

Q Okay. Let's move onto 190. The second sentence, "If renew, will be automatic you do not have to submit anything.

What does that mean?

A That means if we did not notify 1st Global, it would automatically renew. But we notified them on every single client that they would not renew.

Q Okay. Did that concern you about the automatic renewal function in terms of the nine month duration of the note?

A Yes. I did not want to go past nine months and sell something that was not what I was stating it was. I was stating it was a nine-month note.

Q Okay. What about the fact that it had that provision in the Memorandum of Indebtedness?

Did that concern you?

A That's why I clarified with Dale Ledbetter. He said that it did not -- according to his analysis, that it was not, it was not a security.

Q Did he tell you what that analysis as far as the automatic rollover contained?

Did he go into details?

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A His details were saying that according to their analysis, and his experience working with the SEC, and they touted this guy as the source to talk to, that it was not a security.

We were acting upon his guidance. Again, I couldn't find anything specific on there that said otherwise.

Q And the last entry that I want to speak with, it says, "Can only get interest "earnings" at the end of nine months" and earnings is in quotes.

First of all, what does that mean and why is earnings in quotes?

A I don't know why it's in quotes. These are Dacey's notes. I guess to refer to it as earnings as a way of describing it to the client that those are earnings on your loan, on the monies that you loaned.

Q So is it interest on your loan to the borrower, or is it earnings on your loan?

How did you personally explain it to your clients?

A As earnings.

Q Okay. I'm done with that.

How did you market 1 Global to your clients?

A Through client education and seminars.

Q What is client education?

A Client education events, I did approximately two or three a year with the clients to go over different topics from estate tax to Social Security.

In this case, alternatives to fixed index annuities, various topics.

Q Okay. So where did -- describe the client education events?

Was it at a restaurant?

A They were held in a restaurant and information would be presented and then dinners would be served.

Q Okay. Who would the invitations go out to as to why come to the client education events?

A We would send the invites to our clients.

Q Anybody else?

A For client education events, we would send them to our clients.

Q Okay. And within the invitation itself -- and I don't think that any of those client education events invitations, to the extent there are any, were produced to the staff of the SEC pursuant to the subpoena. If that is the case, I would like those produced.

Did they specifically mention 1 Global?

A I can't recall. I would have to see what we sent out.

Q I got it.

And in the client education events or invitations, were your clients permitted to bring guests?

A Yes, they could.

Q So this was not -- the client education events were not just limited to your clients, is that right?

A That is correct.

Q It could be members of the general public, right?

A It would be guests of the clients.

Q Known to you as the general public, correct?

A If that's your definition of a guest, yes.

Q Is it someone that you don't know?

A Correct.

Q (Audio glitch) definition not mine. Okay.

THE COURT REPORTER: Gary, you broke up.

BY MR. MILLER:

Q If you disagree with my definition, there is no way that you can say, okay, if that is what your definition is.

Your definition, not mine. Okay. I just wanted to -- okay. Now, you said that --

MR. PORTEOUS: Gary, this is David Porteous. You audio is getting a bit dodgy.

MR. MILLER: We don't want that to happen.

Mr. Gagaza, are you able to hear me?

THE WITNESS: Yeah, that's better.

MR. MILLER: Lisa, are you able to hear me?

THE COURT REPORTER: I am, but I do agree that it's getting a little sketchy here and there.

BY MR. MILLER:

Q Okay. During these client educational events, do you remember how many events that you held where you presented 1 Global Capital to investors?

A One to two in both California and Hawaii.

Q So at a minimum, it would be one in California and one in Hawaii, is that right?

A Yes. One introducing it to them and one telling them we're getting out of it.

Q I see.

And during these events --

A I'm sorry, say again, you came in broken.

Q Did you say we are -- you're presenting 1 Global as an opportunity at a client education event, number one.

And then did you say that there would be a second client educational event where you again tell folks that at this time we're getting out of it?

A David (sic), I can't hear you at this point. It's really garbled. I don't know if you need to call back in or --

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MR. PORTEOUS: Just give it a minute. It's probably a signal issue.

Gary, can you restate the question?

BY MR. MILLER:

Q Okay. Mr. Gagaza, did you have a client education event where you presented 1 Global Capital to investors?

A Yes.

Q Did you compare it to fixed income or to the stock market?

A Can you clarify compare because I would describe the advantages and disadvantages of all that you just mentioned.

Q Okay. So let's use your words.

How did you compare them?

A As far as fixed and fixed index, I would let them know that those were principle-protected products, but they were guaranteed by the claims ability of the insurance carriers.

CDs were protected by the FINRA -- not FINRA, by FDIC. And if I'm talking stocks, bonds and mutual funds, that they have potential for returns, but they can also lose their money in the market.

With these notes, these were nine-month instruments with credit risk because they're dealing with

merchants.

So each of these would be discussed throughout the presentation to let them know the different factors, time horizons, liquidity or lack of liquidity.

That's how I would describe it.

Q Was there any handouts at the client education events, or was it just a power point?

A I can't recall specifically, but if I did hand anything out, it would have been the brochures that 1st Global provided.

Q Did you use a power point?

A Yes.

Q Did you save the power point?

A You came in broken up.

Q Did you approve the power point? Did you create the power point?

A Yes.

Q Was there any other ways in which you offered to sell 1 Global to your clients at client education events?

A There were seminars inviting the public.

Q Did you provide the staff with --

THE COURT REPORTER: Sorry, Gary, you are breaking up.

BY MR. MILLER:

Q Were the invitations sent out to the general public, or were they advertised in some form of media?

A They were flyers, mailers to people 55 to 75 with incomes over 60,000 and -- over 40,000, or incomes over 60,000 for those between 55 and 59 or up to 60 and then 60 and above was 40,000.

The mailing companies would receive these demographics and they would mail that to the targeted audience.

Q Did you create the content for the flyers?

A Yes.

Q Did you have the flyers, the content of the flyers approved by compliance or by an attorney?

A I was my own compliance. These seminars were comprehensive in nature, they were not specifically 1st Global.

Q Okay. And to the extent that you were involved, I don't recall seeing any flyers like this either for the client education events or for the general public events. So to the extent that you have them and have not sent those --

A I didn't hear the last part, you broke up.

MR. PORTEOUS: This is David Porteous. If I understand correctly, you're asking to see if we have those and to produce them if we do now, so that's fine.

THE WITNESS: Yes.

BY MR. MILLER:

Q Was there any other methods that you used in order to solicit folks who invested through 1 Global?

A Word of mouth from clients.

Q How about e-mail?

A Other than telling the clients there is an upcoming event, no.

Q How about using the cell phone?

A For telemarketing, no.

Q No. I mean, talking to your clients and saying, I got this investment?

A Yes. That could have come up during an annual review because I do annual reviews on all of their fixed annuities and fixed index or their AUM.

Q Okay. Is that the same situation with e-mail, that you could have used e-mails in order to present it to them?

A I don't generally use e-mail to -- unless it's an upcoming event that we're letting them know about.

(SEC Exhibit No. 191 was marked for identification.)

Q Let's pull Exhibit 191 for a movement, please.

A Well, here is an e-mail. I misspoke. This was -- okay. Go ahead.

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Q Did you need more time to review 191?
A No.
Q Okay. You were about to say this was --
A I had already spoken to the client possibly at one of -- either after a client education event or after talking to him about one of his existing accounts.
In this case, we would have probably discussed his Woodbridge Wealth and where the money was going to go afterwards so I had sent him the information on 1st Global.
But when you asked me do you -- I thought that you were referring to advertising and how did I get the word out on this. Did I advertise through e-mail is how I took your question.
Q Understood.
A Okay.
Q So maybe a better way to look at it is you communicated with your clients about the 1 Global opportunity through e-mail, is that accurate?
A On occasion. On occasion. Yes, most -- on occasion.
Q And it looks like there is attachments.
So it is fair to say that you sent attachments out to this person named Ron?
A Yes.

Q And were those attachments supplied by 1 Global?
A Yes.
(SEC Exhibit No. 192 was marked for identification.)
(SEC Exhibit No. 193 was marked for identification.)
Q Okay. I'm done with 191.
Let's go to 192 and if you would be kind enough to pull 193 that would be great.
A Okay.
Q Does 190 -- just by glancing at it, does 192 and 193 look like the documents that you were referring to in the e-mail to Ron?
A Yes.
Q Okay. Let's look at 192 first.
Let me know when you're ready to answer some questions about that one.
Q Okay.
A I'm ready.
Q Okay. What is 192?
A 192 is the consumer brochure from 1st Global.
Q How did you use this with prospective customers?
A I used this to explain the overall concept to

them, to give them an understanding of what merchant cash advance was.
Q I should have asked this before and I apologize.
Prior to 1 Global, had you ever heard of a merchant cash advance?
A Prior to 1st Global, yes, but not in detail.
Q So let's go to the first full page.
Did you go over the contents of 192 with your prospective investors page by page?
A Yes. Paragraph by paragraph, sentence by sentence.
Q Okay. It's fair to say you read this before you presented it to them?
A Yes.
Q Okay. So at the bottom of page one it says, In exchange for providing funds to 1st Global Capital, we are offering competitive and fixed returns secured by the funding portfolio itself."
What does that sentence mean?
A That they're offering earnings on the portfolio.
Q What portfolio?
A On the money that would be loaned from a customer to -- from a lender to 1st Global.

Q And how would that money -- how would the returns be generated?
A From the profits generated which is on page three. The first page is one, so two, three, four.
Our Financial Model, $1.30 to $1.35 for every dollar advanced.
Q I got it.
Do you remember we talked about that before and I asked why would someone, a merchant with an 800 credit score, go to 1 Global.
And I asked if you knew what the factor rate was. Is that the factor rate that we have been talking about today?
A Yes.
Q So the $1.30 to $1.35 is the factor rate?
A I would have to look up the exact definition of a factor rate, but that is the -- where the earnings would be generated by charging the merchants.
Q Do you know whether or not that was higher or lower or about the same as banks would charge a merchant for a loan?
A This wasn't a loan, this was a merchant cash advance.
Q I understand. I am asking a different question.

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A Okay. Please clarify.
Q Was it higher, lower or about the same of which a bank would charge a company, a merchant who had an 800 credit score that wanted a loan?
A It was higher.
Q Much higher?
A What is the definition of much higher?
Q Let's just work with higher.
Why would a merchant want to be -- want to go for a cash advance rather than a loan?
A The biggest factor would be speed. Banks were not lending. This is 2017.
Banks sometimes took months. And if you needed to purchase something quickly for your operations, needless to say your refrigerator system went out and they needed $20,000 for equipment, the bank is not going to be able to provide it within 24 hours.
Q I got it. Let's go to the third page.
It says Our Company.
A Okay.
Q The last sentence, "Accounting and auditing services are provided by the firm of Daszkal Bolton."
Did you ever read that before today?
A Yes. Every time I read the brochure.
Q What accounting services, to your mind, to your

knowledge, did Daszkal Bolton provide?
A Accounting and auditing of the merchant and cash advance receivables on the monthly statements.
Q Did they do the accounting or the auditing or both?
A It says accounting and auditing so that to me was both.
Q In your mind -- so your understanding that was strictly with respect to the monthly statements?
A Correct.
Q It didn't extent beyond that, is that right?
A I don't know if it extended beyond that, I was referring to this -- to me, this was the statements, the monthly statements that were provided to the clients.
Q Did you ever speak with anyone before 1 Global filed bankruptcy from Daszkal Bolton?
A No.
Q Did you ever see any of their back-up material as to the accounting and auditing services that Daszkal Bolton provided?
A No.
Q Why not?
A I had no suspicion, or I didn't see it was even necessary. Everything was accounted for on the statements. Everything seemed to check out.

Q Understood.
Let's go to the page that's stamped at the bottom right-hand side, sir, 527.
A Okay.
Q Do you see it says Our Performance?
A No, I don't. Oh, yes, I do, Our Performance.
Q Okay. It says, "Double-digit rates of return, well above average stock market performances."
Did you go over that with prospective investors?
A I did.
Q So did you compare it to the stock market performances?
A If the client asked what was average stock market performance, I would give them the 6 to 8 percent range that mutual funds were invented, 1924.
Q You described this as a benefit to your prospective customers when you went through Exhibit 192?
A I described it as a potential of their return which -- yes.
Q And before we turn away from Exhibit 192, did you see any risk factors articulated in that document?
A Risk factors?
Q Yes.
A Can you restate that or be more specific?

Q Okay. Sure. Sure. Sure. Sure.
Did you see any statements of risk regarding a client of yours, or a customer of yours, loaning money to 1 Global Capital?
A If you go to the growth strategy page 528.
Q Yes, sir.
A So when I was explaining risk, I would use that last paragraph in talking about their underwriting IT, sales department, sales division, all of that stuff as far as outsourcing.
The quality controls in order to mitigate and reduce risk, credit risk.
Q Credit risk to 1 Global or credit risk to the merchants?
A The credit risk of the merchants.
Q And correct me if I'm wrong, was it your understanding that your clients that loaned money to 1 Global did not invest in one particular merchant, but they in fact invested supposedly in hundreds of different merchants, is that correct?
A My understanding was that they were loaning money to the borrower and that they were getting a fractional share of the receivables.
So they weren't investing, they were loaning money to 1st Global.

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Q Right. Then in turn, 1 Global advanced it to the merchants and your clients received a percentage, a small percentage of each one of those advances, is that right?

A A fractional share of the advances, yes.

Q So how does this statement here turn it into an articulatable risk factor for your clients that were investing in?

A Because the clients would be concerned what is my risk. I would explain this is how they reduce the risk because you have credit risk from these merchants if they were to default.

The biggest risk to them were these merchants defaulting, but the criteria they used, the number of merchants they would have by the end of the nine-month term, they spread out to as many as 2,000 plus merchants.

All of those merchants would have to go under in order for them to lose all of their money if it were just the merchant cash advance.

Q Did you explain to your -- did you present 1 Global Capital as a low risk, medium risk or high risk investment to your clients?

A I did not present it as low, medium or high, I presented it as risk.

A little bit of just background, Gary. When I

was with SagePoint they were AIG. I had to go through that whole mess of the market crash and I really had to learn what was guaranteed and what is not guaranteed.

So I have always been very, very careful ever since that point forward that the only things that are principle protected are either bank instruments by FDIC or insurance instruments with claims payability of the insurance carrier.

So I would not define it as low, medium or high risk. Risk was risk. I just want to make sure they understood what type of risk they were exposed to and what was being used to mitigate the risk.

Q Did any of the clients -- any of the prospective or actual clients ask you so Roy, did you tell me that the risk is that the -- that the merchant was a dead beat and couldn't pay back, did they say something along the lines of well, does 1 Global step in with their own money to make me whole.

Did anybody ask that?

A No one ever asked that.

Q Did you ever ask anybody about that when you were considering this product?

A That would go in line with the default percentage which they said was 6 percent which was also accounted for in the reserve on the statement.

They kept so much money in reserve for default, potential default.

Q Who told you that that money was in reserves for defaults?

A 1st Global told me and it was on their statement.

Q Excellent.

Let's take a look the 193 now.

MR. LEVENSON: Hey, Gary. It's Rob Levenson. Can I just ask a follow-up question?

MR. MILLER: Of course.

MR. LEVENSON: Mr. Gagaza, did anyone ever -- did your clients ask you what is the risk of the -- what is the risk of losing my money?

THE WITNESS: They did. We just explained that as far as what we just went over the last five minutes.

MR. LEVENSON: Okay. But did they say -- I mean, I understood that. I heard your answer, but you know, you didn't say well, it's low, it's medium, high?

I mean, don't most clients want to know what the risk is of losing their money?

THE WITNESS: They did want to know.

MR. LEVENSON: And so other than saying well, if all of these merchants default and you could lose your money and here is what they're doing to mitigate that,

that's all you told them?

THE WITNESS: No. I also said that 1st Global, if they didn't handle their operations properly, that they could lose their money, but here was the data on this company.

It's a growing company, expanding company and everything was promoted as an expanding, thriving company.

MR. LEVENSON: Okay. Anything else?

THE WITNESS: The industry was also -- like on the first page of that brochure, it's one of the fastest growing markets as far as the small and medium-sized business.

And the fact that the banking industry was not lending and it was very difficult for merchants to even get access to cash, that this market, with several other companies in the industry, were thriving with providing a service to companies in need.

MR. LEVENSON: You were basically reading it with what 1 Global was saying in the brochure, right?

THE WITNESS: Right. Expanding upon what the industry was doing, yes.

MR. LEVENSON: Okay. And going back to Gary's question, did any of your clients ever ask you or, you know, well, maybe there is a reason that banks aren't

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lending to these groups that they're a high risk group.
Did anybody ever ask you about that?
THE WITNESS: When they did ask why would anybody do this, I would refer back to the quality of the screening and also the need to access the cash.
1st Global had told us that people would repeat, do repeat business because again, they're looking at a return on their investment, they're not necessarily looking at interest only.
It's what are they getting for this money. If I can turn a 200 percent profit but I paid 30 percent, well, to me, that's still worth it if I am able to expand operations.
MR. LEVENSON: Okay. And just going back to the question that Gary asked you right as I came along, other than what you have already answered on page 528, can you point me to anywhere in this brochure where 1 Global -- Exhibit 192, that is, where 1 Global says here is the risk of investing in our company?
THE WITNESS: They don't say it in those terms, but it comes out throughout these documents.
MR. LEVENSON: Okay.
THE WITNESS: They wouldn't be talking about all the mitigating factors if they weren't talking about risk.

MR. LEVENSON: Go ahead. I apologize. I will let you finish your answer.
THE WITNESS: I don't think they would be going through the details of how their screening process was unless they're trying to cover the question of risk.
MR. LEVENSON: But they didn't say that. It's not said there, you're supposed to -- you're implying it, aren't you?
THE WITNESS: If you're asking does it state it no, it does not. It does not state -- they don't state the words, this is what we're doing to mitigate risk. It does not say that.
MR. LEVENSON: And it doesn't say here is the risk of investing in our company, does it?
THE WITNESS: Not that I can see on these documents, no.
MR. LEVENSON: I don't have any follow up.
BY MR. MILLER:
Q Okay. Thank you.
Now let's pull 193, please.
A Okay.
Q Do you recognize this document?
A Yes, I do.
Q And what is it?
A It is the Frequently Asked Questions provided by 1st Global Capital.

Q As we noticed before, this is one of the documents that you sent by e-mail to the gentleman named Ron, is that right?
A Yes.
Q Does it say the word risk on 193?
A No, it does not.
Q How does that make you feel as a registered investment advisor recommending a product to customers where two of the documents that we have already looked at, 192 and 193, doesn't specifically discuss risk?
A Can you be more specific on how do I feel?
Q How did you get comfortable that this was an appropriate or suitable investment for your clients?
A By the mitigating factors that 1st Global used, the assets that my clients currently had, monthly income to expenses, time horizons that they have been investing in other instruments.
Their actual goals and objectives for that money. Some people just didn't want to have longer durations or any monies tied up.
Some people didn't want money in the market because of where the market was at. So depending on their goals and needs, it was a big determining factor, plus all of the other suitability requirements.

Q Okay. Then how did you use 193 to market 1 Global to prospective investors, and as a corollary, what specific items on 193 did you highlight or emphasize?
A I would go over each and every one of these bullets with every single client. I didn't emphasize one over the other, I would just go through each of them to make sure they understood it.
Most of this information was already on my board so it was really just reemphasizing and pointing them back to the board, this is where this is, this is where this is, this is where I stated this.
Q I'm sorry, what board are we referring to?
A Part of my process would be to illustrate how the product worked. So I would draw it up on the board and discuss everything from the 6 percent default to how we got paid, to the UCC personal guarantee.
All of that was on the board. And then the documents that they had, which they would walk away with, were produced by 1st Global. I just wanted to make sure I get them a visual of what they were giving us.
Q So when you talk about -- when you talk about a board, is that a white board?
A It's a white board, yes.
Q Did you ever take a photograph, or do you have an image of the white board still available?

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A I do.
Q Was that produced to the SEC pursuant to the staff subpoena?
A I can't recall.
MR. MILLER: David, I don't believe that I saw that. To the extent that it was not produced, could you please meet with your client after the testimony or in the days after and have it produced to us?
MR. PORTEOUS: Yes.
BY MR. MILLER:
Q On page one -- on Exhibit 193, item eight it says, "What has been the historical annual return to parties lending to 1st Global," and it says, "Double digit teens."
What does that mean?
A Double digit teens would start at 13 so I would say that is double digit teens.
Q And it ends at 19.
So what did you -- did you put any meat on the bones for the customers?
A I actually said 8 to 12 because at the nine month process, if they're getting out they're going to receive an actual lower return because they're not renewing.
They're actually having to retrieve the

receivables prior to the nine month date in order to get all of their monies back and they're having to now not advance as much monies out so the returns tend to be in the 8 to 12 range.
Q Was there something that caused you not to be comfortable with 1 Global, why you didn't recommend that your clients automatically renew considering that it had an automatic renewal feature?
A I went into this product with it being a nine month note. I didn't know if I was going to continue to use going forward and I was transitioning to a new FMO, field marketing organization and advisors excel.
So I was looking at their platform of assets and/or management and making that determination whether I was going to continue to go with notes or continue to -- or try to refine my RIA side of the business.
So the decision was to transition over to the RIA side of the business as opposed to alternatives.
Q Did the Woodbridge bankruptcy have anything to do with your decision not to offer 1 Global anymore?
A That happened to be at the same time frame because I was already transitioning over. But that was a time that I was already letting them know that we're not going to be moving forward.
In fact, I had already told them that we were

not moving forward with these notes prior to that even happening.
Q But as far as the logistics of moving over you said to another RIA, is that correct?
A To another FMO which had an RIA. I mean, they have their own money managers.
Q Okay. I guess my question is, was there anything that you saw during the performance that was articulated on your customers statements that made you uncomfortable with 1 Global?
A No.
Q So if, for instance, you had an investor that was invested in a well-performing mutual fund, would you have gotten out of that just because you were leaving the Revolution?
A Possibly. I mean, when I streamline operations, we were trying to focus on certain managers or providers, insurance providers.
You don't want to use -- you want to be familiar and comfortable with who you're presenting. So I have always refined the process so the staff can better service and I can better explain. This was part of that transition.
Q On page two of Exhibit 193, it says, "How are Syndicate Partner account performances verified."

What is a Syndicate Partner?
A Syndicate Partners were the lenders.
Q It says -- the answer is, "An external accounting firm validates Syndicate Partner portfolio performance and balances quarterly."
What does that mean?
A That is Daszkal Bolton doing the external accounting.
Q Of what?
A Of the statements, of the clients statements.
Q Let's focus on the word validate.
What does that mean?
A Verifying the ACH fractional shares within the account, the amount in reserve.
Q Are you speculating, or are you hoping that is what they did?
A That was my understanding of what they did.
Q How did you get the understanding, just from reading those words?
A By 1st Global letting me know that they were doing that accounting.
And the other advisors, Darice Lang, Dale Ledbetter, Merkelson and the other advisors going down to Florida and looking at their organization and asking about Daszkal Bolton.

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Q Did you ever -- I'm done with that exhibit.
Did you ever send Christopher Dantin's personal 1 Global statement of his portfolio with them to any prospective clients?
A Yes.
Q Why?
A To show them how the account would work. I mean, what would account for the merchants.
Q And when you sent that out, did you caveat it that they might not get the same performance?
A Absolutely. This is just an example, but here is how the return --
Q I am sorry. Go ahead.
A The answer is yes.
Q How did you caveat it in the e-mail?
A I would caveat it during, more than likely, an explanation to them on the phone if the client was not in the office.
Q Okay. So let's take a look at 194.
(SEC Exhibit No. 194 was marked for identification.)
MR. PORTEOUS: Hey, Gary, this is David Porteous. Are we reaching a point where we can take a break for a little bit, we have been going for about two hours now?

MR. MILLER: Oh, sure. Right after this exhibit.
MR. PORTEOUS: Okay.
BY MR. MILLER:
Q Do you have Exhibit 194?
A I do.
Q Okay. And all you're doing is sending it to someone named Frank. I assume he is a prospect of yours?
A He's a client.
Q So you're sending him the 1 Global executive summary, the 1 Global lender's brochure, the 1 Global Christopher D. Dantin July statement, right?
Q Yes, sir.
A And there is nothing written, it's just you're sending him that so there is no -- you didn't put any language in there that you may not receive these -- you might not necessarily receive the returns as described on Mr. Dantin's July statement, is that right?
A That was -- that would have been told to him explaining those documents on the phone.
Q Okay. When you say would have, let's try something more definitive.
Did you?
A Yes.
Q Okay. You have a recollection of doing that?

A Yes.
Q Okay.
MR. MILLER: It's 2:10 p.m. Eastern Daylight Time at 10:05 -- on October 5th, 2020.
Let's go off the record. Ten minutes okay?
MR. PORTEOUS: I would like maybe 20 minutes.
MR. MILLER: 20 minutes it is. So we will come back at 2:30 Eastern Daylight Time.
(A brief recess was taken.)
MR. MILLER: It's 2:31 Eastern Standard on -- Eastern Daylight Time on October 5, 2020.
BY MR. MILLER:
Q During the break we just took, Mr. Gagaza, did you have any conversations of substance regarding the investigation with myself or my colleague, Mr. Levenson?
A No.
Q We talked a little bit about Daszkal Bolton.
You had mentioned that you heard reports from them -- about them from Trae Wieniewitz, Chris Dantin and Mr. Fisher and Mr. Walker.
Did any of those folks, Mr. Wieniewitz, Mr. Dantin, Mr. Walker or Mr. Fisher, tell you that they personally spoke with Daszkal Bolton?
A I cannot recall.

(SEC Exhibit No. 209 was marked for identification.)
Q Okay. Let's pull up -- let's move onto Exhibit 209. I apologize for jumping out of order a little bit so let's go to 209. It might take you a couple of seconds to dig through it.
A Gary, you said 209, right?
Q That's correct.
A I don't have that one.
Q It's a one page so it might be hidden.
A It very well could be.
MR. PORTEOUS: I have it on my package. This is David Porteous so you should have it in yours.
THE WITNESS: I got it. I got it.
BY MR. MILLER:
Q That's a relief.
Just take a moment and loot at 209 and let me know when you're ready to answer a couple of questions on it.
A Okay.
Q What is Exhibit 209, sir?
A Exhibit 209 is 1st Global updating me with their pitch deck and to delete any previous versions.
Q Did you do that?
A We don't delete them, we just don't use them.

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I always save stuff to reference back. But the contexts of that I understand is don't use them, so I didn't use them with clients.

Q Right. I'm sorry.

So as of April 14, 2017, you did not use -- you only used this iteration dated March 23, 2017 when you sent it out to prospective clients or clients, is that right?

A Yes.

Q Okay. Let's just go back for a second to Exhibit 194.

Do you have that one?

A That was one you had already talked about, right?

Q Yes, sir.

A Okay. I got it.

Q It's dated April 19, 2017.

And according to 209, there is already a new pitch deck. Is the pitch deck, in your mind, the same thing as the lender's brochure, or are they two different things?

A No. Two different things.

I didn't send the pitch deck, that was for our internal use. I might have used that for the client education event.

But what I sent to Frank Stangel were the things that I would use typically to -- I mean, that I would use to present the product, the lender's brochure and the Frequently Asked Questions.

Q Okay. But not -- so what you're saying is this pitch deck was more for your personal use and your use during presentation. And when we talked about presentation, you understood that to mean the client education events, is that right?

A Yes.

Q Okay. When you received this pitch deck that is articulated, did you read?

A I would have to pull up the deck to see if I read it.

Q Was that your standard operating procedure was to read documents regarding investments that your clients currently have?

A Yes. Yes.

Q Can you think of any reason why you wouldn't have read it?

A No. I thought that you were just going to ask me questions about it, so I wanted to make sure that I read it before I answered any questions.

But yes, I would have read it before that time.

(SEC Exhibit No. 210 was marked for identification.)

Q So let's pull up Exhibit 210. I'm done with 209.

A What is the number?

Q 210.

A Okay. I got it.

Q So this is -- this looks like the exact same document as 209, right, 2017?

A Yes.

Q Okay. Take as much times as you need to review 210 for me. Then let me know when you're ready to answer some questions.

A Okay.

Q So what is this document, sir? What is document 201?

A This is referred to as their pitch deck from 1st Global explaining their operations and the industry.

Q Did you use it to present 1 Global as an opportunity to prospective customers?

A During the client education event I believe some of these slide are in there.

Q Okay. And you had already testified that you had read 210 when it came to your attention, is that right?

A Yes.

Q Okay. Let's go to what is marked as page six.

A Okay.

Q That is the page where it says MCA versus Traditional Bank Loan.

Do you see that?

A I do.

Q It says no collateral required. It's on the MCA side (UCC and personal guarantee are required on every deal).

Do you see that?

A I do.

Q At any time, did you ask anyone from 1 Global is see a sample UCC?

A No, I did not.

Q Why is that?

A Because I looked at -- I thought that that was a private document between the merchant and 1st Global.

Q Did anybody tell you that, or you just surmised that?

A I surmised that.

Q Let's turn to page nine on 210.

Do you see the portfolio analysis?

A I do.

Q It says, "Average SP ROI."

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What does ROI mean?
A It's the return.
Q On what?
A Average SP, Syndicate Partner return on investment.
Q That goes back to my question. Was this an investment or was this a loan?
A It was a loan from the lender to 1st Global with an advance from 1st Global to the merchant.
Q Okay. And SP, who does SP indicate?
A Syndicate Partner.
Q So that would be your client, right, or your customer?
A Yes, it would be.
Q And the 16 percent and the 15 percent that are delineated on the chart, those are the average return on investment for your customers, is that right?
A No. That was in 2015 and '16 and those earnings were prior to me selling it.
Q Let me rephrase.
The information that is delineated on Exhibit 210, page nine, that is for someone who was already a customer of 1 Global, correct?
A Yes.
Q And that is the customer's return on

investment, correct?
A That is their -- they put ROI. The clients were told that these were earnings from lending money to 1st Global.
Q Prior to me pointing out to you the ROI, had you ever read that before?
A I did.
Q Did you question it?
A In what respect with 1st Global or --
Q Let's go with 1st Global.
Did you ever talk with anyone from 1st Global why are they using the word investment here since it's not an investment, it's not a security is what they're telling you.
In fact, it's just a cash advance and the cash advance is being funded by loans that you're providing to 1 Global. Why are they using the term return on investment?
A I didn't write their page nine. They could have used the wrong term. I wouldn't have used ROI myself, but this is not mine, it's theirs.
Q Right.
But it's a product that you made a decision, as a registered investment advisor, to sell, correct?
A I didn't sell it as an investment advisor, I

sold this as an outside business activity.
MR. LEVENSON: Mr. Gagaza, I think the question here is, did you recognize an inconsistency -- and you said you read it at the time.
Did you recognize an inconsistency between the term investment and with what 1 Global was telling you as far as what this loan or investment, or whatever it was called, and did you ever raise it with 1 Global?
THE WITNESS: I did not raise it with 1st Global, no.
MR. LEVENSON: Did you notice the inconsistency when you read it?
THE WITNESS: Yes.
MR. LEVENSON: Why didn't you raise it with 1 Global?
THE WITNESS: Because I didn't think it needed to be mentioned.
MR. LEVENSON: Why is that?
THE WITNESS: Because it's their slide deck. I mean, there is a lot of things that we can go through all of these pages and say why did you do that, but I didn't do that.
I was just taking their information and interpreting it.
MR. LEVENSON: Okay. Thank you.

MR. MILLER: Did you have anything else on there, Bob?
MR. LEVENSON: No.
BY MR. MILLER:
Q Before we leave page nine, other than reading what the return on the investment was in 2015 and reading what it says for 2016, did 1 Global give you access that supported those returns?
A The return for 2015 and '16, access to those?
Q Yes.
A No. I'm going with the clients that I had. I was looking at their statements to see what they're receiving as far as the returns.
Q Let's go to page 12 on Exhibit 210.
A Okay.
Q Could you read the last bullet point on page 12 into the record?
A "Syndicate Partner ROI is computed after deducting proportionate share of product acquisition fees, uncollectable accounts and management fees."
Q What does that mean?
A That they would deduct the -- after their fees, they would subtract it from the earnings.
Q What is deducted -- what does deducting proportionate share of product acquisition fees mean?

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A The product acquisition fees would have been their expenses in inquiring that new merchant because they used a third-party source to acquire a merchant.
Yes, so they had to pay for that.
Q What is management fee?
A Management fees would be fees incurred by 1st Global in their operations like Darice Lang and all the team of people calling these merchants on a daily basis if they were to be late on receivables, or if they had to go to collections.
Q Okay. Let's turn to page 19.
Do you see Daszkal Bolton there?
A I do.
Q Is that the Daszkal Bolton that you have been referring to today?
A Yes, sir.
Q Excellent. Let's go back to page 14.
A Okay.
Q Do you have it in front of you?
A I do.
Q Okay. Please describe what this means, this Global cash - Data Validation process that is being delineated through these boxes on page 12?
A It's just showing the flow of monies from the time that 1st Global would receive the monies from the

lenders that have interface with their accounting system and have external audits. The independent CPA firm in my mind was Daszkal Bolton.
And the Syndicate Partner statements were distributed monthly. Again, you had external review. It would have been Daszkal Bolton. So it was consistent with what they were telling us and the name of Daszkal Bolton online and also on the monthly statements.
Q So let's focus on the right-hand side -- excuse me, left-hand side of 210, page 14, "External Audit. External Independent CPA firm audits company financial statements annually."
Who is the independent CPA firm? Is that Daszkal Bolton?
A That was my understanding, yes.
Q Do you have any evidence that Daszkal Bolton ever audited 1 Global's financial statements annually or ever?
A No.
Q Did you ever ask for any evidence after receiving --
A Yes.
Q -- Exhibit 210 for evidence that Daszkal Bolton audited 1 Global's financial statements annually?
A Yes.

Q Tell us about that.
A I asked Scott Merkelson. I asked John Fisher when he went down to do his on-site visit. I also asked Matt Walker when he did his visit.
So ongoing throughout the entire process I was asking for firm audits. Actually, I was asking for forensic audits.
Q What was the responses when you asked these folks about this?
A The response from who, from 1st Global or from the advisors?
Q Let's start with 1st Global.
A 1st Global, Merkelson said he would get back to me after talking to his accounting department.
Q Did he ever get back to you?
A No.
Q Did you ever get back to him and find out what is the hold up?
A Yes.
Q What did he say?
A He said that they were not a publicly-traded company. They were still expanding and growing and that they had not, as a firm, decided to do that.
They didn't think it was necessary and it was also very costly.

Q To do what?
A To do a forensic audit.
Q Now, it doesn't say that here it says, "External Independent CPA firm audits company financial statements annually."
That's not --
A Right.
Q -- a statement that means, to me at least, that we're not thinking about it in the future, it's a statement of what was already done.
Do you understand it that way still?
A I do.
Q How did you accept his answer then that they don't think it's financially necessary to do audits when they're stating in their own marketing materials to you that they have already done it?
A He stated that you can visit our operations any time. I said I'm in Hawaii, I don't have time to visit you.
Can you provide me copies of your firm's audits. No, they won't do that, but you can come over and see our operations and look for yourself.
Q Okay. Did he ever say that we had already -- that we have these audits, so that if you did take the expense to fly from Hawaii over to Florida, that you

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could actually see these audits?
A He said I could check out their books, that they had not done -- I said forensic, so I didn't just say audits.
So my reference to you right now was referring to forensic audits, which they said they had not done because of the cost and that they were a new company and we're not publicly traded.
All of those things we're not required to. I said, don't you guys think that you should do those and provide those to us to give us that reassurance.
He was like I think so, but the company is telling us we're not doing those right now. I don't know if they're working towards it or not, but I did ask.
Q Did that answer satisfy you?
A No. That is why I continued to ask. That's why I continued to ask other advisors.
Then when I asked John Fisher I said did you -- when you looked at their operation, did you look for -- did they show you any audits.
And his recollection was no, I did -- I saw their operations and everything seemed to be fine. I met the founders. He gave me the background of what he did do.
Then I had asked Matt Walker the same question

who brought three attorneys down there. His answer was no, we did not look at their -- they're working on it is what they said. And those were three attorneys that had come down with him.
Q How did that make you feel?
A Because I was seeing the statements and my clients were being paid out, and there is no inconsistencies to that point, I was still okay with the company and the product and marketing it to my clients.
I did still want them as a part of my ongoing due diligence, yes. I wanted to work towards getting those, but they did not have them at the time that I was asking.
Q So in your conversations with Mr. Fisher or Mr. Walker, or did you also ask Dantin and Wieniewitz about these financial statements?
A No. Further into the process I was asking the newer -- the people who had visited as of most recently because I wanted to get the latest data.
So that is why I evolved to asking other advisors. I don't think Matt Walker ever got a copy because the firm had not done them yet. They're a new company, they are growing, they don't know if they're working towards it or not, but they did not produce any for us.

Q Okay. I don't want to belabor this, but you used the word forensic with Merkelson, is that right?
A Correct.
Q You have no knowledge whether or not Fisher or Walker, or the three attorneys he went with, used the word forensic, they just might have asked, did Daszkal Bolton audit the company's financial statements.
Is that fair?
A The last part of what you just stated that they may have asked about Daszkal Bolton about auditing?
Q Yes.
A That would be fair.
Q They didn't throw your qualifier in there, which is the forensic?
A Not to my knowledge, no.
Q Right.
So you continued to solicit, or offer and sell, 1 Global after having a document dated March 23, 2017 that appears, as the best case scenario, a misstatement and at the worst case, a blatant falsehood that there is an external CPA firm auditing the company, 1 Global's financial statements annually.
Why did you continue to market it?
A Because I was still receiving online access to the porthole and their statements saying Daszkal Bolton

and the numbers were still adding up.
I had no reason to be suspicious of them. Asking for their financial audits was just me trying to be more due diligent, get as much information ongoing.
Everything was still checking out and the company was growing.
Q Okay. So let's take a look on the right side of page 14. It says, "Syndicate Partner statement, monthly distribution.
External Review, External Independent CPA firm validates Syndicate Partner portfolio balances quarterly."
Do you know if this was ever done?
A At the time of selling these and looking at the statements, that was my understanding.
Q Yes, sir.
A Knowing what I know now, that is a different story.
But at the time --
Q No.
A -- there was no reason to think otherwise. At the time, absolutely.
Q So you're saying they validated the Syndicate Partner portfolio balances quarterly, and you knew that by looking at the customer's statements, is that right?

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A Yes.
Q The customer's statements came out quarterly or monthly?
A They came out monthly, but the monthly statements, which I think that you have one in here as an example, it would show that information.
I can refer to it but --
MR. LEVENSON: Gary, can I follow up?
MR. MILLER: Go ahead, Bob.
MR. LEVENSON: Mr. Gagaza, I just want to be clear. You don't know, and you didn't know at the time, whether Daszkal Bolton was doing this independent -- this quarterly external, you know, validating the accounts statements.
All you knew was what 1 Global put in the account statements and told you, correct?
THE WITNESS: Yes. And what they're telling me was that this external audit was being done or analysis was being done by the pitch sticks that they're putting out.
And when I received statements showing that accounting, there was no cause for alarm or suspicion because everything is adding up.
MR. LEVENSON: The question was simply, you only believed this was being done because you saw it in

the statements and because of what 1 Global was telling you.
You have no independent evidence that it was being done, correct, now or then?
THE WITNESS: Now I know that they weren't being done because you guys have done that line of questioning and I found out they weren't doing that.
So now I do know about it, but not at the time.
MR. LEVENSON: My question, sir, is you didn't have any independent evidence at the time on either, did you, you just saw what was in the statements and you just knew what 1 Global was telling you?
THE WITNESS: Yes.
MR. LEVENSON: Thank you.
(SEC Exhibit No. 195 was marked for identification.)
BY MR. MILLER:
Q I'm done with that exhibit. Let's move to Exhibit 195, please.
This is a Memorandum of Indebtedness for someone named Elmore Urban Ernest. Is that one of your customers?
A Yes.
Q How old is Mr. Ernest?
A Mr. Ernest is -- I have to look in my database.

Q Is he over 50?
A Yes, he is.
Q Is he over 70?
A Yes, he is.
Q Is he over 90?
A I would have to check my database.
Q Okay. Are you familiar with Exhibit 195, or do you need a few minutes to ask you questions?
A I need to read it. Okay.
Q Okay. Are you ready, sir?
A Yes.
Q Okay. Is Exhibit 195 one of the Memorandum of Indebtedness that you used to effect purchases for your customers of 1 Global's product?
A Yes.
Q Great.
Did you read through it just now?
A I did.
Q Did you notice any disclosures about risk?
A I would have to review the document again.
Q Well, we're going to go through the document so perhaps you could keep an eye out for that when we go through it unless you would like to review it again for risk, whatever you want?
A No. Go ahead.

Q How did you use this document with your prospective investors?
A Can you be more specific, it's a large document?
Q Most certainly.
Did you go through every line, every page of it with your clients?
A I went through every page and paragraph.
Q Excellent.
Okay. So did any of your prospective investors balk or question any aspect of this Memorandum of Indebtedness?
A Again, that's a very broad question. Any aspect of it?
Q Did they say, I don't understand what this means, or I am not comfortable with this?
Did anybody ask anything like that?
A If anybody asked any question on the MOI, I would have addressed the question.
Q I guess what I'm asking is does anybody, any customer come in mind?
A No.
Q Okay. So let's go -- let's just look briefly at page -- do you see on page one any reference to risk?
A Again, I would have to look through here to

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scan. I don't have a search engine to look at risk in here.
Q No problem.
A No, I do not.
Q Let's go to page two of Exhibit 195, specifically paragraph five: Litigation.
On page -- yes, on page two, item 5 of 195 it says, "Litigation: Borrower may be involved in litigation arising from the efforts to collect consumer debts and accounts. Borrower will not report such litigation to lender unless it is likely to have a material adverse effect on borrower."
First of all, what does that mean?
A Which part of the sentence?
Q Borrower will not report such litigation to lender unless it is likely to have a material adverse effect on borrower?
A They had merchants who might fall into default which would be reported on the default or the collectables.
But I interpret that as if it doesn't really effect the client, because that is already being disclosed that there is a certain percentage that will default, that it would not be a material adverse effect on the lender.

Q So let's break it down.
Who is the borrower they're talking about?
A The borrower is 1st Global. They won't report it to --
Q Who is the lender?
A The borrower in this case is -- oh, the lender is my client.
Q Right. So 1 Global will not report litigation to your client unless the litigation is likely to have a material adverse effect on borrower, 1 Global.
Is that your understanding?
A That is correct. Yes.
Q Okay. Without having audited financials of 1 Global, how would you possibly know if the litigation has a material adverse effect on 1st Global?
A I wouldn't know.
Q Did you question that before today before I pointed it out to you today?
A No, because it says material adverse effect and all the clients were receiving their monies and the amounts were being notified as collectables.
And again, everything was in line with what they were saying.
Q Next item six, "The indebtedness shall mature at the end of the ninth month from the effective date

(The Maturity Date) and shall automatically rollover into a new indebtedness unless borrower receives written notice of termination by the lender no less than 30 days before the Maturity Date."
What does that mean?
A We have to notify them if the clients were not going to renew, which we did.
Q And since it's in the contract that your client signed, did you ever ask whether or not the automatic rollover provision impacts the analysis as to whether or not the nine months is truly nine months, or whether or not it constitutes an instrument longer than nine months and therefore being construed as a security?
A No. It was still a nine-month note.
Q Who told you that?
A Darice Lange, Dale Ledbetter, Scott Merkelson, Candace Abrams.
Q And you specifically brought up the automatic rollover provision and they still said it's only nine months?
A They said it was still a nine-month note, but the payouts were going to be after the ninth month.
Q We're not talking about that now, we're talking about the automatic rollover into a new nine months.
A What specifically are you asking about with the

rollover to the new nine months?
Q Did that turn it from something of a nine-month note to something that is an indefinite period of time?
A I don't recall.
Q Let's go to item seven: Covered Activities.
MR. LEVENSON: Gary, can I follow that up?
MR. MILLER: Please do.
MR. LEVENSON: You don't recall what, sir?
THE WITNESS: Can you restate the question?
MR. LEVENSON: Sir, no, I'm going to restate the question if you don't mind.
THE WITNESS: Okay.
MR. LEVENSON: He asked you simply whether or not you raised this with anyone at 1 Global, whether the new nine-month period turned this into a note longer than nine months.
Did you?
THE WITNESS: Yes.
MR. LEVENSON: Who with?
THE WITNESS: That was discussed with Dale Ledbetter at the beginning.
MR. LEVENSON: This specific provision you raised with Mr. Ledbetter?
THE WITNESS: I didn't have the FOI in front of me, but the discussion with Dale Ledbetter was whether or

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not these were securities or notes.
So that would relate to this specific question if that is what you're asking.
MR. LEVENSON: Mr. Gagaza, if you don't understand my question, please tell me.
But if you ask -- as Gary told you at the beginning, if we ask you a question and you answer it, we'll assume you understood it.
Okay. What we asked you, and this is the third time now, sir, is when you saw this provision, did you raise the issue of whether the new nine-month period turned this note into a security with anyone at 1 Global?
Not what you did at the beginning, when you saw this provision, did you raise that issue as to whether this was still a security?
THE WITNESS: I don't recall if I asked that direct question.
MR. LEVENSON: Thank you. That was --
THE WITNESS: Okay.
Sorry, if I wasn't being clear. I just don't recall asking it that way.
MR. LEVENSON: I don't have any other follow up.
BY MR. MILLER:
Q So Covered Activities. "This indebtedness is

designed to enable Borrower to expand its current business activities, described as (covered activities), for a certain period beginning on the Effective Date and ending on the Maturity Date which is defined as the (Activity Period).
The Covered Activities shall be conducted by Borrower" -- and that's 1 Global, correct?
A Yes.
Q "In borrowers" -- and that is still 1 Global, right?
A Yes.
Q "Sole discretion.
Covered Activities shall include, but shall not be limited to, providing innovative funding known as Merchant Cash Advance Transaction (MCAT) in order to provide alternative financing for a market that is inadequately serviced by traditional banking and banking institutions."
What does paragraph seven mean?
A That they had the sole discretion for using it for covered activities.
And in my looking at their statements, they were using it for merchant cash advance with the merchant they were listing in the sectors that they were listing on those statements.

Q Did you read "covered activities shall include, but not be limited to, merchant cash advance"?
A Yes.
Q What is "shall not be limited to" mean?
A It means they could use it for other outside activities other than --
Q Such as what?
A I don't know what that would be.
It just says --
Q Did you ever ask anybody what it means?
A We were in the line of providing advances, so my understanding of that was that they would be providing advances to potentially other activities.
My understanding of what they were doing with the loaned money from my clients were these merchants ranging from 600 to 2,000 merchants that were listed in their portfolio. They're stated.
MR. LEVENSON: Sir, the question is, did you ask anybody about it?
THE WITNESS: Did I ask anybody about it? I can't recall.
BY MR. MILLER:
Q Okay.
A It didn't come up as a question because I was interpreting that as merchant cash advance. I seen the

statements.
I didn't expand upon it because of what I saw they were using it for. If I thought otherwise, I would have asked that question, what are you using these monies for, it doesn't look like they were using it for these clients.
Q Did you ask an attorney to look at the Memorandum of Indebtedness before you agreed to market 1 Global?
A No, I did not.
Q Any reason why you did not?
A Because the due diligence that I had done up to that point didn't merit an attorney.
Q All right. So at this point, when you're marketing it, they don't have any audited financials. You don't even know if they have financials, and you got several documents that we looked at so for, that don't articulate risk in definitive terms.
And now we have something where they're going to use your client's money as covered activities, shall include but not be limited to MCAT.
Does it include -- does this provision -- since it's in 1 Global's sole discretion, does this provision enable 1 Global to use your client's money for operations?

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A What type of operations?
Q 1 Global's operations?
A I can't speculate on that. I don't -- my understanding was that it was used for merchant cash advance.
I don't know what their covered activities would include.
Q Well, apparently their covered activities shall include, but not be limited to, merchant cash advances.
So I'm asking --
A Right.
Q -- what are some of those other things that they are writing into a contract that you are going over with your prospective investors that they are then signing and putting their money with 1 Global?
What are those other things that they can use your client's money for?
A From what I was given, it was just merchant cash advance.
Q And now you see right here in black and white, that they don't have to just use it for that, right?
A I see that, but they had not given any indication that they weren't using it for merchant cash advance at the time that I sold this product.
Nothing from Christopher Dantin --

Q Is this the first time that these were presented to you?
A No. I read this MOI. I saw it many times.
Q But it didn't ring a bell that they could use your client's money to fund their operation, to fund vacations, to fund automobiles for themselves?
A No, no and no.
Q Okay. Let's turn to the next page, 8.4.
What does 8.4 mean?
A 8.4 is the 13 percent management fee that they would draw from the lender's allocation for each MCAT.
Q So how does that work in dollars and cents?
Give me an example.
A So out of 30 or 35 cents on a dollar, 13 cents would go to the management fee.
Q What was the management fee used for?
A The management fee would have been used for them to collect the receivables from the merchants.
When they're dealing with up to 2,000 merchants, that's a large staff they're having to pay overhead to. There would be a lot of payroll and paper and automation and everything else.
Q How were you paid your fee?
What was it from the -- was it a reduction in the money that your investor put in?

A No. It was from the monies received from the receivables. So the 4 percent was held for nine months. It was 3 percent up front, which I disclosed to the clients. Another percent would have been if they renewed, which they didn't.
That is already 16 percent right there. You add another 8 to 12 percent on earnings and you're now at 26.8 percent. The number added up to what would have been their 30 to 35 percent.
Q I got it.
What is a commercial purpose?
A You're referring to where?
Q As used in this document?
A Which page of the document?
Q 12.3.
A So commercial purpose, I took that as merchants are in the commercial industry of transacting. So the loans were advanced to these merchants in a commercial operation.
Q That's your interpretation, right?
A Yes, sir.
Q Did you ever explain that to anybody?
A To the clients.
Q How did you explain to it them?
A I explained that they would be lending money to

1st Global and 1st Global would be advancing those monies to the merchants so they could run their operations.
And the monies that they lent were disbursed amongst up to 2,000 merchants so, in essence, assisting these businesses to be able to operate.
They actually felt good about the transaction because they were then, in essence, lending money.
Q All right. So it says lenders are sophisticated individuals.
Did 1 Global, to your knowledge, do any investigation of your customers to see whether or not they were sophisticated or qualified?
A 1st Global did not, but I did.
Q How did you memorialize it?
A During my process of gathering their data. As far as again, time horizons, goal objectives, assets, how long have they been investing, what type of investments.
Again, most of these people who purchased this product were existing clients and already had --
Q Right.
A -- invested in fixed indexes and fixed annuities.
Q Let's go to 12.4.
A Okay.
Q "Lender has relied solely on its own

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investigation and due diligence and it has not relied on any oral or written information provided by Borrower" -- that's 1 Global, "Borrower's personal -- personnel or agents."

Is that you? Are you one of the agents?

A In that sentence borrower's personnel or agents, yes.

Q "And acknowledges that no employee or representative of Borrower has been authorized to make any written statements, other than those specifically contained or incorporated in this Agreement, and that Lender has not relied upon such documents."

This is not a true statement, is it? None of your lenders relied solely on their own investigation and due diligence, did they?

A You would be asking me to speculate with that question.

Q Well, how could they?

How could they do their own due diligence? Did 1 Global open their books to your clients?

A Some of the clients would follow up with additional questions and ask for materials and some of them would even call up 1st Global.

Q Okay. Let me ask you a better question.

The money was just a flow through from -- your

client's money flowed through from you to 1 Global and then 1 Global used the money to parse out to all of these people looking for cash advances.

The end user is the merchant, right?

A Hm-hmm.

Q Is that a yes?

A Yes.

Q How could your client -- if the end receiver of the money was unknown, how could they do due diligence and have sufficient access to information to make its own credit decision?

A How could they do that?

Again, I would have to speculate how they could do it. They could do it by also going on the internet, like I did, or calling an attorney of their own or -- again, I am speculating and I don't want to speculate on what they could have done.

Q I will ask you a better question.

Did any of them?

A Do which part? Do their own investigation?

Q Yes.

Did they do their own due diligence and did they have sufficient access and information to make their own credit decisions?

A Yes. Some asked for more information on the --

on the owners. One client wanted to get information on Carl Ruderman so I provided her the resume.

I had another client that even told me they even called -- this is when the names were on the statements, they called up the merchant to see if they were real and that they were located in Russia or somewhere.

So some of the clients did do additional due diligence.

Q Did you ever tell any of your customers that this is not a security?

A Yes.

Q Did you tell them why it wasn't a security?

A Yes.

Q What did you tell them?

A The nine month duration made it a note. That it could be considered as a security if they had invested longer -- not invested, if they had lent the money longer.

Q So at the end of 12.5, can you read that statement into the record?

A "Lender has had the opportunity to do any --

Q No. The last sentence, the last sentence.

A "Lender understands that Borrower has made no representations as to the applicability of any federal or

state statutes or laws."

Q Isn't that what you just did?

A This says the borrower. The borrower is 1st Global, made no representations of any --

That's what 1st Global had described to me.

(SEC Exhibit No. 196 was marked for identification.)

Q All right. Let's go to Exhibit 196.

I'm done with that exhibit. Let me know when you're ready.

A I'm ready.

Q Is it fair that you're making a recommendation to Norman regarding 1 Global?

A I'm letting him know that he could benefit from the product. I would still have to qualify for him once he gets into the office or talking to him on the phone. Most everybody was met in person.

Q In this statement it say, "I believe part of your short-term money could benefit from their product."

Is this a recommendation?

A Yes. He is an existing client so I have access to all of his data of what he has provided.

Q I'm done with that document.

This is not in our exhibit pack and I apologize for that.

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Did you ever write an e-mail that says, "This nine-month promissory note from 1st Global is an alternative to bank products and the stock market?"
Did you ever write that?
A I would have to see the document.
Q Sure. So I'm referring to an e-mail that you sent. Again, I apologize for it not being in there, on August 8, 2017.
You're the sender and you sent it to someone with the e-mail address [redacted].
Does it ring any bells?
A No.
Q Okay. Does this sound like something that you would write?
A Can you read the sentence again?
Q I will read the whole thing.
"Per our discussion, I have attached some information for you to review. This nine-month promissory note from 1st Global Capital is an alternative to bank products and the stock market.
We can establish your Roth IRA by transferring your Fidelity funds that are currently invested in the stock market. Let me know a good time to discuss this in further detail. Regards, Roy."
A Yes. That sounds like something I would write.

Q Let's briefly go to Exhibit 157.
A Okay.
Q This is John Fisher that we have been talking about?
A Yes.
Q Turn to the second page of it.
A Okay.
Q It says, "Lastly, Mr. Fisher contracts with 1st Global Capital Financial Services to solicitor cash lending services."
Do you see that?
A I do.
Q Is the same language written in your personal ADV, Part 2?
A I have to -- which document would that be?
Q Sure. Again, I apologize it's not in your packet.
MR. MILLER: If you want to refer to it by Bates, David, it's Gagaza0067187. Again, that's Gagaza0067187.
MR. PORTEOUS: So you're going to be asking him about what his other 2B says, or are you just asking what this 2B says for Mr. Fisher?
MR. MILLER: Oh, no, I'm going to ask him specifically on his own.

BY MR. MILLER:
Q It says, "Managing member Roy Gagaza has a financial affiliated business as an insurance agent with Journey Wealth Management, LLC and an independent contractor with Royal Metals Group to sell precious metals and an independent contractor with Woodbridge Wealth to facilitate bridge loans.
Lastly, Mr. Gagaza contracts with 1st Global Capital Financial Services to solicitor cash lending services. From time to time, he will offer clients services from those activities.
As an insurance agent, he may receive separate, yet typical compensation. Approximately 50 percent of his time is spent in these activities."
Does that sound like what it says on your form 2B of your form ADV, sir, and I realize that you are not looking at it?
A Yes.
Q Have you ever heard of a person, and I'm going to absolutely destroy his last name, Matthew P-r-z-y-b-y-l-s-k-i?
A No.
(SEC Exhibit No. 197 was marked for identification.)
Q Okay. Turn to Exhibit 197, please.

A Who is that person? Gary?
Q Say it again?
A Who was that individual that you referenced?
Q He is on the top on page 197 -- I mean, Exhibit 197. Pull up Exhibit 197.
A Okay. I got it.
Q Take a minute, Mr. Gagaza. Take a look at 197 and let me know when you're ready to answer questions
A Okay.
Q Okay. Do you recognize this document?
A I do.
Q What is it?
A It's an e-mail from Matthew from RIA Registrar to me in regards to a due diligence checklist.
Q What relationship, if any, did you have with RIA Registrar?
A They were the firm that helped me with the securities side of the RIA.
Q I got it.
Did they -- are you still utilizing their services?
A At this moment, no.
Q Why?
A Because I'm no longer an IAR.
Q And on March 15, 2017, RIA Registrar writes to

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you, "Roy, attach you will find the following documents for your review in preparation of filing your annual amendment and your advisory agreement changes."

It goes through a number of things.

Then if you look on the first page, it looks like that wasn't done by you. And on May 4th, 2017 it looks like there is a -- he is pinging you to remind you.

Is that what it looks like?

A No. This wasn't him pinging me to remind me to do it.

When he told me it was an outside business activity, his comprehensive due diligence checklist had to do with securities.

They told me this is an outside business activity. It was a note and the due diligence checklist he is referring to is dealing with securities.

And this was after talking to him about doing outside business activity and requesting a due diligence checklist for future activities that could potentially -- I did not have a checklist, so this was for securities.

Q Okay. So May 8, 2017 you write, "Matthew, thanks for following up. I need to add another outside business activity. I have attached information on 1 Global Capital. Regards, Roy."

So what are you telling him there?

A He has to add it onto what you just rattled off of John Fisher's portion of his ADV adding the outside business activity.

So that it was not --

Q Okay.

A -- included as part of the RIA or IAR offerings.

Q Okay. Then it says, or he writes you back and says, "Roy, please see attached updated documents for your review and approval.

Also I attached the due diligence checklist for you. Thanks."

A Right. Because I had asked him --

Q What did you do with the due diligence checklist?

A I filed the due diligence checklist.

Q What does that mean?

A This was for again, going through this comprehensive checklist, it's referring to securities products.

And so if I were to offer -- because I was doing other assets and/or management, as a course of duty, if I'm going to do another offering on the securities side, I would be using the due diligence checklist to ensure that I made sure that they're

compliant.

Q Okay. So you said that the due diligence checklist that is provided had nothing to do with alternative investments like 1 Global?

A I am saying it has nothing to do with notes which are not securities. Alternative investments could be securities. This alternative was not a security at the time that I was requesting this.

That is why I had asked Dale Ledbetter and got clarification on that very point if it was a security.

Q Sorry.

A Go ahead.

Q Did you ask Matthew in RIA to opine as to whether or not it was a security?

A Actually, I did.

He goes, what did they tell you. I said they told me it was a promissory note.

I said, do you know if there is any issues with doing these promissory notes because they deal with RIAs across the county. He goes no, we haven't had any dealings with anybody having those labeled as securities.

I said okay, so it's an outside business activity, is that how I list it? Yes. Is that how John needs to list it? Yes.

So he listed it as an outside business activity

and we continued to do our due diligence.

Q Did you have that conversation with Matthew in writing or was it oral?

A That was oral.

Q Did you take notes of that?

A No. I remember that very clearly and specifically because this was updating the ADVs. I did not want to violate any rules. I did not want to do something that was not correctly and properly annotated

And I wanted to be able to convey it to the clients clearly as to what they're getting, a nine-month promissory note.

Q But Matthew couldn't give you legal advice, right?

A That is true, but you asked me did I ask him. I asked him because he was a source that is dealing with many ADVs and outside business activities that update these forms.

That was another source. I didn't add that one, but that is a source of due diligence when I asked.

(SEC Exhibit No. 198 was marked for identification.)

Q Okay. Let's pull up Exhibit 198. I'm done with 197.

A Okay.

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Q So this is the comprehensive due diligence checklist, right?
A Yes.
Q This is the one that you got from Matthew, right?
A Yes.
Q Can you turn to what has been Bates stamped marked as Gagaza0067222?
A Okay.
Q So it says due diligence -- and it's all the way at the bottom of that page. It says, "Due Diligence Checklist For All Alternative Investments."
Are we on the same page now?
A Yes.
Q "A list of all investment partnerships, trusts, or any other private equity or pooled investment vehicles, formulated, managed, or offered by the Registrant or any other associated person, to any clients or prospective clients, (a fund)," and it goes on.
"Please include the name of the fund and its approximate value. The statements from Registrar indicating the registration exemption under federal and state laws relied upon, including the Securities Act of 1933 and the Investment Company Act of 1940."
Did you ever fill that in?

A No because --
Q For 1 Global?
A I did not because it was not a security. I would have if it was stated it was a security.
They stated it was not. My research said it was not and there was nothing that I could find.
Q Okay. The next page it says, "For any fund relying on a private placement exemption under Regulation D, a copy of the form D."
You didn't find any of that either?
A No, I did not. It wasn't a Reg D offering.
Q Then in the middle of that page, "The funds most recent two years' financial statements and tax returns."
You don't have anything listed there either, right?
A No. No, I do not.
Q Right. And the next page, "Documentation showing the value of any un-priced securities and the methodology used in the evaluation of such securities held by the fund."
Nothing there, right?
A No. It was not a security.
Q And on-site visits. Nothing, right?
A Correct.

Q So would you view these comprehensive due diligence checklists as good for things to have on anything that you're offering to a customer, or are you using the strict definition in your mind not the populate this because you're certain that is in no way, shape or form is a security?
A That was a long sentence, but yes, I did not classify this as a security.
Q But you would agree that some of the items on here are useful in evaluating something like 1 Global?
So, for example, the funds most recent two years' financial statements and tax returns. Would you agree that would be useful in marketing -- in order to market this to a customer?
A At the time I was doing my due diligence, but you're asking me to speculate on this entire document as to what was -- what was useful or not.
I looked at this as not a security so I didn't go through this checklist specifically, but I did due diligence to figure out whether or not this was a security or not.
Q We are done with that document.
Let's go to 179, please.
MR. PORTEOUS: Gary, did you say that you were done with that document?

MR. MILLER: I am.
THE WITNESS: Okay. I'm on 179.
BY MR. MILLER:
Q Did you want to take a couple of minutes to go through it, sir?
A Sure. I'm ready.
Q What is Exhibit Number 179?
A This was a presentation that I used for the client education event.
Q This is your power point?
A This is my power point.
Q And you approved it yourself, correct?
A Yes.
Q Did you draft it yourself except for the portions that were from 1 Global?
A Part of this also could have been extracted from Trae Wieniewitz's presentation. At this point, I can't remember what was his and what was mine, or what I added or deleted.
Q Okay. For what period of time did you use this?
A In the spring of 2017, April, May time frame.
Q Is that at or around the same time, or after you received the updated pitch deck from 1 Global that was on April 14th?

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A Right. I have to refer back to my calendar to see when this was presented.
Q I got it.
Okay. Well, it appears that it's after because if you take a look at Gagaza0057876, it says merchant cash advance and there is a date affixed there of May 25, 2017.
Do you agree it's after May 14, 2017?
A Yes.
Q I noticed that leafing through this, you did not include anything about the auditing functions that are delineated in detail on that update -- the updated pitch deck that 1 Global gave to you.
Why didn't you include that?
A I can't recall why I didn't include it. This is already a very large document and I'm talking to the clients for one hour. So, if anything, I wanted to lessen the slides.
Q Isn't that particular slide designed to give the investor comfort about the investment that there is a third-party auditing function occurring?
Why wouldn't you include that?
A I don't know why.
Q Or were you just telling them orally?
A I can't recall.

Q Okay. Let's go to Bates 59869, please.
Did you draft that page?
A What is the page again?
Q 57869.
A Trae Wieniewitz drafted this page.
Q Okay. But you allowed it to be used, right?
A Okay.
Q It says, "Why do smart investors consider alternatives." The second item, "They want more consistency and a controlled risk."
What does a controlled risk mean?
A Again, this presentation at the beginning is describing several types of products, whether it be -- it's a general statement for alternatives, whether it be wheat, gold and silver.
They would have stated terms with some alternatives so that gives them more consistency and they have different mitigating tools to help control the risk.
Q Okay. But you would agree that this is -- you're also using it in a presentation where you're talking about 1 Global?
A I don't talk about 1 Global until the very end. I'm giving a very general presentation on the different types of products, whether it be principle-protected product, market-related products or banking products, or

alternatives.
Q Okay.
MR. LEVENSON: Gary, can I ask a follow-up question?
MR. MILLER: Sure.
MR. LEVENSON: Mr. Gagaza, you said that Trae Wieniewitz drafted it. Why did you include it in your presentation?
THE WITNESS: Why did I approve it?
MR. LEVENSON: Why did you include it in your presentation?
THE WITNESS: Because it looked like a good page to strive a different mindset for folks who use alternatives as opposed to just painting the products and marketing the products.
MR. LEVENSON: Okay.
BY MR. MILLER:
Q Another page that ends in 57871 says, "What do I find clients really want. To have peace of mind for some money in a volatile market."
Did you write that or did Mr. Wieniewitz write that?
A Wieniewitz.
Q But you adopted it, right?
A Yes.

Q So you're basically saying it's safe, right?
A No.
Q What are you saying?
A I'm saying there is different types of alternatives and some alternatives -- all alternatives have risk.
So the only time that I would mention safe ever is fixed, fixed index annuities and some banking products.
Q All right. So let's go to the next page.
MR. LEVENSON: Gary, let me just -- let me, if I could. Did you use any of these statements in connection with mentioning 1 Global, Mr. Gagaza?
THE WITNESS: I didn't mention 1st Global in this page, on this page.
MR. LEVENSON: That's not what I asked you, sir. I asked you if you mentioned any of these statements when you did mention 1 Global?
THE WITNESS: I would have to go to that part of the slide deck to see if I would have.
MR. LEVENSON: When you talked to your clients, sir, did you ever describe 1 Global as a good, short-term option for some of their money?
THE WITNESS: Yes.
MR. LEVENSON: Did you ever describe 1 Global

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as something where they would be able to see immediate results, did not have to wonder if the new investment strategy would work?

THE WITNESS: Yes, because they received their monthly statements and had online access to the porthole to see the results.

MR. LEVENSON: Did you ever describe 1 Global as giving them peace of mind for some of their money in a volatile market?

THE WITNESS: Yes, but qualifying that it had a risk and describing that risk and the mitigating ways that they reduced or controlled risk. Not reduced it, but mitigated the risk.

MR. LEVENSON: Did you ever describe 1 Global as giving them consistency and predictability with some of their money?

THE WITNESS: I can't recall that line being used with 1st Global.

MR. LEVENSON: Okay. Thank you.

BY MR. MILLER:

Q So let's go to the next page 57876. That's the 1st Global portion.

A Okay.

Q Okay. You got the balance of this document up to page 57886. You pulled this directly from 1 Global?

A To the best of my knowledge, yes.

Q To your knowledge, is that what you said?

A Yes.

Q Okay. So on page -- on page 57878, can you turn to that?

A Okay.

Q It say Market Opportunity here. Is this your slide or is this 1 Globals?

A 1st Globals.

Q "Small and medium sized enterprises (SMEs) employ a number of the labor population. Require fast and efficient access to capital. Are not very well served by traditional loan products. It's very difficult to access the creditworthiness."

Are those true statements?

A Yes.

Q I thought earlier today you told me that somewhere 1st Global told you that the credit scores of these merchants were 800?

A I did.

Q Then why is it difficult to access the creditworthiness?

A It takes time with the traditional tools that the banking industry would use, but their tools seem to streamline that process much faster.

Q Let's go to 57881, please.

MR. PORTEOUS: Gary, what page is that?

MR. MILLER: Sure, 57881.

BY MR. MILLER:

Q It says, "Funding sources typically receive a non-correlated rate of return of doubt digit growth."

Is the funding source your client?

A In this statement, yes.

Q The next one is, "Lending risk is mitigated by ensuring very minimal percentage of dollars are in a single deal."

Do you see this?

A Yes.

Q Is that the only risk that's articulated in this document?

A The only risk that's identified in the document on this page or in the entire document?

Q The document.

A I would have to look through the document.

If you flip to the next page, 882, the current average being 61,000 of an advance. I think that that is another risk identified if they had larger amounts that could pose a risk.

A risk could be if they go to Europe and Central America and their operations aren't as new, that

could be a risk.

A risk could mean the average term increasing. It went from five, seven and then eight months in 2017. It could be another risk if that were to continue to increase.

Another risk could be the sector that they're using. If they would have narrowed it down to only particular sectors and not kept it as rod and wide as they have up to this point, could be another risk.

1st Global, which is not on these pages, not performing properly and defaulting or going into bankruptcy would be a risk.

Q I got it.

MR. LEVENSON: Hey Gary, when you have a minute, can we have a three minute break or five minute break?

MR. MILLER: Let use do another document first, then we'll go right over to that. Is that okay?

MR. LEVENSON: Yes.

(SEC Exhibit No. 200 was marked for identification.)

BY MR. MILLER:

Q Can you pull Exhibit 200?

A Okay.

Q Do you recognize 200?

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A I do. I need to read it though.
MR. LEVENSON: Gary, could I give you a call? I am going to drop off and give you a call while he is reviewing them.
MR. MILLER: Sure. Let's go off the record for five minutes.
It's 4:14 Eastern Daylight Time on October 5th, 2020. Off the record.
MR. PORTEOUS: Could we make that a ten minute break?
MR. MILLER: So that would be until 4:25.
(A brief recess was taken.)
MR. MILLER: Okay. It's 4:27 p.m., Eastern Daylight Time on October 5th, 2020. We're back on the record.
BY MR. MILLER:
Q During the break we just took, Mr. Gagaza, did you and the staff of the SEC have any conversations of substance regarding this investigation?
A No.
Q Before we took a break, we had Exhibit 200. You said you wanted to take a few moments to take a look at it.
Let me know when you're ready.
A Okay. I'm ready.

Q Is Pearl Tanaka one of your clients?
A Yes, she is.
Q Does Exhibit 200 reflect her account statement received from 1 Global?
A Yes, it is. Yes, it does.
Q How much did she -- how much did she invest in this, was it $61,900?
A Yes.
Q It denotes that it's an IRA. She in fact used her IRA for this?
A Yes, she did.
Q What was her IRA invested in prior to moving over to 1st Global?
A I would have to check my records.
Q How old a woman is Pearl Tanaka?
A I would have to check my records. She is over 60.
Q In 2017 approximately, just ballpark, what was the size of her IRA?
A On this particular IRA, $61,900.22.
Q I'm talking about the totality of her IRA?
A I would have to see her -- I would have to see her portfolio. I would have to check it to see what the total amount was.
Q I got it.

A My average client what I had -- go ahead. I will let you ask questions.
Q It says here, "Our independent audit firm Daszkal Bolton, LLC has endorsed and agrees with the rate of return formula."
What does that mean?
A That means they return what the earnings that were provided up to this point.
Q I think we crossed currents there.
"Our independent audit form Daszkal Bolton has endorsed and agrees with the rate of return formula."
What does that sentence means?
A Of how they calculate the formula for getting the return. The amount of receivables versus how much she has put into the loan.
Q Okay. So they endorse and agree with the rate of return formula. Is that what it shows that their function is?
A That is a straight forward sentence that they endorse and agree with the rate of return formula.
I'm not sure --
Q As far as --
A Go ahead.
Q As far as you know, was there anything else that Daszkal Bolton did for 1 Global?

A To my knowledge, they're verifying these receivables from these merchants.
Q How do you know that?
A That is what was stated to me by Dale Ledbetter and Darice Lang and Merkelson and Candace Abrams.
Q And who?
A Candace Abrams.
Q What did Merkelson tell you?
A That Daszkal Bolton is verifying this data.
Q What data?
A The net accounts receivable for each of the contract numbers in relation to the funds, net of withdrawals and payouts, plus the increase in evaluation and the return formula that they used to come up with this 1.8 percent to get a total of 62,992.12.
Q Okay. So it says here, Daszkal Bolton has endorsed and agreed with the rate of return formula.
Does it sound like Mr. Merkelson has told you other things that Daszkal Bolton has done as opposed to just endorse and agree with the rate of return formula?
A To my understanding, what I just related to you, is what they conveyed to me.
Q All right. But that's more stuff than is written in that one phrase in Exhibit 200, right?
A It is.

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Q Okay. So let's go back. You can pull it up if you want, you don't have to. I think we talked about it a lot, Exhibit 210, page 14.

So Exhibit 210, page 14 says, "External review, external independent CPA firm validates Syndicate Partner portfolio balances quarterly."

Is that what is going on page -- on Exhibit 200?

A Yes.

Q So they're validating -- in your mind, Daszkal Bolton is validating Ms. Tanaka's portfolio balances quarterly even though it's a monthly statement?

A This particular statement may not coincide with that exact statement.

Q Oh.

A But they were doing it quarterly according to this slide deck.

Q Right.

A On the statement that you showed me for Pearl Tanaka, this is a monthly statement staying that they endorse and agree with the rate of the formula, with the rate of the return formula.

Q I got it.

And you never spoke with Daszkal Bolton about what that means, right?

A No.

Q Or about anything?

A I did not have conversations with Daszkal Bolton, no.

Q Can you turn to the last page of Exhibit 210 -- 200, please?

I know those three numbers in the total line add up, but what does that mean?

Can you work me through that?

A So $8,089 is the total amount of accounts receivables from all of these contract numbers listed. It totals the $8,089.

$54,902 is what is remaining for future receivables to be loaned out -- actually, to be advanced out to the merchants.

Q What is happening to that $59,902.13?

A It's waiting to deployed. They have stated that it takes several months to do that.

Q Who stated that?

A 1st Global. They have to find the merchants to advance the monies.

Q I see.

So this net current accounts receivable, is that money that has come -- that she has made, for lack of a better term, as profits from the advances?

A Those would be earnings from the receivables to repay her loan which 1st Global borrowed.

Q Okay. How does the 1.8 percent factor into that as a rate of return?

A I haven't calculated the number. I can't reference anything here. So the return of what she put in versus the earnings is the 1.8. The $1,091 is increased evaluation.

So as the merchant is paying back its receivables with the factoring calculations that they used, $1,091 is the lender's earnings up to this point from the outstanding receivables.

Q So is the net current receivables amount of $8,089.99, is that interest that's coming back to your client or is it principle?

A No. Those were -- those are monies -- those are part of the loan proceeds being advanced to the merchants, the $8,000.

If you add up all of those numbers that you have there, which totals $8,089.99, if you just look at the first one on contract number ending in 6100 on page two, that merchant has $12.78 advanced to them from 1st Global.

Q That's not the amount that your client received that month, right?

A No. That is why they would see this and go wow, my money has actually been disbursed to, you know, 200, 600 and continue to go up.

My money is now disbursed to many different companies. I feel a lot better because more companies reduce risk.

Q I got it.

Did any of your clients that you presented this to say no, I don't want it?

A Yes. In fact, there are some that we have to tell them no, you can't -- you can't put your money in. They weren't suitable.

Q How many times has that occurred?

A I would say -- I don't want to speculate. It happened. There were clients that it was not the right time for them to do it either because of time horizon or liquidity.

(SEC Exhibit No. 201 was marked for identification.)

Q I got it.

Let's go to Exhibit 201, please.

A Okay.

Q Let me know when you're ready.

A All right.

Q What is going on in this e-mail?

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A This is Donna Davis Brown and she is letting me know that she has a friend in Hollywood, Florida and she wanted to pass on it.
Q She said I am not comfortable with it.
A Right. That the concept was presented to her. I'm sorry, go ahead.
Q Did she ever tell you what she wasn't comfortable with?
A Donna Davis Brown has been a client now for 11 years and she is one that does not want any of her money at risk. This had risk so she passed on it.
Q So she said she researched it and had a friend in Hollywood, Florida check it out. I'm not comfortable with it.
Did you ask her what her friend in Hollywood found out after they checked it out?
A I can't recall if I asked her about that in particular, but I know the client and she does not like anything at risk.
She has over a million dollars and all of her stuff is in fixed annuities and cash. So this was not the right type of investment for her which I respect my clients like, okay, I just want to make sure that you knew it was available.
She still had money sitting in -- yeah.

(SEC Exhibit No. 202 was marked for identification.)
Q Okay. I'm done with that exhibit.
Let's take a look at Exhibit 202. It's multi-pages. Take whatever time you need. Let me know when you're ready to answer some questions.
A Okay. I'm ready.
Q Who is Demitri?
A Demitri is a client.
Q And who is Zisimos?
A That's his son.
Q Okay. So let's start on page 205.
A Okay.
Q So there is entry at the bottom of the page, Saturday, May 6 2017 at 8:03, Rayna Armitage.
She works for you, right?
A Yes.
Q Does she send out things on her own or pursuant to your instructions?
A Pursuant to my instructions.
I mean, she may be coordinating with the client if I say work with this client with the paperwork. She has administrative -- she does administrative dealings.
Q So May 6th she writes, "Zisimos, I have attached 3 pages that will require your signature in

order to establish your 1st Global Capital account.
Please e-mail me or fax what has been signed and remove e-mail when completed. Thank you."
So what is going on there?
A The father was coordinating for his son to open up an account. And we did the -- we did the explaining of the product over the phone with his father.
I believe the father and the mother were in the office with me and the son was on a third-party line. He could have even been in Greece at the time.
Q It looks like Zis writes back, "The last document is the signature page of a Memorandum of Indebtedness. I would like to read this document before signing it."
Do you see that?
A Yes.
Q Was that your firm's practice just to send out the signature page?
A No. Again, we had gone over the product with him over the phone and the practice is to send them complete documents.
Q But that didn't occur here, is that right, initially?
A I can't tell off of this because there could have been conversations or even -- yeah, I can't tell

from this document.
Q Okay. Let's go to the page before that, 204.
A Okay.
Q It looks like Sunday, May 7, 2017 at 2:44.
"Good morning, I have attached the Memorandum for your review." So it looks like the full Memorandum of Indebtedness was sent over now, is that right?
A Which part of 204? Are you at the top?
Q No, right in the middle.
"Good morning, I have attached the Memorandum for your review."
A Okay. I got it. Yes.
Q So what is happening is so instead of just the signature page, she is sending out the entire Memorandum, right?
A I can't recall if this was before or after the conversations that we had with him.
Q Understood.
The next entry right above that is Sunday, May 7th at 2252. It says you wrote, "Did you read this agreement. There is some clauses that seem very strange, mainly 12.4, 10 and 8.4."
Who is writing that, sir?
A I'm looking at that as Zisimos is sending that to his dad.

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Q Okay.
A His dad replied to him.
Q So let's go to the slide that you just eluded to. So as of May 9th, 2017, it says, "After I reply to you, I also talked to Roy about it.
The truth is that 1st Global is legally filling a niche that illegal loansharking used to hold. They are informally promising and have been delivering returns between 8 and 15 percent because they tend to charge between 30 percent and 35 percent.
From that they contractually lay claim to the first 13 percent. Then they subtract the average of 6 percent defaults, further subtract additional costs and finally they give you what is left.
What's left has been -- has always been more than 8 percent in nine months, usually considerably higher, with some possible remains (with more interest) of some portion of your initial investment dragging out to 15 months.
If you really don't like this, you can back out of it. I'm doing my own 50,000 in a separate account and I will be adding to it soon. So if you decide to get out, we can change the account to us and I can put the money back in your Citizen account.
But please keep in mind, you should not back

out if you are afraid you will need the money and it will not be available to you.
I promise you that if you need liquidity, I can help you at any time with more than you need."
So what is going on there?
A It looks like his dad is explaining to his son and paraphrasing what he interprets the account to be.
Q Then the next entry is May 8, 2017 at 2:34.
I guess this is from Zis to Demitri. "It's not liquidity I'm worried about, it's not getting scammed. If are you convinced of this deal, I have attached the signed document. I got a led driver to tune now. Thanks Zis."
Is he asking if you're convinced or if his son is convinced?
A He is asking if his dad is convinced.
Q I got it. I'm done with that document.
A Can I state something on this document?
Q Absolutely.
A Okay. As he mentions and he writes about, he is trying to describe it to his son. I never mentioned that they're filling the niche of what an illegal loansharking used to hold.
This is Demitri's own -- I don't know, his own description of what that is. He is a very flowery guy,

but I never described it as being anything similar to loansharking.
Q I got it.
A Then 8 to 12 -- I would say 8 to 12, but he could just be looking at 30 to 35 that he is doing his calculations off of 30 to 35 percent minus the management fee and the defaults and everything else.
Okay. I just wanted to clarify that.
(SEC Exhibit No. 203 was marked for identification.)
Q Let's look at 203.
A Okay.
Q Let me know when you're ready to answer questions.
A I'm ready.
Q Were you talking about this particular issue earlier in the day?
A Yes.
Q Okay. Did 1 Global provide you with any kind of crib sheets to overcome objections your potential clients may have?
A Crib sheets, no.
Company brochures and slide decks and articles. This was an article.
Q I got it.

Did you have any New York investors?
A No.
Q Do you know how this related to your California or Hawaii investors?
A This related to the lenders in general because of the perception of usury laws being violated. But these were not loans, these were merchant cash advances.
So the example that the New York State Supreme Court issued the decision was documentation just showing where -- I don't want to say society was heading or the industry, or at least New York had interpreted merchant advance because merchant cash advance, the industry was rapidly growing.
Q My question -- I guess, my question is whether or not this has any relevance for a guy that's selling in California or Hawaii?
A It had relevance to the definition of usury because when you see the 30 to 35 percent, you immediately think loansharking or illegal or way too much, how could they do that, all the things you stated earlier.
But when you realize it's merchant cash advance and it's advancing monies and receiving ACH receivables to provide earnings back to the lender, that provides relevance to the issue of merchant cash advance.

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Q Maybe relevance was a bad word.
Does this have any legal ramifications in California or Hawaii?
A No.
(SEC Exhibit No. 204 was marked for identification.)
Q Let's take a look at Exhibit 204.
A Okay.
Q Tell me when you're ready.
A Okay. I read it. I'm ready.
Q Okay. So 2014 looks like it's a conversation between you and Mr. Fisher, is that accurate?
A Yes.
Q And on the second page, April 19, 2019, John Fisher wrote, "Just wrote 74,000 and 25,000 1st Global which puts over one million. The first app was written 14 days ago so averaging 500,000 a week so far."
Is that him that is averaging that, or is it him and you together?
A That's him doing that. He is sharing what happened in the two weeks.
Q Okay. Then on the first page it says -- Mr. Fisher writes to you, "That would be $26 million a year. A couple of years of that and I could sit back and collect the residual commission. I can see why Trae" --

is that Mr. Wieniewitz?
A Yes.
Q "Is so excited to take this out to the FMOs."
Is that the Revolution?
A That is nationwide field marketing organizations. Trae wanted to expand operations.
Q "Does he have a time frame as to when he is going to approach Mark."
Who is Mark?
A Mark is the owner of the Revolution.
Q What is his last name?
A Lindsey, L-i-n-d-s-e-y.
Q What did you guys think of that?
A In what respect? That's a broad question.
Q Did you have respect for Mark?
A In which respect and in what context?
Q As a businessman?
A As a businessman he has been very successful.
Q Did you have respect for him as a businessman?
A Did I have what?
Q Respect for him as a businessman?
A Where is this -- why does that matter?
Q Because I'm asking you the question and you're under oath.
A Do I respect him as a businessman, yes.

(SEC Exhibit No. 205 was marked for identification.)
Q Let's turn to Exhibit 205.
A Okay.
Q Let me know when you're ready.
A Okay. I'm ready.
Q Trae is writing to you on July 20, 2017. "Mark is a retard. 1st Global is not a security and now banks can use them in their reserve portfolio."
What does that mean?
A I believe Trae might have presented it to Mark and Mark didn't like the product.
That's speculation.
Q Did you ever ask Mark what he thought of 1 Global?
A I didn't ask him, he told us what he thought of promissory notes.
Q What did he say?
A He didn't like them.
But then again, he is the owner of an MFO that sold fixed indexed annuities and fixed annuities.
I believe he saw it as a threat to his own survival as an owner of an FMO.
Q Can you pull Exhibit 156?
Hopefully your documents -- the stack of

document is getting smaller that we haven't gone through.
A I was hoping they would. 156?
Gary, I don't see 156.
MR. MILLER: David, is that you?
THE WITNESS: Not, it's Roy. I can't find 156.
MR. PORTEOUS: Was that an earlier document in the day, or is it in the last part of this packet?
Was it something that you talked about earlier?
MR. MILLER: I did not talk about 156.
THE WITNESS: Oh, here it is. I got it.
MR. MILLER: Do you have it, David?
THE WITNESS: I have it, here.
MR. MILLER: Roy, do you have it and David, do you have it?
MR. PORTEOUS: I haven't found it yet. Give me a second.
MR. MILLER: Absolutely.
MR. PORTEOUS: Can you describe it Gary? Is it an e-mail or --
MR. MILLER: It's an e-mail dated September 21, 2018. It's between John Fisher and Jake Nord.
MR. PORTEOUS: I don't want to hold up the testimony. I haven't found it. I only ask -- I found 157, but maybe you can proceed with your questions.
If I don't understand something, I might bother

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somebody to read it so --
BY MR. MILLER:
Q Okay. During the time that counsel was taking a look for this, Mr. Gagaza, did you have time to review 156?
A I did.
Q It says, "Here are my responses. How did you learn about 1 Global Capital. It says Roy Gagaza."
Is that true?
A That is correct.
Q First of all, who is Jake Nord?
A Jake Nord is a marketing representative of the Revolution.
Q Marketing for what purposes?
A Fixed and fixed index annuities.
Q Number two, question two, "Did someone refer you to 1 Global Capital? If yes, who.
Roy Gagaza was my mentor with the Revolution and I was an IAR under his RIA firm which means he has to approve any products that I offer."
Is that an accurate statement?
A No. I want to clarify.
Q What part is not accurate?
A When I approve products that he sells, I am approving securities products. What he is referring to

is that he is listing an outside business activity on his ADV.
So if he is construing that as me approving that he does that under the RIA, no, he did that as an outside business activity under team LifeCo. So he --
Q In the next sentence -- go ahead.
A So he is misinterpreting my role as the RIA of his being under the RIA. I said he needed to disclose it on his ADV as an outside business activity.
Q The next sentence reads, "He recommended I offer 1st Global as a short-term alternative and then approved it as my RIA."
Is that sentence true?
A As stated earlier, no, because he did not sell this under his RIA.
Q Okay. Did you recommend that he offer it as a short-term alternative?
A Yes.
Q Did you tell him that you would get a percentage of an override from any sales that he effected?
A Yes.
Q I have no further questions of 156.
MR. PORTEOUS: For what it's worth, this is David Porteous. I found it in the package. This wasn't

a document that we produced. This is a third-party document from Mr. Fisher, correct?
MR. MILLER: It's a document that you did not produce, correct.
MR. PORTEOUS: Okay.
THE WITNESS: Gary, can I clarify again my points on that?
BY MR. MILLER:
Q Yes, sir.
A I did not approve for him to sell 1st Global under the IAR -- I mean, under the RIA of Journey Wealth Management Advisors.
He was doing this as an outside business activity as listed on his ADV 2A and 2B. I was acknowledging that he was selling it as an outside business activity.
But again, this was not a securities sold under the RIA, this was an outside business activity that he was doing separately with team LifeCo.
Then the other clarification on 204 is this is using the complaint letter against me and it was taken out of context.
So can we please refer back to 204?
Q Okay. You want to explain?
A Yes. So the complaint letter -- there was

emerging within the structure of the sentence to make it sound as if -- as if -- it blew my mind, I want to go on that statement.
Yeah, I'm losing my mind. It looks like it means losses my mind that he made over a million dollars in two weeks or grossed over a million dollars in two weeks.
This, I am losing my mind, referred to the transfer on death form which is on the last page of this attachment. It blew my mind that that company did not have in place a transfer on death form when Mainstar already did, the other custodian company.
Then, I believe, the company that I was working for, didn't have that and 1st Global didn't have that as part of their procedure, like how could this possibly be.
It was blowing my mind in getting their act together to make sure to get the proper documents, it was not referring to him making money. Sure, I'm happy that he is doing well.
He is 70 plus years old and wants to relax and kick back on the beach. But that sentence of mine was referring to the transfer on death.
His comments, or his statute report to me of what was going on, that is all that that was.
Q I got it.

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A That's it.
Q When you say it blew your mind that they didn't have the transfer on death form, are you saying that 1 Global did not have that form?
A Let me see what context. What is that, 204 again?
Q Yes, sir.
A Yes. Okay.
So again, as I try to recall the context of this, I was using a different custodian for IRAs. John was using Mainstar and I was also using Mainstar, but I think the other company, IRA Services, did not have it as part of their main application like Mainstar did.
It says you are correct, I'm losing my mind. It's already part of the application for Mainstar. So the fact that I had to ask about it because we weren't about to set up an IRA for a client that did not have the ability for it to transfer upon their death to their heirs. I wanted to make sure that they were covered.
Q I got it.
A Okay.
Q Was the Revolution giving you a hard time about selling 1st Global?
A When you say hard time, can you clarify?
Q What does that mean to you?

A That's why I am asking, in what respect do you mean a hard time?
Q Were they giving you difficulty?
A They wanted us to write fixed and fixed index annuities. Mark thought he controlled the agents.
At one point -- he got to the point where he was controlling what people would sell or not sell. He wanted just to sell fixed index annuities.
We're like that's not even compliant. It's totally out of compliance and the client might need monies in the market, monies in the bank, monies in notes, alternatives.
He was not doing comprehensive planning so he did not like the fact that we were wanting to offer anything but what his company was promoting.
Q Okay. Can you turn to Exhibit 160?
A 160?
Q Yes, sir.
A Okay.
Q Let me know when you're ready.
A One second. Okay.
Q Have you ever seen this document before today?
A No.
Q All right. So June 10, 2017 John Fisher wrote, "Jake Nord, our marketing guy from the Revolution, will

be here on Thursday. He wants to sit in on any appointments I have, but frankly, I don't want him -- I don't want him so let's not schedule any for Thursday.
The reason is Roy Gagaza is very concerned about the Revolution giving him a hard time about doing 1st Global just like they did with Woodbridge.
So I can't afford to have people asking me about those products while Jake is here. Also, we need to take a picture of the board and then erase all WW and 1st Global information while Jake is here. We can put it back up on Friday.
We also need to put away all WW and 1st Global material so he can't see it and make sure that we are careful not to mention WW or 1st Global when he is around. This all sounds silly since we are independent and not doing anything wrong, but it's necessary to protect Roy."
What does this mean to you?
A Which part of the sentence -- I mean, which part of the exhibit?
Q What is -- let me ask you it differently.
What is your overall impression about what I just read into the record?
A That Mark was controlling with his FMO on what we could sell. We're independent as John Fisher put

there.
I was a mentor. As a mentor with the company, that was Revolution, I helped to train a lot of the agents with fixed index and fixed index annuities. And when I introduced alternatives, Mark did not want us to sell alternatives.
We thought this was another option to help our clients as opposed to -- again, we were already wanting to be more comprehensive for our clients.
So what did this mean? John didn't want to have to listen to Mark and tell him what to sell and do, so he is taking steps so that he wouldn't have to even answer to it because again, he is a grown adult, he can do whatever he wants.
If he wants to sell notes, it's his choice. He is an independent representative. But Mark again, was at this point that if you were to sell these notes, he was threatening people of terminating them from the MFO.
So there is certain contracts that people didn't want to lose like the Polyats. And John did not want to have to deal with that.
(SEC Exhibit No. 207 was marked for identification.)
Q I'm done with that exhibit.
Can you turn to Exhibit 207?

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A Okay. I got it.
Q Who is Patricia Wood?
A She is a client.
Q Is this her IRA?
A This is through Mainstar.
Q Is this her first investment with 1 Global?
A Yes.
Q Is it over $25,000 minimum?
A No. But 1st Global would make exceptions for clients if we asked for an exception. She did not want a longer term product.
She didn't want an annuity. She was already an existing annuity client.
Q The 25,000 minimum that is written into the paperwork that we have gone over today, various paperwork, that is not really a minimum, is it?
A That was their guidelines.
Q Tell me about Claire Dunnan or Durham.
A Is there an exhibit?
Q Not yet.
A What would you like to know?
MR. PORTEOUS: Is your question who is Claire Durham?
BY MR. MILLER:
Q Yes, who is Claire Durham?

Is she one of your clients?
A She is a Hawaii client.
Q Is she sophisticated?
A She is. She has over $1 million in assets invested mostly in the stock market when she first met me.
(SEC Exhibit No. 208 was marked for identification.)
Q Turn to 208, please, Exhibit 208.
So this is an e-mail from Claire Durham to you dated April 3, 2017, right?
A Yes.
Q It's about 1st Global, right?
A Yes.
Q "Roy, I have looked at the attached info. I have a couple of questions. Do I buy this through you or it is a stock or fund that I buy through my brokerage account."
How did you answer that one?
A I had her more than likely come into the office and we went over options with her.
Q What did you tell her?
A I would have gone through the information that we have gone through earlier, the brochure, the Frequently Asked Questions and explaining the product as

I have stated before.
Q And number three, how long have you been involved with this product.
What did you answer here?
A This was just starting. I'm looking at that date. It was about the time that I was newly -- had newly signed my agreement.
Q So what did you say to her?
A I would have told her that I just started this. That this was a new product.
Q Is that what you would have, or is that what you did though?
A I can't recall, that's three years ago.
Q Did you discuss with her that this was for a commercial purpose?
A Yes, merchant cash advance.
Q Did she understand what the commercial purpose was?
A Yes, she did.
Q Did she do her own due diligence?
A I can't recall.
(SEC Exhibit No. 199 was marked for identification.)
Q I am done with 209.
Can you grab Exhibit 199, please?

A Okay.
Q Take as much time as you need to go through it, sir.
A Okay.
Q Okay.
MR. PORTEOUS: Gary, this was a document that we didn't produce.
MR. MILLER: If it doesn't have your Bates on there, probably not.
MR. PORTEOUS: I don't recognize it. It doesn't have our Bates on it. Does that exhibit say John Fisher LifeCo at the top?
Is that it?
MR. MILLER: Yes, sir.
MR. PORTEOUS: Okay.
BY MR. MILLER:
Q Sir, can you turn to the second page? Unfortunately, these are not Bates stamped. The second page is 199.
A Okay.
Q Do you see your name at the bottom?
A Yes.
Q Payable to Roy Y. Gagaza, $60,777.75.
What are you being paid for?
A New business being written and also overrides

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on business that was written by other advisors.
Q So in this case, John Fisher?
A John is the only one listed here. There is a lot of pages.
Q Just where we are now, sir?
A Yeah, I don't recognize any of the ones on the first page so those must be John's clients. And then -- yes, those are John's clients. Those were overrides.
Q Okay.
A I'm sorry, go ahead.
Q Is it fair to say that the column on the first page of 199, the first -- the very first column where it says John Fisher and then we move over to, it says April 6, 2017. Then it say $25,000 and then it says $187.50.
Is the $187.50, is that your override?
A Can I pull out a calculator and do the math on that?
Q Whatever you would like.
A Okay. Yes.
Q That's your override?
A Correct.
Q Let's go to the page that starts with your name in the upper left-hand column. I believe it's four pages in.
A Okay.

Q Now, these entries, do they reflect your direct sales?
A Yes.
Q Those are all your clients on that page that we're looking at? Again, my apologizes that it's not Bates stamped.
A Yes, it is.
Q So this gentleman that we have been talking about today, Zisimos, he is listed in the middle of the page and he put $100,000 in and you got paid, $3,000, is that correct?
A Correct, 3 percent on the amount loaned.
Q And you disclosed that to all your clients?
A Yes.
Q Excellent.
Then the next page it looks like you're getting paid $30,559.13, is that right?
A Yes.
Q Okay. Then it looks like it's from a period of your direct sales April 14, 2017 through July 28, 2017.
Would you agree with me on that?
A Yes. That is what I got paid directly at the 3 percent, plus these other ones in yellow which seem to be an override on John Fisher's business, which totaled the $30,559.13.

Q But you're not sure about that, right?
A I mean, without adding it up, that's what it looks like it adds up to.
Q Okay.
A It goes to the yellow on the next page that appears to be -- I'm sorry, go ahead.
Q Let's turn the page now. You should see a copy of a check made payable to you.
Do you see that?
A I do.
Q That is $60,775.75, right?
A $60,777.75, yes.
Q That was for your sales of 1 Global directly and also your sales override from the folks that you referred like John Fisher, right?
A Correct.
Q Then if we look at the last page of the entire 199, that should show $30,559.13 made payable to you, right?
A Yes.
Q Okay. I'm done with 199.
A Can I clarify on this, Gary?
Q Sure.
A This is still part of what I was writing the entire time.

In fact, it came out to about one-third of the business that I wrote was to 1st Global. The other two-thirds was through fixed indexed annuities and fixed annuities.
And there is also assets under management written. So some of these clients received both, fixed index annuities and also a note.
So this wasn't -- I wasn't just selling this product in and of itself, this is part of an entire process to help them with their overall portfolio.
Q Okay. So I guess earlier today when you talked about how much you sold of this, you understood my question which was how much 1 Global you sold, right?
A Correct, $10.8 million.
Q And that was to 178 customers, is that right?
A Yes.
Q How much total commissions did you get paid for selling the 1 Global product if we include the overrides?
A According to your numbers, 452 or 445, one of the two, 445,200 or 452,200, I'm not sure. That was the settlement that we did with the 1st Global Trust, the liquidation trust.
Q Okay. How much of that did you pay?
A I have paid $145,200 and I was making another $100,000 payment this week.

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Q Okay. When did the payments -- when do the payments satisfy?
When will you satisfy the full amount?
A December 31st, 2021.
Q '20 or '21?
A 2021.
MR. PORTEOUS: Gary, can I just ask a clarifying question on that very narrow issue?
MR. MILLER: Sure.
MR. PORTEOUS: Yeah, Roy, I think his question is when is it supposed to be satisfied by, if I'm correct in understanding that you have until December 2021, is that correct?
THE WITNESS: Yes.
MR. PORTEOUS: Then you were just explaining to Mr. Miller that you are also making payments sooner than that, is that correct, you were just explaining?
THE WITNESS: Yes.
MR. PORTEOUS: So you were making payments sooner than December 2021?
THE WITNESS: Absolutely. My goal is to pay that off as soon as possible.
MR. PORTEOUS: Okay. All right. Gary, I'm sorry for interrupting, I just wanted to make sure that he understood that.

MR. MILLER: I'm the last person that you need to apologize to.
BY MR. MILLER:
Q Outside of the payments that you just articulated, did you make any other payments with respect to 1 Global investors, your own 1 Global investors?
A No.
MR. PORTEOUS: Gary, do you mean like the return of the commissions?
I am sorry, go ahead. I interrupted.
BY MR. MILLER:
Q For any losses they might of had with 1 Global?
A No. What I have done though for some that were having issues with that Mainstar maintenance fee, I have paid it for a couple of the clients that were needing assistance.
We're currently closing out -- we're trying to get everybody out of those custodial accounts which we were directed by Mainstar that we had to keep those open in order to receive future payouts, which we found out was incorrect.
We clarified that with the liquidation trust that they could actually get distribution in kind. So we're currently under the process of notifying this past -- or last week, I was spending most of my time

letting clients know that that was possible.
Most are opting to close those accounts so that they don't have continuous maintenance fees. So in respect to your question of have I paid, that would be paying their bill, but not compensation for their loss due to 1st Global's bankruptcy.
Q I got it.
A I also know that the proceeds from the liquidation trust is going into the pool of monies that could potentially be their next payout.
That's part of the response.
Q I got it.
So the staff of the SEC doesn't have anymore question of you today, sir.
Do you have any additional information on any of the topics that we covered in testimony today that you would like to talk about?
A Yes. You referred to risk many times -- go ahead, I'm sorry.
MR. PORTEOUS: Gary, I mean, I don't mean to interrupt Mr. Gagaza. I was just wondering if there was a minute that we could confer with him to see if there are any issues that we want to clarify?
MR. MILLER: That's fine.
MR. PORTEOUS: Yes.

MR. MILLER: It's 5:37. Do you want five minutes or ten minutes?
MR. PORTEOUS: Let's say ten. We'll make it a tight ten.
MR. MILLER: Okay. It's 5:38 p.m. Eastern Daylight Time and it's October 5th.
Off the record, please.
(A brief recess was taken.)
MR. MILLER: It's 5:51 p.m. Eastern Daylight Time on October 5th, 2020.
We're back on the record.
BY MR. MILLER:
Q During the break we just took, Mr. Gagaza, did you and the staff of the SEC have any substantive conversations about this investigation?
A No.
Q Before we went on break, I said do you have any additional information on any of the topics covered in testimony.
A The answer is yes.
Q Yes.
MR. PORTEOUS: Let me jump in there.
Gary, can I make one clarification? Very early in the testimony you had asked a question about whether or not he had been named in any civil actions or related

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to security laws.
MR. MILLER: Sure.
MR. PORTEOUS: I think he had said no, but just for purposes of clarification, because it takes a little digging, there is a class action filed in connection with 1 Global that's a state matter.
It's kind of a companion to the bankruptcy and for some administrative procedural issues, I won't bore you with, but I believe Mr. Gagaza and Journey Wealth were named as a function of the settlement that was effectuated with the class action.
I apologize for testifying, but it was kind of some legal ease, and I thought it would be easier for me to explain. So I guess, Roy, would you adopt that clarification in response to the question that you were asked earlier on that issue?
THE WITNESS: Yes. That is correct. I didn't mean to leave that out. It's more so an oversight, but it's still 1st Global.
BY MR. MILLER:
Q Roy, with respect to that, do you, or Journey on your behalf, contribute monetarily to any payments that may have been made in that action?
A To the other action with the state?
Q The one that your counsel just talked about?

A Right. No, I did not.
Q Okay.
MR. PORTEOUS: Let me clarify again.
Roy, that is the settlement that's associated with the bankruptcy. I apologize, Gary, it's a little bit convoluted.
They're inter-related actions so that is the settlement that you did make compensation --
THE WITNESS: Okay.
MR. PORTEOUS: -- payments to.
BY MR. MILLER:
Q Okay. Is there any other additional information on anything covered in testimony that you would like to expand on?
MR. PORTEOUS: Yes. There was another that I wanted to address. Jim, did you want to ask Mr. Gagaza a question?
MR. MARTIGNON: Oh, sure. I just want to clarify something quickly.
There was a lot of discussion today centered around the presentation deck that you used in client education events.
I apologize, I don't have the exhibits. I can't refer to an exact exhibit number at the moment, but there had been a lot of questions about very specific

statements on the presentation deck and questions about were different types of risk disclosed.
Those presentations, I think Roy, didn't you say that those were about hour long presentations?
THE WITNESS: Yes. That was an hour long presentation. The slide deck was used as talking points. So again, it was talking points to expand further once I would sit down with any client or prospective client.
MR. MARTIGNON: Okay. So the statements on the deck, those were talking points that caused broader discussion on topics and kind of exploration of those topics and types of products, correct?
THE WITNESS: Correct.
MR. MARTIGNON: So your discussions were not confined to precisely what was only on that deck, they were part of leading into broader discussions about risk, different types of risk, credit risk?
THE WITNESS: Exactly. The topic of risk, just because it didn't say risk on a slide deck, I would still cover risk in various ways one-on-one with the client to make sure they understood the risk from the merchant repaying 1st Global and 1st Global repaying the lender.
MR. MARTIGNON: Then no products were sold at these client education events, is that correct?
THE WITNESS: Correct.

MR. MARTIGNON: You had follow-up meetings that were set up if clients were interested, in which you could then review the product and go over with them one-by-one relative to their, you know, general investment objectives and financial needs and things of that nature, is that correct?
THE WITNESS: That is correct.
That is why you saw some e-mails being sent, but it would always be a follow up for them to come on in and discuss it in person, if at all possible. Some of those were because it was out of the country.
MR. MARTIGNON: Then you would work together with people to find out whether that was something that was potentially of interest given the context of their broader portfolio?
THE WITNESS: Yes. This was just part of --
MR. MARTIGNON: Okay.
THE WITNESS: -- their overall portfolio.
MR. MARTIGNON: So some people might eventually decide after reviewing it that might make sense for their portfolio?
THE WITNESS: Right. One other point too is that as an alternative, these were discussed as what is appropriate as an alternative.
It was 10 to 15 percent, but some -- you know,

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based off of their goals and needs and what they were desiring.

On my overall book of business, it's around 13 percent around the 1st Global note to net worth, not including the primary residence. The primary residence it even takes the overall percentage even lower.

MR. MARTIGNON: I think that's all of the clarifying questions that I have at the moment.

MR. PORTEOUS: Gary, I have one question, clarifying question.

MR. PORTEOUS: Mr. Gagaza, do you recall the testimony earlier today where you were asked about, you know, communications that you had with Mr. Ledbetter and other persons with 1st Global in which they told you that the 1 Global product was not a security?

Do you remember the conversations that we had earlier today about that?

THE WITNESS: Yes.

MR. PORTEOUS: And had they -- had Mr. Ledbetter not told you that it was not a security, would you have sold the 1 Global product?

THE WITNESS: I would not have sold it.

One, it was a security and I wasn't a broker dealer. And as an RIA, I wouldn't offer it as part of my modeled portfolio that I'm using as an RIA.

MR. PORTEOUS: I don't have any further questions.

MR. MILLER: Mr. Gagaza, are there any subject matters or questions that you thought the staff of the SEC might ask about today that we did not ask?

THE WITNESS: You didn't ask me about my kids. Just kidding. No, I'm good, Mr. Miller. I am just trying to put some levity here. It's been a long day.

MR. MILLER: I hear you. It's been a long day. I certainly appreciate it.

Are you aware of any other information that might be helpful to the SEC for purposes of our investigation?

THE WITNESS: No.

MR. MILLER: And I just wanted to follow up if I may. Your counsel asked you about risks and how you weren't limited to the actual slides that we went over in detail today.

You said that one of the risks was 1 Global paying back the lender. Can you expound on that? How did you describe that risk?

THE WITNESS: I described that as the borrower -- with any borrower, and their ability to repay, there is always risk.

But with the -- with them growing and their

assets on their -- you know, their slide deck of what it was increasing by each year, they seemed to be a viable and strong company that was in the growth phase.

But that it was still a risk if they could not repay.

MR. MILLER: Anything else?

THE WITNESS: No. That was it.

MR. MILLER: Just, if I may, while we're still on the record. David, please say yes, did you keep a list of those items that we asked for in realtime?

MR. PORTEOUS: I did. This is David Porteous.

Yes, I did and I will -- Gary, we maybe can go off the record for this, but whatever it's worth, I will send a follow-up e-mail telling you what I had in my notes.

Then if you think of anything else, I will double check with Mr. Gagaza to make sure we didn't miss anything else.

MR. MILLER: Excellent.

Mr. Gagaza, we would like to remind you this is a confidential non-public investigation.

As I mentioned before, we have no further questions at this time. However, in the future, we may wish to call you again to testify in this matter.

If that is necessary, obviously, we'll contact

your counsel. I have already asked you this, but I'm going to ask it again.

Do you wish to clarify any statement that you made here today? Do you wish to add anything more to completely respond to any statements that you made here today?

THE WITNESS: David, Jim?

MR. PORTEOUS: Not at this time, Roy.

THE WITNESS: Okay. Thank you.

MR. MILLER: Counsel, do you wish to ask Mr. Gagaza any other clarifying questions?

MR. PORTEOUS: Not at this time.

Thank you very much for the courtesies extended by the staff and the patience of everyone.

MR. MILLER: It's 6:02 p.m. Eastern Daylight Time on October 5th, 2020.

We are off the record. Off the record, please.

(Whereupon, at 6:02 p.m., the examination was concluded.)

* * * * *

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PROOFREADER'S CERTIFICATE

In the Matter of: 1 GLOBAL CAPITAL, LLC
Witness: Roy Gagaza
File Number: FL-04148-A
Date: Monday, October 5, 2020
Location: Miami, Florida 33131

This is to certify that I, Donna S. Raya, (the undersigned), do hereby certify that the foregoing transcript is a complete, true and accurate transcription of all matters contained on the recorded proceedings of the investigative testimony.

Donna S. Raya — (Proofreader's Name)

10/19/20 — (Date)

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REPORTER'S CERTIFICATE

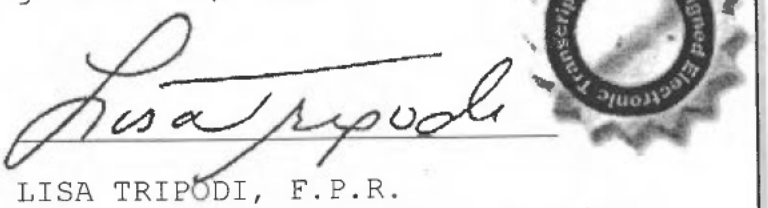
I, Lisa Tripodi, Florida Professional Reporter, do certify that the foregoing transcript of 218 pages (October 5, 2020) is a complete, true and accurate transcript of the testimony indicated held on October 5, 2020 at 10:32 a.m. in the matter of 1st Global Capital.

I further certify that this proceeding was recorded by me, and that the foregoing transcript was prepared under my direction.

Date: October 5, 2020

Official Reporter: Lisa Tripodi

Diversified Reporting Services, Inc.



LISA TRIPODI, F.P.R.
Notary Public - State of Florida
Commission No. HH019325
Expires: July 21, 2024
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EXHIBIT 6

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Sealed

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.: 17-24624

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ROBERT H. SHAPIRO,
WOODBRIDGE GROUP OF COMPANIES, LLC,
d/b/a WOODBRIDGE WEALTH,
RS PROTECTION TRUST,
WMF MANAGEMENT, LLC,
WOODBRIDGE STRUCTURED FUNDING, LLC,
WOODBRIDGE MORTGAGE INVESTMENT FUND 1, LLC,
WOODBRIDGE MORTGAGE INVESTMENT FUND 2, LLC,
WOODBRIDGE MORTGAGE INVESTMENT FUND 3, LLC,
WOODBRIDGE MORTGAGE INVESTMENT FUND 3A, LLC,
WOODBRIDGE MORTGAGE INVESTMENT FUND 4, LLC,
WOODBRIDGE COMMERCIAL BRIDGE LOAN FUND 1, LLC,
WOODBRIDGE COMMERCIAL BRIDGE LOAN FUND 2, LLC,
144 WOODBRIDGE-AFFILIATED PROPERTY LIMITED LIABILITY COMPANIES,[1]
131 WOODBRIDGE-AFFILIATED HOLDING LIMITED LIABILITY COMPANIES,

Defendants, and

JERI SHAPIRO,
WOODBRIDGE REALTY OF COLORADO, LLC
d/b/a WOODBRIDGE REALTY UNLIMITED,
WOODBRIDGE LUXURY HOMES OF CALIFORNIA, INC.,
d/b/a MERCER VINE, INC.,
RIVERDALE FUNDING, LLC,
SCHWARTZ MEDIA BUYING COMPANY, LLC,
WFS HOLDING CO., LLC

Relief Defendants.

CIV-COOKE

GOODMAN

UNDER SEAL

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

[1] Appendix A identifies each of the named 144 Woodbridge-Affiliated Property Limited Liability Companies and 131 Woodbridge-Affiliated Holding Limited Liability Companies.

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Plaintiff Securities and Exchange Commission ("Commission") alleges:

I. INTRODUCTION

1. Beginning in July 2012 through December 4, 2017, Defendant Robert H. Shapiro ("Shapiro") used his web of more than 275 Limited Liability Companies to conduct a massive Ponzi scheme raising more than $1.22 billion from over 8,400 unsuspecting investors nationwide through fraudulent unregistered securities offerings. Shapiro promised investors they would be repaid from the high rates of interest Shapiro's companies were earning on loans the companies were purportedly making to third-party borrowers. However, nearly all the purported third-party borrowers were actually limited liability companies owned and controlled by Shapiro, which had no revenue, no bank accounts, and never paid any interest under the loans.

2. Despite receiving over one billion dollars in investor funds, Shapiro and his companies only generated approximately $13.7 million in interest income from truly unaffiliated third-party borrowers. Without real revenue to pay the monies due to investors, Shapiro resorted to fraud, using new investor money to pay the returns owed to existing investors. Meanwhile Shapiro and his family lived in the lap of luxury and spent exorbitant amounts of investor money in alarming fashion, on items such as luxury automobiles, jewelry, country club memberships, fine wine, and chartering private planes.

3. By December 2017, the fraudulent scheme collapsed. Shapiro and his companies became unable to timely meet their obligation to pay investors their monthly dividends and interest payments. Fundraising from investors was halted, and on December 4, 2017, Shapiro caused most of his companies to file Chapter 11 bankruptcy. The effect of Shapiro and his companies' actions will leave investors with substantial losses, as they are owed at least $961

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million in principal. At least 2,600 of these investors unknowingly placed their retirement savings into Shapiro's Ponzi scheme.

4. Shapiro's entities, Defendants Woodbridge Group of Companies, LLC (d/b/a Woodbridge Wealth) ("Woodbridge"), RS Protection Trust ("RS Trust"), WMF Management, LLC ("WMF"), Woodbridge Structured Funding, LLC (a/k/a Woodbridge Structured Funding of Florida, LLC) ("WSF"), Woodbridge Mortgage Investment Fund 1, LLC ("Fund 1"), Woodbridge Mortgage Investment Fund 2, LLC ("Fund 2"), Woodbridge Mortgage Investment Fund 3, LLC ("Fund 3"), Woodbridge Mortgage Investment Fund 3A, LLC ("Fund 3A"), Woodbridge Mortgage Investment Fund 4, LLC ("Fund 4"), Woodbridge Commercial Bridge Loan Fund 1, LLC ("Bridge Loan Fund 1"), Woodbridge Commercial Bridge Loan Fund 2, LLC ("Bridge Loan Fund 2"), 144 Woodbridge-affiliated Property Limited Liability Companies ("Shapiro Property LLCs"), and 131 Woodbridge-affiliated Holding Limited Liability Companies ("Shapiro Holding LLCs") (collectively the Shapiro entities are referred to as "Corporate Defendants"), were each essential to Shapiro's fraudulent business operation.

5. Shapiro, as the sole person in control of the Corporate Defendants, not only made material misrepresentations and omissions to investors, but also signed falsified documents, controlled the company's bank accounts, made Ponzi payments to investors, paid significant sales commissions to unregistered sales agents, and misappropriated investor funds for his own personal enjoyment and the enjoyment of his family.

6. At Shapiro's direction, Woodbridge's network of hundreds of in-house and external sales agents raised in excess of $1.22 billion dollars, falsely selling Woodbridge's investments as "safe" and "secure". Shapiro and Woodbridge directed that investor funds be deposited into the accounts of WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan

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Fund 1, and Bridge Loan Fund 2 (with Shapiro as the sole authorized signer) and almost immediately commingled the funds into Woodbridge's operating account.

7. Shapiro and Woodbridge used at least $328 million to repay principal and interest to investors and spent at least another $172 million on operating expenses, including $64.5 million on sales agent commissions and $44 million on payroll. Shapiro also spent at least $21 million of investor funds on extravagant personal expenditures.

8. Shapiro selected which properties would be purchased with the investors' commingled funds. Shapiro would create a Shapiro Property LLC to hold title to the property, making RS Trust and Shapiro the ultimate beneficial owners of the properties. The Shapiro Property LLCs, which had no revenue source or bank accounts, then issued promissory notes to one of the Fund entities promising to pay monthly interest, with the principal usually due in one year. Despite the Shapiro Property LLCs having no ability to pay monthly interest, Shapiro and Woodbridge created investment products which sought to market these Shapiro Property LLC's promissory notes as "low risk" and "simpler" investments.

9. Because the Fund entities were not receiving any interest payments on the Shapiro Property LLC promissory notes, Shapiro instead used new investor funds to pay the interest and dividends owed to previous investors. These interest payments created the illusion that Shapiro and Woodbridge were successfully loaning investor funds as promised to legitimate third-party borrowers who had an ability to pay monthly interest. This allowed Woodbridge and Shapiro to continually induce new investors to participate in their investment products and induce existing investors to rollover their investment into a new note upon maturity, thus delaying Shapiro's and Woodbridge's need to come up with cash to repay the principal balance.

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10. Shapiro caused Woodbridge and WSF to pay substantial commissions to an internal and external sales force in exchange for selling Woodbridge's securities to the public. However, neither Woodbridge, WSF, nor Shapiro were associated with Commission-registered broker dealers, and very few of the sales agents were so associated.

11. Relief defendants Jeri Shapiro (Shapiro's wife), Woodbridge Realty of Colorado, LLC d/b/a Woodbridge Realty Unlimited ("Woodbridge Realty"), Woodbridge Luxury Homes of California, Inc. d/b/a Mercer Vine, Inc. ("Mercer Vine"), Riverdale Funding, LLC ("Riverdale"), Schwartz Media Buying Company, LLC ("Schwartz Media"), and WFS Holding Co. LLC ("WFS") all received proceeds of the fraud without any legitimate entitlement to the funds.

12. As a result of the conduct alleged in this Complaint, Shapiro, Woodbridge, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1 and Bridge Loan Fund 2 violated Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a) and 77e(c)]; Shapiro, Woodbridge, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1 and Bridge Loan Fund 2 violated Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)]; Shapiro and the Corporate Defendants violated Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(1) and (3)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rules 10b-5(a) and (c) [17 C.F.R. §§ 240.10b-5(a) and (c)]; Shapiro and RS Trust violated Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)]; Woodbridge and WSF violated Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)]; and Shapiro aided and abetted Woodbridge's and WSF's violations of Section 15(a) of the Exchange Act.

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13. Unless restrained and enjoined, the Defendants are reasonably likely to continue to violate the federal securities laws. The Commission seeks several forms of relief, including asset freezes, appointment of a Receiver, sworn accountings, and an order prohibiting the destruction of documents. The Commission also seeks permanent injunctions and civil money penalties against all the Defendants, and disgorgement of ill-gotten gains against the Defendants and Relief Defendants.

II. DEFENDANTS AND RELIEF DEFENDANTS

A. Defendants

14. **SHAPIRO** is a resident of Sherman Oaks, California and also maintains a residence in Aspen, Colorado. He is a Florida registered voter, and his voter information provides a Palm Beach County address. He is Woodbridge's owner and President, and during all relevant times maintained sole operational control over the company. Shapiro is not, and has never been, registered with the Commission, FINRA, or any state securities regulator. Shapiro personally solicited investors, including several high net-worth individuals, to invest in Woodbridge. At all relevant times, Shapiro controlled each of the Corporate Defendants and is the beneficial owner of RS Trust, which owns the entities that hold title to the properties.

15. **WOODBRIDGE** is a Sherman Oaks, California-based financial company not registered with the Commission in any capacity with no publicly traded stock. Formed in 2014, Woodbridge has served as the main operating company of Shapiro's businesses with approximately 140 employees in offices in six states, including in Boca Raton, Florida. Woodbridge formerly operated as Woodbridge Structured Funding, LLC and was headquartered in Boca Raton, Florida.

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16. **RS TRUST** is an irrevocable domestic asset protection trust settled under Nevada law under the control of Shapiro for the benefit of himself and his family. RS Trust is an umbrella asset trust holding all of Shapiro's business entities and personal assets, including, but not limited to, WMF, Woodbridge, WSF, Shapiro Holding LLCs and Shapiro Property LLCs. RS Trust, as the beneficial owner of all of Shapiro's business entities, maintained operational control of each of the investment offerings through its ownership of Woodbridge, WSF, and WMF.

17. **WMF** is a California Limited Liability Company formed on June 25, 2012. WMF, a privately owned entity, was controlled during all relevant times by Shapiro. WMF is a holding company for various Shapiro business entities including, but not limited to, Woodbridge, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1 and Bridge Loan Fund 2.

18. **WSF** is a Delaware Limited Liability Company formed on July 20, 2009. WSF was owned and controlled by Shapiro during all relevant times. WSF is not, and has never been, registered with the Commission in any capacity and has no publicly traded stock. From 2012 through approximately 2015, WSF served as the operating company of Shapiro's business entities, including but not limited to, the securities offerings at issue and maintained Shapiro's businesses' primary bank account.

19. **FUND 1** is a Delaware Limited Liability Company formed on June 25, 2012. At all relevant times, Shapiro was the President and CEO of Fund 1 which is wholly-owned by WMF. On August 2, 2012, Fund 1 filed with the Commission a Form D notice of exempt offering of securities pursuant to Rule 506 of Regulation D of the Securities Act seeking to raise $10 million from investors.

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20. **FUND 2** is a Delaware Limited Liability Company formed on December 6, 2013. At all relevant times, Shapiro was the President and CEO of Fund 2 which is wholly-owned by WMF. On January 8, 2014, Fund 2 filed with the Commission a Form D notice of exempt offering of securities pursuant to Rule 506(b) of Regulation D of the Securities Act seeking to raise $25 million from investors.

21. **FUND 3** is a Delaware Limited Liability Company formed on September 9, 2014. At all relevant times, Shapiro was President and CEO of Fund 3 which is wholly-owned by WMF. On September 19, 2014, Fund 3 filed with the Commission a Form D notice of exempt offering of securities pursuant to Rule 506(b) of Regulation D of the Securities Act seeking to raise $50 million from investors.

22. **FUND 3A** is a Delaware Limited Liability Company formed on July 28, 2015. At all relevant times, Shapiro was the President and CEO of Fund 3A which is wholly-owned by WMF. On October 30, 2015, Fund 3A filed with the Commission a Form D notice of exempt offering of securities pursuant to Rule 506(b) of Regulation D of the Securities Act seeking to raise $100 million from investors.

23. **FUND 4** is a Delaware Limited Liability Company formed on June 3, 2015. At all relevant times, Shapiro was the President and CEO of Fund 4 which is wholly-owned by WMF. On November 21, 2016, Fund 4 filed with the Commission a Form D notice of exempt offering of securities pursuant to Rule 506(b) of Regulation D of the Securities Act seeking to raise $100 million from investors.

24. **BRIDGE LOAN FUND 1** is a Delaware Limited Liability Company formed on May 7, 2015. At all relevant times, Shapiro was the President and CEO of Bridge Loan Fund 1 which is wholly-owned by WMF. On June 17, 2015, Bridge Loan Fund 1 filed with the

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Commission a Form D notice of exempt offering of securities pursuant to Rule 506(c) of Regulation D of the Securities Act seeking to raise $50 million from investors.

25. **BRIDGE LOAN FUND 2** is a Delaware Limited Liability Company formed on July 28, 2015. At all relevant times, Shapiro was the President and CEO of Bridge Loan Fund 2 which is wholly-owned by WMF. On November 22, 2016, Bridge Loan Fund 2 filed with the Commission a Form D notice of exempt offering of securities pursuant to Rule 506(c) of Regulation D of the Securities Act seeking to raise $100 million from investors.

26. **SHAPIRO PROPERTY LLCs** are 144 Delaware and Colorado Limited Liability Companies owned, and at all relevant times controlled by Shapiro and/or Jeri Shapiro (through RS Trust), which own real estate purchased with investor funds underlying the securities at issue. A list of each Shapiro Property LLC is included in Appendix A.

27. **SHAPIRO HOLDING LLCs** are 131 Delaware and Colorado Limited Liability Companies that own the Shapiro Property LLCs. The Shapiro Holding LLC were at all relevant times owned and controlled by Shapiro through RS Trust. A list of each Shapiro Holding LLC is included in Appendix A.

B. Relief Defendants

28. **JERI SHAPIRO** is Shapiro's wife, and a resident of Sherman Oaks, California who also maintains a residence in Aspen, Colorado. Jeri Shapiro is not, nor has she ever been, registered with the SEC, FINRA or any state securities regulator. She has been employed as a Vice President of Woodbridge since approximately 2012. Jeri Shapiro also owns and/or controls certain Shapiro Property LLCs in possession of real property and other assets purchased with investor funds. Without any legitimate basis, Jeri Shapiro received investors' proceeds emanating from the Defendants' securities fraud.

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29. **WOODBRIDGE REALTY** is a Carbondale, Colorado based Limited Liability Company formed on August 20, 2014, owned by Woodbridge, and at all relevant times controlled by Shapiro. Woodbridge Realty is a real estate brokerage firm responsible for purchasing and selling Colorado real property owned by several of the Shapiro Property LLCs. Without any legitimate basis, Woodbridge Realty received investors' proceeds emanating from the Defendants' securities fraud.

30. **MERCER VINE** is a Los Angeles based, California corporation formed on August 6, 2014, majority-owned by Woodbridge, and at all relevant times managed and controlled by Shapiro. Mercer Vine is a real estate brokerage firm responsible for purchasing, developing and selling California real property owned by several of the Shapiro Property LLCs. Without any legitimate basis, Mercer Vine received investors' proceeds emanating from the Defendants' securities fraud.

31. **RIVERDALE** is a Delaware Limited Liability Company formed in 2012, owned by Woodbridge, and at all relevant times controlled by Shapiro. Riverdale is engaged in the business of providing hard-money loans to third-party clients and servicing those loans. Without any legitimate basis, Riverdale received investors' proceeds emanating from the Defendants' securities fraud.

32. **SCHWARTZ MEDIA** is a Delaware Limited Liability Company formed on June 11, 2012 and owned and managed by Jeri Shapiro. Without any legitimate basis, Schwartz Media received investors' proceeds emanating from the Defendants' securities fraud.

33. **WFS** is a Delaware Limited Liability Company formed in September 2017 and owned and managed by Shapiro. Pursuant to Woodbridge's bankruptcy filing and a Transition Services Agreement ("Transition Agreement") dated December 1, 2017, Shapiro has been

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retained as a consultant to Woodbridge at the monthly rate of $175,000 paid to WFS for the benefit of Shapiro. Should the purported independent manager terminate this consulting agreement without cause, 50% of the total yearly amount of $2.1 million will be immediately due under the Transition Agreement. Shapiro was paid the first $175,000 in advance upon executing the Transition Agreement. Without any legitimate basis, WFS received investors' proceeds emanating from the Defendants' securities fraud.

III. OTHER REGULATORY ACTIONS

34. On July 17, 2017, the Commission brought a subpoena enforcement action in this District (Case No. 17-mc-22665-Altonaga/Goodman) against Woodbridge after Woodbridge failed to produce documents required under the Commission's January 31, 2017 subpoena, including key documents relevant to the Commission's investigation into Woodbridge's investments and business operations such as company emails of Robert Shapiro and Woodbridge's Controller. After obtaining an order requiring production, the Commission was forced to move for contempt as Woodbridge continued to fail to produce the emails.

35. On October 31, 2017, the Commission brought a second subpoena enforcement action in this District (Case No. 17-mc-23986-Huck/McAliley) against 235 Limited Liability Companies ("235 LLCs") affiliated with Woodbridge and Shapiro after the 235 LLCs failed to produce documents required under the Commission's August 16 and 17, 2017 subpoenas, which sought information related to their ownership structure and payments purportedly made by them to Woodbridge. Many of the 235 LLCs subject to the Commission's subpoena enforcement action are named as Defendants here.

36. Since 2015, regulators in eight states have filed civil or administrative actions against one or more of the Corporate Defendants and certain of their sales agents alleging they

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have engaged in the unregistered offering of securities in their respective jurisdictions and have unlawfully acted as unregistered investment advisors or broker-dealers. Five states, Massachusetts, Texas, Arizona, Pennsylvania, and Michigan, have entered temporary or permanent cease and desist orders against one or more of the Corporate Defendants related to their unregistered sale of securities.

IV. CHAPTER 11 RESTRUCTURING BANKRUPTCY FILING

37. On December 4, 2017, the Proposed Corporate Defendants (except RS Trust and the non-bankruptcy filing Shapiro Holding Companies and Shapiro Property LLCs as identified in Appendix A) voluntarily filed for Chapter 11 bankruptcy, *In re Woodbridge Group of Companies LLC, et al.*, Case No. 17-12560 (jointly administered) (Bankr. D. Del. Dec. 4, 2017). The bankruptcy debtors have not acknowledged their fraudulent activities, but rather continue to operate as before the filing and disingenuously seek to reorganize their operations with a plan to emerge from the bankruptcy as a viable company with Shapiro at the helm.

V. JURISDICTION AND VENUE

38. 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)].

39. This Court has personal jurisdiction over the Defendants and venue is proper in the Southern District of Florida for several reasons. Woodbridge maintains an office in Boca Raton. In addition, Woodbridge raised at least $114 million from approximately 700 investors residing in this district. Woodbridge also paid over $12 million in transaction-based commissions to 20 sales agents located in this district. Prior to 2016, Woodbridge operated as WSF, and was headquartered in Boca Raton, Florida.

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40. In connection with the conduct alleged in the Complaint, Defendants, 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 the interstate commerce, and of the mails.

VI. OVERVIEW OF WOODBRIDGE'S FRAUDULENT BUSINESS

41. Beginning in July 2012 through at least December 4, 2017, Shapiro and the Corporate Defendants orchestrated a massive Ponzi scheme raising in excess of $1.22 billion from over 8,400 nationwide investors. At least 2,600 of these investors used their Individual Retirement Account funds to invest nearly $400 million.

42. Woodbridge sold investors two primary types of securities: (1) a twelve-to-eighteen month term promissory note bearing 5%-8% interest that Woodbridge described as First Position Commercial Mortgages ("FPCM Investment" and "FPCM Investors"), and (2) seven different private placement fund offerings with five-year terms ("Fund Offerings" and "Fund Investors").

43. The purported revenue source enabling Woodbridge to make the payments to FPCM Investors was the interest a Woodbridge affiliate would be receiving from mainly one-year loans to supposed third-party commercial property owners ("Third-Party Borrowers").

44. Woodbridge told investors that these Third-Party Borrowers were paying the company 11-15% annual interest for "hard money," short-term financing. As an additional source of revenue, Woodbridge told Fund Investors that it would purchase properties to develop and sell for a profit.

45. Woodbridge employed a sales team of approximately 30 in-house employees that operated within Woodbridge's offices. Woodbridge also utilized a network of hundreds of

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external sales agents to solicit investments from the general public by way of television, radio, and newspaper advertisements, cold calling campaigns, social media, websites, seminars, and in-person presentations.

46. Although virtually none of these sales agents were registered with any regulatory agency, Woodbridge paid them more than $64.5 million in transaction-based compensation in the form of commissions for selling investments in Woodbridge securities.

47. In reality, Woodbridge's business model was a sham—the vast majority of the purported Third-Party Borrowers were hundreds of Shapiro owned and controlled LLCs, which had no source of income, no bank accounts, and never made any loan payments to Woodbridge, all facts Woodbridge and Shapiro concealed from investors. Rather, Shapiro and Woodbridge continued its ruse for the past several years by supporting its business operations nearly entirely by raising and using new investor funds, in classic Ponzi scheme fashion.

48. For example, although Woodbridge raised at least $1.22 billion dollars from FPCM and Fund Investors, it issued only approximately $675 million in "loans". Rather than generating the 11-15% interest as promised, the loans generated only $13.7 million from Third-Party Borrowers, significantly less than required to operate Woodbridge's business and pay returns to investors. Despite this significant shortfall, Woodbridge paid investors more than $368 million in interest, dividends, and principal repayments. Woodbridge spent another $172 million on operating expenses, and $21.2 million to support Shapiro's extravagant lifestyle.

49. To keep the fraudulent operation afloat, and because Shapiro's Property LLC's were not making any of the promised interest payments and Woodbridge's other revenue was minimal, Woodbridge and Shapiro required a continuous infusion of new investor funds and

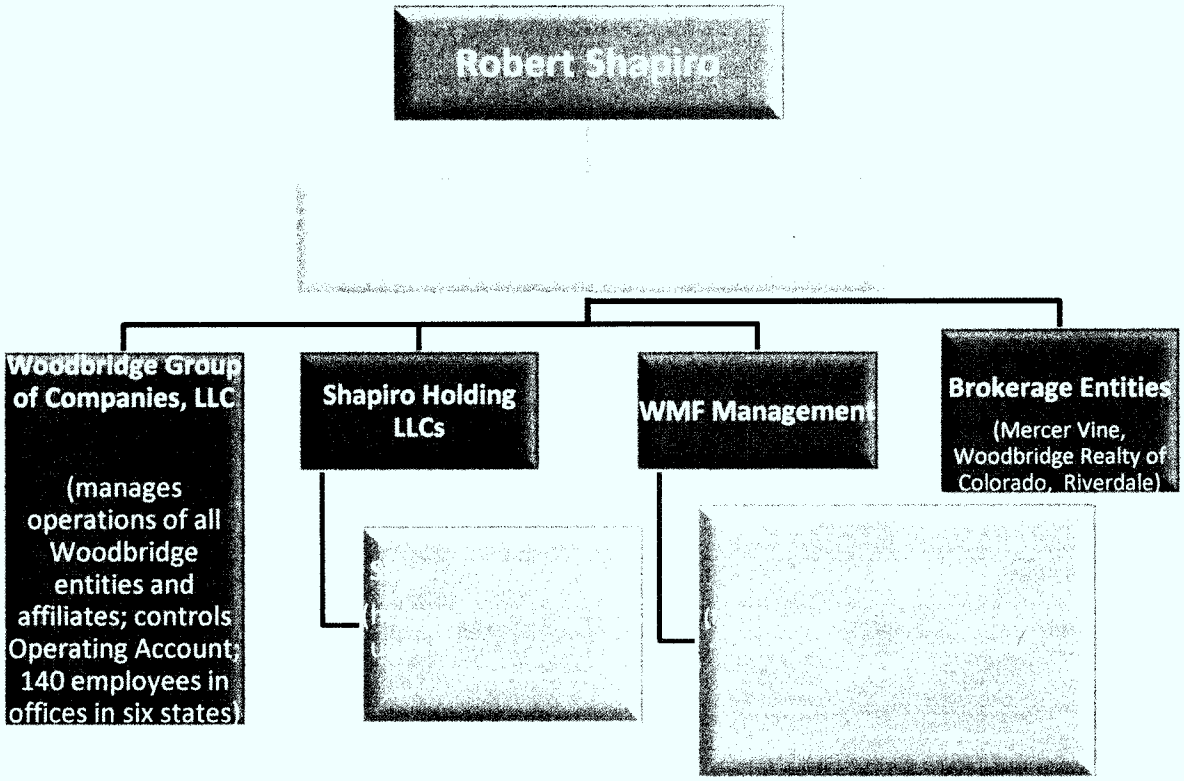
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needed existing FPCM Investors to rollover their investment into a new note at the end of the term, so as to avoid having to come up with the cash to repay the principal.

50. Finally, on December 1, 2017, after amassing more than $1.22 billion dollars of investor money, with more than $961 million in principal still due to investors, Woodbridge and Shapiro missed their first interest payments to investors after purportedly ceasing their fundraising activities. Without the infusion of new investor funds, just days later, on December 4, 2017, Shapiro caused most of his companies to be placed in Chapter 11 Bankruptcy.

A. Woodbridge's Flawed Business Model

51. Woodbridge was the principal operating company of Shapiro's businesses and employed approximately 140 people in offices in six states. This is a chart of the basic corporate structure of Shapiro's entities:



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52. Since its inception, Woodbridge was wholly-owned by Shapiro, who maintained sole operational control over Woodbridge and each of its affiliates.

53. Woodbridge's seven private placement Fund Offerings were managed by its affiliate WMF, another Shapiro owned and controlled company.

54. Woodbridge solicited the general public to invest in its securities offerings through its website, telemarketing, point-and-click internet ads, social media, direct mail, seminars, and in-person group sales presentations.

55. None of the securities sold by Shapiro were registered with the Commission, nor was Woodbridge, WSF, WMF, or any of the Woodbridge affiliates.

i. Woodbridge's Fundraising Activities - FPCM Securities and Fund Offerings

56. Woodbridge's FPCM investment business model was to borrow money from investors and in exchange issue the FPCM Investor a promissory note ("FPCM Note") maturing in twelve (or sometimes up to eighteen) months, bearing an annual interest rate of 5-8%, payable monthly. The FPCM Note was issued by either Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, or Bridge Loan Fund 2 ("Fund Entity" or collectively referenced as "Fund Entities").

57. Woodbridge represented that the FPCM Investment was a "simple, safer and more secured opportunity for individuals to achieve their financial objectives." Woodbridge told investors that it was making short-term, high interest rate loans to Third-Party Borrowers, which would be secured by real estate.

58. These Third-Party Borrowers, Woodbridge claimed, were bona-fide commercial property owners that could not obtain traditional loans and were willing to pay Woodbridge higher interest rates for short-term financing.

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59. Woodbridge provided FPCM Investors three primary documents: (1) a promissory note, (2) collateral assignment of note and mortgage, and (3) an inter-creditor agreement. Each of these documents created the illusion of a legitimate business.

60. Woodbridge promised FPCM Investors a pro-rata first position lien interest in the underlying property and told them that their returns would be generated by interest payments made by the Third-Party Borrowers.

61. Woodbridge represented that the Fund Entity would in turn pool money received from many FPCM Investors and lend those funds to a Third-Party Borrower for one-two years and for up to only 60-70% of the value of the real estate securing the transaction ensuring that the "properties that secure the mortgages are worth considerably more than the loans themselves at closing."

62. At the same time it was soliciting FPCM Investors, Woodbridge offered a second type of security offering, the Fund Offering, to investors through Funds 1, 2, 3, 3A, and 4, and Bridge Loan Funds 1 and 2, pursuant to purported exemptions from registration under Rules 506(b) and (c) of Regulation D of the Securities Act, collectively seeking to raise at least $435 million from investors.

63. Woodbridge, in an attempt to avoid registration of its securities with the Commission, purportedly limited each of the Fund Offerings to accredited investors with a $50,000 minimum subscription and provided for a five-year term with a 6% to 10% aggregate annual return paid monthly to Fund Investors and a 2% "accrued preferred dividend" to be paid at the end of the five-year term and a share of "profits".

64. In the offering memoranda for the Fund Offerings, Woodbridge represented to Fund Investors that their funds would be used for real estate acquisitions and investments,

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notably including Woodbridge's FPCMs. The Fund Offerings, in effect, were investments into pooled FPCMs. Many of these pools contained 40 or more investors.

65. The loans to Third-Party Borrowers typically ranged in amounts between $1 million and $90 million, depending on the value of the Third-Party Borrowers' property.

66. Woodbridge told investors that it conducted all due diligence including title search and appraisal on the commercial property and borrower. The investors did not have any role in selecting or analyzing the underlying properties.

67. Shapiro identified the properties underlying the investments, approved every real estate purchase, and selected the amount and type of investments sold.

68. In addition, the expected profitability of the investments, as well as the promise to pay returns, were derived solely from the efforts of Shapiro and Woodbridge. Once investors provided their funds to Woodbridge, they had no control over how Shapiro and Woodbridge used their money.

69. At the end of the one-year term, the Third-Party Borrower was obligated to repay Woodbridge the principal amount of the loan and if it defaulted, Woodbridge could foreclose on the property to recover the amount owed.

70. The transaction between the Fund Entity and the Third-Party Borrower was documented with a promissory note ("Fund Note") between the Fund Entity and the Third-Party Borrower, as well a mortgage in favor of the Fund Entity. The Fund Note carried an interest rate equal to usually 11% but sometimes as high as 15% per annum.

71. Therefore, if the Fund Entity loaned money to a Third-Party Borrower at 11% interest, but borrowed money from the FPCM Investor at 5% interest, then the spread or

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difference in rate of 6% was income available to the Fund Entity and Woodbridge that they could use to pay expenses including operating expenses and sales commissions.

72. Each Fund Offering memoranda provided that the company was reserving between 5% and 8% of the total amount raised for commissions to "licensed broker/dealers." Shapiro determined sales agents' commissions.

73. Woodbridge's in-house sales team of approximately 30 sales agents, led by Head of Sales "DR," was responsible for soliciting Fund Investors. These sales agents received transaction-based compensation for sales of Fund Offerings.

74. Shapiro hand-signed thousands of checks to investors and sales agents. In fact, Shapiro controlled Woodbridge's bank accounts and was the sole signer on all of Woodbridge and its affiliates' bank accounts.

ii. Marketing Materials Claimed Safety of Investment

75. In numerous marketing materials sent to FPCM Investors, Woodbridge described this investment as "low risk," "simpler," "safe" and "conservative" and that investor returns were generated by the Third-Party Borrowers' interest payments.

76. For example, Woodbridge wrote in marketing materials that "Woodbridge receives the mortgage payments directly from the borrower, and Woodbridge in turn delivers the loan payments to you under your first position documents." As discussed below, this was a lie.

77. Woodbridge went on to represent to investors that having a "first-position" means "you have priority over any other liens or claims on a property if the property owner defaults. ***It puts you in control.***"

78. Woodbridge further reassured investors, telling them not to worry about the borrower not making their loans payments because Woodbridge would continue to pay the

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investor their interest payments. For example, in a Frequently Asked Question brochure for the FPCM product, Woodbridge stated the following:

> Q: If the borrower does not make their payments to Woodbridge will I be informed?
>
> A: This question is actually irrelevant, because Woodbridge would continue to make monthly payments to you . . . and may or may not inform you of the underlying non-payment. *As long as Woodbridge continues to make regular payments to you, there would be no reason to be concerned.*

These statements were materially misleading. In fact, virtually no Third-Party Borrowers would be making payments to Woodbridge, which made payments to investors not through earnings, but by continuous new investor funds and rollovers. The scheme's collapse was only a matter of time, and investors had every "reason to be concerned." Woodbridge and Shapiro disclosed none of this to investors.

B. Fraudulent Conduct

i. Woodbridge Was a Ponzi Scheme Orchestrated by Shapiro and His Entities

79. Overall, between July 2012 and December 2017, Woodbridge and Shapiro raised over $1.22 billion from more than 8,400 FPCM Investors and Fund Investors.

80. During this time, Woodbridge collected only about $13.7 million in interest from Third-Party Borrowers. Yet during this time frame, Woodbridge, using investor funds, paid more than $103 million in monthly interest to FPCM Investors and dividends to Fund Investors, and another $265 million to repay principal to investors. The amount of principal remaining due to FPCM Investors and Fund Investors exceeds $961 million.

81. Woodbridge also spent another $172 million of investor funds on operating expenses, including $64.5 million on sales agent commissions and $44 million on payroll.

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82. Moreover, Woodbridge and Shapiro pooled FPCM Investors' and Fund Investors' investment funds into Fund Entity bank accounts and then further commingled them into a single Woodbridge or WSF operating account under Shapiro's control. The commingling was extensive and resulted in transfers totaling approximately $1.66 billion and exceeded 10,700 transactions.

83. WMF also participated in the scheme by managing the various Fund offerings, including commingling all investor proceeds into one operating account and paying returns to investors using investor proceeds.

84. Instead of issuing loans to unaffiliated Third-Party Borrowers in arms-length transactions, Woodbridge and Shapiro used FPCM Investors' and Fund Investors' funds to purchase almost 200 residential and commercial properties located primarily in Los Angeles, California and Aspen, Colorado, and placed title to those property in the name of one of the Shapiro Property LLCs, which were ultimately owned by Shapiro through RS Trust.

85. In order to document the fraudulent transaction, the Fund Entity issued promissory notes, that on their face, indicated a purported loan was being made from one of the Fund Offerings to a Third-Party Borrower. These notes promised that the particular Shapiro Property LLC as the Third-Party Borrower would pay interest to the Fund Entity loaning it money. However, as Shapiro knew at the time he signed the note, the Shapiro Property LLC could not and would not make the promised loan payments because it lacked any source of revenue, a fact not disclosed to investors.

86. Beginning in December 2013, when Fund 2 was formed, and subsequently with Funds 3, 3A, and 4, the amount of funds loaned to entities affiliated with Shapiro was in excess of 70%--and as high as 98%--of Woodbridge's overall loan portfolio.

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87. The purported Third-Party Borrowers made minimal interest payments, and thus payments to the FPCM Investors and Fund Investors were almost exclusively from funds Woodbridge received from other investors, in classic Ponzi scheme fashion. Shapiro and Woodbridge concealed these facts from investors.

ii. Woodbridge's Sales Team Perpetuated the Fraud at Shapiro's Behest

88. As a result of the Shapiro Borrowers' lack of revenue and failure to make any interest payments, Woodbridge and Shapiro required the continuous infusion of new funds from investors in order to keep the scheme afloat.

89. Woodbridge did not evaluate whether the FPCM investors were "sophisticated," "accredited" or otherwise had any particular financial acumen. Indeed, instructions from a company providing Woodbridge with leads on potential investors remarked that leads followed up within 20 minutes of generation are "where your sales team will find the majority of low hanging, easiest to harvest fruit."

90. Woodbridge could not afford to return investors their principal investments, so when FPCM Notes came due, Woodbridge and Shapiro sought extensions and re-enrollment of FPCM investors at the end of their terms, and sought to move FPCM Investors into the longer five-year term Fund Offerings. Woodbridge aggressively sought to avoid investors cashing out at the end of their terms and in fact touted achieving a 90% re-enrollment rate. In marketing materials Woodbridge boasted "clients keep coming back to [Woodbridge] because time and experience have proven results. Over 90% national renewal rate!"

91. In oral sales presentations, marketing materials provided to prospective investors, advertisements and on its website, Woodbridge and Shapiro made materially false and

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misleading statements to induce prospective investors to invest in the FPCMs and Fund Offerings.

92. In one recorded phone call, a Woodbridge internal salesman falsely represented to a prospective investor that Woodbridge is "lending and not purchasing the properties." The salesman further told the investor that the equity in the property "protects us from a property owner defaulting" while omitting the material fact that the property owner was a Woodbridge affiliate which would not be making any interest payments on the "loan".

93. The Fund Offering and FPCM Offering sales materials included a host of misstatements meant to entice investors to "safe" and "secured" offerings with returns generated by Third-Party Borrowers' interest payments. These misrepresentations had the effect of concealing the true nature of Woodbridge's business—a large-scale Ponzi scheme using only new investor funds as the source of existing investors' returns.

94. DR, the Head of Sales, reported directly to Shapiro, who called for daily sales updates from DR. Shapiro demanded that DR and the Woodbridge sales team continuously seek to "move your loan from the First Position Mortgage . . . even if your term hasn't expired yet—to our higher-return Mortgage Investment Fund." Woodbridge threatened to terminate its relationship with external sales agents who would not permit Woodbridge to contact the sales agents' clients about moving from the FPCM to the longer term Fund Offerings.

95. Shapiro provided frequent, often daily, requirements to DR of the number ("we need to raise 45 million in the next 39 days.") and type ("I need $5 million in [Fund Investors] in the next 2 weeks") of securities that needed to be sold.

96. To ensure compliance with these demands, Shapiro would either threaten his employees with termination or promise bonuses.

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97. DR raised FPCM funds even when Woodbridge had no inventory of available real estate properties. For example, March 4, 2016, DR celebrated with Woodbridge's sales team that "even without being able to fund due to lack of inventory we funded over 37 million in [FPCMs] and 6 million in [Fund Offerings]!!!!!!! By far our biggest month to date!!!!!" and congratulated Woodbridge's sales team, stating "WE ARE WINNERS!!!!"

98. Woodbridge retained sales commissions for the sale of their investment products (5% - 8% of the total amount raised) and paid their largely unregistered sales agent employees transaction-based commissions.

99. Shapiro was also notified whenever an investor chose to withdraw their funds from Woodbridge. He also personally solicited bridge loans from wealthy individuals to cover gaps in the company's funding as needed. These loans represented tens of millions of dollars and were repaid in short time frames once investor funds were available.

100. Woodbridge also recruited a network of several hundred external, mostly unregistered, sales agents. Woodbridge provided the sales agents with the information and sales materials that the external sales agents gave to FPCM Investors. Every piece of sales material required Woodbridge's approval.

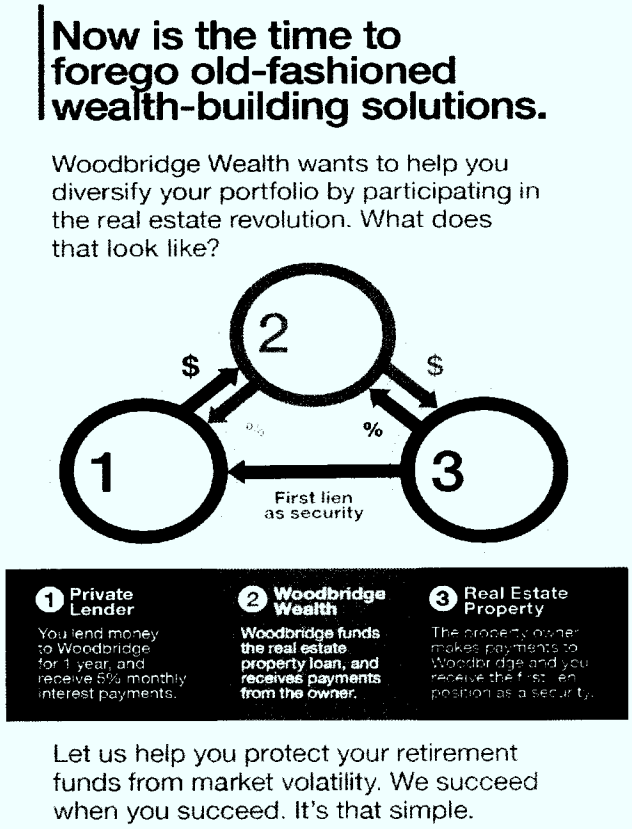
101. The external sales agents solicited the general public through marketing materials created, and in many cases, paid for by Woodbridge, which the external sales agents disseminated via television commercials, radio ads and talk shows, newspaper ads, social media, newsletters and internet websites.

102. Woodbridge supplied the external sales agents a sales packet to provide each prospective FPCM Investor that contained a one-page description of the key terms of the FPCM, a list of FAQs, and perfunctory examples of the collateral properties. Woodbridge also posted

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these documents online and instructed external sales agents to direct their clients to the company's website to view them.

103. Woodbridge's marketing materials included a graphic that summarized the FPCM Investment as follows:



104. In reality, the claimed interest payments from the purported third-party "property owner" (Circle 3) to Woodbridge (Circle 2) did not exist. Payments to the FPCM Investors and Fund Investors derived almost exclusively from funds Woodbridge received from other investors.

105. Woodbridge further lied to investors in marketing materials when it claimed it "receives the mortgage payments directly from the borrower, and Woodbridge in turn delivers the loan payments to you."

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106. Woodbridge's training manual included a sales script for its internal sales agents to follow when offering the FPCM program to external sales agents. The script reiterated the information contained in the sales packet and on the website. Hence, to entice investors, these external sales agents, used a variety of sales techniques and represented the investment as being "low risk," "safe," "simpler," and "conservative." When they pitched the investments, sales agents repeated Woodbridge's lies that investor returns were generated by Third-Party Borrowers' interest payments. However, given the absence of revenue and Woodbridge's and Shapiro's misappropriation of investor money, the investments were anything but safe.

107. To ensure its sales agents followed this script, Woodbridge maintained an internal telephone recording system monitored by quality assurance personnel who reported any inconsistencies to DR.

108. Woodbridge offered its FPCM product to its external sales agents at a 9% wholesale rate, and the agents in turn offered the FPCM to their investor clients at 5% to 8% annual interest—the external sales agent received a commission equivalent to the difference.

109. Overall, Woodbridge paid external sales agents at least $64.5 million in commissions through this arrangement.

110. Many of their sales agents were not associated with registered broker-dealers or investment advisory firms. Several of these sales agents, including some of the highest producers, had been censured or barred by the Commission, FINRA or state securities regulators. Woodbridge did not disclose this to investors.

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iii. Misuse and Misappropriation of Investor Funds

111. Instead of investing their funds as promised, Woodbridge and Shapiro misused and misappropriated hundreds of millions of dollars that Fund Investors and FPCM Investors entrusted to them.

112. Although Woodbridge, through the Shapiro Property LLCs, purchased almost 200 properties in and around Aspen and Los Angeles for approximately $675 million, the company has generated nominal net proceeds. Many of the properties Woodbridge purchased remain as vacant lots that have sat undeveloped for several years.

113. In the meantime, Shapiro treated himself to an exorbitant lifestyle, at the investors' expense.

114. Shapiro misappropriated at least $21.2 million for his own personal benefit and to benefit his related entities or family members. For example, Shapiro charged at least $9 million dollars on credit cards which were paid for nearly entirely by one or more Woodbridge entity. In fact, about 99% of the payments made toward those credit cards were derived from Woodbridge.

115. Shapiro charged personal items, including extravagant travel expenses, luxury brand items, and furnishings. For example, Shapiro used investor funds on the following:

- $200,000 at Four Seasons Hotels and Ritz Carlton Hotels.
- $34,000 on limousine services.
- $1.6 million on home furnishings.
- $1.4 million on luxury retail purchases like Louis Vuitton and Chanel.
- $700,000 on meals and entertainment
- $600,000 on political contributions.
- $400,000 on jewelry

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- $308,000 on wine.

116. In addition to the credit card charges, Shapiro spent additional investor funds as follows:

- $3.1 million to charter private planes.
- $1.2 million in alimony to his ex-wife.
- $340,000 in luxury automobiles.
- $130,000 on country club fees.

117. Woodbridge and Shapiro also paid nearly $1 million to a rare coin and precious metal firm, purportedly for client gifts.

118. Shapiro's wife, Jeri Shapiro, and her company Schwartz Media, also received substantial benefits from the use of investor funds. Jeri Shapiro owns and/or controls certain Shapiro Property LLCs in possession of real property and other assets purchased with investor funds. Jeri Shapiro is a beneficiary of RS Trust, which holds title to over 140 properties purchased with investor funds. In addition, Jeri Shapiro and her company Schwartz Media, without a legitimate basis, received investors' proceeds emanating from the Defendants' securities fraud.

119. Another of Shapiro's companies, Woodbridge Realty, acted as the real estate brokerage firm responsible for purchasing and selling the Colorado real property owned by several of the Shapiro Property LLCs. When Woodbridge bought or sold properties, Woodbridge Realty received a sales commission. Similarly, Mercer Vine, a company majority owned by Shapiro and managed by him, is a real estate brokerage firm responsible for purchasing, developing and selling the California real property owned by several of the Shapiro Property LLCs. Mercer Vine similarly received sales commissions as a result of the real estate

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transactions. Therefore, Shapiro lined his pockets with investor funds by receiving portions of these sales commissions.

120. Riverdale is another Woodbridge company controlled by Shapiro which engaged in the business of providing hard-money loans to third-party clients and servicing those loans. It too received millions of dollars from Woodbridge during the relevant time frame of the Ponzi scheme, without any legitimate basis.

121. WFS was formed just a few months ago in September 2017 and is owned and managed by Shapiro. On the eve of its bankruptcy filing, Woodbridge retained Shapiro as a consultant to the company at the monthly rate of $175,000 paid to WFS. Shapiro, through WFS, has been paid at least $175,000 thus far. Without any legitimate basis, WFS received investors' proceeds emanating from the Defendants' securities fraud.

iv. Internal Bookkeeping System Indicative of Ponzi Scheme

122. Woodbridge used a bookkeeping system wholly inconsistent with its massive fundraising activities and which was indicative of its Ponzi operation.

123. Woodbridge did not retain external auditors and used an internal bookkeeping system managed by NP, its Controller, who is not a CPA. NP operated from a satellite office in Daytona Beach, Florida, where she maintained the company's financial records with daily instructions from Shapiro.

124. NP provided Shapiro daily notifications of the company's income and expenses and provided him a monthly report showing the company's revenue and interest payments to investors.

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125. The various Woodbridge entities maintained their accounting general ledgers in the accounting software QuickBooks. Woodbridge's and the Fund Entities' QuickBooks records did not accurately reflect Woodbridge's business operations.

126. For example, the QuickBooks reflect interest payments to Fund Entities totaling approximately $93 million. However, of that figure, only about $13 million represents actual cash payments of interest by third parties. The balance of $80 million represents intercompany receivables created when the Shapiro Property LLCs failed (inevitably) to make interest payments when due.

127. In addition, the Fund Entities recorded assets duplicative of Woodbridge's assets, potentially overstating assets by at least $790 million. For example, as of April 2017, Woodridge recorded mortgages and real estate investments in QuickBooks as being almost $1.4 billion, when in reality Woodbridge's mortgages and real estate investments totaled about $592 million through April 2017.

128. In email conversations, Shapiro and DR discuss how to manipulate Woodbridge's records to show Woodbridge's supposed "profits" from certain property development.

129. Despite creating the illusion of a profitable real estate development business, Woodbridge's revenue from development activity was nominal and woefully inadequate to satisfy its ever-increasing obligations to its investors.

v. Shapiro's Web of Limited Liability Entities Engaged in a Scheme to Defraud

130. The Shapiro Property LLCs and RS Trust also engaged in a scheme to defraud investors. Shapiro created a web of more than 100 Shapiro Property LLCs and more than 100 corresponding like-titled Shapiro Holding LLCs in order to purchase, and hold title to, properties he controlled, financed 100% by investor funds from the FPCM and Fund Offerings. The end

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beneficiary of the fraud being Shapiro and RS Trust, the vehicle used to ultimately hide Shapiro's beneficial title ownership of the properties.

131. WMF also participated in the scheme by managing the various Fund offerings, including commingling all investor proceeds into one operating account and paying returns to investors using investor proceeds.

vi. Shapiro and RS Trust Concealed Their Ownership of Properties

132. Shapiro and RS Trust made every effort to hide the fact that most of the Third-Party Borrowers and owners of the underlying properties were Shapiro and his family.

133. Shapiro owns the real estate properties through the Shapiro Property LLCs, which are managed by Shapiro Holding LLCs, whose member is RS Trust, and whose trustee is Shapiro. None of the publicly available documentation indicated that RS Trust was the ultimate owner of the underlying properties that had been purchased with FPCM Investors' and Fund Investors' funds. These investors were not told that the vast majority of loans were made to Shapiro Property LLCs (who had no revenue), entities Shapiro controlled through RS Trust.

134. As early as 2014, Shapiro was presented the opportunity to disclose his membership interest in Limited Liability formation documents. Instead, Shapiro refused and had a high ranking Woodbridge employee instruct Woodbridge's Registered Agent to not include any member/manager information, allowing Shapiro's ownership interest to remain hidden.

135. Given that the corporate filings were predominantly in Delaware, with extremely limited public information, the Commission was forced to subpoena over two-hundred individual LLCs controlled by Shapiro seeking underlying formation documents, and then was forced to file a subpoena enforcement action in district court to obtain these documents when neither Shapiro nor the LLCs responded to those subpoenas.

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vii. Violations of State Cease and Desist Orders and Attempts to Manipulate Public Perception

136. Five states, Texas, Massachusetts, Arizona, Pennsylvania, and Michigan, have issued cease and desist orders against one or more of the Corporate Defendants based on their unregistered sale of securities. Woodbridge nonetheless continued to sell their investment products to residents of those states. For example Woodbridge accepted the following FPCM investments subsequent to the dates of the cease and desist orders:

- $3.2 million from at least 11 Massachusetts investors.
- $2.3 million from at least 25 Texas investors.
- $900,000 from at least 13 Arizona investors.
- $2.6 million from at least 31 Pennsylvania investors.

137. Woodbridge and Shapiro engaged in deceptive conduct with respect to the many other pending state regulatory actions against Woodbridge for its sale of unregistered securities. Shapiro instructed DR to affirmatively withhold this information from investors and to "only tell investors if they ask."

138. Woodbridge's sales agents falsely mischaracterized the dispositions of these regulatory actions to external sales agents claiming that the company "was exonerated of any wrongdoing or fraudulent activity" when no such determination was actually made.

139. Shapiro also hired a public relations firm to manipulate search engine results so that investors that looked up Woodbridge would not see the state regulatory orders filed against the company.

140. Additionally, at Shapiro's specific instruction, Woodbridge made a series of negligible charitable donations with the sole purpose of generating a stream of positive press

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releases to push these regulatory actions off the front page of internet search results relating to the company.

141. More recently, Woodbridge had begun transitioning investors into a new product called a Co-Lending Opportunity ("CLO"). The CLO mirrors the FPCM in every material respect save one—the CLO's term is for 9 months. In email communications, Shapiro and DR contended that this small change ensured that the CLO was not a security and that Woodbridge could circumvent the states' regulatory agencies. Instead of seeking state regulators' opinion about the CLO, Shapiro and DR planned to "switch first then settle quietly [with Colorado and California]."

VII. CLAIMS FOR RELIEF

COUNT I

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

(Against Shapiro, Woodbridge, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, and Bridge Loan Fund 2)

142. The Commission repeats and realleges paragraphs 1 through 141 of its Complaint.

143. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the securities issued by the Defendants subject to this count as described in this Complaint and no exemption from registration existed with respect to these securities.

144. From July 2012 through at least December 4, 2017, the Defendants subject to this count 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;

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(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.

145. By reason of the foregoing the Defendants subject to this count violated and, unless enjoined, are 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 17(a)(1) OF THE SECURITIES ACT

(Against Shapiro, Woodbridge, RS Trust, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, Bridge Loan Fund 2, Shapiro Property LLCs, and Shapiro Holding LLCs)

146. The Commission repeats and realleges Paragraphs 1 through 141 of this Complaint as if fully set forth herein.

147. From July 2012 through at least December 4, 2017, the Defendants subject to this count, in the offer or sale of securities by use of the 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.

148. By reason of the foregoing, the Defendants subject to this count, directly and indirectly have violated, and unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

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COUNT III

VIOLATIONS OF SECTION 17(a)(2) OF THE SECURITIES ACT

(Against Shapiro, Woodbridge, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, and Bridge Loan Fund 2)

149. The Commission repeats and realleges Paragraphs 1 through 141 of this Complaint as if fully set forth herein.

150. From July 2012 through at least December 4, 2017, the Defendants subject to this count, in the offer or sale of securities by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly negligently obtained money or property by means of untrue statements of material facts or omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

151. By reason of the foregoing, the Defendants subject to this count directly and indirectly have violated, and unless enjoined, are reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

COUNT IV

VIOLATIONS OF SECTION 17(a)(3) OF THE SECURITIES ACT

(Against Shapiro, Woodbridge, RS Trust, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, Bridge Loan Fund 2, Shapiro Property LLCs, and Shapiro Holding LLCs)

152. The Commission repeats and realleges Paragraphs 1 through 141 of this Complaint as if fully set forth herein.

153. From July 2012 through at least December 4, 2017, the Defendants subject to this count, in the offer or sale of securities by use of the means or instruments of transportation or

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communication in interstate commerce and by the use of the mails, directly or indirectly negligently engaged in transactions, practices and courses of business which have operated, are now operating or will operate as a fraud or deceit upon the purchasers.

154. By reason of the foregoing, the Defendants subject to this count, directly and indirectly, have violated, and unless enjoined, are reasonably likely to continue to violate, Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

COUNT V

VIOLATIONS OF SECTION 10(b) AND RULE 10b-5(a) OF THE EXCHANGE ACT

(Against Shapiro, Woodbridge, RS Trust, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, Bridge Loan Fund 2, Shapiro Property LLCs, and Shapiro Holding LLCs)

155. The Commission repeats and realleges Paragraphs 1 through 141 of this Complaint as if fully set forth herein.

156. From July 2012 through at least December 4, 2017, the Defendants subject to this count, directly and indirectly, by use of the means and instrumentalities of interstate commerce, or of the mails in connection with the purchase or sale of securities, knowingly or recklessly employed devices, schemes or artifices to defraud.

157. By reason of the foregoing, the Defendants subject to this count directly and indirectly, and have violated, and unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(a), 17 C.F.R. § 240.10b-5(a), thereunder.

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COUNT VI

VIOLATIONS OF SECTION 10(b) AND RULE 10b-5(b) OF THE EXCHANGE ACT

(Against Shapiro, Woodbridge, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, and Bridge Loan Fund 2)

158. The Commission repeats and realleges Paragraphs 1 through 141 of this Complaint as if fully set forth herein.

159. From July 2012 through at least December 4, 2017, the Defendants subject to this count, directly and indirectly, by use of the means and instrumentalities of interstate commerce, or of the mails in connection with the purchase or sale of securities, knowingly or recklessly made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

160. By reason of the foregoing, the Defendants subject to this count directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b), 17 C.F.R. § 240.10b-5(b), thereunder.

COUNT VII

VIOLATIONS OF SECTION 10(b) AND RULE 10b-5(c) OF THE EXCHANGE ACT

(Against Shapiro, Woodbridge, RS Trust, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, Bridge Loan Fund 2, Shapiro Property LLCs, and Shapiro Holding LLCs)

161. The Commission repeats and realleges Paragraphs 1 through 141 of this Complaint as if fully set forth herein.

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162. From July 2012 through at least December 4, 2017, the Defendants subject to this count, directly and indirectly, by use of the means and instrumentalities of interstate commerce, or of the mails in connection with the purchase or sale of securities, knowingly or recklessly engaged in acts, practices and courses of business which operated as a fraud upon the purchasers of such securities.

163. By reason of the foregoing, the Defendants subject to this count, directly and indirectly have violated, and unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(c), 17 C.F.R. § 240.10b-5(c), thereunder.

COUNT VIII

SECTION 20(a) OF THE EXCHANGE ACT – CONTROL PERSON LIABILITY

For Woodbridge, RS Trust, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, Bridge Loan Fund 2, Shapiro Property LLCs, and Shapiro Holding LLCs' Violations Of The Exchange Act (Against Shapiro and RS Protection Trust)

164. The Commission repeats and realleges Paragraphs 1 through 141 of this Complaint as if fully set forth herein.

165. From July 2012 through at least December 4, 2017, Shapiro and RS Trust have been, directly or indirectly, control persons of Woodbridge, RS Trust, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, Bridge Loan Fund 2, Shapiro Property LLCs, and Shapiro Holding LLCs for purposes of Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a).

166. From July 2012 through at least December 4, 2017, Woodbridge, RS Trust, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, Bridge Loan Fund 2, Shapiro Property LLCs, and Shapiro Holding LLCs violated Section 10(b) and Rule 10b-5 of

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the Exchange Act.

167. As control persons of Woodbridge, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, Bridge Loan Fund 2, Shapiro Property LLCs, and Shapiro Holding LLCs, Shapiro and RS Trust are jointly and severally liable with and to the same extent as Woodbridge, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, Bridge Loan Fund 2, Shapiro Property LLCs, and Shapiro Holding LLCs for each of their violations of Section 10(b) and Rule 10b-5 of the Exchange Act.

168. By reason of the foregoing, Shapiro and RS Protection Trust directly and indirectly have violated, and unless enjoined, are reasonably likely to continue to violate, Sections 10(b) and 20(a) and Rule 10b-5 of the Exchange Act, 15 U.S.C. § 78j(b) and § 78t(a), and 17 C.F.R. § 240.10b-5.

COUNT IX

VIOLATIONS OF SECTION 15(a) OF THE EXCHANGE ACT

(Against Woodbridge and WSF)

169. The Commission repeats and realleges Paragraphs 1 through 141 of this Complaint as if fully set forth herein.

170. The Defendants subject to this count made use of the mails and other means or instrumentalities of interstate commerce, to effect transactions in, or to induce or attempt to induce the purchase or sale of securities, without being associated with a broker or dealer that was registered with the Commission in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].

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171. By reason of the foregoing, the Defendants subject to this count directly and indirectly have violated, and unless enjoined, are reasonably likely to continue to violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

COUNT X

AIDING AND ABETTING VIOLATIONS OF SECTION 15(a) OF THE EXCHANGE ACT

(Against Shapiro)

172. The Commission repeats and realleges paragraphs 1 through 141 of this complaint as if fully restated herein.

173. Defendants Woodbridge and WSF acted as brokers or dealer and have made use of the mails or any means or instrumentality of interstate commerce to effect transactions in securities, or to induce or attempt to induce the purchase or sale of securities, without being associated with a broker or dealer that was registered with the Commission in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)] in violation of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

174. Defendant Shapiro, knowingly or recklessly, substantially assisted Defendants Woodbridge and WSF's violations of Section 15(a) of the Exchange Act. Unless enjoined, Defendant Shapiro is reasonably likely to continue to provide substantial assistance to Woodbridge's and WSF's violations.

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RELIEF REQUESTED

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

A. Permanent Injunctive Relief

Issue a Permanent Injunction restraining and enjoining (1) Shapiro, Woodbridge, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1 and Bridge Loan Fund 2 from violating Sections 5(a) and 5(c) of the Securities Act; (2) Shapiro, Woodbridge, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1 and Bridge Loan Fund 2 from violating Section 17(a)(2) of the Securities Act and Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5(b); (3) Shapiro and the Corporate Defendants from violating Sections 17(a)(1) and (3) of the Securities Act and Section 10(b) of the Exchange Act and Exchange Act Rules 10b-5(a) and (c); (4) Shapiro and RS Trust from violating Section 20(a) of the Exchange Act; (5) Woodbridge and WSF from violating Section 15(a) of the Exchange Act; and (6) Shapiro from aiding and abetting Woodbridge and WSF's violations of Section 15(a) of the Exchange Act.

B. Asset Freeze

Issue an Order freezing the assets of Shapiro, RS Trust, and the non-bankruptcy filing Shapiro Property LLCs and Shapiro Holding LLCs (as identified in Appendix A), until further Order of the Court.

C. Appointment of a Receiver

Appoint a receiver over Woodbridge, RS Trust, WMF, WSF, Fund 1, Fund 2, Fund 3, Fund 3A, Fund 4, Bridge Loan Fund 1, Bridge Loan Fund 2, Shapiro Property LLCs, and Shapiro Holding LLCs.

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D. Records Preservation

Issue an Order restraining and enjoining Shapiro and RS Trust, their directors, officers, agents, servants, employees, attorneys, depositories, banks, and those persons in active concert or participation with any one or more of them, and each of them, from, directly or indirectly, destroying, mutilating, concealing, altering, disposing of, or otherwise rendering illegible in any manner, and of the books, records, documents, correspondence, brochures, manuals, papers, ledgers, accounts, statements, obligations, files and other property of or pertaining to Defendants and Relief Defendants, wherever located and in whatever form, electronic or otherwise, that refer or relate to the acts or courses of conduct alleged in this Complaint, until further Order of this Court.

E. Sworn Accounting

Issue an Order directing Shapiro and RS Trust to provide a sworn accounting of all assets and liabilities, including all monies and real properties directly or indirectly received from investors and all uses of investor funds.

F. Disgorgement and Prejudgment Interest

Issue an Order directing the Defendants and Relief Defendants to disgorge all ill-gotten gains or proceeds received from investors as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest thereon.

G. Civil Money Penalties

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

H. Further Relief

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

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I. 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.

J. Demand For Jury Trial

The Commission hereby demands a trial by jury on any and all issues in this action so triable.

Dated: December 20, 2017

Respectfully submitted,

By: _____

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APPENDIX A

#	Shapiro Property LLCs Bankruptcy Filers	#	Shapiro Holding LLCs Bankruptcy Filers
1	215 North 12th Street, LLC		
2	Addison Park Investments, LLC	1	H31 Addison Park Holding Company, LLC
3	Anchorpoint Investments, LLC	2	M11 Anchorpoint Holding Company, LLC
4	Arborvitae Investments, LLC	3	H32 Arborvitae Holding Company, LLC
5	Archivolt Investments, LLC	4	M26 Archivolt Holding Company, LLC
6	Arlington Ridge Investments, LLC	5	H2 Arlington Ridge Holding Company, LLC
7	Arrowpoint Investments, LLC	6	M19 Arrowpoint Holding Company, LLC
8	Baleroy Investments, LLC	7	H58 Baleroy Holding Company, LLC
9	Bay Village Investments, LLC	8	H13 Bay Village Holding Company, LLC
10	Bear Brook Investments, LLC	9	H15 Bear Brook Holding Company, LLC
11	Beech Creek Investments, LLC	10	H46 Beech Creek Holding Company, LLC
12	Black Bass Investments, LLC	11	H53 Black Bass Holding Company, LLC
13	Black Locust Investments, LLC	12	H28 Black Locust Holding Company, LLC
14	Bluff Point Investments, LLC	13	H20 Bluff Point Holding Company, LLC
15	Bowman Investments, LLC	14	H49 Bowman Holding Company, LLC
16	Bramley Investments, LLC	15	H40 Bramley Holding Company, LLC
17	Brise Soleil Investments, LLC	16	M27 Brise Soleil Holding Company, LLC
18	Broadsands Investments, LLC	17	M28 Broadsands Holding Company, LLC
19	Brynderwen Investments, LLC	18	M29 Brynderwen Holding Company, LLC
20	Cablestay Investments, LLC	19	M13 Cablestay Holding Company, LLC
21	Cannington Investments, LLC	20	M31 Cannington Holding Company, LLC
22	Carbondale Glen Lot A-5, LLC		
23	Carbondale Glen Lot E-24, LLC		
24	Carbondale Glen Lot GV-13, LLC		
25	Carbondale Glen Lot SD-14, LLC		
26	Carbondale Glen Lot SD-23, LLC		
27	Carbondale Glen Mesa Lot 19, LLC		
28	Carbondale Glen River Mesa, LLC	21	Crystal Valley Holdings, LLC*
29	Carbondale Glen Sundance Ponds, LLC		
30	Carbondale Glen Sweetgrass Vista, LLC		
31	Carbondale Spruce 101, LLC		
32	Castle Pines Investments, LLC	22	M53 Castle Pines Holding Company, LLC
33	Centershot Investments, LLC	23	M25 Centershot Holding Company, LLC
34	Chaplin Investments, LLC	24	M76 Chaplin Holding Company, LLC
35	Chestnut Investments, LLC	25	M79 Chestnut Company, LLC
36	Chestnut Ridge Investments, LLC	26	H5 Chestnut Ridge Holding Company, LLC

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37	Clover Basin Investments, LLC	27	M45 Clover Basin Holding Company, LLC
38	Coffee Creek Investments, LLC	28	M51 Coffee Creek Holding Company, LLC
39	Crossbeam Investments, LLC	29	M14 Crossbeam Holding Company, LLC
40	Crowfield Investments, LLC	30	M63 Crowfield Holding Company, LLC
41	Crystal Woods Investments, LLC	31	M92 Crystal Woods Holding Company, LLC
42	Daleville Investments, LLC	32	M72 Daleville Holding Company, LLC
43	Derbyshire Investments, LLC	33	M39 Derbyshire Holding Company, LLC
44	Diamond Cove Investments, LLC	34	H76 Diamond Cove Holding Company, LLC
45	Dixville Notch Investments, LLC	35	H14 Dixville Notch Holding Company, LLC
46	Dogwood Valley Investments, LLC	36	H7 Dogwood Valley Holding Company, LLC
47	Dollis Brook Investments, LLC	37	M32 Dollis Brook Holding Company, LLC
48	Donnington Investments, LLC	38	M9 Donnington Holding Company, LLC
49	Doubleleaf Investments, LLC	39	M15 Doubleleaf Holding Company, LLC
50	Drawspan Investments, LLC	40	M22 Drawspan Holding Company, LLC
51	Eldredge Investments, LLC	41	M71 Eldredge Holding Company, LLC
52	Elstar Investments, LLC	42	H25 Elstar Holding Company, LLC
53	Emerald Lake Investments, LLC	43	H19 Emerald Lake Holding Company, LLC
54	Fieldpoint Investments, LLC	44	M24 Fieldpoint Holding Company, LLC
55	Franconia Notch Investments, LLC	45	M88 Franconia Notch Holding Company, LLC
56	Gateshead Investments, LLC	46	M10 Gateshead Holding Company, LLC
57	Glenn Rich Investments, LLC	47	M85 Glenn Rich Holding Company, LLC
58	Goose Rocks Investments, LLC	48	M93 Goose Rocks Holding Company, LLC
59	Goosebrook Investments, LLC	49	M68 Goosebrook Holding Company, LLC
60	Graeme Park Investments, LLC	50	H68 Graeme Park Holding Company, LLC
61	Gravenstein Investments, LLC	51	H26 Gravenstein Holding Company, LLC
62	Green Gables Investments, LLC	52	H44 Green Gables Holding Company, LLC
63	Grenadier Investments, LLC	53	H27 Grenadier Holding Company, LLC
64	Grumblethorpe Investments, LLC	54	H41 Grumblethorpe Holding Company, LLC
65	Hackmatack Investments, LLC	55	M87 Hackmatack Hills Holding Company, LLC
66	Haffenburg Investments, LLC	56	M56 Haffenburg Holding Company, LLC
67	Haralson Investments, LLC	57	H39 Haralson Holding Company, LLC
68	Harringworth Investments, LLC	58	M33 Harringworth Holding Company, LLC
69	Hazelpoint Investments, LLC	59	M80 Hazelpoint Holding Company, LLC
70	Heilbron Manor Investments, LLC	60	H66 Heilbron Manor Holding Company, LLC
71	Hollyline Owners, LLC	61	Hollyline Holdings, LLC
72	Hornbeam Investments, LLC	62	H35 Hornbeam Holding Company, LLC
73	Idared Investments, LLC	63	H37 Idared Holding Company, LLC
74	Imperial Aly Investments, LLC	64	H74 Imperial Aly Holding Company, LLC
75	Ironsides Investments, LLC	65	M99 Ironsides Holding Company, LLC

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76	Lenni Heights Investments, LLC	66	H43 Lenni Heights Holding Company, LLC
77	Lilac Meadow Investments, LLC	67	H6 Lilac Meadow Holding Company, LLC
78	Lincolnshire Investments, LLC	68	M17 Lincolnshire Holding Company, LLC
79	Lonetree Investments, LLC	69	M54 Lonetree Holding Company, LLC
80	Longbourn Investments, LLC	70	M40 Longbourn Holding Company, LLC
81	Mason Run Investments, LLC	71	M73 Mason Run Holding Company, LLC
82	Melody Lane Investments, LLC	72	H8 Melody Lane Holding Company, LLC
83	Merrimack Valley Investments, LLC	73	M90 Merrimack Valley Holding Company, LLC
84	Mineola Investments, LLC	74	M61 Mineola Holding Company, LLC
85	Monadnock Investments, LLC	75	H16 Monadnock Holding Company, LLC
86	Moravian Investments, LLC	76	H60 Moravian Holding Company, LLC
87	Mountain Spring Investments, LLC	77	M67 Mountain Spring Holding Company, LLC
88	Mt. Holly Investments, LLC	78	M83 Mt. Holly Holding Company, LLC
89	Mutsu Investments, LLC	79	H38 Mutsu Holding Company, LLC
90	Newville Investments, LLC	80	M91 Newville Holding Company, LLC
91	Old Carbon Investments, LLC	81	H51 Old Carbon Holding Company, LLC
92	Old Maitland Investments, LLC	82	H55 Old Maitland Holding Company, LLC
93	Owl Ridge Investments, LLC	83	M46 Owl Ridge Holding Company, LLC
94	Papirovka Investments, LLC	84	H22 Papirovka Holding Company, LLC
95	Pawtuckaway Investments, LLC	85	H4 Pawtuckaway Holding Company, LLC
96	Pemberley Investments, LLC	86	M38 Pemberley Holding Company, LLC
97	Pemigewasset Investments, LLC	87	H17 Pemigewasset Holding Company, LLC
98	Pepperwood Investments, LLC	88	M95 Pepperwood Holding Company, LLC
99	Pinney Investments, LLC	89	M70 Pinney Holding Company, LLC
100	Pinova Investments, LLC	90	H23 Pinova Holding Company, LLC
101	Quarterpost Investments, LLC	91	M34 Quarterpost Holding Company, LLC
102	Red Woods Investments, LLC	92	M97 Red Woods Holding Company, LLC
103	Ridgecrest Investments, LLC	93	M57 Ridgecrest Holding Company, LLC
104	Riley Creek Investments, LLC	94	M75 Riley Creek Holding Company, LLC
105	Rising Sun Investments, LLC	95	H59 Rising Sun Holding Company, LLC
106	Sagebrook Investments, LLC	96	M62 Sagebrook Holding Company, LLC
107	Seven Stars Investments, LLC	97	H54 Seven Stars Holding Company, LLC
108	Silk City Investments, LLC	98	H11 Silk City Holding Company, LLC
109	Silver Maple Investments, LLC	99	H30 Silver Maple Holding Company, LLC
110	Silverthorne Investments, LLC	100	M41 Silverthorne Holding Company, LLC
111	Springline Investments, LLC	101	M36 Springline Holding Company, LLC
112	Squaretop Investments, LLC	102	M49 Squaretop Holding Company, LLC
113	Stayman Investments, LLC	103	H24 Stayman Holding Company, LLC
114	Steele Hill Investments, LLC	104	M86 Steele Hill Holding Company, LLC
115	Stepstone Investments, LLC	105	M5 Stepstone Holding Company, LLC

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116	Strawberry Fields Investments, LLC	106	H9 Strawberry Fields Holding Company, LLC
117	Sturmer Pippin Investments, LLC	107	H36 Sturmer Pippin Holding Company, LLC
118	Summerfree Investments, LLC	108	H21 Summerfree Holding Company, LLC
119	Summit Cut Investments, LLC	109	H47 Summit Cut Holding Company, LLC
120	Thornbury Farm Investments, LLC	110	H65 Thornbury Farm Holding Company, LLC
121	Thunder Basin Investments, LLC	111	M60 Thunder Basin Holding Company, LLC
122	Topchord Investments, LLC	112	M37 Topchord Holding Company, LLC
123	Vallecito Investments, LLC	113	M48 Vallecito Holding Company, LLC
124	Varga Investments, LLC	114	M74 Varga Holding Company, LLC
125	Wetterhorn Investments, LLC	115	M50 Wetterhorn Holding Company, LLC
126	White Birch Investments, LLC	116	H12 White Birch Holding Company, LLC
127	White Dome Investments, LLC	117	M43 White Dome Holding Company, LLC
128	Wildernest Investments, LLC	118	M44 Wildernest Holding Company, LLC
129	Willow Grove Investments, LLC	119	H52 Willow Grove Holding Company, LLC
130	Winding Road Investments, LLC	120	M94 Winding Road Holding Company, LLC
131	Zestar Investments, LLC	121	H29 Zestar Holding Company, LLC
Non-Bankruptcy Filing Shapiro Property LLCs		**Non-Bankruptcy Filing Shapiro Holding LLCs**	
132	695 Buggy Circle, LLC	122	Buggy Circle Holdings, LLC
133	Carbondale Glen Lot 18, LLC		
134	Carbondale Glen Lot L-2, LLC	21	Crystal Valley Holdings, LLC*
135	Carbondale Glen Owners, LLC	123	Carbondale Basalt Owners, LLC
136	Carbondale Peaks Lot L-1, LLC	21	Crystal Valley Holdings, LLC*
137	Deerfield Park Investments, LLC	124	H10 Deerfield Park Holding Company, LLC
138	Frog Rock Investments, LLC	125	M77 Frog Rock Holding Company, LLC
139	Hawthorn Investments, LLC	126	H33 Hawthorn Holding Company, LLC
140	Lilac Valley Investments, LLC	127	M96 Lilac Valley Holding Company, LLC
141	Massabesic Investments, LLC	128	H18 Massabesic Holding Company, LLC
142	Mount Washington Investments, LLC	129	M89 Mount Washington Holding Company, LLC
143	Sachs Bridge Investments, LLC	130	H50 Sachs Bridge Holding Company, LLC
144	Springvale Investments, LLC	131	M58 Springvale Holding Company, LLC

*Crystal Valley Holdings, LLC is a Bankruptcy filer, but two of its associated Shapiro Property LLCs (Carbondale Glen Lot L-2, LLC and Carbondale Peaks Lot L-1, LLC) are not bankruptcy filers.

OS Received 08/16/2021

EXHIBIT 7

OS Received 08/16/2021

EXHIBIT

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8/28/2020

1st Global Capital LLC

Roy Y. Gagaoa / P & R Marketing

Lender Name	Date funds received	Amount	Commission	GL fee date paid	Addendum	Notes
Patricia L. Tessarock John R. Tessaro	09/01/17	$100,000.00	$1,841.00	10/10/17	Yes	
Rosela Moreno Clemente	09/05/17	$35,000.00	$750.00	10/10/17		
Rene Laney	09/05/17	$40,000.00	$1,200.00	10/10/17		
Marc.G. Padilla IRA	09/06/17	$25,328.07	$450.84	10/10/17		
Patricia L Padilla IRA	09/06/17	$147,603.67	$549.67	10/10/17		
Primo S. Ungco IRA	09/07/17	$50,000.00	$1,500.00	10/10/17		
Samuel R. Arriaza & Sandra T. Arriaza	09/07/17	$35,000.00	$750.00	10/10/17		
Valerie Peoples	09/14/17	$25,000.00	$750.00	10/10/17		
Patricia Mooney	09/14/17	$30,000.00	$1,400.00	10/10/17		
Demitri G. Economou & Judith G.Economou	09/14/17	$15,000.00	$343.00	10/10/17	Yes	
Rosana Mar IRA	09/15/17	$46,913.05	$1,406.00	10/10/17	Yes	
Dennis S.C. Yuan &Charlotta N. Yuan	09/18/17	$35,000.00	$750.00	10/10/17		
Orly S. Farney IRA FBO003103	09/19/17	$25,000.00	$406.00	10/10/17	Yes	
Daryl S. Penn	09/19/17	$50,000.00	$1,500.00	10/10/17		
Dave W. Adkins &Wanda F. Adkins	09/19/17	$50,000.00	$1,500.00	10/10/17		
Valerie Si-Ne Chung	09/19/17	$35,000.00	$750.00	10/10/17		
Wanda M. Remington	09/19/17	$25,000.00	$750.00	10/10/17		
Geronimo S. Martinez & Carrie F. Martinez	09/19/17	$10,000.00	$189.00	10/10/17	Yes	
Roy C. Sederberg Jr IRA	09/19/17	$133,104.19	$3,675.13	10/10/17		
Hernan S. Soto	09/20/17	$50,000.00	$1,500.00	10/10/17		
Marcia A. Mustakis IRA	09/21/17	$138,484.61	$4,754.34	10/10/17		
Judith A. Mercer IRA	09/25/17	$34,849.84	$749.84	10/10/17		
Palma C. Tripetta	09/22/17	$50,000.00	$1,500.00	10/10/17		
Caroline K. Mital-Kalina	09/25/17	$50,000.00	$1,500.00	10/10/17		
Patricia L. Wood IRA	09/26/17	$864.62	$16.00	10/10/17	Yes	
Jeffrey L. Wood	09/26/17	$50,000.00	$1,500.00	10/10/17		
Cheryl M. Respolino	09/28/17	$25,000.00	$750.00	10/10/17		
Raymond S. Iwamoto	10/02/17	$25,000.00	$750.00	11/10/17		
Kaka Vandar Werff & Katherina Vandar Werff	10/03/17	$25,000.00	$750.00	11/10/17		
Ernest N. Abe	10/03/17	$35,000.00	$1,050.00	11/10/17		
Patricia A. Murray IRA	10/04/17	$36,000.00	$900.00	11/10/17		
Alexon Y. Gagaoa IRA	10/04/17	$81,537.17	$2,475.82	11/10/17		
Cheryl A. Felipe IRA	10/11/17	$97,834.85	$2,818.75	11/10/17		
Danette K. Abe IRA	10/11/17	$48,387.44	$1,751.02	11/10/17		
Robert M. Longstreth IRA	10/17/17	$50,000.00	$750.00	11/10/17		
Corinne R. Hillman IRA	10/13/17	$18,084.49	$542.19	11/10/17		
Wesley T. Nishio & Charlene M. Iwishio	10/13/17	$50,000.00	$1,841.00	11/10/17	Yes	
Tonio C. Cordero	10/13/17	$25,000.00	$750.00	11/10/17		
Michael Keck CO.(INCOMEPLAN)	10/13/17	$35,000.00	$1,050.00	11/10/17		
Edith L. Lee IRA	10/16/17	$121,108.83	$3,693.26	11/10/17		
Fernan Nuñez Kaneshiro	10/16/17	$25,000.00	$750.00	11/10/17		
Jonie K. Tonuya	10/18/17	$30,000.00	$900.00	11/10/17		
Susan S. Lino	10/18/17	$100,000.00	$3,000.00	11/10/17		
Primo S. Ungco IRA	09/20/17	$16,830.73	$674.00	11/10/17	Yes	
Darrin D. Smith	10/23/17	$30,000.00	$283.00	11/10/17	Yes	
Gary L. Reck & Karen L. Reck	10/24/17	$25,000.00	$750.00	11/10/17		
Guy T. Rivera & Rowena MH Rivera	10/24/17	$50,000.00	$1,500.00	11/10/17		
Harmon J. Kraemmer & Tita D. Kraemmer	10/24/17	$25,000.00	$1,850.00	11/10/17		
Jonie K. Tonuya	10/24/17	$30,000.00	$816.00	11/10/17	Yes	
Joseph C. Kowalski IRA	10/24/17	$136,791.81	$4,103.76	11/10/17		
Isaac T. Miguel	10/24/17	$25,000.00	$750.00	11/10/17		
Kaka Vandar Werff IRA	10/24/17	$733.63	$13.00	11/10/17	Yes	
Rowena M. H. Rivera	10/24/17	$30,000.00	$900.00	11/10/17		
Tom Ventris IRA	10/24/17	$100,000.00	$6,000.00	11/10/17		
Cari Ismagarit IRA	10/25/17	$30,000.00	$864.00	11/10/17	Yes	
Stephen D. Hungerford IRA	10/25/17	$62,627.13	$1,878.81	11/10/17		
Albert P. Olive & Gloria L. Olive	10/30/17	$40,000.00	$1,200.00	11/10/17		
Charlie S. Hanly IRA	11/01/17	$80,000.00	$2,400.00	12/11/17		
Lo Lin W. Arruda Revocable Living Trust dtd 10/7/2004	11/06/17	$15,000.00	$389.00	12/11/17	Yes	
Ralph S. Miyake & Sally Y. Miyake	11/07/17	$30,000.00	$433.00	12/11/17	Yes	
Stephen Hakkenberg	11/07/17	$50,000.00	$900.00	12/11/17		
Frank L. Ipo	11/07/17	$25,000.00	$750.00	12/11/17		
Michael W. Schick & Pauline T. Schick	11/07/17	$110,000.00	$1,430.00	12/11/17		
Rodolfo A. Schultz & Cynthia I. Schultz	11/07/17	$40,000.00	$438.00	12/11/17	Yes	
Kaka Vandar Werff Roth IRA	11/08/17	$10,000.00	$300.00	12/11/17		
Marylene Rosow IRA	11/15/17	$35,273.00	$1,178.19	12/11/17		
Rod Nagorske	11/15/17	$30,000.00	$900.00	12/11/17		
Connie Dubbol Roth IRA	11/15/17	$18,594.55	$569.00	12/11/17		
Jason E. Schnaitz & Vivian J. Schnaitz	11/15/17	$30,000.00	$243.00	12/11/17	Yes	
Priscilla M. Villalobos	11/15/17	$35,000.00	$984.00	12/11/17	Yes	
Harmon J. Kraemmer & Tita D. Inocencio	11/15/17	$30,000.00	$801.00	12/11/17	Yes	
Stanley S. Romato & Norma J. Romato	11/15/17	$25,000.00	$750.00	12/11/17		
Ruth Hakkenberg IRA	11/16/17	$112,000.00	$3,360.00	12/11/17		
Wesley T. Nishio & Mary A. Nishio	11/16/17	$30,000.00	$6,300.00	12/11/17		
Barry L. Wanderlaar & Kathleen F. Wanderlaar	11/22/17	$50,000.00	$822.00	12/11/17	Yes	
Rosela Moreno Clemente	11/22/17	$10,000.00	$214.00	12/11/17	Yes	
Charles E.C. Young	12/05/17	$25,000.00	$750.00	01/10/18		
Leonard E. Nagorske & Anna A. Nagorske	12/05/17	$1,000,000.00	$5,000.00	01/10/18		
Mary L. Inamura-Cruz	12/05/17	$25,000.00	$750.00	01/10/18		
Robert S. Hashimoto Roth IRA	12/21/17	$101,743.83	$3,112.83	01/10/18		
Diana A. Hashimoto Roth IRA	12/22/17	$100,184.41	$3,005.53	01/10/18		
Stephen D. Hungerford IRA	12/27/17	$36,810.02	$579.00	01/10/18	Yes	
Valerie Peoples	01/16/18	$25,000.00	$411.00	02/12/18	Yes	
Corinne R. Hillman IRA	02/19/18	$6,084.49	$121.69	03/12/18	Yes	
Marimar Trust Custodian FBO Dena A. Hashimoto Roth IRA	09/21/18	$6,400.00	$81.00	09/12/18	Yes	
Marimar Trust Custodian FBO Robert S. Hashimoto Roth IRA	09/21/18	$6,400.00	$81.00	09/12/18	Yes	
Renewals						
Valerie Peoples	09/24/18	$50,000.00	$1,250.00	07/10/18		Renewal #1
John W. Fisher - Lifeco Insurance Clients						
Rebecca Arriola IRA #2	09/01/17	$103,213.27	$774.48	10/10/17		
David Gustafson	09/01/17	$35,000.00	$187.50	10/10/17		
Ronald Supnet IRA	09/05/17	$50,000.00	$375.00	10/10/17		
Christenderson IRA	09/13/17	$35,000.00	$247.50	10/10/17		
Linda Maria Harrington	09/13/17	$1,750,000.00	$6,354.00	10/10/17		
Darnell & Sharon Scoggins	09/18/17	$35,000.00	$262.50	10/10/17		
Kris Hudson IRA	09/18/17	$36,000.00	$270.00	10/10/17		
Daniel & Laura Flores	09/20/17	$25,000.00	$187.50	10/10/17		
Ronald & Pamela Rutledge	09/20/17	$40,000.00	$300.00	10/10/17		
Ronald & Sharon Sumner	09/21/17	$25,000.00	$187.50	10/10/17		
Perni Jung & Lily Wang	09/21/17	$40,000.00	$232.00	10/10/17	Yes	
Thanos Calindin II	09/26/17	$42,260.13	$316.53	10/10/17		
Carla A. Patterson & Paula M. Patterson (2 checks - $50k each)	09/26/17	$100,000.00	$750.00	10/10/17		
Kathleen Dailey	09/26/17	$1,000.00	$14.00	10/10/17	Yes	
Peter Eberle IRA	09/27/17	$100,000.00	$750.00	10/10/17		
Mark & Jen Tondino#2	09/28/17	$25,000.00	$187.50	10/10/17		
Ronald Plunkett IRA	10/02/17	$35,774.20	$253.31	11/10/17		
Sandra Anderson IRA	10/03/17	$42,713.24	$303.78	11/10/17		
Raymond Judd Hirch & Nony Chow	10/03/17	$43,753.86	$308.13	11/10/17		
Fernando & Sybile Tagaling	10/03/17	$25,180.00	$188.25	11/10/17		
Tom Kenly	10/03/17	$25,000.00	$98.00	11/10/17	Yes	
Young Ma IRA	10/05/17	$50,000.00	$187.50	11/10/17		
Dmetrogal IRA	10/06/17	$87,813.43	$658.63	11/10/17		
Penny Pak SEP IRA#1	10/11/17	$37,000.00	$303.50	11/10/17		
Young Pak SEP IRA#2	10/11/17	$35,000.00	$247.50	11/10/17		
Jonie K. Kahue	10/13/17	$25,000.00	$187.50	11/10/17		
Ronald Plunkett Roth IRA	10/13/17	$38,247.16	$293.06	11/10/17		
Irma Stevenson II	10/24/17	$50,000.00	$253.00	11/10/17	Yes	
Vera Tseko IRA	10/25/17	$6,100.00	$28.00	11/10/17	Yes	
Frances & Elmer Eugene Hopkins#2	10/27/17	$25,000.00	$187.50	11/10/17		
Bertie Marcum Hopkins	10/31/17	$50,000.00	$375.00	11/10/17		
Chi Leong IRA	11/01/17	$150,000.00	$1,125.00	11/11/17		
Federico & Milagros Francia	11/03/17	$25,000.00	$187.50	11/11/17		
Domingo Fernandez	11/08/17	$50,000.00	$781.00	11/11/17	Yes	
Federico & Milagros Francia #2	11/09/17	$50,000.00	$187.50	11/11/17		
Federico & Milagros Francia #3	11/09/17	$25,000.00	$187.50	11/11/17		
Irma & Lourdes Lim	11/10/17	$20,000.00	$56.00	11/11/17	Yes	
Irma Phelps IRA	11/10/17	$16,178.68	$121.35	11/11/17		
Susan Anderson Albert IRA	11/10/17	$25,000.00	$187.50	11/11/17		
Charene Nel IRA #1	11/10/17	$917,735.91	$2,363.39	11/11/17		
Portia Rose Nagy IRA	11/13/17	$86,867.77	$672.06	11/11/17		
Charene Nel Roth IRA	11/20/17	$6,500.00	$90.00	11/11/17	Yes	
Kim Durham IRA	11/21/17	$91,274.26	$234.16	11/11/17		
Paula Tenes Soares	11/22/17	$15,000.00	$187.50	11/11/17		
Guillermo Dubbol IRA	11/27/17	$18,930.25	$137.48	11/11/17		
Nathael A. Hathaway IRA	11/30/17	$100,000.00	$750.00	12/11/17		
William Alofa IRA	11/30/17	$50,000.00	$375.00	12/11/17		
Nine Eagle Family Trust #2	12/04/17	$50,000.00	$375.00	12/10/18		
John D. Perez IRA	12/13/17	$21,184.14	$188.88	01/10/18		
Andrew Rios IRA	12/20/17	$48,313.42	$362.38	01/10/18		
Tabeng & Nalin Rodriguezart	12/22/17	$25,000.00	$58.00	01/10/18	Yes	
CW Investment IRA	12/27/17	$18,134.58	$143.51	01/10/18		
Valeriewere Reynolds	12/28/17	$25,000.00	$187.50	01/10/18		
Tom Kenly	01/23/17	-$25,000.00	-$187.50	01/10/18		Commision Clawback for Early Termination
Tom Kenly	01/23/17	$25,000.00	$143.00	01/10/18		Commision Clawback for Early Termination
Tom Kenly	01/23/17	-$25,000.00	-$58.00	01/10/18		Commision Clawback for Early Termination
Tom Kenly	01/23/17	$25,000.00	$13.00	01/10/18		Commision Clawback for Early Termination
Paul & Betty Lee #1	04/23/17	-$25,000.00	-$187.50	01/10/18		Commision Clawback for Early Termination
Paul & Betty Lee #1	04/23/17	$25,000.00	$129.00	01/10/18		Commision Clawback for Early Termination
Alex Leong & Kin Leong #2	04/23/17	-$25,000.00	-$187.50	01/10/18		Commision Clawback for Early Termination
Alex Leong & Kin Leong #2	04/23/17	$25,000.00	$129.00	01/10/18		Commision Clawback for Early Termination

Worksheet: Roy Y. Gagaoa

OS Received 08/16/2021

EXHIBIT 8

OS Received 08/16/2021

Message

From: Trae Wieniewitz [Plan@traew.com]
Sent: 3/21/2017 7:16:47 PM
To: Roy Gagaza [rgagaza@gmail.com]
Subject: CLient statement
Attachments: 1st Global Christopher D. Dantin July statement.pdf; ATT00001.htm

Audited by 3rd party CPAs - you and your clients have 100% access to exactly how they are making a return. Their money is diversified over 48 states and PR. More than most mutual funds

Collateral on the notes:
1) Liens on the merchants business assets
2) Liens on the accounts receivable
3) Personal guarantee of the business owner (pretty much they would have to sell and lose everything they own not to pay FGC back)

FGC only approves 1/10 applications and collects the payments daily by ACH. I have a 20 minute presentation and my track record shows larger cases and I move 50% of the money here and 50% to the annuity they choose.

OS Received 08/16/2021

EXHIBIT 9

OS Received 08/16/2021

Roy Y. Gagaza

March 28, 2017

CONFIDENTIAL

Mr. Carl Ruderman
Chairman
1st Global Capital, LLC
1250 East Hallandale Beach Blvd.
Suite #409
Hallandale Beach, FL 33009

Re: Marketing Agreement

Dear Mr. Ruderman:

Roy Y. Gagaza, ("Affiliate") is pleased to become affiliated as a nonexclusive sales and marketing associate of 1 Global Capital LLC (the "Company"), rendering sales and marketing services in connection with the Company's capital raising and customer relationship activities. This letter confirms Affiliate's understanding with respect to the parties' agreement (the "Agreement").

Pursuant to this Agreement, Affiliate will: (a) advise the Company with respect to the form and structure of lender participations; (b) assist, review and comment upon a Business Plan, Executive Summary, or Pitch Deck prepared by the Company; (c) identify and make initial contacts with potential lenders; (d) act as placement agent, and assist in negotiations with potential lenders; and (e) seek out merchant borrowers.

It is understood that Affiliate makes no commitment to underwrite the Company's debt or equity securities. Affiliate is not a Broker-Dealer. In the event of any actual Financing being procured by Affiliate, a fee shall be generated and be deemed payable to Affiliate by the Company in the sum of four percent (4%) per annum of any monies secured from lenders (the "Fee"), limited to the first year. In the event that any such financing procured by Affiliate is renewed by lender for a subsequent term, a fee shall be generated and be deemed payable to Affiliate by the Company in the sum of four percent (4%) per annum of any monies secured by such renewal (the "Renewal Fee"). The Renewal Fee shall apply to all years subsequent to the first year. Affiliate shall not be entitled to the Fee or Renewal Fee on any accumulated earnings which are reallocated by the Company. In the event a lender elects to withdraw the monies loaned to the Company, either by choosing not to renew the loan for an additional term or by withdrawing funds during an existing loan, there will be a pro rata adjustment of the Fee or Renewal Fee. Additionally, a fee shall be generated and deemed payable to Affiliate by the Company in the amount of one percent (1%) per annum of any monies secured from lenders by an authorized agent of the Affiliate ("Override Fee").

OS Received 08/16/2021

During the term of this Agreement, Affiliate shall be permitted to engage in similar activities with other companies. Nothing herein shall be deemed an exclusive relationship or firm commitment by any of the parties.

Either party may terminate this Agreement at will. The terminating party will provide a thirty (30) day notice to the other party. Full payment will be due Affiliate for any fee earned prior to termination but not yet paid. Even though the Agreement is terminated, the Affiliate will continue to receive the "Renewal Fee" per annum, as long as financings secured by the Affiliate are renewed by the lender for subsequent terms.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida applicable to agreements made and to be performed entirely in such State. The Company and Affiliate agree that any dispute concerning the Agreement shall be submitted to and settled by arbitration in Florida, in accordance with the rules of the American Arbitration Association.

This Agreement contains the full and mutual agreement of the parties hereto and shall not be modified, altered, changed, terminated or assigned except pursuant to a writing signed by all of the parties and shall be binding upon and inure to the benefit of the respective heirs, executors, administrators, successors or assigns.

The undersigned parties, hereby mutually acknowledge, and with full intention of being legally bound, herby irrevocably agree not to circumvent, avoid, bypass, or obviate each other, directly or indirectly, for any reason, nor to avoid or obtain additional payment of fees in any transaction with any corporation, partnership or individuals, revealed by either party to the other, in conjunction with any project, any loans, any purchase or sale, collateral, funding(s), addition, renewal, extension, rollover, amendment, renegotiation, new contracts, parallel contracts/agreements, or third party assignments thereof. In the event the agreement is terminated and a transaction is consummated with a party who was identified by "affiliate," the fee is payable to "affiliate" as if agreement had not been terminated.

Please confirm that the foregoing correctly sets forth our agreement by signing, scanning, and returning to Affiliate the enclosed copy of this Agreement.

Very truly yours,

_____

Roy Y. Gagaza
[redacted]
Email: [redacted]
Phone: [redacted]

OS Received 08/16/2021

Accepted and Agreed to as of
the date first written above:

1st GLOBAL CAPITAL, LLC

By: Carl Ruderman
Chairman

OS Received 08/16/2021

EXHIBIT 10

OS Received 08/16/2021

Message

From: Candace Abrams [candace@1stglobalcapital.com]
Sent: 4/14/2017 12:14:26 PM
To: Roy Gagaza [rgagaza@journeywlthmgmt.com]; Dacey Pease [dpease@journeywlthmgmt.com]; Rayna Armitage [rarmitage@journeywlthmgmt.com]; Beverly Mapu [bmapu@journeywlthmgmt.com]
CC: Darice Lang [darice@1stglobalcapital.com]
Subject: Updated Pitch Deck
Attachments: 1GC PITCH DECK 2017 03 23.pdf

Importance: High

Hi team,

Please find attached the most current version of 1st Global Capital's Pitch Deck for use during presentations. Please ***DELETE*** any previous versions you may have.

Thank you,

Candace Abrams
Lender Relations Coordinator
Phone: 786.607.8741
Email: candace@1stglobalcapital.com

1st Global Capital Financial Services
1250 East Hallandale Beach Blvd
Suite #409
Hallandale Beach, FL 33009



OS Received 08/16/2021

FOIA CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT 11

OS Received 08/16/2021

1st GLOBAL CAPITAL
FINANCIAL SERVICES

Merchant Cash Advance

High Growth Market / Solid Returns

3/23/2017

OS Received 08/16/2021

Disclaimer

This Document does not, nor is intended to, constitute an offer or a solicitation of any offer to sell equity or debt securities or any shareholdings. It is expressly for the use and consideration of qualified lenders to evaluate the merits of the opportunity in Merchant Cash Advance Transactions (MCAT). This Document and any additional materials supplied are provided to the recipient solely in connection with the recipient's consideration of the proposed opportunity described herein and as an invitation to engage in further discussions.

You should not rely on this document alone as the basis for any decision. You are expected to conduct your own investigation with regard to 1st Global Capital (1GC), its business and industry and the terms of the arrangement, including the merits and risks involved. Prospective lenders are not to construe the contents of this Document as legal, investment, or tax advice. Prospective lenders should consult their advisors as to legal, tax and related matters.

1GC has prepared this Document and has submitted it confidentially to a limited number of interested parties. 1GC has not authorized its use, or the use of any other materials, for any other purpose. Neither this Document, nor other materials, may be copied or reproduced in whole or in part nor distributed to others . This Document may be distributed and its contents disclosed only to interested parties to whom it is provided. By accepting delivery of this Document, you agree to these restrictions.

This opportunity is subject to withdrawal, cancellation or modification by 1GC without notice and is specifically made subject to the terms described in this Document. 1GC reserves the right, in its sole discretion, to reject any funds, in whole or in part, for any reason.

FOIA CONFIDENTIAL TREATMENT REQUESTED GAGAZA0000049

OS Received 08/16/2021

Our Business – Merchant Cash Advance

- **Alternative financing** for Small to Medium Sized Enterprises (SMEs).
- **Not a "loan"** – stakes in future cash flow (receivables) at a discounted price.
- **Short term** (4-12 months).
- **Daily *ACH* repayment** rather than larger balloon bank repayment.
- **Rigorous** technology, management and underwriting controls.

FOIA CONFIDENTIAL TREATMENT REQUESTED GAGAZA0000050

OS Received 08/16/2021

Market Opportunity

The ability of small to medium-sized merchants to obtain funding

- Small and Medium-Sized Enterprises ("SMEs") employ a vast number of the labor population, and are very important for GDP, yet they frequently experience obstacles and barriers when seeking to connect, fund, and grow.
- SMEs require fast and efficient access to capital. Traditional bank borrowing is time consuming and burdensome due to regulation and recent financial crises, leaving a vacuum in the life cycle of SME financing.
- Small businesses are not well served by traditional loan products. For example, small businesses often seek small, short-term loans to fund short-term projects and investments, but traditional lenders may only offer products that feature larger loan sizes, longer durations and rigid collateral requirements that are not well suited to their needs. Banks believe small investments tend to yield small returns.
- It is difficult to assess the creditworthiness of small businesses.
    - SMEs are a diverse group spanning many different industries, stages of development, geographies and financial profiles.
    - SMEs business info is scattered across multiple online and offline sources, making it difficult to aggregate, analyze and monitor.
    - An SME business owner's personal credit score is frequently used to assess creditworthiness even though it may not be indicative of the business' credit profile.

FOIA CONFIDENTIAL TREATMENT REQUESTED GAGAZA0000051

OS Received 08/16/2021

Market Solution

- Entrepreneurs and SMEs are now starting their capital search activities via alternative financing platforms such as 1GC.
- 1GC offers efficient and frictionless sources of alternative financing to SMEs.
- Small businesses can apply for a cash advance in minutes. We can make a funding decision quickly, and transfer funds in as little as 4 hours.
- Using our proprietary technology, we can rapidly, accurately and efficiently analyze high volumes of data to assess the creditworthiness of SMEs.
- **Our optimization of these funding methods creates an institutional quality asset class.**

FOIA CONFIDENTIAL TREATMENT REQUESTED GAGAZA0000052

OS Received 08/16/2021

MCA vs Traditional Bank Loan

MCA	Traditional Bank Loan
• Approval on measured ability to pay	• Basically linked to personal credit
• No collateral required (UCC and Personal Guarantee are required on every deal)	• Typically requires personal assets as collateral or rigid capital requirements
• Flat Fee premium included	• Interest paid over time
• Smaller advance sizes with smaller durations	• Larger loan sizes with long durations
• Fast pre-approval/ funds in days or hours	• Approval and funds usually in weeks
• Variable repayment / Repayments are automatically received from daily debits ACH	• Fixed repayment term

FOIA CONFIDENTIAL TREATMENT REQUESTED GAGAZA0000053

OS Received 08/16/2021

1GC Competitive Advantage

- Funding sources typically receive a non-correlated ROI of double digit growth.
- Lending risk mitigated by ensuring very minimal percentage of dollars are in a single deal.
- Dedicated client service to our merchant customers – many repeat customers as a result.
- Acquisition, distribution and sales – brand and style building, multi-channel marketing, in-house call center.
- Strong internal management control, targets and focus.
- Underwriting not based solely on algorithms. Personal contact made with every merchant receiving an advance.
- Underwriting – Thorough review of cash flows and other pertinent information, including taxes and financials. Leverage the latest technology for increased efficiency and review.
- Funding – Fast and responsive to client needs. 4 hour basic analysis.
- Servicing – Daily ACH monitor/action and client care. Key management oversight.
- Collection – Flexible but tough.

FOIA CONFIDENTIAL TREATMENT REQUESTED GAGAZA0000054

OS Received 08/16/2021

MCA Market and 1GC

- **Total US market in excess of $20 billion - growth 20% per annum**
- **1GC Portfolio**
  - $53 million as of December 31, 2016
  - MCA typically ranges from $5k - $300k / Current average $50k
  - Approximately 200 industry classifications financed to date
- **1GC Current markets - US and Puerto Rico**
  - Build rapidly on industry growth and 1GC structure and innovation
  - Planned expansion – Canada, Panama and U.S. Virgin Islands
  - 2017 continued growth and expansion without diminishing 1GC's standards and due diligence

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Portfolio Analysis

	2015	2016	2017 Estimated
Contracts Funded	675	1,166	2,241
Funded	$15.9m	$52.8m	$144m
Receivables	$25.5m	$46.6m	$86m
Average Term	5 months	7months	8 months
Average SP ROI	16%	15%	Double Digit Teens

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OS Received 08/16/2021

Geographic Footprint & Industry Breakdown

- 1GC merchant footprint covers most of the US and Puerto Rico.
- Below, represents a high level overview on 1GC's merchant industry coverage

Accommodation and Food Services
Aerospace & Defense
Appliance Repair and Maintenance
Arts, Entertainment & Recreation
Automotive Retail
Beauty Salons
Book, Periodical, and Newspaper Merchant Wholesalers
Child Day Care Services
Commercial & Professional Services
Communications Services
Construction
Consumer Discretionary
Consumer Services
Consumer Staples
Dentistry
Education Services
Electrical Services
Engineering
Environmental & Facilities Services
Food Products
Food Retailing
Gasoline Stations with Convenience Store
General Freight Trucking, Long Distance, Truckload
General Merchant Stores
Health Care
Health Care Providers & Services
Industrials
Jewelry Stores
Machinery
Manufacturing
Materials
Mining
Misc. Fabricated Metal Product Mfg.
Personal, Scientific, and Technical Services
Real Estate
Restaurants
Retail Trade
Retailing
Specialized Consumer Services
Transportation and Warehousing
Trucking
Wholesale Trade

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Default Rates

Allowance for Doubtful Accounts:

- Established for all accounts, including accounts currently performing.
- The amount is an estimate based on an analysis of the collection status of the accounts (i.e., performing, NSF, modified payment plan, negotiating, legal and write-off).
- Typically range from 10 to 12 percent of the total original receivable amount.

Write-offs:

- Occur after all collection attempts are exhausted.
- Applied against the previously established allowance for doubtful accounts.
- Actual write-offs since inception have been approximately 8 percent of receivables.

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Syndicate Partner (SP) Core Conditions

- **SP participates in diversified portfolio of 1GC Merchant Cash Advances with same terms**
  - Same terms as 1GC and other SPs.
  - Subject to 1GC final decision -with no guarantees.
- **SP is not an equity investor in 1GC**
  - Participant in MCAs as a funder, returns and collectibles.
  - Each Syndicate Partner receives credit for its respective share of MCA collections as they occur. There are no preferential payouts.
- **SP ROI is computed after deducting proportionate share of product acquisition fees, uncollectible accounts and management fee.**

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OS Received 08/16/2021

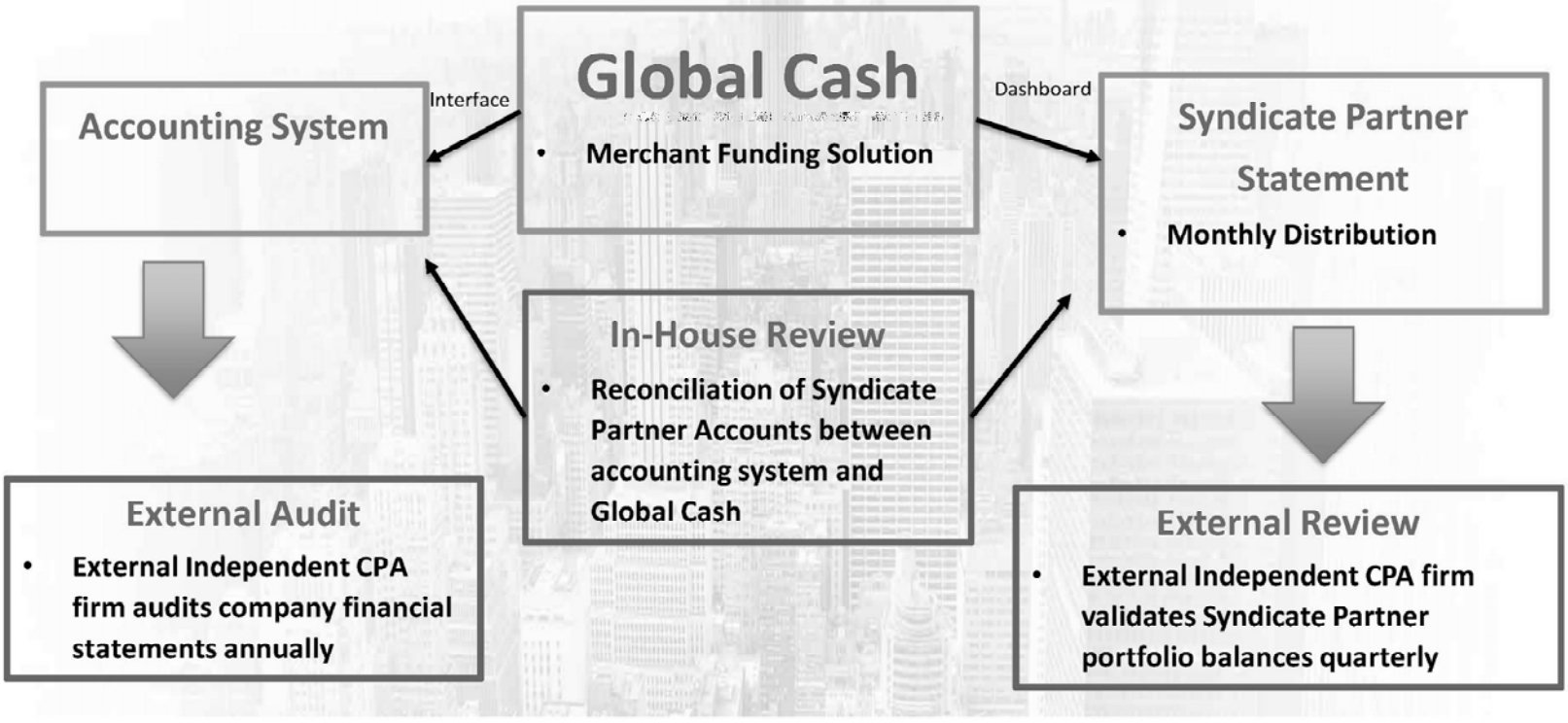
Funding Source Details

- **Minimum tranches of $25k from Funding Sources**
- **9-month minimum lending agreement**
  - Daily ACH receipts and cash redeployment
  - Monthly portfolio value statement – 24/7 portal access
- **Withdrawals after 9 months - with 60 day written notice**
  - Repayments geared to participating MCA grace period
- **Robust reporting capabilities track an interactive syndication module which provides 24/7 access for Syndicate Partners. Tracks:**
  - Deals by merchant
  - Deal status
  - Participation amounts, collections and balances due

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OS Received 08/16/2021

Global Cash - Data Validation



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OS Received 08/16/2021

Underwriting Process

A highly scalable process enabling greater volume with no reduced scrutiny. Using fundamental formulas, defined calculations and discipline to arrive at the optimum funding for the merchant ensuring very minimal losses.

Initial Steps	Final Steps
• Application Review	• Contract Out
• Bank Analysis	• Contract In
• Credit/Background Check	• Final Underwriting
• Soft Approval	• Final Approval
• Checklist	• Compliance Review
• Auto Reject Provisions	

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OS Received 08/16/2021

Collection Process

Merchant payment transactions are automatically received **daily** utilizing ACH processors.
Comprehensive interface to internal reporting and management systems.

High Level Collections Process

- First time miss on ACH re-payment (NSF) – Detected after one business day
  - Capture issues quickly with a very high success rate in rectifying issues
- After four consecutive NSF ACH re-payment events – default status
  - Contact and collection attempts are made to cure or modify by staff
  - Demand letters are sent if account is still not cured or modified
- Legal Department commences judgement proceedings
  - Final demand letter sent with a complaint attached
  - Lawsuit filed if no cure or modified payment arrangement

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Global Cash SP Portal Dashboard
24/7 Online Access to SP Portfolio Data



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Industry Competition

Competitors	2016 Estimated Funding
OnDeck Capital	$1.9 b
CAN Capital	$1.2 b
Funding Circle	$1.2 b
BIZFI	$480 m
Yellowstone Capital	$422 m
Square Capital	$400 m
Strategic Funding Source	$375 m
Fora Financial	$187 m

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Outside Advisors

- Kopelowitz Ostrow Ferguson Weiselberg Gilbert (Legal Counsel)

  kolawyers.com

- Daszkal Bolton LLP (CPAs)

  dbllp.com

- SysArc Infomatix, Pvt. Ltd. (Technology Provider)

  sysarcinfomatix.com/us/

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Management Team

- **Carl Ruderman (Chairman and CEO)** Experienced entrepreneur across multiple industries; founded more than 12 prosperous business operations; founding member of World Tourism Council
- **Steven A. Schwartz, MBA (COO)** 20 years experience servicing financial industry. Former President and COO of 2 public companies; currently on the Board of 2 entities in South Florida
- **Alan Heide, CPA, CGMA (Exec VP)** 30 years experience servicing multiple industry sectors, including financial services
- **Jonathan Fichman, MBA (Exec Director)** Jonathan is a seasoned executive and entrepreneur with over 20 years experience in the financial sector. His 20 plus years of senior leadership was refined across various global financial institutions, from a Wall Street consulting firm, to an innovative payment technology company, as well as a regionally significant local municipality.
- **Lyn Sohun (Chief Compliance Officer)** 11 years of experience in both financial and non-financial industries including alternative lending, financial analytics, budgeting, forecasting, accounting and corporate strategy. Prior to joining 1st Global Capital she partnered with senior management at CAN Capital, the market leader in alternative small business finance
- **Eric Alexander, CPA (CFO)** Over 15 years of Accounting and Finance experience across multiple industries, including financial services, in capacities of audit, private equity investment, alternative investment management and single family office enterprise development

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Management Team

- **Darice Lang (Director of Operations)** 30 years experience managing various corporate frontline functions within strategic and operations arenas
- **Professor Geoffrey Lipman, PhD and OBE (International Advisor)** 30-year member of the World Economic Forum's Global Agenda Council championing tourism with Heads of State, Ministers and Chief Executives. Currently leading a global green growth initiative
- **Juan Carlos Anduiza (Director of Underwriting)** 15 years experience managing risk and fraud for various financial institutions, including underwriting MCAT deals and processing ACH payments
- **Leopoldo Vargas (Director of Collections)** 10 years experience managing commercial collections, a certified collector by the American Collectors Association and a certified Subrogation Specialist; fully versed in the Fair Debt Collection Practices Act and Debt Collections
- **Steven Zakharyayev (Corporate Counsel)** 5 years experience as a litigator within heavily regulated industries
- **Julio Rojas (Director Of Information Technology)** 18 years experience in IT and web development defining, implementing and managing IT-related business strategies, security policies and operating procedures

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Contacts

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1st Global Capital LLC

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EXHIBIT 12

OS Received 08/16/2021

MEMORANDUM OF INDEBTEDNESS

April 13, 20 17 ("Effective Date")

This Memorandum of Indebtedness ("Agreement") is made and entered into by and between 1 Global Capital LLC, a Florida limited liability company, with a mailing address of 1250 East Hallandale Beach Boulevard, Suite 406, Hallandale Beach, FL 33009 (the "Borrower"), and Elmore Urban Ernst, with a mailing address of [redacted] (the "Lender," or together, the Parties).

RECITALS:

Lender has offered to provide funds, as described below, to Borrower as described in this Agreement. Lender is willing to make such funds available to Borrower and Borrower is willing to accept such funds upon and subject to the provisions, terms and conditions hereinafter set forth herein.

Subject to and upon the terms and conditions of this Agreement, Lender has agreed to provide Borrower the funds herein described for the purposes set forth below.

TERMS OF AGREEMENT

1. Indebtedness. Lender hereby agrees to provide the sum of $ 50,000 to Borrower in accordance with this Agreement.

2. Existence. Borrower is a limited liability company duly organized, validly existing, and in good standing under the laws of Florida, and is duly qualified to transact business as a foreign corporation in each jurisdiction where the nature and extent of its business and property requires the same.

3. Authorization. Borrower possesses all requisite authority, power, licenses, permits, and franchises to conduct its business and to execute, deliver, and comply with the terms

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of this Agreement. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated, compliance with the terms and provisions hereof, and the execution, issuance, and delivery of the Agreement have been duly authorized and approved by Borrower.

4. Enforceability of Agreement. This Agreement, when duly executed and delivered by Borrower, will constitute a legal, valid, and binding obligation of Borrower and wholly enforceable in accordance with its terms.

5. Litigation. Borrower may be involved in litigation arising from its efforts to collect consumer debts and accounts. Borrower will not report such litigation to Lender unless it is likely to have a material adverse effect on Borrower.

6. Maturity Date. The Indebtedness shall mature at the end of the ninth month from the Effective Date (the "Maturity Date") and shall automatically rollover into a new indebtedness unless Borrower receives written notice of termination by the Lender no less than thirty (30) days before the Maturity Date. If this Indebtedness is terminated pursuant to this section, the distribution of any outstanding amounts owed to Lender by Borrower upon the maturity of this Indebtedness shall be controlled by Sections 8 and 11, below.

7. Covered Activities. This Indebtedness is designed to enable Borrower to expand its current business activities ("Covered Activities") for a certain period beginning on the Effective Date and ending on the Maturity Date (the "Activity Period"). The Covered Activities shall be conducted by Borrower in Borrower's sole discretion. Covered Activities shall include, but shall not be limited to, providing innovative funding known as a Merchant Cash Advance Transaction ("MCAT") in order to provide alternative financing for a market that is inadequately serviced by traditional banking and banking institutions.

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8. Payments. Lender's payments during the Activity Period shall be based on Borrower's Covered Activities for the Activity Period, as follows:

8.1 Borrower shall enter into MCATs in certain amounts and with certain merchants, which shall be done in Borrower's sole discretion.

8.2 Upon Borrower's use of the Indebtedness for each individual MCAT, Borrower shall assign Lender a percentage of such MCAT, entitling Lender to that percentage of the regularly collected amounts received by Borrower for each individual MCAT ("Lender's Allocation").

8.3 The percentage assigned to Lender by Borrower for each MCAT shall depend on the monetary amount of the Indebtedness allocated to each MCAT by Borrower. Lender understands that the percentages assigned to it for each individual MCAT may vary and that the amount of the Indebtedness used by Borrower, and resulting assigned percentages to Lender, shall be decisions made by Borrower in its sole discretion.

8.4 Lender agrees that a thirteen percent (13%) management fee will be computed on and withdrawn from all collected amounts of Lender's Allocation for each MCAT. The net amount shall hereinafter be referred to as "Lender's Payment."

8.5 Borrower shall allocate Lender's Payment to Lender pursuant to this Section; however, Lender understands and agrees that Lender's Payment will be retained by Borrower as working capital through the Maturity Date.

8.6 Lender has been advised that the MCAT advances are repaid through Automatic Clearing House (ACH) debits deducted daily from the merchant's receipts, and or via a percentage of merchant's daily credit card receipts. Lender's Payment shall be reinvested in future MCATs.

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8.7 The totality of Lender's Allocations, Lender's Payments, and any portion of the Indebtedness that has not been allocated to an MCAT shall hereinafter be referred to as Lender's "Account."

9. Monthly Reports. On a monthly basis, Borrower shall provide Lender a reconciliation statement that reflects the following: (a) the total value of Lender's Account; (b) a listing of each MCAT included in Lender's Account; and (c) the amount due to Lender from each MCAT.

10. Fees. Lender understands that Borrower may owe an origination fee to a third party by entering into a MCAT with a merchant. Lender acknowledges and agrees that Borrower will use the Indebtedness or Lender's Payment to pay Lender's pro rata share of such origination fee (based on Lender's Allocation), if any.

11. Grace Period. If Lender elects to terminate this Indebtedness on the Maturity Date pursuant to Section 6, upon maturity of the Indebtedness, monies from the ACH daily collections shall be paid to Lender as each MCAT included in the Account unwinds through the daily course of business, until such time that Lender's Indebtedness is repaid in full (the "Grace Period"). Any amount included in Lender's Allocation for each MCAT during the Grace Period, which has yet to unwind, shall continue to accrue pursuant to Section 8 until such time as the MCAT unwinds.

12. Lender's Acknowledgments. Lender hereby specifically acknowledges and agrees to the following:

12.1 The proceeds of this Indebtedness may be aggregated with other funds of Borrower for the Covered Activities of Borrower and any collateral (as set forth in Section 13) associated with this Indebtedness shall be a proportional aggregate of assets acquired by

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Borrower therefrom and/or unspent proceeds of the Indebtedness held in Borrower's account, as the case may be.

12.2 Lender has no right to accelerate this Indebtedness. Lender may not transfer, encumber, assign, hypothecate, or otherwise transfer this Indebtedness to any other party, individual, or entity without prior written approval of Borrower.

12.3 Lender is a sophisticated and qualified individual, or business entity, and has entered into this Agreement for a commercial purpose. Lender's decision to execute this Agreement is and was based upon Lender's own independent evaluation of information deemed relevant to Lender, including, but not limited to, the information made available by Borrower to Lender, and Lender's independent evaluation of all such information. Lender acknowledges that Borrower has responded satisfactorily to all of Lender's requests for information.

12.4 Lender has relied solely on its own investigation and due diligence and it has not relied upon any oral or written information provided by Borrower, Borrower's personnel or agents, and acknowledges that no employee or representative of Borrower has been authorized to make any written statements other than those specifically contained or incorporated in this Agreement, and that Lender has not relied upon any such statements.

12.5 Lender has had the opportunity to do any and all due diligence and has had sufficient access to information to make its own credit decision, and it has performed such due diligence to its satisfaction. Lender has had the opportunity to seek advice from its own independent professionals. Lender understands that Borrower has made no representations as to the applicability of any federal or state statutes or laws.

12.6 Lender acknowledges that Borrower, in utilizing the Indebtedness provided under this Agreement, and in the ordinary course of its business, may maintain

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multiple accounts simultaneously and, as such, waives any right to bring any claim or complaint regarding Borrower's prioritization of one account or business function as to the utilization of the proceeds of this Indebtedness. All such decisions shall be made by Borrower based on its experience and in its sole discretion.

13. Collateral. Lender specifically acknowledges that this Indebtedness is secured by accounts/assets contained within the Lender's Account during the Activity Period, acquired by Borrower pursuant to the Covered Activities relating to this specific Indebtedness, or lesser portions thereof in aggregated accounts as delineated above.

14. Governing Law, Jurisdiction and Venue. This Indebtedness shall be governed by and construed in accordance with the laws of the State of Florida, without regard to any applicable principles of conflicts of law. Any suit, action or proceeding arising hereunder, or involving the interpretation, performance or breach hereof, shall be instituted in Broward County, Florida.

15. Severability. Any provision of this Agreement that is not enforceable in any jurisdiction shall, as to that particular jurisdiction only, not be effective but only to the extent it is not unenforceable, without making the remaining provisions of this Agreement invalid. It will not affect the validity or enforceability of that provision in any other jurisdiction.

16. Litigation and Attorneys' Fees. In the event that either party finds it necessary to retain counsel in connection with the interpretation, defense, or enforcement of this Agreement, the prevailing party shall recover its reasonable attorneys' fees and expenses from the unsuccessful party.

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17. Counterparts. This Agreement may be executed in any number of identical counterparts, each of which shall constitute an original and may be delivered by facsimile or e-mail, and together shall constitute one instrument.

18. Articles, Sections, and Exhibits. All references to "Article," "Articles," "Section, "Sections," "Subsection," or "Subsections" contained herein are, unless specifically indicated otherwise, references to articles, sections, and subsections of this Agreement. The words "herein" "hereof," "hereunder" and other similar compounds of the word "here" when used in this Agreement shall refer to the entire Agreement and not to any particular provision or section.

All references to "Exhibits" contained herein are references to exhibits attached hereto, all of which are made a part hereof for all purposes, the same as if set forth herein verbatim, it being understood that if any exhibit attached hereto, which is to be executed and delivered, contains blanks, the same shall be completed correctly and in accordance with the terms and provisions contained and as contemplated herein prior to or at the time of the execution and delivery thereof.

19. Number and Gender of Words. Whenever herein the singular number is used, the same shall include the plural where appropriate, and vice versa; and words of any gender shall include each other gender where appropriate.

20. Notices. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing and mailed by USPS certified mail, faxed, or delivered, to the address, facsimile number to the address specified for notices on the signature page below or to such other address as shall be designated by such party in a notice to the other parties. All such other notices and other communications shall be deemed to have been given or made upon the earliest to occur of (a) actual receipt by the intended recipient or (b) if

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delivered by certified mail, return receipt requested with signature or the intended recipient, postage prepaid; or (c) if delivered by a nationally known overnight delivery service, upon receipt and signature of the recipient. Electronic mail and internet websites may be used to distribute routine communications, financial reports, and other information, and to distribute Loan Documents for execution by the parties thereto.

21. Entirety and Amendments. This Agreement embodies the entire understanding between the parties relating to the subject matter hereof (except documents, agreements and instruments delivered or to be delivered in accordance with the express terms hereof), supersedes all prior agreements and understandings, if any, relating to the subject matter hereof, and may be amended only by an instrument in writing executed jointly by Borrower and Lender and supplemented only by documents delivered or to be delivered in accordance with the express terms hereof. This Agreement may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

22. Parties Bound. This Agreement shall be binding upon and inure to the benefit of Borrower, Lender and their respective successors and assigns. No term or provision of this Agreement shall inure to the benefit of any Person other than Borrower and Lender and their respective successors and assigns; consequently, no Person other than Borrower and Lender and their respective successors and assigns, shall be entitled to rely upon, or to raise as a defense, in any manner whatsoever, the failure of Borrower or Lender to perform, observe, or comply with any such term or provision.

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23. Waiver of Trial by Jury. Lender and Borrower knowingly, voluntarily and intentionally waive the right each may have to trial by jury with respect to any litigation that arises out of or under this Agreement.

THE PARTIES INDICATE THAT THEY HAVE READ THIS MEMORANDUM OF INDEBTEDNESS IN ITS ENTIRETY, UNDERSTAND ITS TERMS, AND AGREE TO BE BOUND BY THEM. THE UNDERSIGNED FURTHER WARRANT THAT THEY ARE AUTHORIZED TO EXECUTE THIS MEMORANDUM OF INDEBTEDNESS.

Signed this 13 day of April, 2017

BORROWER:

1 GLOBAL CAPITAL LLC

By: Darice Kang

Its: Operations Director

LENDER:

Elmore Urban Ernst

By: Elmore Urban Ernst

Its:

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EXHIBIT 13

OS Received 08/16/2021

FL-04148

FISHER_JOHN_20200917

9/17/2020 12:08 PM

Condensed Transcript

Prepared by:

FL-04148

Tuesday, October 6, 2020

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FL-04148-A
1 GLOBAL CAPITAL, LLC)

WITNESS: John Fisher
PAGES: 1 through 165
PLACE: Securities and Exchange Commission
801 Brickell Avenue
Suite 1800
Miami, Florida 33141
DATE: Thursday, September, 17, 2020

The above-entitled matter on for hearing, via WebEx, pursuant to notice, at 12:08 p.m.

APPEARANCES:

On behalf of the Securities and Exchange Commission:
GARY MILLER, ESQ.
ROBERT LEVENSON, ESQ.
801 Brickell Avenue
Suite 1800
Miami, FL 33141
(305)982-6331
ordazm@sec.gov

On behalf of the Witness
RUSSELL DUNCAN, ESQ.
Clark Hill, PLC
1001 Pennsylvania Avenue, NW
Suite 1300 South
Washington, DC 20004
(202)640-6657

C O N T E N T S

WITNESS:		EXAMINATION
John Fisher		5

EXHIBITS	DESCRIPTION	IDENTIFIED
1	Supplemental Information Form 1662	7
145	Letter dated July 30	11
147	Snapshot of CRD information	34
148	Email 3-29-17	49
149	Onboarding agreement	52
150	Email from Mr. Fisher to Ms. Caulkins	45
151	Email from Mr. Fisher to Ms. Caulkins	58
152	FAQ 2/2/17	60
153	Brochure	67
154	3-31-17 investment	78
155	Email from Mr. Fisher to Ms. Caulkins	93
156	Allianz Email	95
157	Form ADV part 2B	94
160	June 5 email	155
161	5-23-18 email	134

C O N T E N T S(CONT.)

EXHIBITS	DESCRIPTION	IDENTIFIED
162	email to Mr. Saoud	130
163	attachment to No. 162	131
164	2-16-18 email	117
165	email with investor	114
171	1-3-18 email	124
172	Emails - Corrie Kundert	127
173	Emails - Corrie Kundert	127
174	12-17-17 email	103
175	6-29-18 email	144
176	July 17 email	144
177	client list	148
178	monthly statement	120
179	presentation	154

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P R O C E E D I N G S

MR. MILLER: So it's 12:08 p.m. Eastern Daylight time on September 17th, 2020. This is a testimony of a witness in Sacramento, California via Webex. My name is Gary Miller. I'm joined by Robert Levenson. We're officers of the United States Securities and Exchange Commission for purposes of this proceeding.

I'm going to swear you in right now, sir. Would you please raise your right hand?

Whereupon,

JOHN FISHER

was called as a witness and, having been first duly sworn, was examined and testified as follows:

THE WITNESS: Yes.

EXAMINATION

BY MR. MILLER:

Q You can put your hand down.

Please state your full name and spell your name for the record?

A It's John Wade Fisher. It's J-O-H-N, W-A-D-E, F-I-S-H-E-R.

Q Excellent. And I will note for the record that you consented to have this testimony conducted remotely via Webex; is that correct?

A Yes.

Q I also note, for the record, you consented to have the oath you just took administered remotely; is that also correct?

A Yes.

Q I'm going to further note that you consented to not record these proceedings in any manner and that the exhibits the staff sent to you and your counsel must be returned to the staff after the testimony is concluded; is that also accurate, you consented to that?

A I didn't know about the returning, but, yes. I certainly will.

Q Okay. You should have received a UPS slip so that you can send it back.

MS. ORDAZ: I will get that to him, Gary. I will get that to him.

MR. MILLER: Thank you.

BY MR. MILLER:

Q This is a investigation by the United States Securities and Exchange Commission in the matter of 1 Global Capital, LLC to determine whether there have been violations of certain provisions of the federal securities laws. However, the facts developed in this investigation might constitute violations of other

federal or state, civil or criminal laws.

Prior to the opening of this record you were provided with a copy of the formal order of investigation in this matter. It will be available for your examination during the course of this proceeding.

Mr. Fisher, have you had an opportunity to review the formal order?

A Yes.

(SEC Exhibit No. 1 was marked for identification.)

Q Excellent. And we also before went on the record showed you a copy of Exhibit 1, which is copy of the Commission's supplemental information form 1662. You were provided a copy of that before we went on the record; is that correct?

A Yes.

Q And, Mr. Fisher, have you had an opportunity to read or review Exhibit 1?

A I perused it. I didn't read every word.

Q Do you have any questions concerning Exhibit 1?

A No, not yet.

Q Okay. And, Mr. Fisher, are you represented by counsel in this matter?

A Yes, I am.

Q Besides yourself and the court -- besides yourself, is there anyone in the room with you?

A No. I'm home alone.

MR. MILLER: And would Counsel please identify himself for the record, state your full name, your firm's name, firm's address and the phone number.

MR. DUNCAN: Good morning. My name is Russell Duncan. I work with the law firm of Clark Hill. We're located at 1001 Pennsylvania Avenue, North West --

THE COURT REPORTER: I'm sorry, Counsel. I'm sorry, Counsel. You're breaking up. I can hardly hear what you're saying.

MR. DUNCAN: Okay. I'll try again.

THE COURT REPORTER: Thank you, sir.

MR. DUNCAN: My name is Russell Duncan. Okay so far?

THE COURT REPORTER: Yes, fine so far.

MR. DUNCAN: I work with the law firm of Clark Hill. Our offices are at 1001 Pennsylvania Avenue Northwest in Washington D.C., ZIP code is 20004. Okay?

THE COURT REPORTER: Yes, sir. Thank you.

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MR. DUNCAN: And let me state for the record that we object to these proceedings to the extent it doesn't comport with SEC form 1662. We reserve all the rights in your SEC 1662.
MR. MILLER: Mr. Duncan, are you representing Mr. Fisher as his counsel here today?
MR. DUNCAN: I am.
MR. MILLER: Do you represent anyone else with regard to these proceedings?
MR. DUNCAN: Don't think I can answer that question.
MR. MILLER: For what reason?
MR. DUNCAN: I don't think I'm under any -- I'm required to tell you who my clients are.
BY MR. MILLER:
Q Mr. Fisher, could you search for a document that's been marked previously as Exhibit 145.
MR. LEVENSON: Gary.
A Yes, I have it.
MR. LEVENSON: Gary? Gary?
MR. MILLER: Yes.
MR. LEVENSON: Before you go in, do you mind if I ask just a couple preliminary things?
MR. MILLER: Certainly.
MR. LEVENSON: Okay.

BY MR. LEVENSON:
Q Mr. Fisher, can you hear me? This is Bob Levenson.
A Yes, I can.
Q Obviously Mr. Miller and, to a lesser extent, myself are going to ask you a series of questions today. If you don't understand a question at any time, please let us know and we'll do our best to rephrase it, okay?
A Okay.
Q If we ask you a question and you answer it, we'll assume that you understood the question and that you're answering it to the best of your ability, okay?
A Okay.
Q Are you -- I think Mr. Miller mentioned to you that -- you know, if you need to go take a break at any time, please let us know and we will try to take a break as long as there's not a question pending, but please understand that the staff controls the record and only the staff can direct the court reporter to go off the record; is that okay?
A Yes.
Q Okay. If -- these questions are -- we ask everybody, so it's -- is there anything going on in your life outside of the testimony today that would

make it difficult for you to devote your full time and attention to the testimony?
A No.
Q Okay. And are you on any medication that affects your memory or your ability to understand and answer questions?
A No.
Q Okay. Thank you. I appreciate it.
A You're welcome.
MR. MILLER: Thanks, Bob.
(SEC Exhibit No. 145 was marked for identification.)
BY MR. MILLER:
Q Do you have the Exhibit 145 in front of you, sir?
A Yes, I do.
Q Excellent. And that appears to be a letter dated July 30th to you care of your counsel. Do you see that?
A Yes, I do.
Q Would you be kind enough to turn to page 3 of Exhibit 145? Let me know when you're there.
A I'm there.
Q Excellent. You see that's a subpoena requesting your appearance?

A Yes.
Q Is this the subpoena to which you're appearing today?
A Yes.
Q Thank you. So I want to ask you some very difficult questions. What's your date of birth?
A [redacted]/1942.
Q And the last four of your Social Security?
A 2452.
Q And your current residence?
A [redacted]
Q And if you give me a little snapshot of your educational background starting with college, I'd appreciate that.
A I graduated from Eastern Michigan University in 1970 with a degree in business management, since then, of course, with -- I have insurance license and securities license, so taken lots of courses, lots of continuing education courses, but no formal degree beyond my bachelors degree.
Q As far as your professional licenses, where are you licensed for insurance?
A In California and I think I'm still licensed in Florida for insurance. I had a client that moved

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there that wanted me to keep -- to continue to work with her, so I think that license is still active.
Q And you mentioned securities license, which securities license you personally hold?
A Series 65.
Q And what does that allow you to do?
A It allows me to counsel and give financial advice to clients. It doesn't allow me to -- you know, to buy and sell stock, but to give advice -- financial advice.
Q So it's fee based?
A Well, I don't charge fees directly, but I -- yeah, it is fee based through -- yes. The answer is yes.
Q Okay. And have any of your licenses been suspended or revoked?
A No.
Q Are you licensed as a registered investment advisor anywhere?
A Yes. I have -- I now have my own RIA firm.
Q What's RIA for the record?
A Registered investment advisory firm.
Q What jurisdiction that place is in?
A California.
Q Any other states?

A No.
Q Okay. I'm going to ask you if you'd be kind enough to look for the next document which is 146.
A Okay. I have it.
Q If you turn to -- first of all, do you know what this document is?
A It has to do with my -- looks like with my -- excuse me -- with my CRD numbers. FINRA registration I guess.
Q Excellent. You may not have seen it in this format, but you're familiar with it somewhat; is that right?
A Yes.
Q Okay. If we can go to -- let's go to page 7 of 9 of 146. So you'll see the page numbers on the upper right-hand corner, sir.
A Okay. I am there.
Q Excellent. Do you see the exam history, so that's the -- that shows when you took the series 65. Does that ring a bell about what happen you took it?
A Let me -- let me see whether that is.
Q In the middle portion of the page, exam history.
A Yes. Yes. That looks like it's when I did 2011.

Q Yeah, exactly. 2011. And if you go couple of notches above that you'll see other businesses. It says LifeCo Insurance Services and Retirement Planning, Inc. investment related, Vacaville, California, insurance products sales and services, insurance agent November 2005; approximately 75 percent of Mr. Fisher's time is spent in this capacity.
So can you say in your own words what that refers to?
A LifeCo Insurance Services and Retirement Planning, Inc. is my S. Corporation and it's the one that -- the corporation is licensed in California for life and health insurance, and so that's where all of the -- any fees, type of commissions, that type of thing go directly to that corporation. I'm a W-2 employee of that corporation.
Q Thank you. If I can turn your to page 4 of 9 of 146 that would be great. Tell me when you're there.
A Okay. I'm there.
Q Let's go the bottom up. Looks like from 2011 until about a year later, 2012, you were with something called Gradient Advisors. What is that?
A They're are an I -- FMO, financial marketing organization.
Q And what does that mean in layman's term?

A As a -- as an insurance agent, you don't get contracted directly with a life insurance company. You go through either an IMO, which is an independent marketing organization or an FMO, which is a financial marketing organization. And they are contracted with the insurance company and then -- so all of the -- but whatever company I'm contracted with through them, they get an override on my business that I write.
Q And is that (audio interruption) -- for insurance?(Court reporter clarification?)
BY MR. MILLER:
Q Is that strictly for insurance?
A Yes. Yes. Gradient was -- yes. Let me think. Insurance for sure. I don't remember. I don't think I had my securities license through them at the time, but I don't remember for sure.
Q Okay. Any reason for termination, why did you leave there and what is Alphastar?
A That was just another -- that's another FMO that I decided to go with that I thought at the time better suited, you know, with the business I was doing. So no big reason. I thought Alphastar may be better.
Q And then you move into something called Silversword Asset Management. Is that a same situation?

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A Yeah. It's a -- actually the Silversword, Kai, the owner of the -- was -- it's a friend of mine and I decided to move my license over under him.
Q What was the gentleman's name?
A Kai, K-A-I. It's Kai. Right now I'm trying to remember his -- I haven't talk to Kai in a few years. I don't remember his last name. I can get that for you if it's important later.
Q That's fine. And then I see your next place you went to was something called Journey Wealth Management Advisors.
What is that and what caused you to go there?
A Yeah. That's a -- that company is owned by Roy Gagaza. And Roy was a colleague of mine through the FMO that I was with or still with Revolution marketing organization. And Roy was sort of my mentor there and since he was my mentor on that annuity -- primarily fixed index annuities I was doing -- we thought it made sense for me to go ahead and have my securities license under him as well.
Q Okay. Explain to us what Revolution is?
A It's also FMO, financial marketing organization. I've been with them since 2014.
Q And -- so Revolution is separate from Journey

Wealth Management Advisors?
A Yes. Journey also at that time was a Revolution agent -- agency.
Q Okay. So I'm getting a little lost in the sauce here.
So is journey a FMO and is Revolution an FMO?
A Revolution is an FMO. Journey is an independent company and Roy -- it's an RIA, registered investment advisory firm, Journey is. Yeah, this stuff is confusing.
Q And is Revolution a organized entity that has any regulatory author- -- or regulated by anyone or is it just a loose confederation of folks that are insurance agents?
A I don't know. I mean it's an FMO like the other FMOs. Yeah, they're regulated I'm sure by -- certainly by the insurance commissioners in each state.
Q Okay. And how did you get involved in Revolution?
A A friend of mine had recommended them to me, Wayne Fisher. No relation. I had known Wayne for years and just talk to him over the phone one day and catching up with each other, and he recommended I take a look at them. He thought that they really fit what I

was doing, which was primarily fixed and fixed index annuities and that's their focus. So Wayne recommended and I so went to visit them and signed up. Still with them.
Q And it looks like -- if we go to page three of 9, it looks like in January 2008 to present you're with Fisher-Caulkins Wealth Management.
A Yes.
Q I assume that's your firm; is that correct?
A Yes. That's my RIA firm. I decided to go with my own RIA firm and so started a -- set up a new corporation which is what the RIA registered people that help me set up recommended that I set up a separate corporation for the securities part. This for the securities business.
Q Okay. And are you still with the Revolution?
A Yes, I am.
Q And who is the people that recommended you set up your own RIA?
A Well -- actually Roy Gagaza was one. As I mentioned, I was an investment advisor representative, IAR, under Roy's RIA and Roy felt it would probably be best if I went and set up mine. He said it's a pretty normal progression for most advisors to some point set up their own RIA firm.

Q Was there any other reason why you left Journey?
A No.
Q Okay. And who is the Caulkins part of Fisher-Caulkins?
A I'm a hundred percent owner. The name Caulkins is a -- Heather Caulkins is an agent that works for me and at the time we had thought that she would eventually get her securities license. She hasn't done it yet, but -- so I decided. And she had done an awful lot of annuity business for the clients. A lot of the clients know her so we thought it made sense to put her name in the corporate name.
Q Okay. So as we've gone through the entities that you've worked for since you've been licensed, none of them is a registered broker-dealer; is that right?
A That's correct.
Q And you're not associated or you're not a registered broker-dealer; is that correct?
A That's correct.
Q Okay. And how -- what kind of dollar-wise assets under management does Fisher-Caulkins currently have?
A Only about $700,000. Not much.
Q And is that under it's own management or does

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that include any advisory relationships where Fisher-Caulkins may avail itself of?
A Actually these are all ETFs, exchange-traded funds, through Cantor Fitzgerald. So Cantor Fitzgerald actually does the managing.
Q I see. And can you ballpark what that number is or no?
A Yeah. That -- they are all -- it's about 600,000. 6 to 700,000; somewhere in that range. Probably -- yeah, around that. No exact dollar amount.
Q Okay. And then if we take a look back at the time that you're with Journey Wealth Management, did you have an opportunity to sell other things or is it just fixed annuities there?
A Well, I did -- that's when I first sold a couple of exchange-traded funds, but the vast majority of my business is fixed and fixed index annuities and it was still at that -- I mean it was at that time and it still is.
Q What other products, if any, did you offer while you were at Journey Wealth Management?
A Well, 1 Global was one and then --
Q I'm sorry. Go ahead.
A Go ahead. Yeah, 1 Global.
Q Go ahead.

A Okay. Yeah, 1 Global and Woodbridge Wealth and then, of course, life insurance as well.
Q And what period to what period did you sell Woodbridge?
A Oh, gosh. Two -- what month? 2016. I don't remember the month offhand until -- let's see. Until like December of 2017. I think that's right.
Q What is Woodbridge Wealth?
A Well, it was a firm that sold -- gosh. How do you describe Woodbridge? It was an investment and basically clients would make loans that Woodbridge Wealth use to purchase property, primarily commercial property.
Q And how did you know about Woodbridge Wealth?
A Through Roy Gagaza.
Q What did he tell you about it?
A Just that he -- that he was offering a product and he recommended that I take a look at it again. I was an IAR under his firm at the time.
Q But you -- (Audio interruption) is that right?
A Oh, yeah, sure.
Q And were you compensated for selling Woodbridge?
A Yeah. Got a commission.

Q How many clients did you put in or customers did you put into Woodbridge?
A I think little over 50, 51, 52, something like that.
Q And how much did that turn into as far as dollar amount invested by the customers?
A Oh, gosh.
Q Ballpark.
A 8 million ballpark.
Q And what was your compensation for those transactions?
A I got a -- the commission was -- it was -- the commission was 3 percent I think. So if there's a hundred thousand-dollar investment, then I get a -- I would get 3,000. It was all through the corporation, not me directly.
Q And did you sell that as a member of Journey Wealth Management?
A Yes. Well, I was under them at the time, yes.
Q Did you need a securities license to sell Woodbridge?
A No.
Q Why is that?
A It wasn't considered a security.

Q Who told you that?
A Well, Roy did, but also in dealing with the firm it wasn't. It was just considered like a second promissory note.
Q And what caused you to sell something called 1 Global Capital?
A Similar. We -- again Roy had recommended that I take a look at them. I had -- vast majority of my business was fixed and fixed index annuities, and my clients on a pretty regular basis asked me if I could offer them some alternative investments other than annuities and in addition to annuities, so felt from a suitability compliance standpoint it would be good if I offered -- if I broadened the choices that my clients had.
Q What do you mean by compliance standpoint?
A Well, it's a -- I didn't wanted -- I didn't wanted -- suitability is very important to me. Make sure that any product that I offer to a client is suitable for that client and it's rearly, I guess probably maybe never suitable, that all the clients' money should be in annuities and so I wanted to have other alternatives for them.
Q So can you describe -- (Audio interruption)
(Court reporter clarification.)

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BY MR. MILLER:
Q Mr. Fisher, can you describe for the record what 1 Global is and when you learned about it?
A I learned about it in -- let me think of the date. It was two thousand -- 2017. Not from Roy Gagaza.
Q And what is 1 Global?
A It was a company that was -- that made small loans advances technically to businesses -- to primarily small businesses and in exchange the businesses would pay them back through collecting their receivables.
Q And was it a security?
A No.
Q How do you know that?
A I mean you guys have determined hindsight that it was a registered security, but at the time it was not. I was told it's not a security.
Q Who told you that?
A Well, the first who person told me, I went down -- before I started offering it, I went down to Florida and spent two days meeting with all of the 1 Global employees and including the corporate attorney at the time. And I actually -- I specifically ask him how they had settled on nine months as the term for

these promissory notes and he said it's because they did not want to register it as a security because it wasn't.
They had made it a year -- a one year or longer and at that point they would probably have had to register it as security and they didn't want to do that because they wanted to offer it to more than just securities licensed agents.
Q What was the name of the attorney?
A I don't remember offhand. I met virtually every manager in the company at the time. I could find it at some point, but I don't remember offhand.
Q Was he an older gentleman?
A Like older, how old?
Q Well, was his name Dale Ledbetter?
A No. No.
Q Jan Atlas?
A I don't -- I really don't remember. Even if you told me I wouldn't remember right now.
Q Okay. So it could have been Dale Ledbetter?
A No, it was not. I know Dale. It was not Dale.
Q How do you know Dale?
A He was associated with 1 Global. Dale is an attorney, but he wasn't -- I don't believe he was an

employee. I think he worked with them I think like in an advisory role. And Dale -- when I went to Florida, Dale -- I met Dale and another employee, had dinner with them and they introduced me the next day to the employees at 1 Global.
Q Did you go by yourself?
A Yes, I did.
Q And when about did you go there?
A I think it's April 2017. I think like end of April.
Q Do they give you -- this person or anyone at 1 Global, did they give you anything in writing to show you that they had an attorney opinion that said this wasn't a -- considered a security?
A No, I don't think so.
Q To this day, have you ever seen an opinion letter or received an opinion letter regarding that?
A No.
Q Did you seek out, you know, going to an attorney, hiring your own attorney, asking whether or not they could opine whether or not it was security?
A No. Didn't have any reason to believe it was.
Q Okay. And so how much of 1 Global did you offer and sell to customers?

A As far as dollar amount?
Q Yes, sir.
A Well, I don't know how much we offered. How much we sold was a little over 9 million.
Q That's you personally?
A No. That was Heather. Heather and me as far as the -- you know, Heather and I both are employees of LifeCo and then -- so Heather and I were the agents that actually offered it to clients.
Q Okay. And what was the breakdown there? How much did you sell and how much did Heather sell?
A I don't know off the top of my head.
Q Ballpark.
A She probably -- her commissions were I would say half. I would say she sold about half, ballpark.
Q So about 4.5 a piece?
A Yes, ballpark.
Q And how many customers did you sell to?
A I don't know offhand.
Q Ballpark.
A 20, 25 maybe.
Q And were they only one state or they were in multiple states?
A No. They were all in California.
Q So during the time that you're selling 1

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Global, you started that when you were over at Journey Wealth; is that correct?
A Yes, correct.
Q And did you continue through your time at your own firm, Fisher-Caulkins?
A No. I formed -- I think I have these dates right. I formed Fisher-Caulkins after we stopped offering 1 Global when they declared bankruptcy.
Q Okay. 'Cause it shows on your CRD that you formed Fisher-Caulkins on January 22nd, 2008 -- 18. I'm sorry.
A Right.
Q So you think they declared bankruptcy then?
A Yeah. I don't remember the date. I'm not sure. There might have been some -- but Fisher-Caulkins -- all of the 1 Global business was through the LifeCo. None of it was through Fisher-Caulkins.
Q Okay. Did you continue -- what period of time did you continue through LifeCo or any other entity to sell 1 Global?
A Well, I think they declared bankruptcy like in July, I think it was, of 2018, but we stopped offering it I would say February, something like that.
Q Of 2018?

A Yeah, I guess.
Q Why is that?
A Why what?
Q Why did you stop offering it?
A Well, I didn't have any real concerns about it, but because Woodbridge had been, you know, a real wrenching issue when they declared bankruptcy, I just decided that I was never going to offer anything that wasn't insured again and decided just to not.
I was -- personally I was almost suicidal after Woodbridge just because I was so worried about my clients and then -- so when that happened I decided -- and my daughter, Shelby, said, dad, Woodbridge almost killed you, so we -- I think we should just stop offering it. We don't -- not that we felt there's any issue with it, but decided to just stick with insured products.
Q So -- just so I can get this correct, did you ever sell Woodbridge through Journey and/or Fisher-Caulkins or was it only through LifeCo?
A Always through LifeCo.
Q And what else did LifeCo sell? Insurance?
A Insurance and annuities.
MR. LEVENSON: Gary, I just want to clarify something.

Gary, I want to clarify something. You asked him if he ever sold Woodbridge through anything other than LifeCo, I don't think you meant 1 Global or not.
MR. MILLER: I did mean 1 Global. Sorry.
A Yeah. LifeCo only, yeah. Nothing has ever been sold other than exchange-traded funds with Fisher-Caulkins. All my business has always been through LifeCo ever since I incorporate.
BY MR. MILLER:
Q So that's 1 Global and Woodbridge, correct?
A That's correct.
Q So what were your expenses in wanting LifeCo when you were -- you know before you got into selling 1 Global?
A What were my expenses? I don't understand the question.
Q To run your firm, to run your business.
A For what period.
Q For the period before you started to market 1 Global, but after -- but just say from 2016 to 2017.
MR. LEVENSON: Gary, can I ask a different question?
MR. MILLER: Sure.
BY MR. LEVENSON:

Q Mr. Fisher, I guess -- related to the expenses -- I'm sorry. This is Bob Levenson. I'll turn on my video.
Did you incur any expenses, the typical -- you know, I understand you had expenses like rent, utilities, you know, insurance, payroll, those kinds of things. When you were -- during the period when you were selling 1 Global, did you incur any expenses -- additional expenses in those areas specifically because of 1 Global?
A Yes.
Q Could you kind of go through what those were if they were specifically, you know, cause your extra expense because of selling 1 Global?
A Well, let me answer it this way. Specifically there's a couple of areas, but, you know, my business -- certainly a portion of my regular business was because I had to, you know, sell and service 1 Global. So it's difficult to say exactly what.
I can give you two specific. Heather Caulkins' commission was about $52,000.
Q Right.
A That's one. And then we did some -- we did some -- my business from -- you know for a long time

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has been almost exclusively marketed through dinner seminars or dinner client events. So we did some client events specifically to introduce 1 Global and so those are two expenses that I can give you that are direct.

And, of course, I had -- going down to Florida and then again attorney's fee. Those were some areas right there.

Q Were these after 1 Global went bankrupt?

A Yes.

Q Okay. Not before?

A Correct.

Q Okay. But, for example, in the hiring table, did you hire anybody extra to do any work specifically because you were selling 1 Global or you were just paying the people that you were paying before you started selling 1 Global?

A That's a good question. Yeah, we did end up hiring another office person in Vacaville that was partly a result of the extra -- you know, extra volume of business from 1st Global.

Q And who was that that you hired?

A Well, Sierra. Gosh. It's actually Heather's niece.

Q Okay.

A Sierra is her first name, I can't think of the name. She's not with us now, but --

Q Okay. And her primary -- you hired her to handle -- what extra work or what work about 1 Global did you hire her to do?

A Well, she was hired for, you know, just overall volume of the business, but during that period 1 Global was gone, it was -- I don't know the exact percentage, but probably 20 to 30 percent of our total business.

Q Okay. What was she doing -- what work was she doing that involved 1 Global?

A She was -- would process all of the applications.

There is a -- there was fair amount of paperwork involved with the application and then getting signatures. You know, just typical administrative work.

Q Okay. Other than her, any other expenses you can think of that you incurred directly from the -- you know, adding 1 Global with the portfolio of business that you had?

A Not directly the way you're asking.

Q Okay. I understand it was a percentage of your business, but other than that, that's all

specifically tied to 1 Global?

A Yeah, right now off the top of my head.

Q Okay. That's all I have. Thank you.

(SEC Exhibit No. 147 was marked for identification.)

BY MR. MILLER:

Q Can you turn to Exhibit 147, Mr. Fisher.

A Okay. I have it.

Q You recognize this document?

A That's a snapshot of my CRD information, yes.

Q Can you go to page 3 of 8?

A Okay. I'm there.

Q And this is -- talks about Fisher-Caulkins Wealth Management; is that right?

A Yes.

Q And you're listed as the president and chief compliance officer; is that right?

A That's correct.

Q When did you start as the chief compliance officer?

A Well, as soon as we -- as soon as I formed the company.

Q And in that capacity, what do you do as compliance officer?

A Well, it's -- you know, with an RIA you have

reporting to do and, you know, of course, just from a, you know, suitability and that type of thing. I mean I was also the only one in the company that had a securities license, so it's like it's, you know, compliance on myself. It's not like I had to deal with anyone else other than myself.

Q And did you -- in your role as chief compliance officer, did you do any due diligence on any of the products you were considering selling?

A Yes.

Q Did you do any due diligence on 1 Global?

A Yes, I did a lot.

Q Tell us what you did.

A Well, the first thing I did was go to Florida and spend two days, met with everyone. I think met literally every manager and a lot of the employees. So that was a big part of it. And then -- you know I -- of course I Googled to see if there's any information I had that would -- and anything negative and there wasn't.

And then I had a colleague that was with Revolution also at the time and he actually sent -- this is right maybe a month or so after I went to Florida.

He sent a representative and spent several

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days there doing what I did plus actually meeting with their customers.

This guy was a -- sort of a forensic accounting person. And he came back and told my colleague that he thought it was very solid and saw no issues whatsoever. So that was two of the major things we did.

Q Okay. Part of this was Google and then someone from the Revolution; is that right?

A Yes, plus myself. Again, I went too. I went first.

Q Okay. So with the Florida visit, did you take any notes?

A Yes.

Q Do you still have the notes?

A Yes.

Q Did you produce them to the staff of the SEC?

A Yes. I produced everything I had.

Q Did you produce your handwritten notes?

A As far as I know. If I had handwritten notes, SEC certainly got them.

Q Were they typed written?

A I don't know. But I'm sure I typed up some notes when I got home, but I don't know exactly.

Q And you believe that they were produced to

the staff of the SEC?

A I produced everything I had to the SEC.

Q And then as far as the Google searches, can you describe that?

A Yeah. Just go and Google 1st Global and pull up anything.

There was, you know, just basic information about them. When you Google the company you get a lot of their own marketing stuff, of course, and then the Better Business Bureau had them A plus rated.

Q And then explain who these people are behind the Revolution or associated with Revolution that also you alluded to?

A I couldn't -- I can't give you his name. That wouldn't be right.

Q What's his name, sir?

A No. I can't give you his name. I don't have his permission to give you his name.

Q Is it Trae Wieniewitz?

A No.

Q Chris Dantin?

A I can't give you it. You can keep giving names, I won't -- I can't -- you understand, right? I can't give you the name of someone without their

permission.

Q You understand that you're under subpoena, right?

A Yes, I sure do.

Q This is not a valid objection. I need to know what the person's name is?

A I'm not giving it to you. That absolutely would be unethical for me. I need to take a break.

MR. MILLER: It's 12:58 p.m. Eastern standard -- Eastern daylight. Off the record. Five-minute break.

(Thereupon, a brief recess was had off the record, after which, the following was had.)

MR. MILLER: It's 1:03 p.m. Eastern daylight time on September 17th, 2020. We're back on the record.

Counsel, I understand you wish to say something.

MR. DUNCAN: Yes. I discuss this matter with Mr. Fisher, he had some ethical concerns with the question at this time. I need to explore this with him further. Let me suggest that I think we're going to be able to meet the staff's request and provide you the information, but let's do it at another point.

BY MR. MILLER:

Q Okay. And before we leave that subject, Mr. Fisher, I just wanted to remind you that you are a registered securities person; is that correct?

A Yes. I have a Series 65.

Q And you are declining to answer a question to the staff of the SEC pursuant to the subpoena; is that correct?

A My attorney just told you what we're going to do.

Q I'm asking you --

MR. DUNCAN: Yeah. I don't think it's a -- I don't think -- I don't know what you're trying to do here, but I've already suggest that we're going to resolve this issue, so nothing further. Let's try that and if it work, you go back on the record and put on the record whatever you need.

BY MR. MILLER:

Q Well, I'm asking you the question now, Mr. Fisher. Are you declining at this point to answer the staff question?

MR. DUNCAN: So I'm going to instruct Mr. Fisher on advice of counsel not to answer the question at this point until we look at the issue further and determine whether there's an issue of

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privilege that needs to be met here and at that point we'll attempt to accommodate the staff.

BY MR. MILLER:

Q Mr. Fisher, let's step back for a moment here. Have you ever been named as a defendant or respondent in any action brought by the SEC?

A No.

Q Have you ever been named as a defendant or respondent in any action brought by any federal or state securities agency or any other federal agency?

A No.

Q Have you ever been named as a defendant or a respondent in any action brought by my stock exchange or FINRA?

A No.

Q Have you been ever named as a defendant in any lawsuit or arbitration related to the securities laws?

A No.

Q Have you ever been the subject of any disciplinary action by the SEC or any federal agency, any state agency, any self-regulatory organization, for example, FINRA?

A No.

Q Have you ever had any customer complaints

filed against you?

A No.

Q And outside of your attorney, have you spoken with anyone about this investigation?

A Yes.

Q And who was that?

A My fiance.

Q What did you tell her?

A I told her that I was going to be doing a testimony with you guys today.

Q Anything else?

A No.

Q Okay. So without naming the person from the Revolution, what did that person do in order to tell you their opinion on 1 Global as an investment?

MR. DUNCAN: I think he's answered that question already. If he needs to -- (Audio disruption.)

(Court reporter clarification)

MR. DUNCAN: I said that I know he's answered that question already, if the staff needs for him to answer again, Mr. Fisher can give it to him again.

A He was a colleague of mine after Revolution.

BY MR. DUNCAN:

Q He asked you what did that person do to assure you that 1 Global was a fine product.

A Oh. Yeah. He had told me about the person that he sent down to Florida to investigate them.

BY MR. MILLER:

Q And are you willing to tell the staff what that person's name was?

A I don't know that person's name.

Q Did you receive anything in writing from either of those folks?

A I don't remember.

Q Can you say in your own words what they told you about 1 Global that gave you confidence in doing it?

A I don't remember exact wording, but just basically that they felt very confident that it was a good business and a good business model.

Q So -- and please jump in here if I get any of this wrong.

So your personal due diligence was to travel to the home office of 1 Global and meet with the personnel there; is that correct?

A Yes.

Q During that visit you took notes; is that correct?

A Yes.

Q During that visit did they give you documentation regarding the firm?

A Yes.

Q Did that include their audited financials?

A No.

Q Did that include any financial statements?

A I don't remember.

Q Did they have any financial statements?

A I don't know.

Q Did you ever know?

A I mean I -- more copies of financial statements, but not specifically.

Q I'm sorry. I didn't get that.

A No. The answer is no.

Q What documents did they give you, if you can recall?

A Resumes on the named managers, I had their marketing material, brochure, that type of thing.

Q Anything else?

A Not that I recall.

Q And then you did your searches on Google and other electronic means; is that right?

A Yes.

Q And that you had this information from the

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unnamed person from Revolution who sent another person, whose name you don't recall, down to 1 Global and they reported to you; is that right?
A No. I don't know that person's name. So not by recalling. I don't know.
Q Okay. So -- but those three source is the totality of the due intelligence you did on 1 Global?
A No.
Q What else did you do?
A Well, first of all I constantly Google it just to make sure that -- to find anything about them to stay on top of it.
Q What else?
A I don't know what else I could have done.
Q I'm not asking you that. I'm asking what you did do?
A Nothing else I can think of.
(SEC Exhibit No. 150 was marked for identification.)
Q Okay. Let's -- I want to direct your attention to Exhibit 150. Somehow we are a little out of order, I apologize for that.
MR. LEVENSON: Gary, can I ask a follow-up question before we get into that exhibit?
MR. MILLER: Sure.

BY MR. LEVENSON:
Q Mr. Fisher, can you hear me okay?
A Yes.
Q You indicated that the person from Revolution reported back or told you that 1 Global -- when Mr. Miller asked you what information he gave you regarding whether 1 Global was a -- you know, was offering a security, you said he told you that it was a good business model. Did he tell you anything else specifically relevant to any other information to whether, you know, 1 Global was offering a security or not?
A I don't remember.
Q Okay. Thank you.
MR. MILLER: Thanks, Bob.
BY MR. MILLER:
Q Mr. Fisher, do you have Exhibit 150?
A Yes.
Q Excellent. Can you take a moment to look at it and let me know when you're ready to answer a couple of questions about it.
A Okay. I read it.
Q Can you describe for the record what this document is?
A It was an e-mail from myself to Heather

Caulkins after I heard about 1st Global from Roy Gagaza.
Q Okay. And -- so going through the bottom of the first page of Exhibit 150 upwards -- and obviously I apologize that my name is on here in the upper left hand column. It just was my attempt to print it out, so obviously that wasn't on the document that you saw originally; is that right?
A Is what right? What's the question?
Q In the communication my name was never on your communication with Heather Caulkins or anyone; is that right?
A Yeah, I assume that wasn't.
Q So on March 28 you're having a conversation, and this is sent by you to Heather Caulkins, and you said, "I haven't had a chance to go through it in detail yet, but will today and will probably at least mention it tonight in the event."
What event was it?
A I don't remember what the event was. I would assume -- well, it was some dinner seminar of some type.
Q Okay. So that seminar, what was the subject matter in general if you recall?
A I don't recall.

Q What were you -- what were you selling or offering folks when they went to dinner events back in 2017 prior to hearing about 1 Global?
A I didn't sell anything.
Q What were you discussing as far as any investments or opportunities, or clients to allocate money at these events?
A It was retirement strategies which included fixed index annuities.
Q Okay. And how many folks attend those -- typically attended those events?
A The range would be 30 to 40.
Q And those are existing customers, existing clients? Are they a mixture of prospects and existing folks?
A A mixture.
Q And then Heather writes back to you, "Well, sounds great. Definitely not clear on exactly how it works, but I'll read through as much as I can before tonight. Will be here early so we can go through the presentation for tonight -- excuse me. Will you be here early so that we can run through the presentation for tonight together." What presentation?
A The presentation we will be doing that night.
Q And then you wrote, "This is really exciting.

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Can't wait to tell you more about it."
And when you say this is really exciting, are you speaking of 1 Global?
A Yes.
Q What made it exciting to you?
A The opportunity to offer a product, an alternative investment to clients.
Q And then Heather writes, "Awesome. Can't wait to hear all about it. I have a couple people right now who this program will work out really great for if it's what I think it is."
Can you give us any color as to what she meant as to what I think it is?
A I had given her just an a overview of it and that it was an alternative investment for clients and I described it briefly to her.
Q And when you say alternative, alternative to what?
A To annuities.
(SEC Exhibit No. 148 was marked for identification.)
Q Okay. If you'd be kind enough to -- I'm done with that exhibit. If you'd be kind enough to pick up Exhibit 148.
MR. LEVENSON: I have a follow-up question,

Gary.
MR. MILLER: Sure.
BY MR. LEVENSON:
Q Mr. Fisher, when you said -- when Gary asked what excited you, you said it was an alternative investment. Was there specific facets or aspects of this particular alternative investments that you were excited about?
A I don't remember.
Q Okay. Thank you.
BY MR. MILLER:
Q Do you have Exhibit 148, sir?
A Yes.
Q This is an e-mail that appears to be from the bottom to the top March 29th, 2017 through March 30th, 2017. I'm going to ask you some questions, just tell me when you're ready after reviewing this document if you'd like, when you're ready to talk about it.
A Okay.
Q Okay. So we start from the bottom and Roy Gagaza is writing to something name Darice, do you know who that is?
A Yes. She was a manager at 1st Global.
Q And you write directly to Darice, "Hi, Darice. I'm anxious to get started as several clients

including myself, are ready to move money. One client has $400,000 ready to move, so I would like to get the necessary documents to move forward as quickly as possible."
Which client was that and why were they ready to move 400,000?
A I don't remember.
Q Do you know whether or not 400,000 was a small amount of money for that person or a large amount of money?
A I don't remember.
Q Did you take the size of the investment for the clients or do they pick it themselves?
A They always pick it themselves.
BY MR. LEVENSON:
Q Mr. Fisher, when you said you don't remember, you don't remember who the client was or you don't remember why you were excited about or had 400,000.
A Both.
Q You don't remember who the client was?
A I don't remember the client.
Q Okay. Thank you.
BY MR. MILLER:
Q In Exhibit 150 we just looked at, you said you were excited and now you said you're anxious. What

caused you to be so interested or excited and anxious about this product?
A The alternative for my clients.
Q Anything else?
A No.
Q Okay. And then if you take a look at your e-mail to Mr. Gagaza, it says "cc" and there's two names there; one is Trae Wieniewitz and another one is C. Dantin. Who are those folks?
A Trae Wieneitwitz is a -- was a another colleague at the Revolution. And who is the other one you're asking?
Q C. Dantin.
A Dantin Financial. I don't remember who that is.
Q Okay. And I don't think I have anymore questions on 148, so if we could, let's turn to 149.
A Okay.
Q This is a little longer document, if you could tell me when you're ready to answer some questions, I'd appreciate it.
A Okay. I'm ready.
(SEC Exhibit No. 149 was marked for identification.)
Q Okay. Exhibit 149, do you recognize it?

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A Yes.
Q What is it?
A It's the initial onboarding agreement with 1 Global.
Q And is that your signature on page 3 of Exhibit 149?
A Yes.
Q And that's in your capacity as what with LifeCo Insurance Services and Planning -- Financial Planning?
A The president.
Q And do you see the name of the chairman underneath the left? Who is that?
A Looks like Carl Ruderman.
Q Have you ever met him?
A Yes. I met him when I went down to Florida.
Q Did he say anything about the company to you?
A I don't remember. I'm sure he did, but I don't remember.
Q Okay. And pursuant to Exhibit 141, it looks like there's some remuneration that's discussed in the third full paragraph.
Were you paid 4 percent per year on moneys that were invested?
A Yes.

Q How did that work?
A Well, when they -- when -- I'm not sure how it worked and I'm not sure of the question.
Q Sure. Let me rephrase. So if you had a customer like the one that was going to invest 400,000 or was interested, on the other exhibit we say was 400,000. Let's say they did invest the 400,000, would you receive 4 percent of the 400,000?
A Yes.
Q And did you receive that amount on the investment?
A I don't remember who the client is, so I don't know.
Q No. I'm just saying in general. So you received 4 percent for the amount -- based on the amount you sold; is that right?
A Yeah. If I remember right, it was 3 percent up front and then at the end of the nine months, it was the additional 1 percent. I think that's how it work.
Q Okay. It does say 4 percent per annum. So did they split it that way, sir?
A I'm sorry. I don't understand split. Ask again.
Q Sure. Was -- so in an example where there's a hypothetical 100,000-dollar investment into 1 Global,

did you receive 3 percent of that amount initially and then 1 percent after one year?
A Yes.
Q And what is that renewal fee? Is that the same arrangement?
A The renewal fee? Not sure what you mean.
Q So the next sentence if you look towards the bottom of the third paragraph, "In the event that such financing procured by the affiliate" -- and I guess you're the affiliate by definition -- "is renewed by lender for a subsequent term, a fee shall be generated and deemed payable to the affiliate by the company, which is 1 Global, in the sum of 4 percent per annum of any money secured by such renewal."
So did you also receive 4 percent if your clients decided or your customers decided to renew?
A Yes.
Q Okay. And tell me about that. Did your customers in 1 Global renew?
A Some did.
Q Did you help them in that decision-making process, advise them?
A No.
Q They just decided on their own?
A Yes.

Q And were you also receiving a fee for 1 percent override fee from any other agency you recruited?
A I was receiving a 1 percent from I think 3 agents.
Q Who were they?
A Bret Johnson, Leon Hays and Bill Saoud. I think they were the three.
BY MR. LEVENSON:
Q Do you have any idea what percentage at all of your clients renewed after nine months versus not?
A Not right off the top of my head, no.
Q Okay. Do you know if the majority renewed?
A No. I would say majority did not.
BY MR. MILLER:
Q And as far as Bill Saoud, how do you spell his last name?
A S -- let me see. S-A-O-U-D.
Q Okay. So did you refer Mr. Saoud to 1 Global?
A Yes.
Q Why?
A 'Cause he ask to be. He's a colleague. Friend of mine. He was with Revolution at the time. I told him about it and so he asked me. I basically gave

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him their number to call.
Q And did you review 1 percent on all of the sales effected in 1 Global by Mr. Saoud?
A Yes.
Q Approximately how much money did you receive based on Mr. Saoud's production?
A I don't remember.
Q Is that laid out anywhere in any of your financials?
A Yes.
Q Or LifeCo?
A Yes.
Q And is that the same situation for Mr. Johnson?
A Yes.
Q And what was the third person's name?
A Leon Hays.
Q And did you receive a 1 percent override for Ms. Caulkins production?
A No. No. She was just an employee of mine.
Q So did she received the 4 percent?
A No. She received a percentage. Heather is straight commission and she gets 30 percent of anything I do, so, no. She did, but I didn't get anything extra. So, yeah. I paid -- the company paid her 30

percent.
Q 30 percent of the 4 percent?
A Yes.
Q Okay. So in our hypothetical 100,000 that would generate up front $3,000 of fees and then after a year would turn into 4 percent -- 4,000, she would receive $1,200 in that situation?
A That sounds about right.
MR. MILLER: Bob, do you have any more questions on this document?
MR. LEVENSON: No. No, I don't. Thanks.
(SEC Exhibit No. 151 was marked for identification.)
BY MR. MILLER:
Q Okay. Let's move on, sir, to Exhibit 151. Tell me when you've had an opportunity to review 151, I'm going to ask you a couple questions on it.
A I'm looking at it right now. Okay. I've looked at it.
Q Do you recognize what's been marked as Exhibit 151?
A Yes.
Q What is it?
A It's a -- it's an e-mail from me to Heather Caulkins about setting up the -- basically the

administrative system for 1 Global.
Q And there's other names on the to list. Who is Shelby Fisher?
A That's my daughter. She's a --
Q Go ahead.
A She is a licensed agent and also my office manager.
Q And when you say licensed agent, do you mean an insurance agent?
A Correct.
Q And I'm going to butcher her last name, so please help me with Bobbi's last name?
A Schotsal. Schotsal.
Q Who is she?
A She was my office manager in Sacramento at the time.
Q Does she still work for you?
A No.
Q And when did that take place?
A When did what take place?
Q That she no longer works for you?
A Let's see. She left I think it was in January of this year.
Q For what reason, if you know?
A She got an offer for a 10-dollar an hour

raise.
Q Okay. And Sierra Whitney, is that the woman you were referring to and you couldn't recall the last name in Vacaville?
A Yes, it is.
Q Excellent. So in Exhibit 151 you'll see that there's number of attachments that are referenced, we'd be all day to go through all of them. So it's fair to say that you are directing your staff in Exhibit 151 to download these documents and put them in a appropriate binders; is that correct?
A Yes.
(SEC Exhibit No. 152 was marked for identification.)
Q So I'm done with Exhibit 151. If you'd be kind enough to grab 152, perhaps we can take a look at that.
A Okay.
Q And on Exhibit 152, have you ever seen this document before?
A Yes.
Q I'm going to ask you some questions on it. Do you have -- would you like a couple minutes to take a look at it to refresh yourself before I ask you questions or you're ready to go?

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A I think I'm ready.
Q Okay. And if we -- and I apologize to do this, but if we take a look back on Exhibit 151, is this one of the documents that are listed as an attachment to 151?
A Let me take a look. I'm not sure.
Q May I help you?
A Sure.
Q Is the FAQ 1st Global updated 2/2/17?
A That's it. That's it.
Q Okay. So you received Exhibit 152 as part of the e-mail you sent on March 31st, 2017, it's reflected in Exhibit 151; is that correct?
A Yes.
Q What did you do with Exhibit 152? Did you read it?
A Yes.
Q Did you have any questions on it?
A When I first read it you mean?
Q Yes, sir.
A I don't remember.
Q And is this before or after you went down to Florida?
A This would have been before.
Q And did you use Exhibit 152 to present 1

Global Capital to prospective investors?
A Yes, I believe we did.
Q When you say we, who is the we there?
A Myself and Heather.
Q Were you with -- were you present with Heather when you sold this?
A When she did what? When she sold this? What do you mean when she -- when she sold 1st Global?
Q Yes, sir.
A Sometimes.
Q Okay. And what aspects -- how -- strike that.
Walk me through how you used Exhibit 152 in describing 1 Global Capital to prospective investors?
A Just be part of the material that I gave them to get an understanding of what it was and how it worked.
Q Did you sit down with them and go through these items? It's not very many.
A Yes.
Q What did you highlight?
A I don't remember highlighting anything one way or the other.
Q How about number 2?

A How about it? What about it?
Q Was that attractive?
A To the client you mean?
Q To you.
A I suppose. Again, this was used. I didn't pick out anyone of these. These were typical questions and answers, frequently asked questions that people had asked that they published.
BY MR. LEVENSON:
Q Did you specifically review number 8 with your clients?
A I don't remember.
BY MR. MILLER:
Q Was number 8 one of the reason why you were enthused and -- excuse me -- excited and anxious about this product?
A I don't remember why I was excited exactly.
Q Was -- how did double digits seams as far as annual returns, how did that equate to the annuity market where you were presenting annuities to customers in March of 2017? Was it higher or lower?
A It depends. It could be the same. Could be higher, could be lower. There's no one answer for that as far as an annuity goes. Annuities can make as much as 18 or 20 percent.

Q Depending on how the underling stock market does?
A Correct.
Q And they could also lose money?
A No. I never sold variable, only fixed.
Q Got it. What were CDs offering at that time? Do you know?
A I don't know.
Q Was it double digit teams?
A CDs?
Q Yes.
A I don't know. I doubt it. I have no idea.
Q Got it. And what is a syndicate partner?
A That's the investor.
Q Got it. And then if we take a look at the second page, was there anything there that gave you comfort in the investment?
A Yes.
Q Which was it?
A Several things.
Q Can you tell us which ones?
A Well, one I would say in particular was number 11 and that's one of the things that I talk to them about when I went to Florida, was the fact that they only accepted one out of ten applicants.

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Q Okay. Anything else?
A No.
Q But you said several things, so is there any others?
A Not particular.
Q How about 14; was that important to you?
A Yeah. They were all important.
BY MR. LEVENSON:
Q What about 14 in particular? Did it gave you -- was it important to you that there was an external accounting firm validating Syndicate Partner portfolio performances and balances quarterly?
A Yes.
Q And why?
A Well, the fact that there was an external firm, just extra security I guess.
Q Did you know who the external accounting firm was?
A I don't remember. I did at the time. I don't remember who it was offhand.
Q Do you remember the firm Daszkal Bolton?
A I don't remember who it was.
Q Okay. You don't know if that's the firm referred to in number 14 here?
A Yeah, I don't know.

Q Okay. Did you ever take to anyone at 1 Global any further about the Statement in number 14 to talk about what that meant, you know, validating Syndicate Partner portfolio performances and balances?
A I don't remember.
Q You don't remember if you talk to anyone about it?
A Correct.
Q Okay.
BY MR. MILLER:
Q Did you ever speak with anyone at Daszkal Bolton?
A No.
BY MR. LEVENSON:
Q Did you ever spoke to anyone at whatever accounting firm this is referring to since you said you don't know whether it's Daszkal Bolton.
A No.
BY MR. MILLER:
Q Do you know what the statement means, "an external accounting firm validates Syndicate Partner portfolio performance and balances quarterly"? Do you know what that means?
A Yes.
Q Can you describe it in layman's terms?

A I don't know how more to clear to make it. It's an external firm that validates their financial statements.
Q And did you ever see any evidence of that validation?
A No.
BY MR. LEVENSON:
Q Did you ever ask 1 Global for any written validation or anything that the external accounting firm had prepared.
A I don't remember.
Q That 1 Global will provide you -- well, never mind. You answered that question. Okay.
(SEC Exhibit No. 153 was marked for identification.)
BY MR. MILLER:
Q Mr. Fisher, if I can turn your attention to Exhibit 153, I'd appreciate it.
MR. LEVENSON: Gary, can I ask one question about 152?
MR. MILLER: Sure.
BY MR. LEVENSON:
Q Mr. Fisher, if you had known at the time you first saw this or at any point when you were offering and selling 1 Global that that statement, number 14, is

false, that there was not an external accounting firm validating Syndicate Partner portfolio performances and balances quarterly, would you have continued to offer 1 Global?
A No.
MR. DUNCAN: You're asking him to speculate. Is that the purpose of your question, Robert?
MR. LEVENSON: I'm sorry. I didn't hear you, Russell.
MR. DUNCAN: Yeah. You're asking him to speculate as to what he might have done if he had known something back then, do I understand your question?
MR. LEVENSON: That's your way of putting it, but I think you understood the question and I think he understood it because he answered it.
MR. DUNCAN: Okay. So my question is, you were trying to ask him what he would have done if he had known something that he didn't know; is that correct?
MR. LEVENSON: I asked a question and he answered it, I'm done with that.
MR. DUNCAN: Okay. Just so the record would reflect that's what Mr. Fisher did.

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BY MR. MILLER:
Q Mr. Fisher, do you have Exhibit 153?
A Yes.
Q Excellent. And then we'll go through this exercise very quickly. If I can impose on you to go back to Exhibit 151.
A Okay.
Q Is this one of the attachments you received?
A Yes.
Q Excellent. All right. What is Exhibit 153?
A It's 1st Global's brochure.
Q And did you use this at all in -- strike that.
Did you read this when you received it?
A Yes.
Q And did you use it in any manner when you presented 1 Global as a investment alternative to prospective investors?
A Yes.
Q How did you use it?
A Gave it to everyone that was considering 1st Global.
Q When you say gave it no them, did you go through the document with them or just mailed it to them, or hand it to them?

A No. I went through it.
Q Were there items in there that you highlighted to them?
A I don't remember. I went through the entire brochure, so I don't know that I highlighted anything in particular.
Q Okay. Can I ask you -- and apologize in advance. Can you ask you to go back to Exhibit 152?
A Okay.
Q On 152, is there any mention about risk factors of the investment?
A Let me see here. I would say number 11 probably.
Q And that's a risk factor for the investor?
A Yes. This shows the amount of merchants that didn't qualify.
Q Okay. But does that -- how does that equate to a risk to an investor? I don't understand.
A I don't know. It's -- did you ask if I just -- the whole -- this is a frequently asked question from 1st Global.
Q But what my question is is that, is there anything on there that tells a prospective investor what their risk is of losing their money in 1 Global?
A No.

Q So let's go back to Exhibit 153.
Did -- on the first page it says at the bottom of it, "In exchange for providing funds to 1 Global Capital, we are offering competitive and fixed returns secured by the funding portfolio itself." What does that mean in layman's terms?
A Well, that they -- that their returns would be competitive with other products.
Q What other products?
A Well, I mean I don't know exactly what whoever wrote the brochure was referring to specifically.
Q Well, did you -- in doing your discussions with your prospective clients and customers, did you compare this to stock market returns? Did you compare it to CDs? Did you compare it to treasury? Did you compare it to bonds?
A I don't remember. We compared it to annuities I would guess.
Q And did you think that 1 Global was a good investment?
A Yes.
Q And how did you express that to prospective customers that you thought it was a good investment?
A Well, it is a I guess short-term, 9 months.

We want to make sure the money wasn't tied up and that the historical returns had been solid.
Q Anything else?
A Probably. This is 3 years ago, so I don't know.
Q Sure. And what is the next part of it, fixed returns secured by the funding portfolio itself? What does that phrase mean?
A I was told that when a merchant signed to get an advance from 1st Global, that they signed a UCC1, which -- and that they agreed that the accounts receivable was what's pledged to 1st Global.
BY MR. LEVENSON:
Q Who told you that?
A The people at 1st Global.
Q Can you be more specific as to who?
A All of them. I mean that's -- that was the -- that is the business model.
Q I understand, but can you name specific people who told you that?
A I don't know names. Again, I met -- while I was there I met with all of the managers and that was -- that's what was discussed. I actually met with the accounts receivable manager for the company and I think he was the one that first described that to me.

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Q Okay.
BY MR. MILLER:
Q And as far as your due diligence, did you Google the UCCs that were filed?
A I don't remember.
Q Did you ever see any of the UCCs in hard copy or any form?
A No.
Q Why didn't you look for that? Or did you look for that?
A I don't remember. I might have.
Q Okay. And if you had found the UCCs, would you have printed them out and produce them to the SEC staff pursuant to the subpoena?
A Are you saying if I had them would I produce them?
Q Yes, sir.
A Of course.
Q But you don't even know if you actually look them up; is that right?
A That's correct.
Q Can we go to the next page. This is the one that starts at the top of the page, it says "Our company". If I could take you to that section, the second paragraph, if you can take a look at the second

paragraph, the last sentence. I'm going to read it into the record if that's all right. "We are represented by the law firm of Kopelwitz Ostrow. Accounting and auditing services are provided by the firm of Daszkal Bolton."
Did you ever speak with anyone at Kopelwitz Ostrow?
A I don't know. I don't recognize the name if there was somebody that work for them. I don't know is the answer.
Q And what accounting and auditing services did Daszkal Bolton provide to 1 Global?
A Well, based on what we discussed earlier, would be quarterly statements and external auditing.
Q Did they --
BY MR. LEVENSON:
Q Mr. Fisher --
MR. LEVENSON: Gary, Let me --
BY MR. LEVENSON:
Q Mr. Fisher, are you saying your recollection has been refreshed as to which firm validated the portfolio balances quarterly?
A Yeah. I didn't remember the name until I just read this.
Q So was it Daszkal Bolton that provided those

services?
A According to this.
Q Well, I'm asking you. Does that refresh your recollection?
A No. I don't remember. I wouldn't have remembered the name even reading this. Again, that was 3 years ago.
Q Okay. I'm confused. I'm just trying to find out if you're telling us that Daszkal Bolton is this firm.
A Don't know.
Q You don't know? Okay.
A I don't know. I assume it is.
BY MR. MILLER:
Q And as far as auditing functions, do you know what they audited?
A No.
Q Did you ever ask anyone at 1 Global what auditing services Daszkal Bolton provided?
A I don't remember.
Q Is that important for you in doing business with a -- or offering an investment to folks that they have audited financials?
A Yes.
Q Why?

A It makes that much secure.
Q And did you ever know one way or another if 1 Global had audited financials at the time you were offering and selling it to your prospective investors?
A I didn't see any, but I was told they did.
Q Who told you they did?
A I guess everybody pretty much I talk to at 1st Global.
Q They all told you they had them?
A Yeah, I don't know all, but I mean I don't remember anyone person.
Q Okay. And did you ask to see the audited financials?
A I don't remember if I did or not.
Q Why wouldn't you have asked to see the audited financials?
A I didn't say I didn't. I said I don't remember.
Q How was the financial condition based on the audited financials?
A I don't know. I don't remember seeing them, so I can't answer that question of something I don't remember.
Q Let's go to the next page. It says, "Double-digit rates of return, well above stock market

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performances." Did you see that?
A Yes.
Q In going through the Exhibit 153 with prospective investors, did you highlight that as a -- as one of the selling points or a positive for the investment?
A I don't remember specifically.
Q Is there any reason you wouldn't have highlighted that?
A No.
MR. MILLER: Bob, do you have any more questions on 153?
MR. LEVENSON: No.
BY MR. MILLER:
Q Before we go away from 153, Mr. Fisher, do you see any statements in there regarding risk to the prospective investor in 1 Global?
A No.
Q Is this the first time you knew that?
A Is the first time again what?
Q Is the first time that you were aware that there was nothing mentioned about risk in Exhibit 153?
A Nobody ever ask me the question before, so I don't know.
Q Is this the first time you ever noticed it?

A It's the first time anybody ever ask me about it.
Q In reading it did it seem that you didn't see anything in there about risk?
A Ask -- I'm sorry, ask it again.
Q I'm going to withdraw that. I'm going to strike that question. Let's go to Exhibit 154.
(SEC Exhibit No. 154 was marked for identification.)
MR. LEVENSON: Gary, I want to follow-up.
BY MR. LEVENSON:
Q Mr. Fisher, did you at the time you read Exhibit 153 and showed it or discussed it with your clients know that there were no statements in there that dealt with the risk of the investment?
A I don't remember.
Q Thank you.
BY MR. MILLER:
Q Let's go to Exhibit 154.
A Okay.
Q You want me to give you a minute or two to go through this or more than a minute or two to go through it, or if you're ready for me to ask you some question?
A I'm ready.
Q What is Exhibit 154?

A It was the -- my first investment with them personally.
Q Investment with who?
A 1st Global.
Q Okay. And I see that it's dated March 31st, 2017; is that right?
A That's correct.
Q And that was the same day that you executed your sales agreement with 1 Global; is that right?
A I think so.
Q That's Exhibit 149 if you want to refer back, but I'll represent it's the same day.
A No. I'll take your word.
Q What caused you to go in the first day that you were able to sell it?
A I have a philosophy, I never offer something to a client until I put my own money in.
Q Did you buy Woodbridge?
A Yes.
Q How much did you put into Woodbridge?
A 25,000 I think.
Q And is 25,000 the minium investment for 1 Global?
A Yes.
Q Are there any other requirements for an

investor to invest in 1 Global other than 25,000 minimum?
A No.
Q And when you received Exhibit 154 and populated it -- first of all -- strike that.
Is that your handwriting on 154?
A Yes.
Q And is that your signature on page 9 of 9, the last page?
A Yes.
Q Okay. And it's countersigned by Darice Lang; is that right?
A Correct.
Q Okay. So when you received Exhibit 154, did you read the entire document before executing it?
A Yes.
Q Every word?
A Yes.
Q And did you understand it or did you have any questions?
A I don't remember. I'm sure I had some questions at the time, but I don't remember.
Q Who did you discuss the questions with?
A I don't remember that I ask them for sure.
Q Okay. And when you said -- when you met with

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a prospective investor, did you go through the memorandum of indebtedness and explain it to the prospective investor or did you just tell them to sign it?

A No. I went through it with them.

Q And how did you do that? Line by line?

A Yes. I actually would read it out loud to the client.

Q Excellent. Were there any questions that were raised by any of the prospective investors that were emblematic of questions you received as a whole from you prospective investors?

A Yes.

Q Can you tell us about those?

A The question specifically -- what I made clear to every investor because almost all of them were annuity clients, so I made it clear that this was different. This was not an insured product. That this -- a fixed index annuity is insured and this is not insured, so this had risk.

Q What was the risk?

A Well, that 1st Global could go out of business.

Q Anything else?

A I would say that, you know, the returns could

not be what they had been projected to be, so it would be a -- you know, what they call opportunity risk.

Q Anything else?

A No. I think going out of business was bad enough.

Q What would -- what did you perceive as the events that would cause them to go out of business?

A I don't know that I specifically, you know, perceived anything in particular.

Q When you say go out of business, do you mean like any company can go out of business? Like IBM or Apple can go out of business?

A Yeah, I could.

Q So just in general, any business that's in business can go out of business; is that the risk you saw?

A I don't -- I don't remember looking at it that way.

Q Well, what way did you look at it?

A I don't know. I don't remember.

Q Okay. So let's take a look at the second page, 2 of 9. It said "Maturity Date," number 6. "The indebtedness shall mature at the end of the ninth month from the effective date (the maturity date) until automatically rollover into a new indebtedness unless

borrower receives written notice of termination by the lender no less than 30 days before the maturity date."

First of all, what does that mean?

A Well that -- just that. That if the borrower doesn't in writing say that they want to terminate it, that it would rollover into a new nine months.

Q And did you tell any of the folks at 1 Global or anyone whether or not that automatic rollover provision would affect that nine month holding period that they told you was -- someone at 1 Global told you was important?

A I don't understand the question.

MR. LEVENSON: Gary, can I ask a question.

BY MR. LEVENSON:

Q Did -- Mr. Fisher, did you understand the rollover provision there to affect the -- what you had been told that 1 Global was not a security because the note was for only nine months?

A I'm sorry. Ask that again.

Q Yes. The rollover provision in paragraph 6, did you understand that at all to affect -- were you concerned that that affected the -- what you had been told that 1 Global was not a security because this was a nine-month note?

A I don't know. I don't know how to even

answer that. I don't know how to answer that.

Q What don't you understand about the question, sir?

A I just don't understand the question. What -- it's -- it seems like you're asking two different things.

Q No. Mr. Fisher, you testified earlier you were told that 1 Global was not a security because it was a nine-month note, correct?

A Correct.

Q Okay. This says that rollover beyond nine months unless the client opt out. Did that affect that determination that 1 Global was a nine-month note?

A Oh, I see what you mean. I don't remember thinking about that at the time.

Q Did you talk to anybody at 1 Global about it?

A Well, I talked about the rollover. We had an automatic system where we notified the clients 60 days in advance to make sure that they didn't miss the rollover date.

Q My question was, did you talk to anybody at 1 Global about whether this rollover provision made 1 Global's notes a security?

A Oh. I don't remember.

Q Okay.

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MR. LEVENSON: Gary, would you mind if we took a short break?
MR. MILLER: 2:06 p.m. Off the record. Five-minute break.
(Thereupon, a brief recess was taken, after which, the following was had.)
MR. MILLER: It's 2:15 on September 7th -- Eastern daylight time September 17th, 2020.
BY MR. MILLER:
Q During the break we just took, Mr. Fisher, did you have any conversations with the staff about this investigation?
A I'm sorry?
Q Mr. Fisher?
A Say it again.
Q Did you have any conversations during the break with the staff of the SEC regarding this investigation during the break we just took?
A With the staff of the SEC?
Q Myself and Mr. Levenson?
A No.
Q On Exhibit 154, let's go to paragraph 7.
A Okay.
Q The second sentence, "The covered activity" -- well, let me start from the beginning. It

says, "Covered activities. This indebtedness is designed to enable borrower to expand it's current business activities, and that's defined as a covered activity, for a period beginning on the effective date and ending on the maturity date. The covered activity shall be conducted by borrower in borrower's sole discretion." What does that mean?
A The borrower would be the merchants that were getting the advances.
Q Okay. You're sure about that and you're sure that the borrower is not 1 Global? Let's go back to the first page of 154. Do you see where 1 Global is defined as the borrower?
A Let me see here.
BY MR. LEVENSON:
Q Look at the -- Mr. Fisher, do you see where it says, "The memorandum of indebtedness --
A Oh, yeah.
Q -- entered into by 1 Global and defined as the borrower." Do you see that?
A Yeah. I'm mistaken. So it is 1st Global. Looking at this paragraph, it look like it was the merchant.
Q So going back to paragraph 7 it says, "The covered activities shall be conducted by borrower and

borrower's sole discretion." What is it -- what did that mean?
A I take it to mean that it was up to them who they loaned the money to.
Q Okay.
A They made the credit decisions.
Q And if you look at the -- that's what you understood to mean, did anyone from 1 Global specifically tell you that?
A They told me that they were -- they told me about the -- how they made the credit decisions with the merchants.
Q What my question to you, sir, was, did anyone tell you what the meaning the sentence we just read, "The covered activity shall be conducted by borrower and borrower's sole discretion" meant which merchants send that money to?
A Yeah. That mean I -- they told me what that meant, but that they made the decision as to who they made the advances to.
Q Okay. Anyone told you that specifically?
A Probably the first person would have -- the person probably would have been the credit manager at the 1st Global.
Q Okay. Anybody else?

A I don't remember.
Q Okay. You did you look at the sentence that says, "The covered activity shall include, but not be limited to providing innovative funding known as a merchant cash advance transaction." Do you see that?
A Mmm-hmm.
Q So doesn't that mean that 1 Global didn't actually have to take investor money and lend it to -- put it out for merchant cash advance transactions?
A Yes.
Q Okay. So in the previous sentence and when it says the covered activity shall be conducted by borrower and borrower sole discretion, doesn't that mean that 1 Global did not have to loan money to merchants?
A Right. They could -- my -- what I was told is that, they could keep a certain amount in cash.
Q But -- okay. But they could lend money to somebody else, isn't that what sole discretion means?
A It's not what I was told.
Q Okay. So you specifically discussed the sentence, "The covered activity shall be conducted by borrower and borrower sole discretion with anybody at 1 Global"?
A I don't remember. It was 3 years ago.

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BY MR. MILLER:
Q Did you explain paragraph 7 to prospective investors?
A I mean I went through the entire thing with every investor. I don't remember focusing just on one paragraph.
BY MR. LEVENSON:
Q The question was, did you explain paragraph 7 to investors?
A I went through every paragraph and asked each client if they had any questions as we went through it.
Q Did any clients have any questions about paragraph 7?
A I don't remember.
BY MR. MILLER:
Q Can you turn to page 5 of 9, please.
A Okay.
Q You see 12.3?
A Yes.
Q "Lenders and sophisticated, and qualified individual or business entity and has entered into this agreement for commercial purpose." what does that mean?
A Well, it means that -- I guess that they weren't coerced, that they made their own decision.
Q Are you guessing or is that what you know?

A Let me see here. Yeah, that's what it means is that -- just what it says.
BY MR. LEVENSON:
Q Well, it doesn't, does it, sir?
A No. I'm -- you ask me to explain it, so that's the way I saw it.
Q How did you come to the understanding that it meant they weren't coerced?
A I don't know.
BY MR. MILLER:
Q Did you evaluate any customers for customer sophistication?
A Yes.
Q How did you do that?
A We got all -- we got financial information on each client, we made sure that it was suitable, we made sure that the portion that they were putting into 1st Global was appropriate, was not too much of their net worth.
Q What would equate to a not too much?
A There's no one answer. It depends on the client.
Q And you did this for ever customer?
A Absolutely.
Q How did you memorialize it?

A Well, almost all these clients were already clients of ours, so we had been through a process of suitability with them early on, so they -- hardly any of these clients were new.
Q Did 1 Global do any testing that you knew of for sophistication or qualified individuals?
A No.
Q What is the commercial purpose?
A Where is that? Oh.
Q The sentence.
A Commercial purpose?
Q Yes, sir.
A To loan money and get a return.
BY MR. LEVENSON:
Q How did you come to that understanding?
A Just what it says, commercial purposes.
Q I'm asking you how did you come to the understanding that that's what commercial purpose means?
A I don't know. About 40 years in the business. Commercial purpose means that I loan you money and you give me a return on it.
Q Okay. Did anyone -- did you talk to anyone at 1 Global about what they meant by it?
A No.

BY MR. MILLER:
Q The next paragraph 12.04, "Lender has relied solely on its own investigation and due diligence."
Did any of your lenders, your prospective investors or investors rely solely on their own investigation or due diligence?
A Did any of them? I don't know.
Q Did any of your lenders have the -- your investors have the opportunity to do any and all due diligence?
A Yes.
Q Did any of them do any?
A Yes.
Q What did they do?
A I gave them all of the information that we had about 1st Global and encouraged them to -- we rarely, rarely, rarely would take money on the first meeting. We would have clients think about it, reread these things and, you know, do their own investigation.
Q And it says here, lender understands that borrowers has made no representations as to the applicability of any federal or state statutes or laws. What does that mean?
A Means that they haven't -- borrowers has been -- oh. That -- I don't know. I don't know what

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that means.
MR. MILLER: Bob, do you have anymore questions on 154?
MR. LEVENSON: One second. No, I do not. Thanks.
BY MR. MILLER:
Q Let's go to 155, Mr. Fisher.
(SEC Exhibit No. 155 was marked for identification.)
A Okay.
Q Do you recognize Exhibit 155?
A Yes.
Q Does it look like -- is this the document -- tell me what it is?
A It's an e-mail from me to Heather Caulkins.
Q About what?
A If we had gotten -- looks like we had gotten a new PowerPoint to use for marketing.
Q It also talks about taking the trip to visit 1 Global, doesn't it?
A Correct.
Q Did you take a trip to 1 Global?
A I did, yes.
Q It says, "Maybe you me and Shelby since she will be selling at some point -- the products at some

in the future at some point."
Did you go by yourself or did you bring any of the other two people?
A Went by myself.
Q And what did that mean -- what do you mean when you wrote, "I totally agree on the credibility we would get by having visited"? What does that mean?
A That due diligence. We can show the due diligence we were doing.
MR. MILLER: I don't have anymore questions on that Bob. Do you?
MR. LEVENSON: No.
(SEC Exhibit No. 157 was marked for identification.)
BY MR. MILLER:
Q Exhibit 157.
A Got it.
Q This is a portion of your part 2B of form ADV, is that not?
A Yes, it is.
Q And it's while you're with Journey; is that right?
A Correct.
Q If you turn to the last page it says, "John Fisher supervised by Roy Gagaza." How did Mr. Gagaza

supervise you?
A Again, I was an IAR under Roy's RIA and it was with -- an RIA is required to review, supervise and approve what an IAR does as far as products offered, that type of thing.
Q And you know that's what Mr. Gagaza did?
A Yes.
Q Under -- on the second page it says, "Other business activity. John Fisher is also a licensed insurance agent of LifeCo Insurance Services and Retirement Planning, Inc. and an independent contractor with Royal Metals Group to sell precious metals and an independent contractor with Woodbridge Wealth to facilitate bridge loans."
So you were an independent contractor with Woodbridge Wealth; is that correct?
A Yes.
Q Lastly, "Mr. Fisher contracts with 1 -- with 1st Global Capital Financial Services to solicit cash lending services."
Is that an accurate statement?
A Yes.
MR. MILLER: Bob, do you have anymore questions on 157?
MR. LEVENSON: No.

(SEC Exhibit No. 156 was marked for identification.)
BY MR. MILLER:
Q Let's go to Exhibit 156, please.
A Okay.
Q You want to take a minute to review it to get particular or you know it already?
A I know it.
Q Who is Jake Nord?
A Jake is with the Revolution, he works directly for them. He is a vice president and he is the -- each of us -- each agents has what they call a marketing representative that supports us and Jake is my guy.
Q Support you in what way?
A Any help that we need. From training to questions about -- you know, if we have a particular client that we're trying to come with up the best solution for, Jake will help us with, you know, maybe running illustrations and he did that type of thing.
Q Did Jake Nord help you in any way with respect to your marketing efforts of 1 Global?
A No.
Q And what is the purpose of this e-mail that's

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marked as 156?
A One of our carriers, Allianz, was very concerned when 1st Global declared bankruptcy and then all of the -- you know the articles were written about the fraud and all that; they wanted to know how many of their clients had invested in 1st Global and that's what this is about. This is specifically Allianz. This answers to Allianz.
Q So you provided it to Mr. Nord and you populated the answers that reflect on 156; is that accurate?
A Correct.
Q And it says, "How did you learn about 1 Global Capital? Roy Gagaza." You wrote that, correct?
A Right.
Q You wrote the response?
A Yes.
Q And then it says in the second one, "Roy Gagaza was my mentor with the Revolution and I was an IAR under his RIA firm, which means he has to approve any products I offer. He recommended I offer 1st Global as a short-term alternative and then approved it as my RIA. In January 2018 I formed my own RIA firm and are no longer associated with Roy Gagaza." Do you see that?

A Correct. I see it.
Q Is that a true statement?
A Yes.
Q And how did Mr. Gagaza approve it -- approve 1 Global?
A As we just talked about a couple minutes ago, he was -- as an RIA, he is responsible for supervising any IAR under him and that includes approving any products that they offer.
Q So once you formed your own RIA, did you approve for your firm to sell and market 1 Global?
A No. We weren't marketing it by then.
Q How about for renewals? Were you still doing renewals?
A No.
Q You're sure about that?
A No, I'm not sure. I don't remember the exact dates. There might have been some.
Q Sure. If you did offer to sell it to anyone or renew it, would you have had to approve it for your RIA?
A Yeah. I was my own RIA.
Q Did you do that?
A I don't remember the dates as to when we stopped -- exactly stopped offering 1 Global. It was

around this time.
Q What document do you populate in order to show that you approved it for your RIA?
A None.
Q There's no documentation that you approved it?
A No. It's myself. I was supervising myself.
Q Number 3. "How much 1 Global Capital did you sell? Please tell us how many different clients and total sales in 1 Global. Approximately 2.6 million 52 total clients." Is that with Allianz or with Mr. Gagaza? What does that number reference?
A Those are Allianz clients only.
Q Okay. So you said before that you sold it to 20 maybe 30 customers total, does this refresh your recollection it looks like you sold it to 52 Allianz clients?
A When did I say I sold 20 or 30?
Q About an hour ago in your testimony.
A You ask me how Heather and I split. How much I sold versus Heather, correctly -- correct?
Q Yeah. You said 9 million and you split it evenly, and you said you -- I asked you how many you sold personally and you said 20 to 30 people.
A Okay. Yeah. This is the corporation. The

answers you see are corporation, not me personally.
Q What corporation?
A LifeCo.
Q The LifeCo is you and Heather Caulkins; is that right?
A No. I am the sole owner of LifeCo.
Q Who else works for LifeCo that sold 1 Global?
A Just Heather Caulkins.
Q Right. Isn't that what we just said?
BY MR. LEVENSON:
Q So how many clients total did you sold -- in LifeCo sold 1 Global to? Allianz or anybody.
A I think the total is around 60 total.
Q Okay. And do you know what the dollar amount is that those proximately 60 invested?
A Yeah. I answered that earlier. It was a ballpark. He asked for a ballpark. It was like 9 million I think.
Q Okay. You're right. Thank you.
BY MR. MILLER:
Q And then number 5. "Did any of the Allianz life clients take withdrawals from their policies with us to purchase the investment with 1 Global Capital? If, yes, please list out the client's name, dates and amounts. No. Actually, the opposite happened. Most

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of our clients have been refunded from 1st Global because as soon as the Woodbridge Chapter 11 happened, we stopped offering the product and insisted our clients get refunded at the end of their nine-month contract." Is that a true statement?
A Yes.
Q "What was your total commission/compensation for selling 1 Global Capital? Please also state the percentage of commission/compensation you received versus any percentage the customer may have received?" You wrote, "Approximately $104,000. The commission was 3 percent then an additional 1 percent after the nine-month period." Is that an accurate statement?
A Yes. Again, we're talking about Allianz only.
MR. MILLER: Bob, do you have any more questions on 156?
MR. LEVENSON: No.
BY MR. MILLER:
Q Do you have any of your clients sign a risk form?
A Yes.
Q Why?
A Just to make sure they knew the difference that this was not an insured product.

Q Did you do that from the beginning?
A Yes. I stopped doing it because it -- I don't remember. I stopped doing it at some point because -- I don't remember. I got advice from an attorney. I actually remember who now. I think it was -- it may have been the Allianz -- I mean the Revolution attorney.
Q In general what kind of advice?
A That -- I'm sure it was. I think it was her. That it was -- just didn't like the way it was worded.
Q Didn't like the way what was worded?
A The form about the risk assessment.
Q Let's see if we can put some pieces to this. You started selling 1 Global in March 31st, 2017; is that right?
A Well, I put my money in on March 31st.
Q So that's the first time, right?
A Yes.
Q Did -- at that point did you have people sign a risk disclosure document?
A No.
Q When did you start having people sign a risk disclosure statement?
A I don't remember.
Q Why did you have them sign a risk disclosure

statement?
A I had talk to another -- I had asked someone at 1st Global about other people who had been selling their product for a long time and they put me in touch with an attorney. I don't remember his name now. He was an agent and he sent me this risk assessment thing that he was having people sign and so I used it for a while, but then was advised that it -- not to use it.
(SEC Exhibit No. 170 was marked for identification.)
Q Let's turn to Exhibit 170.
A Okay.
Q Do you have it?
A Yes.
Q You're writing on December 17, 2017, "Let's make sure we have a complete list of 1st Global clients that put their money into 1st Global in May." I assume that's 2017. "We have to call all of them and if they want to renew, they must sign a risk form."
What does that mean?
A Yes. It's a -- this is -- Woodbridge declared bankruptcy on -- I think it was December 4th, 2017 and that's what I talk about earlier, that the effect that it had on me emotionally, so we decided to not offer it anymore and if anybody wanted to renew,

that they would have to sign this. So just -- again, I -- yeah. So that's what it was.
BY MR. LEVENSON:
Q You said not offer it anymore, you meant -- meaning 1 Global?
A Yes.
BY MR. MILLER:
Q Okay. But you would let your investors renew if they wanted to; is that right?
A If they absolutely wanted to and would sign this. I didn't encourage them to.
Q And did you get paid for them to renew?
A Yes.
Q Let's turn to Exhibit 169, please. Do you have that in front of you?
A Yes.
Q Is this the statement of risk you were just referring to?
A Yes.
Q And you had clients that were in 1 Global execute this; is that right?
A Some.
Q How did you decide who execute it and who didn't?
A As I said earlier, at some point I was

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advised not to use the form anymore. I don't remember exactly --
Q Can you tell us what the reason was?
A I don't remember the -- the Revolution attorney was just -- she didn't like the way -- just didn't like the way it was worded. I don't remember exactly why.
Q Where did you get this statement of understanding from?
A From the guy that I mentioned at 1st Global put me in touch with who had been with them for a long time. He was an attorney back in I think Minnesota or some please like that.
Q You don't know his name?
A I don't remember. I could look it up, but I don't remember offhand.
Q So Exhibit 169 was provided to you by someone referred to you by 1 Global or connected with 1 Global?
A Both. They -- I asked them specifically to talk to someone who had been with them for a long time. I don't remember exactly. But anyway, they referred me to him. And he also happened to be an attorney. He -- and he was selling 1st Global as well.
Q Towards the bottom of this it says, "There is potential risk of loss. Professionals may differ in

their analysis as to the degree of risk involved in participating in an MCAT. After a careful and thorough review of these of such MCATs, LifeCo Insurance Services and Retirement Planning, Inc. believes that the potential risk of loss to principal to a client is quite low. However, there is at least some degree of potential risk of loss of principal in some circumstances."
What does that mean?
A Just that there is risk. That it was not insured, but there's some risk. I think this is the area where -- I think this is a wording the attorney didn't like.
Q Okay. Did you provide this wording?
A No. It was written by the guy I talked about.
Q Did you tell him to put, "After a careful and thorough review of these such MCAT, LifeCo believes that the potential risk of loss of principal to a client is quite low"?
A No.
Q Did you have your clients sign this?
A Well, we're looking at a exhibit where they signed it. Some didn't.
Q Did they sign it?

A Yes, some. I answered that before.
Q What's the basis for the statement that you believe that the potential risk of loss of principal to a client is quite low?
A Well, I thought it was. I mean we didn't -- there wasn't anything at the time that we thought there was any issues with 1st Global. Again, I didn't write it. It was -- I used his form.
BY MR. LEVENSON:
Q Why did you believe that the risk of loss was quite low?
(Court reporter clarification.)
BY MR. LEVENSON:
Q It says LifeCo Insurance Services and Retirement Planning, that's you, why did you believe the risk of loss was quite low?
A Because it's just the way we set up the business model. We were told, you know, that the merchants had signed UCC1 and that it was secured by their accounts receivable, so thought it was not without risk, but we didn't think the risk was high. I wouldn't have offered it if I felt the risk was high.
Q Okay.
BY MR. MILLER:
Q Can you quantify quite low?

A No.
Q Well, quite low is kind of a subjective term, right? It's not objective, right?
A Yes.
Q Is quite -- is -- what is your definition of quite low?
A I don't have one.
Q Is it 70 percent?
A I don't have one.
Q Is it 5 percent?
A I don't know.
Q Did you ever know what your assessment was of the meaning of quite low?
A No.
MR. MILLER: Bob, you have anything else on 169?
MR. LEVENSON: No. Thank you.
A By the way, for whatever this is worth, the one you saw of mine, I ended up putting 110,000 in at one point and still had, as you know, 65,000 in there.
MR. DUNCAN: And just for the record, Mr. Miller, you originally asked him for a percentage and then you asked him for an assessment, so --
BY MR. MILLER:

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Q Can you turn to Exhibit 167. Let know when you're ready.
A Okay.
Q Do you recognize Exhibit 167?
A Yes.
Q What is it?
A It's an e-mail from me to Shelby and -- Shelby Fisher and Bobbi Schotsal.
Q And you draft it, correct?
A Yes.
Q The last sentence, "I have also requested from 1st Global to get their money back as there is probably too much at risk with the WW situation."
What is WW? Woodbridge?
A It's Woodbridge wealth, yes.
Q And what is -- what did you mean by -- what does that mean, "Too much at risk"?
A Woodbridge had declared bankruptcy a couple of weeks before that and we didn't know how much -- we didn't know exactly the situation how much they might lose, so I wanted to -- I wanted to remove -- I wanted to get everything into an insured product that I could possibly get for the client.
Q But for the record, there's no connection that you know of or ever knew of between Woodbridge and

1 Global; is that right?
A That's correct.
Q So did anything about 1 Global fundamentally change in your view as of December 20, 2017 or was it just that the outside fact that Woodbridge went bankrupt?
A That was it. Just the fact that Woodbridge went bankrupt.
Q So the first paragraph it says, "Because that the amount of money they have tied up in Woodbridge, I convinced them to start moving their money into annuities. Annuities is the only thing that's 100 percent safe and we can't take a chance of them losing any money as that is their main concern."
What does that mean?
A Well, I meant these are long-term clients and at this point -- because Woodbridge had happened, you know, they said from now on safety is our number one concern. So annuities are insured, so --
Q Turn back to 169, please.
A Okay.
Q 169 says, "After a careful and thorough review MCATs, LifeCo believes the potential -- that the potential risk of loss in principal to a client is quite low." So here you have in 167 that annuities are

100 percent safe, then you're talking about in 169 a risk of loss in principal is quite low, how do you equate those two statements?
A They were two different clients.
Q So now that you say that in 167 annuities are 100 percent safe, does that give you a better flavor as to what your understanding was and what your thought process was in making these statement that the risk of loss in principle in 1 Global was quite low?
A Yeah, it wasn't zero. There was some risk that were -- the comparison to annuities which are 100 percent safe insured.
MR. MILLER: Do you have any questions on 167, Bob?
MR. LEVENSON: No.
BY MR. MILLER:
Q Let's go to 168, please. It's a rather large document, you want a few minutes to go over it, sir?
A Sure. Let me take a look. Okay.
Q What is the document that's marked as 168?
A The first page is the application, the very first thing that we submit -- submitted to 1st Global to get the process started for our client.
Q Did you draft page 1?
A It doesn't look like my handwriting, no.

Q I mean the form itself?
A No. That's from 1st Global.
Q Okay. The second page is W-9, right?
A Correct.
Q What's the date of the signature for W-9?
A December 28th, 2017.
Q Then you have the next page, it's the statement of risks and it looks like the exact same one we read before, right?
A Yes.
Q And what date is that signed?
A December 28th.
Q 2017, right?
A Correct.
Q Then let's go forward to page 1 of 9 of the memorandum of indebtedness. Do you see that?
A Just a moment. Yes.
Q What's the date of the memorandum of indebtedness?
A January 18th, 2017.
Q That's not correct, is it?
A No, that's not correct. I should have said '18.
Q Okay. And we can verify that by going to the last page of the document and see, in fact, that it was

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misprint, so it really was January 18, 2018; is that right?
A Correct.
Q Okay. And is January 18, 2018 -- strike that.
Is this a new investor into 1 Global?
A Yes.
Q And is that before or after Woodbridge went bankrupt?
A It is after.
Q And I thought your earlier testimony was that you did not sell or offer 1 Global after the Woodbridge bankruptcy?
A I didn't say we didn't sell it. We didn't offer it. This is a -- this particular client is the niece of a current client who wanted her to put the money into 1st Global. Yeah. So it was kind of an unusual situation.
Q So you didn't solicit this at all?
A No.
Q Did you get paid a commission?
A Yes.
Q Did you help populate and explain the investment?
A Yes.

Q Did you dissuade her from buying it because of the Woodbridge situation?
A No. I explained the risk to her.
Q What did you tell her?
A I don't remember. I don't remember exact words.
Q How about in general?
A The fact that it was not insured and I told her how annuities work and the fact that they were insured. And again her uncle is a long-time client and he really is the one that wanted her to put it into 1st Global.
Q And when she signed the statement of understanding of risk, did you tell her that you believe what the risk -- the potential risk of loss of principal to a client is quite low, did you explain to her what that meant?
A Yes.
Q What did you tell her?
A I don't remember the exact words. Again, everything we did was for our clients and the current client was in the room was explained the difference between a fixed index annuity that was insured and this product was not insured.
(SEC Exhibit No. 165 was marked

for identification.)
Q Okay. Let's turn to 165, please.
A 165?
Q Correct.
A And that one we've looked at already or --
Q No.
A Oh, here it is.
Q Got it?
A Yes.
Q You need a couple seconds to go through it or you have it in mind?
A No. Let me read it.
Q Sure. You're ready?
A Yes.
Q On the last page of 165 Theresa writes to you, "I look forward to hearing from you and hope you understand when I am living on fixed income, my risk tolerance is lower." Did you understand that?
A Yes.
Q And she was an investor in Woodbridge as well?
A Yes.
Q And did you -- what was the result of this appointment?
A I don't remember. I'd have to look at my

notes.
Q Sir, can you turn to Exhibit 166. Let me know when you're ready.
A Okay.
Q "She considered 1st Global, but at this point wants 100 percent safety, so I wouldn't let her put any money into it. She has almost 500,000 in two variable annuities with Prudential, but the income amounts are so large it doesn't make sense to move them unless she was willing to take the risk with 1 GC -- or 1G."
Is 1G 1st Global?
A Yes.
Q So even though you had people sign a statement of risk that said you considered loss of principal to be low risk, this was too much risk for her to take?
A Yes. She already had the money in the variable annuities which are risky.
Q And how did, in your mind, 1 Global equate to variable annuities in terms of risk? High or lower?
A I never thought about it.
Q So if the client says which is more risky, you wouldn't have an answer?
A I don't know. Nobody ever ask me the question, so I can't -- I don't -- I don't know.

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Q Let's go to Exhibit 164.
MR. LEVENSON: Just one question, Gary, real quick on 166.
BY MR. LEVENSON:
Q Mr. Fisher you testified earlier that you only sold fixed annuities, not variable?
A Correct.
Q Was this exception or did this client invest for someone else?
A No. I didn't sell those annuities to her. She had -- I would never sell the variable annuities.
Q Okay. Thanks.
A Never would. So what next? Which exhibit?
(SEC Exhibit No. 164 was marked for identification.)
BY MR. MILLER:
Q 164.
A All right. I'm looking.
Q Let me know when you're ready.
A Okay.
Q This is an e-mail from you to Darice Lang February 16, 2018. "Hi Darice. For now they will all be nonrenewals. I talk to Dale" -- is that Dale Ledbetter?
A Yes.

Q -- "about my dilemma, so let me explain it to you since you and the entire team have been so great to us. My FMO" -- which FMO is that?
A The Revolution.
Q -- "has told me that after the Woodbridge disaster, they will not allow me to sell anything that is not an insured product or registered security. If I continue to do business with 1st Global, including renewing clients, they will terminate my contract. I could move to a different FMO, but I probably would not be able to use the major insurance company for annuities for several months. That would probably put us out of business, so I can't risk it."
What does that mean there?
A Just that. Revolution had said to all of us that were selling 1st Global, that we had to stop selling it because they -- because not anything with 1st Global; because of Woodbridge they were concerned, I think, about the publicity that they might get and so switching though with -- for example, if I left the Revolution, they legally can hold onto my contracts with the insurance companies for up to six months, so I wouldn't have been able to do any business for 6 months and that would probably put me out of business.
Q Got it. And then you say, "With all this

said, never say never. If things change I will let you know right away." What does that mean?
A Just that. If something happen -- if Revolution changed their mind and came back and said, you know, we will let you guys sell the product, then that was -- but it was -- you know, we got -- yeah, that was it. But never say never.
Q Okay. Did that ever happen?
A No. I just stayed with Revolution.
Q Right. The Revolution -- did Revolution ever come back to you and say it's okay to now sell or allow renewals of 1 Global?
A No.
Q Did you do renewals or anymore sales of 1 Global despite that prohibition from Revolution?
A February 16 -- well, we didn't -- we certainly didn't offer it. We -- I think we probably did some renewals as I talked about before, but we certainly stopped offering, stop marketing it.
Q Okay. But here it says -- and you wrote, "If I continue to do business with 1st Global, including renewing clients, they will terminate my contract." Is that a true statement or false?
A It's true. I wouldn't lie. I don't write things that are not true.

Q But you just said that you could -- that you did renew client after this?
A Right.
Q Did they terminate your contract?
A No, they didn't. I was honest with them -- with Jake we talked about before, Jake Nord. That I had some clients that were thinking of renewing, so I told him they're going to be some exceptions.
Q Who did you tell that to?
A Jake. Jake Nord.
Q Did you tell that to anyone at 1 Global? Because Exhibit 164, the words you wrote there are in conflict with the words you just said that you said to Mr. Nord.
A Is that a question or a statement?
Q Question.
A What's the question?
Q Are those two statements in conflict?
A No.
Q Did you ever tell anybody at 1st Global that there are exceptions where you can renew clients and not have you contract terminated by the Revolution?
A Yes.
Q Who did you tell it to?
A I'm guessing Darice when we made those

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exceptions.
MR. MILLER: You have anything else on this, Bob?
MR. LEVENSON: No.
(SEC Exhibit No. 178 was marked for identification.)
MR. MILLER: Magaly, can you pull up on a shared screen Exhibit 178.
BY MR. MILLER:
Q So, Mr. Fisher, if you don't mind, can you please look at your monitor and tell me whether or not you can see a shared document that is marked as Exhibit 178?
A Yes, I can see it.
Q Can you read it?
A Yes.
Q Is it too small? Would you like it bigger?
A No. I can read it.
Q Okay. What is Exhibit 178?
A It's a monthly statement that was for Shelby. We -- in addition to the money I put in, I also at the time was doing SEP contributions for my employees and this was one of them. We set up a SEP for Shelby with 1st Global.
Q And for the record, what is SEP stand for?

A Self-employed -- Self-employed person I think it stands for.
Q Okay. And is this referred to as a monthly statement?
A Yes.
Q And did you receive monthly statements on all of your customers?
A Yes.
Q Did you review them?
A Yes.
Q Did you review them with your customers?
A Yes.
Q What aspects did you review?
A Just basically, you know, where they were, what their principal interests, where they were in the process, you know, start date, maturity date and the return.
Q Looks like a pretty good return, doesn't it?
A Ah-huh, yeah.
Q And is this the 25,000 -- what happen to the $25,000 minimum? It looks like it's less?
A They made exceptions for my employees.
Q Anybody else?
A Anybody else what?
Q Did they make exceptions for anybody else to

put in less than 25,000?
A I think so. I think there might have been some, but I don't remember for sure. But my employees for sure.
Q So the 25,000 minimum wasn't really a minimum; is that right?
(Audio interruption)
A I don't remember.
BY MR. LEVENSON:
Q Was more than one?
A I don't -- maybe a couple, but I don't remember.
Q Okay.
BY MR. MILLER:
Q And then it says, "Our independent audit firm, Daszkal Bolton, LLC has endorsed and agrees with interest rate formula." What does that mean?
A That is that firm that you were asking about earlier that I didn't remember. Just that, just the way that they calculated the return, the effective interest rate.
Q What was the interest rate formula?
A I don't know.
Q Did you ever know?
A Yeah. I just don't know and I don't

remember.
Q And did you see any evidence from Daszkal Bolton that they endorsed and agreed with the interest rate formula?
A No. Just the statements.
Q Who is Scott Merkelson?
A He was one of the representatives at 1st Global. He was like their marketing director in business -- marketing guy.
MR. MILLER: Bob, do you have anymore question on 178?
MR. LEVENSON: No.
MR. MILLER: Thank you, Magaly. You can take that off the screen.
(SEC Exhibit No. 171 was marked for identification.)
BY MR. MILLER:
Q Can you pick up Exhibit 171, sir. Let me know when you're ready.
A Okay.
Q Is -- first of all, is Corrie a man or a woman?
A A man.
Q And this is January 3, 2018. It looks like your assistant Bobbi is contacting you saying that

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Corrie called and asked him questions about his 1st Global account qualified or nonqualified. He was saying since July they have invested about half of his money so it is not performing at it's full potential, then he said something came up with his family and he was wondering if he can pull some of his NQ 1st Global account. I told him you'll probably free around 4 and he said anytime is good for him that he'd give you a call in regards to this. What does this mean?

A NQ means nonqualified, so he needed some money pulled and I called 1st Global and they did it. 1st Global -- every request I made to return funds or part of funds, 1st Global did. They never once said no to me.

Q And what is the -- what is -- do you have any understanding as to -- he was saying since July they have invested about half of his money, so it is not performing at its full potential. What does that mean?

A Well, half of his money was not in 1st Global. He had about half of his money with us. He had 1st Global, he had annuities with us as well which also weren't getting any kind of return he had hoped for at the time.

Q Let me try that again. Corrie called and him questions about his 1st Global accounts, qualified and

nonqualified. So he's only talk act 1st Global, right?

A No.

Q He's not talking about 1st Global?

A He is talking about it. You said only. Not only.

Q In that sentence what's he talking about?

A In that sentence he's talking about 1st Global.

Q In the next sentence he was saying since July they have invested about half of his money, so it is not performing at its full potential. Is he still talking about 1st Global?

A No. He's talking about the total amount of money he has invested with us.

Q Us being who?

A LifeCo.

Q So the they in the exact next sentence, even though he's starting off with 1 Global, you think he's talk about something else?

A No. He's asking if he can take some money from 1st Global. It's pretty clear.

Q That's not that sentence.

A What's your question.

Q He's saying since July they have invested about half of its money -- of its -- his money, so it

is not performing at its full potential. I'm asking whether or not he's referring to 1st Global not investing more than half of its money?

A I have no idea. You see this is not from me. This is from be Bobbi. Bobbi took this over the phone. I don't know what he said exactly or what he meant.

Q Are you familiar with the term money is not deployed?

A What's the term again?

Q Money is not deployed or funds not deployed?

A Yes.

Q What does that mean?

A Just that. They're not -- they are sitting in cash.

Q And does that have anything to do with 1st Global.

A Yes. 1st Global had on their statements money that was not deployed yet.

Q Is that what he's talking about there?

A I don't know. No, I don't think so. He's just asking -- he's asking if he can pull some money his 1st Global account and they did.

MR. MILLER: Do you have anything else on that, Bob?

MR. LEVENSON: No.

(SEC Exhibit Nos. 172 and 173 were marked for identification.)

BY MR. MILLER:

Q Let's go to 172, sir.

A Okay.

Q So 172, you recognize this document?

A Yes.

Q It's an e-mail you wrote, correct?

A Yes.

Q It says, "Corrie Kundert does not want to renew his account. His IRA -- Corrie Kundert IRA at the end of his nine month period which ends 4/5/2018, please refund." Is that correct?

A That's correct.

Q And did he have it refunded?

A Yes, as far as I remember.

Q You told us -- can you grab Exhibit 173?

A Okay.

Q It's a long document. Let me know when you're ready.

A Okay.

Q Is this the same Corrie Kundert?

A Yes.

Q So what changed between 172 and 173?

A Let me take a look here.

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Q Oh, okay. I remember the drop. He -- on his IRA he changed his mind and decided to keep it in. What we did, if I remember right, is, he got -- we got a -- we got some money refunded back to him based on his request about his family, but he decided that he wanted to renew after all.

Q And did you ask him what changed between February 27th and May 8 -- 9?

A Yeah. I tried to -- yeah. I tried to talk him out of it, but he insisted on renewing.

BY MR. LEVENSON:

Q So is 173 a renewal of existing funds; is that your understanding?

A I believe so, yes. I think so.

Q Does it say that anywhere in here?

A No. I think that, if I remember, when they renewed they had to sign a new contract -- a new MOI.

Q What's the point? If their funds just rolled over, what's the point of paragraph 6 then? Well, this one is different. What was the point of the automatic rollover that you're signing a new agreement?

A I don't know. But they -- I think, if I remember right, they had to sign a new nine month contract.

MR. MILLER: Do you have anything else on

173, Bob?

MR. LEVENSON: Hold on.

BY MR. LEVENSON:

Q At some point during the time that you sold 1 Global, did paragraph 6 change from the automatic rollover if they didn't opt out to a situation where they had to renew, otherwise the investment was -- (inaudible)

A Yeah. It looks like it is different.

Q Okay. So is that why in this instance Mr. Kundert signed a new MOI?

A I'm sorry. You're asking is that why he did?

Q Is that -- because paragraph 6 changed why you signed a new MOI in this instance?

A I guess. I don't remember for sure, but I think that's why.

Q Because with the automatic rollover, that was the point of it; they didn't sign new agreements, correct?

A No. I think even -- I think they still had to sign a new one.

Q Are you sure about that? 'Cause I can tell you --

A No.

Q -- the clients and the ones who did.

A No. Not sure about it.

Q That's all.

BY MR. MILLER:

Q And did you have Mr. Kundert sign a statement of risk?

A Let me see here. I don't think so, 'cause I think by this time that's when I had been advised not to use that form anymore. Doesn't look like he did.

(SEC Exhibit No. 162 was marked for identification.)

Q Okay. Let's go to Exhibit 162. Let me know when you're ready.

A Okay.

Q Do you recognize Exhibit 162?

A Yes.

Q And it's an e-mail from you that you drafted to Bill Saoud, right?

A Correct.

Q And it says, "Hi Bill. Attached is a form we are requiring clients to sign if they want to renew their 1st Global or for new clients. My attorney wrote it. He said he's not a hundred percent sure it would protect us if someone sued, but it clearly tells people about the risk."

This is the Bill you referred to to sell 1

Global, right?

A Correct.

(SEC Exhibit No. 163 was marked for identification.)

Q Okay. And it looks like there's an attachment. So if we go to Exhibit 163, if you'd be kind enough to pull that up, is that the attachment that's referred to in Exhibit 162?

A I don't know. Probably.

Q Let's take a look.

A Yeah, I'm sure it is. It looks like it is.

Q Right. It doesn't have you statement on there that you believe it's low risk, right?

A Correct. That wording had been changed.

Q Okay. So is this -- this is the document that when you say we are requiring clients to sign if they want to renew, so anybody who renewed like Mr. Kundert, you had him sign this; is that right?

A Yeah. But it doesn't look like Corrie did. I don't know why.

Q Okay. And it says "or for new clients," so you're still soliciting new clients?

A No.

Q Why did you write that then?

A Well, if there was a new client. I don't

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know why I wrote it. This is if there had been new clients we would have used it, but --
Q Okay. And then if you look back on Exhibit 173, Mr. Kundert look like he's -- the date of the memorandum of indebtedness is May 9, 2018; is that right?
A Yeah. It looks like -- yeah, I guess.
Q Okay. Don't guess, sir. Is that what it says?
A Yes.
Q Okay. Is this a -- this is a renewal in your mind?
A As far as I can remember.
Q It's either a renewal or it's a new sale, would you agree with that?
A Yes.
Q Okay. And if we take a look at 162, that dated May 9th, 2018. "Attached is what we're requiring clients to sign if they want to renew their 1st Global or for new clients." They're the same date, do you see that?
A Yes.
Q Did you have Mr. Kundert sign a statement of risks?
A I don't --

Q And understand a statement of risk?
A I don't remember.
Q And can you think of any reason you wouldn't have?
A No.
Q On 163 it says in the second paragraph, "For accounts under $250,000." Are you with me, sir?
A Yes.
Q "It could take an additional 90 days to have all money returned in the event of a full refund. For accounts $250,000 and more, it could take as money as 180 days for a full refund."
Do you remember when Mr. Levenson asked you about the nine months and you told us that the nine months was so it wouldn't be a security? Do you remember that?
A Yeah. That's what I was told.
Q Right. Does this additional 90 days and then additional 180 days, did that -- did you ask anybody about that as to how it relates to the -- whether or not it's a security?
A No.
Q Why not?
A I never thought of it. I never thought for a second this was a security, so I never really thought

about it.
Q In fact, on 163 it says MCAT are not securities or investment products, right?
A Correct.
Q And you never thought for a second it was not a secure- -- that it was a security, right?
A Correct.
Q And that's only because you were told that; is that correct?
A Yes.
Q You didn't do any of your own investigation of the securities laws, did you?
A No.
Q So it's just what you were told by the people at 1 Global and possibly at the Revolution; is that right?
A Not the Revolution, just 1st Global.
Q Just 1 Global?
A Correct.
(SEC Exhibit No. 161 was marked for identification.)
Q Let's go to Exhibit 161.
A Okay.
Q So 161 is an e-mail between you and multiple people. It looks like there's a conversation that

you're having at the bottom on May 23, 2018 with Frank and Pennie. Do you see that?
A Yes.
Q "I wanted to let you know I've soften my position on 1st Global." What does that mean?
A Several clients that specifically really wanted to stay in. So the ones that insisted, I have decided to let them in some cases.
Q So two weeks before on May 9th Corrie Kundert put in $260,000, did you tell him that you softened your position?
A I don't know if I used those words.
Q What words did you use?
A I don't know. That was two and-a-half years ago.
Q Did you use any words?
A Yes. I use some words.
Q It says, "Several clients want to stay in so I'm going along with that. The only thing I ask is that you sign a statements of risk form to ensure you understand the product is not insured and that there is some risk involved." You see that?
A Yes, I see that.
Q And what is the some risk involved mean? Does that have anything to do with 1st Global?

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A Of course. That's all that we're talking about here, 1st Global.
Q Right. But what is the risk now?
A The fact that it's not insured. It's not insured, there's some risk involved.
Q So before when you had the document and you said it was low risk, it was not insured at that time either, right?
A Right.
Q And now a few month later and it's still not insured and you went from low risk to some risk, is some risk greater than low risk?
A I had mentioned earlier that I stopped using the first form because -- on advice of my attorney. That was the wording that he didn't like or she didn't like.
Q Right. That's not our question.
Is some risk greater than low risk?
A I don't know. It's a subjective term.
Q Right. That's why I'm trying to get your take on it. I didn't write this, you did.
Can I turn your attention to Exhibit 174.
You want a couple seconds to look at it, sir?
A Yes.
Q Take your time.

A Okay.
Q What's going on in Exhibit 174?
A They hadn't paid me my commission on it and I caught it, so I sent it to Candace and sure enough it was an oversight and then they paid me.
Q Okay. So Candace is with 1 Global, right?
A Correct.
Q Let's go to the second page of Exhibit 174.
A Right.
Q And that's the -- you hadn't been paid the 3 or 4 percent for the Corrie Kundert $260,000; is that right?
A Correct.
Q And below that it shows that you had been paid $10,726.27, was that for your May business in 1 Global?
A I'm not sure exactly what it's for.
Q Is it a fair statement that at least as of May 2018 you still had either new business in 1 Global or renewal business that generated $10,000 in commission to you?
A Yes.
Q Let's go to Exhibit 175, please.
A Okay.
Q This is July 2018 and it is Exhibit 175, you

want to take a few minutes to look it over, sir?
A Yes. Okay.
Q Is it a fair statement that even as late as the end of June 2018 you still liked 1 Global?
A No.
Q That's not a true statement?
A No.
Q What was wrong with it?
A Nothing specific. I just -- again, I wanted to really -- I was concerned about what had happened with Woodbridge.
Q So let's go to the bottom of the first page. June 29th, 2018 you're writing to someone name Juan. "Hi, Juan. I've been looking in to life settlement brokers, but have not found one that I'm comfortable with. The ones I have found have these commissions that are too high in my opinion. To be totally candid, I believe life settlement as an investments is riskier than one -- 1st Global."
So he was still a -- was Juan considering 1 Global or was he an investor in letter in 1 Global?
A No. If you go back, I he was considering renewing. If you go back to what he wrote. 1st Global perform much better than annuity in the short-term. I

would have continued to invest with them, unfortunately, I understand you are no longer comfortable with them.
Q Okay.
A He insisted on renewing.
Q Got it. So then the next paragraph what you wrote to Juan is, "I think we discussed this before, but all investments have 3 elements: risk, return and liquidity. There are no investment that have all 3 completely. The stock market has return a liquidity, but has risk. The same to some extent with 1st Global. Annuities have completely safety and good returns, but are not as liquid. I am constantly on the lookout for products that are shorter term that has safety and return, and so far 1st Global is the best I found."
So your statement a second ago was, you didn't like 1st Global as of June 29th, 2018, why did you write that you're constantly on the lookout for products that are shorter term that have safety and return, and so far 1st Global is the best that I have found?
MR. DUNCAN: That's not what he said at all. He didn't say he didn't like it. He said he was concerned about it because of the Woodbridge situation. He didn't say whether he had an

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opinion on whether it was good bad. He just said he didn't like the fact that he had clients in there because of the Woodbridge situation.

MR. LEVENSON: I object to you testifying and characterizing your client's testimony. You're not testifying,your client is.

MR. DUNCAN: I object to you objecting to my objection. I object to Gary twisting words of Mr. Fisher to make a silly point.

MR. LEVENSON: This blatant witness coaching, please stop.

MR. DUNCAN: This is obviously -- Gary wants to argue with Mr. Fisher about things, he's not very successful, then he misstates the testimony.

MR. LEVENSON: No, he didn't. Please stop coaching your witness.

MR. DUNCAN: Mr. Levenson, I'll do exactly what I think is appropriate to represent my client effectively. And you're suggesting that I'm coaching my witness as opposed to complaining about the misconducted of one of the staff attorneys is not appropriate.

MR. LEVENSON: There is no misconduct here.

MR. DUNCAN: Well, that's certainly your opinion.

MR. MILLER: Mr. Duncan, would you let me speak for a second?

MR. DUNCAN: Sure.

MR. MILLER: I don't want there to be any mischaracterization of any testimony. Madam court reporter, could you read back all of the dialogue regarding Exhibit 175 so that there's no disagreement as to what Mr. Fisher said.

MR. DUNCAN: Excuse me. While you do that, we're going to take a break. We're going to leave the proceedings and when you're ready to come back with a question, please let us know.

MR. LEVENSON: We're not going off the record.

MR. DUNCAN: No. You don't have to go off the record, we're just not going to participate in this charade. You know, you guys don't get to abuse the witnesses and it's been going on long enough and I don't think this is helpful. The record will speak for itself. Mr. Miller can make whatever representation he wants for himself and I can make whatever representations I want for myself. Let's g back to the --

MR. MILLER: What we're not going to --

MR. DUNCAN: Let's go back to --

MR. MILLER: What we're not going to do right now, Mr. Duncan, is argue and the staff has every right, considering you just accused me of misconduct. We are staying on the record and the court reporter will read everything about 175 back into the record. Please read.

MR. DUNCAN: You can stay on the record.

MR. MILLER: Do not talk now, Mr. Duncan. Please read.

MR. DUNCAN: You can stay on the record, Mr. Fisher and I are going to be leaving the proceedings right now, let us know when you want us to return.

MR. MILLER: Please read.

MR. LEVENSON: While you're looking, I do want the record to reflect that the witness and his counsel both walked out of the proceedings.

MR. DUNCAN: Are you ready for us to come back for questioning?

MR. MILLER: The court reporter is finding the portions to read.

MR. DUNCAN: Just let me know and I'll let Mr. Fisher come back.

MR. MILLER: 3:47, off the record.

(Thereupon, a brief recess was taken,

after which, the following was had.)

MR. MILLER: It's 3:50 on September 17th, 2020, we're back on the record after a brief break.

BY MR. MILLER:

Q During the break we just took, Mr. Fisher, did you have any conversations about the investigation with myself or Mr. Levenson?

A No.

Q Can you please pull Exhibit 176.

A Okay. Let me take a look.

Q It's two pages, so let me know when you're ready to answer questions on it.

A Okay.

(SEC Exhibit Nos. 175 and 176 were marked for identification.)

BY MR. LEVENSON:

Q Please take a look at 175 for a minute, I want to ask some questions about it.

A Okay. 176 or 175?

Q 175.

A Okay. All right.

Q On the e-mail that starts on the bottom of the first page on Friday June 29 of 2018, can you describe on that date -- I mean were you -- had you

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gotten more comfortable with the 1 Global investment than you were earlier when we saw e-mails were you stated you weren't going to recommend that your clients invest anymore?

A Okay. Let me be clear. I was never uncomfortable per se with 1st Global. It was the Woodbridge, the trauma we -- I and my staff and clients had suffer with Woodbridge, that I just didn't want to offer something that wasn't insured again. So that's a -- there's a big difference here for saying I'm not -- I still didn't know that anything was wrong with 1st Global.

Q Okay. At some point you decided to allow your clients to invest -- to keep investing in it?

A Yeah. It's a -- exceptions. The client absolutely insisted and if it would -- I felt it was suitable. If it wasn't too big a fortune of their money, then, yes, I made exceptions.

Q So your testimony is, to be clear, you weren't uncomfortable with 1 Global, you just were worried because Woodbridge had gone bankrupt?

A That's correct.

Q Okay. As of the e-mail, were you comfortable with your client -- with Juan investing in 1 Global?

A Again, it's not 1st Global per se. It's

because of my concern with Woodbridge. I didn't think there was anything wrong with 1st Global.

Q I understand. My question was simply, as of this date in this e-mail, were you comfortable with one investing in 1 Global?

A Yes.

Q Okay.

BY MR. DUNCAN:

Q Can we clarify whether you were comfortable or willing?

A I was comfortable from the standpoint I didn't think there's anything wrong with 1st Global.

MR. LEVENSON: I don't have anything else, Gary. Do you?

BY MR. MILLER:

Q 176, sir.

A Okay. I have that.

Q Let me know when you're ready to answer some questions on it.

A Yeah, I'm ready.

Q Did there ever come a time when you knew that 1 Global did not have audited financials?

A No.

Q On 176, can you turn to the second page.

A Got it.

Q It's an e-mail that you wrote to Scott Merkelson on July 17th at 4:23 p.m. "Also, Dale had mentioned that you guys were going to start making some financials available to us, are those available yet?"

Do you remember writing that?

A Yes.

Q Okay. And on the first page, it looks like Mr. Merkelson responds to you and he says -- looks like it's later the same day. "The financials are being finalized and should be available for limited distribution in the coming weeks. They will not be fully audited, but we expect to have the full audit done for year-end 2018. I will make sure to keep you posted."

So did they have audit financials for any of their years?

A I don't know.

MR. MILLER: Do you have anymore question on that one, Bob?

BY MR. LEVENSON:

Q Did you follow-up with Mr. Merkelson to ask if they had any prior year audited financials?

A Yes. I was told they did all along.

Q Did you ask to see them?

A Yes. And then I didn't insist until about

this point it said that I absolutely want to see the financials and that's, as you see here, when they said they were going to make them available. I had been told that because it was privately held that they had to -- you know, they didn't widely distribute the financials.

Q Okay. You just accepted their word that they had them?

A Yes.

Q That's all I have.

(SEC Exhibit No. 177 was marked for identification.)

MR. MILLER: We're going to ask that Magaly pull up Exhibit 177 and share the screen.

BY MR. MILLER:

Q I can tell you that as soon as you look at this you're going to be very upset with me.

MR. MILLER: So, Magaly, I'm going to ask you to increase the font size because it is unusually small.

BY MR. MILLER:

Q So just please bear with us, let us know when 177 is large enough where you can actually read it. Can you see that, sir?

A Yes.

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Q Okay.
MR. MILLER: Magaly, can you scroll over to the right-hand side and just show the exhibit number.
BY MR. MILLER:
Q Okay. So we're all looking at 177; is that right?
A Yes, I am.
MR. MILLER: Russell, you're able to see that?
MR. DUNCAN: Yes.
BY MR. MILLER:
Q Okay. Let's go back over to the list of names starting at the top and make it big enough so that Mr. Fisher and counsel can see it. Okay.
Can you see that properly?
A Yes.
Q Can you tell us what this list is?
A It looks like it's Roy Gagaza's client list.
Q Okay. And can you tell us what P & R marketing is?
A No. I don't know.
Q Okay.
MR. MILLER: Magaly, could you scroll down.
BY MR. MILLER:

Q Do you see your name there, sir?
A Yes.
Q And are these your clients?
A Yes.
Q That are in 1 Global?
A Are or were?
Q But these are 1 Global customers, correct?
A I think so, yes.
Q Okay. And it starts with -- the first entry is September 1, 2017; do you see that?
A No. I see September 1st.
Q Did I say something else?
A You said December.
Q My apologies. So that's September 1, 2017, did you sell 1 Global prior to that?
A Yes. Yeah. I put money in on March 31st.
Q So you would agree that this is a partial list of your clients, correct?
A I don't know. I mean I'm looking at this, but I haven't looked at every name on there.
BY MR. LEVENSON:
Q Well, let me just -- you said you put money in before September 1st, did you have clients who also put money into 1 Global before September 1st?
A Yes.

Q Okay. Thank you.
A And this is not my list. This is Roy's list.
BY MR. MILLER:
Q Understood. That's why I'm asking you if you recognize any of these names underneath your name.
A Yes.
Q You recognize all of them?
A I haven't read everyone of them.
Q Take your time. Do you need it bigger?
A No. Scroll down, let me see if there's anyone I don't recognize.
MR. LEVENSON: Stop it there, Magaly, for a second.
BY MR. LEVENSON:
Q Let me -- let us know when we can put 138, Mr. Fisher.
A Okay. I am good. You can keep going. Keep going, I'm good.
BY MR. MILLER:
Q Stop right there. So does it look like Pennie's investment is the last one that's listed?
A Yes.
Q Okay. And then it goes into renewals, do you see that?
A Yes.

Q Are you ready for Magaly to scroll down so you can see the renewals?
A Yes.
Q Thank you. Stop there. Do you recognize those names?
A Yes.
Q Keep going. Stop. Do you know who Richard Miller is?
A Yes.
Q Who is he?
A He was a Revolution guy.
Q Did you get a percentage of his sales?
A No.
Q Scroll down, please. Scroll down.
Jeffrey Johnson, do you know who that is?
A No.
Q Richard Ehrlich, do you know that name?
A No.
Q Max Hechtman, do you know that name?
A No.
MR. MILLER: And then slowly and gradually scroll down to the bottom. I'm done with that document. Thank you, Magaly.
BY MR. MILLER:
Q Mr. Fisher, do you -- do you know if your

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production of your commissions earned from 1 Global during calendar year 2017 total $247,572?
A I don't know the exact number.
MR. MILLER: Magaly, would you share your screen and put up 158.
MR. LEVENSON: Gary, could we not. I wouldn't do that. Can we talk about that.
MR. MILLER: That's fine. Let's not put that up.
BY MR. MILLER:
Q Do you know if your commissions for calendar year 2018 were $81,000?
A Again, I don't know exact number.
Q Does it sound about right or no?
A I don't know.
Q Okay. Did you use any PowerPoints in any of your seminars as far as demonstrating or talking about 1 Global?
A Yes.
Q And were they your own or do you use Roy Gagaza's, or what?
A I used 1st Global's. I don't know. I might have used one of Roy's but I don't think so. 1st Global for sure.
Q And the PowerPoint from 1 Global that you

used, is that similar to the brochures we looked at earlier today?
A I don't remember exactly, but I'm sure it was.
Q And I hate to ask you to do this, but can you go back to Exhibit 153 just so the record reflects we're talking about the same thing.
A Okay.
Q Does that look like it, sir?
A That's the brochure. It's possible that it's also the PowerPoint.
MR. MILLER: Magaly, could you share screen and please put up Exhibit 179.
(SEC Exhibit No. 179 was marked for identification.)
BY MR. MILLER:
Q Just want to see, Mr. Fisher, if this PowerPoint rings a bell or presentation you used or PowerPoint you used. You see it's 179, sir?
A Yes.
Q Okay. Scroll down. It says Journey Wealth Management. Scroll down, please.
Is that big enough for your, sir?
A Yes.
Q Does this agenda look familiar?

A That's not mine. It's Roy's.
Q It's nothing you used, is that correct?
A I don't remember.
Q Keep going. Does that look like something you used in a PowerPoint?
A I have used and that's a part of your annuity PowerPoint, the seminar.
Q Keep going. Did you recall using that page?
A No.
Q Next page, please.
Do you recall using that page?
A No. Again, I might have. I don't know. It's not mine. It's Roy's. I don't know if I ever used -- I don't remember if I used Roy's or not.
Q Okay. Keep going. I know it's Roy's, did you use that page?
A I don't remember.
Q Next page. Again, I know it's Roy's, did you use that page?
A I don't remember.
Q Next page. Did you use that page?
A I don't remember.
Q Next page. Did you use that page?
A I don't remember.
Q Next page. Did you use that page?

A I don't remember.
Q Next page. Did you use this page?
A I don't remember.
Q Did you use this page?
A I don't remember.
Q This appears to be different than the Roy document, doesn't it?
A Than the which document?
Q Than the Roy Gagaza document we just looked at.
A Yes, looks different.
Q What I'm trying -- I'm not trying to trick you. I'm just trying to ask you, is this the PowerPoint you used?
A I don't remember.
Q The one you're looking at now.
A I haven't looked at that PowerPoint in probably 3 years, so I don't know if that's the one I used. It looks like the brochure. I'm not trying to evade you, I really don't know. Really don't remember.
(SEC Exhibit No. 160 was marked for identification.)
MR. MILLER: Okay. You can get that off the screen. Magaly, could you share your screen and pull up Exhibit 160. Can you make it large enough

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so Mr. Fisher and Mr. Duncan can read it.
BY MR. LEVENSON:
Q Before we increase the size, can you guys read that? Mr. Fisher.
A I got it.
Q Can you read it?
A I can read. Yes, I can read it.
BY MR. MILLER:
Q I'm going to ask you a couple questions on 160, take a couple minutes -- few minutes and read it and let me know when you're ready to answer questions
A Okay.
Q Do you remember -- what is -- strike that.
What is Exhibit 160?
A What is it?
Q Yes.
BY MR. LEVENSON:
Q Mr. Fisher, are you finish reading it yet?
A Yes.
Q 'Cause there is more.
A I read what I can see.
BY MR. MILLER:
Q By all means, scroll the rest.
A Okay.
Q So who were you writing the June 5, 2017

e-mail to?
A I didn't write it.
Q The June 5 at 11:07 a.m. John Fisher wrote e-mail?
A It's from Shelby Fisher to me.
BY MR. LEVENSON:
Q Below that, Mr. Fisher.
BY MR. MILLER:
Q Which e-mail are you looking at, sir?
A I'm looking at the one on the screen at the top.
MR. LEVENSON: Hold on. Magaly, go back up. Stay where you were.
BY MR. LEVENSON:
Q Mr. Fisher.
A Okay. I'm looking at the very top.
Q You see what is highlighted?
A You highlighted it, right? But at the top it's from Shelby to me.
Q Yes. Below it says, "John Fisher wrote," that's her reply to you, is it not?
A Let me see. Oh, yeah. Okay. I guess.
Q So starting at highlighted portion, that's your e-mail; is that correct?
A Yes.

Q Thanks.
A It's in response to my e-mail.
Q The first line starting with the highlighted portion, that is your e-mail?
A Yes.
Q You wrote that?
A Yes.
BY MR. MILLER:
Q Jake -- you wrote to Jack Nord, "Our marketing guy from the Revolution will be here on Thursday, he wants to sit in on any appointments I have, but, frankly, I do not want him to, so let's not schedule any for Thursdays." Why is that?
A Well, if you read the rest of it, it tells you. The reason is, Roy Gagaza is very concerned about the Revolution giving him a hard time about doing 1st Global just like they did Woodbridge. So at that time Roy was getting a lot of heat from the president or the owner of Revolution about offering these products, so I just didn't want to have -- to get anymore heat.
Q Do you know what the heat was about?
A Yeah. It was about 1st Global and Woodbridge.
Q What in particular?
A Revolution did not like agents selling

anything except annuities and Roy was my mentor and they were concerned about him recommending products to me that were not annuities, 'cause Revolution doesn't make any money off of anything other than annuities or life insurance.
Q "So I can't afford to have people asking about those products while Jake is here. Also, we need to take pictures of the boards and then erase all WW and 1st Global information while Jake is here. We can put it back up on Friday."
WW is Woodbridge, correct?
A Correct.
Q And so is it fair to say you had white boards of information in your office that were populated with information about Woodbridge and 1 Global?
A Let me see. We need to take picture of the boards and erase all Woodbridge -- could be. I'm not sure. Again, that was over 3 years ago.
Q What else do you think you meant there?
A I didn't say I meant anything else. I just said I'm not sure.
Q The next sentence says, "We also need to put away all WW and 1st Global materials so he can't see it and make sure we're careful not to mention WW or 1st Global when he is around." This all sounds silly since

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we are independent and not doing anything wrong, but it's necessary to protect Roy. He is not coming -- he is not planning on coming to Vacaville as far as I know so you guys don't need do anything. If he does decide to visit there, I will let you know."

And if Mr. Nord did go to Vacaville, would you have taken the same precautions about getting the information removed concerning 1 Global and Woodbridge?

A Yes.

MR. MILLER: Okay. It's 4:18, let's take a five-minute break off the record, please.

(Thereupon, a brief recess was taken, after which, the following was had.)

MR. MILLER: We're back on the record. It's 4:21 p.m. on September 17th, 2020.

BY MR. MILLER:

Q Mr. Fisher, during the break we just took, did you have any conversations with Mr. Levenson or myself about the investigation and your testimony?

A No.

Q Do you have any additional information on any of the topics covered in testimony here today?

A Let me just say this: safety has been so important; I care about everyone of my clients. I

never would have offered anything to my clients that I though had great risk and I certainly wouldn't invested my own money. And from a -- I still don't understand how the SEC can go back in time after the fact and declare that was an unregistered security. I didn't know. I didn't believe it was. I didn't -- I don't think I did anything wrong.

Q Are there any other subject areas or questions that you thought the staff might ask today, but we did not ask?

A No. I guess you're pretty thorough.

Q Are you aware of any other information that you think might be helpful for the staff for purposes of this investigation?

A I don't think so. You know, the documents I sent, the subpoena, I think there must have been 10,000 pages, so not right off the top of my head, Gary.

Q Mr. Fisher, we'd like to remind you this is a confidential, nonpublic investigation. We have no further questions for you at this time. However, in the future we may wish to call you again to testify in this matter, if that's necessary, obviously, we'll contact your attorney.

Mr. Fisher, do you wish to clarify any statement you made today? Do you wish to add

anything more other than what you just added?

A No. I think I'm good.

MR. MILLER: And, Mr. Duncan, do you wish to ask Mr. Fisher any clarifying questions?

MR. DUNCAN: No. I would like to say that, if earlier, Gary, I said that I thought you had made a misconduct, that was unfortunate on my part and I apologize, and I withdraw any statement like that. I think you conducted yourself very professionally. I was a little heated during that part of the conversation and I understand what you were doing, and if I said anything about any misconduct, I withdraw that statement and say that you did things professionally and correctly.

MR. MILLER: It's 4:24 p.m. on September 17th, 2020. We're off the record.

(Whereupon, at 4:24 p.m., the examination was concluded.)

* * * * *

PROOFREADER'S CERTIFICATE

In the Matter of: 1 GLOBAL CAPITAL, LLC
Witness: John Fisher
File: FL-04148-A
Date: Thursday, September 17, 2020
Location: Miami, Florida

This is to certify that I, Christine Boyce, (the undersigned) do hereby certify that the foregoing transcript is a complete, true and accurate transcription of all matters contained on the recorded proceedings of the investigative testimony.

_____ _____
(Proofreader's Name) (Date)

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PROOFREADER'S CERTIFICATE

In the Matter of: 1 GLOBAL CAPITAL, LLC
Witness: John Fisher
File: FL-04148-A
Date: Thursday, September 17, 2020
Location: Miami, Florida

This is to certify that I, Christine Boyce, (the undersigned) do hereby certify that the foregoing transcript is a complete, true and accurate transcription of all matters contained on the recorded proceedings of the investigative testimony.

Christine E. Boyce

_____ 9-30-20

Proofreader's Name) (Date)

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STATE OF FLORIDA

COUNTY OF PALM BEACH

I, Caretha Wisdom, Professional Court Reporter and Notary Public in and for the State of Florida at Large, do hereby certify that I was authorized to and did report said hearing in stenotype; and that the foregoing pages are a true and correct transcription to the best of my ability of my shorthand notes of said hearing.

I further certify that said Hearing was taken at the time and place hereinabove set forth and that the taking of said hearing was commenced and completed as hereinabove set out.

I further certify that I am not an attorney or counsel of any of the parties, nor am I a relative or employee of any attorney or counsel of any party connected with the action, nor am I financially interested in the action.

Dated this 25th day of Septembe 202



Caretha Wisdom,

Professional Court Reporter

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EXHIBIT 14

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In The Matter Of:

Securities and Exchange Commission v.
1 Global Capital, LLC, et al.

Matthew Lynn Walker
Vol. 1
January 25, 2019

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

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SECURITIES AND EXCHANGE COMMISSION,)
Plaintiff,) CASE NO.
vs.) 18-61991-civ-
1 GLOBAL CAPITAL, LLC, et al.) BLOOM/Valle
Defendants.)

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DEPOSITION OF MATTHEW LYNN WALKER
FRIDAY, JANUARY 25, 2019
PAGES 1 - 235; VOLUME 1

BEHMKE REPORTING AND VIDEO SERVICES, INC.
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Deposition of MATTHEW LYNN WALKER, VOLUME 1, taken on behalf of the Plaintiff, at Securities and Exchange Commission, 801 Brickell Avenue, Suite 1800, Miami, Florida, commencing at 9:46 A.M., FRIDAY, JANUARY 25, 2019, before Aurora C. Sloan, Florida Professional Reporter, pursuant to Notice of Taking Deposition

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ALSO PRESENT:

DAN NEWMAN

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QUESTIONS WITNESS INSTRUCTED NOT TO ANSWER:

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FRIDAY, JANUARY 25, 2019; 9:46 A.M.

THE COURT REPORTER: Raise your right hand, please.

Do you solemnly swear or affirm the testimony you are about to give in this matter will be the truth, the whole truth and nothing but the truth?

THE WITNESS: Yes, I do.

Thereupon,

MATTHEW LYNN WALKER,

having been first duly sworn or affirmed, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MARTIN:

Q. Good morning, Mr. Walker.

A. Morning.

Q. Could you state your full name for the record, please?

A. Matthew Lynn Walker.

Q. And a couple of things before we get going. When I ask a question, please make sure your response is verbal so the court reporter can pick it up. I know what you mean when you nod your head, but she won't be able to pick that up on the

record.

Does that make sense to you?

A. Yes.

Q. If I ask a question and you don't understand what I mean by the question, please ask me to restate it and I'll try and clarify that for you.

Does that make sense to you?

A. Yes.

Q. And lastly, if you need to take a break for some reason and there is not a question pending, I'll gladly accommodate that. Just let me know.

A. Thank you.

Q. Is there any mental, physical or other reason you can't testify truthfully and accurately here today?

A. No.

Q. Are you presently taking any medications or drugs that would prevent you from testifying truthfully or accurately here today?

A. No.

Q. Where do you reside?

A. Owasa, Kansas.

Q. And where do you presently work?

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A. Overland Park, Kansas.
Q. And who do you work for?
A. Pinnacle Plus Financial.
Q. Just generally what is Pinnacle Plus Financial? What type of business?
A. It offers financial services.
Q. And how long have you been with Pinnacle Plus Financial?
A. Since 2009.
Q. And what is your title with the company?
A. CEO.
Q. How long have you had that position?
A. Since 2009.
Q. And so Pinnacle Plus, who are its clients?
A. Primarily Kansas City and residents.
Q. And these are -- you offer -- what type of products are offered to your clients?
A. Through Pinnacle Plus Financial, we offer insurance products.
Q. So you have an insurance license?
A. I do have an insurance license.
Q. Do you offer annuities to some of your clients?

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A. Yes.
Q. Do you have an insurance license in -- in what states do you have an insurance license in?
A. Multiple states. I would have to look at my list to see exactly, but Kansas, Missouri, and others.
Q. Are there other products offered to Pinnacle Plus customers besides insurance products?
A. We also have a company called Pinnacle Plus Wealth Management.
Q. And what does that company offer?
A. Advisory services.
Q. How long has Pinnacle Plus Wealth Management been in existence?
A. 2009.
Q. And when you say "advisory services," could you explain a little bit more about what that is?
A. We advise clients on their security portfolios for advice for a fee.
Q. So that would be a type of investment advisor, is that --
A. Investment advisor; correct.
Q. And you are registered at a state level to do that?

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A. Yes.
Q. What state or states is Pinnacle Plus Wealth Management registered with?
A. Kansas, Missouri, Colorado. I believe that's it. There may be more, but for sure those three.
Q. Is that entity licensed in Utah?
A. No.
Q. And do you -- what's your position with Pinnacle Plus Wealth Management?
A. I'm the CEO and compliance officer.
Q. And how long have you been the CEO?
A. Since 2009.
Q. Is that also the same answer for how long you have been the compliance officer?
A. Yes.
Q. Do you know roughly how many clients Pinnacle Plus Wealth Management has?
A. Roughly 200.
Q. And do you hold any licenses to carry out your functions at Pinnacle Plus Wealth Management?
A. I do.
Q. What are those?
A. Series 65.

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Q. Any others?
A. No.
Q. Do you have any other securities licenses besides the Series 65?
A. They are not active.
Q. So presently, that's the only license you have; correct?
A. Exactly. Correct.
Q. And it sounds like previously you had other securities licenses?
A. I did.
Q. And what were those?
A. 6 and 63.
Q. Do you know roughly when you obtained those?
A. 2004, I believe.
Q. And do you know when approximately those licenses lapsed or expired?
A. 2009 roughly.
Q. So since 2009, you haven't had any licenses relating to being a broker dealer; is that correct?
A. Yes; correct.
Q. And when roughly did you get the Series 65?

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A. 2006. I'm not quite sure. I don't know the answer.
Q. But prior to starting in Pinnacle Plus Wealth Management.
A. Yes.
Q. Okay.
And what did you do professionally prior to, I guess -- strike that.
Why did you -- what happened to the Series 6 and 63? Did they expire?
A. Yes.
Q. And you let those expire?
A. Yes.
Q. They weren't revoked?
A. No.
Q. Okay.
And do you recall when you roughly got your securities or insurance license in Kansas City -- sorry. I mean Kansas State.
A. 2004.
Q. And what did you do professionally prior to the Pinnacle Plus company starting in roughly 2009?
A. I worked for Mass Mutual and Lincoln Financial Group.

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Q. Where those two different companies?
A. They are two different companies.
Q. When did you start working for the Mass Mutual company?
A. 2003, 2004. It was an internship that turned into a job.
Q. And what was your job title?
A. Advisor.
Q. Just generally, what did you do in that capacity?
A. Do retirement plans and sell insurance products.
Q. Back then were you using -- when you say "retirement plans," can you explain a little bit more about what you mean by that?
A. Once I became licensed, I did IRAs through mutual funds and annuities.
Q. And how long were you with Mass Mutual?
A. Until 2008, I believe.
Q. And then after that, you went to Lincoln?
A. Yes.
Q. What did you do at Lincoln?
A. I was a co-manager and advisor.

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Q. Just generally, what did you do in those roles?
A. Recruited agents and had advisory services -- or, sorry. I brought in clients to do retirement plans.
Q. And that was your job up until you started at the Pinnacle Plus companies?
A. Yes.
Q. And do you have an ownership stake in the Pinnacle Plus companies?
A. Yes.
Q. What is that?
A. 51 and a half percent -- strike that.
51 percent.
Q. Of both entities?
A. I own 51 percent of a holding company, Pinnacle Plus Holdings.
The holding company owns the other entities.
Q. At Pinnacle Plus Wealth Management, I think you said there were roughly 200 clients.
Would those be all your clients or all the agents' clients?
A. All the agents' clients.
Q. Roughly how many agents work for

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Pinnacle Plus Wealth Management?
A. Currently four.
Q. Four agents in addition to you?
A. That would be -- one second.
There would be four right now. We previously had five.
Q. Okay.
And are you including yourself as one of those?
A. I am including myself as one of those agents.
Q. So presently there is three others and you?
A. Correct.
Q. And do you know how many clients you roughly have?
A. I would be guessing. I don't know.
Q. Do you have the majority of the clients?
A. No.
Q. So somewhere less than 100 would be a fair estimation?
A. Yes.
Q. Who are the other owners of the holding company?

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A. Multiple individuals.
Q. And I think you mentioned one of the agents left fairly recently.
Who was that?
A. George Gillie.
Q. And why did he leave?
A. We let him go.
Q. And do you know roughly when that was?
A. Sorry. To be clear, we let him go from Pinnacle Plus Financial where he was an employee.
Q. So he wasn't with Pinnacle Plus Wealth Management?
A. He was a -- it's a simple word. Sorry.
He was a non-paid -- or it was a commission only -- what's it called? It's a -- just an independent -- well, he would be an agent or an advisor to Pinnacle Plus Wealth Management. He wasn't a salaried employee of that company.
Q. So he wasn't like a W2 employee?
A. He wasn't a W2 employee.
Q. Okay.
And the other agents that are with the company presently, who are they?

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A. Kenny Riewerts. Jeffrey Tupper. Al Idrisi.
Q. And are these salaried employees?
A. None of them are salary.
Q. How do they get paid?
A. Sorry. Be more specific in the question.
What company are you referring to?
Q. I was focusing on Pinnacle Plus Wealth Management.
A. Pinnacle Plus Wealth Management, they are not salaried employees. They are paid by half a percent of what they bring in from fees.
Q. So if they bring in $100 in fees, they would get $0.50 of that?
A. Correct.
Q. Do they receive a salary from Pinnacle Plus Financial?
A. Yes.
Q. Do they also have the ability to obtain commissions through Pinnacle Plus Financial?
A. They receive, in essence, a bonus that's based off commission production.
Q. And does Pinnacle Plus, the holding company, is there a board of directors of that?

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A. There is.
Q. Do you have a position on that?
A. I do.
Q. What is that position?
A. Chairman.
Q. How many board members are there?
A. There are four.
Q. Who are the other three?
A. Kreig Smith, Eric Hansen, and James Craig.
Q. In the board of directors of the holding company, does it help manage or give oversight over the Pinnacle Plus entities below it?
A. It gives general guidance.
Q. How frequently does the board meet?
A. Meets once a year.
Q. And the holding company is a private company; is that correct?
A. Yes.
Q. And so are the other Pinnacle Plus entities; is that correct?
A. Yes.
Q. And have we gone through where you worked professionally after you finished college?
A. Yes.

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Q. And where did you go to college?
A. Brigham Young University.
Q. And did you obtain a degree from there?
A. I did.
Q. What was that degree?
A. Bachelor in economics.
Q. And when roughly did you get that degree from BYU?
A. 2004.
Q. And Mass Mutual, where was that located where you worked?
A. Overland Park, Kansas.
Q. So you've always worked professionally in the Kansas City greater area?
A. Yes.
Q. Did there come a time you learned of something called 1st Global Capital, LLC?
A. Yes.
Q. If I call it 1st Global or 1GC, will you know what I'm referring to?
A. Yes.
Q. Generally what was your understanding of what 1GC or 1 Global was?
A. More specifically --

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Q. Sure.
Just generally, what business was 1GC in?
A. It was in the merchant cash advance business.
Q. And how did you first learn of 1GC?
A. Through a trusted mentor.
Q. And who was that?
A. Trae Wieniewitz.
Q. And roughly when was that?
A. End of 2016, beginning of 2000 -- sorry. Yeah. End of 2016, beginning of 2017.
Q. And how did you -- do you recall how Mr. Wieniewitz first communicated to you about 1GC?
A. A phone call.
Q. Besides -- in what way did you consider Mr. Wieniewitz to be a mentor?
A. Mr. Wieniewitz and I were part of the same FMO called The Revolution.
The Revolution is designed to help and assist agents grow their financial planning practices.
Mr. Wieniewitz was held out as a founding mentor. And in all of the trainings that I had gone to, which I went to a training at least

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three or four times a year, at least three or four times a year, he was at the head of the -- he was sitting down with three other individuals as the main bosses telling us how to run our practices, what to do.
And so from there I met him, created a relationship with him, and learned how he grew his practice. And I, from The Revolution, viewed him as someone that could help me grow my practice as well.
Q. And FMO, that stands for field marketing organization?
A. Correct.
Q. And what is, just generally to a lay person, what is an FMO or field marketing organization?
A. It's a middleman from the insurance carrier to the financial professionals.
Q. And just generally, what does an FMO do as a middleman?
A. They are responsible to help train, guide and develop advisors as long with assisting and helping them with their practices.
Q. In this initial phone call that you learned of 1GC through Mr. Wieniewitz, do you recall what Mr. Wieniewitz told you about 1GC generally?
A. Generally he mentioned that he was using notes to help his clients get more stable returns and didn't have market risk, didn't have the long terms that annuities had, and that his clients loved the product, and that he was selling a lot of it.
Q. Did you do anything at that point in time in response?
A. More phone calls. He would call me about two or three times a week until he started explaining that he could get me, in essence, to sell the product as well.
Q. And how did he say he could help get you to sell the product?
A. He said that he was creating his own, lack of better terminology, FMO for this product where agents could come to him and he would help them and teach them how to sell the product.
Q. And so these phone calls continued through into 2017?
A. Correct.
Q. And then, at some point in time, did you deal with -- stepping back.

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At some point, you went out to 1GC's offices; is that correct?
A. Yes.
Q. And that was roughly in June of 2017?
A. Correct.
Q. And so from this early 2017 into June, did you deal with anyone else besides Mr. Wieniewitz?
A. Yes, I did.
Q. Who was that?
A. Dale Ledbetter.
Q. Who was he?
A. Who was --
Q. Mr. Ledbetter.
A. He's an attorney.
Q. And what was he -- do you recall the substance of the communications you had with him in this time frame?
A. I do.
He was held out -- Trae kept recommending me to talk to him because he was -- Trae kept saying an SEC lawyer, and knew about security law, and would be able to explain the product better because he helped put it together, he helped create the product, and he knows all the

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security laws and the right ways of doing it.
And as I spoke to Mr. Ledbetter, he explained everything from how the product worked to the industry as a whole, the problems with Wall Street, and why America was looking for a product like this, and how it benefitted not only those that were lending money to 1st Global for a return, but also those merchants who 1st Global was receiving money from, and it was a win-win on every side, and that you could help a lot of clients out by selling this product.

Q. So could you explain a little bit more what he, when he talked about how the product worked, what he told you?

A. He explained they were 9-month notes, and that they were designed this way because that way they wouldn't be considered a security.
He told me I wouldn't need a security's license to sell it, or any of my advisors, my insurance-only agents could sell this product because it didn't require a security license because it wasn't a security.

Q. Because you understood that, if it was a security, that you didn't have the right licenses to sell that?

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A. If it was a security, I could not sell the product; correct.

Q. And this opinion, at that point in time that Mr. Ledbetter gave to you that it wasn't a security, that was all oral?

A. All oral.

Q. And so he was talking, I guess, to you about some of the legal aspects of the product and some of the marketing and sales aspects as well?

A. Yes. He spoke to both of those things.

Q. When you talked to Mr. Ledbetter in this time frame, was Mr. Wieniewitz on these phone calls as well?

A. Yes, he was.

Q. Anyone else?

A. Not that I recall, no.

Q. So the pitch that Mr. Ledbetter was giving to you had a legal and nonlegal components to it; is that fair?

A. Yes.

Q. Prior to going out to meet with the company in June of 2017, do you recall if you received any, like, a frequently asked questions?

A. Yes, I did.

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Q. Like a pitch deck?

A. Yes, I did.

Q. And like a -- what is it, like a purple brochure, or something similar to that, like an executive summary or -- I'm not sure of the right term, but did you ever receive like a purple brochure?

A. Yes.

Q. And what did you refer to that as?

A. A client sales brochure.

Q. So prior to meeting with 1GC in June of 2017, you had had phone calls with Mr. Wieniewitz and Mr. Ledbetter, and you had received those materials that we just mentioned; is that correct?

A. Yes.

Q. Do you recall if you had any other types of communications besides those?

A. I did.

Q. And what was that?

A. Emails.

Q. And who were those emails between?

A. Primarily between Trae Wieniewitz and myself.

Q. And were those emails part of like

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educating you about the company, or what substance did those have?

A. Multiple. Education, how to sell the product, how well the product has done.

Q. And prior to meeting with 1GC, did you have any substantive conversations with anyone besides Mr. Ledbetter and Mr. Wieniewitz about 1GC?

A. From 1st Global?

Q. Yes, from 1st Global.

A. Before I went down to 1st Global Capital, I may have received an email or two about getting down to 1st Global and the logistical type of emails.

Q. But no -- substantively, you didn't really deal with anybody besides Mr. Ledbetter and Mr. Wieniewitz prior to meeting with anybody from 1GC?

A. There was one other agent that I spoke to, Roy Gagaza. He was also a mentor at The Revolution who was selling this product as well.

Q. And Mr. Gagaza, what did he -- you communicated with him by phone?

A. I asked if he was selling the product.

Q. And what did he say?

A. He said he was.

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Q. And this was by phone?
A. By phone.
Q. And do you recall what he said in response besides he was selling the product?
A. He said that it's been working well, and that he's had success with it.
Q. What did you understand when he's saying it's working well, what does that mean?
A. Clients are getting consistent returns.
Q. Did he say what range of returns they were getting?
A. He did. He said about 1 percent per month.
Q. So roughly 12 percent annually, annualized?
A. Yes.
Q. And I think you used the term it was a successor, or something similar to that.
Did you understand what he meant by that?
A. Meaning that he saw consistent 1 percent returns on the accounts.
Q. And was it a success in the sense that people were buying the product?

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A. People were buying the product and were happy with the results.
Q. And did you have an understanding in that time frame whether there were any limitations on who could buy the product?
A. None. Never communicated on that.
Wait.
Q. Go ahead.
A. I was told by both of them, by both Trae and Roy Gagaza, that there were no suitability requirements.
Q. And just generally to a layperson, what would be a suitability requirement?
A. If the client has enough money; how much money you put into this; if you roll over an annuity into this, what surrender charge is. You would want to make sure that it is in the best interest of the client.
Q. And they both told you you didn't have that obligation with this product.
A. There was no obligation to this product.
Q. And did you learn at some point there was a minimum amount investors?
A. I did. He told me it was $25,000.

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Q. And so 1GC had a minimum amount requirement of $25,000 for investment?
A. Yes.
Q. And sometimes they waived that; is that correct?
A. Yes.
Q. But beyond that requirement, that was the only restriction that was placed on who could buy this product?
A. At that time that I was communicated to, yes.
Q. If you had $25,000 or more, whoever you were, you could buy this product.
A. Yes.
Q. And the product we're referring to is the 1GC notes; right?
A. Yes.
MR. MARTIN: I'd like to mark the following document as Walker Exhibit 1, please.
(Thereupon, Walker Exhibit 1, 5/17/17 Email Chain from Dale Ledbetter to Trae Wieniewitz. Bates No. Regulatory_63123, was marked for Identification.)
BY MR. MARTIN:

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Q. We marked as Walker Exhibit 1 a 1-page document that's Bates stamped "Regulatory" and it ends in 3123.
Have you ever seen this document before, Mr. Walker?
A. Yes.
Q. And how do you recognize it?
A. This is an email between Trae and Dale, myself, to coordinate a time for me to go visit the company, 1st Global Capital in Florida.
Q. So this is one of the earlier communications that we were just discussing.
A. Yes.
Q. And did you have an understanding then who Darice Lang was?
A. No idea at that point.
Q. And, at that point in time, did you know who Mr. Merkelson was?
A. No.
Q. Later on did you learn who Ms. Lang is?
A. Yes.
Q. Who is she?
A. She's an employee of 1st Global Capital.

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Q. And Mr. Merkelson, at some point in time you learned who he was?
A. Yes.
Q. And who was he?
A. He's an employee of 1st Global Capital as well.
Q. And you met him eventually; is that correct?
A. Yes. I met him in Florida.
Q. I want to look at another one of the initial contacts.
MR. MARTIN: If you could mark this as Walker Exhibit 2, the following document.
(Thereupon, Walker Exhibit 2, 5/18/17 Email Chain from Dale Ledbetter to Darice Lang. Bates Nos. Regulatory_52483-52484, was marked for Identification.)
BY MR. MARTIN:
Q. We've marked as Walker Exhibit 2 a 2-page document that's Bates stamped "Regulatory" and it ends in 2483 and runs through 2484.
Have you ever seen this document before, Mr. Walker?
A. Yes.
Q. How do you recognize it?

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A. It's an email from Dale Ledbetter in regards to my trip going down to 1st Global Capital to visit them and to check them out.
Q. So this was more sort of the logistics of getting down to Florida?
A. Yes.
Q. And did you -- who is Candace Abrams on that cc?
A. I don't know.
Q. Did you ever learn who Ms. Abrams is?
A. No.
Q. And below that, there is an email from Ms. Lang who is listed here as the operations director for 1GC?
A. Yes.
Q. And it's my understanding; correct? that she was requesting certain information to allow you to do the paperwork essentially to become an agent for the company?
A. Yes.
Q. And then here in some of the -- one of the prior emails from Mr. Ledbetter, begins on the first page and carries over to the second page, he's indicating that you need enrollment docs; is that correct?

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A. Yes.
Q. And that you will be visiting on June 19th of 2017?
A. Yes.
Q. And there is a Carl Ruderman there listed on that email.
Do you know who that is?
A. I do.
Q. Who is he?
A. He's the owner and president of 1st Global Capital.
Q. And did you know that prior to going there in June of 2017?
A. I was given a list of resumes and learned about the different employees that were associated with 1st Global Capital.
Q. And do you recall what you learned about Mr. Ruderman prior to going there?
A. That he was a businessman; used to live in New York; and had success with -- from what I was told and understood -- travel magazines.
Q. Did anyone disclose to you prior to going there of any business difficulties that Mr. Ruderman ever had?
A. No.

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Q. Any business failures?
A. No.
Q. Defaulting on small business administration loans?
MR. PINEIRO: Object to the form.
A. No.
BY MR. MARTIN:
Q. And did -- throughout your relationship with 1GC, did anyone disclose any of that type of information to you?
MR. PINEIRO: Object to the form.
A. No.
MR. MARTIN: Mark the following exhibit as Walker's Exhibit 3, please.
(Thereupon, Walker Exhibit 3, 3/23/171st Global Capital Merchant Cash Advance. Bates Nos. SEC-PINNACLEP-E-259-280, was marked for Identification.)
BY MR. MARTIN:
Q. The SEC has marked as Walker Exhibit 3 a document that's Bates stamped S-E-C-P-I-N-A 0259 through 0280.
Have you ever seen this document before, Mr. Walker?

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A. Yes.
Q. How do you recognize it?
A. It's an informational sales deck provided by 1st Global Capital, and I received it first from Trae Wieniewitz.
Q. And this would be one of the documents that we discussed that you would have received prior to meeting with 1st Global. Is that your recollection?
A. Yes.
Q. And this is a document that you reviewed prior to the meeting?
A. Yes.
Q. And then here looking at the disclaimer, it says:
"This document is expressly for the use and consideration of qualified lenders to evaluate the merits of the opportunity in merchant cash advance transactions, MCAT."
What does that mean to you, that this merchant cash transaction?
A. It means that companies that need money and can't get money from a bank need to look for alternative sources, that the MCA industry is

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an industry that can make loans to companies that normally couldn't get traditional lending from a bank, and those loans are often done at a higher-than-normal interest rate.
Q. And is it okay if I shorten "merchant cash advance transactions" to "MCA"? You would know what I mean?
A. Yes.
Q. And this MCA business, that was the only business listed here in this pitch deck; is that correct?
A. Yes.
Q. And that was throughout -- is it true that throughout your dealings with 1GC, that the only business being discussed them being in was the MCA business?
A. Yes.
Q. And also here it says:
"1GC has prepared this document."
So your understanding is all this information in these pitch decks were coming from 1GC?
A. Yes.
Q. If you would look at the next page of the pitch deck, would you agree with me that

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everything on this page deals with the MCA business?
A. Yes.
MR. PINEIRO: Object to form.
BY MR. MARTIN:
Q. Would you agree with me that the next page is all dealing with a marketing opportunity dealing with the MCA business?
MR. PINEIRO: Object to the form.
A. Do I answer?
BY MR. MARTIN:
Q. Yes.
A. Yes.
Q. And if you could just leaf through the next 2 pages, is that also true, those are dealing with the MCA business?
A. Yes.
Q. And looking there --
MR. PINEIRO: Object to the form.
I apologize. Let me object, and then you can answer. I'm just trying to get it in quickly. Sorry about that.
BY MR. MARTIN:
Q. And looking at page 7 on the pitch deck, it's Bates stamped 0265, did you have an

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understanding of what -- where it says "1GC's competitive advantage," it says:
"Funding sources typically receive a non-correlated ROI of double digit growth."
Do you have an understanding of what that term "ROI" means?
A. Yes. Rate of return.
Q. Or rate of --
A. Interest.
Q. -- of interest?
A. Yeah.
Q. So they are saying that -- I mean is it fair to say that 1GC is saying that investors and this product would get a non-correlated rate of interest of double digits?
A. Yes.
Q. And everything on this page is dealing, again, with the MCA business; is that correct?
MR. PINEIRO: Object to the form.
A. Yes.
BY MR. MARTIN:
Q. Same question to the next page.
MR. PINEIRO: Form.
A. Yes.

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BY MR. MARTIN:
Q. And where it says "portfolio analysis," this average syndicate partner SP rate of interest, what does that mean when it's saying 2015 and it's saying 16 percent, what's your understanding of that?
A. That that was the average rate of return for -- be specific -- the customers who lent money through the notes to 1st Global Capital, those customers would receive roughly that rate of return.
Q. So during 2015, your understanding is that what 1GC is representing, is that those customers or investors got 16 percent rate of return?
A. Yes.
Q. And for 2016, they are telling them they did a 15 percent rate of return?
A. Yes.
Q. And they're estimating going forward of double digit teens in 2017?
A. Yes.
Q. And so this, again, is dealing -- this portfolio analysis you are understanding is dealing with the MCAs?

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MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. This footprint they are talking about, again, you understood that to be the MCA business --
MR. PINEIRO: Form.
BY MR. MARTIN:
Q. -- on the next page?
A. Yes.
Q. The default rates that are being discussed here, that's the MCA business?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. And this syndicate partner core conditions, that would all be dealing with the MCA business; is that correct?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. And where it says here that it says:
"SP participates in a diversified portfolio of 1GC merchant cash advances with the same terms."

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What was your understanding of what that was referring to?
A. I was told on the phone from Dale Ledbetter and Trae Wieniewitz, and later when we visited them, that 1st Global Capital does not put more than 2.5 percent of anyone's lent money.
So notes that are -- the customer who lends money to 1st Global Capital, no more than 2.5 percent of any one of their loans goes into any merchant cash advance. And so it was diversified because there was multiple companies that they were advancing the money to.
Q. And 1GC was going to make that decision of what loans the clients participated in?
A. Yes.
Q. So is that what you understood where it says "no guaranties," it's meaning no guaranty that an investor would be in a particular deal?
A. Yes.
Q. And the next page here where it says "funding source details," this minimum tranches of 25k from funding sources, that was consistent with your understanding that that was the minimum investment amount?
A. Correct. This was the lender. The

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loans were for 25 -- yeah, $25,000 to loan money to 1st Global Capital.
Q. And, again, here is nothing indicating there is any suitability requirement bar for any potential investor?
A. Correct.
Q. And it says "withdrawals" -- there's another bullet point where it says, "withdrawals after 9 months with 60-day written notice," what was your understanding of what that was referring to.
A. At that time, they explained to us that we needed to, within writing, have our clients, within writing, 60 days let them know if they wanted their money out of 1st Global Capital.
Q. So within 60 days of the 9-month term expiring?
A. Yes.
Q. So essentially 7 months or prior?
A. 7 months or prior they needed to let 1st Global Capital know about pulling the money out.
Q. And what happened if the individual or investor didn't do that? What would happen?
A. It would roll over to another 9 months

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at that time.
Q. So is it okay if I call that an automatic rollover provision? Would you understand what I mean?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. And if someone did want to get out of the notes and gave the notice, would they -- was it your understanding they would get their full payment at the end of the 9 months?
A. No. They would receive it over a period of time.
Q. Do you recall in this -- do you recall initially what that period of time was?
A. Originally they told us 3 months.
Q. So if someone participated in a 9-month note, the soonest they would get all their money and return back all of it would be a year; is that correct?
A. At that time, yes.
Q. Do you recall when you use the word "they," who was telling you that initially?
A. Trae and Dale Ledbetter.
And when we did our due diligence, or

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sorry, Scott Merkelson, Carl Ruderman, and there may be one or two others that told us that in the first meeting.
Q. And this is the June, 2017 meeting you are referring to?
A. Yes.
Q. And just sort of following it along, was there a time period when investors would be fully repaid changed?
A. Yes.
Q. Do you recall what the change was?
A. Yes. They made two changes.
The first, I would have to look at my notes on the dates and the times, but roughly there was an amount that if it was less than, it would be 3 months. If there was an amount that would be more, then it would be 6 months, and then that changed again a couple of months later.
Q. So does the amount of $250,000 investment trigger a recollection on that?
A. Yes.
Q. So is it fair to say that the new policy, when it came into effect, was below 250, it was still 3 months after the note, you would be fully paid back?

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A. Yes.
Q. But if you were over 250, the company had 6 months to do that?
A. Yes.
Q. So, in that time period, if someone invested $250,000 or more, the soonest they would get all their money back would be 15 months after the investment; is that correct?
A. Yes.
Q. And you indicated that that policy may have changed again.
Do you recall what that was? Just on the amounts. Not the automatic rollover.
A. No. So that was the final change.
Q. Okay.
And then the automatic rollover provision, that changed over time. Is that your understanding?
A. Yes.
Q. So initially it was everybody had an automatic rollover note?
A. Yes.
Q. And then what did it change to?
A. In February of '18 -- or January of '18, everyone would have to get a new signup again

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if they wanted to stay in.
Q. And were you then told why that change occurred?
A. Because the State of Texas required it. And to act more cautiously, that all the states -- they just wanted to do this so all the states could comply.
Q. Do you recall who told you that, or how it was communicated to you?
A. Dale Ledbetter, Trae Wieniewitz, Scott Merkelson.
Q. And would this have been on phone calls?
A. Phone calls, yes. I'm -- phone calls.
Q. And did there come -- at some point your company stopped offering the notes; is that correct?
A. Yes.
Q. Did you learn after some point they went back to an automatic rollover provision?
A. I did.
Q. Do you recall how you learned that?
A. Phone calls, emails.
Q. And who had those been with?
A. Trae, Dale, Scott.

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Q. And were you told then why they went back to an automatic rollover provision?
A. Because 1st Global's lawyers had looked into it and decided that the state mandates had allowed them to do -- allowed them to do a continued rollover.
Q. And that's what you were told; right?
A. That's what I was told.
Q. And then this funding, going back to this funding source deals, that's funding source of funding the MCA business; correct?
A. Yes.
Q. And an --
A. Wait.
Funding source deals, this was not -- this was our customers lending to 1st Global. So 1st Global could advance it to the MCAs.
Q. So the funding source that you dealt with dealt with investors giving money to 1GC so 1GC could operate in its MCA business.
A. Yes.
Q. The next page says "Global Cash Data Validation." Here it's saying -- one of the bullets says "External Audit." Says:
"External independent CPA firm audits

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company financial statements annually."
Do you recall seeing that provision?
A. Yes.
Q. Was that provision important to you?
A. Very.
Q. Why so?
A. It gave me confidence that the business was being looked at from other sources, and that the numbers that I was being told was legitimate.
Q. Because that helped ensure if it operated properly, that a different entity, not just 1GC, was looking at its books and making sure everything was being reported properly.
A. Yes.
Q. And then it says -- there is another bullet here where it says "External Review." It says:
"External independent CPA firm validates Syndicate Partner portfolios balances quarterly."
Do you recall seeing that provision?
A. Yes.
Q. Was that provision important to you?

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A. Very important.
Q. Why so?
A. Because I knew that it was being looked at from an independent source so the numbers would be accurate and the information they were telling me would be correct.
Q. So they are telling you there -- 1GC is telling you four times a year we are looking at what we're reporting to partners. Our CPA firm is going to validate that.
A. Yes.
Q. And if these representations of an independent audit and an external review by an independent CPA, if those had been false, would you have ever got involved with 1GC?
A. Absolutely not.
Q. Would you have raised one penny for them?
A. Zero.
Q. And again, this data validation is all talking about validating the performance of the MCA business?
A. Yes.
Q. Next page where it says "Underwriting Process," that's talking about the underwriting

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process relating to the MCAs; correct?
A. Yes.
Q. The "Collection Process," the next page, is all dealing with the MCA business; correct?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. Does "Global Cash SP Portal Dashboard 24/7 Online Access to SP Portfolio Data," that was all dealing with reporting the results to potential investors of the MCA business; correct?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. Your understanding here the next page, "Industry Competition," that was the industry and the competition relating to the MCA business.
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. "Outside Advisors." Here it's being represented that Daszkal Bolton, LLP is the CPA; is that correct?
A. Yes.

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Q. Is that the only CPA firm you heard associated with 1GC?
A. Yes.
Q. So this is -- based on the other PowerPoints, this was -- is it fair to say this would be the entity you would assume be fulfilling the independent audit obligation?
A. Yes.
Q. This management team here, 1 Global, Mr. Ruderman is listed as the chairman and CEO; is that correct?
A. Yes.
Q. He's being represented as an experienced entrepreneur across multiple industries; founded more than 12 prosperous business operations; founding member of the World Tourism Counsel?
A. Yes.
Q. So no negative information is being disclosed to you there about Mr. Ruderman's --
MR. PINEIRO: Form.
BY MR. MARTIN:
Q. -- business dealings?
MR. PINEIRO: Form.
BY MR. MARTIN:

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Q. Is that fair?
A. No negative. Yes, that's fair.
Q. Okay.
So is it fair to say this entire document deals with the merchant cash advance operations of 1GC and no other business?
MR. PINEIRO: Form.
A. Yes.
MR. MARTIN: I would like to mark the following document as Walker Exhibit 4, please.
(Thereupon, Walker Exhibit 4, 1st Global Putting Cash to Work for Merchants While Earning Healthy Returns for Lenders. Bates Nos. SEC-PINNACLEP-E-281-287, was marked for Identification.)
BY MR. MARTIN:
Q. We've marked as Walker Exhibit 4 a document that's Bates stamped S-E-C-P-I-N-N and it goes on and ends in 0281, and it goes through 0287.
Do you recognize this document, Mr. Walker?
A. Yes.
Q. And how do you recognize it?
A. It's a customer sales brochure.

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Q. Is this the purple brochure that we referred to earlier?
A. Yes, it is.
Q. And in your understanding, would this be a document that you could provide to your clients?
A. Yes.
Q. And this is -- so you recognize this document as being one of the documents you would have received prior to going to 1GC's offices?
A. Yes.
Q. On the page -- it's 3 pages in on the document, it has "Our Company" at the top.
Again, it's being represented to you that, in the last sentence of that section, it says -- the sentence begins and then it goes on to say:
"And auditing services are provided by the firm of Daszkal Bolton?
Do you see that?
A. Yes.
Q. So it was your understanding that Daszkal Bolton would be the company providing these auditing services for 1GC?
A. Yes.

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Q. And on the next page, there is representation, it says:
"Our Financial Model. On average we collect $1.30 to $1.35 for every dollar advanced."
Do you see that?
A. Yes.
Q. What was your understanding of what that meant?
A. That was the amount of money that they were -- that 1st Global was making off of their merchants.
So for every dollar they lent to their merchants, they would receive $1.30.
Q. Was that important to you?
A. Very important.
Q. Why so?
A. Because if those are the correct numbers, then the math works out.
If those aren't the correct numbers, the math of this business doesn't work.
Q. And could you explain a little bit more what you mean -- what the math works, what do you mean by that?
A. Well, if you assumed that there was

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about 11 or 12 percent return for the individual who lent the business, and then you've got management fees inside of 12 percent, that's 24 percent right there.

And then they would -- it would have to be at least doing that for the math to work out.

Q. And was it your understanding some of those returns were only being paid to independent sales agents?

A. There was also independent sales agents that were getting paid.

Q. And a bad debt reserve, what --

A. There was also a bad debt reserve that was held for that as well. So all those things had to come into consideration.

If you take the 4 percent default rate that they told us over and over again, and put that number in there as well, that leaves you about 12 percent to the individual, 12 percent to the company.

Q. So this is important because this is essentially how your clients are going to get paid; right? and get that generally around the double digit return rate?

A. Absolutely. Absolutely.

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Q. And in the future, if I call it independent sales agent, an ISO, do you know what I mean?

A. If you are referring to an ISO as the individual who finds merchants --

Q. Yes.

A. -- yes, I do know what you mean.

Q. Okay. Thank you.

And when you said they repeatedly told you the default rate, do you know who the "they" is?

A. Carl Ruderman, Dale Ledbetter, Trae Wieniewitz, Scott Merkelson.

Q. And here the next portion where it says:

"Our performance. Double-digit rates of return, well above average stock market performances."

So 1GC was comparing their performances to the stock markets; is that fair?

A. Yes.

Q. And then here again, it says:

"1st Global Capital has built a pipeline of lenders which allows us to service the growing merchant cash advance market.

"Our funding portfolio has quadrupled in size over the past year. Historically lenders have earned double digit annual returns."

Is it fair to say the only business that 1st Global is representing to be in is the MCA business?

A. Yes.

Q. And again here below it says:

"1st Global Capital is one of the most progressive merchant cash advance firms."

Do you see that?

A. Yes.

Q. So again, the only business 1GC is representing to be in is the MCA business.

A. Yes.

Q. And all this information that came in this Exhibit 4 you are understanding all came from 1GC; is that correct?

A. Yes.

Q. And one last question.

The front cover again says -- describes -- 1GC is describing itself, would you agree, as 1st Global Capital Financial Services, Merchant Cash Advances.

Do you agree with that?

A. Yes.

MR. MARTIN: And then I would like to mark the following exhibit as Walker Exhibit 5.

(Thereupon, Walker Exhibit 5, 2/2/17 1st Global FAQ Sheet. Bates Nos. SEC-PINNACLEP-E-250-251, was marked for Identification.)

BY MR. MARTIN:

Q. We marked the following document as a Plaintiff's Exhibit -- Walker Exhibit 5, which runs S-E-C-P-I-N-N, and it goes on and it ends in 0250 and goes through 0251. The top of this document says "FAQ."

Have you ever seen this document before, Mr. Walker?

A. Yes.

Q. How do you recognize it?

A. This is a FAQ that they would, first of all, keep updated, and sent to us quarterly.

Q. There is a date here on the bottom. It says 2/2/17.

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Do you see that?
A. Yes.
Q. Would that -- and when they would update it, would that date change?
A. Yes.
Q. And this would be also one of the documents you recall seeing before your first meeting with 1GC?
A. Yes.
Q. And there it's -- in the FAQ, this would be something that you understood you could show your clients?
A. Yes.
Q. And it's just a shortening -- an abbreviation of frequently asked questions?
A. Yes.
Q. And again, the representation to potential clients on No. 8 would be double digit teens returns to investors was the historical average?
A. Yes.
Q. And No. 14 here of the FAQ on the second page, it says:
"How are Syndicate Partner account performances verified?"

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It says:
"An external accounting firm validates Syndicate Partner portfolio performances and balances quarterly."
Was that an important provision to you?
A. Very much, yes.
Q. And that would be true for the reasons -- the same reasons as in the pitch deck?
A. Yes.
Q. Essentially you wanted to make sure that someone besides 1GC was verifying their results.
A. Yes.
Q. You weren't willing to just trust 1GC to tell you they were doing well.
You wanted an independent CPA to validate that; correct?
A. Yes.
Q. And your understanding from all the information you were given is that that independent CPA would be the Daszkal Bolton firm?
A. Yes.
Q. At the request of defense counsel, we'll take a short break?

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(Whereupon, a short break was taken at 10:53 a.m. and, upon reconvening at 11:07 a.m., the following proceedings were had:)
MR. WILSON: My colleague, Braden Perry, is on the line again also.
MR. MARTIN: Mark this as 6.
(Thereupon, Walker Exhibit 6, 6/19/17 1st Global Review of Diligence Site Visit by Pinnacle Plus. Bates Nos. SEC-PINNACLEP-E-253-256, was marked for Identification.)
BY MR. MARTIN:
Q. Welcome back, Mr. Walker.
During the break we marked as Walker Exhibit 6 a document Bates S-E-C-P-I-N-N and it ends in 0253 through 0256.
Have you ever seen this document before?
A. Yes.
Q. How do you recognize it?
A. It's an internal due diligence document and some questions we asked during the first site visit of 1st Global.
Q. So this is -- I mean we kind of alluded to it earlier in the testimony. This is

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the first time you went out to the 1GC offices?
A. Yes.
Q. And you from Pinnacle Plus, you went out; is that correct?
A. Yes.
Q. And a Kait Fox did as well?
A. Yes.
Q. And she works within the Pinnacle Plus framework?
A. She did, yes.
Q. And Mr. Hansen and Mr. Craig were -- are board members?
A. Yes.
Q. And then this is listing who you met with at 1GC?
A. Yes.
Q. So you met with Mr. Ruderman; is that correct?
A. Yes.
Q. And Mr. Merkelson?
A. Yes.
Q. And the others listed here on this list?
A. Yup.
Q. Can you describe a little bit of the

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general format of this due diligence meeting?
A. We requested to meet with their employees and do a site visit, and they brought us into a conference room where we -- primarily Scott Merkelson welcomed us, and we met with the various heads of their organization where they were able to explain what they did and we were able to ask them questions. And then we took a small tour at the end of the meeting.
Q. And was there a dinner involved with this as well?
A. Not on this meeting.
Q. Okay.
And was Mr. Wieniewitz at this meeting?
A. No.
Q. So it was just people -- individuals with Pinnacle Plus and 1GC?
A. Yes.
Q. And there you learned more about the business, the MCA business; is that correct?
A. Yes.
Q. And again, that was the only business that was described to you?
A. Yes.

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Q. There was no mention of a consumer lending business or distressed defaulted debt or payday loans, or anything like that; correct?
MR. PINEIRO: Form.
A. No.
BY MR. MARTIN:
Q. Do you recall during this meeting anything coming up regarding -- any discussions regarding whether the company had an auditor or it was going to retain an auditor for financials?
A. Yes.
Q. What do you recall?
A. We asked about Daszkal Bolton, and they told us that they did some of the audits. We said we'd like to see a financial audit done. And they said they were working on getting a third-party financial audit ready for us.
Q. The indication was by Daszkal?
A. We didn't know who would do the third-party. We just requested a third-party do a financial audit that could be made public.
Q. And you used the word "they."
Who did you discuss this issue with?
A. Scott Merkelson, Carl Ruderman, later Dale Ledbetter, and Trae Wieniewitz.

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Q. So at this meeting, that discussion would have been between Pinnacle Plus and Ruderman and Merkelson; is that fair?
A. Yes.
Q. Because Mr. Ledbetter wasn't at this meeting?
A. Correct.
Q. And Mr. Wieniewitz was not either?
A. Correct.
Q. In turning to -- on the third page of the document -- I guess before we get to that, I mean everything on this first page that's being discussed here is all dealing with the MCA business; is that fair?
A. Yes.
Q. And that's true on the second page?
A. Yes.
Q. That's also true on the third page?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. And that's also true that everything on the fourth page is dealing with the MCA business of 1GC?
MR. PINEIRO: Form.

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A. Yes.
BY MR. MARTIN:
Q. And here there is a discussion about the compensation for Pinnacle.
Could you explain a little bit how Pinnacle would be compensated for selling the product?
A. For the first 9 months, we'd be paid -- the company would be paid 2.25 percent. In addition to that, there was a .75 percent override.
So a combined total of 3 percent. And that's -- yeah, that's it.
Q. So just hypothetical, if someone invested $100,000, Pinnacle would be entitled to a $3,000 commission or 3 percent?
A. Yes.
Q. And who was going to pay that commission was your understanding?
A. 1st Global paid us that commission.
Q. And they were going to pay that out of the management fee they obtained?
A. Yes.
Q. So your clients didn't pay that commission; right?
A. Correct.

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Q. And did you have any discussions about how Pinnacle would be compensated or learn anything about that at this due diligence meeting if there was a renewal note?
A. Yes.
Q. What did you learn?
A. Every 9 months we'd get paid 3 percent.
Q. On the total renewal amount or the initial investment or --
A. The initial investment.
Q. So in the same example of -- at the end of 9 months, the note renewed. And let's say it renewed for 105,000, Pinnacle would still receive 3 percent of the 100,000?
A. Correct.
Q. And within your structure, how would -- how did you divide up those fees, the Pinnacle Plus structure?
A. We would pay our agents 1 percent every 9 months.
Sorry. We would pay our agents 1 percent for the first 9 months. If they renewed, pay them another 1 percent.
Q. And then Pinnacle retained the other

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2 percent?
A. Yes.
Q. And then there is a discussion here about a management fee.
Do you recall that being discussed at the meeting?
A. Yes.
Q. Do you recall who you discussed that issue with?
A. Yes.
Q. Who was that?
A. Scott Merkelson.
Q. Was Mr. Ruderman in the room at the time?
A. Yes.
Q. Did he ever -- did he correct anything or -- that Mr. Merkelson said?
MR. PINEIRO: Form.
A. No.
BY MR. MARTIN:
Q. Did he say anything he said was incorrect?
A. No.
MR. PINEIRO: Form.
BY MR. MARTIN:

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Q. Do you recall what Mr. Merkelson described to you about the management fee at that meeting?
A. This was the internal cost to pay the bills.
Q. And how -- what was your understanding of what the management fee was going to be calculated on? Was it the amount invested? The amount came back on the MCAs, or how did that work?
A. The amount invested.
Q. So just so we're clear, where it says management fee will be computed on a withdrawn from all collected amounts of lenders allocation for each merchant cash advance transaction, was it -- was your understanding that 1GC had to collect funds to collect the management fee from the MCAs?
A. I wasn't sure.
My recollection, it was on the -- just the amount that was in there.
Q. The amount invested?
A. Correct.
Q. Regardless, your understanding is that the management fee was capped; right?
A. At 12 percent; correct. Capped at 12 percent.

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Q. They couldn't take an unlimited amount?
A. Correct.
Q. What if you had learned at this meeting that, you know, Mr. Ruderman and 1GC was going to take additional amounts of investor funds beyond what they were capped at for their overhead --
MR. PINEIRO: Form.
BY MR. MARTIN:
Q. -- would that have been okay with you?
MR. PINEIRO: Form.
A. Absolutely not. I would have been angry, because we specifically asked that question, and they said no, they have never done that.
BY MR. MARTIN:
Q. And who is the "they" that you asked?
A. Scott Merkelson. And then also -- I do not recall the other person that was in the room at the time. But Scott Merkelson -- it was a financial person that was in the room as well.
Q. And do you recall if Mr. Ruderman was still in the room?
A. Mr. Ruderman was still in the room.
Q. And did he correct anything that Mr.

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Merkelson said in that regard?
MR. PINEIRO: Form.
A. No.
BY MR. MARTIN:
Q. And would it have been okay with you if 1GC was going to take amounts above what they were capped at taking to pay Mr. Ruderman for his personal expenses or pay his family members and put in unrelated businesses?
MR. PINEIRO: Form.
A. No. Absolutely not.
BY MR. MARTIN:
Q. Why not?
A. Because, one, they would have been lying to us because they told us they wouldn't; and, number two, the math would stop working.
Q. Because there would be less left over for your investors; right?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. If you had been lied to -- if you knew you were being lied to by 1GC and Mr. Ruderman, would you have done business with them?
MR. PINEIRO: Form.

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A. Absolutely not.
BY MR. MARTIN:
Q. Because it goes to integrity?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. You don't do business with people with bad integrity; is that fair?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. And going back to page 3 of this document, there is these boxes. Am I understanding this correctly that these would be inserted later after the documents initially drafted?
A. Yes.
Q. Because this is information you learned in 2018?
A. Yes.
Q. And this is -- one of these is what we already discussed, the automatic rollover changing to -- at that point in time at least -- to a -- where you had to specifically renew, not automatically renew?
A. Yes.

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Q. And do you recall who told you that back then in this March time frame? Was Mr. Ledbetter involved then?
A. Trae Wieniewitz, Scott Merkelson, Dale Ledbetter.
Q. And at this meeting back in January 2017 with Mr. Ruderman and others, who was in charge of the meeting for 1GC? I'm sorry. I said it wrong. Strike that.
In this meeting on or about June 19, 2017, who was your understanding of who was in charge of 1GC?
A. Carl Ruderman.
Q. And what gave you that impression?
A. Multiple things. There was a giant picture of him sitting in the office next to -- a painted picture next to some sort of fancy car. There were about no less than 30 photos with him and various important dignitaries, from past presidents to foreign ministers. And then, you know, he introduced himself as the person who runs the company and runs many other companies. And, you know, Scott Merkelson explained that he was the president and in charge, and is first-one-in, last-one-out kind of president.

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Q. Did he seem -- when Mr. Ruderman spoke about the company, did he seem knowledgeable?
MR. PINEIRO: Form.
A. Incredibly knowledgeable.
BY MR. MARTIN:
Q. And this was in all aspects of the company's operation and fundraising?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. When you say first-in/last-out, you mean he was the first person to arrive in the morning and the last person to go home.
Was that your understanding of that?
A. Yes.
Q. At this meeting, do you recall any discussion about whether the note itself was a security or not?
A. Yes.
Q. Who do you recall discussing that issue with at this meeting?
A. Scott Merkelson and Carl Ruderman.
Q. Do you recall what they told you?
A. That they had spent a lot of money with lawyers to make sure that this note would be

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put together just perfectly so it wouldn't violate any laws; that they had gotten approved in multiple states with the exception of five states, or something like that, that wouldn't approve; and that they had made sure multiple times that this was done correctly.

Q. Did you have an understanding of what they mean by that "got approved" in multiple states at that time?

A. Yeah. Our impression was they had met with the states and the states signed off.

In the insurance business that I'm very familiar with, that's what approved means. The insurance companies gets registered and have their products approved by each state. And it's not uncommon for certain states not to approve certain products.

And so when we were told that there were a couple of product not approved, it wasn't strange or weird to us because it's very common in insurance. And so we assumed that certain state laws wouldn't allow this product to be sold because they would have deemed it a security, but these were the states that had been approved that it wasn't a security.

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Q. And if you had learned that they hadn't actually met with anyone in any of these states at all and had not gotten any approvals, what would you have done?

A. Wouldn't have not done any business with them.

I was told much later in March of '17 -- sorry, March of '18, that their lawyers had just done their best at looking at state statutes to put this together, and hadn't actually gone through the approval process that they led us to believe.

Q. Do you recall who had told you that?

A. Dale Ledbetter.

Q. And eventually, we'll get to it later, but states started coming out in 2018 investigating this product and eventually maybe deeming it as securities; is that fair?

MR. PINEIRO: Form.

A. Yes.

BY MR. MARTIN:

Q. So if they hadn't -- bottom line, if they hadn't been approved in all these states as they claimed, you wouldn't have done business with them.

A. Absolutely not.

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Q. And just big picture. How much ultimately did your company help raise for 1GC, just roughly?

A. Roughly 20 million.

Q. And that 20 million includes you and other agents at Pinnacle?

A. Yes. Other agents and family members.

Q. And do you recall roughly how much commissions Pinnacle was compensated for that?

A. Roughly $600,000.

Q. And that's for all the agents and all the sales that we just discussed?

A. Right. Everything.

Q. Do you recall the issue of the cash not deployed coming up in this June 2017 meeting?

A. Yes.

Q. How did it come up?

A. We asked what it was. There is a portal, and that portal was shown in Exhibit 3 on page -- well, the document ending in 275, and this was an accounting of where every dollar of our customers' loaned money went.

The cash to be deployed was how much money of our clients was just sitting in a cash position waiting to be sent out to be lent. And we

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understood because the way the business worked, that there had to be a cash holding because there is always money coming in and money going out.

Q. So because this amount was specifically represented as being what would show up on partner investor statements that are in that pitch deck marked as Exhibit 3?

A. Correct.

Q. And so you asked about that in the meeting.

A. Correct.

Q. And your understanding is the cash to be deployed was money in the bank?

A. That was -- we were not understood.

We were told specifically that that was their clients' money cash sitting in the bank.

Q. And do you recall who specifically told you that?

A. Scott Merkelson, and then who was -- there was a gentleman representing finance at the time as well.

Q. And Mr. Ruderman was in the room?

A. Mr. Ruderman was in the room; correct.

Q. And he didn't correct any of those statements?

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MR. PINEIRO: Form.
A. Correct.
BY MR. MARTIN:
Q. Anybody say, oh, they are wrong. Cash deployed means we've already spent it on some other unrelated business and we hope to get it back?
MR. PINEIRO: Form.
BY MR. MARTIN:
Q. Nothing like that; right?
A. Nothing like that.
In fact, we were told by Mr. Ruderman that they carefully made sure that they could clearly show where every single dollar of clients' money was being put because transparency was important.
Q. Would you have been willing to be involved with 1GC if the cash to be deployed number that they were representing, the actual amount in the bank relating to that, was much lower?
MR. PINEIRO: Form.
A. Absolutely not.
BY MR. MARTIN:
Q. Why not?
A. One, I would have been lied to. And, number two, it would have been too risky of a

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business for me to put my money, my family's money or my customers' money in.
Q. You invested in this product as well; is that correct?
A. Yes, I did.
Q. How much did you invest?
A. 25,000.
Q. And when was that, roughly?
A. Summer of 2017.
Q. Did your note roll over?
A. It did.
Q. So you haven't gotten any of those funds back? They are tied up in the bankruptcy; is that correct?
A. Correct.
Q. And it was represented to you that you were getting a positive rate of return on those funds?
A. Yes.
Q. Do you recall roughly what the rate of return was?
A. At the time it was a little less than 1 percent per month.
Q. So roughly 10 percent. In that range?
A. Yes.

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Q. And you saw in your own statements that you had a cash to be deployed item?
A. Yes.
Q. And at no time was it told to you that cash to be deployed was, in reality, going to be money that was going to be invested in unrelated business ventures, and that the company just hoped to get it back at some point in time. You were not told that?
A. No, I was not told that.
Q. And you wouldn't have invested if that was the case?
A. Yes. I would not have invested.
Q. And you wouldn't have allowed Pinnacle to raise any money if that was the case; is that fair?
A. Yes. None of my agents or employees would have been allowed to put any money in the account.
Q. What about in this initial due diligence money, because this is prior to any money being raised by Pinnacle; correct?
A. Correct.
Q. What if you had been told that, oh, in reality, we are not just in the merchant cash

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advance business. We are going to put money into unrelated businesses that your investors won't have any documented interest in.
MR. PINEIRO: Form.
BY MR. MARTIN:
Q. Would you have been willing to be involved in that company?
MR. PINEIRO: Form.
A. No.
BY MR. MARTIN:
Q. Why not?
A. Because what are the other businesses? What are the documents? What's the risk? What is it?
I would need to be disclosed to decide whether or not if it was just they had no idea what it was going into blindly, too much risk.
Q. Because you had done due diligence on one business, on MCA business; right?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. Not consumer lending, not defaulted debt, not Mr. Ruderman just giving $1 million to his son to invest in Bitcoin, none of those; right?

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MR. PINEIRO: Form.
A. None.
Q. Next I'd like to show you what we're going to mark as Walker Exhibit 7.
(Thereupon, Walker Exhibit 7, 6/19/17 Email Chain from Carl Ruderman to Matt Walker. Bates No. 1GC-8092018-42047, was marked for Identification.)
BY MR. MARTIN:
Q. Walker Exhibit 7 is Bates stamped 1GC and it ends in 2047.
Have you ever seen this document before, Mr. Walker?
A. Yes.
Q. How do you recognize it?
A. It's an email that was sent to me by Mr. Ruderman.
Q. And your understanding is that Mr. Ruderman's email address is cr@1stglobalcapital.com?
A. Yes.
Q. And based on what you learned through the pitch deck and the conversations that you had had prior to the meeting and the due diligence, you were willing to go forward and raise money for 1GC

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for its MCA business?
A. Yes.
Q. If you could now look at Exhibit 8.
(Thereupon, Walker Exhibit 8, 6/21/17 Letter from Matt Walker to Darice Lang. Bates Nos. SEC-PINNACLEP-E-229-232, was marked for Identification.)
BY MR. MARTIN:
Q. Walker Exhibit 8 is Bates stamped S-E-C-P-I-N-N, and it goes on, and the last four digits are 0229, and it runs through 0232.
Have you ever seen this document before, Mr. Walker?
A. I have.
Q. How do you recognize it?
A. It's one of the documents we were using to make sure that Pinnacle Plus was compensated for the sales of the MCA loans.
Q. The structure here is that this would be a letter to Ms. Lang. But did you draft this letter or was this letter sent to you from 1GC?
A. Sent to us from 1GC. It was one of the forms we use.
Q. And this was allowing your firm to be compensated -- I guess, first of all, allowing your

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firm to offer the opportunity to your clients; correct?
A. Correct.
Q. And then allowing, if sales did occur, to receive commissions from them?
A. Correct.
Q. And that's your signature there on the third page is your understanding?
A. Yes.
Q. And you are saying that would have been Ms. Lang's signature there on behalf of 1GC as the operations director?
A. Yes.
Q. Do you know where -- it says on the top here, it says "Matt Walker, Pinnacle Plus Private Placement."
Do you know what that is referring to?
A. Yes.
On the advice of our compliance company that we hired, Lexington Compliance, RIA in a Box, they advised us that because -- they advised us this wasn't a security. And because it wasn't a security, we needed to create a separate entity to sell these notes.
We put together Pinnacle Plus Private

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Placement as the company. Later we were told by that same compliance company that we shouldn't use that name, and that we should change the name.
So Pinnacle Plus Private Placement later becomes Pinnacle Plus Capital used to sell the notes out of, and that's the entity that was compensated.
Q. So I believe the name was Pinnacle Plus Wealth Management?
A. That is our RIA. And Pinnacle Plus Wealth Management did not sell these notes, nor did Pinnacle Plus Financial, the insurance division.
Again, under the advice of our compliance company, we were told to set up a new entity to sell these notes.
Q. And so the new -- when we use those numbers approximate -- like 200 approximate clients, would those be clients of Pinnacle Plus Wealth Management or this Pinnacle Plus Private Placement?
A. So, to clarify, Pinnacle Plus Wealth Management has its own clients. Pinnacle Plus Capital, which are people that purchase these notes, there are roughly 300, 260, somewhere around there. I should have known that number. I

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apologize.
Q. That's all right.
A. And then Pinnacle Plus Financial has about 1,400 customers.
So some of the customers overlap. Some customers have not only a note, also insurance product, but also receive services.
So hopefully that clarifies that.
Q. So in total, how many of -- on the whole on Pinnacle Plus umbrella, like how many people bought notes of 1GC roughly?
A. Roughly 260. 300.
Q. And did you use this RIA in a Box, that compliance company?
A. Yeah.
Q. So they are a company that's an outside compliance company. They are not Pinnacle Plus employees; is that correct?
A. Correct.
Q. And did they give you a written legal opinion on whether it was a security?
A. They put it in an email. They put it in an email writing, but never an official written document. We were not under the understanding that that was a requirement.

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Q. To have a written legal opinion?
A. Correct. We just asked them, is this something that we can sell? How do we sell it? And they advised us that it wasn't a security, and then the ways -- the right way to go about selling this product -- this note.
Q. And did they ever -- what information were they given at that time?
A. Everything that we received, we sent to them.
Q. So like the pitch deck and those type of --
A. Pitch decks, notes. We even said call 1st Global directly, talk to them about it.
Q. Do you know if they did?
A. They did.
Q. Do you know who they spoke to?
A. I do not.
Q. Did RIA in a Box ever give a subsequent opinion whether it was a security or not?
A. They maintained that it was not a security all the way until we ceased our relationship in the spring of 2018. And even at that time, they never changed what their

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interpretation of it was.
Q. So you never got a change.
Did they issue subsequent opinions or it was always that first opinion that kind of carried through?
A. Because the issue got brought up throughout that time period, they gave their opinion multiple times verbally and in email as well.
Q. And then at some point in time, I think the spring of 2018 time frame, Pinnacle Plus, the umbrella, stopped using RIA in a Box.
Did I understand that correctly?
A. Correct.
Q. And why so?
A. Because as we sought out other counsel, we became under the impression that this may be considered a security, and we paid a lot of money and spent a lot of time finding a good compliance company that could make sure that something like this or bad wouldn't happen. And they failed to do their job and I was not going to continue hiring them.
Q. And did the Pinnacle Plus, the umbrella companies, hire a different outside

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compliance company?
A. We did.
Q. And who was that?
A. Summit Compliance.
Q. And that relationship continues through today?
A. Correct.
Q. And did 1GC have -- I'm sorry.
Did the Pinnacle Plus companies have like a compliance manual dealing with the 1GC product?
A. No compliance manual was mandated by 1st Global Capital. And so we did our best to put process and procedures around how to best sell these notes.
As we requested from 1st Global multiple times, if they had some sort of statement of understanding or some sort of document for suitability, they didn't. So we did our best to create our own under the direction and guidance of the compliance company that we hired.
(Thereupon, Walker Exhibit 9, 7/7/17 FMO Owner Agreement to Darice Lang from Matthew Walker. Bates Nos. SEC-PINNACLEP-E-213-215, was marked for

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Identification.)
BY MR. MARTIN:
Q. We marked as Walker Exhibit No. 9 a document Bates stamped S-E-C-P-I-N-N and goes on and ends in 0213 and goes through 0215.
Have you ever seen this document before, Mr. Walker?
A. Yes.
Q. How do you recognize it?
A. It's another document to create a relationship, a selling agreement between our company, Pinnacle Plus Private Placement, or Pinnacle Plus Capital, and 1st Global.
Q. And so this -- what did this -- there is a 1 percent number here representing relating to FMOs.
How did that work?
A. So agents that we hired, or brought on, we would get an override for doing that.
Q. So this memorialized that override?
A. Correct.
I was in the business of hiring agents and bringing on agents, and this was an agreement of another product to sell.
Q. So would these agents be Pinnacle Plus

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employees or is it a different sales organization? How did that work?
A. So this is for both Pinnacle Plus employees and other agents that signed up underneath our FMO.
Q. And were there other agents outside of the Pinnacle Plus framework who signed up within your FMO?
A. Yes.
Q. Who were they?
A. There are about 15, and I would have to review their names.
Q. Okay. 15 agents or 15 organizations?
A. 15 different agents. But of those who actually sold the notes, there had to be less than 10.
Q. And were they grouped with like a particular entity or they just sort of --
A. They're own independent advisors or agents.
Q. I think you gave us like a rough $20 million number.
Would any sales by these agents be within that $20 million number?
A. Yeah, roughly.

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Q. So the 20 million would be any Pinnacle Plus affiliated agent and these other independent agents?
A. Roughly, yeah.
Q. Okay.
And there on that last page, that's your signature; is that correct?
A. Yes.
Q. And the format was the same here as the document that 1GC sent to you as a letter that you are sending back to them essentially?
A. Yes.
Q. And you are saying there that that's Ms. Lang's signature as operations director executing this document on behalf of 1GC?
A. Yes.
Q. Next I'd like to mark as No. 10.
MR. MARTIN: I'm giving you guys the individual parts, which are all collectively, we'll make this a composite exhibit.
(Thereupon, Walker Exhibit 10, Owner Agreements. Bates Nos. SEC-PINNACLEP-E-241-225, was marked for Identification.)

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BY MR. MARTIN:
Q. Composite Exhibit 10 is six individual letters within it.
Just generally do you recognize the format of those letters?
A. Yes, I do.
Q. And just generally, what do those represent?
A. These were all the various agreements with employees of -- or advisors' agents with Pinnacle for them to be able to sell 1st Global Capital and for our entity, Pinnacle Plus Private Placement, to get paid.
Q. And so this was allowing these individual agents to receive that 1 percent commission? Is that generally how it allowed that to happen?
A. This allowed our company to receive commission from 1st Global Capital, and then allowed us to pay our agents and advisors the 1 percent.
Q. Okay.
So we've gone through the June of 2017 meeting.
Did Pinnacle Plus do another due

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diligence meeting later on?
A. Yes.
Q. And that was in the January of 2018 time frame?
A. Yes.
Q. What was the purpose of that second meeting?
A. To verify that the company was still growing in the direction that it said it was; to obtain independent third-party financials; and to get an idea on if 1st Global could handle growth of us bringing on more clients -- more customers. I'm sorry.
Q. So that first issue, I think you mentioned growing.
Why was that something you wanted to meet on about?
A. Any new business, when it receives a lot of growth, can have growing problems, and we wanted to make sure it was handling its growing problems well and could continue to receive merchant cash advance business.
We were concerned that there might not be enough of the growth, and they showed us all the ways that they are going to continue to sell

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merchant cash balance and the new technology that they would have around that.
Q. Because the fundraising had been successful during 2017 from your company, and you're saying others raising money?
A. Yes.
Q. And then there was a request to get -- to get audited financial statements?
A. Yes.
Q. Why was that an issue?
A. It was mentioned -- well, to continue to fundraise, we wanted the comfort of them meeting their promises. One of their promises is that they would get us third-party financials.
When we first met with them, they said, you know, stuff like getting third-party financials isn't -- you ask for it and you get it. It takes awhile for a company to review.
As I've had third-party companies do an audit on my own company, I was aware of that. So I knew that it may take a couple of months to get that ready.
Q. And then there was a growth of the -- what was that issue?
A. Growth of the business.

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Organizationally when a business has a lot of growth, how is it handling it? What were they doing? Was there enough room in the office to -- the building to have the growth? Double-check make sure that, you know, the people were still selling merchants and how that was happening. And so we were verifying those things.
Q. I'd like to mark as the next Exhibit 11.
(Thereupon, Walker Exhibit 11, 1/5/18 Email Chain from Matt Walker to Scott Merkelson. Bates Nos. SEC-PINNACLEP-E-275763-275765, was marked for Identification.)
BY MR. MARTIN:
Q. So Walker Exhibit 11 is Bates stamped SECWIEN and it goes on, and the last for the Bates stamp is 5763 and it runs through 5765.
Do you recognize this document, Mr. Walker?
A. Yes, I do.
Q. How do you recognize it?
A. It's some logistic interaction between Trae, me, Scott, Carl Ruderman, trying to get a time for us all to meet together.

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Q. So this was like a pre-email to the eventual January meeting?
A. Yes.
Q. And these were some of the issues that you -- there is an agenda portion, it's the email from yourself to Trae and Mr. Merkelson dated January 5th of 2018. There is some bullets.
What did that represent?
A. Questions, concerns that I had. I wanted to know what they were doing as a business to prepare for it.
Q. So was this an agenda that you put together sort of that you would like to see happen?
A. Is what I would have liked to see happen, yes.
Q. And did it happen in this way or similar to this?
A. Similar.
Q. And there is a reference here to a potential dinner on Sunday night.
Do you recall if that occurred?
A. It did not happen on Sunday, but yes, we did have a dinner.
Q. Do you recall who attended the dinner?
A. It was Dale, Trae, me, Jeff Tupper,

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Kreig Smith, Sherry Smith, Eric Hansen. There was two new employees from 1st Global Capital that I couldn't remember their names, but I could point them out if I saw their face. And there was another advisor whose name is Chris, and then a -- one of his clients or friends came along as well.

Q. Was it a Chris Dantin?

A. Chris Dantin; correct.

Q. But Mr. Ruderman wasn't at the dinner?

A. He didn't attend the dinner.

Q. But he was there -- when the meetings that took place at the office, he was there for those; is that correct?

A. Yes, he was there for those meetings.

MR. MARTIN: Now I'll mark this as Exhibit 12.

(Thereupon, Walker Exhibit 12, 1/15/18-1/16/18 Review of Follow-Up Due Diligence Site Visit. Bates Nos. SEC-PINNACLEP-E-288-289, was marked for Identification.)

BY MR. MARTIN:

Q. We've marked as Walker Exhibit 12, which is Bates stamped SECPINN, and it goes on, and it ends in 0288 and goes through 0289.

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Have you ever seen this document before, Mr. Walker?

A. Yes. It's an internal document for our company.

Q. And this was a write-up of some of the due diligence that occurred during the January 2018 meetings with 1GC?

A. Yes.

Q. And so it says here completed January 15th and through 16th. So there were two days of meetings?

A. Yes.

Q. But Mr. Ruderman is not listed here, but he was at the meeting is your recollection?

A. He was at the meetings, yes.

Q. Do you recall if he was at both days?

A. Yes, he was at both days.

Q. And you had questions about the audited financials at that meeting.

Do you recall what occurred in regard to that?

A. Yes. They mentioned that they hired a former employee of an auditing firm that has come in to help get the books straightened in a way where all those third-party financials could be

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done.

Q. So they didn't have audited financials to give you; correct?

A. They did not. Not on that date. They said they were in the process of getting them done.

Q. Did they give you an indication of when that would be done?

A. Summertime.

Q. So summer of 2018?

A. Summer of 2018.

Q. And did they show you any financial records at this meeting?

A. They did.

Q. Were you allowed -- you were able to look at them?

A. I was able to look at their profit-and-loss statement.

Q. And but were you able to retain it or keep it?

A. No, they would not allow us to take them with us.

Q. And do you recall what that profit-and-loss statement indicated?

A. Roughly that in the year 2017, they made $4 million of profit and had 3 years of

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reserve money.

Q. In the bank, so to speak?

A. In the bank.

Q. Of operating reserves?

A. Of operating reserves.

Q. And did they indicate who had put together that profit-and-loss statement?

A. It was the controller and the gentleman they hired to assist with the third-party audit.

Q. And did they ever disclose to you that, when they put the records together for the company, that actually the company lost money in 2017? Was that ever disclosed to you?

MR. PINEIRO: Form.

A. No.

BY MR. MARTIN:

Q. What would have been your reaction -- would you have been able to raise any more money for this company if they had told you and showed you statements and keep them that's showing 4 million in profits, but their own internal records actually showed them losing money?

MR. PINEIRO: Form.

A. I would not have done business if they

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had showed a loss in 2017.
BY MR. MARTIN:
Q. How come?
A. Because it would have been a lie. It would have been an unstable company.
Q. A company at risk of bankruptcy?
A. Yes.
MR. PINEIRO: Form.
BY MR. MARTIN:
Q. And again, at this meeting, was there any disclosure by Mr. Ruderman or anyone else on behalf of 1GC that they were doing anything besides MCA's?
A. No.
Q. Was there any disclosure that --
A. Go ahead.
Q. Was there any disclosure at this meeting by Mr. Ruderman, or anyone else on behalf of 1GC, that they had been investing investor funds into clients unrelated to the MCA business?
MR. PINEIRO: Form.
A. No.
BY MR. MARTIN:
Q. Was there any disclosure in this meeting by Mr. Ruderman or anyone else that the

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cash not deployed numbers were materially inaccurate and they had way less in the bank than they were representing?
MR. PINEIRO: Form.
A. No.
BY MR. MARTIN:
Q. Was there any disclosure that, one, by Mr. Ruderman, or anyone at 1GC at these meetings that they were taking more than the allowed amount to pay for overhead or for Mr. Ruderman's benefit?
MR. PINEIRO: Form.
A. No.
In fact, we specifically asked these questions. And to that point, we actually asked how much money is being taken off the company? And they said we are taking 0.
And we said, Mr. Ruderman has got to be taking something. And he said the only thing he's taking money off of is a $200,000 salary. He has not taken any more out than his $200,000 salary.
And we said, how do we know that?
And he said, I'm the bookkeeper. I see what ever dollar that comes in and out of this company, and we were told that multiple times.

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BY MR. MARTIN:
Q. And do you recall who told you that?
A. Yes. The controller.
Q. Ms. Grenier, would that be the controller you're talking about?
A. Sorry. It was a gentleman.
Q. It was a gentleman. Oh, that's Mr. -- I'm sorry.
And Mr. Ruderman was present during those representations?
A. Mr. Ruderman was not present during that particular representation.
But in regards to taking money off the company, he was. But in regards to specifically asking about the salary, he was not in the room at that time.
Q. But he was in the room when you were being told that he hadn't taken any money out of the company?
A. Yes.
MR. PINEIRO: Form.
BY MR. MARTIN:
Q. So there was no disclosure to you that Mr. Ruderman was, in fact, taking almost 80-some thousand dollars a month out of the company?

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MR. PINEIRO: Form.
A. No.
BY MR. MARTIN:
Q. What would you have done if that representation that he was not taking money out of the company was false?
MR. PINEIRO: Form.
A. I would never have put a dollar in there.
BY MR. MARTIN:
Q. How come?
A. Again, it would have been lying.
Number two, it would have been a business at risk for not keeping up with the profits. The numbers wouldn't work out.
Q. Because the more money being taken out of the company, the less wherewithal the company has to survive; correct?
MR. PINEIRO: Form.
A. Correct.
BY MR. MARTIN:
Q. And it puts it at a risk for bankruptcy.
A. Correct.
MR. PINEIRO: Form.

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BY MR. MARTIN:
Q. And Mr. Ledbetter was at this meeting; is that correct?
A. Yes.
Q. Or meetings.
And was Mr. Wieniewitz at this meeting?
A. Yes.
Q. The day meetings.
Was Mr. Dantin at the day meetings?
A. Yes.
Q. Were there any further discussions on whether the 1GC product was a security at these January meetings?
A. Yes.
Q. Do you recall what was discussed?
A. Dale Ledbetter spent quite a bit of time describing to us the reasons it wasn't a security, and went into the technical reasons why because it was less than 9 months and it was a grace period after the 9 months of paying back, and people were entering into a loan knowingly, and they knew where the money was going because they had these statements showing them where every dollar was being sent.

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And for these reasons -- and he held himself out as the SEC attorney, and it's why I trusted him.
Q. But he didn't put any of this in writing. That was oral representations; is that correct?
A. No. Not at that time.
At that time it was just oral.
Q. And then did Mr. -- at any time you dealt with Mr. Ledbetter, was it disclosed to you that he was receiving transaction-based compensation from the sale of these notes?
A. No.
Q. What would -- would that have had an effect on your -- how you viewed the advice he was giving if he was, in fact, receiving transaction-based compensation from the sale of the notes?
A. Absolutely.
Q. Why so?
A. He wouldn't have been biased -- or he was biased trying to get me to sell.
Q. So if he is receiving transaction-based compensation, he is biased because he would benefit if you sell; right?

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A. I knew where Trae was coming from. I didn't know where Dale Ledbetter was coming from.
Q. Trae, you knew, would make money from transactions because he was the salesman over the product; right?
A. Yeah.
Q. But you thought Dale was an independent lawyer, essentially.
A. Independent person brought in to explain the security laws that were complicated.
Q. And Carl Ruderman never disclosed to you at any time that that's the way he was going to compensate Mr. Ledbetter, pay him transaction-based compensation. Is that fair?
A. I had no idea.
Q. And Mr. Ruderman never disclosed that to you.
A. Never disclosed it.
Q. Would you have been willing to get into this -- sell this product for 1GC if you were aware that Mr. Ledbetter and Mr. Ruderman had agreed that Mr. Ledbetter would be paid through transaction-based compensation?
A. I wouldn't have taken any of his advice as the expert. I would have continued to do

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due diligence.
Q. Because it was a big deal whether he was a security or not; right?
A. Huge deal.
Q. Because either, if it's not a security, you can sell it. And if it is a security, you got problems; right? Because you don't have a license; right?
A. Yes. Yes. I trusted him.
Q. And you do trust Mr. Ruderman?
A. Now?
Q. No. Then.
A. Yes.
Q. Do you trust Mr. Ruderman now?
A. No.
MR. PINEIRO: Form.
BY MR. MARTIN:
Q. Why not?
A. This has been a disaster. This has been destructive to my clients, my own personal life. This has been a living hell, candidly.
MR. MARTIN: Marking No. 13.
(Thereupon, Walker Exhibit 13, Pinnacle Plus Capital Investor Information Sheet. Bates No. Regulatory_68772, was

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marked for Identification.)
BY MR. MARTIN:
Q. We've marked as Walker Exhibit 13 Bates stamped Regulatory and ends in 8772.
Do you recognize this -- just the general format of this document, Mr. Walker?
A. Yes.
Q. And do you know who would have created this format here? You see there's some boxes that needed to be checked?
A. 1st Global Capital.
Q. And this was the type of information that 1st Global Capital wanted to know in connection with the MOI, or a new investment; is that correct?
A. Yes.
Q. So they wanted to know if the lender was individual or joined trust; those type of things?
A. Yes.
Q. And they had the loan amount?
A. Yes.
Q. And the identity of the person?
A. Yes.
Q. That type of information.

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But there was no request from them for the net worths of the individuals; is that correct?
A. No.
Q. How much income they made?
A. No.
Q. Whether they were an accredited investor?
A. No.
Q. Whether the investment was suitable for the investor?
A. No.
Q. 1GC didn't care about -- or didn't include any of that information that it wanted; right?
A. Correct.
MR. MARTIN: No. 14.
(Thereupon, Walker Exhibit 14, 8/21/17 Memorandum of Indebtedness. Bates Nos. Regulatory_68776-68784, was marked for Identification.)
BY MR. MARTIN:
Q. Next I'd like to show you as Exhibit 14 the following document.
We've marked as Walker Exhibit 14, it's Bates stamped Regulatory and it ends in 8776 and it goes through 8784, and it's labeled "Memorandum of Indebtedness."
Do you recognize the general format of this exhibit?
A. Yes.
Q. And this would be an example of the type of agreement that your clients would sign?
A. Yes.
Q. And is it okay if I shorten "memorandum of indebtedness" as MOI? Will you know what I'm referring to?
A. Yes.
MR. NEWMAN: Chris, one point. These seem to skip a number. They seem to skip the Bates label, at least this dock.
MR. PINEIRO: Missing 2, 4, 6.
MR. MARTIN: My copies don't miss those.
Does yours?
THE WITNESS: It does.
MR. MARTIN: Maybe it got -- do you want to take a lunch break right now?
MR. NEWMAN: That's fine.
MR. MARTIN: Let's go off the record.
(At 12:11 p.m., a lunch recess was taken until 12:55 p.m. of the same day.)
(Nothing omitted nor deleted. See next page.)

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FRIDAY, JANUARY 25, 2019; P.M. SESSION
EXAMINATION RESUMED
BY MR. MARTIN:
Q. Welcome back, Mr. Walker.
Before the break, I was showing you Exhibit 14 which is for confirmation purposes Bates stamped Regulatory 8776 through 8784.
And you recognize this document as relating to one of your clients; is that correct?
A. Yes.
Q. Ms. Christensen; right?
A. Yes.
Q. And before we covered it's okay that I call this an MOI which stands for memorandum of indebtedness; correct?
A. Yes.
Q. Now, this MOI here, if you look at Section 6, this would be an example of an automatic rollover note; is that correct?
A. Yes.
Q. And here the requirement was to give notice within 30 days of that; is that right?
A. Yes.
Q. Did a large number of your clients automatically roll over their notes?

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A. It depends what time you are asking.
At the beginning of the year 2018, yes. Close to in April, almost exclusively, all of them were getting out.
Q. Getting out. Okay. We'll get into that a little more.
But prior to Pinnacle deciding not to have any new notes, prior to that, though, a lot of your clients were automatically renewing?
A. Yes.
Q. And do you know why? What was your understanding of why a lot of clients in that time period were automatically renewing?
A. They liked the returns they saw.
Q. Because they were positive?
A. They were positive, yes.
Q. And they were in this 10-ish range, somewhere in there?
A. Yes.
Q. Approximately? Okay.
And then here under the covered activities section, there is a line that says:
"The covered activities shall be conducted by borrower in borrower's sole discretion."

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Does that mean that your clients didn't have any role in choosing the MCAs?
A. Correct.
Q. It was 1GC's obligation to decide what MCAs to invest in and what clients got in those?
A. Yes.
Q. And then it says:
"Covered activities shall include but shall not be limited to providing innovative funding as merchant cash advance transactions, MCAT, in order to provide alternative financing for market that is inadequately serviced by traditional banking and banking institutions."
So the only business that's being identified here similar to all the other documents we looked at is MCA business; correct?
A. Correct.
Q. And these words "but shall not be limited to," did you interpret that to mean, those six words, that that invalidated every other document you have been given throughout the entire case, and 1GC could do whatever they wanted and invest in any business they wanted?

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MR. PINEIRO: Form.
A. No.
BY MR. MARTIN:
Q. Why not?
A. We never talked about any other business.
In every conversation about what the money was being used for was for merchant cash advance.
Q. And the only specified business in this MOI is MCATs; right? or MCAs; correct?
A. Sorry. Repeat the question.
Q. The only specified business is MCA business; correct?
A. Correct.
Q. And here, going on to the next page, we see MCAT repeatedly; right? MCAT. MCAT. MCAT like seven or eight times on the next page; correct?
MR. PINEIRO: Form.
A. Yes.
BY MR. MARTIN:
Q. And the only way, if you look at 8.4, that 1GC could receive compensation related to this agreement was a management fee relating to amounts

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collected for each MCAT; correct?
A. Correct.
Q. When you initially met with 1GC, did they represent to you how whether your clients would be unsecured lenders or secured lenders? or what did they tell you about that?
A. I got mixed answers from different people.
Q. What was one of the responses you got?
A. One of the responses that were, yes, every dollar that went into this was secured by the merchant receiving the money from 1st Global; and that they were -- every one of my customers was actually had their money secured.
Q. Do you recall who told you that or how you learned that?
A. So in the first meeting with Eric Hansen, and Jim Craig and Kait Fox, we were told this by Scott Merkelson.
In the second meeting, we were also confirmed this. However, we were also told on the phone that it wasn't a secured contract, and the only one that had the secured was 1st Global.
So we got mixed messages throughout the time.

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Q. Do you recall who would have told you that on the phone?
A. No. I couldn't give you the exact name of who was the one who told us. But we did get mixed messages on this.
Q. And did someone at some point in time from 1GC try to act like you had misunderstood that the clients were secured; and, in fact, they weren't?
A. In January of 2018, we were all under the impression that it was secured.
Later on in the phone of having a conversation with the client saying -- client asked me, is my money secured? I said yes because of the conversation.
I said, look, we can call 1st Global and find out and talk to them. And they, on the phone, said no at that time.
Q. Was Mr. Merkelson involved in that? Does that ring a bell?
A. Mr. Merkelson was on the phone.
Q. And how did Mr. Merkelson or 1GC try to explain how it changed or why you would have misunderstood, or did they give a reason?
A. They didn't. No, they did not give a reason.

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Q. And did that start -- some of these things start adding up ultimately why you stopped offering the note?
A. Yes.
Q. And here in Section 8.7, it says:
"The totality of lenders' allocations, lender payments and any portion of indebtedness that has not been allocated to an MCAT shall be herein be referred to as a lender's account."
That portion where it says "any portion of indebtedness that has not been allocated," was that sort of a synonym to you of cash not deployed?
A. Yes.
Q. And here where it says -- Section 12.31, 1GC did nothing to confirm whether the lender was sophisticated; isn't that correct?
A. No.
Q. They did nothing to confirm if the investor was qualified?
A. Yes. They did nothing.
Q. And they did nothing to confirm whether the lender was, in fact, entering into an agreement for commercial purpose?
A. Yes. They did nothing.
Q. And most of your clients, they were interested in getting a rate of return, is that fair?
A. Yes.
Q. That's why they were investing?
A. Yes.
Q. And then here where it says Section 12.4, "lender has relied solely on its own investigation due diligence." But the only investigation due diligence that anyone could have done was rely essentially on information provided by 1GC; correct?
A. Correct.
Q. I mean 1GC wasn't a public company.
A. Correct.
Q. There is no way to access its financial information to the general public; correct?
A. Correct.
Q. And in your own due diligence, you had to rely on 1GC; right?
A. Correct.
Q. You had no way to go beyond them

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because they are a private company, and that's -- you had no way of doing that; is that fair?

A. Correct.

Q. Did 1GC give you any guidance on whether -- on how to determine if someone was sophisticated or qualified?

A. No.

Q. And Ms. Christensen, do you know what happened to her investment?

A. Yes.

Q. What happened?

A. She can't get to it right now.

Q. So did she roll -- her note rollover?

A. Her note -- a majority of the portion of her note rolled over, yes.

Q. And then the majority of that portion that rolled over is all tied up in the bankruptcy.

A. Yes.

MR. MARTIN: Next is Exhibit No. 15.

(Thereupon, Walker Exhibit 15, Intake Form and Memorandum of Indebtedness. Bates Nos. IGC-8032018-33216-8032018-33228, was marked for Identification.)

BY MR. MARTIN:

Q. We marked as Walker Exhibit 15 a document that's Bates stamped 1GC, and it runs -- the last four 3216 through 3228.

Have you ever seen this document before, Mr. Walker?

A. Yes.

Q. How do you recognize it?

A. It's an intake form and a memorandum of indebtedness for one of my customers.

Q. And this customer invested through the IRA?

A. This customer did not invest through the IRA.

This customer has an insurance product and a note through 1st Global Capital.

Q. Maybe I mis -- an individual retirement account, an IRA, in essence.

A. Oh, yes. IRA. Yes. Sorry.

Q. And so 1GC took in individual retirement account money; correct?

A. Yes.

Q. And did they place any restrictions on how IRA money could be invested versus anyone else?

A. No.

Q. And here, based on these documents, if you look at the page, the 4th page where it says "Investment Acknowledgment, IRA Services, Trust Company"?

A. Yup.

Q. Your understanding this is being executed by a Darice Lang on behalf of 1GC?

A. Correct.

Q. And she's acknowledging here on behalf of 1GC that they are receiving this form because they have -- because 1GC has recently received investment funding; is that correct?

A. Yes.

Q. And there it's being represented that the purchases of an unsecured promissory note where it says "for the purchase of"?

A. Yes.

Q. And this IRA investment, do you know what happened to it?

A. It's still in bankruptcy.

Q. So this note rolled -- would have rolled over?

A. This note did roll over.

Q. And so the entire amount was rolled over; is that your recollection?

A. The entire amount was rolled over, yes.

Q. So this $227,000 of principal plus any promise gains is all under bankruptcy right now.

A. Yes.

MR. MARTIN: I'd like to mark this exhibit as Walker Exhibit 16, please.

(Thereupon, Walker Exhibit 16, 1/31/18 Email Chain from Darice Lang to Jessica Jarquio. Bates Nos. SEC-PINNACLEP-E-359-362, was marked for Identification.)

BY MR. MARTIN:

Q. We've marked as Walker Exhibit 16 a document Bates stamped SECPINN. It goes on and ends in 0359 and it goes through 0362.

Have you ever seen this document before, Mr. Walker?

A. Yes.

Q. How do you recognize it?

A. It's a document that was sent between my staff and 1st Global in regards to state appointments.

Q. So looking at Jessica -- how do you say her last name?

A. Jarquio.

Q. Jarquio.

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She's saying to Ms. Lang of 1GC:
"Can you please provide an (sic) the list of all 1GC accepted states to sell."
That's being based on you were told previously that 1GC had an accepted list of states?
A. Yes.
Q. And the inquiry here is that -- you are being told where it says Massachusetts, Montana, New York, Virginia, are those the states that you are saying that -- you are being told that they are not accepted -- they hadn't been approved? Excuse me.
A. Yes.
Q. And the question was whether Nevada was going to be added to the list of approved states?
A. Yes.
Q. And then -- so all through 2017 and beginning of 2018, you are being told by 1GC that there is an accepted and approved state list; right?
A. Yes.
Q. And when did that -- when did you first learn -- do you recall the general time frame

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when you first learned no, that's no -- we hope it can be allowed in that state?
A. End of March, beginning of April. I guess spring of 2018.
MR. MARTIN: Mark as Walker No. 17.
(Thereupon, Walker Exhibit 17, 3/9/18 Email Chain from Kait Fox to Scott Merkelson. Bates Nos. Regulatory_35344-35346, was marked for Identification.)
BY MR. MARTIN:
Q. Walker Exhibit 17 we've marked has a bates stamp of Regulatory 5344 is what it ends in and goes through 5346.
Have you ever seen this document, Mr. Walker, before?
A. Yes, I have.
MR. NEWMAN: This is not consecutive either. So it may be missing a Bates stamp.
MR. PINEIRO: It's missing something. You can tell.
MR. NEWMAN: It goes from 44 to 46.
MR. MARTIN: Can you just -- off the record.

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(Whereupon, an off-the-record discussion was had:)
BY MR. MARTIN:
Q. Did there come a point in 2018 you were requesting that 1GC provide a written legal opinion?
A. Yes.
Q. Can you explain why that was occurring?
A. We had our FMO review the 1st Global Capital notes.
One of the attorneys of that FMO in review stated that she believes that this may be viewed as a security. And then told us what the outcomes could be if it was deemed a security.
So we gave her the information, and she said has anyone given you an official legal opinion on this? And we showed her our compliance company and that the compliance company had lawyers working for them, and said no, we need an official legal written statement, and you need to request that at 1st Global. So that's what we requested.
Q. So was this The Revolution Group?
A. Correct.
Q. And do you recall the identity of the

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attorney who said that you should get a written legal opinion?
A. Yes.
Q. Who is she?
A. Ruthann Granito. I don't know how to say the last name.
Do you want me to spell it for you?
Q. Sure.
MR. WILSON: I have it if you would like me to do it.
MR. MARTIN: Just to move things along, that would be fine.
MR. WILSON: G-R-A-N-I-T-O.
BY MR. MARTIN:
Q. And so now you know you want to get a written legal opinion.
What did you do next?
A. I asked for a written legal opinion from 1st Global's attorneys.
Q. And who did you ask?
A. Dale Ledbetter. Scott Merkelson.
Q. And prior to this, Mr. Ledbetter had been more than willing to give anyone who asked that this wasn't a security, that he was willing to give that oral opinion; right?

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A. Correct.
Q. Now you ask for it in writing.
What happened next?
A. He said there is no way that he can give a written opinion of this, because the only way to prove that it's not a security is to actually go through a court of law.
Q. What was your reaction when you heard that?
A. It's crap. It's BS. That's just unacceptable.
Q. Because he never brought that up before when he was giving the oral opinions; right?
A. Never.
Q. And next I'd like to show you Exhibit 18.
(Thereupon, Walker Exhibit 18, 3/9/18 Letter from Darice Lang to Matt Walker. Bates Nos. SEC-PINNACLEP-E-365-366, was marked for Identification.)
MR. MARTIN: Off the record a second.
(Off the record.)
BY MR. MARTIN:
Q. So going back to Exhibit 17 for a moment, which, for clarification, is Exhibit 17,

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Regulatory 5344 through 5346.
And you have seen this document before?
A. Yes.
Q. And what's going on here in this email exchange? What's your understanding?
A. This is our conversation with our staff, Dale and Scott, in regards to a legal opinion letter.
Q. So this is the beginning of that process after you got the advice from The Revolution, an attorney saying you should get a written one. This is part of that request to 1GC; correct?
A. Correct.
Q. And then going, if you would look at Exhibit 18 is Bates stamped SECPINN 0365 through 0366.
Have you ever seen this document before, Mr. Walker?
A. Yes.
Q. How do you recognize it?
A. This is a letter from 1st Global Capital in regards to the MOI not being a security, their opinion letter.

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Q. Was this the -- this is signed by Ms. Lang; right?
A. Correct.
Q. To your understanding, Ms. Lang is not an attorney; correct?
A. Correct.
Q. Was this the opinion letter that type -- did you consider this to be an adequate response to your request for a written legal opinion?
A. Absolutely not.
Q. Why not?
A. Because Darice is an employee, and not an outside attorney.
Q. And she's not an attorney at all; right?
A. Correct.
Q. What did you -- after receiving this -- the March 9th letter, what did you -- do you recall what you did in response?
A. I asked for a lawyer to sign this document.
Q. I'd like next to show you what I'll mark as Exhibit 19.
(Thereupon, Walker Exhibit 19, 4/13/18 Letter from Darice Lang to Jessica Jarquio.

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Bates Nos. SEC-PINNACLEP-E-363-364, was marked for Identification.)
BY MR. MARTIN:
Q. Mr. Walker, Exhibit 19 is Bates stamped SECPINN and goes to the last four 0363 through 0364.
Do you recognize this document, Mr. Walker?
A. I do.
Q. How do you recognize it?
A. It's a document that was written to one of my staff numbers in regards to a request on whether this is a security or not.
Q. And again, this is coming, once again, from Ms. Lang; right?
A. Correct.
Q. Who's not a lawyer.
And was this an adequate response, in your opinion, to your request for a written legal opinion?
A. No.
Q. And why not?
A. Because, at this point, I had been educated and instructed that only an outside legal opinion would actually hold up and be worth

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anything.
Q. And this isn't that; right?
A. This is not that.
Q. So, bottom line, Dale Ledbetter refused to put something in writing; is that fair?
A. Correct.
Q. And here at Ms. Lang, on behalf of 1GC, there on the 4th paragraph down, she's saying:
"The funds loaned to MOI are used only for the covered activities that are specified in the MOI."
And as we looked at that earlier, the only specified activity was MCA loans; correct?
A. Correct.
Q. So what's the cumulative effect here of getting different stories on whether it's unsecured or not, and not getting a legal opinion. What does Pinnacle do in response?
MR. PINEIRO: Form.
A. We chose to stop selling 1st Global Capital.
MR. MARTIN: I'd like to mark this as Exhibit 20.
(Thereupon, Walker Exhibit 20, 4/6/18

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Email Chain from Jessica Jarquio to Jessica Jarquio. Bates Nos. SEC-PINNACLEP-E-371-372, was marked for Identification.)
BY MR. MARTIN:
Q. I marked that exhibit as Exhibit 20, and Walker Exhibit 20 runs SECPINNA and goes 0371 through 0372.
Have you ever seen this document before, Mr. Walker?
A. Yes.
Q. And how do you recognize this?
A. It's a document we sent out to all of our employees and advisors and FMO people in regards to how we're going to move forward with 1st Global Capital.
Q. And what was that decision?
A. To stop selling 1st Global Capital until we could get more clarification on what was actually going on.
Q. And part of that clarification was whether it was a security or not?
A. Whether it was a security or not.
Q. Anything else?
A. The audited financials was also

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something we were waiting for.
Q. And you still hadn't gotten that.
A. I was continually told that the audited financials were just around the corner.
Q. At some point, did you become dubious of that?
A. In July.
Q. Of 2018?
A. Of 2018. I was still told the audited financials should be ready within 2 weeks.
And about that time, I started thinking, I don't think they are going to come up with them.
Q. And who kept telling you that?
A. Scott Merkelson.
Q. And you were being told there was a few weeks away from audited financials being completed?
A. Yes.
Q. Was there a point in time when Mr. Ledbetter was going to come out during 2018 and speak at a client event?
A. Yes.
Q. Why was that going to occur?
A. In January when we met, he offered

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up -- he said he spoke to many of other advisors, customers and clients, and said they had done really well. Trae had mentioned that he had had Dale out and it had gone really, really well. So we invited Dale to come and speak with our clients as well, as a guest speaker, an expert.
MR. MARTIN: Mark this as Walker 21.
(Thereupon, Walker Exhibit 21, 3/7/18 Email Chain from Erica McKee to Dale Ledbetter. Bates Nos. Regulatory_35347-35352, was marked for Identification.)
BY MR. MARTIN:
Q. We marked as Walker Exhibit 21 a document that's Bates stamped Regulatory, and it ends in 5347 going through 5352.
Do you recognize this document, Mr. Walker?
A. Yup.
Q. How do you recognize it?
A. This was the communications going back and forth between getting Dale Ledbetter, my staff, out here; finding a good time to meet.
Q. And these events would be -- was it your understanding Mr. Ledbetter would be speaking

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about why clients should buy 1GC?
A. No. The beginning it was just the purpose of having alternatives in your portfolio and how 1GC can be a part of those alternatives.
Q. But Mr. Ledbetter was going to come out more in a marketing or sales capacity?
A. It was supposed to be an educational capacity as well.
Q. As well. Okay.
But not just pure legal; right?
A. Not pure legal.
Q. Okay.
MR. MARTIN: Mark this as Walker 22.
(Thereupon, Walker Exhibit 22, 4/25/18 Email Chain from Erica McKee to Scott Merkelson. Bates No. Regulatory_4339, was marked for Identification.)
BY MR. MARTIN:
Q. Exhibit Walker 22 is Bates stamped Regulatory and ends in 4339.
Have you ever seen this document before?
A. Yes.
Q. And did at some point in time the scope of Mr. Ledbetter was going to present change?

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A. Yes.
Q. How did it change?
A. In April when we chose no longer to sell 1st Global Capital, we had already sent the mailers out in March.
And so, instead of cancelling the event, we asked Mr. Ledbetter if he would come and speak and just talk about alternatives, but he couldn't mention 1st Global Capital; he couldn't have 1st Global Capital in his presentation in any ways. And Mr. Ledbetter was true to his word and he did not mention 1st Global Capital in any way in any of the meetings.
Q. And did Mr. Merkelson come out with Mr. Ledbetter?
A. He did.
Q. Do you know how many presentations Mr. Ledbetter gave?
A. He gave three presentations.
MR. MARTIN: Mark as Walker Exhibit 23.
(Thereupon, Walker Exhibit 23, 10/12/17 Email Chain from Matt Walker to Jeffrey Tupper. Bates Nos. SEC-PINNACLEP-E-518-586, was marked for Identification.)
BY MR. MARTIN:
Q. Walker Exhibit 23 is Bates stamped SECPINN, and it goes on and it ends in 0518 and ends at 0586.
There is several documents in here. Looking at the first 3 pages, do you recognize those first 3 pages, Mr. Walker?
A. Yes.
Q. And how do you recognize them?
A. These are emails back and forth between Scott and I.
Q. And is this the third page, the initial, like, invitation that went out for Mr. Ledbetter's event?
A. Yes.
Q. And who was going to attend that event?
A. This is an example of one.
Q. Example. Okay. Great.
And who --
A. Our Pinnacle Plus Financial customers.
Q. So existing clients of 1GC?
No, I said that wrong.
A. Existing customers of Pinnacle Plus Financial.
Q. Some of them could have already purchased them out?
A. Correct. Some of them were Pinnacle Plus Capital.
Q. And some of them hadn't.
A. Correct.
Q. And then going to the mailer, there is an email here that says "mailer for event with Dale."
Have you seen that document before?
A. Yes.
Q. And you recognize that as something that would have gone out with this appreciation event?
A. Yes.
Q. And then there is an email that's dated from Mr. Ledbetter April 16, 2018. Subject, presentation.
A. Yup.
Q. Which, I believe, is the remainder of the document.
Do you recognize that?
A. Yes.
Q. And would this have been what

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Mr. Ledbetter was initially going to present?
A. Yes.
Q. But this is different than what he ultimately presented for the reasons you gave us earlier?
A. Yes. 1st Global Capital was taken out of this.
Q. So the first page didn't have 1GC on it any longer; et cetera?
A. Correct.
MR. MARTIN: I'd like to mark the following document as Exhibit 24.
(Thereupon, Walker Exhibit 24, 2/21/18 Letter from Colorado Dept. Of Regulatory Agencies to Matt Walker. Bates Nos. SEC-PINNACLEP-E-373-380, was marked for Identification.)
BY MR. MARTIN:
Q. Walker Exhibit 24 is Bates stamped SECPINN and it goes on and it ends in 0373 through 0380.
Have you ever seen this document before, Mr. Walker?
A. Yes.
Q. And how do you recognize it?

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A. It's a document from the Colorado Securities Division to Pinnacle Plus Wealth Management, myself.
Q. And so there was an examination by the Colorado Department of Regulatory Agencies?
A. It was a random audit that was done.
Q. And this was done of -- why was Colorado reviewing Pinnacle? I guess was there products being sold in Colorado?
A. There were products being sold, but this came out of a random audit.
Q. But Colorado regulators were looking at Pinnacle's Overland Park office?
A. They were looking at the office we have in Colorado.
Q. Okay. I see.
And then turning specifically to this audit date, there was an identification of a deficiency, at least by the Division of Securities relating to 1GC; is that correct?
A. Correct.
Q. And one of the concerns there was the lack of audited financial statements; is that correct?
A. Correct.

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Q. And then you ultimately did send a response back to the Colorado regulators; is that correct?
A. Correct.
Q. Please look at the response, which I'm marking as 25.
(Thereupon, Walker Exhibit 25, 3/21/18 Letter from Matt Walker to Heather Gallagher from the Colorado Dept. Of Regulatory Agencies. Bates Nos. SEC-PINNACLEP-E-381-395, was marked for Identification.)
BY MR. MARTIN:
Q. Walker Exhibit 25 is Bates stamped SECPINN, and it goes through 0381 and ends in 0395.
Have you ever seen this document before, Mr. Walker?
A. Yes.
Q. And you recognize this as your response to the Colorado regulators?
A. Yes.
Q. And what was your -- in general, what was your firm's response to the inquiry regarding the lack of audited financial of 1GC?
A. Said we requested them and we've been

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told we will be getting them.
Q. And that was based on your conversation with Mr. Merkelson and others saying they are coming soon. They are right around the corner; right?
A. Yes.
Q. And you said that you would followup in June of 2018 regarding getting audited financials, and you did that several times; is that correct?
A. Yes.
Q. And they were always close, but never got them; right?
A. Yes.
Q. And they always acted like they had an auditor working on and they were coming out soon; right?
A. Yes.
Q. Did these inquiries by the Colorado regulators in any way and not getting the audited financials, did that bear on your decision to no longer offer the 1GC notes?
A. It was part of many things; but yes.
MR. MARTIN: I'd like to mark the following as Exhibit 26.

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(Thereupon, Walker Exhibit 26, 5/17/18 Email Chain from Dale Ledbetter to Matt Walker. Re: Two Issues that Colorado is Enforcing Against Advisors, was marked for Identification.)

BY MR. MARTIN:

Q. Exhibit 26 is a 3-page document. The front page has a from Dale Ledbetter to Mr. Walker email dated May 17th of 2018.

Do you recognize this document, Mr. Walker?

A. Yes.

Q. And how do you recognize it?

A. This is a question I asked Mr. Ledbetter in regards to the validity of this product being a security or not.

Q. And this Tirador Compliance, LLC, was this just a random mailing to you as far as you know?

A. Yeah, it was a random mailing.

Q. And they are flagging in here "Avoid Transaction-Based Compensation and Beware of Unregistered Securities."

A. Correct.

Q. And their focus there -- or Tirador's

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focus on one of those securities is on the how we test?

A. Correct.

Q. Did Mr. Ledbetter ever discuss the how we test; do you know?

A. No.

Q. And then they also flag that if you're receiving transaction-based compensation, that it could be also deemed -- another reason why it could be deemed as security?

A. Yes.

Q. Seeing these issues, what effect did that have on you? Were you alarmed? Were you concerned?

A. I was beyond alarmed. That's why I asked him what are we missing here?

I was very concerned that I've been told over and over again that this wasn't a security. And now more things are lining up that it looks more like it might be.

Q. And Mr. Ledbetter, his response is he claims that 1GC is going to meet with Colorado officials to get it exempt?

A. Yes.

Q. Do you know if that ever occurred?

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A. I wasn't at the meeting, but I received a phone call after it happened.

Q. From Mr. Ledbetter?

A. From Mr. Ledbetter, yes.

Q. What did he tell you had occurred?

A. He told me that Colorado wasn't interested in listening. And that they were naive to the process and not open, and are understanding the law correctly, and they are shocked, and will get back to me on what's going to happen next.

Q. Did he ever indicate that 1GC would attempt to register a product, a securities product in Colorado?

A. Later in a phone call we talked, and he said that they are looking into pulling out of Colorado and then registering as a security in the State of Colorado.

Q. And again, Mr. Ledbetter had strong opinions when he's talking, but he's unwilling to put anything in writing?

A. No. He would not put it in writing.

Q. And did this sort of communication weigh on your unwillingness to ever offer the 1GC product again to your clients?

A. Yes.

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MR. MARTIN: I'd like to mark the following exhibit as Exhibit 27.

(Thereupon, Walker Exhibit 27, 5/14/18 Letter from Jessica Jarquio to Matt Walker. Bates Nos. Regulatory_26572-26573, was marked for Identification.)

BY MR. MARTIN:

Q. Walker Exhibit 27 is Bates stamped Regulatory and it ends in 6572 and goes through 6573.

Do you recognize this exhibit, Mr. Walker?

A. Yes.

Q. And how do you recognize it?

A. It was a letter I received from the State of Kansas Security Commissioner.

Q. And you understand this related to an investigation the Kansas Securities Division was doing into 1GC?

A. Yes.

Q. And one of the things requested there on No. 8 is to provide a written summary as to why you believe that 1st Global Securities are or may be exempt from registration.

That's the type of information you had

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been requesting from Mr. Ledbetter for months; right?
A. Yes.
Q. And you did, in fact, respond to this inquiry, your Pinnacle did?
A. Yes.
Q. And did this -- the fact that a state securities regulator was looking into this weigh into your decision to no longer offer the 1GC notes?
A. Yes.
MR. MARTIN: 28 is the next exhibit.
(Thereupon, Walker Exhibit 28, 5/17/18 Email Chain from Jessica Jarquio to Scott Merkelson. Bates No. Regulatory_26571, was marked for Identification.)
BY MR. MARTIN:
Q. Walker Exhibit 28 is a 1-page document Bates stamped Regulatory and it ends in 6571.
Have you ever seen this exhibit before, Mr. Walker?
A. Yes.
Q. And how do you recognize it?
A. It's an email from my staff sent to 1st Global and notifying them about Kansas

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Securities Division looking into us offering 1st Global Capital.
Q. And you addressed it to Mr. Merkelson and Mr. Ledbetter and Ms. Jessica Jarquio?
A. Yes.
Q. And do you recall if ever receiving a response either by email or orally regarding this?
A. No, not specifically to this.
MR. MARTIN: Exhibit 29.
(Thereupon, Walker Exhibit 29, 5/10/18 Email Chain from Scott Merkelson to Jessica Jarquio. Bates No. Regulatory_33539-33540, was marked for Identification.)
BY MR. MARTIN:
Q. Walker Exhibit 29 is Bates stamped Regulatory and it ends in 3539 through 350 -- 3540, excuse me.
Have you ever seen this document before, Mr. Walker?
A. Yes.
Q. And how do you recognize it?
A. It's our staff communicating to 1st Global Capital about a letter from the Missouri Commissioner of Securities.
Q. So Missouri sent out sort of a similar

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letter that Kansas had sent out?
A. Correct.
Q. And the fact that another state, Missouri, was investigating 1GC in the securities they were offering, did it further weigh in your unwillingness to offer the 1GC note to your clients?
A. Yes.
MR. MARTIN: I'd like to mark this exhibit as Walker Exhibit 30, please.
(Thereupon, Walker Exhibit 30, 11/7/17 Email Chain from Scott Merkelson to Matthew Walker. Bates Nos. 1GC-9202018-460472-9202018-460473, was marked for Identification.)
BY MR. MARTIN:
Q. Walker Exhibit 30 runs 1GC Bates stamped 1GC and ends in 0472 and runs through 0473.
Do you recognize this exhibit, Mr. Walker?
A. Yes.
Q. How do you recognize it?
A. This is documentation going back and forth between Scott Merkelson and I in regards to one of our FMO agents in Utah, and potentially

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joining -- opening up an RIA in Utah with Pinnacle Plus Wealth Management.
Q. So you were directing sometimes inquiries directly to Mr. Merkelson, not to Mr. Ledbetter; is that correct?
A. Yes.
Q. And so your point of contact throughout this whole process was with Mr. Merkelson and Mr. Ledbetter on behalf of 1GC; is that fair?
A. Yes.
MR. MARTIN: Mark this as 31 and this as 32.
(Thereupon, Walker Exhibit 31, 7/7/17 Email Chain from Darice Lang to Kait Fox. Bates Nos. 1GC-9202018-264959-9202018-264960, was marked for Identification.)
(Thereupon, Walker Exhibit 32, Pinnacle Plus Comp Plan Examples. Bates No. 1GC-9202018-264961, was marked for Identification.)
BY MR. MARTIN:
Q. So we've marked as Walker Exhibit 31 a 2-page document that runs 1GC 4959 through 5960,

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and Exhibit 32, Walker Exhibit 32 is Bates 1GC and ends 4961.

Turning first to Exhibit 31, do you recognize this document, Mr. Walker?

A. Yes.

Q. And how do you recognize it?

A. These are emails going back and forth between my staff and 1st Global in regards to compensation.

Q. So you are trying to understand -- your understanding of the compensation of 1GC would pay Pinnacle for some of its product; correct?

A. Correct.

Q. And that Exhibit 32 appears to be the attachment to Exhibit 31?

A. Correct.

Q. And you are seeking Mr. Merkelson's advice on this; is that fair?

A. Correct.

Q. And he's the individual responding on behalf of 1GC that you are dealing with?

A. In this email, this email is -- Scott Merkelson responded to me, but this email is from Darice.

Q. And so it says there is a reference

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here "we can discuss on a call this morning."

Do you recall if that phone call occurred?

A. I don't recall that. Sorry.

Q. That's okay.

But Mr. Ledbetter isn't involved in this email chain; is that fair?

A. No, he's not.

MR. MARTIN: I'd like to mark the following document as Exhibit 33.

(Thereupon, Walker Exhibit 33, Mailer to Advisors in Colorado For a Dinner. Bates Nos. SEC-PINNACLEP-E-431-432, was marked for Identification.)

BY MR. MARTIN:

Q. Walker Exhibit 33 is Bates stamped SECPINN and it goes on 0431 through 0432.

Do you recognize this exhibit, Mr. Walker?

A. Yes.

Q. And how do you recognize it?

A. This is a mailer to our advisors used out in Colorado for a dinner.

Q. And this was going out to some sort of mass list?

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A. It was mailed to a specific list to do a seminar dinner.

Q. And did this dinner occur, to your knowledge?

A. It did.

Q. And after this, did you change any of how Pinnacle Plus operated in sending out mass mailers?

A. Yes.

Q. What did you do?

A. This letter did not go through my personal or my marketing approval.

And so what we did is we required any expenditures made on any mailer could only be done through three people, and that regular staff and agents were not allowed to use the credit cards to buy mailers and send them out any more.

Q. Because you understand Mr. Tupper and Mr. Riewerts purchased this on their personal card -- or company card?

A. It was a company card.

Q. Without your -- but you weren't aware of it until after it happened?

A. I wasn't aware until after it happened.

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Q. Okay.

MR. MARTIN: Why don't we take a short break and I'll talk to my colleagues for a minute. I'm getting close to being done.

(Whereupon, a short break was taken at 1:53 p.m. and, upon reconvening at 1:59 p.m., the following proceedings were had:)

BY MR. MARTIN:

Q. Welcome back, Mr. Walker.

As you sit here today, given that all you've been through, I think you described a lot of pain has been caused by your involvement with 1GC.

Can you describe a little bit more about what you mean?

A. Yeah.

The idea of going into 1GC and offering it for our clients wasn't taken lightly. Compared to what we make in our annuities and other commissions, it's not even a higher commission that we make on other products. But the allure of a shorter term note with a decent return and a decent return in this marketplace seemed enticing.

And it was something that was constantly being requested for us from our clients.

So my business has been destroyed.

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There has been news articles that have been written unfairly through some of this stuff. Litigation has now been caused. I've had to let go of half of my staff. We're hanging on for dear life.

We went from employing -- you know, 15 years of doing this and only losing a couple of clients, maybe a handful of clients, to multiple people leaving.

It's gut wrenching to sit in front of little old ladies that put some money in this and knowing what it means to their life and to others. I mean, the pain of trying to help people and having it backfire and then just -- I mean it's awful. It's like legitimately just awful thinking about these people because they don't deserve this.

Sorry.

Q. And who do you think caused that?

A. I think the dishonesty of 1st Global Capital. They could have spoken up -- if there was an issue, they could have spoken up multiple times and said, hey, look, we're a growing business, we're choosing to do this. This is the direction we're going. Give me a heads up. None of this -- no. This is just -- it's just not right.

Q. And Mr. Ruderman is at the top of that food chain of 1GC?

MR. PINEIRO: Form.

A. Yes.

BY MR. MARTIN:

Q. As you sit here today, these representations about the external audit and how the cash won't be used, and when the audits coming and how they are going to use those fees, given all that you know now, do you feel you were lied to?

A. Yes.

MR. PINEIRO: Form.

MR. MARTIN: I don't have anything further for you right now pursuant to cross examination.

We appreciate your time here today.

CROSS EXAMINATION

BY MR. PINEIRO:

Q. Good afternoon, Mr. Walker.

My name is Michael Pineiro. I'm counsel for Mr. Ruderman.

Before this deposition, did you meet or have any conversations with lawyers for the SEC?

MR. WILSON: Object to the form.

A. This deposition?

BY MR. PINEIRO:

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Q. This deposition.

A. I had a phone call.

Q. And who did you speak with on behalf of the SEC? Mr. Levenson? Mr. Martin?

A. Yes.

Q. And what did you discuss?

A. They asked me questions in my involvement with 1st Global Capital.

Q. Did they put a preview for you what they were going to ask you?

A. They were similar questions that --

MR. WILSON: Object to the form.

A. Similar questions that I received today.

BY MR. PINEIRO:

Q. And did you provide them with what you might be testifying?

A. I answered the questions that they asked.

Q. At any point in time in the conversation, did they instruct you how to answer a question?

A. No.

MR. WILSON: Object to the form.

BY MR. PINEIRO:

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Q. Was your lawyer present -- did you have a lawyer present on the phone?

A. Yes.

Q. Was it the lawyer that's here sitting next to you today?

A. Yes.

Q. Did he participate in the conversation?

A. No.

MR. WILSON: Object to the form.

This is going to attorney-client.

MR. PINEIRO: No. This is -- well, it's not, because they were present on the phone.

MR. WILSON: Sorry.

MR. PINEIRO: That conversation is not privileged.

BY MR. PINEIRO:

Q. Don't get into what you guys spoke privately, I don't want to get into that. But to the extent you had a conversation, it's not privileged. I'm able to ask about that.

Before this deposition, had you ever had any meetings or conversations with lawyers for the SEC?

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A. Before this deposition, did I have meetings with SEC lawyers?
Q. Sorry.
Prior to the telephone call we just discussed, did you have any meetings or conversations with lawyers for the SEC?
A. No, I never met or talked with SEC lawyers.
Q. Any conversations?
A. No.
Q. When exactly did you have the conversation that you were just describing with the SEC lawyers?
A. It was last week.
Q. Did the SEC describe their allegations in the case to you during that phone call?
A. No.
Q. Did the SEC describe what they were trying to prove in this case?
A. No.
Q. Have you met with or had any conversations with any lawyers for the Department of Justice?
A. No.
Q. Have you met or had any conversations

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with any FBI agents?
A. No.
Q. So earlier you were discussing this sort of onboarding process, I'll call it, for 1GC. Do you remember that?
To your recollection, was there any threshold criteria for a sales agent to be onboarded and, I guess, market or sell the 1 Global product?
A. No.
Q. Is that customary in your industry that there not be any type of investigation or check to make sure the people who are selling the product were qualified or ethical?
MR. MARTIN: Object to the form.
A. So ask the question again. There is multiple questions there.
BY MR. PINEIRO:
Q. Sure.
So is it customary in your industry when selling a product like this, that there be some type of background check or minimum criteria?
A. Yes.
Q. Can you give me an example of the kind of background checks that you have seen in

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scenarios where you may be entering into a relationship to sell a certain product?
A. They typically want a Social Security number, a license, and usually a handful of questions on address, where you live, and previous work experience.
Q. And why do you think that they asked for the Social Security and license in this type of investigation?
MR. MARTIN: Object to the form.
A. I don't know.
BY MR. PINEIRO:
Q. Is it customary for somebody to look into like the backgrounds of -- to see if there has been any complaints filed, similar complaints or things like that?
MR. MARTIN: Object to the form.
A. Yes.
BY MR. PINEIRO:
Q. Were you surprised in your dealings with -- your initial dealings with Mr. Ledbetter that there was no more vetting of you or anyone else that was going to be selling the product?
MR. WILSON: Object to the form.
A. No.

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BY MR. PINEIRO:
Q. Why not?
A. They explained that you don't need a securities license or an insurance license to sell it. And because of that, it was different than anything else I had experienced, which is why I sought counsel with my compliance people to walk me through the process.
Q. So, as Mr. Ledbetter told you, somebody off the street could be marketing or selling this product.
A. Yes, according to what he told me.
Q. And that was based on his and his firm's legal finding that the MOIs were not securities.
MR. MARTIN: Object to the form.
BY MR. PINEIRO:
Q. Is that right?
A. Yes.
Q. If Mr. Ledbetter or his firm had found that the MOIs were securities, would you have been able to have raised money for this product?
MR. MARTIN: Object to the form.
A. If they were securities, could I raise money? Yes, I could have underneath the RIA.

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BY MR. PINEIRO:

Q. And the RIA, can you refresh my memory, what is the RIA?

A. Pinnacle Wealth Management.

As long as it wasn't a commission, we could then sell it -- you sell it as a fee.

So, if it's a security, I could advise for a fee on the security. So I could have, yes, if it was a security.

Q. Could you have obtained a commission from 1 Global?

A. I could not have obtained a commission.

Q. Could your agents have obtained a commission if it was a security?

A. My agents could not have obtained a commission.

Q. In your view just based on your experience, if this -- if the MOIs were viewed and treated as securities, would it have restricted 1 Global's ability to sell the product?

MR. WILSON: Object to the form.

A. So my professional opinion is no, I think they would have had a lot more success. There is a lot more broker dealers out there that

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could have passed this through quicker.

BY MR. PINEIRO:

Q. Are you familiar with what's required when you actually register a security with the SEC or states?

A. No, I'm not.

Q. So in your initial dealings with, when you were first onboarded to 1 Global, who at 1 Global did you primarily interact with?

A. Dale Ledbetter. Scott Merkelson.

Q. And so what was told to you regarding Mr. Ledbetter's role with the company?

MR. WILSON: Object to the form.

A. That he was one of their attorneys.

BY MR. PINEIRO:

Q. And you had mentioned that he was represented to be an SEC attorney.

A. That's what I was told by Trae Wieniewitz multiple times.

Q. And during your conversations with Mr. Ledbetter, did you ever discuss the fact that he was counsel for the company?

A. I asked -- he explained to me that he worked with 1st Global Capital. He kept using the reference of "we." So I assumed that he was an

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employee of 1st Global Capital.

Q. But you also, in the course of those initial conversations, you were aware he acted as counsel, or as the lawyer for the company as well.

A. Correct.

Q. Do you remember him representing that to you, telling you, hey, I'm an attorney for the company or I do legal work for the company?

A. He never said those words specifically.

Q. Did he say anything similar to that?

A. Yes.

I've advised 1st Global on how securities work. I helped structure and set them up.

Q. Did he set himself out to be somebody that had a lot of expertise in the securities arena?

A. Yes.

Q. Can you elaborate on that?

A. Well, he's written a book called "Wall Street" -- "How Wall Street Rips You Off."

He talked about many cases that he's helped win for people that have gotten ripped off from Wall Street and had multiple stories about how

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Wall Street doesn't understand fees and how it goes, and the good that he's done.

Q. And did he tell you that the books that -- did he tell you he published one book or several books?

A. Told me that he finished one book, and he was in the process of writing another book with Trae Wieniewitz.

Q. Did he tell you that the book he published was self-published?

A. I wasn't aware of that.

Q. Did he give you any description of the kind of securities litigations that he handled?

A. No, not in detail, no.

Q. But it's fair to say he was presenting himself as an expert in this arena?

A. Yes.

Q. He was presenting himself to be an expert in the securities area.

A. Yes.

Q. And you relied on that.

A. Yes.

Q. Did it give you comfort in entering into a relationship with 1 Global that Mr. Ledbetter was onboard and he was an experienced

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securities lawyer and you were dealing with him?
A. Yes.
Q. And it gave you comfort that he represented to you that he had been reviewing the company and the MOI, and he was comfortable with it all?
A. Yes.
MR. MARTIN: Object to form of that last question.
BY MR. PINEIRO:
Q. Was that a facet of your decision to enter into an agreement with the company and to work with them, the fact that Mr. Ledbetter was putting himself out to be an experienced securities lawyer and was vouching for the company and his product?
A. Yes.
Q. When you spoke to Mr. Ledbetter, did you think -- you assumed you were speaking to him in his capacity as an attorney for the company?
MR. MARTIN: Object to the form.
A. Yes.
BY MR. PINEIRO:
Q. When you sent him emails, did you view those emails as being sent to him in his capacity

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as an attorney for the company?
A. Yes.
Q. Did he ever tell you in any circumstance, hey, right now I'm not acting as a lawyer for the company with respect to this conversation?
A. Not that I can recall.
Q. Did he ever tell you in response to an email inquiry, hey, I'm not acting as a lawyer with respect to the email that you sent?
A. No, not that I can recall.
Q. Did he ever tell you that his duties for the company were segregated between legal and nonlegal?
A. No.
Q. And you indicated that Mr. Ledbetter never informed you that he was getting a commission on the sales of the MOIs?
A. Yes.
Q. He ever discuss with you that he had -- strike that.
You had mentioned that in 2017 when you began first working with the company, you did a due diligence; is that correct?
A. At the beginning of 2017, yes.

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Q. And you had a meeting with some of the personnel at 1 Global?
A. Yes.
Q. Mr. Ruderman was there?
A. Yes.
Q. So can you take me through the series of meetings that you had so I can understand just how they broke down?
MR. WILSON: Object to the form.
MR. MARTIN: Same objection.
A. So to be detailed, to list every single meeting I had, I'm not going to get that right.
Is there a better way to go about this?
BY MR. PINEIRO:
Q. Yeah. Let me ask you a better question. Well, let's do this.
How many times have you personally spoken with Mr. Ruderman?
A. When I went -- each of the meetings when I went and came to Florida, I had conversations with him. He sent me a couple of texts. And I've spoken with him on the phone two or three times.

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Q. So the texts, do you remember how many texts he may have sent you?
A. Three or four.
Q. And do you remember the substance of those texts?
A. They were very simple. You know, sent me a pen, thanks for the pen. Are you writing any business? Hope you have a good year.
The last one was, my client's haven't received their money. They were supposed to get their money today. What's going on?
Q. That last text was from you to him.
A. Yes.
Q. And did he respond to that?
A. Yes, he did.
Q. And what did he say?
A. I don't know. Talk to Scott and Darcie.
Q. And in terms of your email communication with him, do you remember the extent of it?
MR. WILSON: Object to the form.
A. It's very slim.
BY MR. PINEIRO:
Q. If you had like a substantive inquiry

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regarding 1 Global, you wouldn't go to Mr. Ruderman; right?
A. Say that again?
Q. If you had a question regarding your sales or marketing of 1 Global, you typically would not go directly to Mr. Ruderman; right?
A. Correct. There is certain subjects that I would go to Scott on. There were two or three times where it became very serious and I went to him directly.
Q. Mr. Ruderman.
A. Yes, when it became very serious.
Q. What were those times?
A. When I decided I wanted to get the clients out, I wanted to see if he would be willing to make an exception to get all of my clients out.
So I called him. And he said we can make that happen.
Q. Do you remember when that was?
A. Yes. It was about 2 weeks to a week before they filed for Chapter 11.
Q. So it was in the summer?
A. In the summer, yeah.
Q. And Mr. Ruderman said during that phone call that he would allow your clients out?

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A. He said he'll work with us to get them out.
Q. And ultimately did that occur? Were they let out?
A. Chapter 11 happened.
Q. So Mr. Ruderman told you in that call that, even though some of them might still be bound by the -- the notes hadn't matured, he would let them out before the maturity of the loan.
A. Yeah. He said they won't get the same return. I said we just want to get out.
Q. And why did you make that phone call to him asking to get them all out?
MR. WILSON: Object to the form.
A. Because I felt like he was the only one who had authority to make that decision.
BY MR. PINEIRO:
Q. And why did you want them all out of 1 Global?
A. Multiple reasons. I felt like I was lied to on what the product really was. I felt like the -- it may be a security after all. I felt like the risk of the product was getting way too high for the customers that I had in it, and that was the main reason that I asked this is no longer

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suitable with the additional risks that I see.
Q. So you saw a lot of risk around the property and you were like, I want to get my clients out.
A. Yes. That was one of the reasons why I chose to do that.
Q. Did Mr. Ruderman try to persuade you to say keep your clients in? or how did the conversation go?
A. He said, no, I'll work with you. We can help get them out.
Oh, by the way, would you be interested in selling another product?
Q. Which product was that?
A. A loan that -- he wanted to create a loan product. And I don't know much more than -- I was just like uh-huh, uh-huh, and I just moved on.
Q. Do you remember if that was Bright Smile?
A. I don't think that was particularly what he was referring to at that time. I think he was talking about something else.
Q. He didn't specify what kind of loan product?
A. He didn't. He said, what if we could

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create a loan product for you with a 7 percent guaranty, or something like that, would you be interested?
Q. And was that loan product going to be one issued by 1 Global or some other entity?
MR. WILSON: Object to the form.
A. I have no idea what he was talking about.
BY MR. PINEIRO:
Q. So you said you had directly spoken to him or called him twice. This is the first instance we covered.
What about the second time?
A. I mean, at the beginning of the year -- just trying to -- you know, I'll just say I don't know.
Q. You don't remember?
A. Yeah. I know I've had maybe one or two conversations with him on the phone. The one was for sure there. I'm sure I called him one other time when we talked about something. I know I've been on the phone with him before then about something.
Well, no, I can recall now. I'm sorry.

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Q. Okay. What do you recall?
A. He wanted to know how much business I could bring in.
Q. In general.
A. In general.
Q. So he called you?
A. I can't remember. I just remember the conversation about it.
Q. And what was your -- what did you guys discuss on that topic?
A. I don't know. How you guys doing? I think we have a general idea of what we'd like to see, but let's have a meeting.
Q. So then going back to the 2017 meetings at 1 Global, were you in -- were there any meetings that you participated in where Mr. Ruderman was there as well?
A. Yes.
Q. How many meetings?
A. So it was a period of time during the day and he was in and out through the various meetings.
Q. And was he very active in the meeting?
MR. WILSON: Object to the form.
A. Yeah. Be more specific.

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BY MR. PINEIRO:
Q. Did he participate a lot? Did he talk a lot?
A. Yes. Yes.
Q. And do you remember whether he made any representations or whether he discussed at all the issue of the audited financials during that meeting?
A. The second meeting in January of '18 he did discuss that.
Q. And what did he say during that meeting about the audited financials?
A. He said, my lawyers have told me that I can't have all myself private any more. And if I want to collect other people's money, I better make it public. So my promise to you is that we'll get this made public. We'll get some third-party financials.
Q. Do you know which lawyers he was referring to?
A. No idea.
Q. Do you know if it was Mr. Ledbetter?
A. No idea.
Q. Did you ever meet a lawyer named Jan Atlas?

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A. I don't believe I did.
I spoke with one attorney that represented 1st Global later in March. I don't recall who that was.
Q. Was it the law firm Kopelowitz, Ostrow, that lawyer?
A. I don't know. I can't recall.
Q. So what you have said is that Mr. Ruderman told you we're going to get you these.
Did Mr. Ruderman ever tell you that he -- that the company already had them and they already had audited financials?
A. No.
Q. Did Mr. Ruderman ever tell you that he participated in preparing the pitch deck and brochures that you received regarding 1 Global?
A. No.
Q. To your knowledge, do you know who prepared those materials?
A. I do not.
Q. Do you know whether Mr. Ledbetter was reviewing or vetting those materials?
A. Do not.
Q. Was it your assumption that he was?
MR. WILSON: Object to the form.

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A. No. I --
BY MR. PINEIRO:
Q. If you had to describe what your understanding of Mr. Ledbetter's role was, what would be your best description?
MR. MARTIN: Object to the form.
A. He was outside counsel. I thought he had a portion of ownership or a bonus, or I didn't know what. I had no idea, but he was some sort of outside counsel.
BY MR. PINEIRO:
Q. What made you think that he had --
A. I'm sorry. I used the wrong word.
Some sort of counsel. I just don't know if it was outside or inside. He was counsel for them.
Q. Legal counsel.
A. Legal counsel, yeah.
Q. What made you think that he had some type of ownership stake in the company?
MR. WILSON: Object to the form.
BY MR. PINEIRO:
Q. Like you mentioned that you thought maybe that's what he had.
Was there any reason you thought

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that's --
A. Well, yeah. I don't know if that's the terminology because I knew that -- well, the question is what made me think that? A couple of things.
He was one of the rare people that called Mr. Ruderman by his first name, Carl. Everyone else referred to him as Mr. Ruderman.
They seemed to be really close friends.
When some issues arose and I had questions, Mr. Ledbetter was quick to vouch for Carl Ruderman type of human being he was.
Q. So you mentioned there was times you went to Mr. Merkelson or you went to Mr. Ledbetter.
How would you determine who to approach about a certain issue?
A. If it seemed legal, regulate, I talked to Mr. Ledbetter.
If it seemed like a product specific or a logistic specific, I would go to Mr. Merkelson.
Q. Did you ever -- Mr. Ledbetter ever tell you that Pinnacle can't prepare its own marketing of the 1 Global MOI as a product?

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MR. WILSON: Object to the form.
MR. MARTIN: Object to the form.
A. Who I -- did you say --
BY MR. PINEIRO:
Q. Mr. Ledbetter.
A. Oh, yes.
Q. What did he tell you?
A. Told us that any outside marketing material needs to be approved by 1st Global.
Q. So he didn't tell you it was prohibited.
MR. MARTIN: Object to the form.
BY MR. PINEIRO:
Q. Strike that.
Did he tell you that you were prohibited from marketing like the 1 Global to your clients?
A. We just had to approve what was put in writing, or any mass marketing thing we were told that we had to get their approval on.
Q. And whose approval would you seek from 1 Global?
A. Our staff would go through a list of people. And it usually ran through Mr. Ledbetter to Merkelson to Ms. Lang.

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Q. So it's your understanding that there wasn't a strict prohibition against agents marketing 1 Global. There just had to be approval.
A. Yes.
Q. When you visited 1 Global, did you have a positive impression of the company?
MR. WILSON: Object to the form.
A. Yes.
BY MR. PINEIRO:
Q. Why was that?
A. People seemed friendly, willing to help. Excited about what they were doing.
Q. And did you like the idea -- did you like the -- theoretically, did you like the idea of the MCA business as an alternative type of arrangement?
A. Yes.
Q. Why?
A. Because as a small business owner, I know it's hard to get loans. I like the concept of an outside funding source. I can see how it can be good for our economy. Short, small-term loans can be really great for businesses.
And the fact that clients can make a profit from it I thought was a brilliant idea.

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Q. And that's why you were interested in the potential opportunity for your clients.
A. Yes.
Q. Did you meet with anybody at 1 Global's, their accounting department?
A. Yes.
Q. Do you remember who?
A. No, I don't. Not off the top of my head.
Q. Did you ever have any discussions with anybody at 1 Global regarding the rate of return -- strike that.
Did you ever have any discussions with anybody at 1 Global regarding the rate of return on the account statements?
A. My clients' -- the clients' account statements?
Q. Yes.
A. Yeah.
Q. Do you remember when those discussions occurred?
A. Multiple between Trae, Dale, Scott, even our staff would ask certain questions. Clients would see some variation and we would call and try to figure out what was going on.

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Q. So the marketing materials that Mr. Martin showed you earlier, I think it was like a brochure and a pitch deck of some sort, did you distribute that to your clients?

A. We never distributed the pitch deck. We did distribute the purple folder he referred to.

Q. And did 1 Global authorize you to do that?

A. Yes.

Q. Do you remember who specifically authorized you to do that?

A. I don't. I can safely say Scott Merkelson was one of the multiple people that told us we could use it, but --

MR. PINEIRO: I'd like to mark this as Exhibit No. 34.

(Thereupon, Walker Exhibit 34, 10/11/17 Email Chain from Matt Walker to Scott Merkelson. Bates Nos. Regulatory_27348-27350, was marked for Identification.)

BY MR. PINEIRO:

Q. Are you familiar with that email

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string, Mr. Walker?

A. Yes.

Q. So if you could just go to the last page, which is the earlier part of the string, there is an email from Jessica Jarquio to Scott Merkelson.

Do you see that?

A. Uh-huh.

Q. And you are copied on that?

A. Yes.

Q. And it says:

"Good morning, Scott. Please see attached whiteboard animation script for your review."

Do you see that?

A. Yes.

Q. Do you remember what that script was, that animation script?

A. It never took off, but it was a -- trying to explain what the merchant cash advance business is and how it tied into 1st Global Capital. I was trying to make an easy script for our clients to understand what the MOIs were.

Q. And then if you see Mr. Merkelson's response if you go back to the preceding page. Mr.

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Merkelson appears to loop in Mr. Ledbetter. He writes, "plus Dale L."

Do you see that?

A. Yeah, uh-huh.

Q. And then he says:

"I have added Dale to this email as well because he has vast experience in this space."

Do you see that?

A. Yeah.

Q. So then you write in response to Mr. Merkelson's email, and Mr. Ledbetter copied:

"Dale and Scott, we are going to use this video for our distinct client base and leads that are generated through click funds."

What did you mean by leads that are generated through click funds?

A. It was an idea that we would create a website that would have people go into videos explaining how the product worked, but was never able to take off because we didn't get past even the initial idea.

Q. Did you ever end up having a discussion with somebody at 1 Global about this

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over the phone?

A. I mean I could have, could have talked to Scott about it.

Q. Do you remember discussing it at all with Mr. Ledbetter?

A. Not specifically, no.

Q. You had discussed an April, 2018 visit by Mr. Ledbetter to Kansas.

Do you remember that?

A. Yes.

Q. You noted that Mr. Ledbetter provided three presentations. Is that correct?

A. I had three separate presentations that he participated in each one.

Q. And those presentations, he did not discuss 1 Global Capital?

A. He did not mention 1 Global Capital.

Q. But he discussed the MCA business or industry?

A. Yes.

Q. Was he essentially describing the business model of 1 Global?

A. He talked about MCA and alternatives and portfolios.

Q. Did he discuss at all during those

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presentations the notion of 9-month notes not being securities?
A. I can't recall right off the top of my head.
Q. Is there any reason why you just didn't outright cancel the visit?
A. Because we already had 300 of our clients signed up. Decided for me to form a White House delegate.
Q. Do you think Mr. Ledbetter was like an impressive seeming guy on his resume?
MR. WILSON: Object to the form.
A. Oh, yeah.
BY MR. PINEIRO:
Q. You are familiar that he had worked in politics before?
MR. WILSON: Object to the form.
BY MR. PINEIRO:
Q. Worked for senators?
A. That's what I was told, yes.
Q. Did he ever discuss with you his experience in the securities industry in a non-lawyer capacity?
MR. WILSON: Object to the form.
BY MR. PINEIRO:

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Q. Experience in like Countrywide and things like that?
A. No.
Q. What was the gist of his presentation regarding -- strike that.
Did he discuss FINRA at all in his presentation?
MR. WILSON: Object to the form.
A. Yes, he did.
BY MR. PINEIRO:
Q. Do you remember what he said about FINRA in the presentation?
MR. WILSON: Object to the form.
A. Not specifically.
BY MR. PINEIRO:
Q. Did he have views that were adverse or negative regarding FINRA?
MR. WILSON: Object to the form.
A. Yes.
BY MR. PINEIRO:
Q. Do you remember specifically what those views were?
A. No, not specifically.
MR. PINEIRO: 35.
MR. MARTIN: So you want both?

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MR. PINEIRO: They collated them, but if you combine them as one. This is the email and attachment.
MR. WILSON: That would be one, then.
MR. PINEIRO: Yeah, it's all one. Sorry.
(Thereupon, Walker Exhibit 35, 1/12/18 Email Chain from Laura Rand to Jeff Tupper. Bates Nos. Regulatory_14298-14300, was marked for Identification.)
BY MR. PINEIRO:
Q. You remember this email, Mr. Walker?
A. Yes.
MR. NEWMAN: Which one are you referring to?
MR. PINEIRO: There is only one email, I think.
MS. PERAL: I don't think we have the attachment.
MR. PINEIRO: The attachment should be in there.
BY MR. PINEIRO:
Q. So this is an email from Laura Rand to Jeffrey Tupper, you, and Jessica Jarquio, amongst others.

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Do you see that?
A. Yes.
Q. And she says:
"Hi, all. We are looking forward to meeting/seeing you next week."
She later says:
"You will find the 2-day meeting agenda enclosed, which is flexible if we missed any points of interest."
Do you see that?
A. Yes.
Q. And then if you actually look at the agenda that she attaches, you remember seeing this agenda?
A. Yes.
Q. This is based on sort of the exchanges you had at 1 Global regarding what you wanted to discuss at the meeting?
A. Yes.
Q. Do you see on the first page under 1GC where it lists Dale Ledbetter, all the way like six names up?
A. Yes.
Q. Do you see where it says "outside counsel" next to his name?

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A. Yes.
Q. Did anybody tell you that that was an error?
A. No.
Q. Did Mr. Ledbetter participate in these meetings?
A. Yes.
Q. Was he an active participant?
A. Yes.
Q. Is it fair to say that him and Mr. Merkelson helped coordinate and show you around?
A. Yes.
Q. Is it fair to say that him and Mr. Merkelson remained your point of contact throughout?
A. Yes.
Q. If you look at the agenda, there was an opening discussion, you were one of the attendees, and Mr. Ledbetter is listed there.
Do you see that?
A. Yes.
Q. Do you remember what Mr. Ledbetter said during that discussion?
A. Not specifically.

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Q. Do you remember what Mr. Ruderman said during that discussion?
A. Besides welcome, glad to have you. How much are you going to do next year?
Q. Mr. Ruderman was sort of focused on just top line production?
A. Mostly.
Q. Yeah.
A. Yeah, mostly.
Q. If you take a look at the Tuesday, January 16th where there was a financial discussion at 10:30.
Do you see that?
A. Uh-huh.
Q. Mr. Ledbetter is there and you were listed as an attendee as well?
A. Yes.
Q. Do you remember what that discussion was about?
A. It was about the profit-and-loss statement.
Q. What was discussed during that meeting?
A. The profit and loss, how much money they made for 2017. How much they had in reserves,

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and a true financial audited documents.
Q. And this is where --
A. I'm sorry. Third-party. Not true. Third-party audited documents.
Q. And this is where you were told the company was profitable in '17.
A. Yes.
Q. Do you remember specifically who said that during this meeting?
A. The two gentlemen that -- so it would be Richard Samuels and Sylvain --
Q. I can't pronounce it either.
A. Mr. Grenier.
Q. So you remember Mr. Richard Samuels actually saying that to you?
A. Yes.
Q. Was Mr. Ruderman at this meeting?
A. No.
Q. And at this meeting, they had mentioned to you also they were in the process of trying to get the financials audited by a third-party?
A. They were in the process of it, yes.
Q. Did they ever tell you, we don't want to get our financials audited?

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A. No.
Q. It was always that they were trying to get it done.
A. Yes.
Q. So what was your general impression that you came away after -- what was your general impression of 1GC you came away with after this second due diligence?
MR. WILSON: Object to the form.
A. That they were set to have some major growth. They had created the infrastructure to do so. The MCA business was a growing booming business, and they were continuing to succeed.
BY MR. PINEIRO:
Q. Did you have any doubts, any serious doubts about the company after you left this meeting?
A. No. No serious doubts.
Q. Any less than serious but still material doubts?
MR. MARTIN: Object to the form.
MR. WILSON: Same objection.
BY MR. PINEIRO:
Q. Concerns, doubts, you know.
A. Well, it was the reason we were there.

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It was the whole reason we went there, was to find -- answer our concerns, and they answered a lot of our concerns.

Q. Were there any concerns left unanswered?

A. No.

Q. Did it seem to you like the company was making its efforts to try to create, like you said, the infrastructure necessary to sustain a company growing at the rate it was growing?

A. Yes.

Q. At any of these meetings, or in general, did anybody from 1 Global ever tell you to lie to your clients?

MR. WILSON: Object to the form.

A. No.

BY MR. PINEIRO:

Q. Did anyone ever tell you to mislead your clients in any way?

MR. WILSON: Object to the form.

A. No.

MR. PINEIRO: This will be 36.

BY MR. PINEIRO:

Q. I apologize the font is so small. Let me know when you are ready.

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(Thereupon, Walker Exhibit 36, 12/11/17 Email Chain from Jessica Jarquio to Scott Merkelson. Bates Nos. Regulatory_2626-2628, was marked for Identification.)

BY MR. PINEIRO:

Q. So I'll take you to the last page where there is the first email in the string. It's an email from Jessica Jarquio to Scott Merkelson, and you are copied.

Do you see that?

A. Yes.

Q. And then the subject matter is "Account Fluctuations."

It says:

"Good morning, Scott. We distributed our 3-month reminder letters for September accounts on December 1, 2017."

What is a 3-month reminder letter?

A. We remind our clients of the different times that they had the products so they would be well aware of the 60-day, 30-day advance notices.

Q. It says:

"We received several phone calls from unsatisfied clients that inquired about the balance decrease for values as of today, December 11, 2017, compared to December 1st, 2017.

"All clients have shown a decrease from the value that was notated in their 3-month reminder letter."

Do you see that?

A. Yes.

Q. It says:

"I'm afraid that these account decreases only illustrate inconsistencies to our clients and create an adverse effect as to what the 3-month letters were intended to provide."

Do you see that?

A. Yes.

Q. And she appears to ask for like an explanation of the fluctuation.

A. Yup.

Q. And then Mr. Merkelson's response on the first page says:

"Jessica, this is an example of 1st Global being completely transparent and giving any information available to our lenders."

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Do you see that?

A. Yes.

Q. Goes on:

"Without looking into each account, I can tell you there will be times when the account is flat or even goes down day-to-day or even month-to-month.

"What you will see is as the different deals begin to age, the amount of defaults or account underperforming will increase. This increase causes the allowance for doubtful accounts or reserve for bad debt to be increased as well."

So basically what Mr. Merkelson is saying is he's saying, listen, this is truthful data on the returns. It's just -- you know, it's a little negative right now.

Is that fair?

MR. MARTIN: Object to the form.

MR. WILSON: Same objection.

A. Yeah, I don't know if I would say they are negative because there is fluctuating, is what I would use.

BY MR. PINEIRO:

Q. Right. So they fluctuated downward,

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sorry, in terms of not negative, but that the --
A. Right. They would have an up and down fluctuation.
Q. Right. But it seems like the concern that Jessica raises in her email is that the accounts fluctuated down. There was a decrease in the value.
A. Yeah. In the 2-month -- from 2-month to the third month, there could have been a decrease.
Q. Right.
In your view, did this give you any comfort that 1 Global was reporting accurate information, whether it was good or bad?
MR. MARTIN: Object to the form.
MR. WILSON: Object to the form.
A. Yes.
BY MR. PINEIRO:
Q. You remember these exchanges?
A. Yes.
Q. And typically if a company is trying to mislead you or defraud you, they are not going to give you negative news; right?
MR. MARTIN: Object to form.
MR. WILSON: Object to the form.

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BY MR. PINEIRO:
Q. They are not going to be truthful about bad news.
A. I would say I don't know what level of deception. But ask your question again so I can get it right.
Q. That's all right. Don't worry.
So are you familiar with a company called Bright Smile?
A. Yes.
Q. What do you know that company to be?
A. It's a company that lends monies to individuals for medical purposes for -- yeah.
Q. And how did you learn about that company?
A. Mr. Ruderman told me about it.
Q. Do you remember when he told you?
A. The second meeting.
Q. The January 18th?
A. Yes.
Q. Do you remember what he told you?
A. Yes. He pulled me aside and said I know you are good at growing companies and sales groups. Would you be interested in selling Bright Smile.

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And I said, well, tell me about it.
And so he told me a little bit about it. And I said I would be interested in looking to put something together.
Q. Did he tell you anything about the ownership of Bright Smile?
A. He told me he owned it.
Q. Did he say that it was affiliated with 1 Global?
A. No.
Q. Was the idea behind Bright Smile somewhat similar to what 1 Global was doing?
MR. WILSON: Object to the form.
BY MR. PINEIRO:
Q. In your view?
A. No.
MR. MARTIN: Same objection.
BY MR. PINEIRO:
Q. Why not?
A. Viewed them as separate businesses.
Q. Do you think they were selling -- they were based on similar premises, short-term loans, financing.
MR. WILSON: Object to the form.
A. Well, yes.

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BY MR. PINEIRO:
Q. So one was doing like straight consumer loans for people seeking dental care, cosmetic care. And the other one was doing merchant cash advances to small businesses, but they were similar in nature you would say.
MR. MARTIN: Object to the form.
MR. WILSON: Object to the form.
A. And the idea you are lending money, yes.
BY MR. PINEIRO:
Q. And did he tell you how they were raising money or financing Bright Smile?
A. He told me it was his money, and that he needed to get some private equity funding to keep it going, which is what I was waiting on.
Q. Did at any point in time you have any further discussions with representatives of Bright Smile regarding potentially working with them?
A. Yes.
Q. Do you remember who you were dealing with there?
A. Mario.
Q. Do you remember Mario's last name?
A. I don't. Sorry.

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Q. Hoffman?
A. That's it.
Q. Do you know what his role was at Bright Smile?
A. Not specifically.
I just know he was an employee and he was like a manager of some sort.
Q. And what did they view as the role that you would fill with respect to Bright Smile?
A. I would just be an outside agent with my own -- or outside third-party person to help get sales reps going.
Q. Were they going to try to do MOIs for this business as well?
MR. WILSON: Object to the form.
A. Not that I know of.
BY MR. PINEIRO:
Q. How would they raise money through outside sources?
A. I was told that it was -- that's what they were waiting on private equity money for, and that they were waiting for that money to come in.
Q. So what sales would you have been doing?
A. Oh, I would be -- the employees that I

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would hire would be going to dentists directly to sell the actual software. It wasn't about raising money.
Q. How did they -- how would you have been paid for that service?
A. Every time someone borrows money from a dentist of a dentist that we sold in the system, we would get a bonus or a commission, or something.
Q. So how far along in the process did you get in terms of potentially working with or for Bright Smile?
A. Started getting contracts together; started getting businesses set up, but we were ultimately still waiting on knowing that there was funding before we moved forward.
Q. And so the funding never came so --
A. Just, yeah.
Q. Do you remember receiving brochures regarding Bright Smile?
A. I received an email. I think I received more websites. Here's what our website looks like. That's about it.
Q. You testified earlier that you -- your company, or Pinnacle, received some inquiries from state regulators?

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A. Yes.
Q. And when you received those inquiries, did you reach out to Mr. Ledbetter regarding those inquiries?
A. Yes.
Q. And what role did he play with respect to those inquiries?
A. Not much. Just listened.
Q. Did he tell you that he was going to work on it or try to help out?
A. He told me that he was working with attorneys that were in Colorado specifically in trying to get them to understand what the product is.
Q. And you had your own compliance counsel that you terminated or fired, you mentioned; right?
A. Correct. I've since fired them, yes.
Q. What was their name again?
A. Lexington Compliance, RIA in a Box.
Q. And why did you fire them?
A. A plethora of bad advice.
Q. Including regarding whether the MOIs were securities?
A. Yes.

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Q. Because you actually turned to them and sought that advice from them?
A. Yes.
Q. And you relied on them with respect to that advice.
A. Yes.
Q. Do they have lawyers that work for that company?
A. The compliance officer that we were working with is an attorney, yes.
Q. And so they had a legal compliance officer who looked at 1 Global and said, these are not securities. You are okay?
A. Yes.
Q. And you are very angry, obviously, that you relied on his advice, and that he may have turned out to have that wrong.
A. Yes.
Q. You mentioned that you are facing potentially some litigation.
Have any of your clients that were -- had memorandums of indebtedness or were lenders, have they sued you?
A. Yes.
Q. How many?

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A. 45 I want to say. I don't know the exact number.
Q. And where are those lawsuits?
A. Just in process.
Q. Sorry.
Where are the lawsuits brought? What jurisdiction?
A. Kansas City.
Q. And is that litigation ongoing?
A. Yes.
Q. Have you settled any of those claims?
A. No.
Q. How much are the -- your former clients seeking damages in those cases?
MR. WILSON: Object to the form.
BY MR. PINEIRO:
Q. Do you know what the kind of legal remedies they're seeking from you?
A. Yeah. Just principal and interest back.
Q. What's the -- do you have an idea of what your exposure is without revealing attorney-client, you know, how much money they are asking for in total based on what was lost?
MR. WILSON: Object to the form.

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A. 5 million.
BY MR. PINEIRO:
Q. 5 million?
A. Yeah. Somewhere around there.
Q. Did you have insurance that covered those claims?
MR. WILSON: Object to the form.
A. Mostly yes.
BY MR. PINEIRO:
Q. What's your policy limit there with respect to those claims?
MR. WILSON: Object to the form.
A. 5 million.
BY MR. PINEIRO:
Q. 5 million?
Have you received any other regulatory inquiries -- strike that.
Have you received any -- have there been any inquiries into you personally, how many regulators, based on 1 Global?
MR. WILSON: Object to the form.
A. Beyond what we've already discussed with Kansas and Missouri and Colorado.
BY MR. PINEIRO:
Q. Yeah.

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A. And then requests from documents from various agencies; beyond that, no.
Q. What was the outcome of the Kansas inquiry investigation --
MR. WILSON: Object to the form.
BY MR. PINEIRO:
Q. -- if any?
A. Still ongoing.
Q. What about the Missouri one?
MR. WILSON: Object to the form.
A. Still ongoing.
BY MR. PINEIRO:
Q. What about the Colorado one?
MR. WILSON: Object to the form.
A. Still ongoing.
MR. NEWMAN: Mike, whenever is a good time, take a 5-minute break?
MR. PINEIRO: Yeah, this is fine.
(Whereupon, a short break was taken at 2:59 p.m. and, upon reconvening at 3:06 p.m., the following proceedings were had:)
BY MR. PINEIRO:
Q. Did you ever become aware of 1 Global extending financing to a company called Momentum?
A. No.

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Q. Did you ever become aware of 1 Global extending financing to a company called Ganador?
A. No.
Q. Did you ever become aware of 1 Global extending financing to a company that was in the payday loan industry?
A. No.
Q. Were you ever -- did you ever become aware that 1 Global extended financing to a company that purchased distressed credit card debt?
A. No.
Q. Do you feel somewhat let down by Mr. Wieniewitz in this whole deal?
A. Deeply.
Q. Why?
A. He's a trusted person that was held out as a mentor and brought me into this as well.
Q. Do you know how much money he was making while he was raising funds for 1 Global?
A. I don't.
Q. Have you spoken to Mr. Wieniewitz recently?
A. No.
Define recently.
Q. Last 3 months.

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A. No.
Q. Have you spoken with him since 1 Global was put into Chapter 11?
A. Within 3 weeks to 4 weeks after that, I had ceased all communication with him.
BY MR. PINEIRO:
Q. Why?
MR. WILSON: Object to the form.
A. Advice from attorneys.
Q. All right. You don't have to give me that, then.
When the company -- before you ceased all communications with him, but by the time -- you know, after 1 Global had been put into Chapter 11, did you have any discussions with him about that bankruptcy proceeding?
A. After? Yes.
Q. What did you discuss?
A. He discussed everything from finding a company to buy out 1st Global Capital, to how people were going to get their money back, to what really happened, to he didn't see this coming at all.
Q. In addition to Mr. Wieniewitz, do you think that Mr. Ledbetter also lied to you?

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MR. MARTIN: Object to the form.
A. Yes.
BY MR. WILSON:
Q. On several occasions?
A. Yes.
Q. If you had known that Mr. Ledbetter had no real regulatory compliance background, would that have impacted your interactions with him back when 1 Global was operating?
A. Yes.
Q. How so?
A. Holding himself out as an SCT securities expert. And if he's not, it's a lie. It's dishonest.
And number two, he's giving advice on something he knows nothing about, and so the risk increases.
Q. You mentioned that Mr. Ruderman and you had discussed the default rate at some point at an in-person meeting; is that correct?
A. Yes.
Q. Do you remember what was discussed there?
A. He talked about what the default rate was. And he said, I personally -- my money is in every single deal. And so personally I want to know if these guys and gals are going to default on their loans. And so I have a meeting, -- I'm in a meeting with the compliance officer, the loan officer, and -- there was one more -- and the collections team. And I review the deals to make sure that we're going to get our money out of it.
And because of that, we're getting pretty good at this. We're lowering our default rate down. What is it? Around 4 percent right now? And that was the conversation.

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Q. Just one second. Review my notes, but I think I'm done.
MR. PINEIRO: Nothing further.
MS. PERAL: No questions.
MR. NEWMAN: This is Dan Newman for the receiver. At this time, the receiver doesn't have any questions.
I've spoken with your counsel and other around the room. We reserve our right to call you with regard to the receiver's charge responsibilities by the Court at a later point in time, if necessary. I realize you also have a flight and you have to get out of here in 45 minutes. So we appreciate it.
THE WITNESS: Thank you.
MR. MARTIN: I just had a few followup questions, Mr. Walker.

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REDIRECT EXAMINATION
BY MR. MARTIN:
Q. There was a question regarding Bright Smile. Do you recall that --
A. Yes.
Q. -- by Mr. Pineiro?
And just to be clear, you never sold anything on behalf of Bright Smile in any way; is that correct?
A. No.
Q. And then there was some question regarding Mr. Ruderman said that he owned Bright Smile; correct?
A. Yes.
Q. And he told you personally that it was his money?
A. His money.
Q. And he never disclosed to you that it was investor -- 1GC investor funds?
A. No.
Q. And there was some similarities, I

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guess, between the MCA business and Bright Smile business, they loaned money; right? That's what you know about both of those businesses?

A. Both of those companies have a component of lending, yes.

Q. But that's really where the similarities end in the sense that the risk profiles are totally different with consumer lending versus merchant lending; correct?

A. Correct.

Q. There is an accounts receivable to collect against in a consumer lending context that's a totally different risk profile versus how the MCAs are supposed to work; is that correct?

A. Correct.

Q. Bright Smile might be subject to consumer usury laws and those type of things that the MCA business might not be susceptible to?

A. Correct.

Q. And there was some question by Mr. Pineiro regarding phone calls or text messages between you and Mr. Ruderman.

Do you recall that generally?

A. Yes.

Q. And there was -- I think he mentioned

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something about a text being, are you writing any business?

Who is writing that text? Is Mr. Ruderman asking you or are you asking him?

A. It's Mr. Ruderman asking me.

Q. And the business he's asking about is are you bringing in new investors to 1GC?

A. New lenders to 1st Global Capital.

Q. Okay.

And did you retain those text messages?

A. I do. That's what I was pulling up.

Q. And then I think you mentioned that you had two or three times when it was very serious, you went to Mr. Ruderman, you mentioned the one about getting the money out.

Was there any other times that you recall like that type of conversation, like a very serious conversation with Mr. Ruderman?

A. That was my only intense serious conversation.

Q. And you had -- obviously from these texts, you have his cellphone number?

A. Yes.

Q. Did he give that to you?

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A. Yes. He texted me.

Q. And looking at, if you would go back to Walker Exhibit 35, which Mr. Pineiro showed you?

A. Yes.

Q. This involves the trip in January of 2018; correct?

A. Yes.

Q. And looking at the agenda, that was -- the initial introductory meeting with Mr. Ruderman and others, that was a 3-hour portion of the meeting; is that correct?

A. It was a good portion of the morning, yes.

Q. And then there was another one, another discussion of 1GC plans where attendees all, which would include Mr. Ruderman, that you would have attended of approximately an hour and a half; is that correct?

A. Yes.

Q. And then this financial discussion, Mr. Ledbetter was at that, based on the agenda?

A. Yes.

Q. So the capacity of Mr. Ledbetter here, though was -- I mean, he was involved in legal and nonlegal aspects of the business; is that correct?

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A. Yes.

Q. And then if you would also look at Walker Exhibit 35.

Just so it's clear, the returns your clients received were always, in the aggregate, positive. Their principal went up; right?

A. Yes.

Q. And there is a listing here on the last page of this office, and it says "Resource Group."

What does that refer to, do you know?

A. That's how they classified me.

So Denver was two of our employees, Jeff and Kenny; Kansas City was George and Travis; and resource was myself.

Q. And just for clarification, I was talking about Exhibit 36, not Walker 35. I misspoke.

And so the ones under the resource group would be your own clients?

A. Correct.

Q. Thank you.

MR. MARTIN: We'll go off the record for one second.

(Off the record.)

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BY MR. MARTIN:

Q. Mr. Pineiro asked you a few questions about who you felt maybe lied to you in this process.

Does Mr. Ruderman fall in that category about what you were told about audited financials, and now what you know about cash not deployed and the use of funds, et cetera?

MR. PINEIRO: Form.

A. Yes.

BY MR. MARTIN:

Q. And why so?

A. Because he was in the meetings when we discussed these things. And if he didn't actually say it, he was in the room where he could have stopped it if someone misspoke. So I was misled a certain way.

Q. And he was always, in your mind at least, a control person of 1GC?

A. Yes.

MR. PINEIRO: Form.

MR. MARTIN: We don't have anything further.

Thank you again for your time. Have a safe trip back.

MR. WILSON: We have 30 days to read and sign once it's available?

MR. MARTIN: You want to read; right?

MR. WILSON: Yeah.

MR. MARTIN: Ordering it.

MR. WILSON: Copy.

MR. PINEIRO: Copy.

MS. PERAL: Copy.

MR. NEWMAN: I'm going to let you know.

(At 4:06 p.m., the deposition proceedings were concluded.)

_____

MATTHEW LYNN WALKER

THE STATE OF FLORIDA)

) ss.

COUNTY OF MIAMI-DADE)

I, hereby certify that the witness in the foregoing deposition, MATTHEW LYNN WALKER, was by me duly sworn to testify to the truth, the whole truth and nothing but the truth, in the within-entitled cause; that said deposition was taken at the time and place herein named; and that the deposition is a true record of the witness's testimony asa reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

I further certify that I am not interested in the outcome of the said action, nor connected with nor related to any of the parties in said action, nor to their respective counsel.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of February, 2019.

Reading and Signing was requested.



AURORA C. SLOAN, FPR

OS Received 08/16/2021

EXHIBIT 15

OS Received 08/16/2021

FL-04148

PELLEGRINO_MICHAEL_20180802

8/2/2018 9:01 AM

Condensed Transcript

Prepared by:

Sean O'Neill
FL-04148

Thursday, August 09, 2018

OS Received 08/16/2021

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No.: FL-04148-A
1 GLOBAL CAPITAL, LLC)

WITNESS: Michael Pellegrino
PAGES: 1 through 283
PLACE: Securities and Exchange Commission
801 Brickell Avenue
Suite 1800
Miami, Florida 33131
DATE: Thursday, August 2, 2018

The above-entitled matter came on for hearing, pursuant notice, at 9:01 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

APPEARANCES:

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C O N T E N T S

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P R O C E E D I N G S

MR. LEVENSON: We are on the record then at 9:01 a.m. Eastern time on August 2nd, 2018.

Mr. Pellegrino, could you please raise your right hand.

Do you swear to tell the truth, the whole truth, and nothing but the truth?

MR. PELLEGRINO: Yes.

Whereupon,

MICHAEL PELLEGRINO

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. LEVENSON: Okay.

Could you please state your name and spell it for the record.

THE WITNESS: Michael Pellegrino, M-I-C-H-A-E-L, last name, P-E-L-L-E-G-R-I-N-O.

MR. LEVENSON: Thank you.

My name is Bob Levenson. I'm an officer of the Commission for purposes of this proceeding. And with me is Gary Miller, who is also an officer of the Commission for purposes of this proceeding.

This is an investigation by the United States Securities and Exchange Commission in the matter of 1

Global Capital, LLC to determine whether there have been violations of certain provisions of the federal securities laws; however, the facts developed in this investigation might constitute violations of other federal or state, civil or criminal laws.

Mr. Pellegrino, prior to the opening of the record, I put in front of you two documents. The first being the unmarked document, the Formal Order of Investigation in this matter. It's the three-page document, dated March 16th of 2018. Do you have that?

THE WITNESS: Yes.

MR. LEVENSON: And am I correct, I provided you with a copy of the Formal Order prior to the beginning of testimony today?

THE WITNESS: Yes.

MR. LEVENSON: Have you had a chance to review the Formal Order?

THE WITNESS: Correct. Yes. This one? Yes.

MR. LEVENSON: Okay. Yes.

Do you have any questions about it?

THE WITNESS: No, not at this time.

MR. LEVENSON: Okay.

It will be available to you during today's

testimony if you wish to refer to it. Okay?

THE WITNESS: Okay.

MR. LEVENSON: In addition, I put marked in front of you another document marked as Exhibit 1. It's the Commission's Supplement Form 1662 governing our uses of information. Do you have that in front of you?

THE WITNESS: I do.

MR. LEVENSON: And do you agree, I provided you with a copy prior to the beginning of the testimony?

THE WITNESS: Yes.

MR. LEVENSON: Have you had a chance to review it?

THE WITNESS: I have not.

MR. LEVENSON: Do you want a chance to review it?

THE WITNESS: If I could, that'd be great.

MR. LEVENSON: Yes.

Why don't we go off the record and give Mr. Pellegrino a chance to review that document.

(A brief recess was taken.)

(Mr. Miller is not present in the room.)

MR. LEVENSON: Back on the record.

Mr. Pellegrino, have you now had an opportunity

to review the Form 1662?

THE WITNESS: I have.

MR. LEVENSON: And do you have any questions about it?

THE WITNESS: Not at this time.

MR. LEVENSON: Okay.

It will also be available to you today if you wish to refer to it at any time. Okay?

THE WITNESS: Okay.

MR. LEVENSON: All right. Mr. Pellegrino, are you represented by counsel today?

THE WITNESS: I am.

MR. LEVENSON: And would Counsel please identify himself for the record.

MR. PORTEOUS: My name is David Porteous.

MR. LEVENSON: And, Mr. Porteous, do you, in fact, represent Mr. Pellegrino today?

MR. PORTEOUS: I do.

MR. LEVENSON: And would you mind stating your firm name and address for the record.

MR. PORTEOUS: Faegre, Baker, Daniels, 311 South Wacker, Chicago, Illinois.

MR. LEVENSON: Thank you.

EXAMINATION

BY MR. LEVENSON:

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Q Mr. Pellegrino, just a few ground rules I wanted to go over with you today. You understand that you're under oath today just as you would be in court?
A Uh-huh. Yes.
Q Okay.
And that brings me to my next ground rule. The Court Reporter's taking down your testimony, so it is important that you answer both out loud, as opposed to nodding and shaking your head. And that if you answer yes or no, answer yes or no, as opposed to uh-huh and huh-uh, because it comes out the same on the record. Okay?
A Okay. Yes.
Q Any time you don't understand a question that I ask, please let me know, and I'll rephrase it for you. Okay?
A Okay. Yes.
Q Okay.
If you do answer a question, I'll assume that you understood it and that you're answering it to the best of your ability. Okay?
A Okay.
Q Do let me finish my question before you start answering. Okay?
A Uh-huh.

Q I need a yes.
A Yes. Yes.
Q Okay.
If I inadvertently interrupt an answer of yours for any reason and you feel like you haven't had an appropriate opportunity to finish answering, let me know, and we'll let you finish. Okay?
A Okay.
Q Any of the -- either Mr. Miller or I can ask you any questions at any time. I don't know if anybody else will be joining us. If they do, I'll introduce them. But, basically, anybody who's an officer of the Commission can ask you a question today. Okay?
A Okay.
Q If you need a break at any time for any reason, just let me know, and we'll take a break. If there's a question pending, I'll ask you to answer the question first, and then we'll take a break. Okay?
A Okay.
Q But please also understand that the staff, Mr. Miller and I, control the record and only we can direct the Court Reporter to go off the record. So if you do need to go off the record for any reason, just let me know. Okay?
A Yes.

(Mr. Miller enters the room.)
BY MR. LEVENSON:
Q Are you on any medication that would impact your memory or impair your ability to understand and answer questions?
A No.
Q Okay.
Anything else going on in your life outside of the testimony that would keep -- I'm used to calling it a deposition, but it's testimony. But is there anything else going on that would prevent you from devoting your full time and attention to the testimony today?
A No.
Q Okay.
Have you ever testified before the Commission or any other federal or state agency?
A The Securities and Exchange Commission?
Q Yes.
A It would be just a routine examination of a firm.
MR. PORTEOUS: I think he's referring to testimony in this type of setting.
THE WITNESS: Okay.
In this type of setting, no.
BY MR. LEVENSON:

Q Okay.
A To clarify, is FINRA, would that be a qualifying, I guess --
Q Are you referring to testimony you gave FINRA, I guess, in what I'll call also about 1st Global Capital?
A Yeah. Correct.
THE WITNESS: Am I correct in saying that.
MR. PORTEOUS: He's asking you a question.
MR. LEVENSON: Well, he was actually asking you a question. But, you know, did you testify before FINRA?
THE WITNESS: Yes.
BY MR. LEVENSON:
Q Okay.
And when was that?
A June -- it slips my mind. I think it was June 2018.
Q Okay.
Other than with your lawyer, have you discussed your testimony with anyone today?
A That I was coming here to the Securities and Exchange Commission to testify, is that your question?
Q Well -- all right. We'll start with that, yes.

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A Okay. My wife, and, of course, my legal counsel.
Q Okay. I don't want to know about any discussions with either of them.
Have you discussed the substance of your testimony with anyone?
A No.
Q Okay.
Again, did you -- please answer this yes or no. Did you review any documents in preparation for testimony?
A Yes.
Q Okay.
Without indicating anything about who showed them to you or why or what you discussed about them, can you tell me what you reviewed?
A The documents that we provided to you is what I reviewed.
Q Okay.
And those were the documents that your lawyer produced to us, I guess, last week?
A Correct.
Q Okay.
Anything else?
A General information from -- that we've had on

file with 1st Global.
Q What general -- can you be more specific about what -- let me finish -- about what general information you're referring to?
A It would be like 1st Global's paperwork, like their Memorandum of Indebtedness. We have a Statement of Understanding also that we use.
Q Okay.
Anything else?
A That's it.
Q Okay.
I'm going to go ahead and --
MR. MILLER: When you say we, who's the we you're referring to?
THE WITNESS: When I say we?
MR. MILLER: Yes.
THE WITNESS: Myself and Counsel.
MR. MILLER: A Statement of Understanding that we use.
THE WITNESS: That Goldstone Financial Group uses.
BY MR. LEVENSON:
Q Okay. Was that what you meant by we, Goldstone Financial --
A Correct. Yes.

Q Okay.
MR. LEVENSON: I'm going to go ahead and mark this then. I'll ask the Court Reporter to mark this as Exhibit No. 39.
(SEC Exhibit No. 39 was marked for identification.)
MR. LEVENSON: I'm sorry. I don't have an extra copy of this.
MR. MILLER: No. You do. There's three of them there.
MR. LEVENSON: Oh, okay.
MR. PORTEOUS: Thank you.
BY MR. LEVENSON:
Q Mr. Pellegrino, I placed in front of you what we've marked as Exhibit No. 39. It's a subpoena.
Do you recognize this document?
A Yes.
Q Okay.
And is this the subpoena for testimony, which you're appearing pursuant to today?
A Yes.
Q Okay. That's all the questions I have on that.
What's your date of birth?
A It's [redacted] 1974.

Q Okay.
And where do you live now?
A Home address?
Q Yes.
A It's 3146 Holden, that's H-O-L-D-E-N, Street. City is Elgin, E-L-G-I-N. That's Illinois, IL 60124.
Q Did you attend college?
A I did not.
Q Okay.
So when did you graduate high school?
A 1992.
Q Okay.
And did you go to work after you graduated high school?
A That's correct.
Q Okay.
Starting in '92, where did you first go to work?
A I worked for a mechanical contractor.
Q And was that in the Chicago area?
A That was, yes.
Q Okay.
Were you born and raised in the Chicago area?
A I was.
Q Okay.

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How long did you work for that contractor?
A Wow. I don't recall exactly. Five years possibly, seven years.
Q Okay.
And then where did you next work after that?
A Self-employed.
Q As?
A Head of a remodeling firm, a remodeling company.
Q Okay.
What kind of remodeling, home remodeling?
A Correct. Yes.
Q Okay.
And how long did you do that?
A Gosh, I'm not really sure. I'd have to go back and figure out dates.
Q Do you have a rough estimate?
A Seven, eight years.
Q Okay.
So does that take you up roughly into the mid-2000s?
A Possibly, yes.
Q Okay.
What did you do after -- at some point, you left that firm or stopped operating your own firm?

A Correct.
Q And what did you do after that?
A I worked for a home builder.
Q And how long did you do that for?
A It was about two years.
Q Okay.
What was the name of the home builder?
A Kennedy Homes.
Q Okay.
Also, in the Chicago area?
A Correct.
Q As was with your firm, your business in the Chicago area, too?
A Yes.
Q Okay.
And then what did you do after that?
A Then started a firm selling annuities, Goldstone Financial Group.
Q Okay.
And do you remember what year that was?
A It was 2008.
Q Okay.
And so when you started Goldstone, it was in the business of selling annuities?
A Correct. Annuities and insurance.

Q Okay.
At some point, did Goldstone's -- and the business called Goldstone Financial Group?
A Correct.
Q Okay.
And is that a business you still own or operate today?
A Yes.
Q Okay.
Have you operated that business continuously since you started it in 2008?
A Yes.
Q And did you start that with anybody?
A With my brother.
Q Okay.
Whose name is?
A Anthony.
Q Okay.
Is he younger or older?
A Younger.
Q Okay.
Was it just the two of you that started Goldstone?
A Yes.
Q Okay.

And at some point, did Goldstone Financial Group expand its business beyond annuities and insurance?
A Yes.
Q And what did you expand it to?
A I think it was 2011 had gotten my Series 65 license --
Q Okay.
A -- to act as an IAR.
Q Investment Advisor Representative?
A Correct.
Q Okay.
And so did Goldstone become a Registered Investment Advisor?
A It did not.
Q Okay.
Has it ever been a Registered Investment Advisor?
A Yes, it has.
Q Okay. When did Goldstone become a Registered Investment Advisor?
A Late 2015.
Q Okay.
But you got your Series 65 you said in 2011?
A Correct.

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Q Okay.
Did you -- were you associated with a firm -- another firm prior as an Investment Advisor Rep before --
A Yes.
Q -- 2015?
A Yes.
Q And who were you associated with?
A It was called Brookstone Capital Management.
Q Okay.
And is Brookstone -- is or was Brookstone a Registered Investment Advisor?
A Yes.
Q And was it a Registered Investment Advisor, I guess, when you became associated with it in 2011?
A Yes.
Q Okay.
And how long were you associated with Brookstone?
A From 2011 through the end of 2015.
Q Okay.
Where is Brookstone located?
A Wheaton, Illinois.
Q Okay.
And do you know who the principal -- who was

the principal of Brookstone during the time you were associated with it?
A Dean Zayed, Z-A-Y-E-D.
Q And how big was Brookstone in terms of the number of registered representatives?
A At the time that we left, our departure was, I believe, they said about two hundred and twenty to two hundred and thirty investment advisor reps.
Q Okay.
So was the office you worked for a branch office?
A Correct.
Q Do you know where Brookstone's main office was?
A Wheaton, Illinois.
Q Okay.
MR. MILLER: When you say we left, who's the we?
THE WITNESS: Oh, my brother and I were IARs together. That's when I say we. Would you like me to just refer to me, I guess?
MR. LEVENSON: No. That's fine. You can refer to it however you want. We'll clarify it.
THE WITNESS: Okay.
MR. MILLER: That's it exactly.

BY MR. LEVENSON:
Q Did your brother obtain his Series 65 at the same time you did?
A No.
Q Earlier or later?
A Later.
Q Do you know when he obtained his?
A I'm not exactly sure.
Q Okay. So you were associated with Brookstone first, and then he came on later?
A Correct.
Q Okay. But you left at the same time together?
A Correct.
Q And was your brother also -- so from 2011 until late 2015, am I correct that you continued to sell insurance and annuities for Goldstone, but acted as an IAR for Brookstone?
A Correct.
Q Okay.
Was the Series 65 that you obtained in 2011 your first securities license you had obtained?
A Correct.
Q Have you since obtained any -- well, do you still hold that license?
A I do, yes.

Q Okay.
Have you since obtained any other securities license?
A I had a registered rep license.
Q Okay. What series is that?
A Series 6.
Q Okay.
And when did you obtain that?
A I'm not sure the exact dates. 2012.
Q Sometime in 2012?
A Yeah, 2012, 2013, I believe.
Q Okay.
And was -- were you associated with any registered broker/dealer then?
A I was, yes.
Q And who was that?
A Center Street Securities.
Q Okay.
And Center Street is a registered BD?
A Correct.
Q Okay.
Was Brookstone also a BD or just an IA?
A Just an IA.
Q Okay.
And when did you become associated with Center

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Street?
A It was shortly after I had gotten that license again 2012, 2013, if I recall.
Q Okay.
And was your brother also associated with Center Street?
A He was not.
Q Okay.
And where -- do you know where Center Street is located?
A I believe it was -- I want to say near Memphis, Tennessee.
Q Okay.
Where was the office that you were associated with?
A Well, my office, or are you referring to the Center Street office?
Q Well, was there a branch office you worked for, or did you just work independently for Center Street?
A So I was independent, essentially, yes.
Q Okay.
So any BD business that you did was out of the Goldstone office?
A Correct.

Q Okay.
And was that true for the IA business you were doing? Were you doing that out of the same Goldstone office?
A Correct.
Q Okay.
And how long were you associated with Center Street then?
A I believe it was only six or eight months.
Q Okay.
And then did you become associated with another registered BD?
A Yes.
Q And who he is that?
A Taylor Capital Management.
Q So was that still 2012 or --
A Yeah. Somewhere in that timeframe, 2012, 2013.
Q And where's Taylor Capital Management located?
A Near Atlanta, Georgia.
Q Okay.
Did you also operate out of your office during any work for Taylor Capital Management?
A Yes.
Q Okay.

Are you still associated with Taylor Capital Management?
A I am not.
Q And when did you stop being associated with them?
A I believe it was March or April of 2018.
Q Okay.
Are you currently associated with any other broker/dealer?
A I am not.
Q Okay.
Are you currently associated with any Registered Investment Advisor?
A I am.
Q And who is that?
A Goldstone Financial Group.
Q Okay.
And when did Goldstone become an IA?
A 2015.
Q Okay.
So when Goldstone became an IA, did you stop being associated with Brookstone?
A I did shortly thereafter.
Q Okay.
And is Goldstone the only IA that you've been

associated with since the end of 2015?
A Yes.
Q Okay.
So do you still currently hold a Series 6 license?
A I guess I don't know how to answer that. I terminated my registration with Taylor Capital Management.
Q Okay?
A I don't have that license associated with any other broker/dealer.
Q Okay.
So do you know if it's lapsed yet?
A No. I think there's like a two-year window, if I'm correct.
Q Okay.
And do you still hold the Series 65?
A I do yes.
Q Do you hold any other securities licenses or have you held?
A I do not.
Q Okay.
And do you hold any other professional licenses?
A The only license, I believe, it's an Illinois

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securities license, which is required if you have a 6, or a 63 or 62. I'm not exactly sure on that.
Q Okay.
And that's a state securities license?
A Correct.
Q And do you still hold that?
A Yes.
Q Okay.
Do you remember when you first got it?
A The same time that I got the 6, so that would be 2012, 2013.
Q Did you have to pass any kind of separate exam to obtain it?
A Yes.
Q Okay.
Is there a license required to sell insurance, as well?
A There's an insurance license.
Q Okay.
Do you still hold that?
A Yes.
Q Okay.
Any other professional licenses that you hold?
A No, not that I can recall.
Q Okay.

Have you ever been named as a defendant or respondent in any action that the SEC has brought?
A No.
Q How about any other federal or state agency?
A No.
Q Okay.
Has FINRA ever brought any charges against you, to your knowledge?
A No.
Q Did you ever go to arbitration as a result of any customer complaints?
THE WITNESS: David, how would we answer that with the Brookstone?
MR. LEVENSON: I mean -- you know, if you know.
MR. PORTEOUS: Answer his question to the extent that you can while it's pending, but if you'd like, we can go off the record after you've answered his question. We can talk about it.
MR. LEVENSON: Sure. That's fine.
THE WITNESS: Okay. When I was with Brookstone Capital Management, they had a mutual fund that had some problems and clients lost money in it.
BY MR. LEVENSON:
Q Okay.

A So I don't know how to exactly answer that. There were customer complaints associated with that mutual fund that was offered through Brookstone.
Q Were they filed against you, to your knowledge?
A That's where I'm kind of unclear with the question, I guess.
MR. PORTEOUS: Can we go off the record?
MR. LEVENSON: Yeah.
BY MR. LEVENSON:
Q Do you believe that you're attorney has some knowledge that can help with that?
A Yeah. Yeah.
MR. LEVENSON: Okay. I don't mind if you confer about it.
MR. PORTEOUS: Very briefly, it may be something that we can kind of do off the record.
MR. LEVENSON: Yes.
MR. PORTEOUS: Are we off the record?
MR. LEVENSON: Yes. Let's go off the record for one minute.
(A brief recess was taken.)
MR. LEVENSON: All right. So we're back on the record at 9 28.
Mr. Porteous, when we were off the record, am

I correct that we discussed, you know, that you have some information that will help Mr. Pellegrino answer the previous question?
MR. PORTEOUS: Yes, if you don't mind.
MR. LEVENSON: No. Go ahead.
MR. PORTEOUS: I'm providing a little clarifying information.
MR. LEVENSON: Sure. Please do.
MR. PORTEOUS: As Mr. Pellegrino testified, the entity with which he used to be affiliated, Brookstone, had a number of complaints from customers related to the mutual fund that he was referring to. I believe Goldstone may also have received some customer complaints. Nothing to my knowledge was initiated as a civil proceeding whether in litigation or arbitration. Ultimately, there was, I believe a mediation or a series of mediations in which the matters were disposed of.
MR. LEVENSON: Okay.
BY MR. LEVENSON:
Q Mr. Pellegrino, do you adopt your attorney's answer?
A I do.
Q Okay.
About how many customer households does Goldstone now have?

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A I believe it's about six hundred.
Q Okay.
And those are -- are all of those investment advisor clients?
A Some of them will be. Some will be like insurance or annuity clients, as well.
Q Do you know how many of that approximate six hundred are investor advisor clients?
A To my knowledge, no. It's something I'd have to check to verify the numbers.
Q Okay.
I mean, more than half, less than half? Do you have an idea?
A You know, I would have to say possibly sixty to seventy percent would be advisory clients.
Q Okay.
Have you heard of a firm -- our Formal Order calls it, I think, 1 Global Capital. I think it's name may actually be 1st Global Capital. Before I start asking questions about that, if I refer to 1 Global, 1st Global, I'm referring to the same company that's mentioned in our Formal Order. I mean, I just want to make sure we're referring to the same entity. So if you say 1st Global, I say 1 Global, back and forth, can we ever an agreement that we are referring to the same

company, which is a company that, I believe, offers what they called merchant cash advances that's located in Hallandale, Florida?
A Yes.
Q Okay. Great.
When did you first hear of 1st Global?
A I first heard about 1st Global, I believe, it was February or March of 2017.
Q And how did you first hear about it?
A A colleague, I guess, is a good way of putting it, in a general conversation that we were having, a telephone call, had mentioned that he had been working with 1st Global.
Q And who is the colleague?
A His name was Trae Wienewitz.
Q Okay. Would you mind spelling that for the Court Reporter, as best you know.
A It's like Wienewitz. W-I-E-N-E-W-I-T-Z, maybe.
Q Okay.
And you said Trae is the first name?
A Correct.
Q Okay.
Do you know if that T-R-E-Y or something else?
A I believe it's T-R-A-E.

Q Okay.
And you said he's a colleague. Can you elaborate on that.
A I've known Trae for about ten years. I met him when we were -- when we first started selling annuities through an FMO that we were associated with.
Q An FMO, could you --
A Field marketing organization.
Q Okay.
And what was the organization?
A The Revolution.
Q Okay.
And what exactly is an FMO?
A Probably the best way to describe an FMO is, they're the in-between company between like an insurance producer, myself, and the insurance company.
Q Okay.
A Gives us access to insurance products.
Q Okay.
And so you were both associated with the same one?
A Correct.
Q And where is -- is Mr. Wienewitz located in the Chicago area?
A No.

Q And where's he at?
A I'm not sure of the city, but he's in Tennessee.
Q Okay.
And is that where he was when you first met him or became acquainted with him?
A Yes.
Q Okay.
How did you first become acquainted with him?
A Part of the FMO, they would have like different conferences. So I met him at some of the conferences that the FMO would have, and we became friends.
Q Okay.
How often generally do you talk to him or have you talked to him over the years?
A I mean, when I was with that FMO, we had, you know, pretty constant contact. And then after we left the FMO, I'd say probably once or twice a year.
Q And when did you leave the FMO?
A Maybe 2012. I'm not sure of the dates exactly, so --
Q Okay.
And so how did you happen on this particular occasion in February or March of 2017, how did you

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happen to come to talk to Mr. Wienewitz?
A I had bumped into a lady that was associated with the FMO, and I just had texted Trae. I said, hey, what's up, I bumped into so and so. So we kind of exchanged some texts back and forth and wound up getting on the telephone and just kind of catching up because we haven't talked to each other in several months.
Q Okay.
And so how did 1st Global come up?
A We were really just in general conversation kind of talking about, you know, our families, and then kind of talking about business a little bit. And then he had mentioned that he had started working with 1st Global Capital.
Q And I mean, how did he -- did he describe the company in some way?
A Yeah. Briefly, he said that he had been working with 1st Global Capital for a little bit of time now, and he was happy with the results that he was seeing from his clients. He had mentioned that a friend of his that he had been associated with for a number of years had been working with 1st Global for several years prior to Trae working with 1st Global.
Q And how did -- did he describe the company in some way, what it did?

A Yeah. He said that they offered a short-term nine-month note that the clients could put money into as an alternative, that it would have a certain interest rate that it would earn, and then it would mature after nine months. And if clients liked the note, they could continue on another nine months with it. If they didn't,d then after nine months, then they could get out of it.
Q And did they say what 1st Global was in a particular business besides offering these nine-month notes?
A He said that they essentially made short-term advances to small businesses.
Q Okay.
And did he say that's what they did with the money they received for the note?
A Yes.
Q Okay.
Anything else he told you about the business?
A He just said that, hey, if you're interested, I could get you in contact with 1st Global. He said a really good resource that he used kind of like in his initial dual diligence was this gentleman by the name of Dale Leddbedder.
Q Okay.

A So he said, he's a really good resource, if you'd like, I can get you in contact with him. He described him as outside counsel for 1st Global. He described him as a securities attorney or a litigating securities attorney with thirty-five, forty years of experience. He was somebody who helped investors who may have gotten hurt by Wall Street or products or something like that, that he was a really good resource to talk to about 1st Global. I wanted to gain more information.
Q With the idea of offering this as an investment opportunity to your clients?
A Potentially.
Q Okay.
Did he say how long he'd been working or doing business with 1st Global?
A I think he had said like a few months. I don't recall exactly. I mean, it was a conversation that was a while ago.
Q Sure.
Did he -- he said he was happy -- I thought I heard you say he was happy with the results?
A That's what he said, yes. He had referred to another gentleman that I had met back when I first met Trae. His name was Chris Danton. And he said that --

and I knew Chris, again, as -- not personally, but, I guess, as an acquaintance. I met Chris at the FMO, as well. And he had mentioned that Chris had been working with 1st Global for a number of years, and Chris was really happy with them.
Q And did Mr. Wienewitz elaborate on why he was happy? I mean, were his clients making money?
A He said that he was seeing very consistent returns on clients' statements.
Q Did he give you an amount? Did he say how much, what kind of returns?
A No. I mean, he had forwarded a couple of like statements of clients that had been provided to him by 1st Global.
Q And do you recall what those showed?
A I believe they're ones that we provided to you.
Q Okay.
A I believe -- and you're going to have to forgive, because I don't have the documentation in front of me, but, I believe, I saw one that was like a twelve percent return. I think another one was seventeen percent. And I don't recall exactly what the other one was.
Q Okay.

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Let me actually -- give me a minute because I did bring one of them, I think. Let me go ahead and mark a document and see if this is one of them.

MR. LEVENSON: Let me go ahead and mark this as Exhibit No. 40.

(SEC Exhibit No. 40 was marked for identification.)

BY MR. LEVENSON:

Q Mr. Pellegrino, I placed in front of you what's been marked as Exhibit No. 40, which is -- give me one second. It's, I think, about a twenty-five or so page document, 1st Global Capital Financial Services, dated March 3rd of 2017, which appears to be -- well, I'm going to -- go ahead. Have you had a chance to review Exhibit No. 40?

A Yeah, I'll take a brief look at it.

Q Sure. Of course.

A Thank you.

Q If it helps, I'm going to just ask you a few questions about it at this point, but take as much time as you feel you need to review it.

A No. I'm good.

Q Okay. So you've had a chance to review Exhibit No. 40?

A Correct.

Q Is this, per chance, one of the statements that Mr. Wienewitz sent you?

A Yes.

Q Okay.

I am curious, because I've seen other statements from 1st Global, and we'll look at them, usually there's a name associated with them and here there's a dear and then a blank space. Is the name on it redacted, do you know?

A It is, yes.

Q Okay.

Did you redact it?

A No, I did not.

Q Okay.

Did Mr. Wienewitz redact it when he sent it to you?

A I don't know if it was him, but this is how I received it.

Q Perfect. That was my question. This is how you received it, without the name?

A Correct.

Q Okay.

If you look at the second page of Exhibit No. 40, there's a rate of -- do you see about two thirds of the way down the page the line item, Rate of Return?

A Yes.

Q And it says average rate of return, twelve percent?

A Correct.

Q Okay.

So do you know, was that -- I don't know if you knew at that point, but were these amounts that were actually being paid out to the customers, or were these -- this is just what the statement was showing how much their portfolio --

A This is just what I saw in the statement.

Q Okay.

And, I think, you said another one showed a seventeen percent rate of return?

A I believe it was, if I recall.

Q Okay.

A And I don't know if it's the same period of time, so --

Q Sure.

So did you discuss these statements with Mr. Wienewitz in any detail?

A No. He had -- after our conversation, he had provided like copies of these that had been sent to him from 1st Global.

Q Okay.

Did Mr. Wienewitz tell you this was all from 1st Global, as opposed to anything that he himself generated?

A Correct.

Q Okay.

I'm going to have some more questions about Exhibit No. 40, but, I think, I want to come back to it.

A Okay.

Q But -- so how long -- was this just one conversation you had with --

MR. LEVENSON: Gary, did you have any questions now?

MR. MILLER: No.

BY MR. LEVENSON:

Q Did you have just the one conversation with Mr. Wienewitz about 1st Global, or was it more than one?

A I believe it was more than one.

Q Okay.

Do you remember how many?

A Possibly two.

Q Okay.

Do you remember how long after the first conversation the second conversation occurred?

A Probably within a week or so.

Q And what prompted the second conversation?

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A Because he had said, hey, if you're, you know, interested in learning more about it, I can get you in contact with somebody at 1st Global.
Q Okay.
A And then he had mentioned this resource, Dale --
Q Mr. Leddbedder?
A Correct.
Q Okay.
Do you know how Ledbetter, L-E-D-B-E-T-T-E-R, do you know? If you don't, that's fine. It's not a spelling contest.
A I think it's Leddbedder, L-E-D-D-B-E-D-D-E-R, maybe. Leddbedder.
Q Okay.
A I don't think it's a T.
Q So who called who on the second -- did you call Mr. Wienewitz back in the second conversation?
A I don't remember exactly.
Q Do you remember what the purpose of the second conversation was?
A It was to get in contact with Mr. Leddbedder.
Q Okay.
So how long did that first conversation last?
A With?

Q I'm sorry. With Mr. Wienewitz.
A The first conversation?
Q Yeah.
A Oh, gosh. Again, I don't remember exactly. Maybe an hour, possibly half an hour.
Q And other than what we've discussed, did Mr. Wienewitz tell you anything else about 1st Global or the business or returns or anything?
A Just what we had discussed already, that he had started working with them recently, that he was happy with the results he'd seen, that his friend, Chris Danton, had been working with 1st Global for a couple of years. He did mention that Chris, for a couple of years, had mentioned to him, hey, I'm really happy with these guys. And Trae said that he didn't really give it much thought until recently, and then that's when he started working with them. He said that Chris had been working with them for a couple of years.
Q So after that first conversation, were you interested in pursuing it as a business opportunity?
A I wouldn't say that I was necessarily interested. I was interested in gathering more information.
Q Okay.
So after that first call, did you go about

gathering more information?
A I wound up having a conversation with Mr. Leddbedder.
Q Okay.
Did you call him on your own, or was that something that Trae kind of set up?
A I think Trae kind of worked it out with Dale, scheduled a time that Dale called me.
Q Okay.
So how long after your conversation with Mr. Wienewitz did Mr. Leddbedder call you?
A It was in -- I believe it was in March 2017.
Q Okay.
So within the same month?
A I believe so.
Q Okay.
And was that before or after your second conversation with Mr. Wienewitz?
A I think it was kind of all -- I think I had two conversations with Trae, and then I had a conversation with Mr. Leddbedder.
Q Okay.
In the second call with Mr. Wienewitz, did you ask him to go ahead and set up --
A Yes.

Q -- the call with Mr. Leddbedder?
A Yes.
Q So had you done something between the first and second call with Mr. Wienewitz, had you done some independent research to, I guess, decide that you were interested in talking to the company?
A Not at that time.
Q Okay.
You just decided, hey, I'll go ahead and talk to the company at this point?
A Well, to -- essentially, this resource was their outside counsel that he said was a really good resource and kind of gave his background.
Q Okay.
A So that's where -- he's telling me this is an outside counsel of 1st Global. Right. So if you think 1st Global, then he's their legal counsel. That's a third party.
Q Okay.
A He cited some of his accolades, right, that he had been a securities attorney for thirty-five or forty years, that he had written books or written a book. So the accolades were there.
Q Okay.
Did you independently check those out?

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A After I spoke to Mr. Leddbedder, I did, yes.
Q Oh, okay.
So tell me about that call with Mr. Leddbedder. What did you discuss with him?
A Mr. Leddbedder kind of gave me an overview of 1st Global and their business activities.
Q All right.
So what did he tell you in that overview?
A He said that 1st Global essentially is filling a space where businesses need short-term capital or financing to grow and expand their current business, that capital is given to these companies on a short-term basis, and that 1st Global offers to clients that they can put money there, and then that money is then distributed or diversified through different merchants on a short-term basis, that -- according to Mr. Leddbedder, that a note that is nine months or less is an exempt -- commercial paper is exempt under the Securities Act, so it's -- because it's a short-term instrument, that it's considered not to be a security -- or it's exempt from security laws or something like that.
(Mr. Miller leaves the room.)
BY MR. LEVENSON:
Q Okay.

You said a couple of times that it's on a short-term basis, the loans are short term. Was that term defined in the conversation?
A I believe -- and, again, I don't recall every single part of this conversation. I believe he said that they were roughly around six to nine months, the advances to companies.
Q Okay.
And did he use the term "merchant cash advance"?
A He did, yes.
Q Okay.
Had you heard that term before?
A I have, yes.
Q Oh, okay.
A And he described that it also fell into what's called the Fintech space, the financial technology.
Q Okay.
A And he kind of described that business nature, that this falls in the financial technology space of Fintech.
(Mr. Miller enters the room.)
BY MR. LEVENSON:
Q Did Mr. Leddbedder indicate what kind of businesses these were that 1st Global gave these

merchant cash advances to?
A He said it was -- it wasn't isolated to certain sectors. That it was diversified through all fifty states. He said virtually every type of business and sector.
Q Okay.
Did he describe an amount or size of the merchant cash advances?
A I believe he had mentioned maybe around -- only fifty or sixty thousand on average is advanced.
Q Okay.
A He described as short-term capital needs for small businesses.
Q Okay.
And that short term being roughly six to nine months?
A Correct. I think at the time he was saying that the average note in the portfolio was around six or seven months.
Q Okay.
A He did describe, you know, some notes in the portfolio could be as short as three or four months, but could be as long as twelve months in the pool, I guess, is how he described it.
Q Okay.

Did he describe -- he'd mentioned the fifty to sixty sort of thousand dollar average. Did he describe a range of the cash advances?
A Oh, gosh. No, I can't recall that.
Q Did he mention one as high as thirty-nine million dollars?
A No.
Q Okay.
And how -- did Mr. Leddbedder describe the repayment or collection process?
A He did, yes.
Q And what did he tell you about that?
A He said that the collection process is billed on an ACH system, that as part of the approval process, that the merchants have to agree that on a daily basis a little bit of the principal and a little bit of the interest that's owed on that note is automatically deducted from that merchant's bank account on a daily basis. He described that it's a way of controlling the influx of capital -- the repayment, I guess, of the note, right, as opposed to advancing money to one of these companies and every month they have to write a check. They're sending a bill. He said it's a way we're using technology to kind of streamline the process.
Q Okay.

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Did he discuss any kind of interest rate or what kind of interest were they charging on these things?

A Oh, what they're charging on the loans?

Q Yeah. And I want to be clear because there's certain terms here. If I use the word "term loan," I'm referring to merchant cash advance. I just want to be clear. Okay?

A All right.

Q All right. So did he -- was there a particular rate, interest rate or other charges that 1st Global charged on the cash advances?

A He said that roughly -- you know, it depends on the company, the size of the note, the term of the note, that it could be -- you know, it varies, that -- he said roughly around -- I think it was like a factor rate, he was saying, of like a hundred and thirty.

Q Okay. Meaning?

A A hundred and thirty percent, I guess, is a good way of putting it as far as the payment goes back.

Q So, basically, a thirty percent -- they would get thirty percent on top of the loan --

A Correct. He said it could be as high as --

Q Let me finish.

A Okay. Sorry.

Q We'll drive her crazy.

A Sorry.

Q Not a problem.

So they would get -- 1st Global would get back essentially thirty percent interest rate -- thirty percent on top of the loan amount?

A Correct.

Q Okay.

A But it would vary depending on the size of the loan, the term. It could be higher than that. It could be lower than that. That 1st Global has had repeat merchants come back, and that a lot of times they'll give them a better interest rate, you know, if they're a repeat client.

Q Okay.

And did he indicate how the company found businesses to loan money to?

A Let's clarify that one a little bit. I'm a little confused on that. How 1st Global went about finding the merchants or --

Q Yes, exactly.

A Okay. I believe he described that they use outside firms that, basically, go out and find merchants that need -- and then they're kind of that in between.

Q Okay.

And was there an approval process that 1st Global had that he described?

A He did. He said they had an underwriting process.

Q And how did he describe that?

A He said that because it falls in the financial technology space or what have you, that they use a lot of technology to kind of streamline the approval process. He said that within -- if they have certain documentation, that 1st Global could within twenty-four to forty-eight hours of the approval process fund a merchant. If there was more documentation required, it could take several days or even several weeks depending on -- but he said the underwriting process was that companies had to be in business for a few years. It couldn't be like a startup firm. That the companies that they were looking for were companies that were using the money for growth and expansion, that the companies weren't going to be using it to try to pay off, you know, like debts or make payroll for the week. That they required bank statements of the companies. That they required like a personal background check on the owners. The owners of the firms had to personally guarantee. That they looked for companies that had some sort of collateral backing. He said that they would

file something called the UCC, which I don't know, Universal Collateral Contract --

Q Commercial code?

A Commercial code. Thank you. Okay.

That they would file this against each company, so they're kind of like first in line if somebody didn't pay back the loan. Then they were kind of first in line to --

Q Did he describe these loans as secured or unsecured?

A He said that the loans were -- how would you describe it? I don't know if he said secured to be exact, but he said that they looked for companies that had collateral to back the notes.

Q Okay.

But did they require any kind of secured interest agreement or anything?

A That, I don't know.

Q Okay.

And I think -- was there -- I mean, you mentioned that they were looking for companies that use the money for expansion, you know, business activities, as opposed to paying off debts or something like that. Did they actually require companies to submit proposals, do you know, or written proposals for how they were

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going to use the money?
A That, I do not know.
Q Okay.
A He did mention that like part of their approval process is that they deny nine out of ten applicants. He said that essentially what they're doing is, they're really strict about who they're lending money to, that they're only approving one out of ten, I guess, merchants.
Q Okay.
And you mentioned when it came to the notes, you said that the nine-month notes on the investor or lender side?
A The lender side.
Q Okay.
And I'm going to -- just the same way with regard to the merchant cash advances. If I use -- I know 1st Global used the term "lender," correct?
A Correct.
Q If I use the term "investor," "lender", I'm using them interchangeably. Okay?
A Okay.
Q So if I use the term "investor" or "investment," I am referring to lender and the nine-month note just so we have a common understanding.

Okay?
A Okay.
Q So on that side, you indicated that the lenders gave money and that their money was then diversified.
MR. PORTEOUS: I'm sorry. On that side, what do you mean?
MR. LEVENSON: On the lender side. Let me rephrase the question.
BY MR. LEVENSON:
Q Lenders gave money to the company in exchange for a nine-month note, and then the lender money was diversified into many cash advances -- or many merchant cash advances. Did I understand that correctly?
A That's correct.
Q It wasn't a situation where, let's say, a lender decided to give the company a hundred thousand dollars, and then all of their money was then put on one short-term loan, correct?
A Correct. From what Mr. Leddbedder described was that no more than two percent of any money that was lent from a lender would go into any one merchant.
Q Okay.
A To further support that, if we looked at like Exhibit 40, if that's okay?

Q Yes, absolutely.
A To kind of support that, you know, if you look from pages three to twenty-three, I guess, is a good way of describing it, they had listed on there all the different merchants that had advances. So that was supporting documentation that they were actually diversifying it into multiple merchants and not just one or two.
Q And did it later become your understanding when you started doing business with 1st Global that kind of a statement in Exhibit 40 was typical --
A Yes.
Q -- of a client's statement?
A Yes.
Q Okay.
And did Mr. Leddbedder say why that was, that they were diversifying the lender money into multiple merchant cash advances?
A I mean, it was for protection purposes, right. Instead of being in one merchant cash advance, being in multiples, helps to insulate client portfolio.
Q Okay.
Did -- and you mentioned that Mr. Leddbedder said that these nine-month notes were exempt from security registration?

A He did.
Q Okay.
Is that something he just brought up, or did you ask him about that?
A It's something he brought up.
Q And tell me as best you can recollect what he said about that subject.
A He just said that because it's a nine-month note, that any notes that are nine months or less, according to the Securities -- and don't quote me. I don't know the exact code. But it was are Securities Act of 1933 or something, some line that commercial paper that's nine months or less is considered exempt under the exchange rules. So that I -- it wasn't like a business that we would process through like the broker/dealer or something like that.
Q Okay.
At that point, did you have any independent experience with, you know, whether notes and under what circumstances notes qualify or don't qualify as securities?
A Did I?
Q Yes.
A No, I did not.
Q Okay.

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A But, I guess, another way of looking at it too was, one thing that if you were going to go forward, that we would have to get it approved by a broker/dealer -- my broker/dealer, my broker/dealer as an outside business activity.
Q He indicated that?
A Yes.
Q And why did he say that?
A Because he had asked, do you have like a securities license, and I had told him yes. And he said -- it wasn't Dale. I apologize. I want to clarify that. Trae had mentioned that, that, hey, if you -- you're going to want to get it approved by your broker/dealer.
Q And was that at one of those two conversations?
A Correct. Yes.
Q And why did Mr. Wienewitz say that was the case?
A Just because he knew that I had a securities license.
Q Okay. Did he indicate why -- I mean, do you have to get non-securities selling approved as an outside business activity by a broker/dealer?
A Yes.

Q Okay.
A So an example is, I have an insurance license. So with the broker/dealer, I had to have that approved by the broker/dealer to be able to have access as an outside business activity.
Q Okay.
And was it your understanding, I guess, if you were to do business with the company, that essentially you would be offering the investment to potential lenders?
A To --
Q Potential lenders.
A Yes. Yes.
Q Okay.
And did Mr. -- well, first of all, did Mr. Leddbedder tell you -- give you any idea how many merchant cash advances that the company had made or had outstanding, anything like that?
A You know, I don't recall the exact numbers, but he said that the company had been growing over the last number of years pretty substantially.
Q Okay.
And did he indicate how many lenders the company had?
A He did not.

Q Okay.
Did you discuss the lender process or the process of finding lenders with Mr. Leddbedder in that conversation?
A I don't recall.
Q Well, for example, did you talk about how the company, you know, I guess found its lenders?
A Originally, he said that like the company was started by Mr. Ruderman, Carl Ruderman. He kind of described Mr. Ruderman's background, that Mr. Ruderman had been, I think, it was in the travel industry for many, many years and had made a lot of money in that travel industry, and that he had sold this company, and he had a bunch of money, I guess.
And Mr. Ruderman had talked to a few of his friends or colleagues. He had mentioned that one of them was -- I don't know if he was a CEO or who -- of a company called OnDeck, and that -- I don't know if it was one of the Chairman or the CEO or somebody, he went to him and said, hey, you know, I've got this money, I don't trust putting my money in stocks, do you have anywhere that you would recommend? And he said, well, the Fintech space or the merchant cash advance space is a fast growing area. So that's what Mr. Ruderman wound up doing with, apparently, his money and his family's

money, and then it began to kind of grow and expand, and he began to bring other lenders in.
Q And did Mr. Leddbedder describe any particular restrictions or limits that the company had on the type of lender it was seeking?
A No, he did not.
Q Okay. For instance, did he say there had to be any kind of, you know, minimum -- a minimum lender amount?
A Oh, as far as a minimum amount that a lender could --
Q Yes.
A It was twenty-five thousand.
Q Okay.
Were there -- did a lender have to have any particular, you know, income or asset level?
A No. In our conversations, Mr. Leddbedder -- one of the questions I asked, when you take a look at this as far as an allocation standpoint, right, being diversified in a portfolio, I said, you know, when I look at it, it looks like it falls into like an alternative quadrant. Right. It's not a mutual fund. It's not a stock or a bond. What do you think is like an appropriate or not appropriate type of allocation? And Mr. Leddbedder said, ten to twenty percent is

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probably like a maximum amount because it does still fall into the alternative space.
Q When you say ten to twenty percent allocation, are you talking of a lender's overall investment portfolio?
A Net worth, correct.
Q Net worth?
A Yes.
Q Okay.
So were there any dollar amounts that the company sort of set up as far as a net worth before somebody could invest, or just that it had to be no more than ten to twenty percent?
A Well, they didn't even have a restriction on that. They didn't say. It was just Mr. Leddbedder's opinion. The company's minimum investment for a lender was twenty-five thousand.
Q But as far as restrictions on income level, net worth, assets, am I correct that the company didn't have any restrictions on that?
A 1st Global Capital?
Q Yes.
A No.
Q Okay.
And if I say the company, I am referring to

1st Global.
A 1st Global.
Q No. I want us to have a common understanding.
A Yeah.
Q Okay.
A I just want to make sure I'm clarifying it.
Q I appreciate it.
Did you discuss with Mr. Leddbedder the rates of return that the lenders had been making?
A Yes.
Q And tell me what that discussion was about.
A He kind of gave it kind of a broad stroke. He said, you know, we've seen high single digits -- oh, no -- yeah, high single digits, low double digits.
Q And was that on an annual basis?
A That's correct.
Mr. Leddbedder also said that he -- how he had gotten involved was that a friend of his had come to him and said, hey, I'm interested in lending money to this company, can you take a look at it for me because I know you're a securities attorney or a litigating -- you know, can you take a look at the company? He said that he looked at the company, investigated the company, and was actually impressed by it, and he actually put some of his own money in. And after a year, I think he said

he put even more money in after he had received some good results.
Q And what results did he tell you he --
A He didn't give specifics.
Q And he actually got the money back at that point, or just his statements --
A Just what is --
Q -- his statements were showing -- let me finish.
A Okay.
Q -- the statements were showing an appreciation in value?
A Correct.
Q Did you discuss whether there was an automatic rollover provision at that point with Mr. Leddbedder and the lenders?
A Yes, he did mention that. Yes.
Q And what did he tell you about that?
A He said that it's a nine-month commitment or a nine-month note and that at the nine-month mark, that it will automatically renew for another nine months, that if a client doesn't want it to renew, that they have to just notify 1st Global Capital in that like eight month, seven to eight month that they don't want it to renew.
Q Okay.

And did he talk about any fees or anything that 1st Global took out of any money that it had received from lenders or loaned out to merchants?
A He did not.
Q Did he indicate how 1st Global decided to, you know, apportion lender's money into different cash advances?
A The only thing he said is that 1st Global doesn't put more than two percent of any client money lent into one advance, that he says it's much more diversified than that to the point you could be in as many as a thousand to fifteen hundred different advances.
Q Going back to this nine-month note and its security exemption, did -- anything else you discussed with Mr. Leddbedder about that?
A Not that I can recall.
Q Okay.
So how long was this conversation with Mr. Leddbedder?
A I believe the first one was about an hour to an hour and a half.
Q Was there a subsequent conversation?
A There was, yes.
Q And how long was that conversation?

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A Probably an hour possibly.
Q Do you remember how long after the first conversation did the second conversation occur?
A Within a week.
Q Okay.
And the things that we've been discussing about what Mr. Leddbedder told you, was that across both conversations?
A That's correct.
Q Okay.
So at some point -- well, did he tell you how long the company had been in business, the company being 1st Global?
A At that time, I believe he said they were in business for about four years.
Q Okay.
And did he indicate -- did he provide you with any financial -- either financial reports or discuss any of the company's financial information?
A He did not.
Q Okay.
Did you talk about whether the company had an auditor or anything like that?
A One of the things like on the statement here provided, if you look at, again, Exhibit 40, that first

page, I believe it's the last sentence in that first paragraph. It says, Our independent audit firm, Daszkal Bolton, has endorsed and agrees with these rates of return formula or what have you. He had mentioned that this firm, Daszkal Bolton, they work with that firm to verify that the return information is correct on clients' statements.
Q Okay.
Did you ever independently confirm that, or did you just rely on Mr. Leddbedder's presentation?
A I relied on Mr. Leddbedder.
Q Okay.
If you had known that, in fact, Daszhal Bolton hadn't performed any work for 1st Global Capital since 2015, would that have made a difference in your ultimate evaluation of whether to offer the 1st Global product to your clients?
MR. PORTEOUS: Are you asking hypothetically, or you're telling him facts?
MR. LEVENSON: I'm asking him the question simply as I asked it.
BY MR. LEVENSON:
Q If you had known at the time that Daszkal Bolton had not done any work for the company since 2015, would that have made a difference in your decision as to

whether or not to do business with 1st Global?
A Quite possibly.
Q Okay.
And why is that?
A I mean, they're on the statement there.
Q Okay.
And if, in fact, you had learned in this time table that Daszkal Bolton had never actually performed an independent audit of 1st Global Capital's financials, would that have made a difference in your decision as to whether to do business with the company?
A I don't know how to answer that.
Q Well, are you saying if you learned that Daszhal Bolton didn't -- you know, that this statement, Our independent audit firm have endorsed and agrees with the rate of return formula, if you'd learn that was not true, would you have done business with the company?
A Again, I don't know how to answer that. I guess, yes.
Q Okay.
Well, if this statement wasn't true, would that indicate to you that 1st Global wasn't telling the truth to his clients?
A Possibly, yes.
Q Okay.

But you still might've considered doing business with the company?
A Again, you know, we're going back in history of what I would've done or not done. I guess I'd have to be in that situation at that time to answer the question properly.
Q I'm trying to think of a circumstance under which -- well, you tell me. Is there a circumstance under if you found that a company that you were potentially considering doing business with was not telling the truth about something, that you would still consider doing business with that company?
A No, I wouldn't.
Q Okay.
So, I guess, what I'm asking you is, if you knew -- if you had learned in 2017 that this statement on this client's statement, Our independent audit fir, Daszhal Bolton, LLP, has endorsed and agrees with the rate of return formula, was not true because, one, Daszkal Bolton had never performed an independent audit for 1st Global, and, two, had not done work for 1st Global since 2015, that you would still consider doing business with the company?
A No, I wouldn't.
Q Okay.

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So -- but, again, you relied on 1st Global, right, to tell you the truth, basically?
A Well, there was, obviously, multiple sources.
Q Okay.
So after the two calls with Mr. Leddbedder and, I guess, after the two calls with Mr. Wienewitz, at some point, obviously, you decided to do business with 1st Global; am I correct?
A (The Witness nods head.)
Q Do you remember how long after -- I'm sorry. You nodded your head. Can you answer?
A I'm just thinking, so --
Q Okay.
So, yes, you did decide to do business, but how long after those calls did you decide to do business with 1st Global?
A Again, I don't know the exact dates, but, I believe, it was in April 2017.
Is it possible to use the washroom?
Q Yes.
MR. LEVENSON: We've been going a little while. It is now 10:16. So let's go off the order at 10:16.
(A brief recess was taken.)
(Mr. Miller is not present in the room.)

MR. LEVENSON: We're back on the record at 10:27.
BY MR. LEVENSON:
Q And, Mr. Pellegrino, do you agree that there were no conversations of substance between you and the staff about the case or your testimony while we were off the record?
A Yes.
Q So a couple of quick questions about the conversation -- conversations with Mr. Leddbedder. Did you discuss what your compensation would be if you decided to do business with 1st Global?
A I don't know if compensation came up with Mr. Leddbedder.
Q Okay.
Did you discuss whether Mr. Leddbedder or did Mr. Leddbedder tell you that he was being compensated for each lender that was brought into the company?
A He did not.
Q Okay.
And when you talked about Mr. Leddbedder referring to commercial paper, do you know was he referring to the lender -- the lender's note or the merchant cash advance or both or neither?
MR. PORTEOUS: Can you repeat the question? I got lost.

BY MR. LEVENSON:
Q Do you understand the question, Mr. Pellegrino?
A I don't either.
Q Okay.
You said Mr. Leddbedder referred to commercial paper in the course of your conversation?
A Yes.
Q Was he referring to the merchant cash advance, do you know?
A I don't know exactly. He said that a nine-month note is considered under the Securities Act of 1933, I think, it was to be exempt from the securities rule or something like that. That's exactly what he said.
Q Okay.
You also had said earlier that he called it commercial paper. Do you know if he was referring to the nine-month note that lenders executed or the merchant cash advances?
A Again, what he said was anything that's nine months or less is considered to be under the exemption rule.
Q Okay.

A So, I guess, to clarify it would be that the client, right, is entering into a nine-month note.
Q Right.
A Right?
Q Meaning your client?
A Like -- correct, as a lender.
Q Okay.
Did Mr. Leddbedder say whether that was considered commercial paper?
A Again, it was just a nine-month note is considered to be exempt under the exchange rule.
Q Did you ever do any independent research on that issue before you started doing business with 1st Global?
A As far as what?
Q Determining whether he was correct in his statements about a nine-month note being exempt from the Securities Act of 1933.
A I mean, I looked up the rule -- or, you know, whichever -- it's a Securities Act Rule 10-315, paragraph A thing, I looked that up, and I did find online that's what it said.
Q What specifically did it say?
A It was a bunch of research done by -- I think it was the University of Indiana or something like that.

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It was like an eighty-five hundred page report on that section.
Q Okay.
And what did it say?
A Basically, to round it off, it was just saying that like -- it's going through different case files and said something to the effect of that nine-month notes are considered exempt.
Q Okay.
Besides --
A So I was clarifying what he had said, I guess.
Q Okay.
Any other research that you did on the issue of whether the nine-month notes that the lenders executed are securities or not securities?
A No.
Q Okay.
So, I guess, tell me all the reasons you decided that you would do business with 1st Global?
A Well, I did like the fact that it was a short-term vehicle.
Q Okay.
A We offer -- I, I offer clients annuities, fixed and fixed index type annuities, which can have terms anywhere from five years to as long as ten years

in duration. So I like the simple fact that this was a little bit of a shorter. Several years ago, I had offered, through my broker/dealer, non-traded REITs, which typically were in that four to seven year, that range to tie up money.
Q And just I want clarify when you say REITs, R-E-I-T --
A Correct.
Q -- Real Estate Investment Trusts?
A Correct. Perfect.
Q Keep going.
A So as a separate alternative, nine months or less -- you know, nine months, essentially, versus four years or seven years or ten years, it seemed something relatively good, especially with some of the returns that 1st Global is reporting and Mr. Leddbedder had reported, you know.
Q Okay. So you like the fact that it was a short-term vehicle and the returns that the company was showing you -- that 1st Global was showing you or telling you that it was earning?
A Uh-huh.
Q Any other reasons that you decided to offer that -- you know, solicit lenders for 1st Global?
A Well, the reliance upon the information that

was provided to me by Mr. Leddbedder, information provided by Mr. Wienewitz.
Q What specific information from Mr. Leddbedder?
A Well, I mean, I looked at him as a third-party, independent person, right. He described himself as outside legal counsel.
Q Right.
A Right. So to me, that was saying, hey, I'm not with this company, I'm outside legal counsel. His experience, his personal experience with his own money that he had invested with 1st Global.
Q Okay.
A And as I said before, Mr. Wienewitz and his description, his experience, the fact that he said that a friend of his, a guy that I knew or an acquaintance of, Chris Danton, being with -- or working with 1st Global for a few years is what Chris -- or Trae had described. So it was these things.
Q And when you say the experience that Mr. Leddbedder's personal experience, Mr. Wienewitz's experience, Mr. Danton's experience, are you talking about with the rates of return that they were seeing?
A Rates of return and that it's nine months.
Q Okay.
Any other reasons you decided to do business

with 1st Global?
A I can't recall. I think that's pretty much it.
Q Okay.
MR. LEVENSON: So let's go ahead then and mark this as Exhibit No. 41.
(SEC Exhibit No. 41 was marked for identification.)
BY MR. LEVENSON:
Q Mr. Pellegrino, I have placed in front of you a three-page document that we've marked as Exhibit No. 41. It is an April 11th, 2017 letter addressed to Mr. Carl Ruderman and it's signed on the last page, it appears to be signed by both you and Mr. Ruderman.
So first of all, do you recognize Exhibit 41?
A I do.
Q Okay.
Can you tell me what it is.
A It was the, essentially, agreement for me to be associated to be able to refer lenders to 1st Global and receive a referral fee in exchange for that relationship.
Q Okay.
Who drafted Exhibit 41?
A 1st Global.

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Q Okay.
Do you know who specifically at 1st Global?
A Not specifically.
Q Who sent it to you, let's put it that way?
A Darice Lang.
Q Okay.
Now, had you spoken to Ms. Lang prior to April 11th of 2017?
A Yes.
Q When did you first speak to her?
A Right around that date.
Q Okay.
Was it in connection with Exhibit 41 that you spoke to her?
A Yes.
Q Okay.
Did she send it to you and then you spoke to her, or did you speak to her and then she sent it to you?
A I spoke to her first.
Q And what caused you to speak to her?
A She was just kind of going through the understanding of like, okay, if you'd like to become associated with 1st Global, there's some paperwork you have to sign, you know, so if you refer lenders to us,

we'll pay a referral fee to you.
Q Okay.
So did you speak to her after you, I guess, decided that you wanted to do business with 1st Global?
A Yes.
Q How was it that you came to speak to her?
A I think it was Mr. Leddbedder that had said, you know, if you do want to work with them, you would speak with Ms. Lang, and then there's like an agreement that you'll sign.
Q So was that what caused you to call Ms. Lang to say, okay, I want to do business with the company --
A Yes.
Q -- what do we do?
A Yes.
Q Okay.
So did she send you this agreement pretty much in the form? I mean, did you make any changes to it before you signed it?
A No. No, I didn't.
Q Okay.
What is Stone Trust Capital?
A Stone Trust is just an S corporation that I've had established since 2007, 2008 for -- at the advisement of my accountant for tax purposes.

Q Okay.
Is that where you receive payment for your selling, I guess, your insurance selling, your annuity selling, your IA selling activities?
A That's correct.
Q Okay.
Does all that money go into Stone Trust Capital?
A That's correct.
Q Okay.
So as of April 11th, 2017, you had not actually started -- is that correct, you hadn't actually started referring lenders to 1st Global?
A I had not.
Q Okay.
You had to execute this first?
A Correct.
Q Okay.
So in the third paragraph, it talks -- of Exhibit 41 on the first page, it talks about fees. So it says, "In the event of any actual financing being procured" -- I'm looking at the third sentence of the third paragraph.
A Okay.
Q Second line, "In the event of any actual

financing," do you see where I'm reading?
A Yes.
Q Okay.
"In the event of any actual financing being procured by affiliate, a fee shall be generated and deemed payable to affiliated by the company in the sum of four percent per annum of any money secured from lenders limited to the first year." So is that you're referral fee, you got four percent of the amount that any lender invested or sent to 1st Global?
A Correct. Can I clarify this? I guess it says four percent per annum, but technically what we were being compensated was three percent, because the way it was spelled out in their kind of boiler plate agreement here was, okay, four percent per annum, but it was a nine-month note, right?
Q Okay.
A So you're only really making three percent, right, as the referral fee because it's a nine-month.
Q Okay.
So if somebody invested a hundred thousand dollars in a nine-month note, you got three thousand dollars?
A Correct.
Q Okay.

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So what happened then if the lender decided to rollover, did you get any fee for that?
A Yes.
Q What did you get for that?
A It was I believe -- if we break it down to the nine -- because it was -- it was two and a quarter percent for the renewal, because it was considered a separate or a second transaction.
Q Okay. So two and a quarter percent.
If they rollover the hundred thousand dollars, you got three thousand for the initial investment and then you would get two thousand, two hundred fifty for the rollover?
A Correct.
Q Okay.
And then if they -- if at some point an investor decided to contribute more money beyond the rollover, did you get that same three percent for the new amount?
A So if they added additional funds?
Q Yes.
A Yes and no, I guess is a way to put it. If it was new money that was being added, so use your example, a hundred thousand dollars, right, and then a client added another hundred thousand, let's just say, it would

be that three percent, but it was essentially -- how do you put it -- prorated, right.
Q Okay.
A So if it was, let's just say again, hypothetically, nine months, month five the client puts in additional money, you know, it's just, basically, prorated for that five-month period that that money's going in.
Q I'm talking about a four-month period.
A Four, yeah. Right. You're not making three percent. You know, I'm not making another three thousand dollars on that addition. It's much smaller, I guess.
Q What if at nine months, let's say, not only does the client rollover the initial hundred thousand, but now they decide to put in a hundred thousand dollars for, let's say, a new note, are you getting the three percent on that, plus the two and a quarter rollover, plus the initial three percent?
A I'm a little confused by -- so, I guess, to clarify it to make it real easy was that, if they were rolling over an original one hundred thousand, that's two and a quarter.
Q Right.
A If at that new nine-month mark, they're

putting an additional one hundred thousand, then it three percent of that.
Q Right. So -- okay. Fair enough.
And then at the very end, it talks about a one percent per annum of any money secured from lenders by an authorized agent of the affiliate. So did you have anybody -- I would assume that would be somebody working for you or with you who was also offering the --
A No. You know, we found out later that that was -- that fee was being paid to Mr. Wienewitz because he had referred us.
Q Oh.
A We later found out that he had recruited several like affiliates, I guess, you'd say or agents, like myself, to 1st Global, and he was essentially getting paid an override.
Q Okay. So he got -- well, one percent, for example, in your example, three quarters of the percent for a nine-month note on every note that you --
A Right.
Q Did you have any else that you recruited then to sell the investment?
A No, I did not.
Q Okay.
Had you done so, that's where that one percent

per annum fee would've come in?
A That's correct.
Q Okay.
Over on the second page of Exhibit 41, the third paragraph down, it's the paragraph that begins, "Affiliate agrees that all marketing materials not supplied by the company," do you see where I'm reading, third paragraph down?
A Yes.
Q Okay.
And it goes on to describe a number of materials. It says, "Must be approved by the company prior to distribution by the affiliate."
So my understanding, I guess, is that 1st Global had to approve any marketing materials that you send out to potential lenders?
A According to this, yes.
Q Okay.
Was that true in practice? I mean, did 1st Global, you know, have to approve any marketing materials that you sent out?
A Yeah. I mean, we didn't send out marketing materials. We sent out one piece of marketing material, but we didn't send out multiple pieces of marketing materials.

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Q Okay.
And that one piece -- and I think you produced it and I'm going to look at here shortly -- is that something 1st Global had to approve?
A Yes. I mean, it was -- I guess probably when we get to it, it'll be better to explain that.
Q All right.
Did 1st Global -- and we can talk more about it, but did 1st Global actually send you any materials, marketing materials, that you could send to lenders?
A They periodically would send out like an Email with like a frequently asked questions page or, you know, company information, things of that sort.
Q Okay.
And that was all prepared and drafted by 1st Global, right?
A That's correct.
Q Okay.
So is it fair to say that you didn't send out any marketing or solicitation materials that were on your own, that they were all company sanctioned, company approved?
A Correct.
Q Okay.
Did 1st Global ever send you any sales

scripts?
A Sales scripts?
Q Yeah.
A No.
Q Okay.
And was this the only written agreement that existed between you or Stone Trust and 1st Global?
A Yes.
Q Okay.
So did you begin then offering or, I guess, soliciting your clients after this was executed, this being Exhibit 41?
A No, I did not.
Q Okay.
How long after, I guess -- after April 11th did you begin offering the lending opportunity to your clients?
A Kind of take a step back. After this was executed, I then reached out to my broker/dealer, Capital Management, because, again, I wanted to have it approved as an outside business activity.
Q Okay.
MR. LEVENSON: So let me go ahead and mark as -- have the Court Reporter mark the next document as Exhibit 42.

(SEC Exhibit No. 42 was marked for identification.)
BY MR. LEVENSON:
Q All right. I have -- Mr. Pellegrino, I've placed in front of you what I've marked as Exhibit No. 42. It's, approximately, a ten or so page document. The page of which is entitled, TCM Evaluation of Proposed New Outside Business Activities Pursuant to FINRA Rule 3270.
A Can I take a minute to read it?
Q Absolutely, take a minute to review it. Let me know when you've had an opportunity.
MR. LEVENSON: We can go off the record while he's reviewing the document.
(A brief recess was taken.)
MR. LEVENSON: Back on the record.
BY MR. LEVENSON:
Q Have you had a chance to review Exhibit 42?
A I have, yes.
Q Do you recognize this document?
A I do.
Q Can you tell me what it is.
A It was Taylor Capital Management's outside business activity approval documentation, I guess, is a good way of putting it.

Q Okay.
And it appears to be signed by Dennis -- is it Dennis Taylor?
A Dennis Taylor, correct.
Q And he's the -- is he the Taylor Capital Management compliance officer?
A Compliance officer, correct. Yes.
Q And it's dated May 16th of 2017?
A Correct.
Q Okay.
So tell me -- walk me through what you did to get this approval from Mr. Taylor.
A I believe around the -- toward the end of April, I had reached out to Mr. Taylor -- right -- yeah, Dennis Taylor of Taylor Capital. I had reached out to Dennis and asked him, hey, I have a business activity and I want to submit it to you guys for approval to engage as an outside business activity, what do I need to do? He then asked me a few questions about, you know, the activity or what have you. And then he sent me an Email with like bullet points of like what -- to answer his questions of what the business activity was.
Q And what kinds of questions or what questions did he ask?
A It was in the Email that he sent me. It's not

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in this documentation. But it coincides to page three of --
MR. PORTEOUS: Would that be the page Bates stamped FMR-000338 in the lower right-hand corner?
THE WITNESS: That's correct. Yes.
BY MR. LEVENSON:
Q Okay. The one that says, 1st Global Financial Services is not investment related with an address?
A Correct.
Q Are these your answers to --
A These are my answers coinciding to his Email requesting information for the outside business activity.
Q Okay.
A Okay.
So page two, right, which would the document 000337, that was their kind of form letter that I filled out. And you can see it says, Disclosure outside business, see attached Word doc, and that would be page three or document 000338, which should coincide to Mr. Taylor's Email about requesting information about the outside business activity.
Q Okay.
The second line on the page marked 000338 says, It is not investment related. When you answered,

on what did you base that statement?
A Again, I think he had -- and I don't have the Email in front of me, so I apologize. I'm just kind of going off the top of my head. I believe his bullet point says, Is this investment related?
Q Your answer stating it's not investor related, was that based on Mr. Leddbedder's -- the information Mr. Leddbedder had given you?
A Correct.
Q Okay.
And your looking up of the rule that you described earlier?
A Correct.
Q Anything else?
(Mr. Miller enters the room.)
THE WITNESS: I mean, I had described the business activity to Mr. Taylor. You know, my reliance upon Dennis Taylor as the Chief Compliance Officer at Taylor Capital Management, him being the -- Taylor Capital Management always kind of touted that Mr. Taylor had twenty something odd years of examination experience with FINRA and knows the laws and the rules really, really well. So my reliance upon him was pretty pivotal in him approving it, if it's an outside business activity or if it's not an outside business activity,

it's a private securities transaction, you know, and he had approved it as an outside business activity.
BY MR. LEVENSON:
Q So on the first page of Exhibit 42, which is -- this is Mr. Taylor's, I guess -- the first page of Exhibit 42 is Mr. Taylor's words, correct?
A Correct.
Q All right. So he says, "Since this is a non-investment entity," which about the middle of the first paragraph. Do you see that?
A Yes.
Q Okay.
And then about four lines down from that, it says, "Or its customers will not constitute engaging in private securities transactions." Do you see that?
A Uh-huh.
Q Do you know on what Mr. Taylor based those two statements?
A Again, I don't know. I provided him what he requested from me on that page three.
Q Right.
A After I had provided that information to him, he sent me another Email wanting me to clarify the company website, I guess, because he said, you know, when I go out there and I do some research, I'm seeing

like two different 1st Globals or something like that, can you clarify which one it is. And then, I believe, I just Emailed him the link to what you're seeing in these copies on -- I guess it's form 339 through 344.
MR. PORTEOUS: You mean Bates numbers?
THE WITNESS: Yeah. On Exhibit 41 -- or 42, page number 339 through 344.
BY MR. LEVENSON:
Q Okay.
Are those documents that Mr. Taylor independently got and attached to this form?
A That's correct.
Q You did not provide those to him, correct?
A I did not.
Q Okay.
Did you -- other than your answer that says it is not invested related that's on page 338 of Exhibit 42, did you give Mr. Taylor any other information about relating to whether or not this was an investment or a security?
A I just gave him the information that he requested.
Q I understand. There's that statement, but did you give him any other information besides that statement?

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A I did not. He didn't request anything else from me.
Q Okay.
MR. PORTEOUS: Do you mean just in writing, or do you mean based on phone conversations they had?
MR. LEVENSON: Well, right now, I meant in writing. Okay?
THE WITNESS: Okay.
BY MR. LEVENSON:
Q Now, in the telephone conversation you had, the initial telephone conversation you had with Mr. Taylor, did you give him any information on that conversation relating to whether or not this was a security?
A I just gave him general information, that I'd be referring clients to 1st Global, if 1st Global -- or if the clients then became a lender of 1st Global, that I'd get paid a referral fee for referring those clients to 1st Global.
Q Did you discuss with Mr. Taylor that this was a nine-month note?
A I don't recall the exact conversation, but I did describe to him that 1st Global lends out money to small businesses on a short-term basis.
Q Okay.

Did you discuss with Mr. Taylor anymore detail about whether this was a securities transaction, other than beyond your answer on page 338 that says it is not investment related?
A Again, whatever Mr. Taylor requested from me is exactly what I gave him.
Q That doesn't answer my question. I'm asking what you told him. Okay. So I'll ask again. Beyond this statement, it is not investment related, did you provide Mr. Taylor, whether he asked for it or not, any other information related to whether this is a security?
A No.
Q Okay.
MR. PORTEOUS: Other than what he just testified to telephonically.
MR. LEVENSON: Well, I'm going to ask that you not answer questions that I'm asking your client.
MR. PORTEOUS: I'm trying to clarify --
MR. LEVENSON: Well, no --
MR. PORTEOUS: -- so it's clear as to what the question is. You asked him a question, and a minute ago you asked him a question about what he said telephonically. You asked him a question about what he did in writing. So I just want to make sure the record's clear as to what you're referring to, so he can

answer the question clearly.
MR. LEVENSON: You will have a chance at the end of the testimony to ask any clarifying questions that you wish, but I find it inappropriate that you are adding to your client's answers. The answers are clear. If you want to ask him a clarifying question, you'll have an opportunity at the end --
MR. PORTEOUS: I'm asking you a question. I'm not asking him to testify at all.
MR. LEVENSON: My question was clear. His answer was clear. I'm not asking you a question. You can ask it at the end of the testimony, if you so desire. Okay?
BY MR. LEVENSON:
Q Did Mr. Taylor ever indicate to you what he based his statements on on the first page of Exhibit 42, that this was a non-investment entity or that this did not constitute engaging in private securities transactions?
A Did Mr. Taylor explain --
Q Tell you.
A No, he didn't.
Q Okay.
A I guess to clarify, you know, he was my Chief Compliance Officer with thirty years or twenty-five

years or how many years of experience he has in it as an examiner. I was giving him the information that he requested and that he could make that determination of whether or not it was an outside business activity or not.
Q Okay.
The pages that are from 339 to 344, had you seen these pages prior to seeing this, I guess, Exhibit 42?
A The 1st Global's website pages?
Q Yes.
A Yes.
Q Okay.
And when had you seen those?
A I don't recall the exact times, but in general research, you know, going online looking things up, I, of course, looked up 1st Global's website.
Q And this was prior to you -- was this prior to you seeking the approval for the outside business activity?
A Yes.
Q Okay.
Did you have any discussion about these six pages, 339 through 344, with Mr. Taylor?
A I did not.

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Q So on the -- on the page that's marked FMR-000341, do you see about halfway down it says, Our services?
A Yes.
Q And then underneath it it says, Unsecured business cash advances?
A Yes.
Q Okay.
Was this consistent with your understanding of what the merchant cash transaction -- the merchant cash advance transaction was?
A If you don't mind, I'll read it real quick.
Q Sure. Well, I'm just asking about that one -- that line that says, Unsecured business cash advances.
A Okay. As far as what I was told by Mr. Leddbedder is that the merchants that they advance cash to, that they're advancing it to merchants that have some sort of a collateral backing, whether it was real estate or equipment or what have you.
Q Well -- but do you agree with me here that 1st Global describes its own transaction as an unsecured business cash advance?
A I understand what you're saying there, yes.
Q Okay.
A But that's where I'm going back to Mr.

Leddbedder in providing, saying that, hey -- 1st Global files an UCC, which puts us in first line if somebody defaults on the cash advance or something like that, that there's some sort of backing that they're going after.
Q Well, do you see above the last line of the document, or the previous section above, Our services, it says, "We provide businesses with unsecured funding they can use to get their business on solvent footing"?
A Yes.
Q Okay.
Again, this is 1st Global -- am I correct that this is 1st Global's representation of what their business constitutes?
A I'm not denying what's here. I'm also providing to you what was told to me from their outside legal counsel.
Q Is what Mr. Leddbedder told you inconsistent with what is written here?
A I would have to agree, yes.
Q Okay.
A I mean, one of the other things that he had said is that with their approval process, that -- so they are only approving one out of ten applicants. So what they do with the other ones that they don't approve

is they, basically, are selling that lead to other firms because they're, again, looking for companies that are using the financing for expansion, have some sort of collateral, but they'll sell those leads off to another company.
Q Do you remember if you saw this language about unsecured funding or unsecured business cash advancements in May of 2017?
A I don't recall.
Q Okay.
Did you ever ask Mr. Leddbedder about this language and say, hey, this is not what you told me?
A Well, when we went to -- because I'm kind of jumping a little bit. We did an on site visit.
Q And I want to get to that, but just at this time --
A Okay. Not at this time.
Q Okay.
Later, did you?
A Yes.
Q Okay.
So remind me because we're going to come to that, and then I want to talk to you more about that when we talk about that.
A Okay.

Q One other line I wanted to ask you about here. In the second paragraph under, Unsecured business cash advancements. The second sentence, it says -- do you see where it says, "We fund ninety percent of the businesses that apply without basing it on their credit scores?" Do you see that?
A Uh-huh.
Q Do you know --
MR. MILLER: Is that a yes?
THE WITNESS: Oh, I'm sorry. Do I see it?
BY MR. LEVENSON:
Q Yes.
A Yes.
Q Okay.
So do you know -- I can see two meanings to that sentence, and I just want to ask you if you know which one it means. Do you know whether that means that 1st Global is saying, we fund ninety percent of the businesses that apply, or do you know whether it's saying, we fund ninety percent of the businesses without referring to their credit score?
A And, again, I don't know if it's referring to this just being the explanations of their approval process or their underwriting process, I guess, is a way of putting was that it's not necessarily based one

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hundred percent on client's credit scores. They were basing a lot of their criteria on their ability to repay.

Q Okay.

So -- because I know you had said before, and I think we'll see materials later where the company says they only approve ten percent of the people that apply. So I mean, did you have any -- ever see anything to make you doubt that number?

A No. I mean, it was very consistent through everybody and anyone that we spoke with at 1st Global, you know, from Mr. Leddbedder to Mr. Ruderman to most of their executives that we spoke with, that they were denying ninety percent of the applicants.

Q Okay.

So then after you received Exhibit 42, is that when you began offering -- soliciting clients?

A Shortly after this, yes.

Q Okay.

When you say shortly period, how long after?

A Probably by the end of May.

MR. LEVENSON: All right. Let me have marked this next document as Exhibit No. 43.

(SEC Exhibit No. 43 was marked for identification.)

BY MR. LEVENSON:

Q Mr. Pellegrino, I placed in front of you a one-page document, dated August 22nd of 2017 as Exhibit No. 43.

Why don't you go ahead and take a look at it, and let me know when you've had a chance to review it.

A Yes.

Q Okay.

Do you recognize Exhibit 43?

A I do.

Q Okay.

I guess this is -- is this a letter that you wrote to FINRA?

A Yes.

Q Okay.

And it says, "FINRA request number 1212916 documentation." What was that?

A Shortly -- I think it was -- I don't know the dates exactly. It was the beginning of August of 2017, I had gotten an Email from Mr. Taylor that he had an inquiry request from FINRA based on a flyer that we had sent out, and they were inquiring about that flyer and what it was.

Q Okay.

MR. LEVENSON: Let me go ahead and mark this

next document then as Exhibit No. 44.

(SEC Exhibit No. 44 was marked for identification.)

BY MR. LEVENSON:

Q I'm actually placing in front of you a one-page document that we've marked as Exhibit No. 44.

Is that the flyer that you were just referring to?

A That is correct.

Q Okay.

So I want to come back to this, but just for the moment, so this is something that, I guess, FINRA saw and inquired of Taylor Capital Management about?

A Correct.

Q Okay.

And so when you say the item referenced, you're talking about the flyer?

A That's correct.

Q Okay.

And on what did you base your statement here that is not a secured -- where you say it's not a security and not an investment?

A Well, I'd gotten the request from Mr. Taylor, and I had Emailed him back, and I said, hey, this was approved as an outside business activity.

Q Right.

A And it's not a security. It's an outside business activity, which you approved. Right. And he said, I understand that. As far as -- and this was his Email -- as far as Taylor Capital Management's concerned you've done nothing wrong, but because you're a registered rep, you do have to respond to their -- their -- their request. And so that's what I did. I sent the request to Mr. Taylor, and Mr. Taylor forwarded it on to FINRA.

Q But the statement that says it's not a security and not an investment, is that based on what Mr. Leddbedder told you?

A Again, based on Mr. Leddbedder, based on that Taylor Capital Management approved it as an outside business activity in Exhibit 42, that's what it's based upon.

Q Okay.

So since we have it out, let's talk about the flyer that's Exhibit 44. So is this something that Goldstone sent out to -- well, who did -- did Goldstone send this out?

A We did, yes.

Q Okay.

And by we meaning, I guess, you and --

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A Goldstone. Yeah, Goldstone Financial Group.
Q Let me just ask, was there anyone -- was Goldstone just you and your brother?
A That's correct.
Q Okay.
Were there any other representatives selling products?
A We have two -- they're called service advisors that help us service the clients.
Q Okay.
Do they actually sell the products or just service them after you sell them?
A Both.
Q Okay.
Did either of them actually offer the 1st Global opportunity to any clients?
A I believe they have, yes.
Q Okay.
So a total of four people were offering this?
A My brother and I are actually, obviously, the main advisors, and they're kind of like the under -- sub-advisors, I guess, you could say.
Q Do they have any separate clients from you and your brother?
A No.

Q Okay.
So then do you know how many Goldstone clients Exhibit 44 was sent to?
A I don't have an exact number. This was sent one time in July of 2017 to existing clients only. It wasn't sent -- you know, we weren't standing on a corner, handing it out as a flyer or anything like that or potential clients. It was just sent to our existing client based.
Q Your existing investment advisory client base, or all of your clients?
A Investment advisory based clients and annuity insurance clients.
Q Okay.
So at that time, I think you said total Goldstone currently has about six hundred or so household clients?
A Correct.
Q In July of 2017, was that number the same, less, more?
A We're going to say roughly the same. I don't think that all six hundred clients had received that.
Q That was my question. So not all six hundred clients received Exhibit 44?
A Correct.

Q Do you know how many did?
A I'd have to find that information for you.
Q Okay.
Was there some criteria you used to determine which of your clients to send Exhibit 44 to?
A And, again, I'm just trying to recollect back from July of last year. We have our clients kind of categorized, A, B, C clients, and I believe we were only sending it to our like A and B clients.
Q How are your clients categorized as A and B?
A Well, there's different criteria. The A clients are typical clients that have larger amounts of money, that they're clients who referred people to us. B clients are typically people who have a decent amount of money with us. C clients are typically clients who have maybe just a little bit of money with us or maybe they purchased an annuity eight, nine, ten years ago and not done any other business besides purchasing an annuity or something like that.
Q Okay. So is the delineation essentially -- as I understood what you said, the delineation is based on the amount of money they have under -- invested or under advisement with Goldstone?
A Correct. Correct.
Q Do you remember what the specific numbers that

are delineated?
A And, again, it's a moving number. So a client, right, we would consider -- I think, it's like two hundred and fifty thousand and above, but -- but with that being said, is if I have a client who has a hundred thousand and they've referred, you know, their friend or their sister, and we put them in the A category because they're an advocate essentially.
Q Okay.
And where do you sort of draw the line, again, roughly with the B clients?
A I think it's about two fifty.
Q For the B clients?
A Yeah. Under. Under.
Q Under two fifty.
Is there a minimum for -- I guess a hundred thousand to two fifty?
A And, again, it's all based on each relationship a lot of times, too.
Q Okay.
So the A and B clients, do you know how many that constituted that got Exhibit 44?
A Again, that's something I have to find out, look up. I don't have that information.
Q The decision to send Exhibit 44 to the A and B

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clients, was that a -- was that your -- I mean, your meaning Goldstone's decision?

A Yeah. We had received a version of this flyer from Mr. Wienewitz. He had provided it to us in June of 2018. He said that he had sent it out to his clients.

MR. MILLER: June of 2018?

THE WITNESS: Oh, I'm sorry. 2018. I apologize.

MR. MILLER: June of 2018 or '17?

THE WITNESS: June of 2017. Right? Yes, June of 2017. Because then we sent this out like end of July 2017.

BY MR. LEVENSON:

Q Okay.

But going back to Goldstone, was it Goldstone that decided which clients to send Exhibit 44 to?

A Yes.

Q Okay.

1st Global didn't tell you, only send it to these clients?

A No.

Q Okay.

If I understood what you said, they didn't give you any restrictions on people to offer the investment to?

A No.

Q Or the lending opportunity to?

A Correct.

Q Okay.

So I'm going to go back. Did Mr. Wienewitz -- what, Mr. Wienewitz sent you this exact flyer?

A No, it was not exact. It was a version of this.

Q Okay.

Can you tell me what -- other than, of course, your firm name and your contact information, you know, above that line, can you tell me which elements, you know, were in the flyer that Mr. Wienewitz sent you versus which elements that Goldstone added to this.

A Without having his to reference, I'm going to kind of try to go off from memory, but I can't be exact about it.

Q Of course.

A But you're correct, anything, I guess, below the Goldstone logo, right, would be our contact information, boiler plate information at the bottom, obviously. Short-term high yield contract, I believe, was part of his. The six to ten consistent predictable returns, his was different there.

Q Okay.

A Nine to twelve months, his was different a little bit. Contracts, asset backed, like cash CDs, that was off of his flyer. Stated terms, again, I believe that was half -- like stated terms was there, but his said like, you know -- I don't know, nine months to six years or something like that.

So some of this stuff is very similar, you know, backed by collateral, client chooses timeframe, discover thirty minute -- schedule a thirty-minute discovery meeting, so a lot of that was on his form.

Q Okay.

I wanted to ask you about the six to ten percent predictable returns.

A Yes.

Q What was that statement based on?

A It was based upon conversations that we had with Mr. Wienewitz, conversations that we had with Mr. Leddbedder, the statements that they had provided to us, copies of those statements, and then, I believe, it's also on their frequently asked questions page. There's a line that says, you know, what has been the historical rate of return? They put low double digits or something like that.

Q Okay.

I mean, did you pick those numbers sort of

based on all of those different conversations or factors?

A Correct.

Q Okay.

Was there something -- I mean, how did you come to six to ten percent, as opposed to eight to twelve or three to five?

A I don't remember the exact numbers like Mr. Leddbedder saying, you know, I start at high double digit -- high single digits, low double digits, right. And kind of looking at that, looking at statements and things like that. Well, you know, if we kind of back it down a little bit, you know, and not be so off -- okay, six to ten is a decent range. If a client does experience more, well, then, hey, that's great, but, you know, we'd rather kind of go more on the lower side of things, be more conservative, I guess, is a way of putting it.

Q And then the stated nine months to twelve months, previously you said Mr. Wienewitz said something like six years. Do you know why that was?

A From our understanding, he sells a bunch of different products, so not just, you know, the 1st Global notes. I think he sells like some oil and gas stuff and maybe some real estate REITs or what have you,

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so that's why his was --
Q Okay.
But here you're referring just to the 1st Global --
A Yes. Correct. That's correct.
Q -- Opportunity?
A That's correct.
Q So where does the twelve months come from?
A Well, this actually comes from, if we look at 1st Global's -- their document, their contract, which is called a Memorandum of Indebtedness -- I don't know, you may have a copy of it.
Q We do, and I want to go through it with you in just a little bit.
A Okay.
In their contract, it states nine months, right, it's a nine-month note or what have you. But in conversations with Mr. Leddbedder and 1st Global and in their Memorandum of Indebtedness, it talks about what's called a grace period. Okay.
Q Okay.
A There was what we would call the use of capital, you know, versus the return of capital. So if a client was going into the nine-month note, it's going to mature at nine months. Okay. But it could take up

to twelve months, just like Mr. Leddbedder said, for that money to be distributed back to the client.
Q Okay.
In other words, for it to come in from merchants, so that it can be distributed --
A Correct.
So it would essentially mature. So 1st Global was using that money and advancing that money into the merchant cash advances for that nine-month period.
Q Right.
A If the client then decided, hey, I'm not going to renew that, then no more activity on that client capital was happening, because essentially what they said was as capital would come in, a little bit of principal, a little bit of interest on their daily ACH, that they would take that and then reinvest that back out into new cash advances. Well, that activity would end at nine months.
Q Right.
A And then there would be this distribution phase, and what's where we're -- we're just trying to be very, you know, transparent --
Q Sure.
A -- with clients. Instead of saying, hey, it's nine months, we're saying, hey, well, it's nine to

twelve essentially is what it is.
Q Right.
Okay. So as I understand it, and we can look a little bit more at the investments or their loan process. But -- so it wasn't a situation where somebody loaned the company -- you know, became a lender and sent in a hundred thousand dollars on day one, it wasn't all sent out to merchant cash advances on day two?
A No.
Q It was over time?
A It took several months in my experience.
Q Okay.
And so that amount was just -- the grace period was to allow that money to come back --
A To flow back in, right. As Mr. Leddbedder had described it, he said, if a client ends that nine-month note at nine months, well, if a note, like a merchant cash advance was advanced out in month six, and it was a six-month cash advance, right, well, it's going to take six months for the note to come back in.
Q The statement on here on Exhibit 44, it says, "Client chooses the timeframe."
A Uh-huh.
Q What does that mean?
A Again, because it's a nine-month note, right,

the client has a choice of it renewing or what have you or continuing on. So if a client chose to be in it for nine months, well -- but if they wanted to continue, then they could choose to continue.
Q The rollover provision?
A Yes.
Q Okay.
And it says, "Backed by collateral." What does that refer to?
A Again, that was on Mr. Wienewitz's and that referenced back to what Mr. Leddbedder was saying is that they tend to look for merchants that have some sort of collateral backing, and they file a UCC on those merchants.
Q Okay.
But, again, do you know if the statement, backed by collateral, made it a secured versus an unsecured loan?
A That, I do not know.
MR. MILLER: I have one question on this document before you move on.
MR. LEVENSON: Sure. Any time.
MR. MILLER: When it says, "Repayment limited to the financial stability of the company issuing the contract," did you write that, or was that in Mr.

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Wienewitz's iteration?
THE WITNESS: I believe that was in Mr. Wienewitz's.
MR. MILLER: And what does that mean?
THE WITNESS: That the repayment of the note or the contract is limited to the company that's writing the contract.
MR. MILLER: Which is what company?
THE WITNESS: 1st Global Capital.
MR. MILLER: And how does that work exactly?
THE WITNESS: As far as?
MR. MILLER: Why would it be limited to the financial stability of 1st Global?
THE WITNESS: This was a line that, from my understanding, where we've seen this over and over is like from an insurance company, and the insurance company, when an insurance company writes a contract, like an annuity or an insurance policy, that the insurance policy or the annuity is backed by the claim's paying ability of that company. So it's kind of a boiler plate for contracts in my experience.
MR. MILLER: And just a follow-up quick questions. Do you know were Mr. Wienewitz received his iteration of the flyer that eventually turned the notes into 44?

THE WITNESS: That, I'm not a hundred percent sure. I think through 1st Global and Mr. Leddbedder.
MR. MILLER: Why do you think that?
THE WITNESS: I'm just trying to recall conversations that I had when he provided this to us, and I'm pretty sure he said, yeah, this is approved by Dale or something like that.
BY MR. LEVENSON:
Q Did you ever discuss Exhibit 44 with Mr. Leddbedder or -- well, let's start with Mr. Leddbedder?
A No, I didn't.
Q Did you ever discuss it with anyone at 1st Global?
A This, I did not, no.
Q Okay.
A Because, again, Trae had provided us a similar version to this and said that it was that approved by Dale.
Q Okay.
MR. MILLER: So now, do you know for a fact that Wienewitz said that his iteration he sent to you was approved by Dale?
THE WITNESS: In that phone conversation I had with Trae in June, I believe he did say that.
MR. MILLER: You believe or you know for a

fact?
THE WITNESS: I'm going say I believe he did say that.
MR. MILLER: And Goldstone, I take it did not have a compliance department?
THE WITNESS: No.
MR. MILLER: Did -- at any time before you disseminated Exhibit 44 to any of your clientele, did you have it approved by any outside compliance department or consulting firm?
THE WITNESS: As far as like Taylor Capital Management are you referring to?
MR. MILLER: Anything.
THE WITNESS: No.
MR. MILLER: Why not?
THE WITNESS: Well, again, as I saw it, it was approved as an outside business activity from Taylor Capital Management, so that's why -- I mean, I'd be going back and second guessing then Taylor Capital Management to say, hey, you know, there's an outside business activity that you're saying is not securities related, so I wouldn't send this in to him to get approved if he's already told me that, you know --
BY MR. LEVENSON:
Q Well, does his approval with an outside

business activity mean you can send anything out, or would you --
A Well, if it was securities related, then, yes.
Q Okay.
So if it was securities related, it's your understanding you would need to get approval from the compliance department --
A Correct.
Q -- at Taylor Capital Management?
Is there any reason you didn't go back to the company, to 1st Global and say, hey, I'm going to send this out, you know, Trae Wienewitz said you guys had approved this?
A No. Again, we're relaying on -- Trae had one that he was designed, and he said that Dale had approved it, so --
Q Okay.
MR. MILLER: But you testified before that in Mr. Wienewitz's it went out as far as six years, as opposed to twelve months. Was that the iteration that was approved by Mr. Leddbedder?
THE WITNESS: That, I don't know.
MR. MILLER: As far the nine months and twelve months, my colleague has already asked, did you give that twelve month stated term information to Mr. Taylor?

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THE WITNESS: I don't recall.
BY MR. LEVENSON:
Q So when you spoke to 1st Global clients about possibly becoming lenders of 1st Global, what items or what things did you prioritize or stress as far as why you thought it was a good opportunity?
A Well, again, it would be different choices, a client would have different types of -- whether it was a mutual fund, an advisory account that we offer through Goldstone Financial Group. This was just one of the options made available.
Q Right, but if a client came back to you and said, hey, I'm interested, okay, what you did tell them about the investment? What things did you say --
A Well, basically, we -- what we tell them is that it's a lending opportunity, that you're lending money to a firm that is going to take that money and then they're going to lend it out to small businesses on a short-term basis. And then that the repayment of the note is on a daily basis, but it's money that is tied up for nine months. So it's not a product that you're going to go into and then you're going to receive like a monthly income or a monthly distribution, that this is capital. Essentially you have to be willing that it's going to be tied up for nine to twelve months. It's not

stuff that you're going to be using necessarily to live off of.
Q Earlier when I asked about the different reasons you personally decided to start doing business with 1st Global, one of the things you said was that you liked that it was a shorter alternative to some of the other annuity products that you offered. Was that something that you discussed with clients or emphasized to client?
A Well, again, if my client was interested in an annuity, I would discuss an annuity with them.
Q But was it the fact that this was a different -- you know, that this was an alternative investment something that you discussed with clients?
A Well, that was part of it because it falls into that alternative quadrant, that if they have money that's invested in the stock market via stocks, mutual funds, or bonds, or what have you, obviously, they have the potential for growth, right, but they also have a potential for risk associated with market correction.
If they were inside of an annuity, well, the annuity, you've got fixed index in a fixed annuity provided essentially safety of principal for our client. The trade off with that is then you tie up money for longer periods of time, you lower access or limited

access to those funds over a period time.
As we looked at this, this kind of falls inside of that alternative quadrant, but it's on a shorter basis.
Q So when in Exhibit 44 it says, no stock market or interest rate risk, is that something you emphasized to clients?
A So that would be, you know, referencing that because this is lending money, right, it's a lending. It's not tied to the stock market or it's not tied to the bottom market.
Q I notice that looking at 44 that, you know, stated terms and average earnings, the items next to that, nine months, twelve months six to ten percent, those are in bold.
A Uh-huh.
Q Why?
A I don't know.
Q You wanted to emphasize it to clients, perhaps?
A I mean, I guess so. I mean, we put it together. I can't give a definitive answer why it's bolded.
Q Well, you know why?
A I mean, it's -- up here, it's not bolded.

Q I know, but it says six to ten percent consistent predictable returns. Whose adjectives were those, Mr. Wienewitz's or yours?
A Again, I'd have to look back at his flyer to be exact about it.
Q You know why you recommend products to clients, don't you, when you recommend them?
A As far as?
Q Any reason. If you recommend a product to clients, you have reasons for recommending it, don't you?
A Of course.
Q So what are your reasons for recommending this product to your clients?
A Well, again, we would give clients multiple options, right, that they can -- I mean, we're telling clients, like if this is something you're interested in, you don't want to put all your money here, right. This would be for a small portion, not all of your money into something like this.
What it is, we looked at it, it's filling a space where you have some alternative type of investment. Like with a REIT that client would normally go into, it would be four, five, six years. They were used to getting a six, seven, or eight percent, you

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know, distribution or dividend, you know, an annual basis. This kind of fit into that kind of -- that void area.

Q I'm assuming that when you sent this out and clients asked if you were interested, you didn't tell them. Don't do it, it's a terrible opportunity? You didn't tell them that, did you?

A No, I didn't, of course not.

Q Okay. So all I'm trying to understand is, what did you tell them was -- why did you tell them that you thought this might be a good opportunity for those clients that you told that to?

A One, it adds diversification, right.

Q Okay.

A We're not recommending that a client put all of their money, right. If it's something you're interested in, you want to put a small portion, not all of your assets. We're straight about, hey, it ties money up, right, your money is going to be tied up for nine or twelve months, but it was part of the diversification process, that if you have money in stocks and money in bonds and money in annuities or real estate investment trust, that this is just, you know, one of the spokes in the wheel, I guess, is a way of putting it.

The other side of it was that the diversification inside of here is that it was going into multiple businesses, right, so it wasn't isolated to one merchant or ten merchants. Our experience is that it was going into anywhere from a thousand to fifteen hundred different merchants. So in that fact that this was being diversified, which was helping to insulate risk to a client, as well.

Q Were the clients interested in the returns that this offered?

A Whenever you go into an investment, clients are interested in some sort of return.

Q Yeah. I mean, was that -- based on what your clients told you or communicated to you, was that -- how important was that in their decision as to whether to lend money to 1st Global these six to ten percent returns?

A I'm going to say it's probably part of it.

Q Do you know how big a part?

A I'm speculating at that point.

Q Well, I mean, if clients said anything to you. Did any of your clients say, I'm investing in this because?

A I can't ever recall them ever saying something like that. I mean, if you think about it, any

investment a client puts money into, they want to make some sort of appreciation.

Q Sure. Okay.

MR. MILLER: But isn't it true that one of the things that you convey -- one of the things that got you interested that, I think, you already testified to was the rate of return that was articulated on Exhibit 40, isn't that right, twelve percent?

THE WITNESS: Okay. So, again, we can back that up a little bit, right, because what was provided to me were staples. This one's showing twelve. Another one's showing seventeen, right. And I don't know what the other one was, but, I believe, the other one was double digits too, as well. Mr. Leddbedder saying, aha, you know, typically what we're seeing is high double -- or high single digits, low double digits. Okay. So if they're saying, hey, we're seeing eight, nine, tens, elevens, twelves, thirteens, okay, and we went more conservative and backed those numbers down. I mean, we said six to ten.

MR. MILLER: No. I understand that. My question is a little different. What attracted you to the investment was seeing those numbers; be it, twelve percent, seventeen, and then saying, hey, if it's twelve to seventeen, I can probably easily say it's six to ten

percent; isn't that right?

THE WITNESS: Well, I think what we're doing is being more conservative on the numbers, right.

MR. MILLER: Exactly. But it was the income, the yield that attracted you; isn't that right?

THE WITNESS: Well, I think it's one of the things.

BY MR. LEVENSON:

Q Okay. No. Wait. That's all you had said earlier. I mean, that was something that caught your eye? That's why you decided --

A Of course.

Q So is it something that caught -- I know you used different numbers, which is -- but that's something that caught your client's eye?

A If I look at a mutual fund that's offered by Fidelity and it has a ten-year average of -- I don't know, fifteen percent and the market has averaged nine percent, well, wouldn't I be attracted to that, as well?

Q That's all we're asking.

A You got to think about it. I understand you got to understand from where we come from. You know, we sit in front of clients every single day, and what do clients want? Clients want to make a return on their investment.

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Q So that was something that was good about this investment or lending opportunity, right?
A That it had the potential to do that and it was an alternative to --
Q Okay. I was going to move into a different area. Did you want to take a break for a few minutes? You want to keep going?
A If I could take a washroom break, that'd be good.
Q Absolutely.
A And then I need a water, just fill it up, the bathroom or is there a water thing to fill this thing up.
Q I can -- I mean, I have bottled water that's personal. I can give you one. I don't care. It's just not going to be cold because it's not in the fridge. There's a vending machine in there too that has bottled water in our lunchroom.
MR. MILLER: I can escort you in there if you'd like.
THE WITNESS: Okay. Yeah.
MR. LEVENSON: All right. We're going off the record at 1:39 a.m.
(A brief recess was taken.)
MR. LEVENSON: We are back on the record at

11:49 a.m.
BY MR. LEVENSON:
Q Mr. Pellegrino, do you agree there were no conversations of substance about the testimony or the investigation while we were off the record?
A No.
Q There were none?
A There were none, correct.
Q Okay.
I think Mr. Miller had a couple of quick questions.
MR. MILLER: You mentioned that there are two other folks that work in a sales capacity at Goldstone; is that accurate?
THE WITNESS: Yes.
MR. MILLER: And are they licensed?
THE WITNESS: Yes.
MR. MILLER: What are their names?
THE WITNESS: Justin Reppy and Brian Korienek.
MR. LEVENSON: Do you mind spelling those for the Court Reporter.
THE WITNESS: Last names only or --
MR. LEVENSON: Yeah.
THE WITNESS: Okay. So Justin Reppy, R-E-P-P-Y. And Brian Korienek, K-O-R-I-E-N-E-K.

MR. MILLER: Both of these man were present when Goldstone was soliciting 1 Global; is that accurate?
THE WITNESS: Yes.
MR. MILLER: Do they actually solicit on their own Goldstone clients on the possibility of investing in 1 Global?
THE WITNESS: Yes.
MR. MILLER: And did those solicitations result in any sales?
THE WITNESS: A few, yes.
MR. MILLER: Okay.
Does Goldstone have records that delineate the customers that were sold by these two gentlemen?
THE WITNESS: I'm going to say no. I mean, they would've been existing clients of like myself or my brother's.
MR. MILLER: Were these two gentlemen that you just referred to, were they compensated for their sales of 1 Global Capital?
THE WITNESS: We paid them a salary and part of the proceeds or the referral fee that we received.
MR. MILLER: So it would be reflected as to the referral fee if they succeeded in turning one of your clients into a 1 Global Capital investor; is that

accurate?
THE WITNESS: Correct. It's the same capacity like if they sold an unity, right. So if a client of mine purchases an annuity from Mr. Korienek, and I get paid a commission, then Brian gets part of that commission.
BY MR. LEVENSON:
Q In this case, if they -- if client became a lender through, say, Mr. Korienek, one of your clients, so you got three percent from -- you know, for the nine-month note from 1st Global. What part of that three percent did Mr. Korienek get?
A I give twenty percent.
Q Twenty percent of the three percent?
A Of the three percent, correct.
Q Okay.
That should be like point six percent, basically?
A Correct.
Q Okay. All right.
At some point, did you come to understand that there was any management fees or fees that 1st Global was charging as part of its merchant cash advance process?
A The only thing that I was aware of, what was

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in their Memorandum of Indebtedness.
Q And what was that?
A I think there's a line in there that says something to the effect that they collected thirteen percent management, if you had anything collected.
Q Okay.
And was that something you made your clients aware of?
A They were aware of what was in the memorandum, correct. Yes.
Q Okay.
Was that anything that was a big discussion point with clients?
A Not really.
Q Okay.
Did you ever learn that Mr. Leddbedder was receiving an override for every lender that signed up --
A No.
Q -- that loaned money to 1st Global?
A I was not aware of that.
Q Okay.
Would that have made any difference in your decision to offer the product, do you think?
A I don't know.
Q Okay.

I think you said -- earlier you talked about, you know, they were averaging roughly the thirty percent. When they loaned out money, they were getting back a hundred and thirty percent essentially. Do you recall that testimony? Or that's what they told you?
A That's what they told me. So we had a visit. We went and did a visit with 1st Global in August of 2017, right, make that correct. And what I remember from that meeting and my notes, that was one of the things that they said roughly -- I think it was they said at that time somewhere between a hundred and thirty to a hundred and thirty-five percent was kind of like the averaging factor rate is what they called it of monies coming -- of monies that were lent out to merchants.
Q And was that something you discussed with your clients that were interested in investing?
A No, not really. I mean -- I understood it's a business model that if they were lending out money and bringing it back in, right, and it was a hundred and thirty percent, well, there's other costs associated with that thirty percent, so the client's not getting thirty percent.
Q Do you know what part of the thirty percent the client was getting?

A And this is a rough -- I don't remember who or what or when, but from my understanding is, what they were doing was, the monies coming in, they were, basically -- they said they would split it in half. So if there was a hundred and thirty percent coming in, that that thirty percent, they were splitting in half, right, fifteen was going to 1st Global, fifteen was going to the client, but then you had like their management cost that's up inside there, as well as merchants that would default or not pay or what have you, so that's what would lower their percentage returns, too, as well.
Q Okay.
And out of the fifteen percent, when you say the client, you mean the lender?
A The lender.
Q Yeah.
Did your commission come out of that money?
A No. What we were told from 1st Global is that they were paying us directly and no money was being paid to us from the client, that 1st Global was paying us the referral fee directly.
Q Okay.
MR. MILLER: Out of what monies?
THE WITNESS: Out of their's. Out of 1st

Global's money.
BY MR. LEVENSON:
Q If, in fact, 1st Global wasn't making a hundred thirty, a hundred thirty-five percent, but was making less and was actually losing money on the merchant cash advances, would that have made a difference in your decision to offer the products?
A I think that's a logical question.
Q Okay. What's the answer?
A And, again, just to kind of give you the scenario when we went and visited with 1st Global --
Q Before you talk about the visit, I'd like to get, if I could, an answer to my question, which is: If you learned that was false, would still have offered the product?
A Well, I think that you know the answer to that.
Q Well, I'd like to hear it.
MR. MILLER: The record doesn't.
BY MR. LEVENSON:
Q The record doesn't. So what is the answer?
A Well, obviously. I mean, it's pretty obvious that if they weren't making money and we knew that, then, yes.
Q Okay.

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MR. LEVENSON: So let me go ahead and mark this as 45.

(SEC Exhibit No. 45 was marked for identification.)

BY MR. LEVENSON:

Q I've marked as Exhibit 45 a one-page document that's entitled, Meeting Agenda, August 8th, 2017.

Have you seen this document before?

A Yes.

Q Okay.

And is this -- does this refer to the visit you mentioned a couple of times now, the on site visit that you made to 1st Global Capital in August of 2017?

A That is correct.

Q Okay.

So tell me about the visit. How long were you there at 1st Global?

A We were there for a day.

Q Okay.

What, a full day? Did you fly down one day and meet with them and then fly back, or how did it work?

A Yeah. Correct. We flew in in the morning, and then spent the day there and flew out in the evening.

Q Okay.

And the we, was that you and your brother?

A Correct.

Q Anybody else from Goldstone?

A No.

Q Okay.

What caused the meeting to happen? Did they invite you? Did you say, hey, I want to come meet people? What happened?

A Both. So, you know, they said, hey, we'd love to have you come down, see part of our ongoing due diligence. Obviously, we wanted to, of course, meet everybody face to face and see the operation, see the people, get an understanding of everything going on.

Q So tell me everything you did that particular day you were there.

A I believe the first kind of meeting that we had was with Juancarlos and Leo Vargas.

Q Okay. That would be the Director of Underwriting and the Director of Collections?

A Correct. I guess the one that kind of led everything when we first got there was Scott Merkelson.

Q Okay.

A So we went into a conference room, you know, kind of got acquainted, things of that sort. Scott

Merkelson was in the conference room the whole time with us. He kind of gave us his background. He was probably the first one we really met with, right.

Q Okay.

A Got his background, his experience, his role that he was playing at 1st Global. And then after that, we met with --

MR. MILLER: What was his role at 1st Global?

THE WITNESS: I mean, his title was Director of Business Development. So he was really kind of in the front line of working with agents, like myself, as well as client communication. So if clients had questions or anything like that, they could contact, you know, Mr. Merkelson directly.

BY MR. LEVENSON:

Q Did any of your clients, to your knowledge, ever speak with Mr. Merkelson directly?

A Yes.

Q Do you know how many?

A I think two or three.

Q Do you know what they talked to him about?

A One, a client had a question about like their statement in the porthole. They had launched a new porthole in March of 2018, and the client just had questions about what he was viewing and things of that

sort, because it was different from the original porthole.

Q Okay.

Did any of your clients ever speak to Mr. Merkelson before they became lenders, do you know?

A To my knowledge, no.

Q Okay.

Do you know if Mr. Merkelson, you know, ever spoke with, on any kind of regular basis, spoke with or met with lenders before they invested?

A To my knowledge, no.

Q Okay.

And what do you base that statement on?

A I mean, I have no recollection of him ever interacting with a client prior to that.

Q Okay.

A I mean, he was accessible and available to answer questions if clients needed or if we had any questions or anything like that. He was kind of like our main contact person, I guess, is a good way of putting it.

Q Okay.

Did you speak with Mr. Merkelson before you had actually started offering the lending opportunity to your clients?

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A I'm trying to recall. You're talking about around the time when I was talking with --
Q With Dale Leddbedder and with Trae Wienewitz, in that timeframe.
A I don't recall exactly when I talked to Scott, whether it was at that beginning or after we started working with them. I don't recall exactly.
Q Okay.
Did Mr. Merkelson tell you anything, you know, about, you know, the company or the business it was in or any of the things we talked about in terms of -- did he tell you anything about the merchant cash advances?
A A lot of the same stuff that had been already spoken to about with Trae.
Q What stuff is that?
A Just the same general information, you know, it's a nine-month note, right, it's distributed through multiple merchants, paybacks are on a daily basis via ACH. He talked about like some of the expectations, he said, what you're going to see is, like with the statements that clients will receive is that typically as initial money start getting deployed, is what they said, into cash advances, what you're going to start to see is in the first couple of months, you're going to see a pretty steady rise on the statement. And he said,

basically, what you're seeing is that as money gets deployed into cash advances, it's, basically, factoring, this is the money that's being lent out along with what the potential return is on that money coming back in, that a lot of times what you'll see is maybe four months, five months down the road, you'll start to see kind of a lull, maybe even a decrease because defaults are starting to hit down the road because he said that defaults don't hit in the beginning when money is being lent out. But what you'll start to see is then kind of more of an even scale type of -- instead of like a surge up you may see in the beginning or what have you. He's kind of setting expectations on what clients will see on statements.
Q Okay.
You talked about the default. I mean, did anyone at 1st Global ever communicate to you what their default rate was?
A They always said that it was around like four percent, five percent.
Q Who said that?
A Mr. Merkelson. I believe Juancarlos, Mr. Ruderman, I believe this Leo Vargas or whatever. Those are all -- it's all pretty consistent. Plus materials that they would send out, you know, periodically.

Q The frequently --
A The frequently asked questions. They have it in there. I believe, if I recall, some of my notes from this meeting here at that time, that they had said historically the default rate, they anticipate a default rate of about ten to twelve percent, but they've been able to control the default rate with their underwriting process and their collection process, and they've been able to keep it around four to five, six percent, in there. At that meeting, I believe they were saying, hey, right now I have a default rate of about four to five percent.
Q Okay.
And do you remember who said that?
A I don't remember exactly. It was notes I was taking.
Q If the default rate were actually ten percent or even higher, would that have made a difference to you in offering the product?
A I have a client that is kind of like off to the side, I guess, a little bit. I had a client that during my initial introduction to 1st Global, that it just -- by happenstance, I was doing a review with that client, and in general conversation after our review, he was showing me pictures on his phone, that he had just

visited with a client at the Atlantis in the Bahamas, and he proceeding to show me this big yacht parked out in front of the Atlantis. And I was kind of amazed by it. I said, well, what does your client do? He says, he owns a bunch of those check -- check into cash or whatever, those payday loan places.
So he proceeded to say this guys owns a bunch of payday loan places. And I was kind of mesmerized. I said, they make that amount of money? And he says -- he's like, Mike, it's sickening. This guys owns to yachts. He owns a bunch of these places. He says, they have a thirty percent default rate on an annual basis, but they shovel in cash like there's no tomorrow.
He proceeds to tell me where the biggest opportunity is right now and moving forward is in the small business place or financial technology. And he proceeded to fill me in kind of on that space. And that kind of came together when we first started talking with Mr. Merkelson -- or Mr. Leddbedder and Trae Wienewitz, that, basically, what the client was describing about small business, Fintech was what these guys were involved in, right. And that's where he, in our conversation, was saying, the small business side has lower default rates than the cash advance does and the opportunity is larger, I guess, moving forward.

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Q That still doesn't answer my question, which is: If the actual default rate -- if you had learned that the actual default rate were ten percent or higher, would you still have offered the opportunity?

A Again, I -- at that point, I don't know. I'd have to be in that situation, but, I guess, what I'm saying is that listening to a client who is in that space, because he said that what his company does is, they build the technology that these companies use, that when a payday loan client or customer comes in or a small business customer comes in, that the information that's being entered into this system his company develops for these firms, and it helps to streamline their approval processes and things like that.

His thing was like, hey, you know, these payday loan places got a thirty percent default and they're making hand over fist. Small businesses -- a small business or Fintech side has a lower default rate, and they're making money hand over first, too.

Q Well, would you agree with me that if 1st Global consistently told you that the default rate was four to five percent, which they did, and the actual default rate was ten percent more, then 1st Global wasn't telling you the truth about the default rate?

A I wouldn't disagree with you.

Q Okay.

So if you knew that --

A But on the other side --

Q Let me ask a question then. If you knew that 1st Global was not telling you the truth about the default rate, would you still have offered the investment opportunity?

A Again, you're kind of pidgeon holing me into saying, you know, that would I, could I -- I have to be in that situation. If I knew more now, than, yeah, maybe. But what they were telling us was their historical rate, somewhere around four, five, six percent. Now, if I flip it around and say, okay, well, it's a ten percent default, okay, so that means ninety percent of the loans are paying back, and you got a ten percent default rate? Well, okay, is it still profitability? Is it still making money?

I mean, in all lending across the board, I don't care in it's small business loans, like these merchant cash advances, or if it's a home mortgages, or what have you, there's always going to be a default rate in lending.

Q What if the default rate were twenty percent?

A Again, I -- it's tough answering that question now where I'm sitting.

Q Do you regularly -- do you do business at all with anyone that you learn lies to you about their business? Do you make a habit of doing business with someone who lies to you about their business?

A No, of course not.

Q So tell me more about the meeting.

A The meeting just consisted of these people that you're seeing here. Juancarlos, Director of Underwriting seemed to be a pretty impressive guy. He said that his background, he was with JP Morgan, Chase Manhattan in their underwriting or fraud department, and he was their Chief Director of Underwriting, and he had a really good feel for when a deal was -- they called it a deal, right, a deal was coming in. He could look at it and determine pretty quickly if it was one they should look at or one they shouldn't look at. And he really went back through his history and just from my experience, he even said that sometimes they'll put a deal in front of me and the hair on the back of my neck stands up, and I know this is not one that we want, you know.

Leo Vargas went through kind of the collection aspect of it, that if a merchant -- and, of course, it has a daily ACH that's being debited from their account, that if all a sudden an ACH doesn't show up one day,

that his team is on the phone that day with that merchant trying to figure out what's happening, how they could rectify the situation.

He proceeded to say that -- he said thirty percent of the merchant cash advances have problems. But he said that roughly they're able to rectify ninety percent, I think is what he was saying, whether they extend the loan terms or double up a payment next week or what have you, and that's where they've been really good at controlling the default rate. And that was from Mr. Vargas himself.

Q Okay.

I think earlier we talked about, and I was asking you about the statements, you know, that there was collateral involved, you know, when we were looking at unsecured funding, and I remember you had mentioned this is an issue, I think, you said that came up during this meeting, this visit. So tell me about that.

A I believe with the Director of Collections and then their corporate counsel, this Steven, that these guys kind of work together. That Mr. Vargas was -- his team was the ones that were -- they're trying to rehabilitate merchants if there was a problem, right. They were the ones that were in front lines trying to get, you know, payments to come in or what have you.

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Apparently, from my understanding, it had like a ninety day kind of window of like they're trying to rehabilitate. And then at ninety days, I think, they said that then it goes into legal or collection counsel or what have you, and that's when their legal staff is now pursuing them on a legal level.

Q Okay.

So how does that relate to the -- whether there was collateral or this was unsecured or secured?

A Well, they said that they would go after -- you know, obviously, they have UCC filed, and they would go after the merchant's assets or --

Q But am I correct they didn't automatic -- they would have to file a legal action to get those assets?

A That's what --

Q What they told you?

A That's what they told me.

Q Okay.

Did Mr. Ruderman, was he involved -- I know that Exhibit 45 indicates, I guess, he was there, but did he speak?

A He did.

Q Tell us about what Mr. Ruderman told you.

A He kind of came in at the end, introduced himself.

Q So he wasn't there the whole time?

A No. No.

Q Okay.

A He introduced himself, kind of gave his background and his history in business.

Q What did he tell you?

A He said that he had been in the travel business for many, many years. The conference room that we were in, the one wall was covered in photos of him with past presidents and different dignitaries from around the world. And he said that he was responsible for, you know, bringing like a ton of travel, I think, it was to Israel or -- he was like one of the main people that, you know, with tourism bringing, I guess, bringing it in, and sold the company and had made really good amount of money on the sale of the company.

And then he had approached -- I believe he said it was like the CEO or a Chairman of OnDeck and had asked him, hey, I got this money from the sale of my company, I don't trust Wall Street, you know, I don't trust stocks, you know, where would you advise a place to go? And he proceeded to say that this Chairman or somebody had referred him and said, hey, you know, why don't you look at the merchant cash advance space. And he said that's how he started, was he started with his

own capital, started the company, and he started bringing on, you know, like friends and family. And then it started to grow from there.

Q Okay.

And did Mr. Ruderman get into any details with you as far as the merchant cash advances or the lending -- the process on the lending, slash, investment side? Did he talk about any details?

A I mean, he reiterated a lot of what people had already talked about the merchant cash advance. He said that every Monday, they have a -- they have a collections meeting and that they go through like all the problem type accounts. And he says, you know, I make sure that I'm at that meeting every single week. He's like, because my own money, my own kid's money is also invested in this. And he proceeded to say at one point, you know, I have consistently averaged since the beginning over eight and a half percent per year, which, I think, is a reasonable rate of return.

MR. MILLER: When you said he consistently averaged eight and a half percent, was that 1 Global's performance across the board or for his own personal money?

THE WITNESS: The way he said it was, on my own money and my family's money, I've consistently

averaged eight and a half percent since the beginning.

BY MR. LEVENSON:

Q Did Mr. Ruderman discuss with you his personal compensation as Chairman of the company?

A Did not.

Q Did he indicate to you -- did you ever gain an understanding of who -- whether he had -- strike that.

Did Mr. Ruderman indicate to you that he controlled the money of the company?

A He did not.

Q Okay.

Hold on one second.

You mentioned that you took notes of the meeting?

A (The Witness nods head.)

Q Do you still have those notes?

A I do.

Q Would you be willing to produce them to us, send them to us?

A Of course.

Q Okay. Great. I appreciate that.

MR. MILLER: Same question regarding your brother, did he take notes?

THE WITNESS: That, I'm not sure.

MR. MILLER: Counsel, could you endeavor to

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find out, and if so, produce those?
MR. PORTEOUS: Yes.
MR. MILLER: Thank you.
BY MR. LEVENSON:
Q Actually, I was going to ask you, you know, going back, I can't remember if you said you took notes of any of your conversations at the beginning with Mr. Leddbedder.
A I did not.
Q Okay.
Have you ever heard of a company by the name of -- well, it goes by Bright Smile?
A It sounds familiar.
Q Okay.
In connection with 1st Global Capital?
A No.
Q Okay.
Did you ever -- did you know that 1st Global was sending money to Bright Smile, which is a dental -- it's a dental firm?
A I did not. The only thing that I do recall in that meeting was that Mr. Ruderman said that they're looking at other areas to lend money, you know, potentially down the road.
Q Did he mention anything specifically as to

what they're looking at?
A He did mention something like with medical or something like that.
Q Okay.
Do you recall any other details of what he said?
A No. It was just kind of flippant at the end.
Oh, and the other thing --
Q Go ahead.
A I'm just recalling some of the --
Q Go ahead.
A He said they were looking at a couple of different areas of possibly lend money on an advance basis. So one, I think, he was talking about like medical, but another one he was talking about possibly they were looking at buying -- what is it, you know, if somebody had a credit card or what have you, and they didn't pay the credit card and it goes into default, right, so the company just kinds of writes it off or what have you. He was mentioning something about like -- I don't know, something about companies buy these leads or something like that.
Q Does the name Travis Portfolio, have you ever heard of that company?
A No.

Q Do you know if 1st Global, in fact, was purchasing, what I'll call distressed credit card debt from -- or purchase distressed credit cards from Travis --
A I didn't. I wasn't aware of it.
Q Was that something that you would have regarded as an authorized use of money under the Memorandum of Indebtedness?
A From my understanding, according to the Memorandum of Indebtedness, that the money that clients were lending was going into merchant cash advances.
Q So would sending money to -- you know, lending money to a dental firm be authorized in the Memorandum of Indebtedness?
A From my understanding, no.
Q What about buying distressed credit cards debt?
A From my understanding, no. I mean, according to the Memorandum of Indebtedness, they were using it for merchant cash advance.
Q Okay.
MR. MILLER: Just so I have clarity, when you said that Mr. Ruderman was mentioning buying distressed credit debt, he was going to use lenders' money?
THE WITNESS: No. No. He was saying that he

was looking at it as another business.
MR. MILLER: For what? With what source of money?
BY MR. LEVENSON:
Q An outside business from 1st Global or part of 1st Global's business?
A The way it seems that it was something that they were exploring is the way he kind of made it look or sound like.
Q So did he say at any point that he was going to use lender money to do this?
A Never.
Q Okay.
And your understanding of the Memorandum of Indebtedness, that that would not have been permitted?
A Correct. And everything from every single person that we spoke with, that's exactly where client capital was being distributed.
Q Have you ever heard of a company called Ganador, which is a payday lending service?
A I have not.
Q If 1st Global was sending lender money to Ganador, would have that been an authorized use under the Memorandum of Indebtedness?
A Again, according to what I remember of the

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Memorandum of Indebtedness is that it's supposed to allocated to merchant cash advance.
Q Would Mr. Ruderman sending a million dollars to his son have been an accepted use of lender money?
A Probably not.
Q So I didn't want to get -- did we cover the -- well, let me go back to Mr. Ruderman. Is there anything else he discussed with you, told you that we haven't covered so far at that meeting?
A No. Then they took us on a tour of the office.
Q What did you see?
A They brought us to kind of where the executive offices were, and then their sales department, which Juancarlos was. So it was kind of where they would get what they would call deals coming in, you know, for advances or what have you. And then that department was the ones that were determining if it was a good deal or not.
Q So when you say sales, you're talking about the merchant cash advance?
A Correct. Right.
We went up to this -- they had like two floors. On the second floor was their kind of IT department, I guess, you'd call it. Yeah. Then I

forget if it was this guy Lyn or Steven. I think Steven was for the IT department, and this guy Lyn, kind of their office areas and things like that. So we kind of got to see the whole, I guess, facility.
MR. MILLER: How many hours were you there?
THE WITNESS: I believe we arrived around like noon or 12:30. Then I think we had like a 6:00 or 7:00 flight, so we had -- I think we're out of there by 5:00, 5:30-ish or something like that.
BY MR. LEVENSON:
Q Anything else that you heard or were told or saw that day regarding any of the topics we've been discussing with 1st Global?
A No. I mean, they really reiterated that they're a growing company, that their growth patterns over the last couple of years has just been increasing and doubling, that they're real strict about the money that they lend out as far as approval, and they stressed that, that, hey, we only approve one out of ten. You know, we're really strict. Mr. Ruderman was like, I'm really strict because my money's involved in this, too, as well, and I'm concerned about my return of capital, as well. So my money's alongside everybody else's money.
Q And at any point during this visit, did anyone

discuss with you any restrictions on who you offered the investment to or the lending opportunity to?
A No. As far as like a lender client?
Q Yes.
A Like they have to have so much money or is that --
Q Any restrictions like that.
A No. It was, you know, hey, a twenty-five thousand dollar minimum.
Q That was it?
A Right.
Q Okay.
MR. MILLER: Any time during that meeting, did anyone from 1st Global say, you know, now that we've shown you the place, is there anything that we can do better or you would recommend that we do better to help you and your sales effort in attracting clients to 1 Global?
THE WITNESS: No. I mean, I think Mr. Merkelson stressed that, you know, if you guys ever need anything, just let us know, and we can see how we can assist it, but that's pretty general.
MR. MILLER: Did anyone at any time during that meeting say to you, do you have any comments or questions on the marketing materials, are they effective

to clients and customers, do you think they're getting the job done for you?
THE WITNESS: No. And we didn't really use their marketing materials. I mean, they sent this stuff out periodically, and we look at it and review it, but we weren't handing it out to clients or anything like that.
MR. MILLER: Did you have any understanding as to who drafted and approved and authorized the marketing materials?
THE WITNESS: No, I don't know who's drafting those. At the end of a lot of the material, it list people's names and things like that, so --
MR. MILLER: Sure.
THE WITNESS: But I don't know specifically who was drafting those.
MR. MILLER: And just one other thing I neglected to ask before. When you presented 1 Global as an opportunity to your clientele, what percentage of your clientele that you presented this to actually ended up purchasing?
THE WITNESS: I don't know. That's a broad answer or -- I don't know if I have the exact figures.
MR. MILLER: Ballpark. What's your close rate?

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THE WITNESS: I don't know. Maybe sixty percent, seventy percent. As I said before, it was always as a choice.

MR. MILLER: And as far as the ones that did invest, what percentage elected to rollover the investment?

THE WITNESS: I think the majority of them.

MR. MILLER: Ninety percent?

THE WITNESS: Ninety percent.

BY MR. LEVENSON:

Q Do you recall specifically how many of your clients have actually redeemed their investment after nine months?

A That's a number I'd have to verify for you. I mean, just off the top of my head, I think maybe six, seven, eight, somewhere in that area.

Q Okay.

So let me just go ahead and ask you --

MR. PORTEOUS: I'm sorry. We're coming up on 12:30. Is this a natural stopping point?

MR. LEVENSON: I think it's actually a good stopping point. I mean, I do have a little while to go. I mean, like I said, probably another one to two hours.

MR. PORTEOUS: Maybe we just go down to like -- is there a cafeteria in the building?

MR. LEVENSON: There's a small little stand on the first floor.

Let's go off the record at 12:29.

(Whereupon, at 12:29 p.m., a luncheon recess was taken.)

A F T E R N O O N S E S S I O N

(Mr. Miller is not present in the room.)

MR. LEVENSON: So we're going back on the record at 1:19 p.m. We've been off for about fifty minutes or so for lunch.

BY MR. LEVENSON:

Q Is it correct there were no conversations of substance between you, Mr. Pellegrino, and the staff during our break?

A No.

Q There were not?

A There were not. I'm sorry.

Q Okay.

(SEC Exhibit No. 46 was marked for identification.)

BY MR. LEVENSON:

Q So I wanted to show you what we have marked as Exhibit No. 46, which is a January 2nd Email from Laura Rand with a number of attachments, Laura Rand of 1st Global Capital.

Take whatever time you want to review it. I'm not going to ask you too many detailed questions, but let me know when you've reviewed Exhibit No. 46.

Have you reviewed Exhibit 46 enough to recognize what it is?

A I do, yes.

Q Okay.

Can you tell me what it is.

A It's promotional material that's sent out from 1st Global.

Q Okay.

Laura Rand -- did you receive this Email and the materials attached to it on January 2nd of 2018?

A Yes.

Q Okay.

Throughout the testimony today, you referred to occasional, you know, updates or Emails that -- marketing materials that you received from 1st Global. Is this one such Email?

A Correct.

Q Okay.

When you received Emails like Exhibit 46, I mean, how closely did you look at them?

A We'd review. So I'd get the Email and just review what was in the materials.

Q I mean, five minutes, two hours?

A You know, I'd read through everything, I guess, is a good way of putting it. You know, some of the materials can be redundant, like it's just repeated materials or what have you.

Q Typically, were there many changes from update to update?

A Not too often. I mean, at the bottom of the frequently asked questions page -- it's showing 1/2/2018. This page was pretty consistent, you know, through the other versions, I guess.

Q Okay.

Did you -- did you ever share any of these marketing -- let's start, did you ever share the frequently asked questions with clients?

A I never handed it to clients.

Q Handed, you mean like handed, mail, sent, period?

A Right.

Q And any of these other materials attached the history or the -- what they call the history or the lender brochure, did you ever share any of these materials with clients?

A I did not. I did not share these materials with clients.

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Q Did you use them to fashion your presentations or your conversations with clients?
A Of course, I would gain information from this material and be able to communicate it to clients.
Q Okay.
And this was all drafted by the company, right?
A That's correct.
Q Okay.
And you didn't -- I mean, did you have any way of, you know, essentially going behind any of the statements in any of these marketing materials to determine whether they were true or false?
A Did I -- I guess I don't --
Q Did you have any means of independently confirming what the company was telling you in these marketing materials?
A Again, I'd review the information. It's pretty consistent with a lot of the things that they already communicated.
Q Right. But my question is: Did you have a way of like determining whether any of these -- you know, you relied on the company for the truth and accuracy of the statements in here; is that fair to say?
A That's a fair statement.

(Mr. Miller enters the room.)
BY MR. LEVENSON:
Q Okay.
Did you have any way of independently determining whether any of the statements were true or false?
A No.
Q Okay.
When you read through these materials, did you ever find anything in here that you questioned as far as the truth of it at the time that you read them?
A At the time that I read them, it coincided with a lot of what was communicated from 1st Global throughout, I guess, almost a year, right, that we had been speaking with them, and it also coincided to in their Memorandum of Indebtedness. Everything pretty much matched what they were communicating versus material that they were putting out as you see here.
Q Okay.
(SEC Exhibit No. 47 was marked for identification.)
BY MR. LEVENSON:
Q All right. So let me now show you what I've marked as Exhibit No. 47.
Let me know when you've had a chance to review

it. And, again, I'm going to ask you similar questions to the last exhibit.
Have you had a chance to review Exhibit 47?
A Okay.
Q You had a chance to review Exhibit 47?
A Yes.
Q Do you recognize it?
A Yes. It was an Email sent from Ms. Rand in March.
Q Did you receive this Email from Laura Rand on March 6th of 2018?
A Yes.
Q So is this another one of the periodic updates with marketing materials that 1st Global sent?
A Correct.
Q Did you have any -- did you ever speak with Laura Rand? She was the business administrator.
A I never spoke to Laura personally. I had the opportunity to meet her just recently. I did another site visit at the end of May 2018. And that was the first time I met Ms. Rand.
Q Okay.
Again, do you know who specifically within 1st Global drafted the materials attached to Exhibit 47?
A That, I do not.

Q Okay.
Again, when you received Exhibit 47, did you review it?
A This one, I believe I did. I can't recall.
Q Okay.
I mean, was it your practice when you got these periodic updates from 1st Global to look at them?
A Uh-huh.
Q Okay.
MR. MILLER: Is that a yes?
THE WITNESS: Yes.
BY MR. LEVENSON:
Q Again, do you recall anything in here that had substantively changed from the prior marketing materials?
A I mean, it pretty much looked identical.
Q Okay.
I noticed actually in the frequently asked questions of both this one -- both Exhibit 47 and 46, that there's a reference to -- and I'm specifically looking at question three in those, it talks about syndicate partners.
A Okay.
Q Is it your understanding that a syndicate partner is the same thing as a lender?

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A Yeah.
Q Had you seen that term before or heard that term?
A I had.
Q Do you know why 1st Global used the term "syndicate partner"?
A I have no idea. It references clients as lenders or syndicate partners of 1st Global.
Q Okay.
In your mind, was there any substantive difference between a lender and a syndicate partner?
A No. They, basically, said it's the same thing.
Q Okay.
1st Global told you that?
A Yeah. Syndicate partners were lenders, I guess.
Q Okay.
If you look at the frequently asked questions in -- actually, let's start with Exhibit 46 first. Question fourteen on the second page of the frequently asked questions. It says, "How are syndicate partner account performances verified?" And the answer is, "An external accounting firm validates syndicate partner portfolio performances and balances quarterly." Do you

see that?
A Yes.
Q Do you know if that's referring to the firm Daszkal Bolton that was mentioned in the client account statement that's Exhibit 40 that we looked at earlier?
A I believe it does.
Q Okay.
And did you ever speak with anyone from Daszkal Bolton about their work?
A I did not. I believe, if I remember correctly, in the -- this one form here putting cash to work for merchants -- where is it at -- if you look under -- the second page it says, Our company.
Q Okay. What's the bold number at the bottom of the page?
A It's 5276.
Q Okay. Go ahead.
A So our company, if you go to the last paragraph, the last sentence, I believe it is, where it says, "We are represented by the law firm of Kopelowitz Ostrow and accounting and auditing services are provided by the firm Daszhal Bolton." So that's kind of that reference, which kind of tied together to the statement where on the statement it said it was verified by Daszkal, the frequently asked questions and then, Our

company.
Q Did you have -- did you know at the time that Daszkal Bolton had not performed any work for 1st Global since 2015?
A I did not.
Q Do you know that Daszkal Bolton had not -- did not verify syndicate partner or validate syndicate partner portfolio performances and balances quarterly?
A I did not. From what I was told, Daszkal Bolton does --
Q Okay.
You'll see the same thing in Exhibit 47 under question fourteen, frequently asked question fourteen. You see there it says, "An external accounting firm validates syndicate partner loan balances quarterly," similar, but not identical language to 46.
If, in fact, you had learned at any time, either January or March 2018, that Daszkal Bolton was not doing the work that is represented here in the frequently asked questions or in the lender brochure, would you have reconsidered whether you continue doing business with 1st Global?
A It's quite possibly if we're finding that material evidence, obviously, at that point. I will say that in -- I believe it was March of 2016 -- or.

Q '18?
A 2018. I apologize. In March of 2018, I did reach out to 1st Global to find out if they had -- on a due diligence level to find out if they had audited financials.
Q What caused you to do that?
A We were having like a routine SEC examination for our firm, and providing materials for that examination, they had asked about 1st Global, and if we had any financials. So he we reached out to the company, asking about, do you have audited financials? They had --
Q When you say we, was it you?
A Yeah, I did. I apologize.
Q No. That's fine.
And who did you talk to at the company?
A So I reached out to -- I'd have to look up their name again. I believe spoke with or Emailed Scott Merkelson. Maybe spoke with him. And, basically, they said they're a private firm. They don't have audited financials, but they're working on right now with an outside firm to begin getting audited financials put together. We got a communication from 1st Global explaining their relationship at that time with Daszkal Bolton.

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Q This was in March of 2018?
A Yes.
Q What did the communication say?
A I don't have the communication in front of me, but, I believe, it was sent to my brother, and it just kind of explained their relationship, in that we use Daszkal Bolton on an ad hoc basis to review client statements or something to that effect.
Q Did -- I don't recall and if I missed it. Was that in the materials you produced, that communication?
A No. We haven't got those put together yet. I think that was a communication that was sent to my brother.
Q Okay. Would you be able to send that --
A Oh, yeah, absolutely.
Q Okay.
A So what we were trying to find out is, when are you going to have audited financials? Okay. Shortly after that, they proceeded -- Mr. Merkelson called me and said, hey, listen, I spoke with Mr. Ruderman, again, we're a private firm, so we don't have audited financials. We do have financials that we produced as a company. We're working on audited financials. They're probably not going to be done till the end of the year. We're in the process of choosing an

auditing firm that we want to work with.
At that time, he did invite me to come down. He said, Mr. Ruderman, though, would -- he's an open book. He said, come on down, he'd open up his financials for you to review them with him personally. So I, of course, accepted that offer.
Q Okay.
The communication, did it come from a specific person?
A That was a conversation with Scott Merkelson.
Q No. The -- okay. You said your brother had gotten some communication explaining the relationship with Daszhal Bolton.
A Correct.
Q Was that an Email?
A I believe it was.
Q And do you know who --
A I don't remember who it came -- but it was somebody like in their -- I don't know, Chief Financial Officer or accounting officer or somebody.
Q Do you remember a name?
A No, I don't. It's something I can, obviously, find out.
MR. PORTEOUS: We'll produce the Email to you.
Just a statement for the record, I think we

talked very briefly before about supplementing our production.
MR. LEVENSON: Sure. Absolutely. No. I appreciate it.
BY MR. LEVENSON:
Q Did anything in the communication cause you any concern as to whether 1st Global had been accurately representing its relationship with Daszkal Bolton up until that time?
A No. Because even in my visit -- so I did a visit, I think, it was the very last week of May 2018. At that visit, Mr. Ruderman had -- you know, I was just straight with them. I said, you need to understand from my perspective as having clients that we've referred to you, you know, we need to be doing our due diligence and make sure that everything is on the up and up. And he proceeded to say that he had -- I just had had lunch last week with Michael of Daszkal Bolton, what I'm willing to do is set up a meeting, have you come back down here to Florida, you can meet with Michael personally and ask him whatever questions you want to ask about our company.
Q Did you take him up on that offer?
A I said, of course, you know. And I said, I don't know if I want to make a trip back. You know

what, if we could possibly even just, you know, schedule some sort of a phone thing, I said, but if I can avoid flying back to have a sit down. And he says, I'll make it happen. That's what he said, I'll make it happen.
Q Did he?
A No.
Q Did you ever speak with Michael Daszkal?
A I did not.
Q Okay.
A I did -- a couple of weeks after I'd gotten back, of course, I'm in the thick of things with normal business activities, I had followed back up with -- I think it was Mr. Merkelson saying, hey, you know, Mr. Ruderman had said that he'd set up a meeting with Michael Daszkal, and I'd like to get that meeting set up.
At that meeting with -- in May --
Q May?
A -- Mr. Ruderman also had proceeded to tell me that they were in the process of hiring like a high level -- he said, we realize we're at a point where -- we're a private firm, we don't necessarily have to have audited financials, but we're at a point where we need to have audited financials in order for us to bring on like institutional funds. They were also referencing

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that they were in the process of launching a Reg -- a Regulation D product, a securities product in Colorado, and their attorneys were working on that at that time, and they realized this. He said that they were in the process of interviewing to bring in a high level CFO, that Mr. Daszkal had told Carl, you're at a point where you need -- so he says we understand it's going to take several months for us to find that right CFO, so Michael is sending over one of his accountants to fill in for that spot until we do hire a CFO, I believe, is what he was referring to.

Q Did he say who that was?

A As far as?

Q Who the person Daszkal is sending?

A No. He just said, Michael -- because he says he's friends with Michael. I'm friends with Michael. All right. Michael is sending over an accountant to fill in because it's going to take us several months until we can find the appropriate person for that position.

Q So when you went back to Mr. Merkelson to say about that, what Mr. Merkelson's response?

A He said, yeah, let me get back to you on that.

Q Was this a phone call?

A I believe it was, yes.

Q Okay.

And in June, you think it was?

A I think it was end of June or beginning of July.

Q Okay.

Did Mr. Merkelson ever get back to you on that?

A And then he got back to me saying, hey, I'm able to set up a meeting with Harry Levenstein or something. I'm probably off by the name, the last name, but I know his first name was Harry. Hey, I'm able to set up a meeting for you to sit down with Harry whoever, you know, that reviewed the financials. I said, okay, that's great, you know, let's schedule a time, can we do a time like next week Tuesday or something like that? Then his response was, hey, Harry's out of the office on a project, but let me get with Harry and then I'll get back to you on scheduling a time.

Q So Harry was a 1st Global employee?

A That's where I'm little bit unclear. I didn't know if it was a 1st Global person or if this was the accountant person that was being sent over by Daszkal.

Q But that meeting never happened?

A It didn't happen.

Q Okay.

So you never wound up speaking with anyone from Daszhal Bolton?

A Huh-uh.

Q And did you ever look at any financials for the company?

A I did.

Q You did?

A Yes.

Q When you were down there in May?

A Correct.

Q All right. So what did you look at?

A Mr. Ruderman had pulled out his personal computer. So the conference room that I'm in is right next to his office. So in that meeting here, he says, hold on, I'll be right back. He goes into his office. He grabs his personal computer and brings it in, and then he types some stuff. Sits down right next to me and turns the screen. He's got all these spreadsheet on there. He's showing me, okay, here's January of 2018, okay, here's the receivables, here's, you know, this expense, that expense. And then, okay, here the bottom line for that month, we were positive, and I don't recall the exact number, you know, one point two million.

Q What format? Was it an Excel spreadsheet?

A Yes.

Q Was it Quickbooks?

A It was like an Excel spreadsheet, and it had like the months, you know, delineated, here's January, here's February, here's March. He said on average, they're averaging a profitability of two million dollars a month.

Q Do you know, was it an income statement, a profit and loss, balance sheet? What was it?

A It looked like an income expense format, because it would show what the total receivables were, and then it would have the different expenses. And then at the bottom, it was what the net return was for that month.

Q And was this, basically, the -- okay. I mean, did it show, for example, lender money coming in, what you looked at?

A As far as one of the line items?

Q Yeah.

A I believe it did.

Q Did it show, you know, merchant cash advances, money going out?

A Correct. It was like one of --

Q And then coming in?

A Yeah. Okay. Here's like the referral fee

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that we pay out for like people like myself. He had it line itemed.
Q Okay.
Do you know who had prepared this?
A That, I do not.
Q And for what time period was it showing?
A He had shown me, I believe, it was for the last six months. When I was there, I think it was like December, January, February, March through April.
Q Okay.
I mean, what did you think of what you saw? I mean, did it look like a legitimate income statement to you?
A It did. And it varied from month to month. He said, on average, we've been profitable after all is said and done about two million a month.
Q Is that what it showed?
A Well, it was variable. Like one month I saw it was like maybe one point two, one point three. One month I saw, it was like three hundred grand. Another month I saw, it was, you know -- I don't know, two point three million. So it was variable on the screen for sure. He said, on average, we're about profitable at two million a month.
MR. MILLER: Anybody that went with you

besides Mr. Ruderman?
THE WITNESS: I think Mr. Merkelson was.
MR. MILLER: Anybody else.
THE WITNESS: I don't believe so.
BY MR. LEVENSON:
Q Did that give you some comfort, I guess, that the company was being upfront with you about its finances?
A Of course. But then the reiteration was, you know, I still kind of press for the Daszkal Bolton, right.
Q Right.
A And that's where he's like, hey, I'll set up a meeting, you know, I'll set it up. You want to fly back down to Florida, I'll set up a meeting with you and Michael.
Q When you learned that they actually -- when you first started inquiring and you learned that they did not have audited financial statements, did that surprise you in any way given some of the statements that you had previously seen?
A Not necessarily, because understanding it's a private firm, as opposed to a public firm. One of the things that they had said that they were starting to attract hedge funds and institutional money, but the

hedge funds and institutional money, before they would start to give them money, they wanted to see audited financials.
MR. MILLER: Your brother was in the meeting, as well?
THE WITNESS: In May of 2018?
BY MR. LEVENSON:
Q Yes.
A No.
Q Just you?
A Just me.
MR. MILLER: So it was just you, Merkelson, and Ruderman?
THE WITNESS: At that point.
MR. MILLER: Looking at the computer?
THE WITNESS: Correct.
MR. MILLER: Did you ask for a printout?
THE WITNESS: I did not.
MR. MILLER: Why not?
THE WITNESS: I didn't think about it at the time.
BY MR. LEVENSON:
Q What else did you discuss at that meeting with Mr. Ruderman? Did you discuss anything else about the company?

A He said that 2008 was going really well for them, that they --
Q You mean 2018?
A I'm sorry. 2018 was going well, that they believe by the end -- I believe they said they were ranked like number eight as far as merchant cash advance companies. That they thought by the end of year they'd probably close to number five, the fifth largest merchant cash advance company that's out there. He said at that time too that they were approving one out of eleven, as opposed to one out of ten. And their legal counsel -- and her name slips me, but I can find it out for you, that she said at that time, they were averaging a three point seven percent default rate.
MR. MILLER: A three point seven percent default?
THE WITNESS: Yes.
BY MR. LEVENSON:
Q I noticed -- again, back we were in the frequently asked questions, I think, for one of the exhibits, but the frequently asked questions refer to the write-off rate. I think it's on the first page of them.
A Yes.
Q Do you know if the write-off rate is the same

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as the default rate?
A That was kind of what they were referring to is the write-off rate was three point seven percent.
Q Okay.
Is that the same thing, at least in your experience and conversations with 1st Global as the default rate, or is that something different?
A To kind of clarify, I guess, because when I went for that second meeting, their legal counsel, who essentially is the one that handles the collection, right, if somebody goes into default, along with Leo Vargas, basically, they kind of walked me through their collection process. They kind of showed me that it's a ninety-day process that they go through.
As I said before, Leo's teams is the ones that are trying to -- he said roughly about thirty percent become what are called problems, right. But Leo reiterated that ninety percent of the time they're able to rehabilitate those. The legal counsel, the woman said that, basically, it comes to her lap if all avenues are exhausted and they can't collect funds. Now it's her job to pursue them legally.
MR. MILLER: Was her name Courtney?
THE WITNESS: Do you have a last name?
MR. MILLER: Banon? I'm speculating --

BY MR. LEVENSON:
Q That ninety-day window, was that after that ninety days, is that what was considered written off or in default?
A Correct.
Q Are those terms synonymous with 1st Global, do you know?
A As far as how they've explained it to me was that thirty percent of the loans have some sort of a problem.
Q No, I know, but I'm just saying the term "default rate" and "write-off rate," are they the same thing?
A They're interchangeable, correct.
Q Do you recognize the name Richard Samuels?
A It sounds very familiar.
Q Is he the accountant who you might have spoken with you do you know at some point in the spring or summer of 2018?
A I'm not sure. But the name does sound very familiar.
Q Okay.
All right. Let me -- anything else you discussed at that May meeting as far the company's finances that we haven't covered?

A Not that I can recall at this moment.
Q Okay.
MR. MILLER: How did that make you feel when you saw the Excel spreadsheet on Mr. Ruderman's computer?
THE WITNESS: How did it make me feel?
MR. MILLER: Yeah. Did it increase your confidence to sell more?
THE WITNESS: Not necessarily.
BY MR. LEVENSON:
Q Did it give you comfort that the company was being honest with you?
A Well, they're showing me material. He's offering to set up a meeting with Michael Daszkal, I'll set up a meeting -- I just had lunch with Michael last week, I'll set up a meeting with you, you come down to Florida, you know. Okay. So he was very adamant about, here, I got nothing to hind, here's the financials, I'll set up a meeting with you.
Q Okay.
And did Mr. Ruderman represent to you that the company had been profitable up until that point?
A He did.
Q Okay.
MR. LEVENSON: Let me go ahead and mark the

next exhibit. It's going to be 48.
(SEC Exhibit No. 48 was marked for identification.)
BY MR. LEVENSON:
Q I place in front of you a two-page document. It's Exhibit 48.
While Mr. Pellegrino is reviewing Exhibit 48, some of you have a copy of it that shows an Exhibit 2 on it. That's a FINRA exhibit sticker. I believe it was a document that they showed to Mr. Pellegrino, as well. It's not on Mr. Pellegrino's copy. I just went ahead and put the exhibit over it.
MR. PORTEOUS: Okay.
THE WITNESS: Okay.
BY MR. LEVENSON:
Q Okay. So what we've marked as Exhibit 48 is a two-page document on Goldstone Financial Group, I guess, letterhead or stationary entitled, Memorandum of Indebtedness, MOI, Statement of Understanding.
Do you recognize Exhibit 48?
A I do.
Q And what do you recognize it as?
A It's a document that we use for kind of clarifying, understanding for clients.
Q We, meaning Goldstone Financial?

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A Correct.
Q Okay.
So was this given to each client who invested or who lent money to 1st Global?
A Yes.
Q Okay.
Did you -- do you keep signed copies of the Exhibit 48 for each client who became a lender?
A We do.
Q Do you have those still with the firm?
A Uh-huh.
MR. LEVENSON: Is that amongst the documents --
MR. MILLER: Is that a yes?
THE WITNESS: Yes.
MR. LEVENSON: Okay. Thank you.
Are those that amongst the documents that you're still going to produce in the second wave, or can you?
MR. PORTEOUS: Absolutely. I don't know if it got picked up in, perhaps, in one of those requests, but we don't have any problem producing that. That's fine.
MR. LEVENSON: Okay. No. I'd like to see them.
MR. PORTEOUS: Maybe when we get to the end

we can talk off-line in terms of the scope of things that you're looking for. I think there are a few other categories of things that have come up that we can provide some assistance on.
MR. LEVENSON: Okay. I appreciate that.
BY MR. LEVENSON:
Q So who came up with the wording generally for Exhibit 48? Was this something that someone at Goldstone drafted or someone at 1st Global?
A I believe that Trae Wienewitz drafted this.
Q Okay.
Did you get the substance of Exhibit 48 from Trae Wienewitz?
A That's correct.
Q Okay.
Do you know where he got it, if he drafted it, or he got it from 1st Global?
A I believe he drafted it, and he just provided a copy that he was using this to us. He said that --
Q No. Go ahead.
A And, I think, he provided a copy of this to Mr. Leddbedder.
Q Okay. How did he come to provide it to you? Was it something you asked for, or he just said, here, you might want to use this?

A You know, I don't remember exactly how that communication went. I believe it was a document that we received in June of 2017.
(Mr. Miller leaves the room.)
BY MR. LEVENSON:
Q Okay.
And did Mr. Wienewitz tell you that he had sent this to Mr. Leddbedder?
A Yes.
Q Okay.
Did he tell you whether Mr. Leddbedder had a reaction to it?
A He came back and said that Mr. Leddbedder didn't think this was a good idea to use this with clients.
Q Why was that?
A Because he said that by having clients initial and sign off on the document like this, then we may be -- it could be construed by regulators possibly down the road as like a security disclosure. I kind of disagreed. My brother and I disagreed. We felt that this gave more clarification and understanding to the clients, that you're initially understanding that the money I'm putting here, it's not liquid. There's not a public market. I think we were being forthright and

upfront by providing more information than not enough is how we looked at it.
(Mr. Miller enters the room.)
BY MR. LEVENSON:
Q Did you personally have any conversations with Mr. Leddbedder or anyone at 1st Global about this Exhibit 48?
A I did not.
Q Okay.
So did you understand that the company did not want you to give this to clients?
A I mean, I wasn't under the impression that 1st Global didn't want us to. Mr. Leddbedder was saying to Trae that he didn't feel that this was necessary.
Q Okay.
So I just want to ask you about a few of the statements in there. Did you make any changes to this document from the version that Mr. Wienewitz sent you, other than putting it on Goldstone letterhead?
A Yeah, we put it on our letterhead, obviously, the boiler plate information on the back side.
Q When you say the boiler plate, you're talking about the very bottom of page --
A Yeah, investment advisors --
Q Let me finish -- the very bottom of page

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00485?
A Yes.
Q Okay.
Any other changes?
A I'd have to go back and review the original documentation that we got from him because there may have been some things that we changed up in the top here.
Q Can you identify any now?
A Again, I don't know exactly. It may have been like the net worth, liquid net worth, you know, gross annual income, the risk of -- you know, aware that there may be a risk of your account with loss of principal.
Q You think you added those categories?
A Possibly. Again, I don't have that original documentation to compare it against.
Q Right.
A Right.
Q I understand. And I apologize for cutting you off. You started to say, we revised this --
A This is one of -- because we revised this document also at the beginning of 2018.
Q And how did you revise it?
A Added more information.
Q What information did you add?

A We added the understanding of what's called a distribution phase of the monies.
Q And where is that on here?
A That's not on this one.
Q So is this an older version?
A This is an older version, correct.
Q Okay.
And so, again, I'm sorry, what was it that you added?
A If you remember when we were talking on Exhibit 44 about that --
Q The grace period?
A Yeah, the grace period. We had put that on there, as well.
Q Okay.
The later version of this included some information that it would be longer than nine months for a full payout --
A Correct.
Q -- is that what you're saying?
A Correct. There was a -- and I don't know if it's included in the Emails that we forwarded to you, that there was a communication that came from 1st Global explaining the grace periods depended upon the dollar amounts that were lent by a lender is a good way of

putting it.
Q Let me see if we can show you that while we're talking about this.
MR. LEVENSON: So let's go ahead and mark this as Exhibit 49.
(SEC Exhibit No. 49 was marked for identification.)
BY MR. LEVENSON:
Q I'm placing a document, it's an Email, dated December 29th, 2007 (sic) in front of you. It is from Laura Rand. A two-page document.
A Correct. I have two copies.
Q Oh, that would explain that.
Do you recognize Exhibit 49?
A I do.
Q Okay.
Is this the document you were talking about just a minute ago in terms of further explanation of the payout for the grace period?
A Yes.
Q Okay.
And specifically I'm looking at the bottom of the first page of Exhibit 49. It talks about a distribution schedule, and it says, "For lenders who have deposited less than two hundred and fifty thousand

dollars, three-month payout." And then further down, it says, "For lenders who have deposited more than two hundred and fifty thousand dollars, six-month payout."
A Yes.
Q Okay. Is that the information -- first of all, is that the information you added to the later version of Exhibit 48?
A It is.
Q Okay.
Prior to this, getting this on December 29th of 2017, was this -- to your knowledge, was this the distribution schedule, or did it change with this document?
A I think this was clarified, because, I think, there was some confusion behind it a little bit. Because of the way it was originally conveyed to me from Mr. Leddbedder is that when it matures at nine months, it could take several months after as the merchant cash advances are unwinding is how he kind of referenced to it.
Q And that was the reason for the nine to twelve months on Exhibit 44?
A That's correct.
Later that year we received -- you know, at the end of the year we received this with further

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clarifying. Okay. So here's kind of the line in the sand, right. If they have this amount of money, it's a three month. If they have above that amount, it's a six months.

Q So it wasn't that specific before?

A No.

Q Okay.

But it was understood that there would be some period of months after for a redeemed note to fully pay out?

A Correct.

Q Okay.

So going back to Exhibit 48. On the first page, the first sentence of the text says, "A Memorandum of Indebtedness, MOI, is a private commercial loan."

Again, is that language that came from Mr. Wienewitz in his version?

A Yes.

Q Okay.

So at what point -- so at the point where, as I understand this, it's a private commercial loan -- this is saying, it's a private commercial loan when lender sends his or her money to 1st Global?

A Correct. Because they were referenced as lenders. That you are lending money. You weren't

investing money. You were lending money.

Q Okay.

And to your understanding, is this statement, the factual basis for this statement the same as the comments that Mr. Leddbedder had made to you regarding why this was not a security?

A That's correct.

Q Okay.

The second sentence says, "Typically, MOIs are not regulated by any state or federal securities agencies, insurance agencies, or banking agencies."

Again, was that wording Mr. Wienewitz's?

A Yes.

Q And was that your understanding of the facts?

A Yes.

Q That there was no other regulatory, federal or state regulatory scheme that covered these transactions?

A That's from my understanding, yes.

Q Okay.

It says, "MOIs are regulated by traditional commercial and business laws," is the next sentence.

Again, was that the wording in Mr. Wienewitz's version that he sent you?

A Yes.

Q And what traditional commercial and business

laws is that referring to?

A I believe it's under contract law. It's a contract between the lender and 1st Global.

Q Okay.

So --

A Or MOI, the Memorandum of Indebtedness, right, the contract with 1st Global.

Q So your understanding is traditional contract law regulated these transaction?

A From my understanding.

Q Okay.

There was nothing else?

A Correct.

Q Okay.

The language in the second paragraph, "In an MOI transactions, clients, lenders lend funds to 1st Global Capital, who then advance the funds to multiple commercial borrowers and merchants."

That's your understanding of how the process worked?

A Correct.

Q And was that in Mr. Wienewitz's version that he sent you?

A Uh-huh.

Q Is that a yes?

A Yes. Yes.

Q Okay.

It says, "The proposed MOI transactions are nine months in length and diversified in multiple merchant advances to reduce the risk to one GC and to the clients."

Again, is that in Mr. Wienewitz's version?

A Correct.

Q Okay.

And is that your understanding of the transaction process?

A Again, according to the Memorandum of Indebtedness provided by 1st Global, yes.

Q Okay.

And then there are three bullets points that say what MOIs are not. Again, are those -- were those three bullet points in the version that Mr. Wienewitz sent you?

A Yes.

Q And is that your understanding of the situation?

A Oh, I understand that -- from my understanding it wasn't a bank, you know, a banking product, right. It wasn't an insurance product, and it wasn't a security, like a mutual fund, stock, or a bond. So that

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would be why.
Q Okay.
And then it says, "In general, under the federal securities acts notes with a maturity of nine months or less are not," and the not is bolded and underlined, "considered securities," and then it quotes a section of the security -- a definitional sections of both the Securities Act and the Exchange Act.
Was this language in Mr. Wienewitz's version?
A Yes.
Q Okay.
Was the fact that the word "not" underlined and bolded the same in Mr. Wienewitz's version?
A I believe it is, yes.
Q Okay.
I notice it says, in general. Do you know if there are exceptions to that nine-month rule?
A Again, I'm not a, you know, securities attorney or an SEC examiner. I can't say that I'm qualified to interpret, right. I did look up the Securities Act and found information online that referenced that commercial paper that was not -- you know, according to that act number, right.
Q So it would be fair to say, you accepted the company's interpretation or the company's conclusion on

this issue?
A Correct. And I also relied upon Taylor Capital Management in providing information to them as if this was an outside business activity or a private securities transaction, which they clearly signed off on that they looked at it as an outside business activity.
Q On the second page, so am I fair to say you've had clients initial and sign each one of these statements, and then sign it overall?
A Yes.
Q Okay.
So the last area for an initial it says, "I/we acknowledge that the proposed MOI transactions are nine months in length and will automatically renew for an additional nine-month period or periods and will continue ongoing, unless notified." That's the first sentence of that section.
Was that in Mr. Wienewitz's version?
A I don't believe it was.
Q Is that something that you -- Goldstone added?
A Yes, I believe it is.
Q Why? Why was that?
A Again, wanting to provide clarity and understanding to the client that these are nine months in length and that they're going to automatically renew

after that initial nine-month period for another nine months. So there was no conflict. If it renewed and then the client's calling saying, you know, at month ten or eleven saying, hey, you know, that thing matured last month, where's my money? Well, this is clarifying that, hey, it's a nine month -- according to the MOI it's nine months. So this is just tying back to the original MOI that they signed with 1st Global Capital, right. Then it's nine months, and then it's automatically renewed for another nine months.
Q Did you ever have any discussions with Mr. Wienewitz's or anyone at 1st Global about whether the fact that there was an automatic rollover provision made this not a nine-month note?
A I did not.
Q Okay.
Did you ever hear anyone talk about that?
A As far as?
Q Whether the automatic rollover made this not a nine-month note.
A From my understanding, it was a separate transaction. So it was nine months, and then once that matured, then the next nine months was a secondary transaction.
Q And who told you that?

A Just from reading the MOI and understanding how the maturity dates worked.
Q So that was a 1st Global representation?
A Well, the other side of it is the -- like if we look at the compensation part of it, we were compensated on that nine months, and then if it matured, we weren't compensated going forward from there. If it renewed, then you were compensated again.
Q That wasn't my question. My question was on what is your -- you made the statement that it's a separate -- your understanding was it's a separate transaction. My question is: On what is that understanding based?
A Based on the MOI.
Q Okay.
Provided by 1st Global?
A Correct.
Q Is there anything in the -- did you draw that conclusion from the MOI? Is there anything in the MOI you can point to that says it's a separate transaction?
A Not necessarily, but from my understanding, it's nine months, and then it's going to mature, and then start another nine-month period separately.
Q And that came from reading the MOI?
A Correct.

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Q Okay. Well, when we get to MOI, you can point out to me the specific parts of it that -- which we're about to, that led you to conclude that it's a separate transaction.

MR. MILLER: I have a couple of questions on this document, if I may.

MR. LEVENSON: Okay.

MR. MILLER: On the first page, it says, "There is some degree of potential risk of loss of principal in some circumstances."

Was that in Wienewitz's, or did you draft that?

THE WITNESS: I believe it was.

MR. MILLER: Was what?

MR. PORTEOUS: You asked a compound question, so --

MR. MILLER: Sure. Let me ask it a little cleaner. Did you write, There is some degree of potential risk of loss of principal in some circumstances?

THE WITNESS: I'm not sure if that was on Wienewitz's or if we did that. I can't answer that.

MR. MILLER: What does that mean, that sentence?

THE WITNESS: That's there's, obviously,

potential risk with any type of -- whether it's an investment or a lending opportunity or what have you, that there's a degree of risk with anything that you invest in.

MR. MILLER: Okay. Well, there's some degree of risk, so let's start with that. Did you quantified that to any customers?

THE WITNESS: Oh, of course. We always tell clients that's there's always going to be risk associated with any type of investment. I mean, if we reference to the second page, one, two, three, four -- fourth line down, there's a line there that it says, We're aware that there may be risk to our account and loss of principal is possible. We're clarifying that there's potential risk.

MR. MILLER: But that wasn't my question, though. I said, did you quantify the degree of what you meant by some degree of risk?

THE WITNESS: I don't understand what you mean by quantify.

MR. MILLER: Was it a five percent risk, ten percent risk, a hundred percent risk?

THE WITNESS: I couldn't quantify it.

MR. MILLER: That's all you had to do was answer. I just was simply asking, did you quantify it?

THE WITNESS: I did not.

MR. MILLER: Okay.

And then some circumstances, what are you referring to there?

THE WITNESS: Again, I believe it has to do with, obviously, the contract itself, 1st Global, right, the -- paying 1st Global itself. It goes back to diversification.

MR. MILLER: And in the first sentence says -- my colleague alluded to, it says, A private commercial loan. What does a private commercial loan mean?

THE WITNESS: From my understanding on that line there, is that it was a private loan from a lender to 1st Global, that was then lending that money out to small businesses or merchants essentially, which would be considered small businesses or commercial lending, I guess.

MR. MILLER: So forget the language that's there. What is a commercial loan?

THE WITNESS: From my understanding, a loan between like a small business or a large business, that would be a commercial loan.

MR. MILLER: What's the other side of the party there? Who's the counter-party?

THE WITNESS: Well, you have the lender and

you have 1st Global.

MR. MILLER: No. In an instance of a commercial loan, who are the two parties?

THE WITNESS: Well, in this instance, it would be the lender's lending money to 1st Global. Then 1st Global lending that money to merchants.

MR. MILLER: And how did you get that understanding, other than by reading the MOI?

THE WITNESS: Again, this was originally in Mr. Wienewitz's documentation that he provided to us.

MR. MILLER: Okay.

Outside of getting the information from Mr. Wienewitz, did you get it from any other source that the instrument, the MOI, constituted a commercial loan relationship?

THE WITNESS: From my understanding, again, by 1st Global lending money to small businesses, that was a small business transaction or a commercial loan.

MR. MILLER: Well, that's really my question. What was the commercial loan? Was it the lender giving money to 1 Global, or was 1 Global lending the lender's money to the merchant?

THE WITNESS: I think to clarify, it's the money being lent to small businesses.

MR. MILLER: So are you testifying that the

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lender did not enter into a commercial loan through the MOI?

THE WITNESS: Well, if they were lending -- I guess I'm confused by the question. I'm having a hard time.

BY MR. LEVENSON:

Q This says an MOI is a private commercial loan.

A Correct.

Q So that's the process of the lender lending money to --

A To 1st Global.

Q That's what this say, doesn't it?

A Right.

Q Okay.

So how is that a commercial loan?

A So they're lending money to 1st Global, right, which is essentially a business, a small business, and then they're lending that money out to small businesses or merchants.

Q Doesn't a commercial loan have to be between businesses, commercial parties?

A I guess.

Q Well, weren't these individual clients, some of them were investing out of their personal IRAs?

A Sure.

Q So how is that a commercial loan?

A Because the way it was explained to us is that clients are lending money as lenders, right. They're in a lending capacity. They're lending money to 1st Global. 1st Global is borrowing that money and then distributing that into merchant cash advances.

MR. MILLER: Is your understanding of a commercial loan, that is it's a type of debt financing?

THE WITNESS: Well, a loan, I would agree, when you lend somebody a loan, it's a debt instrument.

MR. MILLER: Did you explain that to your customers?

THE WITNESS: Of course. They were acting -- I mean, I wasn't hiding anything from them. We're explaining they were acting in a lending capacity. They were lending money 1st Global, and 1st Global was lending that money to small businesses.

BY MR. LEVENSON:

Q Did you invest in 1st Global?

A I did not.

Q Okay.

Did you consider it?

A I did.

Q And why did you decide not to?

A Just cash flow.

MR. LEVENSON: So let me go ahead and have this marked as Exhibit No. 50.

(SEC Exhibit No. 50 was marked for identification.)

BY MR. LEVENSON:

Q I've placed in front of you a document entitled, Memorandum of Indebtedness. We've marked as Exhibit No. 50, dated November 6th of 2017.

Just let me know when you've had a chance to review it.

A Okay.

Q Do you recognize what Exhibit No. 50 is?

A I do.

Q And what is it?

A It's 1st Global's Memorandum of Indebtedness.

Q Is David Eberhard a Goldstone client?

A Yes.

Q Is he your client or your brother's?

A My brother's client.

Q Okay.

So did you speak to Mr. Eberhard about his investment, or was that your brother?

A That would be my brother.

Q Okay.

So do you know why he decided to become a

lender?

A I don't.

Q No.

So when someone decides to become a lender, they give you -- they signed the Memorandum of Indebtedness, and then you forwarded it to 1st Global?

A That's correct.

Q Okay.

And then what was the method of payment?

A Well, it be dependent. I mean, some clients, they may write a check. Other clients, it may be a transfer of funds.

Q What about those who invested through their IRA, was there a specific method?

A Yeah, it was different. They would establish an IRA account with an IRA custodian. Provident Trust was the one that we primarily referred clients to. And money could be transferred to their IRA account at Provident Trust for 1st Global.

Q Okay.

So in this MOI, specifically on page two of it, there is paragraph six, maturity date. Is this the rollover provision that we've been discussing?

A That's correct.

Q Okay.

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And was this the standard rollover? Is this the standard language for the rollover?
A Yes.
Q Did the MOIs change at some point with regard to paragraph six?
A That I recall, no.
Q Okay.
Do you recall whether at some point in 2018, did you ever see for any of your clients this change from, you know, automatically rolling over, unless the client opted out to client specifically had to opt-in if they wanted to?
A There was one point where, I believe, it was in March 2018 1st Global came back and said, hey, instead of it being automatic, what we're going to want is everybody to resign a new MOI if they wanted to renew. So that's what we did in the month of March.
By the end of March, 1st Global came back to us and said, listen, it's a paperwork nightmare. Their reason behind it was they said that in Texas, that Texas requires them to resign a new one every month. So they thought it'd be a good idea just to do it across the board. And then I think they realized it was a paperwork nightmare, so they said, no, we're just going to go back to the old way of doing it where it

automatically renews.
Q The old way being the language in paragraph six in Exhibit 50?
A Correct.
Q Okay.
MR. MILLER: Who told that you from 1 Global?
THE WITNESS: I believe that was Mr. Merkelson.
BY MR. LEVENSON:
Q And did you see MOIs from April and later 2018 where the automatic rollover provision language of Exhibit 50 was back in?
A I don't recall a hundred percent.
Q So paragraph seven describes -- it's called, Covered activities. Do you see that?
A Yes.
Q And do you see the second sentence to that paragraph says, "The covered activity shall be conducted by borrower in borrower's sole discretion"? Do you see that?
A Uh-huh.
Q And borrower is 1st Global, correct?
A Correct.
Q So what does that mean, that the covered activity shall be conducted by borrower at borrower's

sole discretion?
A From my understanding, the covered activities were the merchant cash advances.
Q Okay.
So what discretion did 1st Global have?
A Well, from my experience, the covered activities were the merchant cash advances, right. They were advancing money into those different merchants. Under the next section, section eight, it shows lender payments activity period shall be based upon borrowers covered activities for the activity period as follows. Borrower shall enter into MCATs in certain amounts and certain merchants. So the continuing language was always merchant cash.
Q But my question is simply: What discretion did 1st Global have to conduct those activities since it says they have the sole discretion? What does that mean?
A So, again, from my understanding, they received lender money, and then they would then use that money to distribute it or diversify it into different cash advances.
Q So are you saying that the discretion is which merchant cash advances to put the money into?
A Correct.

Q Is there any other discretion that you're aware of?
A From my experience and looking at the statements, you can see that those were being distributed or diversified into merchant cash advances.
Q My question was: Did 1st Global, under paragraph seven, have any other discretion?
A From my understanding, no. I mean, it states through the rest of the contract in eight that it was entered into MCATs in certain amounts, use borrower's use indebtedness for each individual MCAT. Borrower shall assign a lender percentage in such MCAT. So through all of eight, it's consistently MCAT.
Q So let's look at the next -- going back to paragraph seven, that's the sentence after the one I read to you, it says, "Covered activities shall include, but shall not be limited to providing innovative funding known as a merchant cash transaction." Do you see that?
A I do.
Q Did you see that sentence during the entirety of the time you were offering the lending opportunity to your clients?
A Yes. And I understand what you're saying, but what I'm saying --
Q Well, I haven't even asked the question yet,

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so you don't -- I simply asked if you saw that sentence, and you said yes.

So my next question is: What did it mean?

A So, again, from my experience, what we had experienced and seen was that clients, according to their statements, of course, were being diversified into cash advances.

Q Under this sentence, do you believe that 1st Global had the discretion to do whatever it wanted with the lender's money?

A It appears that way, but, again, what I'm saying is from my experience and the statements and the reports that we got, that they were being distributed to merchant cash advances.

Q Did you ever ask anyone at 1st Global, hey, what does it mean, shall include, but shall not be limited to?

A I did not.

Q Did you ever highlight this sentence to your clients and tell them 1st Global doesn't have to put the money into merchant cash transactions?

A No.

Q Okay.

Was it your clients' understanding that that's what 1st Global had to do with their money?

A Well, that's what, again, according to paragraph eight, that they were entering into merchant cash advances, according to section eight, along with the statements that we've seen and the experience that we've seen with those statements, they were being distributed to merchant cash advances.

Q Did you ever see any statements of any kind that indicated 1st Global wasn't doing anything else with the money, other than entering into merchant cash transactions?

A Did not, no.

Q If you had seen that, would you have -- would that raised questions in your mind?

A Of course. It would raise a red flag.

Q So if -- I think earlier I asked you if 1st Global was, you know, lending money to a payday lender -- not lending money, but, in fact, was sending money to payday lending service, not under a merchant cash transaction, but simply sending it to that that was owned by a relative of Carl Ruderman, so that would cause concern in your mind?

A Of course, it would.

Q Okay.

And in your understanding, was that a violation of the MOI?

A From my understanding, yes. Because what was always communicated to us and what was in the MOI and what we'd seen in the statements was that money was always being used for merchant cash advances.

Q Okay.

And similarly, if you had known that 1st Global was sending money to this dental firm known as Bright Smile, not as a merchant cash transaction, but simply as another business transaction, was that something that was outside the scope of the MOI?

A I would believe it was. I mean, if they're providing financing to Bright Smile in a merchant cash advance, well, then that's according to what was always communicated to us what was in the MOI and in the statements, but --

Q But if there were not written cash advance, they were just sending money --

A That would raise a definite red flag.

Q Okay.

And did any of the financial statements that you saw when you visited 1st Global and were looking at Mr. Ruderman's computer show any activity, other than merchant cash advances?

A Did not.

Q If it had, would that have raised a red flag

for you?

A Of course.

Q I know you were talking about paragraph eight. I actually wanted to ask you about -- let's start with paragraph eight point four.

A Okay.

Q Talking about the thirteen percent management fee. Okay. Is that -- I think you referenced that before, so that money was coming -- is it your understanding that thirteen percent fee was coming out of the money being repaid from merchants?

A That's how it was explained, correct.

Q And who explained it that way?

A I think it was Mr. Leddbedder.

Q Did you ever -- did 1st Global, to your knowledge, ever take more or less than thirteen percent as a management fee?

A From my understanding, no.

Q Okay.

So paragraph eight point five says, "Borrower shall allocate lender's payment to lender pursuant to this section; however, lender's understands and agrees that lender's payment will be retained by borrower's working capital through the maturity date."

What's your understanding of what that means?

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A So my understanding of that was, due to the nature of the payback of the advance, it was on a daily ACH, and then as that money was coming back in, then they would redeploy that capital into new advances.
Q Okay.
So it would show on the clients' statements as a return, but it would actually -- 1st Global would continue using that money until such time as the lender redeems --
A Correct. At the maturity.
Q Okay.
And that's the reason for the additional time to pay out because the money had to come back in from the merchants who it had gone out to if there was a redemption?
A That's how it was explained to us, yes.
Q Okay.
Paragraph eleven of the MOI.
A Yes.
Q On page four, Grace period. This is the three to six month period we've been talking about for the payouts?
A That is correct.
Q And was this in every MOI that you saw?
A Every one that I saw, yes.

Q Okay.
And then twelve point one says -- paragraph twelve point one, "The proceeds of this indebtedness may be aggregated with other funds of the borrower for the covered activities of the borrower."
Is that simply they're pulling the fractionalized interest in each one of the loans to make an overall loan to merchants?
A That's what I was under that understanding.
MR. MILLER: On eleven, did you say that -- did you testify that eleven constitutes a six-month payout?
THE WITNESS: No. According to --
MR. MILLER: Maybe I misheard. I'll withdraw that question.
On paragraph ten, fees.
THE WITNESS: Uh-huh.
MR. MILLER: What does that mean?
THE WITNESS: From my understanding the 1st Global used an outside firm called independent sales organizations or ISOs. These are the firms that were essentially getting the merchants. And 1st Global is paying them a fee for bringing in that business. So it's kind of like a -- I think it says like an origination fee.

MR. MILLER: And whose fees were being used to pay those?
THE WITNESS: From my understanding, it was part of the pool of assets that they were bringing in.
BY MR. LEVENSON:
Q Lender's fee?
A The repayment. It was part of the return, I guess, you'd say.
Q From the merchants?
A From the merchants, correct. When it says, hey, it's one point three percent coming back in or a hundred thirty percent coming back, a hundred thirty-five percent coming back in, from my understanding, there was an origination fee on that that would go the third party as payment for their bringing in a merchant.
MR. MILLER: Okay. So let me see if I understand it. Are you saying that the lender was paying this fee, or someone else was paying this fee?
THE WITNESS: According to how it was explained to us, was that, let's say this independent sales organization brings in Joe's Pizza, right. Joe's Pizza needs an advance of a hundred thousand dollars. 1st Global would review the documents, and if they believed that this was a good transaction to take on as

a merchant cash advance, they would go back to that independent sales organization and say, yeah, we'll loan Joe's Pizza the money, and here's what we'll loan it at -- you know, we'll give them a hundred grand, but we want, let's say, a hundred and twenty-five back. The ISOs, the independent sales organizations, would go back to Joe's Pizza and say, hey, great news, I got you the loan, so we'll give you a hundred thousand, but you've got to pay back a hundred and thirty -- or a hundred and thirty-two. So those independent sales organizations were keeping that overage as an origination fee.
BY MR. LEVENSON:
Q So it was coming from the merchants, not the lender's money?
A Correct, that's how it was explained to us.
MR. MILLER: What does this sentence mean that --
MR. LEVENSON: Hold on. Let me follow-up on that.
BY MR. LEVENSON:
Q Essentially, all of the money coming back from the merchants was, in fact, lender's funds because that was the source of capital for the company, right?
A Correct. I would agree, right.
Q So did that mean a reduced payout to lenders,

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to your knowledge?
A Well, again, how it was explained was that, they would -- to the independent sales organizations saying, hey, yeah, we can do that, we can do that loan or whatever you want to call it, the merchant cash advance, we can do it for -- like I said, a hundred thousand dollar loan, hey, we'll do it, but the payment back to us is a hundred and twenty-five grand. Then that independent sales organization could pack on, right, an origination fee by going back to Joe's Pizza and saying, I got you the loan, no problem, congratulations, I can get it done, you know.
Q So you're saying it came from additional money charged to the merchants?
A That's how it was explained, correct.
Q Okay.
MR. MILLER: And is that your understanding of the second sentence of paragraph ten, "Lender acknowledges and agrees that borrower will use the indebtedness or lender's payment to pay lender's pro rata share of such origination fee based on lender's allocation"?
THE WITNESS: That's what my understanding was, or how it was explained to us.
BY MR. LEVENSON:

Q So how did you like make sure that you were getting paid for, you know, all of the clients -- all of the lenders that you referred to them?
A How did we make sure --
Q That you were getting paid properly for the lenders that you referred to 1st Global, that you were getting the appropriate commissions?
A They would send us a spreadsheet of the clients that had lent money.
Q Okay.
I take it that you looked at that pretty closely to make sure they were keeping accurate track?
A Of course.
MR. LEVENSON: So I want to mark this as Exhibit 51.
(SEC Exhibit No. 51 was marked for identification.)
BY MR. LEVENSON:
Q Exhibit 51 is a four-page document.
Have you had a chance to review it?
A Yes, I have.
Q Do you recognize what it is?
A Yes.
Q And can you tell me what it is.
A A spreadsheet of clients that lent money to

1st Global.
Q And are these your clients --
A Yes.
Q -- at Goldstone?
A Yes.
Q Okay.
There's not a date on it. Do you know what date this is as of?
A You know what, I don't, to be honest with you.
Q And I take it the amounts are the amounts that your clients -- that each of the clients invested?
A That's correct.
Q Or is the amount the amounts that they were due at a certain point? Because I'm wondering -- you know, like I see the first couple of entries, there's one hundred fifty, two hundred thousand, those are round numbers, but then like the third one for John J. Gura, IRA, G-U-R-A, fifty-six thousand, four hundred twenty-two dollars and eighty-eight cents. I mean, did you have clients who invested like that, specific amounts?
A Yes.
Q What would -- I mean, what would cause a client to invest like that, as opposed to a typical, you know, fifty thousand, a hundred thousand, whatever

amount that it would be?
A I mean, I can't recall every single one of these, but I would say like with the one that you're referencing, John Gura, why wasn't it an even number, as compared to Mrs. Lasoda?
Q Right.
A I believe what that was was a rollover of an account.
Q Okay.
A Right. So it was the total rollover of that, so it wasn't like a specific amount.
Q Okay.
Do you believe that to be the case for the ones that are like that, you know, with specific dollar and cent amounts, as opposed to rounded amounts?
A Yes, I believe that is.
Q Okay.
Do you know who prepared this? Was this something your firm prepared or 1st Global?
A I think it's 1st Global.
Q And I counted these up. There's a hundred and forty-four names on here. I didn't really look to see whether they were duplicates, but does that --
A It sounds about accurate.
Q -- for your clients?

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MR. PORTEOUS: I don't think we produced this.
MR. LEVENSON: I don't think you did.
MR. PORTEOUS: I know we produced a lot of this information.
MR. LEVENSON: I'm honestly not sure whether it came from them or whether it came from FINRA.
MR. PORTEOUS: I would've thought they would've Bates stamped all the documents.
If it's information that you want, we're happy to --
MR. LEVENSON: Well, there's another document -- I have a couple of other documents, so I'm just trying to sort of -- let me go through them.
MR. PORTEOUS: Okay.
MR. LEVENSON: I'm not sure --
MR. PORTEOUS: My point was simply, if it's information that you need or find, we're happy to provide you more information.
MR. LEVENSON: Okay. We might. I appreciate it.
MR. PORTEOUS: I understand.
MR. LEVENSON: I have another one that I wanted to mark then as Exhibit 52.
(SEC Exhibit No. 52 was marked for identification.)

BY MR. LEVENSON:
Q Exhibit 52 is another client list, and I -- it's slightly a different format. It's a three-page document. This one has dates on it.
A Okay.
Q But -- it appears to be a list of IRAs because every one of these clients -- well, let me, first of all, why don't you review Exhibit 52, and let me know when you're done. Then I'll ask you about it.
MR. PORTEOUS: Can I consult with my client very briefly?
MR. LEVENSON: Yeah. Sure.
MR. PORTEOUS: Can we go off the record?
MR. LEVENSON: Yes. You want to take a break -- I'll tell you what, consult on this, let's deal with this, and then we can take a break, if you want.
MR. PORTEOUS: That's fine. I was just trying to understand to what extent -- this may have been documents produced in connection with the examination Are these documents we just produced?
MR. LEVENSON: No, they're not.
MR. PORTEOUS: It could've been something that came up during the exam, so I was just trying to figure that out.
MR. LEVENSON: That's fine.

MR. PORTEOUS: So that he can orient himself.
MR. LEVENSON: No problem.
MR. PORTEOUS: So is it something you want to talk to me about, or you have a pretty good sense --
THE WITNESS: Sure. I mean, can I use the bathroom?
MR. LEVENSON: Yeah. That's fine.
Let's go off the record at 2:49.
(A brief recess was taken.)
MR. LEVENSON: We'll go back on the record at 3:06.
BY MR. LEVENSON:
Q We had no substantive discussions about the testimony or the case while we were off the record; is that right?
A Correct.
Q I got that one right.
A So did I.
Q So I wanted to go back to Exhibit 51 for just a minute, and I think I told you I had counted a hundred forty-four names that were listed on Exhibit 51. Did some quick math, and then it looks like ninety-nine of them were IRAs from, you know, counted up.
A It's quite possible.
Q I mean, is that something that you know you

marketed this as a good investment for qualified -- for IRAs?
A I would just have to say that the vast majority of client monies or assets are primarily usually in an IRA account.
Q Okay.
So I wanted to -- I was looking at the amounts, too, just real quick on that first page of Exhibit 51. It's third from the bottom Diane Zwicker looks like invested five hundred eighteen thousand, four hundred sixty-nine dollars with 1st Global.
A Okay.
Q Do you see that?
A Yes.
Q Do you know, was that in one investment? Was it a rollover? Was it a renewal or additional amounts? Do you recall any details about this?
A From what I recall, I think it was just one initial.
Q And do you recall what percentage of Ms. Wicker's investment portfolio that five hundred eighteen thousand dollars covered?
A No, without being able to see --
Q I understand you don't have the records in front of you.

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A Right. Without being able to see the records in front of me, my estimate is that it's probably somewhere between ten percent to maybe -- it's got to be less than twenty percent of her net worth.
Q Do you know of anybody who invested more than twenty percent of their net worth of their investment amounts?
A That I know of, no.
Q Okay.
So on the third page, there's about the middle of the way down, there's a Russell Rasner and Kimberly Ann Rasner Joint Living Trust, dated 10/3/17. Do you see that? It's on Exhibit -- no. This one, Exhibit 51, third page.
A Oh, third page.
Q It's a million dollar investment.
A Yes.
Q And that was a loan to 1st Global?
A Correct.
Q Do you know, again, if that was in one loan or multiple loans?
A That was one.
Q And do you know what percentage of their portfolio or net worth that represented?
A Maybe eleven percent, twelve percent roughly.

Q Okay.
And I'll ask you one more. There's one on that same page, fifth from the bottom, a Christopher Sheally IRA, four hundred eighty-one thousand, seven hundred twenty-four and thirty-seven.
A Yes.
Q And, again, was that one loan, to your knowledge?
A Yes.
Q And do you have any idea of what percentage of their investment portfolio or net worth that that amount represented?
A Again, I don't have the records in front of me. My guess is going to be less than twenty percent.
Q Okay.
When a nine-month term expired, if somebody wanted to rollover, did it just happen automatically? Was there additional paperwork, or just it was done, unless the client said something?
A Correct, it was automatic.
Q Okay. There's no new paperwork or notification or anything? It was just if the client wanted to redeem, they had to say something by the eight month?
A Correct. One thing that we did do for clients

is at the six-month mark, we would send out like a letter just notifying them that their maturing date was coming up.
Q Okay.
A Letting them know that if they wanted to renew it, it would renew automatically. If they didn't want to renew, that they would have to contact our office prior to the maturity date, so that we could notify 1st Global for them on their behalf. We kind of took that initiative instead of letting it just mature, sending out some sort of communication previous to the nine-month mark.
Q And if you didn't hear anything from them -- I guess three things could happen. You'd hear that they wanted to rollover, you'd hear that they didn't want to rollover, or you'd hear nothing?
A Correct.
Q If you heard nothing, rollover happened?
A Correct.
Q Okay.
Did you follow-up on those, or it's just a letter and then --
A It was just a letter.
Q Okay.
How many -- generally, do you have any idea

what percentage of your clients responded to that letter?
A I don't know.
Q Okay.
Do you know how many clients your brother had invest?
A I'm not sure of that number.
Q Three hundred four ring a bell?
A It could be.
MR. LEVENSON: Let me go ahead. I'm going to mark this as Exhibit 53.
(SEC Exhibit No. 53 was marked for identification.)
BY MR. LEVENSON:
Q So I'm placing a -- it's about a seven or eight page document in front of you we've marked as Exhibit 53. It's entitled, 1st Global Capital, LLC, Anthony Pellegrino.
And my question is: Do you know if this is a list of your brother's clients who loaned money --
A I believe it is.
Q -- to 1st Global Capital?
A I believe it is.
Q Okay.
Do you recognize some of the names on there?

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A I do.
Q Okay.
So, again, I added up the names on here. I didn't really look to see if there were duplicates, but the total amount of line items is three hundred and four?
A Okay.
Q So I don't know if that rings a bell in terms of how much --
A It could very well be. I mean, I'm looking at a documentation that I'm almost confident was one that we had provided during our examination.
Q Okay. I think that's correct. I just don't know for sure. Okay.
Do you know what the total value of the loans -- the total loan amount was of the Goldstone clients who did loan money to 1st Global?
A I don't know the exact figure.
Q Okay.
Would it have been as high as thirty million, do you know?
A It could be.
Q Okay.
MR. LEVENSON: So let me mark this then as Exhibit 54.

(SEC Exhibit No. 54 was marked for identification.)
BY MR. LEVENSON:
Q So I placed a four-page document in front of you.
MR. PORTEOUS: If I can make a brief comment.
MR. LEVENSON: Yes.
MR. PORTEOUS: Faegre, Baker, Daniels prepared this in connection to the production.
MR. LEVENSON: Okay.
MR. PORTEOUS: So it wasn't work product from Goldstone.
MR. LEVENSON: Okay.
MR. PORTEOUS: It's just our summary of all the accounts we provided you. I thought I put it in the cover letter, but, perhaps, I didn't.
MR. LEVENSON: You may have. I may have missed it.
BY MR. LEVENSON:
Q So with that, let me ask, Mr. Pellegrino, have you seen Exhibit 54 before today?
A No.
Q Okay.
Take a minute to look at it because I want to ask you if this, in fact --

MR. LEVENSON: Well, would you mind, Mr. Porteous, if I asked you on the record what this comprises?
MR. PORTEOUS: Yes.
MR. LEVENSON: Okay. I appreciate your clarification. Can you tell us what this is then?
MR. PORTEOUS: Yes. I believe you had made an informal request to us for documentation reflecting statements of the most recent month for Michael Pellegrino's Goldstone clients that were in 1st Global, and so we had provided you with, I believe, the June 2018 statements.
MR. LEVENSON: Right, you did.
MR. PORTEOUS: And because of the numerosity of them, as well as the fact that I didn't have a spreadsheet or anything like that indicating whose all statements you had and it was too difficult to compile in the cover letter, this is purporting to represent the list of account statements that we provided you with the production from last --
MR. LEVENSON: Last week.
MR. PORTEOUS: Last week, July -- the days are flying by. I apologize.
MR. LEVENSON: I think it was the 27th.
MR. PORTEOUS: If that was Friday, then, yes.

So this was our effort just to summarize the account statement for June 2018 that we were providing you.
MR. LEVENSON: Okay. Great.
BY MR. LEVENSON:
Q Let me ask you this: On the first page of Exhibit 54, which is the one I just handed you, about halfway down, there is the Charles J. Pellegrino and Joan Pellegrino Revocable Trust, dated 2/12 of '99. Do you see that?
A Yes.
Q I'm going to assume that Charles and Joan Pellegrino are related to you in some way?
A No, they're not.
Q They're not?
A No. Cool last name, though.
Q Are they related to your brother?
A They are not.
Q They just happened to have the same last name?
A Yeah.
Q Are they your clients?
A Yes.
Q Okay.
No relation that you know of?
A No.
Q Okay.

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Did any of your relatives -- I know you said you didn't. Do you know if your brother invested in 1st Global?
A I believe my brother did, yes.
Q Okay.
Was he your client, or was he his own client?
A No. He's his own client.
Q Okay.
Did any other of your relatives, beside your brother, invest in 1st Global?
A Yes. If you go to page three on document 54, Exhibit 54. Kind of halfway down in the middle, Robert Polanek, P-O-L-A-N-E-K.
Q I see that.
A He's my stepfather.
Q Okay.
Do you know how much he invested?
A I guess fifty thousand.
Q Okay.
Do you know what percentage of his investment portfolio or net worth that represents?
A Less than ten percent, I think.
Q Okay.
And is he one of your advisory clients?
A He is.

Q Okay.
Any other relatives of either you or your brother at that you're aware of?
A Not that I -- I mean, I have to review, you know, all the names.
Q Okay.
Do you know how much your brother loaned to 1st Global?
A I'm not sure of the exact figure, but three hundred thousand comes to my mind.
Q Okay.
MR. MILLER: Do you know if your brother redeemed yet?
THE WITNESS: From my understanding, I don't think so.
BY MR. LEVENSON:
Q And we can review this at the end, but just because we've got all these different -- I'm sorry. Go ahead. You wanted to say something.
A Yeah. I mean, if you just -- Exhibit 53.
Q 53?
A Second page, eight lines down.
Q Oh, there we go, three hundred thousand. Okay. Thanks.
A You're welcome.

Q Do you know when he invested?
A I don't know exactly.
Q Okay.
MR. LEVENSON: I was going to say -- we can talk afterwards. We've got these different lists. You know, if there's a way to get a complete list, both of Mr. -- of Michael Pellegrino and Anthony Pellegrino's clients and the amounts they each invested, that way we don't have all this --
MR. PORTEOUS: And do you want it as of a certain date?
MR. LEVENSON: Well, I mean, basically, from inception till now.
MR. PORTEOUS: When you say inception to now, just so I'm clear, the amounts may have changed at different points in time. Are you trying to get snapshots at different points or just --
MR. LEVENSON: No. Just a total.
MR. PORTEOUS: As it stands today, kind of thing?
MR. LEVENSON: Yeah, as it stands today, but, you know, even including the ones who redeemed. I'd still want to know what they invested.
MR. PORTEOUS: Okay. So let's say they redeemed out three months ago or something like that, we

still pick them up as having been an initial investor?
MR. LEVENSON: Yes. I'm just trying to get a sense of how much the total -- total amount of clients and total amount from the time they started offering the opportunity till now.
BY MR. LEVENSON:
Q Are you till currently offering the lending opportunity?
A We were.
Q Until?
A Recently.
Q How recently?
A Well, I've been on a little bit of a family vacation through July. I mean, it's been sporadic, I guess, you know, over the last couple of months, but we're no longer offering it.
Q Is that in connection with 1st Global's bankruptcy?
A Partially, yes.
Q Okay.
I mean, had you stopped offering the lending opportunity before 1st Global declared bankruptcy?
A I'm going to say no.
Q Okay.
A I think it was more in the beginning and it

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has been more just sporadic.
Q Right, but were you still offering the opportunity --
A Oh, yeah.
Q -- until last Friday when 1st Global declared bankruptcy?
A Correct.
Q Okay.
Have any of your clients asked to redeem in the whatever, five days, six days since 1st Global declared bankruptcy?
A At this moment, no. We're working on communication with our clients as we speak.
Q Okay.
What are you working on?
A Just notifying them of 1st Global's bankruptcy.
Q Has 1st Global communicated with you in any way as far the status of the company?
A No. I mean, I spoke with Mr. Leddbedder. And, again, I was on vacation, so this was a little bit difficult getting ahold of people. He just, basically, said that he didn't have much information that he could convey.
Q When did you speak with him?

A I think it was Monday or Tuesday.
Q Okay.
MR. PORTEOUS: Can I speak with him very briefly?
MR. LEVENSON: Yeah.
MR. PORTEOUS: Can I ask him a clarifying question just while we're on this point?
MR. LEVENSON: Sure.
MR. PORTEOUS: You'd asked him whether or not he received any communication from 1st Global in reference to their bankruptcy.
MR. LEVENSON: Yes.
MR. PORTEOUS: Do you have anything you want to clarify on that?
THE WITNESS: I believe my brother had received an Email from 1st Global communicating that information. I haven't seen it yet.
BY MR. LEVENSON:
Q Do you know when he got it?
A I'm not sure. Again, I apologize. I was on vacation until Tuesday evening.
Q No apology necessary.
So do you know what the substance of what it said?
A I don't. I haven't seen it.

Q Do you know who it came from?
A I believe it was Scott Merkelson.
Q Okay.
And other than that and you said your conversation with Mr. Leddbedder, any other communications from 1st Global since the bankruptcy last Friday?
A No. Like I said, I talked to Mr. Leddbedder on, I think, it was Monday evening.
Q How long did you talk with him?
A Five minutes.
Q Did you call him?
A I did.
Q And what did you -- tell me what you asked him?
A I said, hey, I saw this thing about 1st Global declaring bankruptcy, you know, what's going on? He just proceeded to say that he didn't really know. He was just going to be transparent. He's like, it just happened on Friday, and right now I really have no answers, I can't give you anything, I'm kind of shocked and surprised at it myself.
He did say -- he said, I'm having a hard time understanding what's going on, so I can't give you much information, but he did say, he's like, I don't

understand as little as ten days ago, there was an accounting firm in 1st Global, and they were working on auditing statements, and they were, I believe, creating audited financials to be ready for the end of July, because he said that they were going to start to attempt to go after, I guess, institutional money.
Q And did he say what firm was doing --
A No, he didn't. He said, I just don't understand, because as little as ten days ago, there was an accounting firm in 1st Global.
Q Anything else that he said?
A No.
Q Okay.
MR. LEVENSON: Let me mark go ahead and this as Exhibit 55.
(SEC Exhibit No. 55 was marked for identification.)
BY MR. LEVENSON:
Q I'm placing what's been marked as Exhibit No. 55. It's a two-page document.
Let me know when you've had a chance to review it.
A Okay.
Q Have you had a chance to review Exhibit 55?
A Yes.

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Q Do you recognize what it is?
A I do.
Q Is this a document that you received from 1st Global in, I guess, either sometime around the end of 2017 or the beginning of 2018?
A Yes.
Q Okay.
And you received it from Sylvain Grenier, the controller?
A That's correct.
Q Was it sent by Email, mail, do you know?
A I believe it was Email.
Q Okay.
Obviously, it refers two Mr. Pellegrinos and the amounts for the commissions for tax year 2017.
A Uh-huh.
Q Do you know which page is referring to you and which is referring to your brother?
A I'm not exactly sure. I'm just going to take a guess at it. I believe the first page is Anthony, and the second page is mine.
Q Okay.
So if that were the case, then your brother received three hundred eighty-seven thousand, eighty-one dollars and ninety-six cents in commissions for 2017,

and the second page, you received three hundred eighty thousand, eighty-six dollars and fifty-six cents in commissions for 1st Global referrals?
A Correct.
Q Okay.
Do you know what you have earned so far in 2018?
A I do not.
Q Okay.
Do you know if it's more or less than the amounts on Exhibit --
A Again, I don't know. I'd be guessing at this point.
Q Okay.
Is that something that would be possible to get, do you know? I mean, do you have any records of --
A Yeah. I can go back through and figure it out.
Q Well, has 1st Global sent you anything in 2018?
A As far as communication like we're seeing here?
Q Like 55, yes.
A No, they have not.
Q Okay.

So I just wanted to show you one more area that I wanted to cover with you.
MR. LEVENSON: Let me go ahead and mark this as Exhibit 56.
(SEC Exhibit No. 56 was marked for identification.)
BY MR. LEVENSON:
Q So I have placed in front of you what is an eight-page document that we've marked as Exhibit 56, which is a January 5th, 2018 letter to David Eberhard.
Let me know when you've had a chance to review it.
A Okay.
Q Do you recognize what Exhibit 56 is?
A Yes.
Q What is it?
A It's a client statement from 1st Global.
Q Okay.
And this was sent. And David Eberhardt, I believe, was the lender whose MOI we looked at a little bit ago?
A Correct.
Q He invested in November 2017, so this is the client statement for the end of December, almost two months after he invested, right?

A Correct.
Q Okay.
So according to this, his portfolio has gone up just under three percent in that two month time period?
A Correct.
Q Okay.
And you don't have any -- this is all coming from 1st Global? You don't have any information on the accounting or anything?
A No. This is just sent from them.
Q And did you get copies when client statements were sent to the clients?
A Yes.
Q Okay.
So -- and, I guess, then pages three through eight are the individual merchant cash advances that has been deployed in his account?
A Correct.
Q Okay.
And, I think -- well, this indicates that -- I think we saw if before -- Mr. Eberhardt invested three hundred thousand dollars?
A Correct.
Q Okay.

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So pages three through eight, again, I added up the amounts, and it comes to about -- it came to seventy-four thousand, three hundred ninety dollars.
A Okay.
Q So it looks about roughly almost seventy-five, which would be one quarter of his investment that had been deployed at that time. Is that typical from your experience, you know, the money -- the smaller percentage of -- well, not all the money got deployed initially?
A Correct. From my understanding and what we've seen and experienced is that as money's being deployed from the beginning, like Mr. Eberhard here, because these are, I guess, cash advances that coming in on a daily basis to 1st Global, then that money is being deployed on a daily basis, and it's variable because it could be ten new merchant cash advances for the day, it could be fifty. But it takes -- we've seen it take several months for the cash to be deployed.
Q So do you know what was happening to the -- so the rest of the initial loan that Mr. Eberhard made of roughly seventy-five had been deployed. Where was the other two hundred twenty-five thousand at that point?
A Just sitting in cash.
Q Okay.

Do you know if it was literally sitting in cash in a bank account somewhere, or whether 1st Global was using it in some other fashion?
A I have no knowledge of any of that, but what clients had access to was a portal, right, and then they could log into the portal daily, and it would show the different numbers. It would show, okay, initial contribution of three hundred thousand, and the balance of his portfolio for the day, you know, based on -- again, let's say it was at the end of the month, it'd be three zero eight. It would show cash deployed, and then it would show another section that would say cash to be deployed. So that was like kind of that holding money that was waiting to be deployed.
Q And that portal was populated by 1st Global, right?
A That's correct.
Q It wasn't populated by a bank or a brokerage or any outside party --
A 1st Global, correct.
Q On the first page of Exhibit 56, on the second paragraph -- well, right after the sentence that says, The value of your portfolio is, there's a second sentence that says, "Your increase in valuation since inception less an allowance for doubtful accounts is

eight thousand, five hundred and sixty-seven dollars."
A Okay.
Q Do you see that?
A Yes.
Q Do you know what the allowance was for doubtful accounts?
A They said that on average they would hold about ten percent.
Q And do you know how 1st Global determined that?
A I believe it was based on the figure of the total -- the total loan value.
Q Right. Do you know how they determined ten percent, as opposed to five percent, twenty percent, you know, how they determined that?
A From my understanding, they just said, we hold about ten percent for doubtful accounts, and there was a section on the portal that reflected that figure.
Q Okay.
So was that something standard that they did, as opposed to because there was a specific problem with loans already?
A Again, what was communicated to us from 1st Global was that they had anticipated somewhere around a ten to twelve percent default rate was kind of their

baked in anticipation, though, they said that because of their underwriting processes and their collection processes, that's where they've been able to keep it around that four percent, five percent mark.
Q Okay.
So I wanted to go back for a minute to -- do you still have Exhibit 40, which is the account statement, I think, you said you got from either 1st Global or Mr. Wienewitz in March of 2017 back when you were contemplating whether to do business with 1st Global.
A Okay.
Q So I notice there in Exhibit 40 that when you get to the specific merchant cash advance section, the specific merchant names are listed.
A Yes.
Q And they are not in Mr. Eberhard's account statement.
A Uh-huh.
Q Did any of your clients ever get an account statement like Exhibit 40 where the specific merchant cash advances the merchants were listed?
A I mean, I'd have to go back and look at statements from the beginning.
Q But you don't know, as you sit here today?

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A No. What was communicated to us of why they changed having the names there and just referencing the contract number was because of privacy policy issues of listing the names of businesses.
Q Whose privacy?
A The businesses' privacy.
Q Didn't you ever talk to anyone about, shouldn't my clients know where their money is going?
A Their thing was like, we're putting people's names on here, we don't want our merchants calling them up and asking them, hey, how's your -- are you paying your money, you know. So they said because of privacy issues, that's why they moved it to a contract number.
Q Who told you that?
A Mr. Merkelson.
Q And when was that?
A Oh, gosh, I don't know a specific.
Q Something caused to you ask. Was it the account statements changing format?
A I believe it was for that reason, yes.
Q Okay. So --
A Do I know the exact date and time? No, I don't.
Q Okay.
But at some point after you started selling --

offering the lending opportunity, the account statements did change to eliminate the merchants?
A And, again, I'd have to clarify that, because I don't know exactly what the first statements looked like versus the contract numbers.
Q Okay.
But at some point, you asked him?
A Yes, I did.
Q Okay.
One other difference that I noticed is, if you go to the last page of Exhibit No. 40.
A Yes.
Q You'll see some totals in that statement, net current accounts receivable, cash to be deployed, and then total portfolio value. Do you see that?
A Yes.
Q Again, if you look at Mr. Eberhard's statement, Exhibit 56, when you look at the last page, no totals. Do you see that?
A Uh-huh.
Q Was that something that changed during the time that you were referring clients to 1st Global?
A Again, it's something that I would have to go back and look at past statements and clarify.
Q Do you know why that changed, why the totals

aren't on anymore?
A I do not.
Q Okay.
(SEC Exhibit No. 57 was marked for identification.)
BY MR. LEVENSON:
Q I'm going to put an eighteen-page document in front of you, which is marked Exhibit 57, dated March 3rd of 2018.
So let me know when you've had a chance to review Exhibit 57.
Have you had a chance to review Exhibit 57?
A Yes, I have.
Q Okay.
Do you recognize what it is?
A A client statement.
Q Again, for David Eberhardt?
A From 1st Global.
Q And this one's dated March 3rd, so it's two months later. It's the February account statement?
A Correct.
Q Okay.
And you got this at the time that it was sent out, a copy of it?
A Yes.

Q Okay.
So now it says that the account is worth three hundred fifteen thousand, seventy-four dollars, so it's a five percent increase. So, again, did you have any other -- other than 1st Global stating that that's what the account value was, did you have any way of determining the account value?
A Again, just based on the statements that were provided.
Q Okay.
So, again, if you go to page three, and all the way over to the top of page eighteen, this looks like, again, the merchant -- individual merchant cash advances that Mr. Eberhard's money has been put in?
A Correct.
Q Okay.
So I added these up too, and the total came to one hundred seventy-six thousand, nine hundred eighty-six dollars and sixty-nine cents. So more than the December account statement, but still roughly only about sixty percent of Mr. Eberhard's investment. Is that typical? We're now -- I guess he invested in November, so we're, what, one, two, three -- three months, almost four months later. Was that a typical time table in your experience?

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A Yeah, it was.
Q Okay.
And your understanding is the rest of the money was essentially sitting in a bank account?
A Correct.
Q Okay.
I think this is going to be the last one.
MR. LEVENSON: Let's mark this as Exhibit 58.
(SEC Exhibit No. 58 was marked for identification.)
BY MR. LEVENSON:
Q We have -- I'm now placing in front of you Exhibit 58, which is a twenty-five page document, dated July -- July 5th of 2018.
A Okay.
Q Just let me know when you've had a chance to review it.
A Okay.
Q So this is a different -- this is an account statement -- well, first of all, do you recognize what Exhibit 58 is?
A I do.
Q And what is?
A It's a client statement from 1st Global.
Q And Carol Kirkwood, was she a client of yours?

A Yes.
Q Okay.
So this is her June account statement from 1st Global?
A Correct.
Q Okay.
So if you go over to the second -- page two of it, I'm looking at this and now there isn't a specific -- the category of merchant cash advances is now listed as business type.
A Uh-huh.
Q Do you know, does each of these represent an individual merchant cash advance, or is it -- are they combined by business type?
A From my understanding, it's each individual. I believe it was roughly around March 2018, 1st Global Capital updated there client portal and changed the statement layouts.
Q Do you know why they changed the statement layout?
A They said what they were using -- for more clarity, instead of just having a contract number, they were using -- they had a name for it. They're using a business code name or something like that to reference the specific merchant cash advance.

MR. LEVENSON: Let's mark this as Exhibit 59.
(SEC Exhibit No. 59 was marked for identification.)
BY MR. LEVENSON:
Q I am handing you a two-page document we've marked as Exhibit 59. It's entitled, 1GC Affiliate Agent Update New MOI Three Percent.
Have you had a chance to review Exhibit 59?
A Just give me a minute.
Okay.
Q Have you had a chance to review it now?
A I have.
Q Do you recognize what it is?
A I do.
Q And what is it?
A It was a communication from 1st Global that they were updated their Memorandum of Indebtedness to include the -- like a three percent minimum interest rate.
Q What was the reasoning for doing that?
A In all honesty, they were saying that some agents had referenced having like some sort of a fixed rate type of product, I guess, or memorandum, so that's why they had -- they came out with one.
Q Well, this says it's the minimum three percent

interest rate.
A Right.
Q So that's a guarantee. Is that a guarantee?
A Again, it was never referenced to me as a guarantee. They're saying there's a minimum of three percent.
Q Well, but it could go higher, correct?
A From my understanding, it could, yes.
Q Okay.
So when they say there's a minimum three percent rate, what happens if the actual interest rate on the loans amounted to two percent? Was 1st Global going to make up the difference?
A I'm not aware of anything. I can't speak to that.
Q Well, what does minimum mean to you?
A Well, minimum, from my understanding, is that the MOI would earn a minimum interest rate of three percent. I mean, to clarify, I never went to a client and said, hey, I've got this 1st Global thing, they're giving a minimum of three percent.
Q Why not? 1st Global is telling you it is.
A Just never did it.
Q Did you ever speak to any -- for new investors after -- new lenders after this came out, was that part

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of your presentation, there's a minimum three percent interest rate?
A Never.
Q Did you ever question how or why 1st Global could offer a minimum, any kind of a minimum interest rate?
A No.
Q Have you ever had any other investment that you -- other than a fixed rate product, offer a specific minimum?
A Besides an annuity or a fixed index annuity or like with an income guarantee or a fixed, I can't recall.
MR. LEVENSON: Okay. I think we're close to being done, but let me just a take a break for a minute or two and consult with Mr. Miller.
(A brief recess was taken.)
MR. LEVENSON: Back on the report. It's 3:58. We've been off the record ten, fifteen minutes.
No conversations of substance while we were off the record; is that correct?
THE WITNESS: That's correct.
MR. LEVENSON: Okay.
Mr. Pellegrino, I don't have anymore specific questions for you today. Is there anything before I

turn this over to your attorney that you want to clarify, add, change about any of your previous answers today?
THE WITNESS: At this moment, no.
MR. LEVENSON: Okay.
Is there anything I haven't asked you about 1st Global that you think is important or relevant that you'd like to talk about?
THE WITNESS: I think we've covered a lot.
MR. LEVENSON: Okay. Nothing additional.
Mr. Porteous, do you have any clarifying questions you'd like to ask?
MR. PORTEOUS: I do have a couple of clarifying questions, if it's okay to use some of the exhibits that you put in front of us?
MR. LEVENSON: Okay. Yes.
MR. PORTEOUS: Mr. Pellegrino, can I call your attention to Exhibit 42. The first page of it says, A TCM evaluation of proposed new outside business activities.
THE WITNESS: Yes.
MR. PORTEOUS: Do you see the Bates stamp in the lower right-hand corner where it says FMR-0000336?
THE WITNESS: Yes.
MR. PORTEOUS: Can you turn to the page

0000341 through 342, and take a minute to review that.
MR. MILLER: What page are you on, Counsel?
MR. PORTEOUS: We are on page -- the lower right-hand corner, it says FMR-0000341 through 342, the next page.
THE WITNESS: Okay.
MR. PORTEOUS: Do you recall the testimony before where we were discussing Exhibit 42 and in particular these screenshots reflected at FMR-0000341 through 342, do you recall generally the testimony when we were talking about that earlier today?
THE WITNESS: Correct. Yes.
MR. PORTEOUS: And Mr. Levenson was asking you questions about some of the language on the first page of this -- I'm just going to call it 341 for short, so we're all on the same page literally, in reference to the unsecured cash advances. Do you see that first paragraph?
THE WITNESS: Yes.
MR. PORTEOUS: Then you see the bottom of -- the paragraph at the bottom of page 341 that says, merchant cash advancements?
THE WITNESS: Yes.
MR. PORTEOUS: And can you -- can you read -- I'm sorry. Turning to page 342, do you see where it has

at the beginning, asset based funding?
THE WITNESS: Yeah.
MR. PORTEOUS: And do you see the language in asset based funding underneath that header on page 342 that says, "At 1st Global, we also offer asset-based advancements"?
THE WITNESS: Uh-huh.
MR. PORTEOUS: "Many merchants like these because the interest rates are much lower than other types of advancements. In fact, they can be the perfect choice for many businesses. All it requires is your business own something of value, that can be machinery, computers, property, or anything else which can be used as collateral. It can also be secured by accounts receivable, balance sheets, assets, or inventory." Do you see that language?
THE WITNESS: Yes.
MR. PORTEOUS: Is this description here consistent with some of the conversations that you had referred to before with Mr. Leddbedder and other conversations you had with 1st Global in terms of what the MOI was purporting to be tied to or those types of loans were related to the asset based funding as reflected on page 342?
THE WITNESS: Yeah. Under the asset based

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funding, this is consistent with what was communicated to me in regards to the way they were advancing cash to merchants.

MR. PORTEOUS: Okay. That was all I had on Exhibit 42.

Can I refer you to Exhibit 43 and Exhibit 44. Exhibit 43 is a letter that's dated August 22nd, 2017 on Goldstone Financial Group header. And Exhibit 44 is a flyer.

THE WITNESS: Okay.

MR. PORTEOUS: Short-term high yield contract is at the top of it.

THE WITNESS: Okay. 43, 44.

MR. PORTEOUS: Yes.

And do you recall -- and just putting these next to one another, do you recall the testimony earlier when Mr. Levenson asked you about Exhibit 43, that this was a letter that you had prepared in response to some request for information from FINRA; is that correct?

THE WITNESS: Yes, that's correct.

MR. PORTEOUS: Did you have any conversation with Taylor Capital Management related to the preparation of this letter and the flyer reflected at Exhibit 44?

THE WITNESS: Yes.

MR. PORTEOUS: Can you explain the context in which you discussed this letter and the flyer reflected in Exhibit 44.

THE WITNESS: Well, a communication was sent from FINRA requesting an explanation, that's what this request was on 43 was, in reference to this flyer.

MR. PORTEOUS: Do you remember when that was, approximately?

THE WITNESS: The beginning of August, something like that.

MR. PORTEOUS: And when had Goldstone -- you had said that they had sent it out one time in July. When was that, approximately?

THE WITNESS: It was like mid to late July 2017.

MR. PORTEOUS: Okay.

And you're saying you got a communication or Taylor Capital Management got a communication from FINRA regarding the flyer sometime in mid-August of 2017; is that correct?

THE WITNESS: Yeah. It was probably beginning of August they had got an inquiry regarding this flyer.

MR. PORTEOUS: And then --

THE WITNESS: This is attached to the Email from FINRA requesting that information.

MR. PORTEOUS: And how was that request communicated to you, the request from FINRA communicated to you?

THE WITNESS: It was forwarded from Dennis Taylor.

MR. PORTEOUS: And did you have a conversation with Mr. Taylor about FINRA'S request?

THE WITNESS: Yes.

MR. PORTEOUS: And what was the nature of that conversation?

THE WITNESS: I just reached because I didn't understand. I'm like this is an approved outside business activity. You know, why do I have to respond to something that you guys approved? He, basically, said that I didn't do anything wrong, they did approve it, Taylor Capital Management did approve it as an outside business activity, but I'm required to respond, obviously, to FINRA'S request. And I asked him, you know, can I put that in there that, you know, this was approved as an outside business activity through TCM? He said, yeah, absolutely. So that's where you have this reference letter.

MR. PORTEOUS: In Exhibit 43, you're talking about?

THE WITNESS: In Exhibit 43, correct.

After this was submitted in August of -- 22nd, I believe it was at the end of September, beginning of October, because, again, I didn't hear anything else from Taylor Capital Management or FINRA, I had gotten a call or Email from Dennis saying that a FINRA examiner from Atlanta wanted to have a conference call with me just to get an understanding of what the short-term high yield contract was.

MR. PORTEOUS: In reference to the flyer at Exhibit 44?

THE WITNESS: 44, correct.

So, I believe, it was the beginning of October, I had a conference call with myself, Dennis Taylor, and Dennis McKay, who was with the Atlanta FINRA office, and, basically, I was explaining to him, he was asking questions about the flyer and what it was in reference to, and Dennis was on the call, as well.

MR. PORTEOUS: And what, if anything, was discussed on that call?

THE WITNESS: He was just trying to get -- or Mr. McKay was trying to get an understanding of what this was. I explained it to him as best as I could. He said that he may be requesting some more information down the road. After that, I mean, again, Dennis was like, you haven't done anything wrong, you know, we did

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approve it as an outside business activity. That was pretty much it from there.

MR. PORTEOUS: So am I correct in understanding from the testimony we've heard here today, that when you originally submitted for permission to -- for approval from Taylor Capital Management with regard to the arrangement with 1st Global, that was in May 2017, correct?

THE WITNESS: That's correct.

MR. PORTEOUS: And this flyer, you didn't have or had not circulated in May of 2017; is that correct?

THE WITNESS: That's correct.

MR. PORTEOUS: And you used the flyer, as you said a minute ago, sometime between middle and end of July of 2017, correct?

THE WITNESS: Correct.

MR. PORTEOUS: And then Taylor Capital Management received this flyer reflected in Exhibit 44 sometime middle of -- of August 2017, a few weeks after --

THE WITNESS: We sent it out.

MR. PORTEOUS: -- Goldstone had sent it out?

THE WITNESS: Correct. Yes.

MR. PORTEOUS: And you had conversations with Dennis Taylor both in August of 2017 about FINRA'S

inquiry about the flyer reflected in Exhibit 44?

THE WITNESS: Correct.

MR. PORTEOUS: And then you also had a conversation with Mr. Taylor, as well as FINRA, answering questions that Mr. McKay had, you believe, sometime in September or the end of September 2017, correct?

THE WITNESS: By the end of September, beginning of October.

MR. PORTEOUS: Okay.

And in the conversation you had with Mr. McKay, did you go through some of the terms that are reflected in the flyer in Exhibit 44, such as the nine to twelve months or the security issues?

THE WITNESS: Yes, I did. As a matter of fact, one of the other things that I had mentioned on the phone call was -- in general conversation, I had referenced the Securities Act and the Exchange Act that we have in Exhibit 48. So, you know, I said from my understanding, according to those Acts, and I'm not an expert, Mr. McKay, obviously, you are, but from what I've been told is that something that's nine months or less, as far as a note or what have you, falls under an exemption rule. And Dennis Taylor proceeded to say on that phone call to Dennis McKay, he said, yeah, I

believe, you know, Mike is correct on that. So he did clarify some of the things that I was saying in that call.

MR. PORTEOUS: He meaning Dennis Taylor?

THE WITNESS: Dennis Taylor, correct.

MR. PORTEOUS: And at this time Dennis Taylor's Chief Compliance Office at Taylor Capital Management?

THE WITNESS: Correct. Yes.

MR. PORTEOUS: So am I correct in understanding, after this phone call with Mr. McKay in which Mr. Taylor participated, and after Taylor Capital Management had this flyer since August -- I'm going to strike that. I'm going to rephrase my question.

At any time after your conversations with Mr. Taylor, whether in August or September related to this flyer, did either Mr. Taylor, in his capacity as Chief Compliance Officer, or anyone else at Taylor Capital Management advise you that they had further questions about whether this was an outside business activity or private securities transaction?

THE WITNESS: No.

MR. PORTEOUS: So as far as you understood it from your conversations with Mr. Taylor in reference to this flyer between August and September of 2017, they

had not changed their position that it was an outside business activity as compared to a private securities transaction?

THE WITNESS: That's correct.

MR. PORTEOUS: Okay. I have no further questions.

BY MR. LEVENSON:

Q The FINRA representative never told you he agreed with Mr. Taylor, did he?

A The FINRA representative?

Q On the phone. He never said, I agree with you, this is not a security?

A No. No. That was Dennis Taylor who --

Q Yeah. My question was simply, did the FINRA representative ever tell you that he agreed with you?

A No.

MR. LEVENSON: Okay. That's all. We don't have any other questions today. If we do develop any other questions or need any other information, obviously, we'll contact you through your Counsel.

I appreciate your coming down very much. I appreciate you taking the time. This is a -- you know, you're free to discuss or not discuss this as you wish. This is a nonpublic investigation. However, we cannot discuss it with anyone outside the confines of, you

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know, this room or take additional testimony. So, you know, we'd appreciate you keeping that in when you're making your decisions whether you talk about this or not.

That's really it. Thanks a lot.

Let's go off the record at 4:13.

(Whereupon, at 4:13 p.m., the examination was concluded.)

* * * * *

PROOFREADER'S CERTIFICATE

In The Matter of: 1 GLOBAL CAPITAL, LLC
Witness: Michael Pellegrino
File Number: FL-04148-A
Date: Thursday, August 2, 2018
Location: Miami, FL

This is to certify that I, Maria E. Paulsen, (the undersigned), do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

_____ _____

(Proofreader's Name) (Date)

OS Received 08/16/2021

EXHIBIT 16

OS Received 08/16/2021

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20331

In the Matter of

Roy Y. Gagaza,

Respondent.

DECLARATION OF GARY MILLER IN SUPPORT OF DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION

I, Gary Miller, pursuant to 28 U.S.C. § 1746, declare:

1. I am a Senior Investigations Counsel with the Division of Enforcement ("Division") of the Securities and Exchange Commission. I submit this Declaration in support of the Division's Motion for Summary Disposition ("Motion").

2. Attached to the Motion as Exhibit 4 is a true copy of a CRD for Roy Gagaza, current as of December 5, 2019, which I directed SEC paralegal staff to obtain for me by downloading it from the SEC's Web CRD application.

3. Attached to the Motion as Exhibit 7 is a true copy of a document showing customers of Roy Y. Gagaza who purchased notes from 1 Global Capital LLC that 1 Global Capital produced in response to a subpoena the Division served on it during the investigation of this matter.

4. Attached to the Motion as Exhibits 8, 9, and 10 are true copies of emails produced by Respondent Roy Y. Gagaza in response to a subpoena ("the Subpoena") the Division served on him during the investigation of this matter.

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5. Attached to the Motion as Exhibit 11 is a true copy of a 22-page document entitled "1 Global Capital Financial Services Merchant Cash Advance High Growth Market / Solid Returns," which Gagaza produced as attached to Exhibit 10 in response to the Subpoena.

6. Attached to the Motion as Exhibit 12 is a true copy of a document entitled Memorandum of Indebtedness which Gagaza produced in response to the Subpoena.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 12, 2021.

Gary M. Miller

Gary Miller

OS Received 08/16/2021

From: no-reply@sec.gov
To: Landau, Lalaine
Subject: eFAP - Notice of Deficient Filing – AP File No.: 3-20331
Date: Friday, August 13, 2021 5:45:34 PM

Office of the Secretary
United States Securities and Exchange Commission
Electronic Filings in Administrative Proceedings System

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AP File No.:	3-20331
Case Name:	Gagaza, Roy Y.
Date:	08/13/2021
Filing Description:	Motion for Summary Disposition and Attachments
ID:	2061

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