UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.:

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

HENRY J. WIENIEWITZ, III, and WIENIEWITZ FINANCIAL, LLC,

Defendants.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

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

INTRODUCTION

1. From no later than February 2016 through July 2018, the Defendants in this action served as unregistered brokers on behalf of Woodbridge Group of Companies, LLC and its affiliates ("Woodbridge") and 1 Global Capital, LLC ("1 Global"). The Defendants raised almost $64.4 million from the offer and sale of unregistered securities to more than 630 retail investors located throughout the United States. The Defendants earned more than $3.5 million in transaction-based sales commissions.

2. The Defendants utilized several marketing techniques, including advertising on television, radio, newspapers, email, social media, and pitching investors at in-person meetings, routinely touting Woodbridge's and 1 Global's securities as "safe and secure."

3. Unbeknownst to the Defendants' customers, many of whom had invested their retirement savings, Woodbridge was actually operating a massive Ponzi scheme, raising more than $1.2 billion before collapsing in December 2017 and filing for bankruptcy. Once Woodbridge

filed for bankruptcy, investors stopped receiving their monthly interest payments and to date have received only a small amount of their principal back through the bankruptcy process.

4. Unbeknownst to Defendants' 1 Global investors, 1 Global and its chairman and chief executive officer were syphoning off millions in investor funds to fund a lavish lifestyle and operate unrelated businesses. 1 Global filed for bankruptcy in July 2018.

5. At all relevant times, the Defendants were not registered as broker-dealers with the Commission or associated with a registered broker-dealer. Woodbridge's and 1 Global's securities offerings were not registered with the Commission and there was no applicable exemption from registration for these offerings.

6. By engaging in this conduct the Defendants each 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)]. Unless enjoined, the Defendants are reasonably likely to continue to violate the federal securities laws. The Commission also seeks against all Defendants disgorgement of ill-gotten gains along with prejudgment interest thereon, and civil money penalties.

DEFENDANTS

7. **Henry J. Wieniewitz, III**, 42, is a resident of Knoxville, Tennessee and the owner of Wieniewitz Financial, LLC ("Wieniewitz Financial"). Wieniewitz is not currently registered with the Commission or the Financial Industry Regulatory Authority ("FINRA"), nor was he during the time period relevant to the allegations contained herein. From no later than February 2016 to March 2017, Wieniewitz personally solicited and sold unregistered Woodbridge securities, and from February 2017 to July 2018, Wieniewitz personally solicited and sold unregistered 1 Global securities, to retail investors in at least five states.

8. **Wieniewitz Financial** is a Tennessee limited liability company with offices in Knoxville, Tennessee, owned and controlled by Wieniewitz, engaged in the business of selling investment products, including Woodbridge's and 1 Global's securities, to retail investors. Wieniewitz Financial has never been registered with the Commission, FINRA or any state securities regulatory authority.

JURISDICTION

9. 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)].

10. This Court has personal jurisdiction over the Defendants and venue is proper in the Southern District of Florida because Defendants transacted business in this District, acts and transactions constituting the violation occurred in this District, and Defendants participated in the offer and sale of securities in this District.

11. In connection with the conduct alleged in this Complaint, the 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 interstate commerce, and of the mails.

FACTUAL ALLEGATIONS--WOODBRIDGE

12. Beginning in July 2012 through at least December 4, 2017, Robert H. Shapiro ("Shapiro") and Woodbridge orchestrated a massive Ponzi scheme, raising in excess of $1.22 billion from the sale of unregistered securities to over 8,400 investors nationwide. At least 2,600 of these investors used their Individual Retirement Account funds to invest nearly $400 million. The Defendants are responsible for raising more than $11.4 million from Woodbridge investors.

A. Woodbridge's Securities and Representations to Investors

13. Woodbridge sold investors two primary types of securities: (1) 12-to-18- month term promissory notes bearing 5%-8% interest that Woodbridge described as First Position Commercial Mortgages ("FPCM Note" and "FPCM Investors"), which were issued by one of Woodbridge's several affiliated Fund Entities, and (2) seven different private placement fund offerings with five-year terms. The Defendants sold only the FPCM Notes.

14. Woodbridge represented that the FPCM Note was a "simple, safer and more secured opportunity for individuals to achieve their financial objectives." The purported revenue source enabling Woodbridge to make the payments to FPCM Investors was the interest Woodbridge would be receiving from mainly one-year loans to supposed third-party commercial property owners ("Third-Party Borrowers"). Woodbridge told investors that these Third-Party Borrowers were paying Woodbridge 11%-15% annual interest for "hard money," short-term financing. Woodbridge would secure the debt through a mortgage on the Third-Party Borrowers' real estate. 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 [FPCM] documents."

15. Woodbridge provided FPCM Investors three primary documents: (1) a promissory note payable by a Woodbridge entity; (2) a collateral assignment of note and mortgage, purportedly providing a security interest in Woodbridge's right, title and interest in the loan for the property, the promissory note evidencing the pledged loan, and the mortgage or deed of trust securing the loan with an interest in the property; and (3) an inter-creditor agreement, necessary because Woodbridge allowed multiple investors (generally unknown to each other) the opportunity to

invest in notes secured by the same properties. Woodbridge promised FPCM Investors a pro-rata first position lien interest in the underlying property.

16. The FPCM Investors invested their funds with the expectation of earning the promised returns while maintaining a secured interest in a parcel of real estate.

17. The profitability of the FPCM investments was derived solely from the efforts of Shapiro and Woodbridge and the investments were in a common enterprise. Once investors provided their funds to Woodbridge, Woodbridge commingled their funds with other investors' funds and used them for general business purposes. Investors had no control over how Shapiro and Woodbridge used their money. Because Woodbridge was a Ponzi scheme, its ability to pay returns depended upon its continued ability to raise funds from new investors and convince existing investors to roll over their investments. Information materials from Woodbridge informed investors that it conducted all due diligence including title search and appraisal on the commercial property and borrower. The investors played no role in selecting which properties would purportedly secure their investments. Marketing materials from Woodbridge also reassured investors, telling them not to worry about borrowers failing to make their loan payments because Woodbridge would continue to pay investors their interest payments.

B. Woodbridge's Misrepresentations

18. Woodbridge's claim to be making high interest rate loans to "third party" borrowers was a lie. In reality, Woodbridge's business model was a sham. Nearly all the "third-party" borrowers were 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.

19. Because Shapiro's LLCs were not making any of the promised interest payments and Woodbridge's other revenue was minimal, Woodbridge sought to convince FPCM Investors to roll over 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. For the payment of returns to FPCM Investors and redemptions to FPCM Investors who did not roll over their notes, Woodbridge raised and used new investor funds, in classic Ponzi scheme fashion.

20. Finally, on December 1, 2017, after amassing more than $1.22 billion 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.

21. In the Chapter 11 Bankruptcy, it was determined that the FPCM Investors did not have perfected security interests, and Woodbridge's confirmed liquidation plan treats them as unsecured creditors.

C. Defendants Offered and Sold Woodbridge Securities

22. Woodbridge recruited a network of several hundred external, mostly unregistered, sales agents, including the Defendants. Woodbridge provided the Defendants with the information and marketing materials that the Defendants gave to FPCM Investors.

23. From no later than February 2016 to March 2017, Defendants used the Woodbridge-provided materials to offer and sell Woodbridge's securities by soliciting the general public via various means, as detailed below, including email, telephone, and in-person meetings. For example, Wieniewitz conducted seminars at various restaurants for prospective investors. When a prospect was interested in learning more about investment opportunities, Wieniewitz

arranged an in-person meeting during which Wieniewitz discussed the investment opportunity and gave the prospect Woodbridge-supplied marketing materials.

24. Once in contact with a potential investor, the Defendants assured the safety and profitability of the Woodbridge investment. The Defendants touted: the purported security of the properties the investments were tied to by virtue of their favorable loan-to-value ratios; Woodbridge's long tenure and track record in the industry; and the purported first-position lien the investors would have on the properties in the event of a default by the "third party" borrower; and assured investors that an investment in Woodbridge was a more profitable alternative than traditional investments such as bank certificates of deposits, and safer than the stock market.

25. If a customer decided to invest in the FPCM note program, the Defendants filled out a Woodbridge online form identifying their customer, the amount of investment (with the minimum being $25,000), and selecting the Woodbridge property that would purportedly collateralize the customers' note. Woodbridge's processing department then generated a loan agreement and promissory note and sent the documents to the Defendants. Investors typically provided the Defendants the signed documents and the check for their principal investment, and the Defendants returned the package to Woodbridge. The investor then received monthly interest payments directly from Woodbridge.

26. Woodbridge offered its FPCM notes to the Defendants at a 9% wholesale annual interest rate, who then would offer these notes to their investor clients at a 5% annual interest rate—the difference representing the Defendants' transaction-based commission.

27. Overall, Woodbridge paid the Defendants more than $529,000 in transaction-based sales commissions earned as a result of raising more than $11.4 million from 132 investors.

28. During the time they sold Woodbridge securities, the Defendants were neither registered broker-dealers nor associated with a registered broker-dealer.

FACTUAL ALLEGATIONS—1 GLOBAL

29. From 2013 to July 27, 2018, 1 Global, and its chairman and chief executive officer, Carl Ruderman, fraudulently raised at least $287 million from the sale of unregistered securities to more than 3,400 investors nationwide. Until it ceased operations on July 27, 2018, 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, which it touted as insufficient to meet the short-term needs of smaller businesses. 1 Global funded its MCA business and its operations almost entirely with money from investors, whom the Company referred to alternately as "Lenders" or "Syndicate Partners."

30. The Defendants are responsible for raising more than $53 million from 1 Global investors.

A. 1 Global's Securities and Representations to Investors

31. For the vast majority of the four-plus years 1 Global offered and sold its investment, it used an instrument entitled a Syndication Partner Agreement ("SPA") or Memorandum of Indebtedness ("MOI") as the note or contract between the Company and investors.

32. The MOI termed the investor a "Lender," and identified the Company as the "Borrower." The SPA and the MOI both specified that 1 Global would use investor funds for MCAs. And the only use of investor money the Company identified in its marketing materials was the MCAs. After 1 Global received investor funds, it pooled and commingled them together

in non-segregated 1 Global bank accounts.

32. 1 Global offered and sold notes that had either a nine-month or one-year term. While the nine-month 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.

33. 1 Global regularly provided sales materials to its 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. Sales agents used the materials in soliciting clients to invest, attaching them to emails in at least one case and other times using the information in them when they spoke to prospective investors.

34. The marketing materials contained statements about 1 Global's purportedly rigorous MCA loan approval and repayment process. In addition, the marketing materials consistently 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.

35. In addition, 1 Global sent copies of monthly investor account statements to sales agents to show investors. Those account statements showed returns ranging from 8% to 17% a year. Starting in January 2018, 1 Global changed its marketing materials to tell investors that they would earn a guaranteed minimum of 3% a year, with the possibility of much higher returns.

36. The marketing materials, including the Frequently Asked Questions, also stated that 1 Global collected an average of $1.30 to $1.35 or $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.

37. Using this information, sales agents – including the Defendants – usually told investors 1 Global could earn them high single digit to low double digit returns a year. Both the Company and sales agents stressed that 1 Global offered better returns than fixed instruments such as annuities, and was a safe, short-term alternative to more risky stock market investments.

38. 1 Global did not pay investors the interest or the increase in valuation of their portfolio the Company told them they were earning until the investor cashed out some or all of their investment. Although 1 Global sent investors monthly account statements purporting to show each investor's account credited with the interest the investor had earned on MCA repayments, investors did not receive those payments right away. Rather, 1 Global simply commingled all investor funds into its various bank accounts and frequently reinvested the investor money into new MCAs. This also allowed 1 Global to misappropriate investor funds.

39. The profitability of the 1 Global investments was derived solely from the efforts of 1 Global and the investments were in a common enterprise. Once investors provided their funds to 1 Global, their funds were commingled with other investors' funds and used by 1 Global to fund MCAs, among other things. Investors had no control over how Ruderman and 1 Global used their money. The MOI provided that it was within 1 Global's sole discretion how to use investor money to make MCA loans. In fact, investors had no say in how 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 funds, as well as repayment and collection efforts.

B. 1 Global's Misrepresentations

40. 1 Global's false representations to investors included: (A) that it would use their money to fund MCAs; (B) that their monthly account statements accurately disclosed the current value of their investment; and (C) that its supposed independent audit firm agreed with 1 Global's method of calculating investors' returns.

41. 1 Global used a substantial amount of investors' funds for purposes other than making MCAs, including using significant investor funds on operations and on non-MCA business transactions.

43. In addition, Ruderman misappropriated at least $32 million in investor funds by causing 1 Global to pay himself personally 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 Ruderman leased, his monthly American Express credit card bill, payments for Ruderman's household staff, and $4 million to his family trust.

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

45. 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 not yet deployed" available 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 they had invested, and the rate of return each account statement showed for each investor, were all overstated.

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

C. Defendants Offered and Sold 1 Global Securities

47. 1 Global recruited a network of several hundred external, mostly unregistered, sales agents, including the Defendants. 1 Global provided the Defendants with the information and marketing materials that the Defendants gave to Investors.

48. From no later than February 2017 to July 2018, Defendants used the 1 Global-provided materials to offer and sell 1 Global's securities to investors via various means. As was the case with the Woodbridge securities, Wieniewitz solicited investors through in-person meetings where Wieniewitz gave the prospect marketing materials provided to him by 1 Global.

49. Once in contact with a potential investor, the Defendants assured the safety and profitability of the 1 Global investment. The Defendants touted the purported security of the diversification of MCAs assigned to each investor, robust collection protocols, and security interests obtained on each merchant that was advanced money. They assured investors that an investment in 1 Global was a more profitable alternative than traditional investments such as bank certificates of deposits, and safer than the stock market.

50. For example, in early 2018, Investor A and his wife met with Wieniewitz after learning that Wieniewitz provided retirement advice. Investor A told Wieniewitz that he was

nearing retirement and was concerned about his retirement money being subject to stock and bond market risk.

51. Wieniewitz told Investor A about 1 Global. Wieniewitz said it was a nine-month product that paid 8-9% and that 1 Global used lenders' money to provide cash advances to small businesses. Wieniewitz told Investor A that the only risk with 1 Global is that Investor A would not have access to the money during the nine-month period.

52. Based on what Wieniewitz told Investor A, Investor A decided to invest. On March 2, 2018 Investor A signed the 1 Global MOI and placed approximately 90% of his retirement savings, nearly $700,000, in the 1 Global product.

53. In another instance, Wieniewitz offered and sold over $2 million to Investor B, a 98 year old woman who is now deceased. The $2 million represented a significant portion of Investor B's net worth.

54. Investor B told Wieniewitz that her objective was safety of principal and liquidity. Wieniewitz represented 1 Global to Investor B as being safe and conservative.

55. Based on Wieniewitz's representations, Investor B agreed to buy 1 Global in two tranches—in April 2017 and in August 2017 totaling over $2 million.

56. When Wieniewitz decided to no longer market Woodbridge securities to customers, he was aware that some states were inquiring whether it was a security.

57. Despite that knowledge, Wieniewitz began marketing another unregistered security—1 Global—to investors.

58. If a customer decided to invest in 1 Global, the Defendants filled out and signed a MOI identifying their customer and the amount of investment (with the minimum being $25,000). Investors typically provided the Defendants the signed document and the check for their principal

investment, and the Defendants returned the package to 1 Global. 1 Global's processing department then countersigned the MOI and sent the executed document to the Defendants.

59. Overall, 1 Global paid the Defendants approximately $3 million in transaction-based sales commissions earned as a result of raising more than $53 million from more than 500 investors.

60. During the time they sold 1 Global securities, the Defendants were neither registered broker-dealers nor associated with a registered broker-dealer.

CLAIMS FOR RELIEF

COUNT I

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

61. The Commission repeats and realleges paragraphs 1 through 60 of this Complaint as if fully set forth herein.

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

63. From as early as February 2016 and continuing through approximately July 2018, the Defendants directly and indirectly:

(a) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;

(b) carried or caused to be carried securities through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; or

(c) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security;

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

64. By reason of the foregoing the Defendants 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 15(a)(1) of the Exchange Act

65. The Commission repeats and realleges Paragraphs 1 through 60 of this Complaint as if fully set forth herein.

66. From as early as February 2016 and continuing through approximately July 2018, the Defendants, 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 they were not registered with the Commission as a broker or dealer or when they were not associated with an entity registered with the Commission as a broker-dealer.

67. By reason of the foregoing, the Defendants, directly or indirectly, violated and, unless enjoined, are reasonably likely to continue to violate Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

RELIEF REQUESTED

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

A.
Permanent Injunctive Relief

Issue a Permanent Injunction enjoining the Defendants 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 the Defendants 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 the Defendants to pay civil money penalties 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 to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

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Respectfully submitted,

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