

## [Securities Regulation Daily Wrap Up, ENFORCEMENT—S.D. Fla.: SEC charges cash-advance business with \\$287M fraud, \(Aug. 30, 2018\)](#)

Securities Regulation Daily Wrap Up

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By [Anne Sherry, J.D.](#)

The SEC charged a Florida cash-advance company and its former CEO with fraudulently raising more than \$287 million from investors since 2014 by recruiting barred brokers, among others, to sell unregistered securities. The district court for the Southern District of Florida granted the SEC's requests for a temporary asset freeze and appointment of a receiver over certain companies named as relief defendants ([SEC v. 1 Global Capital LLC](#), August 23, 2018).

Instead of using investors' funds to make loans to small and mid-sized companies as promised, 1 Global Capital siphoned a large portion to the former CEO and his consumer-loan companies, Bright Smile Financing and Ganador Enterprises. Investors were given account statements that overstated their portfolio values and rates of return and falsely stated that its audit firm had endorsed its rate-of-return formula, when in fact the firm's work had been limited to drafting a set of agreed-upon procedures for evaluating investors' accounts.

1 Global also stated that its average loan write-off rate was only 4 percent annually and that approximately 30 percent of borrowers refinanced their loans. In reality, 1 Global made much larger loans than it represented to investors and had far more difficulty collecting. As of April 2018, 1 Global had only \$27.5 million in cash and owed investors about ten times that amount. The company filed for bankruptcy in July 2018, and the CEO resigned.

Some of the cash shortfall was caused by the CEO's misappropriation of investor funds. The CEO regularly instructed 1 Global employees to transfer funds to benefit himself and his family and friends. 1 Global transferred over \$15 million to Bright Smile Financing, over \$5 million to Ganador, \$1 million to a company formed by the CEO's son, and \$4 million to a family trust. 1 Global also paid the CEO's wife, who had no listed job with the company, a six-figure annual salary.

Eric I. Bustillo, Director of the SEC's Miami Regional Office, credits the agency's investigation with stopping 1 Global's offering and preventing further harm to investors. The [press release](#) announcing the action encourages investors to conduct a free background check of investment professionals at investor.gov. As a recent SEC [investor alert](#) explains, the search tool provides information about registered and licensed individuals, including regarding legal and regulatory proceedings, customer complaints, employment terminations, and bankruptcy filings.

The case is [No. 18-cv-61991](#).

Attorneys: Christopher E. Martin for the SEC. Jared Edward Dwyer (Greenberg Traurig, LLP) for 1 Global Capital LLC and 1 West Capital LLC.

Companies: 1 Global Capital LLC; 1 West Capital LLC

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