

BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS



In the Matter of:

Matthew L. Walker (CRD #4874720) and
Pinnacle Plus Capital, LLC (CRD #153896),

Docket No. **22 E033**
KSC No. 2018-6519

Respondents.

Pursuant to K.S.A. 17-12a604

CONSENT ORDER

1. The Staff of the Office of the Kansas Securities Commissioner (“KSC Staff”) allege that Matthew L. Walker (“Walker”) and Pinnacle Plus Capital, LLC (“Pinnacle Capital”) engaged in conduct constituting violations of the Kansas Uniform Securities Act, K.S.A. 17-12a101 *et seq.* (“the KUSA”), and that Walker and Pinnacle Capital are subject to administrative sanctions and remedies under K.S.A. 17-12a604.
2. Walker, Pinnacle Capital, and KSC Staff desire to settle the matters raised by KSC Staff relating to Walker’s and Pinnacle Capital’s alleged violations.

CONSENT TO JURISDICTION

3. Walker, Pinnacle Capital, and KSC Staff stipulate and agree that, under the KUSA, the Securities Commissioner of Kansas (“the Commissioner”) has jurisdiction over Walker, Pinnacle Capital, and this matter.
4. Walker, Pinnacle Capital, and KSC Staff stipulate and agree that the Commissioner has authority to enter this Order under K.S.A. 17-12a604.

WAIVER

5. Walker and Pinnacle Capital waive their right to a hearing with respect to these matters.
6. Walker and Pinnacle Capital waive any rights that they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order.

CONSENT TO THE COMMISSIONER'S ORDER

7. Walker, Pinnacle Capital, and KSC Staff agree to the issuance of this Order without further proceedings in this matter and agree to be fully bound by the terms and conditions specified herein.
8. Without admitting or denying the allegations made by the KSC Staff as reflected in the Findings of Fact and Conclusions of Law set forth below, Walker and Pinnacle Capital agree to the issuance of this Order on the basis of such Findings of Fact and Conclusions of Law solely for the purposes of this proceeding and any proceeding that may be brought to enforce the terms of this Order.
9. Walker and Pinnacle Capital agree to not take any action nor to make or permit to be made any public statement creating the impression that this Order is without a factual basis. Nothing in this Order affects Walker's or Pinnacle Capital's testimonial obligations or right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party.

FINDINGS OF FACT

10. Pinnacle Plus Holdings, LLC (“Pinnacle Holdings”) is a Kansas limited liability company, partly owned by Walker, with a principal place of business located at 11225 College Blvd., Ste. 130, Overland Park, KS 66210. Pinnacle Holdings is the parent company of several entities, including Pinnacle Wealth Management, LLC (“Pinnacle Wealth”) and Pinnacle Capital. Pinnacle Holdings has never been registered in any capacity under the KUSA.
11. Pinnacle Wealth (CRD #153896) is a Kansas limited liability company with a principal place of business located at 11225 College Blvd., Ste. 130, Overland Park, KS 66210. Pinnacle Wealth was registered as an investment adviser under the KUSA from August 24, 2010, until June 21, 2019. On June 21, 2019, Pinnacle Wealth filed a Form ADV-W with the CRD, terminating its registration as an investment adviser under the KUSA.
12. Walker (CRD # 4874720) is an individual domiciled in Olathe, Kansas. From October 29, 2004, until June 21, 2019, Walker was registered under the KUSA as an investment adviser representative associated with several employers. Most recently, Walker was registered under the KUSA as an investment adviser representative associated with Pinnacle Wealth from October 24, 2010, to June 21, 2019. Walker’s registration as an investment adviser representative was terminated by operation of law on June 21, 2019, when Pinnacle Wealth’s registration was terminated as described above. At no time was Walker registered

as an agent under the KUSA. Walker is a licensed resident insurance agent in the State of Kansas.

13. Pinnacle Capital is a Kansas limited liability company with a principal place of business located at 11225 College Blvd., Ste. 150, Overland Park, KS 66210. Pinnacle Capital was formed by Pinnacle Holdings for the purpose of effecting the sales of debt instruments called *Memoranda of Indebtedness* (“MOIs”) issued by 1 Global Capital, LLC (“1 Global”) as further described below. Pinnacle Capital has never been registered under the KUSA in any capacity.
14. From approximately June 2017 to April 2018, Walker and other employees and agents of Pinnacle Capital effected the sale of MOIs issued by 1 Global to approximately 124 Kansas investors, for which Walker and Pinnacle Capital received commissions. At the time of these sales, the MOIs were not registered as securities under the KUSA as required. Additionally, Pinnacle Capital was not registered as a broker dealer, and Walker and Pinnacle Capital’s other employees and agents were not registered as agents of Pinnacle Capital under the KUSA as required.

1 Global Capital Investments

15. 1 Global is a Florida limited liability company. From approximately February 2014 through July 2018, 1 Global’s Chairman and Chief Executive Officer Carl Ruderman (“Ruderman”) and numerous other individuals used the company to perpetrate a nationwide securities fraud scheme. When 1 Global’s scheme ended

in July 2018, 1 Global had raised more than \$287 million from more than 3,400 investors.

16. 1 Global was in the business of making short-term cash advances called Merchant Cash Advances (“MCAs”) to businesses that could not obtain more traditional financing. To raise funds for the MCAs, 1 Global sold MOIs to individuals who 1 Global referred to as “Lenders” or “Syndicate Partners.” 1 Global then used the funds raised from the sales of MOIs to make the cash advances under the MCAs and assigned a percentage of the amounts to be collected under the MCAs to the Lenders.
17. The MOIs sold by 1 Global generally promised to pay Lenders a variable rate of at least three percent per year. However, marketing materials for the MOIs stated “historically, lenders have earned double digit annual returns.” More specifically, the average return on investments was stated as 16% in 2015 and 15% in 2016.
18. 1 Global used independent brokers and sales agents to solicit purchases of the MOIs. These agents were paid commissions for each sale.
19. During the scheme, 1 Global misappropriated investor funds, including at least \$28 million transferred to Ruderman and his other entities for purposes unrelated to the MOIs and MCAs, and approximately \$50 million used to purchase distressed or charged off credit card receivables (i.e., credit card debt which credit card companies had written off as uncollectible). Further, 1 Global used

approximately \$9 million of investor funds to pay commissions to agents who sold the MOIs to investors.

20. On August 23, 2018, the Securities and Exchange Commission (“SEC”) filed a *Complaint for Injunctive and Other Relief* in the United States District Court Southern District of Florida against 1 Global and Ruderman. The complaint alleged a total of ten (10) violations of the Securities Act of 1933 (“Securities Act”) and the Securities Exchange Act of 1934 (“Securities Exchange Act”). The SEC sought injunctive relief, disgorgement and prejudgment interest, and civil penalties. Simultaneously with filing the complaint, the SEC sought emergency relief, including the appointment of a receiver and an asset freeze.
21. On August 13, 2019, the United States District Court Southern District of Florida issued a *Final Judgment Against Defendant Carl Ruderman* (“*Final Judgment*”), to which Ruderman consented. Under the *Final Judgment*, Ruderman was permanently restrained and enjoined from violating certain provisions of the Securities Act and the Securities Exchange Act, and was ordered to pay disgorgement of \$32,587,166.00, prejudgment interest of \$1,517,273.00, and a civil penalty of \$15,000,000.00. Ruderman’s total financial obligations under the *Final Judgment* are \$49,104,439.00.
22. Additionally, several 1 Global employees or associates have pleaded guilty to charges filed in the United States District Court for the Southern District of Florida related to the scheme:

- a. in 2019, Alan Heide, 1 Global's Chief Financial Officer, pleaded guilty to conspiracy to commit securities fraud;
 - b. in 2019, Jan Atlas, an attorney, pleaded guilty to securities fraud;
 - c. in 2020, Steven Schwartz, 1 Global's former Director, pleaded guilty to conspiracy to commit securities fraud wire fraud; and,
 - d. in 2021, Andrew Dale Ledbetter ("Ledbetter"), an attorney, pleaded guilty to conspiracy to commit fraud and securities fraud.
23. On July 27, 2018, 1 Global filed for chapter 11 bankruptcy in the United States Bankruptcy Court Southern District of Florida. On September 20, 2019, the bankruptcy court issued an order confirming the First Amended Joint Plan of Liquidation, which established a Liquidating Trust to hold and administer trust assets and make distributions to beneficiaries, including investors who purchased MOIs from 1 Global.
24. On December 16, 2019, the bankruptcy court issued an order approving a class action settlement between MOI investors and some of the agents who effected sales of MOIs to investors. As part of the settlement, these agents agreed to make payments to the Liquidating Trust totaling \$1,912,500.00 for subsequent distribution to beneficiaries including the investors who purchased MOIs from 1 Global.

Sale of MOIs to Pinnacle's clients

25. Walker initially learned of 1 Global in late 2016 or early 2017 through conversations with a colleague, Trae Wieniewitz (“Wieniewitz”).
26. Before recommending the 1 Global MOIs to clients, Walker also spoke with Ledbetter, attorney for 1 Global, who assured Walker that the 1 Global MOIs were not securities. Ledbetter and Wieniewitz represented to Walker that the MOI had been “approved for sale” in Kansas, Missouri, and Colorado, though Walker took no additional steps to confirm that the listed states had approved the MOIs for sale. Additionally, Walker received a letter from Darice Lang, Operations Director for 1 Global, dated March 9, 2018, which represented that the MOIs were not securities.
27. As part of his due diligence, Walker and other Pinnacle personnel visited 1 Global’s office in Florida on June 19, 2017, and again on January 15, 2018. While visiting 1 Global’s office in Florida, Walker met several 1 Global employees, including Ruderman, and received additional information about 1 Global’s business philosophy and product.
28. In addition to visiting 1 Global and consulting with 1 Global’s employees, Pinnacle employed RIA in a Box, LLC (“RIA in a Box”), an independent outside compliance consultant regarding 1 Global’s MOIs. RIA in a Box told Walker that the MOIs were not securities.

29. In May 2017, Walker formed Pinnacle Capital for the sole purpose of effecting the sale of 1 Global MOIs and Walker and other Pinnacle Capital employees and agents subsequently effected sales of 1 Global MOIs to Pinnacle Capital clients. 1 Global paid Pinnacle Capital commissions for these sales, generally 2.5% of the sale amount. In addition, for each MOI sold by Pinnacle Capital's employees and agents other than Walker, 1 Global paid Pinnacle Capital an "agency override" of .75%. Of the 2.5% in commissions paid by 1 Global, Pinnacle Capital paid 1% in commissions to Walker and its other employees and agents retained the other 1.5%.
30. From approximately June 2017 through April 2018, Walker and other employees and agents of Pinnacle Capital effected the sale of MOIs issued by 1 Global to approximately 124 of Pinnacle Capital's clients for a cumulative total of \$9,809,280.12. Based on these purchases, 1 Global paid Pinnacle Capital commissions totaling \$212,852.39 and "agency overrides" totaling \$17,301.35. In turn, Pinnacle Capital paid Walker commissions totaling \$70,512.27 and paid its other employees and agents commissions totaling \$22,273.00. Of the \$212,852.39 in commissions paid by 1 Global, Pinnacle Capital retained \$120,067.12. Thus, between "agency overrides" and the portion of retained commissions, Pinnacle Capital received and retained a total of \$137,368.47 from the sale of the MOIs to its clients.

31. At no time has Walker been registered under the KUSA as an agent nor has Pinnacle Capital been registered under the KUSA as a broker-dealer.

Other Actions against Pinnacle Capital and Walker

32. On February 4, 2019, Walker, Pinnacle Wealth and Pinnacle Capital entered into a consent order with the Colorado Division of Securities for violations of the Colorado Securities Act in effecting sales of the 1 Global MOIs. As a result of this consent order, Pinnacle Wealth withdrew its registration as an investment adviser in Colorado, and Walker withdrew his registration as an investment adviser representative.
33. On December 30, 2019, in accordance with the class action settlement described in Paragraph 24, Pinnacle Capital made a payment of \$500,000 to the Liquidating Trust.
34. On May 13, 2020, Walker and Pinnacle Capital entered into a consent order with the State of Idaho Department of Finance for violations of the Idaho Uniform Securities Act in effecting the sale of 1 Global MOIs. Walker and Pinnacle were ordered to pay a \$5,000 civil penalty.
35. In addition to the payment to the Liquidating Trust as described in Paragraph 33, Pinnacle Capital and its employees have entered into settlement agreements with 52 individual plaintiffs in Kansas and Missouri and have made substantial settlement payments to these plaintiffs.

CONCLUSIONS OF LAW

36. The Commissioner has jurisdiction over Walker, Pinnacle Capital, and this matter.
37. The MOIs are securities as that term is defined in K.S.A. 17-12a102(28).
38. The MOIs are not federal covered securities, as that term is defined in K.S.A. 17-12a102(7) and are not exempt from registration under K.S.A. 17-12a201 through 17-12a203.
39. Walker and Pinnacle Capital violated K.S.A. 17-12a301 by offering and selling the MOIs to their clients.
40. In effecting the sale of the MOIs, Pinnacle Capital acted as a broker-dealer, as that term is defined in K.S.A. 17-12a102(4) and was not exempt from registration under K.S.A. 17-12a401(b).
41. Pinnacle Capital violated K.S.A. 17-12a401(a) by transacting business in this state as a broker-dealer when Pinnacle Capital was neither registered under the KUSA as a broker-dealer, nor exempt from registration.
42. In effecting the sale of the MOIs, Walker was an agent, as that term is defined in K.S.A. 17-12a102(2), of Pinnacle Capital, and was not exempt from registration under K.S.A. 17-12a402(b).
43. Walker violated K.S.A. 17-12a402(a) by transacting business in this state as an agent when Walker was neither registered under the KUSA as an agent, nor exempt from registration.

ORDER

IT IS THEREFORE ORDERED that Walker and Pinnacle Capital shall pay a civil penalty in the amount of \$40,000.00. Payment shall be made payable to the “Office of the Kansas Securities Commissioner,” and delivered to Jack Clayton Johnson, Assistant General Counsel, at 1300 SW Arrowhead Road, Topeka, KS 66604. Such payment shall be made within 30 days of the issuance of this Order. Upon receipt, such payment shall be deposited in the Investor Education and Protection Fund.

IT IS SO ORDERED BY THE COMMISSIONER.

Entered at Topeka, Kansas, this 14TH day of OCTOBER, 2021,



[Signature]

Daniel J. Klucas
Kansas Securities Commissioner

CONSENTED TO BY:

[Signature]

Kathlyn W. Daniels, Kanas Bar No. 28090
Staff Attorney
OFFICE OF THE KANSAS
SECURITIES COMMISSIONER
Attorney for KSC Staff

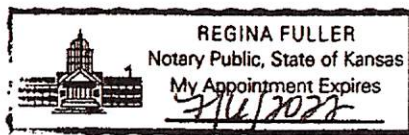
[Signature]

Matthew L. Walker, Chief Compliance Officer
Pinnacle Wealth Management, LLC
Respondent

STATE OF KS)
) SS:
COUNTY OF Johnson)

This instrument was signed before me on this 15th day of October, 2021,
by Matthew L. Walker.

(seal)



[Signature]
Notary Public

My appointment expires: 7/6/2022

NOTICE

(1) A party to this action may petition the Commissioner for reconsideration within 15 days after service of a final order, following the procedures in K.S.A. 77-529. Under K.S.A. 77-528, a party may petition for a stay of effectiveness of this order until the time at which a petition for judicial review would no longer be timely.

(2) This decision may be subject to judicial review. The agency officer to receive service of a petition for judicial review on behalf of the Office of the Securities Commissioner is Jack Clayton Johnson, Assistant General Counsel, at 1300 SW Arrowhead Road, Topeka, KS 66604.