

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
Fort Lauderdale Division**

In re:

Chapter 11

1 GLOBAL CAPITAL, LLC,
1 WEST CAPITAL, LLC,

Case No. 18-19121-RBR
Case No. 18-19122-RBR

Debtors.

Jointly Administered Under
Case No. 18-19121-RBR

_____ /

NOTICE OF FILING APPENDIX A

NOTICE IS GIVEN that Certain Underwriters at Lloyd's, London ("Underwriters")¹, through undersigned counsel, having filed its MOTION TO DETERMINE AUTOMATIC STAY DOES NOT APPLY OR ALTERNATIVELY, RENEWED MOTION FOR RELIEF FROM THE AUTOMATIC STAY, TO THE EXTENT APPLICABLE, TO ALLOW THE FILING AND PROSECUTION OF A COVERAGE AND/OR RESCISSION ACTION REGARDING PROFESSIONAL SERVICES LIABILITY POLICY (Doc. No. 3039) (the "Motion"), hereby file the Appendix A that was inadvertently omitted at the time the motion was filed.

Dated: July 24, 2023.

I HEREBY CERTIFY that I am admitted to the Bar of the United States District Court of the Southern District of Florida, and I am in compliance with the additional qualifications to practice in this Court as set forth in Local Rule 2090-1(A).

Respectfully submitted,

KELLEY KRONENBERG

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¹ The Lloyd's syndicates subscribing to Policy No. SUA WS20185-1701 are Chaucer Syndicate No. 1084 and Markell Syndicate No. 3000. The use of "Underwriters" herein is distinct from the syndicates subscribing to Private Investment Fund Management & Professional Liability Insurance Policy No. DFS-0000215-01 (the "Investment Fund Management & Professional Liability Policy") at issue in a separate motion for stay relief found at ECF No. 408 filed on December 21, 2018.

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By: /s/ James D. Silver
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY I hereby certify that on July 24, 2023, a true and correct copy of the foregoing has been served via transmission of Notice of Electronic Filing generated by CM/ECF on all counsel of record authorized to receive electronically Notices of Electronic Filing in this case, and was served via U.S. first class and/or electronic mail on all parties as indicated on the attached Master Service List.

/s/ James D. Silver
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**1 GC Collections - Case No. 18-19121
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Appendix A

| KCESD |

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April 24, 2019

Via E-Mail, Federal Express, and U.S. Certified Mail
(EMAIL: mpineiro@mnrllawfirm.com)

Carl Ruderman
c/o Michael Pineiro, Esq.
Marcus, Nieman & Rashbaum LLP
2 South Biscayne Blvd., Suite 1750
Miami, FL 33131

Re: (1) *SEC v. 1 Global Capital, LLC, et al.*, Case No. 18-CV-61991
(2) *Foster v. Ruderman, et al.*, Case No. 2018-030906-CA-01
(3) February 4, 2019 Joint Demand Letter
Professional Services Liability Policy
Financial Institution Bond
Consumer Financial Defense Expense Policy
Insured: 1 Global Capital LLC dba 1st Global Capital
Hallandale Beach, Florida
Certificate Nos.: SUA WS20185-1701 (“PL Policy”)
SUA WS1204-1701 (“Bond”)
SUA 1017CFDE-1701 (“CFDE Policy”)
Our File No.: 260-069

Dear Mr. Pineiro:

As you know, this firm represents the interests of those certain Underwriters at Lloyd’s, London (“Underwriters”) subscribing to the above-referenced Policies in connection with the above-referenced matters. On behalf of Underwriters, we acknowledged previously the receipt of your letter and enclosures dated February 15, 2019, submitted on behalf of your client Carl Ruderman. Underwriters have reviewed your letter and the two included exhibits: (1) a First Amended Complaint filed in *Foster v. Ruderman, et al.*, Case No. 2018-030906-CA-01, filed in the Eleventh Judicial Circuit in and for Miami-Dade County, Florida (the “Class Action Lawsuit”); and (2) a Joint Demand sent to Mr. Ruderman on February 4, 2019, on behalf of 1 Global Capital, LLC (“1 Global”), 1 West Capital, LLC (“1 West”), and Sarah Foster, individually and on behalf of all others similarly situated (the “Demand Letter”).

Carl Ruderman
c/o Michael Pineiro, Esq.
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We previously sent your office and Mr. Ruderman a reservation of rights letter regarding the lawsuit entitled *SEC v. 1 Global Capital, LLC, et al.*, Case No. 18-cv-61991, filed in the United States District Court for the Southern District of Florida (the “SEC Amended Complaint”). Therein, we requested several categories of documents relative to this matter. To date, we have not received the requested documents from Mr. Ruderman, despite sending follow-up letters on December 7, 2018 and January 28, 2019. Although Mr. Ruderman has not provided the requested documentation, Underwriters will nonetheless address coverage based on the materials they have been provided to date.

In that regard, we have reviewed with Underwriters the SEC Amended Complaint, the Class Action Lawsuit, the Demand Letter, and the PL Policy. At this time, we are writing to advise you that Underwriters agree to defend Mr. Ruderman under the PL Policy with respect to the SEC Amended Complaint, the Class Action Lawsuit, and the Demand Letter. As discussed further below, Underwriters’ agreement in this regard is subject to a reservation of all rights, remedies, and defenses that may be available to them with respect to this matter. If, after you have read this letter, you have any questions concerning this letter, the PL Policy or Underwriters’ coverage position, please do not hesitate to contact us.

The SEC Amended Complaint

The original SEC Complaint was served on 1 Global and 1 West on August 24, 2018. Thereafter, on 26 September 2018, the SEC Amended Complaint was filed.

The SEC Amended Complaint names 1 Global and Carl Ruderman as defendants, while naming 8 entities as “relief defendants.”

The SEC Amended Complaint alleges a “four-year long unregistered securities offering fraud by Defendant 1 Global Capital LLC, and overseen by Mr. Ruderman, that victimized thousands of investors nationwide . . .” The U.S. Securities and Exchange Commission (“SEC”) asserts that, “from no later than February 2014 until July 27, 2018,” 1 Global “fraudulently raised more than \$287 million from more than 3,400 investors to fund its business of offering short-term financing to small and medium-sized businesses.” According to the SEC Amended Complaint, 1 Global promised investors a high-return, low-risk investment whereby 1 Global would use investor funds to make “Merchant Cash Advances” (“MCAs”) (i.e., short-term cash advances) to businesses that could not obtain more traditional financing, such as bank loans. However, the SEC Amended Complaint alleges, 1 Global used substantial investor funds for other purposes, including: payment of operating expenses; purchase of distressed, long-term credit card debt; payments to Ruderman, the Ruderman Family Trust, and other companies owned or controlled by Ruderman; payments to companies owned by Ruderman friends or relatives, with no connection to 1 Global’s cash advance business; and payment for Ruderman’s personal expenses, such as a luxury vacation and car.

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The SEC Amended Complaint alleges that 1 Global solicited investors through a network of sales agents, which included registered and unregistered investment advisors, and in some cases barred brokers, to whom it paid commissions for every new investment brought to 1 Global. The SEC Amended Complaint alleges that 1 Global entered into “Affiliate Agreements” with sales agents in which it was stressed that the minimum investment was \$25,000 and that the investment opportunity was limited to “sophisticated investors.” The SEC Amended Complaint alleges that, in practice, 1 Global placed no restrictions on who sales agent could solicit for investments and frequently waived the minimum \$25,000 minimum investment.

The SEC Amended Complaint alleges that 1 Global made numerous misrepresentations to investors, including: deceptively claiming that it would only use investor money to fund MCAs; falsely representing the amount of investor money it would take for its own use; sending investors false monthly account statements; and that it had an independent auditor that had endorsed various aspects of its business model.

The SEC Amended Complaint asserts that, as a result of the foregoing actions, 1 Global experienced a shortage of investor funds, which amounted to \$50 million by June 30, 2018. The SEC Amended Complaint notes that 1 Global and 1 West both filed for Chapter 11 bankruptcy protection in July 2018, and that “An independent management team is now operating 1 Global and 1 West.”

The SEC Amended Complaint asserts that Ruderman was the founder, chairman, and CEO of 1 Global. The SEC Amended Complaint also states that Ruderman had sole operational control over 1 Global and made all key management decisions. The SEC Amended Complaint alleges that 1 Global and Ruderman violated various sections of the Securities and Exchange Act of 1933, as well as various sections, including Rule 10b-5, of the Securities and Exchange Act of 1934. The complaint also alleges that Ruderman aided and abetted 1 Global’s violations of the 1934 Act. The SEC Amended Complaint seeks injunctive relief, disgorgement, prejudgment interest, and civil penalties.

The Class Action Lawsuit

The Class Action Lawsuit was brought by the Claimant Sarah Foster (the “Foster”) against Carl Ruderman, Kopelowitz Ostrow, P.A. (the “KO Law Firm”), and Dale Ledbetter. Court records show that Mr. Ruderman was served with the Class Action Lawsuit on September 24, 2018.

The allegations of the Class Action Lawsuit are highly similar to those in the SEC Amended Complaint. The Claimant alleges that 1 Global offered investors, such as her, the opportunity to purchase short-term “notes” entitled Memorandums of Indebtedness (“MOI”) by which investors would provide money to 1 Global to make MCAs. The Claimant alleges that

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investors received a “return” on their MOIs in the form of repayments made by businesses that were loaned funds from the MCAs.

The Claimant alleges that the MOIs stated that they were nine-month obligations, but the terms of the MOI stated that invested funds would be automatically reinvested unless 1 Global received written notice from the investor that he/she did not want to reinvest. The Claimant alleges that, when an investor took steps to redeem his/her investment after nine months, the MOI provided that 1 Global had several months to pay out the investor’s principal and interest. Consequently, most investors reinvested their MOIs on more than one occasion.

The Claimant alleges that Mr. Ruderman has admitted to hiring the KO Law Firm to assist in all aspects of 1 Global’s business operations, including forming the company and overseeing the company’s efforts to raise capital from individual lenders. Mr. Ruderman allegedly described the involvement of the KO Law Firm and Ledbetter, its attorney, to include: (1) spearheading 1 Global’s marketing and operations to potential lenders; (2) overseeing 1 Global’s entire network of sales agents; (3) preparing and disseminating 1 Global’s marketing materials to potential lenders; (4) supervising and overseeing the marketing efforts by the sales agent network; (5) preparing the MOI contracts between 1 Global and individual lenders; and (6) rendering advice that the MOIs were “notes” that did not need to be registered with the SEC. The Claimant alleges that evidence gathered by the SEC demonstrates that Ledbetter was additionally involved in attracting brokers to sell 1 Global’s unregistered securities.

The Claimant alleges that she was a 1 Global investor. She alleges that, on or about October 19, 2017, she submitted an application to purchase an MOI and invested \$75,000. She alleges that 1 Global was aware of her limited investment experience and that \$75,000 was more than half of her liquid assets. The Claimant alleges that 1 Global sent her monthly statements depicting the value of her investments and that she reinvested her funds to purchase another MOI on July 21, 2018. She alleges that one week later, on July 28, 2018, 1 Global filed for bankruptcy. The Claimant seeks to certify a nationwide class of “[a]ll persons who, within the Class Period, invested in a 1st Global MOI, whether initial or by reinvestment.”

Count I asserts a cause of action against Mr. Ruderman as a “control person” for Federal securities law violations based upon the sale of unregistered securities in violation of 15 U.S.C. §§77e(a), 77(e)(c), and 77(a)(1). The Claimant alleges that Ruderman is secondarily liable for 1 Global’s securities violation because he “through ownership, agency or otherwise controlled [1 Global].”

Count II asserts a cause of action against the KO Law Firm and Ledbetter for “statutory seller” liability for Federal securities law violations based on the sale of unregistered securities in violation of 15 U.S.C. §§77e(a), 77(e)(c), and 77(a)(1).

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Lastly, Count III asserts a cause of action against all Defendants for violation of Florida Securities and Investor Protection Act (“FSIPA”) sections 517.07 and 517.211 based on the unregistered sale of securities.

The Claimant seeks rescission of all MOI purchases during the class period, return of all monies paid in connection with such purchases, recessionary damages, and attorney’s fees and costs.

The Demand Letter

The Demand Letter was sent to counsel for Mr. Ruderman on February 4, 2019 by an attorney representing 1 Global in its bankruptcy case. The Demand was purportedly made on behalf of 1 Global and 1 West, as debtors in possession (the “Debtor”), and on behalf of the Claimant, individually and on behalf of all others similarly situated (the “Class Claimants”). Counsel for 1 Global additionally stated that the Official Committee of Unsecured Creditors (the “Committee”) was “in complete alignment with the demand set forth herein.” [The Debtor, the Class Claimants, and the Committee are referred to collectively herein as the “Bankruptcy Claimants.”]

The Bankruptcy Claimants allege that the Debtor had claims and causes of action against Ruderman based on multiple breaches of fiduciary duty, and also against Ruderman’s family members and affiliated entities for millions of dollars that were transferred to them over the four-year period preceding the filing of the Debtor’s bankruptcy case. According to the Bankruptcy Claimants, Ruderman was the chairman and CEO of 1 Global from the date of its founding, and the Ruderman Family Trust owned 100% of the Debtor’s membership interests. The Bankruptcy Claimants allege that Ruderman was “intimately involved in all aspects of the Debtor’s operations, and personally oversaw all such operations,” as there was no board of directors or other executives with decision-making authority.

The Bankruptcy Claimants allege that, up until the date of bankruptcy, 1 Global was engaged in the MCA business and raised more than \$287 million from over 3,400 investors/lenders through the United States through the offer and sale of MOIs. The Bankruptcy Claimants allege that 1 Global did not register the MOIs as securities under the Federal securities law and did not otherwise comply with Federal Securities law.

The Bankruptcy Claimants reference the SEC lawsuit for support of the Debtor’s claims and causes of action against Ruderman. The Bankruptcy Claimants allege that, while Ruderman has raised the “advice of counsel” defense in the SEC lawsuit, he cannot rely on that defense because it would be an abdication of his fiduciary duties in favor of a law firm. The Bankruptcy Claimants also allege that Ruderman’s invocation of the 5th Amendment privilege at his deposition allows 1 Global, the Bankruptcy court, and the Class Claimants to draw an adverse inference against Ruderman.

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The Bankruptcy Claimants allege several instances in which Ruderman breached his fiduciary duties. First, the Bankruptcy Claimants allege that Ruderman transferred \$50 million to Travis Portfolio, LLC, a business that purchased distressed asserts, despite the fact that the MOIs limited the types of investment that could be made by 1 Global. Second, the Bankruptcy Claimants allege that Ruderman transferred \$15.3 million to Bright Smile, which was owned by a trust whose beneficiaries were Ruderman's wife and children, even though revisions to the MOI were under consideration to authorize such loans. Third, the Bankruptcy Claimants allege that Ruderman engaged in efforts to make himself judgment proof, including transferring millions of dollars of artwork to a trust. Fourth, the Bankruptcy Claimants allege that Mr. Ruderman created a company called Ganador Enterprises, LLC ("Ganador"), which was 50% owned by Ruderman Family Trust, and extended a line of credit by which Ganador received \$5.6 million in investor funds. And finally, the Bankruptcy Claimants allege that Ruderman caused 1 Global to transfer \$1 million to a company owned by his son. The Demand alleges that an accountant for the SEC has determined that 1 Global transferred \$7.2 million to Ruderman and his family, and another \$21 million to Ruderman's affiliated entities.

The Bankruptcy Claimants allege that Mr. Ruderman breached his fiduciary duties to 1 Global by "exhibiting a willful, reckless and/or negligent disregard for the best financial interests of the Debtor" by causing 1 Global to raise funds through the MOIs without complying with Federal and state securities laws, effectuating fraudulent transfers, and failing to adhere to appropriate standards, procedures and policies. The Bankruptcy Claimants allege damages that include: (1) \$250 million in damages measured by 1 Global's increased insolvency; (2) millions of dollars in fraudulent transfers; and (3) attorney's fees incurred in recovering the fraudulent transfers. The Bankruptcy Claimants collectively demanded \$200 million from Mr. Ruderman in full and final settlement of their claims.

The Professional Services Liability Policy

Underwriters issued the PL policy to 1 Global effective November 1, 2017 at 12:01 AM to November 1, 2018 at 12:01 AM. The PL Policy provides a limit of liability of \$1,000,000 in the aggregate for the Policy Period. The PL Policy also provides for a Retroactive Date of November 1, 2017. The Limit of Liability is reduced by the payment of Loss, including Defense Costs. There is a \$25,000 retention, which applies to all Loss, including Defense Costs, for each Claim. Item 1.A. of the PL Policy's Declarations provides that the Insured's Profession is "BUSINESS CASH ADVANCE FINANCING SERVICES."

Underwriters note that the following provisions of the PL Policy may be applicable to this matter. This list is not intended to be exclusive.

PROFESSIONAL SERVICES LIABILITY POLICY

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c/o Michael Pineiro, Esq.
April 24, 2019
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THIS POLICY IS LIMITED TO LIABILITY FOR ONLY THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSUREDS DURING THE POLICY PERIOD. CLAIMS EXPENSES REDUCE AND MAY EXHAUST THE COVERAGE LIMITS, AND ARE SUBJECT TO THE RETENTION.

* * *

I. INSURING AGREEMENT

The Company will pay on behalf of the **INSURED LOSS** in excess of the Retention stated in Item 4 of the Declarations which the **INSURED** shall become legally obligated to pay as a result of any **CLAIM** first made against the **INSURED** during the **POLICY PERIOD** for a **WRONGFUL ACT** that occurred on or after the Retroactive Date stated in Item 6 of the Declarations.

II. DEFENSE AND SETTLEMENT

Subject to Article V.B., the Company shall have the right and duty to defend any **CLAIM** against the **INSURED** to which this insurance applies, even if any of the allegations of the **CLAIM** are groundless, false or fraudulent.

The Company shall have the right to negotiate the settlement of any **CLAIM**, whether within or above the Retention, but the Company shall not commit the **INSURED** to any settlement without the **INSURED'S** consent, such consent not to be unreasonably withheld. The **INSURED** shall not admit liability for or settle any **CLAIM** or incur any **DEFENSE COSTS** without the written consent of the Company, such consent not to be unreasonably withheld. If the **INSURED** refuses to consent to any settlement recommended by the Company and agreed to by the claimant, and elects to contest any **CLAIM** or continue any legal proceedings in connection with such **CLAIM**, then, subject to the Limit of Liability of this Policy, the Company's liability for the **CLAIM** shall be limited to the amount in excess of the Retention which the Company would have contributed to the settlement had the **INSURED** consented to such settlement plus the **DEFENSE COSTS** incurred up to the date of such refusal.

III. DEFINITIONS

A. **"INSURED"** means the individual, partnership, corporation or other entity named in Item 1 of the Declarations and shall include all persons who were, are or shall become: 1) directors, officers, partners or employees of the **INSURED** while acting within the scope of their duties as such; and 2) the executors, heirs, legal representatives or assigns of each **INSURED** otherwise insured herein in the event of his or her death, incompetency, insolvency or bankruptcy.

B. **"WRONGFUL ACT"** means any actual or alleged negligent act, negligent error or negligent omission committed by the **INSURED** solely in the

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performance of or failure to perform professional services for others in the **INSURED'S** Profession as stated in Item 1.A. of the Declarations.

C. **"LOSS"** means money damages, settlements, and **DEFENSE COSTS**. **LOSS** shall not include:

1. punitive or exemplary damages or the multiplied portion of a multiplied damages award;
2. criminal or civil fines or penalties imposed by law;
3. taxes;
4. matters that may be deemed uninsurable under the law pursuant to which this Policy shall be construed.

D. **"POLICY PERIOD"** means the period from the inception date of this Policy to the expiration date stated in Item 2 of the Declarations, or to any earlier cancellation date of this Policy.

E. **"DEFENSE COSTS"** means reasonable and necessary legal fees and expenses incurred with the approval of the Company in connection with the investigation, adjustment, settlement, defense or appeal of a **CLAIM** made against an **INSURED** for a **WRONGFUL ACT**, and shall include the cost of attachment or similar bonds. Payment of **DEFENSE COSTS** by the Company shall reduce, and may exhaust, the Limit of Liability under this Policy.

"DEFENSE COSTS" shall not include salaries, wages, fees, overhead, overtime or benefit expenses incurred by or associated with the **INSUREDS**.

F. **"CLAIM"** means a written demand for money damages received by an **INSURED**, including service of suit and the institution of administrative or arbitration proceedings.

G. **"INTERRELATED WRONGFUL ACTS"** means **WRONGFUL ACTS** that have as a common nexus any fact, circumstance, situation, event or transaction or series of facts, circumstances, situations, events or transactions.

IV. EXCLUSIONS

This Policy does not apply to **LOSS** in connection with any **CLAIM**:

A. based upon or directly or indirectly arising out of or resulting from an **INSURED** gaining in fact any personal profit or advantage to which the **INSURED** is not legally entitled;

B. that results in a judgment or final adjudication that any **INSURED** has committed any criminal, dishonest, intentionally malicious, or fraudulent act, error or omission.

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However, any **WRONGFUL ACT** pertaining to any of the **INSUREDS** shall not be imputed to any other person for the purposes of determining the applicability of Exclusions A. and B;

* * *

D. brought by or on behalf of one **INSURED** under this Policy against another **INSURED** under this Policy, except where:

1. such **CLAIM** arises out of the performance of or failure to perform professional services for the claimant **INSURED** as a client in the **INSURED'S** Profession as stated in Item I.A. of the Declarations; or
2. such **CLAIM** is in the form of a cross claim, third-party claim or otherwise for contribution or indemnity and is party of and results directly from a **CLAIM** which is not otherwise excluded by the terms of this Policy;

* * *

J. seeking relief or redress in any form other than money damages including but not limited to **CLAIM(S)** for injunctive relief in any form whatsoever and including disciplinary proceedings;

K. based upon or directly or indirectly arising out of or resulting from the breach of an express warranty or guarantee;

* * *

N. to the extent that there is coverage under any other existing valid policy or policies, whether such other insurance is stated to be contributory, excess, contingent or otherwise and regardless of whether or not such **LOSS** is collectible or recoverable under such other insurance; provided, however, that this exclusion shall not apply to any **LOSS** in excess of the retention and limit of liability of such other policy or policies where such **CLAIM** is otherwise covered under the terms of this Policy;

O. based upon or directly or indirectly arising out of or resulting from any actual or alleged:

1. **WRONGFUL ACT** or matter, fact, circumstance, situation, event or transaction that has been the subject of any claim made prior to the inception of this Policy or of any notice given during any prior policy;...
2. **WRONGFUL ACT** which, together with a **WRONGFUL ACT** that has been the subject of any claim or notice identified in O.1. above, would constitute **INTERRELATED WRONGFUL ACTS**; or

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3. Matter, fact, circumstance, situation, event or transaction known to an **INSURED** prior to the Coverage Date set forth in Item 7 of the Declarations if such matter, fact or circumstance would cause a reasonable person to believe that a **CLAIM** for a **WRONGFUL ACT** may be made;

* * *

V. brought by or on behalf of any governmental authority, quasi-governmental authority or other regulatory authority or agency, except when acting in the capacity of a customer or client of the **INSURED** or on behalf of a customer or client of the **INSURED** and when such **CLAIM** arises from Professional Services rendered or that should have been rendered to such authority or customer or client;

* * *

FF. based upon or directly or indirectly arising out of or resulting from the insolvency or bankruptcy of any Insured or of any other entity including but not limited to the failure, inability, or unwillingness to pay Claims, losses, or benefits due to the insolvency, liquidation or bankruptcy of any such individual or entity.

V. LIMIT OF LIABILITY AND RETENTION

A. LIMIT OF LIABILITY

The Limit of Liability stated in Item 3 of the Declarations shall be the maximum aggregate Limit of Liability of the Company for all **LOSS** under the Policy, including **DEFENSE COSTS**, regardless of the number of **CLAIMS** made against the **INSUREDS** or the time when **LOSS** payments are made by the Company.

B. EXHAUSTION OF LIMIT

The Company shall not be obligated to pay any **LOSS**, including **DEFENSE COSTS**, or defend any **CLAIM** after the available Limit of Liability has been exhausted by payment of money damages, settlements or **DEFENSE COSTS**.

C. MULTIPLE INSUREDS, CLAIMS OR CLAIMANTS

The inclusion herein of more than one **INSURED** or the making of **CLAIM(S)** by more than one person or organization shall not operate to increase the Company's Limit of Liability. **CLAIM(S)** arising out of a single **WRONGFUL ACT**, or **INTERRELATED WRONGFUL ACTS**, shall be treated as a single **CLAIM**, and such single **CLAIM** shall be considered first made:

1. when the earliest **CLAIM** within such single **CLAIM** was first made, or
2. when notice was first given under any policy of insurance of any **WRONGFUL ACT** or any matter, fact, circumstance, situation

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event or transaction that underlies any **CLAIM** within such single **CLAIM**,

and all such **CLAIM(S)** shall be subject to the same Limit of Liability.

D. RETENTION

Subject to the Limit of Liability, the Company shall only be liable for **LOSS** in excess of the Retention stated in Item 4 of the Declarations. This Retention shall apply to each **CLAIM** made against the **INSUREDS**. The Retention shall be borne by the **INSURED** as its own uninsured risk and shall be fully paid by the **INSURED** before Underwriters shall incur any liability to pay any **LOSS**. The Retention applies to **DEFENSE COSTS**, whether or not any other **LOSS** is paid.

VI. NOTICE AND LOSS PROVISIONS

A. As a condition precedent to the availability of the rights provided under this Policy, the **INSURED** shall give written notice to the Company of any **CLAIM** made against the **INSURED** as soon as practicable, but in no event later than sixty (60) days after the date such **CLAIM** is first made.

* * *

C. The notifications provided for above shall be made to the party set forth in Item 8 of the Declarations.

VII. GENERAL CONDITIONS

* * *

E. ASSISTANCE AND COOPERATION

The **INSURED** shall cooperate with the Company and, upon the Company's request, shall submit to examination and interrogation by a representative of the Company, under oath if required, and shall attend hearings, depositions, and trials and shall assist in effecting settlement, securing and giving evidence, obtaining the attendance of witnesses, and in the conduct of suits, as well as in the giving of a written statement or statements to the Company's representatives and meeting with such representatives for the purpose of investigation and/or defense, all without charge to the Company. The **INSURED** shall further cooperate with the Company and do whatever is necessary, including authorizing claims, actions, or proceedings in the **INSURED'S** name against others, to secure and effect any rights of indemnity, contribution or apportionment which the **INSURED** may have. The **INSURED** shall not demand or agree to arbitration of any **CLAIM** made against the **INSURED** without the prior written consent of the Company thereto, which consent shall not be unreasonably withheld.

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As stated above, Underwriters' agreement to defend Mr. Ruderman with respect to the SEC Amended Complaint, the Class Action Lawsuit, and the Demand Letter is subject to a reservation of Underwriters' rights, remedies, and defenses, whether under the PL Policy or at law, regarding coverage.

Underwriters initially note that the SEC Amended Complaint, the Class Action Lawsuit, and the Demand Letter involve similar allegations. Although these Claims do not allege "Wrongful Act(s)" as defined by the PL Policy (see paragraph below), if it is determined that "Wrongful Act(s)" are alleged, these Claims would then involve "Interrelated Wrongful Acts," as defined above, and would thus be treated as a single "Claim" under the PL Policy. Pursuant to Section V.C.1. of the PL Policy, such "Claim" would be deemed to have been first made "when the earliest **CLAIM** within such single **CLAIM** was first made," which in this case would appear to be August 28, 2018, the date when counsel filed an appearance in the SEC lawsuit on behalf of Mr. Ruderman. [The SEC Amended Complaint, the Class Action Lawsuit, and the Demand Letter are hereinafter referred to collectively as the "Claim."]

With reference to the Claim, Underwriters note that there are no allegations of negligent conduct by Mr. Ruderman in the SEC Lawsuit and/or the Class Action Lawsuit. Also, while the Demand Letter briefly makes reference to Mr. Ruderman having acted with gross negligence and exhibited a "willful, reckless and/or negligent disregard for the best financial interests of the Debtor," we note that the Demand Letter refers to the SEC Amended Complaint for the underlying factual allegations supporting the claims against Mr. Ruderman. The SEC Lawsuit, in turn, alleges an extensive four-year fraud scheme by 1 Global and Mr. Ruderman to defraud investors of more than \$287 million. The allegations in the Demand Letter are also consistent with the SEC's allegations. Specifically, the Demand Letter alleges that Mr. Ruderman engaged in self-dealing and fraudulent transfers in an attempt to make himself "judgment proof." In light of such, Underwriters' reservation of rights includes, without limitation, the right to deny coverage on the basis that the mere reference to the term "negligence" in the Demand Letter does not bring the Demand Letter within the Policy's coverage for "Wrongful Acts" given the extensive allegations of fraud.

Furthermore, even assuming, *arguendo*, the Demand Letter does include allegations of negligence, there do not appear to be any allegations of acts, errors or omissions by Ruderman solely in the performance of or failure to perform "Business Cash Advance Financing Services" for others.

In light of the foregoing, Underwriters' reservation of rights includes, without limitation, the right to deny coverage on the basis that, to the extent the Claim is not a claim for a negligent act, negligent error or negligent omission on the part of Mr. Ruderman solely in the performance of or failure to perform professional services, it is not a "**CLAIM**" for a "**WRONGFUL ACT**," as defined in Section III.B. of the PL Policy (quoted above), and is thus not within the Insuring Agreement in Section I. of the PL Policy (also quoted above).

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Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.V., as the SEC Amended Complaint is brought by or on behalf of a governmental authority and the exceptions to IV.V. do not apply.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage on the basis that this Claim alleges conduct that occurred prior to the PL Policy's November 1, 2017 Retroactive Date, and thus does not fall within the Insuring Agreement in Section I. of the PL Policy. In this regard, Underwriters note that the SEC Amended Complaint alleges fraudulent conduct going back to February 2014.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Sections IV.A. and IV.B. (quoted above) in light of the allegations regarding intentional and fraudulent conduct.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Exclusion IV.D., for Claims brought by one Insured against another Insured. In this regard, Underwriters note that the Demand Letter has been sent on behalf of 1 Global and 1 West, which both are "Insureds" under the PL Policy.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.J., to the extent the Claimants' seek relief in any form other than money damages. In this regard, Underwriters note, without limitation, the portion of the SEC Amended Complaint seeking injunctive relief and disgorgement, and the portion of the Class Action Lawsuit seeking rescission of all MOI purchases and disgorgement of funds.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.K., which excludes loss in connection with claims arising out of the breach of an express warranty or guarantee.

With reference to Section IV.N., Underwriters note that they have received information that Mr. Ruderman is an insured on a Private Investment Fund Management & Professional Liability insurance policy. Underwriters ask that you please advise whether notice regarding the SEC Amended Complaint, the Class Action Lawsuit, and/or the Demand Letter have been provided under this and any other insurance policies, including any excess policies. If so, please provide copies of such notices and any correspondence received in response from such insurers. In the meantime, Underwriters' reservation of rights includes, without limitation, any rights that may be available to them pursuant to Section IV.N.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under the exclusions contained in Section IV.O. (quoted above).

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Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.FF., which excludes loss in connection with claims arising out of the insolvency or bankruptcy of any Insured or of any other entity including but not limited to the failure, inability, or unwillingness to pay Claims, losses, or benefits due to the insolvency, liquidation or bankruptcy of any such individual or entity.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section VI.A. "Notice and Loss Provisions" to the extent it is determined that Mr. Ruderman failed to give written notice of this Claim to Underwriters as soon as practicable, but in no event later than sixty (60) days after the date such Claim was first made.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under the "Defense and Settlement" clause of the PL Policy (quoted above). In this regard, Underwriters note that Mr. Ruderman appears to have incurred Defense Costs without Underwriters' written consent. Further, Mr. Ruderman appears to have participated in a mediation and settlement discussions without Underwriters' prior written consent. Underwriters therefore reserve their right to limit or deny coverage for this claim based upon Mr. Ruderman's breach of the "Defense and Settlement" provision of the PL Policy.

To the extent this Claim involves a request for injunctive relief, disgorgement, and civil penalties, Underwriters' reservation of rights also includes, without limitation, the right to deny coverage for such on the basis that Section III.C., quoted in full above, only covers damages and provides that civil penalties are not within the definition of "**LOSS**."

Further, and still without limitation, Underwriters note that 1 Global answered "no" when asked on Question 36.b. of its Policy application whether 1 Global, or any past or present partners, Officers, Directors, or employees were aware of any circumstances, incidents, or situations during the past five years which may result in claims being made against 1 Global, any of the past or present partners, Officers, Directors or employees or former employees of 1 Global. Underwriters' reservation of rights thus includes the right to deny coverage to the extent any claim or action emanated from knowledge of such fact, circumstance, or situation.

Pending further investigation, Underwriters' reservation of rights also includes the right to rescind the PL Policy and any other policy issued by Underwriters should it be determined that a material misrepresentation was made on any application for insurance (subject to obtaining necessary Bankruptcy Court authorization).

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage pursuant to the "Assistance and Cooperation" clause (quoted above) and to request an examination under oath of Mr. Ruderman thereunder.

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Given these coverage reservations, Underwriters will defer to Mr. Ruderman's choice of counsel to defend this Claim, subject to the condition that counsel is qualified and that any necessary Bankruptcy Court authorization of such retention is obtained. In that regard, please let me know immediately whom Mr. Ruderman has chosen to retain so that Underwriters can promptly approve of his or her retention. Underwriters will pay counsel at Underwriters' usual and customary rates for similar matters, which are \$275/hour for partners, \$210/hour for associates, and \$110/hour for paralegals. Mr. Ruderman will be responsible for any and all fees in excess of these rates, without credit against the retention or the PL Policy limits.

As you are aware, and as discussed above, the PL Policy provides for a \$25,000 retention that applies to all "**LOSS**," including "**DEFENSE COSTS**," for each claim. Thus, subject to the following paragraph, the first \$25,000 in "**DEFENSE COSTS**" incurred by any Insured with respect to this Claim at the approved rates will be an uninsured responsibility, payable by the Insureds. Thereafter, please be aware that payment of "**DEFENSE COSTS**" by Underwriters will reduce, and may exhaust, the Limit of Liability under the PL Policy.

In this regard, Underwriters note that "**DEFENSE COSTS**" is defined in Section III.E. of the PL Policy as "reasonable and necessary legal fees and expenses incurred with the approval of the Company in connection with the investigation, adjustment, settlement, defense or appeal of a **CLAIM** made against an **INSURED** for a **WRONGFUL ACT . . .**" Thus, any fees and expenses incurred prior to notice of this matter to Underwriters are not "**DEFENSE COSTS**," and will not be applied toward satisfaction of the \$25,000 retention or paid under the PL Policy. Similarly, where fees are incurred at rates exceeding those approved by Underwriters, those portions of such fees exceeding such rates are not "**DEFENSE COSTS**" and will not be applied toward satisfaction of the Insureds' \$25,000 retention or paid under the PL Policy.

Further, Underwriters reserve the right to recoup "**DEFENSE COSTS**" from Mr. Ruderman to the extent such are determined to have been paid toward the defense of a non-covered Claim.

At this time, since 1 Global is a debtor in bankruptcy and is also an Insured under the PL Policy, to the extent there may be an argument that such Policy, or a portion thereof, is property of the bankruptcy estate, in an abundance of caution, and as a condition to paying any Defense Costs, Underwriters will require an order from the Bankruptcy Court in the 1 Global Bankruptcy case authorizing such payment. In that regard, Underwriters have retained a local Florida attorney to seek appropriate relief in the 1 Global Bankruptcy case.

Underwriters continue fully reserving any and all of their rights, remedies, and defenses under the PL Policy and/or applicable law and do not waive any of their rights or admit any obligation, nor should any of the above be construed as estopping any claim or defense Underwriters may have. Rather, any action taken by Underwriters is taken with full and complete reservation of all rights, remedies, and defenses under the PL Policy and the applicable

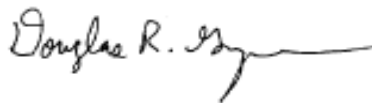
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law. All reservations of rights set forth in our prior coverage letters to Mr. Ruderman remain in effect.

Underwriters' position is based on the information they have to date. Underwriters' coverage decisions are not a reflection of the merits of this Claim. Rather, they are based upon the allegations of the Claim, the nature of the Claim, the language of the PL Policy, and applicable law. If you believe that Underwriters have reached this determination in error, please immediately provide us with any additional relevant information.

Please do not hesitate to contact us if you have any questions.

Very truly yours,
KARBAL, COHEN, ECONOMOU, SILK & DUNNE



By: Douglas R. Garmager

cc: See enclosed Mailing List

Jack Frost, Esq. (via E-Mail: jfrost@kelleykronenberg.com)
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Stateside Underwriting Agency (By E-Mail)

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April 24, 2019
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and Receiver for Ruderman Family Trust*

Ruderman Family Trust
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Trustee for Ruderman Family Trust

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April 24, 2019

Via E-Mail, Federal Express, and U.S. Certified Mail
(EMAIL: woodmant@gtlaw.com)

1 Global Capital LLC & 1 West Capital LLC
c/o Mr. Thomas L. Woodman, Esq.
Greenberg Traurig, LLP
2200 Ross Avenue, Suite 5200
Dallas, TX 75201

Re: *SEC v. 1 Global Capital, LLC, et al.*, Case No. 18-CV-61991
Professional Services Liability Policy
Financial Institution Bond
Consumer Financial Defense Expense Policy
Insured: 1 Global Capital LLC dba 1st Global Capital
Hallandale Beach, Florida
Certificate Nos.: SUA WS20185-1701 (“PL Policy”)
SUA WS1204-1701 (“Bond”)
SUA 1017CFDE-1701 (“CFDE Policy”)
Our File No.: 260-069

Dear Mr. Woodman:

As you know, this firm represents the interests of those certain Underwriters at Lloyd’s, London (“Underwriters”) subscribing to the above-referenced Policies in connection with the above-referenced matter. On behalf of Underwriters, we acknowledge receipt of your letter and enclosures dated February 14, 2019, submitted on behalf of your clients 1 Global Capital LLC (“1 Global”) and 1 West Capital, LLC (“1 West”). While your clients have not responded to all of Underwriters’ document and information requests to date, Underwriters nonetheless provide their formal coverage evaluation under the above-captioned PL Policy.

We previously acknowledged our receipt of a letter from your office dated November 8, 2018 providing notice of this matter. Your letter included, *inter alia*, an Amended Complaint for Injunctive and Other Relief, dated 26 September 2018, in the lawsuit entitled *SEC v. 1 Global Capital, LLC, et al.*, Case No. 18-cv-61991, filed in the United States District Court for the Southern District of Florida (the “SEC Amended Complaint”).

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We have had an opportunity to review with Underwriters the SEC Amended Complaint, the PL Policy, and the documents provided to us in your letters dated November 8, 2018 and February 14, 2019. At this time, we are writing to advise you that Underwriters agree to defend 1 Global and 1 West under the PL Policy with respect to the SEC Amended Complaint. A discussed further below, Underwriters' agreement in this regard is subject to a reservation of all rights, remedies, and defenses that may be available to them with respect to this matter. If, after you have read this letter, you have any questions concerning this letter, the PL Policy or Underwriters' coverage position, please do not hesitate to contact us.

The SEC Amended Complaint

The original SEC Complaint was served on 1 Global and 1 West on August 24, 2018. Thereafter, on 26 September 2018, the SEC Amended Complaint was filed.

The SEC Amended Complaint names 1 Global and Carl Ruderman as defendants, while naming 8 entities as "relief defendants," including 1 West.

The SEC Amended Complaint alleges a "four-year long unregistered securities offering fraud by Defendant 1 Global Capital LLC, and overseen by Defendant Carl Ruderman, that victimized thousands of investors nationwide . . ." The U.S. Securities and Exchange Commission ("SEC") asserts that, "from no later than February 2014 until July 27, 2018," 1 Global "fraudulently raised more than \$287 million from more than 3,400 investors to fund its business of offering short-term financing to small and medium-sized businesses." According to the SEC Amended Complaint, 1 Global promised investors a high-return, low-risk investment whereby 1 Global would use investor funds to make "Merchant Cash Advances" ("MCAs") (i.e., short-term cash advances) to businesses that could not obtain more traditional financing, such as bank loans. However, the SEC Amended Complaint alleges, 1 Global used substantial investor funds for other purposes, including: payment of operating expenses; purchase of distressed, long-term credit card debt; payments to Ruderman, the Ruderman Family Trust, and other companies owned or controlled by Ruderman; payments to companies owned by Ruderman friends or relatives, with no connection to 1 Global's cash advance business; and payment for Ruderman's personal expenses, such as a luxury vacation and car.

The SEC Amended Complaint alleges that 1 Global solicited investors through a network of sales agents, which included registered and unregistered investment advisors, and in some cases barred brokers, to whom it paid commissions for every new investment brought to 1 Global. The SEC Amended Complaint alleges that 1 Global entered into "Affiliate Agreements" with sales agents in which it was stressed that the minimum investment was \$25,000 and that the investment opportunity was limited to "sophisticated investors." The SEC Amended Complaint alleges that, in practice, 1 Global placed no restrictions on who sales agent could solicit for investments and frequently waived the minimum \$25,000 minimum investment.

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The SEC Amended Complaint alleges that 1 Global made numerous misrepresentations to investors, including: deceptively claiming that it would only use investor money to fund MCAs; falsely representing the amount of investor money it would take for its own use; sending investors false monthly account statements; and that it had an independent auditor that had endorsed various aspects of its business model.

The SEC Amended Complaint asserts that, as a result of the foregoing actions, 1 Global experienced a shortage of investor funds, which amounted to \$50 million by June 30, 2018. The SEC Amended Complaint notes that 1 Global and 1 West both filed for Chapter 11 bankruptcy protection in July 2018, and that “An independent management team is now operating 1 Global and 1 West.”

The SEC Amended Complaint asserts that Ruderman was the founder, chairman, and CEO of 1 Global. The SEC Amended Complaint also states that Ruderman had sole operational control over 1 Global and made all key management decisions. The SEC Amended Complaint alleges that 1 Global and Ruderman violated various sections of the Securities and Exchange Act of 1933, as well as various sections, including Rule 10b-5, of the Securities and Exchange Act of 1934. The complaint also alleges that Ruderman aided and abetted 1 Global’s violations of the 1934 Act. The SEC Amended Complaint seeks injunctive relief, disgorgement, prejudgment interest, and civil penalties.

The Professional Services Liability Policy

Underwriters issued the PL policy to 1 Global effective November 1, 2017 at 12:01 AM to November 1, 2018 at 12:01 AM. By endorsement, the PL Policy also includes as additional insureds, among others, 1 West. The PL Policy provides a limit of liability of \$1,000,000 in the aggregate for the Policy Period. The PL Policy also provides for a Retroactive Date of November 1, 2017. The Limit of Liability is reduced by the payment of Loss, including Defense Costs. There is a \$25,000 retention, which applies to all Loss, including Defense Costs, for each Claim. Item 1.A. of the PL Policy’s Declarations provides that the Insured’s Profession is “BUSINESS CASH ADVANCE FINANCING SERVICES.”

Underwriters note that the following provisions of the PL Policy may be applicable to this matter. This list is not intended to be exclusive.

PROFESSIONAL SERVICES LIABILITY POLICY

THIS POLICY IS LIMITED TO LIABILITY FOR ONLY THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED DURING THE POLICY PERIOD. CLAIMS EXPENSES REDUCE AND MAY EXHAUST THE COVERAGE LIMITS, AND ARE SUBJECT TO THE RETENTION.

* * *

I. INSURING AGREEMENT

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The Company will pay on behalf of the **INSURED LOSS** in excess of the Retention stated in Item 4 of the Declarations which the **INSURED** shall become legally obligated to pay as a result of any **CLAIM** first made against the **INSURED** during the **POLICY PERIOD** for a **WRONGFUL ACT** that occurred on or after the Retroactive Date stated in Item 6 of the Declarations.

II. DEFENSE AND SETTLEMENT

Subject to Article V.B., the Company shall have the right and duty to defend any **CLAIM** against the **INSURED** to which this insurance applies, even if any of the allegations of the **CLAIM** are groundless, false or fraudulent.

The Company shall have the right to negotiate the settlement of any **CLAIM**, whether within or above the Retention, but the Company shall not commit the **INSURED** to any settlement without the **INSURED'S** consent, such consent not to be unreasonably withheld. The **INSURED** shall not admit liability for or settle any **CLAIM** or incur any **DEFENSE COSTS** without the written consent of the Company, such consent not to be unreasonably withheld. If the **INSURED** refuses to consent to any settlement recommended by the Company and agreed to by the claimant, and elects to contest any **CLAIM** or continue any legal proceedings in connection with such **CLAIM**, then, subject to the Limit of Liability of this Policy, the Company's liability for the **CLAIM** shall be limited to the amount in excess of the Retention which the Company would have contributed to the settlement had the **INSURED** consented to such settlement plus the **DEFENSE COSTS** incurred up to the date of such refusal.

III. DEFINITIONS

A. **"INSURED"** means the individual, partnership, corporation or other entity named in Item 1 of the Declarations and shall include all persons who were, are or shall become: 1) directors, officers, partners or employees of the **INSURED** while acting within the scope of their duties as such; and 2) the executors, heirs, legal representatives or assigns of each **INSURED** otherwise insured herein in the event of his or her death, incompetency, insolvency or bankruptcy.

B. **"WRONGFUL ACT"** means any actual or alleged negligent act, negligent error or negligent omission committed by the **INSURED** solely in the performance of or failure to perform professional services for others in the **INSURED'S** Profession as stated in Item 1.A. of the Declarations.

C. **"LOSS"** means money damages, settlements, and **DEFENSE COSTS**. **LOSS** shall not include:

1. punitive or exemplary damages or the multiplied portion of a multiplied damages award;
2. criminal or civil fines or penalties imposed by law;
3. taxes;

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4. matters that may be deemed uninsurable under the law pursuant to which this Policy shall be construed.

D. **“POLICY PERIOD”** means the period from the inception date of this Policy to the expiration date stated in Item 2 of the Declarations, or to any earlier cancellation date of this Policy.

E. **“DEFENSE COSTS”** means reasonable and necessary legal fees and expenses incurred with the approval of the Company in connection with the investigation, adjustment, settlement, defense or appeal of a **CLAIM** made against an **INSURED** for a **WRONGFUL ACT**, and shall include the cost of attachment or similar bonds. Payment of **DEFENSE COSTS** by the Company shall reduce, and may exhaust, the Limit of Liability under this Policy.

“DEFENSE COSTS” shall not include salaries, wages, fees, overhead, overtime or benefit expenses incurred by or associated with the **INSUREDS**.

F. **“CLAIM”** means a written demand for money damages received by an **INSURED**, including service of suit and the institution of administrative or arbitration proceedings.

G. **“INTERRELATED WRONGFUL ACTS”** means **WRONGFUL ACTS** that have as a common nexus any fact, circumstance, situation, event or transaction or series of facts, circumstances, situations, events or transactions.

IV. EXCLUSIONS

This Policy does not apply to **LOSS** in connection with any **CLAIM**:

A. based upon or directly or indirectly arising out of or resulting from an **INSURED** gaining in fact any personal profit or advantage to which the **INSURED** is not legally entitled;

B. that results in a judgment or final adjudication that any **INSURED** has committed any criminal, dishonest, intentionally malicious, or fraudulent act, error or omission.

However, any **WRONGFUL ACT** pertaining to any of the **INSUREDS** shall not be imputed to any other person for the purposes of determining the applicability of Exclusions A. and B;

* * *

J. seeking relief or redress in any form other than money damages including but not limited to **CLAIM(S)** for injunctive relief in any form whatsoever and including disciplinary proceedings;

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K. based upon or directly or indirectly arising out of or resulting from the breach of an express warranty or guarantee;

* * *

N. to the extent that there is coverage under any other existing valid policy or policies, whether such other insurance is stated to be contributory, excess, contingent or otherwise and regardless of whether or not such **LOSS** is collectible or recoverable under such other insurance; provided, however, that this exclusion shall not apply to any **LOSS** in excess of the retention and limit of liability of such other policy or policies where such **CLAIM** is otherwise covered under the terms of this Policy;

O. based upon or directly or indirectly arising out of or resulting from any actual or alleged:

1. **WRONGFUL ACT** or matter, fact, circumstance, situation, event or transaction that has been the subject of any claim made prior to the inception of this Policy or of any notice given during any prior policy;...
2. **WRONGFUL ACT** which, together with a **WRONGFUL ACT** that has been the subject of any claim or notice identified in O.1. above, would constitute **INTERRELATED WRONGFUL ACTS**; or
3. Matter, fact, circumstance, situation, event or transaction known to an **INSURED** prior to the Coverage Date set forth in Item 7 of the Declarations if such matter, fact or circumstance would cause a reasonable person to believe that a **CLAIM** for a **WRONGFUL ACT** may be made;

* * *

V. brought by or on behalf of any governmental authority, quasi-governmental authority or other regulatory authority or agency, except when acting in the capacity of a customer or client of the **INSURED** or on behalf of a customer or client of the **INSURED** and when such **CLAIM** arises from Professional Services rendered or that should have been rendered to such authority or customer or client;

* * *

FF. based upon or directly or indirectly arising out of or resulting from the insolvency or bankruptcy of any Insured or of any other entity including but not limited to the failure, inability, or unwillingness to pay Claims, losses, or benefits due to the insolvency, liquidation or bankruptcy of any such individual or entity.

V. **LIMIT OF LIABILITY AND RETENTION**

A. **LIMIT OF LIABILITY**

The Limit of Liability stated in Item 3 of the Declarations shall be the maximum aggregate Limit of Liability of the Company for all **LOSS** under the Policy, including

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DEFENSE COSTS, regardless of the number of **CLAIMS** made against the **INSUREDS** or the time when **LOSS** payments are made by the Company.

B. EXHAUSTION OF LIMIT

The Company shall not be obligated to pay any **LOSS**, including **DEFENSE COSTS**, or defend any **CLAIM** after the available Limit of Liability has been exhausted by payment of money damages, settlements or **DEFENSE COSTS**.

C. MULTIPLE INSUREDS, CLAIMS OR CLAIMANTS

The inclusion herein of more than one **INSURED** or the making of **CLAIM(S)** by more than one person or organization shall not operate to increase the Company's Limit of Liability. **CLAIM(S)** arising out of a single **WRONGFUL ACT**, or **INTERRELATED WRONGFUL ACTS**, shall be treated as a single **CLAIM**, and such single **CLAIM** shall be considered first made:

1. when the earliest **CLAIM** within such single **CLAIM** was first made, or
2. when notice was first given under any policy of insurance of any **WRONGFUL ACT** or any matter, fact, circumstance, situation event or transaction that underlies any **CLAIM** within such single **CLAIM**,

and all such **CLAIM(S)** shall be subject to the same Limit of Liability.

D. RETENTION

Subject to the Limit of Liability, the Company shall only be liable for **LOSS** in excess of the Retention stated in Item 4 of the Declarations. This Retention shall apply to each **CLAIM** made against the **INSUREDS**. The Retention shall be borne by the **INSURED** as its own uninsured risk and shall be fully paid by the **INSURED** before Underwriters shall incur any liability to pay any **LOSS**. The Retention applies to **DEFENSE COSTS**, whether or not any other **LOSS** is paid.

VI. NOTICE AND LOSS PROVISIONS

A. As a condition precedent to the availability of the rights provided under this Policy, the **INSURED** shall give written notice to the Company of any **CLAIM** made against the **INSURED** as soon as practicable, but in no event later than sixty (60) days after the date such **CLAIM** is first made.

* * *

C. The notifications provided for above shall be made to the party set forth in Item 8 of the Declarations.

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VII. GENERAL CONDITIONS

* * *

E. ASSISTANCE AND COOPERATION

The **INSURED** shall cooperate with the Company and, upon the Company's request, shall submit to examination and interrogation by a representative of the Company, under oath if required, and shall attend hearings, depositions, and trials and shall assist in effecting settlement, securing and giving evidence, obtaining the attendance of witnesses, and in the conduct of suits, as well as in the giving of a written statement or statements to the Company's representatives and meeting with such representatives for the purpose of investigation and/or defense, all without charge to the Company. The **INSURED** shall further cooperate with the Company and do whatever is necessary, including authorizing claims, actions, or proceedings in the **INSURED'S** name against others, to secure and effect any rights of indemnity, contribution or apportionment which the **INSURED** may have. The **INSURED** shall not demand or agree to arbitration of any **CLAIM** made against the **INSURED** without the prior written consent of the Company thereto, which consent shall not be unreasonably withheld.

As stated above, Underwriters' agreement to defend 1 Global and 1 West with respect to the SEC Amended Complaint is subject to a reservation of Underwriters' rights, remedies, and defenses, whether under the PL Policy or at law, regarding coverage.

With reference to the SEC Amended Complaint, Underwriters note that the SEC Amended Complaint does not allege negligent conduct. The SEC Amended Complaint is also not a claim for 1 Global's or 1 West's acts, errors or omissions solely in the performance of or failure to perform "Business Cash Advance Financing Services" for others. Further, the SEC Amended Complaint does not allege wrongful conduct by 1 West, which is a "relief defendant" only and has been sued for disgorgement of ill-gotten gains resulting from the wrongful conduct of 1 Global and Ruderman.

In light of the foregoing, Underwriters' reservation of rights includes, without limitation, the right to deny coverage on the basis that, to the extent the SEC Amended Complaint is not a claim for a negligent act, negligent error or negligent omission on the part of 1 Global and 1 West solely in the performance of or failure to perform professional services, it is not a "**CLAIM**" for a "**WRONGFUL ACT**," as defined in Section III.B. of the PL Policy (quoted above), and is thus not within the Insuring Agreement in Section I. of the PL Policy (also quoted above).

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.V., as the SEC Amended Complaint is brought by or on behalf of a governmental authority and the exceptions to IV.V. do not apply.

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Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage on the basis that the SEC Amended Complaint alleges conduct that occurred prior to the PL Policy's November 1, 2017 Retroactive Date, and thus does not fall within the Insuring Agreement in Section I. of the PL Policy. In this regard, Underwriters note that the SEC Amended Complaint alleges fraudulent conduct going back to February 2014.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Sections IV.A. and IV.B. (quoted above) in light of the SEC Amended Complaint's allegations regarding intentional and fraudulent conduct.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.J., to the extent the SEC Amended Complaint seeks relief in any form other than money damages. In this regard, Underwriters note, without limitation, the portion of the SEC Amended Complaint seeking injunctive relief and disgorgement.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.K., which excludes loss in connection with claims arising out of the breach of an express warranty or guarantee.

With reference to Section IV.N., Underwriters note that they have received information that 1 Global is a named insured on a Private Investment Fund Management & Professional Liability insurance policy. Underwriters ask that you please advise whether notice regarding the SEC Amended Complaint has been provided under this and any other insurance policies, including any excess policies. If so, please provide copies of such notices and any correspondence received in response from such insurers. In the meantime, Underwriters' reservation of rights includes, without limitation, any rights that may be available to them pursuant to Section IV.N.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under the exclusions contained in Section IV.O. (quoted above).

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.FF., which excludes loss in connection with claims arising out of the insolvency or bankruptcy of any Insured or of any other entity including but not limited to the failure, inability, or unwillingness to pay Claims, losses, or benefits due to the insolvency, liquidation or bankruptcy of any such individual or entity.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section VI. "Notice and Loss Provisions" to the extent it is determined that 1 Global and 1 West failed to give written notice of a Claim to Underwriters as soon as practicable, but in no event later than sixty (60) days after the date such Claim was first made.

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Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under the "Defense and Settlement" clause of the PL Policy (quoted above). In this regard, Underwriters note that 1 Global and 1 West appear to have incurred Defense Costs without Underwriters' written consent. Further, 1 Global and 1 West appear to have settled the SEC litigation and entered into a consent judgment without Underwriters' knowledge, participation or written consent. Underwriters therefore reserve their right to deny coverage for this claim based upon 1 Global and 1 West's breach of the "Defense and Settlement" provision of the PL Policy.

To the extent the SEC Amended Complaint seeks injunctive relief, disgorgement, and civil penalties, Underwriters' reservation of rights also includes, without limitation, the right to deny coverage for such on the basis that Section III.C., quoted in full above, only covers damages and provides that civil penalties are not within the definition of "**LOSS**."

Further, and still without limitation, Underwriters note that 1 Global answered "no" when asked on Question 36.b. of its Policy application whether 1 Global, or any past or present partners, Officers, Directors, or employees were aware of any circumstances, incidents, or situations during the past five years which may result in claims being made against 1 Global, any of the past or present partners, Officers, Directors or employees or former employees of 1 Global. Underwriters' reservation of rights thus includes the right to deny coverage to the extent any claim or action emanated from knowledge of such fact, circumstance, or situation.

Pending further investigation, Underwriters' reservation of rights also includes the right to rescind the PL Policy and any other policy issued by Underwriters should it be determined that a material misrepresentation was made on any application for insurance (subject to obtaining any necessary Bankruptcy Court authorization).

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage pursuant to the "Assistance and Cooperation" clause (quoted above) and to request an examination under oath of 1 Global and 1 West thereunder.

Given these coverage reservations, Underwriters will defer to 1 Global and 1 West's choice of counsel to defend this Claim, subject to the condition that counsel is qualified and that any necessary Bankruptcy Court authorization of such retention is obtained. In that regard, please let me know immediately whom 1 Global and 1 West have chosen to retain so that Underwriters can promptly approve of his or her retention. Underwriters will pay counsel at Underwriters' usual and customary rates for similar matters, which are \$275/hour for partners, \$210/hour for associates, and \$110/hour for paralegals. 1 Global and 1 West will be responsible for any and all fees in excess of these rates, without credit against the retention or the PL Policy limits.

As you are aware, and as discussed above, the PL Policy provides for a \$25,000 retention that applies to all "**LOSS**," including "**DEFENSE COSTS**," for each claim. Thus, subject to the

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following paragraph, the first \$25,000 in “**DEFENSE COSTS**” incurred by any Insured with respect to this Claim at the approved rates will be an uninsured responsibility, payable by the Insureds. Thereafter, please be aware that payment of “**DEFENSE COSTS**” by Underwriters will reduce, and may exhaust, the Limit of Liability under the PL Policy.

In this regard, Underwriters note that “**DEFENSE COSTS**” is defined in Section III.E. of the PL Policy as “reasonable and necessary legal fees and expenses incurred with the approval of the Company in connection with the investigation, adjustment, settlement, defense or appeal of a **CLAIM** made against an **INSURED** for a **WRONGFUL ACT . . .**” Thus, any fees and expenses incurred prior to notice of this matter to Underwriters are not “**DEFENSE COSTS**,” and will not be applied toward satisfaction of the \$25,000 retention or paid under the PL Policy. Similarly, where fees are incurred at rates exceeding those approved by Underwriters, those portions of such fees exceeding such rates are not “**DEFENSE COSTS**” and will not be applied toward satisfaction of the Insureds’ \$25,000 retention or paid under the PL Policy.

Further, Underwriters reserve the right to recoup “**DEFENSE COSTS**” from 1 Global and 1 West to the extent such are determined to have been paid toward the defense of a non-covered Claim.

At this time, since 1 Global is a debtor in bankruptcy and an Insured under the PL Policy, to the extent there may be an argument that such Policy, or a portion thereof, is property of the bankruptcy estate, in an abundance of caution, and as a condition to paying any Defense Costs, Underwriters will require an order from the Bankruptcy Court in the 1 Global Bankruptcy case authorizing such payment. In that regard, Underwriters have retained a local Florida attorney to seek appropriate relief in the 1 Global Bankruptcy case.

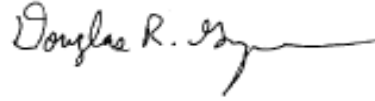
Underwriters continue fully reserving any and all of their rights, remedies, and defenses under the PL Policy and/or applicable law and do not waive any of their rights or admit any obligation, nor should any of the above be construed as estopping any claim or defense Underwriters may have. Rather, any action taken by Underwriters is taken with full and complete reservation of all rights, remedies, and defenses under the PL Policy and the applicable law. All reservations of rights set forth in our prior coverage letters to 1 Global and 1 West remain in effect.

Underwriters’ position is based on the information they have to date. Underwriters’ coverage decisions are not a reflection of the merits of the SEC Amended Complaint. Rather, they are based upon the allegations of the SEC Amended Complaint, the nature of the SEC Amended Complaint, the language of the PL Policy, and applicable law. If you believe that Underwriters have reached this determination in error, please immediately provide us with any additional relevant information.

Please do not hesitate to contact us if you have any questions.

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Very truly yours,
KARBAL, COHEN, ECONOMOU, SILK & DUNNE

A handwritten signature in black ink, appearing to read "Douglas R. Garmager", with a long horizontal flourish extending to the right.

By: Douglas R. Garmager

cc: See enclosed Mailing List

Jack Frost, Esq. (via E-Mail: jfrost@kelleykronenberg.com)

James Silver, Esq. (via E-Mail: jsilver@kelleykronenberg.com)

Stateside Underwriting Agency (By E-Mail)

Mr. Thomas L. Woodman, Esq.
April 24, 2019
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MAILING LIST

1 Global Capital LLC & 1 West Capital LLC
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Miami, FL 33130
Email: Damaris.D.Rosich-Schwartz@usdoj.gov
*Bankruptcy Trustee for 1 Global Capital, LLC
and 1 West Capital LLC*

1 Global Capital LLC & 1 West Capital LLC
c/o Thomas L. Woodman, Esq.
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*Attorneys for 1 Global Capital LLC
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c/o Carl Ruderman
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Registered Agent for First Global Funding LLC

Bright Smile Financing, LLC &
Ruderman Family Trust
c/o Mr. Daniel S. Newman, Esq.
Nelson, Mullins, Broad & Cassel
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One Biscayne Tower, 21st Floor
Miami, FL 33131
Email: dan.newman@nelsonmullins.com
*Receiver and Registered Agent for Bright Smile Financing, LLC, et al..
and Receiver for Ruderman Family Trust*

Ruderman Family Trust
c/o Steven Schwartz, Trustee
1250 E. Hallandale Beach Blvd., #409
Hallandale Beach, FL 33009
Trustee for Ruderman Family Trust

John J. McKenna Jr.
ARC Excess & Surplus, LLC
113 South Service Road
Jericho, NY 11753
Email: jmckenna@arcxs.com



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DOUGLAS R. GARMAGER
Direct: 312.431.3648
Fax: 312.431.3670
dgarmager@karballaw.com

April 24, 2019

Via E-Mail, Federal Express, and U.S. Certified Mail
(EMAIL: dan.newman@nelsonmullins.com)

Jon A. Sale, as Receiver for Bright Smile Financing, LLC
and the Ruderman Family Trust
c/o Mr. Daniel S. Newman, Esq.
Nelson, Mullins, Broad & Cassel
One Biscayne Tower
2 South Biscayne Blvd., 21st Floor
Miami, FL 33131

Re: *SEC v. 1 Global Capital, LLC, et al.*, Case No. 18-CV-61991
Professional Services Liability Policy
Financial Institution Bond
Consumer Financial Defense Expense Policy
Insured: 1 Global Capital LLC dba 1st Global Capital
Hallandale Beach, Florida
Certificate Nos.: SUA WS20185-1701 (“PL Policy”)
SUA WS1204-1701 (“Bond”)
SUA 1017CFDE-1701 (“CFDE Policy”)
Our File No.: 260-069

Dear Mr. Newman:

As you know, this firm represents the interests of those certain Underwriters at Lloyd’s, London (“Underwriters”) subscribing to the above-referenced Policies in connection with the above-referenced matter. On behalf of Underwriters, we acknowledge receipt of your letter and enclosures dated February 21, 2019, submitted on behalf of your client Jon A. Sale, as Receiver for Bright Smile Financing, LLC (“Bright Smile”) and Ruderman Family Trust (“RFT”). Underwriters hereby provide their formal coverage evaluation under the above-captioned PL Policy.

We previously acknowledged our receipt of a letter from your office dated December 27, 2018 providing notice of the lawsuit entitled *SEC v. 1 Global Capital, LLC, et al.*, Case No. 18-cv-61991, filed in the United States District Court for the Southern District of Florida. We have

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reviewed the current operative pleading in that case, which appears to be the “Amended Complaint for Injunctive and Other Relief (the “SEC Amended Complaint”) filed by the Securities and Exchange Commission (“SEC”).

We have also had an opportunity to review with Underwriters the SEC Amended Complaint, the PL Policy, and the documents provided to us in your letter dated February 21, 2019. At this time, we are writing to advise you that Underwriters agree to defend Bright Smile and RFT under the PL Policy with respect to the SEC Amended Complaint. As discussed further below, Underwriters’ agreement in this regard is subject to a reservation of all rights, remedies, and defenses that may be available to them with respect to this matter. If, after you have read this letter, you have any questions concerning this letter, the PL Policy or Underwriters’ coverage position, please do not hesitate to contact us.

The SEC Amended Complaint

The original SEC Complaint was served on 1 Global and 1 West on August 24, 2018. Thereafter, on 26 September 2018, the SEC Amended Complaint was filed.

The SEC Amended Complaint names 1 Global and Carl Ruderman as defendants, while naming 8 entities as “relief defendants,” including Bright Smile and RFT.

The SEC Amended Complaint alleges a “four-year long unregistered securities offering fraud by Defendant 1 Global Capital LLC, and overseen by Defendant Carl Ruderman, that victimized thousands of investors nationwide . . .” The U.S. Securities and Exchange Commission (“SEC”) asserts that, “from no later than February 2014 until July 27, 2018,” 1 Global “fraudulently raised more than \$287 million from more than 3,400 investors to fund its business of offering short-term financing to small and medium-sized businesses.” According to the SEC Amended Complaint, 1 Global promised investors a high-return, low-risk investment whereby 1 Global would use investor funds to make “Merchant Cash Advances” (“MCAs”) (i.e., short-term cash advances) to businesses that could not obtain more traditional financing, such as bank loans. However, the SEC Amended Complaint alleges, 1 Global used substantial investor funds for other purposes, including: payment of operating expenses; purchase of distressed, long-term credit card debt; payments to Ruderman, the Ruderman Family Trust, and other companies owned or controlled by Ruderman; payments to companies owned by Ruderman friends or relatives, with no connection to 1 Global’s cash advance business; and payment for Ruderman’s personal expenses, such as a luxury vacation and car.

The SEC Amended Complaint alleges that 1 Global solicited investors through a network of sales agents, which included registered and unregistered investment advisors, and in some cases barred brokers, to whom it paid commissions for every new investment brought to 1 Global. The SEC Amended Complaint alleges that 1 Global entered into “Affiliate Agreements” with sales agents in which it was stressed that the minimum investment was \$25,000 and that the investment opportunity was limited to “sophisticated investors.” The SEC Amended Complaint

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alleges that, in practice, 1 Global placed no restrictions on who sales agent could solicit for investments and frequently waived the minimum \$25,000 minimum investment.

The SEC Amended Complaint alleges that 1 Global made numerous misrepresentations to investors, including: deceptively claiming that it would only use investor money to fund MCAs; falsely representing the amount of investor money it would take for its own use; sending investors false monthly account statements; and that it had an independent auditor that had endorsed various aspects of its business model.

The SEC Amended Complaint asserts that, as a result of the foregoing actions, 1 Global experienced a shortage of investor funds, which amounted to \$50 million by June 30, 2018. The SEC Amended Complaint notes that 1 Global and 1 West both filed for Chapter 11 bankruptcy protection in July 2018, and that “An independent management team is now operating 1 Global and 1 West.”

The SEC Amended Complaint asserts that Ruderman was the founder, chairman, and CEO of 1 Global. The SEC Amended Complaint also states that Ruderman had sole operational control over 1 Global and made all key management decisions. The SEC Amended Complaint alleges that 1 Global and Ruderman violated various sections of the Securities and Exchange Act of 1933, as well as various sections, including Rule 10b-5, of the Securities and Exchange Act of 1934. The complaint also alleges that Ruderman aided and abetted 1 Global’s violations of the 1934 Act. The SEC Amended Complaint seeks injunctive relief, disgorgement, prejudgment interest, and civil penalties.

The Professional Services Liability Policy

Underwriters issued the PL policy to 1 Global effective November 1, 2017 at 12:01 AM to November 1, 2018 at 12:01 AM. By endorsement, the PL Policy also includes as additional insureds, among others, Bright Smile and RFT. The PL Policy provides a limit of liability of \$1,000,000 in the aggregate for the Policy Period. The PL Policy also provides for a Retroactive Date of November 1, 2017. The Limit of Liability is reduced by the payment of Loss, including Defense Costs. There is a \$25,000 retention, which applies to all Loss, including Defense Costs, for each Claim. Item 1.A. of the PL Policy’s Declarations provides that the Insured’s Profession is “BUSINESS CASH ADVANCE FINANCING SERVICES.”

Underwriters note that the following provisions of the PL Policy may be applicable to this matter. This list is not intended to be exclusive.

PROFESSIONAL SERVICES LIABILITY POLICY

**THIS POLICY IS LIMITED TO LIABILITY FOR ONLY THOSE CLAIMS THAT
ARE FIRST MADE AGAINST THE INSUREDS DURING THE POLICY**

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PERIOD. CLAIMS EXPENSES REDUCE AND MAY EXHAUST THE COVERAGE LIMITS, AND ARE SUBJECT TO THE RETENTION.

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I. INSURING AGREEMENT

The Company will pay on behalf of the **INSURED LOSS** in excess of the Retention stated in Item 4 of the Declarations which the **INSURED** shall become legally obligated to pay as a result of any **CLAIM** first made against the **INSURED** during the **POLICY PERIOD** for a **WRONGFUL ACT** that occurred on or after the Retroactive Date stated in Item 6 of the Declarations.

II. DEFENSE AND SETTLEMENT

Subject to Article V.B., the Company shall have the right and duty to defend any **CLAIM** against the **INSURED** to which this insurance applies, even if any of the allegations of the **CLAIM** are groundless, false or fraudulent.

The Company shall have the right to negotiate the settlement of any **CLAIM**, whether within or above the Retention, but the Company shall not commit the **INSURED** to any settlement without the **INSURED'S** consent, such consent not to be unreasonably withheld. The **INSURED** shall not admit liability for or settle any **CLAIM** or incur any **DEFENSE COSTS** without the written consent of the Company, such consent not to be unreasonably withheld. If the **INSURED** refuses to consent to any settlement recommended by the Company and agreed to by the claimant, and elects to contest any **CLAIM** or continue any legal proceedings in connection with such **CLAIM**, then, subject to the Limit of Liability of this Policy, the Company's liability for the **CLAIM** shall be limited to the amount in excess of the Retention which the Company would have contributed to the settlement had the **INSURED** consented to such settlement plus the **DEFENSE COSTS** incurred up to the date of such refusal.

III. DEFINITIONS

A. **"INSURED"** means the individual, partnership, corporation or other entity named in Item 1 of the Declarations and shall include all persons who were, are or shall become: 1) directors, officers, partners or employees of the **INSURED** while acting within the scope of their duties as such; and 2) the executors, heirs, legal representatives or assigns of each **INSURED** otherwise insured herein in the event of his or her death, incompetency, insolvency or bankruptcy.

B. **"WRONGFUL ACT"** means any actual or alleged negligent act, negligent error or negligent omission committed by the **INSURED** solely in the performance of or failure to perform professional services for others in the **INSURED'S** Profession as stated in Item 1.A. of the Declarations.

C. **"LOSS"** means money damages, settlements, and **DEFENSE COSTS**. **LOSS** shall not include:

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1. punitive or exemplary damages or the multiplied portion of a multiplied damages award;
2. criminal or civil fines or penalties imposed by law;
3. taxes;
4. matters that may be deemed uninsurable under the law pursuant to which this Policy shall be construed.

D. **“POLICY PERIOD”** means the period from the inception date of this Policy to the expiration date stated in Item 2 of the Declarations, or to any earlier cancellation date of this Policy.

E. **“DEFENSE COSTS”** means reasonable and necessary legal fees and expenses incurred with the approval of the Company in connection with the investigation, adjustment, settlement, defense or appeal of a **CLAIM** made against an **INSURED** for a **WRONGFUL ACT**, and shall include the cost of attachment or similar bonds. Payment of **DEFENSE COSTS** by the Company shall reduce, and may exhaust, the Limit of Liability under this Policy.

“DEFENSE COSTS” shall not include salaries, wages, fees, overhead, overtime or benefit expenses incurred by or associated with the **INSUREDS**.

F. **“CLAIM”** means a written demand for money damages received by an **INSURED**, including service of suit and the institution of administrative or arbitration proceedings.

G. **“INTERRELATED WRONGFUL ACTS”** means **WRONGFUL ACTS** that have as a common nexus any fact, circumstance, situation, event or transaction or series of facts, circumstances, situations, events or transactions.

IV. EXCLUSIONS

This Policy does not apply to **LOSS** in connection with any **CLAIM**:

A. based upon or directly or indirectly arising out of or resulting from an **INSURED** gaining in fact any personal profit or advantage to which the **INSURED** is not legally entitled;

B. that results in a judgment or final adjudication that any **INSURED** has committed any criminal, dishonest, intentionally malicious, or fraudulent act, error or omission.

However, any **WRONGFUL ACT** pertaining to any of the **INSUREDS** shall not be imputed to any other person for the purposes of determining the applicability of Exclusions A. and B;

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J. seeking relief or redress in any form other than money damages including but not limited to **CLAIM(S)** for injunctive relief in any form whatsoever and including disciplinary proceedings;

K. based upon or directly or indirectly arising out of or resulting from the breach of an express warranty or guarantee;

* * *

N. to the extent that there is coverage under any other existing valid policy or policies, whether such other insurance is stated to be contributory, excess, contingent or otherwise and regardless of whether or not such **LOSS** is collectible or recoverable under such other insurance; provided, however, that this exclusion shall not apply to any **LOSS** in excess of the retention and limit of liability of such other policy or policies where such **CLAIM** is otherwise covered under the terms of this Policy;

O. based upon or directly or indirectly arising out of or resulting from any actual or alleged:

1. **WRONGFUL ACT** or matter, fact, circumstance, situation, event or transaction that has been the subject of any claim made prior to the inception of this Policy or of any notice given during any prior policy;...
2. **WRONGFUL ACT** which, together with a **WRONGFUL ACT** that has been the subject of any claim or notice identified in O.1. above, would constitute **INTERRELATED WRONGFUL ACTS**; or
3. Matter, fact, circumstance, situation, event or transaction known to an **INSURED** prior to the Coverage Date set forth in Item 7 of the Declarations if such matter, fact or circumstance would cause a reasonable person to believe that a **CLAIM** for a **WRONGFUL ACT** may be made;

* * *

V. brought by or on behalf of any governmental authority, quasi-governmental authority or other regulatory authority or agency, except when acting in the capacity of a customer or client of the **INSURED** or on behalf of a customer or client of the **INSURED** and when such **CLAIM** arises from Professional Services rendered or that should have been rendered to such authority or customer or client;

* * *

FF. based upon or directly or indirectly arising out of or resulting from the insolvency or bankruptcy of any Insured or of any other entity including but not limited to the failure, inability, or unwillingness to pay Claims, losses, or benefits due to the insolvency, liquidation or bankruptcy of any such individual or entity.

V. LIMIT OF LIABILITY AND RETENTION

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A. LIMIT OF LIABILITY

The Limit of Liability stated in Item 3 of the Declarations shall be the maximum aggregate Limit of Liability of the Company for all **LOSS** under the Policy, including **DEFENSE COSTS**, regardless of the number of **CLAIMS** made against the **INSUREDS** or the time when **LOSS** payments are made by the Company.

B. EXHAUSTION OF LIMIT

The Company shall not be obligated to pay any **LOSS**, including **DEFENSE COSTS**, or defend any **CLAIM** after the available Limit of Liability has been exhausted by payment of money damages, settlements or **DEFENSE COSTS**.

C. MULTIPLE INSUREDS, CLAIMS OR CLAIMANTS

The inclusion herein of more than one **INSURED** or the making of **CLAIM(S)** by more than one person or organization shall not operate to increase the Company's Limit of Liability. **CLAIM(S)** arising out of a single **WRONGFUL ACT**, or **INTERRELATED WRONGFUL ACTS**, shall be treated as a single **CLAIM**, and such single **CLAIM** shall be considered first made:

1. when the earliest **CLAIM** within such single **CLAIM** was first made, or
2. when notice was first given under any policy of insurance of any **WRONGFUL ACT** or any matter, fact, circumstance, situation event or transaction that underlies any **CLAIM** within such single **CLAIM**,

and all such **CLAIM(S)** shall be subject to the same Limit of Liability.

D. RETENTION

Subject to the Limit of Liability, the Company shall only be liable for **LOSS** in excess of the Retention stated in Item 4 of the Declarations. This Retention shall apply to each **CLAIM** made against the **INSUREDS**. The Retention shall be borne by the **INSURED** as its own uninsured risk and shall be fully paid by the **INSURED** before Underwriters shall incur any liability to pay any **LOSS**. The Retention applies to **DEFENSE COSTS**, whether or not any other **LOSS** is paid.

VI. NOTICE AND LOSS PROVISIONS

A. As a condition precedent to the availability of the rights provided under this Policy, the **INSURED** shall give written notice to the Company of any **CLAIM** made against the **INSURED** as soon as practicable, but in no event later than sixty (60) days after the date such **CLAIM** is first made.

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C. The notifications provided for above shall be made to the party set forth in Item 8 of the Declarations.

As stated above, Underwriters' agreement to defend Bright Smile and RFT with respect to the SEC Amended Complaint is subject to a reservation of Underwriters' rights, remedies, and defenses, whether under the PL Policy or at law, regarding coverage. Underwriters also note that there is no coverage for the "relief defendants" BRR Block, Inc., Digi South LLC, Ganador Enterprises, LLC, Media Pay LLC, Pay Now Direct, LLC, and Bright Smile Trust, which do not meet the definition of an "Insured" as that term is defined by the PL Policy (quoted above).

With reference to Endorsement A55 of the PL Policy, Underwriters note that additional insured coverage is only provided to RFT "when named as co-defendants with the Named Insured and only for Claims and Claims Expenses arising out of Wrongful Acts committed or alleged to have committed by the Named Insured." In that regard, Underwriters note that RFT is not a "co-Defendant" of 1 Global in the SEC lawsuit. To the contrary, RFT is a "Relief Defendant" along with several other "Relief Defendants," whereas 1 Global and Ruderman are named "Defendants" in the caption. In light thereof, Underwriters reserve the right to deny coverage for RFT under Endorsement A55.

With reference to the SEC Amended Complaint, Underwriters note that the SEC Amended Complaint does not allege negligent conduct. The SEC Amended Complaint is also not a claim for Bright Smile's or RFT's acts, errors or omissions solely in the performance of or failure to perform "Business Cash Advance Financing Services" for others. Further, the SEC Amended Complaint does not allege wrongful conduct by Bright Smile or RFT, which are "relief defendants" only and have been sued for disgorgement of ill-gotten gains resulting from the wrongful conduct of 1 Global and Ruderman.

In light of the foregoing, Underwriters' reservation of rights includes, without limitation, the right to deny coverage on the basis that, to the extent the SEC Amended Complaint is not a claim for a negligent act, negligent error or negligent omission on the part of 1 Global, Bright Smile, and/or RFT solely in the performance of or failure to perform professional services, it is not a "**CLAIM**" for a "**WRONGFUL ACT**," as defined in Section III.B. of the PL Policy (quoted above), and is thus not within the Insuring Agreement in Section I. of the PL Policy (also quoted above).

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.V., as the SEC Amended Complaint is brought by or on behalf of a governmental authority and the exceptions to IV.V. do not apply.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage on the basis that the SEC Amended Complaint alleges conduct that occurred prior to the PL Policy's November 1, 2017 Retroactive Date, and thus does not fall within the

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Insuring Agreement in Section I. of the PL Policy. In this regard, Underwriters note that the SEC Amended Complaint alleges fraudulent conduct going back to February 2014.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Sections IV.A. and IV.B. (quoted above) in light of the SEC Amended Complaint's allegations regarding intentional and fraudulent conduct.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.J., to the extent the SEC Amended Complaint seeks relief in any form other than money damages. In this regard, Underwriters note, without limitation, the portion of the SEC Amended Complaint seeking injunctive relief and disgorgement.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.K., which excludes loss in connection with claims arising out of the breach of an express warranty or guarantee.

With reference to Section IV.N., Underwriters note that they have received information that RFT is an additional insured on a Private Investment Fund Management & Professional Liability insurance policy issued to 1 Global. Underwriters ask that you please advise whether notice regarding the SEC Amended Complaint has been provided under this and any other insurance policies, including any excess policies. If so, please provide copies of such notices and any correspondence received in response from such insurers. In the meantime, Underwriters' reservation of rights includes, without limitation, any rights that may be available to them pursuant to Section IV.N.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under the exclusions contained in Section IV.O. (quoted above).

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section IV.FF., which excludes loss in connection with claims arising out of the insolvency or bankruptcy of any Insured or of any other entity including but not limited to the failure, inability, or unwillingness to pay Claims, losses, or benefits due to the insolvency, liquidation or bankruptcy of any such individual or entity.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under Section VI.A "Notice and Loss Provisions" to the extent it is determined that Bright Smile and RFT failed to give written notice of a Claim to Underwriters as soon as practicable, but in no event later than sixty (60) days after the date such Claim was first made.

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage under the "Defense and Settlement" clause of the PL Policy (quoted above). In this regard, Underwriters note that Bright Smile and RFT appear to have incurred Defense Costs without Underwriters' written consent. Underwriters therefore reserve their right to deny

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coverage for this claim based upon 1 Global and 1 West's breach of the "Defense and Settlement" provision of the PL Policy.

To the extent the SEC Amended Complaint seeks injunctive relief, disgorgement, and civil penalties, Underwriters' reservation of rights also includes, without limitation, the right to deny coverage for such on the basis that Section III.C., quoted in full above, only covers damages and provides that civil penalties are not within the definition of "**LOSS**."

Further, and still without limitation, Underwriters note that 1 Global answered "no" when asked on Question 36.b. of its Policy application whether 1 Global, or any past or present partners, Officers, Directors, or employees were aware of any circumstances, incidents, or situations during the past five years which may result in claims being made against 1 Global, any of the past or present partners, Officers, Directors or employees or former employees of 1 Global. Underwriters' reservation of rights thus includes the right to deny coverage to the extent any claim or action emanated from knowledge of such fact, circumstance, or situation.

Pending further investigation, Underwriters' reservation of rights also includes the right to rescind the PL Policy and any other policy issued by Underwriters should it be determined that a material misrepresentation was made on any application for insurance (subject to obtaining any necessary Bankruptcy Court authorization).

Further, and still without limitation, Underwriters' reservation of rights includes the right to deny coverage pursuant to the "Assistance and Cooperation" clause (quoted above) and to request an examination under oath of Bright Smile and RFT thereunder.

Given these coverage reservations, Underwriters will defer to Bright Smile and RFT's choice of counsel to defend this Claim, subject to the condition that counsel is qualified and that any necessary Bankruptcy Court authorization of such retention is obtained. In that regard, please let me know immediately whom Bright Smile and RFT have chosen to retain so that Underwriters can promptly approve of his or her retention. Underwriters will pay counsel at Underwriters' usual and customary rates for similar matters, which are \$275/hour for partners, \$210/hour for associates, and \$110/hour for paralegals. Bright Smile and RFT will be responsible for any and all fees in excess of these rates, without credit against the retention or the PL Policy limits.

As you are aware, and as discussed above, the PL Policy provides for a \$25,000 retention that applies to all "**LOSS**," including "**DEFENSE COSTS**," for each claim. Thus, subject to the following paragraph, the first \$25,000 in "**DEFENSE COSTS**" incurred by any Insured with respect to this Claim at the approved rates will be an uninsured responsibility, payable by the Insureds. Thereafter, please be aware that payment of "**DEFENSE COSTS**" by Underwriters will reduce, and may exhaust, the Limit of Liability under the PL Policy.

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In this regard, Underwriters note that “**DEFENSE COSTS**” is defined in Section III.E. of the PL Policy as “reasonable and necessary legal fees and expenses incurred with the approval of the Company in connection with the investigation, adjustment, settlement, defense or appeal of a **CLAIM** made against an **INSURED** for a **WRONGFUL ACT . . .**” Thus, any fees and expenses incurred prior to notice of this matter to Underwriters are not “**DEFENSE COSTS**,” and will not be applied toward satisfaction of the \$25,000 retention or paid under the PL Policy. Similarly, where fees are incurred at rates exceeding those approved by Underwriters, those portions of such fees exceeding such rates are not “**DEFENSE COSTS**” and will not be applied toward satisfaction of the Insureds’ \$25,000 retention or paid under the PL Policy.

Further, Underwriters reserve the right to recoup “**DEFENSE COSTS**” from Bright Smile and RFT to the extent such are determined to have been paid toward the defense of a non-covered Claim.

At this time, since 1 Global is a debtor in bankruptcy and is also an Insured under the PL Policy, to the extent there may be an argument that such Policy, or a portion thereof, is property of the bankruptcy estate, in an abundance of caution, and as a condition to paying any Defense Costs, Underwriters will require an order from the bankruptcy court in the 1 Global Bankruptcy case authorizing such payment. In that regard, Underwriters have retained a local Florida attorney to seek appropriate relief in the 1 Global Bankruptcy case.

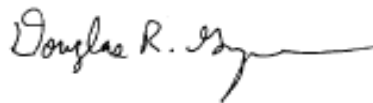
Underwriters continue fully reserving any and all of their rights, remedies, and defenses under the PL Policy and/or applicable law and do not waive any of their rights or admit any obligation, nor should any of the above be construed as estopping any claim or defense Underwriters may have. Rather, any action taken by Underwriters is taken with full and complete reservation of all rights, remedies, and defenses under the PL Policy and the applicable law. All reservations of rights set forth in our prior coverage letters to Bright Smile and RFT remain in effect.

Underwriters’ position is based on the information they have to date. Underwriters’ coverage decisions are not a reflection of the merits of the SEC Amended Complaint. Rather, they are based upon the allegations of the SEC Amended Complaint, the nature of the SEC Amended Complaint, the language of the PL Policy, and applicable law. If you believe that Underwriters have reached this determination in error, please immediately provide us with any additional relevant information.

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Please do not hesitate to contact us if you have any questions.

Very truly yours,
KARBAL, COHEN, ECONOMOU, SILK & DUNNE

A handwritten signature in black ink, appearing to read "Douglas R. Garmager", with a long horizontal flourish extending to the right.

By: Douglas R. Garmager

cc: See enclosed Mailing List

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