

How the SEC and a Court-Appointed Receiver Buried an Audit that Proved Par Funding's Innocence

By: Freedom Fighters of America

Why would a private company, allegedly engaged in fraudulent activities, voluntarily open its doors to one of the most prestigious and rigorous auditing firms in the world? Why would they pay top dollar to have every financial record, every operational detail, and every transaction scrutinized if they had something to hide?

The simple answer is: they would not.

But Par Funding did exactly that. They hired Clifton Larson Allen (CLA) a premier, top-flight national accounting and auditing firm to conduct a massive, comprehensive review of their financials and operations. As a private company, Par Funding was under no legal obligation to undergo this massive audit. They did it voluntarily to ensure complete transparency and operational excellence.

Who is CLA?

To understand the gravity of this suppression, you must understand who Clifton Larson Allen (CLA) is. CLA is not a rubber-stamp operation; they are one of the most respected wealth advisory, outsourcing, audit, and tax firms in the United States. When CLA "camps out" in your offices for months, analyzing every single piece of data, they leave no stone unturned. If there were illegal activities or fraud occurring at Par Funding, a firm of CLA's caliber would have found it and immediately reported it.

The Suppression

EXHIBIT: Email sent to the defense team from **Alan S. Futerfas, one of the top criminal defense attorney's in the U.S. who has represented Donald Trump Jr.** Futerfas represents Lisa McElhone and lays out his analysis recognizing this entire case should have been dismissed based on fraud committed by the SEC, the Receiver, and the AUSA who used the same information to indict and convict Lisa McElhone and Joseph LaForte. This email from June 16, 2021 (11 months after the Receivership began) clearly identifies that the SEC withheld the CLA material and committed a fraud on the court.

*****To our readers.... PLEASE READ THIS EMAIL THOROUGHLY**

From: Alan Futerfas <asfuterfas@futerfaslaw.com>
Sent: Wednesday, June 16, 2021 8:24 PM
To: Alejandro O. Soto <asoto@ffslawfirm.com>; Michael Bachner <mb@bhlawfirm.com>; David Ferguson <ferguson@kolawyers.com>; Joshua Levine <levine@kolawyers.com>; Ellen Resnick <ebresnick@futerfaslaw.com>; Richard Brueckner <rbrueckner@futerfaslaw.com>; Bettina Schein <bschein@bettinascheinlaw.com>
Cc: Joe LaForte <joeacpriv@gmail.com>; Joe Cole <joecole@knewlogic.com>; Alan Futerfas <asfuterfas@futerfaslaw.com>
Subject: Privileged and Confidential - New Motion and Depo Notices

All:

The new CLA revelations are as disturbing as anything else in this insane case.

To summarize, we now know that in 2019-2020, CBSG engaged CLA, one of the world's finest accounting firms, to conduct an intense audit of the business for the purpose of raising institutional money and a potential sale of CBSG to Jeffries for about \$700M. We now know that by July 2020, the audit was 90% complete (or more) and that CLA had verified all of the company's financial data, KPI's, "default rate," profitability and confirmed the tax returns - all per GAAP and applicable regulations. We also now know that CLA agreed with Joe L and Joe C that the Friedman audit was flawed in that Friedman attributed a set bad debt rate to 2017, when the tax year (2017) had passed and the bad debt rate was known and did not have to be approximated. CLA agreed that Friedman got that wrong. (Recall that CBSG leaving Friedman was a major part of Amie Berlin's presentation during the PI hearing) We also know that James Klenk was deeply involved in the CLA audit process. And we know that the SEC was in touch with Klenk and had him file a Declaration very early on in this case, i.e., August or September 2020. And it may be that Klenk continued working for "Par" under the Receiver in the Fall 2020.

We also know that the Receiver was in touch with CLA (not sure of the earliest date), and obtained documents from CLA and reviewed them in March 2021, with Receiver invoice records showing CLA contact and doc review as early as January 2021. My strong hunch is that the Receiver spoke with CLA long before then – likely in Fall 2020.

What does this mean? I submit the following:

First, the SEC filed its case when prior contact with CBSG would have disproved all of its financially-based allegations, esp underwriting.

Second, the SEC filed its case when prior contact with CLA would have disproved all of its financially-based allegations, esp underwriting.

Third, once the case was filed, the SEC had access to Klenk, who was an integral part of the CLA audit process. Klenk had to tell the SEC about the CLA audit and its findings to date.

Fourth, once the case was filed, the Receiver had access to Klenk, who was an integral part of the CLA audit process. Klenk had to tell the Receiver about the CLA audit and its findings to date.

Fifth, the SEC knew or should have known that its claims about the Freidman audit during the PI hearing were disproved by the CLA audit conclusions. The SEC failed to advise the Court of the contrary information supporting the reasons for leaving Freidman.

Sixth, the Receiver made financial claims till December 13, 2020. The Receiver had to know that CLA was 90% finished with its audit and the conclusions it had reached. The Receiver failed to tell the Court this information and, in fact, told the Court contrary information.

Seventh, the Receiver made financial claims till December 13, 2020. The SEC had to know that CLA was 90% finished with its audit and the conclusions it had reached. The SEC failed to tell the Court this information and, in fact, permitted the Receiver to tell the Court contrary (and false) information. The SEC failed to correct the false information being told the Court and public.

Eighth, the Receiver, instead of having CLA finish the audit (CLA being a top CPA accounting and auditing firm), which audit was already paid for by the way, and whereas CLA already had access to all relevant company financial data, i.e., QBs, tax returns, bank records, all transactions, etc., the Receiver chose to use the non-CPA/non-GAAP/non-accounting firm DSI to prepare a report and paid them, reportedly, \$2M to do it.

Ninth, the SEC, knew or should have known that CLA was available to finish the audit and also, through Klenk, knew that the Receiver's DSI analysis was bogus.

Tenth, the Receiver's invoices show very little time spent on the CLA documents. Appears clear that the Receiver deliberately avoided examining the documents of an ongoing audit of the business by one of the world's top accounting firms.

Eleventh, after obtaining the CLA documents (we are not sure when precisely that happened), the Receiver made statements, orally and in writing, to the Court which are flatly contradicted by the CLA findings. Indeed, the Receiver, Stumphouser, said in the recent status conference that he fully supported the DSI Report – even while he possesses the CLA materials. That is like saying the Earth is flat after seeing the pictures of Earth from Apollo 11.

Twelfth, the SEC also obtained these documents and stood by while the Receiver made statements, orally and in writing, to the Court which are flatly contradicted by the CLA findings.

Thirteenth, neither the SEC nor the Receiver corrected the false statements they had made about CBSG's financial condition after either learning about CLA's conclusions or receiving the CLA documents.

Fourteenth, had the Defense had the CLA materials when the Receiver got them (we did demand all those materials in requests), the Defense would not have had to hire Joel Glick; would have made the information available to the Court to rebut the false presentations being made; and would have materially assisted in the depositions of Joe Cole and Brett Berman; and would have enabled the Defense to make additional applications.

Conclusions

Both the Receiver and the SEC violated their ethical duties provide accurate information to the Court and correct misinformation previously provided.

The Receiver appears to have committed a fraud on the Court. He deliberately chose not to finish the CLA audit (at no cost) and, instead, hired a clearly unskilled, unequipped, inexperienced and uncredentialed firm, DSI, to prepare what, is not clear – some kind of report justifying their false claims and false narrative.

The Receiver appears to have deliberately ignored the CLA audit, and instead used the phony DSI audit, in order to obtain the Receivership expansion.

The Receiver appears to have deliberately deceived the Court and public.

The SEC knew or should have known of the deception and failed to act to correct the false information provided.

The Receiver, by sitting on these materials for months, acted to hinder the Defense and prevent the Defense from correcting the Receiver's false information and telling the truth to the Court and public.

Relief Sought

For outrageous governmental (SEC) misconduct – Dismissal of the Complaint.

For outrageous Receiver misconduct (the Receiver is quasi-governmental) – Dismissal of the Receiver.

For violating ethical duties and responsibilities by both the SEC and the Receiver – Dismissal of the Complaint.

For the Receiver conducting a fraud on the Court and parties – Dismissal of the Receiver.

For the SEC failing to correct the Receiver's fraud on the Court and parties – Dismissal of the Complaint.

The Raid and the Buried Audit

By July 2020, CLA had finished their grueling, months-long analysis. The cost of the audit was \$200,000, and it was 99% complete, scheduled for delivery on August 15, 2020.

The SEC found out about the audit only after the raid. Instead of producing it in discovery, they withheld it for 10 months on or about June 17, 2021. After the initial bulk discovery data dump of 17 terabytes the SEC waited an additional 10 months to give the defense the additional

amended discovery of 15,000 pages of CLA audit material that proved Par Fundings innocence. Below is an example of 1 out of 15,000 documents the defense could have used to prove their innocence.

EXHIBIT: Excerpts from the CLA audit demonstrating no findings of fraud. Let's look at an example of what SEC was hiding.

SECTION I: CONSIDERATION OF FRAUD RISK FACTORS RELATING TO FRAUDULENT FINANCIAL REPORTING		
Fraud Risk Factor	Present?	If Present, How Does This Factor Affect the Entity? (Transfer the risk to 0450.00 Risk Assessment Analysis.)
Incentives/Pressures		
1. Financial stability or profitability is threatened by economic, industry, or entity operating conditions, such as (or as indicated by):		The volume of transactions increased significantly from year 2017 to year 2018. CLA observed the increase in revenue by 70% using the unadjusted year end balance provided by the client. CBSG provides financing for small and medium size businesses in the form of factoring advances throughout the U.S. This rapid growth doesn't seem unusual based on the significant increase in customer demand in the overall economy.
a. High degree of competition or market saturation , accompanied by narrowing margins	No	
i. Increase of competitor investment products that are close alternatives for the institution's deposit products (e.g., mutual funds, insurance annuities, and mortgage loans)	No	
ii. Competitor product pricing that results in loss of customers or market share for such products as loan, deposit, trust, asset management, and brokerage offerings	No	
b. Vulnerability to rapid changes , such as changes in technology, product obsolescence, or interest rates	No	
c. Significant declines in customer demand and increasing business failures in either the industry or overall economy	No	
i. Deteriorating economic conditions (e.g., declining corporate earnings, adverse exchange movements, and real estate prices) within industries or geographic regions where the institution has significant credit concentrations	No	
ii. For credit unions, losing a very substantial portion of the membership base , which places considerable pressure on management on gaining new members and offering commercial loans	No	
d. Rapid growth or unusual profitability , especially compared to that of other companies in the same industry	No	
e. New accounting, statutory, or regulatory requirements	No	
i. Substantially weak CAMELS (BOPEC for bank holding companies) ratings	No	
f. Decline in asset quality due to borrowers or issuers affected by recessionary declines and industry factors	No	
2. Excessive pressure on management or operating personnel to meet financial targets set by the board of directors or management, including incentive goals		

a. Unrealistically aggressive loan goals and lucrative incentive programs for loan originations .	No	
b. Adverse effects of reporting poor financial results on significant pending transactions, such as business combinations.	No	
c. Willingness by management to respond to pressures by pursuing business opportunities for which the institution does not possess the needed expertise .	No	
d. Excessive reliance on wholesale funding (brokered deposits).	No	
e. Speculative use of derivatives .	No	
f. Failure to establish economic hedges against key risks (e.g., interest rate) through effective asset liability committee (ALCO) processes.	No	
g. Changes in loan loss accounting methodology that are not accompanied by observed changes in credit administration practices or credit conditions.	No	
h. Frequent or unusual exceptions to credit policy .	No	
i. Threat of downgrade in the overall regulatory rating that could preclude expansion or growth plans.	No	
j. Threat of failing to meet minimum capital requirements that could cause adverse regulatory actions.	No	
3. Management's or the board of directors' personal net worth is threatened by the entity's financial performance arising from the following:		
a. Heavy concentrations of personal net worth in the entity.	No	
b. Bank is privately owned by one person or family whose net worth or income (from dividends) is dependent on the bank.	No	
Opportunities		
4. The nature of the industry or the entity's operations provides opportunities to engage in fraudulent financial reporting that can arise from:		
a. Significant related entity transactions or significant business associated with a related party not in the ordinary course of business or with related entities not audited or audited by another firm.	Yes	There are a number of related entity transactions and significant business associated with related parties. Related entities under common ownership that have business transactions with CBSG and FSP will be evaluated and disclosed. CBSG's provision for credit losses will be evaluated in accordance with GAAP. For the year ended 12/31/2017, CBSG accounted for its provision for credit losses following the method used for income tax reporting purposes, and therefore recorded credit losses when the advances were written off as bad debt during the year.
b. Assets, liabilities, revenues, or expenses based on significant estimates that involve subjective judgments or uncertainties that are difficult to corroborate.	Yes	

c. Significant, unusual, or highly complex transactions , especially those close to period end that pose difficult "substance over form" questions	No		
d. Frequent or unusual adjustments to the allowance for loan and lease losses.	No		
e. Loan sales that result in retained beneficial interests. Valuation of retained beneficial interests is based on estimates and assumptions and are susceptible to manipulation if not properly controlled	No		
f. Complex transactions that result in income or gains , such as sale and leasebacks, with arbitrarily short leaseback terms	No		
g. Deferred tax assets , arising from net operating loss carryforwards, without valuation allowances.	No		
h. Deferred loan origination costs in excess of costs that may be deferred under SFAS No. 91.	No		
5. Internal control components are deficient as a result of the following:			During the audit procedures, CLA noted that reconciliations of major assets and liabilities were not completed timely. The volume of transactions is significant and reconciliation processes are highly manual that would be prone to errors.
a. Inadequate monitoring of controls , including but not limited to automated controls, tickler systems, file maintenance reports and controls over financial reporting, such as lack of oversight of critical processes	No		
b. Ineffective internal audit function.	No		
c. Lack of board-approved credit or investment policies	No		
d. Vacant staff positions remain unfilled for extended periods, thereby preventing proper segregation of duties.	No		
e. Lack of appropriate system of authorization and approval of transactions in areas such as lending and investment	No		
f. Lack of independent processes for establishment and review of allowance for loan losses .	No		
g. Lack of independent processes for evaluation of other than temporary impairments .	No		
h. Inadequate controls over transaction recording, including setup of loans on systems.	No		
i. Lack of controls over perfection of interests in lending collateral.	No		
j. Inadequate methods of identifying and communicating exceptions and variances from planned performance .	No		

k. Inadequate account reconciliation policies and practices , including appropriate supervisory review, monitoring of stale items and out of balance conditions, and timeliness of write-offs .	Yes	
l. Failure to establish adequate segregation of duties between approval transactions and disbursement of funds .	No	
m. Lack of control over the regulatory reporting process , where key decision makers also have control over the process.	No	
n. Lack of adequate reporting to the board of directors and executive management regarding credit, interest-rate, liquidity and market risks .	No	
o. Change from an outsourced internal audit function to a new in-house internal audit department or another outsourcing provider.	No	
Attitudes/Rationalizations		
6. Known history of violations of securities laws or other laws and regulations , or claims against the entity, its senior management, or board members alleging fraud or violations of laws and regulations.		
a. Regulatory cease and desist order, memorandum of understanding, or other regulatory agreements which concern management competence or internal control .	No	
b. Repeat criticisms or apparent violations cited in regulatory examination reports , which management has ignored.	No	
7. Nonfinancial management's excessive participation in, or preoccupation with, the selection of accounting principles or the determination of significant estimates .	No	
8. Repeat criticisms cited in internal audit reports and external audit management letters , which management has not addressed.	No	
9. High level of customer complaints .	No	
c. Ineffective accounting and information systems , including situations involving significant deficiencies or material weaknesses in internal control .	No	
d. Weak controls over budget preparation and development and compliance with law or regulation .	No	
10. Internal audit:		
a. Has inadequate staffing or training .	No	

b. Is not independent and does not have adequate access to the audit committee.	No	
c. Uses an inappropriate scope of activities .	No	
d. Has limited authority to examine operating aspects or fails to exercise its authority .	No	
e. Does not adequately plan , perform risk assessments , or document the work performed or conclusions reached.	No	
f. Does not adhere to professional standards .	No	
g. Has operating responsibilities .	No	
11. Inability to prepare accurate and timely financial reports , including interim reports .	No	
12. Planning and reporting systems that do not adequately set forth management's plans and the results of actual performance .	No	
13. A low level of user satisfaction with information systems processing , including reliability and timeliness of reports.	No	
14. Understaffed accounting or information technology department, inexperienced or ineffective accounting or information technology personnel or high turnover .	No	
15. Lack of timely and appropriate documentation for transactions .	No	
16. Management or ownership requires dividends at or near the maximum allowable by law.	No	
SECTION II: CONSIDERATION OF FRAUD RISK FACTORS RELATING TO MISAPPROPRIATION OF ASSETS		
Fraud Risk Factor	Present?	If Present, How Does This Factor Affect the Entity? (Transfer the risk to 0450.00 Risk Assessment Analysis.)
Incentives/Pressures		
1. Adverse relationships between the institution and employees with access to cash or other assets susceptible to theft. For example, adverse relationships may be created by the following:		
a. It is likely that the institution will be merged into or acquired by another institution and there is uncertainty regarding the employees' future employment opportunities .	No	
b. The institution has recently completed a merger or acquisition , employees are working long hours on integration projects , and morale is low .	No	
c. The institution is under regulatory scrutiny and there is uncertainty surrounding the future of the institution.	No	

2. Members of executive management evidence financial distress through indications such as frequent informal "loans" or "salary advances" to key executive officers or their family members.	No	
Opportunities		
3. Large amounts of cash on hand and wire transfer capabilities .	Yes	The accounting department process the significant number of wire transfers/ ACH daily to fund customer deals and pay principals and interest to private investors.
4. Easily convertible assets , such as bearer bonds or diamonds that may be in safekeeping.	No	
5. Inadequate or ineffective physical security controls , e.g., <u>overliquid assets or information systems</u> .	No	
6. Access to customer accounts .	No	
7. Inadequate management oversight of employees responsible for assets.	No	
8. Inconsistent processes and/or procedures resulting from <u>decentralized operations or multiple business combinations</u> .	No	
9. Related family members who hold significant positions within operations or who are responsible for overseeing another family member.	No	
10. Inadequate job applicant screening and/or monitoring of employees.	No	
11. Lack of segregation of duties in the following areas:		
a. EFT - origination, processing, confirmation and record keeping.	No	
b. Lending - relationship management, underwriting (including approval), processing, cash collection/disbursement, and recordkeeping.	No	
c. Treasury - trading, processing, settlement and record keeping.	No	
d. Trust - trading, processing, settlement and record keeping.	No	
e. Fiduciary - issuance, registration, transfer, cancellation and record keeping.	No	
f. No independent mailing of customer statements .	No	
g. No independent review of returned customer statements .	No	
h. Lack of control over new accounts .	No	
i. "Due from" bank accounts are not reconciled on a regular basis, and open items are not reviewed .	No	
j. Loans are purchased from loan brokers, but the loans are not reunderwritten before purchase.	No	

k. Poor physical safeguards over cash, investments, customer information, or fixed assets.	No	
l. Inadequate training of tellers and operations personnel.	No	
12. Lack of appropriate system of authorization and approval of transactions, e.g.:		
a. No verification of EFT transaction initiation and authorization, including those instances where bank employees initiate a transaction on a customer's behalf.	No	
b. Frequent underwriting exceptions to Board established credit authorization limits.	No	
c. Frequent instances of cash disbursements on loans that have not yet received all approvals or met all preconditions for funding.	No	
d. Lack of Board approval for significant loans or unusually high loan officer approval limits.	No	
13. Poor physical safeguards over cash, investments, inventory or fixed assets.	No	
14. Lack of accountability over negotiable instruments and inadequate training of tellers regarding controls over those instruments.	No	
15. Lack of timely and appropriate documentation for transactions.	No	
16. Lack of controls over life insurance proceeds from life savings which the institution is responsible for forwarding to beneficiaries of deceased members.	No	
17. Lack of mandatory vacations for employees performing key control functions.	No	
Attitudes/Rationalizations		
18. Disregard for the need for monitoring or reducing risks related to misappropriations of assets	No	
19. Disregard for internal control over misappropriation of assets by overriding existing controls or by failing to correct known internal control deficiencies.	No	
20. Behavior indicating displeasure or dissatisfaction with the company or its treatment of the employee	No	
21. Changes in behavior or lifestyle that may indicate assets have been misappropriated.	No	

#NAME?

The reason the defendants could not obtain the audit themselves is because the Receiver stepped in their shoes as the owner of Par Funding and stone walled the defendants so the audit could not be produced. This report would have proven, unequivocally, that Par Funding was a healthy, going concern.

The defense implored the court to allow CLA to issue their final report. The Receiver objected, the SEC objected, and the truth was locked away forever.

The \$500,000 "Replacement"

Instead of allowing a top-tier CPA firm to present its findings, the receiver decided to conduct his own "audit."

Who performed this new investigation? Bradley Sharp, the owner of DSI. Sharp is not a CPA. His report was not conducted under Generally Accepted Accounting Principles (GAAP). Yet he charged the estate \$500,000 for this non-GAAP, non-CPA report.

The SEC—led by Amie Berlin and her operatives—took this flawed, unverified report and presented it to the court. They needed a fraudulent narrative to justify their overreach, and Sharp delivered it. This directly led to the catastrophic expansion of the receivership into the personal assets of Par Funding's founders.

The Devastating Fallout

Because the CLA audit was suppressed, the defense was forced to commission the Glick reports from the highly respected firm Berkowitz Pollack Brant. These reports thoroughly dismantled and destroyed Sharp's amateur "audit", yet they were entirely ignored by the court.

The human and financial toll of this weaponized justice system is staggering:

Vaporized Assets: Almost \$600 million in assets were destroyed.

Receiver Windfall: The receiver has billed the estate an astonishing \$50 million to date and still billing.

Personal Ruin: Lisa McElhone and Joseph LaForte were evicted from their homes, and their personal property was sold off to the lowest bidder. They were also indicted, convicted, and sentenced on these false reports and the CLA audit was never obtained.

Collateral Damage: Countless jobs were lost, and innocent investors were deeply hurt.

If the SEC and the courts were genuinely interested in protecting investors and finding the truth, they would have demanded to see the CLA audit. Instead, they buried it. They orchestrated a setup, leaning on a weaponized, non-CPA report to justify stripping citizens of their assets, their homes, and their livelihoods.

The suppression of the CLA audit was not just a procedural misstep. It was the linchpin of a massive government overreach that destroyed a successful American company.

EXHIBIT: Engagement Letter between Complete Business Solutions Group/ DBA Par Funding and CLA.



CliftonLarsonAllen LLP
610 West Germantown Pike, Suite 400
Plymouth Meeting, PA 19462
215-643-3900 | fax 215-643-4030
CLAconnect.com

September 6, 2019

Joe Cole, Chief Financial Officer
Complete Business Solutions Group, Inc.
20 N 3rd Street
Philadelphia, PA 19106

Dear Mr. Cole:

We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the audit and nonaudit services CliftonLarsonAllen LLP ("CLA," "we," "us," and "our") will provide for Complete Business Solutions, Group, Inc. ("you," "your," or "the entity") for the year ended December 31, 2018.

Rick Huff is responsible for the performance of the audit engagement.

Audit services

We will audit the consolidated financial statements of Complete Business Solutions, Group, Inc., which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of operations, retained earnings, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Nonaudit services

We will also provide the following nonaudit services:

- Preparation of your financial statements and related notes.
- Preparation of adjusting journal entries.

Audit objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion.

We will issue a written report upon completion of our audit of your financial statements. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us



to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Auditor responsibilities, procedures, and limitations

We will conduct our audit in accordance with U.S. GAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. An audit involves performing procedures to obtain sufficient appropriate audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

There is an unavoidable risk, because of the inherent limitations of an audit, together with the inherent limitations of internal control, that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS. Because we will not perform a detailed examination of all transactions, material misstatements, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity, may not be detected.

In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, we will communicate to you in writing significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Management responsibilities

Our audit will be conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledge and understand that you have certain responsibilities that are fundamental to the conduct of an audit.

You are responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. Management's responsibilities include the selection and application of accounting principles; recording and reflecting all transactions in the financial statements; determining the reasonableness of significant accounting estimates included in the financial statements; adjusting the financial statements to correct material misstatements; and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. You are responsible for the design, implementation, and maintenance of internal controls to prevent and detect fraud; assessing the risk that the financial statements may be materially misstated as a result of fraud; and for informing us about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations, and informing us of all instances of identified or suspected noncompliance whose effects on the financial statements should be considered.

You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and for the accuracy and completeness of that information; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. You agree to inform us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements.

Management is responsible for providing us with a written confirmation concerning representations made by you and your staff to us in connection with the audit. During our engagement, we will request information and explanations from you regarding, among other matters, the entity's operations, internal control, future plans, specific transactions, and accounting systems and procedures. The procedures we will perform during our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the representations that we receive in the representation letter and otherwise from you. Accordingly, inaccurate, incomplete, or false representations could cause us to expend unnecessary effort or could cause a material fraud or error to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the entity's financial statements that we may fail to detect as a result of misrepresentations made to us by you.

Management is responsible for authorizing the predecessor auditor to allow us to review the predecessor auditor's workpapers and to respond fully to our inquiries, thereby providing us with information to assist us in

planning and performing the engagement. You will be responsible for any fees billed by the predecessor auditor related to our review of their workpapers and our inquiries.

Responsibilities and limitations related to nonaudit services

For all nonaudit services we may provide to you, management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services.

The responsibilities and limitations related to the nonaudit services performed as part of this engagement are as follows:

- We will prepare a draft of your financial statements and related notes. Since the preparation and fair presentation of the financial statements is your responsibility, you will be required to review, approve, and accept responsibility for those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements.
- We will propose adjusting journal entries as needed. You will be required to review and approve those entries and to understand the nature of the changes and their impact on the financial statements.

Use of financial statements

Should you decide to include or incorporate by reference these financial statements and our auditors' report(s) thereon in a future private placement or other offering of equity or debt securities, you agree that we are under no obligation to re-issue our report or provide consent for the use of our report in such a registration or offering document. We will determine, at our sole discretion, whether we will re-issue our report or provide consent for the use of our report only after we have performed the procedures we consider necessary in the circumstances. If we decide to re-issue our report or consent to the use of our report, we will be required to perform certain procedures including, but not limited to, (a) reading other information incorporated by reference in the registration statement or other offering document and (b) subsequent event procedures. These procedures will be considered an engagement separate and distinct from our audit engagement, and we will bill you separately. If we decide to re-issue our report or consent to the use of our report, you agree that we will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to re-issue our report or decide to withhold our consent to the use of our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our workpapers for those periods, we are under no obligation to permit such access.

If the parties (i.e., you and CLA) agree that CLA will not be involved with your official statements related to municipal securities filings or other offering documents, we will require that any official statements or other offering documents issued by you with which we are not involved clearly indicate that CLA is not involved with the contents of such documents. Such disclosure should read as follows:

CliftonLarsonAllen LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website or submitted on a regulator website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

We may issue preliminary draft financial statements to you for your review. Any preliminary draft financial statements should not be relied on or distributed.

Engagement administration and other matters

We expect to begin our audit on approximately October 14, 2019.

We understand that your employees will prepare all confirmations, account analyses, and audit schedules we request and will locate any documents or invoices selected by us for testing. A list of information we expect to need for our audit and the dates required will be provided in a separate communication.

We are available to perform additional procedures with regard to fraud detection and prevention, at your request, as a separate engagement, subject to completion of our normal engagement acceptance procedures. The terms and fees of such an engagement would be documented in a separate engagement letter.

The workpapers supporting the services we perform are the sole and exclusive property of CLA and constitute confidential and proprietary information. We do not provide access to our workpapers to you or anyone else in the normal course of business. Unless required by law or regulation to the contrary, we retain our workpapers in accordance with our record retention policy that typically provides for a retention period of seven years.

Except as permitted by the "Consent" section of this agreement, CLA will not disclose any confidential, proprietary, or privileged information of the entity to any persons without the authorization of entity management or unless required by law. This confidentiality provision does not prohibit us from disclosing your information to one or more of our affiliated companies in order to provide services that you have requested from us or from any such affiliated company. Any such affiliated company shall be subject to the same restrictions on the use and disclosure of your information as apply to us.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our relationship with you is limited to that described in this letter. As such, you understand and agree that we are acting solely as independent accountants. We are not acting in any way as a fiduciary or assuming any fiduciary responsibilities for you. We are not responsible for the preparation of any report to any governmental agency, or any other form, return, or report or for providing advice or any other service not specifically recited in this letter.

Our engagement and responsibility end on delivery of our signed report. Any additional services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Mediation

Any disagreement, controversy, or claim ("Dispute") that may arise out of any aspect of our services or relationship with you, including this engagement, shall be submitted to non-binding mediation by written notice ("Mediation Notice") to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator.

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Any Dispute will be governed by the laws of the state of Minnesota, without giving effect to choice of law principles.

Time limitation

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any Dispute that may arise between the parties. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a Dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months ("Limitation Period") after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery.

The Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a Dispute.

Fees

Our fees for these services will be based on the time involved and the degree of responsibility and skills required, plus expenses including internal and administrative charges. Based on our preliminary estimates, the fee for the engagement will range between \$150,000 and \$175,000. Our invoices for these fees, plus applicable state and local taxes, will be rendered in advance in \$25,000 increments as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Unanticipated services

We do not anticipate encountering the need to perform additional services beyond those described in this letter. Below are listings of services considered to be outside the scope of our engagement. If any such service needs to be completed before the audit can proceed in an efficient manner, we will notify you and provide a fair and reasonable price for providing the service. We will bill you for the service at periodic dates after the additional service has been performed.

Bookkeeping services

Bookkeeping services are not audit services. Bookkeeping services include the following activities:

- Preparation of a trial balance
- Account reconciliations
- Bank statement reconciliations
- Capital asset accounting (e.g., calculating depreciation, identify capital assets for additions and deletions)
- Calculating accruals
- Analyzing transactions for proper recording
- Converting cash basis accounting records to accrual basis
- Assisting in calculating tax provisions
- Preparation of financial statements and the related notes to the financial statements
- Processing immaterial adjustments through the financial statements
- Adjusting the financial statements for new activities and new disclosures

Additional work resulting from unanticipated changes in your organization or accounting records

If your organization undergoes significant changes in key personnel, accounting systems, and/or internal control, we are required to update our audit documentation and audit plan. The following are examples of situations that will require additional audit work:

- Revising documentation of your internal control for changes resulting from your implementation of new information systems
- Deterioration in the quality of the entity's accounting records during the current-year engagement in comparison to the prior-year engagement
- Significant new accounting issues
- Significant changes in your volume of business
- Mergers, acquisitions, or other business combinations
- New or unusual transactions
- Changes in audit scope or requirements resulting from changes in your operations
- Erroneous or incomplete accounting records
- Evidence of material weaknesses or significant deficiencies in internal control
- Substantial increases in the number or significance of problem loans
- Regulatory examination matters
- Implementation or adoption of new or existing accounting, reporting, regulatory, or tax requirements
- New financial statement disclosures

Changes in engagement timing and assistance by your personnel

The fee estimate is based on anticipated cooperation from your personnel and their assistance with timely preparation of confirmations and requested schedules. If the requested items are not available on the dates required or are not accurate, we will advise management. Additional time and costs may be necessary because of such unanticipated delays. Examples of situations that may cause our estimated fee to increase include:

- Significant delays in responding to our requests for information such as reconciling variances or providing requested supporting documentation (e.g., invoices, contracts, and other documents)
- Rescheduling our fieldwork
- Schedule disruption caused by litigation, financial challenges (going concern), loan covenants (waivers), etc.
- Identifying a significant number of proposed audit adjustments
- Schedules prepared by your personnel that do not reconcile to the general ledger
- Numerous revisions to information and schedules provided by your personnel
- Restating financial statements for accounting errors in the prior year
- Lack of availability of entity personnel during audit fieldwork

Changes in accounting and audit standards

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in the letter increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work.

Other fees

You also agree to compensate us for any time and expenses, including time and expenses of legal counsel, we may incur in responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings that we are asked to respond to on your behalf.

Finance charges and collection expenses

You agree that if any statement is not paid within 30 days from its billing date, the unpaid balance shall accrue interest at the monthly rate of one and one-quarter percent (1.25%), which is an annual percentage rate of 15%. In the event that any collection action is required to collect unpaid balances due us, reasonable attorney fees and expenses shall be recoverable.

Subcontractors

CLA may, at times, use subcontractors to perform services under this agreement, and they may have access to your information and records. Any such subcontractors will be subject to the same restrictions on the use of such information and records as apply to CLA under this agreement.

Agreement

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. This letter constitutes the entire agreement regarding these services and supersedes all prior agreements (whether oral or written), understandings, negotiations, and discussions between you and CLA. If you have any questions, please let us know. Please sign, date, and return this letter to us to indicate your acknowledgment and understanding of, and agreement with, the arrangements for our audit of your financial statements including the terms of our engagement and the parties' respective responsibilities.

Sincerely,

CliftonLarsonAllen LLP



Rick Huff, CPA
Principal
484.567.1719
Rick.huff@CLAconnect.com

Response:

This letter correctly sets forth the understanding of Complete Business Solutions Group, Inc.

Authorized management signature: _____

Title: _____

Date: _____

EXHIBIT: October 7, 2019, email from Par Funding CFO granting CLA access to QuickBooks

From: Joe Cole <joe@parfunding.com>
Sent: Monday, October 7, 2019 5:34 PM
To: Huff, Rick
Subject: [External] QB Authentications

Think Security! This email originated from an external source.

Hi Rick,

I wanted to confirm the authentication set up for the CBSG QB file on our RDP platform with Right Networks.

Please use the following username and password to access the file itself:

user: CLArick
pass: ak652g

They should provide separate user access to access the online portal.

Let me know if you require additional users and I can them up if your people need to log-in concurrently.

Also this is view/print only for now but let me know if it affects your ability to download reports or create back-ups. We can customize access as needed for those functions.

Thanks.

Joe Cole
CFO



20 N 3rd St
Philadelphia, PA 19106

EXHIBIT: DE-649 DEFENDANTS' MOTION TO DISCHARGE THE RECEIVER AND INCORPORATED MEMORANDUM OF LAW (Pgs. 6-10)

Case 9:20-cv-81205-RAR Document 649 Entered on FLSD Docket 07/13/2021 Page 6 of 24

noteholders; falsely told the Court that the company was no good; and then urged the Court to let the Receiver take Defendants' personal assets to cover the extraordinary losses the Receiver alone caused. CBSG took in \$393 million in merchant payments in 2019 and reported income on its CPA-prepared 2019 tax returns of \$179 million; and took in \$209 million in the first six months of 2020 (*see* CBSG Funding Analysis, 1/1/2013 – 6/30/2020, DE 106-1 at 6 (same as CBSG Receiver #000488270)). The company and the noteholders have since lost over \$187,000,000 commencing with, and caused by, the Receiver's arrival in July 2020. (*See* Chart of Receiver Caused Losses, Exhibit A)

A. The CLA Audit Materials

On April 15, 2021, the highly reputable CPA firm of Berkowitz Pollack Brant ("BPB") prepared and issued the Glick Report, which analyzed 4.2 million transactions to determine, pursuant to GAAP, the financial condition and profitability of CBSG. The Glick Report, an unquestionably expert analysis undertaken by top experts in the field, concluded that CBSG was thriving and profitable. (DE 535)

On or about June 17, 2021, less than a month ago, the Defense received about 15,000 pages of materials relating to an audit commissioned by CBSG (the "CLA Audit Materials"). Specifically, in September 2019, CBSG engaged Clifton Larson Allen, LLP ("CLA"), one of the top eight accounting firms in the nation, to undertake a forensic audit of the company and its finances. (*See* Exhibit B, CLA Engagement Letter)¹ Approximately \$200,000 had been paid for the audit which, in July 2020, was nearly complete. With a team of CPAs working steadily for months, CLA conducted a full-blown, top-notch deep-dive audit into CBSG's financial condition for the year ending December 31, 2018. (*See Id.*) By late July 2020, when the SEC filed this action, the audit was in its final stages and had advanced to CLA's Quality Control. It appears that the Receiver never requested that CLA complete its audit of CBSG for year ending 2018, even though it was nearly completed and paid for.

¹ As reflected in the engagement letter retaining CLA for the audit, CLA was retained to verify the models and profitability of CBSG. This included a thorough review of the company accounting systems, worksheets, merchant agreements, financial recognition methodology, tax guidance, bank/ACH processor verification, noteholder confirmation letters and cash flows from related parties. Confirmation letters would be sent to all related parties to verify the agreements in place and dollar amounts as represented in the company's accounting system.

The Receiver (and the SEC) clearly knew about CLA's audit for CBSG and that it was nearly complete.² Instead of using the almost fully paid-for and exhaustive audit conducted by CLA, the Receiver hired DSI to produce a non-CPA, non-GAAP-compliant, unqualified report at an estimated cost to CBSG and the noteholders of \$500,000. (See DE 426-1, the "DSI Report") The CLA Audit Materials corroborate the Glick Report and contain further proof utterly refuting the Receiver's spurious narrative about the financial condition of CBSG.

Not only did CLA confirm that CBSG was profitable, CLA confirmed that the company's accounting systems and fraud controls were solid. CLA also verified the monthly Key Performance Indicator reports ("KPI Reports") that CBSG routinely and monthly provided to its noteholders for years. Thus, CLA confirmed CBSG's profitability and the accuracy of its accounting records. CLA also verified thousands of transactions reflected in CBSG's ledgers, and decisively ruled out inaccuracies or fraud in CBSG's financial records.

Although the Defense is still reviewing the 15,000 or so pages of the materials produced, the documents thus far reviewed show the following:

- i. CLA found that 85% of CBSG's client merchants paid the contractual Right to Return (RTR) in a timely manner (see Exhibit E³);
- ii. CLA nearly completed verifying all of the financial data contained in CBSG's monthly KPI Reports for the period January 1, 2013 - March 31, 2019 (Exhibit F⁴);

² The Receiver's knowledge of the ongoing CLA audit is inescapable because James Klenk, CBSG's Controller and a CPA, began working directly with the Receiver and the SEC shortly after the filing of the Complaint. Klenk was the main point of contact with CLA with respect to the audit. CLA notified Klenk by email on July 31, 2020 that CLA was ceasing work on the audit due to the SEC action and was prepared to be rehired to finish it. (See Exhibit C, email entitled "Suspending work on the 2018 audit") The Defense advised in filings on August 4, 2020 that CLA and others had performed GAAP audits for CBSG in 2017, 2018 and 2019. (DE 84 at 8) In addition, billing records by the Receiver show that CLA files were reviewed on the same day as the December 15, 2020 court appearance at which the non-GAAP DSI Report was heralded as determinative. (See Exhibit D, containing extracts from billing records on the Receiver's website, parfundingreceivership.com)

³ Exhibit E, #CLA000012, is a CLA spreadsheet entitled "Aging" and indicates the amount of time by which account receivables were paid to CBSG in increments from 5 to 35-plus days. The final column shows that approximately 80% of AR were on time or overdue by less than 10 days. Nearly 85% were less than 35 days past due.

⁴ Exhibit F, #CLA0000304.xlsx, is the first few pages of an 1,000-plus page Excel spreadsheet showing the completed verification work performed by CLA for CBSG's KPI Reports. It contains the spreadsheets provided to investors and hundreds of pages of worksheets deconstructing and

- iii. CLA completed verifying CBSG's exposure rate of 1.3% reflected in the KPI Reports (*see* Exhibit F at 1); and
- iv. CBSG successfully passed a thorough and rigorous examination of its fraud and financial controls in which no improprieties were detected. (Exhibit G⁵).

The findings of CLA should not surprise anyone, since they are consistent with numerous other CPAs who examined the financial condition of CBSG.⁶ Among those CPAs, of course, is the firm of Berkowitz Pollack Brant firm ("BPB"), which prepared both the Glick Report (DE 535) and the Glick KPI Report, discussed *infra* and annexed hereto as Exhibit H. BPB's entirely independent and separate analysis of CBSG is corroborated by, and corroborates, the findings of CLA.

B. The Glick Report

While the Defense just recently obtained the CLA Audit Materials, we have long known that the Receiver was peddling a false financial narrative of CBSG which was ultimately embodied in the Declaration of Bradley Sharp dated December 13, 2020 (DE 426-1)(the "DSI Report"). The Defense, using the same data but meticulously analyzing 4.2 million transactions -

analyzing that data to confirm the accuracy of every entry on CBSG's KPI Reports. This verification includes the column reflecting a total exposure rate of 1.3%.

⁵ Exhibit G #CLA0000760, is a completed Question and Answer checklist completed by CLA assessing the quality of CBSG's business practices and internal controls, i.e., for accounting systems and funds wiring, to verify that appropriate systems are in place and that fraud risks are absent.

⁶ Defendants' retention of CLA in September 2019 was only part of CBSG's undertaking pre-Receivership to provide substantial verification of its accounting. Years before retaining CLA, CBSG hired Rod Ermel and Associates in 2014, an accounting firm out of Colorado Springs which specialized in the MCA business. The Ermel firm not only prepared tax returns, it actively monitored the transactions through a live access portal to Par Funding's accounting server, letting their accountants work on the accounting files at the same time as staff in FSP's Philadelphia office. And CBSG engaged respected accounting firms to conduct independent financial audits. Additionally, sophisticated purchasers of Par notes also directed their own accounting personnel to examine the books and records and conduct due diligence. No firm or examiner, and certainly not James Klenk, CBSG's Controller, and a CPA, ever suggested financial impropriety or that Par's KPI's were inaccurate.

which the DSI Report failed to do - responded with the April 15, 2021 Glick Report (DE 535).⁷

The Glick Report methodically refuted the fundamental claims of the DSI Report and the Receiver about the profitability and sustainability of CBSG. The Glick Report used correct GAAP accounting methodology required to calculate and file taxes; not the DSI Report's non-GAAP compliant cash basis, which is worthless. And the Glick Report analyzed the entire CBSG merchant portfolio, not the DSI Report's extrapolation from a nonrepresentative subset (the so-called "Exceptions Portfolio"), that excluded half of the merchant portfolio. Among the conclusions of the Glick Report:

- i. CBSG was highly profitable for years, earning hundreds of millions of dollars in top-line revenue between 2012 and 2019. (DE 535-1 ¶¶ 88, see ¶¶ 50-59)
- ii. CBSG's factoring, i.e., the profit made on every dollar used in funding of merchant cash advances ("MCA"), was highly profitable for years, resulting in a blended factor rate of 1.399, determined by reviewing all MCA deals that CBSG funded. (*Id.* ¶¶ 28, 82-87)
- iii. CBSG's use of "reloads" – providing new funds to existing merchant clients which were used to pay down their debt – meant higher fees, resulting in higher revenue for CBSG. The DSI Report's claim (unsupported by data or an understanding of GAAP accounting), that CBSG's reloads were "excessive" or somehow an indication of a merchants' inability to repay, was baseless. (*Id.* ¶¶ 18, 64-66, 73-86) Moreover, only 14.4% of CBSG's merchants received reloads. (*Id.* ¶ 73 chart)
- iv. Investor funds were not used to pay consulting fees to Defendants. (*Id.* ¶¶ 31-37)
- v. CBSG's underwriting had a very conservative approval rate of 17 percent for underwriting applications, proving strong and stringent underwriting standards. (*Id.* ¶¶ 39-42)

(See DE 535-1; DE 535 at 3-4)

C. The Glick KPI Report

In addition to a detailed analysis of 4.2 million CBSG transactions for the April 15, 2021 Glick Report, the BPB CPA accounting firm has also completed an in-depth analysis of the KPI Reports issued by CBSG and sent monthly to noteholders. The results of that study powerfully corroborate the Glick Report and the CLA audit, as well as every CPA who has examined the

⁷ The Glick Report is further corroborated by the testimony of Joe Cole dated June 2, 2021 and the testimony of Brett Berman, Esq., former counsel for CBSG, dated June 8, 2021. (See Berman Depo. T. 197, 201, 206-7, 213-215, 228-229)

records of CBSG. The BPB KPI study fully confirms that the KPI Reports issued by CBSG were accurate. In fact, BPB calculates a slightly lower exposure ratio than CBSG did, coming in at about 1.1%. See BPB KPI Report dated July 13, 2021 (Exhibit H). Just as critical, BPB's KPI Report confirms the data metrics for numerous CBSG financial parameters as accurate and verified. (*Id.*)

In no uncertain terms, this is hard, determinative and undeniable proof that CBSG's financial model was rock solid, profitable and thriving.⁸ No one should be surprised as these reports simply corroborate CLA's work and the view of every CPA who has closely examined the business and analyzed it in accordance with Generally Accepted Accounting Principles (GAAP). What this means, of course, is that the financial narrative long peddled by the Receiver to the Court and public, was grossly inaccurate and fundamentally misleading.

D. The Discharge of the Receiver is Warranted and Overdue

The two Glick Reports and the CLA Audit materials now provide simply irrefutable proof that CBSG was -- just as the Defense has consistently maintained -- a highly profitable business that paid its investors like clockwork and, with extraordinary underwriting, earned nearly \$1.4 for every dollar of merchant funding. CBSG held total assets of nearly \$600 million, of which \$420 million were accounts receivables - more than enough to repay its noteholders in July 2020. The Receiver took a great company, misled this Court and the public about its financial condition, and drove it into the ground while charging millions in fees. To justify its destruction of this business, the Receiver made ridiculous claims that made no sense (i.e., that CBSG earned only \$6.6 million on a cash basis), which are directly refuted by the CLA Audit Materials and by the Glick Report and the Glick KPI Report. This isn't "spin" -- these are the verified, professionally examined financial facts analyzed by CPAs in accordance with GAAP.

Further, the Receiver's inaccurate claims have invariably poisoned the Court against the Defendants and the company; have led the Court to make rulings, including the Receivership Expansion, on a mistaken and inaccurate factual record; and have kept the wholly unnecessary destruction of CBSG on course - all to the grave detriment of the noteholders, other stakeholders and Defendants. The Receiver should be discharged immediately.

⁸ Obviously, the verified numbers of CBSG would not be possible without rigorous and sophisticated underwriting. Proof of that enormous underwriting effort, and its prowess, is contained in the 750 GB ConvergeHub database which, as far as the Defense can tell, was never examined by the SEC prior to the commencement of this action.

The suppression of the CLA audit, and the withholding of exculpatory evidence that would have exonerated the defendants is a violation of the United States Constitution. This scandal was understood clearly by not just the defendants, but also prominent defense counsel, Alan S.

Futerfas, who understands the rules of law (because he represented the President's son), whose conclusion was that this was a fraud on the court.

Instead of these operatives being sanctioned, and the case being dismissed, they were rewarded with:

1. Receiver - Ryan Stumphauzer /Stumphauzer Kolaya Nadler & Sloman, PLLC & DSI: **\$50 million dollar payout**
2. SEC - Amie Riggle Berlin: Promoted to Senior Trial Lawyer
3. Shane Heskin: Opened his own Private Practice
4. Receiver's Attorney - Pietragallo Gordon Alfano Bosick & Raspanti, LLP: Expanded their law offices to new locations.
5. Matthew Newcomber - AUSA: Promoted to upper management.

Defendants: Left homeless and in prison!