

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
CASE NO.: 20-cv-81205-RAR**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

COMPLETE BUSINESS SOLUTIONS
GROUP, INC. d/b/a PAR FUNDING, et al,

Defendants.

**DEFENDANTS' MOTION
TO DISCHARGE THE RECEIVER AND INCORPORATED MEMORANDUM OF LAW**

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on July 13, 2021, a true and correct copy of the foregoing was served via CM/ECF on all counsel or parties of record.

By: /s/Joel Hirschhorn
Joel Hirschhorn

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INTRODUCTION

Defendants Joseph W. LaForte, Lisa McElhone and Joseph Cole Barleta, by and through their attorneys, respectfully submit this Joint Memorandum of Law seeking discharge of the Receiver for breach of his fiduciary duties to the estate and to CBSG's note holders. As shown herein, the Receiver promoted a fully discredited narrative about CBSG's financial condition to negatively influence this Court's view of CBSG and the Defendants, while it simultaneously destroyed a once profitable and self-sustaining business. Defendants request a hearing.

STATEMENT OF FACTS

I. THE HARD TRUTH FROM TWO GLICK REPORTS AND THE CLA AUDIT MATERIALS: CBSG'S PROFITABILITY AND FINANCIAL CONDITION WERE DEMONSTRABLY SOUND FOR YEARS BEFORE THE RECEIVER TOOK CONTROL OF CBSG IN LATE JULY 2020.

At the beginning of this case, this Court announced that the Receiver should not liquidate an ongoing business. (Aug. 4 status conf. at 72-73, 88; Aug. 17 status conf. at 45-46) The current record now shows unequivocally that CBSG (also referred to herein as Par Funding or Par), was a highly profitable, healthy ongoing concern – until the Receiver arrived. The Receiver has not preserved a profitable business; rather, he has taken a thriving, profitable business that employed over 70 people and utterly destroyed it. Further, the Receiver has argued that liquidation was unavoidable, claiming time and again that the financial condition of CBSG was a mirage, a failed business model that was systemically unprofitable at best, and a Ponzi scheme at worst.

As demonstrated by expert analysis, these claims were demonstrably untrue. And the Receiver knew or should have known it. The Receiver breached its obligations to CBSG and its noteholders by promoting inaccurate and false claims to mislead this Court and the public about the financial condition of CBSG. The Receiver used a false narrative to excuse its complete abandonment of the MCA business of CBSG – i.e., not funding a single new MCA deal since assuming control - and its liquidation of the merchant portfolio in violation of CBSG's lawful contractual rights.

For example, the Receiver also claimed that the merchant portfolio was difficult to collect by alleging misrepresentations and poor underwriting – claims that are untrue. It then requested that this Court seize Defendants' other assets, which he is now in the process of rapidly liquidating. In effect, the Receiver killed the profitable company which was readily capable of paying the

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, #CLA0000012, 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.

II. FROM THE START, THE RECEIVER PRESENTED INACCURATE AND MISLEADING INFORMATION TO THE COURT AND PUBLIC ABOUT CBSG'S FINANCIAL CONDITION, POISONING THE COURT AGAINST THE DEFENDANTS AND THE COMPANY, AND RESULTING IN RULINGS ADVANTAGING THE RECEIVER AND DESTROYING THE COMPANY

A. The SEC Brought an Omissions case; Not a Case Alleging Financial Malfeasance

In bringing the complaint, filed *ex parte* on July 24, 2020, the SEC did not allege financial malfeasance of any kind. (DE 1)(The “Complaint”) Rather, the SEC accused Defendants of fraudulent “misrepresentations and omissions” connected to the “offer and sale of [Par Funding] promissory note,” and claimed that the sales of the notes violated the registration requirement of Section 5 of the Securities Act of 1933. (Complaint at ¶¶ 48, 50, 286-89, DE 4 at 3-4; *see* DE 14 at 79.) Alleged misrepresentations and omissions “form the basis of this action.” (Id. at ¶ 8)⁹ The SEC did not claim that the alleged nondisclosures had placed investor assets at risk or that investors had lost money.¹⁰

Nor did the SEC allege that Defendants were engaged in a Ponzi scheme. Early on, this Court shared that view, repeatedly stating that this was, essentially, a case about disclosure and regulatory violations - not financial malfeasance. (Aug. 4 status conf. at 72, 73, 75) On August 17, 2020, the Court stated: “I'd like to try to see if we can try to recover and get this business back on the right side of the law going forward without any regulatory concerns and not run afoul of the SEC again . . . many of the investors were getting their monthly payouts and were getting their principal returns at the end of the 12-month returns. So there was some success . . .” (Aug.17. status conf. at 45-46; *see also* August 18, 2020 P.I. hearing at 154-156: “to some extent maybe even pre-coronavirus, pre-pandemic this was an extremely profitable enterprise.”).

⁹ The purported omissions and misrepresentations included the alleged: failure to disclose a criminal record of Joseph LaForte; understating Par’s default rate for its MCA business; failure to conduct onsite inspections as part of the underwriting process; and the claim that investor funds were used to pay consulting fees.

¹⁰ While the SEC has the power to seek emergency injunctive relief in rare circumstances (*see* DE 1 at ¶ 37, DE 14 at ¶¶ 49-50), it is profoundly striking and disturbing that the SEC chose this course of action in this case.

B. The Receivership Was Granted with Promises of No Liquidation and Over Defendants' Warnings that CBSG's Business Operations would Suffer – And So Would the Noteholders

Simultaneous with its *ex parte* filing of the Complaint, on July 24, 2020, the SEC moved for a TRO and the imposition of a Receivership, claiming that “the interests of investors would best be served” by appointing a Receiver to “determin[e] how to resolve or continue the businesses, locat[e] assets and investor funds, and [conduct] accounting and asset management.” (DE 4 at 2-3)¹¹ Defendants expressed grave concern that the wholesale replacement of Par’s staff with a Receivership would inevitably lead to the demise of a successful business engaged in lawful activity and the loss of noteholder’s funds. (DE 19 at 3) The Court granted the SEC’s motions on July 27, 2020. (See DE 36) Defense counsel, Fox Rothschild LLP, argued that “that the so-called ‘temporary’ relief that the SEC sought to impose” was “not temporary,” would be “unnecessarily destructive of Defendant’s legitimate businesses” and warned that such “will lead to the liquidation of Defendants’ legitimate businesses” as well as the noteholder’s interests. (DE 43 at 3; *see id* at 3-6)

C. The Receiver Immediately Began Dismantling CBSG's Business

The Receiver’s destruction of CBSG’s business and finances – and the noteholders’ interest and security - began immediately. CBSG was, at the time, one of the largest MCA companies in the United States. Since its inception in 2012, the company had grown to 75 or more employees by 2019, and had advanced nearly \$1.1 billion to merchants nationwide, and collecting over \$1.1 billion while also paying noteholders principal and interest, operational costs and expenses, and amassing accounts receivable in excess of \$420 million. (See DE 84 at 6, DE 426-1 at ¶¶ 1, 11-12)

On the afternoon of July 28, 2020, the Receiver caused the immediate dismissal of all the employees of Par with none permitted to enter the premises. The Receiver had no idea (and could have no idea) how to manage this extremely complex operation. Thousands of merchants around the country were left without any communication with Par, crippling the ongoing viability of Par’s business operations. (See DE 84 at 6) The Receiver further advised that Fox Rothschild,

¹¹ The SEC represented, erroneously, that CBSG had less than three million dollars in its bank accounts when the Complaint was filed. (Aug. 4 status conf. at 78) The Receiver later acknowledged that CBSG’s cash on hand before the Receivership was between \$20-25 million dollars. (September 8, 2020 status conference (“Sept. 8 status conf.”) at 64-65)

responsible for critical litigation and collections work, would be terminated from representing Defendants' businesses. (*See id.*)

As a result, merchant payments to Par stopped abruptly with the Receivership. (*See* DE 249 at 2) The damage posed by the Receiver's actions was immediately evident as CBSG lost approximately \$6,592,991.59 in ACH payments during the Receiver's very first week, July 29, 2020 through August 4, 2020. (*See* DE 84 at 11) Fox Rothschild endeavored to resume the daily ACH draws - which in July 2020 averaged about \$1.5 million per day - and to continue servicing the nearly \$500,000,000 in existing MCA deals so that the investors could be repaid. (DE 84 at 7) But Fox Rothschild's efforts to protect the business and the investors was rebuffed. On Friday, July 31, 2020, the Court expanded the Receiver's authority. (*See* DE 56) CBSG's efforts to enforce its contracts and foreclose on collateral for the protection of its noteholders were ended.¹²

At the hearing on August 4, 2020, the Court dismissed Defendants' fears that the Receivership had already embarked on a path leading to liquidation and urged the Receiver to "get in there and do their job" because "the whole purpose of the receivership is to try to save what we can and not leave everybody on the street." (Aug. 4 status conf. at 59, 74-75) The Court emphasized that "no one here [is] seeking an end game of liquidation." (*Id.* at 88)(Emphasis added) On August 6, 2020, the Receiver moved to engage Development Specialists, Inc. ("DSI") as a financial analyst and operations consultant "to secure and analyze the assets . . . and ongoing operations of the Receivership Entities." (DE 101 at 3) The Receiver claimed that DSI's financial expertise was needed to "analyze the assets" of Par since the SEC's Complaint had alleged misrepresentations about Par's financial condition, including its default rate. (*Id.* at 3-4)

Defendants opposed the request, contrasting DSI's experience as mere liquidators, with the detailed, hands-on experience of Par's existing in-house staff, accountants and outside law firms and advisors. (DE 84 at 16-17) Defendants cross-moved for an Order directing the Receiver to immediately rehire Par's experienced employees, warning that the SEC and the Receiver "had no idea what it is doing" when it tossed out the 70 experienced employees of Par, only to be replaced

¹² The economic cost to Par and its noteholders by freezing all litigation cannot be overstated. For example, on the eve of the SEC's filing, Fox Rothschild had a \$2 million settlement agreement from a merchant who had defaulted. That \$2 million settlement was not executed.

by unfamiliar and untrained staff. (DE 106 at 1-2; DE 115 at 1) The request to hire DSI was granted on August 9, 2020. (DE 116)¹³

The Receiver was given expanded authority on August 13, 2020 (*see* DE 141), occasioning the withdrawal of Fox Rothschild as outside counsel. (*See* DE 138; *see* DE 100) The departure of Fox Rothschild left Par without any expertise litigating defaulted MCA payments – a significant source of revenue.¹⁴ Defendants told the Court that “the Receiver [] candidly admits that he knows nothing about the merchant funding business. Investors are well aware of DSI’s history.... the Receiver and DSI will take millions of dollars in investor money in fees while a once-thriving company deteriorates into oblivion...” (Opposition to the Preliminary Injunction, at 4; DE 148)

D. The Receiver Peddled a False Financial Narrative to Cast Blame on Defendants for its Destruction of CBSG and, in the Process, Poisoned the Court’s View of the Case and of CBSG’s Financial Condition.

Apparently to deflect blame for the financial ruin it alone was causing, the Receiver propagated a stream of gross inaccuracies about CBSG’s financial condition to the Court and public. As the Receiver’s filings and conference transcripts make clear, the Receiver claimed that the business of CBSG was not self-sustaining but just a mirage. The Receiver attributed the lack of profitability since the Receivership to Defendants’ malfeasance and alleged deceptive accounting practices, rather than to the obvious liquidation that the Receiver and DSI alone were causing. Through its filings and during the course of hours-long conferences at which they alone could speak, the Receiver relentlessly filled the record with false assertions, smears and innuendo

¹³ Defendants had provided a Proposed Action Plan with specific “Solutions to Stem the Damage and the Dissipation of Investor funds.” (DE 115 at 7-9) Although the Court did not adopt the Proposed Action Plan, it directed the Receiver to examine the feasibility of implementing some or all of the recommendations. (DE 116 at 1-2)

¹⁴ The removal of Par’s litigation team resulted in immediate losses in every pending or imminent litigation, as there was no possibility of a court-authorized recovery for those defaults or settlements driven by litigation. All of those cases and pending settlement negotiations represent tens, if not hundreds, of millions of dollars in lost revenue. (*See* DE 249 at 2-3) Further, the cessation of litigation communicated to all of Par’s merchants the simple truth that, for the first time in Par’s history, they could fail to repay contractually obligated monies with little fear of repercussion.

about the financial wherewithal of CBSG, its profitability and self-sufficiency.¹⁵ (*See generally* DE 630)

Ultimately, the Receiver placed reliance on the DSI Report which was objectively not competent to assess the financial condition of CBSG and used a grossly flawed and inept methodology.¹⁶ Indeed, when confronted with the Glick Report filed on April 15, 2020, the Receiver shamefully demurred, claiming that DSI's analysis was never "intended to serve as an expert report" but merely issued to provide "preliminary findings." (DE 577 at 9; Receiver's Quarterly Report dated May 3, 2021)

The Receiver's inaccurate reports and claims about CBSG's true financial condition caused the destruction of millions of dollars in noteholder value and the expansion of the Receivership to all of the Defendants' assets on the untrue claim that CBSG did not have sufficient assets to fully compensate its noteholders. These baseless claims poisoned the view of this Court, from initially recognizing CBSG as an "extremely profitable enterprise" (August 18, 2020 P.I. hearing at 154) in which CBSG is "not taking from one to pay to the other" (Aug. 4 status conf. at 73), to the utter fantasy of a company supposedly verging on collapse and reliant on investor funds to survive.

i. The September 8, 2020 Status Report and Status Conference

DSI's September 8, 2020 Status Report stated that the Par MCA portfolio balance was \$420 million, of which over \$228,791,000 was the balance for the "top 10 merchant groups," and noted that this group was "approximately 54% of the gross MCA portfolio balance...." (DE 240-1 at 3)¹⁷ Counsel for the Receiver then presented a string of allegations about these top 10

¹⁵ *See* the Receiver's status reports - DE 240, 305, 358, 358-1, 426, 482, 482-1, 535, 577, 577-1. In numerous filings, the Defense responded to the Receiver's false narratives and specific misrepresentations and falsehoods. *See, e.g.*, DE 106, 148, 249, 355, 401, 430, 493, 602, 632.

¹⁶ In particular, DSI's nonsensical claim that CBSG had made a mere \$6.6 million in profit since inception on a cash basis (DSI Report at ¶ 6), was irreconcilable with CBSG's tax returns, prepared by qualified CPAs for tax years 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019, that reported millions of dollars in income (\$179 million in 2019 alone, DE 430 at 2-3). Par's books and records have been pored over by perhaps a dozen CPA's, including in-house and external accountants, auditors and investors' representatives.

¹⁷ The Receiver's first status report on August 20, 2020 did not include any financial data. (DE 180) The Receiver had already fired all of Par's staff, locked the office door and shut down the ACH bank accounts that processed the merchant receivables. The Receiver stated that DSI might restart collections "but only after the Receiver was assured of the legality of the merchant cash

merchants. (Sept. 8 status conf. at 42-44) The Defense heard these claims for the first time in open court and had no opportunity to respond. The Court was immediately persuaded of the dire implications of these claims. Suddenly, a company which, for eight years, had never missed an investor payment (save for two months in 2020 during early Covid), and paid investors hundreds of millions in interest and principal, and had not a single investor complaint, was now supposedly at risk. Based on the Receiver's claims, the Court advised Par's noteholders that the company's finances were in poor condition and that only the Receiver, not Defendants, was honestly disclosing the company's finances and, importantly, was capable of recovering for the investors. (*Id.* at 45-47) The Receiver's assertions were grossly inaccurate.

As the Glick Report and the Glick KPI Report make clear, DSI grossly misrepresented Par's purported overdependence on repayment from the Top 10 Merchants, as well as the likelihood of repayment from them. In fact, until the Receivership began, the company was profitable and sound.

ii. The October 6, 2020 Status Report and October 7, 2020 Status Conference

On October 6, 2020, the Receiver filed another status report prepared by DSI in which it asserted that CBSG's business model was financially unsound and that its revenue figures were "misleading." (DE 305) Revealing a total lack of accounting knowledge and expertise, the Receiver challenged the fact that CBSG had collected \$1.5 million in daily MCA payments prior to the Receivership and suggested that "re-loaded" funds to merchants were used to repay existing balances due Par. (DE 305 at 5, 8-15) Under this baseless theory, the Receiver asserted that CBSG actually netted only \$300,000 per day. The Receiver also suggested that the rise in confessions of judgments ("COJ") showed that Par was financially unsound (*see* DE 305 at 16-17), yet another clear indication that the Receiver had no idea what he was talking about.

advance business..." (DE 240 at 3) The absurdity of this excuse is belied by the multiple opinion letters of Par counsel (*see* DE 180 at 5 n. 1), the work of Fox Rothschild, and the dozens of court rulings across the country holding that MCA contracts are valid and enforceable. (*See also* Berman Depo. T. 242-46; *see* Exhibit of Current MCA Validity, Exhibit I) The Receiver ignored all of this, claiming to need legal support for MCA validity not only in DE 240 at 4-6 but, indeed, well into April 2021.

At the status conference held the next day, the Receiver repeated at length, and the Court credited, the Receiver's false claims on all of these issues. (Oct. 7 status conf. at 13, 14, 38- 43) The Receiver's claims about reloads were baseless. The Receiver did not understand the MCA business and never bothered to do the complex GAAP-based accounting necessary to understand how "reloads" can drive profitability. (*See* Glick Report at ¶¶ 18, 64-66, 73-86) The same was true for confessions of judgment which can be, and often are, filed after an MCA has been profitable but where the merchant still has not paid the entire contractually obligated amount, the RTR.¹⁸ Thus, the number of confessions of judgment is irrelevant to profitability. Only a GAAP examination of revenue, which only the BPB firm performed, could determine the profitability of the business. (*Id.*)

The Receiver's claims about record-keeping were similarly false. The BPB firm assembled and analyzed terabytes of data including ACH processing and bank records constituting 4.2 million transactions. And their work entailed detailed analysis of specific merchant funding, reloads and merchant repayments. In fact, CBSG calculated merchant receivables and debt every single day. The monthly KPI Reports, sent by Par to its investors every month, could only be created based upon extraordinarily detailed daily financial data. Those KPI Reports were evaluated, verified and found to be spot-on accurate. (*See* Glick KPI Report, Exhibit H)

The Court's criticism of the Defense for objecting to the Receiver's now-discredited claims attests to the effectiveness of the Receiver in poisoning the Court against the Defense and Defendants. (*See* DE 630 at 2-5) In particular, the Court was persuaded by the inaccurate claims that the Receivership would be unable to recover noteholder funds. It thus viewed the personal assets of Defendants as fair game. (Oct. 7 status conf. at 60-61)

iii. The October 30, 2020 Motion to Expand the Receivership

By October 30, 2020, the Receiver reported a significant decline in the portfolio balance to \$392 million as of September 30, 2020, and that weekly (not daily) collections had plummeted to \$1.8 million. (DE 358-1 at 7, 8) That decline was the direct and sole result of the Receiver's inability and refusal to continue the business of CBSG. Blaming CBSG's post-Receivership

¹⁸ CBSG's in-house counsel and its external counsel, Fox Rothschild, collected millions of dollars of MCA funding debt through court process and was a significant profit center for the business. (*See* Berman Depo. T. 91-92, 96-98, 113, 213-14) Moreover, CLA documents show that 85% of all merchants paid the full right to return (RTR) on the MCA contracts. (Exhibit E) The Glick Report verified an overall return of 1.339 on funding contracts. (DE 535 at ¶¶ 17, 83-88)

financial decline on the Defendants, the Receiver moved to expand the Receivership to seize assets. (DE 357 at 5, 11-20) Defendants opposed the motion.¹⁹

vi. The Bradley Sharp DSI Declaration, December 13, 2020

On December 13, 2020, the Receiver filed the Declaration of Bradley Sharp, a limited, materially incomplete and grossly flawed non-GAAP analysis of the financial condition of CBSG by a person who was not a CPA, much less an experienced forensic accountant. (DE 426-1) (“The DSI Report”) Masquerading as a report on the “financial status of the Receivership Entities,” the DSI Report characterized Par as financially unsound and essentially called it a Ponzi scheme. The DSI Report dismissed Defendants’ financial analysis (*see* DE 355), offered to explain the profitability of the business, as “misleading” and not a reflection of “actual operations at CBSG.” (DE 426-1 at 3) Defendants moved to postpone the conference scheduled for December 15th citing concerns for “fundamental fairness and due process,” and requested sufficient time to respond to the DSI Report. (DE 430)²⁰ The Court denied the Defense request. (DE 431)

v. The Court Adopts the DSI Report as Determinative

At the December 15, 2020 status conference, the Receiver made clear to the Court that the DSI Report was absolute Gospel. The Receiver trumpeted its non-GAAP conclusions and absurd methodology and proudly “staked [his] credibility on what [the DSI Report] said” and on “the credibility of DSI’s consultants on what they put in their report.” (Dec. 15 status conf. at 23, 31) The Receiver was provided with time for a lengthy presentation in which he praised the “accuracy” of the DSI Report’s analysis. (*Id.* T. 16, 18-20) Relying upon DSI’s flawed analysis, the Receiver rejected Defendants’ most recent submissions as, ironically, not being candid about “the facts.”

¹⁹ Defendants opposed the expansion stating that in every example of commingling provided, the Par accounts in question held far more than enough money from sources other than noteholders funds to fund the payments to Defendants. (*See* Melissa Davis Declaration, dated August 26, 2020, at ¶¶ 7-24) (DE 290-8) Further, the proceeds from Par’s MCA business “exceeded [] deposits” from Par’s investor fundraising activities in the relevant accounts. (DE 401 at 13).

²⁰ Defendants asserted that the DSI Report’s financial claims were improbable and inconsistent with the many professional auditors and accountants who had reviewed the same raw data, including CPA James Klenk, who had submitted an affidavit in this case, and with CBSG’s tax returns, prepared by a recognized CPA firm, which showed operating revenues of \$179 million on which Par had paid millions in taxes – revenues that the DSI Report concluded did not exist. (DE 430 at 2-3)

(*Id.* T. 23-24). The Receiver repeated DSI's grossly inaccurate claims, saying: "This notion that they're collecting in a multiple of 1.32 is, again, false." (*Id.* at T. 30)(Emphasis added)

The Court accepted the flawed DSI Report as determinative, calling it a "sea change" in how it viewed Par. (*Id.* at T. 13-14). Without a hint of the word *Daubert*, much less ordering a *Daubert* hearing, the Court concluded that, similar to a Ponzi scheme, Par "was not a self-sustaining operation . . .it thrived off new money being put in from investor." (*Id.* at T. 14, 15) The Receiver's DSI Report influenced the Court, leading it to denounce the defense for promoting "spin", "alternate realities," and a "continuous misinformation campaign." (*Id.* at T. 32-36, 40 and 44) (*See also* DE 630 at 6-8)

vi. Relying on the Baseless DSI Report, the Court Orders Expansion

Without permitting a response from the Defense, or oral argument, the Court relied on the DSI Report and the Receiver's recitation to grant the expansion of the Receivership the very next day. (DE 436, *see* Dec. 15 Status Conf. at 86, 97-100) Upon entry of the order, the Receiver assumed the management of Ms. McElhone's properties and residences, promptly padlocked two, and demanded a "residual lease" agreement for the third (*see* DE 482 at 11). The Receiver has since moved aggressively to liquidate personal assets, such as vehicles and watches, when there is no need for liquidation. (*See* DE 640: Defense opposition to motion to sell Patek Philippe watches and vehicle; *see also* DE 632: Defense opposition to motion to sell vehicle and watercraft). While he spends tens of thousands of dollars pursuing these feeble, vindictive efforts, the Receiver has destroyed a well-run, highly profitable business that employed over 70 people and has unilaterally created losses of over \$187,000,000 in stakeholder value. (*See* Chart of Receiver Caused Losses, Exhibit A)

vii. The False Narrative Continues even after the Filing of the Glick Report

The Glick Report met the Court's challenge at the December 15, 2020 status conference to refute the DSI Report with a qualified sworn declaration based on the same documents. (*See* Dec. 15 Status. Conf. at 37, 72) The Glick Report flatly disproved what the Court had been hearing from the Receiver for months. The Receiver responded by equivocating, claiming that the DSI Report was merely issued to provide "preliminary findings," and declining to respond with a substantive professional analysis (if one was even possible), citing concern about "controlling professional fees." (DE 577 at 15) In short, they caved.

On May 20, 2021, the Receiver was permitted to conduct a two-hour slide show during which he repeated arguments premised on the DSI Report - now entirely discredited by every CPA to look at the business. (May 20 status conf. at 30, 31, 38)²¹ The Defense was largely precluded from responding. The Court did not address the CPA-authored, GAAP-compliant Glick Report, but, instead, accepted DSI's false claims that the "the business model was not . . . sustainable," and that CBSG's poor financial outlook – post July 2020 - was Defendants' fault. (*Id.* at 40-43) Having killed the business, the Receiver has turned to consolidating and liquidating assets owned by Defendants, purchased with consulting fees from CBSG. (May 20, 2021 Status Conf. at 24-26, 40-41)²²

ARGUMENT

THE RECEIVER BREACHED HIS DUTIES TO THE DEFENDANTS, THE NOTEHOLDERS, AND THE RECEIVERSHIP ENTITIES AND MUST BE DISCHARGED. A HEARING IS WARRANTED

A. Applicable Standards

The "primary purpose of equity receiverships is to promote the orderly and efficient administration of the estate by the district court for the benefit of creditors . . . In so doing, federal equity receivers have multiple duties, including: (1) preserving receivership assets, (2) administering receivership property suitably, and (3) assisting in any equitable distribution of those assets if appropriate." *SEC v. Schooler*, 2015 WL 1510949, *3-4 (S.D.CA 2015). "While a receiver must be impartial between parties, that impartiality does not extend to her relationship with the receivership estate as receivers owe a fiduciary duty to the owners of the property under her care and thus must protect and preserve the receivership's assets for the benefit of the persons

²¹ The Receiver also disclosed that since the Receivership started (with \$25 million cash on hand), the Receiver had collected a mere \$37.6 million over the next ten months. (*Id.* T. 21-22) In 2019, Par collected \$393 million from merchants. And, from January 1, 2020 to July 27, 2020, a period of 7 months, Par collected \$ 209 million. (*See* DE 106-1 at 6)

²² The assets retrieved from Defendants since the expansion of the Receivership include \$127 million in "actual assets" of Defendants, such as \$52.8 million worth of marquis commercial property in Philadelphia and elsewhere, plus \$26.2 million in Kingdom Logistics (property that the Receivership was trying to control), and another \$20 million of chattel property seized by the FBI. (*Id.* at 24-26) Since May 20, 2021, as noted, the Receiver has seized additional personal assets, i.e., watches, a car and a boat. (*See* DE 622 and 634)

ultimately entitled to it.” *Fed. Trade Comm’n v. On Point Glob. LLC*, No. 19-25046-CIV, 2020 WL 5819809, at *2 (S.D. Fla. Sept. 30, 2020), citing *SEC v. Schooler, supra* at *3 (internal quotations omitted).

In an SEC enforcement action, “the persons ultimately entitled” to the receivership estate’s assets are one of two distinct groups: (1) if the SEC does not prove its case, the defendants may retake their property, or (2) if the SEC does prove its case and investor restitution is deemed appropriate, the investors in the investment scheme may lay claim to the assets. *Sovereign Bank v. Schwab*, 414 F.3d 450, 454 (3d Cir. 2005). (Emphasis added) The receiver owes a fiduciary duty towards the receivership estate and is obligated to protect and preserve the estate’s assets. *See Liberte Capitol Group, LLC v Capwill*, 462 F. 3d 543, 551 (6th Cir. 2006).

To that end, a receiver may not ignore the Defendants or the investors’ rights to due process and is obligated to provide affected investors with necessary information, a meaningful opportunity to argue the facts and their claims and defenses, and an adjudication of their claims and defenses. *SEC v. Elliott*, 953 F.2d 1560, 1566 (11th Cir. 1992). *See also SEC v. Torchia*, 922 F.3d 1307, 1319 (11th Cir. 2019) (“[A]t minimum summary proceedings must provide affected investors with necessary information, a meaningful opportunity to argue the facts and their claims and defenses, and an adjudication of their claims and defenses.”); *SEC v. Terry*, 833 Fed. Appx. 229 (11th Cir. 2020) (reversing receiver’s distribution plan based upon summary proceedings which were insufficient to provide due process to claimants).

“Receivers appointed by a federal court are directed to manage and operate the receivership estate according to the requirements of the valid laws of the State in which such property is situated, in the same manner that the owner or possessor thereof would be bound to do if in possession thereof.” *SEC v. Stanford Int’l Bank, Ltd.*, 927 F.3d 830, 840 (5th Cir. 2019), *cert. denied sub nom. Becker v. Janvey*, 140 S.Ct. 2567 (2020), quoting 28 U.S.C. § 959(b) (internal quotations omitted)²³ “[S]tate law, and not federal bankruptcy law or federal common law,

²³ Under 28 U.S.C.A. § 959(b), “a trustee, receiver or manager appointed in any case pending in any court of the United States, including a debtor in possession, shall manage and operate the property in his possession as such trustee, receiver or manager according to the requirements of the valid laws of the State in which such property is situated, in the same manner that the owner or possessor thereof would be bound to do if in possession thereof.” 28 U.S.C.A. § 959(b).

supplies the controlling standard of fiduciary care.” *Alonso v. Weiss*, 932 F.3d 995, 1002 (7th Cir. 2019), *citing* 28 U.S.C. § 959(b).

“As neutral officers of the court, receivers must avoid the appearance of impropriety or partiality in their actions.” *Fed. Trade Comm’n v. On Point Glob. LLC*, *supra* at *2 *citing* *SEC v. Schooler*, *supra*, at *3. “In Florida, [a] fiduciary owes to its beneficiary the duty to refrain from self-dealing, the duty of loyalty, the overall duty to not take unfair advantage and to act in the best interest of the other party, and the duty to disclose material facts.” *Sallah v. BGT Consulting, LLC*, No. 16-81483-CIV, 2017 WL 2833455, at *5 n. 5 (S.D. Fla. June 30, 2017), *citing* *Capital Bank v. MVB, Inc.*, 644 So.2d 515, 520 (Fla. 3d DCA 1994) (internal quotations omitted). “The fiduciary must act as a prudent person with reasonable care, skill, and caution.” *Sallah v. BGT Consulting, LLC*, *supra* at *5 n. 5, *citing* Fla. Stat. § 736.0804. *See* *SEC v. Schooler*, *supra* (receiver directed to avoid actions which create the appearance of impropriety, or which violated ethical standards).

B. The Receiver Breached its Duty of Care and Duty of Loyalty in Misleading the Court and Liquidating a Profitable, Sound Company.

The Court’s initial direction was clear. (*See* Aug. 4 status conf. at 88; “[t]he Court is on record making it very clear, as I have from the beginning, no one here [is] seeking an end game of liquidation.”) And from the beginning, the Defense argued that neither the Receiver nor DSI had the expertise necessary to understand the MCA business, account for it properly or run CBSG as a going concern. Rather, the Receiver and DSI knew only how to liquidate assets. Accordingly, the Defense begged the Court to re-employ experienced staff who knew how to run the company.

Knowing that it could not run the company, and that it could not justify the liquidation of a thriving, profitable company (as such would breach its fiduciary duties to all stakeholders), the Receiver set about creating a narrative to justify only what it knew how to do -- liquidate. As far back as September 8, 2020, the Receiver began sprinkling the record with claims that CBSG was in poor financial condition and on the verge of collapse. The Receiver’s inaccurate accusations of financial instability and the innuendo of malfeasance increased with each passing status report and court conference and peaked with the DSI Report on December 13th. The Receiver commissioned and used the DSI Report to ratify its prior financial claims, as well as justify the liquidation of CBSG’s assets and the Court’s expansion of the Receivership on December 16, 2020.

For utilizing grossly improper and unqualified analysis to justify its actions and conduct, and misleading this Court, the noteholders and the public for months with a false financial narrative, the Receiver has breached its fiduciary duty of care and acted with gross negligence.

Instead of running the business of CBSG as it had been to the benefit of its noteholders for years, the Receiver used this narrative to justify dismantling CBSG's MCA business, liquidating its assets and expanding the Receivership to grab all of Defendants' other assets. *Sallah v. BGT Consulting, LLC, Nsupra*, at *5 n. 5 (“The fiduciary must act as a prudent person with reasonable care, skill, and caution.”), citing Fla. Stat. § 736.0804; *West v. Chrisman*, 518 B.R. 655, 664 (M.D. Fla. 2014) citing *Capital Bank v. MVB, Inc.*, 644 So.2d 515, 520 (Fla. 3rd DCA 1994) (“[T]he very concept of a fiduciary . . . comes with attendant duties of loyalty, candor, and good faith[.]”)

The evidence is flatly inconsistent with the Receiver's fiduciary duties. Upon taking over CBSG, the Receiver had access to and knowledge of CLA's nearly completed audit of CBSG for the year ending December 31, 2018. That audit was being performed by one of the top 10 CPA firms in the country and had reached the level of Quality Control (QC), i.e., the final stages of an audit. Permitting the conclusion of that audit would reveal a professional CPA's analysis of CBSG's accounting and control systems, its performance and profitability. It would dispel, upon analysis of GAAP-analyzed data, absurd, un-moored suggestions such as: that confessions of judgement are tied to profitability; that funding “reloads” are detrimental to the business instead of profit centers; that the company's merchant portfolio was not profitable; or that its underwriting was inadequate, since, obviously, excellent performance is reflective of excellent underwriting.

Avoiding these audit conclusions is in our view, precisely why this audit -- GAAP-compliant, nearly complete and nearly paid for -- was quietly abandoned by the Receiver and never completed. It is also why, in our view, the Receiver chose to pay DSI, his in-house financial advisor, perhaps \$500,000 to produce a non-GAAP, non-CPA, non-IRS-compliant analysis that is absolutely meaningless – except to the extent it tells a story supporting the inaccurate claims the Receiver has been promoting to the Court and public for over 10 months.

The Court was misled. The misinformation not only caused the Court to echo the Receiver's erroneous claims, but it also led the Court to countenance the liquidation of CBSG's assets and accompanying release of collateral, and to grant the Receiver's requests to expand the Receivership. The misinformation poisoned the Court's view of the Defendants and the Defense. CBSG's stakeholders have been irreparably harmed and the damage continues while the Receiver remains.

CONCLUSION

Defendants demand an opportunity to be heard on the issues raised by this motion. At conference after conference, this Court has permitted the Receiver to speak for hours at a time about CBSG financial matters, without affording the Defense an opportunity to speak and be heard. The evidence is now overwhelming that so much of what was told to this Court and the noteholders about the financial performance of CBSG at these conferences was just plain wrong. And the results have been devastating – to the tune of over \$187,000,000 in destroyed stakeholder value. The defense respectfully requests that a hearing be held and that the Court grant the instant motion to remove the Receiver.

CBSG Performance Comparison

Receiver Managed Scenario⁷

	July 2020*	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
Client Deposits ⁵	\$ 2,479,981.33	\$ 2,479,981.33	\$ 2,479,981.33	\$ 7,005,145.00	\$ 7,005,145.00	\$ 7,005,145.00	\$ 2,814,335.33	\$ 2,814,335.33	\$ 2,814,335.33	\$ 2,814,335.33	\$ 2,814,335.33	\$ 2,814,335.33
Funding ⁸	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investor Payments ⁶	\$ (2,250,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receiver Expenses ⁴	\$ (751,666.67)	\$ (751,666.67)	\$ (751,666.67)	\$ (783,027.30)	\$ (783,027.30)	\$ (783,027.30)	\$ (782,041.17)	\$ (782,041.17)	\$ (782,041.17)	\$ (772,246.04)	\$ (772,246.04)	\$ (772,246.04)
Operating Expenses ⁵	\$ -	\$ (127,230.89)	\$ (127,230.89)	\$ (127,230.89)	\$ (127,230.89)	\$ (127,230.89)	\$ (127,230.89)	\$ (127,230.89)	\$ (127,230.89)	\$ (127,230.89)	\$ (127,230.89)	\$ (127,230.89)
Net Cashflow¹¹	\$ (521,685.33)	\$ 1,601,083.78	\$ 1,601,083.78	\$ 6,094,886.81	\$ 6,094,886.81	\$ 6,094,886.81	\$ 1,905,063.28	\$ 1,905,063.28	\$ 1,905,063.28	\$ 1,914,858.40	\$ 1,914,858.40	\$ 1,914,858.40
Cash	\$ 18,243,222.30	\$ 17,721,536.97	\$ 19,322,620.74	\$ 20,923,704.52	\$ 27,018,591.33	\$ 33,113,478.14	\$ 39,208,364.96	\$ 41,113,428.23	\$ 43,018,491.51	\$ 44,923,554.79	\$ 46,838,413.19	\$ 48,753,271.59
ACH Reserves	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42
AR	\$ 413,863,113.15	\$ 411,383,131.82	\$ 408,903,150.48	\$ 401,898,005.48	\$ 394,892,860.48	\$ 387,887,715.48	\$ 385,073,380.15	\$ 382,259,044.82	\$ 379,444,709.48	\$ 376,630,374.15	\$ 373,816,038.82	\$ 371,001,703.48
Other Assets	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58
Investor Notes	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)
Net Equity¹⁴	\$ 88,024,153.35	\$ 85,022,486.68	\$ 84,143,589.13	\$ 78,739,527.91	\$ 77,829,269.72	\$ 76,919,011.53	\$ 80,199,563.01	\$ 79,290,290.95	\$ 78,381,018.89	\$ 77,471,746.84	\$ 76,572,269.91	\$ 75,672,792.97

Par Funding Managed Scenario

	July 2020*	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
Client Deposits	\$ 29,000,000.00	\$ 28,970,417.92	\$ 29,217,488.67	\$ 29,447,264.46	\$ 29,660,955.95	\$ 29,859,689.03	\$ 30,044,510.80	\$ 30,216,395.04	\$ 30,376,247.39	\$ 30,524,910.07	\$ 30,663,166.37	\$ 30,791,744.72
Funding	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)
Investor Payments ²	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)
Operating Expenses	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)
Net Cashflow	\$ 850,000.00	\$ 820,417.92	\$ 1,067,488.67	\$ 1,297,264.46	\$ 1,510,955.95	\$ 1,709,689.03	\$ 1,894,510.80	\$ 2,066,395.04	\$ 2,226,247.39	\$ 2,374,910.07	\$ 2,513,166.37	\$ 2,641,744.72
Cash	\$ 18,243,222.30	\$ 19,093,222.30	\$ 19,913,640.22	\$ 20,981,128.89	\$ 22,278,393.35	\$ 23,789,349.29	\$ 25,499,038.32	\$ 27,393,549.12	\$ 29,459,944.17	\$ 31,686,191.56	\$ 34,061,101.63	\$ 36,574,268.00
ACH Reserves	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42
AR	\$ 413,863,113.15	\$ 417,392,695.23	\$ 420,675,206.56	\$ 423,727,942.10	\$ 426,566,986.16	\$ 429,207,297.13	\$ 431,662,786.33	\$ 433,946,391.28	\$ 436,070,143.89	\$ 438,045,233.82	\$ 439,882,067.45	\$ 441,590,322.73
Other Assets	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58
Investor Notes	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)
Net Equity	\$ 88,024,153.35	\$ 92,403,735.43	\$ 96,506,664.68	\$ 100,626,888.89	\$ 104,763,197.40	\$ 108,914,464.32	\$ 113,079,642.55	\$ 117,257,758.31	\$ 121,447,905.96	\$ 125,649,243.28	\$ 129,860,986.98	\$ 134,082,408.63

Analysis

Client Deposits	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021	Total ¹⁰
Receiver	\$ 2,479,981.33	\$ 2,479,981.33	\$ 2,479,981.33	\$ 7,005,145.00	\$ 7,005,145.00	\$ 7,005,145.00	\$ 2,814,335.33	\$ 2,814,335.33	\$ 2,814,335.33	\$ 2,814,335.33	\$ 2,814,335.33	\$ 2,814,335.33	\$ 45,341,391.00
Par Funding	\$ 29,000,000.00	\$ 28,970,417.92	\$ 29,217,488.67	\$ 29,447,264.46	\$ 29,660,955.95	\$ 29,859,689.03	\$ 30,044,510.80	\$ 30,216,395.04	\$ 30,376,247.39	\$ 30,524,910.07	\$ 30,663,166.37	\$ 30,791,744.72	\$ 358,772,790.42
Difference	\$ (26,520,018.67)	\$ (26,490,436.59)	\$ (26,737,507.33)	\$ (22,442,119.46)	\$ (22,655,810.95)	\$ (22,854,544.03)	\$ (27,230,175.47)	\$ (27,402,059.71)	\$ (27,561,912.06)	\$ (27,710,574.74)	\$ (27,848,831.03)	\$ (27,977,409.39)	\$ (313,431,399.42)
Investor Payments⁹													
Receiver	\$ 2,250,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,250,000.00
Par Funding	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 27,000,000.00
Difference	\$ -	\$ (2,250,000.00)	\$ (24,750,000.00)										
Assets³													
Receiver	\$ 453,317,807.45	\$ 450,316,140.78	\$ 449,437,243.23	\$ 444,033,182.01	\$ 443,122,923.82	\$ 442,212,665.63	\$ 445,493,217.11	\$ 444,583,945.05	\$ 443,674,672.99	\$ 442,765,400.94	\$ 441,865,924.01	\$ 440,966,447.07	
Par Funding ¹³	\$ 453,317,807.45	\$ 457,697,389.53	\$ 461,800,318.78	\$ 465,920,542.99	\$ 470,056,851.50	\$ 474,208,118.42	\$ 478,373,296.65	\$ 482,551,412.41	\$ 486,741,560.06	\$ 490,942,897.38	\$ 495,154,641.08	\$ 499,376,062.73	
Difference¹²	\$ -	\$ (7,381,248.75)	\$ (12,363,075.56)	\$ (21,887,360.99)	\$ (26,933,927.69)	\$ (31,995,452.79)	\$ (32,880,079.55)	\$ (37,967,467.36)	\$ (43,066,887.07)	\$ (48,177,496.44)	\$ (53,288,717.08)	\$ (58,409,615.66)	

¹month managed by Par prior to receiver control on 07/28/20

²payments made to investors per current Par Funding notes, no interest payments have been reported as paid by receiver

³12 month total reflects a \$62.4M net projected increase by Par over the Receiver total based on collections claims made of \$500K in daily client deposits

⁴Citing receiver reported quarterly expenditures from Q3 2020 - Q1 2021, totalling \$6,950,214.40 and monthly average of "Total Business Expenses" \$1,145,078 amount reported on 577-1 over 9 months

⁵Reflects actual cash collections as reported from Q3 2020 - Q1 2021 averaged per quarter, projected balances uses average monthly deposit as reported for Q1 2021

⁶July 2020 activity reflects CBSG's payment to noteholders of \$2.25M prior to the Receivership. We are not crediting the Receiver with paying investors in July of 2020 though we included some merchant payments processed by CBSG, about \$2M, that the Receiver received subsequent to their take-over of the company.

⁷All Receivership data was prepared using the information provided by DSI in their quarterly filings. Quarterly values have been averaged out on a monthly basis from their reports. This reflects cash collections of \$36,898,385.00 from MCA merchants, receiver related expenses of \$6,950,205.40 plus operating expenses of \$1,017,847.11. The amounts projected for Q2 2021 carry the same values as Q1 2021.

⁸No deals were funded by the Receiver. CBSG would have provided funding of approximately \$300M to merchants and earned revenues of approximately \$93M during the 12-month time period ending June 30, 2021 based on historical and current CBSG activity up to July 27, 2020.

⁹The Receiver did not provide interest payments to noteholders. CBSG would have paid approximately \$27M to note holders during the 12-month time period ending June 30, 2021 based on historical and current CBSG activity up to July 27, 2020.

¹⁰The Receiver collected merchant deposits of \$36.9M over the 9 months it managed the company and is expected to collect a total of \$45.3M based on the current pace of the Receiver's activity. In comparison CBSG would have collected \$358.7M in payments, a difference of \$313.4M, or about \$26M more per month than the Receiver, based on historical and current CBSG activity up to July 27, 2020.

¹¹The Receiver is expected to spend about \$10.6M to collect the \$45.3M in payments over 12 months. This means they spend about \$0.24 for every dollar collected. In contrast, CBSG's overhead costs were approximately \$10.8M to collect \$358.7M, spending \$0.04 for every dollar collected based on historical and current CBSG activity up to July 27, 2020.

¹²Including only CBSG assets, the Receiver has approximately \$62M in cash and \$376M in receivables, totaling \$438M in assets through the end of Q1 2021 based on DSI's reports. This leaves approximately \$9M unaccounted for given that they started with \$26M in cash and \$421M when taking over the company in July 2020. There is no indication of any discounts or deals negotiated with CBSG's merchants as part of their management of the portfolio.

¹³Based on historical and current CBSG activity up to July 27, 2020, CBSG would have responsibly grown the portfolio over 12 months to a total of \$499M in assets including \$441M in AR and \$45M in cash. CBSG would have grown equity to \$134M which provides further security to the investor notes owned by CBSG.

¹⁴Receiver Caused Losses include: losses to noteholders who were not paid interest (\$27M); losses in total assets (\$58M); losses in revenue based on MCA funding activity, calculated at \$300M funded at 1.339 average realized RTR for a loss in revenue of \$102M; as well as undetermined losses arising from Receiver negotiations and settlements of the MCA portfolio.



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

September 6, 2019
Complete Business Solutions Group, Inc.
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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.

September 6, 2019
Complete Business Solutions Group, Inc.
Page 3

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

September 6, 2019
Complete Business Solutions Group, Inc.
Page 4

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.

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Complete Business Solutions Group, Inc.
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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.

September 6, 2019
Complete Business Solutions Group, Inc.
Page 6

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.

September 6, 2019
Complete Business Solutions Group, Inc.
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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.

September 6, 2019
Complete Business Solutions Group, Inc.
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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: _____



Suspending work on the 2018 audit.

1 message

Huff, Rick <Rick.Huff@claconnect.com>

Fri, Jul 31, 2020 at 11:27 AM

To: James Klenk <jklenk@knewlogic.com>, Joe Cole <joecole@knewlogic.com>, Jim Klenk <james@parfunding.com>, Joe Cole (joecole@parfunding.com) <joecole@parfunding.com>

Cc: Park, June <June.Park@claconnect.com>

Hi Joe and Jim,

As we discussed and pursuant to our engagement letter dated September 6, 2019, CLA has determined that we will suspend work on the open audit engagement for the period ended December 31, 2018 to allow the organization to prioritize its efforts on the Complaint filed by the Securities and Exchange Commission in the Southern District of Florida. As such, we have suspended the previously described engagement effective immediately. We note there are \$25,000 in outstanding fees related to this engagement and appreciate your timely payment of those outstanding fees. We understand you may wish to re-engage CLA at a later time to audit this period. We will be happy to discuss the potential of entering into a new engagement to complete the audit at that time. I will also send a copy of this email via U.S. Mail.

Thanks,

Rick Huff



Richard Huff

Principal, Financial Institutions

Direct 484-567-1719 | Mobile 610-952-0137 | Main 215-643-3900 x31719 | Fax 215-643-4030
CLA (CliftonLarsonAllen LLP) | 610 W Germantown Pike, Suite 400, Plymouth Meeting, PA 19462
rick.huff@CLAconnect.com | CLAconnect.com

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CliftonLarsonAllen LLP

Keyword Search: CLA**2nd Bill****Page 108/668**

12/15/2020	Review correspondence and files for materials for documents from Clifton Larson.	JD	0.3	\$	75.00
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3rd Bill**Page 81/892**

Service	IR	01/18/2021	Case Administration: Review of CLA (auditor materials), preparation of custodian list/key documents, correspondence w/ general counsel regarding same.	1.20	\$395.00	\$474.00
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Service	RKS	01/19/2021	Case Administration: Research re: Bill Bromley and CS 2000, CLA , PPM for 2018 offering.	0.30	\$395.00	\$118.50
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Service	TAK	02/08/2021	Case Administration: Review of subpoena from Defendants to Clifton Larson, follow up regarding Receiver's request for documents, and emails with I. Ross regarding strategy in connection with same.	0.30	\$395.00	\$118.50
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Service	JD	03/05/2021	Asset Analysis and Recovery: Review and analyze records produced by Clifton Allen Larson audit firm.	1.70	\$250.00	\$425.00
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Service	TAK	03/05/2021	Case Administration: Emails and follow up with J. Derovanesian regarding Clifton Larsen and Rod Ermel document productions, SEC's intention to produce documents from Rod Ermel.	0.30	\$395.00	\$118.50
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1/29/21	GJA		CA / T	0.30	\$395.00	\$118.50
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SUBPOENAS BY DEFENDANTS TO OFFIT KURMAN,
BYBEL RUTLEDGE, HAYNES BOONE, **CLIFTON** ALLEN

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3/1/21	DKR		CA / T	0.10	\$395.00	\$39.50
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REVIEWING CORRESPONDENCE RE: **CLIFTON**
LARSON ALLEN'S RESPONSE TO SUBPOENA

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4	Michael Russo	6.50	325.00	2,112.50
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January 07, 2021 : Prepare ESI agreement(s) for various matters relating to CBSG/ABFP. Search and analyze GSuite for relative e-mails, prepare binder of **CLA** communications for I. Ross. Further analysis of collected ESI to target additional custodians for processing. Login to SummitHosting environment to analyze infrastructure used by J. Cole (KnewLogik); Prepare reports/collection protocol. Compare content of KnewLogik GSuite with own copy (from Sept.) and search for potentially privileged material. additional analysis of custodians to process.

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29	Michael Russo	5.50	325.00	1,787.50
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February 09, 2021 : Field questions from receivership counsel re: review of extracted cell phone and text data ; prepare two Sharepoint links for FBI UF Production - instruct on proper way to search agent copy; Prepare sharepoint site for REA production - analyze content and process for review; Review **CLA** production and advise of native production issues w/ database upload; Review ABFP Mangmt. QB Files and prepare forensic bypassing of PW for DSI; Locate native attachments for e-mails provided to D. Rosenblum; Create searches /queries in Relativity for Abbonizio documents

Aging

Prepared by:
 Input file name: Deposit Log 1218-123118

Report name:
 Period:

Aging of: BALANCE
 On: PAID
 As of: 2018/12/28

Int (Days)	# Records	(%) Records	Debits	(%) Debits	Credits	(%) Credits	Net Value	(%) Net Value
0	1,033	58.69	191,318,198.77	61.17	3,802.94	90.25	191,314,395.83	61.17
5	351	19.94	31,119,426.55	9.95	0.00	0.00	31,119,426.55	9.95
10	104	5.91	31,508,870.61	10.07	410.82	9.75	31,508,459.79	10.07
15	36	2.05	6,608,942.37	2.11	0.00	0.00	6,608,942.37	2.11
20	25	1.42	2,341,526.28	0.75	0.00	0.00	2,341,526.28	0.75
35	60	3.41	24,146,742.18	7.72	0.00	0.00	24,146,742.18	7.72
35+	151	8.58	25,701,462.69	8.22	0.00	0.00	25,701,462.69	8.22
ERR	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Totals:	1,760	100.00	312,745,169.45	100.00	4,213.76	100.00	312,740,955.69	100.00

Month	Year	Fundin g Count	Funded Total	AVG Funding	Factorin g AVG ¹	Avg Term	Monthly Factor% ²	New AR	AR Total ³	AR Change	Factoring Losses ⁴	Funding Exposure ⁵	Exposur e % ⁴	ACH Payment Total	Daily ACH Average	Returned ACH Total	Return %	
TOTAL	2013	356	\$ 13,455,766.30	\$ 37,797.10	1.35	123	5.9%	\$ 19,064,984.47	\$ 5,688,670.71	\$ 5,688,670.71	\$ 1,264,465.50	\$ 502,296.51	3.7%	\$ 7,774,763.57	\$ 31,099.05	\$ 501,380.77	6.4%	
TOTAL	2014	978	\$ 16,932,688.07	\$ 17,313.59	1.33	94	7.4%	\$ 31,951,849.33	\$ 9,778,474.37	\$ 4,089,803.66	\$ 1,622,534.64	\$ 331,947.39	2.0%	\$ 14,900,902.48	\$ 59,603.61	\$ 1,073,079.75	7.2%	
TOTAL	2015	703	\$ 28,741,086.51	\$ 40,883.48	1.35	116	6.3%	\$ 50,316,486.89	\$ 17,615,473.88	\$ 7,836,999.51	\$ 3,059,835.62	\$ (153,741.39)	-0.5%	\$ 25,248,409.50	\$ 100,993.64	\$ 993,864.43	3.9%	
TOTAL	2016	1087	\$ 68,065,864.62	\$ 62,618.09	1.34	132	5.4%	\$ 138,236,034.04	\$ 59,067,326.39	\$ 51,230,326.88	\$ 5,409,620.98	\$ 210,069.88	0.3%	\$ 54,943,260.82	\$ 219,773.04	\$ 1,795,928.41	3.3%	
JAN	2017	132	\$ 10,759,147.25	\$ 81,508.69	1.36	135	5.6%	\$ 21,694,463.61	\$ 66,117,311.41	\$ 7,049,985.02	\$ 566,876.18	\$ 211,139.52	2.0%	\$ 7,613,348.99	\$ 365,441.34	\$ 224,304.05	2.9%	
FEB	2017	128	\$ 12,525,612.73	\$ 97,856.35	1.42	133	6.6%	\$ 23,449,636.08	\$ 75,982,732.21	\$ 9,865,420.80	\$ 949,652.32	\$ 578,047.94	4.6%	\$ 8,106,842.88	\$ 389,129.08	\$ 408,937.62	5.0%	
MAR	2017	141	\$ 12,577,815.09	\$ 89,204.36	1.36	137	5.5%	\$ 25,891,272.89	\$ 82,053,695.99	\$ 6,070,963.78	\$ 849,319.92	\$ 162,840.04	1.3%	\$ 10,016,639.61	\$ 480,799.47	\$ 489,160.08	4.9%	
APR	2017	121	\$ 12,339,017.66	\$ 101,975.35	1.44	143	6.4%	\$ 21,464,602.65	\$ 88,825,711.70	\$ 6,772,015.71	\$ 636,990.71	\$ 127,027.44	1.0%	\$ 8,565,932.18	\$ 411,165.40	\$ 486,065.21	5.7%	
MAY	2017	148	\$ 10,410,320.81	\$ 70,340.01	1.39	139	5.8%	\$ 22,969,822.72	\$ 94,942,228.06	\$ 6,116,516.36	\$ 400,428.98	\$ 85,203.53	0.8%	\$ 9,528,831.48	\$ 457,384.64	\$ 276,663.61	2.9%	
JUN	2017	189	\$ 13,949,239.34	\$ 73,805.50	1.40	136	6.1%	\$ 24,603,699.84	\$ 102,567,016.90	\$ 7,624,788.84	\$ 442,988.22	\$ (24,499.92)	-0.2%	\$ 10,176,925.07	\$ 488,493.18	\$ 365,762.18	3.6%	
JUL	2017	179	\$ 16,851,014.63	\$ 94,139.75	1.43	144	6.2%	\$ 27,661,587.66	\$ 116,616,580.75	\$ 14,049,563.85	\$ 404,711.86	\$ 122,104.18	0.7%	\$ 10,019,246.68	\$ 480,924.61	\$ 413,152.25	4.1%	
AUG	2017	193	\$ 22,170,320.60	\$ 114,872.13	1.31	143	4.5%	\$ 46,622,404.25	\$ 134,021,262.99	\$ 17,404,682.24	\$ 834,791.02	\$ (93,789.41)	-0.4%	\$ 13,585,400.92	\$ 652,100.29	\$ 700,034.69	5.2%	
SEP	2017	184	\$ 15,912,256.76	\$ 86,479.66	1.34	135	5.2%	\$ 31,969,150.88	\$ 140,368,389.19	\$ 6,347,126.20	\$ 1,057,512.18	\$ 383,026.30	2.4%	\$ 12,326,422.68	\$ 591,669.24	\$ 892,273.63	7.2%	
OCT	2017	222	\$ 20,149,987.84	\$ 90,765.71	1.40	135	6.2%	\$ 33,538,893.00	\$ 151,427,869.16	\$ 11,059,479.97	\$ 1,282,946.91	\$ (128,426.50)	-0.6%	\$ 14,235,347.09	\$ 683,297.75	\$ 840,911.91	5.9%	
NOV	2017	184	\$ 20,716,313.04	\$ 112,588.66	1.34	136	5.2%	\$ 45,421,963.26	\$ 163,734,414.35	\$ 12,306,545.19	\$ 3,032,977.08	\$ 587,300.15	2.8%	\$ 15,744,800.83	\$ 755,751.65	\$ 779,621.05	5.0%	
DEC	2017	215	\$ 22,687,033.94	\$ 105,521.09	1.34	151	4.7%	\$ 42,152,836.45	\$ 177,067,138.86	\$ 13,332,724.51	\$ 2,165,414.68	\$ 449,247.60	2.0%	\$ 15,949,892.92	\$ 765,596.09	\$ 873,149.70	5.5%	
TOTAL	2017	2036	\$ 191,048,079.69	\$ 93,835.01	1.38	139	5.7%	\$ 367,440,333.29	\$ 177,067,138.86	\$ 125,836,811.98	\$ 12,624,610.06	\$ 2,459,220.87	1.3%	\$ 135,869,631.33	\$ 543,478.53	\$ 6,750,035.98	5.0%	
JAN	2018	231	\$ 25,988,471.90	\$ 112,504.21	1.41	142	6.0%	\$ 48,104,018.86	\$ 187,396,402.53	\$ 10,329,263.67	\$ 2,376,917.79	\$ 699,722.31	2.7%	\$ 18,209,788.82	\$ 874,071.26	\$ 1,279,477.19	7.0%	
FEB	2018	218	\$ 24,276,743.91	\$ 111,361.21	1.41	136	6.3%	\$ 39,129,821.11	\$ 198,819,962.87	\$ 11,423,560.34	\$ 2,877,370.80	\$ 882,822.57	3.6%	\$ 17,757,186.64	\$ 852,346.32	\$ 971,328.94	5.5%	
MAR	2018	239	\$ 26,088,554.89	\$ 109,157.13	1.37	137	5.6%	\$ 47,248,625.92	\$ 210,859,640.94	\$ 12,039,678.07	\$ 976,039.57	\$ 216,191.67	0.8%	\$ 21,738,686.87	\$ 1,043,458.64	\$ 1,551,282.09	7.1%	
APR	2018	214	\$ 22,293,014.29	\$ 104,172.96	1.40	126	6.6%	\$ 38,713,809.32	\$ 210,788,464.90	\$ (71,176.04)	\$ 1,940,365.33	\$ 70,120.21	0.3%	\$ 19,415,234.32	\$ 931,932.74	\$ 1,550,157.48	8.0%	
MAY	2018	226	\$ 28,196,013.40	\$ 124,761.12	1.41	126	6.8%	\$ 51,725,063.24	\$ 219,860,570.97	\$ 9,072,106.07	\$ 3,917,991.69	\$ 1,210,953.52	4.3%	\$ 22,613,960.56	\$ 1,085,471.84	\$ 1,034,268.08	4.6%	
JUN	2018	278	\$ 24,265,627.39	\$ 87,286.43	1.33	105	6.6%	\$ 57,743,223.33	\$ 228,573,052.43	\$ 8,712,481.46	\$ 2,360,474.56	\$ 599,378.52	2.5%	\$ 21,298,523.92	\$ 1,022,330.78	\$ 1,658,395.93	7.8%	
JUL	2018	257	\$ 23,200,148.31	\$ 90,272.95	1.39	114	7.1%	\$ 50,897,768.69	\$ 230,575,287.36	\$ 2,002,234.93	\$ 3,173,773.12	\$ 582,393.32	2.5%	\$ 20,051,462.89	\$ 962,471.76	\$ 1,245,988.98	6.2%	
AUG	2018	408	\$ 34,912,139.25	\$ 85,568.97	1.32	109	6.1%	\$ 61,449,697.26	\$ 250,349,216.52	\$ 19,773,929.16	\$ 3,572,333.66	16% \$ 233,965.21	0.7%	\$ 22,600,982.19	\$ 1,084,848.88	\$ 1,183,411.58	5.2%	
SEP	2018	304	\$ 22,402,215.62	\$ 73,691.50	1.36	105	7.1%	\$ 37,342,245.12	\$ 249,159,475.96	\$ (1,189,740.56)	\$ 2,806,469.73	10% \$ 822,437.97	3.7%	\$ 20,485,374.20	\$ 983,299.53	\$ 1,310,095.28	6.4%	
OCT	2018	346	\$ 34,412,857.49	\$ 99,459.13	1.35	114	6.4%	\$ 57,844,155.75	\$ 262,969,958.50	\$ 13,810,482.54	\$ 3,084,482.70	13% \$ 161,907.14	0.5%	\$ 23,539,851.01	\$ 1,069,993.23	\$ 1,550,757.18	6.6%	
NOV	2018	325	\$ 27,643,297.78	\$ 85,056.30	1.34	123	5.8%	\$ 50,488,891.00	\$ 276,096,455.48	\$ 13,126,496.98	\$ 3,487,104.81	15% \$ 405,889.69	1.5%	\$ 20,808,406.33	\$ 1,040,420.32	\$ 1,161,306.75	5.6%	
DEC	2018	338	\$ 46,987,002.49	\$ 139,014.80	1.33	148	4.6%	\$ 101,471,225.87	\$ 305,128,561.57	\$ 29,032,106.09	\$ 3,411,944.18	10% \$ 304,994.02	0.6%	\$ 21,374,248.29	\$ 1,068,712.41	\$ 1,232,557.83	5.8%	
JAN	2019	334	\$ 25,864,256.02	\$ 77,437.89	1.34	144	4.9%	\$ 48,385,444.62	\$ 313,632,084.85	\$ 8,503,523.28	\$ 1,864,994.92	8% \$ 214,907.86	0.8%	\$ 23,214,834.21	\$ 1,105,468.30	\$ 1,573,940.99	6.8%	
FEB	2019	294	\$ 28,284,259.08	\$ 96,204.96	1.30	120	5.2%	\$ 47,635,034.67	\$ 328,009,281.59	\$ 14,377,196.74	\$ 1,081,775.31	3% \$ (108,665.48)	-0.4%	\$ 21,105,753.38	\$ 1,110,829.13	\$ 1,273,260.40	6.0%	
MAR	2019	369	\$ 28,542,761.29	\$ 77,351.66	1.34	107	6.6%	\$ 43,376,748.13	\$ 333,532,815.56	\$ 5,523,533.97	\$ 2,281,428.31	8% \$ (34,302.71)	-0.1%	\$ 24,467,331.79	\$ 1,165,111.04	\$ 1,230,731.38	5.0%	
9541			\$ 741,600,848.30	\$ 77,727.79	1.36	121	6.2%	\$ 1,388,565,460.91			\$ 63,194,533.28	10.40%	\$ 9,612,509.08	1.3%	\$ 557,418,593.12	\$ 402,552.24	\$ 30,921,249.42	5.5%

Reserve calculated as follows

Ratio of current months write offs over funding amounts five months prior

The average percentage for a eight month period is take and applied to outstanding balance

At December 31, 2018 the same average was applied against all of 2018. Average will be used for 2019 and evaluated at year end

¹ Weighted average of factor rate in respective month based on total funding commitment per transaction.

² The proportionate monthly factor rate average in respective month based on AVG Funding divided by AVG Term.

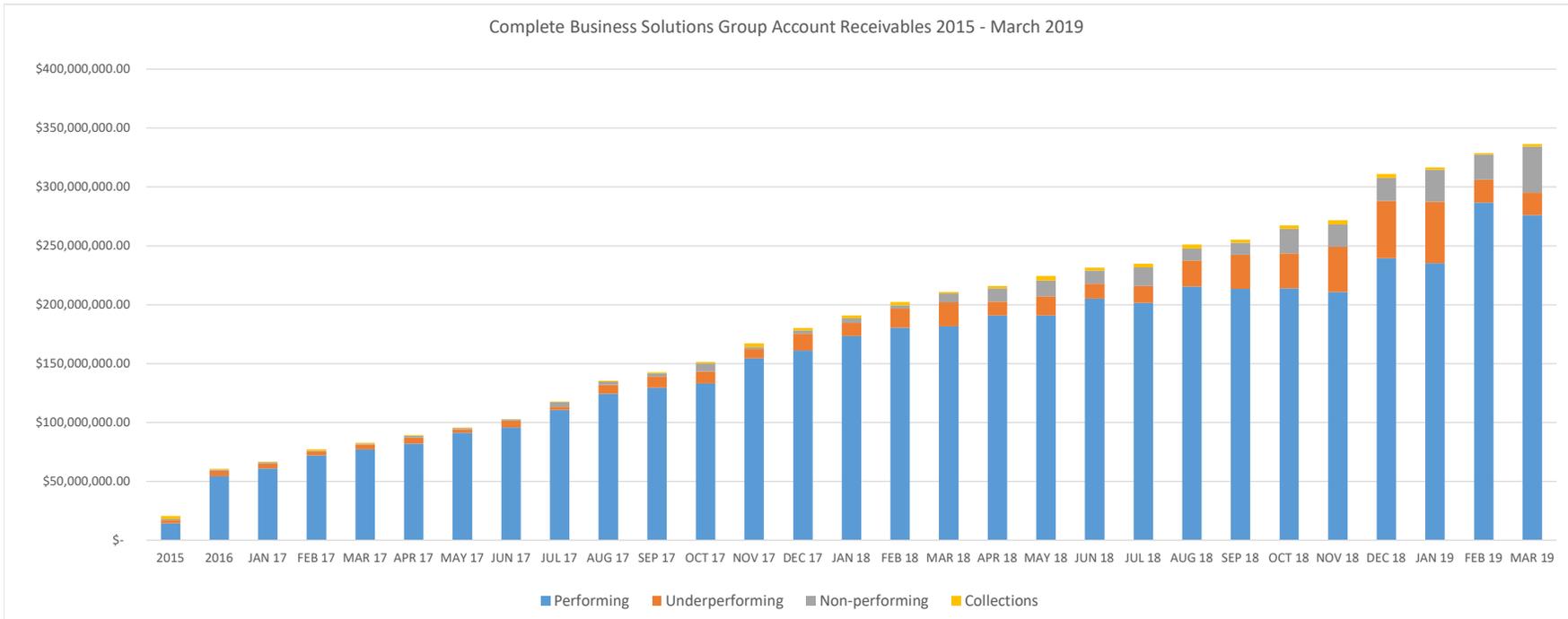
³ Reflects month end AR balance not including outstanding funding liabilities or deferral of revenue.

⁴ Factoring Losses realized in respective month equal to total AR balance for transactions written off against Factoring Loss reserve.

⁵ Cumulative exposure, as determined by funding amount minus collected payments, at the time that transactions were written off in the respective month to Factoring Losses.

CBSG 2015 - March 2019 AR Analysis

Month	Year	Performing	%	Underperforming	%	Non-performing	%	Collections	%	Total AR	AR Change	ACH Deposit	ACH - AR Ratio
2015	2015	\$ 14,357,161.88	69.6%	\$ 2,733,911.90	13.2%	\$ 894,632.49	4.3%	\$ 2,655,086.56	12.9%	\$ 20,640,792.83	\$ -	\$ 2,860,882.36	13.9%
2016	2016	\$ 54,256,068.22	89.6%	\$ 4,654,997.98	7.7%	\$ 1,075,931.16	1.8%	\$ 593,942.40	1.0%	\$ 60,580,939.76	\$ 39,940,146.94	\$ 7,213,052.29	11.9%
JAN 17	2017	\$ 60,973,200.12	91.2%	\$ 3,968,282.00	5.9%	\$ 1,330,793.36	2.0%	\$ 566,876.18	0.8%	\$ 66,839,151.66	\$ 6,258,211.90	\$ 7,613,348.99	11.4%
FEB 17	2017	\$ 72,053,217.70	93.5%	\$ 3,465,679.73	4.5%	\$ 592,409.78	0.8%	\$ 949,652.32	1.2%	\$ 77,060,959.53	\$ 10,221,807.87	\$ 8,106,842.88	10.5%
MAR 17	2017	\$ 77,139,919.04	93.0%	\$ 4,212,150.17	5.1%	\$ 703,804.34	0.8%	\$ 849,319.92	1.0%	\$ 82,905,193.47	\$ 5,844,233.94	\$ 10,016,639.61	12.1%
APR 17	2017	\$ 82,100,207.11	92.0%	\$ 5,077,122.21	5.7%	\$ 1,464,212.09	1.6%	\$ 636,990.71	0.7%	\$ 89,278,532.12	\$ 6,373,338.65	\$ 8,565,932.18	9.6%
MAY 17	2017	\$ 91,319,897.93	95.6%	\$ 2,899,103.71	3.0%	\$ 862,119.59	0.9%	\$ 400,428.98	0.4%	\$ 95,481,550.21	\$ 6,203,018.09	\$ 9,528,831.48	10.0%
JUN 17	2017	\$ 95,850,947.05	93.1%	\$ 5,542,036.07	5.4%	\$ 1,150,161.28	1.1%	\$ 442,988.22	0.4%	\$ 102,986,132.62	\$ 7,504,582.41	\$ 10,176,925.07	9.9%
JUL 17	2017	\$ 110,589,465.52	94.1%	\$ 2,720,548.26	2.3%	\$ 3,867,037.71	3.3%	\$ 404,711.86	0.3%	\$ 117,581,763.35	\$ 14,595,630.73	\$ 10,019,246.68	8.5%
AUG 17	2017	\$ 124,541,341.55	91.9%	\$ 7,351,932.69	5.4%	\$ 2,757,165.66	2.0%	\$ 834,791.02	0.6%	\$ 135,485,230.92	\$ 17,903,467.57	\$ 13,585,400.92	10.0%
SEP 17	2017	\$ 129,526,712.08	90.8%	\$ 9,546,592.05	6.7%	\$ 2,511,222.91	1.8%	\$ 1,057,512.18	0.7%	\$ 142,642,039.22	\$ 7,156,808.30	\$ 12,326,422.68	8.6%
OCT 17	2017	\$ 133,215,024.56	88.0%	\$ 10,063,161.87	6.6%	\$ 6,851,484.10	4.5%	\$ 1,282,946.91	0.8%	\$ 151,412,617.44	\$ 8,770,578.22	\$ 14,235,347.09	9.4%
NOV 17	2017	\$ 154,458,781.29	92.5%	\$ 7,948,725.74	4.8%	\$ 1,623,141.01	1.0%	\$ 3,032,977.08	1.8%	\$ 167,063,625.12	\$ 15,651,007.68	\$ 15,744,800.83	9.4%
DEC 17	2017	\$ 161,146,992.41	89.4%	\$ 14,313,638.07	7.9%	\$ 2,626,819.24	1.5%	\$ 2,165,414.68	1.2%	\$ 180,252,864.40	\$ 13,189,239.28	\$ 15,949,892.92	8.8%
JAN 18	2018	\$ 173,632,824.27	91.0%	\$ 11,048,055.66	5.8%	\$ 3,780,115.16	2.0%	\$ 2,376,917.79	1.2%	\$ 190,837,912.87	\$ 10,585,048.47	\$ 18,209,788.82	9.5%
FEB 18	2018	\$ 180,438,200.51	89.2%	\$ 16,327,470.33	8.1%	\$ 2,633,508.88	1.3%	\$ 2,877,370.80	1.4%	\$ 202,276,550.52	\$ 11,438,637.65	\$ 17,757,186.64	8.8%
MAR 18	2018	\$ 181,698,486.10	86.2%	\$ 20,455,212.58	9.7%	\$ 7,569,408.23	3.6%	\$ 976,039.57	0.5%	\$ 210,699,146.48	\$ 8,422,595.96	\$ 21,738,686.87	10.3%
APR 18	2018	\$ 190,956,058.14	88.4%	\$ 11,685,105.37	5.4%	\$ 11,379,828.41	5.3%	\$ 1,946,365.33	0.9%	\$ 215,967,357.24	\$ 5,268,210.77	\$ 19,415,234.32	9.0%
MAY 18	2018	\$ 191,084,224.43	85.1%	\$ 16,171,576.65	7.2%	\$ 13,266,477.94	5.9%	\$ 3,917,991.69	1.7%	\$ 224,440,270.71	\$ 8,472,913.47	\$ 22,613,960.56	10.1%
JUN 18	2018	\$ 205,243,873.50	88.7%	\$ 12,516,029.31	5.4%	\$ 11,304,986.32	4.9%	\$ 2,360,474.56	1.0%	\$ 231,425,363.69	\$ 6,985,092.98	\$ 21,298,523.92	9.2%
JUL 18	2018	\$ 201,686,248.94	85.9%	\$ 14,244,262.08	6.1%	\$ 15,684,166.68	6.7%	\$ 3,173,773.12	1.4%	\$ 234,788,450.82	\$ 3,363,087.14	\$ 20,051,462.89	8.5%
AUG 18	2018	\$ 215,402,792.53	87.0%	\$ 21,970,307.16	8.9%	\$ 10,172,565.62	4.1%	\$ 3,572,333.66	1.4%	\$ 247,545,665.31	\$ 12,757,214.49	\$ 22,600,982.19	9.1%
SEP 18	2018	\$ 213,350,679.38	83.6%	\$ 29,050,136.79	11.4%	\$ 10,089,401.83	4.0%	\$ 2,806,469.73	1.1%	\$ 255,296,687.73	\$ 7,751,022.42	\$ 20,485,374.20	8.0%
OCT 18	2018	\$ 213,908,210.19	80.6%	\$ 29,527,206.67	11.1%	\$ 20,839,027.66	7.9%	\$ 3,084,482.70	1.2%	\$ 265,302,312.59	\$ 10,005,624.86	\$ 23,539,851.01	8.9%
NOV 18	2018	\$ 210,827,145.57	76.4%	\$ 38,337,054.85	13.9%	\$ 18,930,391.31	6.9%	\$ 3,487,104.81	1.3%	\$ 276,096,455.48	\$ 10,794,142.89	\$ 20,808,406.33	7.5%
DEC 18	2018	\$ 239,550,731.65	78.5%	\$ 48,706,735.54	16.0%	\$ 19,228,131.42	6.3%	\$ 3,411,944.18	1.1%	\$ 305,128,561.57	\$ 29,032,106.09	\$ 21,374,248.29	7.0%
JAN 19	2019	\$ 235,368,281.76	75.0%	\$ 52,090,707.91	16.6%	\$ 27,187,301.48	8.7%	\$ 1,865,021.21	0.6%	\$ 313,632,084.85	\$ 8,503,523.28	\$ 23,214,834.21	7.4%
FEB 19	2019	\$ 286,709,174.46	87.4%	\$ 19,301,812.59	5.9%	\$ 21,487,728.90	6.6%	\$ 1,081,775.31	0.3%	\$ 328,009,281.59	\$ 14,377,196.74	\$ 21,105,753.38	6.4%
MAR 19	2019	\$ 276,013,036.79	82.8%	\$ 19,051,021.50	5.7%	\$ 39,166,094.79	11.7%	\$ 2,281,428.31	0.7%	\$ 333,532,815.56	\$ 5,523,533.97	\$ 24,467,331.79	7.3%
												\$ 476,017,801.03	8.6%



SECTION I: CONSIDERATION OF FRAUD RISK FACTORS RE	
Fraud Risk Factor	Present?
Incentives/Pres	
1. Financial stability or profitability is threatened by economic, industry, or entity operating conditions, such as (or as indicated by):	
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
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:	
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/Rational	
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

Fraud Risk Factor	Present?
Incentives/Pres	
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
Opportunitie	
3. Large amounts of cash on hand and wire transfer capabilities .	Yes
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., overliquid assets or information systems.	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 decentralized operations or multiple business combinations.	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/Rational	
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

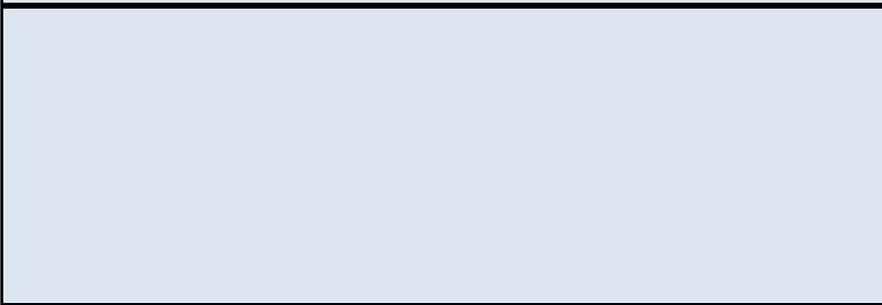
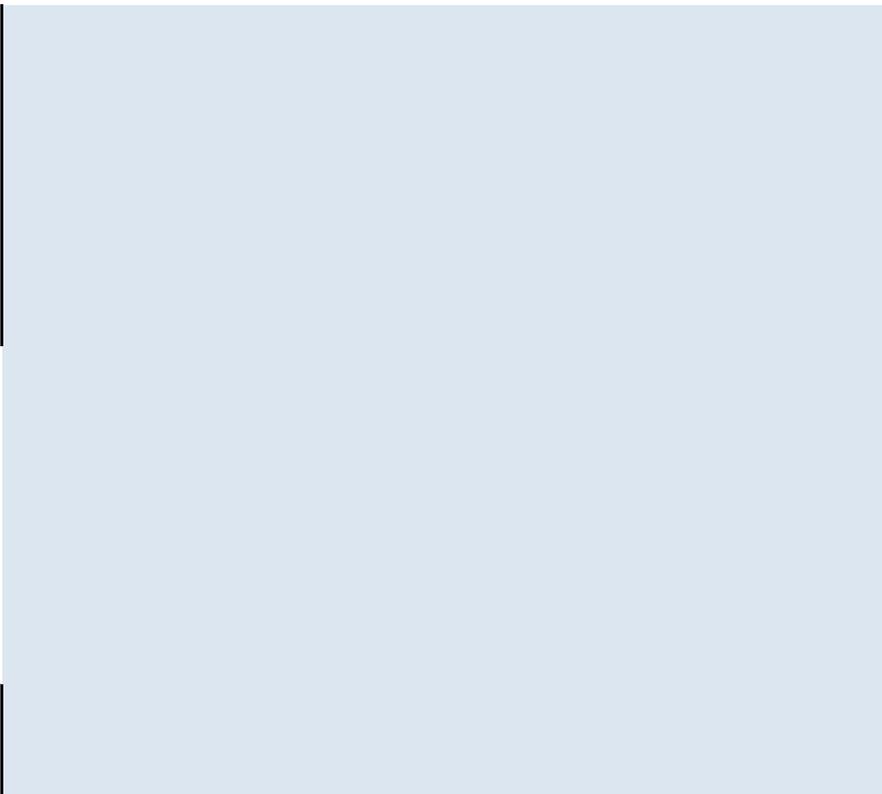
RELATING TO FRAUDULENT FINANCIAL REPORTING

4/20/2012

**If Present, How Does This Factor Affect the Entity?
(Transfer the risk to 0450.00 Risk Assessment Analysis.)**

Measures

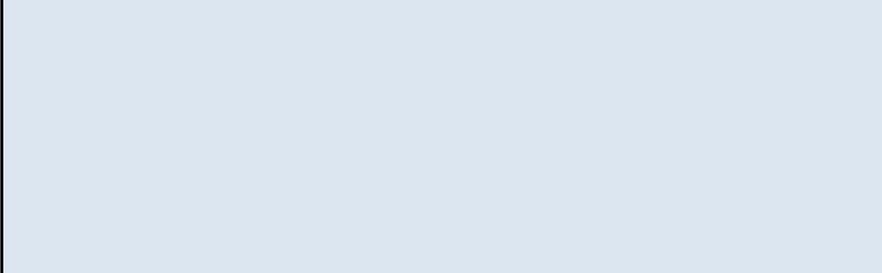
The volume of transactions increased significantly from year 2017 to year 2018. CLA observed the increase in revenue by 70% using the unadjusted year end balance provided by the client. CBSG provides financing for small and medium size businesses in the form of factoring advances throughout the U.S. This rapid growth doesn't seem unusual based on the significant increase in customer demand in the overall economy.



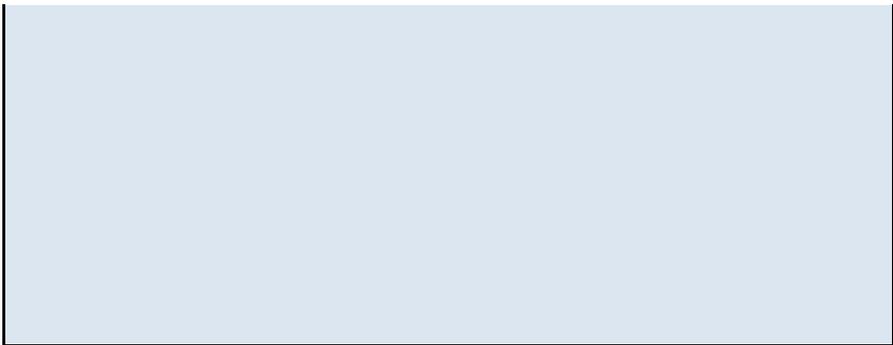
es

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.

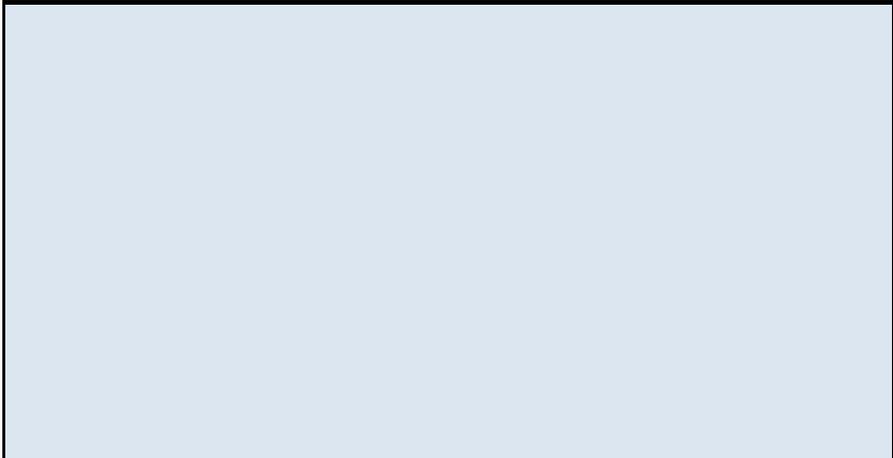
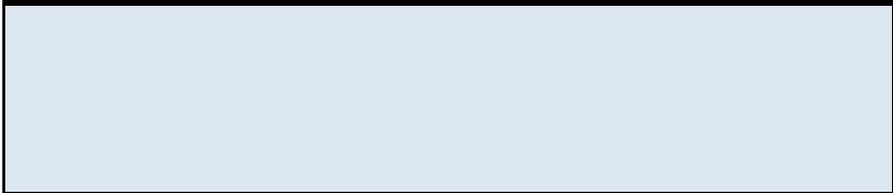
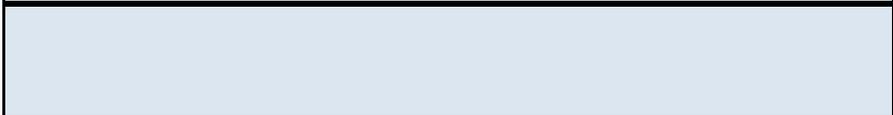
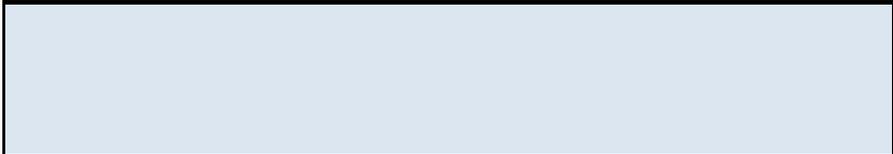
CBSG's provision for credit losses will be evaluated in accordance with GAAP. For the year ended 12/31/2017, CBSG accounted for its provision for credit losses following the method used for income tax reporting purposes, and therefore recorded credit losses when the advances were written off as bad debt during the year.



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.



izations



RELATING TO MISAPPROPRIATION OF ASSETS

**If Present, How Does This Factor Affect the Entity?
(Transfer the risk to 0450.00 Risk Assessment Analysis.)**

Measures

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es

The accounting department process the significant number of wire transfers/ ACH daily to fund customer deals and pay principals and interest to private investors.

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mber 31, 2018

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA**

CASE NO. 20-CV-81205-RAR

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

**COMPLETE BUSINESS SOLUTIONS GROUP,
INC., d/b/a PAR FUNDING, *et al.*,**

Defendants.

DECLARATION OF JOEL D. GLICK

1. Pursuant to 28 U.S.C. Section 1746, the undersigned states as follows:
2. My name is Joel Glick. I am over the age of 18 years and I make this declaration based upon my personal knowledge of the facts set forth herein.
3. I practice in the areas of forensic accounting and economic damages.
4. I have testified as an expert witness in both State and Federal courts. See attached Exhibit 1.
5. I am a Certified Public Accountant licensed in Florida, since 1994, and Certified in Financial Forensics, since 2008. Both credentials are through the American Institute of Certified Public Accountants.
6. I am a Certified Fraud Examiner credentialed through the Association of Certified Fraud Examiners since 2010.
7. I am a Director of Forensic and Advisory Services at Berkowitz Pollack Brant Advisors

+ CPA's ("BPB").

8. BPB was retained by the law firm of Fridman Fels & Soto, PLLC to assist with their representation of Complete Business Solutions Group, Inc., d/b/a Par Funding ("CBSG").
9. I have supervised and been extensively involved in the analysis to date of CBSG's books and records.
10. No statements in this declaration are intended to render any legal opinions or conclusions.
11. The goal of the Court was *"that every piece of data that Mr. Sharp used to prepare this affidavit¹ be provided, pursuant to the guidelines [it] put in place, to a defense expert."2 As of the signing of this declaration, it is unclear what the entirety of the data DSI reviewed and relied on to prepare their declaration is and, therefore, it is unclear whether they complied with the Court's wishes.*
12. We understand that most of the activity from January 1, 2020 through July 27, 2020 had been entered into QuickBooks however, as of the filing of this Declaration, we have not received reconciled QuickBooks. As such, it is unclear whether they have yet to be fully reconciled by the Receiver.
13. Based on the foregoing, and as discovery is ongoing, I reserve the right to update this declaration as more data becomes available.
14. I have reviewed the following information:
 - a. CBSG bank statements and ACH vendor statements from January 2013 to July 2020.

¹ DECLARATION OF BRADLEY D. SHARP (DE 426-1)

² Transcript of the December 15, 2020 Status Videoconference Before The Honorable Rodolfo A. Ruiz, II 60:18-21.

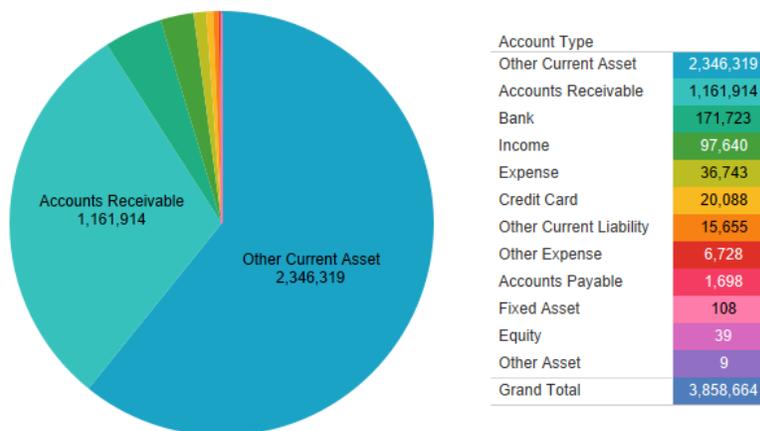
- b. CBSG accounting records maintained in QuickBooks (inception to July 27, 2020). As indicated above, the records in our possession have not been fully reconciled through the date of the Receivership.
- c. CBSG contemporaneously prepared spreadsheets maintained by accounting personnel. These spreadsheets constitute an integral portion of CBSG's accounting process.
 - i. Daily Deposit Logs
 - ii. Bank Activity Log
- d. CBSG Funding Analysis, also known as the Key Performance Indicators (hereinafter "KPI Report") for the following cumulative periods from January 1, 2013 to:
 - i. September 2018
 - ii. May 2019
 - iii. June 2019
 - iv. February 2020
 - v. June 2020

Data Analysis

- 15. BPB has analyzed information for the same approximate eight-year period from January 2013 to June 2020, as reflected in the KPI Report.
- 16. BPB has reviewed and consolidated the following:
 - a. Using the CBSG Daily Deposit Logs ("Deposit Logs"), BPB created a transaction database that contains approximately 1M records. The Deposit Logs are spreadsheets that were created and maintained, in the ordinary course of business, by CBSG on a monthly basis for the purpose of tracking merchant funding activity, merchant defaults, and daily merchant repayments.
 - i. The Funding tab was maintained from March 2012 through the date of the Receivership (July 27, 2020) and contains all information regarding the actual merchant deals. It is cumulative and rolled forward to the next consecutive month. Through the date of the Receivership, it contained 17,432 record entries.

- ii. The Default tab was maintained from January 2013 through the date of the Receivership (July 27, 2020) and contains all information regarding merchant defaults. It is cumulative and rolled forward to the next consecutive month. Through the date of the Receivership, it contained 1,883 record entries.
 - iii. A daily tab was created for each business day beginning January 2016 through the date of the Receivership to track the daily scheduled ACH draws from merchant accounts, wires and other deposits. Individual wires and deposits were deposited directly into CBSG bank accounts and then recorded in QuickBooks whereas the individual ACH debits were processed each day by the third-party ACH processor then, within four to five days, were transferred to CBSG bank accounts in batches. These batches were then recorded in QuickBooks. Through the date of the Receivership, the daily logs contained 1,035,087 record entries.
- b. Using specialized software, BPB created an ACH vendor transaction database containing approximately one million records.
 - c. Using specialized software, BPB created a bank account transaction database containing approximately 96,000 records.
 - d. Using Microsoft Excel, Alteryx and Tableau, BPB created a transaction database of QuickBooks data containing approximately 3.8 million records.

QuickBooks Number of Records



17. CBSG provided noteholders³ with an updated KPI Report every month. The KPI Report summarized, on a month-by-month and then consolidated annual basis, certain financial metrics such as:

- a. Number of merchant cash advance (“MCA”) deals funded in a given month and/or year, referred to in the KPI as “Funding Count.”
- b. Average amount funded per MCA deal for a given month and/or year, referred to in the KPI as “AVG Funding.”
- c. Average factor rate⁴ per MCA deal for a given month and/or year, referred to in the KPI as “Factor Rate AVG.”
- d. Average term of each MCA deal for a given month and/or year, referred to in the KPI as “Avg Term.”
- e. Monthly factor percentage⁵ for a given month and/or year, referred to in the KPI as “Monthly Factor %.”
- f. Funds wired to merchant—the cash actually funded to the merchant per the agreed commitment, referred to in the KPI as “Wire Total.”
- g. Funds committed to merchants – the total amount CBSG agreed to fund, referred to in the KPI as “Funded Total.” Funds were sometimes disbursed by CBSG in installments rather than in full. Because of this and other, initial fees CBSG charged the merchants, the Funded Total differs from the Wired Total.
- h. The amount of the total committed funds for the period plus the corresponding factor fees, referred to in the KPI as “New AR” (“Accounts Receivable”). This is synonymous with the term Right to Receivable (“RTR”) reflected in other client records.
- i. “Factoring Losses”⁶ in the KPI refer to the full amount of Accounts Receivable relating to written-off deals.⁷

³ I am generally aware that one of the issues in this case is whether the promissory notes issued by CBSG in this case constitute securities. As explained above, no statements in this declaration are intended to render any legal opinions or conclusions, and none are intended by my use of the term “investor” as opposed to “noteholder.”

⁴ As defined in the KPI Report, the average factor rate is the “*Weighted average of factor rate in respective month based on total funding commitment per transaction.*”

⁵ As defined in the KPI Report, “*The proportionate monthly factor rate average in respective month based on AVG Funding divided by AVG Term.*”

⁶ As defined in the KPI Report, “*Factoring Losses realized in respective month equal to total AR balance for transactions written off against Factoring Loss reserve.*”

⁷ I am not rendering any opinion on management decisions regarding factoring losses.

- j. "Funding Exposure"⁸ in the KPI refers to the cash portion of deals that are written off net of recoveries from previously written off deals. Written off deals are also referred to as deals in default as reflected in the Default Tab of CBSG's Deposit Log.
- k. "Total Deposits" in the KPI refer to cash deposits received from merchants, whether from ACH payments, or other means (checks or cash deposits).
- l. Gross ACH payments (a subset of Total Deposits), referred to in the KPI as "Total ACH Payment."
- m. "Returned ACH Payment Total" in the KPI refers to the total dollar amount of ACH payments CBSG was unable to withdraw during the period per a merchant agreement.
- n. "Return %" in the KPI Report refers to the returned ACH payments as a percentage of the total ACH payments debited in a given period.

18. We are not rendering any opinion as to management's decision regarding what information was provided to note-holders or the presentation of such information.

19. The KPI Report calculates the Exposure % by dividing Funding Exposure by the funds wired to merchants. The KPI Report reflects this amount on a period-by-period basis. We have prepared the following tables that reflect the cumulative Funding Exposure from 01/01/2013 – 06/30/2020. Table 1 below is a cumulative analysis prepared using the CBSG KPI Report. Table 2 below is a cumulative analysis prepared using the CBSG Deposit Logs:

⁸ As defined in the KPI Report, "Cumulative exposure, as determined by funding amount minus collected payments, at the time that transactions were written off in the respective month to Factoring Losses."

Table 1.

Based on CBSG Funding Analysis			
Year	Wire Total	Cumulative	
		Funding Exposure	Exposure %
2013	\$ 10,573,755	\$ 468,013	4.426%
2014	27,508,501	822,887	2.991%
2015	56,146,068	653,083	1.163%
2016	124,211,932	856,355	0.689%
2017	315,267,992	3,213,406	1.019%
2018	655,850,437	7,959,252	1.214%
2019	1,051,946,128	9,105,980	0.866%
2020 (Jan - June)	\$ 1,231,298,330	\$ 14,285,812	1.160%

Table 2.

Based on CBSG Deposit Log			
Year	Wire Total	Cumulative	
		Funding Exposure	Exposure %
2013	\$ 10,584,848	\$ 503,931	4.761%
2014	27,533,686	851,740	3.093%
2015	56,171,253	207,097	0.369%
2016	124,225,458	410,369	0.330%
2017	315,283,386	2,767,420	0.878%
2018	655,865,830	7,704,084	1.175%
2019	1,051,930,639	8,850,812	0.841%
2020 (Jan - June)	\$ 1,231,279,740	\$ 14,051,811	1.141%

20. Using the transaction database created from the CBSG Deposit Logs, we recreated a KPI Report. The top half of the attached exhibit reflects CBSG's KPI Report⁹ which can be compared to the totals from our recreated KPI Report reflected on the bottom half of the exhibit.

21. Using the transaction database created from the CBSG QuickBooks, we quantified the amounts corresponding to certain requested CBSG KPI Report columns. The top half of the attached exhibit reflects CBSG's KPI Report which can then be compared to the totals from our analysis of the CBSG's QuickBooks as reflected on the bottom.

⁹ As noted in the schedule, the KPI reflects certain information dating back to 01/01/2013; however, the daily tabs from the Deposit Logs only begin as of 01/01/2016.

22. Both the CBSG Deposit Logs and QuickBooks referenced in this Declaration are the same as those used to prepare my Declaration dated April 15, 2021.

23. The CBSG Deposit Logs were separately maintained Excel spreadsheets, which tracked merchant repayments and were, subsequently reconciled, by CBSG accounting personnel, to the QuickBooks.

24. DSI indicated it independently reconciled the QuickBooks to bank statements and then relied upon the QuickBooks to issue its Declaration dated December 13, 2020.

EXPERT COMPENSATION

25. I am being compensated at my standard rate of \$495 per hour, while other members of our firm who worked on this engagement are compensated at \$85 to \$480 per hour. Neither my compensation nor the compensation of the other BPB personnel who worked on this assignment is contingent on the outcome of this litigation.

26. I declare under penalty of perjury that the foregoing is true and correct, and made in good faith. Executed this 13th day of July 2021.



Joel D. Glick, CPA/CFF, CFE
Berkowitz Pollack Brant Accountants and
Advisors LLP
200 South Biscayne Boulevard, Seventh Floor
Miami, Florida 33131

CBSG Funding Analysis
01/01/13 - 06/30/20⁶

Period	Funding Count	AVG Funding	Factor Rate AVG ¹	Avg Term	Monthly Factor % ²	Wire Total	Funded Total	New AR	AR Total ³	Factoring Losses ⁴	Funding Exposure ⁵	Exposure % ⁴	Total Deposits	Average Daily Deposit	Total ACH Payment	Returned ACH Total	Return %
2013	358	\$29,535.63	1.35	120	6.1%	\$ 10,573,755.28	\$ 13,881,429.51	\$ 18,799,487.42	\$ 5,688,670.71	\$ 1,300,265.50	\$ 468,013.05	4.4%	\$ 10,144,412.62	\$ 40,519.15	\$ 7,774,763.57	\$ 501,380.77	6.4%
2014	979	17,298.00	1.33	94	7.4%	16,934,746.07	23,948,076.36	31,918,202.93	9,778,474.37	1,622,534.74	354,874.39	2.1%	21,657,990.43	84,225.44	14,900,902.48	1,073,079.75	7.2%
2015	703	40,736.23	1.35	115	6.3%	28,637,566.39	36,979,392.91	49,800,669.92	17,615,473.88	3,041,476.26	(169,804.75)	-0.6%	33,579,213.04	133,316.47	25,248,409.50	993,864.43	3.9%
2016	1,087	62,618.09	1.34	132	5.4%	68,065,864.62	97,740,554.02	130,981,255.68	59,067,326.39	5,541,535.34	203,272.18	0.3%	64,548,823.71	257,306.77	54,943,260.82	1,795,928.41	3.3%
2017	2,036	93,838.93	1.36	139	5.4%	191,056,059.69	271,633,681.34	370,302,596.53	177,067,138.86	12,564,294.70	2,357,051.07	1.2%	174,600,565.32	700,045.64	135,869,631.33	6,750,035.98	5.0%
2018	3,383	100,674.68	1.36	124	6.1%	340,582,444.82	471,403,953.34	642,192,480.47	305,910,444.75	33,534,406.50	4,745,845.88	1.4%	350,666,989.25	1,397,436.51	251,173,901.67	15,735,352.66	6.3%
2019 - Jan	334	77,437.29	1.34	144	4.9%	25,864,055.52	36,176,265.15	48,385,444.62	313,546,855.41	1,864,994.92	335,018.71	1.3%	27,552,044.52	1,312,002.12	23,643,851.53	1,409,298.88	6.0%
2019 - Feb	293	96,440.57	1.30	120	5.2%	28,257,086.80	36,598,668.58	47,631,070.64	327,228,270.63	1,081,775.31	(93,232.22)	-0.3%	25,197,661.19	1,326,192.69	21,480,118.89	1,331,454.65	6.2%
2019 - Mar	403	70,812.97	1.31	108	5.9%	28,537,625.10	35,395,487.45	46,298,554.32	332,808,186.10	2,271,698.46	9,610.72	0.0%	29,145,670.64	1,387,889.08	24,841,630.20	1,233,001.38	5.0%
2019 - Apr	382	65,177.23	1.38	107	7.4%	24,897,703.18	54,790,870.81	75,593,816.52	342,465,691.48	991,621.12	154,659.34	0.6%	30,296,449.40	1,377,111.34	27,039,451.52	1,171,326.27	4.3%
2019 - May	358	84,598.29	1.31	105	6.2%	30,286,186.06	34,549,293.21	45,342,925.10	344,000,270.70	2,553,917.12	(14,262.84)	0.0%	31,515,625.52	1,432,528.43	28,004,677.68	1,273,984.50	4.5%
2019 - Jun	448	66,554.38	1.32	107	6.2%	29,816,360.59	50,272,532.63	66,205,402.20	350,253,767.37	1,585,887.15	26,413.85	0.1%	27,039,054.73	1,351,952.74	25,344,984.02	1,544,254.31	6.1%
2019 - Jul	414	78,423.95	1.32	104	6.4%	32,467,514.92	40,589,278.65	53,486,821.19	361,976,660.11	2,591,860.57	537,395.64	1.7%	30,292,477.42	1,376,930.79	28,290,298.08	1,239,976.80	4.4%
2019 - Aug	393	92,023.94	1.29	106	5.7%	36,165,409.59	86,508,636.22	111,391,920.86	382,030,257.80	9,033,837.09	718,053.01	2.0%	28,588,170.57	1,299,462.30	31,513,628.86	1,757,649.67	5.6%
2019 - Sep	457	107,197.00	1.34	108	6.5%	48,989,028.80	101,415,205.39	135,772,548.34	412,789,245.16	5,870,130.67	(1,946,110.49)	-4.0%	42,784,608.28	2,139,230.41	29,856,760.48	1,798,086.15	6.0%
2019 - Oct	497	80,794.42	1.33	101	6.8%	40,154,829.14	52,551,508.23	69,935,149.43	423,514,559.10	2,222,330.76	167,075.96	0.4%	40,807,674.25	1,854,894.28	35,711,367.09	1,813,977.58	5.1%
2019 - Nov	527	56,885.40	1.34	97	7.2%	29,978,607.59	63,668,091.09	85,000,457.22	432,400,304.26	5,223,938.48	1,015,324.01	3.4%	37,278,536.15	1,962,028.22	33,548,315.34	2,171,390.47	6.5%
2019 - Dec	585	69,540.66	1.32	95	7.1%	40,681,284.12	51,067,496.28	67,633,578.32	441,728,644.35	3,442,462.16	236,782.49	0.6%	42,717,695.90	2,034,176.00	37,092,755.53	2,154,560.69	5.8%
2020 - Jan	885	61,504.04	1.32	98	6.8%	54,431,075.98	62,940,210.05	83,016,014.59	470,676,683.52	2,113,642.73	(329,616.49)	-0.6%	40,179,540.45	1,913,311.45	35,696,117.94	2,236,913.14	6.3%
2020 - Feb	945	51,126.14	1.32	94	7.0%	48,314,206.31	71,565,901.30	94,198,717.52	486,804,522.38	2,520,421.33	34,942.92	0.1%	41,528,592.00	2,185,715.37	35,689,927.33	1,768,645.73	5.0%
2020 - Mar	476	60,799.24	1.31	93	6.9%	28,940,439.63	42,189,095.57	55,116,974.54	478,940,624.39	3,471,928.32	(275,770.90)	-1.0%	41,636,586.48	1,892,572.11	38,800,651.12	3,349,551.51	8.6%
2020 - Apr	92	122,080.11	1.34	88	8.0%	11,231,369.75	27,277,893.61	33,745,378.17	412,669,652.16	39,588,501.59	4,565,355.67	40.6%	29,155,289.98	1,325,240.45	25,509,683.25	2,037,300.66	8.0%
2020 - May	250	48,416.34	1.33	86	8.0%	12,104,083.89	17,495,968.95	22,802,422.29	400,221,204.89	2,203,312.74	614,491.01	5.1%	27,500,491.83	1,375,024.59	23,377,450.34	711,564.10	3.0%
2020 - June	407	59,781.39	1.32	92	7.2%	24,331,025.68	37,524,490.25	46,395,307.03	402,382,550.85	1,940,496.65	570,429.30	2.3%	29,420,598.68	1,337,299.94	25,978,802.62	1,838,687.42	7.1%
Total	16,692	\$73,765.78	1.33	107	6.5%	\$1,231,298,329.52	\$1,818,163,980.90	\$2,431,947,195.85		\$148,177,270.21	\$14,285,811.51	1.2%	\$1,257,834,762.35		\$ 1,021,331,341.19	\$57,691,265.91	5.6%

CBSG Funding Analysis 01/01/16 - 06/30/20^{6,1} **\$1,192,453,146.27** **\$ 973,407,265.64** **\$55,122,940.96** **5.7%**

¹ Weighted average of factor rate in respective month based on total funding commitment per transaction.

² The proportionate monthly factor rate average in respective month based on AVG Funding divided by AVG Term.

³ Reflects month end AR balance not including outstanding funding liabilities or deferral of revenue.

⁴ Factoring Losses realized in respective month equal to total AR balance for transactions written off against Factoring Loss reserve.

⁵ Cumulative exposure, as determined by funding amount minus collected payments, at the time that transactions were written off in the respective month to Factoring Losses.

Funding Count	AVG Funding	Factor Rate AVG	Avg Term	Monthly Factor %	Wire Total	Funded Total	New AR	AR Total	Factoring Losses	Funding Exposure	Exposure %	Total Deposits	Total ACH Payment	Returned ACH Total	Return %	
CBSG Deposit Logs⁷																
					[A]				[B]	[C=B/A]			[D]	[E]	[F=E/D]	
					Funding Tab				Default Tab			Daily Tabs				
16,804	Not Calculated				\$1,231,279,739.93	\$1,839,227,431.25	\$2,453,300,627.35		\$147,999,506.91	\$14,051,810.75	1.1%	Not Available for 01/01/13 - 12/31/15 ^{7,1}		Not Available		
												CBSG Daily Deposit Logs 01/01/16 - 06/30/20 ^{7,1}	\$1,134,548,589.45	\$ 969,300,562.67	Not Available	
QuickBooks Data⁸																
Not Maintained in QuickBooks					\$1,181,262,221.58	Not Calculated			Not Calculated	\$14,051,810.75	1.2%	\$1,252,636,219.60	\$ 1,021,816,470.00	\$55,051,327.40	5.4%	
												QuickBooks data 01/01/16 - 06/30/20	\$1,191,302,390.82	\$ 973,870,983.00	\$52,665,151.18	5.4%

BPB Footnotes:

6 - CBSG Funding Analysis KPI.June2020.pdf

6.1 - Daily deposit tabs do not start until January 1, 2016. BPB calculated the total deposits from these daily deposit logs in order to compare to the KPI

7 - Source: Deposit Log 0720 b CBSG-Receiver-000006048.xlsx. Deposit log is a contemporaneous document maintained by CBSG, on a daily basis and on an individual client/deal level information is added in the Funding and Default Tab

7.1 - Funding and Default tabs from Deposit Log information begins in January 2013 however the daily deposit tabs begin with the first full month of January 2016.

8 - Based on the QuickBooks data received through and as of July 27, 2020, not yet reconciled by the Receiver.

DECISIONS SUPPORTING LAWFULNESS OF MCA AGREEMENTS

Gur v. Nadav, 178 A.3d 851, 857 (Pa. Super. Ct. 2018) (recognizing that business loans are exempted from Pennsylvania’s Usury Law); *In re GMI Grp., Inc.*, No. 19-52577, 2019 WL 3774117, at *9 (Bankr. N.D. Ga. Aug. 9, 2019) (granting summary judgment on usury count where “the undisputed terms of the Agreement clearly demonstrate that it is not a loan”); *In re: Steele*, No. 17-03844-5, 2019 WL 3756368, at *4-5 (Bankr. E.D.N.C. Aug. 8, 2019) (concluding transaction was sale of future receivables, not a loan); *Power Up Lending Grp., Ltd. v. Cardinal Energy Grp., Inc.*, No. 16-1545, 2019 WL 1473090, at *5-6 (E.D.N.Y. Apr. 3, 2019) (granting summary judgment where transaction was sale of future receivables, not a loan); *EBF Partners, LLC v. Burklow Pharmacy, Inc.*, No. 2017-292, 2018 WL 6620582, at *2-3 (Fla. Cir. Ct. Nov. 29, 2018) (same); *Express Working Capital, LLC v. One World Cuisine Grp., LLC*, No. 15-3792, 2018 WL 4214349, at *8-9 (N.D. Tex. Aug. 16, 2018), *report and recommendation adopted*, 2018 WL 4210142 (N.D. Tex. Sept. 4, 2018) (granting motion for summary judgment where “the evidence supports Plaintiff’s claim that the Agreements [for the sale of future receivables] are not loans, and therefore cannot support usury as an affirmative defense or counterclaim”); *NY Capital Asset Corp. v. F & B Fuel Oil Co.*, 98 N.Y.S.3d 501 (N.Y. Sup. Ct. 2018) (granting summary judgment and holding that transaction was for sale and purchase of accounts receivable and not a usurious loan); *Express Working Capital, LLC, v. Starving Students, Inc.*, 28 F.Supp.3d 660, 671 (N.D. Tex. 2014) (“Because the Agreements constituted valid account purchase transactions, Defendants’ usury defense and counterclaim lack merit and Plaintiff is entitled to summary judgment on its breach of contract claim”); *Strategic Funding Source, Inc. et al. v. Steenbok Inc. et al.*, Index No. 2021-00877, 2021 NY Slip Op. 04002 (1st Dept. June 22, 2021) (New York Appellate Division reaffirms that merchant cash advances are not loans); *Craton Entertainment, LLC v. Merchant Capital Group, LLC*, Dkt. No. 3D19-1643 (Fla. 3d DCA Jan. 6, 2021)(an MCA purchase and sale agreement is not a loan, and therefore not subject to Florida’s criminal usury statute); *Champion Auto Sales, LLC v. Pearl Beta Funding, LLC*, 159 A.D.3d 507 (N.Y. App. Div. 2018) (“The evidence demonstrates that the underlying agreement leading to the judgment by confession was not a usurious transaction[.]”); *Merchant Funding Services, LLC v. Micromanos Corporation*, 179 A.D.3d 1049, 1051 (2d Dep’t. 2020) (affirming denial of motion to vacate judgment entered by confession); *TVT Capital, LLC v. Legend Ventures*, 177 A.D.3d 1343 (4th Dep’t. 2019) (same); *see also LG Funding, LLC v. United Senior Properties of Olathe, LLC*, 181 A.D.3d 664 (N.Y. App. Div. 2020)(“the agreement provides that United’s written admission of its inability to pay its debt or its bankruptcy constitute events of default under the agreement, which entitle the plaintiff to the immediate full repayment of any of the unpaid purchased amount”); *A & A Fabrication and Polishing Corporation v. Funding Metrics, LLC*, Dkt. No. 50486/2021 (New York Supreme Court, Westchester County) DE 22 (holding, *inter alia*, that New York law bars a corporation from making an affirmative claim for relief based on an allegation of usury and that “RICO claims such as plaintiffs’ class action claims [are] an extravagant invocation of laws’ prohibiting racketeering by organized crime, and as such, those claims are dismissed”); *Cherokee Funding v. Ruth*, 802 S.E.2d 865 (2017)(Georgia Court of Appeals rules that neither the Industrial Loan Act, nor the Payday Lending Act, applied to certain transactions in which a financing company provides funds to a plaintiff in a pending personal-injury lawsuit where plaintiff is obligated to repay the funds with interest only if lawsuit is successful).