

The Euler Hermes "Insurance Spin" - How the Feds are Targeting Joseph LaForte for a Crime He Couldn't Have Committed

To understand what the government did to Joseph LaForte, you have to ignore the "RICO" headlines and look at the actual facts. It is not a complicated financial puzzle; it is a story about a massive insurance giant that did not pay its bills, and a government that decided to blame the business owner for it.

Imagine you buy a high-end car insurance policy from the biggest company in the world. You pay your premiums every month for years. You have the paperwork in your glove box. Then, you get into a wreck. You call the insurance company, and they say, "Sorry, we aren't paying." Now, imagine that instead of the police going after the insurance company for ripping you off, the FBI shows up at your house. They arrest you for "deception" because you told your family the car was insured.

That is exactly what the feds did to Joseph LaForte.

1. The Commonsense Defense: You Don't Pay Millions to Defraud Yourself

If you are a criminal trying to fake insurance, you do not go to Euler Hermes (owned by the global titan Allianz). A criminal makes up a fake policy on a home printer.

Instead, Par Funding went to one of the largest insurance companies in the world. They did not just talk about a policy; they paid for it. Par Funding poured \$2.3 million in premiums into that policy. You do not hand over millions of dollars to a world-famous insurance company if you are trying to run a "scheme." Par had the policy. Par paid for the policy. The only "fraud" was the insurance giant taking the money and refusing to pay the claims.

EXHIBIT: INSURANCE POLICY

Euler Hermes North America

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Form 75300_Q (Ed. 7/03)

Euler Hermes North America (A Stock Company Established in 1893) 800 Red Brook Blvd Owings Mills, MD 211171008 4107530753

Issuance Date: 11/21/2018

Policy Number: 5109731

DOMESTIC MARKETS POLICY DECLARATION

ITEM 1. INSURED: COMPLETE BUSINESS SOLUTIONS GROUP, INC. ADDRESS: 141 N 2ND ST CITY, STATE: PHILADELPHIA, PENNSYLVANIA POSTAL CODE: 19106 COUNTRY: UNITED STATES CONTACT: Anthony Bernato TITLE: Insurance consultant PHONE: (888) 305-7562 FAX: (000) 000-0000 EMAIL:

ITEM 2. POLICY AMOUNT: \$5,000,000

ITEM 3. POLICY PERIOD: From: 10/1/2018 Through: 9/30/2019 CONTRACT PERIOD: From: 10/1/2018 Through: 9/30/2019

Beginning 12:01 AM standard time at the address of the Insured as stated herein.

ITEM 4. COVERED PRODUCTS:

Factor

ITEM 5. MAXIMUM TERMS OF SALE: 90 Days

ITEM 6. INSURED RISK RETENTION

Policy Deductible: \$0

Per Buyer Deductible: Discretionary Credit Limit Buyers: None Named Buyers: None

Per Buyer Coinsurance: Discretionary Credit Limit Buyers: 0% Named Buyers: 10%

ITEM 7. NON QUALIFYING LOSS: \$2,500

ITEM 8. PAST DUE REPORTING THRESHOLDS: \$10,000 Days Past Due: 60

ITEM 9. POLICY PREMIUM:

PREMIUM FACTOR: 0.3000%

ITEM 10. ESTIMATED SALES: \$75,000,000

ITEM 11. POLICY CURRENCY: USD

ITEM 12. ENDORSEMENTS

- 19357 - Change Endorsement - Credit Limit Fee
- 75329 - Domestic Markets Maximum Claim Filing Period Endorsement
- 75331 - Maximum Extension Period Endorsement
- 75438 - Minimum Premium
- 75465 - Domestic Policy Amendment Endorsement
- 99357 - Evergreen Endorsement
- 19357 - Factoring

AUTHENTICATION:

John Reilly
Vice President-Director

COUNTERSIGNED:

Resident Agent

James Daly
President & CEO

Karl Coulet
Senior Vice President & Secretary

Form 75300_Q
(Ed. 7/03)



800 Red Brook Blvd
Owings Mills, MD 21117-0000

YOUR DOMESTIC MARKETS BUSINESS CREDIT INSURANCE POLICY

I. AGREEMENT AND REPRESENTATIONS

- We will provide you insurance against covered credit losses in this Policy, subject to the terms and conditions stated within, in return for the Premium and your compliance with the provisions of this Policy.
- We have relied on the statements made by you in the Application in issuing this Policy.
- By accepting this Policy you agree that:
 - Your Application for this Policy, the Declaration and the attached Endorsements are all part of this Policy.
 - The information you provided in the Application was accurate and complete.
 - If there are any material misrepresentations in the statements made by you to us or in the documents provided to us, we may cancel this Policy from inception upon fifteen (15) days written notice of cancellation delivered by mail or otherwise to you and you will forfeit any Premium paid. Any claims arising under such canceled Policy will not be payable.
 - You will take all reasonable measures, including any recovery reasonably requested by us, to prevent the occurrence of a loss hereunder, and to minimize the amount of any loss that may occur.
- Throughout this Policy, "you" and "your" refer to the Insured shown in the Declaration. The words "we", "us" and "our" refer to Euler Hermes North America, the Company providing this insurance. In addition, other terms and phrases that appear in boldface print have special meanings. Refer to Section AII - Definitions.
- It is agreed that this Policy shall continue the subsequent Policy Periods as follows. At the end of the first or any subsequent Policy Period, this Policy shall be automatically renewed for an additional like period of time unless this Policy is cancelled either by you or us, in writing, at least sixty (60) days prior to the renewal date. The Premium to be charged for any renewal Policy Period is subject to the terms of the Premium Adjustment Endorsement.

II. LOSSES COVERED

- Subject to terms and conditions of this Policy, we will cover you against credit losses due to the non-payment of amounts due from a covered Buyer the Shipments of Covered Products made by you during the Policy Period, on terms no longer than the Maximum Terms of Sale and which were provided in U.S. or Canadian dollars. You must retain net, for your own account, any loss or part of a loss we do not cover due to non-payment on drafts/drafts, or Shipments in excess of Buyer Credit Limit.
- Credit losses covered under this Policy are:
 - The Insolvency of a covered Buyer, or
 - Protracted Default due to slow payment of a covered Buyer.

- The date of loss for risks covered under this Policy shall be the date we have received your claim filing and all required supporting documentation.
- The maximum amount of our indemnity under this Policy for the covered credit losses is:
 - For each covered loss, the Net Invoice Value agreed by the Buyer up to the Credit Limit assigned to each Buyer, less your applicable risk retention as described in Section F.C.
 - For all covered losses in the aggregate, the Policy Amount shown on the Declaration.

III. LOSS EXCLUSIONS

- The following credit losses are not covered under this Policy unless specifically included by Endorsement:
- Losses for amounts owed by Buyers where 15% or more of the undeposited amounts owed were sixty (60) days or more past due as of the date the Application was signed.
 - Losses that would otherwise qualify as covered losses hereunder which occur prior to the payment of any past due invoice Premium.
 - Any Disputed Invoicing, provided however, that at such time as the invoice is no longer a Disputed Invoice, it shall constitute a covered loss hereunder to the extent it otherwise qualifies as a covered loss.
 - Losses due to Insolvency where the amounts owed by the Buyer have not been established by a Buyer or allowed payment to a court order or a bankruptcy or relief of debt proceedings.
 - Losses which are not filed within the Maximum Claim Filing Period.
 - Losses arising from Shipments made to Subsidiary or Affiliate entities.
 - Losses due to currency exchange rate fluctuations.
 - Losses arising from Shipments made after any of the following events occur:
 - You become insolvent, go into liquidation or are restructured.
 - You merge with, or are acquired by, another company, or sell all or substantially all of your assets in one or more transactions.
 If any of these events do occur, you must notify us immediately in writing.
 - Losses for amounts owed by Buyers where your interests have been factored (whether these risks are clean risk, purchased, credit guaranteed or credit insured, other than under this Policy, for as long as the Credit Limit remains in force, unless specifically excluded by Section III, or by Endorsement.
 - Losses from Shipments made after a Buyer has become Insolvent.

IV. BUYER CREDIT LIMITS

- You have coverage on any Buyer up to the Credit Limit either set opposite the Buyer's name listed in an Endorsement listed to this Policy or specified by you under the terms of the Discretionary Credit Limit Endorsement. The Credit Limit applies to all Shipments dispatched to the Buyer during the Policy Period, on such other time period specified in accordance with the terms of this Policy, for as long as the Credit Limit remains in force, unless specifically excluded by Section III, or by Endorsement.
- No more than one Credit Limit can be in effect for a Buyer. Credit Limits on a Buyer are not cumulative.
- If this is a Renewed Policy, and

1. The **Credit Limit for a Buyer** is increased or is exchanged in this Policy from the **Credit Limit** in the preceding Policy, the maximum we will pay you under both Policies combined for the Buyer will be the **Credit Limit** for the Buyer under this Policy; or
 2. The **Credit Limit for a Buyer** is decreased in this Policy from the **Credit Limit** in the preceding Policy, the maximum we will pay you under both Policies combined for the Buyer will be the **Credit Limit** for the Buyer under the preceding Policy; and
 3. Each **Shipment** will be attributed to the Policy under which it was made.
- D. During the **Policy Period**, we have the right to reduce or cancel a **Credit Limit** on a Buyer for future **Shipments** by giving you written notice. If we reduce or cancel the **Credit Limit** on a Buyer:
1. The **Credit Limit** prior to reduction or cancellation applies to all **Shipments** made during the **Policy Period**, or otherwise specified time period, up to the date of our notice.
 2. If a **Credit Limit** is reduced on a Buyer, the amounts outstanding for **Shipments** made to that Buyer prior to the date of our notice must be reduced below the new **Credit Limit**. The amount of coverage you have for **Shipments** made under the new reduced **Credit Limit** is the amount of the new reduced **Credit Limit** less any amounts outstanding as of the date of our reduction or cancellation on that Buyer.
 3. If a **Credit Limit** is canceled or reduced on a Buyer, to the extent you receive any amounts from such Buyer after cancellation or reduction and prior to date filing, you shall apply all such amounts to amounts owed by the Buyer in chronological order until all covered amounts have been paid in full until the Buyer or someone else says that the amounts are to be used differently, unless agreed or otherwise in writing by us.

V. CLAIM FILING AND LOSS PAYMENTS

A. Claims Claim

In order to be entitled to receive a loss payment under this Policy you must comply with all of the following claim filing requirements:

1. File all claims for loss against **Buyers** or a third party limited by us within the required claim filing period:
 - a) For claims due to a **Buyer Insolvency**, the earlier of ten (10) days after your learning, or being notified of, a **Buyer Insolvency** or the expiration of the required insolvency proof of claim filing period, but in no event to extend beyond the earlier of the **Maximum Claim Filing Period** or ninety (90) days after the date of the **Insolvency**.
 - b) For all other claims, no later than the **Maximum Claim Filing Period**.
2. Provide us with an itemized statement showing all transactions and terms of sale for the Buyer during an 180-day period as the earliest period included in the claim you are filing against the Buyer.
3. File with us the entire amount owed to you by the Buyer with us, even if this amount is greater than the **Credit Limit** provided by us or qualified by you under the **Discretionary Credit Limit** sub-section.
4. Provide us with proof that a covered loss has occurred:
 - a) For claims due to **Insolvency**, provide us with evidence of the **Insolvency**.
 - b) For claims due to **Prearranged Default**, provide us with an itemized statement evidencing the Buyer's prior due.
5. If a **Credit Limit** is cancelled on a Buyer, upon our written request and at our discretion, we may require you to file a claim for loss. Noncompliance with this request will result in the forfeiture of a

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- a) A final loss payment will be made within the earlier of sixty (60) days after the date of your final claim filing with us or sixty (60) days after the expiration of the **Maximum Claim Filing Period**.
 - b) However, if any invoice to a Buyer is a **Disputed Invoice**, no loss payment shall be due to you for that Buyer until such time as there are no **Disputed Invoices** or that Buyer.
3. To determine if a payment is due to you, we will deduct from the **Gross Invoice Value** the following:
- a) All amounts collected when the date of claim filing from the Buyer on account the unpaid obligation to otherwise, and all amounts obtained from any other source on account of the unpaid obligation.
 - b) The invoice price of merchandise returned to or reclaimed by you.
 - c) Any discounts or similar allowances to which the Buyer would be entitled at the time of loss payment; and
 - d) Any legally sustainable set-off that the Buyer may have against you.
- The resulting amount after the above deductions have been applied is the **Net Invoice Value**.
4. If the **Gross Invoice Value** exceeds the **Credit Limit** for that Buyer under this Policy, the above deductions in Section F.C. above will be made from the **Credit Limit** pro-rata based on the ratio between the amount covered by us under this Policy and the **Gross Invoice Value**, the resulting amount being the **Net Invoice Value**.
5. From the **Net Invoice Value** the following amounts will be subtracted in the following order as applicable:
- a) All amounts excluded under Section III or otherwise excluded under the terms of this Policy;
 - b) **Per Buyer Deductible** and/or any remaining **Policy Deductible**, whichever is applicable; and then
 - c) **Per Buyer Coinsurance**.
6. In the event a claim pertains to a Buyer approved for a **Credit Limit** under more than one Policy issued to you by us and where **Shipments** were made during more than one **Policy Period**, if there is coverage in force under both policies at the time of claim filing, the following rules shall apply:
- a) **Shipments** will be attributed to the **Credit Limit** and this Policy in force at the time they were **Dispatched**.
 - b) The maximum amount that we will allow on a covered claim against the Buyer under all Policies is as provided for in Section F.C.
 - c) The claim will only be subject to one **Per Buyer Deductible**. If a **Per Buyer Deductible** is applicable under more than one policy, then the largest **Per Buyer Deductible** shall apply and will be applied pro-rata according to the portion of the claim attributable to each policy.
 - d) The **Policy Deductible** in each policy will be applied to the portion of the claim attributable to that Policy.
7. Subject to an individual loss payment not exceeding the **Credit Limit** on a Buyer, and total loss payment under this Policy not exceeding the **Policy Amount**, we will pay the loss payment due you, less any amount you owe us under this Policy or otherwise.
8. In the event a loss payment is made to you for a claim (including any unpaid **Preclaims**) which we subsequently determine was not covered, for any reason, under this Policy, including without limitation any availability in the claim or Policy, you agree to reimburse us for all amounts paid by us with respect to such claim within ten (10) days of our written notice, such notice to include the reasons for our request for reimbursement.

D. Subrogation and Salvage

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loss payment against that Buyer. However, if we require you to file a claim under this paragraph, we will not charge you any collection fees on any amounts collected.

B. Claims Filing General Conditions

1. The amount of the claim filed against the Buyer must be greater than the **Non-Qualifying Loss** amount.
2. Upon filing a claim against a Buyer, the **Credit Limit** for that Buyer for any future **Shipments** will automatically terminate as of the date of your filing.
3. The date of your filing will be the earlier of the date postmarked by a recognized postal carrier or the date your claim filing is otherwise received by us. We will acknowledge receipt of any claim you file with us and provide you with an estimate of the coverage amount available for that claim, within thirty (30) days of receipt of your claim and all supporting documentation. This acknowledgment does not constitute our acceptance of a claim or accord under this Policy or guaranty that we will make a loss payment to you, as described in Section F.C.
4. You must at all times:
 - a) Promptly provide us with all supporting documentation that we may reasonably request;
 - b) In consultation with us, take all reasonable actions to collect the debts of the Buyer owed to you and take all reasonable actions required to establish the debts of the Buyer owed to you as legal debts;
 - c) If, on your request or after consultation with you and outside counsel, we determine that legal action is required to establish or defend the debts, or portions thereof, of the Buyer owed to you as legal debts, you must authorize such or other proceedings and pay court costs, suit filing fees and non-contingent attorney fees within thirty (30) days after our request to you;
 - d) Take all actions and sign all documents as we may reasonably request to allow us, at our option, to set directly to all matters and proceedings related to debts of the Buyer owed to you. If you do not comply with the above requirements we will deny your claim against a Buyer as withdrawn.
5. You may not make any agreement or accept any proposal from the Buyer that may affect our ability to collect the debts of that Buyer without our prior written consent, such consent not to be unreasonably withheld.
6. Where you file a claim with us against a Buyer, we have the right to:
 - a) On your behalf, place that Buyer for collection with an attorney or other third party and file suit against that Buyer; and
 - b) Enforce, accept, and deposit payments payable to you in our account.
7. If you withdraw a claim against a Buyer or if a claim is denied withdrawn as provided above, you may not re-submit those debts of that Buyer for a loss payment on this Policy unless we agree in such a submission in writing.

C. Loss Payment

1. Loss payments for claims filed will be payable within sixty (60) days after the date of loss as defined in Section E.C.
2. Loss payments will be made to you, less any amount you owe us, as follows:
 - a) We will pay you any loss payment amounts available over the sum of loss payment amounts available upon or exceed \$2,000.
 - b) When loss payment amounts available are less than \$2,000, you will be allowed to request up to three additional source loss payments. At least one loss payment will be made to you within sixty (60) days of your request.

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1. Once we pay a loss under this Policy, you will **Reassign** to us all of your rights, claims, guarantees, security, collateral and defenses against any person or entity with respect to such loss.
 2. You agree to sign all papers necessary for us to have such rights and agree to do nothing to prejudice such rights, whether before or after payment by us, and you agree to take all actions to assist us in collecting this loss.
 3. Once we make any loss payment(s) under this Policy, any credit you allow in any amounts received from the Buyer against whom you have filed claims or from any other source on the Buyer's behalf towards payment of the amounts owed to you, will be shared pro-rata based on our respective interests in the total undisputed amount filed with us, until we are fully reimbursed for the total loss payment and all related costs incurred by us. In determining our respective pro-rata interests, amounts retained by you through the **Per Buyer Deductible** and/or **Coinsurance** shall be included in the calculation, but amounts retained by you through the **Policy Deductible** shall be excluded from the calculation.
 4. You must pay the amounts described in Section F.D. above to us even if the Buyer or someone else says that they are to be used differently and even though you participated in the loss through any **Per Buyer or Policy Deductible** and/or **Per Buyer Coinsurance**.
8. Collection Fees
- We will assess collection fees on the amounts collected from any source subject to the following conditions:
1. For claims filed with us where there is not a **Personal Insolvency** and for which we collect amounts due, either in cash, returned merchandise, finance credits or other non-cash compensation, prior to making a loss payment to you;
 2. For the uncashed portion of claims filed with us where there is a **Personal Insolvency** and for which we collect amounts due, either in cash, returned merchandise, finance credits or other non-cash compensation, after making a loss payment to you;
 3. On the uncashed portion of all claims filed with us and for which we collect amounts due, either in cash, returned merchandise, finance credits or other non-cash compensation, after making a loss payment to you.

Rate:

1. The rate that will be charged on all amounts collected is 15%.
2. For collected amounts of \$300.00 or less, the collection charge is 50% of the amount collected.
3. Amounts collected by an attorney without suit:

For amounts forwarded to an attorney, subsequently collected without filing suit, fees are set by the attorney engaged; the minimum fee will be equal to 15% of the amount collected and received. In addition to basic fees, the Company charges a 1% fee for our collected amounts, subject to a maximum charge of \$25.00; and

4. Amounts collected by an attorney with suit:
 - a) For amounts forwarded to an attorney whose litigation is required, the following fees apply:
 - i) A flat dollar fee to cover court costs and suit filing. The fee amount is dependent upon the jurisdiction in which the suit is filed.
 - ii) Upfront non-contingent attorney retainer equal to 10% of the amount of the suit being filed.
 - c) A contingency fee on amounts actually collected and received after suit has commenced. These fees are set by the attorney engaged; the minimum fee will be equal to 15% of the amount collected and received.

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- d. A fee due to the Company on amounts actually collected and received after net has commenced, subject to a minimum charge of \$25.00.

E. Insured's Option to Handle Claims

You have the option of handling the collection, negotiation and litigation of claims filed under this Policy against **Buyers** when there is a **Final Insolvency**, subject to the following conditions:

1. You must notify us of your intention to exercise this option at the time you submit your claim form, otherwise we will handle the claim as per the provisions of this Policy.
2. You must provide us with all forms and information as required in Section F.A. and comply with all requirements and conditions in Section F.B. and take all reasonable steps to maximize recovery on the claim.

Once you exercise this option, you may not at a later date return the claim to us to handle, unless we agree in writing to accept the claim.

G. Defunct Claims

In the event that you receive a request to resume an alleged payment(s), as defined under the United States Bankruptcy Code, involving a **Buyer** covered by an insurance policy of the Company, to effect on the date of the Insolvency and provided that a policy has continuously been maintained by you through us, you may file, during a current Policy Period, a claim to be processed against this Policy in effect on the date of Insolvency, subject to the following provisions:

1. You must (a) immediately acknowledge receipt of the **Trustee** letter or other formal notice of alleged professional payment by Certified Mail (Return Receipt Requested); (b) advise the trustee to legal counsel for action; and (c) advise us immediately in writing of such action.
2. Your legal counsel must advise and permit with the **Trustee**, in a timely manner, all defenses allowed by the Bankruptcy Code and pursue any other legal remedies that may be applicable.
3. You must submit an affidavit sworn to and filed, as otherwise required, regarding the alleged professional payment(s) and secure our written approval of such action.
4. In the event that a judgment is rendered against you, other than due to a default by you, deriving the means of the alleged professional payment(s) or in the event your counsel recommends a negotiated settlement, with our written permission, payment may be made by you to the Bankruptcy Estate provided that the Court Order also prevents the filing of an amended Proof of Claim, unless otherwise agreed to by you with our consent.
5. If additional amounts are due you, you must file with us a Notification of Claims form along with supporting statements of account reflecting these **Settlement** and payment dates which are the subject of the professional action along with any information concerning the **Settlement** or payment with the **Buyer**.

In the event the foregoing provisions are satisfied, and provided you have not waived any subrogation rights due to without our consent, amount paid to the Bankruptcy Estate shall be considered a valid claim under this Policy as if filed on the date of the Insolvency and a loss payment, if any, shall be processed under the provisions of this Policy then in effect.

VI. PREMIUM

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at the first past due report to have included the **Buyer**. Failure to provide the past due report affects our ability to collect debt and may, therefore, jeopardize other coverage provided in the **Buyer** under this Policy.

- B. Submission of **Buyer** past due report does not constitute a claim filing as required in Section F. of this Policy.

X. GENERAL CONDITIONS

A. Examination of Books and Records

1. You will permit us, at any reasonable time, to examine and copy your books and records relating to any notice of Insolvency, any loss affidavit filed under this Policy, or any claims made either by you or by us on your behalf under this Policy, or any representation or agreement made by you in this Policy.
2. You agree to assist us in our examination, but no such examination will be an admission of liability by us or waiver by us of any of the terms or conditions of this Policy. We will not disclose to any third party the information provided to us or treatment by us except as required by law.

B. Assignment

You may not assign or transfer this Policy without our prior written consent, such consent not to be unreasonably withheld.

C. Notices

All notices, submissions and filings provided for in this Policy shall be in writing and directed to the individual identified as the contact person for the Insured at the address stated in the Declaration, or to us at 800 Red Bank Boulevard, Orange Mills, Maryland 21117. Any notice required under this Policy may be delivered by hand, mail, facsimile machine or electronic mail. The date of receipt of any notice will be the earlier of the date transmitted or the date the notice is otherwise received.

D. Action Against Us

You may not bring a suit or action against us on this Policy until you comply fully with the terms and conditions of this Policy. You must commence your suit or action no later than twelve (12) months after the expiration of the **Maximum Claims Filing Period**.

E. Applicable Law and Conflict with Existing Statutes or Laws

This Policy and any dispute, suit or action on this Policy will be governed and controlled according to the laws of the state or Canadian province or territory, stated in the Declaration at your address. Any provision of this Policy which is in conflict with the statutes or laws of the state or Canadian province or territory, stated in the Declaration at your address is hereby amended to conform to the minimum requirements of such statutes or laws.

F. Policy Authentication

This Policy will be binding on us only if both this Policy and the Declaration are signed by the President and the Secretary of the Company, each by either original signature or facsimile signature, and signed by an authorized Underwriting Officer or Assistant Underwriting Officer of the Company by original signature. No notice in or writing known by any Agent or other person will constitute a waiver of any provision of this Policy. No Agent is authorized to change this Policy or to waive any of its provisions, either verbally or in writing. All changes to this Policy must be in writing and signed by the President and the Secretary of the Company, each by either original signature or facsimile signature.

G. Policy Assignment

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- A. In return for the **Premium** and your compliance with the provisions of this Policy, we will provide you insurance against covered credit losses described in this Policy, subject to the terms and conditions stated herein.

- B. Within thirty (30) days after the end of the Policy Period, you will report to us, and provide us with appropriate supporting documentation, your total sales of **Covered Products** in covered **Buyers** less returns, allowances and cash sales during the Policy Period. If your reported sales are greater than the **Estimated Sales**, you will pay us additional **Premium** in an amount equal to the difference between your actual sales and the **Estimated Sales** multiplied by the **Premium Factor**. If your reported sales are less than the **Estimated Sales**, we will credit your renewal Policy with an amount equal to the difference between your actual sales and the **Estimated Sales** multiplied by the **Premium Factor**. This credit shall not exceed 10% of the unearned **Premium** of Policy inception.

- C. We may cancel this Policy upon fifteen (15) days prior written notice of cancellation sent by mail or otherwise delivered to you if any **Premium** owed is more than thirty (30) days past due.
- D. If you are otherwise entitled to receive a loss payment, but one or more installments of **Premium** are not yet due and paid, all **Premium** under this Policy will be deemed fully earned.

VII. POLICY CURRENCY AND CURRENCY CONVERSION

- A. **Policy Currency**, stated on the Declaration, is used for **Premium**, **Credit Limits** and loss payments.
- B. You may denominate your services in either U.S. or Canadian dollars. In the event of a loss, claim amounts not denominated in the **Policy Currency** will be converted at the exchange rate quoted in The Wall Street Journal, "Currency Trading - Exchange Rates" in effect on either (i) the last working day of the month in which the shipment was shipped (calculated as the weighted average exchange rate for that entire month) or to you by the **Buyer** (not with us), or (ii) the date of the loss payment, as applicable.
- C. Any **Savings** received will be converted into the **Policy Currency** at the exchange rate quoted in The Wall Street Journal, "Currency Trading - Exchange Rates" in effect on the date of finalization.

VIII. CHANGE OF PAYMENT TERMS

Without written permission from us, you may not extend the original due date beyond the **Maximum Extension Period** or, after **Covered Products** are **Dispatched**, unilaterally change the terms of payment for a sale to a **Buyer**. Failure to obtain prior written permission may result in denial of all claims submitted by you against the **Buyer**.

IX. BUYER PAST DUE REPORTING

- A. You are required to report to us monthly, in a format acceptable to us, on any covered **Buyer** account where the age of the oldest report invoice, as determined from the number of days that have elapsed from the original or, if applicable, extended due date of the invoice, is greater than the **Past Due Reporting Days** and the total amount past due from that **Buyer** is more than the **Past Due Reporting Amount** as shown in the Declaration.
- B. **Buyer** past due reports are to be delivered to us no later than 15 days after the end of the calendar month. If no **Buyer** are past due from the monthly report submitted must indicate that no **Buyers** are past due.
- C. Any past due **Buyer** must be included in each monthly past due report until a claim is filed against the **Buyer** or the obligation is collected.
- D. Failure to provide us with a complete and accurate past due report within the timeframe required results in coverage being automatically terminated on all **Shipments** made to the past due **Buyer** after the due date.

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This Policy, including the Declaration, will be considered to have been issued upon mutually agreed upon terms once you pay the initial renewal **Premium**.

XI. DEFINITIONS

1. **Affiliate** means a **Buyer** which is either more than 50% owned by a common entity which also owns or controls the Insured, or where a common entity controls the day-to-day operations of both the Insured and the **Buyer**.
2. **Buyer** means a legal entity and its branch offices, trade or divisions, if any, which is domiciled in the United States (including Puerto Rico) or Canada and is approved for coverage under this Policy. **Buyer** does not include individuals or affiliated organizations which are separate legal entities.
3. **Credit Limit** means the maximum amount of coverage we will allow for each **Buyer** under this Policy. Each **Buyer** has its own **Credit Limit** which is either assigned by us or qualified by the Insured under the **Discretionary Credit Limit**.
4. **Covered Products** means the products and/or services, including associated labor and service costs, described on the Declaration.
5. Declaration means the Policy Declaration attached to and made a part of this Policy.
6. Delivery to the **Buyer** means the point in time when legal title to and the risk of loss of the **Covered Products** is transferred to the **Buyer** and the **Covered Products** have left your custody and physical control.
7. **Discretionary Credit Limit** means the **Credit Limit(s)** shown in the Underwriting on this Policy which can be qualified on a **Buyer** by the Insured without submitting the Insured to the Company for a specific **Credit Limit**.
8. **Dispatched** to the **Buyer** means the point in time when **Covered Products** leave the Insured's control.
9. **Disputed Invoice** means an invoice that a **Buyer** has objected to paying within its whole or in part that has not been resolved to a final and enforceable judgment. Final judgments must be obtained in a jurisdiction in which the **Buyer** has assets. In addition, an invoice that is subject to the assertion of an offset or counterclaim is also a **Disputed Invoice**.
10. **Estimated Sales** means the amount shown on the Declaration which is used to determine the **Premium** for this Policy.
11. **Final Insolvency** means final Insolvency events as defined in Section II.D.A.(1), and K.
12. **Gross Invoice Value** means all invoice amounts due the **Shipments** of **Covered Products**, including any freight, or other charges incurred by the Insured on the **Buyer's** behalf which are in support of, or in connection with, the sale of **Covered Products** and which amounts the **Buyer** is legally obligated to pay. **Gross Invoice Value**, however, excludes any finance and interest charges, and any tax or duty shown on the invoice which is recoverable from the state, province or country of the Insured.
13. **Insolvency Event** - For the purposes of this Policy occurs, for either a **Buyer** or an Insured ("an entity"), at the end on date on which any one of the following events occurs:
 - A. A voluntary or involuntary petition for relief under Title 11 (including Chapters 7, 11 and 13) of the United States Bankruptcy Code is filed by or against an entity.
 - A receiver is appointed for all or any part of the property of an entity;
 - C. An entity, or a third party on behalf of an entity, makes a general offer of compromise, in writing, to all of its creditors for less than its indebtedness;
 - D. Possession is taken of an entity's assets under an Assignment or Trust of Trust executed by the entity for the benefit of its creditors;
 - E. A creditor's committee is formed for the sole purpose of liquidation.

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F. Proceeds in favor of an entity's business assets under a direct mortgage;

G. An entity's assets are sold under a writ of execution or attachment, or a writ of execution is returned unsatisfied;

H. An entity files an Assignment and/or makes a Deposit to creditors, under the Canadian Bankruptcy and Insolvency Act;

I. A voluntary or involuntary petition for relief under the Companies Creditors Arrangement Act in Canada is filed by or against an entity;

J. A Receiving Order is made against an entity under the Canadian Bankruptcy and Insolvency Act; or

K. An entity's assets are sold under the Canadian Bank Act; or a judgment enforcing liquidation, or repossession of an entity's assets due to a trust deed, commercial pledge or mortgage hypothecation under the laws of each province or territory in Canada.

14. **Maximum Claim Filing Period** is the latest date set forth in the Endorsement issued to this Policy, by which the Insured may file a claim against a Buyer under this Policy.

15. **Maximum Extension Period** means the maximum amount of time, as stated in the Endorsement issued to this Policy, up to which the Insured may extend the due date for a claim to a Buyer without our prior written approval.

16. **Maximum Terms of Sale** means the number of days shown on the Declaration up to which the Insured is permitted to sell to its Buyers without obtaining the Company's written approval.

17. **Net Invoice Value** means the Gross Invoice Value less applicable discounts described in Section F, C.

18. **Non-Qualifying Loss** means the maximum amount, as shown on the Declaration, for which a claim against a Buyer can be filed.

19. **Post Due Reporting Amount**, as stated on the Declaration, is the dollar threshold amount for reporting post due Reports.

20. **Post Due Reporting Days**, as stated on the Declaration, is the delinquency threshold for reporting post due Reports.

21. **Per Buyer Collateral**, as stated on the Declaration or in an Endorsement to this Policy, is the percentage amount of a covered loss retained by the Insured. The Per Buyer Collateral is applied against the smaller of the Credit Limit on the Buyer or the total amount owed by the Buyer to the Insured.

22. **Per Buyer Deductible**, as stated on the Declaration or in an Endorsement to this Policy, is the amount of a covered loss retained by the Insured. This amount is deducted from the adjusted Net Invoice Value prior to the Per Buyer Collateral when calculating a loss payment due to the Insured.

23. **Policy Amount**, as stated on the Declaration, is the maximum total amount which we will pay to you under this Policy.

24. **Policy Currency**, as stated on the Declaration, is the currency used to denominate all Buyer Credit Limits, Premiums, loss payments and Salvages.

25. **Policy Deductible**, as stated on the Declaration, is the amount the Insured must retain as an aggregate first loss for the Insured's own account. When calculating a loss payment due to the Insured, any remaining Policy Deductible amount is deducted from the adjusted Net Invoice Value before deducting the Per Buyer Collateral.

26. **Policy Period**, as stated on the Declaration, is the period of time during which Shipments of Covered Products can be Dispatched to covered Buyers in order to be covered under this Policy.

27. **Premium** is the total amount due to the Company from the Insured for the coverage provided under this Policy as shown on the Declaration.

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28. **Premium Factor**, as stated on the Declaration, is the percentage used to calculate the Premium.

29. **Provisional Default** means a covered payment default by a Buyer that is not final.

30. **Renewal Policy** means a Policy we issue to you which provides continuous coverage for another Policy Period in exchange for your payment of Premium. The terms of any Renewal Policy may be different from the terms in this Policy.

31. **Salvage** means certain material, set of collection fees and related expenses, with respect to a claim under this Policy after a loss payment has been made to the Insured.

32. **Shipments from Covered Products** which are Dispatched by the Insured and Delivered to a Buyer.

33. **Subsidiary** means a Buyer which is either more than 20% owned by the Insured or to which the Insured exercises day-to-day operations or which has effective management control of the Buyer.

34. **Subrogation** means the assumption by the Company of all the Insured's legal rights to collect a debt.

IN WITNESS WHEREOF, Euler Hermes North America Insurance Company has caused this Policy to be signed by the signature or facsimile signature of its authorized Officer at Calage Mills, Maryland.

AUTHENTICATED:


John Kelly
Vice President - Revenue


James Daly
President & CEO


Eric Giesler
Senior Vice President & Secretary

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2. Defeating the Indictment Claims

The government's strategy is "charge stacking" - throwing a wall of counts at a jury to see what sticks. But when you look at the specific counts, the evidence destroys them:

REBUTTING COUNT 82: The feds claim LaForte "represented or caused others to represent" that funds were insured to deceive investors.

The Fact: Anthony Bernardo, the insurance broker with 30 years of experience, signed a sworn declaration on April 21, 2021. He stated clearly: "I never met Joseph LaForte, nor did I ever have any conversations with him regarding the Euler Hermes policy." You cannot have "intent" to defraud a broker you have never even met.

EXHIBIT: DECLARATION OF INSURANCE BROKER, ANTHONY BERNARDO

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

-----X
SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

CASE NO. 20-CV-81205-RAR

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

Defendants.
-----X

DECLARATION OF ANTHONY BERNATO

1. Pursuant to 28 U.S.C. Section 1746, the undersigned states as follows:
2. My name is Anthony Bernato. 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 have been a licensed insurance broker and consultant for over 30 years. I am licensed in the states of New York, Pennsylvania, and Florida. The name and address of my company is Insurzoom.com Brokerage, Inc., 140 Broadway, 46th Floor, New York, NY 10005.
4. I submit this declaration at the request of counsel for the defendants in the above-captioned-matter. I have not received any compensation or the promise of any compensation in exchange for this declaration.
5. I have read the Securities and Exchange Commission's claim in its lawsuit that Par Funding and/or its agents falsely told investors that it had insurance to back up investor funds in the event of a default by a merchant. (Comp. ¶ 205-206)
6. In fact, I know Par Funding's assertions about its insurance coverage to be true since I was the insurance broker for Par Funding who secured insurance for the company in the event of a merchant default.
7. Sometime in 2018, after speaking with someone in the Merchant Cash Advance business

("MCA"), I concluded that there was a need for insurance in this area in the event that a merchant defaulted on his obligation to the MCA. Based on my experience, I was already aware that various insurance companies, such as Chubb and Euler Hermes, already offered insurance to their factoring clients. Euler Hermes is an \$800 billion global credit default insurance company that had previously expressed an appetite for aggressive factoring. Given my previous dealings with Euler, I approached them with my idea.

8. Euler expressed clear interest in the area and suggested that I start small with a \$5 million policy. I began to market the insurance on my website sometime in August or September of 2018. Daily, I began calling every CEO of every MCA. Not long thereafter, I was in contact with Anthony Zingarelli of Par Funding who asked if Par Funding's advances could be insured. I recall a meeting in Philadelphia at Par Funding's offices which was attended by about 20 MCA executives, including Mr. Zingarelli. There I was introduced to Joseph Cole. I have never previously heard the name Joe or Joseph LaForte, Joe Mack, or Joe Macki. My dealings were always with Mr. Zingarelli.
9. At his request, I provided Mr. Zingarelli with a sample policy to review. Thereafter, Mr. Zingarelli provided me with a list of the transactions he wanted insured. I took the list and entered the information into the carrier's portal and forwarded the list to Euler Hermes to conduct its own internal due diligence review. After Euler's underwriting was satisfied, (Par Funding conducted its own review), Euler extended coverage to the advances it decided met its criteria. Euler's insurance also covered pre-existing advances so long as the merchant remained credit worthy.
10. The insurance coverage protected Par Funding in the event of a merchant default, but the coverage did not extend to the merchant because such coverage would create an inherent conflict of interest giving the merchant an incentive to default.
11. Euler eventually extended coverage to Par Funding in the amount of \$100 million and intended it to go as high as \$150 million.
12. However, everything fell apart after Euler reneged and unjustifiably refused to pay Par Funding's first claim. Euler's explanations never made any sense to me. This was the first time in my career that a policy was sold, the premium was paid by the client, accepted by Euler, and then simply reneged on.

REBUTTING COUNT 83: The feds claim LaForte "did not correct prior representations" after learning the insurance was ineffectual.

The Fact: Par Funding was a real corporation. Anthony Zingarelli, the Project Manager, oversaw the insurance relationship and worked directly with the Compliance Division and Lawyers. Joseph LaForte was running the day-to-day Merchant Funding operations, managing 70+

employees. He relied on his legal and compliance teams to manage these specialized issues.

REBUTTING COUNT 84: The feds claim LaForte "distributed misleading marketing brochures."

The Fact: Par Funding paid \$2.3 million for that insurance. It was not "misleading" to say they had insurance—they actually had it! When they realized Euler Hermes was acting like a deadbeat, they did the right thing: they closed the insurance fund.

3. The Nine-Month Silence: Why No Investigation?

The SEC brought their case in July 2020. Yet, as of April 2021—nine months later—they still had not called the main character in the insurance story, Anthony Bernardo.

How can you charge a man with insurance fraud without even calling the broker who put the deal together? The answer is simple: They did not want the truth. They wanted to crush the company, fire the employees, and freeze the assets first—and ask questions never. It is insane that they destroyed a thriving business before talking to the primary witness.

4. The Victimless "Crime"

The government leaves out one especially important fact: The investors in those insured funds were paid back in full. Par Funding notes were for 12-month terms. Even though Euler Hermes refused to pay a cent on the claims, Par Funding ensured those investors were made whole.

The Bottom Line: If the premiums were paid to a global giant, the CEO wasn't involved in the negotiations, and the investors got all their money back... where is the crime? The feds are simply "running the table" to manipulate a jury and take down a successful American businessman.