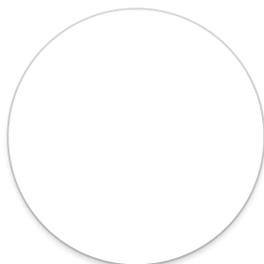




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Lisa McElhone



Lisa McElhone

ParFunding

CEO and President at ParFunding

United States · 0 connections

Join to Connect

Experience

CEO and President

ParFunding

Jan 2012 – Present · 8 years 7 months

Greater Philadelphia Area

View Lisa's full profile

See who you know in common

Get introduced

Contact Lisa directly

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Lisa McElhone



Assistant to The Director of Par Funding
Greater Philadelphia Area



Carla Facciolo
Iso Manager
Greater New York City Area



Rick Slifka
Founder, President & CEO of Exec-Links LLC
Allentown, Pennsylvania Area



Christy Adkins
Vice President of Finance and Engineering Solutions at StaffingForce 209-370-4129
Orange County, California Area



Joseph Scavetti
President at Ticket Guru LLC Helping Provide Music Lovers, Sporting Fanatics And Every Event Attendee In Between Get Great Deals On Great Seats With No Fees
Greater Philadelphia Area



John DiTullio
We say YES when the banks say NO
West Palm Beach, Florida Area



J D Ellis
Sales Executive at Par Funding
Greater Philadelphia Area

Wendy Furman
Contract Manager at Par Funding
Greater Philadelphia Area

Brendan McCall
Branch Manager at Par Funding
Greater Philadelphia Area

Alexis Houser
Assistant to the President/ Administrator of Insurance a
Greater Philadelphia Area

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Lisa McElhone

Lisa McElhone

Founder at Lacquer Lounge
Greater New York City Area

Lisa McElhone

Owner at Wireless Maximum Construction
Greater Philadelphia Area

Lisa Mcelhone

Independent Financial Services Professional
Greater Philadelphia Area

3 others named Lisa McElhone are on LinkedIn

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Lisa's public profile badge

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Lisa McElhone

CEO and President at ParFunding

CEO and President at ParFunding

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Lisa McElhone

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DECLARATION OF MELISSA DAVIS

Pursuant to 28 U.S.C. Section 1746, the undersigned states as follows:

1. My name is Melissa Davis. I am over twenty-one years of age and have personal knowledge of the matters set forth herein.

2. I am Partner at KapilaMukamal, LLP (“KM”), a forensic and insolvency advisory CPA firm. I am a Certified Public Accountant, Certified Insolvency Restructuring Advisor and a Certified Fraud Examiner and a practitioner addressing forensic accounting issues for more than 15 years.

3. KM was retained by the Securities and Exchange Commission (“the Commission”), which asked me to review the following financial materials for purposes of issuing this Declaration:

- a. Bank records, signature cards and accounting opening documents for Complete Business Solutions Group d/b/a Par Funding “Par Funding” (“Par Funding or CBSG”) bank accounts (“Par Funding Accounts”) listed in **Table 1**:

<u>Table 1 - Par Funding Accounts</u>		
Bank Name	Account Number	Date Range Analyzed
The Bancorp Bank	6442	August 14, 2014 - November 30, 2019
The Bancorp Bank	6468	August 14, 2014 - November 30, 2019
TD Bank	9782	January 1, 2016 - February 29, 2020
TD Bank	9790	January 1, 2016 - February 29, 2020
TD Bank	9807	January 1, 2016 - February 29, 2020
Republic Bank	4126	February 18, 2016 - February 28, 2019
Republic Bank	4169	February 18, 2016 - February 28, 2019
TD Bank	9496	June 21, 2019 - February 29, 2020
TD Bank	6895	October 4, 2019 - February 12, 2020
Glacier Bank	2091	December 4, 2019 - March 1, 2020
Glacier Bank	3352	February 13, 2020 - May 29, 2020
JP Morgan Chase	9100	February 29, 2020 - June 30, 2020
JP Morgan Chase	9118	February 29, 2020 - June 30, 2020
JP Morgan Chase	9126	February 29, 2020 - June 30, 2020

- b. Bank Records for Fidelis Financial Planning, LLC (“Fidelis”) for the period July 2015 to June 2020 (“Fidelis Accounts”) listed in **Table 2**:

<u>Table 2 - Fidelis Accounts</u>		
Bank Name	Account Number	Date Range Analyzed
Wells Fargo	2432	April 23, 2019 - November 29, 2019
Synovus	9934	May 1, 2020 - June 30, 2020

- c. Par Funding investor Promissory Notes and Security Agreements, and
- d. CamaPlan Self Directed IRA ("CamaPlan") transaction schedules.

4. The information contained in paragraphs 5 to 20 are based on my review and analysis of the documents identified in paragraph 3.

5. The signature cards and account opening documents for the Par Funding bank accounts identified in **Table 1** above reflect that Lisa McElhone is an authorized signatory on each Par Funding bank account.

6. From July 2015 until June 2020, the Par Funding Accounts show a total of \$119,836,389 in incoming funds from individuals or IRA self-directed accounts who have executed security agreements or promissory note with CBSG.

7. From July 2015 until June 2020, the Par Funding Accounts show a total of \$4,678,425 in incoming funds from individuals or IRA self-directed accounts or entities who have similar names as the investors referred to in ¶6 or, the activity appears to be investor activity.

8. Collectively these incoming funds, totaling \$124,514,814, are referred to in this Declaration as "Investor Funds". The Investor Funds were commingled in the Par Funding Accounts with funds from other sources including the Par Funding business operations. I determined the following as it relates to the Investor Funds:

- a. \$92,460,225 of these Investor Funds were received by Par Funding between July 2015 and December 2017.
- b. \$32,054,589 of these Investor Funds were received by Par Funding between January 2018 and June 2020.
- c. \$15,374,950 of these Investor Funds were received by Par Funding from CamaPlan accounts between July 2015 and June 2020.

9. The Commission identified certain entities that are referred to as Agent Funds. I determined that there were incoming funds in the form of wire transfers and deposits to the Par Funding Accounts from the Agent Funds totaling \$367,884,080 during the period July 2015 to June 2020 and there were incoming funds in the form of wire transfers and deposits to the Par Funding Accounts from the Agent Funds totaling \$357,104,247 during the period from January 2018 to June 2020.

10. The total incoming Investor Funds and Agent Funds Par Funding received during the period July 2015 to June 2020 totals \$492,398,894.

11. The Par Funding bank accounts reflect the following information with respect to the entities wiring or otherwise sending funds to Par Funding beginning in January 2018:

Table 3

Time Period	Entity Name	Total Amount Entity Transferred to Par Funding Accounts
February 2018 – July 2019	ABFP Income Fund ¹	\$25,487,690
August 2018 – November 2019	ABFP Income Fund 2	\$13,252,600
May 2018 – December 2019	Fidelis Financial Planning	\$11,603,000
April 2019 – January 2020	Retirement Evolution Group	\$6,500,000
June 2018 – July 2019	Retirement Evolution Income Fund	\$1,825,000

12. Between July 2015 and October 2019, Par Funding transferred approximately \$11.3 million to McElhone directly from Par Funding Accounts containing commingled Investor Funds.

13. Between July 2019 and October 2019, Par Funding transferred approximately \$1.8 million to ALB Management from Par Funding Accounts containing commingled Investor Funds.

14. Between July 2016 and April 2019, Par Funding transferred approximately \$4.9 million to Beta Abigail from Par Funding Accounts containing commingled Investor Funds.

15. Between February 2017 and November 2019, Par Funding transferred approximately \$9.5 million to New Field Ventures, LLC from Par Funding Accounts containing commingled Investor Funds.

¹ This amount includes all incoming funds with the payor description “ABFP Income Fund, LLC” in the transaction support. There are additional incoming funds where the transaction support payor name is “ABFP Income Fund”. Since there are multiple entities that begin with the name “ABFP Income Fund” I did not include those amounts which total \$16,547,000 within **Table 3**.

16. Between July 2018 and September 2018, Par Funding transferred about \$14.3 million to the LME 2017 Family Trust from Par Funding Accounts containing commingled Investor Funds.

17. The Par Funding Accounts reflect the following information with respect to money Par Funding transferred to the entities set forth below:

Table 4

Time Period	Entity Name	Total Amount Transferred From Par Funding Accounts
August 2016 – January 2018	Abetterfinancialplan.com	\$1,914,045
February 2019 – October 2019	ABFP Income Fund	\$12,735,528
February 2019 – November 2019	ABFP Income Fund 2	\$6,537,788
June 2018 – May 2020	Fidelis Financial Planning	\$4,675,066
July 2018 – December 2019	Retirement Evolution Income Fund	\$2,099,583

18. The Par Funding Accounts reflect that from July 2015 to June 2020 Par Funding paid \$5,909,322 to law firms.

19. As of May 29, 2020, the balance in the Par Funding Glacier Bank account was \$6,763,578.² As of June 30, 2020 the balance in the Par Funding JP Morgan Chase accounts total \$82,319 after transfers labeled “Par Fund Pref” totaling \$20,865,953 were made out of the JP Morgan accounts during the month of June 2020.

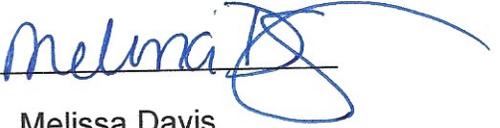
20. Based on my review of the Fidelis Bank Account records identified in **Table 2**, I determined that Fidelis received \$8,726,200 from parties who appear to be investors during the period April 2018 through June 2020.

21. I reserve the opportunity to revise this Declaration based on additional information that may become available.

² The June 2020 bank statement for Glacier Bank account was not available as of the date of this Declaration.

I declare under penalty of perjury that the foregoing is true, correct, and made in good faith.

Executed on this 23rd day of July 2020.

A handwritten signature in blue ink, appearing to read "Melissa Davis", with a large, stylized flourish extending from the end of the signature.

Melissa Davis

Certified to be a true and correct copy of the original

Rebecca Maria

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STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
BEFORE THE DIRECTOR OF THE DEPARTMENT
OF CONSUMER AND BUSINESS SERVICES

In the Matter of:
Marak Industries, Inc., and
Lisa McElhone,
Respondents.

M-12-0057

Final Order to Cease and Desist and
Consent To Entry Of Order as to
Respondent Lisa McElhone Only

On August 1, 2012, the Director of the Department of Consumer and Business Services for the State of Oregon ("Director") acting pursuant to the authority contained in Oregon Revised Statutes ("ORS") 86A.100 et. seq. and Oregon Administrative Rules ("OAR") 441-850-0005 through 441-885-0010 (collectively "Oregon Mortgage Lender Laws and Rules") and ORS 697.602 through 697.842 and OAR 441-910-0000 through 441-910-0120 (collectively "Oregon Debt Management Service Provider Laws and Rules"), issued Administrative Order No. M-12-0057 Order to Cease and Desist, Proposed Order Assessing Civil Penalty and Notice of Right to a Hearing ("Notice Order") against Marak Industries, Inc. (Marak) and Lisa McElhone (McElhone).

On August 6, 2012, Michael Rabel, President of Marak, was properly served the Notice Order by certified U.S. Mail at 100 Ross Street Ste. 502, Pittsburgh, PA 15219. No hearing was requested by Marak and the time to do so has expired.

//
//

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 On August 31, 2012, Lisa McElhone was properly served the Notice Order by
2 certified U.S. Mail at 2646 S Sartain St, Philadelphia, PA 19148. On September 10,
3 2012, McElhone timely filed a response and request for hearing.

4 WHEREAS Lisa McElhone, neither admits or denies the allegations in the
5 Notice Order but wishes to resolve and settle this matter with the Director.

6 Now therefore, after consideration of the file in this matter maintained by the
7 Oregon Department of Consumer and Business Services, and in consideration of
8 McElhone’s desire to settle this matter without a hearing, the Director hereby issues the
9 following Findings of Fact, Conclusions of Law, and Final Order.

10 **FINDINGS OF FACT**

11 The Director finds that:

12 1. Based on a search of the Pennsylvania Department of State
13 (“Pennsylvania DOS”) website on January 14, 2013, Marak Industries, Inc. (“Marak”) is
14 a domestic corporation (Entity No. 3862357), that first filed with the Pennsylvania DOS
15 on February 12, 2009, and is currently active.

16 2. Based on a search of the Oregon Secretary of State (“Oregon SOS”)
17 Corporations’ Division website on January 14, 2013, Marak is not as of the date of this
18 search and has not previously been registered as a domestic or foreign entity with the
19 Oregon SOS.

20 3. As of January 14, 2013, Marak is not currently and has not previously been
21 licensed with the Oregon Division of Finance and Corporate Securities (“Division”) to
22 conduct business as a “mortgage broker”, as that term is defined in ORS
23 86A.100(5)(a)(C), in Oregon.

24 4. As of January 15, 2013, Marak is not currently and has not previously been
25 registered with the Division to provide “debt management services”, as that term is
26 defined in ORS 697.602(2)(c), in Oregon. At all times relevant to the JT transaction as

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Telephone: (503) 378-4387



1 described below, Lisa McElhone ("McElhone") was employed by Marak at its office
2 located at 131 N. 4th Street, Philadelphia, PA 19106.

3 5. As of January 15, 2013, McElhone is not currently and has not previously
4 been registered with the Division to provide "debt management services", as that term
5 is defined in ORS 697.602(2)(c), in Oregon.

6 6. McElhone has never been licensed as an attorney in the State of Oregon.

7 7. On or about January 7, 2011, Marak entered into an agreement with JT
8 ("JT Agreement") whereby Marak, in exchange for an advance fee of \$1,800, agreed to
9 provide JT loan modification services on a mortgage loan on residential real property
10 located in Oregon.

11 8. JT paid at least \$1,800 pursuant to the JT Agreement: \$600 on January
12 20, 2011 (Personal Money Order No. 254497) payable to Marak Industries, Inc.; \$600
13 on February 23, 2011 (Personal Money Order No. 275305) payable to Marak
14 Industries, Inc.; and \$600 on April 13, 2011 (Personal Money Order No. 275351)
15 payable to Marak Industries, Inc.

16 9. While employed by Marak, McElhone cashed the personal money orders
17 referenced in Paragraph 8 above at a Philadelphia, Pennsylvania check cashing store.

18 10. As a means of settling this matter without the necessity of a hearing,
19 McElhone paid JT the sum of \$1,800.00 by January 25, 2013.

20 **CONCLUSIONS OF LAW**

21 The Director CONCLUDES that:

22 11. McElhone performed "debt management services", as that term is
23 defined in ORS 697.602(2)(c), when she received money on behalf of Marak from
24 Oregon consumer JT in exchange for offering to modify terms and conditions of an
25 existing loan or obligation.

26 //

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1 12. McElhone violated ORS 697.612(1)(a) when she performed "debt
2 management services", as described in paragraph 15 above, without first registering as
3 debt management service providers with the Division.

4 **ORDER**

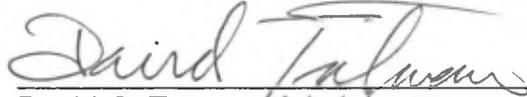
5 NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDER:

6 The Director, pursuant to ORS 86A.127, ORS 86A.224, and ORS 697.825,
7 hereby orders Lisa McElhone, and any and all entities owned or controlled by Lisa
8 McElhone to cease and desist from violating the Oregon Mortgage Lender Law and
9 the Oregon statutes regulating debt management service providers.

10 While the entry of this Order in no way further limits remedies that may be
11 available to the Director under Oregon law, upon the full execution of this Order, this
12 particular matter as between the Division and McElhone is fully and finally settled.

13 Dated this 10th day of October, 2013 at Salem,
14 Oregon.

15
16 Patrick M. Allen, Director
17 Department of Consumer and Business Services

18 
19 David C. Tatman, Administrator
20 Division of Finance and Corporate Securities

21 **CONSENT TO ENTRY OF ORDER**

22 I, LISA MCELHONE, state that I have read the foregoing order, and I know and
23 fully understand the contents hereof. I have been advised of the right to a hearing and
24 of the right to be represented by counsel in this matter, and I desire to resolve and
25 settle this matter with the Director. I voluntarily, without any force or duress, consent to
26 the entry of this order, expressly waiving any right to a hearing in this matter. I

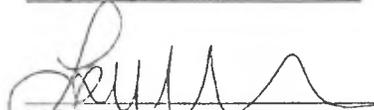
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Salem, OR 97301-3881
Telephone: (503) 378-4387



1 understand that the Director reserves the right to take further actions to enforce this
2 order or to take appropriate action upon discovery of other violations of the Oregon
3 Mortgage Lender Law and the Oregon statutes regulating debt management service
4 providers, and I will fully comply with the terms and conditions stated herein.

5 I understand that this consent order is a public document.

6 Dated this 3rd day of October, 2013.

7
8 
9 LISA MCELHONE

10
11 **NOTARY ACKNOWLEDGMENT**

12 State of Pennsylvania)
13)ss.
14 County of Philadelphia)

15 This instrument was acknowledged before me on Oct. 4, 2013 by Lisa McElhone.

16
17

NOTARIAL SEAL JAY MUCHNICK Notary Public PHILADELPHIA CITY, PHILADELPHIA CNTY My Commission Expires Nov 9, 2015

18 
19 Notary Public – State of Pennsylvania

20 **NOTICE:** Pursuant to ORS 183.482, you are entitled to judicial review of this order.
21 Judicial review may be obtained by filing a petition with the Court of Appeals in Salem,
22 Oregon within 60 days from the service of this order.
23

24
25
26
Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97330-3881
Telephone: (503) 378-1387



Joseph LaForte

Page 1

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

- - -

FLEETWOOD SERVICES,	:	CIVIL ACTION
LLC, ROBERT L.	:	
FLEETWOOD, and	:	
PAMELA A. FLEETWOOD,	:	
Individually and on	:	
behalf of all others	:	NO. 18-CV-00268
similarly situated,	:	(JS)
Plaintiffs	:	
	:	
vs.	:	
	:	
COMPLETE BUSINESS	:	
SOLUTIONS GROUP,	:	
INC. D/B/A Par	:	
Funding; JOHN AND	:	
JANE DOES,	:	
Defendant.	:	

- - -

Oral Deposition of JOSEPH
LaFORTE, taken pursuant to notice, held at
WHITE AND WILLIAMS, LLP, 1800 One Liberty
Place, 1650 Market Street, Philadelphia,
Pennsylvania 19102, on December 5, 2019,
beginning at 10:00 a.m., before Kathleen
Jastrzembski, Court Reporter-Notary Public,
there being present.

- - -

Joseph LaForte

Page 2

1 APPEARANCES:

2

3

WHITE AND WILLIAMS, LLP
BY: JUSTIN PROPER, ESQUIRE
SHANE HESKIN, ESQUIRE
1800 One Liberty Place
1650 Market Street
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Phone: 215-864-7142
Representing the Defendant

4

5

6

7

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FOX ROTHSCHILD, LLP
BY: BRETT BERMAN, ESQUIRE
2000 Market Street
Floor 20th Floor
Phone: 215-299-2842
Bberman@foxrothschild.com
Representing the Defendant

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Joseph LaForte

1 I N D E X

- - -

2 Witness

3 Joseph LaForte

4 EXAMINATION BY: PAGE

5 Mr. Proper 5

6

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Joseph LaForte

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Joseph LaForte

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1 - - -

2 THE COURT REPORTER: Usual
3 stipulations?

4 ALL COUNSEL: Yes.

5 - - -

6 (It is hereby stipulated and
7 agreed by and between counsel for
8 respective parties that reading, signing,
9 sealing, certification and filing are
10 waived and that all objections, except as
11 to the form of questions, be reserved until
12 the time of trial.)

13 - - -

14 JOSEPH LaFORTE, after having been
15 first duly sworn, was examined and
16 testified as follows:

17 - - -

18 EXAMINATION

19 - - -

20 BY MR. PROPER:

21 Q. Good morning, Mr. LaForte, how
22 are you?

23 A. Pretty good.

24 Q. Good. My name is Justin Proper.

Joseph LaForte

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1 I'm an attorney from the Law Firm of White
2 and Williams, you're currently at our
3 offices. I represent the plaintiffs in a
4 lawsuit that's been commenced against CBSG,
5 Complete Business Solutions Group,
6 Incorporated doing business as PAR Funding,
7 and John and Jane Does, investors of CBSG.

8 Are you aware of this lawsuit?

9 A. Yeah.

10 Q. Where are you currently employed?

11 A. I work for a consulting company
12 called Recruiting and Marketing Resources.

13 Q. How long have been you worked at
14 Recruiting and Marketing Resources?

15 A. Seven years now.

16 Q. Over th past seven years, have
17 you done any consulting work for companies
18 other than Recruiting and Marketing
19 Resources?

20 A. No.

21 Q. Have you ever been employed by a
22 company by the name of Complete Business
23 Solutions Group?

24 A. No.

Joseph LaForte

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1 Q. Have you ever been employed by a
2 company that does business by the name of
3 PAR Funding?

4 A. No.

5 Q. Have you ever done any consulting
6 work for either Complete Business Solution
7 Group or PAR Funding?

8 A. I mean, I don't know how to
9 answer that question.

10 MR. BERMAN: Say you don't
11 understand.

12 THE WITNESS: I don't understand
13 the question.

14 BY MR. PROPER:

15 Q. Well, you do consulting work for
16 a company by the name of Recruiting and
17 Marketing --

18 A. The question is tricky because
19 Recruiting and Marketing Resources is a
20 sale on, and it could be contrude that CBSG
21 and PAR Funding work together, so I don't
22 want to answer the question wrong. So I
23 don't understand the question.

24 Q. That's fair. So why don't you

Joseph LaForte

Page 8

1 tell me in more detail what Recruiting and
2 Marketing Resources does?

3 A. Consulting for different types of
4 products and services that small businesses
5 might be able to take advantage of in the
6 market.

7 Q. How does that company, Recruiting
8 and Marketing Resources, inner play, if at
9 all by CBSG?

10 A. Well, it inner plays with a lot
11 of different lenders in the industry, from
12 Pay Pal to On Deck Capital to Amazon to PAR
13 Funding, to many of the companies that you
14 guys know of in the industry. There's no
15 specific relationship in the sense that
16 it's one of our lenders that we like to use
17 to fund deals.

18 Q. So walk me through what you do
19 for Recruiting and Marketing Resources?

20 A. I manage a sales office that
21 takes in clients, breaks down information
22 to make sure that it's properly formatted
23 before it goes to a lender. And after it
24 goes to a lender, I make sure that the deal

Joseph LaForte

Page 9

1 is prudently done, and I see if the client
2 would like to purchase the deal.

3 Q. So you are looking for
4 prospective borrowers; is that fair?

5 A. No, I don't look for the
6 prospective borrowers.

7 Q. Who -- is Recruiting and
8 Marketing Resources a broker for lenders?

9 A. No.

10 Q. So what specific services does
11 Recruiting and Marketing Resources do,
12 let's say for CBSG?

13 A. I'm a broker for different ISO's.
14 So, independent sales operators send us
15 business and we place the business. It's
16 financial technologies.

17 Q. So, do you work for an ISO
18 company?

19 A. No.

20 Q. Are you an independent sales rep?

21 A. No.

22 Q. So why don't you explain for the
23 record what an ISO is?

24 A. There's a lot of different ways

1 to become an ISO. You can be a syndicate,
2 you can be a broker, there's a lot of
3 different ways you can explain an ISO. I'm
4 not an ISO, so I couldn't explain it.

5 Q. What is your understanding as to
6 what an ISO does as it relates to your
7 consulting work with Recruiting and
8 Marketing Resources?

9 A. Sources deals for different
10 merchants throughout the country.

11 Q. Sources deals in what respect?
12 What's that mean, sources deals?

13 A. Same way you source deals here,
14 right? They source deals, you call
15 clients, you can co-call, you can use
16 different marketing techniques to get
17 business, so independent sales operators
18 source business in order to get funding.

19 Q. Okay, so an ISO may source
20 business and bring that to Recruiting and
21 Marketing Resources, right?

22 A. Correct.

23 Q. So by sourcing business, is that
24 anything more than finding someone that

1 wants money?

2 A. Yeah, it could be more than that,
3 yeah. Could be some advice. It could be
4 anything. It's consulting.

5 Q. Is one of the things an ISO will
6 do for Recruiting and Marketing Resources
7 is to bring someone to your business that
8 wants funding?

9 A. Potentially.

10 Q. Okay. What else will an ISO do?

11 A. I can't speak for what they do.

12 Q. Do you work with ISOs?

13 A. Sure.

14 Q. So what other things do ISOs do,
15 specifically with respect to your
16 consulting work with Recruiting and
17 Marketing Resources?

18 A. They bring us business so we can
19 find funding for them.

20 Q. Okay. Do all of the people that
21 are brought to you by ISOs look for some
22 form of funding, or are there other needs
23 that business have that you --

24 A. There's a lot of different need.

1 MR. BERMAN: Objection. You can
2 answer. You can answer.

3 BY MR. PROPER:

4 Q. Other than funding, what other
5 services does Recruiting and Marketing
6 Services provide for businesses?

7 A. Consulting.

8 Q. What type?

9 A. General consulting. Advice on
10 merchant terminals. Could be credit.
11 Could be anything. Very broad.

12 Q. One of the services that
13 Recruiting and Marketing Services performs
14 though is locating lenders for your
15 clients?

16 A. Yes.

17 Q. So I want to sort of focus on
18 that for a moment.

19 A. Okay.

20 Q. Do you have written agreements,
21 and when I say you, I mean your company.
22 Do you have written agreements with any
23 specific lenders?

24 A. Yes.

1 Q. When I say your company, I just
2 want to be clear for the record, do you
3 have an ownership interest in --

4 A. No.

5 Q. If you could just allow me to
6 finish my question just so the court
7 reporter can take it down and we have a
8 clean record even though you may anticipate
9 what I'm going to ask.

10 A. Okay.

11 MR. BERMAN: And the same for him
12 because you're no cutting him off at his
13 answers too, so that goes both ways.

14 MR. PROPER: It does. I didn't
15 realize I had done that, but I'll be
16 cognizant.

17 MR. BERMAN: A few times.

18 MR. PROPER: Thank you for
19 pointing that out, Brett. I appreciate
20 that.

21 MR. BERMAN: No problem.

22 BY MR. PROPER:

23 Q. So with respect to your
24 relationship, or employment, or consulting

1 work with Recruiting and Marketing
2 Resources, you are an independent paid
3 consult, correct?

4 A. Yes.

5 Q. You are not employed by that
6 company?

7 MR. BERMAN: Objection. You can
8 answer if you understand the question.

9 THE WITNESS: I don't understand
10 the question.

11 MR. PROPER: Okay.

12 BY MR. PROPER:

13 Q. Does Recruiting and Marketing
14 Resources take out taxes on your behalf
15 when they pay you?

16 A. I don't know.

17 Q. You don't know whether or not
18 they take out taxes, or whether you have to
19 pay taxes quarterly?

20 A. I don't know how they report, I'm
21 not too familiar with the accounting.

22 Q. Well, when you file your
23 tax return, do you --

24 A. My accountants do everything for

1 me, I don't know how to do it.

2 Q. Do you make estimated payments?

3 MR. BERMAN: Objection. How is
4 this relevant to class certification?

5 MR. PROPER: I'm trying to
6 understand what his relationship is with
7 Recruiting and Marketing Services, and
8 whether or not he's a paid employee or a
9 consultant.

10 MR. BERMAN: Irrelevant to class
11 certification, you don't have to answer.

12 MR. PROPER: We'll do this all
13 day because I'm deposing this individual as
14 a fact witness. There's overlapping issues
15 between class certifications and merits.
16 There's a specific order in the case that
17 permits us to take merits discovery
18 relevant to the specific claimants at issue
19 in this lawsuit, and counsel is directing
20 his client not to answer that question. So
21 I'm not going to argue about it.

22 You've directed him not to
23 answer, done. I'll move on.

24 MR. BERMAN: No problem, and for

1 clarity of the record, you made a
2 misrepresentation in what you just stated.
3 The Court specifically said that no
4 class-wide merits discovery shall be
5 conducted until after the May 29, 2020
6 status conference, so your statement that
7 merits discovery is to be conducted now is
8 disingenuous and in violation of a court
9 order.

10 MR. PROPER: Can you read footnote
11 nine of that court order, Brett?

12 MR. HESKIN: Read the whole thing
13 into the record, please.

14 MR. PROPER: Read the footnote
15 where the judge says that it's appropriate
16 to take merits discovery relative to this
17 particular -- relative to the Fleetwoods
18 claim.

19 MR. BERMAN: I don't know what
20 footnote nine is.

21 MR. PROPER: Is there a footnote?

22 MR. BERMAN: There is a footnote.

23 MR. PROPER: Can you please read
24 the footnote for the record since you just

1 accused me of violating a court order and
2 making disingenuous statements?

3 MR. BERMAN: You did.

4 MR. PROPER: Okay, go ahead and
5 read it.

6 MR. BERMAN: While the Court is
7 not ordering the parties to conduct merit
8 discovery on plaintiff's individual claims,
9 the Court strongly encourages the parties
10 the come to an agreement regarding this
11 discovery. Discovery on plaintiffs
12 individual claims can begin at any time,
13 and there is no --

14 MR. PROPER: Wait, what did that
15 just say?

16 MR. BERMAN: I'm not under oath.
17 You asked me --

18 MR. PROPER: You just accused me
19 of a violation of a Court order, and what
20 you just read said that I'm permitted to
21 take merits discovery immediately. Did it
22 say that or did it not say that?

23 MR. BERMAN: Listen, talk to me
24 like that again, call the Judge, this is

1 harassing. Do not ever raise your voice to
2 me again. Happy to get on the phone with
3 Judge Sanchez right now to clarify it.

4 Pick up the phone, take your
5 voice down. I'm not here to be lectured or
6 yelled at. I'm not being deposed. I'm a
7 lawyer. Call the Judge.

8 MR. PROPER: I'm not here to have
9 you tell me --

10 MR. BERMAN: Take your voice
11 down.

12 MR. PROPER: You're yelling at me,
13 and don't try to create a misimpression on
14 the record. You accused me of violation a
15 Court order. You read the court order, and
16 I have not violated it. Your objection is
17 in violation.

18 MR. BERMAN: Call the Judge.

19 MR. PROPER: So why don't you
20 correct the record.

21 MR. BERMAN: Call the Judge.

22 MR. PROPER: I don't need to call
23 the Judge yet, but I'll be calling him
24 shortly.

1 MR. BERMAN: Call the Judge, and
2 don't dare raise your voice to me like this
3 again, or we will call the Judge and talk
4 about the sanctions against you.

5 MR. PROPER: Do it.

6 MR. BERMAN: This is harassing.

7 MR. PROPER: Do it.

8 MR. BERMAN: You heard my
9 objection. The order says what it says.
10 You're in violation of the Court order if
11 you think there's merits discovery
12 occurring today. Call the Judge. Call the
13 Judge.

14 MR. PROPER: Is it your position
15 I'm not allowed to ask any questions
16 regarding the merits of Fleetwood's claim?

17 MR. BERMAN: Ask your questions,
18 I'll object. I am not here to answer your
19 questions. At any time, if you don't like
20 my objection, per the Court's directive,
21 pick up the phone, call the Judge.

22 MR. PROPER: Perfect.

23 MR. BERMAN: I'm not under oath
24 here. I'm not being deposed here. Stop

1 posing questions to me.

2 MR. PROPER: No, you're being an
3 obstructionist.

4 MR. BERMAN: You call the Judge
5 whenever you want.

6 MR. PROPER: I understand that.
7 I appreciate your guidance on what my
8 rights are as an attorney.

9 BY MR. PROPER:

10 Q. So, back to Recruiting and
11 Marketing Resources, does that company have
12 a written agreement with CBSG, or PAR
13 Funding?

14 A. Yes.

15 Q. Okay. Have you read that
16 agreement?

17 A. Yes.

18 Q. Has that agreement been produced
19 in this lawsuit, to your knowledge?

20 A. No. I wouldn't know.

21 Q. You wouldn't know, okay.

22 Can you generally tell me what
23 the terms and conditions are of that
24 agreement between those two companies as

1 you understand it?

2 A. No.

3 Q. Is there compensation that CBSG
4 pays to Recruiting and Marketing Services
5 when business is referred to CBSG?

6 A. Yes.

7 MR. BERMAN: Objection. You can
8 answer.

9 BY MR. PROPER:

10 Q. Can you tell me your
11 understanding of the nature of that
12 financial arrangement?

13 A. Say that again, I'm sorry.

14 Q. Can you tell me your
15 understanding of the nature of the
16 financial arrangement between CBSG and
17 Recruiting and Marketing Services?

18 A. I don't understand your question.

19 Q. How is CBSG -- strike that.
20 Under what circumstances does
21 CBSG pay Recruiting and Marketing Services
22 money?

23 A. If PAR Funding, or any other
24 lender finances another company in the form

1 of cash advance or any other product of
2 service, it would be entitled to a
3 commission.

4 Q. Okay. What is the formula for
5 the commission that CBSG would pay to
6 Recruiting and Marketing Services if a deal
7 is funded?

8 A. Various.

9 Q. Various how?

10 A. It could vary on term. It could
11 vary on rate. It could vary on time of the
12 year. It could vary on anything.

13 Q. So under the agreement, there are
14 different parameters for how CBSG pays
15 Recruiting and Marketing Services; is that
16 fair?

17 A. Could be.

18 Q. Are you guessing or do you know?

19 A. Different products require
20 different commissions.

21 Q. Got it. So what different
22 products does CBSG offer?

23 A. We went over that already. It's
24 on the top of your page right there.

1 Funding, consulting and credit.

2 Q. That wasn't my question, so I
3 apologize.

4 A. That was the first question.

5 Q. That was what services Recruiting
6 and Marketing Services provides?

7 A. Right.

8 Q. I'm asking you what type of
9 financial products does CBSG offer?

10 MR. BERMAN: That wasn't your
11 question, but if that's your question, you
12 can answer.

13 THE WITNESS: That wasn't the
14 question, but okay. PAR Funding provides
15 many different services from cash advances,
16 all different factoring products,
17 consolidation products, lines of credit
18 products. They're not technically lines of
19 credit. We like to call them in-house as
20 lines of credit. They have nothing to do
21 with other loans, and that's about it.

22 Q. Does PAR Funding offer any form
23 of lending product?

24 A. No.

1 Q. Okay. Have you seen the
2 different forms for cash advances versus a
3 line of credit versus a different factoring
4 product that CBSG uses?

5 A. Yes.

6 MR. BERMAN: Objection.

7 BY MR. PROPER:

8 Q. Are you particular with those
9 different forms?

10 A. Sure, yeah.

11 Q. Do you know what percentage of
12 the deals that you bring to CBSG, which I'm
13 going to use interchangeably with PAR
14 Funding, result in a merchant cash advance
15 agreement?

16 A. Probably about 20 percent.

17 Q. And what percentage of the deals
18 result in some type of factoring
19 arrangement?

20 A. I consider them both
21 interchangeable.

22 Q. So what does the other 80 percent
23 consist of?

24 A. People that don't qualify.

1 Q. So I'm going to ask specifically
2 about deals that result in CBSG giving
3 money to individuals that you bring to
4 them.

5 A. Please.

6 Q. Okay. What percentage of funding
7 deals that you're involved with does CBSG
8 structure as a merchant cash advance?

9 A. 20 percent.

10 Q. And that means 80 percent of the
11 other deals that are funded are in some
12 other form of agreement. What form of
13 agreements --

14 MR. BERMAN: Objection.

15 THE WITNESS: There's no other
16 form of agreement. 20 percent of our
17 clients who will qualify for some type of
18 financing.

19 BY MR. PROPER:

20 Q. Okay.

21 A. The other 80 percent don't
22 qualify.

23 Q. So --

24 A. Or, let me be more specific.

1 Q. Sure.

2 A. You might apply, or maybe you get
3 funding somewhere else. But the actual
4 closure shows about 20 percent. To
5 clarify.

6 Q. I appreciate that. We're just
7 having a disconnect. So of the 20 percent
8 that qualify, if I'm understanding you
9 correctly, all of those individuals will
10 sign some form of merchant cash advance
11 agreement with CBSG?

12 A. Right.

13 Q. Got it. Is the form of the
14 agreement the same for all of the clients
15 that are approved and actually funded by
16 CBSG?

17 MR. BERMAN: Objection. You can
18 answer if you understand.

19 THE WITNESS: No, because there's
20 different products, so in our businesses,
21 people have different needs. You can't
22 have a templated product for one specific
23 client.

24 BY MR. PROPER:

1 Q. Okay.

2 A. So there might have a need for a
3 different product that doesn't fit the box
4 of a typical cash advance product, so we'd
5 have to tailor the documents in order to
6 facilitate the deal.

7 Q. So are the agreements tailored in
8 every specific case to the needs of a
9 particular borrower?

10 MR. BERMAN: Objection. You can
11 answer.

12 THE WITNESS: You can't -- no. So
13 we have different products and different
14 programs. You can do different documents
15 and do it different legal for each client.

16 BY MR. PROPER:

17 Q. So there is a form agreement that
18 is so sort of a template for all of the
19 deals with CBSG, right?

20 A. Correct.

21 Q. And under the form agreement, do
22 all the form agreements have some form of
23 the daily payment?

24 A. No.

1 Q. Do all the agreements have some
2 sort of repayment structure?

3 A. Of course.

4 Q. And what percentage of the
5 agreements are the borrowers required to
6 repay the money through daily ACH
7 withdraws?

8 A. I don't have that data.

9 Q. Okay. In your experience, do you
10 know what percentage of the deals funded by
11 CBSG require repayment through daily
12 payments?

13 A. I don't have that data.

14 Q. What other repayment models have
15 you seen? The payments will be repaid
16 under what time period?

17 MR. BERMAN: Objection. Just for
18 clarity of the record, are you talking
19 about Texas deals?

20 MR. PROPER: I'm talking
21 generally, and we're going to get into
22 Texas.

23 MR. BERMAN: Why? We're in a
24 class action certification discovery about

1 Texas deals.

2 MR. HESKIN: He can answer.

3 MR. BERMAN: Again, I want to be
4 clear for the record what you're doing with
5 a class cert motion, so now you're talking
6 about all products, not just Texas.

7 MR. PROPER: You can state your
8 objection. If you don't want your client
9 to answer the question, tell him don't
10 answer.

11 MR. BERMAN: You can answer as to
12 Texas.

13 MR. PROPER: That wasn't my
14 question.

15 THE WITNESS: Can you restate
16 your question, please?

17 BY MR. PROPER:

18 Q. I want to know, in your
19 experience, what types of repayment terms
20 have you seen in deals involving CBSG,
21 other than daily payments?

22 MR. BERMAN: Objection. You can
23 answer.

24 THE WITNESS: Okay, so some

1 clients prefer a daily payment. You might
2 be looking at a transaction as a daily
3 payment being too aggressive. You have
4 clients that request daily payments. They
5 don't like the big payment coming out at
6 the end of the month, similar to a bank.

7 You might have a client that
8 would like the payments taken out two times
9 a week, which we have that product. You
10 might have a client that likes a weekly
11 payment because he has a receivable coming
12 in and maybe he's used to -- maybe Fridays
13 are great for him because -- there's a
14 reason why. So each of these deals, and my
15 job is to tailor the deals to make sure the
16 clients can pay. And also to make sure the
17 clients -- so looking out for both.

18 Make sure the clients have good
19 deals. So the payment is very important,
20 and I know where you're going with it, and
21 I agree with you. The daily payment is
22 specifically -- it has to be a micro
23 payment, and we designed that so people can
24 not feel the payment as much; it doesn't

1 always work. So it depends on how many
2 deposits you have per month, or it depends
3 on how many -- your frequency of your
4 receivables, there's a lot of variables,
5 and that's my job.

6 So at Recruiting and Marketing
7 Resources, my job is to be the bridge
8 between the lender and the client, and
9 that's why I'm here today.

10 Q. How many deals are you personally
11 involved with where CBSG funds money to
12 your clients on a yearly basis?

13 A. Every deal.

14 Q. I'm sorry?

15 A. Every deal.

16 Q. What do you mean every deal?
17 Every one of your deals involves CBSG?

18 A. Yes.

19 Q. So when you said your company
20 deals with other lenders, your company may
21 deal with other lenders, but you
22 specifically may not?

23 A. Right.

24 Q. So you're an exclusive sales

1 agent for CBSG or no?

2 A. No, I'm not a sales agent. I'm
3 more of a consultant. The salesmen are
4 ISO's, to your point earlier; they send the
5 deals in. My job is to make sure that the
6 deal fits the criteria for the company, and
7 it's also a prudent deal for the customer.

8 Q. Do you do underwriting on behalf
9 of CBSG?

10 A. I don't.

11 Q. Does CBSG have their own
12 underwriting department?

13 A. Yes.

14 Q. Do you work with someone specific
15 in the underwriting department or multiple
16 people?

17 A. Multiple.

18 Q. Who are some of the individuals
19 in CBSG's underwriting department that you
20 work with?

21 A. I'm not going to name any names.

22 Q. I'm sorry?

23 A. I'm not going to name any names
24 today.

1 Q. You're refusing to answer my
2 question?
3 A. Yeah.
4 Q. Okay. You know the names. You
5 just aren't going to tell me them?
6 A. That's right.
7 Q. Do you have an ownership interest
8 in CBSG?
9 A. I don't.
10 Q. Have you ever had an ownership
11 interest in CBSG?
12 A. No.
13 Q. Have you ever represented to
14 anyone in the public that you are an owner
15 of CBSG?
16 A. No. Not that I know of, no.
17 Q. Have you ever represented to an
18 investor or potential investor that are you
19 are an owner of CBSG?
20 A. No, sales director.
21 Q. You've represented --
22 A. In the past.
23 Q. But not currently?
24 A. No.

1 Q. When was the last time you
2 represented to someone that you are a sales
3 director for CBSG?

4 A. A few hours ago.

5 Q. Who did you make that representation
6 to?

7 A. A client.

8 Q. But you're not a sales director
9 for CBSG?

10 A. Yeah, I am a sales director for
11 CBSG. I don't work there, but I am a sales
12 director. So I handle all the sales for
13 CBSG, which makes me a sales director. I
14 don't specifically work for the company.
15 I'm in a consulting capacity.

16 Q. Do you have a business card that
17 says you're a sales director for CBSG?

18 A. I don't have business cards.

19 Q. So you don't think it's
20 misleading to tell people you're a sales
21 director for CBSG when you're not really
22 employed by the company?

23 MR. BERMAN: Objection. You can
24 answer if you understand the question.

1 THE WITNESS: No, I don't think
2 that's inappropriate. I think it's
3 helpful. I think it's helpful to the
4 clients to know that we have a direct
5 relationship. It gives them a comfort
6 level, and I think it's a good thing. I
7 think it's a good thing that I work at
8 Recruiting and Marketing Resources because
9 it allows me the ability to customize
10 transactions, not only for CBSG PAR
11 Funding, but maybe there's a deal that
12 doesn't qualify for PAR Funding. Should
13 the person only be a one trick pony? They
14 should be able to go somewhere else. If I
15 can help them, if I can lead them to go
16 somewhere else? It's a good thing, I think
17 for the merchants.

18 Q. Do you tell all the people that
19 you work with that you're a sales director
20 for CBSG?

21 MR. BERMAN: Objection. If you
22 can answer the question.

23 THE WITNESS: I don't know.

24 BY MR. PROPER:

1 Q. I mean as part of --

2 A. I don't walk around telling
3 people -- it's kind of a...

4 Q. So as part of your regular
5 business, a small business is brought to
6 Recruiting and Market Services looking for
7 money, and as part of that conversation
8 with the business, do you typically tell
9 that business owner that you're a sales
10 director for CBSG?

11 MR. BERMAN: Multiple objections.
12 If you can answer the compound
13 hypothetical.

14 THE WITNESS: Yeah, I'll tell
15 somebody I'm a sales director at CBSG, you
16 know. We have an agreement with CBSG, PAR
17 Funding. I think it's appropriate, yeah.

18 BY MR. PROPER:

19 Q. Were you a founder of CBSG?

20 A. I guess you can say yes. I help
21 build some of the models, yes. I wouldn't
22 call myself a founder, but I help build a
23 lot of the models, yes.

24 Q. Did you invest any of your own

1 capital to start CBSG?

2 A. No.

3 Q. Have you ever represented to any
4 third party that you used our own money to
5 start CBSG?

6 MR. BERMAN: Objection. If you
7 can answer.

8 THE WITNESS: I can't answer.

9 BY MR. PROPER:

10 Q. You can't answer because you
11 don't know or you --

12 A. I've been in the business eight
13 years. I'm not going to say that I said or
14 didn't say something over the past eight
15 years. I don't want to lie to the Court.

16 Q. When you say you developed some
17 of the models for CBSG, can you tell me
18 generally what you developed?

19 A. Sure. The exact model you have
20 in front of you for your client, Fleetwood,
21 I developed that model. It's a
22 consolidation program which was a very
23 helpful product. I developed that product.
24 Some of the bi-weekly products.

1 In my capacity as a consultant, I
2 learned pretty quickly that having one
3 product isn't a good thing, especially for
4 the merchants in small business in America,
5 so it's very order to tailor the
6 transactions in order to help them get
7 through the advances.

8 Q. Just walk back, and I apologize.
9 When was CBSG founded, in what year?

10 MR. BERMAN: You can answer if you
11 know.

12 THE WITNESS: I'm going to guess,
13 2012.

14 BY MR. PROPER:

15 Q. Who were the individuals that
16 started CBSG?

17 A. I don't know how to answer that
18 question.

19 Q. Do you know who the owners of
20 CBSG were back in 2012?

21 A. No.

22 Q. Do you know who the stock holders
23 were back in 2012?

24 A. No.

1 Q. Do you know who any of the
2 principals were of that company?

3 A. No.

4 Q. Do you know who any of the
5 directors were of the company?

6 A. No.

7 Q. Who was the person at CBSG that
8 contacted you for consulting assistance
9 back in 2012?

10 A. I don't remember. It was too
11 long ago.

12 Q. And I apologize if I'm
13 mispronouncing the last name, but do you
14 know a Lisa McElhone?

15 A. Yeah, I'm married to her.

16 Q. Thought so. Am I producing the
17 name correctly?

18 A. Close enough.

19 Q. How long have you been married to
20 Ms. McElhone?

21 A. 14 years.

22 Q. What's your current address?

23 A. 1932 Spruce Street.

24 Q. In Philadelphia?

1 A. Uh-huh.

2 Q. Was McElhone one the founders of
3 CBSG?

4 A. I'm not going to answer questions
5 on behalf of anybody expect for my own
6 self, that's why I'm here today.

7 Q. Do you know whether she was and
8 you're refusing to answer, or you don't
9 know?

10 MR. BERMAN: It's what you know or
11 don't know.

12 THE WITNESS: All right, so the
13 original founders of the company, there was
14 a lot of different products and services
15 out there for small businesses. I started
16 the business as an independent operator, so
17 I don't want to mislead the Court. I
18 wasn't a founder in the since because of
19 the fact I was an ISO, an independent sales
20 operator, when I first got into the
21 industry before CBSG was founded.

22 BY MR. PROPER:

23 Q. Hold on, now I'm confused, and it
24 won't be the last time.

1 When you say you started the
2 business --

3 A. In the industry, not in PAR
4 Funding.

5 Q. So when you started in the
6 business, not started CBSG?

7 A. Correct.

8 Q. Got it, continue?

9 A. So I started as an independent
10 sales operator. So, when I say I don't
11 know, I don't remember exactly specifically
12 how it was specifically founded, I don't
13 know what that word really means. I'm
14 pretty good on the telephones. I started
15 as an independent sales operator for
16 another company working for somebody else,
17 and that's how I got in the industry.

18 Q. With respect to your wife, do you
19 know whether or not she was involved in the
20 formation of CBSG?

21 A. Yes.

22 Q. Okay. What was her involvement?

23 MR. BERMAN: If you can answer.

24 THE WITNESS: I don't understand.

1 What you mean by formation? How do you
2 formulate a company? What does that mean?

3 BY MR. PROPER:

4 Q. Well, there's papers that are
5 filed in order for --

6 A. I don't know; her lawyers would
7 know that. I don't know.

8 Q. So your wife was involved with
9 dealing with the lawyers and setting up the
10 company and so on and so forth, right?

11 MR. BERMAN: Objection. You can
12 answer.

13 THE WITNESS: I don't know. I
14 was a sales operator. I don't know what
15 she did. She ran her own business.

16 BY MR. PROPER:

17 Q. Do you know if your wife invested
18 any of her own money in the start or
19 formation of CBSG?

20 A. I have no idea.

21 Q. Okay. Is your wife currently an
22 employee of CBSG?

23 A. Yes.

24 Q. Has she always been an employee

1 of CBSG since it was founded?

2 A. Yes.

3 Q. Does she have a title at CBSG?

4 A. I don't know what her title is
5 at CBSG. We're not really big on titles
6 like you guys are here, so I don't really
7 think she has a title.

8 Q. Do you know if she's an officer
9 or director of CBSG?

10 A. I don't know.

11 Q. Has she ever represented herself
12 to the public as the president of CBSG?

13 A. I don't know what she does in
14 public.

15 Q. Do you know who else was
16 assisting your wife back in 2012 in
17 starting CBSG?

18 A. No.

19 Q. Were there other people involved?

20 A. I don't know any of these
21 questions. How my wife operated her
22 business or formulated her business.

23 Q. What experience, if any, did your
24 wife have in financial services prior to

1 2012?

2 A. My wife was a mortgage broker.

3 Q. Who did she work for prior to

4 2012?

5 A. I don't know the name of the
6 company. She's a licensed mortgage broker.

7 She's a Saint Joe's graduate. She's
8 brilliant. If you guys are to insinuate at
9 all that she was incapable of starting this
10 business, she's a lot smarter than me. So
11 if I were you guys, I wouldn't get her in
12 here. Just for clarity, because we're
13 going through a lot of this for Judge --

14 MR. HESKIN: Joe, to the extent
15 you can answer for her, we don't need to
16 depose her.

17 THE WITNESS: I'm trying to, but
18 it's hard to answer for somebody else.
19 She's a brilliant person. Woman-owned
20 business. She's very smart. I run the
21 sales side of the business, that's what I'm
22 good at. I'm not very good at the legal.
23 I'm not very good at the accounting; I'm
24 not good at that stuff. I'm very good at

1 looking at transactions. I'm good at
2 talking to people on the phones, and that's
3 my role, hence why I own my shop,
4 Recruiting and Marketing Resources.

5 BY MR. PROPER:

6 Q. Are you an owner of Recruiting
7 and Marketing Resources?

8 A. No.

9 Q. When you say you have your own
10 shop, what does that mean?

11 A. I run the shop. I'm the
12 director, so I'm in the office everyday,
13 you know, running the shop.

14 Q. Who owns Recruiting and Marketing
15 Services?

16 A. I'm not sure how it's formatted
17 right now.

18 Q. You've worked for Recruiting and
19 Marketing Services as the director for
20 seven years, right?

21 A. Yes.

22 Q. You don't know any of the owners?

23 A. No.

24 Q. But you've never been one of the

1 owners?

2 A. No.

3 Q. And you've never had a financial
4 stake in the business, right?

5 A. No.

6 Q. Do you know how that business is
7 formed? Is it a partner or corporation?

8 A. Let me clarify. The reason why I
9 don't know these answers, this company was
10 formatted in 2008. I don't know who the
11 actual owner is of the company.

12 Q. Do you report to someone?

13 A. No.

14 Q. Are you involved in preparing
15 financial statements for the company?

16 A. No.

17 Q. Do you run the office?

18 A. Yes.

19 Q. How many employees are there?

20 A. About 25.

21 Q. And you have no idea whose above
22 you at the company, right?

23 MR. BERMAN: Objection. You can
24 answer if you understand.

1 THE WITNESS: No, I don't. I
2 don't have anybody above me. I just don't
3 want to answer you incorrectly about the
4 formation of the company and who the owners
5 of the company are, because as I explained
6 to you, it was formatted so long ago. I
7 don't know.

8 BY MR. PROPER:

9 Q. Okay. Are there any other
10 directors of the company?

11 A. I don't know.

12 Q. Is there anyone that is at the
13 same level that you are within the company?

14 A. No.

15 Q. Are you, to your knowledge, the
16 person that runs the day-to-day activities
17 of Recruiting and Marketing Services?

18 A. Yes.

19 Q. Does your wife have any
20 involvement in that business?

21 A. No.

22 Q. Now, when you said you run the
23 sales side of CBSG, what did you mean that
24 by that?

1 A. CBSG doesn't have any sales
2 people. CBSG is only a funder.

3 Q. Are you using CBSG and PAR
4 Funding separately?

5 A. No. CBSG is PAR Funding. CBSG
6 is d/b/a PAR Funding.

7 Q. I just wanted to make sure we
8 were on the same page because I'm using
9 them interchangeably.

10 Q. No, you're right?

11 A. You're right. CBSG is d/b/a PAR
12 Funding.

13 Q. So when you say that CBSG has no
14 sales force, if I'm understanding you
15 correctly, all of their sales are
16 outsourced to your -- I don't want to say
17 your company because you don't own it, but
18 are outsourced through third parties or no?

19 MR. BERMAN: Objection. You can
20 answer if you understand.

21 THE WITNESS: Yes, so CBSG
22 doesn't have any sales. It's a fintech
23 company. All it does is give out advances,
24 different types of products. My job is to

1 be intermediary between the independent
2 sales operators, which there's 400 of them,
3 which is a lot of work.

4 BY MR. PROPER:

5 Q. Sure.

6 A. And I'm pretty good on the
7 phones, as I explained. They gave me a job
8 in Recruiting and Marketing Resources to
9 put together deals and make sure that
10 clients are satisfied with the product
11 before it goes into PAR Funding or any
12 other lenders portal.

13 Q. That's help. Was Recruiting and
14 Marketing Services formed at the same time
15 CBSG was formed?

16 A. No. As I said, it was formed a
17 long time ago, that's why I don't have the
18 answers for you.

19 Q. Okay, but Recruiting and
20 Marketing Resources has been around for
21 about seven years, which puts us around
22 2012, which is when CBSG was form?

23 A. No, that's incorrect.

24 Q. So when was Recruiting and

1 Marketing Services formed?

2 A. I just said I don't remember.

3 Q. A long time ago?

4 A. Yeah, a long time ago.

5 Q. You started working for

6 Recruiting and Marketing Services in 2012,

7 correct?

8 A. About.

9 Q. Was your consulting arrangement
10 with Recruiting and Marketing Services done
11 because of the formation of CBSG?

12 A. No, not at all. As a matter of
13 fact, I closed many transactions with other
14 lenders through Recruiting and Marketing
15 Resources before CBSG was even formed, so
16 my capacity at Recruiting and Marketing
17 Resources has been before CBSG was formed.

18 Q. So prior to CBSG, you worked for
19 Recruiting and Marketing Services in a
20 consulting capacity?

21 A. Yes.

22 Q. And at that time, if businesses
23 came to you looking for a need, you would
24 refer them to a variety of different

1 lenders, right?

2 A. Sure.

3 Q. Who were some of the lenders you
4 worked with before CBSG?

5 A. On Deck, Papal, Rapid.

6 Q. Yellowstone?

7 A. No, I never worked with
8 Yellowstone.

9 Q. How about Richmond Capital?

10 A. No.

11 Q. Is it Recruiting and Marketing
12 Services?

13 A. Recruiting and Marketing
14 Resources.

15 Q. Recruiting and Marketing
16 Resources, I'm sorry.

17 How did it come about that you
18 began to be only refer businesses that you
19 dealt with to CBSG.

20 MR. BERMAN: Objection.

21 Mischaracterization. You can answer.

22 MR. PROPER: Let me take a step
23 back -- it's a pet peeve of mine when I'm
24 accused of mischaracterizing, because if I

1 am, I am, but I try not to.

2 BY MR. PROPER:

3 Q. Did you testify previously that
4 all of the deals that you have are with
5 CBSG?

6 A. No. I said that all the deals
7 that CBSG does comes through me.

8 Q. Got it.

9 A. But on top to have that, I also
10 source for other companies.

11 Q. So what percentage of your deals
12 are with CBSG versus other lenders?

13 A. I would have to look. I would
14 have to say 60/40.

15 Q. 60 CBSG 40 others?

16 A. Yes.

17 Q. Thank you, I did mischaracterize.
18 But all of the deals that CBSG funds come
19 from you?

20 A. Yeah, so it's very -- I think
21 it's very important that that occurs. We
22 want to make sure that -- there's an a lot
23 of unscrupulous brokers out there right
24 now, so I work in a capacity of a mediator

1 between the broker and the lender.

2 Q. Uh-huh.

3 A. The broker and the client, which
4 I think there's a lot of misrepresentation
5 in the industry, so that's my job.

6 Q. What is -- strike that.

7 Are you familiar with a company
8 by the name of Fast Advance?

9 A. Yes.

10 Q. What does Fast Advance do?

11 A. It's an independent sales
12 operator.

13 Q. Okay. How about Broadway
14 Advance?

15 A. They're an independent sales
16 operator. I think they're also a funder.

17 Q. And are those two companies two
18 of the ISO's that will bring deals to you
19 that may result in CBSG Funding money to
20 businesses?

21 A. Sure, could.

22 Q. And does CBSG pay Fast Advance as
23 well as Recruiting and Marketing Resources
24 when a deal is funded?

1 A. Yes.

2 Q. Does CBSG have written contracts
3 with different independent sales
4 organizations?

5 A. I believe so.

6 Q. Okay, and as the person that runs
7 the sales side of CBSG, are you familiar
8 with CBSG's annual funding?

9 A. No.

10 Q. Do you know how much money CBSG
11 has funded this year, for instance?

12 A. No.

13 Q. Do you know how many accounts
14 receivable CBSG has outstanding currently,
15 ballpark?

16 A. No.

17 Q. Do you have access to any
18 internal financial documents for CBSG?

19 A. What's that mean?

20 Q. Are you able to review, for
21 instance, CBSG's profit and loss statements
22 to the extent they have them?

23 A. No. My wife reviews them. I
24 don't know.

1 Q. Have you ever reviewed a profit
2 and loss statement for CBSG?

3 A. I don't think so.

4 Q. Do you know if CBSG has a general
5 ledger?

6 A. What's that?

7 Q. If you don't know, that's fine.

8 A. What is a general ledger?

9 Q. It's an accounting tool that many
10 businesses use.

11 A. I don't know. They have
12 professional accountants up there. They
13 have CPA's. They have controllers. It's
14 in a separate facility; I don't have any
15 access to that.

16 Q. Who are CBSG's accountants, do
17 you know?

18 MR. BERMAN: If you know.

19 THE WITNESS: I don't know the
20 last names. I just know them by first name
21 when they pay us if there's a discrepancy
22 in a file.

23 BY MR. PROPER:

24 Q. Do you work in the same office as

1 CBSG employees?

2 A. No.

3 Q. Where is your business,

4 Recruiting and Marketing Resources,

5 located?

6 A. It's a separate facility in Old

7 City.

8 Q. So what is the business address

9 for Recruiting and Marketing Resources?

10 A. 22 North 3rd.

11 Q. What is the business address for

12 CBSG?

13 A. CBSG is located in Florida.

14 Q. Does CBSG have an office in

15 Philadelphia?

16 A. No.

17 Q. Have you ever represented to any

18 investor or potential investor that CBSG

19 has an office at 22 North 3rd Street in

20 Philadelphia?

21 MR. BERMAN: Objection. You can

22 answer.

23 THE WITNESS: CBSG doesn't have

24 an office at 22 North 3rd Street.

1 BY MR. PROPER:

2 Q. I'm asking you whether you
3 personally have ever represented --

4 A. I don't remember representing
5 that.

6 Q. Again, I hear your answer, I just
7 need to finish my question.

8 A. Okay.

9 Q. Have you, to your knowledge, ever
10 represented to any third party that CBSG
11 has an office at 22 North 3rd Street in
12 Philadelphia?

13 A. I don't remember. Don't know.

14 Q. Have you ever met with CBSG
15 investors at 22 North 3rd Street?

16 A. Yes.

17 Q. How often do you meet with
18 investors for CBSG?

19 A. I don't really meet with
20 investors except to talk about different
21 products and services that they're rolling
22 out.

23 Q. Do you do any -- do you do any
24 type of presentations or promotions to try

1 to bring investors into CBSG?

2 A. No, they have a separate division
3 that does that.

4 Q. Okay.

5 A. Once in a while they're talk
6 about different products that CBSG is
7 rolling out, and I'll do that for them.

8 Q. Talk about different products
9 where, like in what format?

10 A. Different products, a bi-weekly
11 program, different types of programs so I
12 can explain different programs to people.

13 Q. Are these just people that may
14 stop by the office, or is this a more
15 formal event? I'm trying to understand
16 like what the circumstances might be?

17 A. Stop by the office, could be
18 anything.

19 Q. Yeah. I don't know what the
20 could be anything is, so I'm just wondering
21 if you can give me some examples of the
22 type of interactions you --

23 A. The same way I'm interacting with
24 you right now.

1 Q. Have you ever given a formal
2 presentation to potential investors?

3 MR. BERMAN: Objection. I'm going
4 instruct him not to answer.

5 MR. PROPER: Okay.

6 BY MR. PROPER:

7 Q. Have you ever represented to an
8 investor or potential investor that CBSG is
9 a lender?

10 MR. BERMAN: Objection. I'm
11 going to instruct him not to answer.

12 MR. HESKIN: What's the basis of
13 that?

14 MR. BERMAN: The same basis in our
15 objection to the class based
16 interrogatories. This is a merits based
17 discovery, and this would be something you
18 should raise with the Court if you're
19 seeing investor based discovery.

20 MR. HESKIN: You mean the ones
21 that are --

22 MR. BERMAN: I said call the
23 Court.

24 MR. HESKIN: Got it.

1 MR. BERMAN: That's something
2 we've objected to. You have not done
3 anything about our objection. We're going
4 to stand by those objections.

5 THE WITNESS: I would like to put
6 something on the record.

7 MR. HESKIN: Sure.

8 THE WITNESS: PAR Funding is a
9 Florida Company. You're thinking of, and
10 when you're misleading to is, 20 North 3rd
11 Street is a processing office. It's called
12 Full Spectrum. You guys have the wrong
13 address. It's a Florida office.

14 There's a processing entity that
15 processes all the files. We're an fintech
16 company. CBSG is only a lender. In it's
17 capacity, only lends capital. We have from
18 Recruiting and Marketing Resources that
19 sources deal, and Full Spectrum is the
20 actual processing and underwriting arm that
21 handles all of the business for PAR
22 Funding.

23 BY MR. PROPER:

24 Q. So the business that's located at

1 20 North 3rd Street is called what?

2 A. Full Spectrum.

3 Q. Have you been to Full Spectrum's
4 office?

5 A. Of course.

6 Q. And Full Spectrum's office on 20
7 North 3rd where your marketing company is
8 on 22 North 3rd?

9 A. Right.

10 Q. Got it. How many employees work
11 at Full Spectrum?

12 A. I don't know.

13 Q. Ball park?

14 A. Ball park?

15 Q. Yeah.

16 A. 50.

17 Q. And are the individuals that work
18 at 20 North 3rd Steet employees of CBSG or
19 no?

20 A. No.

21 Q. Do you know if CBSG or PAR
22 Funding represents to the public that they
23 have an office at 141 North 2nd Street in
24 Philadelphia?

1 A. Yeah, they did in 2017, Shane.

2 Q. When did that office close?

3 A. 2018.

4 Q. How long did CBSG have a presence

5 at that location?

6 A. 16, 18 years.

7 Q. Why was -- this is if you know,

8 why was CBSG incorporated in Florida?

9 A. I don't know.

10 Q. How often is your wife in

11 Florida?

12 A. A lot. Too much.

13 Q. What's the Florida address?

14 A. I don't have that.

15 Q. Have you ever been to the Florida

16 office?

17 A. Sure.

18 Q. How often do you go down to the

19 Florida office?

20 A. Not that much.

21 Q. What's -- just so I know what

22 that not that much means to you?

23 A. Well, when she goes there, she

24 sends me for coffee. I go get coffee, I

1 come back. She has a lot of work to do
2 down there. I don't really go that much.

3 Q. When you're down at the Florida
4 office, do you do work down there?

5 A. No.

6 Q. So you don't --

7 A. I work off my phone.

8 Q. So when you're down in Florida
9 with your wife, you don't go to CBSG's
10 office and work at --

11 A. No.

12 Q. -- like an office or a cubical
13 down there?

14 A. Never.

15 Q. Who is CBSG's CFO?

16 A. I'm not sure who it is. I am not
17 sure who is in that capacity right now.

18 Q. Who is the last CFO that you do
19 know worked in that capacity for CBSG?

20 A. I couldn't say who the last one
21 was.

22 Q. Do you know who Jo Cole is?

23 A. Yeah, sure.

24 Q. Is Jo Cole the current CFO?

1 A. I wouldn't know.

2 Q. What is your understanding as to
3 what Mr. Cole does for CBSG?

4 A. I wouldn't know. I work for
5 Recruiting and Marketing Resources. They
6 keep me in another business. Their
7 operations have nothing to do with me.

8 Q. Do you know a Bill Bromley?

9 A. Yes.

10 Q. Does Mr. Bromley work for CBSG?

11 A. No.

12 Q. Does Mr. Bromley do any type of
13 consulting work for CBSG?

14 A. I wouldn't know.

15 Q. Do you know a company by the name
16 of Pro Source 2000?

17 A. No. Pro Source 200 I never heard
18 of.

19 Q. I may have the wrong name. Do
20 you know the name of Mr. Bromely's
21 business?

22 A. No.

23 Q. So just to be clear, it's your
24 testimony, to the best of your knowledge,

1 that let's say as of October 24, 2019, CBSG
2 did not have an office at 20 North 3rd
3 Street in Philadelphia?

4 A. Say that again, I'm sorry.

5 Q. Let me ask it differently. To
6 your understanding, in what year did CBSG
7 close its 20 North 3rd Street office?

8 MR. BERMAN: Objection.

9 Mischaracterization.

10 BY MR. PROPER:

11 Q. Did they close that office or no?

12 MR. BERMAN: Mischaracterization.

13 BY MR. PROPER:

14 Q. Did CBSG --

15 A. What address? I'm confused.

16 Q. I confuse people a lot, so this
17 is normal for me. So I'll try to work
18 through it. At some point in time, did
19 CBSG have an office at 20 North 3rd Street?

20 A. I wouldn't know that. I'm at 22
21 North 3rd. Remember I told you that?

22 Q. Yeah, yeah, yeah.

23 A. I work for Recruiting and
24 Marketing Resources. I don't know the

1 answer to that.

2 Q. A some point in time did CBSG
3 ever have an office --

4 A. I'm trying to establish the fact
5 that my wife has more to do with CBSG than
6 me, and I don't know the answers to those
7 questions.

8 Q. Okay, so if I misheard you, I
9 apologize. I thought you testified that at
10 some point CBSG, and I think I asked a
11 question, you know, isn't it true that CBSG
12 had an office 20 North 3rd Street, and you
13 said, "yes, in 2017 they did, Shane."

14 A. No, I did not.

15 Q. You didn't say that?

16 A. No. I said 141 North 3rd Street.

17 Q. 141, I'm sorry.

18 A. So you guys have the wrong
19 address. 141 North 2nd, CBSG did have an
20 office.

21 Q. Does CBSG, to your knowledge,
22 currently have any office in Philadelphia,
23 at any location?

24 A. I don't know.

1 Q. When is the last time you've been
2 to an office in Philadelphia that you
3 believe to have been rented or owned by
4 CBSG?

5 MR. BERMAN: Objection. You can
6 answer.

7 THE WITNESS: I don't know.

8 BY MR. PROPER:

9 Q. Would the last time have been the
10 141 North 2nd Street office, or you don't
11 know?

12 A. I don't know, and I don't want to
13 answer the question incorrectly on the
14 record.

15 Q. Have you ever been to an office
16 located at 20 North 3rd Street?

17 A. Yes. We just established that's
18 Full Spectrum.

19 Q. Oh, that's Full Spectrum. Do you
20 know whether or not CBSG represents to the
21 public that the 20 North 3rd Street address
22 is actually their business office?

23 A. I wouldn't know that.

24 Q. Okay, and you've never been an

1 officer, director, or owner of CBSG,
2 correct?

3 MR. BERMAN: Objection. Compound.

4 BY MR. PROPER:

5 Q. I'll break it up.

6 Have you ever been an officer of
7 CBSG?

8 A. No.

9 Q. Ever been a director of CBSG?

10 A. No.

11 Q. Ever been an employee of CBSG?

12 A. No.

13 Q. Ever been an owner of CBSG?

14 A. No.

15 Q. Have you ever received any form
16 of profits that were generated by CBSG?

17 A. No.

18 Q. Have you ever hired or fired any
19 employees of CBSG?

20 A. No.

21 Q. Does CBSG do underwriting for any
22 companies other than itself, to your
23 knowledge?

24 MR. BERMAN: Objection. You can

1 answer if you understand.

2 THE WITNESS: CBSG doesn't
3 underwrite files.

4 BY MR. PROPER:

5 Q. CBSG does not underwrite?

6 A. No.

7 Q. Who does the underwriting for
8 CBSG?

9 A. Full Spectrum.

10 Q. And I ask questions before about
11 the underwriters at CBSG, which you
12 declined to answer, so I just want to
13 clarify this to see if your response is the
14 same.

15 Are you willing to share with me
16 who the underwriters are at Full Spectrum
17 that underwrite deals for CBSG?

18 A. No.

19 Q. Are you familiar with how Full
20 Spectrum underwrites potential deals that
21 you bring to CBSG?

22 A. I'm familiar with every lender on
23 the street how they underwrite deals.

24 Q. Can you walk me through your

1 understanding of Full Spectrum's
2 underwriting process for deals and
3 potential deals that you bring to CBSG?

4 MR. BERMAN: Objection. For
5 Texas?

6 MR. PROPER: Sure.

7 MR. BERMAN: If you know.

8 THE WITNESS: Do you want to go
9 over the entire underwriting guidelines?

10 MR. PROPER: Yeah.

11 THE WITNESS: Ask me some
12 questions.

13 BY MR. PROPER:

14 Q. Are there written underwriting
15 guidelines?

16 A. I wouldn't know that if they
17 write them down.

18 Q. Have you ever reviewed written
19 underwriting guidelines that were prepared
20 by Full Spectrum?

21 A. No.

22 Q. Do you exchange emails with
23 anyone at Full Spectrum about how they
24 underwrite deals for CBSG?

1 MR. BERMAN: Objection. You can
2 answer if you understand the question.

3 THE WITNESS: I don't understand
4 the question.

5 BY MR. PROPER:

6 Q. Do you know what an email is?
7 And I don't mean to be...

8 A. Yeah, I do.

9 Q. Do you use email in your daily
10 business activities?

11 A. Yes, I do.

12 Q. Do you ever email with
13 individuals at Full Spectrum?

14 A. You didn't ask me that.

15 Q. I'm not saying I did.

16 MR. BERMAN: He's noting my
17 objeciton, which is now why he's going
18 through it slowly.

19 THE WITNESS: Yes, I know what
20 emails are.

21 MR. PROPER: I totally expected
22 that you know.

23 BY MR. PROPER:

24 Q. Have you ever emailed with anyone

1 at Full Spectrum?

2 A. Sure.

3 Q. Have you ever emailed with anyone

4 at CBSG?

5 A. I don't know. Well, my wife,

6 she's at CBSG, so yeah.

7 Q. Do you email with anyone else

8 other than your wife at CBSG?

9 A. I don't know.

10 Q. Do you email with Jo Cole at all?

11 A. Sometimes.

12 Q. Ever email with Bill Bromley?

13 A. I email with Shane. I can email

14 anybody.

15 Q. I'm just asking.

16 A. Are you asking me about thousands

17 of emails? I don't want to answer the

18 question incorrectly.

19 Q. Do you save your emails?

20 A. No.

21 Q. What's your policy in terms of

22 deleting emails?

23 A. I don't have a personal policy.

24 Q. I just wonder, do you clean out

1 your emails?

2 A. I don't save them. I don't know
3 how to save them.

4 Q. Yeah, yeah, yeah. Are you a guy
5 that's got like 10,000 in his box, or are
6 you going periodically and cleaning it up?

7 A. What do you mean kind of guy?

8 Q. I'm a guy, and I don't delete my
9 emails. So I'm wondering if you're a guy
10 that deletes his emails.

11 A. I don't know if I would classify
12 myself a guy who deletes emails. I don't
13 know.

14 Q. As a personal practice and
15 maintaining your email box, do you ever go
16 back --

17 A. I delete them every night.

18 Q. You delete them every night?

19 A. Yeah.

20 Q. Delete every email?

21 A. Every one.

22 Q. Okay. So the instances that you
23 may have emailed with Mr. Heskin in the
24 past, you wouldn't have any of those emails

1 currently?
2 A. I guess not.
3 Q. Well, you couldn't possibly if
4 you delete them every night?
5 A. I guess not.
6 Q. What is your email address?
7 A. Joemac888@aol.com.
8 Q. What's the significance of Joe
9 Mac?
10 A. I like the name.
11 Q. Okay. Do you use the name Joe
12 Mac in any of your business activities?
13 A. Sure.
14 Q. Okay. When did you start using
15 Joe Mac?
16 A. 2002.
17 Q. What was the reason for using
18 Mac?
19 A. I like it.
20 Q. Any other reason?
21 A. Nope.
22 Q. When do you use Mac versus
23 LaForet?
24 A. Any articles that I write, or any

1 publications I write on subjects to do with
2 the business, I use my real name because I
3 think it's important. When I'm on the
4 phone with merchants, I like to use Joe
5 Mac, it's easier. It's easier for them to
6 understand, and I also don't want them
7 calling my phone day and night.

8 Q. Okay, but you haven't legally
9 changed your name, right?

10 A. No.

11 Q. Back to underwriting. So -- if
12 you need a break at any time, it's not a
13 marathon, we're going to be here a little
14 bit. Any time you need a break...

15 A. I'm good.

16 Q. So you're not aware of any
17 written underwriting guidelines for CBSG?

18 A. No.

19 Q. But you said you do know how how
20 Full Spectrums underwrites deals for CBSG?

21 A. Yes, I do. I know what's
22 important in a file.

23 Q. Okay.

24 A. So mitigating, qualifying

1 factors.

2 Q. Okay.

3 A. Similar to your client that we're
4 talking about her today. We can go over
5 that if you want.

6 Q. Were you involved in the
7 underwriting process for my client's
8 funding for CBSG?

9 A. Absolutely.

10 Q. And he's a Texas business, right?

11 A. Yes.

12 Q. And you work with other Texas
13 businesses, right?

14 A. Sometimes, yeah.

15 Q. Do you know what percentage of
16 your business clients that you refer to
17 CBSG are from the State of Texas?

18 A. I wouldn't know.

19 Q. Do you keep any records where you
20 would be able to ascertain what percentage
21 of the deals or the number of deals
22 involved a Texas business?

23 MR. BERMAN: Objection.

24 THE WITNESS: No.

1 BY MR. PROPER:

2 Q. If you wanted to go back and do a
3 search to determine how many deals CBSG
4 funded with a Texas business, what would
5 you do?

6 A. I don't work at CBSG, so I
7 couldn't do that.

8 Q. But you're their sales arm.

9 A. Correct.

10 Q. So you have all their sales
11 documents, right?

12 A. But I might send the deal
13 somewhere else. How what CBSG does and
14 doesn't do, I wouldn't have access to that
15 data. So I'm the sales arm, maybe I did a
16 Texas deal with On Deck Capital. Maybe I
17 gave it to PayPal, or somebody else.

18 Q. Yeah. All what coulda shoulda --

19 A. Right, so I don't want to testify
20 right now to something I don't know the
21 answer to.

22 Q. Yeah, I'm asking you a different
23 question.

24 A. Got it.

1 Q. I want to know what you would
2 need to do to go back to your office and
3 figure out how many deals CBSG funded with
4 the Texas business?

5 MR. BERMAN: I think he answered
6 that. Do you want him to answer again?

7 MR. PROPER: Yeah, I missed the
8 answer.

9 MR. BERMAN: I don't know.

10 THE WITNESS: I don't know.

11 BY MR. PROPER:

12 Q. You don't know how you would do
13 it?

14 A. No. I'm not good on the
15 computer. I mean I sell the deals. I
16 don't know.

17 Q. Do you have any type of data base
18 at Recruiting and Marketing Resources where
19 you can track the individual deals you have
20 with CBSG?

21 MR. BERMAN: Objection. You can
22 answer if you understand the compound.

23 THE WITNESS: Do I have a
24 tracker? No.

1 BY MR. PROPER:

2 Q. When you refer a business to
3 CBSG, and CBSG funds the business, are you
4 with me so far?

5 A. Sure.

6 Q. Recruiting and Marketing
7 Resources gets paid by CBSG?

8 A. Sometimes.

9 Q. So there's times where you'll do
10 a deal for CBSG and not get paid?

11 A. Correct.

12 Q. When do you get paid and when
13 don't you?

14 A. It varies. It depends on the
15 client. It depends how much we have to pay
16 the independent sales operator. It depends
17 on a lot.

18 Q. Do you keep records of each deal
19 that you bring to CBSG?

20 A. No.

21 Q. When you do have a deal with
22 CBSG, are documents generated by your
23 company?

24 A. No.

1 Q. Everything you do is oral?

2 A. Yeah.

3 Q. You don't submit any type of
4 application or anything to CBSG?

5 A. Sure. I submit the application,
6 but I don't produce the documents. You
7 asked me about documents, about contracts
8 specifically, right?

9 Q. No. I'm asking --

10 A. I don't receive any of the
11 contracts from any of the lenders. All I
12 do is send over the application. It gets
13 approved and I deal with the customer.

14 Q. Who prepares the application with
15 the business?

16 A. Could be any sales rep.

17 Q. But it's not you?

18 A. It could be me.

19 Q. Okay. Do you know who prepared
20 the application with my client?

21 A. It was an outside broker. I
22 don't know -- I don't remember his name.

23 Q. So in that instance when an
24 outside broker works with my client on an

1 application, it would get sent to you, and
2 you would in turn forward it to who?

3 A. In this case, CBSG.

4 Q. Would you send it to CBSG or
5 would you send it to Full Spectrum or would
6 you send it to them both?

7 A. Well, CBSG funded the deal,
8 right? So that was 2017, the company was
9 much different then, so you're asking me a
10 specific question about your client, now
11 I'm going back to 2017.

12 Q. Okay.

13 A. A little different.

14 Q. Excellent. So when did Full
15 Spectrum start underwriting deals for CBSG?

16 A. I don't have the date.

17 Q. Was Full Spectrum underwriting
18 deals for CBSG in 2017?

19 A. No. Well, can you strike that,
20 please? I'm not positive. I don't
21 remember the exact date that Full Spectrum
22 was incorporated.

23 Q. So who was doing the underwriting
24 for CBSG before Full Spectrum?

1 A. It was their own underwriters.

2 Q. It was their own underwriting
3 department?

4 A. Yeah.

5 Q. So, you don't know sitting here
6 today whether or not my clients deal was
7 underwritten internally by employees of
8 CBSG, or whether it was outsourced to Full
9 Spectrum, correct?

10 A. That's correct.

11 Q. Okay. Do you know why CBSG
12 started using Full Spectrum?

13 A. No.

14 Q. Does CBSG have an ownership
15 interest in Full Spectrum?

16 A. I don't believe so.

17 Q. Do you know if your wife has an
18 ownership interest in Full Spectrum?

19 A. I don't know.

20 Q. I'm sorry?

21 A. I don't know.

22 Q. Was Full Spectrum in existence
23 before it started underwriting deals for
24 CBSG?

1 A. I don't know that.

2 Q. Was the manner in which CBSG
3 underwrote files different than how Full
4 Spectrum is underwriting files for CBSG?

5 A. I don't know.

6 Q. You worked with underwriters at
7 CBSG, right?

8 A. Uh-huh.

9 Q. Yes?

10 MR. BERMAN: Verbal, yes, no. He
11 asked you did you work with underwriters at
12 CBSG. You have to answer verbally.

13 MR. PROPER: You just have to
14 answer verbally.

15 THE WITNESS: Oh, yes.

16 BY MR. PROPER:

17 Q. And you work with underwriters at
18 Full Spectrum?

19 A. Right.

20 Q. So explain to me how, if at all,
21 the underwriting process, as you understand
22 it, differs between those two?

23 A. There's a time lapse, so you're
24 bringing me back. So CBSG had their own

1 underwriters back when, I don't know when.

2 Q. I know, I'm bringing you back.

3 A. Now it's Full Spectrum, so now
4 we're here. So it's two different things.
5 Your file that we're talking about right
6 now is 2017, so we're mincing words a
7 little bit.

8 Q. I'm not trying to.

9 A. I know, but we are.

10 MR. BERMAN: So just tell him
11 your recollection if you have one.

12 THE WITNESS: I don't know when
13 any of these corporations were formatted.
14 I don't know. You're asking me corporate,
15 internal information. I don't know.

16 BY MR. PROPER:

17 Q. I didn't think I asked --

18 A. All I can do is talk to you about
19 the file, which we should prior get to.

20 MR. BERMAN: Hour and fifteen
21 minutes in, we haven't asked a question
22 about Fleetwood.

23 MR. PROPER: No, we haven't. It's
24 a good point.

1 MR. BERMAN: It's a great point.

2 MR. PROPER: I may go much longer

3 before I get there, but I appreciate that.

4 I have seven hours, so I'll use it. And if

5 I'm doing a bad job not asking about

6 Fleetwood, you should be happy.

7 BY MR. PROPER:

8 Q. So, let me go back because we had

9 a disconnect. I want to know if you

10 remember how CBSG underwrote deals?

11 A. I don't recall. Everything

12 changes by the minute. It's a very fast

13 business. Things change. I don't remember

14 how deals were underwritten. I can tell

15 you about that file if you want to talk

16 about that file. I have a good

17 recollection of that one.

18 Q. Why do you have a good

19 recollection of Fleetwood?

20 A. Because I took a look at it

21 before I came here.

22 Q. Got it. From looking at the

23 file, were you able to ascertain whether

24 CBSG did the underwriting or Full Spectrum

1 did the underwriting?

2 A. No, I don't have those documents,
3 but I know the transaction. And I talked
4 to your client.

5 Q. So you are not able to answer
6 today how, if at all, the underwriting
7 process at CBSG is different than the
8 underwriting process at Full Spectrum?

9 A. I don't know.

10 Q. Got it. Are there common things
11 that CBSG did when underwriting files that
12 Full Spectrum also does?

13 MR. BERMAN: Objection. You can
14 answer if you understand.

15 THE WITNESS: There's common
16 things that everybody does in the industry.
17 So there's some common things in the
18 underwriting process, for example, pulling
19 somebody's credit.

20 BY MR. PROPER:

21 Q. Let's start there, so I want to
22 talk about some of the common things that
23 CBSG has always done whether they're
24 underwriting files or Full Spectrum is

1 underwriting files?

2 A. Or anyone, any company.

3 Q. I just care about any company. I

4 just care about CBSG or Full Spectrum.

5 A. But we're establishing the fact

6 that there are some standards in the

7 industry where we have to pull all credits,

8 being that I'm from Recruiting and

9 Marketing Resources, that's my job, to

10 outsource deals.

11 Q. So let's talk about those

12 standards. One of the standards is pulling

13 a credit report?

14 A. Sure.

15 Q. Is there a particular credit

16 agency that you work with?

17 A. Experian.

18 Q. Do you pull the credit report or

19 does the underwriter pull it?

20 A. I don't pull any of this. I just

21 know the process.

22 Q. Got it. So one of the things is

23 you pull an Experian credit report. Do you

24 understand the purpose of why the credit

1 report is important for an MCA transaction?

2 MR. BERMAN: Objection.

3 Foundation.

4 MR. PROPER: You can answer. He
5 objected to the form of the question, which
6 is fine.

7 MR. BERMAN: I didn't, but you
8 can answer.

9 MR. PROPER: Well, that's what
10 you should be objecting to. We have normal
11 stips.

12 MR. BERMAN: Should I really?

13 MR. PROPER: Yeah, because the
14 only objection should be privilege or form,
15 yes.

16 MR. BERMAN: We don't agree on
17 that because there's a Court order here,
18 but that's okay.

19 MR. PROPER: Or scope. Go ahead.

20 MR. BERMAN: I don't need a lesson
21 on being a lawyer. You can answer if you
22 understand the question.

23 THE WITNESS: So their credit is
24 important. To establish debt to income

1 rations and affordability for the clients,
2 and I think that's what a lot of cash
3 advance companies nowadays are failing.
4 Getting a good idea of the debt that the
5 owners of the business have is very
6 important. That's on one side of the
7 business, and I would imagine from the
8 lenders side of the business it's important
9 to establish whether they've defaulted on
10 anyone in the past, if they have an tax
11 liens, so on and so forth that might hinder
12 their ability to get paid?

13 BY MR. PROPER:

14 Q. So one of the important in an MCA
15 transaction is the debt to income ratio of
16 the borrower?

17 A. I think so.

18 Q. And in your experience, that's
19 always been something that's important to
20 how CBSG underwrites an and approves deals,
21 right?

22 A. I think it's vital.

23 Q. I understand, and again, I just
24 want to be clear. I understand you think

1 it's vital. In your experience, does CBSG
2 also deem that vital?

3 A. I think that CBSG's underwriting
4 guidelines are the best in the industry.

5 Q. And when you say CBSG's
6 underwriting guidelines, what are you
7 thinking of?

8 A. I'm thinking of what you just
9 said, debt to income ratios.

10 Q. By a guideline, how do you know
11 what CBSG's underwriting guidelines are?

12 A. I know every lenders underwriting
13 guidelines. It's my job.

14 Q. How are those underwriting
15 guidelines communicated to you?

16 A. There's a master list that people
17 send out, and you just get to know them.
18 It's familiarity of what people accept and
19 not accept as far as files go. There's no
20 -- there's a box, and you try to stay in
21 that box. Some lenders get a little too
22 aggressive in my opinion, some good, some
23 bad.

24 Q. So CBSG has some type of written

1 documents that you've seen that lays out
2 core underwriting guidelines, right?

3 MR. BERMAN: Objection.

4 Mischaracterization.

5 MR. PROPER: Is that no? I
6 thought you said there was a master list.

7 THE WITNESS: I'm going this for
8 eight years. I mean the guidelines will
9 change according to a lot of different
10 thing, so they don't specifically have to
11 lay them out, but it's obviously -- for
12 example, seasonality, you're not going to
13 fund a landscaping company in Philadelphia
14 in the middle of summer, right? So there's
15 certain things that they'll move in and out
16 of as far as industry goes. As far as
17 seasonality. As far as graphic, so there
18 piece's a lot of different things that
19 companies will look at before they make a
20 credit decision.

21 BY MR. PROPER:

22 Q. Understood. With respect to CBSG
23 specifically, have you seen anything in
24 writing which would lay out any of the

1 underwriting guidelines that CBSG --

2 A. No. I don't need to see them, I
3 know what they are.

4 Q. Okay, so who told you what they
5 were?

6 A. Over the years I've memorized
7 them. I figured out the products and
8 services that they have to offer, and we
9 try to facilitate those transactions.

10 Q. Memorize them from a conversation
11 or a document, or both?

12 A. Just conversations, just talking.

13 Q. Okay, so who was the one that was
14 educating you about CBSG's underwriting?

15 A. It's been eight years. I don't
16 remember.

17 Q. Can't think of one person that
18 told you what the guidelines were?

19 A. Not really.

20 Q. So other than the credit report,
21 what are some of the other standards or
22 common things that all lenders do including
23 CBSG?

24 A. A financial analysis.

1 Q. What does that mean?

2 A. A financial analysis of what the
3 bank statements look like, and if the deal
4 is prudent, if it's a transaction that
5 makes sense, what we do is there's
6 standards in the file that I think there
7 has to be benefit to the borrower. If
8 there's no benefit to the borrower, the
9 transaction shouldn't be done, I'm a firm
10 believer in that. So I think that's the
11 main standard, should be benefit to the
12 customer.

13 If you can't establish benefit to
14 the customer, and they can't prove it out,
15 then you shouldn't do the deal.

16 Q. Does CBSG require that the
17 underwriters review a certain number of
18 bank statements?

19 A. I don't know.

20 Q. Do you know if there's any
21 requirement that CBSG go back six months or
22 a year or two years?

23 A. It depends, again. Like this
24 time of year I think seasonality is

1 important, so you want to make sure that
2 the clients are -- the merchants, if you
3 would, are doing good deals, so you might
4 want to get the pay back months in that
5 respect. So you want to get the three
6 months past, and then three months forward
7 just to make sure that seasonality doesn't
8 come into effect because the winter could
9 be challenging for some businesses.

10 BY MR. PROPER:

11 Q. I get three months pasts. In
12 terms of underwriting, how do you get the
13 three months forward?

14 A. From the year before. It's
15 called a look back, so you might go back to
16 '18 and see how the business behaved in
17 order to get a better feel for the merchant
18 and see if he's making an intelligent
19 decision.

20 Q. So CBSG likes to do a year over
21 year analysis?

22 A. Not all the time, I can't vouge
23 for every file, but I think it's important
24 in some cases that's it's done.

1 Q. Does CBSG have a standard in
2 terms of how far back they want to look?

3 A. Three months.

4 Q. How about Dunn and Bradstreet
5 reports, is that standard to pull?

6 A. Different companies use different
7 products. I think it's important to look
8 at a business report to see if there's any
9 UCC's filed to who's out there. As far as
10 taxes, there are some nice business reports
11 I see different companies using.

12 Q. I asked about Dunn and Brastreete
13 because that was pulled in my clients deal,
14 right?

15 A. All right.

16 Q. Are you aware of that or no?

17 A. No.

18 Q. All right. Is it standard to
19 have some type of business report pulled
20 for deals with CBSG?

21 A. I would hope so, yes.

22 Q. Okay. In your experience with
23 CBSG, is it common for them or an outside
24 underwriter to pull some type of business

1 report?

2 A. Sure.

3 Q. And one of the things that is
4 important to look for in a business report
5 are UCC filings you mentioned?

6 A. I think it's important just to
7 make sure that may didn't default on
8 anyone, to protect the the cash advance
9 company. And it's also important to
10 question some of the merchants that could
11 be unscrupulous or maybe make a mistake on
12 taking too much funding, which happens a
13 lot.

14 I think there's a lot of issues
15 in the industry with that, and I think it's
16 important.

17 Q. What else is common or standard
18 in CBSG's underwriting process?

19 A. I think the credit report is very
20 important. The matrix is very important.
21 Analyzing the bank statements is very
22 important to make sure that there's
23 frequency of deposits depending on the
24 product you're going to bring the merchant.

1 If a merchant has two or three or four
2 deposits a month, you definitely don't want
3 to give them a daily payment because it
4 would be too aggressive on them, so some of
5 those things need to be looked at.

6 Outstanding cash advances is
7 really important to make sure they don't
8 over leverage themselves, and if they do,
9 if you want to help save the business, it's
10 very important to get them into those
11 products and services to help them.

12 Q. Is it common in deals funded by
13 CBSG that CBSG have the business execute
14 some type of security agreement?

15 A. They have an agreement, a
16 standard agreement, yeah.

17 Q. And part of that standard
18 agreement requires the owner to sign some
19 type of personal guarantee, right?

20 A. I'm not sure about the documents
21 right now.

22 Q. How about the documents back in
23 2017, was it standard for business owners
24 to sign a personal guarantee?

1 A. Yes, it was. A lot of the
2 guidelines changed, and I think it's a good
3 thing. So, specifically in New York there
4 was a lot of problems with COJ's, and I
5 think it's a good thing they did a way with
6 them. Some companies are probably getting
7 a little too aggressive, maybe, and they
8 did away with those COJ's. So now there
9 are no COJ's.

10 Q. That's one of the changes was
11 getting rid of COJ's?

12 A. Yeah.

13 Q. Do you know if deals, if any
14 deals have other forms of executing in the
15 event of a default, like a writ of
16 attorney. Do you know about that?

17 MR. BERMAN: Objection. You can
18 answer if you know.

19 THE WITNESS: I don't know.

20 BY MR. PROPER:

21 Q. Other -- you said there's a
22 standard form that CBSG uses, correct, for
23 MCA agreements?

24 MR. BERMAN: Objection. I don't

1 think he did.

2 BY MR. PROPER:

3 Q. Is there a standard form that
4 CBSG uses for merchant cash advances?

5 A. I don't know. What did you mean
6 by a standard form? What does that mean?
7 Is there a contract?

8 Q. Yeah, is there a standard
9 contract that's used?

10 A. Yes.

11 Q. And since 2012, has the form of
12 that contract been roughly the same in
13 terms of what the terms and conditions are?

14 A. Roughly, not the same. All
15 companies have changed their contracts for
16 different types of reviews. As far as CBSG
17 goes, I can tell you one thing about it,
18 which I hear my wife talking about it.
19 There's constantly being reviewed because
20 of public audits, so they're constantly
21 looking and reviewing the contracts making
22 sure they're in compliance.

23 Q. Do you know if the advances from
24 CBSG are regulated by any governmental

1 entity?

2 MR. BERMAN: Objection. You can

3 answer.

4 THE WITNESS: They are not.

5 BY MR. PROPER:

6 Q. You mentioned audit. Do you know

7 if CBSG uses any independent third party

8 auditors?

9 A. I don't know who they are.

10 Q. Do you know if they use any?

11 A. I'm sure they do.

12 Q. But you've never read a third

13 party auditing report?

14 A. No.

15 MR. BERMAN: Can we take a break

16 for the bathroom?

17 MR. PROPER: Sure.

18 - - -

19 (Whereupon a short recess was

20 taken.)

21 - - -

22 BY MR. PROPER:

23 Q. I saw some document with a Form D

24 that was filed with the Securities and

1 Exchange Commission by CBSG. Have you ever

2 seen any type of SEC filing by CBSG?

3 A. That's legal. No.

4 Q. So you weren't involved in that

5 process, right?

6 A. No.

7 Q. And there's a list of a bunch of

8 different people that are called promoters.

9 Do you know what those people do?

10 A. No.

11 Q. And then there's a list of a

12 bunch of different people that get

13 compensation from CBSG, and there's a bunch

14 of different ones. Did you ever deal with

15 an Alvin Holdings?

16 A. No.

17 Q. What about a Lindsay Blake,

18 Incorporated in Springfield?

19 A. No.

20 Q. A company, a Better Financial

21 Plan in King of Prussia?

22 A. No.

23 Q. What about AG Morgan Tax and

24 Accounting?

1 A. No.

2 Q. So you're not involved with any
3 of those individuals that might be trying
4 to solicit investors for CBSG?

5 A. No, I don't run the sales.

6 Q. Okay. When's the last time you
7 saw Mr. Cole?

8 A. A couple weeks ago.

9 Q. What was the occasion that you
10 saw him?

11 A. Coffee shop.

12 Q. How about Mr. Bromley, when was
13 the last time you've seen him?

14 A. I don't know. I couldn't recall.

15 Q. More than a month?

16 A. Probably.

17 Q. Back to sort of the form of the
18 agreement. Is it a standard form that
19 there's a daily specified amount? Is that
20 standard or does it vary on the repayment?

21 A. It varies. There's no standard
22 in what we do. Every deal is tailored
23 specifically for the client. Meaning that
24 different clients, you can't tailor the

1 deal the same. It has to be different
2 because clients have different needs, and
3 also clients have different types of
4 businesses.

5 Q. Is there a standard or common
6 repayment term?

7 A. No.

8 Q. Do all of these deals have a
9 fixed repayment term of some kind? Whether
10 it's three months, six months? Is there a
11 fixed repayment term?

12 A. So, you're question is -- let's
13 try to understand what you're asking me.
14 We purchase receivables. There's a fixed
15 return, which varies. It could be
16 different for every client. So these are
17 not amortized obligations, so they're not
18 loans. So there is a fixed payback, but
19 they do differ.

20 Q. Yeah, I'm just asking, is there a
21 fixed repayment period?

22 A. Period, yes.

23 Q. What is the average length that a
24 business has to repay the advance, in your

1 experience?

2 A. Depends on the company and
3 depends on the product. It depends on the
4 needs. It can go 22 business days, I've
5 done deals where clients could, you know, a
6 client would like to factor a receivable
7 for an opportunity, or it could go up to
8 300 days. So it varies upon the need of
9 the client.

10 Q. But every deal has some type of
11 fixed period of time that the money has to
12 be paid back, right?

13 A. Which is essential to our
14 product, yes.

15 Q. Got it. Do all of the contracts
16 with CBSG have some type of default
17 provision?

18 A. What does that mean? I don't
19 understand the question.

20 Q. Do you know what a default is?

21 A. Yes. I don't know what the
22 provision part is though.

23 Q. Let's just talk about a default.

24 Are there guidelines that you're aware of

1 that CBSG has to determine when a business
2 is in default under an MCA agreement?

3 A. No.

4 Q. Do you know how CBSG determines
5 when a business is in default?

6 A. That's in the collections
7 department, I don't know.

8 Q. Do you have anything to do with
9 the collections department?

10 A. So, I do, in the sense that I'll
11 try to help my clients get through some
12 tough times, so I will work with
13 collections to, more or less be a liaison
14 between the two before -- especially even
15 in the case with your client. I think I
16 was involved with the collections there as
17 far as helping them get through.

18 So, yeah, I will contact --
19 they'll contact me and I'll contact the
20 client and see if I can help them and see
21 what CBSG, or any other lender will do to
22 help them in the time of need.

23 Q. Does CBSG keep statistics on
24 default rates?

1 A. I don't know.

2 Q. Do you have any idea what CBSG's
3 current default rate is?

4 A. I wouldn't know.

5 Q. Do you know what CBSG's default
6 rate was in 2018?

7 A. No.

8 Q. What about 2017?

9 A. No.

10 Q. You have no concept as to --

11 A. I can only talk -- I mean I know
12 the files that came through Recruiting and
13 Marketing Resources. I can tell you that I
14 probably had two percent top default rate.
15 Two percent of my merchants probably did
16 bad.

17 Q. And how do you determine what a
18 default is to come up with the two percent?

19 A. I get a report. They'll write me
20 and say your client defaulted.

21 Q. And what is the form of that
22 report?

23 A. It's not a form. I have to pay
24 back the commissions. If I received any

1 commissions and the client defaulted, I
2 would have to pay that back. In our
3 industry that's called a claw back, so I
4 would know about that because they took my
5 commissions back.

6 Q. Got it. So in your experience, in
7 about two percent of your deals do you have
8 to pay back your commission?

9 A. Probably, yeah.

10 Q. Is there a time period where the
11 claw back is no longer is applicable? In
12 other words, like if six months pass, is
13 there a period where they can't claw back
14 any more?

15 A. Yeah. Different companies have
16 different claw backs.

17 Q. What is CBSG's policy?

18 A. Well, I give all my commissions
19 back if they don't pay.

20 Q. Okay. In your experience, does
21 CBSG deem it to be a default whenever a
22 business is unable to make a payment?

23 A. No, I don't think that's a
24 default.

1 Q. What is a default?

2 A. I think if you're looking from a
3 collection stand point, which I guess is
4 what you're asking me, there is, I would
5 imagine, paid as agreed, right? So if
6 somebody paid as agreed through the entire
7 contract, no missed payments, no returns,
8 that would be one way to look at it. A
9 default could constitute a stop payment.

10 Q. What if you have four NCF's? Do
11 you know what an NCF is?

12 A. I don't know.

13 Q. I'm sorry, NSF. I heard of that,
14 yeah.

15 A. Non sufficient funds, yeah. I
16 wouldn't say that would constitute a
17 default, no. I don't think any cash
18 advance company would constitute that as a
19 default.

20 Q. Do you know whether there's an
21 addendum to my client's agreement which
22 states that four NSF's as a default?

23 A. I don't know.

24 Q. You don't now?

1 A. 2017, I don't remember.

2 Q. Do you know whether it was common
3 in 2017 for CBSG to have in its agreements
4 that were four NSF's is a default?

5 A. I don't know.

6 Q. Do you know if CBSG's agreements
7 currently have a provision which states
8 four NFSs is a default?

9 A. I don't know.

10 Q. Do you know if there's any
11 provision in CBSG's form agreements back in
12 2017 that filing for bankruptcy or
13 declaring bankruptcy is an event of
14 default?

15 MR. BERMAN: Objection.

16 MR. PROPER: Do you know?

17 MR. BERMAN: You can answer if
18 you know.

19 THE WITNESS: I don't know.

20 MR. BERMAN: I raised the
21 mischaracterization issue again for him.

22 BY MR. PROPER:

23 Q. Is filing for bankruptcy an event
24 of default under CBSG's contracts?

1 A. I don't know.

2 Q. Have you ever read article 3.1 of
3 CBSG's contracts, which is titled Events of
4 Defaults and Remedies?

5 MR. BERMAN: Are you referring to
6 a specific contract or generally?

7 THE WITNESS: That's a 2017
8 contract; I couldn't possibly remember.

9 BY MR. PROPER:

10 Q. Are you aware that in my clients
11 contract, there's a provision in article 3
12 that's titled Events of Defaults and
13 Remedies, are you aware of that?

14 A. I believe you if it says it
15 there. I don't know if I'm aware of it.

16 Q. Is one of the documents that you
17 reviewed in preparation for today's
18 deposition the contract with my client and
19 CBSG?

20 A. No.

21 Q. Do you know if it's an event of
22 default under the agreement with my client
23 and CBSG that merchant shall admit in
24 writing its inability to pay its debts or

1 shall make a general assignment for the
2 benefit of creditors or any proceedings
3 shall be instituted by or against merchants
4 seeking to adjudicate it a bankrupt or
5 insolvent, or seeking reorganization,
6 arrangement adjustment, or composition of
7 it or its debts?

8 A. I'm not a lawyer. I don't know
9 even what that means. Respectfully, you
10 guys, I don't know -- I'm not trying to be
11 aloof. I don't understand any of this.

12 I'm not a lawyer. I'm a salesman for
13 Recruiting and Marketing Resources, and
14 what CBSG wrote in their contract, I don't
15 know. Especially back in 2017.

16 Q. In your experience in 2017, did
17 CBSG treat the filing of bankruptcy to be
18 an event of default?

19 A. I don't know.

20 Q. Have you ever been involved with
21 a situation where one of your clients has
22 filed for bankruptcy?

23 A. Sure.

24 Q. Has one of those clients --

1 strike that. Has there be been an instance
2 where wasn't of the clients that have filed
3 for bankruptcy had an outstanding
4 obligation to CBSG?

5 A. Probably.

6 Q. And in those instances that
7 you're thinking of, did CBSG pursue
8 collections or attempt to get its money
9 back from the borrower?

10 A. I don't know the exact
11 underwriting -- the exact collections
12 standards for CBSG, but if I were to guess,
13 I don't think you're allowed to collect
14 when someone is in bankruptcy. After
15 they're in bankruptcy they put a stay, and
16 you're not allowed to contact the merchant.
17 Usually it's done through a trustee, if you
18 guys are familiar with that process.

19 Q. Do you know if CBSG files claims
20 as part of its common practice when a
21 borrower files bankruptcy?

22 MR. BERMAN: Objection. You can
23 answer.

24 MR. PROPER: Do you know?

1 THE WITNESS: I don't know.

2 BY MR. PROPER:

3 Q. Do you know whether CBSG secures
4 any of its MCA agreements with mortgages?

5 A. Yes.

6 Q. Have you had --

7 A. On occasion. Because, again,
8 it's very important for me to say this,
9 there's many different products and
10 services, so we have collateralized
11 products. We have all different products
12 and services that we offer our clients.

13 Q. Do you file UCC liens -- strike
14 that. Does CBSG file UCC liens as part of
15 its common business practice?

16 MR. BERMAN: Objection you can
17 answer.

18 THE WITNESS: I don't know.

19 BY MR. PROPER:

20 Q. What other type of security does
21 CBSG routinely seek from businesses that it
22 funds?

23 MR. BERMAN: Objection. You can
24 answer.

1 THE WITNESS: Real estate, only.

2 BY MR. PROPER:

3 Q. What other forms of real estate
4 other than mortgages?

5 A. Is there another form of real
6 estate besides a mortgage.

7 Q. So when CBSG is not seeking
8 security from a mortgage, what other types
9 of security is CBSG requiring from the
10 borrower?

11 A. On a collateral deal, or are you
12 going back to MCA.

13 Q. MCA?

14 A. The security is the receivables,
15 we're purchasing receivables.

16 Q. Is the failure of a business to
17 pay back the specified amount, whatever the
18 repayment period is, whether it's a day, a
19 week or a month. Is the failure to pay
20 back to that money a default?

21 MR. BERMAN: Objection. You can
22 answer.

23 THE WITNESS: Is the failure to
24 pay back money to a company that you took

1 and didn't pay it back? I would say that's
2 a default, yes.

3 BY MR. PROPER:

4 Q. Is that a default as you
5 understand CBSG's MCA agreements? When a
6 business --

7 A. I think it's any business. It's
8 similar to my car. If I don't pay for my
9 car, they're going to impound it. It's the
10 same type of thing, so yes, I would say it
11 constitutes a default.

12 Q. Are aware of any instance where
13 CBSG has not received the money specified
14 under an MCA agreement where CBSG has not
15 treated that to be a default?

16 MR. BERMAN: Objection.

17 THE WITNESS: I don't understand
18 the question.

19 BY MR. PROPER:

20 Q. Yeah. So has there been an
21 instance, in your experience, where a
22 business didn't pay CBSG the money
23 specified in the agreement, and CBSG said,
24 no that's not a default, don't worry about

1 it?

2 A. I wouldn't know.

3 Q. Can you think of an instance
4 where that's happened?

5 A. No.

6 Q. Do you know if CBSG has ever
7 commenced a lawsuit personally against the
8 owner of a business when a business has
9 filed bankruptcy?

10 A. I don't know. I'm not in legal.
11 They have attorneys that handle that, I
12 guess.

13 Q. What's the difference between a
14 collateral deal and an MCA?

15 A. The collateral is -- when a
16 person purchases collateral, they're
17 looking to potentially get a longer term on
18 the deal as opposed to a specific MCA which
19 might be a little bit shorter that they
20 qualify for, so they'll pledge their
21 commercial asset in order to get a longer
22 term deal.

23 Q. When is a collateral -- strike
24 that.

1 When is collateral required when
2 the term is longer than what?

3 A. There's no collateral required
4 ever, they volunteer the collateral.

5 Q. So as part of CBSG's underwriting
6 guidelines, if you want money to be paid
7 back in, say over a year, would collateral
8 would be required?

9 A. Could be, depends on the
10 underwriter, yes. Let me clarify that.
11 There's no requirement for collateral. You
12 said the word, "requirement" at the end. I
13 didn't hear you. I'm sorry. There's no
14 requirement for collateral.

15 Q. Is a collateral deal still an MCA
16 agreement?

17 A. Yes.

18 Q. Are all of CBSG deals papered in
19 the form of an MCA agreement?

20 A. Yes.

21 Q. So some may have collateral, some
22 may have different repayment terms, but all
23 of the agreements are structured as an MCA,
24 right?

1 MR. BERMAN: Objection. You can
2 answer.

3 THE WITNESS: So, we are an MCA
4 company. We purchase receivables. The
5 contracts differ for the different products
6 that we have. Every lender has different
7 products, so the contracts differ. You're
8 going to have different addendums in there.
9 You're going to have all kinds of different
10 things in the contracts according to what
11 the program is that the person qualifies
12 for.

13 BY MR. PROPER:

14 Q. But they're call structured as a
15 sale of receivables?

16 A. Yes. No, purchase of receivables
17 of what their client is selling, we're
18 purchasing. Right.

19 Q. Is CBSG purchasing a set of
20 existing receivables, or is it just
21 purchasing an interest in the future
22 revenue stream of the business?

23 MR. BERMAN: Objection.

24 THE WITNESS: Future revenue

1 stream.

2 BY MR. PROPER:

3 Q. So, has there ever been an
4 instance in your experience dealing with
5 CBSG where CBSG underwrites the
6 collectability of a specific outstanding
7 receivable?

8 A. Yeah, I think that it's important
9 to understand the business and know what
10 kind of receivables they have in order to
11 make good lending decisions, yeah.

12 Q. What does CBSG do, either
13 directly when they were underwriting deals
14 themselves, or through Full Spectrum to
15 underwrite the credit worthiness of the
16 debtor, the person that owes money to the
17 business?

18 MR. BERMAN: Objection. You can
19 answer.

20 THE WITNESS: There is no contact
21 with the debtors.

22 BY MR. PROPER:

23 Q. Okay.

24 A. Which makes the product unique.

1 Most factor agreements, and why people love
2 our product is it's not as cumbersome,
3 number one, and number two, most factors
4 will contact the creditor to let them know
5 that they're owed they money. A lot of
6 people don't like their clients to be
7 contacted, that's why people choose to sell
8 their future receivables as opposed to a
9 specific receivable in a traditional
10 factor.

11 Q. Does CBSG use different forms,
12 depending upon the state, or only different
13 forms depending upon the product?

14 A. I don't know.

15 Q. Do you know if there's a unique
16 MCA form contract for deals involving Texas
17 businesses?

18 A. No.

19 Q. How many Texas businesses have
20 you dealt with in the last six months?

21 A. I think you asked me that
22 earlier. I don't know.

23 Q. I asked you more generally, but
24 I'm asking as specific time frame.

1 A. I don't know.

2 Q. How about in the last 30 days?

3 A. I call 500 people a day. I don't
4 know who is from Texas.

5 Q. Well, in order to fund the deal,
6 one of the things you have to ascertain on
7 behalf of CBSG is where the business is
8 located, right?

9 A. Uh-huh.

10 MR. BERMAN: Objection.

11 BY MR. PROPER:

12 Q. Yes?

13 A. Yes.

14 Q. In fact, that's one of the
15 questions on the credit application, isn't
16 it?

17 A. Right.

18 Q. Is that something you take note
19 of, where the business is located

20 A. Not really. I don't underwrite
21 any of the files.

22 Q. Do you know if CBSG has records
23 on the location of its individual
24 borrowers?

1 A. No I do not. I would imagine,
2 yes. As you said, it's in their
3 application, right?

4 Q. Do you have copies of the
5 applications as part of your business
6 files?

7 A. Sure.

8 Q. So you could go back and look at
9 individual applications that resulted in
10 funding by CBSG to determine which of those
11 individuals, since 2015, were located in
12 Texas, right?

13 A. Yes.

14 Q. So I was asking before, which is
15 what I was just trying to get at, is there
16 a way that you could ascertain how many
17 deals funded by CBSG involved a Texas
18 business, and one of the ways you could do
19 it is manually looking at the different
20 applications, right?

21 A. Yeah, and let me clarify
22 something from earlier too because I think
23 we're were tripping on our words here. I'm
24 not a technology person. I don't delete my

1 emails on purpose. We have all my emails
2 on a server. I just have a phone. I don't
3 specifically go around deleting emails if
4 that's what you're leading to.

5 Q. I wasn't leading to anything; I
6 just asked questions. Your answers are
7 your answers.

8 A. Thank you.

9 Q. So just to circle back to that.
10 Are your business emails deleted on an
11 daily basis or no?

12 A. I don't know.

13 Q. The emails that you testified to
14 previously as deleting each day are emails
15 on your phone?

16 A. Yeah. In other words, I think I
17 delete them on my phone, but they're
18 obviously stayed saved on our server,
19 right?

20 Q. Well, I don't know how your
21 business works. Do you have a corporate
22 email that you can access through your
23 phone?

24 A. Yes, it's saved on the server, so

1 I erase it on my phone. I'm sure it's
2 saved on the server.

3 Q. You're sure it's saved on your
4 server because your attorney told you it
5 was or you know that?

6 MR. BERMAN: Objection. You don't
7 have to answer anything I told you.

8 MR. PROPER: Well, when you
9 whisper in his ear.

10 MR. BERMAN: I didn't whisper
11 anything in his ear, let's not make
12 misrepresentations on the record. You're
13 instructed not to talk about anything I
14 told you. If you know, you can answer the
15 question.

16 BY MR. PROPER:

17 Q. Did you have a conversation with
18 your attorney in the hall about you
19 deleting your emails?

20 MR. BERMAN: You have absolutely
21 no answer to that question.

22 THE WITNESS: Of course.

23 MR. PROPER: I just want to state
24 on the record in the Third Circuit, if you

1 have a conversation with your client about
2 specific things that happened during a
3 deposition, then that is a hundred percent
4 discoverable.

5 So if counsel is directing his
6 client not to even answer the question
7 whether the conversation took place, then
8 note my objection.

9 THE WITNESS: I never had a
10 conversation about anything that we spoke
11 about. You can put that on the record.

12 BY MR. PROPER:

13 Q. Have you searched for emails that
14 relate to any of the issues in this
15 lawsuit?

16 A. No.

17 Q. Have you been instructed by
18 anyone that you should be preserving emails
19 that relate to this lawsuit?

20 MR. BERMAN: Objection to the
21 extent it calls for attorney/client, don't
22 provide any information that the attorneys
23 gave you. Otherwise you can answer.

24 BY MR. PROPER:

1 Q. Have you received a litigation
2 hold letter?

3 MR. BERMAN: Again, same
4 instruction.

5 MR. PROPER: Just for the record,
6 it is absolutely not privileged whether or
7 not a witness received a litigation hold,
8 or was instructed whether or not to
9 preserve documents. It is not protected by
10 the attorney/client privilege. So note my
11 objection to that.

12 MR. BERMAN: Except for the fact
13 that he testified that all of his emails
14 are maintained. So you can answer.

15 MR. HESKIN: You mean after he
16 said he deleted them all?

17 MR. BERMAN: It's his testimony.

18 THE WITNESS: I made a mistake.
19 On my phone, I said I deleted them. And
20 you came back to me, and said, "do you have
21 the files"? Of course, I have a server,
22 but I didn't want to misrepresent myself.

23 BY MR. PROPER:

24 Q. Have you ever represented to a

1 potential investor of CBSG, that CBSG loans
2 money to borrowers?

3 A. Can you repeat the question?

4 Q. Have you ever represented to an
5 investor, or potential investor of CBSG
6 that CBSG loans money to borrowers?

7 MR. BERMAN: Objection.

8 THE WITNESS: No. I don't know.

9 BY MR. PROPER:

10 Q. Have you ever represented to an
11 investor or potential investor that CBSG
12 has a standard interest rate for its loans?

13 MR. BERMAN: Objection. You're
14 instructed not to answer any investor
15 communications. As I welcomed you before,
16 please call the Court.

17 BY MR. PROPER:

18 Q. Have you ever represented to any
19 third party that CBSG has a standard
20 interest rate of 35 percent on its loans?

21 MR. BERMAN: Objection. You can
22 answer.

23 THE WITNESS: No.

24 BY MR. PROPER:

1 Q. Does CBSG have --

2 A. What loans? First of all, I'm
3 confused.

4 Q. Do you know what an interest rate
5 is?

6 A. Sure.

7 Q. Have you ever represented to
8 anyone that the standard rate on CBSG
9 advance is 35 percent?

10 A. CBSG doesn't charge an interest
11 rate.

12 Q. So the answer to my question is,
13 you would have never told any third party
14 that CBSG's average rate is 35 percent?

15 A. We don't charge an interest rate,
16 so of course not.

17 Q. Got it. Have you ever
18 represented to any third party that CBSG
19 has an average factor rate?

20 A. I don't know.

21 Q. Do you know what CBSG's average
22 factor rate is?

23 A. No.

24 Q. Are you familiar with CBSG's

1 website?

2 A. Yeah.

3 Q. Does CBSG currently have a

4 website?

5 A. I believe so.

6 Q. Not PAR Funding. Do you know if

7 there's a website specifically for CBSG?

8 A. I don't know.

9 Q. Do you know whether CBSG has ever
10 had a website?

11 A. I'm not sure.

12 Q. Do you know whether CBSG has ever
13 used an application that was titled, A Loan
14 Application?

15 A. I don't know.

16 Q. Has CBSG ever issued a loan
17 product?

18 A. No.

19 Q. Do you know if CBSG has ever
20 represented on its website that its MCA
21 products are loans?

22 A. I don't know.

23 Q. Has the structure of CBSG's
24 products from 2012 to present always been

1 in the form of an MCA transaction of some
2 kind?

3 A. I believe so.

4 Q. Do you have email communications
5 with investors?

6 A. No.

7 Q. Do you have email communications
8 with anyone that is trying to solicit
9 investors for CBSG?

10 MR. BERMAN: Objection. You
11 don't need to answer questions with respect
12 to investors. I welcome you to call the
13 Court.

14 BY MR. PROPER:

15 Q. Do you text with any investors or
16 potential investors of CBSG?

17 MR. BERMAN: Same objection. You
18 can call the Court at any time.

19 MR. PROPER: I'm close.

20 MR. BERMAN: Okay, call. The
21 Judge instructed us to do that. We have
22 asserted objections on the record with
23 respect to investor communications for
24 class certification purposes. I welcome

1 you to call the Court. We're here now for
2 a deposition. The Judge instructed you to
3 do so if there's a dispute.

4 MR. PROPER: Yeah, I remember the
5 email.

6 MR. BERMAN: So let's call the
7 Court. You know my position.

8 MR. HESKIN: We'll get there.

9 MR. BERMAN: Whenever you want.

10 MR. PROPER: I'm just as anxious
11 as you are, but I'm just showing a little
12 bit of patience. Trying to move things
13 along. Seeing what we can accomplish
14 without disagreeing.

15 Q. I need to ask you this, and it's
16 not to embarrass you in any way. Have you
17 ever been convicted of a crime that
18 involves --

19 A. Yes.

20 Q. Let me just ask the full
21 question.

22 A. I answered already. That's it.

23 MR. BERMAN: Let him ask the
24 question one time.

1 BY MR. PROPER:

2 Q. I just need to ask the question
3 for the record. Have you ever been
4 convicted of a crime that involves
5 dishonesty?

6 A. Never.

7 Q. Okay. Have you ever been
8 convicted of a crime that involves fraud?

9 A. Never.

10 Q. Was the conviction for the real
11 estate incident in New York, did that
12 involve any type of fraud?

13 A. There was never a real estate
14 company, no.

15 Q. What were you convicted of?

16 MR. BERMAN: Just answer that one
17 question. Well -- strike that. You have
18 his public record. Do you want to ask him
19 if he was convicted of that crime?

20 MR. PROPER: I just want to know
21 from the witness, so I know if it involves
22 a crime of dishonesty, which would be
23 relevant.

24 MR. BERMAN: And he said no.

1 MR. PROPER: And now I'm
2 exploring to find out what he was convicted
3 of so I can determine.

4 MR. BERMAN: You know.

5 MR. PROPER: I'm entitled to ask
6 the witness what he was convicted of so I
7 can determine whether it's relevant to his
8 testimony as a fact witness. If it
9 involves a crime of dishonesty, which he
10 doesn't know what the rules of evidence
11 are, but you know know what the rules of
12 evidence are. And I know what the rules of
13 evidence are. So I need to ascertain from
14 the witness what exactly he was convicted
15 of and when.

16 THE WITNESS: I was convicted in
17 2007 for a money laundering case, and I did
18 my time.

19 BY MR. PROPER:

20 Q. What state was that?

21 A. I came out, and work here now.
22 And life is good, and I want to put that on
23 the record too. New York.

24 Q. Got it. Thank you. That's all.

1 Does your brother, James, have
2 any dealings with CBSG?

3 A. I won't talk about my brother.

4 MR. HESKIN: Are you instructing
5 him not to answer,

6 MR. BERMAN: I think he answered.

7 BY MR. PROPER:

8 Q. So no questions of any kind. If
9 I asked 50 questions about your brother and
10 his relationship to this case, your answer
11 for all of them, is you're not going to
12 answer?

13 A. The answer is he has nothing to
14 do with the business, so there is no
15 answer.

16 Q. Has he ever had anything to do
17 with CBSG?

18 A. No.

19 Q. Has he ever attempted to collect
20 monies on behalf of CBSG?

21 A. I don't know.

22 Q. Has your brother ever done any
23 work for your marketing company?

24 MR. BERMAN: Objection.

1 Mischaracterization.

2 THE WITNESS: I don't know my
3 brother's business.

4 BY MR. PROPER:

5 Q. So if you don't -- I just need to
6 ask the questions. Has James LaForte ever
7 done any work on behalf of Recruiting and
8 Marketing Resources?

9 A. I don't know.

10 Q. If he had, would you know?

11 A. I don't know.

12 Q. And you don't know whether James
13 LaForte has done any work, consulting or
14 otherwise, for CBSG?

15 A. No.

16 Q. He hasn't or you don't know?

17 A. I don't know.

18 Q. How about Mr. Geo, do you know
19 who he is?

20 A. Yeah, I do.

21 Q. Who is that gentleman?

22 A. He was a mediator for the company
23 for a while.

24 Q. What's his full name, if you

1 know?

2 A. I don't know.

3 Q. When was the first time you met
4 him?

5 A. I don't remember.

6 Q. Do you know anything about his
7 background?

8 A. Not really.

9 Q. What did he do on behalf of CBSG?

10 A. He would -- what we tried to do
11 is, we tried to go out and settle disputes
12 with clients, and I thought it was a great
13 program. He would go and meet clients to
14 see if he could mediate prior to someone
15 catching a judgment or a default.

16 Q. Were you the one that contacted
17 Mr. Geo to go visit with people that were
18 in default?

19 A. So if I had a default, I would
20 contact sometimes to go meet with clients
21 that wanted to meet with us. I thought it
22 was a great program, and it worked out
23 pretty well.

24 Q. How long did the program go on

1 for?

2 A. I can't say exact, probably a
3 year and a half.

4 Q. Do you know how many visits Mr.
5 Geo made to CBSG customers during this 12
6 to 18 month period?

7 A. I couldn't say how many.

8 Q. Who was the one that would
9 contact Mr. Geo for him to get involved
10 under this dispute settlement program?

11 A. I don't understand the question.

12 Q. Yeah, so if Mr. Geo was going to
13 make a visit to a business, would you
14 contact him or would someone else contact
15 him from CBSG?

16 A. Someone from CBSG would contact
17 him.

18 Q. Do you know if he had a written
19 agreement with CBSG?

20 A. No.

21 Q. Do you know how he was
22 compensated?

23 A. No.

24 Q. You don't know if he was paid

1 based on whether he was successful in
2 getting money from the businesses?

3 A. No.

4 Q. Do you know if Mr. Geo ever made
5 threats to businesses in order to secure
6 payments?

7 A. I don't think he made any threats
8 to any business.

9 Q. Did any customers ever complain
10 to you personally that Mr. Geo made threats
11 to them?

12 A. Of course.

13 Q. Do you recall on how many
14 instances a business owner contacted you
15 directly and complained that Mr. Geo had
16 expressly or implicitly threatened them?

17 A. So the clients, for the most
18 part, the program worked very well. I
19 would say 95 percent of the time, the
20 clients enjoyed the fact that they were
21 able to sit down and mediate with somebody
22 in person as opposed to being on the
23 phones. Like any other product, you know,
24 five percent of them probably didn't like

1 the fact that somebody showed up to their
2 office space, but, you know, in general I
3 think the program worked out very well.

4 Q. Why did the program end, if it
5 did?

6 A. Bloomberg article.

7 Q. Why did the Bloomberg article
8 result in that program ending?

9 A. In hindsight I could see the
10 optics on that would look bad, and I know
11 where you guys are going with this, but it
12 was a great program. Most of the clients
13 enjoyed the fact that we went to meet them
14 in person and didn't have a default, we
15 saved a lot of businesses like that.

16 So I say if you saw 500 clients,
17 I would say 450 of those clients had their
18 businesses saved because of the visit as
19 opposed to getting a judgment or lien on
20 them, or potentially losing their business.

21 Q. Are you personally involved at
22 all with contacting business owners in
23 default and trying to come up with like a
24 payment arrangement?

1 A. Sometimes. If they're my client,
2 yes.

3 Q. Aren't all of CBSG deals your
4 clients?

5 A. So, yes and no. Because I handle
6 the ISOs, and I'm a mediators. Sometimes
7 the ISOs handle it them themselves, it
8 depends.

9 Q. So you mean sometimes the ISOs
10 will deal directly with CBSG without your
11 involvement?

12 A. Correct, or they can go directly
13 to the merchant and try to work out an
14 agreement with the merchant themselves.

15 Q. So just so we're clear because I
16 heard you differently before, which is
17 fine. Are you involved --

18 A. You're talking about collections
19 now, right? We're on another subject now.

20 Q. Not collections. I want to know
21 if all of the funding deals from CBSG
22 derive from your involvement?

23 A. Okay. Respectfully, you're going
24 to another segment of the business. We're

1 on collections now. You're bringing up Mr.
2 Geo. You're on collections. You're
3 confusing me because you're going to back
4 to underwriting and processing now, that's
5 different. On the collection side, it is
6 an effort by the ISO because they got paid
7 a commission, right, so they don't want to
8 have a claw back. And they also -- we, we
9 want to make a negotiation with our client
10 to make sure we get paid.

11 Q. That I understand completely. I
12 just want to understand, and I am going
13 back. Are you all the deals that CBSG
14 funds deals that you're involved with at
15 the start?

16 A. I wouldn't say all; I would say
17 majority.

18 Q. And if one of the deals that you
19 had brought to CBSG goes in default because
20 the borrower doesn't make a payment, there
21 have been occasions where you would make a
22 phone call, right?

23 A. Sure.

24 Q. One of those phone calls was to

1 Robert Fleetwood, correct?

2 A. Sure.

3 Q. Do you recall the sum and
4 substance of what you and Mr. Fleetwood
5 talked about?

6 A. No.

7 Q. Did you make any threats to Mr.
8 Fleetwood?

9 A. Absolutely not.

10 Q. Did you suggest that you would
11 ruin his business if he didn't become
12 current?

13 A. Absolutely not.

14 Q. That's not something you would
15 do?

16 A. No.

17 Q. Is it a common practice for deals
18 you're involved with to contact borrowers
19 in default to come up with a payment
20 arrangement?

21 A. Sure.

22 Q. And when you come up with a
23 payment arrangement, does CBSG charge a
24 finance or some restructuring fee?

1 A. I don't know. It depends. If a
2 client is going to initiate another
3 transaction, yes.

4 Q. In my client's case, was there an
5 instance where you negotiated a smaller
6 daily payment to try to help him out?

7 A. Yes.

8 Q. Okay, and when that happened, was
9 a finance fee charged?

10 A. I don't believe so.

11 Q. And you said there were times
12 where a finance fee would be charged, and
13 that was if another deal was going to be
14 made?

15 A. Yeah, if there was a refinance,
16 is that what you're talking about?

17 Q. No. I'm talking about if there's
18 a workout, I'll use that terminology, that
19 a borrower hasn't paid you. The borrower
20 is in default; you're trying to work out a
21 payment arrangement.

22 A. Right.

23 Q. Under that situation, are there
24 any additional fees that are imposed when

1 you're restructuring the payment?

2 A. I don't believe so. I'm not
3 sure. Different lending companies handle
4 it differently. I'm not positive.

5 Q. Okay, so you're not sure one way
6 or the other what CBSG does; is that fair?

7 A. In a default situation?

8 Q. Yeah, when there's a restructured
9 payment, you're not sure specifically
10 whether CBSG charges a finance fee or not?

11 A. No, I'm not sure.

12 Q. If CBSG reduces a client's
13 payment, was that borrower in default prior
14 to the new payment term?

15 MR. BERMAN: Objection.

16 THE WITNESS: It depends.

17 BY MR. PROPER:

18 Q. Depends on what?

19 A. What client? Who are we talking
20 about?

21 Q. I'm just talking generally.
22 Isn't it a fair statement that the only
23 time you would work out a payment
24 arrangement is when a borrower was in

1 default?

2 A. Of course.

3 Q. Isn't it also true that when CBSG
4 funds money, it expects to be repaid?

5 A. Yes.

6 Q. Isn't it true that when CBSG
7 funds money, that it expects to be repaid
8 whether the business is doing well or the
9 business is doing poorly?

10 A. No. I think that CBSG does a
11 good job working out payments with people
12 in general, I guess.

13 Q. When CBSG advances funds to a
14 business, it expects, no matter what
15 happens, that you're going to pay them
16 back, and if you don't pay them back, CBSG
17 is going to pursue any legal rights it has,
18 right?

19 A. Sure. Same way you guys probably
20 would with your clients.

21 Q. Can you think of any circumstance
22 where CBSG would say, "don't worry about
23 it, you don't have to pay us back"?

24 A. You asked me that earlier, I

1 don't know what that means.

2 Q. Okay. It's hard, and I
3 understand your counsel's point. I'm
4 limiting my questions to Texas, which I
5 would like to do at this point, but you're
6 telling me you don't know how many CBSG
7 customers from January 2015 to present were
8 Texas residents, right?

9 A. Correct.

10 Q. And you haven't done anything
11 prior to this deposition to ascertain that
12 number, right?

13 A. No.

14 Q. You don't know whether it's 10,
15 20, 50, 100, 1,000 or more?

16 A. I don't know.

17 Q. Do you have any concept whether
18 Texas is a high volume state for CBSG?

19 A. I don't know about CBSG. Just in
20 the industry itself I could speak on
21 because I do a lot of different deals with
22 a lot of different lenders.

23 Q. Yeah.

24 A. There's some parts of Texas that

1 are good, that are busy, yeah.

2 Q. What parts of Texas are busy,
3 generally?

4 A. Dallas is a big city, so there's
5 a lot of business in Dallas. But I
6 wouldn't say Texas specifically is a big
7 state.

8 Q. Do you have specific ISO's you
9 deal with in Texas?

10 A. No.

11 Q. Does CBSG have ISO's for every
12 state?

13 A. No, the ISO is -- you mean the
14 independent offices, where are they
15 located?

16 Q. Yeah.

17 A. I don't know.

18 Q. So maybe it's not necessary to be
19 in a particular state. Do you have a
20 specific ISO, maybe you deal with in
21 Pennsylvania, and may bring clients from
22 states outside of Pennsylvania, right?

23 A. Sure. You don't have to be in
24 the state to transact business.

1 Q. And going back to the form of the
2 contract back in 2012, were you involved at
3 all in preparing their original MCA formed
4 contract?

5 A. No, I'm not a lawyer.

6 Q. Do you know how CBSG came up with
7 the initial form?

8 A. No.

9 Q. Do you know whether they used
10 some other MCA company's contract as a
11 template for their agreements?

12 A. No.

13 Q. You said you were involved at the
14 start back in 2012 with sort of structuring
15 the types of products that would be
16 offered?

17 A. Yeah, I'm into products, yes.

18 Q. So what was your experience with
19 the MCA industry prior to 2012?

20 A. Experience?

21 Q. Yeah, did you deal with MCA
22 companies as an ISO?

23 A. Yes.

24 Q. And you may have already

1 answered --

2 A. I already answered.

3 Q. What type of involvement would
4 you have with the MCA companies?

5 A. Just in a sales capacity.

6 Q. I'm sorry, how many years were
7 you doing that for?

8 A. Probably started in 2011.

9 Q. Did you ever work with a
10 gentleman by the name of John Brawn?

11 A. No.

12 Q. Do you know who he is?

13 A. I've read about him.

14 Q. Why did you decide to have your
15 wife structure her business as an MCA
16 company?

17 MR. BERMAN: Objection.

18 THE WITNESS: For you to say I
19 told my wife to do anything? If you knew
20 her, you'd take that. She does her own
21 thing. She's a lot smarter than me. Since
22 you already exposed me, when I was in jail
23 my wife had to fend for herself because
24 she's very intelligent, very smart, and she

1 formatted this whole business. I'm lucky
2 to be involved in a sales capacity so I
3 could have a job. As a convicted felon,
4 I'm lucky to have a position.

5 So my role in the company is on a
6 sales level only. I do not get involved
7 with CBSG business, and I made that deal
8 with my wife as soon as I came home. So,
9 that's how it operates and, you know, she's
10 very capable. So for you to say, it would
11 be insulting to her, that I helped her
12 somehow formulate this great business she
13 has.

14 BY MR. PROPER:

15 Q. I was only suggesting that
16 because you had involvement with MCA
17 companies, so let me start back. Did your
18 wife have some involvement with MCA
19 companies prior to 2012?

20 A. No, but she has a lot of loan
21 experience. She was a mortgage broker, as
22 I stated.

23 Q. Yeah, so do you know how your
24 wife first became aware that there was this

1 concept of an MCA?

2 A. No.

3 Q. But the idea did not come from
4 you?

5 A. No, I was in jail. My wife
6 started it herself.

7 Q. Do you know why your wife decided
8 to structure her business as an MCA company
9 versus just an alternative lender?

10 A. MCA is an alternative lender.

11 Q. Do you know why she structured
12 her agreement as to purchase of future
13 receivables as opposed to just a loan?

14 A. No. If I had to make a guess, I
15 think it's a better product than a loan.
16 Everybody seems to think that a loan
17 product is positive thing. I don't see it
18 that way. I think you can do a lot more
19 for merchants by having a merchant cash
20 advance agreement. You could be more
21 nimble, and you could structure deals
22 without having an amortization period to
23 help clients grow their businesses. And I
24 think that's the reason why she has a two

1 percent default rate.

2 Her two percent default rate is
3 really a tribute to her and putting
4 together the underwriting guidelines, and I
5 think it's a good thing.

6 Q. Do you know if CBSG ever makes
7 payments on behalf of borrowers who were in
8 default to make it look like the borrower
9 is not in default?

10 A. Can you repeat that please?

11 Q. Do you know if CBSG ever makes a
12 payment to itself when a borrower is in
13 default to make it look like the borrower
14 is not in default?

15 A. No.

16 Q. Do you know if CBSG is
17 artificially misrepresenting its default
18 rate to investors?

19 A. No.

20 Q. Do you know what --

21 A. Do you guys know what default is,
22 by the way?

23 MR. HESKIN: I think we already
24 discussed...

1 MR. PROPER: Your counsel is
2 welcome to ask you that later.

3 MR. BERMAN: Yeah. Just...

4 BY MR. PROPER:

5 Q. Do you know where CBSG gets its
6 money to advance funds to borrowers? Does
7 it have a line of credit? Does it do all
8 types of debt financing through
9 investments? How does that work?

10 A. I think they have their own
11 investment portfolio of people they work
12 with, yeah.

13 Q. Do you know if CBSG has a line of
14 credit with any lending facility?

15 A. I don't know.

16 Q. Do you know how the investment
17 funds are set up?

18 A. Private placement memorandums.

19 Q. Have you ever read a private
20 placement memorandum?

21 A. No.

22 Q. Do you know whether the private
23 placement memorandum makes any
24 representations to potential investors that

1 CBSG loans money to borrowers?

2 A. No. I didn't read it.

3 Q. Okay. How do you know there's a
4 private placement memorandum?

5 A. Because we -- I saw it in the
6 paper. You saw the fine they had to pay,
7 so they had to set up private placement
8 memorandums, as you guys have in your
9 documents, which I'm sure you'll get to
10 next,

11 Q. I'm not going to get into that.

12 A. Okay.

13 Q. But I know what you're talking
14 about, so thanks.

15 What can you tell me about Mr.
16 Fleetwood's business.

17 A. Can I have my folder?

18 Q. What did you bring with you
19 today?

20 A. Probably the same ones you have.

21 MR. BERMAN: The only thing I'm
22 going to pull out of here is, I think you
23 may have an email from me. Do you, Joe?

24 THE WITNESS: No.

1 MR. BERMAN: You don't? It's
2 just documents? Just making sure before
3 you start looking through that.

4 THE WITNESS: They can look
5 through my documents?

6 MR. BERMAN: They can. If you
7 start referring to things here, they can
8 look at them.

9 THE WITNESS: It's the same
10 things he has.

11 MR. BERMAN: Again, I just want
12 to make sure you don't have an email from
13 me.

14 THE WITNESS: No.

15 MR. PROPER: So you have a folder
16 of documents in front of you, correct.

17 MR. BERMAN: They can look once
18 you start talking about them. I'm just
19 telling you, which is fine.

20 MR. PROPER: Well, I'm entitled
21 to see your notes and other things.

22 MR. BERMAN: No, you're not.

23 MR. PROPER: I absolutely can.

24 THE WITNESS: I just have a legal

1 pad with some notes here. You can look at
2 them if you want.

3 BY MR. PROPER:

4 Q. I don't mean to smile being
5 sarcastic, but I've done this a long time
6 and there's a first that happens all the
7 time.

8 Are you telling me you had a
9 folder of documents, but I can't see the
10 folder of documents that were in front of
11 you?

12 A. It's the same folder you have.

13 Q. How do you know what I have?

14 A. Why do you need to see my
15 documents?

16 Q. Because I'm in the middle of a
17 lawsuit and you brought documents here that
18 you thought were relevant --

19 A. The same ones you have right
20 there.

21 Q. How do you know they're the same
22 ones I have? You haven't seen my
23 documents.

24 A. I just saw them.

1 Q. You saw all my documents?

2 A. Yeah. I see them sitting right
3 there. You have your factoring agreement.
4 I thought we were going to go over the
5 file.

6 Q. What documents did you bring?

7 A. The same ones you have.

8 Q. Which are what?

9 A. The factoring agreement that's in
10 front of you.

11 Q. You have like a hundred plus
12 pages of documents?

13 A. That's your opinion. I didn't
14 see a hundred pages?

15 Q. How thick was the manilla folder
16 you had over there? Two inches? Three?

17 A. Okay.

18 Q. But you got more than a page?

19 A. It's the same as yours, right
20 there.

21 MR. PROPER: Can we take a break?

22 THE WITNESS: I'll bet you.

23 MR. HESKIN: Do we need to call
24 the court on this?

1 MR. PROPER: Let's take a break.

2 - - -

3 (Whereupon a short recess was
4 taken.)

5 - - -

6 (Whereupon the court reporter
7 marked P-1 for purposes of identification.)

8 - - -

9 BY MR. PROPER:

10 Q. Taking a look at what's been
11 marked as P-1, and I just want to know if
12 you've ever seen that before?

13 A. Sure. I wrote it.

14 Q. There's a picture of an
15 individual depicted upon the bottom of P-1.
16 Who is the individual with the beard?

17 A. I have no idea.

18 Q. Do you know why the article you
19 wrote indicates that someone who is not you
20 as being Joseph LaForte?

21 A. No, I have no idea.

22 Q. So you've never seen that
23 individual before?

24 A. No.

1 - - -

2 (Whereupon the court reporter
3 marked P-2 for purposes of identification.)

4 - - -

5 BY MR. PROPER:

6 Q. I'll show you what's marked as
7 P-2, which is a document titled Factoring
8 Agreement between CBSG and Fleetwood
9 Services, LLC. Do you see that?

10 A. Yes.

11 Q. Have you seen this document
12 before?

13 A. Yes.

14 Q. Is this one of the documents that
15 you brought with you today?

16 A. Yes.

17 Q. Okay. What other documents did
18 you bring with you today?

19 A. Just background on the file.
20 Information on the client that might be
21 good to answer questions you guys might
22 have.

23 Q. When did you print the documents
24 in your folder?

1 A. A couple days ago.

2 Q. And did you print those documents
3 to refresh your memory at all about the
4 events that took place between CBSG and
5 Fleetwood?

6 MR. BERMAN: You can answer it.

7 THE WITNESS: Yeah.

8 BY MR. PROPER:

9 Q. And you have some notes in front
10 of you too. Are those notes, or were those
11 notes taken based upon your review of the
12 documents in preparation for the
13 deposition?

14 A. Yes.

15 Q. We ask for the production of the
16 file that Mr. LaForte has?

17 MR. BERMAN: You can see what he
18 has. I changed my mind. You can look.

19 MR. PROPER: Okay.

20 MR. BERMAN: There's nothing
21 there. It's call documents produced in
22 this case, or documents relevant. We can
23 pick our battles on other fights.

24 MR. PROPER: Can we mark this as

1 P-3?

2 - - -

3 (Whereupon the court reporter
4 marked P-3 for purposes of identification.)

5 - - -

6 BY MR. PROPER:

7 Q. I'm just look at your note, Mr.
8 LaForte, and there's a reference on the
9 bottom of the first page. "Get the
10 business debt free"?

11 A. Yep.

12 Q. What is that?

13 A. I like to get all the customers I
14 work with in consolidation programs to get
15 debt free.

16 Q. You wanted Mr. --

17 A. I would like Mr. Fleetwood to get
18 debt free because he had multiple advances,
19 and I would like to see him get debt free.
20 That was my notes at the time, and I wanted
21 to make sure I could help the client.

22 Q. Were these your notes taken back
23 in 2017 or taken recently?

24 A. I don't remember. I don't

1 remember when I took them.

2 Q. Do you know if you took them two
3 days ago?

4 A. I don't remember.

5 Q. And what is your notes on page
6 two in reference to?

7 A. The client was paying \$6,600 --
8 \$6,667.00 a day in cash advances before I
9 got the file. When I spoke to the client,
10 they're in the golf course maintenance
11 business. The golf course maintenance
12 business historically gets slower during
13 the winter times. She couldn't afford all
14 the cash advances she had, which are on
15 page one, if I could take a look?

16 Q. Sure.

17 A. Which consisted of five cash
18 advances. So, my job was to help the
19 client get through -- not only get through
20 the winter, but also lower their daily
21 payments. So the main concern, as I stated
22 earlier in my testimony, is benefit to the
23 customer. The customer, the only way that
24 the customer could have survived is if I

1 lowered the daily payment number one, and
2 two, injected additional capital into the
3 business.

4 So it's a twofold thing with this
5 client. Number one, the additional
6 capital, the \$100,000 that they received
7 helped them get through the winter, and
8 also they had a project that they were
9 going to make a decent amount of money on
10 that we gave them. Number two, lower the
11 daily payments. If I had gave them another
12 position like the rest of the deals as you
13 see on P-3, you would have had a sixth
14 position, and the client would have been
15 bankrupt.

16 So, in this case, I'm very
17 comfortable -- I was very comfortable with
18 this deal because I lowered their payment
19 by \$6667.00. On top of that, the
20 additional \$100,000 that they received,
21 there was no daily payment on it. There
22 was no stack. So, they actually received a
23 \$100,000 in financing for free, which was a
24 total savings on the file of about \$48,860

1 a month.

2 Q. So how much did CBSG advance to
3 Fleetwood?

4 A. CBSG advanced to Fleetwood, on
5 P-2, \$370,000.00.

6 Q. And Fleetwood was required to pay
7 back how much?

8 A. Fleetwood was required to pay
9 back \$547,600.00.

10 That's you, Pal. I just wanted
11 to make sure that my lawyer had that.

12 BY MR. PROPER:

13 Q. And over what period of time did
14 Fleetwood have to repay that?

15 THE WITNESS: Did you want to make
16 a pee mark on that one, Bud?

17 What's that, Pal?

18 BY MR. PROPER:

19 Q. Over what period of time?

20 A. It's 110 days.

21 Q. So what would the factor rate be
22 on that, do you know?

23 A. Factor rate is about a 145.

24 Q. And was that a common factor rate

1 at the time for CBSG?

2 A. Sure. It's a factor rate in the
3 industry. The factor rates initiated in
4 her other advances. Yellowstone's factor
5 rate was a 149. Richmond's factor rate was
6 a 149. Snaps was a 148. NXGEN was a 149.
7 And Pearl was a 149.

8 Q. Yeah, I --

9 A. I think more importantly than
10 anything else is the term. The reason why
11 this customer fell into hard times before
12 we got to the files is because the customer
13 had \$6,600 a day in daily payments on terms
14 of less than 50 days.

15 PAR Funding came in and saved
16 this company from bankruptcy.

17 Q. By lengthening the term?

18 A. But not lengthening the term,
19 gave them \$100,000 in fresh capital without
20 charging them a daily payment. There's no
21 daily increase. The actual net savings to
22 this client is \$4,300 a day. That's almost
23 \$90,000 a month. This customer would have
24 been out of business if it wasn't for PAR

1 Funding.

2 Q. So, with respect to the factor
3 rate, in your experience working with CBSG,
4 a factor rate around 1.4 is fairly
5 standard?

6 A. I won't say that. I think it's
7 standard for this file.

8 Q. What is the standard factor rate
9 of CBSG deals?

10 A. Your client took these other
11 advances to this same factor rate. As a
12 matter of fact, they were higher.

13 Q. Yeah.

14 A. There's not a standard. I'm not
15 going to tell you a standard, I'm talking
16 about this file.

17 Q. I'm not asking about anyone other
18 than CBSG.

19 A. I can't answer you because all
20 the factor rates are different.

21 Q. I'm asking you whether or not
22 there's a standard range of factor rates
23 that CBSG has used between 2015 and
24 present?

1 A. No. It could be a 1.01, could be
2 a 1.49. There's no standards.

3 Q. Do you know whether or not CBSG
4 has ever represented on its website
5 anything about a standard factor rate?

6 A. I don't know.

7 Q. There's also a reference on P-2
8 about a 25 percent specified percentage of
9 receivables that are purportedly being
10 purchased. Do you see that?

11 A. Yes.

12 Q. So can you walk me through what
13 CBSG did, if you know, in determining that
14 the daily payment that Fleetwood was
15 required to pay represented 25 percent of
16 Fleetwood's daily receivables?

17 A. Sure. The income received by
18 Fleetwood is approximately a million a
19 month when we underwrote the files. 25
20 percent of that is \$250,000 a month. My
21 payment was \$5,000 a day. 5,000 times 22
22 days is less than 25 percent. So, actually
23 the stated percentage holdback is a lot
24 higher than it actually was. We put it on

1 there to be careful, and it's actually
2 less. So the stated holdback on this file
3 is probably about ten percent.

4 Q. So you weren't actually buying 25
5 percent of the receivables -- you were
6 buying 25 percent, but it was conservative?

7 A. No. We try to figure out, to do
8 a prudent deal, that 25 percent of the
9 person's income should go towards cash
10 advances. Anything 30 or less is a good
11 debt to income ratio. Similar to a bank,
12 which would be 30, 35 percent. So how
13 you're looking at it is wrong. It's
14 percentage of the income that that person
15 could afford. The stress test on these
16 customers has to be -- this is where the
17 problems come in the industry.

18 If you look, your client was
19 paying \$6,667 a day, and on top of that,
20 it's a golf course company. They needed
21 100,000. So I had two choices. We could
22 have been like the rest of these guys, gave
23 them 100,000 at the same rate, and the
24 payment would have been \$2600 more a day,

1 or we can come up with a creative program,
2 which we did, to lower the payment. So we
3 saved this client. The client was paying
4 \$6000 a day, we brought the payment down to
5 \$5000 a day, without charging them for the
6 100,000.

7 Q. So you consolidated all my
8 clients debt?

9 A. Exactly.

10 Q. And they became debt free, and I
11 bet they're still open?

12 Q. Well, they weren't really debt
13 free; they owed your company \$547,000?

14 A. We paid all these advances back
15 for them. They became debt free. If you
16 complete my program correctly, and if you
17 can look at your consolidation calculator
18 on here, that sheet. If you complete the
19 program, you're not going to have any debt.

20 MR. BERMAN: What sheet are you
21 referring to? Is this something over there
22 in your files?

23 THE WITNESS: Yeah, I have it.

24 BY MR. BERMAN:

1 Q. I just want to explore this
2 concept that when CBSG entered into a
3 relationship with my client, my client no
4 longer had debt?

5 A. No, I didn't say that. I said
6 when they finished the program, they
7 shouldn't have had debt, that's correct.

8 Q. All right. Because all of the
9 debt would have been repaid to you?

10 A. I paid off all the debt. I paid
11 off all her advances for her.

12 Q. And then when my client was done
13 with you, all the debt that my client owed
14 to you would have been paid?

15 A. Of course.

16 Q. That I understand.

17 A. Okay. So we paid off the
18 client's debt. Your client was out of
19 business. If I didn't give your client
20 that 100,000 and lower their payment from
21 56 percent of their income down to 21
22 percent of their income, your client would
23 have been out of business.

24 Q. How much did my client owe to the

1 other lenders before CBSG consolidated the
2 loans?

3 A. \$370,000.

4 Q. Okay, so when you say that you
5 gave my client \$100,000 of free money, it
6 wasn't really free, right?

7 A. It was free.

8 Q. Well, my client owed \$370,000
9 before you. And he owed \$570,000 after
10 you, that's not really free?

11 A. It is free.

12 Q. How?

13 A. It's free because your client, we
14 didn't increase their daily payment.
15 There's a factor you put on, of course, the
16 factor that was put on the market.

17 Q. Yeah.

18 A. But the payments were less. This
19 customer is in survival mode. Your client
20 went from \$900,000 in deposits to \$250,000
21 in deposits when I saved them on Christmas,
22 by the way, and your client cried to me at
23 Christmas and I wanted to help. We did a
24 great deal and great service to your

1 client.

2 Q. Mr. LaForte, so as part of the
3 transaction with my client, did CBSG pay
4 off the monies that my client owed to the
5 other lenders?

6 A. Yes.

7 Q. Okay, so where he was paying
8 Yellowstone and others before, you paid off
9 all of those and then now instead of my
10 client owing \$370,000, he gets \$100,000 of
11 fresh money. There's a factor rate on that
12 fresh money, and my client now has to pay
13 \$570,000 over a longer term, which then
14 lowers the daily payment?

15 MR. BERMAN: Objection.

16 THE WITNESS: Yes.

17 BY MR. PROPER:

18 Q. I'm trying to understand the
19 structure to boil it down.

20 A. Can I see the consolidation
21 calculator?

22 MR. BERMAN: Let's mark these.

23 - - -

24 (Whereupon the court reporter

1 marked P-4 and P-5 for purposes of
2 identification.)

3 - - -

4 BY MR. PROPER:

5 Q. Let's start with P-4, which is
6 one of the documents that you brought with
7 today, correct?

8 A. Yes.

9 Q. What is P-4?

10 A. It's a financial analysis of your
11 client.

12 Q. Generated by whom?

13 A. CBSG.

14 Q. What is some of the information
15 that's on that financial analysis?

16 A. In September the gross deposits
17 for the client were 997,000. Golf
18 business, Texas. Obviously it's a good
19 time of year for golf and in Texas the
20 weather is pretty good.

21 October the deposits went down
22 from \$997,000 down to \$769,000, so she's
23 trending down almost down about 20 percent.

24 November, \$396,000 in deposits,

1 it's getting worse for your client.

2 December, \$261,785 in deposits
3 for the month. Now your client is
4 completely upside down because at 261, it's
5 going to be very tough for the client to
6 get through the next phase of the business,
7 which usually, from my understand from what
8 your client had mentioned to me, they had a
9 golf course project coming up in February.

10 So my job was to get her to February. So
11 from December -- from January 4 to
12 February, my job was to get your client
13 into a situation where A, I could finance
14 their new project and B, I can lower their
15 payments so they can keep their doors open.

16 Q. And what is exhibit-5?

17 A. So we decided that, because these
18 aren't amortized obligations, I don't
19 necessarily want to pay off the cash
20 advances directly. I let the client pay
21 them off, and there's a couple reasons for
22 that.

23 Number one, the cash advances
24 will get really aggressive back at our

1 clients if they find out once they're free
2 and clear of the debt, so what we do is, we
3 give them the money on a weekly basis. We
4 let the clients pay them off.

5 So on the first transaction, we
6 funded the client \$113,000. \$100,000 to
7 grow their business, and \$33,000 to pay off
8 their cash advances.

9 Q. So the cash advance companies are
10 not paid back in one consolidation? It's
11 not like when you advance funds to my
12 client, you're simultaneously paying off
13 the other lenders you're not doing that,
14 right?

15 A. No.

16 Q. You're actually giving money to
17 my clients, some of which is new capital.
18 Some of which is money that was intended to
19 pay off the lenders that he had a
20 relationship with before you?

21 A. Correct.

22 Q. That I understand. And you were
23 aware that my client had these other
24 arrangements with these other lenders

1 before the consolidation, right?

2 A. What other arrangements?

3 Q. You knew that my client had
4 existing agreements with other lenders at
5 the time he came to you, right?

6 A. Of course.

7 Q. Because I think on P-3, your
8 notes, you've got some other companies
9 written down and amounts next to it. For
10 instance, it looks like you got Yellow,
11 which I assume you mean Yellowstone?

12 A. Uh-huh.

13 Q. \$70,000?

14 A. Yes.

15 Q. And then who is the second
16 company?

17 A. Richmond.

18 Q. \$80,000?

19 A. Uh-huh.

20 Q. And then you got Snap at \$40,000.

21 A. Uh-huh.

22 Q. Then who's next?

23 A. NXGEN.

24 Q. At \$30,000. Then you got Pearl

1 at \$50,000, right?

2 A. Correct.

3 Q. Okay, so do you know whether all
4 these other companies on P-3 purported to
5 purchase a percentage of my clients future
6 receivables?

7 A. I don't understand the question.

8 Q. Did you ask my client to provide
9 copies of his agreement with Yellowstone,
10 Richmond, Snap, NYGEN and Pearl?

11 A. It's in the exhibits your client
12 wrote out a sheet, if you can take a look
13 in your file.

14 Q. Yeah. Did you understand that
15 those agreements were structured as loans,
16 or whether the document was structured
17 similar to an MCA agreement?

18 MR. BERMAN: Objection. You can
19 answer.

20 THE WITNESS: They're MCA
21 agreements.

22 BY MR. PROPER:

23 Q. So in each of those MCA
24 agreements with Yellowstone, Richmond,

1 Snap, NYGEN and Pearl, my client purported
2 to sell some percentage of his future
3 receivables, correct?

4 A. Correct.

5 Q. So if you were to add up all the
6 percentage of future receivables that my
7 client purported to have sold, adding you
8 to that list, do you know if that number is
9 more or less than an hundred percent?

10 MR. BERMAN: Objection. You can
11 answer.

12 THE WITNESS: It's a lot less.

13 BY MR. PROPER:

14 Q. Okay, so what percentage of
15 future receivables did my client purport to
16 see you?

17 A. It's in contract.

18 Q. To Yellowstone, how much?

19 A. \$70,000.

20 Q. What percentage of his
21 receivables is on the contract between my
22 client and Yellowstone?

23 A. Well, \$604,000, so if you take
24 \$70,000 and divide it into 604 average,

1 that's the percentage.

2 Q. Do you know what the actual
3 contract says?

4 A. How can I know what's going to
5 happen in the future? I don't know what
6 can happen in the future.

7 Q. I'm just asking you whether or
8 not you've seen the contract between
9 Yellowstone and my client?

10 A. I don't remember. It was a very
11 long time ago.

12 Q. Okay. Do you recall having seen
13 any of the contracts between the six
14 companies or five companies you have
15 written down?

16 A. I'm sure we have them, but I
17 haven't seen them in a while.

18 Q. Do you know, looking at the
19 contracts, not the amount of money that was
20 outstanding, that based upon the contracts
21 how much of my clients receivables he
22 purportedly agreed to sell to those five
23 businesses?

24 A. Again, I'll repeat myself. It

1 says your client was averaging \$604,000.
2 He had already sold off about \$340,000 of
3 his receivables, but had had lower balances
4 which was probably 240, about 30 percent
5 probably before I got involved, yeah.

6 Q. You're saying the total before
7 you got involved, he had already sold to
8 those five businesses 30 percent?

9 A. Probably.

10 Q. But you don't know what the
11 contracts say my client had sold, right, at
12 least you don't recall?

13 A. What the contract said?

14 Q. Yeah. Do you recall specifically
15 what Yellowstone claims to have purchased
16 from my client in terms of a percentage of
17 receivables, do you recall that?

18 A. No, I don't recall that, but they
19 do purchase receivables.

20 Q. Do you recall from a contract,
21 how much Richmond purported to have
22 purchased from my client?

23 A. No.

24 Q. Do you recall from a contract,

1 how much NYGEN, Pearl, or Snap purported to
2 purchase from my client in terms of his
3 receivables?

4 A. You're being misleading.

5 Q. How?

6 A. I'll tell you why. Because the
7 contracts say the amount that you can't
8 sell more than on the faceplate of the
9 contract, so you're being misleading.
10 There's no separate sale. It's only the
11 faceplate of the contract. Your client
12 wrote down exactly what they have, and I
13 have the contracts.

14 MR. BERMAN: Are you referring to
15 a document you brought, so there's no lack
16 of clarity? Like some document you have.

17 THE WITNESS: Yeah, the client
18 wrote it, or it would be fraud if it they
19 wrote down something that was incorrect.

20 BY MR. PROPER:

21 Q. So where is the document that my
22 client --

23 MR. BERMAN: You brought a file,
24 just direct him.

1 THE WITNESS: I'll show you the
2 document that you're the document that your
3 client signed or filled out in order to
4 request services.

5 - - -

6 (Whereupon the court reporter
7 marked P-6 for purposes of identification.)

8 - - -

9 BY MR. PROPER:

10 Q. So here is P-6, and my client has
11 the outstanding balances and the daily
12 payments to the five companies that we've
13 spoken about, right?

14 A. Yes.

15 Q. So where does my client represent
16 on that document the percentage of
17 receivables that he purported to have sold
18 and these companies purported to have
19 purchased?

20 A. Right there in the balance.

21 Q. That's the outstanding balance.

22 So how much --

23 A. He only owes the balances. When
24 you receive sell the receivable, as you

1 make your payments, it becomes less, so
2 this is all he owes. There's no other
3 purported, unless there's a document I
4 don't know about. There's no other
5 purported receivable that he could sell.

6 Q. What was the original amount for
7 each of those transactions?

8 A. I could -- I would to look in the
9 file, look into the actual contracts. My
10 guess would be -- I'll give you the exact
11 numbers if you'd like.

12 Q. So you're going to multiply --

13 A. Do you want the exact numbers?
14 I'll do it.

15 Q. I can do the math. I just want
16 to make sure we're on the same page.
17 You're multiplying the daily payment by the
18 term, right? And then come out with the
19 amount that was required to be repaid?

20 A. Uh-huh.

21 Q. Got it. I can do the math.
22 That's how you would determine
23 the rate, too, right?

24 A. The cash advance companies, and

1 this is one of the things that I discussed
2 with Mr. Fleetwood. The cash advance
3 companies, these aren't goods companies, in
4 my opinion. They escalated the payments
5 ,So if you look, these terms that she put
6 in here are not the same as the payments
7 that are coming out. So if you look, 12
8 months at \$1370 a day on \$40,000 doesn't
9 match, so the information was incorrect.
10 So the terms on this are wrong. Your
11 client filled this out incorrectly.

12 Q. Well, this is just the
13 outstanding balances, meaning he had
14 already paid down some of the amount that
15 was owed, right?

16 A. He didn't, no. The contracts
17 were different. No.

18 Q. All right. So, if you were to
19 try to calculate what the rate is that was
20 charged to my client, how would you go
21 about doing that from this information?

22 A. I would say the rates were around
23 the 145 to 147.

24 Q. How do you calculate that?

1 A. Just knowing the companies that
2 are on this list you can figure it out.

3 Q. Is there a way you can do the
4 math with the information?

5 A. You would have to pull the
6 contract. Do you have the contracts? I
7 can figure it out for you. It's your
8 clients. I'm sure you have them.

9 Q. I'm just asking, how would you
10 calculate a factor rate?

11 A. You can calculate a factor rate
12 taking the amount that you're going to fund
13 the company, multiply by the factor rate,
14 it gives you the right to return, the RTR
15 on the file.

16 Q. How do you back into -- how do
17 you solve for the factor rate? Do you have
18 the information what the daily payment, and
19 the term, and the balance in order to
20 calculate a factor rate from that
21 information?

22 A. Sure, we can figure it out.

23 Q. How would you calculate it?

24 A. Take the original advance, times

1 the payment, figure out what the RTR is.

2 Q. Got it. Does CBSG guarantee a
3 certain rate of return to its investors?

4 MR. BERMAN: Objection. You
5 don't have to answer about investors.

6 THE WITNESS: Do you think this
7 was a good deal for your client? I know
8 you're asking the questions, but don't you
9 think we did a nice job for this client?
10 What's your opinion on that guys?

11 MR. PROPER: One, I'm not going
12 to answer questions, and you wouldn't like
13 my answer. So it's not productive.

14 THE WITNESS: Save \$4,000 a day
15 and give you \$100,000 to keep your doors
16 open, and that's not a good deal?

17 BY MR. PROPER:

18 Q. Do you know what the usuary
19 statute is in the State of Texas?

20 A. This is a cash advance. This is
21 a purchase of future receivables, we're not
22 a loan.

23 Q. I'm just asking a question. Do
24 you know what the usuary laws are in the

1 State of Texas?

2 A. No.

3 Q. Do you know what Texas says the
4 maximum rate of legal interest is that can
5 be charged through a Texas business?

6 A. I don't do loans.

7 Q. Okay. Have you ever done any
8 research to determine what the usuary laws
9 are in any particular state?

10 A. I wouldn't need to look at any
11 research, it's a purchase of receivables,
12 it's a factoring agreement.

13 Q. Is one of the reasons that the
14 company is structured as an MCA company is
15 to avoid the usuary laws?

16 A. No.

17 Q. That has nothing to do with why
18 you're structuring these on paper as a
19 purchase of receivables and not a loan?

20 A. We have a 98 percent rate of
21 clients that are satisfied. They like to
22 speed, loans are too slow. They're too
23 nimble and too expensive, so if you really
24 breakdown, if you guys want to get into it,

1 we can have a big debate on the SBA.
2 That's a much more expensive and cumbersome
3 product, clients don't want it. You guys
4 don't have your finger on the poll, so it's
5 gone. These people have opportunity and
6 they need capital. Are there bad
7 companies? Yeah, but there's bad in
8 everything. Our company, PAR Funding, does
9 a great job in lowering people's payments
10 and shows a lot of benefit to all of our
11 customers.

12 Q. The \$300,000 and some thousand
13 that you provided to my client, what was
14 the source of those funds?

15 A. I don't know.

16 Q. Do you know which investors
17 provided the money for that?

18 MR. BERMAN: Objection.

19 BY MR. PROPER:

20 Q. Do you know if it came from
21 Reticular Fund?

22 A. I don't know.

23 Q. Do you know whether the fund
24 that's used is common to fund all MCA

1 transactions?

2 A. I have no idea.

3 Q. Who at CBSG would know what the
4 source of funds are for a particular MCA
5 transaction?

6 A. I don't know.

7 Q. Would Mr. Cole know?

8 A. I don't know. I mean you guys
9 know these aren't syndicated transactions,
10 right.

11 Q. You mean securitized?

12 A. No. Syndicated.

13 Q. Syndicated in what respect?

14 A. It's not a per transaction where
15 any company that would take one specific
16 transaction and try to get an investor to
17 invest in one transaction.

18 Q. I understand that.

19 A. You asked me that question.

20 Q. Let me ask you this question, do
21 you know whether or not an investor that
22 invests in CBSG, let's say \$250,000, where
23 that money will be earmarked for a specific
24 set of transactions?

1 A. No, wouldn't be earmarked for any
2 specific transaction. I would imagine.

3 Q. Do you know that specifically?

4 A. No, but I would imagine that to
5 be an absurd assumption.

6 Q. So you don't know if there's a
7 note between CBSG and an investor which
8 says, I'm going to provide you with a
9 certain rate of return over a period of
10 time, and then within that agreement
11 there's specific agreements that are
12 referenced?

13 MR. BERMAN: Objection.

14 THE WITNESS: I don't know.

15 BY MR. PROPER:

16 Q. Here's P-7. Do you know what
17 this document is, which titled Fleetwood
18 Services Funding Payment History? Have you
19 seen this document before?

20 A. No.

21 Q. So on page two of this document
22 there's a reference, or two references to
23 finance fees. What were those charges for,
24 exactly?

1 A. Your client -- it looks like your
2 client kept our capital -- let's see, they
3 modified their payments, so we charge a
4 finance fee, a small fee if they modify
5 their payments. In this case she lowered
6 her payment from \$5,000 to \$3,250, and we
7 charged \$7,000 to cover our cost to
8 capital.

9 Q. Does that require a new agreement
10 when the daily payment is modified or
11 reduced?

12 A. I don't know about the legal; I'm
13 not sure.

14 Q. Okay. You don't know whether
15 CBSG requires an borrower to execute a new
16 agreement when there's a reduction?

17 A. I'm not sure, you have to ask
18 legal.

19 Q. Who is the in-house counsel at
20 CBSG?

21 A. I don't know.

22 Q. Do you know who Mr. Hartley is?

23 A. Yes.

24 Q. Is he presently in-house counsel

1 for CBSG?

2 A. I don't think so.

3 Q. Has he ever been in-house
4 counsel?

5 A. I don't know. I'm he's a lawyer.

6 Q. Okay. When you say there's a
7 small fee charged if an agreement is
8 modified, was that CBSG's practice whenever
9 there was a workout?

10 A. Yeah, if a client is going to
11 keep the capital longer, they should pay a
12 fee.

13 Q. Got it.

14 A. And sometimes it's appropriate
15 for us to charge a fee, the clients agree,
16 which they usually do sign a new agreement.
17 Like I said if you're keeping the capital
18 longer, they should charge a fee.

19 Q. Is there anything in the
20 agreement, exhibit P-2, which permits CBSG
21 to charge a finance fee if --

22 A. I didn't read that. I don't
23 know.

24 Q. Do you recall have you ever read

1 the agreement between my client and
2 Fleetwood?

3 A. Did I read that agreement?

4 Q. Yeah.

5 A. No.

6 Q. When's the last time that you've
7 referred to CBSG's standard contract with
8 its borrowers for any purpose?

9 MR. BERMAN: Objection.

10 BY MR. PROPER:

11 Q. You can answer.

12 A. Can you ask me again?

13 - - -

14 (Whereupon the court reporter
15 read back the requested portion of
16 testimony.)

17 - - -

18 THE WITNESS: I don't know.

19 BY MR. PROPER:

20 Q. Is there ever a purpose that you
21 would look at CBSG's contract?

22 A. No.

23 Q. Okay. I saw an article written
24 about one of the individuals that were

1 involved in that securities fine thing by
2 the name of Dean Vagnose. Do you have any
3 interaction with him?

4 A. Not really.

5 Q. Are there any occasions that you
6 would interact with Mr. Vagnose?

7 A. No.

8 Q. This is more for my own personal
9 knowledge, but I saw in some reference that
10 you may have called for the Mariners?

11 A. I did.

12 Q. What years were you involved?

13 A. 1992.

14 Q. Were you involved with their
15 minor league organization too?

16 A. Yes.

17 Q. Where are they based out of?

18 A. Fiora, Arizona. I played
19 baseball at Rollins College before that.

20 Q. That's what I was going to ask.

21 A. And then just a little too small.

22 Q. Mr. LaForte, in the transactions
23 between CBSG and the customers you deal
24 with, do the customers typically have

1 attorneys involved?

2 A. No.

3 Q. Can you recall any instance, say
4 in the last year, when the customer was
5 represented by counsel?

6 A. In the initial portion of the
7 transaction?

8 Q. Yeah.

9 A. No. What I'll do is, I'll speak
10 to the CFO's of the company to make sure
11 they understand the documents.

12 Q. Okay. Is there negotiation back
13 and forth about the terms of the agreement,
14 or to do the customers just sign them?

15 A. No, there's a lot of negotiation.
16 I think it's important to put a good deal
17 together for the client. Sometimes they
18 have their own opinion about a file. We
19 can structure it differently for everybody
20 so it depends.

21 Q. When is the last time you recall
22 that the remedies or default provision in
23 CBSG's contract was negotiated or changed
24 in any way?

1 MR. BERMAN: Objection.

2 THE WITNESS: I don't know.

3 BY MR. PROPER:

4 Q. Do you know if that's ever
5 happened?

6 A. I'm not in legal. I don't know.

7 Q. I'm just asking, in your
8 experience, do you recall any instance
9 where one of the form provisions in CBSG's
10 contract was negotiated and changed for a
11 particular business?

12 A. No, I don't know.

13 Q. Okay. Are you the one that is
14 interacting with the customer and ensuring
15 that the customer signs all the documents
16 that are required or does someone else do
17 that?

18 A. No, CBSG does that.

19 Q. Is there a closer at CBSG?

20 A. A closer?

21 Q. Yeah, or a processor or someone
22 that handles the paperwork with the
23 customer?

24 A. No, Full Spectrum handles the

1 paperwork, but CBSG ultimately gets the end
2 docs.

3 Q. But CBSG did that process itself
4 before Full Spectrum got involved, right?

5 A. I don't know what you mean?

6 When? You said before, it's vague.

7 Q. Well, I thought before Full
8 Spectrum, CBSG did their own underwriting.

9 Did they do their own processing as well?

10 A. Well, they'd have to, right?

11 Q. That's why I was asking. I was
12 wondering if you knew who at CBSG was
13 fulfilling that function?

14 A. I don't know.

15 Q. Okay. Do you know how many
16 iterations or versions of the MCA agreement
17 were used for Texas customers since January
18 2015?

19 A. What's an iteration?

20 Q. Versions.

21 A. No.

22 Q. Do you know if there was more
23 than one version that's been used for Texas
24 business since January of 2015?

1 A. No.

2 Q. Do you know if there's any
3 material differences in the MCA agreements
4 between different Texas businesses and
5 CBSG?

6 A. No.

7 Q. You may have touched on this, but
8 just to elaborate, do you know what the
9 formula that was used for determining the
10 fair market value of the receivables for my
11 client?

12 A. Yeah, it's right here, P-4.

13 Q. So the formula is what?

14 A. You don't want to be over 30
15 percent in debt to income ratios.

16 Q. Is that a standard for all
17 transactions with businesses with CBSG,
18 whether it's a Texas business or otherwise?

19 A. No, no standard formula with
20 anything. You have to work with the
21 customers, specifically your client if you
22 want to talk about this client. The tricky
23 part of it was, she couldn't afford all the
24 dailies. She only did five deposits a

1 month coming into December. The client
2 started to struggle. The bigger issue is,
3 they needed \$100,000, and their cash flow
4 was getting eaten up. So I provided the
5 \$100,000 in financing to them and lowered
6 their payment.

7 Q. Is the manner in which CBSG
8 marketed itself to my client the same for
9 everyone in terms of --

10 A. We didn't market your client, we
11 came from an ISO.

12 Q. That's what I mean. One of the
13 ways that CBSG relies upon new business is
14 its ISO's, right?

15 A. Yes.

16 Q. Do you know what percentage of
17 CBSG's business comes from ISO's?

18 A. No.

19 Q. Do you know if the manner in
20 which ISOs solicit businesses in Texas is
21 standard for how my client was solicited?

22 A. I don't know. I can't answer
23 how an ISO would solicit this particular
24 customer in 2017.

1 Q. Okay.

2 - - -

3 (Whereupon a short recess was
4 taken.)

5 - - -

6 MR. PROPER: So, I want to thank
7 Mr. LaForte for his time. I have no
8 further questions of him. In light of his
9 testimony that he's really not involved
10 with investors, I did not want to bother
11 Judge Sanchez with the issue of whether
12 we're entitled to discovery regarding CBSG
13 investors. We will make a motion to compel
14 and the Court can deal with that so we have
15 appropriate guidance in future depositions
16 with appropriate witnesses.

17 MR. BERMAN: And just for clarity,
18 we're not keeping Mr. LaForte's deposition
19 open, it's closed. If they want an
20 opportunity to ask him any of those
21 questions, they have the opportunity, per
22 the Court's direction, from his clerk to
23 call now.

24 MR. PROPER: That's true. Just

1 based upon Mr. LaForte's testimony, he does
2 not appear to be the right witness.

3 MR. HESKIN: Assuming we can take
4 his testimony on --

5 MR. BERMAN: We don't agree or
6 disagree. For this purpose, we'll just
7 fight about that another day.

8 MR. HESKIN: Sure. He said he
9 doesn't know anything about it.

10 So there's no reason to call the
11 Judge.

12 MR. BERMAN: Okay. Got it.

13 - -

14 (Whereupon the witness was
15 excused and the deposition ended at 3:46.)

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1 C E R T I F I C A T I O N

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I hereby certify that the proceedings and evidence noted are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on December 5, 2019, and that this is a correct transcript of the same.



Kathleen Jastrzembski
Court Reporter and
Notary Public

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying reporter.)

1 INSTRUCTIONS TO WITNESSES

2 Read your deposition over carefully.

3 It is your right to read your deposition
4 and make changes in form or substance. You
5 should assign a reason in the appropriate
6 column on the errata sheet for any change
7 made. After making any change in form or
8 substance which has been noted on the
9 following errata sheet along with the
10 reason for any change, sign your name on
11 the errata sheet and date it. Then sign
12 your deposition at the end of your
13 testimony in the space provided. You are
14 signing it subject to the changes you have
15 made in the errata sheet, which will be
16 attached to the deposition before filing.
17 You must sign it in front of a witness.
18 Have the witness sign in the space
19 provided. The witness need not be a notary
20 public. Any competent adult may witness
21 your signature. Return the original errata
22 sheet & transcript to deposing attorney,
23 (attorney asking questions) promptly!

24 Court rules require filing within

230
Joseph LaForte

1 30 days after you receive the deposition.

2 Thank you.

3 I have read the foregoing
4 deposition and the answers given by me are
5 true and correct, to the best of my
6 knowledge and belief.

7

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JOSEPH LaFORTE

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WITNESS TO SIGNATURE

14

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ADDRESS

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My Commission Expires

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Joseph LaForte

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DECLARATION OF KARA DIPIETRO

Pursuant to 28 U.S.C. Section 1746, the undersigned states as follows:

1. My name is Kara DiPietro. I am over twenty-one years of age and have personal knowledge of the matters set forth herein. I am the President and Chief Executive Officer of HMC, Inc. (HMC), a company that is in the business of building commercial cafeterias. I reside in Maryland where my business is also located.

2. Beginning in approximately February 2018, HMC entered into a series of merchant cash advance agreements with Joseph LaForte (“LaForte”) and Complete Business Solutions Group, Inc. d/b/a Par Funding (“CBSG”). A broker by the name of Alan contacted me and referred me to CBSG to consolidate my business loans.

3. Soon thereafter, I spoke directly with LaForte. He introduced himself as “Joe Mack” or “Joe Macki” and told me he was in charge of CBSG. During our initial conversation, LaForte confirmed to me that he was the boss at CBSG as well as Par Funding (“Par”) entities he controlled. As detailed in the exhibits described below, LaForte would send me emails from “Joe Mack” with the email address joe@parfunding.

4. LaForte explained that CBSG/Par Funding would loan money to HMC in exchange for daily payments. The loan agreements stated that payments are based on a specified 10% of HMC’s accounts receivables.

5. Based on the loan terms that LaForte proposed, I agreed to consolidate HMC’s loans with CBSG on or about February 26, 2018. After that, and through February 24, 2019 HMC and CBSG entered into many more separate loan agreements that I secured through personal guarantees.

6. During this same time period, LaForte also told me that CBSG offered investments to individuals who wished to invest in CBSG's merchant loan business, the very same business that had consolidated HMC's loans.

7. In approximately April 2018, Perry Abbonizio ("Abbonizio"), who told me that he is the lead sales person for CBSG, contacted me to follow up on my interest in CBSG's investment opportunity. Attached hereto as Exhibit "A" is a true and correct copy of emails to me and my father, Gerry Dzurek, ranging from April-July 2018 discussing the CBSG investment opportunity.

8. Abbonizio told me that CBSG only accepted investments through its investment funds and that he would arrange for an in-person meeting with David Alperstein of Alperstein & Associates in Philadelphia to discuss the CBSG investment.

9. On or about June 5, 2018, I met with Alperstein and Abbonizio at Par's offices in Philadelphia. Alperstein told me that he served as the manager of a Par investment fund that handled investments in CBSG's loan business.

10. LaForte joined us about halfway through the meeting. With LaForte present at the meeting, Alperstein told me that CBSG would use my investment funds to make merchant loans similar to the loans I had obtained for HMC through CBSG.

11. During the meeting, Alperstein said Par would pay me monthly interest with a return of principal in one year. The percentage of interest Par paid investors depended on the amount invested, so that the more I invested, the higher my return.

12. Alperstein told me that Par required a minimum investment amount of \$50,000. Alperstein also told me that if I invested \$200,000, Par promised to pay me a 12% return paid monthly for 12-months.

13. During the meeting, LaForte told me CBSG had a loan default rate of less than 1% so there was virtually no risk to my investment funds given the low default rate.

14. LaForte also told me that my investment was secured by insurance, and that there was no risk to my principal. He told me that if a merchant defaulted on his loan, then CBSG had the insurance to back up investor funds, thus reassuring me that my investment was safe and secure.

15. After the meeting, Alperstein emailed me documents concerning the Par investment that included a Subscription Agreement with MCA Capital Fund I, LLC (MCA), an Investor Questionnaire, and Promissory Note.

16. In mid-June 2018, based on what LaForte and Alperstein told me about the investment opportunity, as well as LaForte's reassurances to me that CBSG had a less than 1% default rate, and that my funds were secured by insurance, I decided to invest. Attached hereto as Composite Exhibit "B" are true and correct copies of my signed investment documents.

17. Neither LaForte, nor Alperstein, Abbonizio, or anyone associated with the investment opportunity ever disclosed any risks associated with an investment with Par or MCA, such as that I could lose all my investment funds. If I had known that CBSG had a higher default rate than what LaForte told me, or that my investment funds were not backed by insurance, I never would have invested.

18. In October 2018, I contacted LaForte to inquire whether he had any investment opportunities for my father if he were to invest \$14 million with CBSG and Par. Attached hereto as Exhibit "C" is a true and correct copy of that my email exchange with LaForte.

19. I had no expertise with investments of this type. I was looking for a safe and secure investment with no risk to my principal.

20. If LaForte, Abbonizio, Alperstein, or anyone with CBSG, Par, MCA or any entity related to the investment opportunity had told me that I could lose my principal, I never would have invested.

21. No one told me that my principal would be used for anything other than to fund loans to merchants. Had I known that my money would be used for any other purpose, I would never have invested.

22. By May 2019, CBSG had debited far more per day than it was entitled to under the loans with CBSG. Around the same time period, my investment term was approaching maturity. I repeatedly complained and asked for an accounting from CBSG.

23. On May 3, 2019, LaForte demanded I travel to Philadelphia to meet with him and CBSG's CFO to discuss my outstanding balances. That meeting occurred on May 6, 2019. At that meeting LaForte presented me with a new loan that he demanded I sign. After the meeting, LaForte followed me to my car and threatened to blow up my home if I did not sign the new loan with CBSG and pay what he said I "owed" them. LaForte also made similar physical threats to HMC's attorney, telling him that he did not want anybody to get "hurt." On Friday, May 10, 2019, LaForte sent me a text message saying "Get your fat ass up and call me," followed by "That was my last call. Now action." A true and correct copy of this text message I received from LaForte is attached as Exhibit D.

24. On July 26, 2019, I filed a lawsuit against CBSG and others alleging violations of the federal Wire Fraud and RICO statutes. That lawsuit is still ongoing.

I declare under penalty of perjury that the foregoing is true, correct, and made in good faith.

Executed on this 14 day of July 2020 in Baltimore, Maryland.



KARA DIPIETRO

The following emails chain is illustrating how the MCA I fund manager, David Alperstien, and Perry Abbonizio the Lead Sales/Relationship guy along with LaForte solicited my participation and my father Gerry Dzurek's participation with their MCA I fund.

From: david@mcacapfund.com <david@mcacapfund.com>

Sent: Monday, April 9, 2018 3:04:20 PM

To: Kara DiPietro

Cc: Perry Abbonizio

Subject: MCA Capital Fund I, LLC

Dear Kara,

First and foremost, it is a pleasure to meet you. Perry indicated that you inquired about an investment in Complete Business Solutions Group/Par Funding (CBSG). Previously, those willing to place money with CBSG did so directly. However, as Perry discussed, in January of this year the investment structure has changed to a fund based platform. As an attorney retained by merchant cash advance companies, I understood the means of setting up the proper investment product in this space with the use of a Private Placement Memorandum pursuant to SEC Regulation D.

Attached you will find a detailed summary of terms and most importantly, the schedule of investment. The offering is a debt instrument that pays a fixed monthly distribution based on a one-year Promissory Note. The investment itself will be placed with CBSG who will then execute a Promissory Note and a Security Agreement with MCA Capital Fund I, LLC. This is important because the fund will then be secured against their entire portfolio. I know this was a concern for you.

Of course, we can discuss in greater detail after you have some time to review the attached materials. Thank you again for your interest and look forward to speaking with you in the near future!

Very truly yours,

David R. Alperstein, Esquire

MCA Capital Fund I, LLC

1080 N. Delaware Avenue

Suite 505

Philadelphia, PA 19125

(215) 710-0690 Phone

(215) 710-0689 Fax

From: Kara DiPietro [<mailto:k.dipietro@hmcincorporated.com>]

Sent: Monday, April 09, 2018 3:13 PM

To: david@mcacapfund.com

Cc: Perry Abbonizio; Gerry Dzurek

Subject: Re: MCA Capital Fund I, LLC

Thank you David for the the timely delivery of the information.

Perry, we appreciated your time on the phone today.

We will review the information and be back in touch soon with questions or next steps.

Best,
Kara

From: david@mcacapfund.com <david@mcacapfund.com>

Sent: Tuesday, April 10, 2018 3:45:28 PM

To: Kara DiPietro

Cc: 'Perry Abbonizio'; Gerry Dzurek

Subject: RE: MCA Capital Fund I, LLC

Kara,

Sounds good!

There is one thing I forgot to mention in my initial email. The fund has the ability to accept monies from retirement funds (IRA).

If this is something of interest, I can recommend some custodians we work with that will facilitate the transfer.

Thanks again and look forward to speaking with you soon.

David R. Alperstein, Esquire

MCA Capital Fund I, LLC

1080 N. Delaware Avenue

Suite 505

Philadelphia, PA 19125

(215) 710-0690 Phone

(215) 710-0689 Fax

From: Kara DiPietro <k.dipietro@hmcincorporated.com>

Sent: Tuesday, April 10, 2018 3:50 PM

To: david@mcacapfund.com

Cc: 'Perry Abbonizio' <perry@parfunding.com>; Gerry Dzurek <g.dzurek@hmcincorporated.com>

Subject: Re: MCA Capital Fund I, LLC

David,

Thank you for mentioning. I arrived in Baltimore at 4:30am - I'll be back in the office tomorrow and will be in touch.

Thanks again,

Kara

From: david@mcacapfund.com <david@mcacapfund.com>

Sent: Thursday, April 26, 2018 9:27 AM

To: Kara DiPietro <k.dipietro@hmcincorporated.com>

Cc: 'Perry Abbonizio' <perry@parfunding.com>; Gerry Dzurek <g.dzurek@hmcincorporated.com>

Subject: RE: MCA Capital Fund I, LLC

Hello Kara,

Hope all is well.

Just a follow up to our previous discussions. If you should have any additional questions, let me know of course.

Look forward to speaking with you.

Thanks.

David R. Alperstein, Esquire
MCA Capital Fund I, LLC
1080 N. Delaware Avenue
Suite 505
Philadelphia, PA 19125
(215) 710-0690 Phone
(215) 710-0689 Fax

From: Gerry Dzurek <g.dzurek@hmcincorporated.com>
Sent: Thursday, April 26, 2018 3:32 PM
To: david@mcacapfund.com; Kara DiPietro <k.dipietro@hmcincorporated.com>
Cc: 'Perry Abbonizio' <perry@parfunding.com>
Subject: RE: MCA Capital Fund I, LLC

David,
We will hopefully be in touch soon. Thanks for the follow up.

Sincerely,



Gerry Dzurek

From: david@mcacapfund.com [<mailto:david@mcacapfund.com>]
Sent: Thursday, May 10, 2018 4:13 PM
To: Gerry Dzurek <g.dzurek@hmcincorporated.com>; Kara DiPietro <k.dipietro@hmcincorporated.com>
Cc: 'Perry Abbonizio' <perry@parfunding.com>
Subject: RE: MCA Capital Fund I, LLC

Gerry/Kara,

Just a friendly hello and checking in to see if you might have any questions.

If I can assist in any way let me know of course.

Hope all is well!

David R. Alperstein, Esquire
MCA Capital Fund I, LLC
1080 N. Delaware Avenue
Suite 505
Philadelphia, PA 19125
(215) 710-0690 Phone
(215) 710-0689 Fax

From: Kara DiPietro

Sent: Thursday, May 10, 2018 4:17 PM

To: david@mcacapfund.com

Cc: Gerry Dzurek <g.dzurek@hmcincorporated.com>; Perry Abbonizio <perry@parfunding.com>

Subject: Re: MCA Capital Fund I, LLC

Thank you for reaching out David. It's been a really busy couple of months, our year end, planning for rest of year. We will schedule a call in a month or so - feel free to reach out again.

Kara

From: Kara DiPietro

Sent: Sunday, July 01, 2018 8:36 PM

To: Joe Mack <joe@parfunding.com>; perry@parfunding.com; david@mcacapfund.com

Subject: us07-01-2018 Meeting Requestus

Joe, Perry, David -

When I visited your offices and proposed the idea to turn invoices in a way that would maximize my cash flow and widen your margin (because of the quick pay down term), and that I wanted to invest in CBSG, you asked me why I wanted to do that. I told you that your program saved me, my business and because they go hand in hand you saved my life.

Since our paths crossed I've been outlining my experience and the possibilities and I think with your industry knowledge and bank roll we could bring something amazing to small businesses from sea to shining sea.

I did not mention by name the company I'm ready to go after but I bet you could guess in three tries.

Perry, I sent you an email and then had the opportunity to speak with David for a few minutes and gave him the short version of what I'm thinking.

I'm looping in the SBA now as well as my legal counsel who are the perfect fit for taking these jokers out. When can we meet again?

Kara

Sent from my iPhone

Appendix A: Subscription Agreement

MCA CAPITAL FUND I, LLC

A New Jersey Limited Liability Company

\$50,000,000 AGGREGATE AMOUNT 8%-15% PROMISSORY NOTES

1000 UNITS OFFERED

*\$50,000 - \$100,000 principal amount one-year 8% promissory note
\$100,000 up to \$200,000 principal amount one-year 10% promissory note
\$200,000 up to \$400,000 principal amount one-year 12% promissory note
\$400,000 up to \$600,000 principal amount one-year 14% promissory note
Above \$600,000 principal amount one-year 15% promissory note*

Offering Price: \$50,000 Per Unit

Minimum Subscription: One Unit

SUBSCRIPTION AGREEMENT

MCA Capital Fund I, LLC
1080 N. Delaware Avenue, Suite 505
Philadelphia, Pennsylvania 19125

Dear Prospective Investor:

This Subscription Agreement ("Agreement") has been executed by the undersigned in connection with the exempt general solicitation offer and sale to a select group of investors of up to 1000 units (the "Units") of the securities of MCA Capital Fund I, LLC (the "Company") at an offering price of \$50,000 per Unit for an aggregate offering price of \$50,000,000 (the "Offering"). Each Unit will consist of one \$50,000 principal amount 12-month 8%-15% promissory note. Each promissory note is an unsecured debt security with a principal amount face value of \$50,000 that matures in 12 months with a 8%-15% annualized interest rate (the "Notes"), as more fully described in the Company's confidential offering memorandum dated February 1, 2018. The minimum subscription by an investor is one Unit (\$50,000 minimum investment). The Company reserves the right in its sole discretion to sell fractionalized Units, and may also accept investments of less than one Unit.

All of the Units will be sold on a "best-efforts" basis which means that net Offering proceeds will be available to the Company upon receipt, acceptance and clearance thereof and that no minimum amount of Unit sales will be required in order to complete and close this Offering. There can be no assurance that all of the Units offered will be subscribed for.

The Units and underlying Interests may also be referred to herein as "securities."

The undersigned hereby makes the following representations, warranties and agreements:

1. Information. The undersigned has received and carefully reviewed the Company's confidential offering memorandum dated February 1, 2018 (the "Memorandum") accompanying this Agreement. The representations and warranties herein contained shall survive the execution and delivery of this Agreement and the sale of the Units hereunder.

2. Agreement to Subscribe. The undersigned hereby subscribes for 4 Units at a price of \$50,000 per Unit, payment for which in the total amount of \$200,000.000 is made herewith. Payment for such subscription is being made by wire transfer or by check, bank draft, or money order.

The Company may accept or reject any subscription in whole or in part or otherwise alter the terms under which subscriptions may be accepted. The Company, its officers, directors, advisors, employees, current interest holders, and its and their affiliates may purchase the Units on the same basis as other subscribers.

The undersigned understands that except as provided under state securities laws, this subscription is irrevocable and that the execution and delivery of this Agreement will not constitute an agreement between the undersigned and the Company until this Agreement has been accepted by the Company.

3. Access to Information. The undersigned acknowledges that the undersigned is subscribing for the Units after what the undersigned deems to be adequate investigation of the business and prospects of the Company by the undersigned, or the purchaser representative(s) appointed by the undersigned. The undersigned and the undersigned's purchaser representative(s), if any, have been furnished with the Memorandum and any other materials relating to the business and operation of the Company which have been requested by them and have been given an opportunity to make any further inquiries desired of the management and any other personnel of the Company. The undersigned and the undersigned's purchaser representative(s), if any, have received complete and satisfactory answers to any such inquiries.

4. Certain Representations. The undersigned represents and warrants that the information submitted herewith to the Company by or on behalf of the undersigned is true and correct as of the date hereof. The undersigned further represents and warrants that:

- (a) If the undersigned is a corporation, it is duly organized, validly existing and in good standing under the laws of the state and country of its incorporation; that the corporation has the corporate power to carry on its business and to make the investment contemplated herein and that this investment is for a proper corporate purpose; that this subscription has been duly and validly authorized, executed and delivered and when accepted by the Company will constitute the valid, binding, and enforceable agreement of the undersigned; that the corporation has sufficient liquid assets to pay the full acquisition costs in connection with the Units it proposes to acquire; and that the corporation has sufficient assets such that it can afford a total loss of its investment in the Units.
- (b) If the undersigned is a partnership or association, that each individual partner or member of the partnership or association can bear the economic risks of his, her, or its pro rata share of this investment and can afford a total loss of his, her, or its investment; and that each individual partner or member has sufficient liquid assets to pay his, her, or its portion of the full acquisition costs in connection with the Units the partnership or association has agreed to acquire, has adequate means of providing for his, her, or its current needs and possible personal contingencies, and has no present need for liquidity of his, her, or its investment.
- (c) The undersigned has been advised that neither the Units nor the underlying securities are being registered under the Securities Act of 1933, as amended (the "Act"), on the basis of an applicable statutory exemption, which may include, without limitation or exclusion, Rule 506(b) of Regulation D, as may be amended from time to time, and on the representations made by the undersigned herein. The undersigned understands that no federal agency has passed on or made any recommendation or endorsement of the Units and that the Company is relying on the truth and accuracy of the representations, declarations and warranties herein made by the undersigned in offering the Units for sale to the undersigned without having first registered the same under the Act.

- (d) The undersigned is acquiring the Units for investment for the undersigned's own account and not with a view to their resale or distribution and does not intend to divide his, her, or its participation with others or to resell or otherwise dispose of all or any part of the Units unless and until they are subsequently registered under the Act, or an exemption from such registration is available.
- (e) The undersigned has an existing relationship with the Company or its principals, executive officers, or directors evincing trust between the parties (namely close business association, close friendship, or close family ties), and is acquiring the securities as ultimate purchaser and not as underwriter or conduit to other beneficial owners or subsequent purchasers.
- (f) The undersigned alone, or together with the undersigned's purchaser representative, has the ability to evaluate the merits and risks of an investment in the Company based upon his, her, its, or their knowledge and experience in financial and business matters.
- (g) The undersigned understands that, in the view of the Securities and Exchange Commission (the "Commission"), the applicable statutory exemption(s) referred to above would not be available if, notwithstanding the undersigned's representations, the undersigned had in mind merely acquiring the Units for immediate resale or distribution upon a market developing therefore.
- (h) The undersigned further understands that in the event Rule 144 of the Act ("Rule 144") hereafter becomes applicable to the Units, any routine sale of the Units made thereunder can be made only in limited amounts in accordance with the terms and conditions of this subscription agreement and of Rule 144 and that in the event Rule 144 is not applicable, compliance with a disclosure exemption will be required before the undersigned can transfer part or all of the Units. However, the Company shall supply the undersigned with any information necessary to enable the undersigned to make routine sales of the Units under Rule 144, if applicable, and if there shall, at such time, be a market therefore, of which there is no assurance.
- (i) The undersigned accepts the condition that, before any transfer of any of the Units can be made by the undersigned, written approval must first be obtained from the Company's counsel. The basis of such approval, which shall not be unreasonably withheld, shall be in compliance with the requirements of the federal and state statutes regulating securities. The undersigned understands that a legend to this effect may be placed on the underlying securities, and that stop transfer instructions will be issued by the Company, to its transfer agent, if any.
- (j) The undersigned understands and agrees that if the undersigned's subscription is accepted, the undersigned may be required to execute other documents to effectuate or evidence his, her, or its purchase of the Units.
- (k) No one acting on behalf of the Company has made any representation, warranty, or agreement to or with the undersigned with respect to purchase of the Units, except as described herein and in the Memorandum accompanying this Agreement.
- (l) The undersigned affirms that the information and representations contained herein, particularly those representations relating to the undersigned's general ability to bear the risks of the investment being made hereby and the undersigned's suitability as an investor are true and correct.
- (m) The undersigned's investment in the Company has not been solicited by means of public solicitation or advertisement and all of the information and representations contained herein, particularly those representations relating to the undersigned's general ability to bear the risks of the investment being made hereby and the undersigned's suitability as an investor are true and correct.
- (n) The undersigned is aware that the Units are a speculative investment involving a very high degree of risk and that there is no guarantee that the undersigned will realize any gain from the undersigned's investment. The undersigned is able (i) to bear the economic risk of this investment, (ii) to hold the Units indefinitely, and (iii) presently able to afford a complete loss of this investment.

- (o) The undersigned has adequate other means of providing for the undersigned's current needs and personal contingencies and therefore has no need for liquidity in this investment. The undersigned's overall commitment to investments, which are not readily marketable, is not disproportionate to the undersigned's net worth and the undersigned's investment in the Units will not cause such overall commitment to become excessive.
- (p) The undersigned represents that the funds provided for this investment are either separate property of the undersigned, community property over which the undersigned has the right of control or are otherwise funds as to which the undersigned has the right of management.
- (q) The undersigned understands the meaning and legal consequences of the representations and warranties made herein, all of which are true and correct as of the date hereof and will be true and correct as of the date of the undersigned's acquisition of the Units subscribed for herein. Each such representation and warranty shall survive such purchase.
- (r) The undersigned will indemnify and hold harmless the Company, its agents, counsel, successors, and assigns, and each of their affiliated persons, from any and all damages, losses, costs and expenses (including reasonable attorney's fees) which they, or any of them, may incur by reason of the undersigned's failure, or alleged failure, to fulfill any of the terms and conditions of this subscription or by reason of the undersigned's breach of any of his, her, or its representations and warranties contained herein.
- (s) The undersigned is a bona fide resident of the state set forth on the signature page hereof, maintains his, her, or its principal residence there and is at least 21 years of age.
- (t) The undersigned has relied on his, her, or its own legal counsel to the extent the undersigned has deemed necessary as to all legal matters and questions presented with reference to the offering and sale of the Units subscribed for herein.
- (u) The undersigned hereby agrees that this subscription is irrevocable and that the representations and warranties set forth in this Agreement shall survive the acceptance hereof by the Company.
- (v) The undersigned hereby agrees and acknowledges that the agreements and representations herein set forth shall become effective and binding upon the undersigned and the undersigned's heirs, legal representatives, successors, and assigns upon the Company's acceptance hereof.

5. General.

- (a) All notices or other communications given or made hereunder shall be in writing and shall be delivered, or mailed by registered or certified mail, return receipt requested, postage prepaid, to the undersigned at the undersigned's address set forth below and to the Company at the address set forth above.
- (b) Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that all the terms and provisions hereof shall be construed in accordance with and governed by the internal laws of the State of Pennsylvania, without giving effect to conflicts of law.
- (c) This Agreement constitutes the entire Agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by all parties. The undersigned agrees not to transfer or assign this Agreement, or any of his, her, or its interest herein, without the express written consent of the Company.
- (d) The undersigned agrees that counsel to the Company shall not be liable for taking any action pursuant to this Agreement in the absence of willful misconduct, misfeasance, malfeasance, or fraud.

- (e) The undersigned has enclosed with this Agreement appropriate evidence of the authority of the individual executing this Agreement to act on its behalf (i.e. if a trust, a copy of the trust agreement; if a corporation, a certified corporate resolution authorizing the signature and a copy of the articles of incorporation; or if a partnership, a copy of the partnership agreement).

Subscriber Information for Issuance of Certificates for the Units as Follows:

(Entity Name)
Kara A. DiPietro

(Name)

(Title)
 [REDACTED]

(Street and No.)
Towson MD 21204

(City, State and Zip Code)
 [REDACTED] **4481**

(Social Security No. or Federal Employer ID No.)
 [REDACTED] **77**

(Date of Birth)

k.dipietro@hmcincorporated.com

(Email Address)
 [REDACTED]

(Phone Number)

Very truly yours,

By: **Kara DiPietro** Digitally signed by Kara DiPietro
Date: 2018.06.14 15:07:10 -04'00'

(Signature of Subscriber)

Dated: June 14, 2018

Company Acceptance of Subscription Upon Execution Below:

MCA Capital Fund I, LLC

By: 
 David R. Alperstein, President

Dated: 6/15 2018

Appendix C: Form of Promissory Note

THIS NOTE HAS BEEN MADE FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO OR FOR SALE IN CONNECTION WITH THE DISTRIBUTION THEREOF AND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THIS NOTE MAY NOT BE SOLD, TRANSFERRED, OR ASSIGNED ("TRANSFER") UNLESS IT IS SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND THE MAKER CONSENTS IN WRITING TO SUCH TRANSFER.

MCA CAPITAL FUND I, LLC

A New Jersey Limited Liability Company

\$50,000,000 AGGREGATE AMOUNT 8%-15% PROMISSORY NOTES

1000 UNITS OFFERED

*\$50,000 - \$100,000 principal amount one-year 8% promissory note
\$100,000 up to \$200,000 principal amount one-year 10% promissory note
\$200,000 up to \$400,000 principal amount one-year 12% promissory note
\$400,000 up to \$600,000 principal amount one-year 14% promissory note
Above \$600,000 principal amount one-year 15% promissory note*

Offering Price: \$50,000 Per Unit

Minimum Subscription: One Unit

Certificate No.: MCAP-2

Issuance Date: 6/15/18

Principal Amount: \$ 200,000

Maturity Date: 6/15/19

Holder: Kara A. DiPietro

Interest Rate: 12%

Date: June 14, 2018

MCA Capital Fund I, LLC, a New Jersey limited liability company, with a business address at 1080 N. Delaware Avenue, Suite 505, Philadelphia, Pennsylvania 19125, is offering up to 1000 units comprised of one \$50,000 principal amount 12-month 8% - 15% promissory note per unit (the "Units") for an aggregate offering price of \$50,000,000 (the "Offering"). Each promissory note is a debt security consisting of a \$50,000 principal amount 12-month 8% - 15% note (depending on the number of Units purchased) (the "Notes"). The minimum subscription by an investor is one Unit (\$50,000 minimum investment).

MCA Capital Fund I, LLC (the "Maker"), for value received, promises to pay to the individual and/or legal entity designated in this Note as the "Holder," the principal sum of two hundred thousand (\$200,000) Dollars. The Notes will have an annual rate of return of 12% percent, simple interest, over the term thereof, with a maturity date of 12 months from date of issuance this Note, unless extend at the election of the Holder as provided herein (the "Maturity Date"). The Holder will be entitled to receive interest accrued at an annual rate of 12% of the principal amount of the Notes held, to be paid out whenever funds are legally available and when and as declared by the Maker's officer(s) and/or manager(s). The Maker may pay interest in cash or capitalize interest to principal, on a monthly basis. The Notes being offered by the Company are not secured. Interest shall accrue annually and be based on the commencement date of the Note. The entire principal shall be due and payable to the Holder no later than the Maturity Date. The Maker may at any time or from time to time make a voluntary prepayment, whether in full or in part, of this Note, without premium or penalty.

Interest on Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest will begin to accrue on the first (1st) day or fifteenth (15th) day of each month depending upon the date on which payment for the Note was received by the Company. If the Company receives payment on the first (1st) through the fourteenth (14th) day of the month, interest will begin to accrue on the Fifteenth (15th) day of the month and payments of interest only will be due and payable on the eighteenth (18th) day of the following month and each month thereafter until maturity. If the company receives payment on the Fifteenth (15th) day of the month through the last day of the month, interest will begin to accrue on the first (1st) day of the month and payment of interest only will be due and payable on the fourth (4th) day of the following month and each month thereafter until maturity.

The Company may at any time or from time to time make a voluntary prepayment, plus any accrued interest at a prorated rate, whether in full or in part, of the Notes, without premium or penalty. No interest shall accrue past the date of a pre-payment in full of any such Note.

1. NOTES

The Notes represented by this document are in the principal amount set forth above, and are offered for sale by the Maker, pursuant to the terms, conditions and information contained in that certain "Confidential Offering Memorandum" dated February 1, 2018. The Notes shall be senior debt of the Maker.

2. EVENTS OF DEFAULT

A default shall be defined as one or more of the following events ("Event of Default") occurring and continuing:

- (a) The Maker shall fail to pay any interest and/or principal payments on the Notes when due and declared payable by the Maker for a period of thirty (30) days after notice of such default has been sent by the Holder to the Maker.
- (b) The Maker shall dissolve or terminate the existence of the Maker.
- (c) The Maker shall file a petition in bankruptcy, make an assignment for the benefit of its creditors, or consent to or acquiesce in the appointment of a receiver for all or substantially all of its property, or a petition for the appointment of a receiver shall be filed against the Maker and remain unstayed for at least ninety (90) days.

Upon the occurrence of an Event of Default, the Holder of the Notes may, by written notice to the Maker, declare the unpaid principal amount and all accrued and unpaid interest of the Notes immediately due and payable.

3. NO SECURITY FOR PAYMENT OF THE NOTES

The Notes offered by the Maker are unsecured.

4. STATUS OF HOLDER

The Maker may treat the Holder of the Notes as the absolute owner of the Notes for the purpose of making payments of principal or interest and for all other purposes, and shall not be affected by any notice to the contrary, unless the Maker so consents in writing.

5. LIQUIDATION

Upon liquidation, an investor will have the right to receive repayment of all unpaid principal and interest due on the Notes. A sale, merger, reorganization or similar transaction will be treated as a liquidation event.

6. NO REDEMPTION

The Holder has no right to redeem the Notes.

7. SECURITIES ACT RESTRICTIONS

This Note has not been registered for sale under the Act. This Note may not be sold, offered for sale, pledged, assigned or otherwise disposed of, unless certain conditions are satisfied, as more fully set forth in the Subscription Agreement.

8. TERM

The Notes will mature 12 months from the date set forth on this certificate.

9. ATTORNEYS' FEES

The prevailing party in an action to enforce this Note shall be entitled to reasonable attorneys' fees, costs and collection expense.

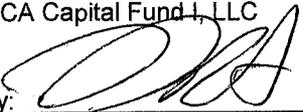
10. MISCELLANEOUS.

- (a) Successors and Assigns. The Holder may not assign, transfer or sell this Note to any party without the express written consent of the Maker. This Note shall be binding upon and shall inure to the benefit of the parties, their successors and, subject to the above limitation, their assigns, and shall not be enforceable by any third party.
- (b) Entire Agreement. Subject to and in addition to all terms, conditions, representations and warranties in the Subscription Agreement executed by the Holder, this Note contains all oral and written agreements, representations and arrangements between the parties with respect to its subject matter, and no representations or warranties are made or implied, except as specifically set forth herein. No modification, waiver or amendment of any of the provisions of this Note shall be effective unless in writing and signed by both parties to this Note.
- (c) Notices. All notices in connection with this Note shall be in writing and personally delivered or delivered via overnight mail, with written receipt therefor, or sent by certified mail, return receipt requested, to each of the parties hereto at their addresses set forth below (or such other address as may hereafter be designated by either party in writing in accordance with this Section 10). Such notice shall be effective upon personal or overnight delivery or five (5) days after mailing by certified mail.
- (d) Section Headings. The headings of the various sections of the Note have been inserted as a matter of convenience for reference only and shall be of no legal effect.
- (e) Severability. If any provision or portion of this Note or the application thereof to any person or party or circumstances shall be invalid or unenforceable under applicable law, such event shall not affect, impair, or render invalid or unenforceable the remainder of this Note.
- (f) Applicable Law. This Note shall be deemed to have been made in the State of New Jersey, and any and all performance hereunder, or breach thereof, shall be interpreted and

construed pursuant to the laws of the State of Jersey without regard to conflict of laws rules applied in the State of New Jersey. The parties hereto hereby consent to personal jurisdiction and venue exclusively in the State of Pennsylvania with respect to any action or proceeding brought with respect to this Note.

MAKER:

MCA Capital Fund I, LLC

By: 

David R. Alperstein, President

Date: 6/15/18

HOLDER:



Print Name: Kara A. DiPietro

Date: June 14, 2018

Appendix D: Notice of Acceptance

MCA National Fund, LLC

A New Jersey Limited Liability Company

\$50,000,000 AGGREGATE AMOUNT 8.5% PROMISSORY NOTES

1000 UNITS OFFERED

Offering Price: \$50,000 Per Unit

Minimum Subscription: One Unit

NOTICE OF ACCEPTANCE

Investor: Kara DiPietro

Number of Units: 4

Date of Acceptance: 6/15/18

The subscription by the above referenced investor for the above referenced number of Units being offered by the Company in accordance with the terms and conditions provided by the offering documents furnished to the investor is hereby accepted as of the date set forth above.

MCA National Fund, LLC

By: 
David R. Alperstein, President

From: Kara DiPietro

Sent: Friday, October 19, 2018 9:21 PM

To: Joe Mack <joe@parfunding.com>

Subject: 10-19-2018 RFI \$14,000,000

Hey! My dad just called and asked if I'd help him secure a facility where he could put \$14,000,000 for 12-24 months - and if that short term investment would work what would be the return?

From: Joe Mack [mailto:joe@parfunding.com]

Sent: Friday, October 19, 2018 10:15 PM

To: Kara DiPietro <k.dipietro@hmcincorporated.com>

Subject: Re: 10-19-2018 RFI \$14,000,000

I can get him 12 percent for 24 months. Interest payable monthly 140k a month. Balloon at the 24th month. Just got audited financials done. We have 270 million in advances working w Par and I have several other funds. But I would recommend he come to Par. I have 80 million in the company myself. So his money would be side by side w mine. I can send Perry out to see him to go over details if he would like that

Sent from my iPhone

From: Kara DiPietro

Sent: Friday, October 19, 2018 10:20 PM

To: Joe Mack <joe@parfunding.com>

Subject: Re: 10-19-2018 RFI \$14,000,000

Awesome. Is it ok if I forward your response to him? I can copy you and Perry - then you guys can coordinate?

From: Joe Mack [mailto:joe@parfunding.com]

Sent: Friday, October 19, 2018 11:04 PM

To: Kara DiPietro <k.dipietro@hmcincorporated.com>

Subject: Re: 10-19-2018 RFI \$14,000,000

Of course

From: Kara DiPietro

Sent: Friday, October 19, 2018 11:13 PM

To: Gerry Dzurek <g.dzurek@hmcincorporated.com>

Cc: Joe Mack <joe@parfunding.com>; Perry Abbonizio <perry@parfunding.com>

Subject: Fwd: 10-19-2018 RFI \$14,000,000

Dad - See below. I believe you said that you needed confirmation by Monday/Tuesday. I'll give you a call tomorrow and will assist coordinating next steps.

Kara

From: Kara DiPietro

Sent: Saturday, October 20, 2018 7:56 PM

To: Joe Mack <joe@parfunding.com>

Subject: Re: 10-19-2018 RFI \$14,000,000

George Chanos is one of my Dad's friends. George and my father are partnering on a couple of interesting ventures. They are both in Vegas now - one of the items on their agenda is the 14mm we discussed. I will be in touch with next steps regarding that - but thought you may be interested in this short lecture George gave in Delaware a few weeks back. My dad and I were in the audience.

https://m.youtube.com/watch?feature=youtu.be&v=T_6-Ys8t0Mk#menu

From: Joe Mack [mailto:joe@parfunding.com]

Sent: Sunday, October 21, 2018 12:35 AM

To: Kara DiPietro <k.dipietro@hmcincorporated.com>

Subject: Re: 10-19-2018 RFI \$14,000,000

He is amazing. Thanks for sharing that. I believe he is correct on the AI. I have been using it for 6 months and increased revenue by 30 percent. It is good and bad. I think he is spot on. Let me know what I can do for your Dad. Be happy to work with you all.

Sent from my iPhone

Delivered Date	Type	Sender Name	Text	Attachment	Attachment type	KARA DIPIETRO, HMC INCORPORATED, TEXT MESSAGE COMMUNICATIONS JOE LAFORTE AND KARA DIPIETRO 5/2019
	Incoming	Joe Laforte	U need to call me.			
5/10/2019 9:29	Outgoing		i will			
5/10/2019 9:30	Outgoing		i am at an event right now			
	Incoming	Joe Laforte	I had enough of this non sense w you not keeping your word. We sat down and concurred on the figures. Now you are welching			
5/10/2019 9:33	Outgoing		no that is not what I said. I told Joe Cole to get the contracts			
	Incoming	Joe Laforte	Fuck this. I am filing today			
5/10/2019 9:34	Outgoing		good luck with that			
	Incoming	Joe Laforte	We will see. I am not Yellowstone.			
	Incoming	Joe Laforte	Get your fat ass up and call me			
	Incoming	Joe Laforte	That was my last call. Now action			
5/10/2019 10:20	Outgoing		I told you I am at an event			
	Incoming	Joe Laforte	You are in default with our company. You are returning payments in our account.			
	Incoming	Joe Laforte	No respect for me. I gave you millions of dollars to help your business. Bailed you out of jams so many times. Now I am being ignored. Shameful			
5/10/2019 13:23	Outgoing		You wouldn't listen to me, and you tried to make me pay for your company's mistake. I would never screw someone who treated me with respect.			
	Incoming	Joe Laforte	Ok. So u think I screwed you??? Are u seriously nuts. I am out millions. I trusted u with my family's money. I never screwed anyone. Especially you. Now I am going to have to come after you for the money			
5/10/2019 13:27	Outgoing		i know i saw jamies name			
5/10/2019 13:27	Outgoing		no i am not going to screw			
	Incoming	Joe Laforte	You keep clicking me and my AR team is contacting your clients as we speak. Judgments being drawn up. This is avoidable. You agree to the number. Pay me back			
	Incoming	Joe Laforte	Pick up the phone			
5/10/2019 13:27	Outgoing		you i will pay you what i owe			
	Incoming	Joe Laforte	It is me. You know my number.			
5/10/2019 13:28	Outgoing		not now i gotta go - email will come to you later to work it out			

Delivered Date	Type	Sender Name	Text	Attachment	Attachment type
5/10/2019 13:29	Outgoing		oh they are contacting my clients ok. tell them I said hi.		
	Incoming	Joe Laforte	Pick up coward		
5/10/2019 13:29	Outgoing		i am not picking up the phone		
5/10/2019 13:30	Outgoing		you are disrespectful and rude.		
	Incoming	Joe Laforte	I are bouncing the payments. Your disrespecting our agreement		
5/10/2019 13:31	Outgoing		you should have talked to me about the issue - you know what happened i know what happened. joe cole knows what happed.		
5/10/2019 13:33	Outgoing		lol i trued to tell you to read the agreements because they weren't good for you but... Bye		
	Incoming	Joe Laforte	We are done. Thatâ€™s it. No honor. Filing on u now.		
	Incoming	Joe Laforte	This is fraud on your part. Straight up robbery. Your disgusting		
5/10/2019 13:34	Outgoing		wtvr my father just told you youll get an email later		
	Incoming	Joe Laforte	Donâ€™t bother		
5/10/2019 13:35	Outgoing		ok		
5/10/2019 13:35	Outgoing		good		
	Incoming	Joe Laforte	Check your e mail. You will find that more interesting		
	Incoming	Joe Laforte	Never though u would screw me for money. Wtf Kara. How can u turn on friends. And if we were never friends, how can u take money like this from people and not want to pay it back.		
5/12/2019 13:43	Outgoing		Don't give me that bullshit. You know goddamn well what you did. I spent 75 hours over the last two weeks showing the breach of contract and offering solutions. You are not my friend. A friend would not have done that to me. And I don't take well to such disrespectful treatment and name calling. You need to get control of your company. Or whoever's company it really is.		
	Incoming	Joe Laforte	Kara. Stop. We breached nothing. We gave u solid deals. If u canâ€™t pay I will work with you. You are making yourself look like a beat artist. I know your not		
	Incoming	Joe Laforte	Kara. Letâ€™s get this straightened out. I want to help you. Like I always have. But if we canâ€™t work through the issue I will have to file judgment and call in your receivables. The owner of a new lending company kinetic capital canâ€™t be in default either the very product u sell?? That would be insane		

DECLARATION OF MICHAEL FOTI

Pursuant to 28 U.S.C. Section 1746, the undersigned states as follows:

1. My name is Michael Foti. I am over twenty-one years of age and have personal knowledge of the matters set forth herein.

2. From approximately June 2019 until January 2020, I had a business relationship with Joseph LaForte ("LaForte.")

3. I met with LaForte three times at his Par Funding office located in Philadelphia, PA.

4. In early June 2019, shortly after I signed a loan contract through a broker, I received in the mail a letter from Par Funding and a business card. The business card read "Joe Mack" and "Par Funding." Attached hereto as Exhibit "A" is a true and correct copy of the business card LaForte sent to me.

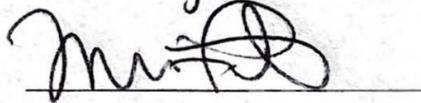
5. In approximately late June 2019, I read an article in a local newspaper about Joseph LaForte, Complete Business Solutions Group and Par Funding. The article noted that Joe Mack's real name was Joseph LaForte.

6. In approximately July 2019, I met with LaForte who introduced himself to me as Joe Mack and I knew him only as Joe Mack. After reading the article, I asked "Joe Mack" whether he was Joe LaForte and he admitted to me that he was in fact LaForte.

7. I asked LaForte why he used Joe Mack as an alias and he said he used it because if people googled his real name they would not find anything good about him.

I declare under penalty of perjury that the foregoing is true, correct, and made in good faith.

Executed on this 19 day of July 2020 in Burlington.



MICHAEL FOTI

PAR
FUNDING

Joe Macki

CLIENT SERVICES MANAGER

joe@parfunding.com : 
215-922-2636 : 
888-803-4886 : Fax

20 N. 3rd St.
Philadelphia, PA 19106
parfunding.com