

**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF FLORIDA  
CASE NO. 20-CV-81205-RAR**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

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

Defendants.

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**RECEIVER RYAN K. STUMPHAUZER'S INTERIM  
STATUS REPORT DATED AUGUST 31, 2020**

Ryan K. Stumphauzer, Esq., Court-Appointed Receiver (“Receiver”) of the Receivership Entities,<sup>1</sup> by and through undersigned counsel, hereby files this Interim Status Report dated August 31, 2020.

**A. Website / Communications with Interested Parties**

The Receiver continues to receive many e-mails, telephone calls, and other inquiries from former employees of the Receivership Entities, investors, merchants, administrators of agent funds, and other interested parties. In the two weeks since the Receiver established the

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<sup>1</sup> The “Receivership Entities” are Complete Business Solutions Group, Inc. d/b/a Par Funding (“Par Funding”); Full Spectrum Processing, Inc. (“Full Spectrum”); ABetterFinancialPlan.com LLC d/b/a A Better Financial Plan; ABFP Management Company, LLC f/k/a Pillar Life Settlement Management Company, LLC; ABFP Income Fund, LLC; ABFP Income Fund 2, L.P.; United Fidelis Group Corp.; Fidelis Financial Planning LLC; Retirement Evolution Group, LLC; RE Income Fund LLC; RE Income Fund 2 LLC; ABFP Income Fund 3, LLC; ABFP Income Fund 4, LLC; ABFP Income Fund 6, LLC; ABFP Income Fund Parallel LLC; ABFP Income Fund 2 Parallel; ABFP Income Fund 3 Parallel; ABFP Income Fund 4 Parallel; and ABFP Income Fund 6 Parallel.

receivership website, available at [parfundingreceivership.com](http://parfundingreceivership.com), there have been more than 8,354 visitors and 25,625 pageviews. The Receiver will continue to update this website with court filings, news and updates, reports from the Receiver, answers to frequently asked questions, important dates and deadlines (including Zoom or telephone dial-in information for hearings before the Court), and other pertinent information.

**B. Efforts of the Receiver and DSI in Connection with Resuming Operations**

The Receiver and his operations consultants at Development Specialists, Inc. (“DSI”) are fully engaged in the process of rehiring employees to assist with resuming operations of the Par Funding and Full Spectrum businesses. To that end, the Receiver has already rehired several employees at these companies and expects to rehire several additional employees in the coming days. As he proceeds, the Receiver continues to evaluate various issues and concerns that have been raised regarding the ACH Processing and Collection areas of these operations.

Four of the employees the Receiver has already rehired are accountants. This accounting team is currently working to reconcile the cash payments already received by the ACH processors to apply payments to the appropriate client account. Specifically, since the filing of this litigation and the entry of the initial receivership Order, ACH processors have continued to process ACH payments on account of Par Funding. Currently, millions of dollars that are due to Par Funding are within the accounts of these ACH processors and ready for distribution. Once these payments have been transferred to the Receiver’s control and appropriately applied and reconciled, the rehired employees, under DSI’s supervision, will begin the collections process.

In its approach to collections, DSI will take into account commercially reasonable factors and credit decisions based on the facts of each counterparty relationship, including (i) legal agreements, (ii) status of payments to date, (iii) collection actions taken to date, and (iv) defenses

or other issues raised by the merchant/counterparty. ACH debits will be initiated as appropriate. DSI will also work with the Receiver's counsel to evaluate several pending litigation settlement proposals and will make appropriate recommendations to the Receiver.

**C. The Receiver's Motion to Compel Work Product from Law Firms**

On Sunday, August 16, 2020, the Receiver filed a Motion to Compel the Production of Opinion Letters and Compliance Materials from Law Firms (the "Motion to Compel") (ECF No. 160). On August 31, 2020, the Receiver filed a Notice to advise the Court that he had resolved these issues with respect to several of the law firms identified in the Motion to Compel (ECF No. 213). Specifically, the Receiver has withdrawn the Motion to Compel as it relates to DLA Piper, Haynes Boone, and Bybel Rutledge. The Receiver also advised the Court that he is optimistic that he will be able to resolve any remaining requests for Work Product from Fox Rothschild without Court intervention, and, therefore, requested the Court to reserve ruling as to Fox Rothschild on the Motion to Compel. The Motion to Compel remains pending, however, with respect to Eckert Seamans and Offit Kurman.

**D. The Receiver's Continuing Concerns Regarding Unauthorized Access to the Records of the Receivership Entities**

*1. Unauthorized Access to the G Suite Database of Par Funding / Full Spectrum*

On August 15, 2020, the Receiver filed his Emergency Motion to Enjoin Access to Complete Business Solutions Group, Inc. d/b/a Par Funding and Full Spectrum Processing, Inc.'s Electronically-Stored Information, and for an Order to Show to Cause as to Former Receivership Entity Employees that Violated this Court's Receivership Order ("Motion to Enjoin Access") (ECF No. 155). In the Motion to Enjoin Access, the Receiver detailed his discovery that former Par Funding / Full Spectrum employee Aida Lau had downloaded over 95,000 documents from the G Suite platform of Par Funding and Full Spectrum that belong to the Receivership Entities,

following entry of the initial Receivership Order, and continuing through August 12, 2020. The Receiver's IT consultant analyzed the access logs regarding this unauthorized access to the system and concluded that Ms. Lau manually and intentionally downloaded the more than 95,000 documents, and it was not an inadvertent, automatic synchronization as she claimed.

Since that time, the Receiver has learned of additional instances of unauthorized access to this database by former employees of Full Spectrum / Par Funding. Specifically, on August 13, 2020, James LaForte a/k/a/ Jimmy LaForte a/k/a Jimmy Schillaci—the brother of Defendant Joseph LaForte—accessed his Par Funding e-mail address and sent three separate e-mails from that account to an individual at a competing merchant cash advance company with the following attachments: (1) the 2017 Independent Auditor's Report that Friedman LLP prepared on behalf of Par Funding with an adverse opinion; (2) the Motion to Intervene of Alan J. Candell that was filed in this case as ECF No. 128; and (3) an Excel document titled "CBSG Creditor Contacts" that contains contact information, the principal balance, and other information for eighty of Par Funding's creditors, including agent funds and other creditors that received promissory notes from Par Funding. Mr. James LaForte also attempted to access the system on August 16, 2020, after the Court granted the Motion to Enjoin Access.

In addition, the Receiver has learned that, on various dates between July 30, 2020, and August 12, 2020, the accounts of three different employees were used to access the Par Funding / Full Spectrum G Suite database from an IP address that had never been used to access the company's data prior to July 28, 2020. After the entry of the initial Receivership Order (ECF No. 36), however, this new IP address was subsequently used by the accounts of three different employees to obtain access to data on the company's G Suite database. Specifically, on July 29 at 2:56 p.m., Aida Lau's account accessed the system from the IP address. On July 30, 2020,

Jeremiah Luddeni's account accessed the company's database from that very same IP address. On August 12, 2020, Ms. Lau's account was again used to access the database from this IP address. Then, on August 12, 2020, the account of Jamie McElhone—who is the sister of Defendant Lisa McElhone—was used to access the database from that very same IP address.

The Receiver and his IT consultant suspended the accounts of all former employees following the entry of the Court's Order granting the Motion to Enjoin Access. As a result, the accounts of these former employees no longer have access to the company's G Suite database and, therefore, there is no continuing risk of unauthorized access to these systems. These instances of unauthorized access and interference, however, have consumed many hours of the Receiver and his counsel's time, and pulled the Receiver away from other important work he has been focusing on during these initial weeks of the receivership, such as resuming operations, recovering assets, and identifying potential claims on behalf of the Receivership Entities.

## 2. *Joseph Cole*

The Receiver previously advised the Court that Defendant Joseph Cole had possession of a personal laptop that contained copies of documents belonging to the Receivership Entities. Mr. Cole provided his personal laptop to the Receiver for forensic imaging pursuant to an agreement under which the Receiver's forensic consultant would make a copy of any business data belonging to the Receivership Entities and provide that data to the Receiver's counsel, and thereafter the consultant would permanently delete this business data from the laptop and return it to Mr. Cole.

Through additional communications with counsel for the individual Defendants, the Receiver has since learned that Mr. Cole maintained an external hard drive with a separate backup of all data that was stored on that laptop, and he is still in possession of this external hard drive. In other words, Mr. Cole is still maintaining in his possession copies of all the documents and

records belonging to the Receivership Entities that the Receiver's forensic imaging consultant removed from Mr. Cole's laptop.

Most recently, on August 28, 2020, the Receiver learned from Mr. Cole's counsel that Mr. Cole uploaded many of those very same documents belonging to the Receivership Entities to a separate Google Drive account that he set up on July 29, 2020, after the Court entered the initial Receivership Order (ECF No. 36). Mr. Cole created this new Google Drive "at the request of then-counsel for the company" and, since then, has shared these files with counsel for the individual Defendants and possibly others.

Needless to say, the Receiver's insistence on having a forensic consultant remove and delete from Mr. Cole's laptop all data and records belonging to the Receivership Entities would have been meaningless, and wholly ineffective, if the Receiver knew that Mr. Cole unilaterally decided to retain these very same corporate records and had already distributed them to defense counsel in this matter. Similarly, Defendant Lisa McElhone's attorney has indicated that Ms. McElhone is still in possession of various documents belonging to the Receivership Entities, including tax returns and other yet-to-be-identified documents. As of the filing of this Interim Status Report, Mr. Cole and Ms. McElhone have not returned these documents to the Receiver.

**E. ABFP Entities**

The Receiver has learned that on or around August 12, 2020, Mr. Vagnozzi, acting on behalf of ABFP Income Fund, LLC, one of the Receivership Entities, settled a lawsuit with a former noteholder, resulting in a payment of \$550,000.00 to that noteholder. Mr. Vagnozzi, through counsel at Eckert Seamans who was representing ABFP Income Fund, LLC and Mr. Vagnozzi in that lawsuit, did not inform the Receiver of this settlement and payment until August 24, 2020, the next business day after the case had been marked settled and discontinued in

Pennsylvania state court. The Receiver has demanded return of the \$550,000 from the noteholder. Through counsel, the noteholder has refused to return this payment to the Receiver.

Mr. Vagnozzi's counsel has indicated that the funds used to pay the settlement with this noteholder, along with settlements with several other investors in the Par Funding-related ABFP entities, were from the MK Corporate Debt Investment Company ("MK"). According to Mr. Vagnozzi's counsel, MK received several millions of dollars from Par Funding for the purpose of resolving claims from investors who did not agree to the terms of the "Exchange Notes" that were offered to investors in the Spring of 2020. The Receiver continues to seek further information about this transaction and the source of funds, and is evaluating his options, including the possibility of bringing a potential action against this noteholder to seek the return of these funds. Once the Receiver obtains information about these other payments from the account of MK, he will also evaluate whether it is appropriate to pursue any action against other noteholders who received payments of this Par Funding money.

On July 28, 2020, the Receiver took physical custody of certain uncashed checks found in Mr. Vagnozzi's office. The checks were made payable to Windsor Corporate Park Investment Fund. The fund evidently never commenced operations and the Receiver, with Mr. Vagnozzi's agreement, has returned these uncashed checks, totaling \$503,000.00, to the potential investors.

**F. Other Litigation Involving the Receivership Entities**

The Receiver has filed notice of the Litigation Injunction (ECF No. 141, ¶¶ 31-34) in several matters nationwide in order to maintain the status quo and avoid spending the Receivership Estate's resources on litigation. As the Court may be aware, there are over 1,200 Confession of Judgments against counterparties pending in the Court of Common Pleas, Philadelphia County, Pennsylvania on behalf of one or more Receivership Entities. The Receiver's counsel has

requested the Court of Common Pleas to issue a blanket Order recognizing this Court's Litigation Injunction and staying all litigation involving any Receivership Entity. If such an Order is entered, it likewise will maintain the status quo, avoid litigation expense, and facilitate DSI and the Receiver's ability to focus on potential settlements with counterparties.

In addition, the Receiver has learned of garnishment proceedings initiated in the Court of Common Pleas against twenty-nine counterparties that (1) previously settled with one of the entities now in receivership, (2) filed for bankruptcy, or (3) otherwise provided information indicating that the garnishment proceedings should not be continuing as to certain parties or assets. In those cases, the Receiver has petitioned this Court to lift the Litigation Injunction, which, in turn, has allowed the Receiver to dissolve the writs of garnishment.

The Receiver has filed Notice of this Court's August 13, 2020 Amended Order Appointing Receiver (ECF No. 141) in thirty federal judicial districts nationwide in which the Receiver believes assets or property of a Receivership Entity may be located.

**G. Cooperation by Defendants John Gissas and Michael Furman**

As the Court is aware, Defendants John Gissas and Michael Furman have reached agreements with the Securities and Exchange Commission that resulted in the entry of preliminary injunctions by consent against Mr. Gissas and Mr. Furman (ECF Nos. 182 and 195). The Court also entered an Order Granting Defendant Michael C. Furman's Agreed Motion to Modify the Scope of the Receivership Orders and Asset Freeze (ECF No. 190).

The Receiver has been working closely with counsel for Mr. Gissas and counsel for Mr. Furman to effect the limited relief granted to Mr. Gissas and Mr. Furman through the entry of these Orders. For example, the Receiver is communicating with these parties and various banks to obtain the release of funds, as instructed by the Court's Orders, that had previously been frozen through



the asset freeze previously entered by the Court. In addition, the Receiver is coordinating with Mr. Gissas and Mr. Furman to allow them to resume operations of those portions of their businesses that are outside of the scope of the receivership. To that end, the Receiver has been in close contact with counsel for Mr. Gissas and counsel for Mr. Furman to provide them access to their offices as well as documents pertaining to these other business operations that do not relate to investments in Par Funding. The Receiver expresses his appreciation to Mr. Gissas and his counsel, and Mr. Furman and his counsel, for their cooperation and professionalism throughout this process.

WHEREFORE, Ryan K. Stumphauzer, as Court-Appointed Receiver, by and through his undersigned counsel, respectfully files this Interim Status Report dated August 31, 2020.

Dated: August 31, 2020

Respectfully Submitted,

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on August 31, 2020, I electronically filed the foregoing document with the clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on counsel of record via transmission of Notices of Electronic Filing generated by CM/ECF.

/s/ Timothy A. Kolaya  
TIMOTHY A. KOLAYA