

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.: 20-cv-81205-RAR

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

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

Defendants.

**DEFENDANTS' JOINT RESPONSE TO RECEIVER'S INTERIM STATUS REPORT
DATED OCTOBER 6, 2020 (DE 305)**

Defendants Joseph W. LaForte, Lisa McElhone and Joseph Cole Barleta respectfully submit this Response to the Receiver's Interim Status Report Dated October 6, 2020 (DE 305) ("the Report") regarding certain financial assertions made in the Report and as referenced and amended by counsel for the Receiver during the October 7, 2020 Status Conference.

POINT ONE

THE REPORT, AS AMENDED AND SUPPLEMENTED BY THE RECEIVER'S COUNSEL'S ASSERTIONS AT THE OCTOBER 7, 2020 CONFERENCE, MAKES CLEAR THAT THEY DO NOT UNDERSTAND PAR'S BUSINESS, IT'S FINANCIAL MODELS, AND ITS PROFITABILITY PRIOR TO THE APPOINTMENT OF THE RECEIVER

In Defendants' last response to the Receiver's Report (*see* Objection to the Receiver's Notice of Filing Report on Operations (DE 240)), regarding certain financial assertions made in the Report and as referenced and amended by counsel for the Receiver during the September 8,

2020 Status Conference)(DE 249), the Defendants corrected the erroneous suggestion that Par Funding was on unstable financial grounds prior to the TRO and that such grounds were purportedly being revealed through the investigative work of the Receiver. The Defendants also corrected the erroneous impression that there were insufficient monies available to make investors whole. As Defendants' Objections (DE 249) showed, the true facts are otherwise.

The Receiver's October 6, 2020 Interim Report is a variation on that theme. This time, the idea floated (without any substantiation whatsoever), by Receiver's counsel during the October 7, 2020 status conference, is that Par needed the financial support of investor funds to survive. Taken together, the Receiver's Report of September 8, 2020 (DE240) and its recent Report of October 6, 2020 (DE305), make clear that despite controlling Par since July 28, 2020, the Receiver and his counsel lack a basic understanding of Par's business; its financial model; and its profitability. It is no wonder then that its collections are a fraction of those accomplished by Par prior to the Receivership, even during COVID-19, and that the Receivership operations smell strongly of liquidation. Neither the Receiver nor his counsel understand the business nor the financial power of its models, and thus have no idea how Par achieved profitability. And, to counsel's knowledge, they are not running the business - they are not funding new MCA deals. Funding MCA deals is the business of Par. That is akin to a clothing store collecting on accounts receivable without selling any new clothes; it is a liquidation.

Because of their lack of knowledge and operational deficits, the Receiver cannot even begin to replicate the operations, restart the business and, most importantly, repay the investors. As a result, and to counter their knowledge deficits, the Receiver and his counsel default to inaccurate and unsupported assumptions. Such assumptive defaults, however, are unfair to the Defendants, unfair to this Court, and unfair to the investors. This Response, together with the

attached exhibits, educates all parties and compares the Receiver's current income and receivables with Par operations in June and July 2020, were that Par was still being run by those people who know how to run it. Simply stated, were Par being run properly today, the investors would be paid regularly – just as they have been since 2012. As of this writing, and since the Receiver took over, Defendants are not aware of a single payment made to any investor.

1. The Par Financial Model

The merchant funding model is profitable because merchant funding returns are re-invested, either in a new or different merchant, or in an existing merchant with adequate receivables as a consolidation, or as a refinance of a merchant which may already have MCA funding from another provider. And the reinvestment begins on the merchant funding returns which commence immediately and occur daily. In very simple form, the math works as follows.

Assuming \$10,000 is funded to a merchant pursuant to a funding agreement providing for a funding return of \$13,000 over the course of 100 daily ACH withdrawals, the agreement would provide for repayment to begin immediately with daily payments of \$130. As those monies are returned, portions are used to pay operating expenses, but most of the monies are re-invested to fund other merchants. Mathematically, this means that the original \$10,000 is being used to fund more than one merchant. Over the life of a single \$10,000 funding, that same \$10,000 can be used to fund multiple merchants, all of whom are paying funding fees in excess of the principal amount received. Thus, the original \$10,000, at a 1.30 factor rate, generates \$13,000 on the first merchant cash advance (MCA). Those funds are reinvested and generate \$16,900 on the second MCA, and \$21,970 by the third MCA - an increase of \$11,970 over and above the initial \$10,000. And that can happen within a year. This is the powerful compounding effect of the financial model.

That is the simplest version of the model. In practice, the model is far more sophisticated than that because the leveraging to new merchants of the MCA returns begins as soon as the MCA payments come in. The accounting and math of that leveraging is sophisticated, which is why Par had over a dozen in-house accountants. Suffice it to say that such leveraging creates greater ROI (Return on Investment) returns than the simple example set forth above. As we have reported in a number of filings with the Court, Par had a dozen or more in-house accountants as well as outside accounting professionals who regularly reviewed the company's financials.¹

Naturally, if the amount of funding is, instead of \$10,000, \$1 million or \$100 million or more, the greater number of merchants that can be funded, exponentially increasing revenue and profit and reducing merchant risk by spreading the funding amongst various merchants and also, where attractive, permitting larger funding of qualified merchants. As we have repeatedly explained, the MCA business exists, and is important to the market, because merchants have opportunities that need immediate funding and often cannot access immediate funding through traditional financial institutions. Traditional financial institutions have long credit processes that may take months and have limitations set by regulation. Some of those merchants would not qualify for lending at such institutions and, even if they did, it would take weeks or months for them to obtain the funding. This is simply untenable for many businesses with immediate short-term cash needs to facilitate an opportunity for their business. For these businesses, the revenue opportunities available with immediate capital are far more important than the factoring fees charged by Par for the cost of that capital.

¹ Indeed, Par's principal outside accounting firm had VPN access to Par's QuickBooks and was paid to log in daily to verify all transactions. This process was followed up with a weekly 2-hour status call to review the weekly activity.

An example of this is B&T, a very large paper and janitorial supply company (*see* POINT THREE, *infra*). At the start of the COVID-19 pandemic, one may recall the frantic search for PPE, including masks and gowns. B&T received orders for over 30 million masks. Given that the federal government, states, cities, counties, municipalities and towns, were all vying for the same PPE, B&T had to put up the money (\$1 million) and place the order immediately. B&T had an extremely limited license to buy and sell masks from China and distribute them to large private and public suppliers including wholesale suppliers – to New York City hospitals, school districts and large public companies. On a phone call, Par provided the funding and continued to do so for B&T through the worst months of the pandemic so that B&T could meet its orders.² While COVID-19 is an unusual example, what is not unusual is that merchants in all spheres of business have immediate funding needs that cannot, and would not, ever be met by traditional financial institutions.

Due to the fast-paced nature of these funding arrangements, all participants in this process - merchants, owners and investors, know that the time-consuming credit controls and standards present in traditional financial institutions cannot be applied to the MCA business. As a result, it is expected that a percentage of merchants will fall behind on their contractual obligations. Some will be able to pay a portion of the funding fees; some will not be able to make payments for a given period; others need almost daily modifications as their sales or receivables fluctuate. Par had close relationships with its merchants and had dedicated personnel maintaining those relationships so that if a difficult period occurred, the payments could be restructured or

² In its prior report dated September 8, 2020 (DE240), and at the following status conference, the Receiver and his counsel stated that Par was owed \$91 million by B&T. What they either failed to disclose or did not then know, was that 89 of the \$91 million debt was funding fees, i.e., monies in excess of the principal funded to B&T. Only \$2 million was principal owed to Par.

managed during that time. Indeed, during the COVID-19 crises, Par modified over 800 merchant payment obligations in order to help them get through the crisis. This lowered Par merchant deposits from about \$2.2 million per day (in mid-March 2020), down to about \$1 million per day on or about April 1, 2020. But by July 27, 2020, Par merchant deposits were up to about \$1.5 million per day. The increase in Par merchant deposits in June and July 2020 is directly related to the fact that Par began greater funding of new merchant business in or about mid-May 2020.

The business and financial model recognized this MCA business reality. That is why Par had an entire collections department and an outside law firm doing collections – just like major credit cards, banks and other financial institutions. But the fundamental model yields such strong returns that collections were considered an added source of revenue, rather than a negative effect on the ability to conduct business or pay investors. And, the strong returns allowed for interest to be paid to investors. For these reasons, the Receiver’s counsel’s suggestion, made during the October 7, 2020 status conference, that Par needed investor money to survive, evidences a lack of basic understanding of Par’s business, its financial model, and its profitability.

For example, assuming historic funding and standard factor rate averages, the following simple example breaks down the growth of \$100,000 of investor capital into \$230,000 after only 3 MCA funding deals in simple terms:

	Deal 1	Deal 2	Deal 3
Funding	\$ 100,000.00	\$ 132,000.00	\$ 174,240.00
Factor	1.32	1.32	1.32
Collected	\$ 132,000.00	\$ 174,240.00	\$ 229,996.80

Accordingly, even assuming a hypothetical payout of \$20,000.00 (20%) of annual interest to the investors, the company would still have collected \$109,996.80 in addition to the

original \$100,000 in principal it started with. Such revenue assumes that Par is operating. But, as we have noted above, the defense has no evidence that the Receiver is currently operating the business and funding new MCA deals.

2. The Par Model and Historic Growth Metrics Do Not Depend on Investor Funds

The Receiver's counsel's suggestion during the October 7, 2020 status conference that Par needed investor money to survive shows his lack of knowledge, specifically, that Par never needed investor funds to make money. In fact, the opposite is true - investors saw the model making money and wanted to invest.

Par was begun in 2012 at a dining room table. The first participants in Par were the Defendants and their immediate family and a few close friends. This remained the case until 2016, when the model came to the attention of a wealthy family investment fund and Dean Vagnozzi. Prior to significant capital raises in 2016, the company experienced consistent, healthy growth during the first three years of its business. The following chart details Par's approximate growth from 2013 to 2016 with the accounts receivable (AR), investor liability and net equity broken out.³

	2013	2016	% Growth
AR	\$ 5,700,000	\$ 59,000,000	1035%
Debt	\$ 3,900,000	\$ 25,800,000	662%
Equity	\$ 1,800,000	\$ 33,200,000	1844%

These numbers are telling. Although Par experienced a 6-fold growth in debt over 3 years, it had a 10-fold growth in Accounts Receivable (AR) and more than an 18-fold growth in

³ These are round figures. With the financial data Defendants are entitled to pursuant to Rule 26, and are endeavoring to obtain, these numbers can be refined to the penny.

equity. Simply put, the revenue generated from MCA funding operations far exceeded the expansions of debt. Whereas, at the beginning of the business in 2013, debt was more than double equity, by 2016 equity exceeded debt by more than \$7 million. Whereas, at the beginning of the business in 2013, debt was 68% of AR, by 2016 debt was 43% of AR. And, during the period this growth was achieved, Par was paying interest rates of over 40% to the friends and family investors who started the business.

The 2016 – 2019 numbers are also demonstrative of the power of the financial model – if one understands them. During this period of time, in simple cash flow alone, Par received \$342 million from investors; but it repaid over \$138 million in principal and a whopping \$96 million in interest payments, corresponding to an average rate of return over 20% annually. Meanwhile, Par received over \$983 million in cash flow from its merchant clients. Clearly, the business model was able to sustain healthy returns paid to investors, while the additional capital provided by the investors was used for merchant funding which enhanced the profitability of the company.⁴

Investors only invested one year at a time. The investors, many of whom are quite sophisticated, repeatedly renewed their 12-month promissory notes year after year upon careful review of the growth of the business and receiving consistent returns year over year.

⁴ Defendants and their counsel have been requesting the documents to which they are entitled in this litigation for weeks, including via Rule 26 document demands dated September 23, 2020. On October 22, 2020, the Receiver finally agreed to produce some, but certainly not all, of the documents requested by the defense. But just so it is crystal clear, if and when the Defendants are given access to the company data as requested, they will be able to prepare detailed information for the Court, including the following: 1) detailed financial analysis for each year of operations; 2) a complete reconciliation of interest and principal paid to investors; 3) detailed information on merchant receivables, default rates and outstanding balances to date; 4) an analysis of collection rates and cash flow; and 5) a detailed summary of funds received by company management.

Another and more recent example proves the ability of the financial model to grow without any reliance on investor capital. When the COVID-19 crises hit, the last investor funds received by Par were in early March 2020. Par had \$400,221,204.89 in AR at the end of May and \$421,125,706.30 in AR when the Receiver took over the business on or about July 28, 2020. This demonstrates a **\$21M** growth in AR in three months during the COVID-19 crisis with no additional investor capital coming into the business. During this same period, Par repaid \$15 million in investor principal and made the interest payments to investors under the newly modified agreements in June and July. All with no new investor capital. And, when the Receiver took over the business on or about July 28, 2020, there was about \$18 million in cash on hand and \$8 million in ACH reserves for a total of about \$26 million in liquid funds. Further, the next investor payment installment (installments which were regularly paid since 2012), of over \$2 million were scheduled to be paid to investors by wire on August 1, 2020 and would have been sent but for the SEC's action.⁵ The following chart is demonstrative.

	May 2020	June 2020	July 2020
Accounts Receivable	\$ 400,221,204.89	\$ 402,382,550.85	\$ 421,125,706.30
Merchant Funding	\$ 12,104,083.89	\$ 24,331,025.68	\$ 27,805,967.77
Investor Principal Payments	\$ 9,165,052.00	\$ 4,706,296.00	\$ 1,244,653.55
Investor Interest Payments	\$ 940,257.76	\$ 2,191,633.32	\$ 2,378,402.81
Total Investor Payments	\$ 10,105,309.76	\$ 6,897,929.32	\$ 3,623,056.36

With no new investor funds since early March 2020, until July 28, 2020, the business increased accounts receivable by \$21 million, paid investors \$15 million in principal repayments plus \$5.4 million in interest, and was prepared to send another \$2.3 million to investors on

⁵ We have no knowledge that the Receiver sent these \$2 million payments to investors.

August 1st. And, Par had \$26 million in available capital at their financial institutions.⁶ Why? First, at the start of the COVID-19 crisis, the company made the prudent decision to negotiate longer payment terms for the majority of its note holders. These restructured notes, drafted by counsel, allowed the company to more flexibility manage cash flow and improve profitability while maintaining a 5% annual rate of return to investors. As of the end of July 2020, investors representing over \$300 million of the \$365 million in creditor capital executed the modified notes.

Second, the financial model is extremely robust. Despite COVID-19, merchant receivables were still solid; Fox Rothschild was bringing in money through collections; careful management of the business was accomplished through COVID-19; MCA agreements continued to be funded; and Par worked with its merchant clients to negotiate favorable terms on collections through this difficult business environment.

While we agree that additional investor funds do allow for greater MCA funding, obviously, the financial model is not dependent on new investor funds. Greater funding only increases profitability.⁷ But whether or not the company receives investor funds, the company's profitability does depend on running its business - which is providing MCA funding to merchants. Without MCA funding, the company is essentially in a liquidation. The bottom line is that Par makes money on the money that it funds to merchants – enough to fund new

⁶ The \$26 million is the amount left over after satisfying all current liabilities and cashflow requirements. Again, we note that these figures are close estimates based on the published funding analysis (KPI) reports regularly sent to investors and are subject to refinement if and when the defense receives the requested data from the Receiver.

⁷ The cash requirements needed to satisfy investor debt liabilities are a small portion of Par's overall cash flow. For example, if Par receives \$30 million per month in merchant deposits, less than 10% would be needed to pay the investors under the terms of the notes. The majority of the capital is used to fund merchants and increase the company's portfolio size, further protecting the company and investor assets by reducing the asset to debt ratio.

merchants, pay interest and principal, make a profit, and sustain the expected collections activity inherent in a business of this nature. The numbers do not lie – if one understands them. In fact, as we show in POINT TWO *infra*, the company can sustainably continue growth without additional investor deposits under the direction of its management team.⁸

3. The Receiver’s Counsel’s “Net Collections” Argument Misunderstands the Numbers

At the conference on October 8, 2020, the Receiver’s counsel told this Court, and many investors, that out of \$1.5 million received per day from merchants prior to July 28, 2020, \$1.2 million was used for new MCA funding. Thus, according to the Receiver’s counsel, only \$300,000 constituted net collections, about 20%. The Receiver’s counsel appears to be suggesting that the company is not holding on to receivables but, instead, is refunding the same merchants 80% of receipts. This proposition is wrong and its assertion shows that the Receiver and his counsel do not understand the MCA business.

First, the numbers show that collections are used to fund new MCA deals. This may come as a total surprise to the Receiver and his counsel, but funding merchants is the business of Par. That is like criticizing Ford Motor Corp. for using its car sales income to build and sell more cars. Or criticizing Saks for using clothing sales income to purchase new inventory for next seasons’ ready to wear. The mere assertion of this complaint by the Receiver and his counsel

⁸ In fact, and unlike the Receiver’s performance, while Par management was operating the company from 2012 until July 28, 2020, investors received detailed monthly funding analysis reports with Key Performance Indicators (KPI) via email. The KPI metrics included default rates. And, if requested, Par management provided emailed, written answers to specific questions. If requested, Par management could and would also provide weekly KPI reports. The Receiver, on the other hand, has provided almost no transparency to its operations. Indeed, even basic requests for merchant settlement information is refused, much less KPI information.

shows that, at the very least, that they have no idea that the actual business of Par is funding MCA deals. What a surprise! And Ford Motor is in the car business – who would have thought it? The MCA business is why Par made money and paid investors – when the Receiver has not. MCA deals is the business of Par and the business makes money. Funding new deals with the same dollars is what drives the financial model. Stated more simply than an SAT question, funding capital for MCA is to Par as cars are to Ford and clothing is to Saks. Like any bank or financial firm on the planet, capital is the product.

Second, there is no contesting the actual dollar figures collected by Par after the start of the COVID-19 pandemic. Therefore, instead of essentially making up numbers, the Receiver’s counsel should cite actual figures as reconciled from third party banks. Here is Par’s actual financial performance during the COVID-19 crises in 2020:

	Client Deposits	Funding	Difference
April	25,509,683.25	11,231,369.75	14,278,313.50
May	23,377,450.34	12,104,083.89	11,273,366.45
June	25,978,802.62	24,331,025.68	1,647,776.94
	74,865,936.21	47,666,479.32	27,199,456.89

In the final analysis, Receiver’s counsel’s “net collections” argument is akin to complaining that a dress store is using its income to buy new dresses for inventory. The criticism belies a fundamental misunderstanding of how businesses operate; it belies a fundamental misunderstanding of how Par made money; how the model works and, indeed, how the MCA industry works. It is no wonder then that the Receiver is not making money, will never make money, and does not know how to make MCA money. Their assertions make crystal clear that

they do not understand how the numbers work; how to run this business and how and why this business is profitable. *See* Sections 1 and 2 *supra*.

Without funding new MCA deals, there is no “business.” Solely collecting merchant receivables, as the Receiver is doing now, is nothing short of a wind-up. It is Ford Motor collecting receivables without making any new cars. Ford Motor is not “in business” if it is not making and selling new cars. The same is true here. Without funding new MCA business, merchant deposits will gradually decrease and then cease. Soon, the business will be over.

POINT TWO

THE RECEIVER’S INABILITY TO UNDERSTAND HOW THIS COMPANY MADE MONEY AND PAID ITS INVESTORS’ PRINCIPAL AND INTEREST FOR YEARS HAS LED DIRECTLY TO INVESTOR LOSSES NOW - LOSSES WHICH OTHERWISE WOULD NOT HAVE HAPPENED AND WHICH CAN STILL BE AVOIDED

It is now apparent that the Receiver has no real understanding of how Par made money; why it was able to pay its investors’ principal and interest until July 28, 2020 – even during COVID; and why many very sophisticated investors, including finance and accounting professionals, kicked the tires, looked under the hood and had access to every document and piece of financial data - and then invested millions of dollars. At its essence and as in many financial firms, a profitable MCA business is a math exercise.

We do not necessarily begrudge attorneys, whose skill sets are often in other areas, a potential inability to understand the math that often makes for a strong and profitable financial model. There is a reason that smart, mathematically inclined people are typically hired by banks,

hedge funds and financial services firms. But the Receiver and his counsel's inability to understand Par's business has led to all manner of baseless accusations that are easily answered in the very documents they possess but do not understand - and which, until just days ago, they were loath to share with the defense. Their operations since July 28, 2020 have led to drastically reduced merchant deposit receipts; deals with merchants under contract and in arrears that are not disclosed to the Defendants or the investors⁹; an inability to understand the process and numbers which drive profitability; a failure to pay investors since July 28, 2020; loss of capital and equity to the ownership of the business; and failure to operate the business of the company which all but guarantees that it will not meet its financial obligations to investors. It does not have to be this way.

The attached chart (*see* Exhibit A, hereto), shows how the consistent and standard operations of Par until July 28, 2020, if continued thereafter, compares to the Receiver's current operations of Par. The results are astounding, but not surprising, because the individuals who could run Par are those who built and ran it. Had Par been operated to date consistent with just its operations in the COVID-19 environment, June and July 2020, Par would collect \$237 million more over 12 months in comparison to the Receiver's anticipated collections derived from their performance to date. (Receiver's estimate of \$500,000 per day) Par's estimate is extremely conservative as the numbers were getting stronger each month after June 2020. If Par is operated

⁹ Receiver's counsel sends emails to defense counsel asking whether we agree to an unspecified arrangement with a merchant, the details of which are rarely disclosed. When asked for more specificity in order to have a factual basis to make a decision, Receiver's counsel often acts annoyed and rejects the invitation. (An example is attached as Exhibit B) It is as if Receiver's counsel believes it is his money and his company that he is being asked to discuss. Curious – last we checked, Defendants' money and labor created this company; it is owned by them; and the investors have a financial interest in its operations. Receiver's counsel's refusal to provide transparency to the company's owners and investors about its settlements and financial operations is inconsistent with its obligations to both.

consistently with just its June and July 2020 COVID-19 operations, Accounts Receivable will grow \$41 million over 12 months, instead of losing \$17 million in value with the Receiver. This \$58 million difference obviously positions the company far better with respect to investor obligations.

Meanwhile, were Par being run consistent with its performance up to July 28, 2020, investors would receive over \$27 million in interest payments; instead of getting nothing. Merchants would receive much needed business funding in addition to \$7 million in consolidation funding owed to them by Par. The companies would retain the employment of 70 team members, instead of the skeleton crew the Receiver has working now. And this is without considering the large fees due to be paid to the Receiver, DSI and other consultants for this negative performance which is, in truth, liquidating the business and greatly harming investors.¹⁰

These estimates are conservative and the defense fears that the actual resulting losses will be much more substantial.

¹⁰ The decision to jettison Fox Rothschild as counsel for collections and hire a new law firm is, in our view, a colossal waste of money and illogical. There are perhaps 2,000 collection actions pending all over the United States. These actions, and the garnishment orders and related collection efforts, have all historically borne fruit and provided significant additional revenue to Par. It will take any new law firm months to begin to acquire the institutional knowledge of Fox Rothschild at a cost of high six figures, if not seven. And then what – will the law firm aggressively pursue these actions like Fox Rothschild did; or will it settle actions at pennies on the dollar. The smell of liquidation is palpable.

POINT THREE

THE RECEIVER AND HIS COUNSEL'S DECISION TO SHUT DOWN THE OPERATIONS OF THE COMPANY, AND THEN COMPLAIN OF HURDLES IN COLLECTION EFFORTS, IS JUST AN EXCUSE FOR HIS MISUNDERSTANDING OF HOW THIS PROFITABLE BUSINESS OPERATED

1. The Problems with the Receiver's Collection Process

The fundamental problem with the Receiver's collection process is two-fold. First, due to the Receiver's litigation stays, lifted from time to time, presently Par funding is no longer pursuing the collateral of merchants who have defaulted. The result is that where the merchants had second in line security/lien holders (after Par), those second in line creditors now have become first in line to collect from the merchants' collateral. Thus, if and when the litigation stay is lifted, there may be no collateral for Par to collect. Second, since the Receiver took over on July 27th, merchants were alerted that the automatic ACH withdrawals from their bank accounts had ceased and that there were few, if any, knowledgeable Par collections staff working. Those same merchants were further made to understand that the Receiver would accept substantially less than 100 cents on the dollar to settle existing in-arrears MCA contracts. Certain merchants understood that if they complained to the Receiver about their MCA contract obligations, they might be excused from payment on that contract. Indeed, a few merchants, out of thousands, have complained to avoid their contractual obligations.

The Receiver's shut down of the MCA business not only effectively ended the "business," as we note in Points One and Two above, but merchants who were long time clients of Par, and whom had consistently received cash advances and repaid those advances along with factoring fees, are now taking their MCA business elsewhere. With litigation stays, few if any knowledgeable collections staff, a lack of transparency about settlements and, most importantly,

a shut down of the MCA business, there is no question about why the Receiver will collect far less money than if Par were operating the business. Moreover, legal fees, DSI, and other hired consultants will substantially reduce the amount of funds available for distribution to investors.

2. Prior to the Receiver, there were no “Obstacles” to Operations and Collections when Par Employees were Working

In Section II of the Receiver’s October 6, 2020 report, he claims that his counsel and DSI are having a difficult time and have “encountered many obstacles in this process of resuming operations.” This is simply misleading since it is quite clear that the Receiver does not intend to resume “operations” of the MCA business. It is now obvious that the Receiver hired DSI only to do collections work. And for this collections work, the Receiver complains of imaginary hurdles such as that Par had not begun “the process of reconciling its 2020 bank accounts” or its December 2019 accounts, and that Par lacks “audited financial statements.” But these complaints are a canard; they are just excuses for a refusal to restart the business. Simply put, the reconciliation of bank accounts and the absence of audited financials have nothing to do with the collection of merchant payments. Indeed, they are not at all necessary to running the business of Par. A private MCA company is not required to have audited financials to operate their business. And bank account reconciliations are irrelevant to resuming operations and collecting receivables.

Indeed, prior to the Receiver takeover, Par employed over 12 in-house professional accountants whom monitored every aspect of the company’s business and operations. Par’s employees carefully maintained daily calculations of merchant accounts and provided to the ACH processors merchant account withdrawal amounts for the following day. If a merchant requested more time to pay, the staff would work with that merchant to make modifications. Daily and weekly reconciliations were done by Par’s in-house accountants together with

guidance from their outside accounting firm. This accounting firm, which has particular expertise in MCA businesses, monitored daily the financial data and had weekly conferences with in-house accounting. This careful work all ceased when the Receiver took over. It is important to note that even in July 2020, during the COVID-19 pandemic, Par received merchant deposits of over \$25 million. As set forth in Points One and Two above, had Par been permitted to continue to operate its business, it would have continued to collect \$25 to \$30 million per month, paid interest to investors, and returned investor capital.

3. The Underwriting Process was Sound and Reliable

The claim that the underwriting process is flawed is just another excuse not to operate the business of Par. In just the first 8 weeks of its SEC takeover, Par has lost or effectively abandoned \$50 million dollars in merchant deposits. All of the financial data; the millions of dollars in principal and interest sent to investors; the rate of growth of accounts receivable (AR) over the years – all of the real financial data flatly refutes the wholly unsupported claim of poor underwriting. The underwriting complaints ignore the undisputed fact that prior to the Receiver takeover, in July 2020, Par had daily merchant deposits of \$1.5 million. Before the COVID-19 pandemic, Par had merchant deposits of over \$2.1 million a day and in January and February 2020. That is a huge amount of money from merchants whom the Receiver belatedly claims resulted from insufficient underwriting. And what about the \$1.2 billion in merchant payments to Par over the years? The underwriting claim is like arguing that Michael Phelp's swim times are proof of how slow he is.

Indeed, it is only due to Par's solid underwriting process that even today, the Receiver can report merchant deposits of \$500,000 per day. Had the company been permitted to continue operations with its experienced employees, three extant ACH accounts, and the extremely

knowledgeable law firm of Fox Rothschild, which was in the process of settling and collecting debts or litigating where necessary, Par would now be collecting more than \$1.5 million per day.

Rather than resume operations, the Receiver hired DSI to do only collections work, and largely let go of Fox Rothschild, a law firm which handled this work for years and knew what they were doing, and brought in a lot of money. This because, despite promises to the contrary, there is no plan to resume operations and no intention to do so. This is a liquidation.

It is thus no surprise that there have been more than 22,516 visitors to the Receiver's website. Investors are extremely concerned about whether they will receive any part of their principal investment and interest. As well they should be since the Receiver is not operating the MCA business. Moreover, as we note above, merchants who were long-time clients of Par are taking their merchant cash advance (MCA) business elsewhere.

The Receiver also complains about Par pre-receivership net collections. But the Receiver cannot dispute the real numbers. Investors consistently received interest and principal payments for years; and Par was receiving \$1.5 million per day in collections prior to July 27, 2020, rather than the \$500,000 it is receiving now. All six bank accounts were attached as exhibits to defense counsel's cross motion to rehire CBSG's 70 knowledgeable workers, filed on August 7, 2020, and the Joint Reply filed on August 9, 2020. (*See* DE 106 and 115). The exhibits included the bank statements for the month of July 2020 and for the three ACH accounts. Although the health and the economy of the United States was still reeling from the coronavirus, as they are now, in July 2020 Par had merchant deposits of \$25 million. The only thing "misleading" about these numbers are unsupported claims that are based upon the lack of understanding of the financials of the business. No one needed to reconcile the bank accounts to simply add up July 2020's bank

balances, ACH balances, wires and checks. Thirty (30) minutes of work would have showed the balance sheet.

4. The Top Ten Merchants were Credit Worthy

The receiver spends 10 pages claiming that “the top ten merchants” are not credit worthy and that they require additional Par funds to pay for their cash advances. The Receiver could have simply met and conferred with defense counsel and Fox Rothschild to learn about these merchants, their credit-worthiness, the collateral and their collection payment history. Instead, the Receiver’s attorneys have expended substantial billable hours making unsupported claims based on inaccurate assumptions – all of which could have been avoided had they met and conferred.

B & T: This successful Nevada company is growing and strong. It recently partnered with L & M and is now called Lifeguard Industrial & Home Supplies. The company has never missed an MCA payment to Par until the Receiver took over. This spring, B & T took a cash advance from Par so that it could order, pay for and have quickly shipped 1 million PPE masks during the early stage of the COVID-19 pandemic. The masks were for NYC hospitals, among others, and a school district. B & T was paying Par \$500,000 per week. The company supplies paper goods, reusable paper supplies, packaging, office supplies and janitorial supplies. B & T paid for the naming rights to the new community arena in Henderson, Nevada, at which the Vegas Golden Knights hockey team plays. The newly named Lifeguard Arena opened this month. In addition, B & T received a multi-year contract to provide the arena with all of its paper supplies.

B & T has been a customer of Par for four years. B & T’s clients include school districts, government offices and large hotels. The business model works well for B & T because B & T’s

clients pay their invoices in 30, 60, 90 or more days. B & T is sometimes required to pay for its supplies at the time of ordering. The MCA contracts have been essential to the growth of B&T's business.

The principal of the company is Steven Odzer. Mr. Odzer participates in philanthropic endeavors which include significant donations to help people with disabilities; Jewish and Arab business cooperation; and college scholarships for young people. (See Exhibit C) His company has consistently repaid the cash advances and the factoring fees to Par. When the defense receives the documents it requested in discovery, the defense will be able to provide the Court with precise amounts of the merchant cash advanced, the principal amounts repaid, and the factoring fees paid since B & T has been a client.

National Brokers of America: This company had previously not missed a payment. However, without the Par records requested by the defense, we cannot provide precise breakdown detail about their MCA payment history.

Colorado Homes, LLC: This company is owned by Ranko Mocevic. He is a third generation residential and commercial builder who owns thousands of acres of land in Colorado. On this land, he is building townhouses, homes, an 81-unit condominium project and a hotel. He also owns Colorado World Resorts and a farm with over 1,000 acres. Had the Receiver met and conferred with counsel he would not have "grave concerns" about Ms. McElhone's equity interest in Colorado Homes.¹¹ Ms. McElhone, separate and apart from Par, lent funds for a particular project, one of a number of real estate development projects that Colorado Homes was doing and took an equity interest in property to secure her loan. The purpose for the loan was to support one of the developments.

¹¹ There was no meet and confer about this issue.

Moreover, Mr. Mocevic was not forced to grant anyone an equity interest and any other suggestion is just made up. Mr. Mocevic sought additional funding for a particular project and Ms. McElhone agreed. The loan was of significant assistance to Mr. Mocevic. There is certainly nothing nefarious about Mr. Mocevic entering into a MCA contract with Par to help with construction costs. Likewise, there is nothing nefarious about Ms. McElhone extending a loan from different funds in order to support one of the projects. If anything, this shows how highly the defendants regarded these projects and how much they believed in them. (*See* Exhibit D)

What Receiver's counsel fails to report is that Colorado Homes received \$25,869,528.99 in funding from Par and has repaid, to date, \$25,128,102.71 in principal. Thus its principal balance is only \$741,426.28. And Colorado owes significant funding fees under its MCA contract, collateralized by millions of dollars in real estate projects. Colorado was and is an excellent investment for Par with a huge upside potential that, as have shown here, is all profit.

Kingdom Logistics: This is a management, sales and logistical services company for coal mining, limestone and other rare minerals that are transported by rail, barge or truck. In 2018, after Par principals visited the properties and mines in Kentucky and Arkansas, among other locations, and inspected the equipment, Par decided to provide merchant funding for Kingdom. The first cash advance was to buy a replacement conveyor belt for a mine. This necessary replacement permitted the mine to continue working with little interruption, which greatly helped the company and kept the workers employed. Kingdom continued to be a client of Par. Kingdom has fully performed on all its contracts with Par. Since the inception of Kingdom's relationship with Par, it has received approximately \$38 million dollars in funding and made payments of over \$35 million dollars to Par. Indeed, since the Receiver took over, Kingdom has paid another \$832,926.90 on its MCA contract with Par. It is noteworthy that

Kingdom tried to pay more to Par but undersigned counsel were advised that Kingdom's lawyers' letters, phone calls and emails went unanswered by the receiver for more than 8 weeks.¹² (See Exhibit E)

Big Red Express Trucking LLC: This company was owned by Richard Welkowitz. Mr. Welkowitz had a large portfolio of assets, including a shopping center and other commercial and residential properties which were reportedly valued at over \$100,000,000. His cash advances were well collateralized. He passed away and his estate is in probate court. His wife is contesting the probate of the estate, as is Stephen Gurba, who was his partner in some of the businesses. Gurba is the CEO of Bulova Technologies, a public company which has, among others, a large defense department contract. In the probate proceedings, Par was represented by Fox Rothschild which, prior to the Receivership, filed a foreclosure proceedings on a \$5 million dollar farm which was part of the collateral. Since the Receiver has stayed the litigation, there has been no action to sell the property and collect the proceeds.

In addition to not selling the foreclosed collateral, the Receiver's Report repeats specious claims from Mrs. Welkowitz about a forged signature made in the context of the probate proceedings. This has no place in the Report, except to serve as hearsay and unsupported gossip. Par, through its prior counsel Fox Rothschild, had filed a \$20,000,000 confession of judgment in probate court. Of that amount, approximately \$4 million is cash advanced and the balance is factoring fees. The litigation is presently stayed. Fox Rothschild should be permitted to continue

¹² Another issue arose with Kingdom in that both DSI and the Receiver failed to file under seal or redact personal identification and banking information in the DSI letter attached to the Receiver's report dated August 31, 2020. In that filing, investors' names, addresses, amounts of money invested and the last four digits of their bank accounts were left unredacted. The bank account of Kingdom was hacked and money was stolen. The account had to be closed and, as a result, the ACH withdrawals stopped.

to resolve this matter and recoup the funds for Par, since it has already foreclosed on a \$5 million dollar property.

Dual Diagnostic Treatment Center: Due to the legal work done by Fox Rothschild, the day before the Receiver took over, Fox Rothschild settled this collections matter for Par and was awaiting signatures on the agreement. The deal made by Fox Rothschild was for \$2 million to be paid to Par. This \$2 million is only factoring fees that were due and owing. It is all profit. Par has received all of the cash it had advanced.

JRC Painting: Par provided working capital to JRC to pay its employees and buy inventory and supplies. When a project was completed, JRC would be paid by its clients, often months later. It was for this reason that JRC Painting used MCA funding from Par. JRC had never missed a payment to Par. The amount of cash advanced by Par is incorrect in the Receiver's report. However, without the records requested by the defense, we cannot provide precise figures of its principal v funding fees balances as of today. The Receiver has that information readily available.

Health Acquisition Co.: This is another MCA debt for which Fox Rothschild had worked out a settlement with counsel for Health Acquisition. The settlement proposal was \$750,000 cash and \$1,350,000 as a creditor claim in bankruptcy court. In addition, a mortgage would be maintained on a community hospital. Prior counsel had served writs of execution, however, due to the litigation stays, nothing has been done to collect these funds.

D 19 Liquor, Inc.: This is a good-sized company with several subsidiaries. D 19 owns gas stations that have mini-markets. The company also owns a number of franchises in Hungry Howie pizzerias in Arizona. D19 Liquor always paid its MCA obligations to Par until the Receiver took over. D 19, like some other merchants, has concerns about where their payments

are going and whether their payments will be properly credited to their accounts. D 19 may also be considering whether, due to the very generous terms the Receiver is now known to provide, D 19 may have an opportunity to pay substantially less on their MCA contract obligations.

CKD Enterprises: Without the documents defense counsel has requested we have no financial information on this company.

5. Fox Rothschild Should Remain as Counsel in Pending Litigation and the Litigation Stays should be Lifted

In section three of the Interim Status Report, the Receiver announces his decision against retaining Fox Rothschild to continue to represent Par in pending litigation. This makes no sense and will result in very significant loss to investors for two reasons. First, the cost of new counsel becoming familiar with and understanding the current litigation will be extraordinary. There is literally hundreds, if not thousands, of collection litigations all over the United States. All of these require an intimate knowledge of the applicable state laws and regulations. It will also require an understanding of all of the current settlement discussions. Simply put, such work for a new law firm to become informed and ready to go will cost in the high six figures, if not more.

It is totally unnecessary. Fox Rothschild has already done this work and knows the cases. More than that, they have collected millions of dollars on behalf of Par. There is also the serious concern that new counsel will not as proficient or competent as Fox Rothschild and will agree to minimal settlements and otherwise not collect anything near what Fox Rothschild did. That is virtually guaranteed. The decision not to maintain Fox Rothschild will result in a very significant unnecessary expenditure and a huge reduction of funds to be collected for investors.

6. Par Should Not be in Liquidation

At the first Zoom conference before this Court regarding the parameters of the Receivership, the Court wisely stated, “the Court is on the record making it very clear, as I have

from the beginning, no one [is] here seeking an end game of liquidation. The Court is not, the Receiver is not and the SEC certainly isn't." (Transcript of conference, August 4, 2020 at T. 88). As set forth above, the Receiver's Interim Report makes clear that the Receiver is not operating the company; it is only making efforts at collections. This is a liquidation. Months ago, the defense requested that the employees be re-hired and the company be permitted to restore its business operations. The defense proposed a plan to do so. The recent Interim Status Report shows that that plan has not been implemented.¹³

POINT FOUR

THE RECEIVER, WITHOUT CONDUCTING ANY DUE DILIGENCE, TOTALLY MISAPPREHENDS THE DRAFT OF PROJECTED ASSETS

The Receiver, without conducting any due diligence, much less a meet and confer¹⁴, attached as an exhibit, and trumpeted loudly, to the public and this Court, a rough draft of

¹³ Relevant to this discussion is the recent SEC matter with Goldman Sachs. On October 22, 2020, the SEC announced that Goldman Sachs Group had settled SEC charges of violations of the Foreign Corrupt Practices Act (FCPA), anti-bribery, internal accounting controls and books and records provisions of the federal securities laws and has agreed to pay \$1 billion dollars to settle the SEC's charges. In addition, Goldman's Malaysian subsidiary pleaded guilty to conspiracy to violate the FCPA. Goldman Sachs entered a three-year deferred prosecution. Goldman executives had used a third-party intermediary to bribe high ranking government officials in Malaysia and elsewhere to enable it to obtain lucrative business from the Malaysian government owned investment funds, including underwriting \$6.5 billion in bond offerings. The SEC did not even request a Monitorship, let alone a Receiver.

¹⁴ The defense vividly recalls, just recently, the Receiver and SEC claiming a meet and confer violation over NRE's where the defense had repeatedly emailed the Receiver about the issues it was concerned about. The detailed emails were alleged by the SEC and Receiver to be insufficient to qualify as a meet and confer. Here, the defense had no idea that the Receiver even had the document, much less that they intended to use it. Their filing, and the inclusion of that document, was no doubt intended as a complete surprise. So much for "meet and confer."

potential and projected assets on a spread sheet. The Receiver or his counsel should have conferred before making their surprise disclosure. Had they done so, they would not have misled this Court and the public.

In June 2020, Ms. McElhone engaged counsel for a consultation on trust and estate issues. There are legal fee invoices to that effect. Counsel requested, in preparation for an initial consultation, a rough draft of projected and hypothetical finances over a ten (10) to fifteen (15) year time for discussion purposes. Accordingly, the projection draft suggests the possible value of assets and investments over a 10-15 year period, i.e., as of year 2030-2035, should various investments work out and/or increase in value. It was largely hypothetical and based on predictions of assets in the future.

For example, the projection draft values Par at \$250,000,000. This presupposes that there would be a buyer and that that buyer would pay \$250,000,000. If Par is valued at \$250,000,000, then why does not the Receiver sell Par tomorrow and pay itself, its counsel, DSI, and all of the investors? Likewise, whereas \$57,000 was invested in the nail salon and a physical therapy center, the projection draft values both at \$750,000. Anyone lining up to buy these small business for \$750,000? No. In addition, the list includes \$140,700,000 as a valuation for companies that are not even owned by Ms. McElhone nor Mr. Laforte. These few entries alone add up to almost \$400,000,000. Likewise, the projected assets values other assets at prospective values years down the road.

The asset projection was quickly thrown together for a legal consultation in which estate matters 10, 20 and 30 years down the road would to be discussed and considered. It is an attorney client privileged document, created in preparation for legal consultation. The Receiver and his counsel never conferred with the defense about it and its entire filing was intended to be

a surprise, clearly designed to garner negative press – which it did. The disclosure was inappropriate and reckless. In this environment, such press, even about a hypothetical projection, can be dangerous and invite wrongdoers.

Dated: October 29, 2020
New York, New York

Respectfully submitted,

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EXHIBIT

A

CBSG Cashflow Comparison

Receiver Managed Scenario

	July 2020*	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
Client Deposits	\$ 29,000,000.00	\$ -	\$ 10,346,577.83	\$ 10,087,913.38	\$ 9,835,715.55	\$ 9,589,822.66	\$ 9,350,077.09	\$ 9,116,325.17	\$ 8,888,417.04	\$ 8,666,206.61	\$ 8,449,551.45	\$ 8,238,312.66
Funding	\$ (25,000,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investor Payments	\$ (2,250,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)
Net Cashflow	\$ 850,000.00	\$ (900,000.00)	\$ 9,446,577.83	\$ 9,187,913.38	\$ 8,935,715.55	\$ 8,689,822.66	\$ 8,450,077.09	\$ 8,216,325.17	\$ 7,988,417.04	\$ 7,766,206.61	\$ 7,549,551.45	\$ 7,338,312.66
Cash	\$ 18,243,222.30	\$ 19,093,222.30	\$ 18,193,222.30	\$ 27,639,800.13	\$ 36,827,713.51	\$ 45,763,429.06	\$ 54,453,251.72	\$ 62,903,328.81	\$ 71,119,653.98	\$ 79,108,071.02	\$ 86,874,277.63	\$ 94,423,829.07
ACH Reserves	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42
AR	\$ 413,863,113.15	\$ 413,863,113.15	\$ 403,516,535.32	\$ 393,428,621.94	\$ 383,592,906.39	\$ 374,003,083.73	\$ 364,653,008.64	\$ 355,536,681.47	\$ 346,648,264.43	\$ 337,982,057.82	\$ 329,532,506.39	\$ 321,294,193.72
Other Assets	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58
Investor Notes	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)
Total	\$ 88,024,153.35	\$ 88,874,153.35	\$ 77,627,575.52	\$ 76,986,239.97	\$ 76,338,437.80	\$ 75,684,330.69	\$ 75,024,076.26	\$ 74,357,828.18	\$ 73,685,736.31	\$ 73,007,946.74	\$ 72,324,601.90	\$ 71,635,840.69

Par Funding Managed Scenario

	July 2020*	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
Client Deposits	\$ 29,000,000.00	\$ 28,970,417.92	\$ 29,217,488.67	\$ 29,447,264.46	\$ 29,660,955.95	\$ 29,859,689.03	\$ 30,044,510.80	\$ 30,216,395.04	\$ 30,376,247.39	\$ 30,524,910.07	\$ 30,663,166.37	\$ 30,791,744.72
Funding	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)	\$ (25,000,000.00)
Investor Payments**	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)
Operating Expenses	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)	\$ (900,000.00)
Net Cashflow	\$ 850,000.00	\$ 820,417.92	\$ 1,067,488.67	\$ 1,297,264.46	\$ 1,510,955.95	\$ 1,709,689.03	\$ 1,894,510.80	\$ 2,066,395.04	\$ 2,226,247.39	\$ 2,374,910.07	\$ 2,513,166.37	\$ 2,641,744.72
Cash	\$ 18,243,222.30	\$ 19,093,222.30	\$ 19,913,640.22	\$ 20,981,128.89	\$ 22,278,393.35	\$ 23,789,349.29	\$ 25,499,038.32	\$ 27,393,549.12	\$ 29,459,944.17	\$ 31,686,191.56	\$ 34,061,101.63	\$ 36,574,268.00
ACH Reserves	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42	\$ 8,463,766.42
AR	\$ 413,863,113.15	\$ 417,392,695.23	\$ 420,675,206.56	\$ 423,727,942.10	\$ 426,566,986.16	\$ 429,207,297.13	\$ 431,662,786.33	\$ 433,946,391.28	\$ 436,070,143.89	\$ 438,045,233.82	\$ 439,882,067.45	\$ 441,590,322.73
Other Assets	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58	\$ 12,747,705.58
Investor Notes	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)	\$ (365,293,654.10)
Total	\$ 88,024,153.35	\$ 92,403,735.43	\$ 96,506,664.68	\$ 100,626,868.89	\$ 104,763,197.40	\$ 108,914,464.32	\$ 113,079,642.55	\$ 117,257,758.31	\$ 121,447,905.96	\$ 125,649,243.28	\$ 129,860,966.98	\$ 134,082,408.63

Analysis

	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021	Total
Client Deposits													
Receiver	\$ 29,000,000.00	\$ -	\$ 10,346,577.83	\$ 10,087,913.38	\$ 9,835,715.55	\$ 9,589,822.66	\$ 9,350,077.09	\$ 9,116,325.17	\$ 8,888,417.04	\$ 8,666,206.61	\$ 8,449,551.45	\$ 8,238,312.66	\$ 121,568,919.43
Par Funding	\$ 29,000,000.00	\$ 28,970,417.92	\$ 29,217,488.67	\$ 29,447,264.46	\$ 29,660,955.95	\$ 29,859,689.03	\$ 30,044,510.80	\$ 30,216,395.04	\$ 30,376,247.39	\$ 30,524,910.07	\$ 30,663,166.37	\$ 30,791,744.72	\$ 358,772,790.42
Difference	\$ -	\$ (28,970,417.92)	\$ (18,870,910.84)	\$ (19,359,351.08)	\$ (19,825,240.40)	\$ (20,269,866.37)	\$ (20,694,433.71)	\$ (21,100,069.88)	\$ (21,487,830.35)	\$ (21,858,703.46)	\$ (22,213,614.92)	\$ (22,553,432.06)	\$ (237,203,870.99)
Investor Payments													
Receiver	\$ 2,250,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,250,000.00
Par Funding	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 2,250,000.00	\$ 27,000,000.00
Difference	\$ -	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (2,250,000.00)	\$ (24,750,000.00)
Assets***													
Receiver	\$ 453,317,807.45	\$ 454,167,807.45	\$ 442,921,229.62	\$ 442,279,894.07	\$ 441,632,091.90	\$ 440,977,984.79	\$ 440,317,730.36	\$ 439,651,482.28	\$ 438,979,390.41	\$ 438,301,600.84	\$ 437,618,256.00	\$ 436,929,494.79	\$ 436,929,494.79
Par Funding	\$ 453,317,807.45	\$ 457,697,389.53	\$ 461,800,318.78	\$ 465,920,542.99	\$ 470,056,851.50	\$ 474,208,118.42	\$ 478,373,296.65	\$ 482,551,412.41	\$ 486,741,560.06	\$ 490,942,897.38	\$ 495,154,641.08	\$ 499,376,062.73	\$ 499,376,062.73
Difference	\$ -	\$ (3,529,582.08)	\$ (18,879,089.16)	\$ (23,640,648.92)	\$ (28,424,759.60)	\$ (33,230,133.63)	\$ (38,055,566.29)	\$ (42,899,930.12)	\$ (47,762,169.65)	\$ (52,641,296.54)	\$ (57,536,385.08)	\$ (62,446,567.94)	\$ (62,446,567.94)

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

**payments made to investors per current Par Funding notes, no interest payments have been reported as paid by receiver
***12 month total reflects a \$62.4M net projected increase by Par over the Receiver total based on collections claims made of \$500K in daily client deposits

EXHIBIT

B

Saturday, October 24, 2020 at 15:48:39 Eastern Daylight Time

Subject: Re: CBSG Motions
Date: Tuesday, October 13, 2020 at 8:44:30 PM Eastern Daylight Time
From: Alan Futerfas
To: Gaetan J. Alfano, James R. Froccaro Jr., bschein@bettinascheinlaw.com, brian.miller@akerman.com, dan.small@hkllaw.com, drashbaum@mnrlawfirm.com, dfridman@ffslawfirm.com, ferguson@kolawyers.com, Ellen Resnick, jmarcus@mnrlawfirm.com, jlc@sallahlaw.com, jhirschhorn@gray-robinson.com, haimovitch@kolawyers.com
CC: berlina@sec.gov, tkolaya@sfsllaw.com
Attachments: image001.png, image002.png, image003.png

Your email is not helpful. If you are not interested in our position on a course of action, why seek it? If you are interested in our position then we need enough basic information to make an informed decision on whether to object or not. You may recall that we have agreed to a number of such requests when provided enough information to understand the situation. Your response here suggests that you have made arrangements well short of the contractual obligations of the merchants and are asking us to consent to same without knowing those arrangements. Obviously, we cannot responsibly do that.

As to your wish to release an unredacted financial statement, we object and see no legitimate reason for you to do so.

Alan

Law Offices of Alan S. Futerfas
565 Fifth Avenue, 7th Floor
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From: "Gaetan J. Alfano" <GJA@Pietragallo.com>
Date: Tuesday, October 13, 2020 at 8:22 PM
To: Alan Futerfas <asfuterfas@futerfaslaw.com>, James Froccaro <jrfesq61@aol.com>, Bettina Schein <bschein@bettinascheinlaw.com>, Brian Miller <brian.miller@akerman.com>, "dan.small@hkllaw.com" <dan.small@hkllaw.com>, "drashbaum@mnrlawfirm.com" <drashbaum@mnrlawfirm.com>, Daniel Fridman <dfridman@ffslawfirm.com>, David Ferguson <ferguson@kolawyers.com>, Ellen Resnick <ebresnick@futerfaslaw.com>, "jmarcus@mnrlawfirm.com" <jmarcus@mnrlawfirm.com>, "jlc@sallahlaw.com" <jlc@sallahlaw.com>, Joel Hirschhorn <JHirschhorn@gray-robinson.com>, "haimovitch@kolawyers.com" <haimovitch@kolawyers.com>
Cc: Amie Berlin <BerlinA@sec.gov>, Timothy Kolaya <tkolaya@sfsllaw.com>
Subject: RE: CBSG Motions

We will note Ms. McElhone's objection, if that's her choice. Your client has been removed from the company and has no input or oversight with respect to the Receiver's business judgment. Again, I am not trying to be

difficult but the Receiver is not going to review with your client the minutiae of every decision involving a merchant.

The Receiver intends to file Ms. McElhone's unredacted financial statements. I had asked you and Dan for Ms. McElhone's position late last week. I do not believe that we received a response. Please let us know.

Thank you.

Gaetan J. Alfano, Esquire

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Sent: Tuesday, October 13, 2020 8:03 PM

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bschein@bettinascheinlaw.com; brian.miller@akerman.com; dan.small@hklaw.com;
drashbaum@mnrlawfirm.com; dfridman@ffslawfirm.com; ferguson@kolawyers.com; Ellen Resnick
<ebresnick@futerfaslaw.com>; jmarcus@mnrlawfirm.com; jlc@sallahlaw.com; jhirschhorn@gray-robinson.com; haimovitch@kolawyers.com

Cc: berlina@sec.gov; tkolaya@sfslaw.com

Subject: Re: CBSG Motions

Gaetan:

We are not trying to be difficult. Are the 12 merchants no longer in default because they have fully paid on their contractual obligations to Par and are now up to date? Because a deal has been made with them settling the amounts due and owing? And, if so, what is the deal? Some detail as to the financial situation would be helpful.

Thank you,

Alan

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From: "Gaetan J. Alfano" <GJA@pietragallos.com>

Date: Tuesday, October 13, 2020 at 5:40 PM

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Cc: Amie Berlin <BerlinA@sec.gov>, Timothy Kolaya <tkolaya@sflaw.com>

Subject: RE: CBSG Motions

Jim,

I'm trying to understand why that would matter. If a merchant is no longer in default and we accordingly dissolve the garnishment writs against that merchant, why would the identity of any merchant make a difference for purposes of evaluating the current motion? I'm not trying to be difficult but I'm also trying to understand if there is an issue that I am missing. Please let me know. Thanks.

Gaetan

Gaetan J. Alfano, Esquire

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Sent: Tuesday, October 13, 2020 5:26 PM

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jmarcus@mnrlawfirm.com; jlc@sallahlaw.com; jhirschhorn@gray-robinson.com; haimovitch@kolawyers.com
Cc: berlina@sec.gov; tkolaya@sflaw.com
Subject: Re: CBSG Motions

Gaetan,

With respect to the Sixth Motion, who are the 12 merchant debtors?

JAMES R. FROCCARO JR. , ESQ.
20 Vanderventer Ave. Suite 103W
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516-944-5066-(fax)
516-965-9180-(mobile)
jrfesq61@aol.com - (email)

-----Original Message-----

From: Gaetan J. Alfano <GJA@Pietragallo.com>
To: Alan S. Futerfas (asfuterfas@futerfaslaw.com) <asfuterfas@futerfaslaw.com>; Bettina Schein (bschein@bettinascheinlaw.com) <bschein@bettinascheinlaw.com>; Brian Paul Miller (brian.miller@akerman.com) <brian.miller@akerman.com>; Daniel I. Small (dan.small@hkllaw.com) <dan.small@hkllaw.com>; Daniel Lawrence Rashbaum (drashbaum@mnrlawfirm.com) <drashbaum@mnrlawfirm.com>; Daniel Scott Fridman (dfridman@ffslawfirm.com) <dfridman@ffslawfirm.com>; David Lawrence Ferguson <ferguson@kolawyers.com>; ebresnick@futerfaslaw.com <ebresnick@futerfaslaw.com>; James R. Froccaro, Jr. <jrfesq61@aol.com>; Jeffrey David Marcus (jmarcus@mnrlawfirm.com) <jmarcus@mnrlawfirm.com>; Jeffrey L. Cox (jlc@sallahlaw.com) <jlc@sallahlaw.com>; Joel Hirschhorn (jhirschhorn@gray-robinson.com) <jhirschhorn@gray-robinson.com>; Seth David Haimovitch <haimovitch@kolawyers.com>
Cc: Amie Riggle Berlin Esquire (berlina@sec.gov) <berlina@sec.gov>; Timothy Kolaya <tkolaya@sflaw.com>
Sent: Tue, Oct 13, 2020 3:32 pm
Subject: CBSG Motions

Dear Counsel,

The Receiver intends to file a Sixth Motion to Lift the Litigation Injunction to allow us to dissolve garnishment writs and/or mark judgments satisfied at the request of approximately 12 merchants who were subject to pre Receivership confessions of judgments in CCP Philadelphia. In this motion, we also will seek permission to remove a lien against a property in Colorado Springs, Colorado where CBSG's underlying security agreement was provided by a fraudster now under indictment.

We also intend to file a separate Motion to Lift the Litigation Injunction to Resolve Proceedings Before the Texas State Securities Board. Before the Receivership, the Board had issued Cease and Desist Orders against Par and ABFP (Management) for offering for sale unregistered securities, acting as a dealer/agent for unregistered securities, and for engaging in fraud. Both Par and ABFP requested a hearing. The Receiver and the Board intend to agree that the Receiver will withdraw the requested hearing and that the Board's Orders will remain in place.

Please let us know your client's position by COB tomorrow.

Thank you.

Gaetan Alfano

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EXHIBIT

C

Distribution Executive Steven Odzer Balances His Growing Business, YBT Industries, with Family and Sports

10/11/2019

With more than 30 years in the distribution business, Steven Odzer now serves as CEO of YBT Industries of Henderson, NV, a relatively new face on the distribution business landscape.

recalls his early education and entrepreneurship this way: "I went to Yeshiva of Flatbush High School and then to the Brooklyn College Scholars program," he says. "I started my first company at age 18 out of my parents' basement. I was named the Ernst & Young Entrepreneur of the Year in 2000 in the area of distribution."

YBT Industries

Although YBT is a new company, Steven Odzer applies the principles and lessons he has learned from three decades as a distributor. As YBT expands its business profile, Odzer anticipates exciting upcoming announcements about his new company's growth.

strong work ethic keeps him focused. Instead of aiming for retirement, he's striving for the next big thing. YBT Industries holds that potential, he believes. But family, sports and political interests also keep him very busy.

Family Ties

Steven Odzer has already enjoyed a rich life. "I have seven kids and eight grandkids," he says with a smile. "I also have many family members living in Israel and I am a large supporter of both Jewish and non-Jewish causes." Odzer also stresses that he is "solid advocate of strong Arab-Jewish business cooperation."

Odzer's children, and even more so his grandchildren, keep him fit and on his toes, he says.

Yankees and Golden Knights

Stephen Odzer is a current CEO and entrepreneur from the age of 18 years old. Currently in New York

Archives

Categories



As a New York City area resident, Steven Odzer has always been a big fan of the New York Yankees baseball team, a club that has provided its fans with far more World Series championships than any other Major League Baseball organization. The Yankees are headed to the playoffs again in 2019.

But in recent years, Odzer has spent some of his time more than 2,500 miles away from New York, in Henderson, Nevada. While there, he fell in love with the Las Vegas Golden Knights of the National Hockey League. The Knights were the first expansion team in the top tier of any major American sport to reach the championship round of the playoffs in their very first season, 2017-2018.

Steven Odzer believes in giving everyone a chance.

"We promote and support agencies that hire people with disabilities," he says. "And we are a large supporter of Bris Avrohom, a large non-profit founded in 1979 that helps Jewish immigrants from Russia adjust to life in the U.S."

Another worthy organization that has affection for is the AHRC Foundation, which provides financial assistance and support services for the benefit of individuals, especially children, who suffer from intellectual or other developmental disabilities.

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Stephen Odzer



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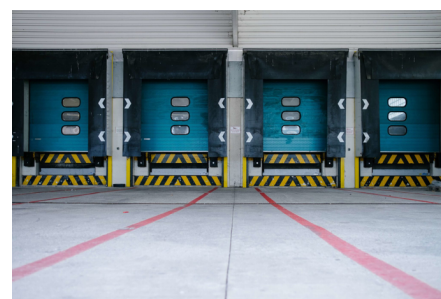
Stephen Odzer, CEO Of YBT Industries

Stephen Odzer is a successful American entrepreneur. Since the age of 18, Stephen has developed and led businesses in the distribution industry. In 2000 he was named the Ernst & Young Entrepreneur.

Now, with 30 years of experience, he serves as CEO of YBT Industries (<https://www.stephenodzerscholarship.com/scholarship/>), a new company looking to transform the distribution landscape.

To learn more about Stephen's professional achievements, visit his official website (<https://stevenodzer.com/>).





With more than 30 years in the distribution business, Steven Odzer now serves as CEO of YBT Industries of Henderson, NV, a

“I started my first company at age 18 out of my parents’ basement,” He explains. It was his education that propelled him in the right direction. He learned

The distribution sector is an essential component of the supply chain. The main job of a distributor is to grow a relationship with manufacturers, house the inventory, and distribute the product to each retailer. Steven ...

relatively new face on the distribution business landscape.

determination and responsibility from the people he ...



At the age of 18, Odzer went into the paper goods business and started his first company out of his parents' basement. In 2000, Odzer (pictured right) was named the Ernst and Young Entrepreneur of the Year in ...

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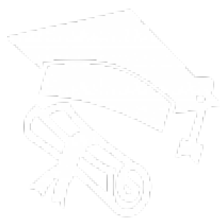
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STEPHEN ODZER SCHOLARSHIP PROGRAM



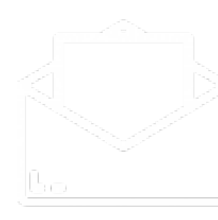
SCHOLARSHIP PRIZE

20 college students in the United States will receive a prize of \$1,000 USD (no specific program required)



REQUIRED DOCUMENTS

To be eligible, students must submit proof of acceptance or enrollment in an American college program.



ESSAY RESPONSE

Submit a 500 word response to the scholarship question: "What is the biggest issue facing our society today?"

Thank you for your submissions. The Stephen Odzer Scholarship is now closed. Our awards committee will be carefully reviewing all essays and applications before choosing the deserving recipients. Winners will be notified via phone or email February 5th - 7th, 2020.

Monday, October 26, 2020 Latest: [No Sunday Night Audience, But Tampa Bay Bucs and Brady Impress](#)



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The Golden Knights' mascot, Chance, participates in a demolition event to start the ice center center project in Henderson.

Golden Knights

In Rebranding Play Paper

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Company Buys Naming Rights To New Golden Knights Community Ice



Briefs

October 25, 2020

UNLV football coach Marcus Arroyo's first game as Rebels' top man is a rough loss: The Oregon offense was a powerful machine when Marcus Arroyo was the offensive coordinator. But in his first game as UNLV's head coach Saturday, Arroyo found

Rebels mustered little offense in the first half and lost to San Diego State, 34-6, in the Mountain West Conference opener for both teams in front of no fans at Dignity

Center In Henderson

📅 November 22, 2019 👤 Alan Snel 📌 Bill Foley

By Alan Snel of LVSportsBiz.com

A Henderson company specializing in reusable paper goods and janitorial supplies plans to use a new naming rights deal for the Vegas Golden Knights ice center in Henderson to help rebrand its expanding operations.

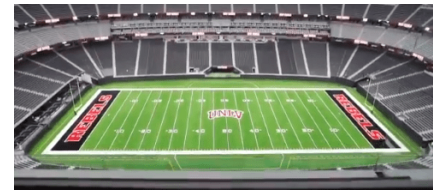
The VGK community ice center at 240 South Street will be officially called Lifeguard Arena. The ice facility will be similar to the Golden Knights' training center, City National Arena, in Summerlin. About 30 percent of the users and visitors at City National Arena are from Henderson, so the new VGK ice facility will provide skating and hockey play opportunities close to home for Southern Nevada's Second City. It will have house two rinks just like at the ice facility in Summerlin.

BT Supplies West, Inc., and its affiliated company, L & M Foodservice Inc., plans to be rebranding their companies in the upcoming months into Lifeguard Industrial and Home Supplies.

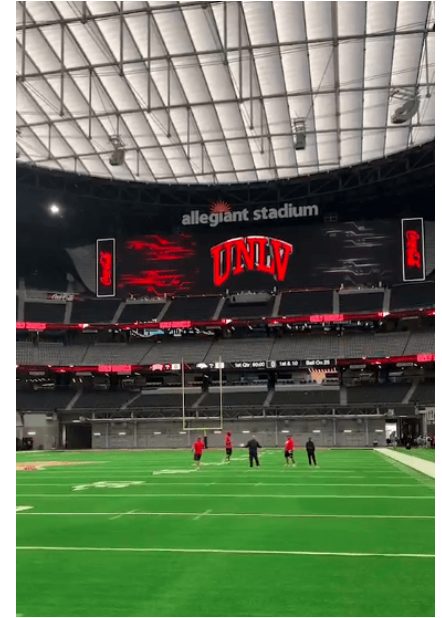
The rebranding timing is designed to dovetail into the July opening of the **\$25 million community ice center**. The city of Henderson is giving the Golden Knights more than \$10 million so that the VGK can build the community ice facility on 3.2 acres at the corner of Water Street and Atlantic Avenue in the Water Street District of what is the suburban city's downtown.

BT Supplies/Lifeguard has newly opened offices in Nevada, Arizona and Los Angeles and is expanding operations in Nevada and in other gambling hubs.

Health Sports Park in Carson, California 110 miles north of the Aztecs' campus. The Rebels come home for game two of this pandemic season as they play their first ever home game at **Allegiant Stadium. The Rebs will host in-state rival Nevada, Reno on Halloween.**



UNLV trailed, 27-0, at the half as the Rebs struggled mightily, using three quarterbacks. After three quarters, San Diego State led, 27-6. "The guys are obviously upset but we played a really, really good football team tonight. Hats off to coach (Brady) Hoke. (With not much time to prepare) we finally got to see some speed and live tackling and it took some time for us to adjust. We calmed down in the second half and did things we were practicing. We'll do better at that moving forward," Arroyo said. All-time UNLV head coaches fell to 5-7 in their debut games.



“Lifeguard Arena in Henderson will provide locals and hockey fans of all ages and skill levels with a world class location to learn, play and experience the sport. We are thrilled to partner with BT Supplies West Inc. on this endeavor and are eagerly anticipating the grand opening next year,” VGK owner Bill Foley said in a prepared statement in a press release.

Lifeguard Industrial and Home Supplies, the newly branded entity of BT Supplies West and L & M Foodservice, provides hotels, schools, arenas, homes and related businesses with hundreds of goods ranging from cleaning supplies to paper needs and office furniture.

*

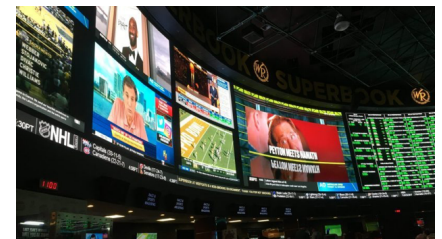
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October 23, 2020



The National Hockey League and the American Gaming Association (AGA) announced a partnership today to promote responsible gaming activity through the **Have A Game Plan.® Bet Responsibly.** public service campaign. Through the partnership, the NHL will use league-owned, in-arena, and digital marketing inventory

EXHIBIT

D

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Real estate development company



Industry	Company Type	Location	Size	Investment Type
Real Estate	Construction	Denver, CO	\$92,00,000	Equity, Senior Debt, Mezzanine debt

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HELPING GREAT COMPANIES GROW

Overview

- Colorado Homes, LLC, Colorado World Resorts, LLC, and related entities are real estate development companies operating in Denver, CO for over 25 years
- Seeking +/- \$92 million to develop condos, homes, hotels, and commercial properties in Colorado
- Four ripe initial projects in various stages of development
- Management has invested \$24 million of their own capital to date in the projects
- Management team has executed over \$10 billion of transactions as principal and agent
 - built over 500 homes ranging from 3,000 sf to 40,000 sf
 - completed over 2 million sf of home and commercial remodeling
 - built and operated 17 branded hotels in Colorado



- brands built and operated include Ramada, Days Inn, Hampton Inn and Suites, Fairfield Inn and Suites, Microtel, Wingate, Clarion and Super 8
- approved Hilton Hotel brand builder and operator

HELPING GREAT COMPANIES GROW

Opportunity

- Colorado is one of the most robust real estate markets in the country
- Denver population increase ranked 15th among metro areas nationally
- Denver area is expected to add approximately 10,000 to 15,000 jobs and 40,000 to 50,000 new residents per month through 2030 or longer
- Condominium and home sales in and around the Denver metro area are robust
- Developments are currently financed by owner equity and single-asset based private loans
- Vail and Beaver Creek are premier, world renowned resorts
- Demand for second homes in the Vail Valley is strong, with significant year-on-year increases in sales prices and unit volume



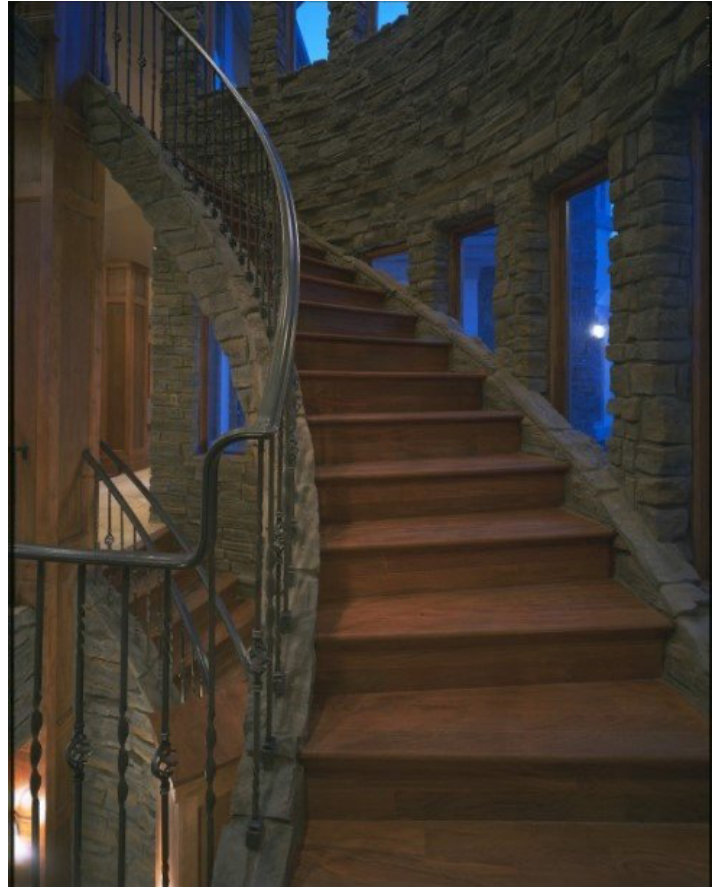
HELPING GREAT COMPANIES GROW

Solution/Strategy

Colorado Homes, et. al. is looking to fund the following initial projects in various stages of development:

Company has invested \$24 million to date in the projects

- 82 Unit Luxury Condominium Building, Avon, CO (at Base of Beaver Creek Access Road)
- Indigo Trails, 129 Residential Homes, Brighton, CO
- 60 Unit 5-Story Extended Stay Hotel, Parker CO
- 1,220 Acres Elizabeth, CO, Hemp Farm and Future Site of Commercial and Residential Development



HELPING GREAT COMPANIES GROW

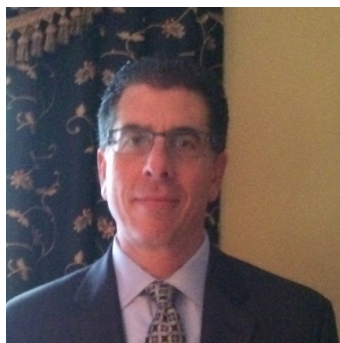
Management



Eric Keiter
Principal

Co-founded capacity Funding LLC in 2005 to take advantage of the investment opportunities in the small business lending and merchant cash advance arena. Also co-founded Shadow Tree Capital Management in late 2013, an investment management company that manages two non-bank, direct-lending funds. Serves as head portfolio manager of Shadow Tree Capital, which currently oversees about \$40 million in capital. From 2009 to 2015, owner/president of New York Livery Leasing, an automobile-based specialty

finance company (sub-prime auto lending) servicing livery car drivers in the NY Metro area. Orchestrated the doubling of the lease portfolio while being involved in all aspects of the business, ranging from lease structuring and loan portfolio servicing to financing. From 1995 to 2006, was a principal and co-founder of MKP Capital Management and was co-head of investing and risk management for the MKP Partners and MKP Opportunity funds, and supervised risk management for the MKP Credit fund. During this time, assets under management grew from \$18 million to a peak of \$4 billion. From 1994-1995 was the head mortgage portfolio manager at Fischer Francis Tree and Watts. Previously spent seven years with Salomon Brothers Inc, as a vice president and trader in the mortgage-backed securities department. Prior to trading, was involved in portfolio analysis and strategy formulation in the fixed income area at Salomon Brothers. MA in chemistry from Columbia University and an honors BS in chemistry from Pennsylvania State University, Phi Beta Kappa.



Ranko Mocevic
Principal

Been in the hospitality and development industry in the Denver area since 1993. Colorado Homes LLC and United Construction by ecm LLC is a three-generation family owned and operated builder and hotel operator. The company has built and operated 17 branded hotels in the Denver area (3 new and 14 remodeled). The company is an approved Hilton Hotel brand builder and operator. Brands built and operated include Ramada, Days Inn, Hampton Inn

and Suites, Fairfield Inn and Suites, Microtel, Wingate, Carion and Super 8. The company has also built over 500 homes (ranging from 3,000 sf to 40,000 sf, with an average of 5,000 sf) in the Denver area. The company has also completed over \$2 million square feet of home and commercial remodeling. The company has approximately 25 full time employees. In 2016, the company did \$10 million in revenue. Three hotel projects and residential development projects are underway.

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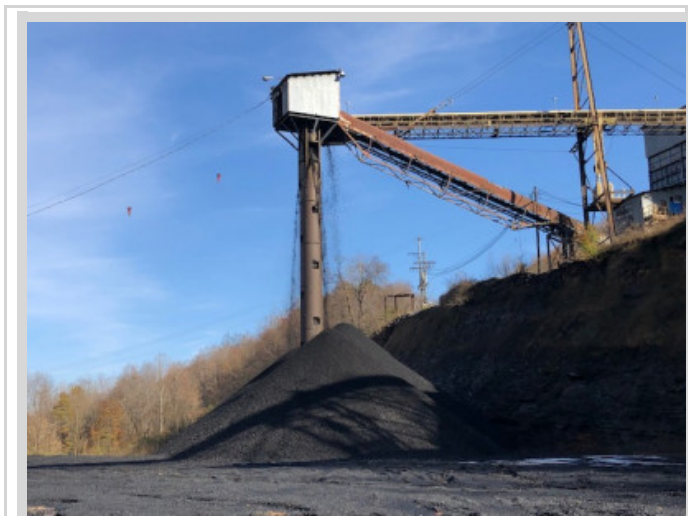
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Kingdom Logistics, LLC is a privately owned integrated resource holding company. Kingdom Logistics has interests in coal mining operations, limestone quarrying, rare earth element extraction and Cement Kiln Dust (CKD) operations. Kingdom Logistics mining operations are located in southeastern Kentucky, its quarries in northern Florida and Arkansas and its CDK operations in Fort Worth, TX.



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Companies

Company Information

Kingdom Logistics, LLC was formed to consolidate existing operating companies, properties and coal leases under one umbrella. Kingdom Logistics has the following subsidiary companies: Double Mountain Holdings, LLC, Double Branch Energy, LLC, Double Mountain Mining, LLC, and Kingdom Coal, LLC. Double Branch Energy owns and operates a wash plant and rail loadout facility in addition to coal leases. Double Mountain Mining acquired Middlesboro Mining Incorporated (MMI) and operates that property and its associated wash plant and rail loadout complex. Kingdom Coal owns the former ANR/Enterprise mine complex and is actively mining and shipping coal from that property.

Unique Value Proposition

- We are focused on being a low cost operator in all divisions of our business
- Localized relationships and operating teams enabling us to secure attractive niche opportunities
- Our diversified operations and industrial customer base helps protect against fluctuating markets
- Established management team has broad experience in all aspects of the energy marketplace and capital markets
- Our assets have a unique value proposition due to geology, location, transportation capabilities, mining methods and coal qualities
- Strong board and advisory board focused on increasing shareholder value

About Us

Mission Statement

Our mission is to be a low-cost producer of high-quality low sulfur coal to specific industry and energy needs; high quality, high purity limestone products for applications from road base to chicken feed, cosmetics and medical applications and CKD for various applications.

- The business model is built around niche, localized and scalable low cost operations in Southeastern Kentucky
- Management and operational team with a combined experience of over 85 years in the energy marketplace
- We utilize new and existing mining techniques to reduce the ash and impurities of the coal during the extraction method producing a higher margin product for sale
- Utilizes a zero tolerance safety policy within the operations while also attempting to minimize the impact on the environment during our extraction, processing and/or distribution of fuel products

Future Plans

We intend to exploit our advantage as a low-cost producer to continue to attract experienced coal miners and increase production at each of our facilities. We also intend to acquire additional leases and additional properties as they become available.

Contact Us

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