

**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.

**RECEIVER RYAN K. STUMPHAUZER'S INTERIM
STATUS REPORT DATED OCTOBER 30, 2020**

Ryan K. Stumphauzer, Esq., Court-Appointed Receiver (“Receiver”) of the Receivership Entities,¹ hereby files this Interim Status Report dated October 30, 2020.

I. Communications and Overall Administration

A. Website / Communications with Interested Parties

The Receiver continues to receive many e-mails, telephone calls, and other inquiries from investors, merchants, administrators of agent funds, and other interested parties. The Receiver and

¹ The “Receivership Entities” are Complete Business Solutions Group, Inc. d/b/a Par Funding; Full Spectrum Processing, Inc.; 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; ABFP Multi-Strategy Investment Fund LP; ABFP Multi-Strategy Fund 2 LP; and MK Corporate Debt Investment Company LLC.

his counsel and staff have returned phone calls and emails from hundreds of investors, merchants, and others. Since the Receiver established the receivership website on August 16, 2020, which is available at parfundingreceivership.com, there have been more than 29,223 visitors and 88,735 pageviews to the website. 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. Quarterly Report of Receivership Estate

Pursuant to the requirements of the Amended Order Appointing Receiver (ECF No. 141), the Receiver filed a quarterly status report on October 30, 2020 (the “Quarterly Status Report”), reflecting (to the best of the Receiver’s knowledge as of the period covered by the report) the existence, value, and location of all Receivership Property, and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Receivership Estates. The Quarterly Status Report is available as ECF No. 358.

C. Status of Receivership Entities

1. Motion to Expand Receivership

The Court’s Order appointing the Receiver (ECF No. 141) directed him to determine the nature, location, and value of all property interests of the Receivership Entities. To that end, the Receiver has devoted considerable time and resources to identifying entities owned or controlled by Defendants that received investor funds, as well as property acquired by Defendants with investor funds.

Accordingly, the Receiver filed a Motion to Expand the Receivership (ECF No. 357). Through this Motion, the Receiver has moved the Court to add five (5) categories of entities and property to the Receivership Estate, including: (1) two related merchant cash advance companies

owned and operated by insiders, and which received investor proceeds in connection with the fraud scheme detailed in the Plaintiff's Complaint; (2) four "consulting" companies, owned and operated by individual Defendants, that received millions of dollars in commingled funds that can be directly traced to the fraud scheme; (3) nineteen (19) real estate entities formed to purchase income producing properties for or on behalf of Defendant Lisa McElhone with commingled proceeds of the fraud scheme; (4) a family trust controlled by Defendant McElhone (currently identified as the Relief Defendant); and (5) personal real estate in Pennsylvania and Florida purchased by Defendant McElhone with commingled proceeds of the fraud scheme. In addition to the McElhone-controlled trust, the other entities and properties the Receiver seeks to include within the Receivership are:

RELATED MCA COMPANIES

Capital Source 2000, Inc.
Fast Advance Funding, LLC

"CONSULTING" COMPANIES

Beta Abigail, LLC
New Field Ventures, LLC
Heritage Business Consulting, Inc.
Eagle Six Consulting, Inc.

REAL ESTATE ENTITIES

20 N. 3rd St. Ltd
118 Olive PA LLC
135-137 N. 3rd St. LLC
205 B Arch St Management LLC
242 S. 21st St. LLC
300 Market St. LLC
627-629 E. Girard LLC
715 Sansom St. LLC
803 S. 4th St. LLC
861 N. 3rd St. LLC
915-917 S. 11th LLC
1250 N. 25th St. LLC

1427 Melon St. LLC
1530 Christian St. LLC
1635 East Passyunk LLC
1932 Spruce St. LLC
4633 Walnut St. LLC
1223 N. 25th St. LLC
Liberty Eighth Avenue LLC

PERSONAL PROPERTY

568 Ferndale Lane, Haverford PA 19041
105 Rebecca Court, Paupack, PA 18451
107 Quayside Dr., Jupiter FL 33477

DSI currently estimates that the Receivership Entities have a balance owed to investors of approximately \$360 million. Inclusion of these entities and properties as additional Receivership Entities is not only appropriate, but critical for the Receiver to fulfill his fundamental mission of marshalling assets for distribution to investors.

2. ABFP Entities

On October 28, 2020, Dean Vagnozzi, by agreement with the Receiver, filed an Unopposed Motion to Release Certain Vagnozzi Controlled Entities from the Receivership (ECF No. 350). If granted, the Motion will fully separate various ABFP-related investment funds from the Receivership that had no involvement in Par Funding. These include funds that invested in life insurance policies (the Pillar funds), litigation funding (the Atrium funds and ProMed Investment), and other various investments (*e.g.*, Woodland Falls Investment Fund LLC, Windsor Corporate Park Investment Fund LLC, and ABFP Libra Fund LLC).

ABFP Management Company, LLC (“ABFP Management”) is the manager of several of those investment funds and, as set forth in the motion, holds an interest in several of these funds. As provided for in the motion, Mr. Vagnozzi will compensate ABFP Management for its interest

in these Funds and will also pay the Receiver \$87,500 for fees and expenses he has incurred to date in administering these other ABFP Funds.

II. Operations

A. Status of Par Funding Operations

The Receiver and his consultants at Development Specialists, Inc. (“DSI”) have re-hired several employees of Par Funding/Full Spectrum Processing, and remain engaged in the process of communicating with Par Funding’s more than 1,300 merchants to reconcile accounts, discuss the status of collections, and to collect account receivables. Through October 29, 2020, the Receivership Entities have combined cash on hand in excess of \$42 million, excluding approximately \$1.8 million in funds due to Par Funding that are pending release from various ACH processing companies.

The Receiver has continued to address many obstacles in this process of resuming operations, including Par Funding’s failure to reconcile bank accounts under the prior leadership, and the challenges presented by Par Funding’s generally poor underwriting, as described in more detail in the Receiver’s October 6, 2020 Status Report (ECF No. 305).

As the Receiver noted previously, the Receiver is aware of concerns that have been raised about the prior operations and Par Funding’s collection tactics. As a result, in overseeing this collections process, DSI is taking into account commercially reasonable factors 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.

The Receiver is continuing to contact and negotiate resolutions with merchants, including continued investigation into the top ten merchants as described in previous status reports. The

Receivership has worked with dozens of merchants and/or guarantors to mark judgments satisfied, to dissolve writs of garnishment, and/or to remove liens against personal or real property where merchants are no longer in default. The Receiver has filed, and will continue to file, motions to lift the litigation injunction to accomplish this.

III. Other Matters Involving the Receiver in this Litigation

A. 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). As the Receiver advised in a Status Report dated October 14, 2020 (ECF No. 316), the Receiver continues to work with the managing partner of the Philadelphia office of Offit Kurman to obtain additional relevant materials from that firm. In addition, Eckert Seamans and counsel for Dean Vagnozzi are working to produce to the Receiver work product that the firm generated for ABFP and its various related funds. The Receiver's counsel will continue to engage in efforts to resolve disputes with Mr. Vagnozzi's counsel regarding assertions of an individual or joint privilege over certain work product. Mr. Vagnozzi submitted a document to Magistrate Judge Reinhart for an *in camera* review to consider Mr. Vagnozzi's assertion of privilege over that particular document, which the parties have identified as being at issue in the Motion to Compel. Mr. Vagnozzi and the Receiver are hopeful that Magistrate Judge Reinhart's ruling on this privilege assertion may be instructive in assisting them to resolve the remaining issues regarding these assertions of privilege.

Mr. Vagnozzi has advised the Receiver that all of the law firm documents have now been uploaded to a review platform, and that the review of those documents is currently underway by review attorneys. Mr. Vagnozzi further advised the Receiver that he anticipates that either the law

firm or he will begin making a rolling production of documents to the Receiver from that review process that are not subject to any individual assertion of privilege. Mr. Vagnozzi and the Receiver's counsel intend to continue to discuss possible resolution of these privilege issues.

B. The Receiver's Intention to Consent to a Judgment against the Receivership Entities

As reflected in the Joint Scheduling Report, the Receiver "will likely consent to the causes of action against the Receivership Entities" and is "not expected to present a defense at trial." (ECF No. 261, at 1-2). The Receiver anticipates executing a consent judgment with the SEC within the next week, or otherwise to seek a stay of these proceedings as to the Receivership Entities that are Defendants, so as to provide an opportunity for the SEC and the Receiver to finalize the consent judgment.

WHEREFORE, Ryan K. Stumphauzer, as Court-Appointed Receiver, by and through his undersigned counsel, respectfully files this Interim Status Report dated October 30, 2020.

Dated: October 30, 2020

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on October 30, 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