

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

Case No. 20-CIV-81205-RAR

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

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

Defendants.

**DEFENDANTS JOSEPH LAFORTE'S RESPONSE TO THE RECEIVER'S
QUARTERLY STATUS REPORT DATED MAY 3, 2021 (DE 577) AND EHIBIT 1
THERE TO (DE 577-1)**

Defendant, Joseph W. LaForte ("LaForte or "Defendant") hereby responds to the Receiver's Quarterly Status Report Dated May 3, 2021 (DE 577) (the "Receiver's May 3, 2021 Quarterly Report") and Exhibit 1 thereto (DE 577-1) (the "DSI/Bradley D. Sharp Letter and Report," as follows:

I. INTRODUCTION

Defendant files this response to the Receiver's May 3, 2021 Quarterly Report and the DSI/Bradley D. Sharp Letter and Report to address concerns about the Receiver's collections and fees and to address inaccuracies and misstatements made about the Declaration of Certified Public Accountant Joel D. Glick filed by Defendants on April 15, 2021 (DE 535-1) (the "Glick Declaration").

A. Concerns About the Receiver's Collections and his Fees

Defendant is concerned about the Receiver's lackluster cash collection results and the ever-increasing amount of fees he is charging for his time, his lawyers' time, and DSI's work, among

other things. Based upon the Receiver's May 3, 2021 Quarterly Report and the DSI/Bradley D. Sharp Letter and Report attached thereto, the Receiver has only collected \$36,898,385.00 in business receipts as of March 31, 2021, and is seeking fees totaling \$6,950,214.40 in the following amounts:

Receiver Costs				
	Q3 2020	Q4 2020	Q1 2021	Total
Receiver	\$ 580,000.00	\$ 292,546.10	\$ 299,369.58	\$ 1,171,915.68
Pietrogallo	\$ 590,000.00	\$ 592,792.30	\$ 663,459.56	\$ 1,846,251.86
DSI	\$ 885,000.00	\$ 1,354,261.00	\$ 1,269,161.51	\$ 3,508,422.51
Digital Evidence	\$ 150,000.00	\$ 72,638.75	\$ 63,236.85	\$ 285,875.60
IT Consultant	\$ 50,000.00	\$ 36,843.75	\$ 50,905.00	\$ 137,748.75
	\$ 2,255,000.00	\$ 2,349,081.90	\$ 2,346,132.50	\$ 6,950,214.40

Notably, prior to the Receivership, Par Funding would collect more in six days than the Receiver has been able to collect in an entire Quarter. The Receiver is currently collecting approximately \$2,800,000.00 per month, which equals \$140,000.00 per day, compared to the \$1,550,000.00 per day Par Funding was collecting from merchants prior to the Receiver taking over the business and shutting the machine down. There is no apparent reasonable justification for the Receiver's low collections from merchants. Immediately ceasing merchant ACH payments and not restarting them for over 44 days, clumsily and in some instances erroneously doing so upon attempting to restart the ACH payments, and an apparent lack of focus on the most important aspect of Par Funding's business, collections, all are likely contributing to a significant problem. Apparently, the Receiver has decided that funding is out of the question with no explanation, further irreparably damaging the business. Instead of focusing on readily apparent real properties that were not going anywhere, lake boats, jet skis, or a used Tahoe SUV, it would seem that if the Receiver focused more on collections from the over 2,500 merchants, focused heavily on the merchants that were consistently paying large amounts daily or weekly, and maybe even once reached out to the defendants through counsel for some information or advice about how to

maximize collections, the Receivership Estate and thereby, the owners of it (either the investors or certain defendants including Laforte, depending on the ultimate outcome of this case) would all be in a much better position. In fact, on a Zoom call on August 27, 2020, Joe Cole offered any help the Receiver and DSI needed to collect payments, answer questions, or work for free as they needed. The only thing they ever followed up with was Yale from DSI asking for the Quickbooks accounting passwords which were promptly provided. They did not seek any additional assistance to benefit the investors.

Again, to put things into perspective, Par Funding collected more every **six (6) days** than the Receiver and DSI have been able to collect over the last **QUARTER**. Frankly, it is not surprising because the Receiver appears to have no prior knowledge or experience about running a merchant cash advance business, and the only apparent experience DSI has appears to be from its role in the 1 Global case, which from the start involved pure liquidation of what was indisputably an actual, abject Ponzi Scheme. To be clear, the 1 Global case did not actually involve **running** an MCA business, but rather involved a bankruptcy, shutdown, and sheer liquidation. If one goes to DSI's website, <https://dsiconsulting.com>, and clicks the "**Experience**" tab and then the "**Case Studies**" tab, what comes up are page after page of blurbs about litigation/companies DSI has been involved with, and what is noteworthy is that none of those numerous business, other than 1 Global, appear to be involved in any way in the MCA business and most of DSI's prior work appears to focus on liquidations, bankruptcy workouts, and restructuring, etc. Thus, it is no wonder DSI is not effectively running the business and is in obvious liquidation mode.¹ The excuse that the entire

¹ It is no wonder DSI is in apparent liquidation mode because one of the entries in DSI billing in this case shows that on July 29, 2020, DSI timekeeper "JS" billed the Par Funding Receivership Estate 3 hours/\$1,185.00 to "Review 1 Global Docket sheet case number 18-cv-61991-BB to get ideas for 'to do list'.... See the tenth entry on p.17 (DE 438-8). Putting aside the question of why is DSI billing the Receivership Estate almost \$2,000 to review a case DSI itself recently handled to get ideas for how to handle this case, there should be no surprise that Par Funding is no longer advancing cash to merchants, is barely collecting anything from merchants, and is in obvious liquidation mode, because DSI is apparently following its own liquidation playbook from the 1 Global case.

book of advances to over 2,500 merchants is all worthless, the merchants were historically only paying Par Funding back with investor money, and that the business is a Ponzi Scheme has been debunked by the Glick Declaration.

Alarming, the Receiver's fees he is now seeking are approximately 27.8% of what he collected and took in the first Quarter of 2021. *See* following chart:

Receiver Collections				
	Q3 2020	Q4 2020	Q1 2021	Total
Business Receipts	\$ 7,439,944.00	\$ 21,065,006.00	\$ 8,452,217.00	\$ 36,957,167.00
Overpayments	\$ -	\$ (49,571.00)	\$ (9,211.00)	\$ (58,782.00)
Net Collected	\$ 7,439,944.00	\$ 21,015,435.00	\$ 8,443,006.00	\$ 36,898,385.00
Monthly AVG	\$ 2,479,981.33	\$ 7,005,145.00	\$ 2,814,335.33	\$ 4,099,820.56
Receiver Costs	\$ 2,255,000.00	\$ 2,349,081.90	\$ 2,346,132.50	\$ 6,950,214.40
Receiver Costs / Collections %	30.3%	11.2%	27.8%	18.8%

Defendant is hopeful that the SEC will get involved and take a stance about the low collections and the amount the Receiver is seeking to be paid, as it has done in other receivership cases. For example, SEC Assistant Chief Litigation Counsel, John Bowers, who on January 29, 2021 appeared as appellate counsel for the SEC in in this action the appeal of the receivership expansion order, previously was very diligent in attempting to rope in and addressing receivership billings in an action styled *SEC v Rex Venture Group, et al.*, U.S. District Court for Western District of North Carolina (Civil Action No. 3:12-CV-519). *See* Correspondence between Mr. Bowers and the receiver, attached as Exhibit A. Defendant has attached an exchange of letters between Mr. Bowers and the Receiver in the *Rex Venture Group* case, in which Mr. Bowers does an excellent job of “express[ing] the Commission’s deep concern with the upward trajectory of proposed fees billed in connection with the Rex Ventures Receivership,” as well as concerns over the number of timekeepers, the substance of the billing, the rates charged, the hours billed. *See* Exhibit A, at pp. 2-4. In his exchanges with the Rex Ventures Group Receiver, Mr. Bowers sought

to have the Receiver submit and stick to a budget. *See* Exhibit A at page 13, Mr. Bowers December 15, 2017, correspondence to Kenneth Bell. Additionally, Mr. Bowers checked the Rex Venture Group Receiver and his lawyers' exaggerated results claim, as follows:

You also note that your team has engaged in extensive litigation and other recovery efforts, "marshaling approximately \$369.3 million." In fact, the amount recovered through active litigation during the pendency of the Receivership, while substantial, is far less. The bulk of the total dollar amount marshaled during the Receivership was frozen by the Court and handed over to the Receivership when [the SEC] filed the above-referenced case as a settled matter with the Rex Ventures and Paul Banks. Further substantial sums were identified and either held in place or handed over to the Receivership when you assumed operational control of Rex Ventures, including substantial foreign assets, uncashed checks and money orders and sizable creditor accounts. In any event, the current fee request should be evaluated on its own merits- the provision of efficient, cost-effective legal services to the Receivership- rather than in the context of an overarching discussion of "the Receivership's overall success.

Here the Receivership Estate includes large sums frozen by the Court and properties and bank accounts easily identified and turned over to the Receiver or obtained by the Receiver by filing simple motions to expand the receivership.² What is glaringly missing are significant results in actually running the business and collecting the amounts owed to Par Funding by merchants who were paying on time. This Receiver's fee request should be viewed through a similar lens urged by Mr. Bowers in the *Rex Venture Group* case, to be not inclusive of amounts frozen by the Court or tip-ins of companies, accounts and properties readily apparent or disclosed to him and obtained by simple unopposed motions to expand the receivership. Hopefully, the SEC will seek to exercise similar scrutiny of this receivership as it did in the *Rex Venture Group* case. Perhaps such efforts may not be fruitful, but it would be worth a try. If the SEC has engaged in similar oversight and interaction with this Receiver and his counsel, it has happened outside of Defendant's observance

² For example, the Receiver's Motion to Expand the Receivership (DE 560) including a company named Contract Financing Solutions, Inc. ("CFS") owned by Defendant Lisa McElhone and the company bank account with approximately \$1.3 million sitting in it, which was clearly identified to the Receiver in Par Funding's records that the Receiver had from the start of the Receivership. Finding this company and the others added to the Receivership by numerous expansion motions was not a difficult task.

and is not readily apparent from the contents of the Receiver's May 3, 2021, Quarterly Report and the DSI/Bradley D. Sharp Letter and Report. Given the apparent trajectory the Receiver is on, something needs to be done.

B. The Comments and Scant Attempted Rebuttal of the Glick Report by the Receiver is Without Merit and Based Upon Inaccuracies

The Receiver's admittedly "brief" attempt to respond to some of the important points raised in the Glick Declaration is without merit and based upon numerous inaccuracies. The Receiver admits that the Sharp Declaration, to which the Glick Declaration was responding, was not "intended to serve as an expert report with respect to the underlying action by the SEC" and was merely to provide "preliminary findings." *See* Receivers Quarterly Report at p. 9. Of course, the Sharp Declaration was not an expert report and it could not be because Sharp is not a Certified Public Accountant and is merely a fact witness with a significant pecuniary interest in the longevity of the Receivership. However, the Sharp Declaration was presented to the Court while the defendants did not have access to discovery, caused the Court to state that there had been a sea change, and served as the platform for numerous successive motions to expand the Receivership. The longer the Receivership continues, the more money DSI, Bradley Sharp, and the Receiver will make. Even though the Receiver says the Sharp Declaration was not an expert report with respect to the underlying action by the SEC, the Receiver and DSI used it to in essence falsely accuse Par Funding of being a Ponzi Scheme, a contention that CPA Glick soundly debunked. The Receiver's present attempt to respond to the Glick Declaration is replete with incorrect contentions and inaccuracies, as discussed below.

The following are a sample of claims made by the Receiver in response to Joel Glick's report filed in April 2021 in response to the prior analysis by DSI in February 2021, along with an explanation of the inaccuracies in the Receiver's report.

With respect to Credit Losses, the Receiver states:

Mr. Glick does not provide any analysis whatsoever of the allowance for credit losses under GAAP. “ and “including establishing an allowance for doubtful accounts, the financial statements reflected a net loss before tax benefit of \$8.2 million. Further, the income statement on page 32 of the Glick Declaration does not reflect cumulative profits until the year ended December 2018.

(DE 577 at p. 15).

The Receiver’s characterization of the Glick Report is inaccurate. Glick discusses this topic under item #56 of page 20 of his Declaration. He explains that the Friedman guidance under ASU 2016-13, while used by other companies in the industry, disagreed with the application under the credit loss provision for the audit period of 2017. He states that it is “effective for annual reporting periods beginning after December 15, 2020 . Early adoption was permitted, but not prior to fiscal years beginning after December 15, 2018.”

Furthermore, Glick mentions that losses were recognized under item #90 on page 31 of his Declaration. Stating that “and recognition of \$106.1 million of factoring losses - all have been deducted in arriving at this net income amount,” with respect to the profit and loss detail provided for the periods 2012 – 2019, clearly providing factoring loss information under GAAP. This information was intended to only rebut the glaring omission from the Sharpe report and not delve into the granular details of these totals:

	Dec 31, 12	Dec 31, 13	Dec 31, 14	Dec 31, 15	Dec 31, 16	Dec 31, 17	Dec 31, 18	Dec 31, 19	TOTAL
Income									
Factoring Fee Income	\$ 772,499	\$ 5,452,417	\$ 8,373,426	\$ 13,427,522	\$ 21,598,989	\$ 66,609,332	\$ 123,378,492	\$ 169,213,496	\$ 408,826,174
Interest Income	-	42	-	-	-	-	-	-	42
Merchant Processor Commissions	-	1,182	31,015	4,399	-	-	-	-	36,596
Processing Fee Income	-	-	-	63,583	515,401	758,367	5,599,919	5,081,603	12,018,873
Program Fee Income	-	44,712	182,065	486,839	598,662	1,837,702	4,107,346	4,224,601	11,481,928
Recovered Receivables Income	-	-	-	-	425,993	286,763	454,321	1,101,291	2,268,367
Total Income	772,499	5,498,354	8,586,505	13,982,343	23,139,045	69,492,165	133,540,078	179,620,990	434,631,979
Expense									
Advertising & Promotions	2,924	829	17,899	2,876	8,274	100,802	104,199	241,767	479,570
Automobile Expense	605	28,938	65,124	72,933	52,039	53,088	49,559	8,123	330,409
Bank Fees	17,889	15,734	39,688	44,949	114,064	230,244	354,258	536,709	1,353,536
Charitable Donations	-	-	-	-	20,250	-	35,000	15,000	70,250
Computer and Internet Expenses	8,733	35,690	97,915	126,223	138,263	345,460	252,546	138,926	1,143,756
Continuing Education	-	-	4,598	-	-	-	-	-	4,598
Factoring Losses	-	1,264,466	1,696,035	3,262,495	8,713,601	20,580,713	33,944,059	36,684,346	106,145,715
Filing Fee	1,729	4,485	3,790	2,587	6,683	8,984	92,715	799	121,773

With respect to the 2018 and 2019 Financials, the Receiver States:

[I]t should be noted that the financial statements for 2018 and 2019 have not been audited and do not have an appropriate allowance for credit losses as required by GAAP.” And “Mr. Glick has assumed for 2018 and 2019 are significantly understated. In fact, an appropriate allocation of these Factoring Losses would eliminate any profit for Par Funding.

(DE 577 at p. 16). The Receiver claims that the \$33.9M factoring losses listed for 2018 and \$36.6M for 2019 have not been audited and are not “appropriate” allocations of credit losses. This is despite receiving documents from the 2018 and 2019 financial audits conducted by Clifton Larson Allen they requested by subpoena. On these documents, they not only confirm that the company financials were audited for these periods but also provides guidance on the GAAP methodology used by the firm for these periods. The amounts reported for these years were also finalized for tax purposes and confirmed with CBSG’s tax accountants at Rod Ermel Associates.

The Receiver explains, without support, that the “appropriate” allocation would eliminate “any profit for Par Funding” despite net ordinary income of \$55.6M for 2018 and \$95.4M in 2019, with bottom line net income of \$29M for 2018 and \$36.6M for 2019 which already factors in the \$70.5M in losses for this financial period. Any claim that these loss accruals are not “appropriate” is not explained by the Receiver or any reputable expert with the credentials needed to refute the analysis made by Mr. Glick, a highly regarded CPA in the forensic accounting field with decades of experience on this matter.

With respect to Cash Analysis, the Receiver states:

“Mr. Sharp has concluded that Par Funding’s continued advances to certain merchants are what allowed those merchants to continue making payments to Par Funding. In other words, without the receipt of additional investor money, Par Funding would not have been able to fund the increasing merchant cash requirements, its own operations, and interest and principal payments to investors.”

(DE 577 at pp. 16-17). Despite previously admitting that “The Sharp Declaration was not, however, intended to serve as an expert report,” the Receiver reasserts the validity of Sharpe’s conclusions without explaining how Glick’s analysis fails to explain sufficient cash flow as he is claiming. In

Glick's report he quotes the Receiver who stated "[r]egardless of DSI's categorization of cash flows, an analysis of cash flows is not the proper basis to determine an entity's profitability." (DE 535-1 at p.18). Explaining the proper methodology under GAAP and the detailed data analysis his firm performed on over 3.8M transaction records concluding that in #61 on page 61 of his report "the only way the investor dollars could have generated the volume of merchant cash flow seen in the bank accounts is through CBSG's collection of factoring fees (i.e., profits) from merchants in addition to the amounts the merchants were advanced."

The Receiver does not provide a rebuttal for paid off deals that Glick cites on his report and why they maintain the position that advances were needed to be provided to merchants to continue repayment of deals. In #87 on page 30 of the Glick report, he concludes that "Of the approximately 2,700 Zero Balance merchants having paid off their entire balance, CBSG recognized an overall factor of 1.416. ((Advances to Merchants \$312,436,375 + Factoring Fee Revenue \$129,974,236) ÷ Advances to Merchants \$312,436,375)."

With respect to the Exception Portfolio, the Receiver states:

"Mr. Glick's discussion of the B&T documents in paragraph 63 leaves the impression that B&T's obligation is secured, without addressing the value of collateral, if any. While the Receiver's investigation is ongoing, as stated earlier it is DSI's view that the Receivership Estate will incur substantial losses from the Exception Portfolio, and additional losses from the Non-Exception Portfolio."

(DE 577 at p. 17). The Receiver mentions that Glick disregards the value of the collateral of merchants in the Exception Portfolio, stating that although DSI is still investigating this collateral that they are concluding they will "incur substantial losses" from these merchants. This does not acknowledge the regularity of payments made to CBSG management from these merchants prior to the Receiver taking over in contrast to any success they may have in collecting these payments.

More importantly, with respect to B&T Supply, the specific merchant the Receiver mentions, the value of the collateral is clear. The Principal of B&T executed a surety that secures all of the

corporate assets of his corporate and personal assets and permits confessions of judgment against B&T and Mr. Odzer individually. *See* Surety Agreement, attached as Exhibit B. Despite this, the Receiver has failed to exercise the surety and allowed B&T to simply fail to make payments to the Receivership Estate. In doing so, the Receiver has failed in his core function of collecting Par Funding's receivables for the benefits of the investors. Moreover, the lack of collection has apparently allowed B&T to use the money it should have been paying to the Receivership Estate to instead acquire companies. *See* Apr 14, 2021 press release re B&T's acquisition of 85-year old New York City uniform company, OK Uniform.³ Moreover, in November of 2019, B&T entered into a partnership with the National Hockey League's Las Vegas Golden Knights and purchased the naming rights to the Las Vegas Golden Knights' community arena in Henderson, Nevada. *See* November 20, 2019 press release announcing partnership.⁴

If certainly does appear that B&T is collectible. However, after nine months, the Receiver and his highly paid investigative team, is still investigating the value of the security interest and has made no apparent effort to collect from B&T. The Surety Agreement has been in the Receiver's possession since the outset of this action, yet it apparently takes defendants, who just recently received Par's documents, to point out this valuable collateral to the Receiver.

When discussing Income Recognition, the Receiver states: "Mr. Glick discusses the income calculation according to GAAP in his declaration. As the Receiver has noted, the accounts receivable balance for the Exception Portfolio is \$196.4 million—nearly half of the total portfolio." (DE 577 at p. 17). The Receiver briefly mentions that Glick analyzed income according to GAAP on his analysis without commenting on these findings and immediately bringing attention to the Exception Portfolio

³ Available at: <https://icrowdnewswire.com/2021/04/14/steven-odzer-announces-bt-supplies-west-inc-acquires-ok-uniform/>

⁴ Available at: <https://www.nhl.com/goldenknights/news/vgk-and-bt-supplies-west-inc-announce-agreement-on-new-arena-in-henderson/c-311564866>

they are so keen on focusing on. This ignores the \$434.6M that Par made through 2019 and net income of \$63.9M after paying investors, vendors, and company management.

Given this bias, the intentions and actions of the Receiver should be questioned. The Receiver's duties are to report to the Court and handle the custodial responsibility of managing the property and business of others. The Receiver appears to be acting more like an active litigant by, among other things, incorrectly questioning the validity of information provided by an expert witness to rebut inaccuracies with his reports to the Court and continuing to contend that the company is insolvent despite overwhelming analysis and documentation to the contrary.

Dated: May 7, 2021

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on May 7, 2021, I electronically filed the forgoing 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 transmissions of Notices of Electronic Filing generated by CM/ECF.

By: /s/ David L. Ferguson
DAVID L. FERGUSON

EXHIBIT A



DIVISION OF
ENFORCEMENT

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

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December 13, 2017

Kenneth D. Bell
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201 N. Tryon Street
Suite 3000
Charlotte, NC 28202

Re: SEC v. Rex Venture Group, et al. – Civil Action No. 3:12-CV-519

Dear Ken:

I write to express the Commission's deep concern with the upward trajectory of proposed fees to be billed in connection with the Rex Ventures Receivership, as reflected in your current draft fee request for Q3 2017. From Q4 2016 to Q3 2017, McGuire Woods' fees increased from approximately \$187,000 to \$462,223. Meanwhile, FTI's fees have increased from \$143,000 in Q4 2016 to \$172,000 in Q3 2017 after cresting above \$200,000 in Q1 2017. It is also worth noting that billing rates for individual McGuire Woods timekeepers have increased nearly 30% during the Receivership.

Throughout the Receivership, in addition to raising discrete issues like the number of timekeepers working on Receivership matters, we have repeatedly expressed our concern regarding the total amounts billed by both McGuire Woods and FTI. Even taking into account ongoing litigation matters like the Net Winner Class Action, Victoriabank and Kaplan, we would expect the Receivership – and the corresponding fee requests by McGuire Woods and FTI – to be winding down. Unfortunately, McGuire Woods' fee requests have ramped up dramatically, while FTI continues to bill substantial amounts on a quarterly basis.

In addition to a steep upward trend in the total amount billed, the substance of certain of the individual billing entries is troubling. Among the issues we've raised repeatedly over the years is the concept of "upside down" staffing by McGuire Woods, where the majority of the legal work is performed by high-rate partners and senior associates rather than being delegated to more cost-

effective resources, while clerical work is handled by high-rate paralegals rather than more cost-effective clerical staff.

The current fee request is no exception, with nearly 300 hours and more than \$200,000 billed by a single McGuire Woods partner billing at nearly \$700 per hour. The current fee request for this partner's work includes dozens of repetitive entries with variations on the phrase "[c]ommunications with net winners re: potential settlements and address disagreement issues." These entries, which total in excess of 135 hours and \$92,000 (again, billed at nearly \$700 per hour), including large blocks of time (up to 5.8 hours) with a single descriptive entry, do not represent an efficient, cost-effective approach to handling a repetitive task like settlement discussions with individual class members, especially in a case where the individual claims are small and most of the net winners are lay people appearing *pro se*. A more efficient and cost-effective approach would include developing talking points that capture the desired framework for individual settlement discussions, and delegating this activity to more cost-effective timekeepers (*e.g.*, junior associates, staff attorneys or paralegals).

Nor is this an isolated problem. The current draft fee request also includes entries totaling more than 100 hours and \$51,000 billed by a McGuire Woods associate at nearly \$500 per hour that appear to be related to a single brief in the Payza matter. These entries, again including large blocks of time (up to 9.3 hours) with a single descriptive entry, appear to reflect on-the-job training for a McGuire Woods associate, rather than the provision of efficient, cost-effective legal services to the Receivership.

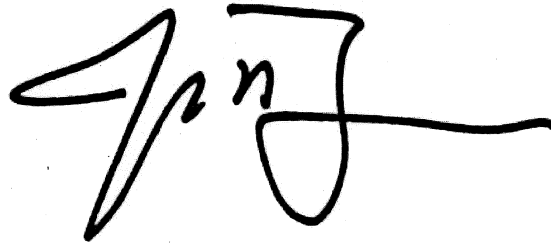
Similarly, the current fee request includes more than 85 hours and \$25,000 billed by a McGuire Woods paralegal at nearly \$300 per hour, including dozens of repetitive entries with different variants of the phrase "manage settlement payments." Again, these entries, which appear to reflect clerical tasks rather than legal or paralegal work and include large blocks of time (up to 6.7 hours) with a single descriptive entry, do not represent an efficient, cost-effective approach to handling the repetitive clerical tasks inherent in administering a class action settlement. Such tasks should be delegated to more efficient, cost-effective timekeepers.

Again, this is not an isolated concern with a single paralegal timekeeper. Another McGuire Woods paralegal billed in excess of \$42,000 at more than \$200 per hour in large blocks of time (up to 8 hours) with an identical narrative: "Assist with processing and documenting RVG settlements." Absent some compelling explanation, these entries appear to reflect repetitive clerical tasks rather than complex legal or paralegal work worth more than \$200 per hour to the Receivership. Such tasks should be delegated to more efficient, cost-effective timekeepers.

Respectfully, we would urge you to revisit the draft fee request with the express goal of substantially reducing the total fees requested for Q3 2017. As noted in my November 29 email, we would also like to receive the following from you before we weigh in on the final version of the current fee request: (1) an updated budget for each outstanding litigation matter, the core receivership function and FTI, including a summary chart capturing budget vs. actual amount billed to date; and (2) a description of the steps you plan to take to reverse the current trend and control overall expenditures by the Receivership. In addition, please provide documentation of the approval process for the increased individual timekeeper billing rates reflected in the current fee request. Absent a robust discussion regarding concrete measures to rein in spending on behalf of the Receivership estate, we will have no alternative but to file a formal objection in connection with this fee request.

Please feel free to call to discuss how best to proceed.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Bowers', with a long horizontal flourish extending to the right.

John J. Bowers

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December 14, 2017

Via email: bowersj@sec.gov

John J. Bowers
Assistant Chief Litigation Counsel
United States Securities and Exchange Commission
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Re: SEC v. Rex Venture Group, et al. – Civil Action No. 3:12-CV-519

Dear John,

I write in response to your letter of December 12, 2017, as amended by your letter of December 13, 2017 regarding our Third Quarter 2017 fee application. Before addressing each of your expressed specific concerns I want to respond to your more general criticisms.

I am and always have been a very hands-on receiver. I scrutinize McGuireWoods' time entries monthly, and FTI's time entries weekly. Each timekeeper provides the services I have asked of them. That is to say, each task, assignment and timekeeper has been intentionally directed by me, and I am aware on a day to day basis how the Receivership is being serviced. While I have enjoyed and appreciated not often being micro-managed, in fairness to the Commission our time entry narratives should be more revealing of the work being performed so the Commission can meaningfully evaluate our value.

You state that the Commission "would expect the Receivership. . . to be winding down." You draw a negative inference from comparison of this fee application to those of previous quarters. The Receivership is, in fact, "winding down." Comparisons of this fee application to those of prior quarters does not take into consideration the cyclical nature of litigation. Whether as an Assistant United States Attorney or a private practitioner, I have never had a matter that trended consistently month to month or quarter to quarter. I expect the Commission's investigatory and litigation experience is similar.

For more than five years we have engaged in extensive litigation and other asset recovery efforts, marshaling approximately \$369.3 million. We have returned to victims with allowed claims 75% of their claimed amount. By the end of the Receivership allowed claims will be paid at between 80% - 85%. This is an extraordinary result for the victims. I don't recall you often mentioning our overall success.

John J. Bowers
Assistant Chief Litigation Counsel
United States Securities and Exchange Commission
December 14, 2017
Page 2

The Commission does not seem to consider this perhaps unprecedented rate of return to victims when evaluating whether the Receivership has acted with “an efficient, cost-effective approach.” You did suggest on the phone yesterday that I may not share the Commission’s goal of maximizing recovery for the victims. That is erroneous and offensive. I have at least twice declined the Commission’s advice that certain Receivership activities be awarded to law firms more expensive than McGuireWoods and on contingency terms. In each instance my decision that the legal work be billed hourly has resulted in savings and cost-efficiencies for the Receivership, although McGuireWoods would have made much more money, and the victims would have received far less, on the Commission’s suggested contingencies.

Yesterday you said that you want to de-couple the Receivership’s overall success and efficiency from review of the fee application of any given quarter. That approach is not a fair or accurate method of evaluation. As an example of the Receivership’s cost efficiency, the net winner class action and the settlement with NewBridge Bank (the worthiness of both having been questioned by the Commission prior to undertaking) alone have covered nearly all of McGuireWoods’ fees since inception of the Receivership.

There are few, but significant, tasks left to the Receivership. First, settlement, collection or sale of more than 6,000 remaining judgments in the net winner class action (including defense against motions to decertify the class and void judgements). Second, litigation against Victoriabank of Moldova, seeking to recover \$13.5 million in Receivership assets. Third, resolution of the litigation against tax attorney and former adviser to Rex Venture Group Howard Kaplan. Fourth, final payments to victims with allowed claims. I would like nothing more than to complete all of these efforts as soon as possible.

You also again reference the number of timekeepers for the Receivership. I have never understood this concern. I do not discern the meaningful difference between 30 timekeepers billing X number of hours and 15 timekeepers billing the same X number of hours. Nonetheless, every quarter I write off timekeepers who performed minimal hours of work over the 3 month period, not because the work was not done or valuable to the Receivership, but only for appearance sake and in deference to your concern. Regarding the Third Quarter 2017 fee application, there are 15 timekeepers. Of those, excluding my time, only one partner, one associate and two paralegals billed more than 36 hours (or 3 hours a week) for the Receivership. Contrary to your assertion, even on its face that looks like a “right-side up,” “efficient, cost effective approach.”

Partner time expended on net winner class action settlements.

I am sympathetic to your failure to understand the nature and value of this work. Time entry narratives should be more detailed and I commit to ensuring that they will be going forward. I understand your assuming that my partner’s time entries reflect routine negotiations with *pro se* net winners, although that is not a correct assumption. Because we have not

John J. Bowers
Assistant Chief Litigation Counsel
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Page 3

discussed the structure of our settlement process, you do not have the context for my partner's work.

We engaged Garden City Group ("GCG") to affirmatively contact and negotiate settlements with the thousands of net winners. On the front end, that required us to research the propriety of the engagement and procedures of GCG to protect the Receivership from liability for GCG's work. We negotiated the terms of the engagement to ensure that emails to all net winners and the staff who handled calls are billed to the Receivership at a reasonable rate, and that supervision of the callers was sufficient. We worked with GCG to draft emails, call scripts, decision trees, settlement authority parameters, call logs and form settlement agreements. The vast majority of settlement negotiations were conducted by GCG. The engagement provided that net winners in excess of \$100,000 who expressed an interest in settlement and net winners represented by counsel would be referred to a McGuireWoods partner. My determination was that winners of more than \$100,000 should not be automatically offered the same settlement terms as in the standard parameters I authorized for lesser winners, and that negotiations with counsel for a class member should be conducted by an attorney. Also, GCG referred to my partner net winners who requested special equitable, humanitarian consideration.

It was my considered decision to task the partner you reference with those referred negotiations. He has been involved in and supervised settlement negotiations from the inception of the Receivership, ensures consistency, knows my mind on what would be acceptable settlements, and holds my trust in making humanitarian exceptions without creating precedents which would be used against the Receivership during other negotiations. His value and success can be demonstrated through any number of specific examples if you would like to discuss them. Looking at the settlement project holistically, taking into account GCG and my partner's time, the Receivership has achieved \$14.5 million in settlements for far less than 10% in expenses.

Paralegal Timekeepers

As above, I understand your failure to appreciate the value of the paralegals' time because I have not previously described to you the net winner class settlement tracking system I implemented. We have more than 2,500 settlement agreements to date, and more continue to trickle in. A significant percentage of the settlements include monthly installment payments. Each settlement agreement must be logged in and tracked, and each settlement agreement with an installment payment term must have a tracking schedule created. Installment payments arrive at our office continuously, and must be tracked and properly credited. I have assigned two paralegals to oversee this work. What you are not aware of, through no fault of your own, is the time expended by McGuireWoods employees who do not bill for their time but are supervised by these two paralegals.

Two non-billing administrative assistants have at times spent 6-7 hours a day dealing with incoming settlement agreements and processing incoming payments; they continue to spend 20-25 hours per week on these tasks. By way of example, the 1st and 15th of each month average

John J. Bowers
Assistant Chief Litigation Counsel
United States Securities and Exchange Commission
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Page 4

receipt of 120-150 payments; the other days average 20-35 payments. Non-billing administrative assistants research checks sent by people with illegible names on the checks, no names or other identification, and no return addresses to allow proper crediting for the payment. Likewise, non-billing McGuireWoods internal Treasury Services employees expend many hours a week tracking, depositing and properly crediting payments.

Net winners with settlement agreements constantly contact our office with questions and requests, including payment information, balances, remaining amount owed, requests for change in payment dates, or receipts for payments.

When you look at our time sheets, what you see are two paralegals seemingly performing repetitive tasks, an erroneous perception for which I take the blame and commit to remedying going forward. What you don't see is hundreds of hours per quarter in McGuireWoods employee time which is not billed to the Receivership but is supervised by, and in part performed by, two paralegals.

I considered engaging an outside vendor to perform the administrative services necessary for post-settlement activities. Such an engagement would not have come close to the cost savings and efficiencies I was able to achieve by leveraging hundreds of hours of non-billed time. Again, I ask that you view the cost efficiencies of the post-settlement process as a whole rather than picking out two paralegals and reviewing their value in isolation.

Associate brief writing.

The Victoriabank matter is a perfect example of the cyclical nature of litigation. Our claim for \$13.5 million against the Moldovan-based bank was dormant for much of 2017 while the Court considered Victoriabank's motion to dismiss for lack of jurisdiction. Once the Court granted Victoriabank's motion, appellate work began.

From the time we first discovered Receivership assets at Victoriabank in September 2012, primary responsibility for the matter was assigned to an associate who became a partner during the intervening years. In 2017 that partner accepted a position with the US Department of Justice, and the associate to whom you refer was tasked with drafting the joint appendix and briefs for the United States Court of Appeals for the Fourth Circuit.

Your characterization of her work as "on-the-job-training" is inaccurate and demeaning to her efforts and skills. She had no familiarity with the 5 year long history of this litigation, requiring her to sift through thousands of pages of pleadings, attachments and discovery to create the joint appendix, identify the issues to present and draft the appellate briefs. She is a former Fourth Circuit Court of Appeals and US District Court law clerk, and an experienced litigation associate. The litigiousness of opposing counsel added to the time and expense devoted to the appeal (even achieving agreement as to the contents of the joint appendix was unnecessarily protracted because of opposing counsel).

John J. Bowers
Assistant Chief Litigation Counsel
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December 14, 2017
Page 5

This is the first and only appeal of a decision by the District Court, and the Receivership assets at stake are substantial. My partner, associate and I all spent a great deal of time on this matter. Based on oral arguments, which I made personally on behalf of the Receivership, I expect our efforts will result in a remand from the Court of Appeals, allowing us to resume our efforts to recover these funds for the victims.

In deference to your request that I reconsider this fee application, I will write off \$10,000 of this associate's fees attributable to the time required for her to get up to speed on a matter on which she had not previously worked. It is no one's fault, including the associates, that we had to reassign responsibility for the matter. But we will not bill the Receivership for the resulting time.

Administrative matters

As you requested, we will update or create budgets for open Receivership matters. Please see the attached.

In all honesty, I cannot accurately predict "the trend" of future fees. The three remaining large litigation matters (Net Winner Motion(s) to Dissolve the Class and void judgments, Victoriabank, and Kaplan) will in large measure be dictated by those opposing parties and the rulings of the Court. However, as I have from the first day of my appointment, I pledge to do my utmost to preserve Receivership assets and maximize the return to victims with recognized claims.

Finally, I do not know of any documentation reflecting approval for increased billing rates. My understanding of the terms of my appointment is that legal services would be billed at 85% of standard rates. Like all large law firms that I am aware of, McGuireWoods adjusts its billing rates every year. From 2013 – 2017 the Commission has been aware, through quarterly fee applications, that the firm's discounted standard rate was higher than the year before. I was surprised that your letter suggested the Commission was unaware of this annual increase.

I remain desirous of amicably resolving all of your concerns, and even more so of persuading you that we have at all times represented the Receivership efficiently, cost-effectively and in the best interests of the victims of the ZeekRewards scheme.

Sincerely,



Kenneth D. Bell

KDB\en
Enclosure

Bell, Kenneth D.

From: Bell, Kenneth D.
Sent: Wednesday, December 20, 2017 12:26 PM
To: 'Bowers, John'
Cc: Brenner, Irving M.; Tierney, Alfred; Bambach, Alistaire
Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8
Attachments: Zeek letter to John Bowers 12-20-17.pdf

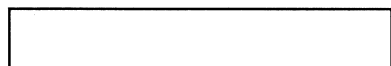
John,

Attached please find my response to your letter of this morning. We will file the fee application today and include the Commission's position as you directed below. As I say in my letter, I respectfully suggest that prior to the Commission actually filing an objection that we request a meeting in Chambers with Judge Mullen.

Ken

Kenneth D. Bell

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From: Bowers, John [mailto:BowersJ@sec.gov]
Sent: Wednesday, December 20, 2017 10:42 AM
To: Bell, Kenneth D. <KBell@mcguirewoods.com>
Cc: Brenner, Irving M. <IBrenner@mcguirewoods.com>; Tierney, Alfred <TierneyA@SEC.GOV>; Bambach, Alistaire <BambachA@SEC.GOV>
Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

Ken:

Please see the attached letter regarding the current draft fee request for 3Q 2017.

If you intend to file the fee request without further discussion or revision based on the issues we've raised, please note the Commission's position in the request as follows:

"The Commission objects to the current fee request, and asks for the opportunity to be heard by the Court before the fee request is acted upon."

As always, we value the important work of the Receivership, and we would prefer to reach an amicable resolution of the current issues.

John

John J. Bowers
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bowersj@sec.gov

From: Bell, Kenneth D. [mailto:KBell@mcguirewoods.com]
Sent: Tuesday, December 19, 2017 12:42 PM
To: Bowers, John
Cc: Brenner, Irving M.; Tierney, Alfred; Bambach, Alistaire
Subject: Re: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

John,

Irving has sent you the revised budget as requested. I am more than willing to discuss our budgets going forward, and accept criticism for not creating them sooner. However, I do not see the connection between budgets and the reasonableness of our Q3 fees. Fees for a matter can be within budget and be unreasonable. Likewise, fees can exceed a budget and still be entirely reasonable. As we have discussed, in my judgment the Q3 fees being requested are reasonable for the tasks completed and results obtained (and you have not said otherwise).

Other than budgets, I do not know what more you wish to discuss. I believe my letter of last week addressed all your expressed concerns. In addition, I voluntarily reduced our fees by \$10,000, and on the phone last week I offered to add an additional 10% into the holdback (~\$46,000).

Although you have not said so directly, I sense that what you may want is some arbitrary further write off of fees. I do not believe that would be appropriate for all the reasons previously discussed.

I too welcome an amicable resolution of this issue, but I think we are at the point where if we are ever going to be able to do so, we can do it by tomorrow.

I am available at your convenience.

Ken

Sent from my iPad

On Dec 19, 2017, at 10:38 AM, Bowers, John <BowersJ@sec.gov> wrote:

Thanks for these, Ken.

We would have expected these budgets to be established at the start of each matter and updated along the way to reflect actual amounts billed, but these spreadsheets don't appear to include the overall budget for each case/function and don't include the actual amount billed to date for each activity. Do you have the historical budget vs. actual figures? Also, the net winner budget does not appear to track expenses associated with settlement communications – one of the major areas of expense in the 3Q 2017 fee request.

Finally, please advise whether you remain open to further discussions with respect to the current draft fee request. We are happy to provide a detailed response to your letter, but your subsequent email (attached) calls into question whether our efforts would be better spend on preparing an objection to the fee request. As always, our preference would be to resolve billing issues without the need to involve the Court at this juncture. To that end, we would suggest that you consider seeking another extension to file the current fee request to allow sufficient time to pursue an amicable resolution of the issues raised in the letter.

John

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From: Bell, Kenneth D. [<mailto:KBell@mcguirewoods.com>]
Sent: Monday, December 18, 2017 4:42 PM
To: Bowers, John
Cc: Brenner, Irving M.; Tierney, Alfred; Bambach, Alistaire
Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

John,

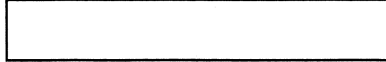
Attached are budgets covering 2018 to the end of the receivership for the active litigation matters. These budgets reside in our internal Compass budget tool so we will be able at any time to see our progress on each budget item by task code.

As an FYI, McGuireWoods' unbilled fees for Q4 to date are \$241,827.51, approximately \$220,000 less than Q3.

Ken

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From: Bowers, John [<mailto:BowersJ@sec.gov>]
Sent: Friday, December 15, 2017 7:46 PM
To: Bell, Kenneth D. <KBell@mcguirewoods.com>
Cc: Brenner, Irving M. <IBrenner@mcguirewoods.com>; Tierney, Alfred <TierneyA@SEC.GOV>;
Bambach, Alistaire <BambachA@SEC.GOV>
Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

Ken:

On initial review, your letter does not meaningfully address many of the concerns expressed in my letter, focusing instead on mischaracterizing our conversation earlier this week. I will be out of the office on Monday, but we should be able to provide a detailed response to your letter on Tuesday, after which we should probably talk again. In the meantime, as stated earlier, our concern is driven by the fact that the quarterly fee request (\$635,000) has nearly doubled from 4Q2016 (\$330,000). Given the rapidly increasing expenditure of Receivership resources, our goal is to determine what can be done to budget for and manage ongoing expenditures. We have requested detailed budgets for individual litigation matters, FTI's ongoing efforts and the core Receivership activities. The document you sent does not appear to include budgets or any tracking mechanism to manage expenditures, which is something we've been encouraging you to do throughout the Receivership. At a minimum, we'd like to see summary charts that track budget vs. actual by major task for each matter.

As always, we would prefer to resolve the issues raised in my letter amicably. If necessary, however, we will formally object to the draft fee request if it is submitted in its current form. Respectfully, we would suggest that you consider further extending the time to file the current fee request to allow sufficient time for meaningful dialogue toward a mutually agreeable resolution of the issues raised in the letter.

John

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From: Bell, Kenneth D. [<mailto:KBell@mcguirewoods.com>]
Sent: Thursday, December 14, 2017 3:40 PM
To: Bowers, John
Cc: Brenner, Irving M.; Tierney, Alfred; Bambach, Alistaire
Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

John,

Attached please find my response to your letters of this week.

Ken

Kenneth D. Bell

Partner

McGuireWoods LLP

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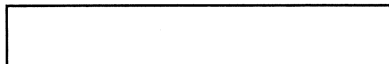
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From: Bowers, John [<mailto:BowersJ@sec.gov>]

Sent: Thursday, December 14, 2017 3:11 PM

To: Bell, Kenneth D. <KBell@mcguirewoods.com>

Cc: Brenner, Irving M. <IBrenner@mcguirewoods.com>; Tierney, Alfred <TierneyA@SEC.GOV>;

Bambach, Alistaire <BambachA@SEC.GOV>

Subject: Re: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

We agree to the extension.

John

John J. Bowers

Assistant Chief Litigation Counsel

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On Dec 14, 2017, at 1:10 PM, Bell, Kenneth D. <KBell@mcguirewoods.com> wrote:

John,

I will send a responsive letter by the end of the day.

If you agree, I will file a motion to extend the deadline to file our Q3 2017 fee application to Wednesday, December 20.

Ken

Kenneth D. Bell

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From: Bowers, John [<mailto:BowersJ@sec.gov>]
Sent: Wednesday, December 13, 2017 5:36 PM
To: Bell, Kenneth D. <KBell@mcguirewoods.com>
Cc: Brenner, Irving M. <IBrenner@mcguirewoods.com>; Tierney, Alfred <TierneyA@SEC.GOV>; Bambach, Alistaire <BambachA@SEC.GOV>
Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

Ken:

Please see the attached revised letter regarding the latest fee request.

During our discussion today, I realized that I quoted the total fee requests in the original letter, rather than the McGuire Woods fees – this version references the amounts sought by McGuire Woods, and the same logic applies.

We will communicate separately regarding FTI's latest fee request.

Respectfully, we would suggest that you consider seeking another extension to file the current fee request to allow sufficient time to pursue an amicable resolution of the issues raised in the letter.

John

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From: Bell, Kenneth D. [<mailto:KBell@mcguirewoods.com>]
Sent: Wednesday, December 06, 2017 8:56 AM
To: Bowers, John
Cc: Brenner, Irving M.; Tierney, Alfred
Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

John,

By "too late" I mean that a filing date of December 22 does not provide sufficient time for Judge Mullen to rule before the end of the year without interrupting his Holidays.

Irving is out of state today taking Kaplan's deposition. We will update budgets upon his return.

With respect to FTI, each week I receive and review their billings for the prior week, which allows me to judge the appropriateness of their work and staffing.

As I have invited each time our fee application is questioned, I would like to hear, specifically, what tasks you think should not have been undertaken, and your perceived deficiencies in our staffing and time commitments.

I am available for a robust discussion at your convenience.

Ken

Kenneth D. Bell

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<image002.gif>

From: Bowers, John [<mailto:BowersJ@sec.gov>]

Sent: Tuesday, December 05, 2017 11:58 AM

To: Bell, Kenneth D. <KBell@mcguirewoods.com>

Cc: Brenner, Irving M. <IBrenner@mcguirewoods.com>; Tierney, Alfred <TierneyA@SEC.GOV>

Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

Ken:

It's unclear what, if anything, makes December 22 "too late." December 15 may not give us enough time to have a robust discussion of the current fee request. Our concern is driven by the fact that the quarterly fee request (\$635,000) has nearly doubled from 4Q2016 (\$330,000), driven by high-rate timekeepers billing substantial blocks of time to repetitive tasks. Given the high and increasing expenditure of Receivership resources, we'd like to determine what you are doing to budget and manage ongoing expenditures. For example, is there a budget in place with respect to FTI's billing? Same question for individual litigation matters. The document you sent does not appear to include budgets or any tracking mechanism to manage expenditures,

which is something we've been encouraging you to do throughout the Receivership. At a minimum, we'd like to see updated versions of prior budgets, with overall budget amounts broken into categories of activity, and summary charts that track budget vs. actual. See attached email regarding preliminary budgets.

Thanks,

John

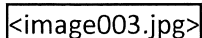
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From: Bell, Kenneth D. [<mailto:KBell@mcguirewoods.com>]
Sent: Monday, December 04, 2017 6:12 PM
To: Bowers, John
Cc: Brenner, Irving M.; Tierney, Alfred
Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

That would make the filing deadline the 22nd, which is too late. I will file an extension to the 15th.

Kenneth D. Bell

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From: Bowers, John [<mailto:BowersJ@sec.gov>]
Sent: Monday, December 04, 2017 5:50 PM
To: Bell, Kenneth D. <KBell@mcguirewoods.com>
Cc: Brenner, Irving M. <IBrenner@mcguirewoods.com>; Tierney, Alfred <TierneyA@SEC.GOV>
Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

As per my original email, please send me updated budget vs. actual for each outstanding litigation matter, including the three matters discussed below, as well as the core receivership function and FTI.

I would suggest that you ask for a two week extension to file the current request.

Thanks,

John

John J. Bowers
Assistant Chief Litigation Counsel
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From: Bell, Kenneth D. [<mailto:KBell@mcguirewoods.com>]
Sent: Monday, December 04, 2017 5:37 PM
To: Bowers, John
Cc: Brenner, Irving M.; Tierney, Alfred
Subject: RE: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

John,

I am very frustrated by your concern. In times past you have expressed similar concerns based on trends or stages in the receivership that, like here, fail to take into account the productive and necessary work that has allowed us to pay 75% of claims to date (we will ultimately reach 80%-85%).

Expenses for a given quarter are determined by the tasks required, whether by us affirmatively or in response to litigation against the receivership. As you can see from the attached budget that you requested, nearly all of our fees result from three very worthwhile recovery efforts (Net Winner class action, Victoriabank and Kaplan) and one defense to net winner filings.

With respect to the Net Winner action, I had hoped that you would have at least acknowledged that we have so far recovered more than \$14.5 million, more than half of all of McGuireWoods fees for the entirety of the receivership. I recall that the Commission was skeptical about, even out right opposed to, our bringing that action at all. We continue to very efficiently pursue settlements and collections on that matter.

Regarding Victoriabank, they are liable to the receivership for \$13.5 million. We have had to chase them for years, including on appeal to the Fourth Circuit. It is most unfortunate that we have had to expend receivership assets pursuing a Moldovan bank, but from the time we learned that it held these funds in September 2012 neither the Commission nor the Department of Justice has been of any help.

Kaplan has \$2 million in insurance coverage against which we should be able to recover for his advice to thousands of affiliates that ZeekRewards was a trade or business. Litigation against Kaplan has been and will be conducted very cost efficiently.

Finally, we have been and will be forced to respond to motions from net winners attempting to decertify the class and otherwise attack the action and resulting

judgments. Response to this litigation is unavoidable but will, again, be handled efficiently.

I am quite proud of our team for having conducted themselves so successfully and efficiently for more than five years such that final returns to victims will be in excess of 80% of claims. Receiving periodic criticisms about our efficiency that do not take into account the work that is required is frustrating.

Let me know the date to which you want to extend the filing of the fee application. I am amenable to a reasonable time, but I will file it in time sufficient to allow Judge Mullen to rule this year without inconveniencing his holidays.

I'm more than happy to discuss if you like.

Ken

Kenneth D. Bell

Partner

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kbell@mcguirewoods.com

Bio | VCard | <http://www.mcguirewoods.com>

<image003.jpg>

From: Bowers, John [<mailto:BowersJ@sec.gov>]

Sent: Wednesday, November 29, 2017 11:39 AM

To: Bell, Kenneth D. <KBell@mcguirewoods.com>

Cc: Brenner, Irving M. <IBrenner@mcguirewoods.com>; Tierney, Alfred <TierneyA@SEC.GOV>

Subject: FW: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

Ken:

We are very concerned with the upward trajectory of the fee request, since the total amount has nearly doubled since 4Q2016.

Please: (1) send me updated budget vs. actual for each outstanding litigation matter, the core receivership function and FTI; and (2) let me know what steps you intend to take to bring down the current level of billing.

It may make sense to ask for an extension as we work through these issues, as a significant amount of our review time was taken up by the holiday.

Thanks,

John

John J. Bowers
Assistant Chief Litigation Counsel
Securities & Exchange Commission
Enforcement Division
100 F Street, NE
Washington, DC 20549-5971
(202) 551-4645
bowersj@sec.gov

From: Stanhouse, Darren W. [<mailto:dstanhouse@mcguirewoods.com>]
Sent: Tuesday, November 21, 2017 4:39 PM
To: Bowers, John
Cc: Bell, Kenneth D.
Subject: RVG Draft Fee App for Q3 2017 - DUE DECEMBER 8

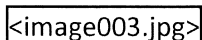
John,

Attached please find the draft fee application and exhibits for the third quarter of 2017. Exhibits A and B (the certifications) will be filed with the application. Please let us know if you have any thoughts or feedback.

Thanks,
Darren

Darren W. Stanhouse

Associate
McGuireWoods LLP
434 Fayetteville Street
Suite 2600
Raleigh, NC 27601
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DIVISION OF
ENFORCEMENT

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

100 F Street, N.E.
Washington, D.C. 20549-5971

John J. Bowers
Assistant Chief Litigation Counsel

Telephone (202) 551-4645
Facsimile (703) 813-9359
bowersj@sec.gov

December 20, 2017

Kenneth D. Bell
McGuireWoods LLP
201 N. Tryon Street
Suite 3000
Charlotte, NC 28202

Re: SEC v. Rex Venture Group, et al. – Civil Action No. 3:12-CV-519

Dear Ken:

We are in receipt of your letter dated December 14, 2017 and, as discussed in subsequent emails, remain concerned with the current draft fee request for Q3 2017 for the reasons stated in my letter dated December 13, 2017.

As an initial matter, your letter mischaracterizes our discussion. First, with respect to recognizing the work of the Receivership, a conference call to discuss our concerns with a fee request is not the natural forum for such a discussion. As you know, we have worked closely with your team throughout the Receivership, and have often weighed in on litigation matters, including substantially reworking the Net Winner class action complaint before it was filed. Throughout the Receivership, we have communicated praise and congratulations to you and your team where appropriate. As I stated in our call, however, although we appreciate the work of your team, the current fee request does not represent efficient, cost-effective legal services to the Receivership estate.

You also note that your team has engaged in extensive litigation and other asset recovery efforts, “marshaling approximately \$369.3 million.” In fact, the amount recovered through active litigation during the pendency of the Receivership, while substantial, is far less. The bulk of the total dollar amount marshaled during the Receivership was frozen by the Court and handed over to the Receivership when we filed the above-referenced case as a settled matter with Rex Ventures and Paul Burks. Further substantial sums were identified and either held in place or handed over to the Receivership when you assumed operational control of Rex

Ventures, including substantial foreign assets, uncashed checks and money orders and sizeable creditor accounts. In any event, the current fee request should be evaluated on its own merits – the provision of efficient, cost-effective legal services to the Receivership – rather than in the context of an overarching discussion of “the Receivership’s overall success.”

In your letter, you also mischaracterize our discussion with respect to your attempt to link the current fee request to a discussion of the holdback, and your plan to address the holdback after your nomination to the federal bench. Leaving aside the fact that you raised the issue of your anticipated nomination at the outset of a discussion of the Commission’s concerns regarding the current fee request, your proposal to postpone further discussion of the current fee request was unappealing under the circumstances. As I explained, discrete problems with the current fee request should not be linked to a larger and much more complicated issue – the holdback and the contemplated review of all fees billed during the course of the Receivership – nor should these discrete problems be placed on hold for months while your nomination is pending. Respectfully, the problems with the current fee request are relatively simple and easy to address, and they should be addressed before the Court weighs in on the request.

Your letter also fails to address several of the discrete issues we identified in the current request:

- Nearly 135 hours and \$92,000 billed by a single McGuire Woods partner billing at nearly \$700 per hour, based on dozens of repetitive entries, including large blocks of time (up to 5.8 hours), all with variations on the phrase “[c]ommunications with net winners re: potential settlements and address disagreement issues”;
- More than 85 hours and \$25,000 billed by a McGuire Woods paralegal at nearly \$300 per hour, including dozens of repetitive entries for large blocks of time (up to 6.7 hours) with variations of the phrase “manage settlement payments”; and
- In excess of \$42,000 billed by another McGuire Woods paralegal at more than \$200 per hour, again in large blocks of time (up to 8 hours), with an identical narrative: “Assist with processing and documenting RVG settlements.”

These and other comparable time entries simply do not represent an efficient, cost-effective approach to handling the repetitive legal, paralegal and clerical tasks inherent in administering a Receivership and class action settlement, and your description of certain related tasks being performed more efficiently and cost-effectively by others does not excuse the questionable entries in the current fee

request. Rather than meaningfully addressing our concerns by agreeing to review the current fee request in detail and either revising individual time entries to reflect efficient, cost-effective legal services, or offering to reduce the fee request by a meaningful amount, you offered in your letter to write off \$10,000 – from a \$462,000 fee request – and increase the holdback, an approach that would, as noted above, effectively sweep the problems with the current fee request under the rug. Respectfully, the holdback is designed to at least partially account for billing issues that have not yet been identified, rather than obvious concerns identified before a fee request is filed.

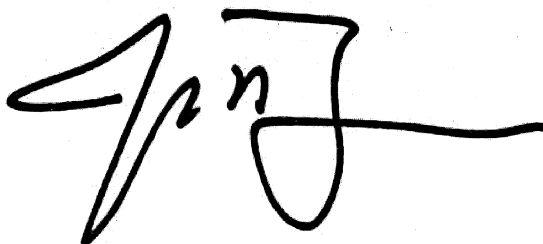
Further, your response to our request for updated budgets for each ongoing matter, confirms our concern that you have not kept up with the budgeting process we advocated several years ago and raised with the Court, and have instead been operating the Receivership largely without a budgeting process. This lack of rigorous budgeting and review of expenditures may help to explain why the current fee request appears to be inordinately high compared to the value of the services provided to the Receivership.

Finally, your response regarding your firm's unilateral increase in billing rates during the Receivership is troubling. As noted in my earlier letter, billing rates for individual McGuire Woods timekeepers have increased nearly 30% during the Receivership, with partner rates approaching \$700 per hour. Your response makes it clear that rates were increased without bringing the issue to the attention of the Commission or the Court. The current unilaterally imposed rates only serve to exacerbate the "upside down" staffing by McGuire Woods, as noted several times during the pendency of the Receivership.

Respectfully, we would again urge you to revisit the draft fee request with the express goal of substantially reducing the total fees requested for Q3 2017. As noted in my November 29 email and my earlier letter, we would also like to receive a description of the steps you plan to take to reverse the current trend and control overall expenditures by the Receivership. Absent further discussions regarding concrete measures to rein in spending on behalf of the Receivership estate, we will have no alternative but to file a formal objection in connection with this fee request.

Please feel free to call or write to discuss how best to proceed.

Sincerely,

A handwritten signature in black ink, appearing to read 'John J. Bowers'. The signature is stylized with a large 'J' and 'B'.

John J. Bowers

cc: Alistaire Bambach
Alfred Tierney
James L. Buck

EXHIBIT B

Surety Agreement Business Purpose Credit

April 11, 2019

In consideration of credit heretofore or hereafter extended by Complete Business Solutions Group, Inc. ("CBSG"), a Delaware corporation having an office at 20 North Third Street, Philadelphia, PA 19016 to B AND T SUPPLIES, INC. DBA B AND T SUPPLY DBA BIGGEST BOOK.COM DBA B&T SUPPLIES, INC., and YANKY HOLDING SUPPLIES INC., each with an address at 123 Grove Avenue, Suite 208, Cedarhurst, NY 11516 (collectively, "Maker"), TZVI ODZER, an adult individual with a business address of 123 Grove Avenue, Suite 208, Cedarhurst, NY 11516 ("Undersigned" or "the Undersigned"), hereby irrevocably and unconditionally guaranties and becomes a surety to CBSG for the due and prompt payment and performance of all the Liabilities. The term "Liabilities" includes all liabilities of Maker to CBSG, whether now existing or hereafter incurred, matured or unmatured, direct or contingent, joint or several, whether created directly or acquired by assignment or otherwise, including all past and future advances or readvances, and any extensions, modifications or renewals thereof and substitutions therefor; all amounts advanced by CBSG on behalf of Maker; all late charges, penalties and other such fees under any agreement of Maker with CBSG; all liabilities (including Professional Fees and Costs, as hereinafter defined) incurred by CBSG arising from or related to any hazardous materials or dangerous environmental conditions at any real property owned or occupied by Maker; and all of CBSG's costs and expenses, incurred in connection with the enforcement and collection of the Liabilities, whether or not suit is instituted, and whether or not bankruptcy or insolvency proceedings have been instituted by or against Maker, including without limitation, reasonable fees and costs of attorneys, appraisers, accountants, consultants and other professionals ("Professional Fees and Costs"). If any Liabilities are not paid or performed by Maker when due, subject to any applicable grace period, Undersigned shall, upon CBSG's demand, immediately pay and perform such Liabilities or cause the same to be paid and performed.

The amount of the liability of Undersigned hereunder shall be unlimited.

The guaranty and surety contained herein is an absolute and unconditional, primary, direct, continuing and immediate guaranty of payment and not of collectability and shall be valid and binding upon Undersigned regardless of any invalidity, irregularity, defect or unenforceability of any provision of any document or instrument executed in connection with the Liabilities, or any other obligation or agreement of Maker or Undersigned. Undersigned hereby consents and agrees that CBSG may at any time or from time to time in CBSG's discretion and without notice to or further consent from Undersigned, who hereby agrees to be and remains bound upon this surety, notwithstanding any such action on CBSG's part: (i) extend, renew, modify, amend, supplement or waive any provisions of any documents or instruments executed in connection with any Liabilities or change the time of payment, and/or the manner, place or terms of payment of the Liabilities or any renewals, extensions or modifications thereof; (ii) settle or compromise the Liabilities with Maker or any other party; (iii) apply any sums by whomever paid or however realized to any Liabilities of Maker to CBSG regardless of the Liabilities of Maker remaining unpaid; (iv) exchange, release, sell or compromise any collateral securing the Liabilities; (v) exercise or refrain from exercising any rights against Maker or others, including Undersigned; (vi) release from liability to CBSG any guarantor or other obligor. CBSG may in its discretion act on any of the above all in such manner and upon such terms as CBSG may see fit.

The Undersigned hereby waives (i) promptness and diligence; (ii) notice of the incurrence of any Liabilities by Maker; (iii) notice of any actions taken by CBSG or Maker under any document or instrument executed in connection with the Liabilities or any other agreement or instrument relating thereto; (iv) notice of acceptance of this surety and of any action by CBSG in reliance thereon; (v) presentment, demand of payment, notice of dishonor or nonpayment, protest and notice of protest with respect to the Liabilities, and all other formalities of every kind in connection with

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the enforcement of the Liabilities or of the obligations of Undersigned hereunder, or of any other guarantor or other obligor, the omission of or delay in which, but for this provision might constitute grounds for relieving Undersigned of any obligations hereunder; (vi) any requirement that CBSG protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right or take any action against Maker, the Undersigned, or any other person or any collateral; (vii) notice of any election by CBSG to sell any of the property mortgaged, assigned or pledged as security for any of the Liabilities at a public or private sale.

SECURITY

The Undersigned grants to CBSG, as security for the full and prompt payment and performance of Undersigned's obligations hereunder, a security interest in all monies, securities or other property of the Undersigned and the proceeds thereof, now or hereafter in the possession or custody of, or in transit to, CBSG for any purpose including safekeeping, collection, pledge or otherwise, including, without limitation, all deposits (whether general or special) and credits now or hereafter maintained by Undersigned with CBSG and in any claims of Undersigned against CBSG, and CBSG may, at its option and without notice, set off toward the payment of any Liabilities, in such order as CBSG may determine, the balance of each such account with, and each claim against CBSG. CBSG is deemed to have exercised such right of set off and to have made a charge against any such account immediately upon the occurrence of a default in the payment or performance of the Liabilities even though such charge is subsequently made or entered by CBSG on its books. Undersigned hereby grants CBSG power of attorney to complete and file any such Uniform Commercial Code filings to perfect the security interest(s) set forth above.

REINSTATEMENT

The effectiveness of this surety shall continue or be reinstated, as the case may be, in the event that any payment received or credit given by CBSG is returned, disgorged or rescinded as an avoidable preference, impermissible setoff, fraudulent conveyance or otherwise under any applicable state or federal law, including laws pertaining to bankruptcy or insolvency, and this surety shall thereafter be enforceable against Undersigned as if such returned, disgorged or rescinded payment or credit had not been received or given by CBSG, and whether or not CBSG relied upon such payment or credit or changed its position as a consequence thereof.

WAIVER OF SUBROGATION

Undersigned waives any right of subrogation to the claims of CBSG against Maker, or any right of indemnification or contribution against any other person. If notwithstanding such waiver of subrogation, any amount shall be paid to Undersigned on account of such subrogation, indemnification or contribution at any time when all of the Liabilities and all other expenses guaranteed pursuant hereto shall not have been paid in full, such amount shall be held in trust for the benefit of CBSG, shall be segregated from the other funds of Undersigned and shall forthwith be paid over to CBSG to be applied in whole or in part by CBSG against the Liabilities, whether matured or unmatured.

TERMINATION

This surety shall be continuing and CBSG may continue to act in reliance hereon until the receipt by CBSG of prior written notice of revocation from Undersigned provided, however, that such notice shall not affect Undersigned's liabilities as surety of any Liabilities incurred or based on facts arising prior to receipt of such notice or Liabilities which were created after receipt of such notice pursuant to any contract entered into by CBSG prior to receipt of such notice.

CONFESSION OF JUDGMENT

UNDERSIGNED HEREBY IRREVOCABLY AUTHORIZES AND EMPOWERS CBSG, BY ANY AUTHORIZED OFFICER, EMPLOYEE OR AGENT, OR BY ITS ATTORNEY, OR BY THE PROTHONOTARY OR CLERK OF ANY COURT OF RECORD IN THE COMMONWEALTH OF PENNSYLVANIA OR ELSEWHERE WHERE PERMITTED BY LAW, UPON THE OCCURRENCE OF A DEFAULT, TO APPEAR FOR AND CONFESS JUDGMENT AGAINST UNDERSIGNED IN FAVOR OF CBSG IN ANY JURISDICTION IN WHICH UNDERSIGNED, OR ANY OF UNDERSIGNED'S PROPERTY IS LOCATED FOR THE AMOUNT OF ANY OR ALL OF THE LIABILITIES, TOGETHER WITH THE COSTS OF SUIT AND WITH ACTUAL COLLECTION COSTS, INCLUDING ATTORNEYS' FEES INCURRED BY CBSG, WITH OR WITHOUT DECLARATION, WITH RELEASE OF ALL ERRORS, WITHOUT STAY OF EXECUTION AND THE RIGHT TO ISSUE EXECUTION FORTHWITH, AND FOR DOING SO THIS AGREEMENT OR A COPY VERIFIED BY AFFIDAVIT SHALL BE A SUFFICIENT WARRANT. UNDERSIGNED HEREBY WAIVES AND RELEASES ALL RELIEF FROM ANY AND ALL APPRAISEMENT, STAY OR EXEMPTION LAW OF ANY STATE NOW IN FORCE OR HEREINAFTER ENACTED.

UNDERSIGNED ACKNOWLEDGES THAT BY AGREEING THAT CBSG MAY CONFESS JUDGMENT HEREUNDER, UNDERSIGNED WAIVES THE RIGHT TO NOTICE IN A PRIOR JUDICIAL PROCEEDING TO DETERMINE UNDERSIGNED'S RIGHTS AND LIABILITIES, AND UNDERSIGNED FURTHER ACKNOWLEDGES THAT CBSG MAY OBTAIN A JUDGMENT AGAINST UNDERSIGNED WITHOUT UNDERSIGNED'S PRIOR KNOWLEDGE OR CONSENT AND WITHOUT THE OPPORTUNITY TO RAISE ANY DEFENSE, SET OFF, COUNTERCLAIM OR OTHER CLAIM UNDERSIGNED MAY HAVE, AND UNDERSIGNED EXPRESSLY WAIVES SUCH RIGHTS AS AN EXPLICIT AND MATERIAL PART OF THE CONSIDERATION. THE FOREGOING POWER TO CONFESS JUDGMENT MAY BE EXERCISED AGAINST UNDERSIGNED AT ONE TIME OR AT DIFFERENT TIMES AS CBSG ELECTS UNTIL THE LIABILITIES ARE FULLY DISCHARGED.

INITIALS: ^
 Tzvi Odzer

MISCELLANEOUS

No failure or delay in exercising any right or remedy against Undersigned hereunder shall be deemed a waiver thereof nor preclude the exercise of any other right or remedy hereunder. No waiver of any breach of any provision of this surety shall be construed as a waiver of any subsequent breach of that provision or of any other provision.

All rights and remedies hereunder are cumulative and not alternative, and CBSG may proceed in any order against Maker, Undersigned, or any other guarantor or other obligor of Maker's indebtedness to CBSG. This surety embodies the whole agreement and understanding of the parties relative to the subject matter hereof. No modification of any provision hereof shall be enforceable unless in writing and executed by Undersigned and approved and acknowledged by CBSG. The invalidity of any portion of this surety does not affect the remaining portions, or any part thereof, and in the case of any such invalidity, this surety shall be construed as if such portion had not been inserted.

All terms, obligations and provisions hereof shall be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, without reference to conflict of laws principles.

Undersigned irrevocably waives the right to interpose any defense (other than payment), set-off or counterclaim of any nature or description in any and all disputes between any of them and CBSG whether under this surety or under any other agreement heretofore or hereafter executed.

Undersigned irrevocably agrees and consents to the exclusive jurisdiction of the Courts of Common Pleas for any county in Pennsylvania (regardless of whether CBSG has an office in any such county) and/or the United States District Court for the Eastern District of Pennsylvania in any and all disputes, actions or proceedings between CBSG and Undersigned, whether arising hereunder or under any other agreement or undertaking and irrevocably agrees to service of process by certified mail, return receipt requested, to them at the address listed in the records of CBSG and that service upon any of them shall constitute service upon all of them, each, hereby appointing the other(s) their attorney-in-fact for the purpose of service. However, CBSG is not precluded from bringing an action against Undersigned in any jurisdiction in the United States or elsewhere in which Undersigned or any of his property is located. Undersigned further agrees not to make any objection in any such action or proceeding that venue is improper or the forum is inconvenient.

WAIVER OF JURY TRIAL. THE UNDERSIGNED IRREVOCABLY WAIVES A JURY TRIAL AND ANY RIGHT TO A JURY TRIAL IN ANY ACTIONS OR PROCEEDINGS: (1) ARISING UNDER OR PURSUANT TO ANY AGREEMENT, DOCUMENT OR INSTRUMENT EXECUTED IN CONNECTION WITH OR RELATING TO THE LIABILITIES AND (2) IN ANY WAY ARISING OUT OF OR RELATED TO THE LIABILITIES, AND THE UNDERSIGNED AGREES THAT ANY SUCH ACTION OR PROCEEDING MAY BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

All notices required under this Surety Agreement shall be in writing and shall be given by either (i) hand delivery, (ii) first class mail (postage prepaid), (iii) reliable overnight commercial courier (charges prepaid), or (iv) telecopy or other means of electronic transmission, if confirmed promptly by any of the methods specified in clauses (i), (ii) and (iii) of this sentence and shall be sufficient, in the case of the Undersigned, if sent to the attention of the Undersigned at the address on the records of CBSG, and in the case of CBSG, if sent to the address and attention of the CBSG representative servicing Maker's account.

All of the terms and provisions of this surety inure to and are binding upon the heirs, executors, administrators, successors, representatives, receivers, trustees and assigns of Undersigned, provided that Undersigned shall not assign this agreement or any rights or obligations hereunder without the prior written consent of CBSG. All rights hereunder shall inure to the successors and assigns of CBSG.

IN WITNESS WHEREOF, Undersigned has executed this Surety Agreement as of the date stated above.

SURETY:

Tzvi Odzer

Tzvi Odzer a/k/a Steven Jacob Odzer

Witness/Attest:

[Signature]

State of New York

County of Kings

On this 10th day of April, in the year 2019 before me, the undersigned, a Notary Public in and for said State, personally appeared TZVI ODZER, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his/her capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Morris Isaac Sabbagh
Notary Public

My Commission Expires: 3/25/22

MORRIS ISAAC SABBAGH
Notary Public, State of New York
No. 01SA6071987
Qualified in Kings County
Commission Expires March 25, 2022

PROMISSORY NOTE

April 11, 2019

FOR VALUE RECEIVED, B AND T SUPPLIES, INC. DBA B AND T SUPPLY DBA BIGGEST BOOK.COM DBA B&T SUPPLIES, INC., and YANKY HOLDING SUPPLIES INC., each with an address at 123 Grove Avenue, Suite 208, Cedarhurst, NY 11516 (collectively, "Maker"), promise, jointly and severally, to pay to the order of Complete Business Solutions Group, Inc., a Delaware corporation ("CBSG"), at 20 North Third Street, Philadelphia, PA 19106, or at such other place as CBSG may designate in writing, **the amount of \$27,067,737.00**, or such greater or lesser amount as shall be shown on the records of CBSG (the "Balance"), on the terms and conditions described below.

1. **Payments.** Daily payments at an amount set by CBSG in CBSG's sole discretion shall be due each business day beginning April 11, 2019 and continuing until the Balance is paid in full. Such payments may, in CBSG's sole discretion, be made by direct-debit/ACH transfer of/from one or more of any of Maker's bank accounts by CBSG. If any such direct-debit/ACH transfer arrangements are made, Maker agrees to execute any and all necessary documentation permitting such arrangements.
2. **Security.** The security for the Balance is provided for via that certain surety agreement of even date with this Note (the "Surety Agreement") and via that certain Security Agreement of even date with this Note (the "Security Agreement").
3. **Events of Default.** Maker's failure to pay any amount due hereunder as and when due shall constitute an "Event of Default" under the Note.
4. **CBSG's Rights and Remedies after the Occurrence of an Event of Default.** After the occurrence of an Event of Default which has not been cured or remedied by Maker within the time period provided, if any, CBSG shall have the following rights and remedies which may be exercised singularly, concurrently and cumulatively, and upon as many occasions as required:
 - a. Immediately accelerate the unpaid balance of the Note;
 - b. Immediately exercise any right or remedy maintained by CBSG pursuant to the Note and/or the Surety Agreement, including but not limited to the right to confess judgment against Maker;
 - c. Immediately exercise any right or remedy of CBSG under the Security Agreement; and/or
 - d. Immediately exercise any right and remedy available to CBSG under law or in equity.
5. **Confession of Judgment.**

THE FOLLOWING PARAGRAPH SETS FORTH A WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST MAKER. IN GRANTING THIS WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST MAKER, MAKER KNOWINGLY, INTELLIGENTLY AND VOLUNTARILY, AND, ON THE ADVICE OF COUNSEL, UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS MAKER MAY HAVE TO PRIOR NOTICE AND AN OPPORTUNITY FOR HEARING UNDER THE RESPECTIVE CONSTITUTIONS AND LAWS OF THE UNITED STATES AND THE COMMONWEALTH OF PENNSYLVANIA.

AFTER THE OCCURRENCE OF ANY EVENT OF DEFAULT WHICH REMAINS UNCURED AFTER THE EXPIRATION OF ANY NOTICE AND CURE PERIOD, MAKER AUTHORIZES AND EMPOWERS ANY ATTORNEY OF ANY COURT OF RECORD OF PENNSYLVANIA OR ELSEWHERE TO APPEAR FOR AND CONFESS JUDGMENT AGAINST MAKER FOR ALL AMOUNTS DUE UNDER THE NOTE (THE "DEBT"), PLUS COSTS OF SUIT AND AN ATTORNEY'S COMMISSION EQUAL TO THE GREATER OF TWO PERCENT (2%) OF THE DEBT OR \$10,000.00 WITH OR WITHOUT DECLARATION OR STAY OF EXECUTION, AND WITH RELEASE OF ERRORS, FOR WHICH THE NOTE OR A COPY HEREOF SHALL SERVE AS A SUFFICIENT WARRANT. THIS POWER TO ENTER JUDGMENT BY CONFESSION SHALL NOT BE EXHAUSTED BY ANY EXERCISE AND SHALL CONTINUE UNTIL FULL PAYMENT OF ALL OF THE DEBT.

MAKER ACKNOWLEDGES AND AGREES THAT (A) THE FOREGOING WARRANT OF ATTORNEY TO CONFESS JUDGMENT IS BEING EXECUTED IN CONNECTION WITH A COMMERCIAL TRANSACTION, (B) CBSG'S CONFESSION OF JUDGMENT FOLLOWING AN EVENT OF DEFAULT AND IN ACCORDANCE WITH THE FOREGOING WARRANT OF ATTORNEY WOULD BE IN ACCORDANCE WITH MAKER'S REASONABLE EXPECTATIONS, AND (C) NO FIDUCIARY OR AGENCY RELATIONSHIP EXISTS BETWEEN MAKER AND CBSG, AND THUS, CBSG SHALL NOT HAVE ANY OF THE DUTIES SET FORTH IN 20 P.A.C.S.A. §5601.3(B) TO MAKER.

6. Waiver of Trial by Jury; Jurisdiction; Venue. Maker and CBSG agree that any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by Maker or CBSG or any successor or assign on or with respect to the Note or the Security Agreement, or which in any way relates, directly or indirectly, to the transaction evidenced by the Note or any event, transaction, or occurrence arising out of or in any way in connection with the transaction(s) contemplated by the Note, shall not be tried by a jury. MAKER AND CBSG HEREBY EXPRESSLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION, OR PROCEEDING. MAKER ACKNOWLEDGES AND AGREES THAT THIS SECTION 6 IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE.

For the purpose of any suit, action or proceeding arising out of or relating to the Note, Maker hereby irrevocably consents and submits to the jurisdiction and venue of the Court of Common Pleas of any county in Pennsylvania (regardless of whether CBSG has an office in any such county) and/or the United States District Court for the Eastern District of Pennsylvania. Maker irrevocably waives any objection which Maker may now or hereinafter have to the laying of the venue of any suit, action or proceeding brought in such court and any claim that such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. The provisions of this Section 6 shall not limit or otherwise affect the right of CBSG to institute and conduct action in any other appropriate manner, jurisdiction, venue, or court.

7. Costs and Attorneys' Fees. In any suit, action, or proceeding under the Note, in which CBSG is the prevailing party, Maker shall be responsible for the payment to CBSG of all costs, including without limitation, legal fees and expenses, incurred by CBSG in connection with such action.

8. Remedies Cumulative. The rights and remedies provided to CBSG under the Note are not exclusive and are in addition to any other rights and remedies CBSG may have at law or in equity; may be pursued, singly, successively or together against Maker; and may be exercised as often as occasion therefor shall allow.

9. Waivers. Maker waives presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note and any renewal(s) thereof (other than, with respect to the foregoing waivers,

those notices expressly required hereby, if any), all errors, defects and imperfections in any proceedings instituted by CBSG under the Note and any renewal(s) thereof, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy, or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment.

10. CBSG's Waivers. CBSG shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies under the Note, unless such waiver is in writing and signed by CBSG. Such a written waiver signed by CBSG shall waive CBSG's rights and remedies only to the extent specifically stated in such written waiver. A waiver as to one or more particular Events of Default as defined in the Note shall not be construed as continuing or as a bar to or waiver of any right or remedy as to another or subsequent Event of Default as defined in the Note.

11. Construction. The Note shall be construed and enforced in accordance with the laws (but not the law of conflict of laws), of the Commonwealth of Pennsylvania. The captions preceding the text of the paragraphs of the Note are inserted only for convenience of reference and shall not constitute a part of the Note, nor shall they in any way affect its meaning, construction or effect.

12. Severability. Any provision contained in the Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

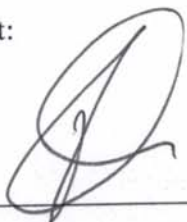
13. Successors and Assigns. The provisions of the Note shall be binding upon and inure to the benefit of Maker and CBSG and their respective successors and permitted assigns; provided, however, that Maker shall not be permitted to delegate any of its duties or obligations under the Note without the prior written consent of CBSG.

14. Commercial Purpose. Maker agrees, understands, and acknowledges that the transaction evidenced by the Note is a purely commercial transaction.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused the Note to be duly executed as of the day and year first above written.

B AND T SUPPLIES, INC. DBA B AND T SUPPLY DBA BIGGEST BOOK.COM DBA B&T SUPPLIES, INC.

Attest:




By: ST-d

Its: President

YANKY HOLDING SUPPLIES INC.

Attest:



By: ST-d

Its: President

State of New York

County of Kings

On the 10th day of April in the year 2019 before me personally came TZUS ODER to me known, who, being by me duly sworn, did depose and say that he/she resides at 90 Neptune Avenue Woodbury NY 11791 (street address); that he/she is the President (title) of B AND T SUPPLIES, INC. DBA B AND T SUPPLY DBA BIGGEST BOOK.COM DBA B&T SUPPLIES, INC., the corporation described in and which executed the above instrument; and that he/she signed his/her name thereto by authority of the board of directors of said corporation.

Morris Isaac Sabbagh
Notary Public

My Commission Expires: 3/25/22

MORRIS ISAAC SABBAGH
Notary Public, State of New York
No. 01SA6071987
Qualified in Kings County
Commission Expires March 25, 2022

State of New York
County of Kings

On the 10th day of April in the year 2015 before me personally came T201 ORDER to me known, who, being by me duly sworn, did depose and say that he/she resides at 90 Neptune Ave Woodmere NY 11568 (street address); that he/she is the _____ (title) of YANKY HOLDING SUPPLIES INC., the corporation described in and which executed the above instrument; and that he/she signed his/her name thereto by authority of the board of directors of said corporation.

Morris Isaac Sabbagh
Notary Public

My Commission Expires: 3/25/22

MORRIS ISAAC SABBAGH
Notary Public, State of New York
No. 01SA6071987
Qualified in Kings County
Commission Expires March 25, 2022

DISCLOSURE FOR CONFESSION OF JUDGMENT

AFFIANTS: B AND T SUPPLIES, INC. DBA B AND T SUPPLY DBA BIGGEST BOOK.COM DBA B&T SUPPLIES, INC., and YANKY HOLDING SUPPLIES INC.

OBLIGEE: Complete Business Solutions Group, Inc.

The undersigned Affiants have executed, and/or are executing, on even date herewith, the following instrument:

--Promissory Note dated as of April 11, 2019

A. EACH OF THE AFFIANTS ACKNOWLEDGES AND AGREES THAT THE ABOVE DOCUMENT CONTAINS PROVISIONS UNDER WHICH OBLIGEE MAY ENTER JUDGMENT BY CONFESSION AGAINST AFFIANTS. BEING FULLY AWARE OF THE AFFIANTS' RIGHTS TO PRIOR NOTICE AND A HEARING ON THE VALIDITY OF ANY JUDGMENT OR OTHER CLAIMS THAT MAY BE ASSERTED AGAINST THE AFFIANTS BY OBLIGEE THEREUNDER BEFORE JUDGMENT IS ENTERED, THE UNDERSIGNED HEREBY FREELY, KNOWINGLY, AND INTELLIGENTLY WAIVE THESE RIGHTS AND EXPRESSLY AGREE AND CONSENT TO OBLIGEE'S ENTERING JUDGMENT AGAINST THE AFFIANTS BY CONFESSION PURSUANT TO THE TERMS THEREOF.

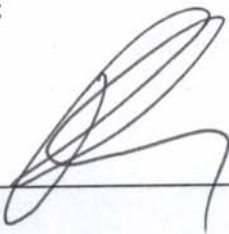
B. THE UNDERSIGNED ALSO ACKNOWLEDGE AND AGREE THAT THE ABOVE DOCUMENT CONTAINS PROVISIONS UNDER WHICH OBLIGEE MAY, AFTER ENTRY OF JUDGMENT AND WITHOUT EITHER NOTICE OR A HEARING, FORECLOSE UPON, ATTACH, LEVY, OR OTHERWISE SEIZE PROPERTY OR PROCEED AGAINST THE INTERESTS OF THE AFFIANTS IN PROPERTY (REAL OR PERSONAL) IN FULL OR PARTIAL PAYMENT OR SATISFACTION OF THE JUDGMENT OR JUDGMENTS. BEING FULLY AWARE OF THE AFFIANTS' RIGHTS AFTER JUDGMENT IS ENTERED (INCLUDING THE RIGHT TO MOVE TO OPEN OR STRIKE THE JUDGMENT OR JUDGMENTS), THE UNDERSIGNED HEREBY FREELY, KNOWINGLY AND INTELLIGENTLY WAIVE THESE RIGHTS AND EXPRESSLY AGREE AND CONSENT TO OBLIGEE'S TAKING SUCH ACTIONS AS MAY BE PERMITTED UNDER APPLICABLE STATE AND FEDERAL LAW WITHOUT PRIOR NOTICE TO THE AFFIANTS.

C.. The Affiants hereby certify that the financial accommodations being provided by the Obligee are for a business purpose, and not for personal, family or household use.

D. The statements made in this Disclosure for Confession of Judgment are made subject to the penalties of 18 Pa.C.S.A. § 4904 relating to unsworn falsification to authorities, and as of April 11, 2019.

B AND T SUPPLIES, INC. DBA B AND T SUPPLY DBA
BIGGEST BOOK.COM DBA B&T SUPPLIES, INC.

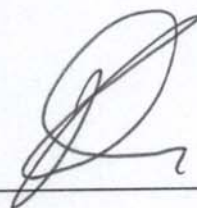
Attest:



By: J T = al
Its: President

YANKY HOLDING SUPPLIES INC.

Attest:



By: J T = al
Its: President

DISCLOSURE FOR CONFESSION OF JUDGMENT

AFFIANT: TZVI ODZER

OBLIGEE: Complete Business Solutions Group, Inc.

The undersigned Affiant has executed, and/or is executing, on even date herewith, the following instrument:

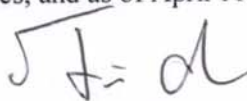
--Surety Agreement dated as of April 11, 2019

A. AFFIANT ACKNOWLEDGES AND AGREES THAT THE ABOVE DOCUMENT CONTAINS PROVISIONS UNDER WHICH OBLIGEE MAY ENTER JUDGMENT BY CONFESSION AGAINST AFFIANT. BEING FULLY AWARE OF THE AFFIANT'S RIGHTS TO PRIOR NOTICE AND A HEARING ON THE VALIDITY OF ANY JUDGMENT OR OTHER CLAIMS THAT MAY BE ASSERTED AGAINST THE AFFIANT BY OBLIGEE THEREUNDER BEFORE JUDGMENT IS ENTERED, THE UNDERSIGNED HEREBY FREELY, KNOWINGLY, AND INTELLIGENTLY WAIVES THESE RIGHTS AND EXPRESSLY AGREES AND CONSENTS TO OBLIGEE'S ENTERING JUDGMENT AGAINST THE AFFIANT BY CONFESSION PURSUANT TO THE TERMS THEREOF.

B. THE UNDERSIGNED ALSO ACKNOWLEDGE AND AGREE THAT THE ABOVE DOCUMENT CONTAINS PROVISIONS UNDER WHICH OBLIGEE MAY, AFTER ENTRY OF JUDGMENT AND WITHOUT EITHER NOTICE OR A HEARING, FORECLOSE UPON, ATTACH, LEVY, OR OTHERWISE SEIZE PROPERTY OR PROCEED AGAINST THE INTERESTS OF THE AFFIANT IN PROPERTY (REAL OR PERSONAL) IN FULL OR PARTIAL PAYMENT OR SATISFACTION OF THE JUDGMENT OR JUDGMENTS. BEING FULLY AWARE OF THE AFFIANT'S RIGHTS AFTER JUDGMENT IS ENTERED (INCLUDING THE RIGHT TO MOVE TO OPEN OR STRIKE THE JUDGMENT OR JUDGMENTS), THE UNDERSIGNED HEREBY FREELY, KNOWINGLY AND INTELLIGENTLY WAIVES THESE RIGHTS AND EXPRESSLY AGREES AND CONSENTS TO OBLIGEE'S TAKING SUCH ACTIONS AS MAY BE PERMITTED UNDER APPLICABLE STATE AND FEDERAL LAW WITHOUT PRIOR NOTICE TO THE AFFIANT.

C.. The Affiant hereby certifies that the financial accommodations being provided by the Obligee are for a business purpose, and not for personal, family or household use.

D. The statements made in this Disclosure for Confession of Judgment are made subject to the penalties of 18 Pa.C.S.A. § 4904 relating to unsworn falsification to authorities, and as of April 11, 2019.



TZVI ODZER

SECURITY AGREEMENT

April 11, 2019

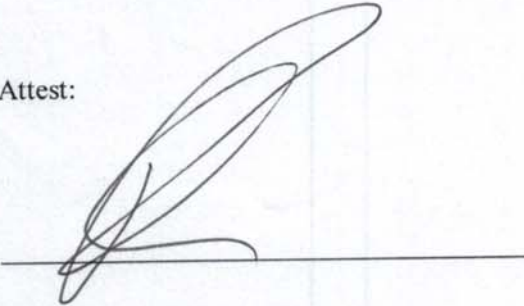
THIS SECURITY AGREEMENT is entered into by and between B AND T SUPPLIES, INC. DBA B AND T SUPPLY DBA BIGGEST BOOK.COM DBA B&T SUPPLIES, INC., and YANKY HOLDING SUPPLIES INC., each with an address at 123 Grove Avenue, Suite 208, Cedarhurst, NY 11516 (collectively, "Maker"), TZVI ODZER ("Surety") and Complete Business Solutions Group, Inc., a Delaware corporation ("CBSG"), with an address of 20 North Third Street, Philadelphia, PA 19106, and entered into in connection with that certain Promissory Note and Surety Agreement of even date with Maker.

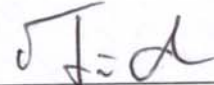
Notwithstanding any contrary provision(s) of the Promissory Note and/or Surety Agreement, Maker and Surety agree to provide to CBSG a security interest(s) in any and all assets/personalty of any sort (including but not limited to equipment, inventory, contract rights, chattel paper, general intangibles, insurance proceeds, and any and all profits and proceeds of any of the foregoing), and agree that CBSG is granted power of attorney by Maker and/or Surety to file one or more Uniform Commercial Code filings to perfect CBSG's security interest(s). Any such Uniform Commercial Code filings shall be filed at the sole discretion of CBSG.

Intending to be legally bound, witness the parties' signatures below.

B AND T SUPPLIES, INC. DBA B AND T SUPPLY DBA
BIGGEST BOOK.COM DBA B&T SUPPLIES, INC.

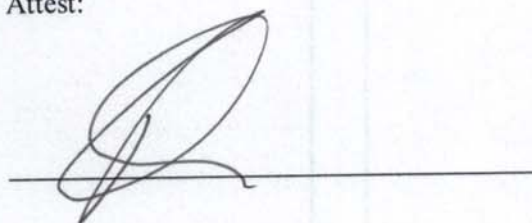
Attest:




By: 
Its: President

YANKY HOLDING SUPPLIES INC.

Attest:



By: 
Its: President

TZVI ODZER

COMPLETE BUSINESS SOLUTIONS GROUP, INC.

By: _____
Its: _____

Attest:

State of New York
County of Kings

On the 10th day of April in the year 2015 before me personally came TZU-ODZER to me known, who, being by me duly sworn, did depose and say that he/she resides at 90 Neptune Ave, Woodmere NY 11598 (street address); that he/she is the (title) of B AND T SUPPLIES, INC. DBA B AND T SUPPLY DBA BIGGEST BOOK.COM DBA B&T SUPPLIES, INC., the corporation described in and which executed the above instrument; and that he/she signed his/her name thereto by authority of the board of directors of said corporation.

Morris Isaac Sabbagh
Notary Public

My Commission Expires: 3/25/22

MORRIS ISAAC SABBAGH
Notary Public, State of New York
No. 01SA6071987
Qualified in Kings County
Commission Expires March 25, 2022

State of New York
County of Kings

On the 15th day of April in the year 2015 before me personally came TZU-ODZER to me known, who, being by me duly sworn, did depose and say that he/she resides at 90 Neptune Ave Woodmere NY 11598 (street address); that he/she is the President (title) of YANKY HOLDING SUPPLIES INC., the corporation described in and which executed the above instrument; and that he/she signed his/her name thereto by authority of the board of directors of said corporation.

Morris Isaac Sabbagh
Notary Public

My Commission Expires: 3/25/22

MORRIS ISAAC SABBAGH
Notary Public, State of New York
No. 01SA6071987
Qualified in Kings County
Commission Expires March 25, 2022