

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

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

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

Defendants.

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**RECEIVER, RYAN K. STUMPHAUZER’S RESPONSE IN OPPOSITION  
TO DEFENDANT JOSEPH LAFORTE’S MOTION TO PREVENT  
RECEIVER FROM SELLING VEHICLES AND WATERCRAFT**

Ryan K. Stumphauzer, Esq., Court-Appointed Receiver (“Receiver”) of the Receivership Entities,<sup>1</sup> by and through his undersigned counsel, hereby files this Response in Opposition to

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<sup>1</sup> The “Receivership Entities” are Complete Business Solutions Group, Inc. d/b/a Par Funding (“Par Funding”); Full Spectrum Processing, Inc. (“Full Spectrum”); ABetterFinancialPlan.com LLC d/b/a A Better Financial Plan; ABFP Management Company, LLC f/k/a Pillar Life Settlement Management Company, LLC; ABFP Income Fund, LLC; ABFP Income Fund 2, L.P.; United Fidelis Group Corp.; Fidelis Financial Planning LLC; Retirement Evolution Group, LLC; RE Income Fund LLC; RE Income Fund 2 LLC; ABFP Income Fund 3, LLC; ABFP Income Fund 4, LLC; ABFP Income Fund 6, LLC; ABFP Income Fund Parallel LLC; ABFP Income Fund 2 Parallel; ABFP Income Fund 3 Parallel; ABFP Income Fund 4 Parallel; ABFP Income Fund 6 Parallel; ABFP Multi-Strategy Investment Fund LP; ABFP Multi-Strategy Investment Fund 2 LP; MK Corporate Debt Investment Company LLC; Capital Source 2000, Inc.; Fast Advance Funding LLC; Beta Abigail, LLC; New Field Ventures, LLC; Heritage Business Consulting, Inc.; Eagle Six Consultants, Inc.; 20 N. 3rd St. Ltd.; 118 Olive PA LLC; 135-137 N. 3rd St. LLC; 205 B Arch St Management LLC; 242 S. 21st St. LLC; 300 Market St. LLC; 627-629 E. Girard LLC; 715 Sansom St. LLC; 803 S. 4th St. LLC; 861 N. 3rd St. LLC; 915-917 S. 11th LLC; 1250 N. 25th St. LLC; 1427 Melon St. LLC; 1530 Christian St. LLC; 1635 East Passyunk LLC; 1932 Spruce St. LLC; 4633 Walnut St. LLC; 1223 N. 25th St. LLC; Liberty Eighth Avenue LLC; The LME 2017 Family Trust; Blue Valley Holdings, LLC; LWP North LLC; 500 Fairmount Avenue, LLC; Recruiting and Marketing Resources, Inc.; Contract Financing Solutions, Inc.; Stone Harbor Processing LLC; and LM Property Management LLC; and the Receivership also includes the

Defendant Joseph LaForte’s (“Laforte”) Motion to Prevent Receiver from Selling Vehicles and Watercraft [ECF No. 632] (the “Motion”), and states as follows:

**I. The Receivership Order provides the Receiver with the right to sell the Vehicles and Watercraft.**

Paragraph 37 of the Receivership Order provides the Receiver with the authority to sell the Vehicles and Watercraft:<sup>2</sup>

The Receiver may, *without further Order of this Court*, transfer, compromise, or otherwise dispose of *any Receivership Property, other than real estate*, in the *ordinary course of business*, on terms and in the manner the Receiver deems most beneficial to the Receivership Estate, and with due regard to the realization of the true and proper value of such Receivership Property.

Receivership Order, ECF No. 141, ¶ 37 (emphasis added). Without any authority—other than a passing reference to a dictionary—LaForte suggests that this language does not empower the Receiver to sell this Receivership Property “by simple notice.” (Motion at 1.) He is wrong. In fact, the Receiver is not required to provide any notice at all before selling these assets.

Moreover, LaForte’s argument is not supported by the actual language of the Receivership Order, and otherwise ignores the Receiver’s responsibilities to the Court and the investors who are owed hundreds of millions of dollars from Par Funding. Although not explicitly defined in the Receivership Order, the term “ordinary course of business” necessarily refers to the ordinary course of business of the Receiver in his administration of the Receivership Estate.

This Court is not the first one to be presented with a question over the meaning of the term “ordinary course of business” in the context of a receivership. The term does not, as suggested by LaForte, refer to the ordinary course of the pre-receivership operations of the companies now

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properties located at 568 Ferndale Lane, Haverford PA 19041; 105 Rebecca Court, Paupack, PA 18451; 107 Quayside Dr., Jupiter FL 33477; 2413 Roma Drive, Philadelphia, PA 19145.

<sup>2</sup> “Vehicles and Watercraft” refer to those terms as defined in the Receiver’s Notice of Intent to Sell Watercraft and Vehicles, ECF No. 622 (the “Notice”).

included within the Receivership Estate. Rather, it refers to all of the activities that the Receiver might decide to engage in “to fulfill the mission of the receivership.” *See In re Grace Manor Health Care Facility, Inc.*, 09-11456 B, 2012 WL 1021036, at \*2 (Bankr. W.D.N.Y. Mar. 9, 2012) (“At the time of the challenged transactions, however, a receiver appointed under state law was managing the affairs of the debtor. From the perspective of both buyer and seller, a receivership will fundamentally change the meaning of ordinary course. . . . At the time of the challenged transfers, the debtor's ordinary course of business had become the course of conduct that was reasonably needed to fulfill the mission of the receivership.”). Maximizing the value of the Receivership Estate, including by selling Receivership Property that will necessarily depreciate in value, is unquestionably part of “the mission of the receivership.” *Id.*

To that point, the Receivership Order also uses the term “ordinary course” in paragraph 7(D), in authorizing the Receiver to “mak[e] payments and disbursements and incu[r] expenses as may be necessary or advisable in the *ordinary course of business in discharging his duties as Receiver.*” Receivership Order, ¶ 7(D) (emphasis added). Similarly, in Paragraph 56 of the Receivership Order, the Receiver is authorized, without obtaining Court approval, to disburse “Receivership Funds for expenses in the *ordinary course* of the *administration and operation of the receivership.*” *Id.*, ¶ 56 (emphasis added). These other references to the term “ordinary course” make clear that the Receivership Order, in using that phrase, is referring to any action the Receiver may take during the “administration and operation of the receivership” in “discharging his duties as Receiver.” *Id.* at ¶¶ 7(D) and 56. Thus, the Court should reject LaForte’s suggestion that the Receiver may only sell assets if the Receivership Entities would have ordinarily engaged in those sorts of sales prior to the establishment of the receivership.

Additionally, the Receivership Order's reference to "Receivership Property, *other than real estate*" is helpful in understanding the meaning of the phrase "ordinary course of business." *Id.* Paragraphs 38 and 39 of the Receivership Order establish the Receiver's authority to sell real estate that is included within the Receivership Estate. Although the Receiver has the authority to sell all such real estate, he must do so through a public sale or private sale that complies with the procedures set forth in 28 U.S.C. §§ 2001 and 2004, and must also obtain an order from the Court establishing the specific procedures through which the sale will occur. *Id.* ¶¶ 38-39.

Neither selling real estate nor selling vehicles and boats was part of the Receivership Entities' everyday business activities prior to the establishment of this receivership. Most people would agree that selling real estate is a more significant transaction than selling an automobile or a boat. But there is no reference to the term "ordinary course" in the paragraphs of the Receivership Order authorizing the Receiver to sell real property. Rather, the Receivership Order clearly granted the Receiver the right to sell real estate within the Receivership Estate, regardless of the fact that selling real estate was not the core business of any of the Receivership Entities prior to the establishment of the receivership. The Receivership Order merely requires the Receiver to follow certain statutory and court-approved procedures when doing so. There should not be, and indeed is not, a stricter standard under the Receivership Order for the sale of real estate than there is for the sale of automobiles and boats.

In sum, reference to the term "ordinary course" in the context of selling Receivership Property "other than real estate" simply means that the Receiver may sell such property as he "deems most beneficial to the Receivership Estate," and he need not obtain a Court order or follow any particular statutory procedures in doing so. *Id.* ¶ 37. The Receiver must simply conduct such sales "with due regard to the realization of the true and proper value of such Receivership

Property.” *Id.*<sup>3</sup> It is also notable that the Receivership Order does not refer to any procedure for filing a motion, providing notice, or satisfying any other precondition before the Receiver may sell Receivership Property “other than real estate.” That is because the Receiver is authorized to sell all property belonging to the Receivership Entities, other than real estate, in the “ordinary course” of carrying out his duties as Receiver and administering the receivership. LaForte’s strained interpretation of this provision of the Receivership Order must be rejected.

**II. The Receiver intends to sell the Vehicles and Watercraft because of anticipated depreciation and initially sought their inclusion due to concerns of dissipation.**

As explained in the Notice, the Receiver was not required to provide notice of his intention to sell the Vehicles and Watercraft. He simply did so for the purpose of providing notice to potential purchasers of these assets that the Receiver was authorized to sell the Watercraft and the Vehicles free and clear of any and all liens, claims, interests and encumbrances. LaForte has taken this Notice as an opportunity to challenge the Receiver’s actions. As described in the prior section, however, he has no basis to do so. Even so, a few of LaForte’s arguments require clarification and a brief response.

LaForte argues that the minimal storage and maintenance costs the Receiver will incur between now and resolution of the SEC’s claims against him do not justify the Receiver’s decision

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<sup>3</sup> In another SEC enforcement action where the district court appointed a Receiver, the Receivership Order specifically provided that “a transaction outside of the ordinary course of business” would be defined as one that involved “the expenditure of Receivership cash in excess of \$3 million, or the disposition of the Receivership Estate’s interest in Receivership Property in exchange for cash or property of value in excess of \$3 million.” *See Sec. & Exch. Comm’n v. Platinum Mgmt. (NY) LLC*, 16CV6848DLIVMS, 2017 WL 10507414, at \*6 (E.D.N.Y. Oct. 16, 2017). In other words, the term “ordinary course of business” did not refer to the type of activities that the Receivership Entities previously conducted prior to the establishment of the receivership, but rather whether the value of the transaction exceeded a large threshold. There is no similar monetary threshold in the Receivership Order here.

to sell the Vehicles and Watercraft. The Receiver agrees. It is not the storage and maintenance costs, but rather the depreciation that each of these assets will incur, that initially drove the Receiver's decision to sell the Vehicles and Watercraft. These assets—which were purchased with commingled investor funds—will necessarily go down in value. By contrast, the income-producing real estate that the Court included within the Receivership Estate (*see* ECF No. 436) is generating positive cash flow and, subject to market factors and fluctuation, not currently expected to go down in value. To the contrary, this real estate has likely appreciated since the time of McElhone and LaForte's initial acquisition of these rental properties.

LaForte also refers to a statement in the Receiver's Motion to Expand (ECF No. 513), which explained that one of the reasons for expanding the receivership over these assets was “to preserve these assets as part of the Receivership Estate.” Motion, p.2. That is absolutely accurate; but LaForte is misconstruing the Receiver's words. By “preserving these assets as part of the Receivership Estate,” the Receiver was referring to avoiding a situation where LaForte or the other Defendants might dissipate and sell off assets that rightfully belong within the Receivership Estate. As discussed in prior filings, the Receiver has had concerns about the actions of LaForte, Lisa McElhone, and others in selling off assets that are or otherwise should be included as part of the Receivership Estate. (*See, e.g.*, ECF No. 557 (describing Receiver's concerns involving sale of property located at 4309 Old Decatur Road, given that the Receiver placed the Defendants on notice of the Receiver's intention to expand the receivership over that property prior to the sale).)

LaForte's criticism that the Receiver “lost valuable vans and equipment” further underscores the Receiver's concerns over the possible dissipation of assets. To be clear, the Receiver did not “lose” any vans or equipment. LM Property Management LLC (“LMPM”), an entity that McElhone and LaForte created, controlled, and utilized for maintaining their various

rental properties, was included as part of the Receivership Estate in an Order dated May 5, 2021. (ECF No. 579.) The Receivership Order, which became applicable to LMPM by virtue of that entity's inclusion as one of the Receivership Entities, requires "[a]ll persons and entities having control, custody or possession of any Receivership Property . . . to turn such property over to the Receiver." (ECF No. 141, ¶ 15.) Thus, McElhone and LaForte, as the individuals who controlled LMPM, were required to ensure that all property owned by LMPM was promptly turned over to the Receiver. They failed to do so.

Rather, on May 7, 2021, two days after the receivership was expanded over LMPM, the Receiver's counsel had a phone call with LaForte's counsel to discuss an orderly transfer of the bank accounts and other assets of LMPM to the Receiver. Although the funds in the LMPM bank account were transferred to the Receiver, neither LaForte nor McElhone disclosed to the Receiver (at that time, or anytime previously) that LMPM owned two vehicles or otherwise ensured that these assets would be turned over to the Receiver.

After that conversation, the Receiver independently learned about these two vehicles and requested additional information from counsel for LaForte and McElhone. Other than suggesting that former employees of the companies that maintained the rental properties were previously in possession of the vehicles, LaForte and McElhone claimed not to "have information regarding the whereabouts of the vehicles." After LaForte and McElhone declined to respond to the Receiver's request for the names of these "former employees," the Receiver subsequently made contact with the individual who was in possession of the vehicles (who was not an LMPM employee, but rather owns his own maintenance company) and has located those vehicles.

Thus, the Receiver did not "lose" these vehicles. Rather, McElhone and LaForte did not comply with their obligations under the Receivership Order to turn over these assets to the

Receiver and refrain from interfering with the Receiver's efforts in taking possession of this Receivership Property. As a result, the Receiver has once again been required to expend significantly more time and effort than should have been necessary in carrying out his duties under the Receivership Order.<sup>4</sup>

**III. Conclusion**

The Receiver respectfully requests that the Court deny the Motion.

Dated: July 9, 2021

Respectfully Submitted,

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<sup>4</sup> The Receiver declines to respond to LaForte's other criticisms of the Receiver's collection efforts and overall administration of the Receivership Estate.



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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on July 9, 2021, I electronically filed the foregoing document with the clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on counsel of record via transmission of Notices of Electronic Filing generated by CM/ECF.

/s/ Timothy A. Kolaya  
TIMOTHY A. KOLAYA